

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2004–05	\$511.4m
Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 816 non-directorate posts as at 31 March 2004 reducing by 35 posts to 781 posts as at 31 March 2005.....	\$189.2m
In addition there will be an estimated seven directorate posts as at 31 March 2004 and as at 31 March 2005.	
Commitment balance	\$2.4m

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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision# (\$m)	50.4	51.8	49.5 (–4.4%)	48.4 (–2.2%)
				(or –6.6% on 2003–04 Original)

The provision for this programme is transferred from the “Procurement” programme under former Head 58—Government Supplies Department.

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 2003. The department expects to meet its targets in 2004.
- 5 The savings achieved in 2003 through price negotiations amounted to \$83.5 million.
- 6 The key performance measures in respect of procurement are:

Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%).....	93	96	100	93
processing and referral of tenders received to users for evaluation within four working days (%)	95	96	100	95

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	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%)	93	96	99	93

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
value of contracts (\$m).....	4,561.6	7,345.7	6,300.0
contracts handled.....	1 696	1 499	1 800
price trend indicators			
overall price change in purchases (%).....	-8.5	-17.0	—
Consumer Price Index (B) (%).....	-3.1	-2.7	—

Matters Requiring Special Attention in 2004–05

7 During 2004–05, 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; and
- enhance the Procurement Management System to make it Internet accessible by remote users and to facilitate monitoring of allocated term contracts arranged for the supply of common-user items to government departments.

Programme (2): Supplies Management

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision# (\$m)	107.6	127.0	120.5 (-5.1%)	119.1 (-1.2%)

(or -6.2% on
2003–04 Original)

The provision for this programme is transferred from the “Storage and Distribution” and “Services to Other Departments” programmes under former Head 58—Government Supplies Department.

Aim

8 The aim is to supply common-user items required by government departments through allocated term contracts whereby the items will be delivered directly to the user departments on an as and when required basis by suppliers; 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 condemned and surplus government stores and confiscated goods and the transportation and safe custody of civil servants’ personal effects in accordance with Civil Service Regulations.

12 The department achieved its targets in 2003. The department expects to meet its targets in 2004.

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

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Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
stock turn-over rate for common-user items (the no. of times the stock is flowed through in a year)	5.0	5.0	6.2	5.0
stock turn-over rate for essential and emergency items (the no. of times the stock is flowed through in a year)†	0.5	—	—	0.5
delivery of stores to users within seven working days from the receipt of the Stores Requisition Note (%).....	85	98	99	85
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	98	100	93
completion of inspection of delivered goods within seven working days (%)....	85	92	93	85
sale of confiscated, surplus and unserviceable stores by public auction within 21 working days (%)	95	100	99	95

† New target as from 2004.

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
value of purchase of general stores (\$m)#	263.7	—	—
common-user items (\$m).....	—	206.4	118.0
essential and emergency items (\$m).....	—	31.0	5.5
average stockholding of essential and emergency items (\$m)§	—	—	11.0
no. of quarters serviced	24 513	24 099	24 099

The indicator has been split into common-user items and essential and emergency items as from 2003.

§ New indicator as from 2004.

Matters Requiring Special Attention in 2004–05

14 During 2004–05, the department will:

- arrange allocated term contracts for the supply of common-user items for user departments to 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 storage and distribution operations having regard to practices in the private sector; and
- continue to review the specifications for common-user items to ensure that environmentally-friendly products are purchased.

Programme (3): Land Transport

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision# (\$m)	146.4	153.1	150.7 (–1.6%)	135.9 (–9.8%)
				(or –11.2% on 2003–04 Original)

The provision for this programme is transferred from the “Transport Consultancy and Procurement” and “Transport Operation Services” programmes under former Head 50—Government Land Transport Agency.

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Aim

15 The aim is to procure vehicles on behalf of Government at best value for money and to provide transport management advice and supporting services to government departments.

Brief Description

16 The department renders advice to government departments on 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.

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

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

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

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

Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
transport pool resources utilisation				
% of the drivers tasked daily.....	88	87	78	88
% of the pool vehicles utilised daily..	86	81	74	86
% of pool vehicles on assignment reporting to users within five minutes of the scheduled time.....	98	98	99	98

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
vehicles procured			
additional.....	45	18	24
replacement	367	446	497
blameworthy accidents per 1 000 000 km (cases)	1.3	0.9	0.9
officers attending driving related training courses.....	839	990	826
trainees on driving courses	271	228	196

Matters Requiring Special Attention in 2004–05

21 During 2004–05, the department will continue to:

- install emission reduction devices on Euro I and Euro II government diesel vehicles;
- examine the feasibility of introducing low emission vehicles progressively in the government fleet;
- streamline and monitor the vehicle procurement process; and
- improve the cost-effectiveness of the pool transport services.

Programme (4): Printing Services

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision# (\$m)	187.7	228.5	211.0 (-7.7%)	208.0 (-1.4%)
				(or -9.0% on 2003–04 Original)

The provision for this programme is transferred from the “Printing Services” programme under former Head 130—Printing Department.

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Aim

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

Brief Description

23 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.

24 The department achieved its targets in 2003. The department expects to meet its targets in 2004.

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

Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
print and deliver printing requirements within an agreed schedule (%)	98	99	99	98
provide written technical advice on printing within ten working days (%)	98	99	100	98

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
use of available production capacity (%)	85	86	86
share of security printing work (as a proportion of total sales value) (%)§	—	—	10

§ Modified indicator as from 2004 (the share was previously expressed as a proportion of total paper weight).

Matters Requiring Special Attention in 2004–05

26 During 2004–05, the department will reorganise its printing factory to enhance efficiency.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Procurement.....	50.4	51.8	49.5	48.4
(2) Supplies Management.....	107.6	127.0	120.5	119.1
(3) Land Transport	146.4	153.1	150.7	135.9
(4) Printing Services.....	187.7	228.5	211.0	208.0
	492.1	560.4	531.7 (-5.1%)	511.4 (-3.8%)
				(or -8.7% on 2003-04 Original)

Note: These new programmes reflect the merging of the former Government Land Transport Agency (GLTA), Government Supplies Department (GSD) and Printing Department (PD) into the Government Logistics Department with effect from 1 July 2003. For the purpose of comparability, the actual expenses for 2002-03 and the original and revised estimates for 2003-04 include provisions under the relevant programmes in former GLTA, GSD and PD.

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2004-05 is \$1.1 million (2.2%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut.

Programme (2)

Provision for 2004-05 is \$1.4 million (1.2%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut. It is expected that there will be a net deletion of 18 posts in 2004-05.

Programme (3)

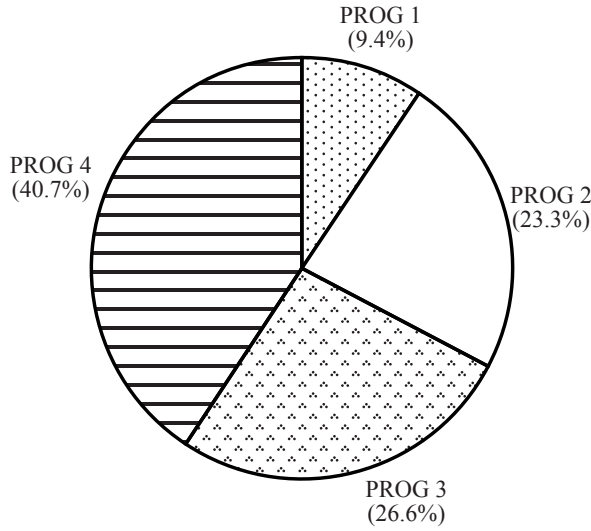
Provision for 2004-05 is \$14.8 million (9.8%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut, expected lower average cost of vehicles to be procured and reduced cashflow requirements for supply and installation of diesel oxidation catalysts for government Euro I and Euro II diesel vehicles. It is expected that eight posts will be deleted in 2004-05.

Programme (4)

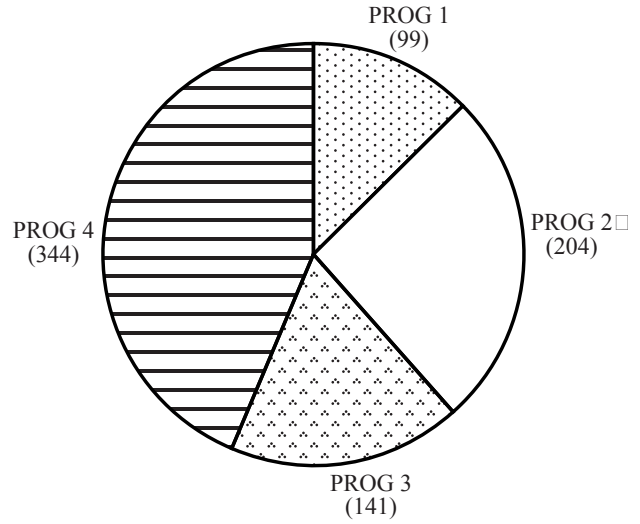
Provision for 2004-05 is \$3.0 million (1.4%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut. It is expected that there will be a net deletion of nine posts in 2004-05.

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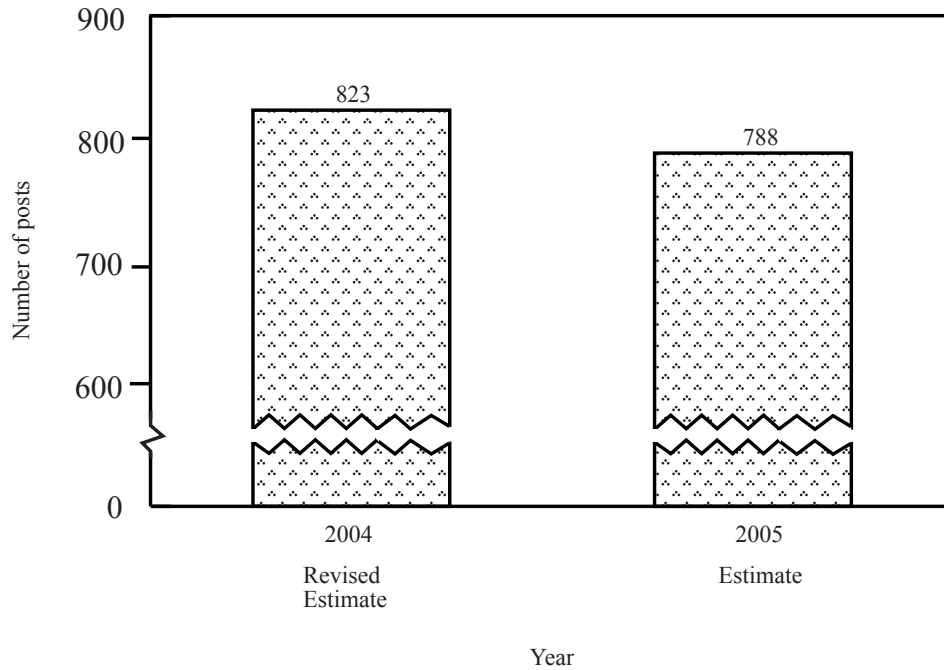
Allocation of provision to programmes (2004-05)



Staff by programme (as at 31 March 2005)



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



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Sub-head (Code)		Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses.....	—	—	326,533	417,973
003	Recoverable salaries and allowances (General).....			10,442	
	<i>Deduct reimbursements..... Cr.10,442</i>	—	—	—	—
224	Motor Insurers' Bureau - government contribution.....	—	—	86	86*
225	Traffic accident victims assistance scheme - levies.....	—	—	—	816*
226	Allocated stores: local landing charges	—	—	80	100*
267	Unallocated stores: suspense account adjustment.....	—	—	1	1*
	Total, Recurrent	—	—	326,700	418,976
Non-Recurrent					
700	General non-recurrent.....	—	—	6,168	2,410
	Total, Non-Recurrent	—	—	6,168	2,410
	Total, Operating Account.....	—	—	332,868	421,386
Capital Account					
Plant, Equipment and Works					
691	General purpose vehicles (block vote)	—	—	77,800	90,000
	Minor plant, vehicles and equipment (block vote).....	—	—	2,154	—
	Total, Plant, Equipment and Works	—	—	79,954	90,000
	Total, Capital Account	—	—	79,954	90,000
	Total Expenditure.....	—	—	412,822	511,386

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Details of Expenditure by Subhead

The Government Logistics Department was established on 1 July 2003 through the merger of the former Government Land Transport Agency, Government Supplies Department and Printing Department. The estimate of the amount required in 2004–05 for the salaries and expenses of the Government Logistics Department is \$511,386,000. This represents an increase of \$98,564,000 over the revised estimate for 2003–04, which is a nine-month provision for the period 1 July 2003 to 31 March 2004.

Operating Account

Recurrent

2 Provision of \$417,973,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Logistics Department. The increase of \$91,440,000 (28.0%) over the revised estimate for 2003–04 is mainly due to the full year provision for this subhead in 2004–05, partly offset by the effect of the 2004 and 2005 civil service pay cut.

3 The establishment as at 31 March 2004 will be 823 permanent posts. It is expected that there will be a net deletion of 35 permanent posts in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$189,198,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	—	—	154,448	200,281
- Allowances.....	—	—	7,744	10,117
- Job-related allowances	—	—	815	1,078
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	73	100
Departmental Expenses				
- Specialist supplies and equipment.....	—	—	90,743	112,500
- Contract maintenance.....	—	—	1,500	2,000
- General departmental expenses.....	—	—	71,210	91,897
	—	—	326,533	417,973

5 Provision of \$10,442,000 under *Subhead 003 Recoverable salaries and allowances* is for salaries and allowances for a team of 28 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 \$86,000 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 \$816,000 under *Subhead 225 Traffic accident victims assistance scheme—levies* is for statutory payments under Traffic Accident Victims (Assistance Fund) Ordinance. The provision for 2004–05 is comparable to the revised estimate for 2003–04 reflected in the residual account for the former Government Land Transport Agency.

8 Provision of \$100,000 under *Subhead 226 Allocated stores: local landing charges* is for payment of transportation costs for the inward shipment of stores. The increase of \$20,000 (25.0%) over the revised estimate for 2003–04 is mainly due to the full year provision for this subhead in 2004–05.

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 \$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. The increase of \$12,200,000 (15.7%) over the revised estimate for 2003–04 is mainly due to the full year provision for this subhead in 2004–05, partly offset by expected lower average cost of vehicles to be procured.

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Revised estimated expenditure for 2003-04	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	238	Supply and installation of diesel oxidation catalysts for government Euro I and Euro II diesel vehicles.....	8,410	—	6,000	2,410
		Total.....	8,410	—	6,000	2,410