

Feedback on ITPSA Review

Doctor A Security Systems (HK) Ltd.

Norman PAN, Managing Consultant
12th June, 2004

Dear Sir/Madam,

Please find the following our feedback on ITPSA Review, our responses were in italic, underlined paragraph, immediately after the original paragraphs of the Consultation on the Information Technology Professional Services Arrangement (ITPSA), dated 15th May, 2004.

If any query, please do not hesitate to contact me at 2342-4991 by telephone or npan@drasecurity.com by email.

Thanks and best regards

Norman PAN
Managing Consultant
Doctor A Security Systems (HK) Ltd.

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24. We are inclined to increase the number of contractors under each of the service categories/groups. In doing so, consideration would be given to the type of services required and the availability of service providers in the market.

We support the idea of increasing the number of contractors.

However, in Category D (IT Security Services), the total volume of work assignment awarded in the ITPSA may not be able to support a large number of contractors. Our suggestion is a maximum of four contractors in each Group in Category D (refer to our response to paragraph 40 below).

27. The existing ITPSA SOAs are valid for 30 months with an option for an 18-month extension to allow time for the preparation of a replacement system. We believe that technology changes during the validity period should not have any substantial impact on the effectiveness of the arrangement because the services covered by the arrangement are largely technology neutral.

We support the duration of existing ITPSA SOA for 30 months, with an option for an 18-month extension.

As one of the existing ITPSA contractors, we experienced the tremendous effort of bidding the ITPSA SOA. The cost of setting up the ITPSA SOA would be too high if the validity of the SOA was set too short.

33. It has been suggested that the present system of awarding work assignments on the basis of lowest valid offer could lead to “cut-throat price competition” at the expense of quality.

We do not support the present system of awarding work assignments ONLY on the basis of lowest valid offer. It would lead to “cut throat price competition” at the expense of quality, in most of the cases, work assignments may be awarded to average performers with lowest bids. Outstanding performers may not be willing to provide excellent service at cut throat price.

The shortfalls of single criteria of lowest bid may include:

a) Performance review of individual work assignment of each contractor may indicate the performance of the contractor, however, the result of the performance evaluation would be released probably a year after the commencement of the ITPSA. Moreover, B/D may not give bad rating to contractors unless at very extreme cases. Excellent performers may not be differentiated from average performers.

b) The B/D may have bad experience of a contractor (ITPSA or non-ITPSA work assignments), or even with below average performance review, B/D still have to invite that contractor to bid, and award the work assignment to the contractor if they offer lowest bid. The B/D could not avoid contractors with un-satisfactory performance.

c) Contractors does not have incentive to offer innovative, high quality services since they would be invited every time, and Contractors know they would be awarded the Work Assignments as long as they offered the lowest price. Moreover, Contractors tend to provide average service to avoid being rated extremely in the later performance review.

Our suggestion:

Since there would be more contractors in each Category/Group of service, the B/D should be allowed to invite bid from a total of (N-1) contractors in the Category/Group of service (N being the total number of contractors in the Category/Group of service).

If B/Ds were allowed to invite (N-1) contractors from the Category/Group, the message of “lowest bid for average performance may not work” would immediately be received by the Contractors, they know if B/Ds are not satisfied at their reputation/services, they might not be invited in upcoming work assignments.

Introduction of other rating, such as marking may be too complicated to administer, especially for most of the work assignments are (more than 75% of the Work Assignments were below HK\$0.65 million).

38. We believe that such criteria should themselves satisfy a number of conditions. For example, the contractors could demonstrate the value they could add to the Government. The criteria should however not create any unnecessary barrier to suppliers, particularly SME suppliers, in participating in the arrangement, nor are more than required to ensure the quality of the projects. They should be technology, brand name and supplier neutral. They should permit objective assessment against clearly defined and generally understood and accepted yardsticks. They should also be generally acceptable by the industry as reasonable and realistic.

We support the idea of providing additional criteria as preference to potential candidates during the selection of Contractors, these criteria may include ISO, CMM certifications. These certifications should indicate the commitment of the Contractors in supporting and complying industry standards.

However, these criteria should not be mandatory and become an unnecessary barrier to suppliers.

40. The ITPSA divides professional services into four (4) functional categories. Within each service category, contractors are sub-divided into two groups to cater for basic and stringent project requirements. A supplier can be a contractor in more than one service category but can only be in either the basic or stringent groups within any one category. The group sub-division has the effect of creating two competition platforms within a service area. That to an extent enhances the opportunity for contractors, particularly SMEs, to compete.

We support the idea of grouping in functional categories. It provides a much needed room for SMEs to participate in the ITPSA.

42. We also believe that the existing contractor grouping is able to create the intended effect. Notwithstanding this, we can review and improve on the basis for categorisation, that is, basic versus stringent project requirements. Alternative means of sub-division can also be considered, for example, grouping contractors based on the value of the projects undertaken by them. We note that in some procurement arrangements with such kind of sub-division, contractors in the high-value group would be permitted to undertake low-value projects as well but contractors in the low-value group can only undertake low-value projects.

We support the idea of including the following additional guidelines for allocating Work Assignments to different group, especially for Category D services, for example, Work Assignments should be allocated to Group 1 contractors if:

- a) The service is a short term (e.g. the work assignment could be completed in less than 6 months);
- b) focused service, e.g. Security Risk Assessment and Audit, only;
- c) Estimated volume of the work assignment does not exceed a certain value (e.g. HK\$0.65 Million); and
- d) Subcontractor are not allowed.

52. We would like to be advised by current and potential contractors and sub-contractors alike, as well as the industry at large, on the ways and means to encourage and facilitate participation by sub-contractors in IT projects under an ITPSA-like arrangement and to foster the healthy synergistic collaboration between contractors and sub-contractors. We also welcome suggestions from the industry on the sub-contracting arrangement in general for IT professional services.

We do not support the practice of un-restricted sub-contracting arrangement.

For work assignments of small to medium size (e.g. below HK\$0.65 Million), the Contractor should be capable of providing the services directly, and does not justify the additional effort in managing sub-contractors. Un-restricted sub-contract arrangement would allow bigger size contractors to have overwhelming advantages against smaller, specialized service providers during the tender bidding process. They are allowed to bid in any types of services by including sub-contractors, whereas, smaller, specialized service providers do not have advantages in other criteria of the tender, such as financial background, number of staffs, etc.

62. We intend to continue to adopt an ITPSA-like panel of contractors approach as a non-exclusive arrangement for the supply of IT professional services to the Government. We also intend to enhance the present arrangements for the list of registered suppliers and the supplier reference database so as to improve facilitation for IT service providers.

We support the idea of continuing to adopt an ITPSA-like panel of contractors approach as a non-exclusive arrangement for the supply of IT professional services to the Government.