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

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With reference to the consultation document issued by the OGCIO, the office has garnered views from representatives of vendors taking part in the SOA-QPS3, SMEs and IT Procurement Working Group which this office has established in early 2016 and other stakeholders in the ICT sector. It is appreciated that the OGCIO consults the ICT industry for the next round of SOA-QPS. While the procurement arrangement has generally served the purpose of facilitating efficient procedures for ICT companies to provide services to the B/Ds, there are many areas for it to improve to elevate the development of the sector, and especially for the ICT SMEs.

Overall comment:

Increase the participation of SMEs
From the reply to LegCo question on 16 December 2015, out of the IT services procured by the Government under SOA-QPS3, 159 contracts (24% of the total) were awarded to SMEs, involving a total contract value of HK$105.09 million (20% of the total). And from LegCo question on 8 July 2015, only 4 SMEs were awarded service contracts with values more than HKD$1.43 million. There is a strong view in the industry that the government should look into how SMEs can participate more in the future SOA-QPS.

Review the 70% price and 30% technical weighting
One major suggestion from vendors at large is for the government to review the weighting in the Standard Marking Scheme. The current 70% price weighting is considered too high and it has resulted in cut-throat competition and low incentive in delivering quality services which both go against the intention of the SOA-QPS in pushing forward the development of the ICT industry.

While the best value for public money remains to be important, a better balance can be drawn by emphasising more on the quality in the Work Assignment Brief stage. There is also concern

that for minor projects, assigning the entire 30% Technical Mark to Past Performance does not adequately reflect the Government's strong intention to promote growth in ICT sector and can possibly create barrier to the participation of new contractors wishing to compete for service contracts.

It is agreed by many contractors that the Standard Marking Scheme should seriously consider adjusting the ratio of price score and technical mark by past performance. Bureaux and departments should also have the flexibility to further increase the weighting on technicality should they see fit.

Moving towards to public procurement for innovative solutions
As practices to facilitate government procurement of innovative ICT solutions have been more common in foreign countries and for the purpose of adopting innovative technology solutions and enhance the efficiency and effectiveness of B/Ds operations, we recommend the HKSAR government to consider, through enhancing the SOA-QPS arrangements, to enable B/Ds to have more knowledge and access to innovative ICT solutions that are potentially beneficial.

We stress that IT service procurement arrangement should no longer only seek to stimulate the development of the ICT sector and SMEs, but also align with the goal to bring innovative solutions to public services to better address the social needs. One key issue in this new form of procurement strategy is for the government bodies to consult closely with service providers and the market in general to generate new ideas and develop innovative solutions.

It is well noted that government procurement policies must comply with international obligations and existing mechanisms set out by the FSTB. We recommend OGCIO to promote more communications between vendors and B/Ds by considering measures such as preliminary market consultations prior to devising technical briefs, for procurement officers to better estimate the scope and workload. And apart from technical specifications, functional and performance-based specifications should also be considered to evaluate the innovative merits the technical proposals exhibit.

Feedback on some of the eight specific areas in the consultation:

Categorisation of services
The consultation paper mentions to review the demarcation limit between Major and Minor Service Group. There are contractors supporting the suggestion to raise the demarcation limit of the Minor Service Group so that the huge difference between the caps of the Major and Minor Service Group can be narrowed and more SMEs can compete in government IT projects of larger values. However, merely raising the limit will not be effective unless the Standard Marking Scheme can attribute more portions on quality and not price.

And with the government planning to develop Smart City in Hong Kong, the use of data will be a core part in realising the goal. It is recommended B/Ds should tap into Data Management / Analysis into the existing service categories and groups or create another category or group for that purpose.

Suggestions:
- To review the demarcation limit between Major and Minor Service Group.
- To expand the existing service categories to include Data Management / Analysis.

Number of contractors for each service category / group
The current number of contractors participating in each service category stands from 10 to 12, some of the contractors agree that by increasing the number it can allow more companies to participate in government IT projects.

However, there is a worry by other contractors that too many contractors will result in severe competition especially when the price weighting is at the current 70%. SOA-QPS3 has seen the number of contractors increased from 25 in QPS2 to 43 contractors. A proper mechanism should be in place to allow more contractors to take part in the SOA-QPS while maintain the competition in a way that can be beneficial to all and one solution is to review the Standard Marking Scheme as mentioned above.

Suggestion:
- To increase the number of contractors for each service category / group but only if there is more emphasis on quality in the competition.

Staff categories and charging structure
For transparency's sake, the ceiling rates quoted by the contractors in the tender proposals should be published.

Contractors have also held strong views towards overly prescriptive staff requirements. Apart from there is a disparity in the staff requirements from different bureaus and departments on similar nature of ICT projects, some work assignment briefs require the contractor to be the partner of a specific company for instance. Though incidents like this is not common but the government should devise a better system to deter bureaux and departments from raising unreasonable tender requirements.

Suggestions:
- The ceiling rates quoted by the contractors in the tender proposals should be disclosed to enhance transparency.
- To review overly prescriptive staff requirements in the Work Assignment Briefs.

Payment for services

Cash flow problem is particularly critical to SMEs and while milestone payment is implemented in SOA-QPS3, there seems to be a gap regarding how effective it is to help SMEs' financial situation. A common view among the contractors is for the government to review the milestone payment and issue clear guideline on the payment of services for B/Ds to follow strictly.

Contractors have been criticising the Work Assignment Briefs sometimes underestimate the complexity of the work concerned, and it is only after performing the system analysis contractors find the contractual prices were set too low. While there is a change request management policy to help contractors adjust the prices, however, there is a strong need to review how Work Assignment Briefs can be written more accurately.

Suggestions:
- To issue a guideline on payment of services.
- To review how Work Assignment Briefs can be more accurate in reflecting the job details.

Typical performance issues

It is commonplace practice for staff members on project teams to be part of more than one ongoing project, yet the B/Ds worry that it will affect the progress and quality of the services concerned are, however, just. The situation reflects ICT manpower shortage and challenges the vendors face in retaining quality staff members while competing for government projects on price.

In essence, many service providers have raised serious doubts towards the suggestion in the consultation paper to disallow a contractor to nominate the same core staff during the course of service contract for other work assignments as this will severely affect the flexibility in business planning and operations.

Similarly, as staff turnover is common within the ICT industry, a contractor has limited ability to entirely prevent staff departure from project team during a project, hence holding a contractor responsible by means of factoring into performance score will have an outsized effect on SMEs. Instead, it is recommended that the government steps up in nurturing ICT manpower development and education.

Suggestion:
- Staff turnover rate should not be a factor in evaluating contractors' performance.

Remarks

Public procurement of innovative solutions is found to be particularly useful in addressing key societal challenges such as healthcare management, waste management, sustainable transport, resource-efficiency, e-government and more. With the government plans to foster the development of innovation and technology in Hong Kong, incorporating innovation into the future SOA-QPS arrangement will not only serve the goal but to improve lives and bring abundant opportunities to the economy.

It will be appreciated if the government can consider the proposals and views mentioned, and enhance that transparency, flexibility, efficiency and fairness will be continually in play in the future SOA-QPS arrangements.

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