

## Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

**Estimate 2007–08** ..... **\$419.6m**

**Establishment ceiling 2007–08** (notional annual mid-point salary value) representing an estimated 699 non-directorate posts as at 31 March 2007 rising by three posts to 702 posts as at 31 March 2008..... **\$162.3m**

In addition, there will be an estimated seven directorate posts as at 31 March 2007 and as at 31 March 2008.

### Controlling Officer's Report

#### Programmes

<p><b>Programme (1) Procurement</b>  <b>Programme (2) Supplies Management</b>  <b>Programme (3) Land Transport</b>  <b>Programme (4) Printing Services</b></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

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	<b>2007–08 (Estimate)</b>
Financial provision (\$m)	46.3	46.9	45.0 (–4.1%)	<b>47.2</b> (+4.9%)
				(or +0.6% on 2006–07 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 savings achieved in 2006 through price negotiations amounted to \$104.6 million.  
 5 The key performance measures in respect of procurement are:

#### Targets

	Target	2005 (Actual)	2006 (Actual)	<b>2007 (Plan)</b>
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%).....	93	100	100	<b>93</b>
processing and referral of tenders received to users for evaluation within four working days (%).....	95	99	100	<b>95</b>
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%) .....	93	96	97	<b>93</b>

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### Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
value of contracts (\$m).....	3,619.5	3,815.7	<b>4,085.0</b>
contracts handled.....	1 010	615	<b>430</b>
price trend indicators			
overall price change in purchases (%).....	-3.0	-5.3	N.A.
Consumer Price Index (B) (%).....	+1.1	+2.1	N.A.

### Matters Requiring Special Attention in 2007–08

6 During 2007–08, 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
- to provide advice regarding procurement strategies to user departments.

### Programme (2): Supplies Management

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	66.1	76.3	61.8 (-19.0%)	<b>64.6</b> (+4.5%)
				(or -15.3% on 2006–07 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 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 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 the 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 to government departments.

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

### Targets

	Target	2005 (Actual)	2006 (Actual)	2007 (Plan)
stock turn-over rate for essential and emergency items (the no. of times the stock is flowed through in a year) .....	0.5	1.1	2.2	<b>0.5</b>
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	<b>95</b>
completion of inspection of delivered goods within seven working days (%)....	90#	98	100	<b>90</b>

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	Target	2005 (Actual)	2006 (Actual)	<b>2007 (Plan)</b>
sale of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%) .....	95	100	100	<b>95</b>

# Target improved from 85% to 90% as from 2007.

### *Indicators*

	2005 (Actual)	2006 (Actual)	<b>2007 (Estimate)</b>
value of purchase of general stores			
common-user items (\$m).....	0.7§	0.0§	<b>0.0§</b>
essential and emergency items (\$m) .....	16.7	21.4	<b>6.0</b>
average stockholding of essential and emergency items (\$m).....	9.7	13.0	<b>12.0</b>
quarters serviced.....	23 765	23 551	<b>23 289</b>

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

### *Matters Requiring Special Attention in 2007–08*

**13** During 2007–08, 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;
- 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**

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	<b>2007–08 (Estimate)</b>
Financial provision (\$m)	128.6	127.6	125.7 (–1.5%)	<b>131.1</b> (+4.3%)
				(or +2.7% on 2006–07 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 certain types of specialised vehicles, for all government departments and manages funding through a block vote.

**16** To enhance environmental performance, the Department implements green measures, including the replacement of diesel light buses progressively with those driven by liquefied petroleum gas, and explores the feasibility of introducing environment friendly vehicles in the government fleet.

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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 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.

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

### *Targets*

	Target	2005 (Actual)	2006 (Actual)	2007 (Plan)
transport pool resources utilisation				
drivers tasked daily (%).....	88	94	96	<b>88</b>
pool vehicles utilised daily (%).....	86	87	87	<b>86</b>

### *Indicators*

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
vehicles procured			
additional.....	0	0	<b>0</b>
replacement.....	593	529	<b>443</b>
blameworthy accidents per 1 000 000 km.....	0.9	0.9	<b>0.9</b>
officers who have attended driving related training courses			
during the year.....	946	991	<b>950</b>
trainees on driving courses.....	151	152	<b>151</b>

### *Matters Requiring Special Attention in 2007–08*

20 During 2007–08, 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;
- 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
- continue to improve the cost-effectiveness of the pool transport services.

### **Programme (4): Printing Services**

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	189.5	199.6	162.1 (–18.8%)	<b>176.7</b> (+9.0%)
				(or –11.5% on 2006–07 Original)

### *Aim*

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

### *Brief Description*

22 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.

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

**Targets**

	Target	2005 (Actual)	2006 (Actual)	<b>2007 (Plan)</b>
printing and delivering printing requirements within an agreed schedule (%).....	98	100	99	<b>98</b>
providing written technical advice on printing within seven working days (%) .....	98	100	100	<b>98</b>

**Indicators**

	2005 (Actual)	2006 (Actual)	<b>2007 (Estimate)</b>
use of available production capacity (%) .....	86	86	<b>86</b>
share of security printing work (as a proportion of total sales value) (%).....	16	14	<b>15</b>

**Matters Requiring Special Attention in 2007–08**

24 During 2007–08, the Department will continue to strive for continuous improvement of its printing services.

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### ANALYSIS OF FINANCIAL PROVISION

Programme	2005-06 (Actual) (\$m)	2006-07 (Original) (\$m)	2006-07 (Revised) (\$m)	2007-08 (Estimate) (\$m)
(1) Procurement.....	46.3	46.9	45.0	47.2
(2) Supplies Management.....	66.1	76.3	61.8	64.6
(3) Land Transport .....	128.6	127.6	125.7	131.1
(4) Printing Services.....	189.5	199.6	162.1	176.7
	430.5	450.4	394.6 (-12.4%)	419.6 (+6.3%)
				(or -6.8% on 2006-07 Original)

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2007-08 is \$2.2 million (4.9%) higher than the revised estimate for 2006-07. This is mainly due to the increased provision for filling of vacancies and payment of pre-retirement leave salary.

##### Programme (2)

Provision for 2007-08 is \$2.8 million (4.5%) higher than the revised estimate for 2006-07. This is mainly due to the increased provision for filling of vacancies and payment of pre-retirement leave salary. In addition, one post will be created in 2007-08 to meet operational needs.

##### Programme (3)

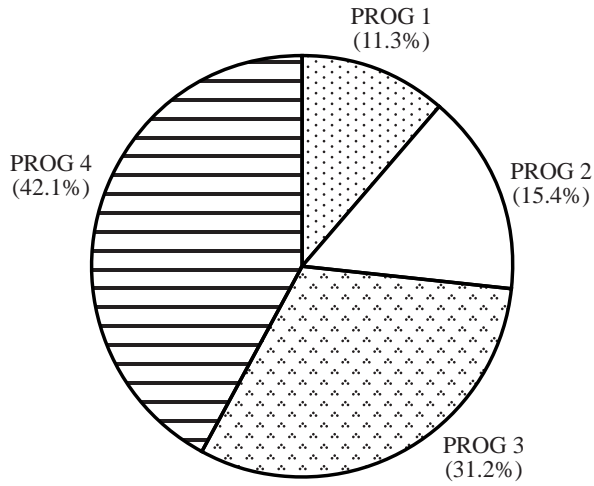
Provision for 2007-08 is \$5.4 million (4.3%) higher than the revised estimate for 2006-07. This is mainly due to the increased provision for replacing vehicles which are due for replacement with environment friendly models. In addition, one post will be created in 2007-08 to meet operational needs.

##### Programme (4)

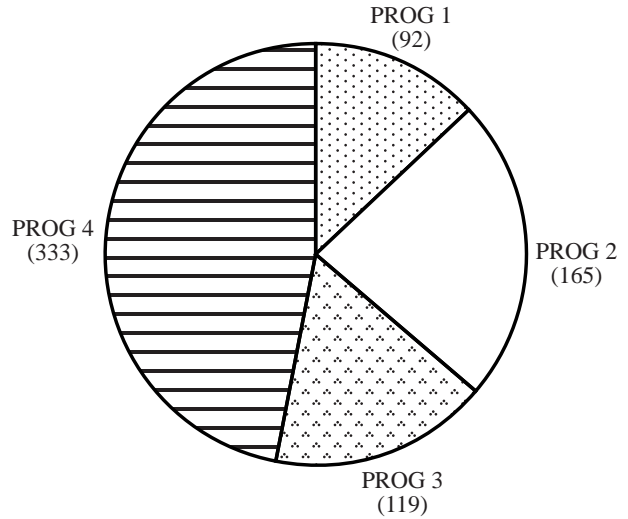
Provision for 2007-08 is \$14.6 million (9.0%) higher than the revised estimate for 2006-07. This is mainly due to the increased provision for purchase of printing paper for use, anticipated increase in paper pulp price and additional printing jobs. In addition, one post will be created in 2007-08 to meet operational needs.

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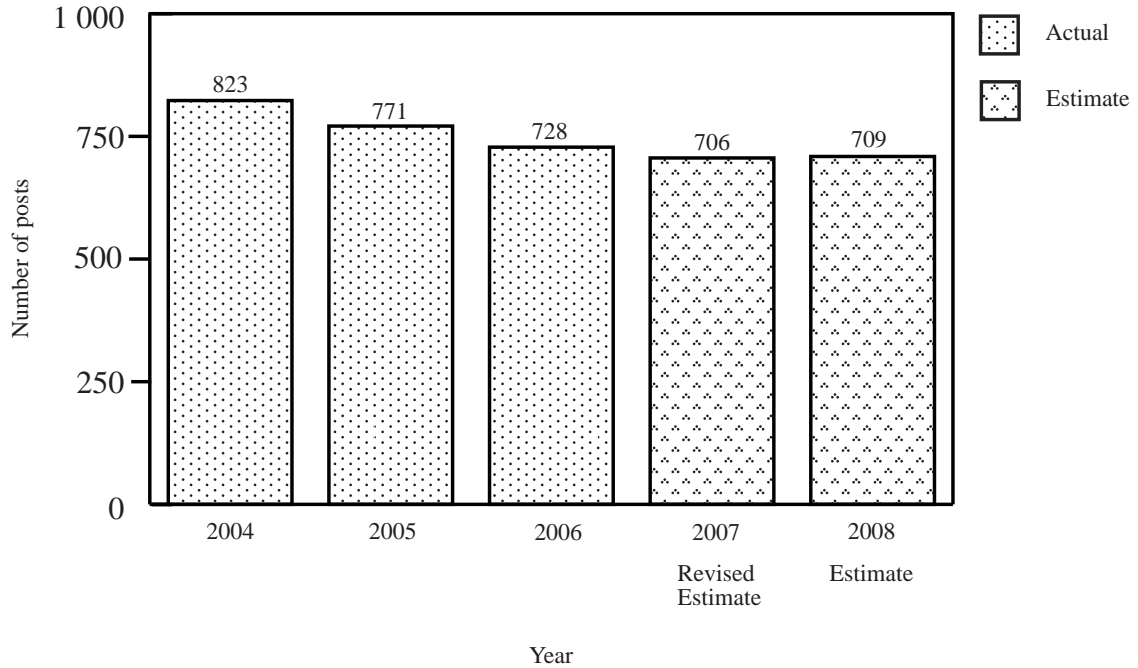
*Allocation of provision  
to programmes  
(2007-08)*



*Staff by programme  
(as at 31 March 2008)*



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



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Sub-head (Code)		Actual expenditure 2005-06	Approved estimate 2006-07	Revised estimate 2006-07	<b>Estimate 2007-08</b>
	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	337,085	358,121	302,345	<b>324,777</b>
003	Recoverable salaries and allowances (General).....	9,288			
	<i>Deduct</i> reimbursements..... <i>Cr. 9,288</i>	—	—	—	—
224	Motor Insurers' Bureau - government contribution.....	77	88	77	<b>77</b>
225	Traffic Accident Victims Assistance Scheme - levies.....	787	787	779	<b>779</b>
226	Allocated stores: local landing charges .....	17	20	10	<b>10</b>
267	Unallocated stores: suspense account adjustment.....	—	1	1	<b>1</b>
	Total, Recurrent .....	<u>337,966</u>	<u>359,017</u>	<u>303,212</u>	<b><u>325,644</u></b>
	Total, Operating Account.....	337,966	359,017	303,212	<b>325,644</b>
<b>Capital Account</b>					
Plant, Equipment and Works					
691	General purpose vehicles (block vote) .....	91,126	90,000	90,000	<b>94,000</b>
	Minor plant, vehicles and equipment (block vote).....	1,448	1,428	1,428	—
	Total, Plant, Equipment and Works .....	<u>92,574</u>	<u>91,428</u>	<u>91,428</u>	<b><u>94,000</u></b>
	Total, Capital Account .....	92,574	91,428	91,428	<b>94,000</b>
	Total Expenditure.....	<u><u>430,540</u></u>	<u><u>450,445</u></u>	<u><u>394,640</u></u>	<b><u><u>419,644</u></u></b>



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### Details of Expenditure by Subhead

The estimate of the amount required in 2007–08 for the salaries and expenses of the Government Logistics Department is \$419,644,000. This represents an increase of \$25,004,000 over the revised estimate for 2006–07 and a decrease of \$10,896,000 against actual expenditure in 2005–06.

#### Operating Account

##### Recurrent

**2** Provision of \$324,777,000 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 2007 will be 706 permanent posts. It is expected that three permanent posts will be created in 2007–08. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2007–08, but the notional annual mid-point salary value of all such posts must not exceed \$162,282,000.

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

	2005–06 (Actual) (\$'000)	2006–07 (Original) (\$'000)	2006–07 (Revised) (\$'000)	2007–08 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	169,407	178,779	166,286	172,336
- Allowances.....	5,809	7,504	6,173	6,151
- Job-related allowances.....	888	1,008	891	955
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	59	85	63	46
- Civil Service Provident Fund contribution.....	—	—	—	73
Departmental Expenses				
- Specialist supplies and equipment.....	91,662	104,478	72,174	86,553
- Contract maintenance.....	1,235	1,520	1,208	1,200
- General departmental expenses.....	68,025	64,747	55,550	57,463
	337,085	358,121	302,345	324,777

**5** Provision of \$9,288,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for the salaries and allowances for a team of 25 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 \$77,000 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 \$779,000 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 \$94,000,000 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.