June 11, 2004

Information Technology Services Department
6/F., Guardian House
32 Oi Kwan Road
Wan Chai
Hong Kong
(Attention: Mr. Kenneth C K YEUNG)
(Fax: 2574 3799)

Dear Mr. YEUNG,

RE: FEEDBACK ON ITPSA REVIEW

I refer to the letter dated 15 May 2004 about the consultation on the Information Technology Professional Services Arrangement (ITPSA) in the Government of the HKSAR. As a total solutions and services provider in the Hong Kong IT industry and also one of the contractors for the present arrangement, ASL is pleased to provide you with comments in response to this consultation paper in the attached for your consideration.

Should you have any query and comment, please feel free to contact me at 2608-6290.

Yours truly,

Joseph Lam
ITPSA Programme Manager
Automated Systems (HK) Limited
(Tel.: 2608-6290, Fax: 2608-6566)

Encl.

I. FEEDBACK ON ITPSA REVIEW

1.   As a total solutions and services provider in the Hong Kong IT industry and also one of the contractors for present arrangement, ASL agrees the Government to develop an improved system for the procurement of IT professional services upon expiry of the SOAs for the current ITPSA. ASL believes that ITPSA is an effective and efficient means to acquire IT professional services compared with traditional tendering procedures, ASL also believes that a number of areas can be improved in order to provide a reasonable balance among procurement efficiency, competition and quality services.

2.   ASL will provide the comments on the following areas, which has been identified on the consultation paper.

        (a)   Participation by Suppliers
        (b)   Length of Contracts
        (c)   Selection of Contractors and Quality Consideration
        (d)   Categorization of Services and Suppliers
        (e)   Categorization of Human Resources
        (f)   Sub-contracting
        (g)   Country of Origin of Workforce
        (h)   Managing Conflict of Interest
        (i)   Supplier Registration System

Participation by Suppliers

3.   ASL agrees to enlarge the pool of contractors for selection by Government departments and to enhance industry participation, especially for high-value projects. ASL suggests, within each service category, it can be increased to five (5) contractors for high-value groups and four (4) contractors for low-value groups.

Length of Contracts

4.   ASL believes that the existing ITPSA SOAs valid for 30 months is acceptable in order to enhance opportunity to the industry and be more responsive to technology changes. ASL suggests maintaining the validity period for 30 months with an option for an 18-month extension.

Selection of Contractors and Quality Consideration

5.   ASL agrees that, during the open tendering procedures, consideration of the quality aspects, that is the suppliers' experience, technical capacity, management and quality systems, given a 70% weighting in selection process and 30% was given to price ranking, is acceptable.

6.   ASL agrees that in addition to the basic quality requirements, inclusion of additional quality criteria or recognized process and practice standards should also be considered. ASL

suggests the inclusion of the qualification of the suppliers, such as ISO or CMMI, to provide high quality requirements to perform the services in the arrangement.

7.   Under the ITPSA arrangement, work assignment is awarded to the contractor with the lowest offer (price quotation) that meets the full requirement of the service briefs. In additional to this, if a contractor fails to provide the services according to the delivery schedule, the contractor shall pay to the Government the penalty as liquidated damages. In this connection, contractors might lose their momentum to improve the quality requirement of forthcoming work assignments. To provide a continual improvement on the quality for work assignments in addition to basic quality requirements, ASL suggests that incentive programmes should be implemented. For example, an additional 10% of the contract value can be granted to the contractor, should the contractor is able to provide on-time completion, outstanding quality deliverables or fulfill all the quantitative criteria.

Categorization of Services and Suppliers

8.   ASL agrees that the existing categorization and grouping of contractors is clear enough in identifying the right category and group. ASL also agrees that contractors in the high-value group would be permitted to undertake low-value projects as well by contractors in the low-value group could only undertake low-value projects. ASL believes that a revised and details procurement arrangement is useful in helping Government departments to identify the right category and group without difficulty.

9.   ASL suggests that an inclusion of annual on-going support to the scope of service categories should also be considered. It is believed that the contractors can improve the efficiency and provide a continual support to the project, which can also help the IT industry to expand their business and maintain the domain knowledge.

Categorization of Human Resources

10.   ASL believes that the existing charging structure and the human resources categorization are appropriate to serve its purposes.

Sub-contracting

11.   ASL agrees that sub-contracting is a common practice in the Government's IT contracts, in which the arrangement is acceptable, provided that it could encourage and facilitate participation by sub-contractors with value-added services or specialized technologies.

Country of Origin of Workforce

12.   ASL believes that the existing arrangement on country of origin of workforce is appropriate.

Managing Conflict of Interest

13.   ASL agrees that the Government should not impose any artificial segregation between products and services and should not create any barrier that would limit the Government's access to products and services. ASL believes that ITPSA should ensure that the contractors are impartial and without any bias for or against particular suppliers, brand names or products, in particular a number of suppliers those offer a broad range of IT products and also services in the market at the same time. For example, IBM could offer both IT products and services.

14.   ASL suggests that the Government should, apart from clear requirements, stipulate clear instructions, in respect of the management of conflict of interest. Under the ITPSA arrangement, it has already clearly stated that a contractor who undertake a FS/TS work assignment will be debarred from bidding the subsequent implementation work of such FS/TS work assignment except otherwise specified. However, there is no statement about a contractor, who undertakes an application development assignment, should be or should not be debarred from bidding the subsequent products' acquisitions.

15.   ASL agrees that Government should continue enhancing the efficiency and effectiveness of the system to manage the potential conflict of interest. ASL also suggests that a panel / committee should be formed to justify / oversee the potential conflict of interest. To ensure that Government has been alert to the potential conflict of interest, the contractors should report on situations, which may give rise to those conflicts to this panel / committee.

Supplier Registration System

16.   ASL believes to continue to adopt an ITPSA-like panel of contractor approach as an arrangement for the supply of IT professional services to the Government, is the most appropriate approach.

II.   CONTACT FOR DISCUSSION

17.   ASL welcomes any further discussion with the Government regarding the feedback. Please send your comments to Mr. Joseph Lam at fax 2608-6566 or josephlam@asl.com.hk.

Automated Systems (HK) Limited
11 June 2004