

Our Ref. : PER4/20060336/OP

15 December, 2006

Office of the Government Chief Information Officer,
2/F., Murray Building,
Garden Road,
Hong Kong.

Dear Sirs,

Public Consultation on Digital 21 Strategy

In response to the above consultation, I would like to highlight the following weakness :-

(A) Broadband Wireless Connectivity

As demonstrated during the recent ITU event, connectivity was provided at the Hong Kong International Airport with lots of fanfare as major breakthrough and great achievement.

As Asia's world city, we should have it long time ago not only at the Airport but with extensive coverage throughout the commercial districts and strategic locations.

(B) Procurement Procedure

The Hong Kong Government has for a long time standard conditions of contract that has been successfully used for many infrastructure and construction projects.

This time proven procurement system also provided example and leadership in the private sector.

Although the technology of IT industry is evolving rapidly, this should not prevent the adoption of a procurement system that would be fair and transparent to protect the interests of the buyer and the supplier, to establish a risk sharing culture and to encourage partnering to optimise performance and smooth execution of contracts.

I, therefore, outline the following weakness that the Government should address for the healthy development of IT industry :-

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1. Project specifications

In many cases project specifications are not in tune with what are achievable, or what are actually available from the market. Over eager suppliers tend to overstate their capabilities in order to influence the specifications and government officials have no way of distinguishing what can and cannot be done. As a result many specifications stretch beyond the possibility. As opposed to construction projects, government seldom employs external expert consultants to design and handle IT projects.

2. User requirements

IT projects inherently have more grey areas and government departments have a field day in imposing their user requirements on contractors. There is no third party supervision and many decisions on the scope and technical level of the project are subject to the whims of the officials in charge of the projects.

3. Cross departmental obstacles

Entrenched departmental culture in government proves detrimental to IT projects because of the difficulty in satisfying everybody. There is no "project manager" above departmental level to push through decisions. The Treasury project is a case in point. Imagine a contractor trying to come up with an accounting software to satisfy all government departments. Difficulties for Automated Passenger and Vehicle Control Systems when Immigration Department has to deal with Transport Department and Custom & Excise Department is another example.

4. Contract terms and conditions

It is inconceivable that complex super-21 century IT projects are governed by simple out-of-date procurement contracts. The Government Logistics Department's Conditions of Contract is totally inadequate in dealing with appraisal of technology, payments, variation orders, extension of time, and dispute resolution, areas where most problems occur in complex IT contracts.

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In comparison, Environment Transport & Works Bureau has a much more comprehensive set of Conditions of Contract. It is complemented by many additional documents, such as Technical Circulars, Practice Notes, Subcontract Conditions etc. and to enhance its effectiveness.

IT projects are arguably more complicated than construction projects. So it is a case of problems bound to happen and a robust Conditions of Contract system is even more important.

5. Change Control

This is where most problems originate. It is questionable how strictly departments follow the change control procedures.

The situation is not helped by the fact that IT product cycles move at lightning speed and what are available could be quite different from what are intended in the origin design.

Two of the world's largest system integrators which have well established internal procedures to handle changes, and yet both fell foul of working out suitable arrangements for changes in their Hong Kong projects. Something must be wrong.

6. The way forward

So far the feedback from the public on the Digital 21 strategy consultation has been very tame. The main noise from the Government is on "digital procurement". Environment, Transport & Works Bureau has looked into digital procurement and so far shied from it. If the procurement system is as it is now, it could go digital, but it would only be good enough to buy pencils and toilet paper.

Finally, if the Government is serious with this consultation, it should ask itself why so many government IT and telecommunication contracts were either cancelled or failed to deliver the end products.

A fair, transparent, risk sharing (which is critically for evolving technology) and robust standard conditions of contract would provide a platform for successful execution of future IT projects - to create world's IT city.

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The above refers only to the Government's procurement procedures because private sectors look upon the Government as role model. I therefore consider the Government can exercise leadership in the healthy development of IT industry.

Please kindly note the above are my views only. They do not represent the views of my companies or views of those companies executing the projects that I referred to in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Otto Poon', with a long horizontal flourish extending to the right.

Otto Poon
Engineer and Contractor

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