

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2010–11 **\$491.8m**

Establishment ceiling 2010–11 (notional annual mid-point salary value) representing an estimated 705 non-directorate posts as at 31 March 2010 and as at 31 March 2011 **\$180.5m**

In addition, there will be an estimated seven directorate posts as at 31 March 2010 and as at 31 March 2011.

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

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	46.6	53.0	49.0 (–7.5%)	49.4 (+0.8%)
				(or –6.8% on 2009–10 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 undertaken by the Procurement Division of the Department. Other activities include providing advice to government departments on tendering procedures, expanding and maintaining suppliers' lists, 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 2009 through price negotiations amounted to \$98.5 million.

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

Targets

	Target	2008 (Actual)	2009 (Actual)	2010 (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

	2008 (Actual)	2009 (Actual)	2010 (Estimate)
value of contracts (\$m).....	3,923.0	3,783.0	4,030.0
contracts handled.....	473	544	423
price trend indicators			
overall price change in purchases (%).....	+26.0	+0.5	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2010–11

6 During 2010–11, 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
- provide advice on procurement strategies to user departments.

Programme (2): Supplies Management

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	63.7	70.5	66.6 (–5.5%)	69.6 (+4.5%)
				(or –1.3% on 2009–10 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 the allocated term contracts and monitoring 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 such 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	2008 (Actual)	2009 (Actual)	2010 (Plan)
stock turnover rate for essential and emergency items (no. of times the stock flows through in a year).....	1.0	1.7	3.8	1.0
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	2008 (Actual)	2009 (Actual)	2010 (Plan)
disposing of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%)	95	100	100	95

Indicators

	2008 (Actual)	2009 (Actual)	2010 (Estimate)
value of purchase of essential and emergency items (\$m).....	12.1	37.7	16.8
average stockholding of essential and emergency items (\$m).....	7.1	9.3	9.3
quarters serviced.....	23 082	22 300	22 210

Matters Requiring Special Attention in 2010–11

13 During 2010–11, 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 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

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	138.1	156.6	155.3 (–0.8%)	160.7 (+3.5%)

(or +2.6% on
2009–10 Original)

Aim

14 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

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 specialised vehicles, for government departments and manages funding through a block vote.

16 To contribute to environmental protection, the Department implements green measures, including replacing 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 tests.

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

Targets

	Target	2008 (Actual)	2009 (Actual)	2010 (Plan)
transport pool resources utilisation				
drivers tasked daily (%)	90 [^]	96	95	90
pool vehicles utilised daily (%).....	86	87	90	86

[^] Improvement over the previous target utilisation rate of 88 per cent as from 2010.

Indicators

	2008 (Actual)	2009 (Actual)	2010 (Estimate)
vehicles procured			
additional.....	0	8	0
replacement	489	401	373
blameworthy accidents per 1 000 000 km	0.9	0.9	0.9
officers who have attended driving related training courses			
during the year	967	959	950
trainees on driving courses	151	153	150

Matters Requiring Special Attention in 2010–11

20 During 2010–11, 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

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	191.8	206.4	207.9 (+0.7%)	212.1 (+2.0%)

(or +2.8% on
2009–10 Original)

Aim

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

Brief Description

22 The Department produces a wide range of printed material, 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	2008 (Actual)	2009 (Actual)	2010 (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	99	98	98

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Indicators

	2008 (Actual)	2009 (Actual)	2010 (Estimate)
use of available production capacity (%)	86	88	86
share of security printing work (as a proportion of total sales value) (%).....	17	13	14

Matters Requiring Special Attention in 2010–11

24 During 2010–11, the Department will continue to strive for continuous improvement in its printing services.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2008–09 (Actual) (\$m)	2009–10 (Original) (\$m)	2009–10 (Revised) (\$m)	2010–11 (Estimate) (\$m)
(1) Procurement.....	46.6	53.0	49.0	49.4
(2) Supplies Management.....	63.7	70.5	66.6	69.6
(3) Land Transport	138.1	156.6	155.3	160.7
(4) Printing Services.....	191.8	206.4	207.9	212.1
	440.2	486.5	478.8 (-1.6%)	491.8 (+2.7%)
				(or +1.1% on 2009–10 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2010–11 is \$0.4 million (0.8%) higher than the revised estimate for 2009–10. This is mainly due to the filling of vacancies.

Programme (2)

Provision for 2010–11 is \$3.0 million (4.5%) higher than the revised estimate for 2009–10. This is mainly due to the filling of vacancies and increased requirement for general departmental expenses.

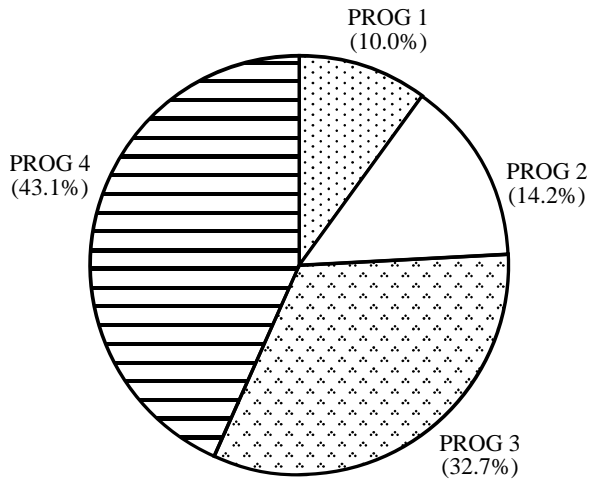
Programme (3)

Provision for 2010–11 is \$5.4 million (3.5%) higher than the revised estimate for 2009–10. This is mainly due to the increased provision for the procurement of some electric vehicles.

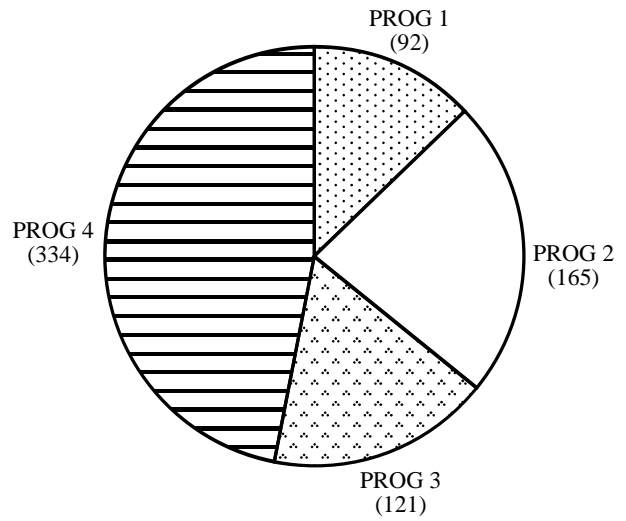
Programme (4)

Provision for 2010–11 is \$4.2 million (2.0%) higher than the revised estimate for 2009–10. This is mainly due to the filling of vacancies.

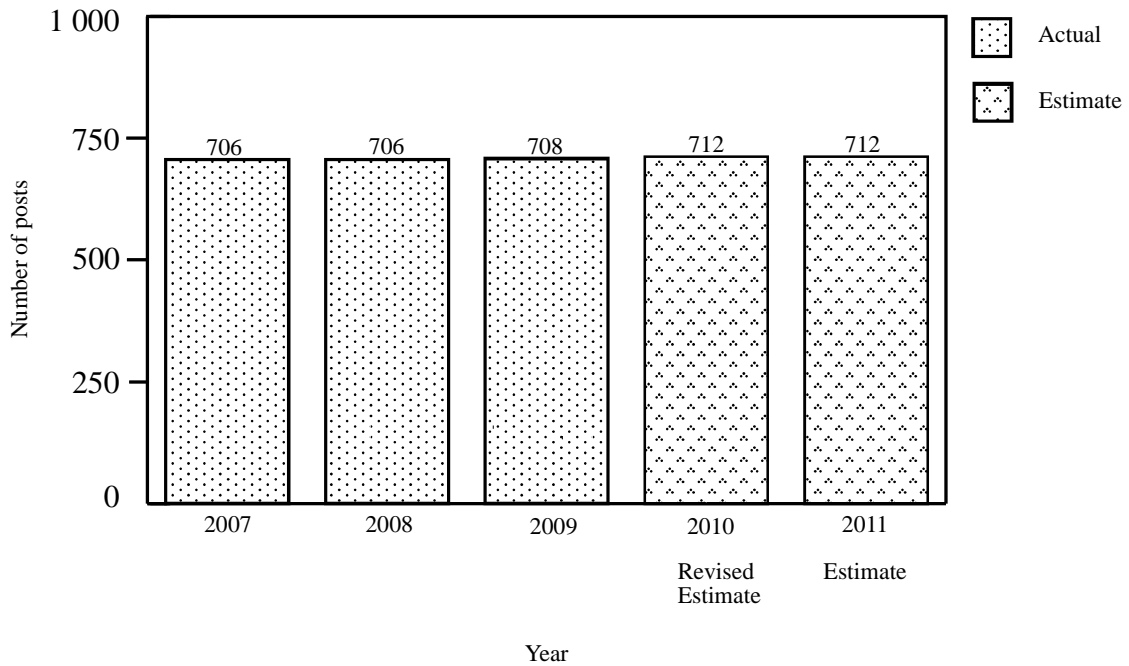
Allocation of provision to programmes (2010-11)



Staff by programme (as at 31 March 2011)



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



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Sub-head (Code)		Actual expenditure 2008–09	Approved estimate 2009–10	Revised estimate 2009–10	Estimate 2010–11
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	338,141	364,143	356,092	365,721
003	Recoverable salaries and allowances (General)				10,784
	<i>Deduct reimbursements</i>	<i>Cr. 10,784</i>			
224	Motor Insurers' Bureau - government contribution	67	78	78	78
225	Traffic Accident Victims Assistance Scheme - levies	766	766	761	766
226	Allocated stores: local landing charges.....	6	10	10	10
267	Unallocated stores: suspense account adjustment	—	1	1	1
	Total, Recurrent.....	338,980	364,998	356,942	366,576
	Total, Operating Account	338,980	364,998	356,942	366,576
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	257	—	330	3,230
691	General purpose vehicles (block vote).....	101,000	116,000	116,000	122,000
	Plant, vehicles and equipment.....	—	5,500	5,500	—
	Total, Plant, Equipment and Works.....	101,257	121,500	121,830	125,230
	Total, Capital Account	101,257	121,500	121,830	125,230
	Total Expenditure	440,237	486,498	478,772	491,806

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Details of Expenditure by Subhead

The estimate of the amount required in 2010–11 for the salaries and expenses of the Government Logistics Department is \$491,806,000. This represents an increase of \$13,034,000 over the revised estimate for 2009–10 and of \$51,569,000 over the actual expenditure in 2008–09.

Operating Account

Recurrent

2 Provision of \$365,721,000 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 2010 will be 712 permanent posts. No net change in establishment is expected in 2010–11. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2010–11, but the notional annual mid-point salary value of all such posts must not exceed \$180,533,000.

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

	2008–09 (Actual) (\$'000)	2009–10 (Original) (\$'000)	2009–10 (Revised) (\$'000)	2010–11 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	176,553	192,157	181,736	189,214
- Allowances.....	8,224	7,719	7,383	7,463
- Job-related allowances.....	980	1,000	1,000	1,100
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	93	191	448	721
- Civil Service Provident Fund contribution.....	176	177	358	440
Departmental Expenses				
- Specialist supplies and equipment.....	92,403	92,161	97,568	100,552
- Contract maintenance.....	1,212	1,140	1,140	1,140
- General departmental expenses.....	58,500	69,598	66,459	65,091
	338,141	364,143	356,092	365,721

5 Provision of \$10,784,000 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 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 \$766,000 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* 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 \$3,230,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$2,900,000 (878.8%) over the revised estimate for 2009–10. This is mainly due to the increased requirement for replacing printing equipment.

11 Provision of \$122,000,000 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.