

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

| | |
|---|-----------------|
| Estimate 2009–10 | \$486.5m |
| Establishment ceiling 2009–10 (notional annual mid-point salary value) representing an estimated 701 non-directorate posts as at 31 March 2009 rising by four posts to 705 posts as at 31 March 2010 | \$182.0m |
| In addition, there will be an estimated seven directorate posts as at 31 March 2009 and as at 31 March 2010. | |
| Commitment balance | \$5.5m |

Controlling Officer's Report

Programmes

Programme (1) Procurement
Programme (2) Supplies Management
Programme (3) Land Transport
Programme (4) Printing Services

These programmes contribute to Policy Area 27: Intra-Governmental Services (Secretary for Financial Services and the Treasury).

Detail

Programme (1): Procurement

| | 2007–08 (Actual) | 2008–09 (Original) | 2008–09 (Revised) | 2009–10 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|------------------------------------|
| Financial provision (\$m) | 45.6 | 45.4 | 48.6 (+7.0%) | 53.0 (+9.1%) |
| | | | | (or +16.7% on 2008–09 Original) |

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 invitation of tenders, the evaluation of tenders in conjunction with user departments, the award of contracts and the monitoring of contractors' performance for tenders undertaken by the Procurement Division of the Department. Other activities include providing advice to government departments on tendering procedures, expanding and maintaining suppliers' lists, 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 savings achieved in 2008 through price negotiations amounted to \$69.7 million.
- 5 The key performance measures in respect of procurement are:

Targets

| | Target | 2007 (Actual) | 2008 (Actual) | 2009 (Plan) |
|--|--------|------------------|------------------|------------------------|
| issuing tender invitations within 12 working days upon receipt of agreed user specifications (%)..... | 93 | 100 | 100 | 93 |
| processing and referring tenders received to users for evaluation within four working days (%)..... | 95 | 100 | 100 | 95 |
| submitting tender recommendations to the approving authority within 12 working days upon receipt of completed evaluation reports (%) | 93 | 100 | 100 | 93 |

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Indicators

| | 2007 (Actual) | 2008 (Actual) | 2009 (Estimate) |
|--|------------------|------------------|--------------------|
| value of contracts (\$m)..... | 3,785.1 | 3,923.0 | 4,003.0 |
| contracts handled..... | 393 | 473 | 402 |
| price trend indicators | | | |
| overall price change in purchases (%)..... | +17 | +26 | N.A.# |
| Consumer Price Index (B) (%)..... | +2.2 | +4.6 | N.A.# |

Not possible to estimate.

Matters Requiring Special Attention in 2009–10

6 During 2009–10, the Department will continue:

- with its strategic approach to purchasing to improve the overall value, quality and reliability of goods and services supplied; and
- to provide advice on procurement strategies to user departments.

Programme (2): Supplies Management

| | 2007–08 (Actual) | 2008–09 (Original) | 2008–09 (Revised) | 2009–10 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 62.5 | 65.2 | 66.3 (+1.7%) | 70.5 (+6.3%) |
| | | | | (or +8.1% on 2008–09 Original) |

Aim

7 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 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 government departments to manage their supplies activities effectively.

Brief Description

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

9 The Department is also responsible for maintaining, storing and distributing essential and emergency items to government departments, and inspecting such goods upon delivery by suppliers.

10 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 the Civil Service Regulations.

11 The Department provides storage space for government departments.

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

Targets

| | Target | 2007 (Actual) | 2008 (Actual) | 2009 (Plan) |
|---|------------------|------------------|------------------|----------------|
| stock turnover rate for essential and emergency items (no. of times the stock flows through in a year)..... | 1.0 [^] | 1.0 | 1.7 | 1.0 |
| responding 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) (%)..... | 95 | 100 | 100 | 95 |

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| | Target | 2007 (Actual) | 2008 (Actual) | 2009 (Plan) |
|---|--------|------------------|------------------|------------------------|
| completing inspection of delivered goods within seven working days (%) | 90 | 100 | 100 | 90 |
| disposing of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%) | 95 | 100 | 100 | 95 |

^ Improvement over the previous target stock turnover rate of 0.5 time as from 2009.

Indicators

| | 2007 (Actual) | 2008 (Actual) | 2009 (Estimate) |
|---|------------------|------------------|----------------------------|
| value of purchase of essential and emergency items (\$m) | 6.0 | 12.1 | 7.5 |
| average stockholding of essential and emergency items (\$m) | 8.3 | 7.1 | 7.5 |
| quarters serviced | 23 287 | 23 082 | 23 000 |

Matters Requiring Special Attention in 2009–10

13 During 2009–10, 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 for government departments in need;
- review the specifications for common-user items to promote the purchase of environment-friendly products while ensuring value for money of supplies; and
- provide logistical support services to government departments in meeting contingencies for emergency items.

Programme (3): Land Transport

| | 2007–08 (Actual) | 2008–09 (Original) | 2008–09 (Revised) | 2009–10 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|------------------------------------|
| Financial provision (\$m) | 128.9 | 139.8 | 138.5 (–0.9%) | 156.6 (+13.1%) |
| | | | | (or +12.0% on 2008–09 Original) |

Aim

14 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 support services.

Brief Description

15 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 specialised vehicles, for government departments and manages funding through a block vote.

16 To enhance environmental protection, the Department implements green measures, including replacing diesel light buses progressively with those driven by liquefied petroleum gas and exploring the feasibility of using more environment-friendly vehicles in the government fleet.

17 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 the provision of additional vehicles.

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

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

Targets

| | Target | 2007 (Actual) | 2008 (Actual) | 2009 (Plan) |
|---------------------------------------|--------|------------------|------------------|----------------|
| transport pool resources utilisation | | | | |
| drivers tasked daily (%) | 88 | 97 | 96 | 88 |
| pool vehicles utilised daily (%)..... | 86 | 87 | 87 | 86 |

Indicators

| | 2007 (Actual) | 2008 (Actual) | 2009 (Estimate) |
|---|------------------|------------------|--------------------|
| vehicles procured | | | |
| additional | 0 | 0 | 8 |
| replacement..... | 443 | 489 | 401 |
| blameworthy accidents per 1 000 000 km | 0.9 | 0.9 | 0.9 |
| officers who have attended driving related training courses | | | |
| during the year | 953 | 967 | 950 |
| trainees on driving courses | 151 | 151 | 150 |

Matters Requiring Special Attention in 2009–10

20 During 2009–10, the Department will continue to:

- monitor the transport needs of government departments with a view to containing the size of the government fleet and identifying savings opportunities;
- give priority to environment-friendly vehicles when replacing vehicles in the government fleet subject to availability of suitable models in the market as well as operational and resources considerations; and
- improve the cost-effectiveness of the pool transport services.

Programme (4): Printing Services

| | 2007–08 (Actual) | 2008–09 (Original) | 2008–09 (Revised) | 2009–10 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------|
| Financial provision (\$m) | 185.9 | 198.5 | 198.1 (-0.2%) | 206.4 (+4.2%) |

(or +4.0% on
2008–09 Original)

Aim

21 The aim is to provide cost-effective and quality printing services to government departments.

Brief Description

22 The Department produces a wide range of printed material, 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.

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

Targets

| | Target | 2007 (Actual) | 2008 (Actual) | 2009 (Plan) |
|---------------------------------------|--------|------------------|------------------|----------------|
| printing and delivering printing | | | | |
| requirements within an agreed | | | | |
| schedule (%) | 98 | 99 | 99 | 98 |
| providing written technical advice on | | | | |
| printing within seven working | | | | |
| days (%)..... | 98 | 100 | 99 | 98 |

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Indicators

| | 2007 (Actual) | 2008 (Actual) | 2009 (Estimate) |
|--|------------------|------------------|--------------------|
| use of available production capacity (%)..... | 86 | 86 | 86 |
| share of security printing work (as a proportion of total sales value) (%)..... | 16 | 17 | 15 |

Matters Requiring Special Attention in 2009–10

24 During 2009–10, the Department will continue to strive for continuous improvement of its printing services.

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ANALYSIS OF FINANCIAL PROVISION

| Programme | 2007-08 (Actual) (\$m) | 2008-09 (Original) (\$m) | 2008-09 (Revised) (\$m) | 2009-10 (Estimate) (\$m) |
|-------------------------------|------------------------------|--------------------------------|-------------------------------|---|
| (1) Procurement | 45.6 | 45.4 | 48.6 | 53.0 |
| (2) Supplies Management | 62.5 | 65.2 | 66.3 | 70.5 |
| (3) Land Transport..... | 128.9 | 139.8 | 138.5 | 156.6 |
| (4) Printing Services | 185.9 | 198.5 | 198.1 | 206.4 |
| | 422.9 | 448.9 | 451.5 (+0.6%) | 486.5 (+7.8%) |
| | | | | (or +8.4% on 2008-09 Original) |

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2009-10 is \$4.4 million (9.1%) higher than the revised estimate for 2008-09. This is mainly due to filling of vacancies and increased requirement for general departmental expenses.

Programme (2)

Provision for 2009-10 is \$4.2 million (6.3%) higher than the revised estimate for 2008-09. This is mainly due to filling of vacancies and increased requirement for general departmental expenses.

Programme (3)

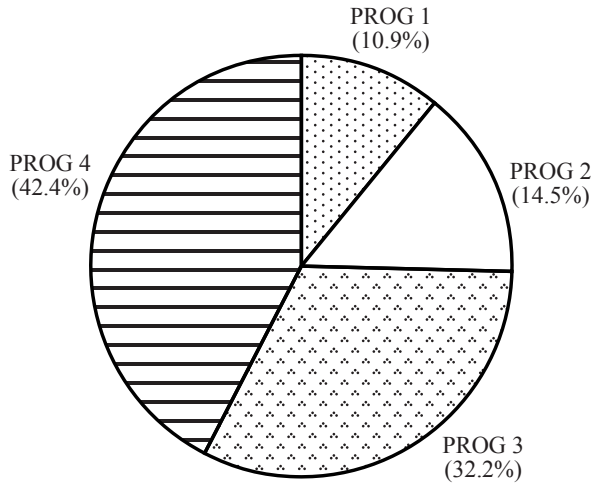
Provision for 2009-10 is \$18.1 million (13.1%) higher than the revised estimate for 2008-09. This is mainly due to the increased provision for replacing vehicles which are due for replacement and for acquiring additional vehicles for various government departments to provide new/improved services. In addition, one post will be created in 2009-10 to meet operational needs.

Programme (4)

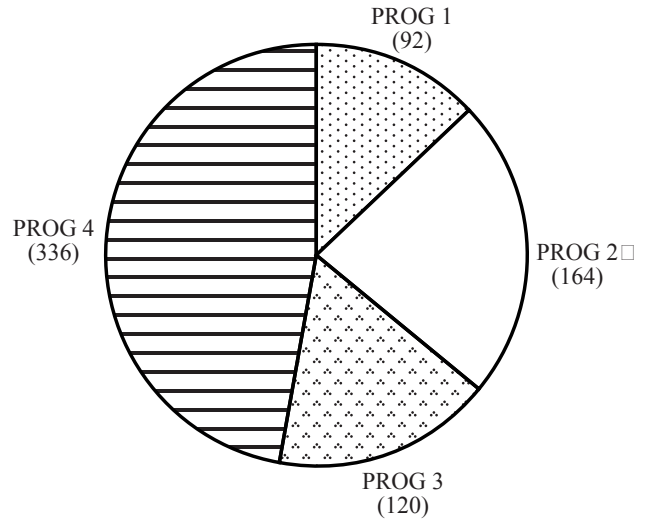
Provision for 2009-10 is \$8.3 million (4.2%) higher than the revised estimate for 2008-09. This is mainly due to the provision for replacing one offset printing machine, filling of vacancies and creation of three posts in 2009-10 to meet operational needs.

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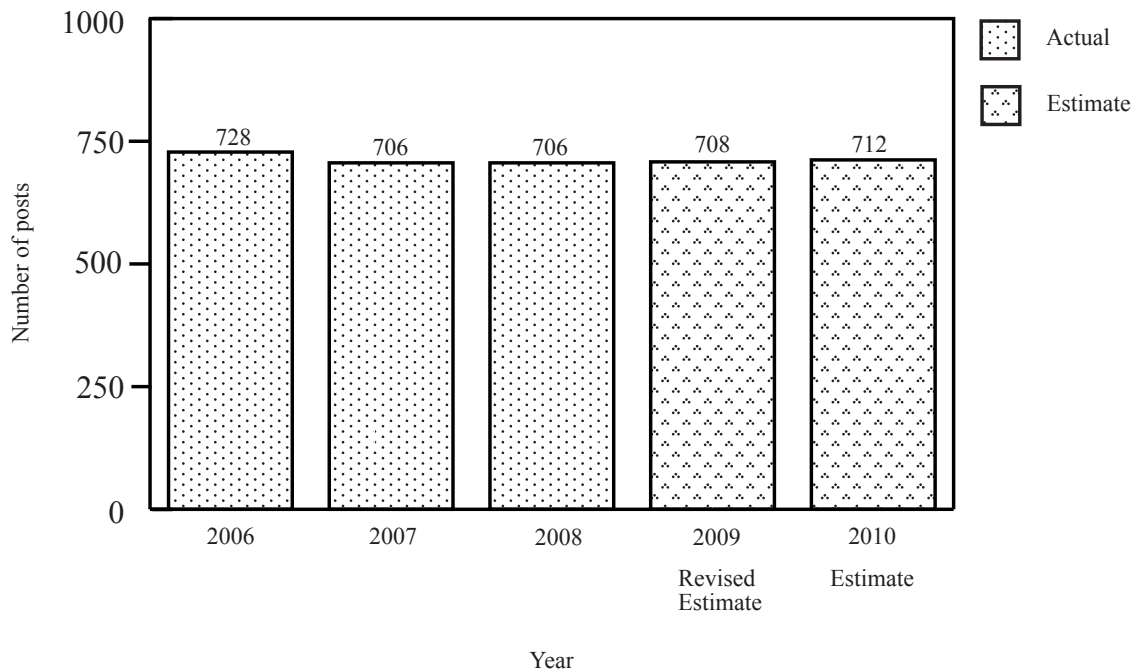
Allocation of provision to programmes (2009-10)



Staff by programme (as at 31 March 2010)



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



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| Sub-head (Code) | | Actual expenditure 2007-08 | Approved estimate 2008-09 | Revised estimate 2008-09 | Estimate 2009-10 |
|----------------------------|--|----------------------------------|---------------------------------|--------------------------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating Account | | | | | |
| Recurrent | | | | | |
| 000 | Operational expenses | 321,479 | 347,023 | 349,435 | 364,143 |
| 003 | Recoverable salaries and allowances (General) | 10,133 | | | |
| | <i>Deduct reimbursements</i> | <i>Cr.10,133</i> | | | |
| 224 | Motor Insurers' Bureau - government contribution | 66 | 78 | 78 | 78 |
| 225 | Traffic Accident Victims Assistance Scheme - levies | 771 | 771 | 766 | 766 |
| 226 | Allocated stores: local landing charges..... | 2 | 10 | 10 | 10 |
| 267 | Unallocated stores: suspense account adjustment | — | 1 | 1 | 1 |
| | Total, Recurrent..... | 322,318 | 347,883 | 350,290 | 364,998 |
| | Total, Operating Account | 322,318 | 347,883 | 350,290 | 364,998 |
| Capital Account | | | | | |
| Plant, Equipment and Works | | | | | |
| 603 | Plant, vehicles and equipment..... | 5,915 | — | — | 5,500 |
| 691 | General purpose vehicles (block vote)..... | 93,985 | 101,000 | 101,000 | 116,000 |
| | Minor plant, vehicles and equipment (block vote)..... | 724 | — | 257 | — |
| | Total, Plant, Equipment and Works..... | 100,624 | 101,000 | 101,257 | 121,500 |
| | Total, Capital Account..... | 100,624 | 101,000 | 101,257 | 121,500 |
| | Total Expenditure | 422,942 | 448,883 | 451,547 | 486,498 |

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Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Government Logistics Department is \$486,498,000. This represents an increase of \$34,951,000 over the revised estimate for 2008–09 and of \$63,556,000 over actual expenditure in 2007–08.

Operating Account

Recurrent

2 Provision of \$364,143,000 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 2009 will be 708 permanent posts. It is expected that four permanent posts will be created in 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$182,000,000.

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

| | 2007–08 (Actual) (\$'000) | 2008–09 (Original) (\$'000) | 2008–09 (Revised) (\$'000) | 2009–10 (Estimate) (\$'000) |
|--|---------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Personal Emoluments | | | | |
| - Salaries | 170,604 | 178,032 | 180,905 | 192,157 |
| - Allowances | 7,102 | 7,892 | 8,501 | 7,719 |
| - Job-related allowances | 839 | 895 | 1,015 | 1,000 |
| Personnel Related Expenses | | | | |
| - Mandatory Provident Fund contribution | 47 | 73 | 83 | 191 |
| - Civil Service Provident Fund contribution | 94 | 223 | 162 | 177 |
| Departmental Expenses | | | | |
| - Specialist supplies and equipment..... | 86,833 | 97,513 | 94,061 | 92,161 |
| - Contract maintenance | 1,162 | 1,230 | 1,140 | 1,140 |
| - General departmental expenses | 54,798 | 61,165 | 63,568 | 69,598 |
| | 321,479 | 347,023 | 349,435 | 364,143 |

5 Provision of \$10,133,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for the salaries and allowances for a team of 24 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 \$78,000 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 \$766,000 under *Subhead 225 Traffic Accident Victims Assistance Scheme—levies* is for statutory payments under the Traffic Accident Victims (Assistance Fund) Ordinance.

8 Provision of \$10,000 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 \$116,000,000 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. The increase of \$15,000,000 (14.9%) over the revised estimate for 2008–09 is mainly due to the increased provision for replacing vehicles which are due for replacement and for acquiring additional vehicles for various government departments to provide new/improved services.

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Commitments

| Sub-head (Code) | Item (Code) | Ambit | Approved commitment | Accumulated expenditure to 31.3.2008 | Revised estimated expenditure for 2008–09 | Balance |
|-------------------------------|----------------|--|------------------------|--|--|---------|
| | | | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Capital Account</i> | | | | | | |
| 603 | | <i>Plant, vehicles and equipment</i> | | | | |
| | 827 | Replacement of one two-colour offset printing machine | 5,500 | — | — | 5,500 |
| | | Total | 5,500 | — | — | 5,500 |
| | | | 5,500 | — | — | 5,500 |