

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2011–12	\$499.5m
Establishment ceiling 2011–12 (notional annual mid-point salary value) representing an estimated 705 non-directorate posts as at 31 March 2011 rising by one post to 706 posts as at 31 March 2012....	\$182.9m
In addition, there will be an estimated seven directorate posts as at 31 March 2011 and as at 31 March 2012.	
Commitment balance	\$2.4m

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

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	46.6	49.4	45.7 (-7.5%)	52.3 (+14.4%)
				(or +5.9% on 2010–11 Original)

Aim

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

Brief Description

3 The main activities under this programme include the formulation of tendering strategies, preparation of tender documents, invitation of tenders, evaluation of tenders in conjunction with user departments, award of contracts and monitoring of contractors' performance for tenders arranged 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 key performance measures in respect of procurement are:

Targets

	Target	2009 (Actual)	2010 (Actual)	2011 (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	99	93

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Indicators

	2009 (Actual)	2010 (Actual)	2011 (Estimate)
value of contracts (\$m)	3,783.0	3,956.4	4,010.0
contracts handled	544	510	450
price trend indicator			
overall price change in purchases (%)	+0.5	-11.4	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2011–12

5 During 2011–12, the Department will continue to:

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

Programme (2): Supplies Management

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	63.1	69.6	59.8 (–14.1%)	68.6 (+14.7%)
				(or –1.4% on 2010–11 Original)

Aim

6 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

7 The Department is responsible for arranging the allocated term contracts and monitoring the draw-off rates for common-user items by government departments. It also carries out an inspection programme to assist departments' management of these items.

8 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.

9 The Department supplies additional and replacement items of quarters furniture for government quarters. It also provides various miscellaneous services, such as the disposal of confiscated, unserviceable, technically obsolete and unclaimed stores.

10 The Department provides temporary storage space in the Government Logistics Centre for government departments.

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

Targets

	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
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
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

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Indicators

	2009 (Actual)	2010 (Actual)	2011 (Estimate)
stock turnover rate for essential and emergency items (no. of times the stock flows through in a year)@	3.8	2.5	1.0
value of purchase of essential and emergency items (\$m)	37.7	17.2	12.0
average stockholding of essential and emergency items (\$m)	9.3	7.9	8.0
quarters serviced	22 300	23 340	23 300

@ Turned from a target to an indicator as from 2011.

Matters Requiring Special Attention in 2011–12

12 During 2011–12, the Department will continue to:

- arrange allocated term contracts for the supply of common-user items so that user departments may place orders with suppliers for direct delivery as and when required, monitor the draw-off rates by user departments and conduct inspections on departments' management of these items;
- look out for ways to further improve supply, storage and distribution operations having regard to practices in the private sector;
- provide temporary storage space for government departments in the Government Logistics Centre;
- 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

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	155.2	160.7	162.7 (+1.2%)	169.0 (+3.9%)
				(or +5.2% on 2010–11 Original)

Aim

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

Brief Description

14 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 the funding through a block vote.

15 To contribute to Government's policy on 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. In support of the policy initiative of promotion of the wider use of electric vehicles, we will continue to procure electric vehicles to replace retiring vehicles in the government fleet in the following few years subject to the availability of suitable models on the market and the performance of the electric vehicles being able to meet departments' operational requirements.

16 The Department operates a transport pool which supplements departmental fleets and provides transport services to government departments with no or insufficient 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.

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

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

Targets

	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
transport pool resources utilisation				
drivers tasked daily (%).....	90	95	98	90
pool vehicles utilised daily (%).....	86	90	92	86

Indicators

	2009 (Actual)	2010 (Actual)	2011 (Estimate)
vehicles procured			
additional	8	0	0
replacement.....	401	373	375
blameworthy accidents per 1 000 000 km.....	0.9	0.9	0.9
officers who have attended driving related training courses			
during the year.....	959	1 081	950
trainees on driving courses.....	153	151	150

Matters Requiring Special Attention in 2011–12

19 During 2011–12, 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 pool transport services.

Programme (4): Printing Services

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	202.0	212.1	213.0 (+0.4%)	209.6 (-1.6%)
				(or -1.2% on 2010–11 Original)

Aim

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

Brief Description

21 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.

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

Targets

	Target	2009 (Actual)	2010 (Actual)	2011 (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	98	100	98

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Indicators

	2009 (Actual)	2010 (Actual)	2011 (Estimate)
use of available production capacity (%).....	88	90	88
share of security printing work (as a proportion of total sales value) (%)	13	17	15

Matters Requiring Special Attention in 2011–12

23 During 2011–12, the Department will continue to strive for continuous improvement in its printing services.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2009–10 (Actual) (\$m)	2010–11 (Original) (\$m)	2010–11 (Revised) (\$m)	2011–12 (Estimate) (\$m)
(1) Procurement	46.6	49.4	45.7	52.3
(2) Supplies Management	63.1	69.6	59.8	68.6
(3) Land Transport	155.2	160.7	162.7	169.0
(4) Printing Services	202.0	212.1	213.0	209.6
	466.9	491.8	481.2 (–2.2%)	499.5 (+3.8%)
				(or +1.6% on 2010–11 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2011–12 is \$6.6 million (14.4%) higher than the revised estimate for 2010–11. This is mainly due to the increased provision for maintenance charges for two new computer systems relating to tendering, procurement and contract management, the filling of vacancies and the creation of one post.

Programme (2)

Provision for 2011–12 is \$8.8 million (14.7%) higher than the revised estimate for 2010–11. This is mainly due to the filling of vacancies and the increased requirement for general departmental expenses.

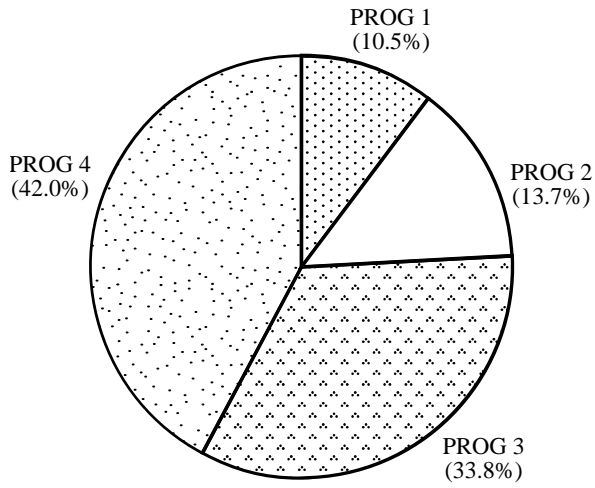
Programme (3)

Provision for 2011–12 is \$6.3 million (3.9%) higher than the revised estimate for 2010–11. This is mainly due to the increased provision for the procurement of replacement vehicles.

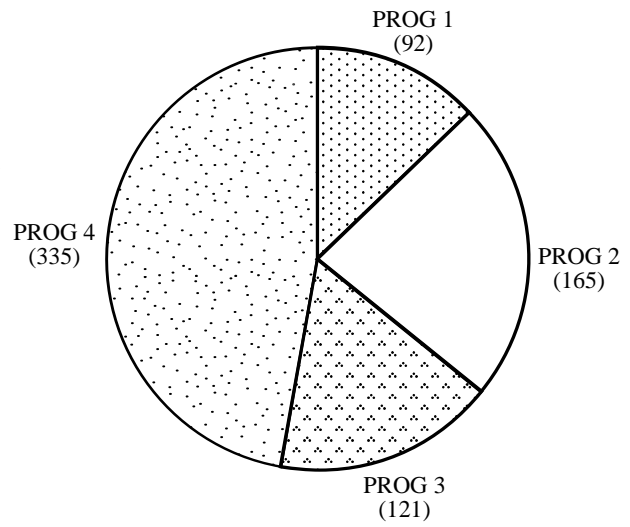
Programme (4)

Provision for 2011–12 is \$3.4 million (1.6%) lower than the revised estimate for 2010–11. This is mainly due to the reduced requirement for replacing printing machines, partly offset by the filling of vacancies.

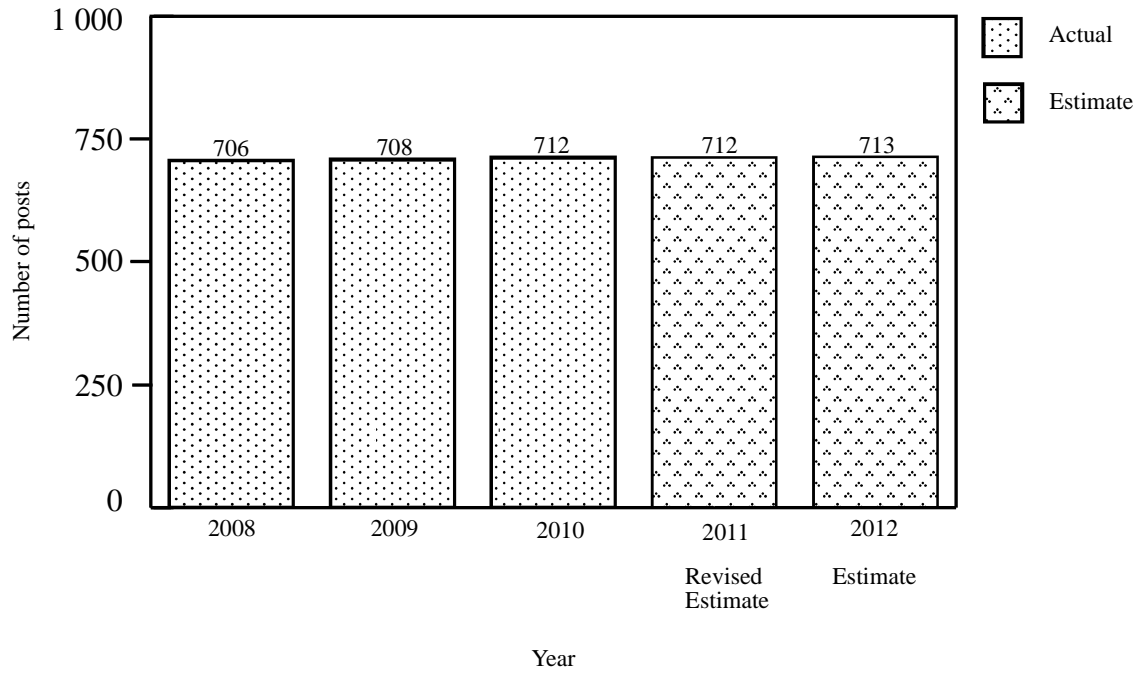
Allocation of provision
to programmes
(2011-12)



Staff by programme
(as at 31 March 2012)



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



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Sub-head (Code)		Actual expenditure 2009–10	Approved estimate 2010–11	Revised estimate 2010–11	Estimate 2011–12
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses.....	344,911	365,721	342,852	367,118
003	Recoverable salaries and allowances (General).....	10,553			
	<i>Deduct reimbursements..... Cr.10,553</i>	—	—	—	—
224	Motor Insurers' Bureau - government contribution.....	69	78	78	78
225	Traffic Accident Victims Assistance Scheme - levies.....	761	766	1,833	849
226	Allocated stores: local landing charges	8	10	10	10
267	Unallocated stores: suspense account adjustment.....	—	1	1	1
	Total, Recurrent	<u>345,749</u>	<u>366,576</u>	<u>344,774</u>	<u>368,056</u>
	Total, Operating Account.....	345,749	366,576	344,774	368,056
Capital Account					
Plant, Equipment and Works					
603	Plant, vehicles and equipment	4,794	—	8,651	2,400
691	General purpose vehicles (block vote)	115,997	122,000	122,000	129,000
	Minor plant, vehicles and equipment (block vote).....	324	3,230	5,800	—
	Total, Plant, Equipment and Works	<u>121,115</u>	<u>125,230</u>	<u>136,451</u>	<u>131,400</u>
	Total, Capital Account.....	121,115	125,230	136,451	131,400
	Total Expenditure	<u><u>466,864</u></u>	<u><u>491,806</u></u>	<u><u>481,225</u></u>	<u><u>499,456</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2011–12 for the salaries and expenses of the Government Logistics Department is \$499,456,000. This represents an increase of \$18,231,000 over the revised estimate for 2010–11 and of \$32,592,000 over the actual expenditure in 2009–10.

Operating Account

Recurrent

2 Provision of \$367,118,000 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 2011 will be 712 permanent posts. It is expected that there will be a net increase of one post in 2011–12. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2011–12, but the notional annual mid-point salary value of all such posts must not exceed \$182,854,000.

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

	2009–10 (Actual) (\$'000)	2010–11 (Original) (\$'000)	2010–11 (Revised) (\$'000)	2011–12 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	179,057	189,214	181,928	194,708
- Allowances	7,164	7,463	7,659	8,552
- Job-related allowances.....	883	1,100	1,100	1,113
Personnel Related Expenses				
- Mandatory Provident Fund contribution	360	721	727	744
- Civil Service Provident Fund contribution	307	440	501	933
Departmental Expenses				
- Specialist supplies and equipment	97,460	100,552	97,158	97,822
- Contract maintenance	1,123	1,140	1,140	1,140
- General departmental expenses.....	58,557	65,091	52,639	62,106
	344,911	365,721	342,852	367,118

5 Provision of \$10,553,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for the salaries and allowances for a team of 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 Bureau to assist victims of road accidents who are unable to obtain compensation under third-party insurance.

7 Provision of \$849,000 under *Subhead 225 Traffic Accident Victims Assistance Scheme—levies* is for statutory payments under the Traffic Accident Victims (Assistance Fund) Ordinance (Cap. 229). This represents a decrease of \$984,000 (53.7%) against the revised estimate for 2010–11, which is mainly due to the payment in 2010–11 of Government's deferred contributions.

8 Provision of \$10,000 under *Subhead 226 Allocated stores: local landing charges* are for the payment of port related charges for shipments from places outside Hong Kong.

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 \$129,000,000 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.

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2010	Revised estimated expenditure for 2010-11	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Capital Account</i>						
603		<i>Plant, vehicles and equipment</i>				
	807	Replacement of one offset printing press	2,400	—	—	2,400
		Total	2,400	—	—	2,400