

LCQ14: Procurement of face masks by the Government

Following is a question by the Hon Chung Kwok-pan and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 24):

Question:

In the early days of the outbreak of the Coronavirus Disease 2019 epidemic at the beginning of last year, there was a shortage of face masks (masks) across the globe. The Government Logistics Department (GLD) sourced masks globally, and awarded direct procurement contracts without going through the tendering procedure. It has been reported that the GLD procured a total of 1.12 billion masks last year; quite a number of the delivered masks had quality problems, and a significant quantity of masks have not been delivered although the deadlines have expired. In this connection, will the Government inform this Council:

(1) in respect of those masks which have not been delivered although the deadlines have expired, of (i) their quantity, (ii) the originally scheduled and latest anticipated delivery dates, and (iii) the reasons for their not being delivered although the deadlines have expired (set out in a table by procurement contract number and name of supplier); the average unit price of such masks, the total amount of deposits involved, and the total amount of remaining payments; whether the GLD has requested the suppliers concerned to return the deposits or make compensation; and

(2) of the quantity of masks with quality problems, with a breakdown by place of origin, name of manufacturer and type of quality problems (e.g. bearing false trade descriptions, and bacteria counts exceeding limits); how the GLD uncovered that such masks had quality problems; the quantity of such masks that had been distributed to various government departments before quality problems were uncovered, the disposal methods for the undistributed masks, and the follow-up actions taken by the GLD against the suppliers concerned?

Reply:

President,

Our reply to the Hon Chung Kwok-pan's question is as follows:

(1) Amongst the masks procured by the Government Logistics Department (GLD) in 2020, excluding those rescinded contracts, there are 400 000 masks of overdue delivery concerning two local suppliers as listed in the following table. The relevant contracts are for the supply of 2.6 million small-sized masks with an average unit price of about \$0.65, of which 2.2 million masks have already been delivered to the GLD. For the remaining 400 000 masks, the

suppliers indicated that the delivery of these masks had to be postponed due to export restrictions at the place of manufacture. Details are set out in the following table. The Government is not required to pay any deposit or advance payment under the contracts. The GLD will closely monitor the delivery of the masks concerned.

Contract number	Name of supplier	No. of masks of overdue delivery (pieces)	Delivery date
L/M (538) to GLDPA/1-90	China International Import & Export Company Limited	300 000	Original: October 2020 Latest estimation: March 2021
L/M (581) to GLDPA/1-90	China Resources Textiles Company Limited	100 000	Original: November 2020 Latest estimation: March 2021

(2) As at end December 2020, the GLD has identified that around 83.7 million masks might be problematic. Details are as follows:

	Quality Problems	Not All Originated From the Purported Place of Manufacture	Suspected False Trade Description

How the problems arose	Through random inspections and laboratory tests arranged by the GLD	The GLD learnt from a newspaper report that the supplier concerned had allegedly re-packaged masks from another place of manufacture as masks produced in the place specified in the contract. After enquiries with the supplier concerned, the GLD suspected that the place of origin of the masks delivered by the supplier was not the same as the one specified in the contract and reported the case to the Customs and Excise Department (C&ED)	Noting the C&ED's investigation, the GLD suspected that the supplier concerned had submitted false documents and referred the matter to the Police for follow-up
Quantity involved (pieces)	Around 45 million	Around 32 million	Around 6.7 million
Place of origin	Mainland, Japan, India, Russia, Turkey, Kazakhstan, Malaysia, Indonesia, Sri Lanka, the United States of America, Ireland, Dubai and Germany	Japan (purported by the supplier)	Mainland
Number of masks distributed to Government departments	Around 3.27 million	Not distributed	Around 3.12 million
Number of masks used by Government departments	Around 3.21 million	Not used	Around 820 000

<p>Disposal means for the unused masks</p>	<p>The GLD had informed relevant departments to cease using the masks and return the remaining stock to the GLD for follow-up</p>	<p>The masks are temporarily kept by the GLD pending action by the relevant law enforcement department</p>	<p>The GLD had informed relevant departments to cease using the masks, and had passed the undistributed masks and the unused masks from relevant departments to the C&ED for action</p>
<p>Follow-up action taken by the GLD against the suppliers</p>	<p>The GLD is following up with the suppliers to request replacement/refund for the whole batch of masks</p>	<p>The GLD has referred the cases to relevant law enforcement agents and will render full cooperation on their evidence collection and investigation work. The GLD has rescinded the procurement contracts concerned and is seeking to recover all losses and compensation from the suppliers concerned</p>	

To avoid compromising negotiations or law enforcement work and causing implications to any possible litigations, the GLD is not in a position to disclose the details of individual contracts and information about the suppliers concerned.