

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2006–07 **\$450.4m**

Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 721 non-directorate posts as at 31 March 2006 reducing by 22 posts to 699 posts as at 31 March 2007 **\$164.1m**

In addition, there will be an estimated seven directorate posts as at 31 March 2006 and as at 31 March 2007.

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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	48.0	49.5	49.0 (–1.0%)	46.9 (–4.3%)
				(or –5.3% on 2005–06 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 calling 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, 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 2005 and expects to meet its targets in 2006.
- 5 The savings achieved in 2005 through price negotiations amounted to \$69.4 million.
- 6 The key performance measures in respect of procurement are:

Targets

	Target	2004 (Actual)	2005 (Actual)	2006 (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	99	95
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%)	93	98	96	93

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Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
value of contracts (\$m)	4,811.4	3,619.5	4,700.0
contracts handled	1 199	1 010	610
price trend indicators			
overall price change in purchases (%)	-7.2	-3.0	N.A.
Consumer Price Index (B) (%)	-0.5	+1.1	N.A.

Matters Requiring Special Attention in 2006-07

7 During 2006-07, 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

	2004-05 (Actual)	2005-06 (Original)	2005-06 (Revised)	2006-07 (Estimate)
Financial provision (\$m)	74.4	85.7	72.7 (-15.2%)	76.3 (+5.0%)
				(or -11.0% on 2005-06 Original)

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 activities 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 the Civil Service Regulations.

12 The Department provides storage space to government departments.

13 The Department achieved its targets in 2005 and expects to meet its targets in 2006.

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

Targets

	Target	2004 (Actual)	2005 (Actual)	2006 (Plan)
stock turn-over rate for essential and emergency items (the no. of times the stock is flowed through in a year)	0.5	1.3	1.1	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) (%).....	95§	100	100	95
completion of inspection of delivered goods within seven working days (%)....	85	94	98	85
sale of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%)	95	100	100	95

§ Target improved from 93% to 95% as from 2006.

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Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
value of purchase of general stores			
common-user items (\$m).....	52.7	0.7#	0.0#
essential and emergency items (\$m).....	12.5	16.7	5.0
average stockholding of essential and emergency			
items (\$m).....	10.1	9.7	10.0
quarters serviced.....	24 099	23 765	23 561

Common-user items are being phased out from the unallocated stores. No further purchases have been made as from February 2005.

Matters Requiring Special Attention in 2006–07

15 During 2006–07, 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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	127.3	129.0	125.9 (–2.4%)	127.6 (+1.4%)
				(or –1.1% on 2005–06 Original)

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.

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 Department achieved its targets in 2005 and expects to meet its targets in 2006.

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

Targets

	Target	2004 (Actual)	2005 (Actual)	2006 (Plan)
transport pool resources utilisation				
drivers tasked daily (%)	88	94	94	88
pool vehicles utilised daily (%).....	86	81	87	86

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
vehicles procured			
additional	20	0	0
replacement.....	484	593	529
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	946	946
trainees on driving courses	201	151	151

Matters Requiring Special Attention in 2006–07

23 During 2006–07, 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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	193.5	198.8	196.4 (–1.2%)	199.6 (+1.6%)
				(or +0.4% on 2005–06 Original)

Aim

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

Brief Description

25 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.

26 The Department achieved its targets in 2005 and expects to meet its targets in 2006.

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

Targets

	Target	2004 (Actual)	2005 (Actual)	2006 (Plan)
print and deliver printing requirements				
within an agreed schedule (%)	98	98	100	98
provide written technical advice on				
printing within seven working days				
(%)@	98	100	100	98

@ Target improved from ten to seven working days as from 2005.

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Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
use of available production capacity (%).....	86	86	86
share of security printing work (as a proportion of total sales value) (%).....	13	16	13

Matters Requiring Special Attention in 2006–07

28 During 2006–07, the Department will consolidate the revised set-up of the printing factory and strive for continuous improvement of its printing services.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2004-05 (Actual) (\$m)	2005-06 (Original) (\$m)	2005-06 (Revised) (\$m)	2006-07 (Estimate) (\$m)
(1) Procurement	48.0	49.5	49.0	46.9
(2) Supplies Management	74.4	85.7	72.7	76.3
(3) Land Transport	127.3	129.0	125.9	127.6
(4) Printing Services	193.5	198.8	196.4	199.6
	443.2	463.0	444.0 (-4.1%)	450.4 (+1.4%)
				(or -2.7% on 2005-06 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2006-07 is \$2.1 million (4.3%) lower than the revised estimate for 2005-06. This is mainly due to the full-year effect of deletion of posts in 2005-06 and reduced operating expenses arising from the transfer of responsibility for procurement of pharmaceutical supplies to the Hospital Authority, partly offset by salary increments for staff and filling of vacancies.

Programme (2)

Provision for 2006-07 is \$3.6 million (5.0%) higher than the revised estimate for 2005-06. This is mainly due to salary increments for staff and filling of vacancies, partly offset by savings in transportation costs and deletion of four posts in 2006-07.

Programme (3)

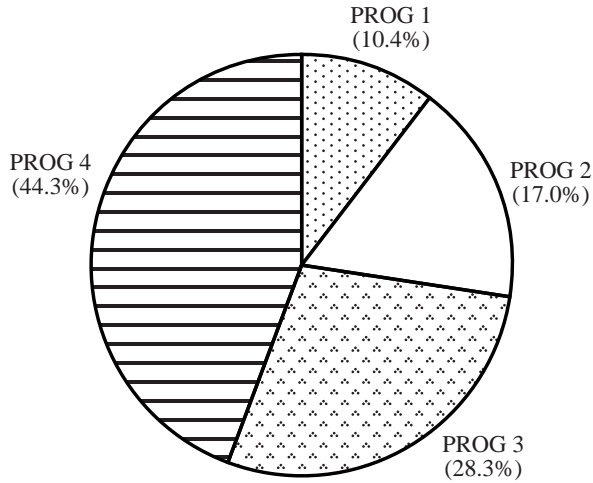
Provision for 2006-07 is \$1.7 million (1.4%) higher than the revised estimate for 2005-06. This is mainly due to salary increments for staff and filling of vacancies. 14 posts will be deleted in 2006-07.

Programme (4)

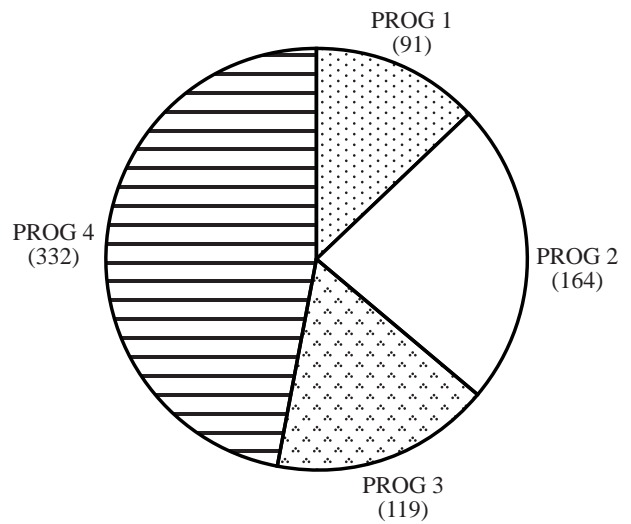
Provision for 2006-07 is \$3.2 million (1.6%) higher than the revised estimate for 2005-06. This is mainly due to the increased provision for printing tools, maintenance of equipment and other departmental expenses. Four posts will be deleted in 2006-07.

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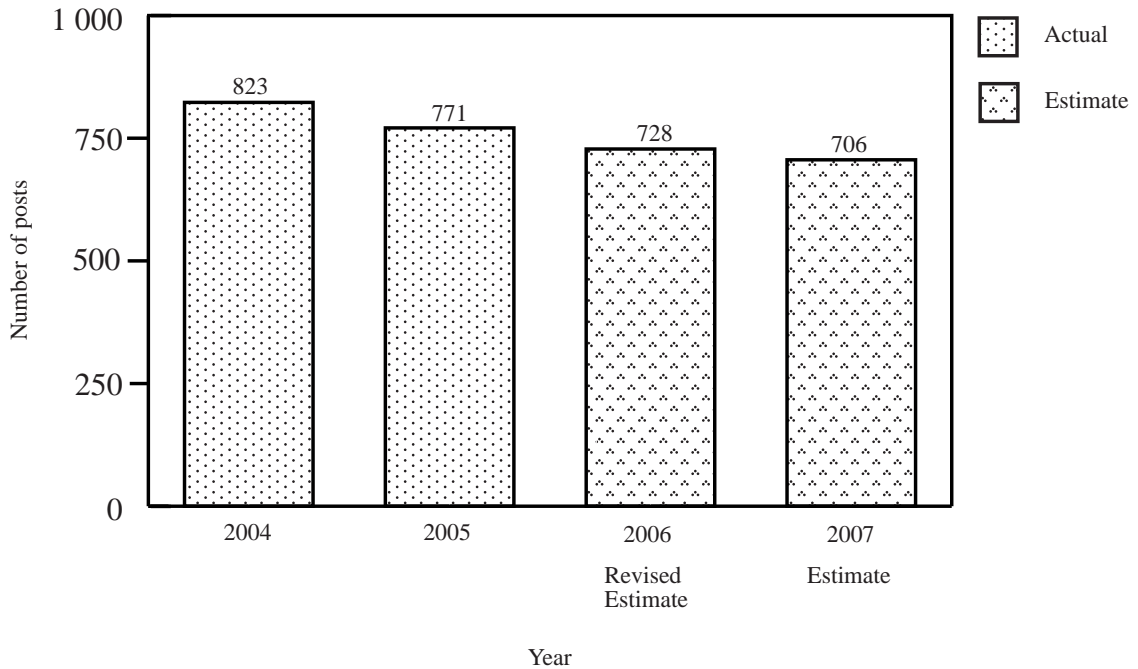
*Allocation of provision
to programmes
(2006-07)*



*Staff by programme
(as at 31 March 2007)*



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



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Sub-head (Code)		Actual expenditure 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	Estimate 2006-07
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	349,467	371,185	351,703	358,121
003	Recoverable salaries and allowances (General)				10,119
	<i>Deduct reimbursements</i>	<i>Cr.10,119</i>			
224	Motor Insurers' Bureau - government contribution	84	88	88	88
225	Traffic accident victims assistance scheme - levies	802	810	787	787
226	Allocated stores: local landing charges	12	20	20	20
267	Unallocated stores: suspense account adjustment	—	1	1	1
	Total, Recurrent.....	<u>350,365</u>	<u>372,104</u>	<u>352,599</u>	<u>359,017</u>
Non-Recurrent					
	General non-recurrent.....	1,410	—	—	—
	Total, Non-Recurrent.....	<u>1,410</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total, Operating Account	<u>351,775</u>	<u>372,104</u>	<u>352,599</u>	<u>359,017</u>
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	1,413	928	1,448	1,428
691	General purpose vehicles (block vote)	89,991	90,000	90,000	90,000
	Total, Plant, Equipment and Works	<u>91,404</u>	<u>90,928</u>	<u>91,448</u>	<u>91,428</u>
	Total, Capital Account	<u>91,404</u>	<u>90,928</u>	<u>91,448</u>	<u>91,428</u>
	Total Expenditure	<u><u>443,179</u></u>	<u><u>463,032</u></u>	<u><u>444,047</u></u>	<u><u>450,445</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Government Logistics Department is \$450,445,000. This represents an increase of \$6,398,000 over the revised estimate for 2005–06 and of \$7,266,000 over actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$358,121,000 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 2006 will be 728 permanent posts. It is expected that 22 permanent posts will be deleted in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$164,140,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	181,726	187,186	174,059	178,779
- Allowances	7,792	7,498	7,504	7,504
- Job-related allowances	939	1,018	955	1,008
Personnel Related Expenses				
- Mandatory Provident Fund contribution	67	85	85	85
Departmental Expenses				
- Specialist supplies and equipment	102,326	108,925	103,173	104,478
- Contract maintenance	1,250	1,525	1,520	1,520
- General departmental expenses	55,367	64,948	64,407	64,747
	349,467	371,185	351,703	358,121

5 Provision of \$10,119,000 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 \$787,000 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 \$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.