



香港資訊科技聯盟 HONG KONG IT ALLIANCE

Response to Consultation on SOA-QPS in the Government of the HKSAR

With reference to the captioned consultation issued by the Office of the Government Chief Information Officer, we are pleased to provide our comments and recommendations on certain aspects of the arrangement for the Office's consideration in the SOA-QPS Review.

Categorization of Services and Suppliers

The current categorization of services, namely “Pre-implementation and independent programme/project management services” (Category 1), “On-going services” (Category 2), “Implementation & full system development life cycle services” (Category 3) and “Information security services” (Category 4), looks appropriate and we do not see there is any need to introduce any changes in the new agreement.

However, we believe there is a need to review (i) the project grouping and (ii) project value levels that define how work assignments should be allocated between work groups within these service categories.

From the SOA-QPS Statistics, 321 SOA-QPS work assignments were awarded during 28 December 2005 - 31 October 2007, worth a total of HK\$376 million in terms of project revenues. Based on the breakdown of work assignments and the range of project values they carry, as available in Annex A of the consultation paper, we reckon that projects with values exceeding HK\$ 1.3 million, being conducted by major work groups (Group A), share approximately 70% of total project revenues, whereas projects conducted by minor project groups (Group B) share only 30% of the project revenues.

As it has always been the Government's objective to introduce fair and open competition and to facilitate the development of the local IT industry, we would suggest introducing an additional work group (Group C) in certain categories so as to encourage participation of small and medium enterprises (SMEs) in Government IT projects of lower values. In particular, the Government could



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re-define the work groups by sub-dividing contractors into Groups A, B, and C in Categories 1, 2 and 3, and apply a new project value range for each of the work groups. For example, work assignments with values over HK\$ 2 million will go to Group A, while those between HK\$ 0.5 million – HK\$ 2 million and those below HK\$ 0.5 million will go to Group B and Group C respectively.

Our proposed up-scaling the applicable project values for Group A and Group B is based on the fact that (1) the costs of IT goods and services were rising persistently in the past few years and it is likely that the trend will continue; and (2) Group B contractors are capable of completing projects up to HK\$ 2 million, given the entry requirements they have to comply for being selected as suppliers of the class in prior SOA-QPS assessments.

The purpose of introduction of a new service group C, allowing suppliers to bid IT projects with value not exceeding HK\$ 0.5 million, is to fulfill the Government's objectives of getting the best value for money and fostering growth of SME.

As compared to an open tender, the project price will naturally be higher if a bid is limited to a few suppliers. This is why in some circumstances awarded contractors would have rooms and margins to employ sub-contractors for specific jobs, and it has been a common practice under the current arrangement. In fact, many small IT players which were not on the SOA lists had provided IT services to the Government through sub-contracting arrangements, and the quality they delivered were deemed acceptable to the Government.

We have no objection to the sub-contracting practices, and we understand that the arrangement has been saving the Government's administrative costs in procuring IT products and services. With the introduction of service Group C, however, we believe the cost-effectiveness of the SOA-QPS could be further enhanced while those once anonymous small IT companies under the current agreement may have a share in future bids. This also aligns with the Government's policy in helping to nurture local IT SMEs.



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Participation by Suppliers

It is totally agreed that *a large increase in the number of contractors in each service category-group is not a beneficial move* for the SOA-QPS arrangement. This is especially true for the “major works group” in which key players in Hong Kong capable of meeting all preset professional and administrative standards are limited. However, we believe a slight increase in the number of qualified suppliers for the “minor works group”, say 6-8, and the new work group as proposed above will help create a more level playing field and provide opportunities to smaller IT industry players.

Length of Contract

A long-term contract may help save the Government’s administrative costs. However, we would like to highlight that suppliers may find themselves difficult to quote the best estimate ceiling charge rate for staff in the initial SOA assessment and selection process if the contract is over a period over 3 years. As we all witness in the last few years, human resources cost varies greatly with the market ups and downs, not mentioning the problem of recruiting suitable professionals, even at market price, in a strong economy.

In this respect, the 12-month early exit option does not help much, as suppliers with standing offer would in any way prefer maintaining their status to bid future projects. To get around with the unprofitable projects, they could simply withdraw by not placing any bid or by bidding at a high price to make the offer unacceptable to the Government. We believe this would have defeated the original objective of the Government to set up the procurement system.

Apparently, SOA-QPS does not work if the committed human resources costs deviated much from the market price. Therefore, to maintain a procurement system that copes with the market trends, thereby maintaining the practicability and efficiency of the arrangement, we would suggest a shorter fixed contract period for the new SOA.



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Selection of Contractor and Quality Consideration

We agree that quality is an important element in selecting contractors. It is recommended that SOA-QPS should be accompanied by a centralized accreditation log that records the grades of services delivered to the project owners, so that SOA-QPS may keep track of the service qualities of various contractors for project owners' consideration during the contract period.

Categorization of Human Resources

The existing staff categorization system serves the needs.

Sub-contracting

Sub-contracting is a general practice in the IT industry. It is appreciated that the Government has apprehended the essence of commercial relationships in expediting the approval.

Contractor Liability

We believe that the contractor liability should be different for projects taken up by different service groups. Whereas a project's value approximates the project complication, a project with high value will definitely incur a higher project risk. Project owners would rely very much on contractors' professional knowledge and experience in identifying and managing such risks. We thus tend to support the position that the contractor liability for services group A for categories 1, 2, 3 should be uncapped. For those simple projects with low project value where project owners could identify the project risks on their own without much difficulty, the contractor liability should be capped.

This is a general practice and since SOA-QPS is a two-stage procurement process, it is reasonable for the project owner to require contractors of specific projects to take up additional contract liability in a flexible and project specific manner.



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Timing for proposal submission

We support the existing requirement of 10-15 working days to submit a proposal because the purpose of SOA-QPS is to facilitate projects development in an effective and efficient approach.

Having said that, some mission critical projects of high project value should allow for extra time to prepare for proposal submission.

After all, we welcome this consultation and we hope our suggestions are useful for the Office of the Government Chief Information Officer to review the respective arrangements of SOA-QPS.

Leo Kan
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Hong Kong IT Alliance
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