

LegCo Panel on Public Service

Request for information on Contracting out government services

Background

The Hon LEE Cheuk-yan requested the Administration to provide an information paper covering the following information –

- (a) The programme of individual bureaux and departments for contracting out government services in the next 12 months; and
- (b) In drawing up the contracting out programme, whether the bureaux or departments have assessed the impact of the programme on the civil servants concerned and conducted staff consultation; if they have, the outcome of the assessment and consultation.

The Administration's Response

2. An information paper from the Efficiency Unit providing an overview of the use of the private sector in the delivery of public services and the outsourcing programme in the financial year of 2005/2006 is attached for Members' information.

Civil Service Bureau
May 2005

Legislative Council Panel on Public Service
Private Sector Involvement in the Delivery of Government Services

Purpose

This paper gives Members an overview of the use of the private sector in the delivery of public services in particular through outsourcing.

Background

2. The Government has a long history of using the private sector to deliver public services. This has taken a variety of contractual forms including outsourcing, and the use of Build, Operate, Transfer (BOT) and Design, Build, Operate (DBO) arrangements for large-scale infrastructural projects such as tunnels, bridges and waste management facilities. Global experience demonstrates that well prepared, implemented and monitored projects using the private sector can bring significant benefits including –

- (a) Enhanced service quality and value for money;
- (b) New or expanded public services;
- (c) Strengthened civil service management focus and effective resource utilization; and
- (d) Development of the wider economy.

Policy on Using the Private Sector

3. Government has always been conscious of the need to deliver public services in the most cost effective and efficient manners possible. It is established policy that we should use the private sector where possible, in keeping with our economic and fiscal objectives of maintaining a small and efficient government, reducing the budget deficit, containing the size of the civil service, and promoting business opportunities and jobs in the private sector. Different contractual approaches, including outsourcing and Public Private Partnerships (PPPs), may be considered when providing new and expanded services, as well as to improve existing services.

Outsourcing Survey 2004

4. Outsourcing is well established as an effective means of delivering services to the community. Now, perhaps more than ever, outsourcing can help departments respond to increasing demands for better services from the community while helping to achieve the cost-savings necessary to meet the Government's budgetary and financial objectives.

5. In order to update our database on government outsourcing as well as to enhance our understanding of the outsourcing practices and concerns of departments, the EU has recently conducted and completed a survey of all government bureaux and departments following two similar exercises conducted in 2000 and 2002.

Major survey findings

6. The survey provides a "snapshot" of the Government's outsourcing activities as at August 2004 covering 77 bureaux and departments and 19 service categories. This revealed little change in the outsourcing profile as compared to previous surveys, with a wide spectrum of government services have been outsourced.

7. In August 2004, there were 4 512 contracts valued at over \$214 billion. About 62% of the value was for capital works and construction, 19% was for environmental hygiene and 10% for building and property management. By number, about 25% of the total related to building and property management, 17% to capital works and 12% to plant and equipment maintenance.

Outsourcing programme in 2005/06

8. Indicative programmes of individual bureaux and departments contracting out of government services in the financial year 2005/06 are at the Annex. When drawing up large-scale contracting out programmes which would have impacts on civil servants, departments will consult the civil servants concerned through staff forums, meetings, departmental consultative committees, etc. from time to time. It is our

policy that no staff would be made redundant due to contracting out. Affected staff would be redeployed or managed through natural wastage.

Role of EU in Promoting/Assisting Outsourcing

9. The EU is tasked with helping the Government to transform the delivery of public services through better efficiency and productivity. One means to achieve this is to assist bureaux and departments to look at different means to deliver public services, including through the private sector. Typically, this involves outsourcing and PPP approaches.

10. It is clear from the survey – based on departments’ own responses – that the community is benefiting from the provision of services of equal or better quality to those previously provided by departments themselves and at lower cost. In response to views expressed by departments about outsourcing, the EU has in the past few years focused its efforts on enhancing the quality of government outsourcing.

11. Areas where quality improvement have been encouraged include the use of output-based specifications instead of prescriptive inputs, careful consideration of appropriate levels of services, open and competitive tendering, and avoidance of poor quality lowest priced tenders.

12. Since 2001, the EU has established a dedicated team to assist government bureaux and departments to enhance the use of the private sector in the delivery of public services. The following services are available to departments considering private sector involvement options –

- (a) Feasibility and business case studies;
- (b) Re-engineering/performance improvement studies;
- (c) Project planning, scoping studies, and implementation planning;
- (d) Development of procurement documents including contracts, service specifications and tender evaluation criteria;

- (e) Due diligence checks;
- (f) Establishment of contract administration and relationship management regimes;
- (g) A range of guides e.g. *A General Guide to Outsourcing* and *An Introductory Guide to PPPs*;
- (h) Training courses, seminars and experience sharing sessions; and
- (i) Help desk services.

The Way Forward

13. We recognize that there are challenges in using the private sector to deliver services to the community – just as there are in using in-house resources. Nonetheless, there is still a considerable amount of unrealized potential with this approach. This includes more of the same types of outsourcing that have already proved to be beneficial, as well as moving into areas new to the HKSAR Government.

14. This is a developing programme that must be kept under constant review so that each successive exercise can benefit from the experience gained from those that precede them. We will continue to review departmental outsourcing experiences, to learn where we can do better and incorporate these lessons in our training seminars and guides.

15. We will continue to promote the better understanding and use of the private sector to explore the many potential opportunities of benefit to the community. The primary aims are to produce better value for money, improved service delivery, and greater flexibility for the private sector in the manner in which it delivers services.

Efficiency Unit

May 2005

Indicative Programme of Contracting Out of Government Services in 2005-06

Contract Title	Bureau/ Department	Service Category
1. Management and operation of the Hong Kong Wetland Park	Agriculture, Fisheries and Conservation	Cultural and recreational services
2. The Supply of the Data Capturing System and Related Services for the 2006 Population By-census	Census and Statistics	Information technology
3. Implementation of the Internet Applications for the 2006 Population By-census	Census and Statistics	Information technology
4. Replacement of the Quarterly Survey of Construction Output System and the Wage and Payroll System and Development of Common Data Processing and Analysis Tools	Census and Statistics	Information technology
5. Provision of services for conducting the Thematic Household Survey in 2005-06	Census and Statistics	Statistical services
6. Guarding services for Lo Wu Correctional Institution	Correctional Services	Building and property management services
7. Provision of driving services for non-custodial duties	Correctional Services	Transport services
8. Term Contract for Operation and Maintenance of Various Sewage Treatment Facilities in Tsuen Wan, Tsing Yi and Outlying Islands (2005 – 2008)	Drainage Services	Operation and Maintenance of Sewage Treatment Facilities
9. Study on Hong Kong Port Cargo Forecasts 2005/2006	Economic Development and Labour Bureau	Policy advice and management consulting
10. Ecology Study at Northwest Lantau for Potential Port Development	Economic Development and Labour Bureau	Policy advice and management consulting
11. Consultancy Study on the Auto-Fuel Retail Market	Economic Development and Labour Bureau	Policy advice and management consulting

Contract Title	Bureau/ Department	Service Category
12. Centralized Scheme of Music Training for Senior Secondary Students	Education and Manpower Bureau	Training and education
13. Learning and Teaching Strategies for New Senior Secondary (NSS) Curriculum	Education and Manpower Bureau	Training and education
14. Assessing Student Learning in NSS Curriculum	Education and Manpower Bureau	Training and education
15. Enriching Knowledge for the NSS Curriculum	Education and Manpower Bureau	Training and education
16. The Adaptation, Publication and Distribution of Wechsler Intelligence Scale for Children – Fourth Edition (WISC-IV) (Hong Kong Version)	Education and Manpower Bureau	Training and education
17. Provision of cleansing and supporting services for the Education Resource Centre at Kowloon Tong	Education and Manpower Bureau	Building and property management services
18. Provision of security guard services for the Education Resource Centre at Kowloon Tong	Education and Manpower Bureau	Building and property management services
19. Waste tyres recycling services	Environmental Protection	Technical services
20. South East New Territories Landfill Extension - Feasibility Study	Environmental Protection	Technical services
21. Extension of Island East Transfer Station - Feasibility Study	Environmental Protection	Technical services
22. West New Territories Landfill Extensions - Feasibility Study	Environmental Protection	Technical services
23. Re-opening of Kowloon Bay Transfer Station - Feasibility Study	Environmental Protection	Technical services
24. Provision of Street Cleansing Service for Penny's Bay and Sunny Bay in Lantau Island	Food and Environmental Hygiene	Environmental hygiene services
25. Provision of Cleansing Service for Tai Kok Tsui Market in Mong Kok District	Food and Environmental Hygiene	Environmental hygiene services

Contract Title	Bureau/ Department	Service Category
26. Provision of Waste Collection Service for Tuen Mun District	Food and Environmental Hygiene	Environmental hygiene services
27. Highways Department Term Management Contract (Maintenance of High Speed Roads in New Territories East and Hong Kong Island 2005 – 2013)	Highways	Infrastructure maintenance
28. Highways Department Term Contract (New Territories West 2005 – 2009)	Highways	Infrastructure maintenance
29. Highways Department Term Contract (Kowloon East 2005 – 2009)	Highways	Infrastructure maintenance
30. Widening of Castle Peak Road (San Tin Section) near Tsing Lung Tsuen, Yuen Long	Highways	Capital works and construction
31. Public Transport Interchange at Sai Kung Town North	Highways	Capital works and construction
32. Dualling of Hiram's Highway between Clear Water Bay Road and Marina Cove and improvement to local access to Ho Chung – Design and Construction Consultancy Agreement	Highways	Capital works and construction
33. Construction of access road at Lung Mei, Tai Po	Highways	Capital works and construction
34. Minor Road Projects in New Territories – Third Contract	Highways	Capital works and construction
35. Rehabilitation of Broadcast Drive, Marconi Road and Fessenden Road	Highways	Capital works and construction
36. Link Bridge over Tsing Lun Road at Tuen Mun Hospital	Highways	Capital works and construction
37. Covered Walkway between Elegance Garden and Wan Tau Street, Tai Po Market, Tai Po	Highways	Capital works and construction
38. Upgrading and Improvement of Roadside Slopes/Retaining Walls on Hong Kong Island (2005 to 2008 Programme)	Highways	Capital works and construction

Contract Title	Bureau/ Department	Service Category
39. Corrosion Protection for Island Eastern Corridor, Stage 1	Highways	Infrastructure maintenance
40. Provision of Lifts to 2 footbridges on HK Island	Highways	Capital works and construction
41. Provision of Lifts to 5 footbridges in NT	Highways	Capital works and construction
42. Tuen Mun Eastern Bypass – Feasibility Study	Highways	Technical services
43. Consultancy Services for Information Systems Strategy Study of HAD	Home Affairs	Information technology and management consulting
44. Crime Radio System Maintenance Services	Hong Kong Police Force	Technical services
45. Third Generation Integrated Communications System (ICS) Maintenance Services	Hong Kong Police Force	Technical services
46. Outsourcing the preparation and implementation of Living-the-Values workshop	Hong Kong Police Force	Training and education
47. Outsourcing the preparation and implementation of Service Quality Awards	Hong Kong Police Force	Outsource the logistics of Service Quality Awards, which is a contest for enhancing the Force
48. Outsourcing the research duties of Service Quality Wing	Hong Kong Police Force	Commission one of the universities to conduct research relating to Force strategic direction
49. Psychological Competency Training	Hong Kong Police Force	Training and education
50. Provision of Training Services for Recruit Police Constables	Hong Kong Police Force	Training and education

Contract Title	Bureau/ Department	Service Category
51. Provision of Cleaning Services to the New Territories South Police Regional Headquarters in Tsuen Wan	Hong Kong Police Force	Building and property management services
52. Provision of security services, cleaning services, soft landscaping, life guard services and swimming pool maintenance services for Immigration Service Institute of Training and Development and Castle Peak Bay Immigration Centre	Immigration	Building and property management services
53. Workflow Management System Implementation and Maintenance	Inland Revenue	Information technology
54. Taxpayer Portal Feasibility Study	Inland Revenue	Information technology
55. Provision of Paper Document Conversion Services of the Judiciary	Judiciary	Information technology
56. Management services of Fa Yuen Street Sports Centre	Leisure & Cultural Services	Building and property management services
57. Management services of Tai Kok Tsui Sports Centre / Swimming Pool	Leisure & Cultural Services	Building and property management services
58. Management services of Wong Chuk Hang Sports Centre	Leisure & Cultural Services	Building and property management services
59. Management services of the Hong Kong Heritage Resource Centre	Leisure & Cultural Services	Building and property management services
60. Provision of Marine Refuse Cleansing and Marine Oil Pollution Cleansing Services	Marine	Environmental hygiene services
61. Provision of Hosting Services for Departmental Information Systems currently operated in the Central Computer Centre of the OGCIO	Office of the Government Chief Information Officer	Information technology

Contract Title	Bureau/ Department	Service Category
62. System Analysis and Design and Implementation of Land Supply Information System and Core Planning Data Hub for the Planning Department	Planning	Information technology
63. Development of Planning Submissions and Enforcement Cases Monitoring System	Planning	Information technology
64. Printing and enveloping of demand notes for rates and Government rent	Rating and Valuation	Printing and distribution
65. Hiving-off of Wai On Home for Women, a refuge centre for women, to an NGO	Social Welfare	Community, medical and welfare services
66. Provision of on-site document reproduction service for MC6	Trade and Industry	Office support and administrative services
67. Fitting out works for conference venue for MC6	Trade and Industry	Capital works and construction
68. Provision of ground transportation for WTO staff and MC6 participants	Trade and Industry	Transport services
69. Review of the costing and funding methodology of the UGC-funded sector	University Grants Committee Secretariat	Finance and accounting
70. Tender on air ticket purchase	University Grants Committee Secretariat	Transport services
71. Replacement and Rehabilitation of Water Mains Stage 2 – Mains in New Territories West -Investigation, Design and Construction	Water Supplies	Technical services
72. Replacement and Rehabilitation of Water Mains Stage 2 – Mains on Hong Kong and Islands -Investigation, Design and Construction	Water Supplies	Technical services
73. Improvement to Hong Kong Central Mid-level and High Level Areas Water Supply – Remaining Works - Design and Construction	Water Supplies	Technical services

Contract Title	Bureau/ Department	Service Category
74. Replacement and Rehabilitation of Water Mains Stage 2 – Mains in New Territories East - Investigation, Design and Construction	Water Supplies	Technical services
75. Water Supply to Housing Development near Choi Wan Road and Jordan Valley – Construction of Service Reservoirs, Pumping Station and Associated Mainlaying	Water Supplies	Capital works and construction

Note: These contracts relate to projects –

- (a) from 1 April 2005 to 31 March 2006;
- (b) for new outsourcing of services (i.e. do not include renewals of existing outsourced contracts); and
- (c) expected to exceed \$1.3 million.