Proposal

For the

Consultation on the QPS2

in the

Government of the HKSAR

By

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1 INFORMATION SUMMARY

In response to the request from the Government Chief Information Officer (OGCIO) for providing comments of the Standing Offer Agreement for Quality Professional Services (SOA-QPS2) for the Government of the Hong Kong Special Administrative Region (HKSARG or the Government). Arcotect Limited is pleased to submit our comments for your consideration.

QPS2 has been launched in July 2009 and Arcotect has awarded as Cat 1, 2 and 3 of Minor group contractor among other 25 contractors in 53 Standing Offer Agreements (SOA).

In this paper Arcotect will describe the current situation and make suggestion on some potential improvement areas.

2 OBJECTIVES

We understand the Government has steadily increased annual IT budget. However, the total contract sum spent on IT Services particular in Minor group has declined, which is not benefit to local small and medium IT contractors. The consultation is to carry out the review and identify ways to improve the QPS2 for the Hong Kong Special Administration Region (HKSAR or the Government) to meet the operational needs of the D/B and benefit the IT industry as a whole. Hopefully our suggestions can reflect the contractor's problem and recommendation to the Government.

3   IMPROVEMENT AREAS

On top of the current arrangement, there are rooms for a few improvement areas:

3.1   Categorisation of Services and Suppliers

3.1.1   Currently, there is a big gap on ceiling HK$1.3M for Minor group and HK$10M for Major group, we think it is not fair. Particular for Minor group Cat 3, HK$1.3 M, or even $1.43M for SDLC is too little for current payroll. A lot of projects that could be fulfilled by local IT companies in Minor group had switched to Major group due to over budget. This is not helping the local IT companies.

Limited to HK$1.3M ceiling contract price also caused inconvenience to contractors of the Minor group when there are additional requirements. WAB usually gives high level requirement description and usually stated 'not limited to…', B/D should be allowed more room to cater for 'out-of-scope' work that found in SA&D stage.

We hope the new SOA can reconsider the ceiling for Minor group. We suggest to keep HK$1.43M as a bidding ceiling but allow 100% Assignment Change Request.

We don't agree increasing the demarcation limit will attract more medium-large size companies to enter Minor group, as long as the limit is not too high i.e. below 3M, since entering Minor group also means they have to give up Major group at the same time.

3.1.2   QPS2 services are following the SDLC and technology independent, we believe that there is no need to separate technology groups i.e. Mobile or EIM or anything upcoming, which may lead to change on Service Category whenever there is a new technology raises. The skill and experience shall be addressed in staff requirement. We will comment on human recourses in later section.

3.1.3   'Independent Testing' service category can be a new arena for local IT companies. On QPS2, OGCIO created a new category on 'Independent IT Security Audit' and successfully groomed many local IT security companies. QPS3 is coming soon, if the government increase another new Category 5 on 'Independent Testing', I m sure it immediately expands the pie and will be welcome by the industry.

3.1.4   Since QPS is the most cost effective way to procure quality professional services within government procurement procedures, we noted that some B/Ds want to acquire ISSS via QPS. Since this is prior to Cat 1, perhaps OGCIO can formulate a Cat 0 to cater for the demand from B/Ds. Similar demand on IT Service Management also was heard, we suggest the ITSM can be included in Cat 1 for consultation or Cat 3 for implementation.

3.2   Participation by Suppliers

The increase of Government IT expenditure didn't go directly to QPS2 services. QPS2 increased from 6 contractors of QPS1 to 9 contractors, too many contractors within a service category and group will reduce the attractiveness to the contractors to submit bids as the competition will be increased, which result in price war that eventually led to bad quality.

Our ITPSA & QPS experience 6 contractors per Cat per group were all active whereas now 9 contractors some are not active. We believe 6 contractors are better. If not much benefit was found for an increase in the number of contractors in each service category-group. We suggest new QPS3 to maintain no more than 6 contractors per cat per group.

3.3   Length of Contracts

The current 48 months arrangement is good. However, increasing the contract period to 60 months can further save the tender effort.

3.4   Bidding Performance

3.4.1   Proposal submission

For Cat 1 & 3, if there will be 6 contractors, I believe contractors are keen to bid. Even compulsory bidding is acceptable.

However, for Cat 2, since most of the staff requirements are very specific, we know the B/D prefer to renew with the existing staff(s), I agree a different approach as suggested in the consultation paper: full mark should be given if the participation rate (the ratio of the number of submitted proposals to the number of invitations) reaches a certain percentage say 50% or higher rate.

3.4.2   CPAR

3.4.2.1   Another problem is SOA-QPS2 evaluates contractor's performance in all Categories collectively, but the every specific Cat 2 staff requirements in WABs have dragged our bidding conformance down dramatically. It is not fair to us compare to those contractors that don't serve Cat 2. We suggest the contactor's CPARs can be evaluated independently per Service Category.

3.4.2.2   If a B/D gives 'poor' in CPAR, contractor can comment Not Agree; under current CPAR flow, B/D will make further comment but in almost every case the score will not be changed and no further Appeal in place right now. In realty, some cases were reported that B/D trying to convince contractor to absorb additional requirements with CAPR score. Since QPS Contract Admin knows almost all contractors' performance and quality level, we would like to request Contract Admin to serve as an Appeal Board and after hearing both side of stories, has the right to decide whether a 'poor' or a 'satisfactory' score shall be entered into the CPAR system. We put our faith in Contract Admin as a neutral and fair authority.

3.4.3   General Technical Sub-score

3.4.3.1   The current General Technical Sub-score is in a 1,2 and 3 ranking only. In order to have more transparency and let us improve our quality, we recommend to use ranking / number of contractors.

3.4.3.2 Using sub-contractor is also one factor that leads to poor quality. We also suggest subcontractors have separate marking so if they perform badly, they will be affected in general QPS3 quality as subcontractors. This information shall be released to all 'related' prime contractors and users.

3.5 Categorisation of Human Resources

3.5.1.1 The existing staff categorization mainly based on the years of experience and ranking and not technology specific, which is flexible and well served the purpose. We think this is good as new technologies can be customized by B/D. E.g. a Cat 6 QA Analyst with experience in writing Test Plan, Specification, Cases and Report can be also qualified as a 'Testing Analyst'. A Cat 4 Analyst Programmer with experience in conducting unit test and SIT can be qualified as a 'Tester'. EIM Consultant/Specialist can fit into Cat 11 or 12. Cat 5 or 6 SA still applied but may need additional experience in Mobile App.

3.5.1.2 However, we found staff requirements by some WABs can sometimes be too specific to a particular expertise or experience that are generally not available in the market. This can cause non-compliance even though contractors may have tried their best efforts to source for such expertise in the market. We suggest OGCIO to set a guideline for B/D to put those staff desirable features in marking scheme instead of mandatory staff requirements.

3.5.1.3 Staff Replacement

We also hope that staff replacement can be just following the WAB instead of compatible to the resigned staff.

3.5.1.4 Project Manager and System Analyst effort

More and more B/D refused to accept PM effort in system enhancements. Some B/D even said AP can do everything without PM or SA. It is important for users to understand PM is responsible for negotiation, draft and revise PIR and ACR, monitor progress, liaise testing and acceptance, checking document update, etc. SA is responsible for design and quality check. In our company, AP is forbidden to change any program without revised design by SA and approved by PM. If an AP is observed capable to do design job, he will be promoted to SA, otherwise we cannot keep him/her. We hope OGCIO will give clear guideline to B/D that PM and SA effort shall not be ignored.

3.6 Timing for Proposal Submission

3.6.1.1 In general we think 2 weeks and 4 weeks for Minor and Major to prepare proposal submission is sufficient.

3.6.1.2   Some B/D still not giving softcopy for 'IT' projects. We hope OGCIO can give clear guideline to B/D to give MS Word copy to contractors as working copy. It is important for proposal team to share comments and highlights and for preparing proposal content.

3.6.1.3   It is against the Government's environment protection policy for all contractors to submit 2 sometimes 3 sets of proposals and CDs. In order to save paper & CD, submission by pdf via email should be allowed. If necessary for audit record, only awarded proposals need to be printed with clarifications.

3.6.1.4   Sometimes different B/D give different skill summary templates to be submitted with Technical proposal. We found those templates take up to 1-2 days to fill in. If we only have 14 days to prepare proposal and usually we have a few proposals in a week, it is discouraging us to submit proposal. We suggest OGCIO to standardize an acceptable cv template for all B/D as part of the WAB sample. I believe all contractors as IT experts can somehow convert our cv to fit in one standard.

3.7   Payment for Services

Regarding the regular intervals on no more than 50% of fixed price, we appreciate the Government's understanding and support to ease local IT Contractor's cash flow on payroll. Discard the well intention from the Government, most B/Ds still don't accept it. We hope clear guideline can be given to B/D and encourage them to adopt such arrangement as a Caring Organization and support local IT industry.

Regarding the Stage payment, we also appreciate OGCIO provide clear guideline to B/Ds that milestone payment should in proportion to the estimated effort i.e.10% PID, 20% SA&D, 50% UAT, 10% Production and 10% PER.

There were cases that UAT had been accepted but the System was not put into Production due to internal issue. It is not fair to contractors that over 6 months development effort was accepted but still could not receive payment because the system not in Production use.

Some B/D purchased Cat 2 and Cat 3 services on hourly basis and the hourly charge are derived based on the normal daily rate, which has the assumption that services are procured in the unit of "man-day". However, such kind of hourly services incur different cost overhead i.e. include travel time & cost. We hope QPS3 clearly state hourly rate is not allowed in Cat 1, 2 or 3.

3.8   Continuity of Project Staff

As the Government often mentioned, IT industry is pillar for all pillars in HK. Staff turnover is unavoidable particular when the economy is good. To debar the staff may be illegal and not giving the staff an equal opportunity to transfer from jobs like other IT practitioners in commercial sector. QPS is not T Contract, the staff continuity has already covered by CPAR, and marks shall not be deducted as long as the overall service performance is not affected.

3.9   Project Delay

Every IT Services Contractor hates project delay which is bad for cash flow because we have payroll to fulfill every month.

As mentioned in prior section 3.1.1, WAB usually gives high level requirement description and usually stated 'not limited to…', more complex use requirements will come up in SA&D stage and require longer development time. We also noted that B/D users are not concern about project schedule, they rather contractor to deliver additional requirements than on schedule.

Project delay was also due to unreasonable schedule under mandatory requirement that cannot be altered.

A lot of B/D asked contractors to provide ballpark for budget purpose, in order to make sure both the ballpark and schedule are accurate and encourage more Cat 1 Work Assignments, B/D should put budget for Feasibility Study so the estimated price and implementation schedule can be formulated in a realistic way.

3.10   Selection of Contractors and Quality Consideration

For tender 70% quality and 30% price is used to select pre-qualified contractors in order to emphasis on the quality of the contractors. However, in WAB stage, 60% on price is used and contractors have to bid with lowest cost eventually compromise the quality. Since quality is priority concern on delivering a service, we recommend a standard marking scheme of 60% on continuous quality monitoring score and 40% price shall also be adopted during WAB stage.

3.11   Contractor's Liability

We suggest using a formula for B/D to come up with a project specific liability cap to provide better risk management for Contractors. A general of x1.5 - x3, etc shall be set under SOA to expedite the negotiation on WA.

4   CONCLUSION

QPS2 has been an excellent arrangement for government purchase of IT outsourcing services which benefits the government, the user departments and the Contractors. It is a Win-Win-Win situation. To Contractors, QPS2 created a trust worthy environment and a mid/long term relationship between itself and the user departments so that lower assignment cost with high quality works can be maintained.

To keep the government as (the biggest) winner, the arrangement should continue to provide similar mechanism/environment to Contractors. That is, steady recurring of small to medium sized jobs (under $10m) which can be managed and monitored under a bulk service contract like QPS2.