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本署檔號 Our Ref. : GLD CR/4-35/16
來函檔號 Your Ref. : CB4/PAC/R67



4 January 2017

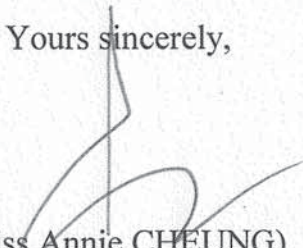
Mr Anthony Chu
Clerk to the Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Chu,

Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 67
Procurement and maintenance of fire services equipment

I refer to your letter dated 19 December 2016 regarding the procurement and maintenance of fire services equipment. Our responses are set out at **Annex**.

Yours sincerely,



(Miss Annie CHEUNG)

for Director of Government Logistics

c.c. Secretary for Security (fax no.: 2877 0636)
Director of Fire Services (fax no.: 2368 9744)
Secretary for Financial Services and the Treasury (fax no.: 2147 5239)
Director of Audit (fax no.: 2583 9063)

Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 67
Procurement and maintenance of fire services equipment

Question for the Government Logistics Department

According to paragraph 2.11, during the period between October 2013 and January 2016, the procurement process in two cases, including the procurement of services to install Third Generation Mobilizing System ("TGMS") equipment for new ambulances and fire appliances by the Fire Services Department ("FSD") and the Government Logistics Department ("GLD"), took a long time to complete, resulting in a seven-month delay in commissioning 14 new fire appliances. What were the relevant reasons for such delay? According to paragraph 2.11(b), in processing FSD's single tender request regarding the installation of TGMS equipment on 126 new emergency vehicles, during the period between April and November 2015, GLD raised 12 rounds of questions on the tender terms and conditions for FSD's clarification. Please advise on the reasons for GLD to raise such a large number of questions? What were the concerns of GLD which FSD had failed to address? What measures will GLD take to avoid the recurrence of similar delays?

Government Logistics Department's Response

Procurement Procedures and Questions to the Fire Services Department

In order to protect the interests of the Government, government departments should take into account various factors (including the procurement requirements, the availability of the required equipment and technology in the market, the compatibility of the required equipment with existing systems, and the applicability and consistency of the tender terms and contract conditions) in determining the mode of procurement and drafting appropriate terms and conditions. In addition, adequate time shall be provided to allow tenderers to prepare and submit the tenders. A minimum of three weeks is normally required. For procurements covered by the Agreement on Government Procurement of the World Trade Organization, at least 40 days shall be allowed for receipt of tenders.

With regard to the first procurement case (see paragraph 2.11 (a) of the Report), the Fire Services Department (FSD) started discussions with the Government Logistics Department (GLD) on the procurement strategy in late 2013 and GLD received FSD's request for a contract variation for the procurement of Third

Generation Mobilising System (TGMS) equipment in March 2014. After careful consideration of all relevant factors, including the procurement requirements and the applicability of the existing contract conditions, GLD considered that it would be more appropriate to procure the TGMS equipment by way of a single tendering exercise and proposed this procurement strategy to FSD in June 2014. FSD agreed to the proposal and submitted to GLD a request for single tender in the same month. Thereafter, GLD and FSD expedited the procurement process as far as possible and awarded the contract in November 2014. With hindsight, the process of determining the procurement strategy should have been completed more quickly so that a timely agreement could be reached between FSD and GLD on the procurement strategy to enable the single tendering exercise to start in early 2014.

As regards the second procurement case (see paragraph 2.11 (b) of the Report), the specifications and arrangements were complicated. GLD needed more time to prepare the tender document and clarify the procurement details carefully with FSD to ensure that the tender document could accurately reflect its operational needs and the terms and conditions of the tender document were consistent. Since FSD has revised its detailed arrangements (for example, the implementation timeline of the new items and the maintenance requirements), GLD had to amend the other relevant terms accordingly, make further clarifications with FSD and provide the amendments for FSD's consideration.

Improvement Measures

GLD has reviewed the above two procurement cases. In order to avoid the recurrence of similar situation, in the acquisition or replacement of complex, mission-critical or high-value equipment, GLD will strengthen communication and cooperation with FSD with a view to reducing the number of questions and shortening the processing time. GLD will also work out a tendering timeline with FSD for both parties to effectively monitor the tendering progress. Moreover, GLD will assist FSD to commence the preparatory work as early as possible (including drafting complete and comprehensive tender requirements) and give timely advice to FSD on the tendering strategy to ensure that the tender exercise meets FSD's requirements and the Government's procurement principles.