

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2008–09 **\$448.9m**

Establishment ceiling 2008–09 (notional annual mid-point salary value) representing an estimated 702 non-directorate posts as at 31 March 2008 rising by four posts to 706 posts as at 31 March 2009 **\$172.6m**

In addition, there will be an estimated seven directorate posts as at 31 March 2008 and as at 31 March 2009.

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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	43.1	47.2	45.1 (–4.4%)	45.4 (+0.7%)
				(or –3.8% on 2007–08 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 2007 through price negotiations amounted to \$31.7 million.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (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	97	100	93

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Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
value of contracts (\$m)	3,815.7	3,785.1	4,036.0
contracts handled	615	393	396
price trend indicators			
overall price change in purchases (%)	-5.3	+17.0	N.A.#
Consumer Price Index (B) (%)	+2.1	+2.2	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2008–09

6 During 2008–09, 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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	59.8	64.6	63.0 (-2.5%)	65.2 (+3.5%)
				(or +0.9% on 2007–08 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 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 for government departments.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
stock turn-over rate for essential and emergency items (no. of times the stock is flowed through in a year)	0.5	2.2	1.0	0.5
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

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	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
disposing of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%).....	95	100	100	95

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
value of purchase of essential and emergency items (\$m)	21.4	6.0	6.0
average stockholding of essential and emergency items (\$m)	13.0	8.3	12.0
quarters serviced	23 551	23 287	23 240

Matters Requiring Special Attention in 2008–09

13 During 2008–09, 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 for 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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	126.6	131.1	129.8 (–1.0%)	139.8 (+7.7%)
				(or +6.6% on 2007–08 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 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 exploring the feasibility of using more environment-friendly vehicles in the government fleet.

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 the 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.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
transport pool resources utilisation				
drivers tasked daily (%).....	88	96	97	88
pool vehicles utilised daily (%).....	86	87	87	86

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
vehicles procured			
additional	0	0	0
replacement.....	529	443	489
blameworthy accidents per 1 000 000 km.....	0.9	0.9	0.9
officers who have attended driving related training courses			
during the year.....	991	953	950
trainees on driving courses.....	152	151	150

Matters Requiring Special Attention in 2008–09

20 During 2008–09, 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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	155.5	176.7	189.4 (+7.2%)	198.5 (+4.8%)
				(or +12.3% on 2007–08 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.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (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	100	100	98

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Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
use of available production capacity (%).....	86	86	86
share of security printing work (as a proportion of total sales value) (%).....	14	16	16

Matters Requiring Special Attention in 2008–09

24 During 2008–09, the Department will continue to strive for continuous improvement of its printing services.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2006-07 (Actual) (\$m)	2007-08 (Original) (\$m)	2007-08 (Revised) (\$m)	2008-09 (Estimate) (\$m)
(1) Procurement	43.1	47.2	45.1	45.4
(2) Supplies Management	59.8	64.6	63.0	65.2
(3) Land Transport.....	126.6	131.1	129.8	139.8
(4) Printing Services	155.5	176.7	189.4	198.5
	385.0	419.6	427.3 (+1.8%)	448.9 (+5.1%)
				(or +7.0% on 2007-08 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2008-09 is \$0.3 million (0.7%) higher than the revised estimate for 2007-08. This is mainly due to the increased requirement for general departmental expenses.

Programme (2)

Provision for 2008-09 is \$2.2 million (3.5%) higher than the revised estimate for 2007-08. This is mainly due to filling of vacancies and increased requirement for general departmental expenses.

Programme (3)

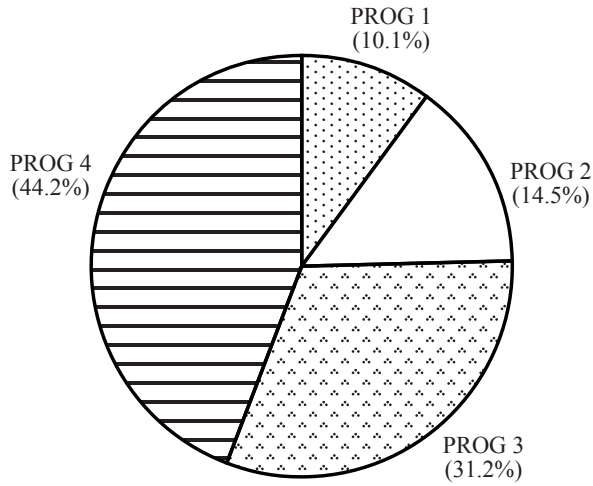
Provision for 2008-09 is \$10.0 million (7.7%) higher than the revised estimate for 2007-08. This is mainly due to the increased provision for replacing vehicles which are due for replacement, filling of vacancies and creation of two posts in 2008-09 to meet operational needs.

Programme (4)

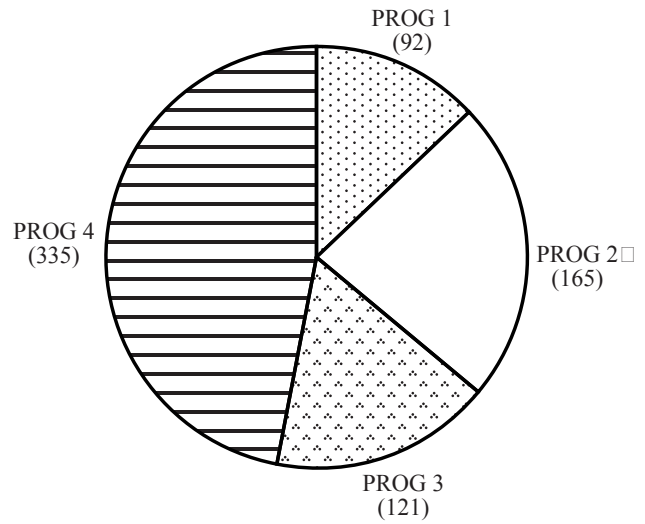
Provision for 2008-09 is \$9.1 million (4.8%) higher than the revised estimate for 2007-08. This is mainly due to the anticipated increase in paper price and printing cost, and increased requirement for general departmental expenses, partly offset by the completion of capital projects. In addition, two posts will be created in 2008-09 to meet operational needs.

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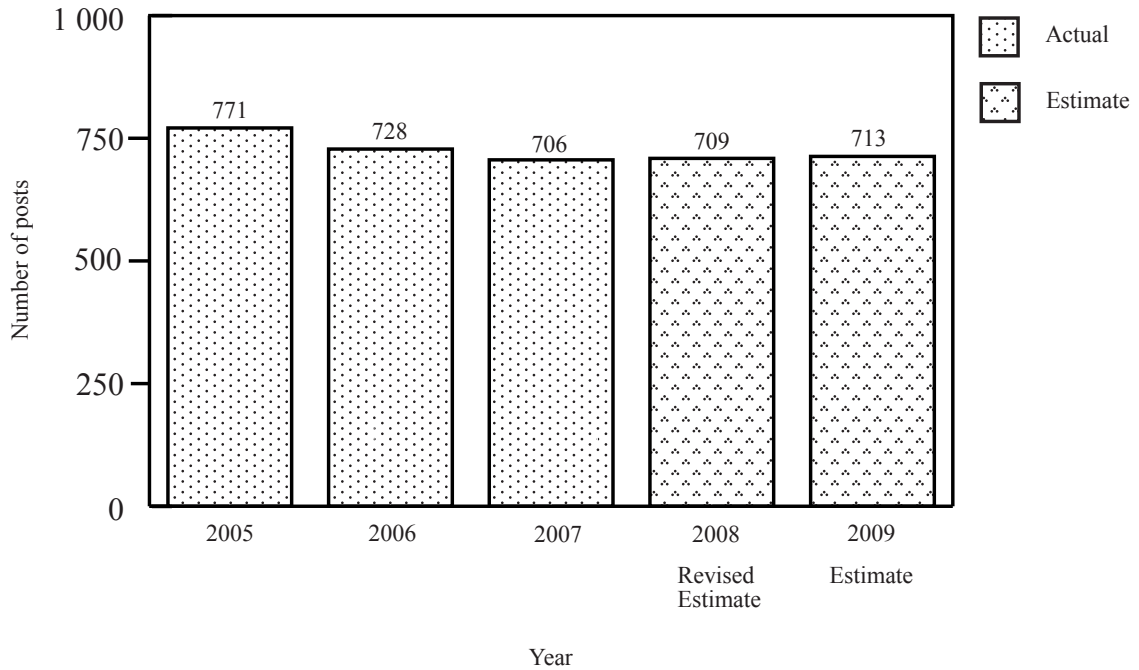
Allocation of provision to programmes (2008-09)



Staff by programme (as at 31 March 2009)



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



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Sub-head (Code)		Actual expenditure 2006–07	Approved estimate 2007–08	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	288,403	324,777	326,057	347,023
003	Recoverable salaries and allowances (General)			9,608	
	<i>Deduct</i> reimbursements	<i>Cr. 9,608</i>			
224	Motor Insurers' Bureau - government contribution	78	77	78	78
225	Traffic Accident Victims Assistance Scheme - levies	779	779	771	771
226	Allocated stores: local landing charges	20	10	10	10
267	Unallocated stores: suspense account adjustment		1	1	1
	Total, Recurrent	<u>289,280</u>	<u>325,644</u>	<u>326,917</u>	<u>347,883</u>
	Total, Operating Account	289,280	325,644	326,917	347,883
Capital Account					
Plant, Equipment and Works					
691	General purpose vehicles (block vote)	93,584	94,000	94,000	101,000
	Plant, vehicles and equipment			5,702	
	Minor plant, vehicles and equipment (block vote)	2,088		724	
	Total, Plant, Equipment and Works	<u>95,672</u>	<u>94,000</u>	<u>100,426</u>	<u>101,000</u>
	Total, Capital Account	95,672	94,000	100,426	101,000
	Total Expenditure	<u><u>384,952</u></u>	<u><u>419,644</u></u>	<u><u>427,343</u></u>	<u><u>448,883</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2008–09 for the salaries and expenses of the Government Logistics Department is \$448,883,000. This represents an increase of \$21,540,000 over the revised estimate for 2007–08 and of \$63,931,000 over actual expenditure in 2006–07.

Operating Account

Recurrent

2 Provision of \$347,023,000 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 2008 will be 709 permanent posts. It is expected that four permanent posts will be created in 2008–09. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2008–09, but the notional annual mid-point salary value of all such posts must not exceed \$172,588,000.

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

	2006–07 (Actual) (\$'000)	2007–08 (Original) (\$'000)	2007–08 (Revised) (\$'000)	2008–09 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	164,303	172,336	173,174	178,032
- Allowances	6,263	6,151	7,717	7,892
- Job-related allowances	853	955	846	895
Personnel Related Expenses				
- Mandatory Provident Fund contribution	60	46	48	73
- Civil Service Provident Fund contribution	8	73	97	223
Departmental Expenses				
- Specialist supplies and equipment	63,255	86,553	87,433	97,513
- Contract maintenance	1,082	1,200	1,200	1,230
- General departmental expenses	52,579	57,463	55,542	61,165
	288,403	324,777	326,057	347,023

5 Provision of \$9,608,000 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 \$78,000 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 \$771,000 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 \$101,000,000 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.