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By email

26 May 2021

Ms Wendy Jan
Clerk to Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Ms Jan,

Public Accounts Committee

Consideration of Chapter 5 of the Director of Audit's Report No. 76

**Management of government vehicle fleet by
the Government Logistics Department**

Thank you for your letters dated 18 May 2021 inviting written response concerning Chapter 5 of the Director of Audit's Report No. 76 ("Management of government vehicle fleet by the Government Logistics Department").

The response by the Financial Services and the Treasury Bureau and the Government Logistics Department is attached at Annex for Members' consideration please.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Denny Ho', with a long horizontal stroke extending to the right.

(Denny Ho)
for Secretary for Financial Services
and the Treasury

c.c.
Director of Government Logistics
Director of Audit

**Chapter 5 of the Director of Audit’s Report No. 76
“Management of government vehicle fleet by the
Government Logistics Department”
Questions and Information requested**

The Public Accounts Committee wrote to the Financial Services and the Treasury Bureau as well as the Government Logistics Department (“GLD”) on 18 May 2021 to request response and/or supplementary information about matters specified in Chapter 5 of the Director of Audit’s Report No. 76. Our reply is given as follows.

Monitoring of Government Vehicle Fleet

- (1) According to paragraph 2.5 of the Director of Audit’s Report No. 76 (“the Audit Report”), GLD estimated that after the recommendations raised in the transport reviews have been implemented by the Fire Services Department (“FSD”) and the Customs and Excise Department (“C&ED”), the potential capital savings and recurrent savings for FSD would be about \$2 million and \$339,000 respectively; whereas the potential capital savings and recurrent savings for C&ED would be \$3.6 million and \$1.8 million respectively. Did GLD monitor these two departments (and other departments with transport reviews conducted) on whether they had fully implemented the relevant recommendations and gain the benefits arising from it?**

GLD requests departments with transport reviews conducted to regularly submit progress reports on the implementation of the relevant review recommendations. GLD will review the relevant benefits based on the results of the progress reports.

Regarding the departmental transport review report issued by GLD to FSD in December 2019, FSD has already implemented most of the review recommendations, and would save about \$2 million in capital expenditure and about \$290,000 in recurrent expenditure, which account for around 97% of the estimated benefits stated in the report. FSD will implement the remaining recommendations when the relevant vehicle is due for replacement.

GLD issued the transport review report to C&ED in December 2020, and will request the department to submit a progress report on its implementation of the relevant review recommendations in mid 2021.

- (2) According to paragraph 2.6 of the Audit Report, in response to the Audit Commission’s (“Audit”) enquiries, GLD indicated that one of the reasons for the long time taken to complete departmental transport reviews was that there were only two officers responsible for the conduct of departmental transport reviews, and in addition to the conduct of reviews, they were also responsible for performing other substantial duties (see Note 3 to paragraph 2.3). According to paragraph 2.8(b) of the Audit Report, GLD will explore measures to expedite the process of departmental transport review. What are the specific improvement measures and what is the current progress?**

GLD will flexibly deploy existing manpower and arrange dedicated staff on a trial basis to perform the work on departmental transport reviews to be conducted later this year.

- (3) According to paragraph 2.11 of the Audit Report, taking into account the two-month period allowed by GLD, the earliest entry had been outstanding for 58 months. According to Note 3 to Table 5 in paragraph 2.11 of the Audit Report, in its response to entries yet to be submitted, the Lands Department indicated that it had already consolidated the relevant data but the data was not properly uploaded to the information system. Did the information system issue any reminders on data that has yet to be submitted beyond deadlines? If yes, why did the bureaux/departments (“B/Ds”) fail to upload data in a timely manner despite of the reminders issued? If not, will GLD consider introducing a reminder function to the information system?**

The former Transport Management Information System (“TMIS”) did not have the function of issuing reminders on outstanding entries. GLD has already introduced the function when developing the new TMIS earlier. Therefore, since April 2021, TMIS would automatically issue reminders to B/Ds that have yet to submit entries beyond deadlines. In addition, GLD officers will closely monitor whether there is any vehicle for which entries have been outstanding for a long time and will follow up with the B/Ds concerned.

- (4) According to paragraph 2.12 of the Audit Report, “discrepancies” were found in the data submitted to GLD by some B/Ds, including used vehicles with nil or extremely low level of kilometre run or fuel/electric consumption. GLD has undertaken to conduct investigations. What is the progress of such investigations and what are the preliminary results?**

GLD has earlier on approached the B/Ds concerned to find out more about the reasons for data “discrepancies”, and received from them rectifications and explanations of the relevant data in early May 2021.

After checking, GLD verified that the B/Ds did use the relevant vehicles. For a number of cases, the B/Ds omitted to submit records or submitted incorrect entries on kilometre run or fuel/electric consumption through TMIS, and hence the relevant data has been understated.

In some cases, vehicles deployed for special purposes were involved. For example, tunnel rescue vehicles have to be put on standby pending assignments in tunnel areas and hence cannot be deployed for other uses. If eventually there is no or hardly any call of duty, the kilometer run or fuel consumption would then be nil or remained at an extremely low level.

In addition, there were cases that the refuel amount of the vehicles concerned in the preceding month was sufficient to meet the transport needs of the following month, the fuel consumption of that month would then be nil even if the vehicles were used.

GLD is now exploring the feasibility of enhancing the functions of TMIS so as to avoid man-made input errors. Moreover, GLD officers will continue to review the data and conduct spot checks. If input errors are spotted, GLD will verify with B/Ds concerned and rectify the data.

- (5) Regarding the responses of B/Ds on vehicles that were repeatedly captured in exception reports due to low utilisation as mentioned in paragraph 2.15 of the Audit Report, did GLD approach the B/Ds before to find out the reasons why some vehicles were repeatedly captured in exception reports? If yes, why didn’t GLD provide relevant information to Audit direct? If not, what are the reasons? According to paragraph 2.18(d) of the Audit Report, GLD responded that it had already updated the selection guideline for conducting departmental transport reviews for B/Ds. What are the details of the guideline concerned?**

For B/Ds with vehicles captured in exception reports, GLD will first issue an extract of the relevant reports to them and request them to critically review the utilisation of those vehicles (e.g. identifying the causes of low utilisation and taking prompt remedial actions), but will not request them immediately to provide reasons. Hence, GLD does not have handy information regarding the causes of the low utilisation of the relevant vehicles. Nevertheless, GLD will remind the B/Ds concerned that when they submit requests for additional and/or replacement vehicles, GLD will consider whether vehicles of the same type owned by the B/Ds concerned have repeatedly been captured in exception reports. If this is the case, GLD will consider whether the same vehicle type in the departmental fleets should downsize, or whether to conduct in-depth departmental transport reviews for the B/Ds concerned. For example, among the departments which possess vehicles that have been repeatedly captured in exception reports as mentioned in paragraph 2.14 of the Audit Report, some requests from them for replacement vehicles were refused due to the low utilisation rate of the vehicles concerned.

Starting from the next exception report to be compiled in the third quarter of this year, when GLD issues an extract of the relevant reports to the B/Ds concerned, GLD will also request the B/Ds concerned to identify the causes of low utilisation of the relevant vehicles and the remedial actions.

Besides, according to the selection guideline for conducting departmental transport reviews for B/Ds updated by GLD in March 2021, in addition to factors such as fleet size, vehicle utilisation, traffic accident, vehicle hiring expenditure and the demand for supernumerary vehicles, whether vehicles have been repeatedly captured in exception reports will also be taken into account in selecting B/Ds for conducting in-depth departmental transport reviews.

- (6) According to paragraph 2.24 of the Audit Report, the actual revenue & of the transport pool fell far short of the estimated revenue because**
- (10) of, among other things, the unpredictable prolonged sick leave taken by drivers and the fact that some vacant posts were not filled in a timely manner. Could GLD provide information about the number of posts, vacancies, wastage, average age /age distribution of staff and the taking of prolonged sick leave, etc. in respect of various driver grades? What measures have been taken by the Government to address the manpower issues?**

Appendix

As regards the Financial Years 2018-19 and 2019-20 mentioned in paragraph 2.24 of the Audit Report, the information about the number of posts, vacancies, wastage, average age /age distribution of staff and staff taking prolonged sick leave, etc. in respect of various driver grades under the transport pool is detailed at Appendix.

GLD is responsible for the grade management of driver grades, and generally recruits Chauffeur and Motor Driver once every two years. If there is a need to expedite the recruitment exercises after taking into account the overall manpower situation of various grades including objective indicators such as number of vacancies, newly created posts, filling of vacancies and years of service of the staff, as well as considering B/Ds' operational needs, GLD will make appropriate arrangements. If necessary, GLD will make use of the "further employment" arrangement and final extension of service to ease the problem of manpower shortage.

Procurement of vehicles

- (7) According to paragraph 3.6 of the Audit Report, Audit's sample check of the requests for retaining 566 supernumerary vehicles approved by GLD from 2016 to 2020 revealed that the cumulative retention periods for 206 (36%) supernumerary vehicles were over one year. As specified in GLD's guidelines, a supernumerary vehicle should not be used further for over one year unless under very exceptional circumstances. In this connection, could GLD provide the information below:**
- (a) The specific reasons for B/Ds' need to retain supernumerary vehicles for over one year; and whether the B/Ds concerned have re-submitted applications to GLD after retaining the supernumerary vehicles for over one year;**
 - (b) The annual repair and maintenance cost of these 206 supernumerary vehicles which have been retained for over one year; and**
 - (c) According to paragraph 3.7 of the Audit Report, Audit's examination of the requests (submitted by 20 B/Ds) for retaining 153 supernumerary vehicles approved by GLD in 2019 revealed that for 8 B/Ds, while their existing departmental fleets have not been fully utilised, GLD approved all their requests for retaining 54 supernumerary vehicles. Given the departmental fleets of the B/Ds concerned have been under-utilised, could GLD provide the**

utilisation rate of the above-mentioned 206 supernumerary vehicles with cumulative retention periods of over one year?

B/Ds will submit applications to GLD if they would like to retain supernumerary vehicles for over one year. Common causes are temporary relief of prematurely-disposed vehicles (55%); additional transport needs pending delivery of endorsed additional vehicles (23%); or B/Ds' temporary or emergency operational needs (such as carrying out work relating to the COVID-19 pandemic) (22%). Specifically, among the 206 vehicles mentioned in paragraph 3.6 of the Audit Report, about 100 were used by disciplined services departments for law enforcement, maintaining social order, performing rescue or emergency duties, about 40 were used by health and environmental hygiene departments, and about 60 used by around 18 departments to meet their daily and temporary operational needs.

In respect of the 206 supernumerary vehicles with cumulative retention periods of over one year, the annual repair and maintenance cost of each vehicle is about \$24,000 on average, whereas the monthly utilisation rate is about 84% on average.

- (8) According to paragraph 3.18(a) of the Audit Report, of 51 delivered vehicles for which the quotation/tendering exercises were conducted in the period from 2016 to 2019, the procurement of 22 (43%) vehicles had taken more than three years to complete. Is there any clear and specific guideline/mechanism for GLD to conduct quotation/tendering exercises? If yes, what are the details? According to paragraph 3.18(b) of the Audit Report, 96 requests for additional/replacement vehicles approved by GLD in the period from 2016 to 2018 included vehicles not yet delivered by contractors as at end 2020. Is there any breach of contracts? Did GLD take any follow-up actions?**

GLD strictly adheres to the Stores and Procurement Regulations when conducting quotation/tendering exercises. Regarding the 22 vehicles which involved a longer procurement process as mentioned in paragraph 3.18(a) of the Audit Report, more time was taken for the procurement of 20 vehicles as no offer was received during open tendering and thus re-tendering was arranged. For the other two vehicles, as there was a delay in vehicle delivery, GLD has already deducted the amount paid to the contractor in accordance with the contract terms.

As regards the 96 vehicles which have yet to be delivered by contractors as mentioned in paragraph 3.18(b) of the Audit Report, the relevant contractor delivered late 22 vehicles and GLD will deduct the amount to be paid to the contractor in accordance with the contract terms. The remaining 74 vehicles have either been delivered on schedule, or are not yet due for delivery according to the contracts. The longer time taken to complete the procurement of these vehicles is mainly due to the need to arrange for re-tendering as no offer was received in open tender exercises, as well as the longer time required for clarifying with user departments on the suitable vehicle type and technical specifications.

Other related issues

- (9) According to paragraph 4.3 of the Audit Report, Audit examined the & number of electric vehicles (“EVs”) in the government vehicle fleet in**
- (11) the period from 2016 to 2020 and noted that the use of EVs in the Government remained on the low side, with the number of EVs reducing from 249 in 2016 to 169 in 2020, down by 32%. According to paragraph 4.5 of the Audit Report, the Environmental Protection Department (“EPD”) had planned to update the green specifications of items on the Government procurement list for implementation by B/Ds in the first quarter of 2021. In this connection, could GLD provide the information below:**
- (a) The number of EVs which B/Ds have planned to procure as additional/replacement vehicles since the new guideline took effect in the first quarter of 2021; and**
- (b) Under the new guideline, B/Ds are required to adopt EVs when procuring private vehicles with not more than five seats unless justified and approved by the Head or senior directorate staff of the B/D concerned. Is this requirement mandatory?**

In April 2021, after consulting the EPD, GLD requested B/Ds to confirm by early June the number of EVs in the class of small and medium saloon cars to be procured as additional or replacement vehicles. If EVs cannot be adopted due to operational needs, B/Ds are required to provide full justifications cleared by the Head or senior directorate staff of B/D, in consultation with the EPD. As the replies by B/Ds are still pending, GLD may not provide a reply for item (a).

According to EPD, the guideline concerned is under the mandatory requirements in specifications on the Government’s latest green

procurement list. B/Ds are required to comply with relevant requirements in procurement.

**Financial Services and the Treasury Bureau
Government Logistics Department
May 2021**

**The establishment and strength of driver grades
of the transport pool of the Government Logistics Department
(Financial Year (FY) 2018-2019 and FY 2019-2020)**

Grade			FY 2018-2019 (as at 31 March 2019)	FY 2019-2020 (as at 31 March 2020)
(1)	Chauffeur	Establishment	16	20
		Strength	13	16
Number of vacancies			3	4
(2)	Motor Driver	Establishment	37	37
		Strength	33	39
Number of vacancies			4	-2
Total establishment			53	57
Total strength			46	55
Total number of vacancies			7	2

**Statistics on the wastage of drive grades
of the transport pool of the Government Logistics Department
(FY 2018-2019 and FY 2019-2020)**

Grade		FY 2018-2019 (as at 31 March 2019)			FY 2019-2020 (as at 31 March 2020)		
		Strength	Wastage	Percentage (%)	Strength	Wastage	Percentage (%)
(1)	Chauffeur	13	1	8%	16	1	6%
(2)	Motor Driver	33	1	3%	39	2	5%
Total (Wastage rate (%))		46	2	4%	55	3	5%

**The average age and age distribution of drive grades
of the transport pool of the Government Logistics Department
(FY 2018-2019 and FY 2019-2020)**

Financial Year	Grade	Number of drivers in various age groups					Total strength	Average age
		20 to below 30	30 to below 40	40 to below 50	50 to below 60	60 or above		
FY 2018-2019 (as at 31 March 2019)	Chauffeur	0	1	3	8	1	13	50.9
	Motor Driver	0	5	15	12	1	33	47
Overall average age								49.0
FY 2019-2020 (as at 31 March 2020)	Chauffeur	0	1	3	12	0	16	51.6
	Motor Driver	2	10	15	9	3	39	45.2
Overall average age								48.4

**Statistics on prolonged sick leave taken by driver grades*
of the transport pool of the Government Logistics Department
(FY 2018-2019 and FY 2019-2020)**

Grade	FY 2018-2019 (as at 31 March 2019)	FY 2019-2020 (as at 31 March 2020)
	Number of drivers	
Chauffeur	1	3
Motor Driver	2	1
Total	3	4

*Drivers who took prolonged sick leave for 10 consecutive days or more in FY 2018-19 / FY 2019-20 were counted