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To: Information Technology Services Department
6/F Guardian House
32 Oi Kwan Road
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Hong Kong

Attention: Mr. Kenneth C K Yeung

From: An IT Company in Hong Kong

FEEDBACK ON ITPSA REVIEW

Paragraph Number	Areas	Comments
25	Participation by Suppliers	<ul style="list-style-type: none">• The number of suppliers should be increased so that more companies can participate.• Regarding the increase of the number of suppliers, it should be accompanied by other changes. Without other changes, the more the suppliers, the more serious the cut-throat competition will be. For example, the government should change the two-stage process. (please also refer to the Section - Selection Criteria below for further information)• The second change will be the increase of the number of categories. Once there are more categories, more companies can participate and there will be more suppliers in total. (please also refer to the Section - Categorization and Grouping of Contractors for further details)
29	Duration	<ul style="list-style-type: none">• 1 year (for more chance of participation in government projects)
39	Selection criteria	<ul style="list-style-type: none">• Should be ISO certified to ensure the quality.• There should be a change in the two-stage process. It is suggested that in the first stage of the process, there should not be a ceiling price but based on the capability of the company. It is in the 2nd stage that companies provide fee and technical proposal to bid for the job. Marks should be based on 3:7 ratio for fee and technical scores to evaluate the best proposal. It helps to ensure quality of projects.• The amount of bond required for ITPSA supplier and the requirement of human resources is more relax, more smaller companies can participate. For example, if the categorization of services is according to the project size, then for lower value projects, as risk is lower, the bond size should be reduced, and the minimum requirement for IT person with 15 years of IT experience can be lowered/relaxed as well.• Regarding CMM-like qualification, it is not feasible for many companies. The certification process and cost are too great for smaller companies. The profits they can from small size projects cannot afford it. To

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		<p>introduce this item may mean only a few companies can bid the tender and monopolize it. In fact, for many smaller projects, this item may not be cost-effective or needed.</p>
43	Categorization and grouping of contractors	<p>In general, the categorization is too vague. Suggest the following changes.</p> <ul style="list-style-type: none"> • Categorize projects by project sums so that more small companies can participate, for example, <ul style="list-style-type: none"> ○ >10M ○ 5 – 10M ○ 2.5M – 5M ○ 1.3 – 2.5M ○ <1.3 Million <p>Companies can participate 2 of these categories only.</p> <ul style="list-style-type: none"> • On the other hand, for Category A, currently, it includes the service of Feasibility Studies (FS). However, the skills for Feasibility Study and Implementation Service are often different. There should be a separate Category for Study. Besides, it reduces the change of conflict of interest. The company conducting FS may have insider knowledge about the project than other companies. In addition, a company with strong skills in providing study service may not be as competitive in implementation service. This category is worth to stand on its own to allow companies with strong FS skills to participate. • Category A and B should be merged. Most projects are in web environment and the dividing line between Category A and B are bleu. • Both Service Group 1 and 2 should be merged because it is too vague to define whether it is stringent projects or not. For example, Geographical Information System (GIS) projects can be both stringent and non-stringent in nature. A company may be strong in GIS skills and experience. Should it bid for the stringent category or non-stringent one? Besides, the government cannot guarantee how many projects fall into stringent projects and how many in non-stringent one. Such categorization is not fair and not necessary.
49	Service charging structure and the human resources categorization structure	<ul style="list-style-type: none"> • As mentioned above, for small size projects, the risk is smaller and profit is also less. Thus, it should be more relax in the years of experience and less members required.
52	Sub-Contracting	<ul style="list-style-type: none"> • The ITPSA should allow companies to have sub-contractors as it is not possible for such a large value IT market to be fulfilled by the several companies only. • However, ITPSA two-stage process has made the daily rate very low, at cost or even lower cost, forming unhealthy market. Many small companies suffer. Large companies in the ITPSA can still survive by having markup on top of the smaller companies. The two-stage process should be changed. • To allow this two-stage process to continue, may be a minimum wage is the only solution or many

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55	Country of Origin of Workforce	<p>companies have to outsource to China or other places.</p> <ul style="list-style-type: none"> • The government should set up a minimum percentage of Hong Kong people allocated in the project so that we can encourage the training and secure jobs for Hong Kong people. • Those companies use all or a high percentage of Hong Kong people should be given more preference or marks during tender evaluation. • The bidders should declare whether they have outsourced to other areas outside Hong Kong. • There is a trend that a lot of work are outsourced to China, whether it is open tender or ITPSA, in order to bid the projects at very low price. Some companies tend to concentrate in sales work instead of putting much resource in building up the team or technical strength.
59	Conflict of Interest	<ul style="list-style-type: none"> • Large companies can bid in studies, implementation or software/hardware. They will have advantage over others. • Those who perform studies should be debarred from implementation. • Many large vendors or distributors will try to bid the implementation service in order to recommend and use their own software. They bid at very low cost or even below cost for implementation service and then gain their profit by recommending and selling their own product as well as maintenance cost of products. Their products and maintenance may be much more expensive, and technically not necessary better than others, their products can still be used. It is not fair to other companies who are not vendors or distributors. • The 'debar' clause should be straightly enforced.
63	Registration of supplier	<ul style="list-style-type: none"> • Though departments tend to use ITPSA as recommended by ITSD and dare not to use alternative methods. To regulate the market so that more companies can participate in government projects and survive, ITSD should allow higher degree of flexibility for departments. • The supplier list should be set up so that companies can register in it and let departments to choose their service suppliers. For example, the large companies monopolize ITPSA but they do not have GIS skills and thus only sub-contract them out to those who have commercial terms with them but not necessary to companies with good GIS skills. With this kind of niche skills, departments should have the flexibility to choose from the list of GIS companies to provide their best service. In fact, it has been used by many large corporations and prove to be useful. • Currently, most projects which will be found in open tenders tend to be very large in project sum so many small companies cannot bid it. Only large companies can bid them and at the same time they have already monopolized the ITPSA.