

ITEM FOR FINANCE COMMITTEE

NEW HEAD “GOVERNMENT LOGISTICS DEPARTMENT”

HEAD 50 - GOVERNMENT LAND TRANSPORT AGENCY

HEAD 58 - GOVERNMENT SUPPLIES DEPARTMENT

HEAD 130 - PRINTING DEPARTMENT

Members are invited to approve the following changes to the 2003-04 Estimates with effect from 1 July 2003 to reflect the merging of Government Land Transport Agency, Government Supplies Department and Printing Department into a new department from the same date -

- (a) for the Government Logistics Department -
 - (i) creation of a new Head of Expenditure under the General Revenue Account entitled “Government Logistics Department”, with the Director of Government Logistics as Controlling Officer;
 - (ii) creation of five Recurrent Account Subheads and three Capital Account Subheads under this new Head of Expenditure;
 - (iii) consequential transfer of one non-recurrent commitment from Head 50 Government Land Transport Agency to this new Head of Expenditure;
 - (iv) supplementary provision of \$435.226 million in 2003-04; and

- (v) provision of establishment ceiling of \$205,819,000 in 2003-04 expressed in terms of total notional annual mid-point salary value to the new Head for the creation of non-directorate posts; and
- (b) deletion of Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department.

PROBLEM

We need to fund the new Government Logistics Department (GLD) to be established on 1 July 2003 through the merging of Government Land Transport Agency (GLTA), Government Supplies Department (GSD) and Printing Department (PD). The new department will provide essential logistic support services for government bureaux and departments.

PROPOSAL

2. We propose the following changes to the 2003-04 Estimates, with effect from 1 July 2003 –

- (a) creating one new Head of Expenditure and relevant Subheads under the General Revenue Account to account for the expenditure of the GLD, with the Director of Government Logistics (DGL) as the Controlling Officer;
- (b) transferring one non-recurrent commitment from the GLTA to GLD ;
- (c) providing under the new Head of Expenditure supplementary provision of \$435.226 million in 2003-04 for the operation of GLD from 1 July 2003;
- (d) providing an establishment ceiling for the new department; and
- (e) deleting Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department.

/JUSTIFICATION

JUSTIFICATION

New Government Logistics Department

3. On 7 March 2003, the Finance Committee approved, on the recommendation of the Establishment Subcommittee, the proposed changes in the directorate establishment required to implement the merger of GLTA, GSD and PD into a new department named GLD to be established on 1 July 2003. Essentially, the merger involves -

- (a) preserving the professional functions of GLTA, GSD and PD under three specialist operational divisions in the new GLD;
- (b) combining and re-organising the departmental administrative, financial control and procurement functions of the three existing departments under three common services divisions in GLD; and
- (c) consequential creation and deletion of posts in the departments concerned.

Creation of new Head and Subheads

4. We propose to create, with effect from 1 July 2003, a new Head of Expenditure under the General Revenue Account to account for the spending of GLD with DGL as Controlling Officer. Consistent with established practice for other existing heads, the expenditure under the new Head will be broken down into Recurrent and Capital Account Subheads. The subhead structure largely follows those of the three existing departments combined. The provision for each of the subheads is in fact the cost-neutral transfer of the balance from the corresponding subhead under Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department (please also see paragraph 11 below). Details of the 2003-04 provision under the new Head presented in the Estimates format with supporting explanation are set out in the Enclosure.

Encl.

/Recurrent

Recurrent expenditure

5. Subhead 000 Operational expenses under the new Head is the combination of the residual balances in each of the existing Subhead 000 under Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department. *Subhead 003 Recoverable salaries and allowances (General)*, *Subhead 226 Allocated stores : local landing charges* and *Subhead 267 Unallocated stores : suspense account adjustment* are transferred from Head 58 Government Supplies Department. Subhead 224 Motor Insurers' Bureau - government contribution is transferred from Head 50 Government Land Transport Agency.

6. Although there is an existing *Subhead 225 Traffic accident victims assistance scheme - levies* under Head 50 Government Land Transport Agency, this subhead is not included in the Enclosure. Since the Government has already met the statutory payments due in 2003-04 under Head 50 Government Land Transport Agency, no further expenditure will be incurred on this item under the new Head in 2003-04.

7. For the period from 1 July 2003 to 31 March 2004, we estimate that GLD will incur a total recurrent expenditure of \$350.369 million.

Non-recurrent expenditure

8. Both *Subhead 691 General purpose vehicles (block vote)* and *Subhead 700 General other non-recurrent* (accommodating one existing approved non-recurrent commitment) under the new Head of Expenditure are transferred from Head 50 Government Land Transport Agency. Details of the commitment are set out in the Estimates for GLD in the Enclosure. *Subhead 661 Minor plant, vehicles and equipment (block vote)* is transferred from Head 58 Government Supplies Department.

Establishment ceiling

9. We propose an establishment ceiling of \$205,819,000 in terms of total notional annual mid-point salary value for GLD for the creation of non-directorate posts. This proposed establishment ceiling represents the amalgamated establishment ceilings approved for the three existing departments under the 2003-04 Estimates.

/Deletion

Deletion of Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department

10. Consequent to the above changes, the existing Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department will be deleted.

FINANCIAL IMPLICATIONS

11. The proposed provision of \$435.226 million in 2003-04 under the new Head of Expenditure for GLD is fully off-set by the residual balances under the approved provisions for Head 50 Government Land Transport Agency, Head 58 Government Supplies Department and Head 130 Printing Department to be deleted; hence, the proposal will not incur additional expenditure in 2003-04. The full-year requirements of the GLD will be reflected in the 2004-05 Estimates.

BACKGROUND INFORMATION

12. We briefed Members of the Legislative Council Panel on Financial Affairs on the merger proposal on 6 January 2003. Members generally supported the proposal. The Establishment Subcommittee of the Finance Committee endorsed and the Finance Committee approved the proposed organisation and directorate staffing structures of the new department on 19 February 2003 and 7 March 2003 respectively. We circulated an information paper to the Legislative Council Panel on Financial Affairs on the proposed changes to the 2003-04 Estimates on 7 May 2003.

Financial Services and the Treasury Bureau
May 2003

**Estimated Provision Required for Government Logistics Department
(For period covering 1 July 2003 to 31 March 2004)**

Sub-head (Code)	Estimate 2003-04
\$'000	\$'000
Recurrent Account	
000 Operational expenses.....	350,204
003 Recoverable salaries and allowances (General).....8,457	
<i>Deduct</i> reimbursements..... <i>Cr.8,457</i>	—
224 Motor Insurers' Bureau - government contribution.....	84 *
226 Allocated stores: local landing charges	80 *
267 Unallocated stores: suspense account adjustment	1 *
 Total, Recurrent Account.....	 350,369
Capital Account	
I — Plant, Equipment and Works	
661 Minor plant, vehicles and equipment (block vote).....	1,057
691 General purpose vehicles (block vote).....	77,800
 Total, Plant, Equipment and Works.....	 78,857
II — Other Non-Recurrent	
700 General other non-recurrent.....	6,000
 Total, Other Non-Recurrent.....	 6,000
 Total, Capital Account.....	 84,857
 Total Expenditure.....	 435,226

* Subheads which are not cash limitable

/Details

Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Government Logistics Department is \$435,226,000.

Recurrent Account

2 Provision of \$350,204,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Government Logistics Department and its other operating expenses.

3 The establishment at 1 July 2003 will be 879 permanent posts. It is expected that 12 posts will be deleted in 2003-04. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$205,819,000.

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

	2003–04 (Estimate) (\$'000)
Personal emoluments	
- Salaries.....	167,713
- Allowances	7,773
- Job-related allowances.....	885
Personnel related expenses	
- Mandatory Provident Fund contribution	80
Departmental expenses	
- Specialist supplies and equipment.....	101,043
- Contract maintenance	1,500
- General departmental expenses	71,210
	<hr/> 350,204 <hr/>

5 Provision of \$8,457,000 under *Subhead 003 Recoverable salaries and allowances* is for salaries and allowances for a team of 28 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 \$84,000 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 \$80,000 under *Subhead 226 Allocated stores: local landing charges* is for payment of transportation costs for the inward shipment of stores.

8 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

9 Provision of \$77,800,000 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.

/Capital

Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Estimated expenditure 1.4.2003 to 30.6.2003	Balance
			\$'000	\$'000	\$'000	\$'000
700	238	<i>General other non-recurrent</i> Supply and installation of diesel oxidation catalyst for government Euro I and Euro II diesel vehicles	8,410	-	-	8,410
		Total	8,410	-	-	8,410