

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2016–17 **\$602.5m**

Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 705 non-directorate posts as at 31 March 2016 and as at 31 March 2017..... **\$236.0m**

In addition, there will be an estimated seven directorate posts as at 31 March 2016 and as at 31 March 2017.

Controlling Officer's Report

Programmes

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

Programme (1): Procurement

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	50.4	49.7	51.8 (+4.2%)	53.4 (+3.1%)
				(or +7.4% on 2015–16 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, conducting market research to identify new sources of supply and, where appropriate, undertaking negotiations with suppliers to obtain better prices and terms for the Government.

- 4 The key performance measures in respect of procurement are:

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (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

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
value of contracts (\$m).....	5,024.4	5,164.5	4,205.0ϕ
contracts handled.....	247	196	130ϕ
overall price change in purchases (%)	-6.0	-3.9	N.A.#

ϕ The figures for 2016 are estimated on the basis of the forecast returns submitted by other government departments and the available contract information kept by the Department.

Not possible to estimate.

Matters Requiring Special Attention in 2016–17

5 During 2016–17, 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
- strengthen the advisory services provided to user departments on procurement strategies, preparation of tender/quotation documents and procedures for inviting tenders/quotations.

Programme (2): Supplies Management

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	77.1	79.1	78.2 (-1.1%)	84.3 (+7.8%)
				(or +6.6% on 2015–16 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 key performance measures in respect of supplies management are:

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (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	99	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

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
stock turnover rate for essential and emergency items (no. of times the stock flows through in a year)	1.6	2.0	1.4
value of purchase of essential and emergency items (\$m).....	15.4	16.6	17.0
average stockholding of essential and emergency items (\$m).....	10.4	9.1	11.5
quarters serviced.....	23 408	23 531	23 531

Matters Requiring Special Attention in 2016–17

11 During 2016–17, 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;
- review the specifications for common-user items to promote the purchase of environment-friendly products while ensuring value for money of supplies;
- provide logistical support services to government departments in meeting requirements for emergency items during contingencies; and
- step up compliance checks to ensure that departments follow fully relevant procurement procedures.

Programme (3): Land Transport

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	198.5	198.2	200.3 (+1.1%)	239.4 (+19.5%)
				(or +20.8% on 2015–16 Original)

Aim

12 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

13 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 that their procurement is justified. The Department procures vehicles, other than specialised vehicles, for government departments and manages the funding through a block vote.

14 To contribute to Government's policy on environmental protection, the Department implements green measures, including replacing diesel light buses 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 promoting the wider use of electric vehicles, we will continue to procure electric vehicles to replace retiring vehicles in the government fleet subject to the availability of suitable models in the market and the performance of the electric vehicles being able to meet departments' operational requirements.

15 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 procurement of additional vehicles.

16 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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17 The key performance measures in respect of land transport are:

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (Plan)
transport pool resources utilisation				
drivers tasked daily (%).....	90	95	96	90
pool vehicles utilised daily (%).....	88 [^]	96	96	88

[^] Improvement over the previous target utilisation rate of 86 per cent as from 2016.

Indicators

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
vehicles procured			
additional.....	6	28	30
replacement.....	364	342	326
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	992	970
trainees on driving courses.....	161	155	150

Matters Requiring Special Attention in 2016–17

18 During 2016–17, 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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	210.5	224.0	219.5 (–2.0%)	225.4 (+2.7%)
				(or +0.6% on 2015–16 Original)

Aim

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

Brief Description

20 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.

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

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (Plan)
printing and delivering printed materials within an agreed schedule (%).....	98	99	99	98
providing written technical advice on printing within seven working days (%).....	98	99	100	98

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Indicators

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
use of available production capacity (%).....	89	89	89
share of security printing work (as a proportion of total sales value) (%)	16	18	19

Matters Requiring Special Attention in 2016–17

22 During 2016–17, the Department will continue to strive for continuous improvement in its printing services.

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ANALYSIS OF FINANCIAL PROVISION

	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	2016–17 (Estimate) (\$m)
Programme				
(1) Procurement	50.4	49.7	51.8	53.4
(2) Supplies Management	77.1	79.1	78.2	84.3
(3) Land Transport	198.5	198.2	200.3	239.4
(4) Printing Services	210.5	224.0	219.5	225.4
	536.5	551.0	549.8 (–0.2%)	602.5 (+9.6%)
				(or +9.3% on 2015–16 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2016–17 is \$1.6 million (3.1%) higher than the revised estimate for 2015–16. This is mainly due to the increased requirement in salaries and allowances as well as personnel related expenses.

Programme (2)

Provision for 2016–17 is \$6.1 million (7.8%) higher than the revised estimate for 2015–16. This is mainly due to the increased requirement in salaries and allowances as well as replacement of minor plant and equipment.

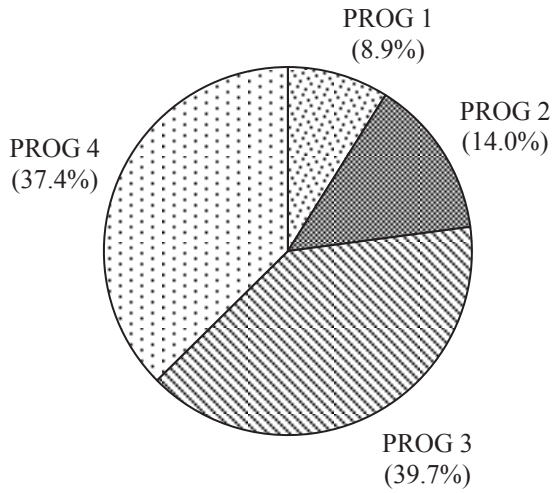
Programme (3)

Provision for 2016–17 is \$39.1 million (19.5%) higher than the revised estimate for 2015–16. This is mainly due to the increased requirement in salaries and allowances as well as additional provision for procurement of general purpose vehicles.

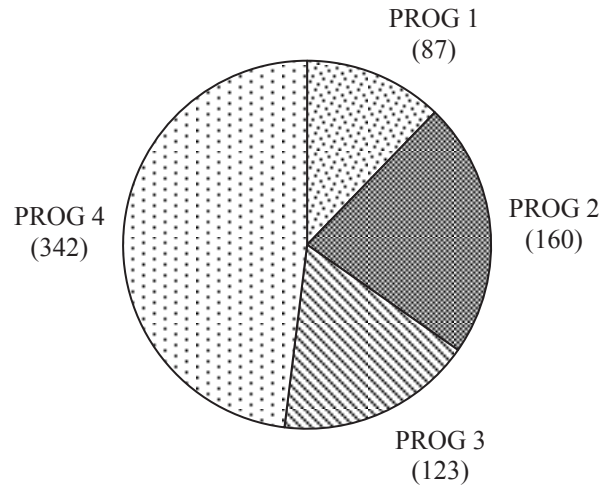
Programme (4)

Provision for 2016–17 is \$5.9 million (2.7%) higher than the revised estimate for 2015–16. This is mainly due to the increased requirement in salaries and allowances, personnel related expenses and printing materials, partly offset by reduced cash flow requirement for replacement of printing machines.

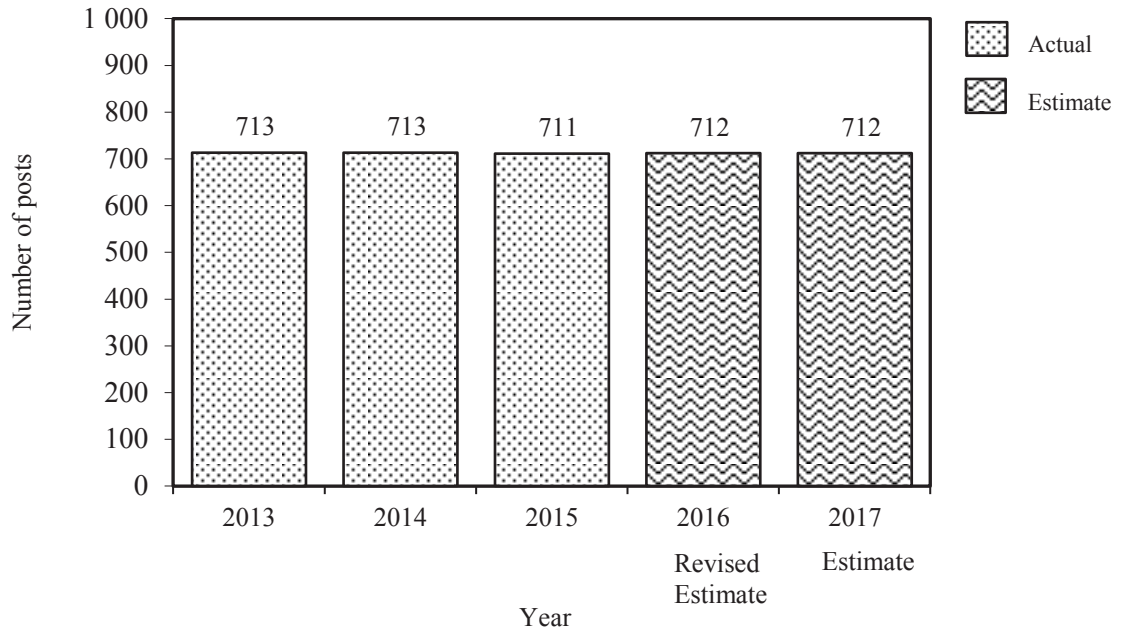
Allocation of provision to programmes (2016-17)



Staff by programme (as at 31 March 2017)



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



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Sub-head (Code)	Actual expenditure 2014–15	Approved estimate 2015–16	Revised estimate 2015–16	Estimate 2016–17	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	372,476	396,228	394,841	414,725
003	Recoverable salaries and allowances (General).....	14,000			
	<i>Deduct</i> reimbursements	<i>Cr. 14,000</i>	—	—	—
224	Motor Insurers' Bureau - government contribution	81	88	88	95
225	Traffic Accident Victims Assistance Scheme - levies.....	853	880	855	900
226	Allocated stores: local landing charges.....	—	10	10	10
267	Unallocated stores: suspense account adjustment	—	1	1	1
	Total, Recurrent.....	373,410	397,207	395,795	415,731
	Total, Operating Account	373,410	397,207	395,795	415,731
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	8,428	—	1,412	4,736^η
691	General purpose vehicles (block vote).....	146,716	145,000	145,000	182,000
	Plant, vehicles and equipment.....	7,970	8,785	7,563	—
	Total, Plant, Equipment and Works.....	163,114	153,785	153,975	186,736
	Total, Capital Account.....	163,114	153,785	153,975	186,736
	Total Expenditure	536,524	550,992	549,770	602,467

η Provision of \$4,736,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$3,324,000 (235.4%) over the revised estimate for 2015–16. This reflects the updating of the ambit of this block vote subhead as set out in the Introduction to the Estimates and the increased cash flow requirement for replacement of minor plant and equipment.

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Government Logistics Department is \$602,467,000. This represents an increase of \$52,697,000 over the revised estimate for 2015–16 and \$65,943,000 over the actual expenditure in 2014–15.

Operating Account

Recurrent

2 Provision of \$414,725,000 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 2016 will be 712 permanent posts. No net change in establishment is expected in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$236,020,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	218,784	222,381	229,875	237,861
- Allowances.....	10,572	11,163	11,109	11,179
- Job-related allowances.....	1,124	1,194	1,299	1,360
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	948	1,046	1,008	1,366
- Civil Service Provident Fund contribution.....	4,226	6,438	5,593	8,996
Departmental Expenses				
- Specialist supplies and equipment.....	73,193	75,430	70,380	78,300
- Contract maintenance.....	968	1,140	1,140	950
- General departmental expenses.....	62,661	77,436	74,437	74,713
	372,476	396,228	394,841	414,725

5 Provision of \$14,000,000 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 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 \$95,000 under *Subhead 224 Motor Insurers' Bureau - government contribution* represents an increase of \$7,000 (8.0%) over the revised estimate for 2015–16. This is mainly due to the increased requirement 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 \$900,000 under *Subhead 225 Traffic Accident Victims Assistance Scheme - levies* is for statutory payments under the Traffic Accident Victims (Assistance Fund) Ordinance (Cap. 229).

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 \$4,736,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$3,324,000 (235.4%) over the revised estimate for 2015–16. This reflects the updating of the ambit of this block vote subhead as set out in the Introduction to the Estimates and the increased cash flow requirement for replacement of minor plant and equipment.

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11 Provision of \$182,000,000 under *Subhead 691 General purpose vehicles (block vote)* represents an increase of \$37,000,000 (25.5%) over the revised estimate for 2015–16. This is mainly due to the increased requirement for 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.