



Response to Consultation on ITPSA in the Government of HKSAR

(a) Participation of Suppliers

With regard to Participation of Suppliers, our comments are as follows:

1. Still a selected and limited number of SME(s) could participate in ITPSA. Individual B/Ds may seek to procure services outside ITPSA.
2. A large pool of Contractors would erode the profitability of each Contractor thus making ITPSA less attractive, compounded by the pricing scheme (described later), it would deter Contractors participation.

Please refer to [Appendix A – Enhanced ITPSA Model](#) for our suggestion.

(b) Length of Contract

With regard to Length of Contract, our comments are as follows:

The duration of ITPSA Contract is relatively short in comparison to most Implementation tender with multiple years (e.g. 3 to 5 years) of Maintenance period. This may cause B/Ds to issue Implementation and Maintenance assignment separately. So doing incur additional overhead on both B/D and the successful Contractor as considerable amount of effort is required for a smooth transition. We suggest the extend the length of ITPSA Contract so that implementation assignments with multiple years Maintenance period would be administered.

(c) Selection of Contractors and Quality Consideration

With regard to the Selection of Contractors and Quality Consideration, our comments are as follows:

1. Some assignments call for fixed dedicated headcounts (stated as minimal requirements). This does not allow creative solution deployed by using a mixture of talents, skill sets, and ability to leverage pool of resources. Such lack of creativity results in a price war based on personal staff rates only and neglecting the technical merit and creative of any solutions. To some extreme, individual B/Ds would start to in-source work assignments if they could hire outside labours at a comparable rates.
2. Assignment brief should depict the level of details which enables suppliers to appropriately estimate the effort required for conducting the assignment. Sizing details such as function points of the assignment should be made available to all suppliers.
3. Technical evaluation of the assignment proposal should bear 30%-50% of the overall proposal evaluation rating.
4. Assess the performance of the supplier based on each completed assignment and determine the supplier's eligibility to bid the next available assignment.
5. The performance could be assessed with the following parameters: total resources spent (supplier and user team) vs original supplier estimated resources (supplier and the user team); user's view on supplier's performance and provide an indicator on reusability.



This could be used to assess if the supplier had purposely submit an underestimated proposal just to get the assignment.

6. A supplier rated by user department as below average (with supporting parameter) for a predefined number of consecutive assignments should be required to develop and execute an improvement plan to bring up the supplier to an acceptable level of quality. Such improvement plan should be monitored and assessed by relevant parties including the ITPSA contract administration team. There should be a penalty for suppliers fail to improve their quality.

(d) Categorisation of Services and Suppliers

With regard to Categorisation of Services and Suppliers, our comments are as follows:

The two Service Groups had demarcations at stated in Annex A of the consultation paper. The main distinguishing factors for the two Service Groups are basic vs. stringent business requirements, complexities, and risks. Due to the side effects of lowest-bid-wins-all stated in paragraph (e) below, the demarcation line between the two Service Groups become an objective view taken by individual B/D. Such situation would also further develop itself into individual B/D choosing to participate in one particular Service Group in order to avoid some particular Contractors.

To prevent such from happening, a more objective approach should be adopted whereby individual assignments should be reviewed by third parties (professional bodies or cross department examination) to determine the nature of business requirements, complexities, and risks. Furthermore, in cases of system development, other pragmatic and useful assessment tools / methods should be adopted, for example the adoption of function point analysis for each assignment as a basis for complexities and risks evaluation.

(e) Categorisation of Human Resources

With regard to Categorisation of Human Resources, our comments are as follows:

1. We believe that ITPSA is established to ensure that the Government B/Ds would be able to obtain best value and quality services from the local IT workforce.

Since price is the only supplier selection criteria, the B/Ds may not have a full picture of the supplier and how this would affect their resource utilisation during the entire project duration. Hence, the B/D involved may not be able to obtain the best value and quality service from the local IT workforce.

2. ITPSA is meant to help grow the local small to medium sized IT suppliers' business through fair competition.

However, the existing lowest-bid-wins-the-assignment approach may result in a 'cut-throat' approach by some supplier and this may not give the local IT SMEs the



opportunity to appropriately develop their skill and business as their effort may not be rightly and reasonably rewarded.

3. In the long run, the existing lowest-bid-wins-all approach could create a spiral effect to deflate the price of assignments and cause ITPSA assignments to be unpopular. This would keep the local IT SMEs away from working on ITPSA assignment.
4. Since all B/Ds should have budgets earmarked for ITPSA assignments, they should seek clarification from the supplier on their proposed resources or simply disqualify proposals with unreasonably estimated resources.

(f) Sub-contracting

With regard to Sub-contracting, our comments are as follows:

Some SME(s) may have reservation to participate in ITPSA due to the fact that re-using of tools, methodologies, frameworks etc would require them to relinquish the IP Rights and the source codes of such.

(g) Country of Origin of Workforce

With regard to Country of Origin of Workforce, our comments are as follows:

Some Work Assignments stipulate Contractor personnel must be on-site on a full time basis. This eliminates the leveragability of resources within the Contractor's organization. Furthermore, some portion of works would best be developed via off-shore expertises whom could provide better value and efficiencies. However, most ITPSA Work Assignments stipulates all Contractor personnel must be resident in Hong Kong.

(h) Managing Conflict of Interest

With regard to Managing Conflict of Interest, our comments are as follows:

The debarment is sometimes perceived as necessary, but there are always multiple ways to avoid such action. The most touchy issue is one Contractor is perceived as having competitive advantages over the other Contractors within the same Service Category. Such perception is derived from the fact that such Contractor has prior engagement with the same B/D on same or similar assignments. For example, Contractor performed Feasibility Studies is usually perceived as gaining all inside information. It is the interest of both B/D and the Contractor to ensure information transparency throughout the engagement so that such information would be readily available to other Contractors.

(i) Supplier Registration System

May want to expand the existing arrangement to include a register of pre-qualified suppliers.



Appendix A - Enhanced ITPSA Model

In order to improve the perceived deficiencies in:

- lowest-bid-wins-all;
- starving of SME who are not capable of providing lowest bid;
- quality of assignment briefs;
- stimulation of SME participation in ITPSA.

We suggest a more radical approach whereby:

- only one single Contractor (or Integrator) would be selected per each category;
- the Contractor would build a portfolio of SME processing generic and specific skill-sets under the management of the Contractor;
- all assignments issued would mandate a minimum number, percentage, or man-days of SME participation;
- Contractor is responsible of selecting the right SME(s) to participate in the assignment;
- each completed assignment is evaluated by B/D, ITSD, and outside professional bodies (e.g. PMI) on quality of services;
- the final manday efforts, including both Contractor and B/D, would be tallied up and measured against the mandays quoted in the assignment brief (plus any manday changes due to scope changes);
- a final assessment based on the project evaluation and mandays spent would be produced and used as an indicator for Service Reward of Service Penalty towards future assignments issued to the Contractor (e.g. all over spent mandays by any B/D would be deducted from future assignments);
- vigorous improvement plans must be established should Service Penalty scenario is occurred;
- three-strike-out situation whereby accumulated Service Penalty reaching a predefined threshold or Contractor failed to improve would be considered non-conformance and would be replaced by other contractors.

Such approach would bring about the following benefits:

- soften the lowest-bid-wins-all scenario thus avoid all side-effects caused;
- enable SMEs to participate at a rewarding level;
- Contractor is the sole-contractor but heavy emphasis is put on it's performance rather than price alone; failing quality would disqualify the Contractor and thus Contractor could not take things for granted;
- establish an objective project assessment criteria by professional bodies like PMI.