

財經事務及庫務局
(庫務科)



FINANCIAL SERVICES AND
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(The Treasury Branch)

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8 June 2005

Clerk to Public Accounts Committee
(Attn : Ms Dora Wai)
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms Wai,

**The Director of Audit's Report on the
Results of value for money audits (Report No. 44)**

Chapter 7 : The Postal Mechanisation System at the Air Mail Centre

I refer to paragraph 3 of your letter of 3 June 2005 and would like to provide the following information as requested :

(a) Type of procurement procedures for the Postal Office Mechanisation System (POMS) Consultancy

In procuring the POMS Consultancy, the Postmaster General followed the procedures for Appointment and Payment of Consultants which were prevailing in 1993 and were basically similar to the present procedures. The procurement of consultancy services by the Government is guided by the principles of transparent, open and fair competition, public accountability and value for money and is governed by a set of consultant selection procedures. The procedures allow Government departments to engage firms for consultancy services when:

- (i) the services required are in areas in which Government does not have the necessary expertise or qualified staff;
- (ii) the qualified staff for the services are not available, or cannot be deployed for the purpose within the required timeframe; or
- (iii) it is more appropriate for the services be undertaken by independent third party consultants of renowned credentials or expertise in the area.

This is to enable the Government to tap various types of expertise not available in the Government in a timely manner. The engagement of consultants on an as-and-when-required basis also helps maintain a lean civil service.

Based on the consultant selection procedures, before a proposal is submitted to the Central Consultants Selection Board (CCSB) for consideration, departments have to establish the need for the consultancy service, obtain policy support from the relevant bureau and seek approval to commit funds. Subject to policy support being given and funds being available, the department will submit for consideration by CCSB a consultancy brief and the names of consultants or firms of consultants considered eligible to undertake the assignment. CCSB will consider whether or not to endorse the recommended list of shortlisted consulting firms for the purpose of inviting proposals, and subsequently the department's recommendation on the selection and appointment of the consultant after assessing the proposals.

(b) Whether the arrangement for the appointment of the Consultant in the case of POMS was in line with the normal practice

As mentioned in (a) above, procuring departments have to justify their need for the consultancy service and decide on the scope of work required of the consultant before making a submission to CCSB. Upon receipt of a submission for selection and appointment of a consultant, CCSB will decide, from the perspective of fairness in the selection exercise, whether the submission should be endorsed. CCSB will consider whether the requirements set out in the consultancy brief are reasonable and appropriate for the purpose of meeting the objectives and tasks of the consultancy service and whether the shortlisting and selection of the consultant have been conducted in a fair and competitive manner. The consultant selection exercise for the POMS Consultancy was conducted in a like manner and hence was in line with the established practice.

According to the consultancy brief for the POMS Consultancy, the PMG had addressed the issue of conflict of interest. The distinct roles and responsibilities of the PMG, the then Government Supplies Department (GSD), the Consultant and the POMS suppliers were set out in the consultancy brief. Briefly, while the Consultant was to design and prepare the POMS system specifications, assist in the preparation of tender documents and evaluation and selection of tenders for the POMS, oversee the manufacture of, supervise the installation of and conduct tests on the POMS, it was the then GSD and PMG to prepare the POMS tender documents. It was also GSD's responsibility to call for the tender for the supply of the POMS and PMG's responsibility to make the recommendation on the award of the contract to the POMS supplier. While the Consultant was appointed as the project manager under the POMS supply contract, both the Consultant and the POMS supply contractor were subject to directions from the Project Steering Committee, which was chaired by Hongkong Post's Representative to provide the Consultant with guidance on policy matters, monitor the progress of the Consultancy and consider major recommendations from the Consultant through meetings at regular intervals. Most importantly, neither the Consultant nor his associates should be permitted to bid for the supply of the POMS or any associated equipment and services. It is noted from PMG's brief research that it is not uncommon for consultants in postal projects of this kind to be involved in the full range of responsibilities which cover planning, preparation of tender documents, evaluation of tender, monitoring of manufacturing, supervision of installation and testing and commissioning. Information on the scope of consultancies in other postal administrations is at Appendix A.

Procuring departments have the responsibility of monitoring the performance of the consultants. In general, departments shall devise an effective monitoring mechanism to ensure that a consultant performs to standard and complies with the terms of contract and to evaluate the performance of the consultant regularly. It is noted that the mechanism for monitoring of the performance of the Consultant's work is spelt out in Clauses 6 and 7 of the Consultancy Brief at Annex A to the Consultancy Agreement (which was attached to PMG's reply of 18 May 2005 to the Public Accounts Committee).

Yours sincerely,



(M M Glass)

for Secretary for Financial Services and the Treasury

cc Secretary for Economic Development and Labour
Postmaster General
Director of Audit

**Information on the Scope of Consultancy
of Similar Nature in Other Postal Administrations**

Postal Administration	Scope of consultancy	Year of Consultancy
Taiwan	Automation of 5 sorting centers: <ul style="list-style-type: none"> - planning - prepare tender documents - tender adjudication - reviewing and approving detailed design - Testing and commissioning 	1993 – 2001
Vietnam	Automation of Hanoi sorting centre: <ul style="list-style-type: none"> - system sizing study - technical specifications for new system - evaluation of supplier's offer - monitor manufacturing - testing and commissioning 	2002
Philippines	Introduce a new sorting system to the Manila airport sorting centre: <ul style="list-style-type: none"> - system sizing study - technical specifications for new system - evaluation of supplier's offer - monitor manufacturing - testing and commissioning 	2000
Ireland	New automation system for Dublin Sorting Centre: <ul style="list-style-type: none"> - prepare tender documents - tender evaluation - supervise installation - testing and commissioning 	1991 – 1994
Argentina	Automation of Buenos Aires mail processing centre: <ul style="list-style-type: none"> - study and planning - prepare tender documents - tender adjudication - supervise installation - system testing and commissioning 	1998