

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

**Controlling officer:** the Director of Government Logistics will account for expenditure under this Head.

**Estimate 2005–06**..... **\$463.0m**

**Establishment ceiling 2005–06** (notional annual mid-point salary value) representing an estimated 764 non-directorate posts as at 31 March 2005 reducing by 43 posts to 721 posts as at 31 March 2006 ..... **\$171.2m**

In addition, there will be an estimated seven directorate posts as at 31 March 2005 and as at 31 March 2006.

### Controlling Officer's Report

#### Programmes

<b>Programme (1) Procurement</b> <b>Programme (2) Supplies Management</b> <b>Programme (3) Land Transport</b> <b>Programme (4) Printing Services</b>	These programmes contribute to Policy Area 27: Intra-Governmental Services (Secretary for Financial Services and the Treasury).
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#### Detail

##### Programme (1): Procurement

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	51.3#	48.4	48.9 (+1.0%)	49.5 (+1.2%)
				(or +2.3% on 2004–05 Original)

# For comparison purpose, the figure includes relevant provision attributable to the “Procurement” programme under former Head 58—Government Supplies Department during April to June 2003, prior to transfer of the programme to Head 59 with effect from 1 July 2003.

#### Aim

- 2 The aim is to purchase for government departments goods and services that represent best value for money.

#### Brief Description

3 The main activities under this programme include the formulation of tendering strategies, the preparation of tender documents, the calling of tenders, the evaluation of tenders in conjunction with user departments, the award of contracts and the monitoring of contractors' performance. Other activities include enlisting of suppliers, market research to identify new sources of supply and, where appropriate, negotiations with suppliers to obtain better prices and terms for the Government.

- 4 The Department achieved its targets in 2004 and expects to meet its targets in 2005.
- 5 The savings achieved in 2004 through price negotiations amounted to \$62.0 million.
- 6 The key performance measures in respect of procurement are:

#### Targets

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%).....	93	100	100	93
processing and referral of tenders received to users for evaluation within four working days (%).....	95	100	100	95
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%).....	93	99	98	93

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

### Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
value of contracts (\$m) .....	7,345.7	4,811.4	4,900.0
contracts handled .....	1 499	1 199	950
price trend indicators			
overall price change in purchases (%) .....	-17.0	-7.2	—
Consumer Price Index (B) (%) .....	-2.7	-0.5	—

### Matters Requiring Special Attention in 2005–06

7 During 2005–06, the Department will continue with its strategic approach to purchasing in order to improve the overall value, quality and reliability of goods and services supplied.

### Programme (2): Supplies Management

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	94.9#	119.1	86.2 (-27.6%)	85.7 (-0.6%)
				(or -28.0% on 2004–05 Original)

# For comparison purpose, the figure includes relevant provision attributable to the “Storage and Distribution” and “Services to Other Departments” programmes under former Head 58—Government Supplies Department during April to June 2003, prior to re-classification of the programmes under Head 59 with effect from 1 July 2003.

### Aim

8 The aim is to supply common-user items required by government departments through allocated term contracts whereby the items will be delivered by suppliers directly to the user departments on an as and when required basis; to supply essential and emergency items to government departments in a cost-effective manner; and to assist other government departments to manage their supplies effectively.

### Brief Description

9 The Department is responsible for arranging and monitoring the allocated term contracts and the draw off rates for common-user items by government departments.

10 The Department is also responsible for maintaining, storing and distributing essential and emergency items to users, and inspecting the goods upon delivery by suppliers.

11 The Department supplies additional and replacement items of quarters furniture for all grades of quarters and maintains furniture inventories for quarters of grade ‘G’ and above. It also provides various miscellaneous services, such as the disposal of confiscated, unserviceable, technically obsolete and unclaimed stores and the transportation and safe custody of civil servants’ personal effects in accordance with Civil Service Regulations.

12 The Department provides storage space to government departments.

13 The Department achieved its targets in 2004 and expects to meet its targets in 2005.

14 The key performance measures in respect of supplies management are:

### Targets

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
stock turn-over rate for essential and emergency items (the no. of times the stock is flowed through in a year) .....	0.5	N.A.@	1.3	0.5
response within seven working days to requests in connection with quarters furniture (excluding orders where delivery is requested on a date more than seven working days ahead) (%) .....	93	100	100	93

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
completion of inspection of delivered goods within seven working days (%) ....	85	93	94	85
sale of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%).....	95	99	100	95

@ Not applicable as this is a new target as from 2004.

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
value of purchase of general stores			
common-user items (\$m) .....	206.4	52.7	0.7#
essential and emergency items (\$m) .....	31.0	12.5	5.0
average stockholding of essential and emergency items (\$m) .....	N.A.§	10.1	10.0
quarters serviced .....	24 099	24 099	24 019

# Common-user items are being phased out from the unallocated stores.

§ Not applicable as this is a new indicator as from 2004.

### *Matters Requiring Special Attention in 2005–06*

15 During 2005–06, the Department will continue to:

- arrange allocated term contracts for the supply of common-user items so that user departments can place their orders with suppliers for direct delivery as and when required and to monitor the draw off rates by user departments;
- explore ways of further improving supply, storage and distribution operations having regard to practices in the private sector;
- provide storage space to government departments in need; and
- review the specifications for common-user items to promote the purchase of environmentally-friendly products while ensuring value for money of supplies.

### **Programme (3): Land Transport**

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	148.6#	135.9	130.7 (–3.8%)	129.0 (–1.3%)

(or –5.1% on  
2004–05 Original)

# For comparison purpose, the figure includes relevant provision attributable to the “Transport Consultancy and Procurement” and “Transport Operation Services” programmes under former Head 50—Government Land Transport Agency during April to June 2003, prior to re-classification of the programmes under Head 59 with effect from 1 July 2003.

### *Aim*

16 The aim is to procure vehicles to meet operational needs of government departments at best value for money and to provide government departments with transport management advice and supporting services.

### *Brief Description*

17 The Department renders advice to government departments on the efficient operation and management of their vehicle fleets. It vets requests for additional and replacement vehicles to ensure they are justified for procurement. The Department procures vehicles, other than certain types of specialised vehicles, for all government departments and manages funding through a block vote.

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

18 To enhance environmental performance, the Department implements green measures in the government vehicle fleet, including the replacement of diesel light buses progressively with those driven by liquefied petroleum gas.

19 The Department operates a transport pool which supplements departmental fleets and provides transport services to government departments without departmental vehicles. It also arranges contract hiring of commercial vehicles to provide services that are not available within the Government, or to cope with seasonal peak demand or short-term transportation needs which do not justify provision of additional vehicles.

20 The Department is responsible for ensuring that government drivers maintain a high standard of driving and road safety through training and testing.

21 The key performance measures in respect of land transport are:

### *Targets*

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
transport pool resources utilisation				
drivers tasked daily (%).....	88	78	94	88
pool vehicles utilised daily (%).....	86	74	81	86

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
vehicles procured			
additional .....	18	20	0
replacement.....	446	484	612
blameworthy accidents per 1 000 000 km.....	0.9	0.9	0.9
officers who have attended driving related training courses			
during the year.....	990	959	865
trainees on driving courses.....	228	201	151

### *Matters Requiring Special Attention in 2005–06*

22 During 2005–06, the Department will continue to:

- monitor the transport needs of government departments with a view to containing the size of government fleet and identifying savings opportunities;
- explore the feasibility of introducing low emission vehicles in the government fleet; and
- improve the cost-effectiveness of the pool transport services.

### **Programme (4): Printing Services**

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	177.8#	208.0	201.2 (–3.3%)	198.8 (–1.2%)

(or –4.4% on  
2004–05 Original)

# For comparison purpose, the figure includes relevant provision attributable to the “Printing Services” programme under former Head 130—Printing Department during April to June 2003, prior to transfer of the programme under Head 59 with effect from 1 July 2003.

### *Aim*

23 The aim is to provide cost-effective printing services to government departments.

### *Brief Description*

24 The Department produces a wide range of printed materials, including publications, government forms and paper stationery. The Department also advises government departments on all matters related to printing, including the use and purchase of printing equipment and accessories.

25 The Department achieved its targets in 2004 and expects to meet its targets in 2005.

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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26 The key performance measures in respect of printing services are:

### *Targets*

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
print and deliver printing requirements within an agreed schedule (%).....	98	99	98	98
provide written technical advice on printing within seven working days (%)@ .....	98	100	100	98

@ Improved target from ten working days to seven working days as from 2005.

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
use of available production capacity (%).....	86	86	86
share of security printing work (as a proportion of total sales value) (%).....	N.A. §	13	12

§ Not applicable as the indicator was modified as from 2004 (the share was previously expressed as a proportion of total paper weight).

### *Matters Requiring Special Attention in 2005–06*

27 During 2005–06, the Department will conduct fitting-out works in the printing factory with the aim to reduce the floor areas from six storeys to four storeys to achieve efficiency savings.

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

### ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
(1) Procurement .....	51.3	48.4	48.9	49.5
(2) Supplies Management .....	94.9	119.1	86.2	85.7
(3) Land Transport .....	148.6	135.9	130.7	129.0
(4) Printing Services .....	177.8	208.0	201.2	198.8
	472.6	511.4	467.0 (-8.7%)	463.0 (-0.9%)
				(or -9.5% on 2004-05 Original)

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2005-06 is \$0.6 million (1.2%) higher than the revised estimate for 2004-05. This is mainly due to salary increments for staff, filling of vacancies and additional provision for maintenance of the procurement management system, partly offset by the full-year effect of the 2005 civil service pay cut.

##### Programme (2)

Provision for 2005-06 is \$0.5 million (0.6%) lower than the revised estimate for 2004-05. This is mainly due to a net reduction in salary provision after taking into account the full-year effect of the 2005 civil service pay cut and the deletion of 28 posts in 2005-06.

##### Programme (3)

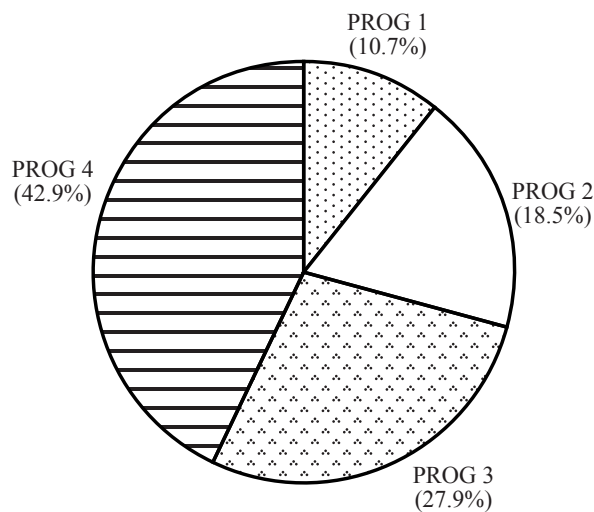
Provision for 2005-06 is \$1.7 million (1.3%) lower than the revised estimate for 2004-05. This is mainly due to the full-year effect of the 2005 civil service pay cut and completion of the project for supply and installation of diesel oxidation catalysts for government Euro I and Euro II diesel vehicles in 2004-05. In addition, eight posts will be deleted in 2005-06.

##### Programme (4)

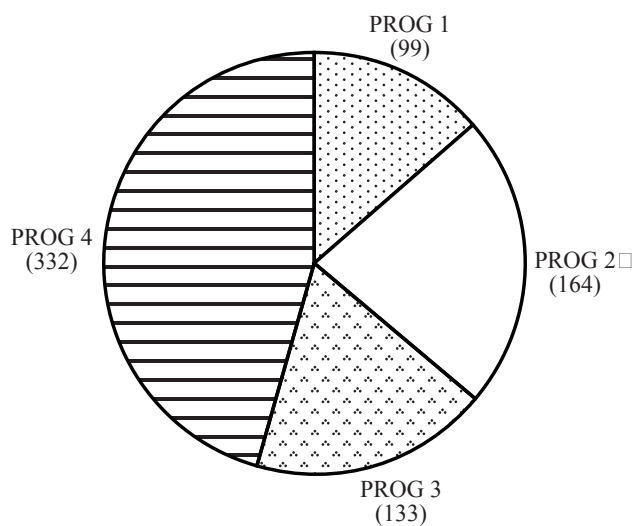
Provision for 2005-06 is \$2.4 million (1.2%) lower than the revised estimate for 2004-05. This is mainly due to the full-year effect of the 2005 civil service pay cut and reduced requirement for purchase of printing equipment. In addition, seven posts will be deleted in 2005-06.

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

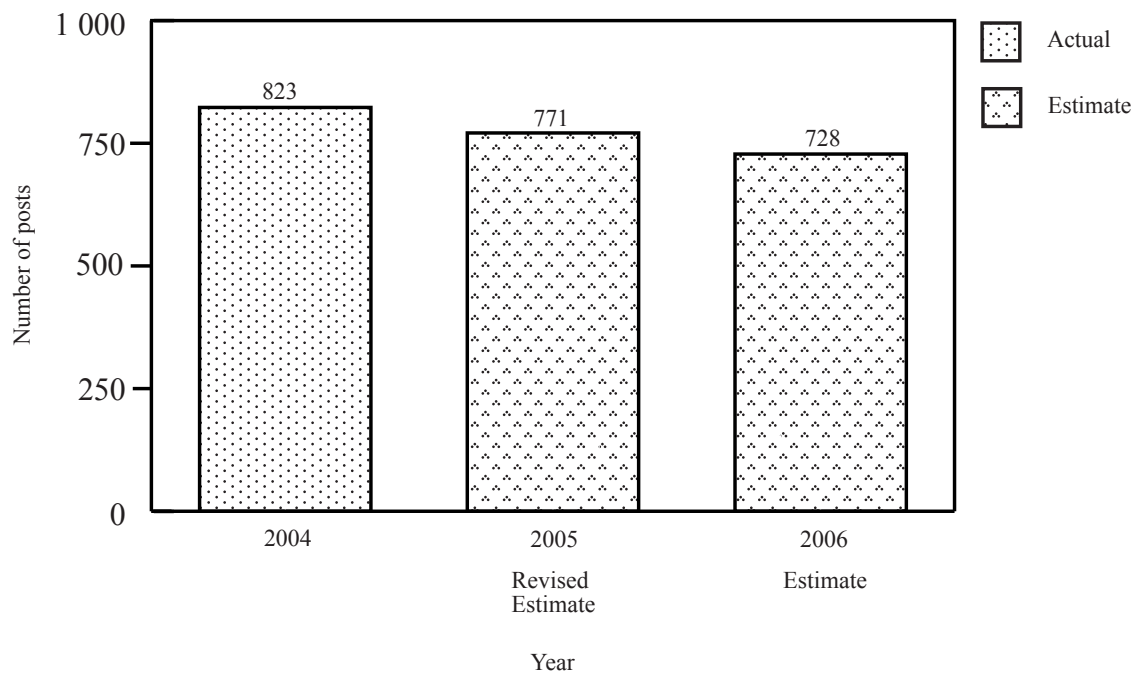
*Allocation of provision  
to programmes  
(2005-06)*



*Staff by programme  
(as at 31 March 2006)*



*Changes in the size of the establishment  
(as at 31 March)*



## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

Sub-head (Code)		Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	Estimate 2005-06
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	267,765	417,973	372,592	371,185
003	Recoverable salaries and allowances (General) .....				
	<i>Deduct reimbursements..... Cr.10,202</i>	—	—	—	—
224	Motor Insurers' Bureau - government contribution .....	86	86	86	88*
225	Traffic accident victims assistance scheme - levies .....	—	816	802	810*
226	Allocated stores: local landing charges .....	23	100	20	20*
267	Unallocated stores: suspense account adjustment .....	—	1	1	1*
	Total, Recurrent .....	267,874	418,976	373,501	372,104
Non-Recurrent					
	General non-recurrent .....	6,122	2,410	1,410	—
	Total, Non-Recurrent .....	6,122	2,410	1,410	—
	Total, Operating Account .....	273,996	421,386	374,911	372,104
<b>Capital Account</b>					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote) .....	2,154	—	2,121	928
691	General purpose vehicles (block vote) .....	77,627	90,000	89,965	90,000
	Total, Plant, Equipment and Works .....	79,781	90,000	92,086	90,928
	Total, Capital Account .....	79,781	90,000	92,086	90,928
	Total Expenditure .....	353,777	511,386	466,997	463,032



## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

### Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Government Logistics Department is \$463,032,000. This represents a decrease of \$3,965,000 against the revised estimate for 2004–05 and an increase of \$109,255,000 over actual expenditure in 2003–04, which is the actual expenditure for the nine-month period from 1 July 2003 (when the former Government Land Transport Agency, Government Supplies Department and Printing Department were merged to become the Government Logistics Department) to 31 March 2004.

#### Operating Account

##### Recurrent

2 Provision of \$371,185,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Logistics Department.

3 The establishment as at 31 March 2005 will be 771 permanent posts. It is expected that 43 permanent posts will be deleted in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$171,206,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	151,632	200,281	187,845	187,186
- Allowances .....	4,825	10,117	7,671	7,498
- Job-related allowances .....	774	1,078	1,009	1,018
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	58	100	85	85
Departmental Expenses				
- Specialist supplies and equipment .....	61,465	112,500	109,985	108,925
- Contract maintenance .....	714	2,000	1,460	1,525
- General departmental expenses .....	48,297	91,897	64,537	64,948
	267,765	417,973	372,592	371,185

5 Provision of \$10,202,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for salaries and allowances for a team of 27 civil servants providing supplies services to the Hong Kong Housing Authority. The gross provision must not be exceeded without the prior approval of the Secretary for Financial Services and the Treasury. Expenditure under this subhead is reimbursed by the Authority.

6 Provision of \$88,000 under *Subhead 224 Motor Insurers' Bureau—government contribution* is for the Government's contribution towards the scheme to assist victims of road accidents who are unable to claim compensation under third-party insurance.

7 Provision of \$810,000 under *Subhead 225 Traffic accident victims assistance scheme—levies* is for statutory payments under the Traffic Accident Victims (Assistance Fund) Ordinance.

8 Provision of \$20,000 under *Subhead 226 Allocated stores: local landing charges* is for the payment of transportation costs for the inward shipment of stores.

9 Provision of \$1,000 under *Subhead 267 Unallocated stores: suspense account adjustment* is a token sum for the accounting treatment of clearing the stock adjustment accounts of the Unallocated Stores Suspense Account at the end of the financial year.

#### Capital Account

##### Plant, Equipment and Works

10 Provision of \$928,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents a decrease of \$1,193,000 (56.2%) against the revised estimate for 2004–05. This is mainly due to the reduced requirement for minor plant and equipment.

11 Provision of \$90,000,000 under *Subhead 691 General purpose vehicles (block vote)* is for the procurement of government vehicles which are designed and used primarily for the carriage of passengers and/or goods with a unit cost not exceeding \$10,000,000.