

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

**By**  
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**(HKITF)**

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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-QPS) for the Government of the Hong Kong Special Administrative Region (HKSARG or the Government). Hong Kong Information Technology Federation (HKITF) is pleased to submit our comments for your consideration.

QPS 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, QPS 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.

QPS3 has been launched in July 2013 and some of our members have been awarded as prime contractors and sub-contractors among the 69 Standing Offer Agreements (SOA). In this paper HKITF will describe the current problems our members faced and make suggestion on some potential improvement areas.

## **2 IMPROVEMENT AREAS**

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

### **2.1 Categorisation of Services and Suppliers**

- 2.1.1 Currently, there is a big gap on ceiling HK\$1.3M for Minor group and HK\$10M for Major group. In view of the declining contract sum in Minor group, we suggest to increase the demarcation limit from HK\$1.43M to HK\$3M, so some work assignments can move back to Minor group.

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.  $\leq 3M$ , since entering Minor group also means they have to give up Major group at the same time.

- 2.1.2 QPS3 services are following the SDLC and technology independent, we believe that there is no need to separate technology groups i.e. Social Media 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.

### **2.2 Number of Contractors per each Category/ Group**

All of our WG members reflected that more players within a service category and group force them into price war and affect the quality of services. It seemed 6 contractors per Cat per Group is the most attractive and effective combination.

### **2.3 Duration of Contracts**

The current 48 months arrangement is good. However, increasing the contract period to 60 months can further save the tender effort. E.g. 48 months mandate plus 12 months optional (solely up to the Government to exercise the right or not).

### **2.4 Staff Categories and Charging Structure**

- 2.4.1 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. However, staff equipped with new technologies i.e. 2-4 years experience mobile app developers require much higher rate than traditional Cat 4 analyst programmer, but they are not qualified to System Analyst experience and rates. Perhaps OGCIO can consider to particular put Mobile App Developer same as Cat 5 SA.
- 2.4.2 Some 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 for technical scores instead of mandatory staff requirements.

## 2.5 Timing for Proposal Submission

- 2.5.1.1 In general we think 2 weeks and 4 weeks for Minor and Major to prepare proposal submission is sufficient.
- 2.5.1.2 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.

## 2.6 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.

## 2.7 Selection Criteria 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 40% only based on higher, medium and lower ranking in CPAR, no technical score is considered. 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% technical score comprises of 30% on technical marking scheme and 30% on continuous quality monitoring score CPAR and 40% price to be adopted during WAB stage.

## **2.8** 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. Also, 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. To correct fundamental problem, B/D should outsource IT projects to local IT companies instead of competing with us in recruitment.

## **2.9** Project Delay

Every IT Services Contractor hates project delay which is bad for payroll and cash flow.

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 were told that B/D users did 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.

## **2.10** 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.