Consultation on the Future Arrangement of the Standing Offer Agreement for Quality Professional Services in the Government of the HKSAR

Response by The British Chamber of Commerce in Hong Kong

15 March 2016

The Innovation and Technology Committee of The British Chamber of Commerce in Hong Kong has taken feedback from its members and their customers. What follows is a combination of the views expressed by those respondents.

We trust that the opinions offered are regarded as constructive and of assistance within the scope of the Consultation.

(a)   Categorisation of Services

i)   An existing information systems supplier to Government observes that some work assignment briefs in Category 3 have required the Contractor to provide an independent Security Risk Assessment and Audit (SRAA) and Personal Information Audit (PIA). In general, it is suggested SRAA and PIA shall be provided under Category 1, even though Category 3 service providers may have the capability to provide such a service, such that the independence of assessment and audit services can be guaranteed. It also provides more opportunities for contractors who are only listed in Category 1.

Minor and Major Service Group

The limits of HK$1.43 million and HK$10 million have not been changed for many years. During the last two decades, the cost of delivering major projects has been ever increasing. Unfortunately, since the limits have not been raised, especially the HK$10-million limit, it is challenging, if not impossible, to deliver major projects. This also incurs other issues like not being able to hire good quality IT staff owing to budget constraints.

In addition, the supplier understands that the project funding process for projects which have a budget of larger than HK$10-million is different and takes a longer time. Therefore, departments are more likely to limit the project budget to below HK$10 million. This limits the scope of work for major projects.

For some tenders the QPS budget ceiling is far from sufficient for projects of such nature and scale but the departments have still issued the tenders under QPS to avoid going through the more complicated and lengthy open tender process. As a result, whichever supplier had won these projects would be under-budgeted and that increased the risks of project failure.

We therefore suggest an increase to both the lower and upper limits.

ii)   We recommend to add another category, enterprise crowdsourcing, with value lower than HK$100k. This is suitable for small tasks or projects requiring

timely response and relatively lower cost budget (See "The need for flexibility" below).

(b)   Number of Contractors for Each Service Category/Group

i)   An existing information systems supplier is of the view that the range of 10-12 contractors is good enough to balance between competition and efficiency. There have also been Government IT open tenders with a less than HK$10 million budget that allow open competition.

ii)   More generally it is suggested that the number should be derived based on the principle that at least one or two suppliers are included capable of delivering each required technology area.

iii)   Ensure suitable and adequate suppliers are engaged for quick response, flexible manpower resources with different expertise to provide professional services at a reasonable cost.

(c)   Duration of Contracts

i)   It is suggested by existing suppliers that the duration of the existing QPS Contract, i.e. 48-months, is acceptable. They do not agree that the new QPS Contract should be less than 36 months given the resources involved and invested in the whole bidding exercise. Nevertheless, they believe that a review in the daily rates of the Contract is necessary in the new QPS Contract.

ii)   Respondents from the user community have, however, commented that a fixed duration of 4 years may be a bit too long, better to have a 2 years contract with 2 years optional extension. A flexibility to add or remove contractors after two years (according to their updated skill sets or historical performance) is recommended. Technology is changing very fast and supplier's resource and expertise will be refreshed over the time. With such flexibility, it can keep an updated and capable pool of suppliers while tender administration cost can still be optimized. This is unlikely to be satisfactory to suppliers, however, unless margins are improved.

(d)   Staff Categories and Charging Structure

We have no feedback in this area. The current arrangement is acceptable.

(e)   Sub-contracting

i)   An existing information systems supplier is of the view that non-intervention in the commercial relationship between primary contractor sub-contractors is satisfactory but suggests to notify who the sub-contractor is in the tender and provide that any subsequent change has to be informed or subject to consent. This can allow suppliers to monitor if there will have the service quality improvement or degradation on this supplier.

(f)   **Time for Submitting Proposal**

In general, it is thought there is sufficient time for preparation of proposals. For major projects in QPS, e.g. when there is a need for the bidder to attend document reading sessions or when there are very specific staff requirements, suppliers generally need more than 20 working days. Suppliers comment that 6-weeks is necessary for preparing a proposal.

(g)   **Payment for Services**

In most tenders, the payment schedule is a mandatory requirement that a bidder has to comply with. Existing information systems suppliers comment that the Government should be more flexible in accepting counter proposals on the payment schedule, noting that although the contractor usually spends significant effort in the completion of the SA&D, the current payment of this stage is usually on the low side, e.g. only 15%.

On the other hand, on the UAT payment or nursing payment, some departments expect the system can be accepted only if there are no outstanding bugs or problems. This is not a reasonable expectation and creates a lot of tension in the project between Government and the contractor at the end of the UAT or nursing. It is suggested that OGCIO should provide a guideline for departments on carrying out system acceptance in order to settle the final payment, e.g. against the quality of an average CMMI Level 3 company.

(h)   **Typical Performance Issues**

Staff Turnover Issues

i)   Suppliers comment that this is primarily caused by the "lowest price" wins strategy in the QPS Contract. While there is a technical element in the proposal selection process, the price is still the most significant factor in the selection process.

Since there is no guarantee that a bid will eventually be awarded, the Government should at least expect staff change at the beginning of the project since the proposed staff can have been assigned in other projects.

They believe that some departments asking for onsite programmers does not provide a solution to prevent staff participation in multiple projects. They also suggest that non-core members be permitted to work offsite or offshore, e.g. programmers, should be allowed so that contractors have the flexibility to mobilise the resources dynamically for the delivery of the project. This is also in line with the rationale that the project is being outsourced not insourced, e.g. hiring T-Contract staff.

ii)   Other comments include a recommendation to ensure the supplier keeps an information repository to keep track of all the related project information such that in the event of a change of core staff in supplier happens, replacement staff can pick up quickly to minimise the project quality and delay.

Other Tender Evaluation Model

The current heavily priced-based model is not desirable for supplier respondents. The evaluation method of QPS tenders should be changed to accord more weight to the quality and technical aspects in order to select the most suitable contractor for a project.

The need for flexibility

With rapid changing IT technology and environments, main focuses for procurement of professional services should lie on flexibility, updated skill sets of professional endeavours, low cost and best value for money. The procurement arrangement should ensure adequate resources available, skill sets and expertise being regularly refreshed for use. Sufficient supplier options on each technology area should be maintained in the pool to provide flexibility to suit for different project needs. It is recommended to have a regular review to existing suppliers on the performance, resource availability and skill set based on which they can be added or removed from the authorised supplier list instead of waiting for next tendering exercise.

Current procurement arrangements described in the paper are good for IT projects sized from small and medium value to large value. However, they may not be able to address the need for having an elastic workforce that can ramp up and down according to work fluctuation, a broader reach of talent globally with lower cost and faster response. Enterprise crowdsourcing is a new innovative work model that can fulfil these needs. Unlike the outsourcing model which is man-hour based offering with rigid workforce limited by supplier, enterprise crowdsourcing can offer an output based pricing with 7x24 global talent pool service. Hence, it is recommended to consider crowdsourcing as another set of category service in the procurement. There are still risks on crowdsourcing such as intellectual property concern, payment methods limitation, confidentiality issue. To mitigate the risks, suitable terms and conditions should be set up, projects or tasks assigned in this way should be in a lower cost value (e.g. < HK$100k per order) and not containing appreciable confidential information.

Peter Bullock
For and on behalf of the Innovation and Technology Committee
The British Chamber of Commerce in Hong Kong