

MANAGEMENT OF GOVERNMENT VEHICLE FLEET BY THE GOVERNMENT LOGISTICS DEPARTMENT

Executive Summary

1. The Government Logistics Department (GLD) pledges to provide government bureaux and departments (B/Ds) with professional, cost-effective and timely logistical support services in the area of transport operation and management. The main areas of GLD's work in the management of government vehicle fleet include: (a) rendering advice to B/Ds on the efficient operation and management of their vehicle fleets; (b) vetting requests for additional and replacement vehicles; (c) implementing green measures with a view to contributing to Government's policy on environmental protection; (d) encouraging the use of electric vehicles to replace the retiring ones; (e) operating a transport pool; and (f) ensuring that government drivers maintain a high standard of driving and road safety. In 2020-21, GLD's revised estimate of annual expenditure on the work in managing government vehicle fleet was about \$161.6 million, of which \$80 million (50%) was related to the procurement of additional and replacement general purpose vehicles. As at 31 December 2020, there were 6,705 vehicles in the government vehicle fleet. The Audit Commission (Audit) has recently conducted a review to examine the management of government vehicle fleet by GLD with a view to identifying areas for improvement.

Monitoring of government vehicle fleet

2. *Long time taken to complete departmental transport reviews.* As an on-going means to enhance the overall efficiency and cost-effectiveness of the government vehicle fleet, GLD conducts departmental transport reviews regularly to examine the appropriateness of the fleet size, fleet mix and usage of B/Ds allocated with government vehicles having regard to their operational needs. After each review, GLD will issue a report with recommendations and advice to the B/D concerned. As at 31 December 2020, of the 10 departmental transport reviews planned by GLD for commencement since 2015, 8 had been completed and 2 (which commenced in March and November 2020 respectively) were in progress. Among the 8 completed reviews,

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GLD had taken a long time (ranging from 15.9 to 36.1 months) to complete 7 (87.5%) of them (paras. 2.2 and 2.4).

3. **Utilisation of departmental vehicles.** For monitoring purposes, B/Ds are required to forward to GLD a monthly return on vehicle utilisation for vehicles allocated to them. All monthly returns submitted by B/Ds are input into the Transport Management Information System (TMIS) for meeting various management purposes (e.g. assessing the need for additional and replacement vehicles and monitoring the performance of the government vehicle fleet). To facilitate B/Ds in monitoring their vehicle fleets, GLD generates exception reports on vehicle utilisation from TMIS biannually. A vehicle is included in an exception report if during the six-month period, the kilometres run by it was 30% less than the normal kilometres run by the same type of vehicles in the government fleet, and its average idle days per month was six or more. For B/Ds with vehicles captured in the exception reports, GLD will issue an extract of the relevant reports to them, and require them to critically review the utilisation of the vehicles (paras. 2.9 and 2.10). Audit examination revealed the following areas for improvement:

- (a) **Need to strengthen the administration of monthly returns on vehicle utilisation.** While there is no deadline, taking into account the time required for collection of vehicle records/log books and input of data, B/Ds are normally allowed to submit the monthly returns on vehicle utilisation in two months. As at January 2021, for the monthly returns up to October 2020, 1,077 entries (involving two B/Ds) remained outstanding and the earliest entry had been outstanding for 58 months. Furthermore, Audit sample check of the data of the monthly returns for 2019 input in TMIS revealed that there were cases which might warrant further investigation by GLD (e.g. in 5,381 cases, the B/Ds concerned had reported that the vehicles had been used but there had been no fuel/electric consumption) (paras. 2.11 and 2.12); and
- (b) **Need to improve monitoring of vehicle utilisation.** Audit examination of the six exception reports generated by GLD covering the three-year period from 1 June 2017 to 31 May 2020 revealed the following:
 - (i) **Long lead time required for issuing extracts of exception reports to B/Ds.** It was GLD's practice to issue extracts of exception reports to B/Ds concerned only four months after the report period (or two months before the end of the next report period) given the

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time required for B/Ds to submit monthly returns on vehicle utilisation and the possible delays in submission;

- (ii) ***Significant increase in number of vehicles captured in exception reports.*** The number of vehicles captured in exception reports decreased from 198 in the March 2018 issue (for the period from 1 June 2017 to 30 November 2017) by 72 (36%) to 126 in the September 2019 issue (for the period from 1 December 2018 to 31 May 2019), and increased significantly by 173 (137%) to 299 in the September 2020 issue (for the period from 1 December 2019 to 31 May 2020); and
- (iii) ***Vehicles repeatedly captured in exception reports.*** 60 vehicles had been repeatedly captured in 4 or more of the 6 exception reports covering the three-year period from 1 June 2017 to 31 May 2020 (para. 2.14).

4. ***Need to improve reporting of performance targets included in Controlling Officer's Report.*** GLD operates a transport pool comprising several vehicle types to supplement departmental fleets and provide transport services to B/Ds with no or insufficient departmental vehicles. As at 31 December 2020, there were 48 vehicles in the transport pool, comprising 25 cars, 13 vans and 10 buses. GLD sets two performance targets on transport pool resource utilisation in its Controlling Officer's Report, namely drivers tasked daily and pool vehicles utilised daily. In the period from 2015 to 2020, GLD has fully met the two performance targets. The utilisation rates of a pool vehicle and a driver are calculated on a half-day booking session basis. In other words, if a driver was tasked or a vehicle was utilised for a period in a morning or afternoon session, the driver or the vehicle will be treated as having been tasked or utilised for the whole morning or afternoon session for performance reporting in the Controlling Officer's Report, irrespective of the length of the period. In order to enhance transparency and accountability in performance reporting, GLD needs to consider reporting its calculation basis in the Controlling Officer's Report (paras. 2.19 and 2.21 to 2.23).

5. ***Need to strengthen administration of quota system.*** GLD administers term contracts for hiring commonly-used vehicles to cater for the requirements of B/Ds. As at 31 December 2020, there were 14 awarded term contracts. To ensure that the services acquired by B/Ds will not exceed the contract requirements, a quota system

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is implemented. Under the quota system, a departmental quota based on B/Ds' original forecast will be allocated for implementation of each of the contracts. Unless prior approvals of GLD are obtained, the vehicle hiring services drawn from the contracts by B/Ds should not exceed the allocated departmental quotas from GLD. B/Ds which have drawn services from the term contracts should submit to GLD monthly returns on drawdown positions of the contracts concerned in the following month (paras. 2.28 and 2.29). Audit examination revealed the following:

- (a) ***Large number of outstanding monthly returns on drawdown positions.*** Based on TMIS records, as at 30 November 2020, for the monthly returns on drawdown positions (covering the period from January to October 2020) of the term contracts, 988 returns (involving 34 B/Ds) remained outstanding; and
- (b) ***Services drawn by B/Ds not in accordance with the quota system.*** According to the drawdown positions of the 14 term contracts, as at 30 November 2020, some B/Ds with no departmental quota or with departmental quotas fully utilised had drawn services without obtaining prior approvals from GLD (para. 2.30).

Procurement of vehicles

6. ***Vetting requests for additional and replacement vehicles.*** For general purpose vehicles, GLD is responsible for examining the requests for additional and replacement vehicles submitted by B/Ds to consider the procurement needs and priorities, and co-ordinate procurement within the funding available in its block vote (para. 3.2). Audit examination revealed the following areas for improvement:

- (a) ***Large number of supernumerary vehicles with cumulative retention periods of over one year.*** A supernumerary vehicle is a replaced vehicle which has reached the end of its economic life but is retained further to provide a time limited service to meet operational needs of a B/D. It is a non-established vehicle and should be scrapped once the specific purposes to retain it have been fulfilled. While GLD's guidelines state that a supernumerary vehicle should not be used further for over one year unless under very exceptional circumstances, Audit sample check of the requests for retaining 566 supernumerary vehicles approved by GLD from 2016 to 2020 revealed that the cumulative retention periods approved for 206 (36%)

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supernumerary vehicles were over one year (ranging from 12.1 to 70.7 months) (paras. 3.5 and 3.6); and

- (b) ***Need to consider enhancing Economic Life Model (ELM) for replacement of electric vehicles.*** GLD assesses whether vehicles are due for replacement mainly on the basis of ELM, which takes into account accumulated maintenance cost, vehicle age, kilometres run and replacement cost. According to GLD, as the capital and operating costs of electric vehicles are different from conventional vehicles, the existing ELM may not be applicable to determining the replacement cycle of electric vehicles. The number of electric vehicles in the government vehicle fleet may increase in the coming years in the light of the new requirement for procuring electric vehicles (i.e. for the procurement of private cars with not more than five seats, electric vehicles should be procured unless justifications are given and approved by Heads of B/Ds or officers at Senior Directorate level) for implementation in the first half of 2021. Also, more operational data of electric vehicles (e.g. battery's state of health and downtime rates) have been captured for analysis in the enhanced TMIS implemented since 2020. There is merit for GLD to gather more operational data of electric vehicles and consider conducting a study with a view to enhancing ELM for replacement of electric vehicles (paras. 3.4, 3.10, 3.12 and 4.5).

7. ***Procurement of general purpose vehicles.*** From 2015-16 to 2019-20, GLD incurred \$712.2 million (ranging from \$93 million in 2019-20 to \$191 million in 2017-18) on the procurement of general purpose vehicles for the government vehicle fleet. From 2016 to 2020, GLD completed 8 quotation exercises and 34 tender exercises, and awarded 48 contracts amounting to \$615.3 million for procurement of over 2,000 general purpose vehicles (para. 3.15). Audit examination revealed the following areas for improvement:

- (a) ***Long time taken to complete the procurement of vehicles.*** Audit sample check revealed that in some cases, GLD had taken a long time to complete the procurement of vehicles for the use of B/Ds (i.e. counting from the date of approving the requests for additional/replacement vehicles to the date of vehicle delivery by contractors to the B/Ds concerned), as follows:
- (i) of 51 delivered vehicles for which the quotation/tendering exercises were conducted in the period from 2016 to 2019, the whole

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procurement process of 22 (43%) vehicles had taken more than three years to complete; and

- (ii) among 96 requests for additional/replacement vehicles approved by GLD in the period from 2016 to 2018 with vehicles not yet delivered by the contractors as at 31 December 2020, 5 (5%) requests had been approved by GLD for more than three years (para. 3.18); and
- (b) ***Need to improve the drawing up of user requirements.*** In drawing up the technical specifications of vehicles in a quotation/tender exercise, GLD draws up user requirements mainly by collecting information from the B/Ds concerned during the vetting exercises for additional/replacement vehicles and subsequent discussions on preparing the technical specifications. Audit sample check of 31 tender exercises conducted in the period from 2016 to 2020 revealed that in 2 exercises, the user requirements had not been fully addressed by the vehicles procured by GLD. For example, for the large saloon cars procured for deployment for the use of Heads of B/Ds by the tender exercise completed in September 2016, some B/Ds had expressed concern over the stability of the vehicles during the ride (paras. 3.21 and 3.22).

Other related issues

8. ***Decrease in number of electric vehicles in government vehicle fleet.*** Audit examined the number of electric vehicles in the government vehicle fleet in the period from 2016 to 2020 and noted that the use of electric vehicles in the Government remained on the low side, accounting for less than 4% (ranging from 2.5% in 2020 to 3.9% in 2017 and 2018) of the government vehicles. In particular, the number of electric vehicles decreased by 80 (32%) from 249 as at 31 December 2016 to 169 as at 31 December 2020. GLD needs to keep in view the use of electric vehicles as additional/replacement vehicles by B/Ds under the new requirement for procurement of government vehicles (see para. 6(b)). GLD should also continue to examine the availability of suitable electric vehicles in the market that can fully meet B/Ds' operational requirements (paras. 4.3 and 4.6).

9. ***Provision of training to government drivers.*** GLD is responsible for ensuring that government drivers (i.e. Chauffeurs, Special Drivers, Motor Drivers and other government employees who have to drive government vehicles to meet

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operational needs) maintain a high standard of driving and road safety through training and tests (para. 4.9). Audit examination revealed the following areas for improvement:

- (a) ***Need to explore feasibility of conducting online training courses.*** Audit examined the number of attendees of GLD's driving-related training courses and driving courses from 2016 to 2020 and noted that the number of attendees decreased significantly by 638 (57%) from 1,111 in 2019 to 473 in 2020. In particular, the number of attendees of the Safe Driving Course (see (b)) decreased significantly by 130 (83%) from 157 in 2019 to 27 in 2020. According to GLD, the significant decrease in the number of attendees of its training courses in 2020 was due to the smaller number of training courses offered in view of the outbreak of coronavirus disease (COVID-19). As online training courses have gained popularity in the last decade and have been widely adopted during the COVID-19 epidemic as a substitute in the light of the difficulties/constraints encountered in arranging on-site training, GLD should consider conducting online training courses on a trial basis for targeted government drivers with a view to evaluating the pros and cons of conducting online training courses vis-à-vis on-site training courses (paras. 4.11 and 4.12); and

- (b) ***Need to take measures to enhance the provision of training courses to targeted government drivers.*** Examples of training courses provided to government drivers by GLD included the Induction Course (for all newly recruited Special Drivers and Motor Drivers), the Safe Driving Course (for all Chauffeurs, Special Drivers and Motor Drivers to attend on a regular basis) and the Remedial Course (for drivers found blameworthy for traffic accidents). Audit examined the lists of targeted government drivers to be invited for attending the Induction Course and the Safe Driving Course as at 31 December 2020 and the blameworthy traffic accidents from 2016 to 2019, and noted that there were some targeted drivers who had not yet been invited to attend those courses. For example, from 2016 to 2019, there were 203 traffic accidents in which the Chauffeurs/Special Drivers/Motor Drivers concerned were found blameworthy. As at 31 December 2020, of those 203 cases, the drivers of 168 (83%) cases (comprising 45, 48, 40 and 35 cases in 2016, 2017, 2018 and 2019 respectively) had not yet been invited to attend the Remedial Course (paras. 4.9, 4.13 and 4.14).

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10. *Need to remind B/Ds to take measures to ensure compliance with GLD's requirements on working hours of government drivers.* According to GLD's guidelines on working hours of government drivers issued in September 2017, persistently long working hours have an adverse impact on the health and morale of government drivers. Frequent long working hours without sufficient rest time would render the drivers more prone to work-related accidents. To protect the occupational health of drivers and to ensure the provision of safe and reliable transport service to vehicle users, all B/Ds are advised to note the requirements that the working hours (including meal breaks) of government drivers should normally not exceed 14 hours per day, and one rest day shall be provided to government drivers in every period of seven days. Audit examination found some cases of non-compliance with GLD's requirements on working hours of government drivers (e.g. on 185 (1.6%) occasions, the working hours of the drivers of the transport pool had exceeded 14 hours per day) (paras. 4.17 and 4.18).

Audit recommendations

11. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Director of Government Logistics should:**

Monitoring of government vehicle fleet

- (a) **consider setting time targets for completing departmental transport reviews, and explore measures to expedite the review process in future (para. 2.7(a) and (b));**
- (b) **remind B/Ds to submit monthly returns on vehicle utilisation within the required timeframe and step up follow-up actions on long-outstanding returns, and investigate and rectify any discrepancies identified in B/Ds' monthly returns (para. 2.17(a) and (b));**
- (c) **issue extracts of exception reports on vehicle utilisation for B/Ds' follow-up actions in a timely manner, and consider the merits of conducting in-depth departmental transport reviews for B/Ds with vehicles repeatedly captured in the exception reports (para. 2.17(c) and (d));**

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- (d) consider reporting the calculation basis of the performance targets on transport pool resource utilisation in the Controlling Officer's Report (para. 2.25(a));
- (e) remind B/Ds to submit monthly returns on drawdown positions in a timely manner and B/Ds with no departmental quota or with departmental quotas fully utilised to seek prior approvals from GLD before drawing services against the term contracts, where appropriate (para. 2.32(a) and (b));

Procurement of vehicles

- (f) take measures to limit the retained use of supernumerary vehicles to within one year under normal circumstances (para. 3.13(a));
- (g) gather more operational data of electric vehicles and consider conducting a study with a view to enhancing ELM for replacement of electric vehicles (para. 3.13(c));
- (h) explore measures to shorten the time taken for procurement of vehicles and deliver them in a timely manner for use by B/Ds as far as practicable (para. 3.24(a));
- (i) continue to take measures to improve the drawing up of user requirements with a view to fully meeting the operational needs of B/Ds as far as practicable (para. 3.24(c));

Other related issues

- (j) keep in view the use of electric vehicles as additional/replacement vehicles by B/Ds under the new requirement for procurement of government vehicles, and continue to examine the availability of suitable electric vehicles in the market that can fully meet B/Ds' operational requirements (para. 4.7);
- (k) consider conducting online training courses on a trial basis for targeted government drivers, and take measures to enhance the provision of the

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Induction Course, Safe Driving Course and Remedial Course to targeted government drivers (para. 4.15); and

- (1) **regularly remind B/Ds to take appropriate measures to ensure that GLD's requirements on working hours of government drivers are complied with (para. 4.21).**

Response from the Government

12. The Director of Government Logistics agrees with the audit recommendations.