資料文件

立法會公務員及資助機構員工事務委員會

二零一一年二月二十一日會議的跟進事項

二零一一年二月二十一日的公務員及資助機構員工事務委員會會議上，有議員要求政府當局就效率促進組進行的「二零一零年外判調查」（「調查」）提供下列資料：

(a)「調查」的完整報告；以及

(b)「調查」所稱 84%受訪部門表示職員接受內部服務外判所引致的轉變，而只有 2%職員極表反對的結果所涉及的部門職員及受訪者確實人數的進一步資料。

2.　　「調查」的完整報告已於二零一一年五月上載至效率促進組網站，副本則載於**附件(只有英文版)**。

3.　　一如過往的外判服務調查，是次「調查」問卷是派發給各部門／局填答。各部門／局向曾參與外判服務的組別收集意見，集結回應後再回覆效率促進組。就有關職員對內部服務外判意見的問題上 ，「調查」發現 84%受訪部門／局表示職員接受外判所引致的轉變，另外有 2%的部門／局表示職員極表反對。

4.　　在進行問卷調查時， 受訪部門／局表示以不同途徑收集職員意見，例如：

(a)與職員的會議及日常溝通；

(b)部門職員諮詢委員會；

(c)部門／局自行進行的問卷調查；以及

(d)承辦商進行的用戶滿意程度調查。

5.　　51個受訪部門／局中，有30個部門／局表示他們提供的答案是綜合了內部各組別的回覆，以及從職員簡報會、部門諮詢委員會、僱員工會會議等途徑收集所得的意見。其餘21個部門／局則表示相關答案是根據管理層的經驗和觀察，以及考慮員工曾否就外判服務提出投訴。由於「調查」目的是收集各部門／局的整體意見，效率

促進組並未要求部門／局就收集員工回應的方式及參與「調查」的
有關組別或員工人數提供詳細資料。

效率促進組
二零一一年九月

Report on

2010 Survey on Government Outsourcing

Public Service 2020

效率促進組
Efficiency Unit

May 2011

Survey background

The Government has a long history of using the private sector to deliver public services through outsourcing. The role of the Efficiency Unit (EU) in this area is to promote best outsourcing practices so as to achieve the best public value from use of such arrangements. Methods that the EU has adopted include training and seminars, production of good practice guides and business case studies, as well as consultancy services to individual departments[1] to help identify suitable opportunities for outsourcing.

Since 2000 the EU has been conducting surveys every two years to examine how outsourcing is being used by Government departments, so as to identify trends and issues that may need to be addressed so as to improve the use of outsourcing. Starting from the survey in 2006, the scope was extended to gather information and views from contractors as well. This report presents the findings of the survey conducted in 2010 and comparative data from earlier surveys.

As with the earlier surveys, this report presents the position as at a particular date, in this case 1 July 2010.

(1)   Throughout the report this term covers bureaux, departments or other agencies, but excludes subvented bodies both statutory and non-statutory.

General observations

As at 1 July 2010, based on the returns from departments, there were 5 111 government outsourcing service contracts each costing over $150,000, comprising 1 136 works contracts (22%) and 3 975 non-works contracts (78%). The total contract value was $210 billion, with $129 billion (61%) on works services and $81 billion (39%) on non-works services. The following are observed from the 2010 outsourcing survey -

- the number of outsourcing contracts has continued to rise from 3 984 in 2006 to 4 339 in 2008 and further to 5 111 in 2010;

- the number of contracts has increased but the average contract values decreased for contracts with value > $1.43M[2];

- both the number of contracts and the average contract value have increased for contracts with value $\leqq$ $1.43M;

- rise in annualised[3] expenditure mainly comes from works contracts;

- top 5 service categories account for 90% of the total annualised expenditure and there is a big jump in capital works and construction, IT, plant and equipment maintenance and transport services;

- HD has the largest number of contracts but ARCHSD has the biggest share of the annualised expenditure;

- for non-works contracts, ARCHSD, EPD, FEHD, HD and LCSD are amongst the top 10 departments in terms of number of contracts, annualised expenditure & contract value;

- for non-works contracts with value > $1.43M, there is a slight drop in average annualised expenditure but the average contract duration remains the same. Similar to 2008, about 60% of contracts have contract values at or below $10M; and

- among the top 5 departments by number of contracts and contract value, "Building and property management services" and "Environmental hygiene services" are the two major service categories.

(2)   The financial limit for procurement of services by departments without recourse to tendering procedure was raised to $1.43 million from $1.3 million on 1 February 2009.

(3)   As contracts vary in duration, the *purpose of annualising* the contract expenditure is to adjust the expenditure level by a common denominator of time so that comparison of the contract expenditures from different surveys becomes meaningful and consistent. The annualised expenditure is estimated based on the contract value divided by its duration. For contract with value at or less than $1.43M, the contract value is taken as annualised expenditure.

Government departments' Views

74 departments with outsourcing activities as at 1 July 2010 responded to the survey, their views are summarised as follows -

- fewer departments conduct business case studies and estimate the full cost of delivering service in-house, and there is a continuous drop in the use of performance indicator and service level agreement;

- on tendering, there is an increase in use of marking scheme and 'two-envelope' system and 80% of departments awarded over 80% of their tenders to the lowest conforming bids;

- departments consider the use of standard terms and conditions can help to speed up tendering process;

- most departments used fixed price lump sum payment, incorporated best practices and provided for end of contract arrangements in their contracts;

- civil service posts are rarely deleted due to outsourcing and staff generally accepted changes arising from outsourcing arrangements;

- average contract management cost remains the same;

- most departments resolve disputes in collaboration with contractors;

- departments face challenges in negotiation, contract management and understanding contract terms;

- 60% of departments reported that their contract managers were not trained in contract management;

- fewer departments conduct post-implementation reviews for outsourcing contracts;

- most departments seek improvements for the next contracts;

- departments outsourced primarily because of unavailability of services in-house and generally satisfied that outsourcing fulfilled their objectives;

- reported improvement in budget and time control and most contracts can achieve cost savings ranging from 26% to 35%; and

- departments demand more outsourcing support services.

Contractors' views

142 serving contractors responded to the survey, their views are summarised as follows -

- 7% drop in the number of contractors getting contracts above $1.43M;

- 68% of contractors reflected that the contract values are about right and most contractors are satisfied with the contract duration;

- secure payment is the top attraction for Government contracts;

- major concerns in bidding are price being the dominant factor and little room for negotiation;

- increasingly concerned about out-of-scope work, too many reports and long payment processing time;

- have more opportunities to meet with senior management and want more flexibility in delivering their services; and

- relationship between Government and contractors is becoming more as partner, less as purchaser and service provider.

The Way Forward

The Efficiency Unit will continue to give support to departments on outsourcing through publication of best practice guides, conducting training courses, and providing advice. We will follow up on findings from the 2010 survey. In particular we will:

- seek to further extend use of the business case tool and post implementation review by departments;

- explore further into the reasons for the increased challenges departments reported;

- examine further the reasons for the increase in number and decrease in value of non-works contracts;

- promote wider use of standard employment contracts for non-skilled workers; and

- review with the Civil Service Training and Development Institute the provision of training programmes on design and management of outsourcing contract.

# Introduction

Purpose and scope

The survey provides a 'snapshot' of the Government's outsourcing activities as at 1 July 2010. This is EU's sixth biennial survey on government outsourcing activities. Starting from the 2006 survey, we have also sought responses from a representative sample of the contractors engaged by Government.

The purpose of the survey is to

- update the Government-wide database on outsourcing
- obtain a better understanding of current outsourcing practices and issues of concern for departments
- collect views from contractors on Government outsourcing policies and practices

Scope of the survey

For the purpose of this survey, an outsourcing activity is defined as a contractual arrangement whereby a department pays a service provider to deliver specific service outputs with a contractual value exceeding $150,000. One-off service contracts are also included. Contracts for procurement of goods, leasing or rental of accommodation, direct employment of staff, or revenue contracts where the contractor shares revenue with or pays charges to departments are excluded from the survey.
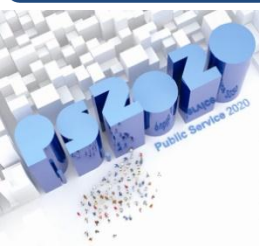
Survey coverage

Outsourced services were classified into 20 service categories, as in past surveys, pertaining to works or non-works related services -

Works stream

1. Capital works and construction

2. Infrastructure maintenance

Non-works stream

3. Call centres

4. Building and property management services

5. Community, medical and welfare services

6. Finance and accounting

7. Human resource management

8. Information technology

9. Cultural and recreational services

10. Legal services

11. Technical services

12. Transport services

13. Office support and administrative services

14. Plant and equipment maintenance

15. Printing and distribution

16. Policy advice and management consulting

17. Environmental hygiene services

18. Marketing, communication, publicity and public relations

19. Training and education

20. Others

Sampling, data collection and responses

Survey Sampling

- All 82 departments in HKSAR Government were invited to provide information.

- For contractors, all contractors with an active contract as at 1 July 2010 were included in the sampling frame. There were 1,965 contractors engaged in 19[(4)] service categories. A stratified random sampling by service category was adopted and a total of 358 contractors were invited to participate in the survey.

Data Collection

- Two sets of questionnaires (at **Appendices 1 and 2**) were sent to departments and outsourcing contractors in July and September 2010 respectively. Completed questionnaires were checked by the EU. Where there appeared to be inconsistencies in the reported data, EU staff sought clarification from the department or the contractor.

- To save departments' efforts in answering the questions for each contract, most of the responses were made on contracts bundled by service category and departments were asked to provide responses for "All, Most, Some, Few, or None" of their contracts for that category.

Responses

- 82 departments submitted responses, of which eight, viz Audit Commission, Economic Analysis and Business Facilitation Unit, Financial Services Branch of FSTB, Independent Police Complaints Council, Innovation and Technology Commission, Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, Public Service Commission, and Television and Entertainment Licensing Authority reported no outsourcing activities as at 1 July 2010.

- 142 contractors from the 19 service categories submitted responses, representing a response rate of 39.6%.

(4)   The service category of 'Policy Advice and Management Consulting' was not sampled as they were covered by a separate EU survey.

General Observations
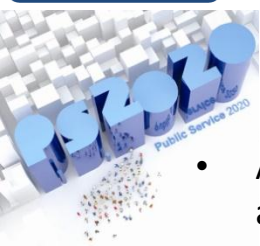
78% of contracts are non-works contracts

- As at 1 July 2010 there were 5 111 contracts for a total contract value of $210 billion, with a total annualised expenditure of $52 billion.

- Number of non-works contracts accounts for 78% of the overall number of contracts whilst contract value of works contracts accounts for 61% of the overall contract value.

- For non-works contracts, 69% of contracts have a contract value at or less than $1.43 million and their aggregated contract value represents 2% of the total non-works contract value.

- For works contracts, 31% of contracts have a contract value at or less than $1.43 million and their aggregated contract value represents 2% of the total works contract value.

	Non-works		**Works**		**Total**		
	Contract value ≦ $1.43M	Contract value > $1.43M	Contract value ≦ $1.43M	Contract value > $1.43M	**Non-works**	**Works**	**Overall**
No. of contracts	2 762	1 213	351	785	3 975	1 136	**5 111**
Contract value ($M)	1,729	79,457	309	128,438	81,186	128,747	**209,933**
Average contract value ($M)	0.63	66	0.88	164	20	113	**41**
Annualised expenditure ($M)	1,729	14,168	309	35,770	15,897	36,079	**51,976**

No. of contracts is on an increasing trend from 2006 to 2010

All outsourcing contracts

	2002	2004	2006	2008	2010
No. of contracts	4 855	4 512	3 984	4 339 (↑9%)	5 111 (↑18%)
Contract value ($ M)	199,813	214,119	207,856	215,822 (↑4%)	209,933 (↓3%)

Contract value ($ M)   No. of contracts
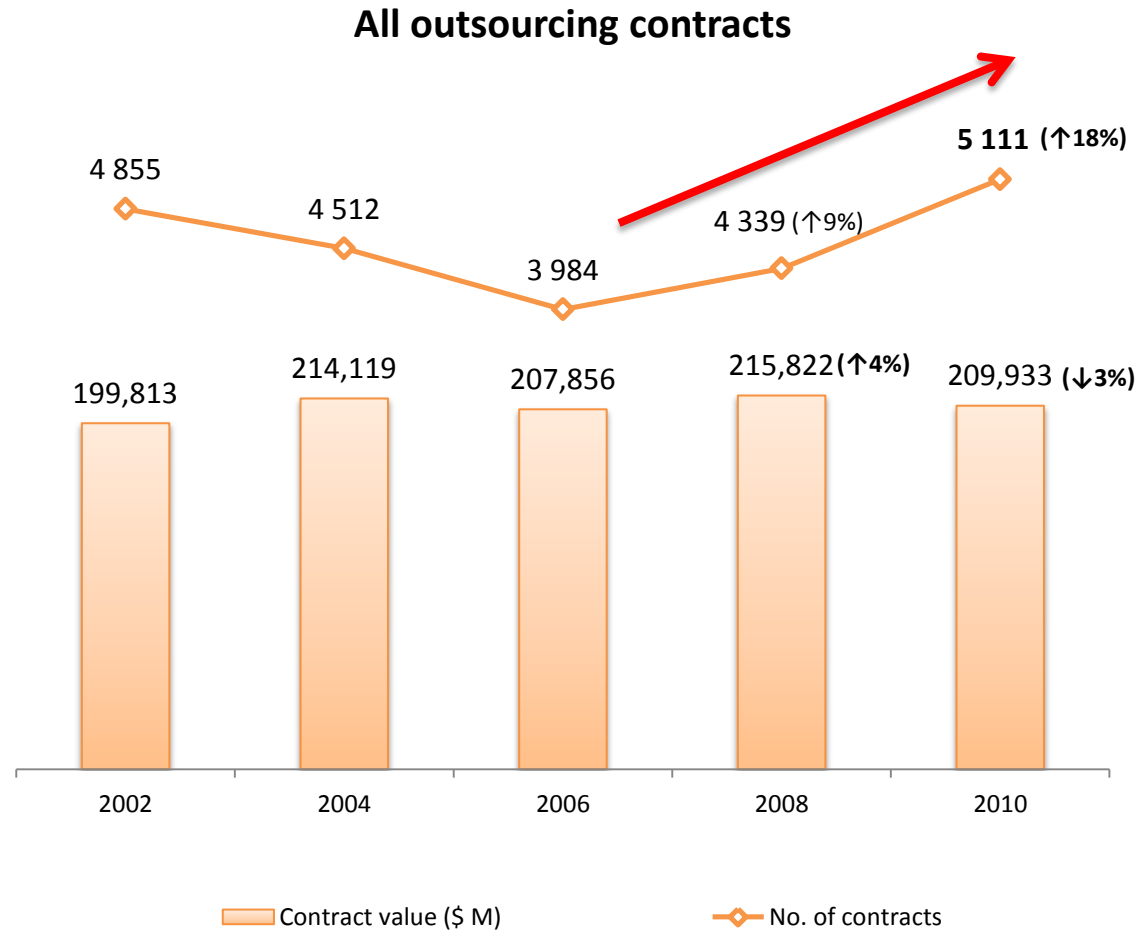
- Overall, while the total contract value remains relatively stable, the number of contracts shows a significant increase (↑18%) in 2010.

In 2010, there is an increase of average contract value for contracts ≦$1.43M but a decrease for contracts >$1.43M

Average contract value ($ M)

Works >$1.3M/$1.43M

190

183   183   184

159   164 (↓11%)

170

150

Non- works >$1.3M/$1.43M

72

70   68   66 (↓8%)

63

50   47   52   50   41 (↓17%)

41   Overall

30

21

10

Works ≦ $1.3M/$1.43M

1.00   0.88 (↑55%)

0.76   0.62

0.56   0.57   0.63 (↑2%)

0.50   0.63   0.54   0.57

0.53

Non-works ≦ $1.3M/$1.43M

0.00

2002   2004   2006   2008   2010

Average contract value ($ M)
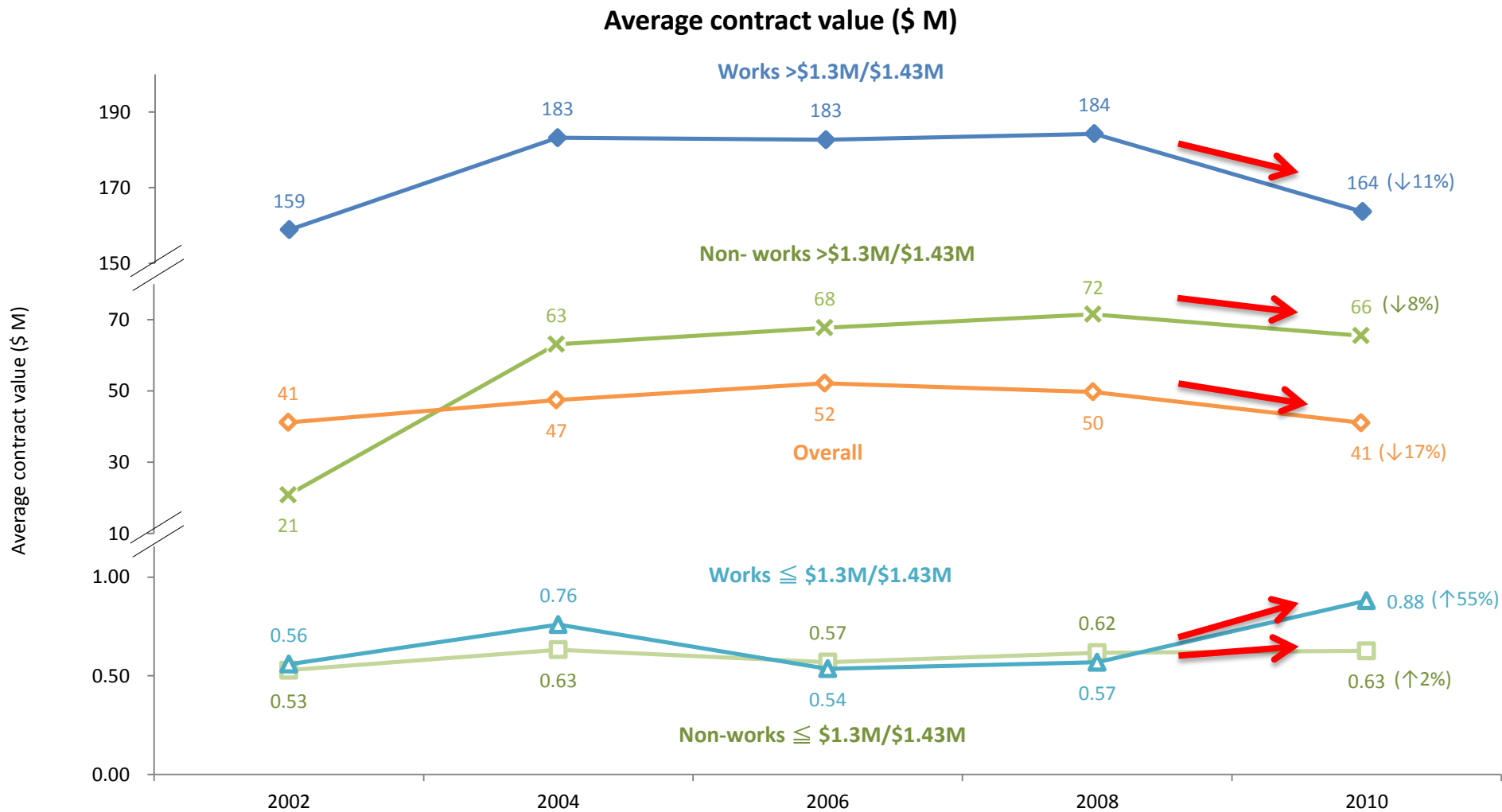
The number of contracts have increased but the contract values decreased for contract value > $1.43M

- For non-works contracts above $1.3M/$1.43M, the rise in no. of contracts (4%) but drop in contract value (5%) is due to the contract value dropped for two large environmental hygiene services contracts for EPD. If excluding these two contracts, there is a 4% increase in both the no. of contracts and contract value as compared with 2008.

- For works contracts above $1.3M/$1.43M, the rise in no. of contracts (11%) but drop in contract value (2%) is mainly due to the increase in contract no. but a drop in contract values for ARCHSD.

Non-works contract > $1.3M/$1.43M

1 413   1 161   1 063   1 170   **1 213** (↑4%)

29,396   73,225   71,988   83,681   **79,457** (↓5%)

2002   2004   2006   2008   2010

Contract value ($ M)   No. of contracts

Works contract > $1.3M/$1.43M

1 065   760   737   709   **785** (↑11%)

169,155   139,234   134,632   130,640   **128,438** (↓2%)

2002   2004   2006   2008   2010
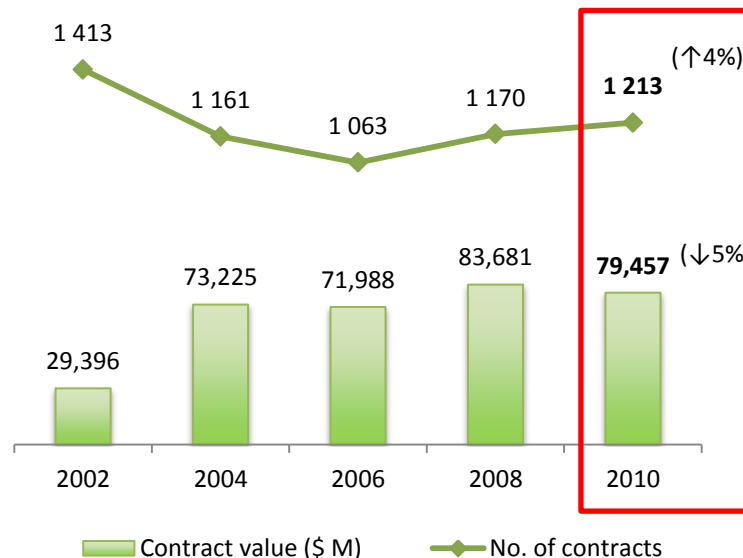
Contract value ($ M)   No. of contracts
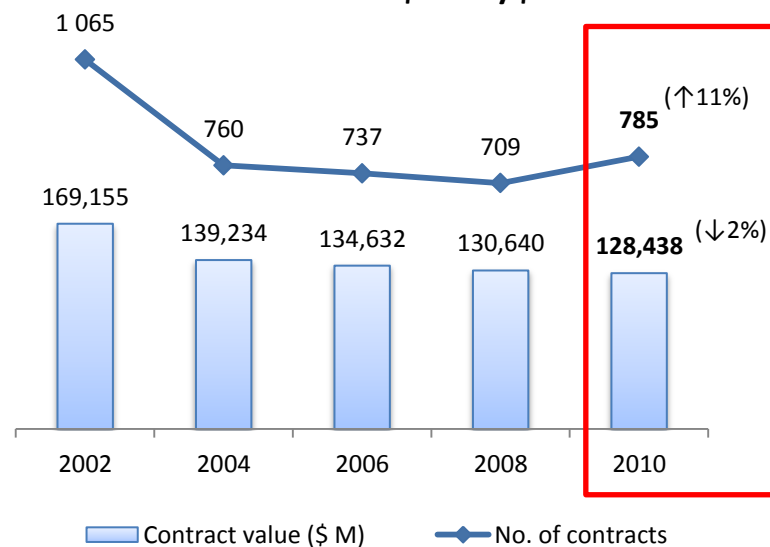
Both the number of contracts and the contract values have increased for contract value $\leqq$ \$1.43M

- There is a rise of 30% or more in both the contract values and number of contracts for non-works contracts at or below \$1.3M/\$1.43M.

- For works contracts at or below \$1.3M/\$1.43M, there is a 63% increase in the contract value but only 5% increase in the number of contracts.

Non-works contract $\leqq$ \$1.3M/\$1.43M

2 762 (↑30%)

2 421
2 198
1 985
2 126

1,729 (↑32%)

1,531
1,162
1,129
1,311

2002   2004   2006   2008   2010

☐ Contract value (\$ M)   ◇ No. of contracts

Works contract $\leqq$ \$1.3M/\$1.43M

351 (↑5%)

334
179   170   199

309 (↑63%)

190
100   129   107

2002   2004   2006   2008   2010

☐ Contract value (\$ M)   ◇ No. of contracts
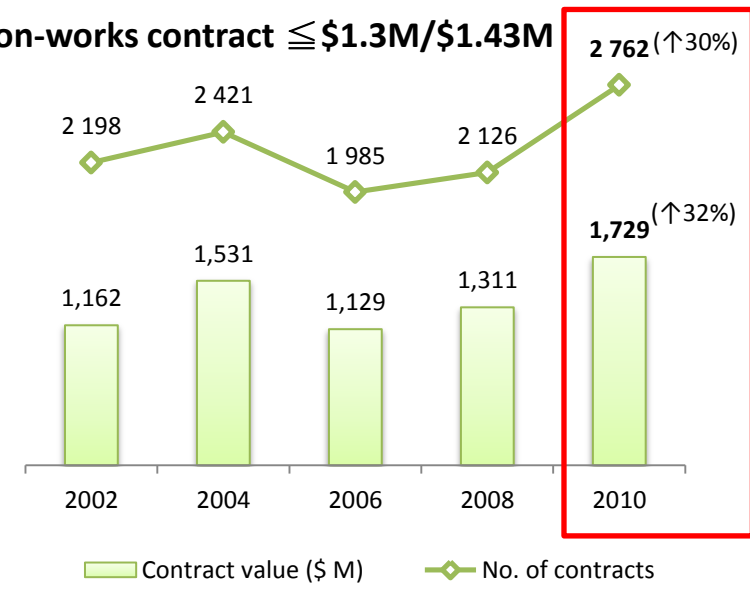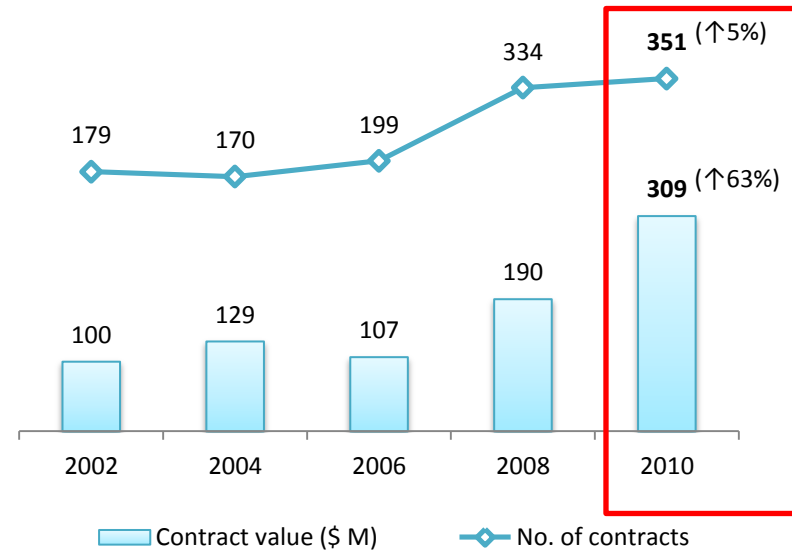
Rise in annualised expenditure mainly comes from works contracts

- Total annualised outsourcing expenditure in 2010 increased by about $9.8 billion (23%) from $42.2 billion in 2008 to $52.0 billion. This is mainly contributed by the $7.7 billion increase in works contracts.
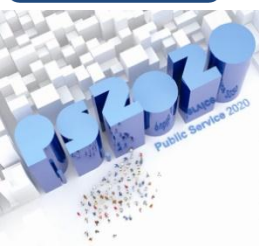
Top 5 service categories account for 90% of the total annualised expenditure

- The top five service categories are :
    1. Capital works & construction ($34.1 billion or 66%);
    2. Building & property management services ($6.5 billion or 13%);
    3. Environmental hygiene services ($2.3 billion or 4%);
    4. Information technology ($2.0 billion or 4%); and
    5. Infrastructure maintenance ($1.9 billion or 4%).

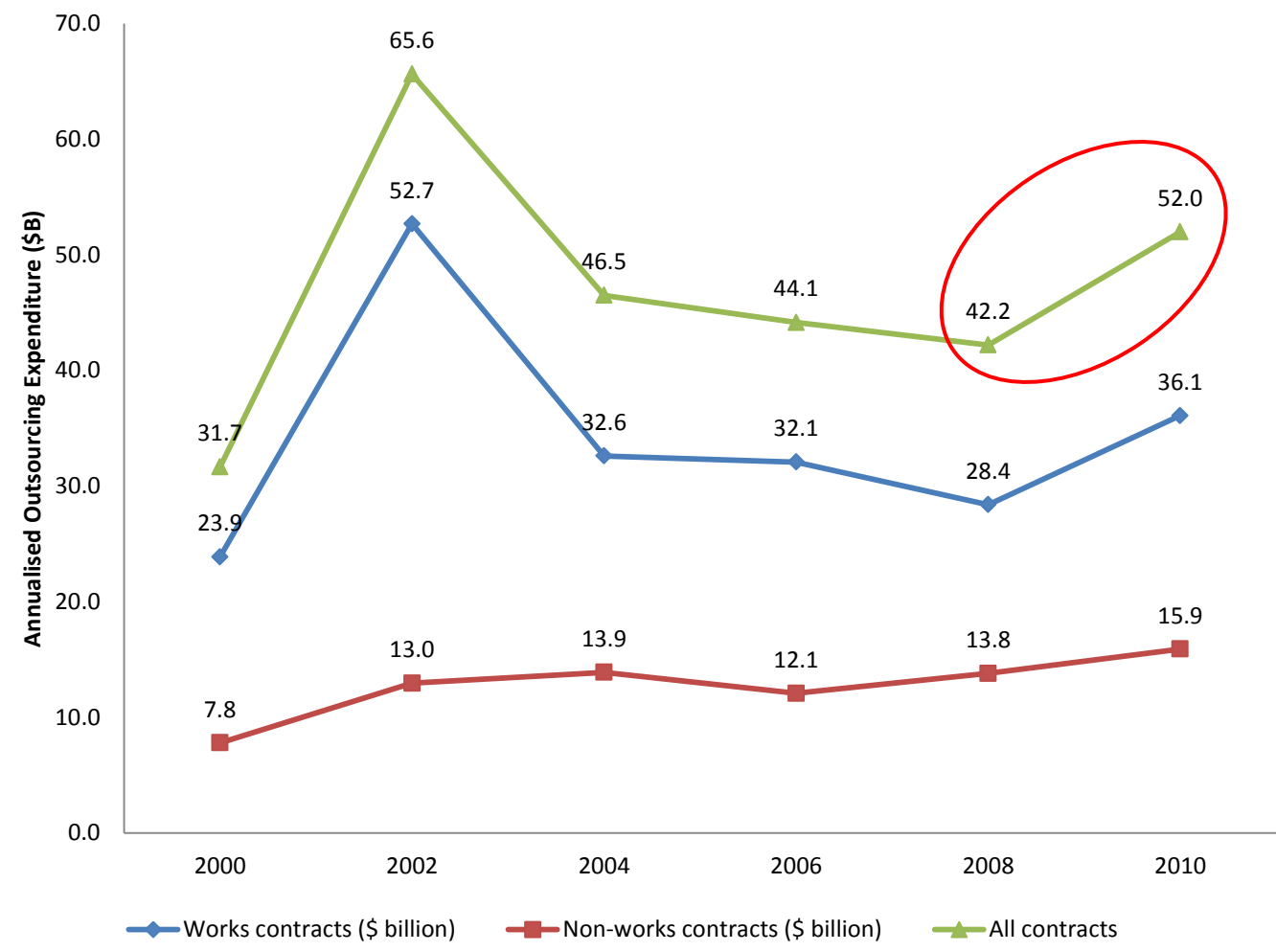- The same five categories were also top in the 2008 survey results.

- The first and the fifth are works categories.

Top 5 service categories in terms of percentage of annualised expenditure

Category	2010	2008
Capital works & construction	66%	63%
Building & property management services	13%	15%
Environmental hygiene services	4%	6%
Information technology	4%	3%
Infrastructure maintenance	4%	5%
Others	10%	8%

% of total annualised expenditure
(No. of respondents : 74 (2010) ; 59 (2008))

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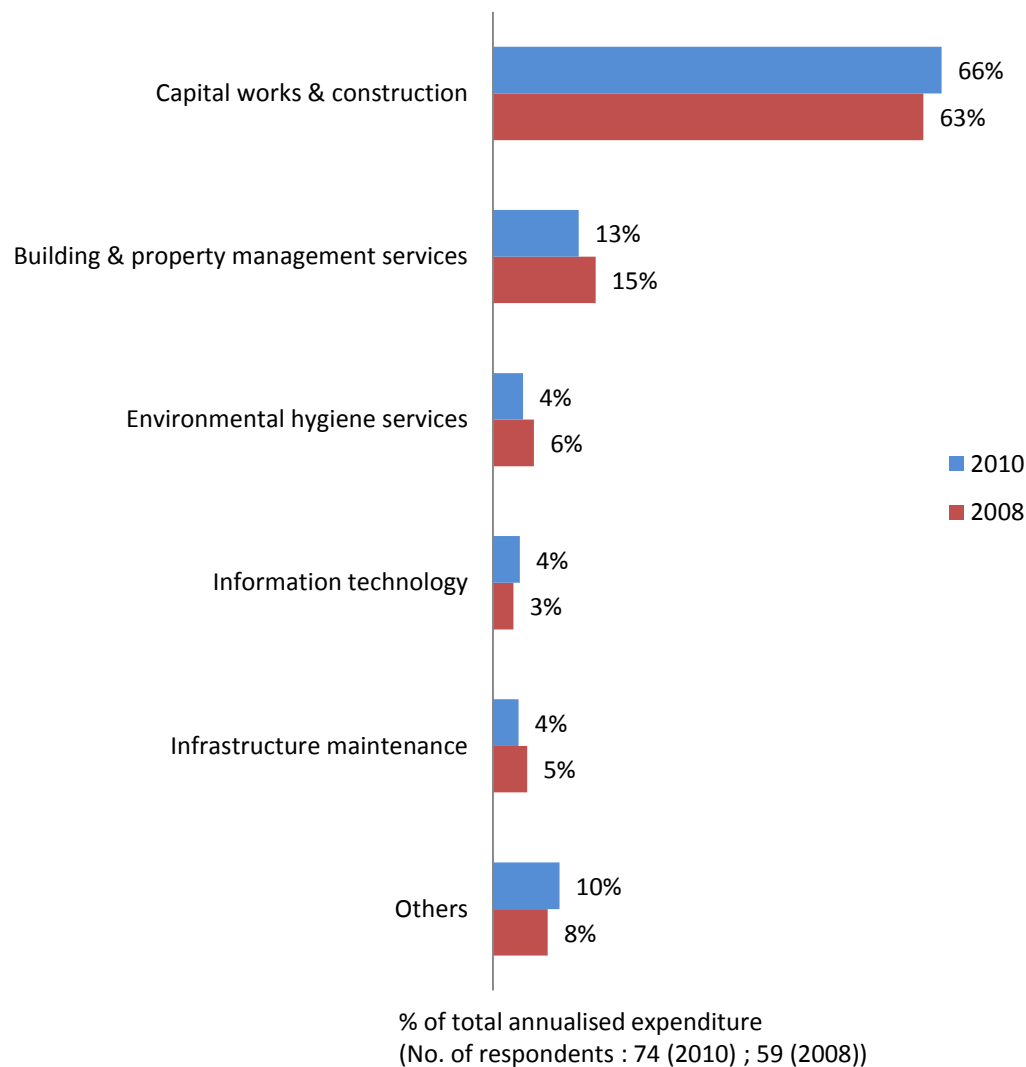
Big jump in the annualised expenditure on capital works and construction, IT, plant and equipment maintenance and transport services

Annualised Outsourcing Expenditure by Service Category

Service Category	2010
Capital works & construction	34.13 (26.46)
Building & property management services	6.51 (6.29)
Environmental hygiene services	2.28
Information technology	2.03
Infrastructure maintenance	1.95
Plant & equipment maintenance	1.56
Transport services	1.37
Technical services	0.56
Others	0.26
Cultural & recreational services	0.24
Training & education	0.20
Human resource management	0.19
Community, medical & welfare services	0.18
Office support & administrative services	0.17
Finance & accounting	0.10
Marketing, communication, publicity & public relations	0.10
Printing & distribution	0.04
Legal services	0.04
Policy advice & management consulting	0.03
Call centres	0.03

Legend: 2010, 2008, 2006

Annualised Expenditure ($B)

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HD has the largest number of contracts but ARCHSD has the biggest share of expenditure

No. of contracts by percentage of all contracts (total 5 111 contracts)

HD, 700, 14%

ARCHSD, 578, 11%

Others, 2 207, 43%

HAD, 262, 5%

LCSD, 243, 5%

DH, 209, 4%

BD, 207, 4%

FEHD, 190, 4%

HKPF, 186, 4%

EDB, 184, 3%

CEDD, 145, 3%
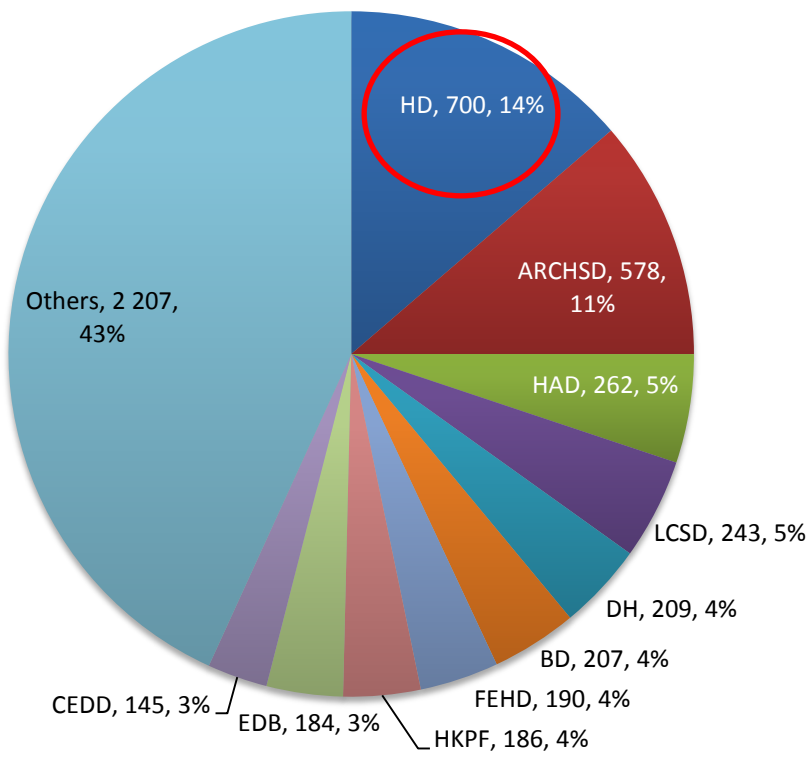
(department, no. of contracts, % of total no. of contracts)

Annualised expenditure ($B) by percentage of all contracts (total $52B)

TD, $0.9B, 2%

OGCIO, $0.8B, 2%

LCSD, $0.9B, 2%

FEHD, $1.2B, 2%

EPD, $1.5B, 3%

CEDD, $1.8B, 3%

HYD, $3.7B, 7%

Others, $5.7B, 11%

ARCHSD, $20.2B, 39%

DSD, $5.3B, 10%

HD, $10.0B, 19%
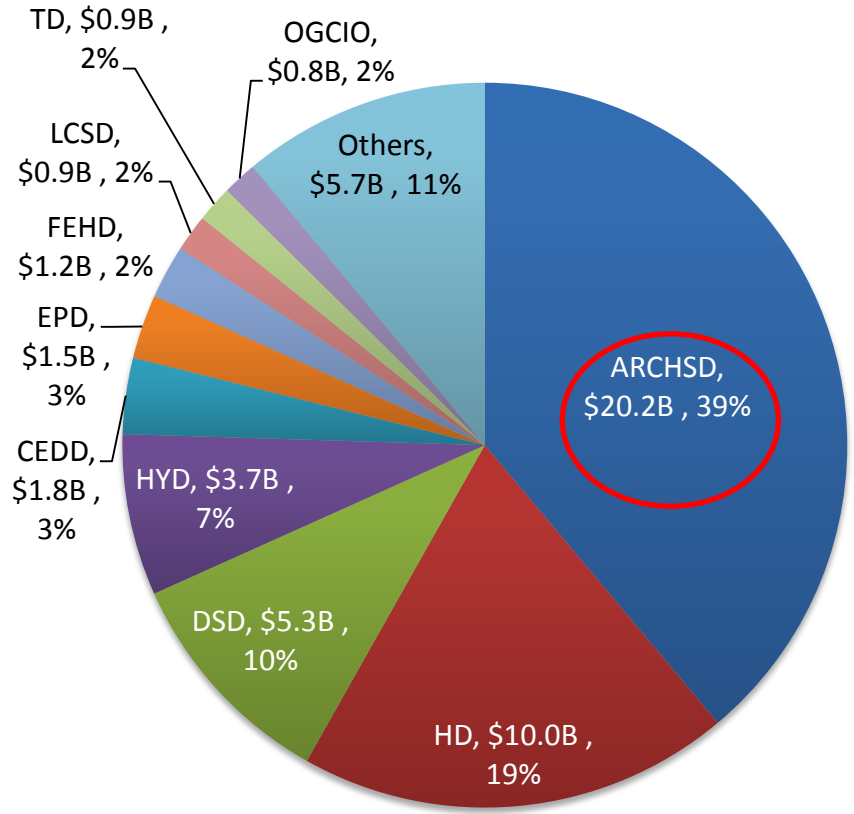
(department, annualised expenditure in $B, % of total $)

For non-works contracts, ARCHSD, EPD, FEHD, HD and LCSD are amongst the top 10 departments in terms of no. of contracts, annualised expenditure & contract value

Top 10 departments by no. of contracts

HD 15%, LCSD 6%, DH 5%, BD 5%, FEHD 5%, HKPF 5%, EDB 5%, EMSD 3%, EPD 3%, ARCHSD 3%, Other departments 45%
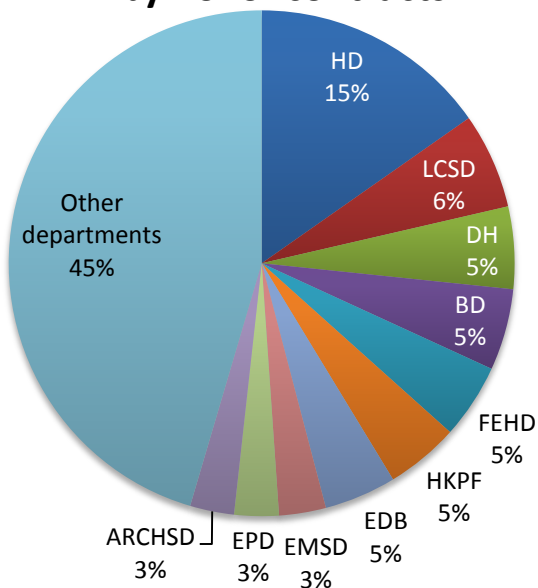
Top 10 departments by annualised expenditure

HD 28%, ARCHSD 11%, EPD 8%, FEHD 8%, LCSD 5%, OGCIO 5%, TD 4%, PO 4%, GPA 3%, EMSD 2%, Other departments 22%

Top 10 departments by contract value

EPD 46%, HD 15%, ARCHSD 7%, TD 4%, IMMD 3%, FEHD 3%, OGCIO 3%, LCSD 3%, GPA 2%, PO 2%, Other departments 12%
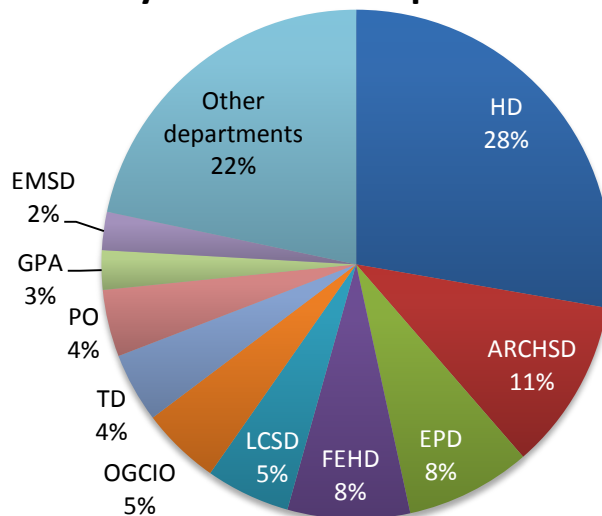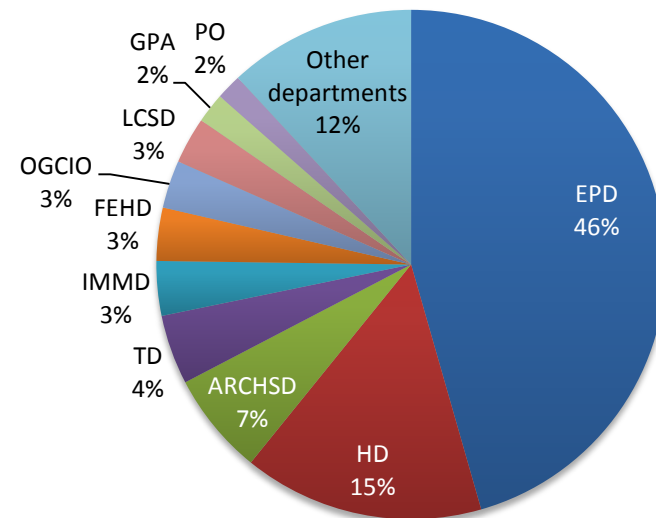
- In terms of no. of contracts, HD, LCSD, DH, BD and FEHD are the top 5 departments.
- In terms of contract value, EPD, HD, ARCHSD, TD and IMMD are the top 5 departments.

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ARCHSD and HD report the largest contract value and no. of contracts respectively

All outsourcing contracts

Scatter plot. Y-axis: Contract value ($M); X-axis: No. of contracts.

- ARCHSD (circled) — ~68,000, ~700
- HD (circled) — ~23,000, ~700
- EPD — ~40,500, ~125
- DSD — ~21,000, ~140
- HYD — ~18,000, ~130
- CEDD — ~5,900, ~145
- TD — ~4,200, ~120
- OGCIO — ~2,450, ~32
- IMMD — ~2,800, ~68
- FEHD — ~2,750, ~190
- LCSD — ~2,400, ~245
- GPA — ~1,550, ~12
- PO — ~1,300, ~37
- HKPF — ~1,050, ~185
- EMSD — ~900, ~120
- BD — ~300, ~205
- EDB — ~450, ~185
- DH — ~250, ~210
- HAD — ~400, ~260
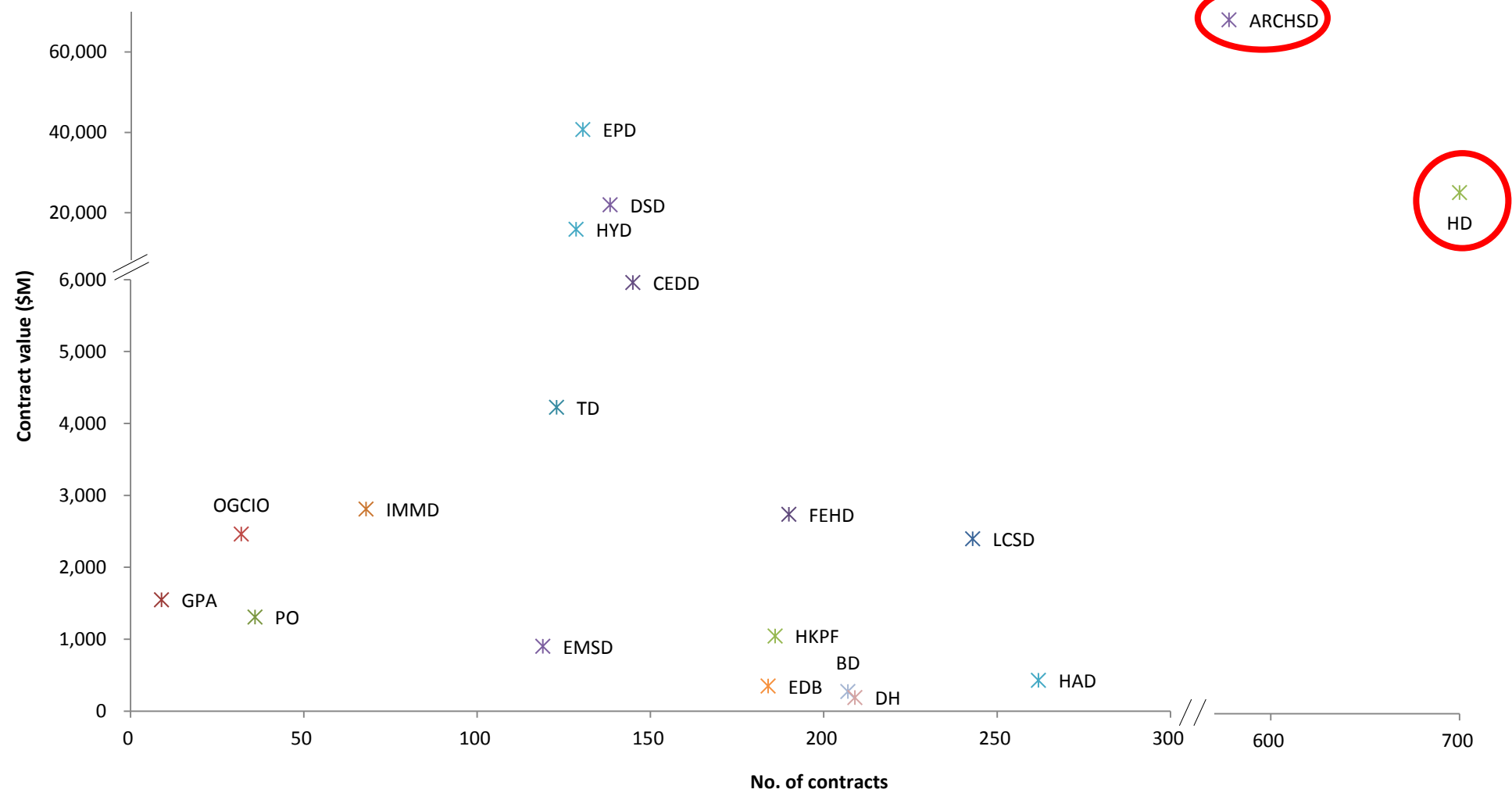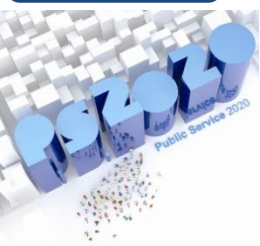
For non-works contracts, EPD and HD report the largest contract value and no. of contracts respectively

All non-works contracts
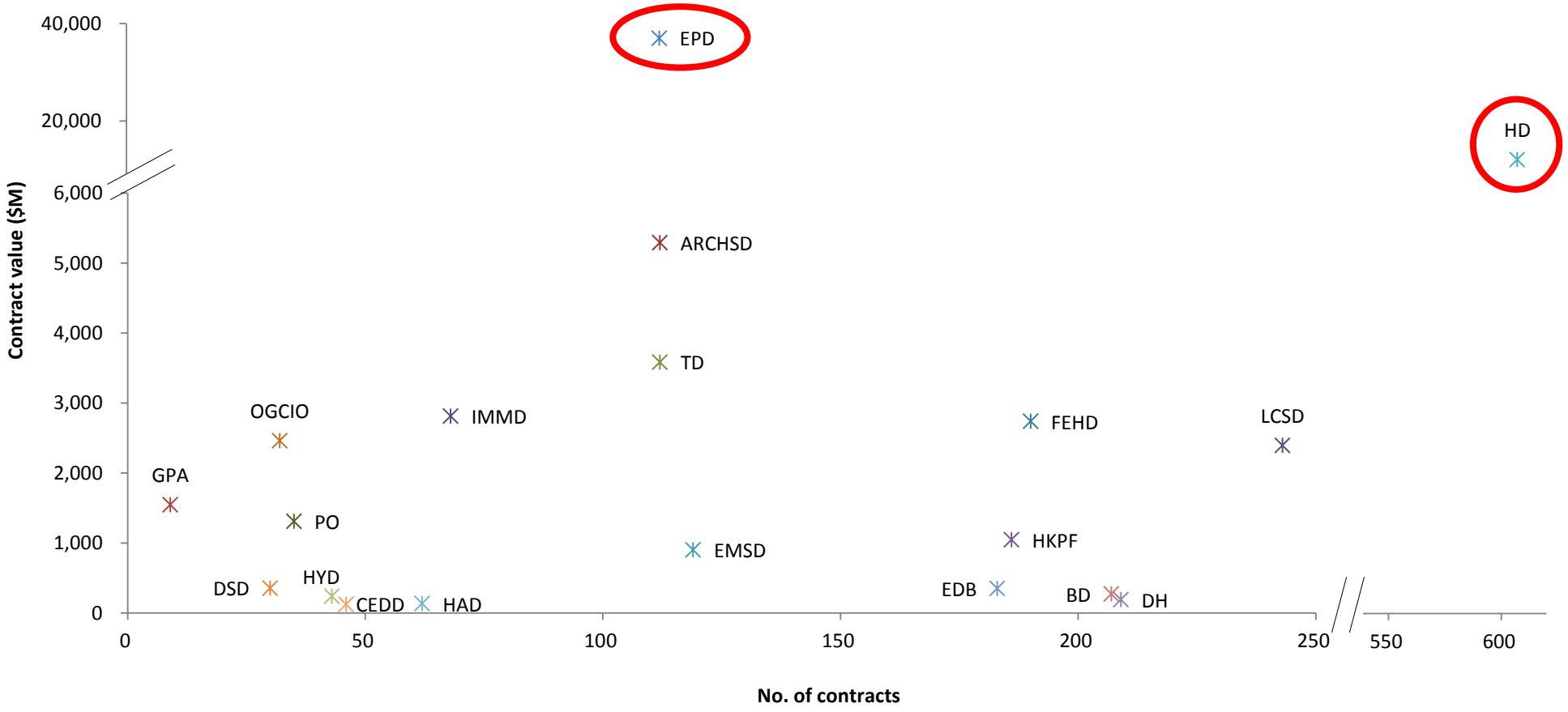
**For works contracts, ARCHSD is the major contributor
in both contract value and no. of contracts**

All works contracts

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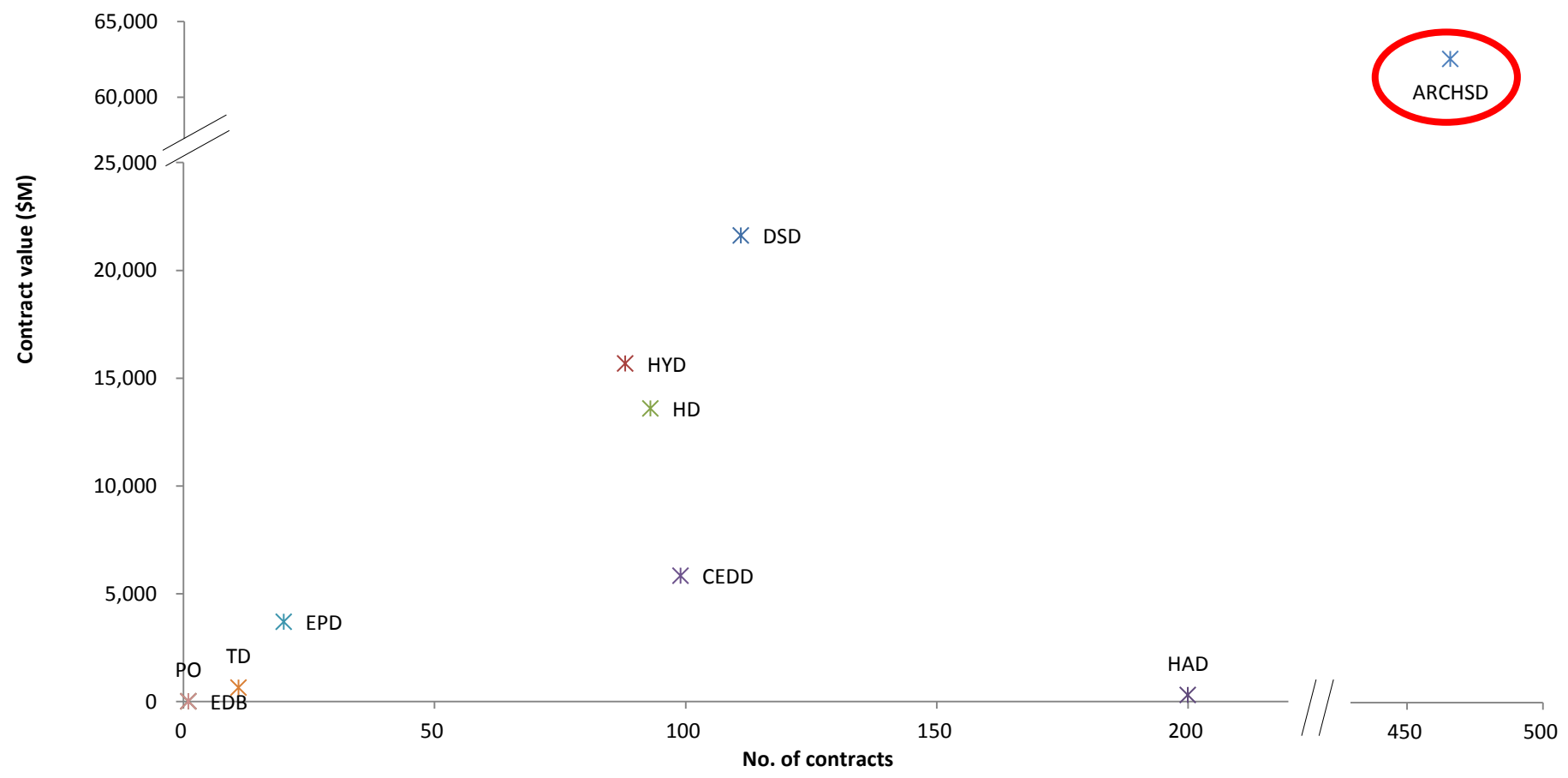
For non-works contracts > $1.43M, EPD and HD are the major contributors to the contract value and no. of contracts respectively; for non-works contracts ≦$1.43M, BD and DH report the largest contract value and no. of contracts respectively

Non-works contracts > $1.43M
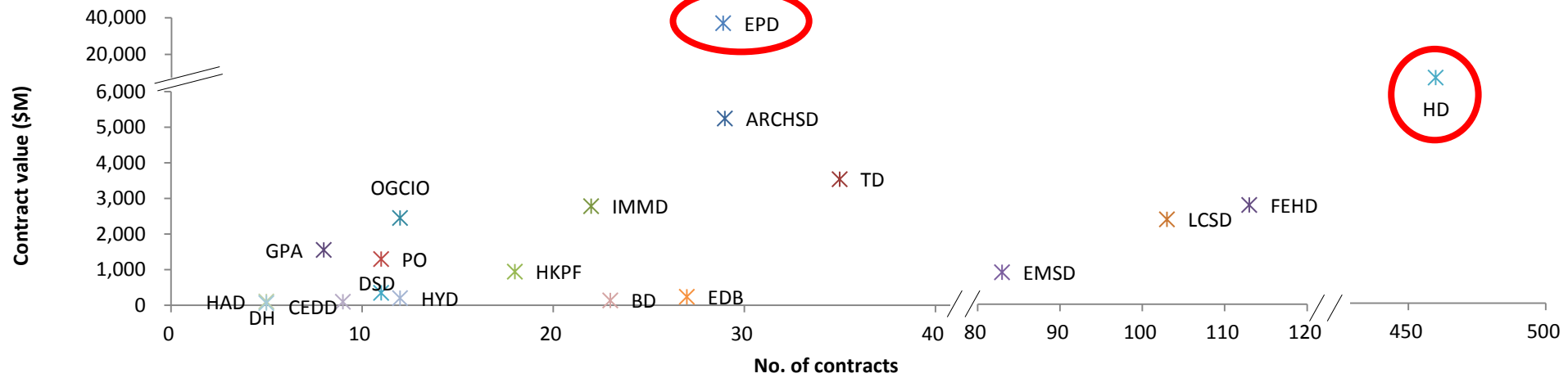
Non-works contracts ≦ $1.43M
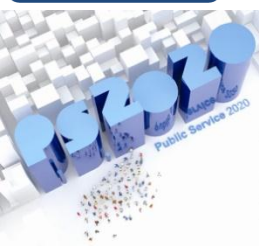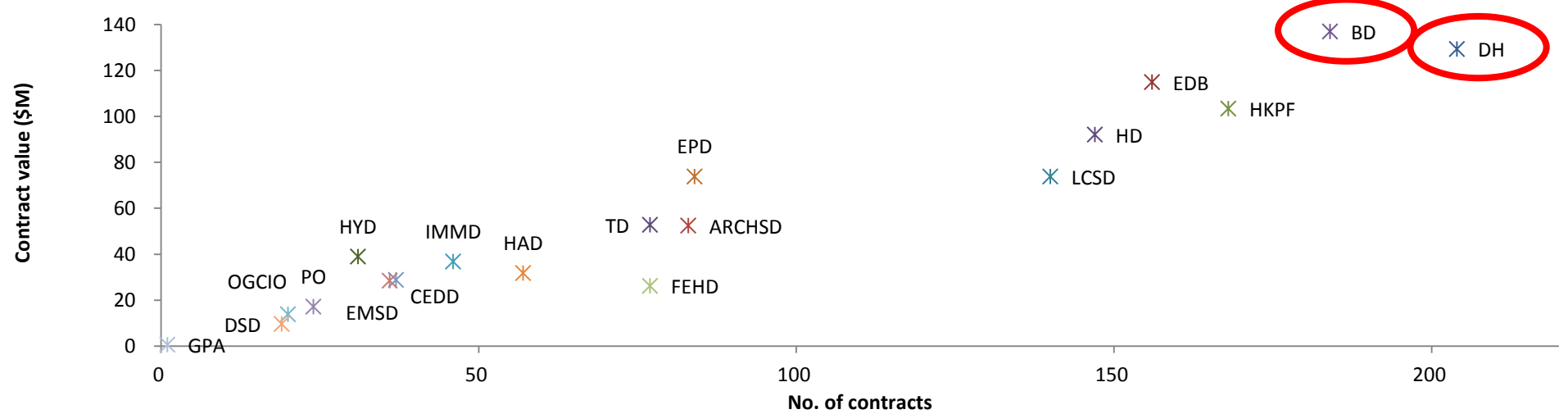
ARCHSD and HAD report the largest no. of contracts and contract value in works contracts >$1.43M and works contracts ≦$1.43M respectively

Works contracts > $1.43M

Works contracts ≦ $1.43M

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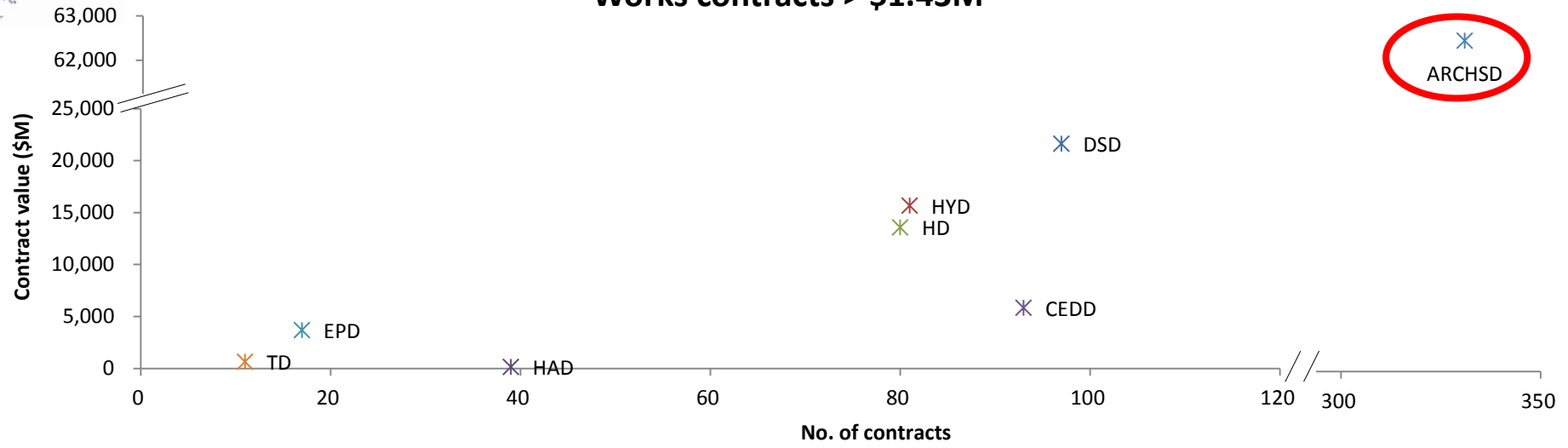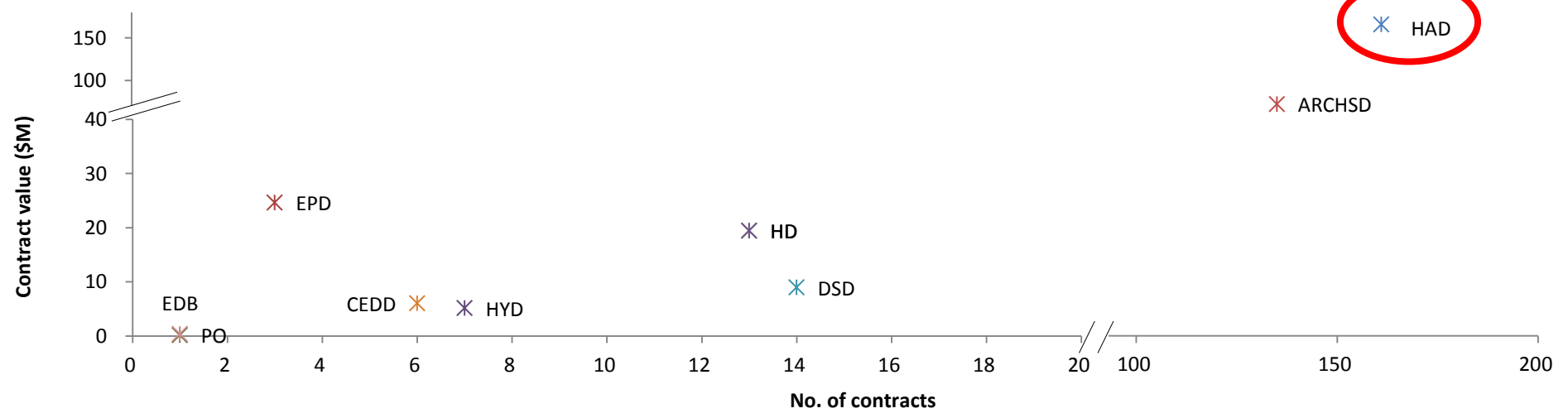
Selective tendering remains the most common tendering approach

- Overall, the pattern on the use of tendering approaches by contract number is similar to the 2008 survey. Although selective tendering remains the main procedure being used, there is a continuous increase in the number of procurements using direct purchase and pre-qualified tendering.

Tendering Procedure (See explanations at Appendix 5)

■ Selective tendering ■ Direct purchase
■ Open tendering ■ Pre-qualified tendering
■ Single or restricted tendering

Year	Selective tendering	Direct purchase	Open tendering	Pre-qualified tendering	Single or restricted tendering
2010	39%	24%	16%	12%	9%
2008	42%	18%	19%	7%	12%
2006	48%	16%	22%	3%	11%
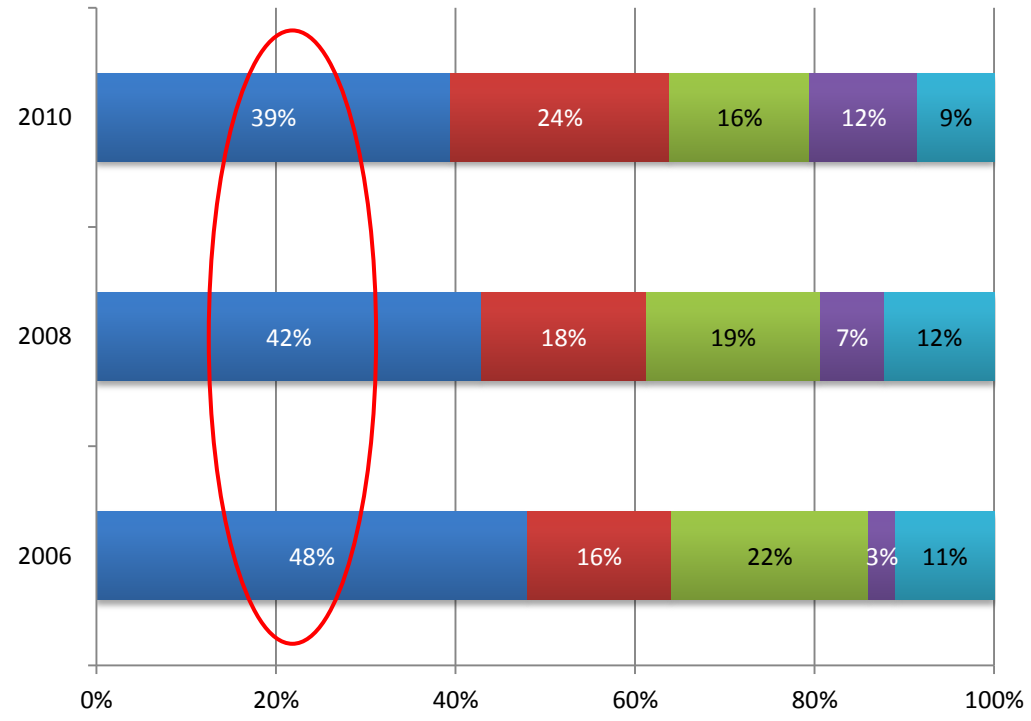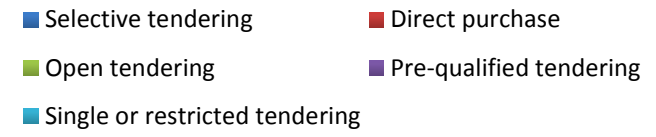
% of total number of contracts
(No. of contracts : 5 111 (2010) ; 4 339 (2008); 3 984(2006))
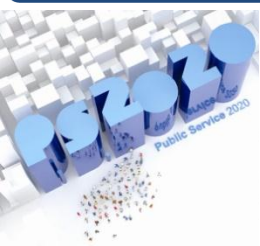
Slight drop in average annualised expenditure but average contract duration remains the same

- The trend remains steady. The average contract duration is 3.5 years, the same as 2008, with an average annualised expenditure of $4 million, slightly lower than 2008 ($4.2 million).

Non-works contract annualised expenditure and duration trend

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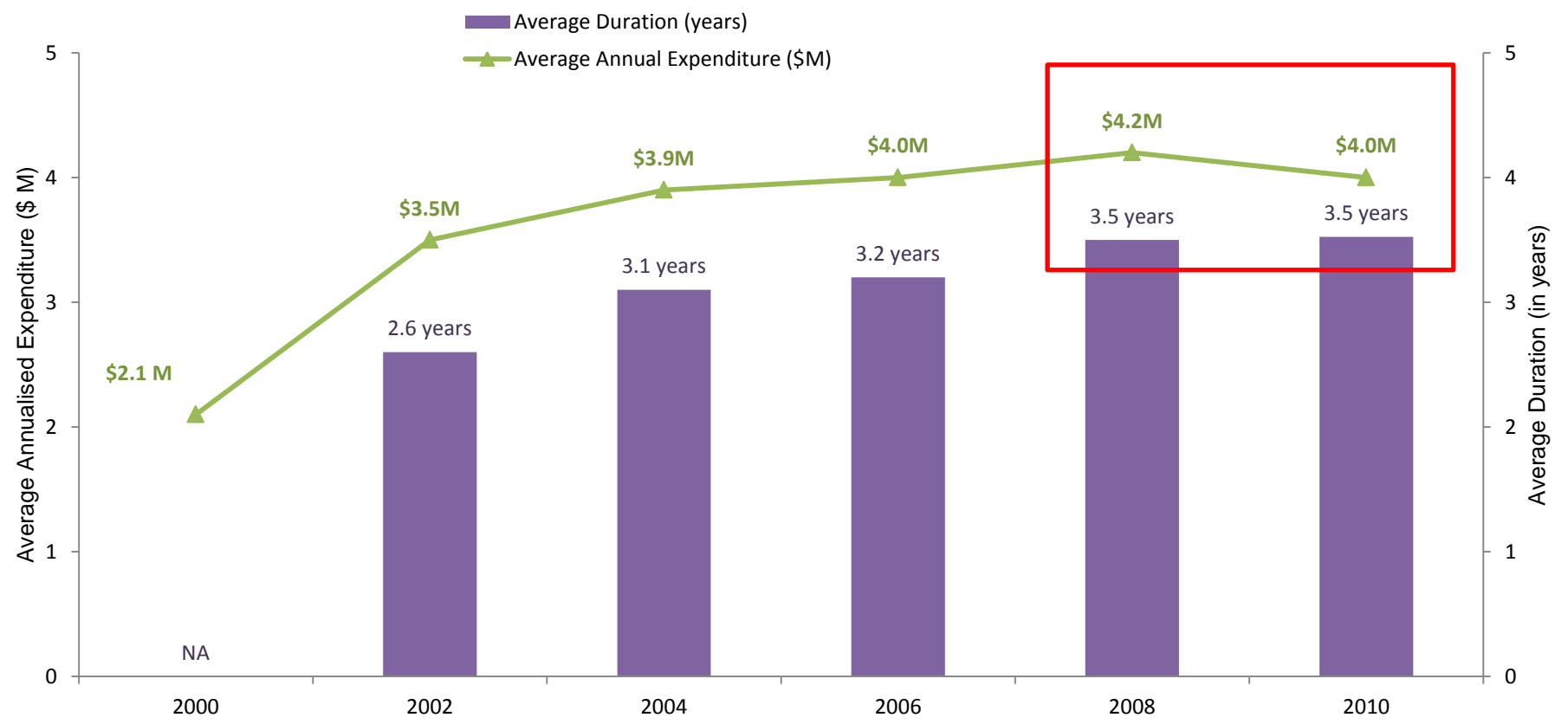
Similar to 2008, about 60% of contracts have contract values at or below $10M

Distribution of non-works contracts > $1.3M/$1.43M[1]
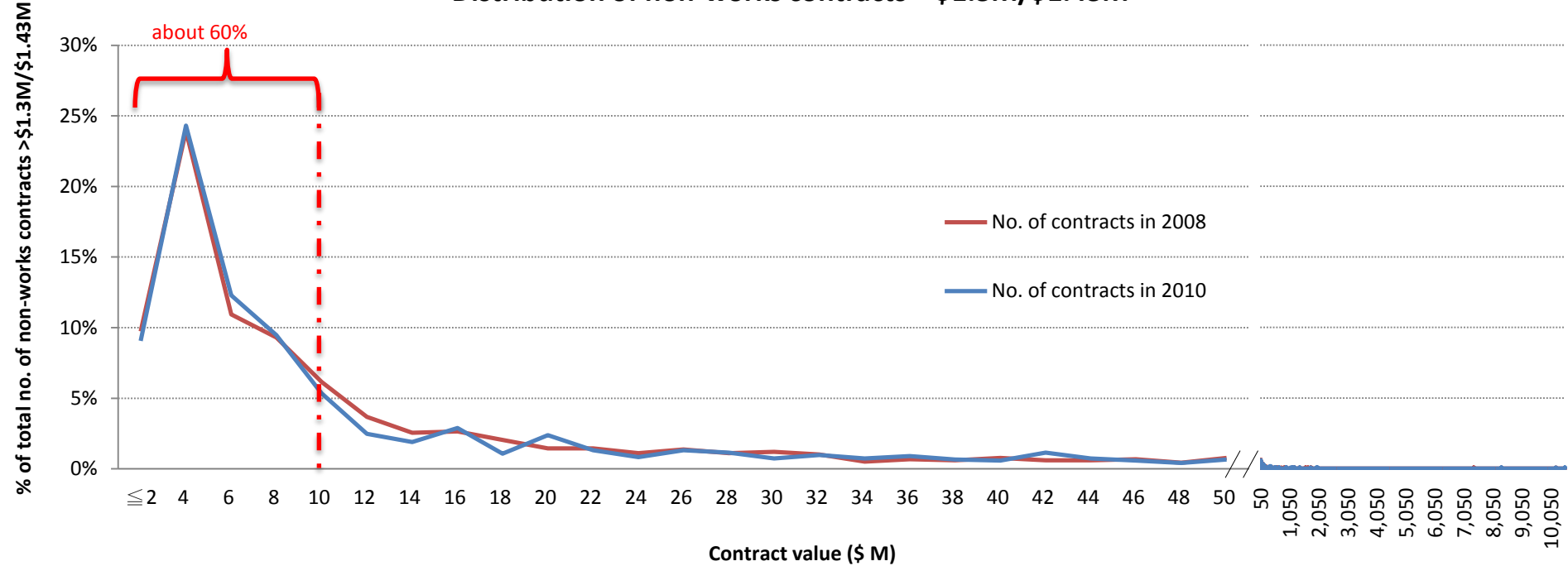
Characteristics of 2010 results :

- Mean – $65.5M
- Median – $7.02M
- Mode – Range $2M to $4M (about 24% of total no. of non-works contract)

Note 1: Breakdown not available for contracts $\leqq$ $1.43M

Among the top 5 departments by no. of contracts and contract value, "Building and property management services" and "Environmental hygiene services" are the two major service categories

Breakdown of non-works service categories of top 5 departments by no. of contracts

Building and property management services

HD	379
LCSD	79
DH	98
BD	178
FEHD	89

No. of contracts
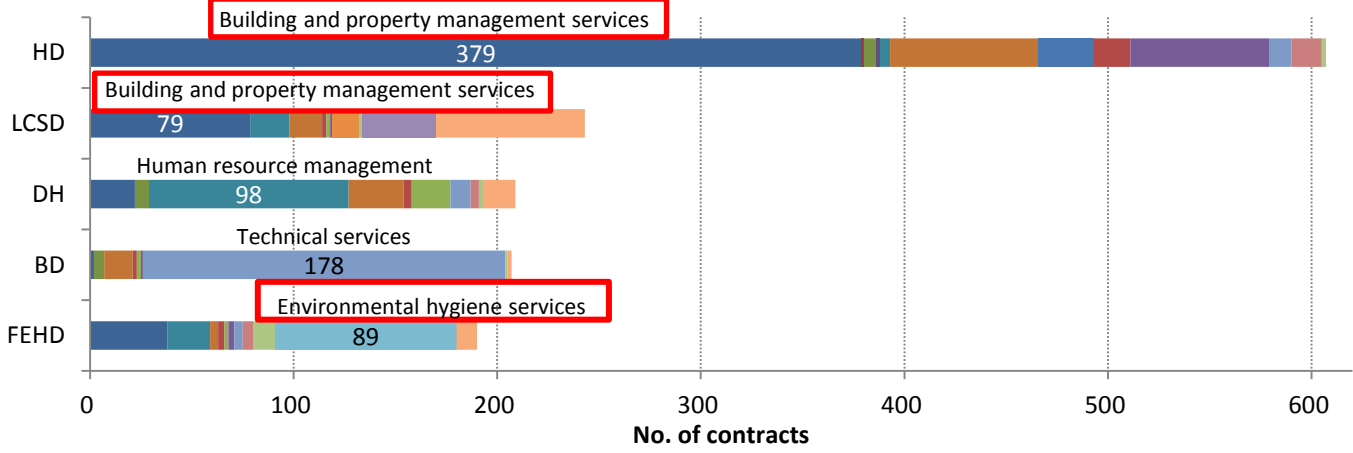
Legend:
- Building and property management services
- Call centres
- Community, medical and welfare services
- Finance and accounting
- Human resource management
- Information technology
- Legal services
- Marketing, communication, publicity and public relations
- Office support and administrative services
- Plant and equipment maintenance
- Policy advice and management consulting
- Printing and distribution
- Technical services
- Training and education
- Transport services
- Cultural and recreational services
- Environmental hygiene services
- Others

Breakdown of non-works service categories of top 5 departments by contract value

EPD	36,467 (Environmental hygiene services)
HD	9,364 (Building and property management services)
ARCHSD	5,230 (Building and property management services)
TD	3,003 (Transport services)
IMMD	2,651 (Information technology)

Contract value ($ M)
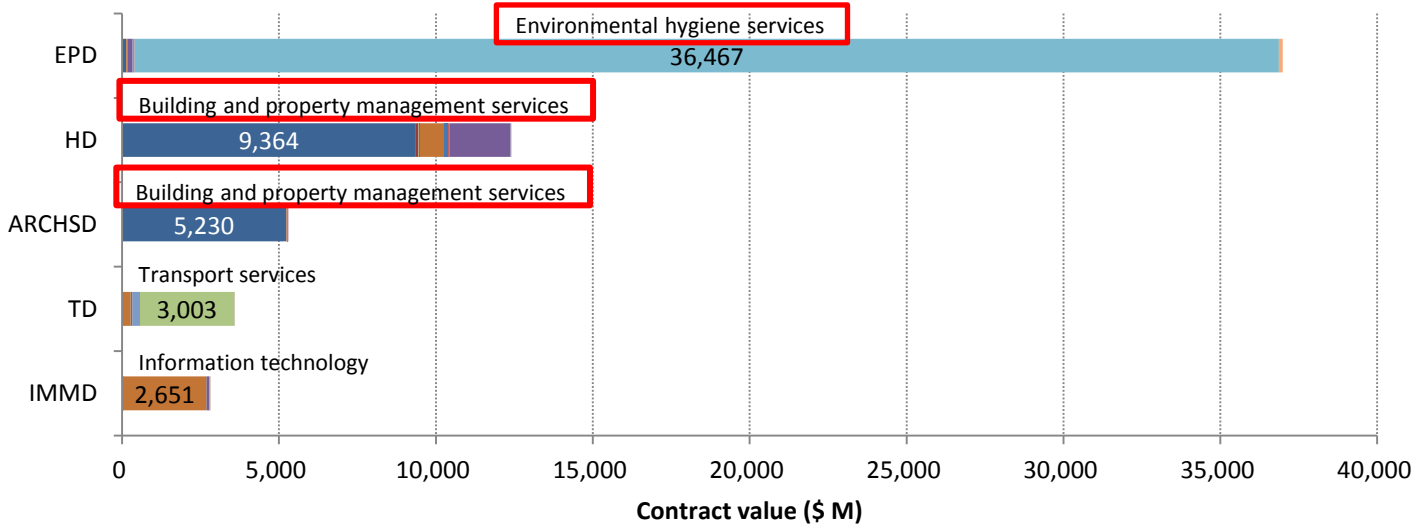
Departments' Views

Fewer departments conduct business case studies and estimate the full cost of delivering service in-house

The present survey shows that :

- 65% (35 out of 54) of departments responded to this question have a departmental outsourcing strategy or goal.

- There is a big drop in the percentage of departments adopting the following best practices as compared with the 2008 survey
    - Estimate the cost of delivering the service in-house (↓8%);
    - Conduct business case studies for new projects (↓9%); and
    - Explore outsourcing opportunities extensively (↓5%).

Strategy and business case
(For all or most of the contracts > $1.3M/$1.43M)

conduct risk assessment and establish appropriate risk allocation arrangements
- 30%
- 31%
- 25%

explore outsourcing opportunities extensively by conducting market research/testing
- 30%
- 35%
- 36%

estimate the full cost of delivering the service in-house
- 26%
- 34%
- 33%

conduct business case studies for new projects
- 15%
- 24%
- 16%

■ 2010
■ 2008
■ 2006

0% 5% 10% 15% 20% 25% 30% 35% 40%

% of departments responding
(No. of respondents : 54 (2010); 59 (2008); 57 (2006))

Continuous drop in use of performance indicator and service level agreement

- The 2010 survey shows that there is a gradual but continued drop in the number of departments adopting best practices such as measurable performance indicators and service level agreements in the specification of services required.

- As compared with the 2008 survey
  - Performance indicator (↓3%); and
  - Service level agreement (↓5%).

Specification of services

(For all, most or some of the contracts > $1.3M/$1.43M)

Feasibility study or BPR conducted for IT tenders (new item) — 63%

Include measureable performance indicator — 89% / 92% / 93%

Include service level agreement — 66% / 71% / 76%

Define service on output/outcome basis — 88% / 88% / 95%

■ 2010
■ 2008
■ 2006

% of departments responding

(No. of respondents : 46(IT tenders) & 56 (2010); 59 (2008); 58 (2006))

Increase in department's use of marking scheme and 'two-envelope' system in all their tenders

- Similar to the 2008 survey, 86% of departments used marking scheme in tender evaluation for all, most or some of their contracts. However, there is a significant increase (from 18% in 2008 to 30% in 2010) in departments using marking scheme for "all" their contracts.

- Same as the 2008 survey, 86% of departments adopted the "two-envelope" approach in tender evaluation for all, most or some of their contracts. However, the number of departments using the "two-envelope" approach for all their tenders increased from 17% in 2008 to 28% in 2010. This illustrates the wide acceptance of the need to examine both quality and price aspects separately in order to obtain best value for money.

Use of marking scheme in tender evaluation for service contracts (For contracts > $1.3M/$1.43M)

■ All ■ Most ■ Some ■ Few and none

(No. of respondents : 57 (2010); 58 (2008))

	All	Most	Some	Few and none
2010	30%	28%	28%	14%
2008	18%	44%	23%	15%

% of departments responding
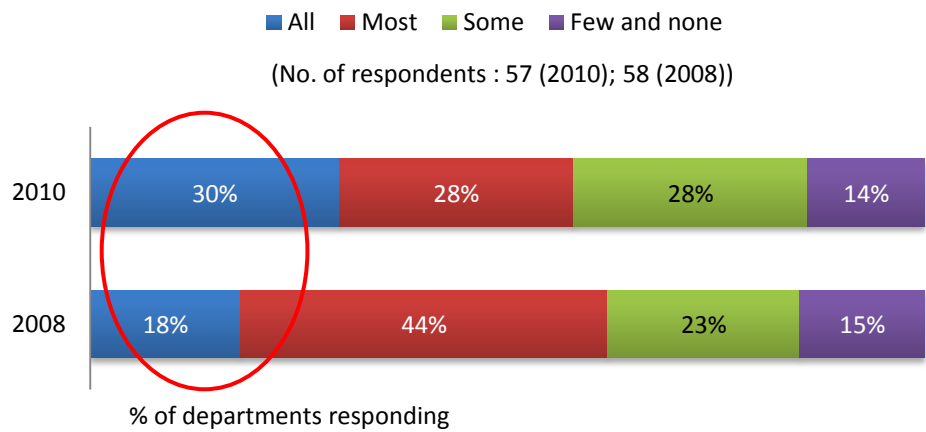
Use of "two-envelope" system in tender evaluation (for contracts > $1.3M/$1.43M)

■ All ■ Most ■ Some ■ Few and none

(No. of respondents : 57 (2010); 58 (2008))

	All	Most	Some	Few and none
2010	28%	26%	32%	14%
2008	17%	43%	26%	14%

% of departments responding
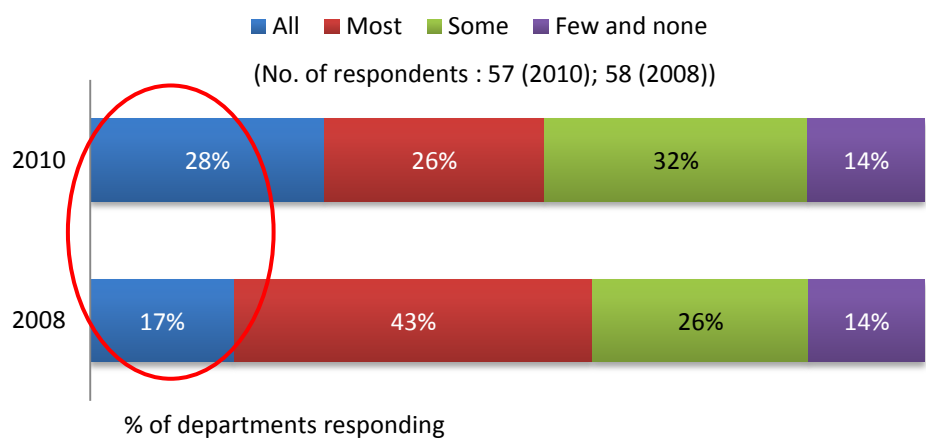
80% of departments awarded over 80% of their tenders to the lowest conforming bids

- For IT contracts, the majority of departments (44%) adopted a technical ratio between 40% - 60% in tender evaluation.

- Overall, most departments (38%) adopted a technical ratio between the range of 20% - 40%. In 2008, most departments (33%) adopted a range of 40% - 60%.

- Although 86% of all departments adopted the "two-envelope" system in tender assessment, 80% of departments awarded 80% or more of their tenders to the lowest price conforming bids. This shows a 10% rise from the 70% reported in the 2008 survey.

- Further investigations are needed to examine the reasons for the increase in awarding to the lowest bids and the lowering of the technical ratio.

- 95% of departments considered that the contractors' past performance should be taken into account in tender evaluation.

Ratio of technical to price score
(New item. For contracts >$1.3M/$1.43M)

■ <20% ■ 20% to <40% ■ 40% to <60% ■ 60% to <80% ■ >=80%

Technical ratio IT tender only (New item)	5%	36%	44%	15%	0%
Technical ratio for all tenders	4%	38%	34%	19%	6%
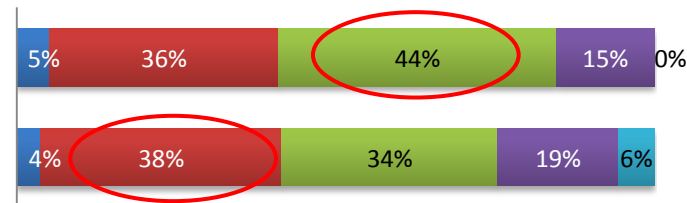
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
% of departments responding
(No. of respondents : 39 (IT tender) & 53 (2010))

% of contracts awarded to the lowest conforming bids
(For contracts >$1.3M/$1.43M)

Percentage of contracts awarded to lowest bids

	2010	2008
>=80%	80%	70%
60% to <80%	13%	15%
40% to <60%	5%	6%
20% to <40%	2%	6%
<20%	0%	4%

■ 2010
■ 2008

0% 20% 40% 60% 80% 100%
% of departments responding
(No. of respondents : 53 (2010); 48 (2008))
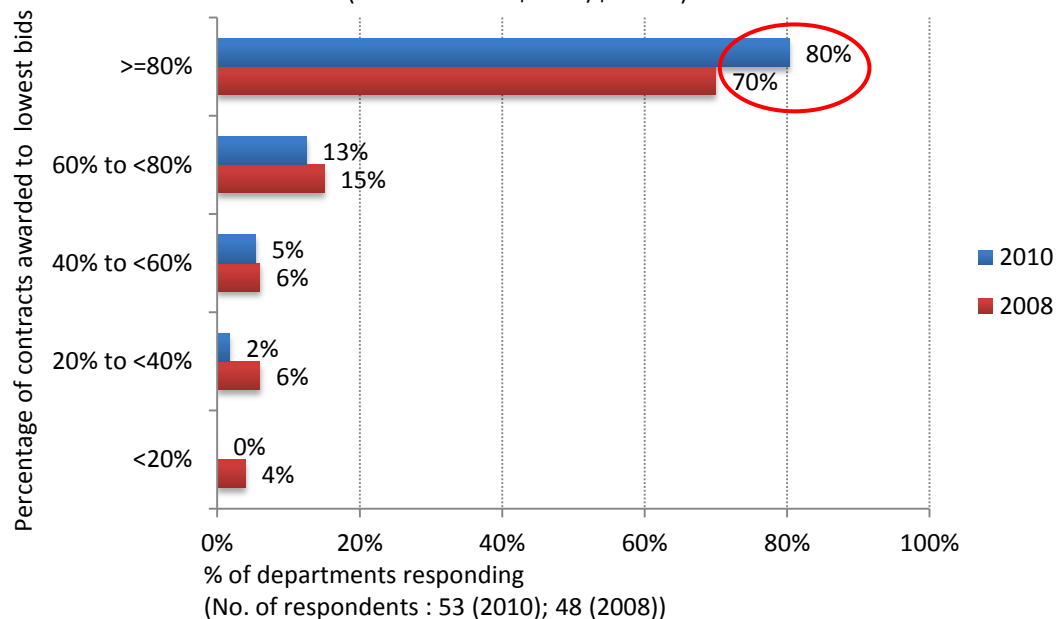
Departments prefer a higher technical weighting for IT tenders

Percentage of departments preferring Technical weighting > 30%

(New Item. For contracts > $1.43M)

- 57% of departments considered IT tenders warrant technical weighing greater than 30%.

- The major reasons provided by 22 departments for a higher technical weighting in tender evaluation for IT projects are for the complexity of IT projects (31.8%), better quality solution (27.3%) and technical competence of the vendors (27.3%).

No
43%

Yes
57%
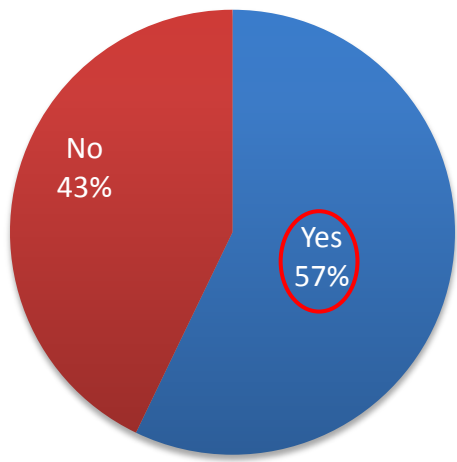
(No. of respondents : 52 (2010))

Reasons for higher technical weighing for IT projects by % of departments

(New item. For contracts > $1.43M)

13.6%

31.8%

27.3%

27.3%
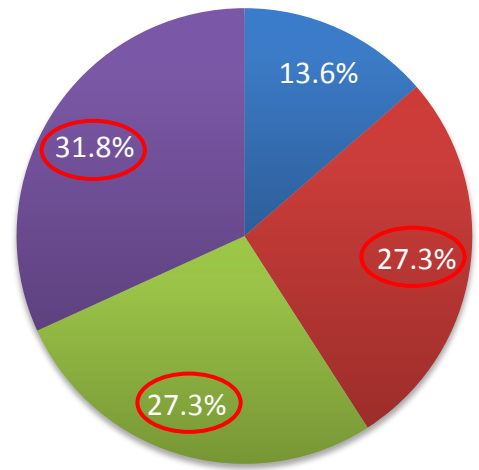
■ Others (e.g., technical score fixed by OGCIO)

■ Better quality solution

■ Vendors with the required technical competence are selected

■ Complexity of IT projects or computer systems
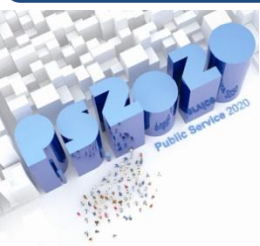
Standard terms and conditions can help to speed up tendering process

- More than 90% of the departments opined that the use of standard terms and conditions and simplified procedures in clearing tender documents can help to speed up the tendering process.

Ways that can speed up the tendering process

(New item. For contracts > $1.43M)

Standard terms and conditions	93%
Simplified procedures for clearance of documents by procurement and legal authorities	91%
Checklist of common issues raised by procurement authorities	87%
Standard marking scheme	82%
Others (e.g. raise the financial limit)	7%
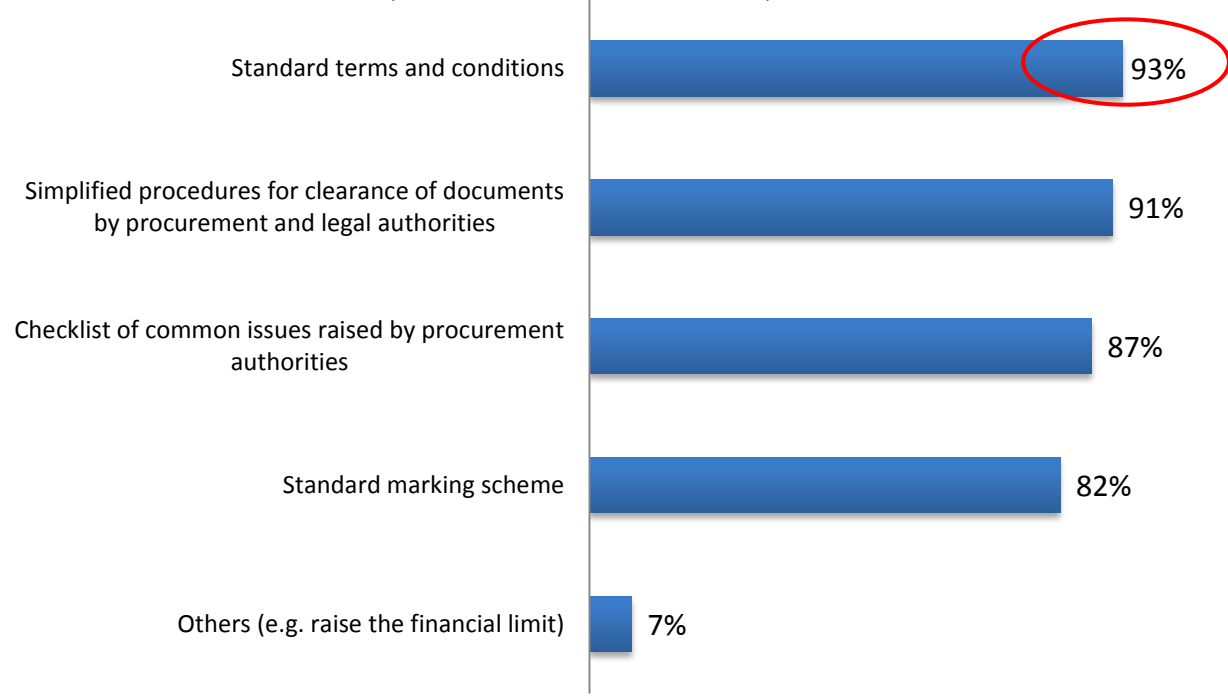
% of departments responding
(No. of respondents : 55 (2010))

Most departments used fixed price lump sum payment for their contracts

- On the pricing model adopted, 70% of departments used fixed price lump sum payment, 21% used a mixed model comprising both fixed and variable pricing components and the remaining 9% adopted variable price payment that links with the output of the contractors.

- More departments (↑4%) allow contract price to vary according to adjustment in market indices.

- The use of incentive payments for good performance has also increased from 19% in 2008 to 25% in 2010.

Most common pricing model in outsourcing contracts
(New item. For contracts > $1.43M)

21%

9%

70%

■ Fixed price lump sum payment

■ Variable price payment that links with the output of the contractor

■ Mixed (both fixed price and variable price payment)
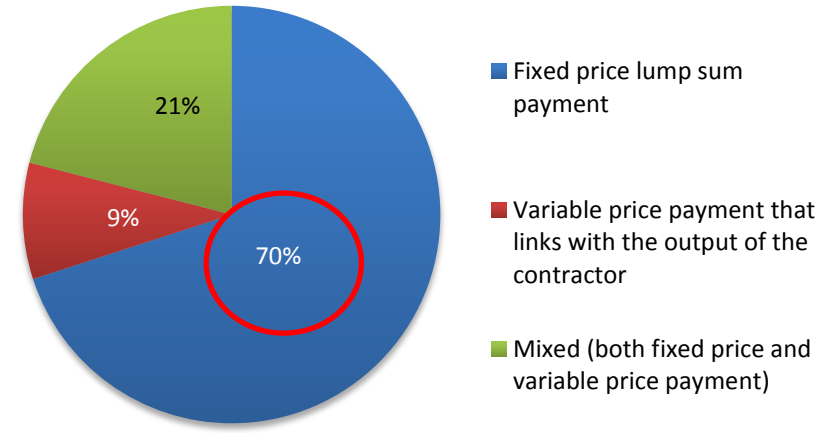
% of departments responding
(No. of respondents : 53 (2010))

Pricing arrangement in contracts
(For all, most, some or few contracts > $1.3M/$1.43M)
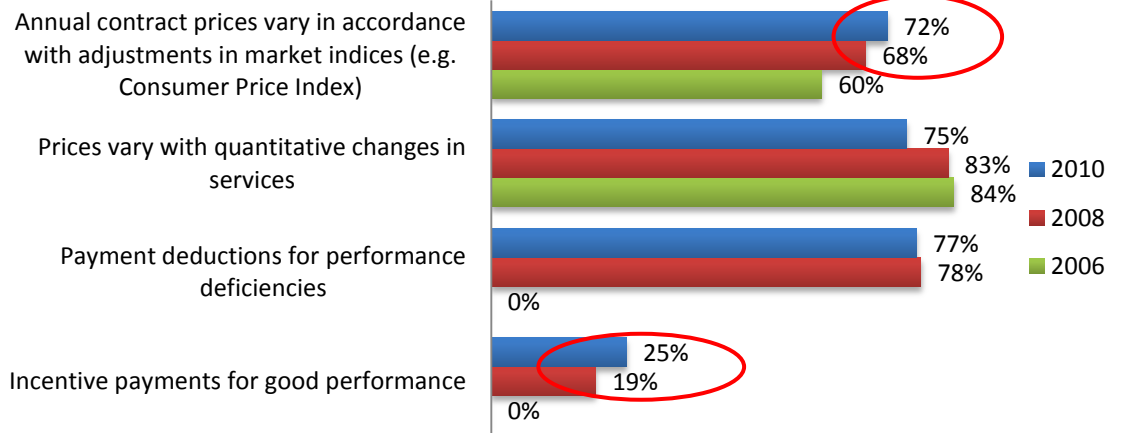
Annual contract prices vary in accordance with adjustments in market indices (e.g. Consumer Price Index) — 72% / 68% / 60%

Prices vary with quantitative changes in services — 75% / 83% / 84%

Payment deductions for performance deficiencies — 77% / 78% / 0%

Incentive payments for good performance — 25% / 19% / 0%

■ 2010 ■ 2008 ■ 2006

% of departments responding (can select multiple)
No. of respondents : 57 (2010); 59 (2008); 58 (2006))

Staffing

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Civil service posts rarely deleted due to outsourcing

Percentage of departments deleting affected posts

All cases 2%
Most cases 0%
Some cases 12%
Few cases 20%
None 66%
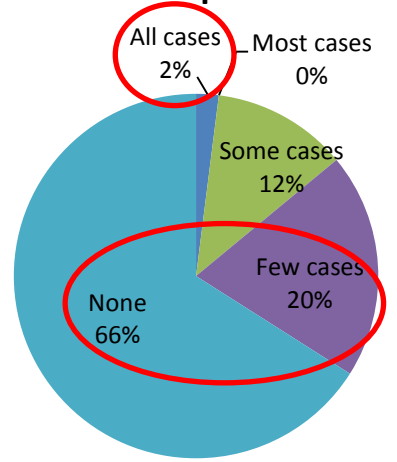
(for contracts > $1.43M)

Percentage of departments redeploying affected staff for contract management

All cases 0%
Most cases 0%
Some cases 29%
Few cases 22%
None 49%
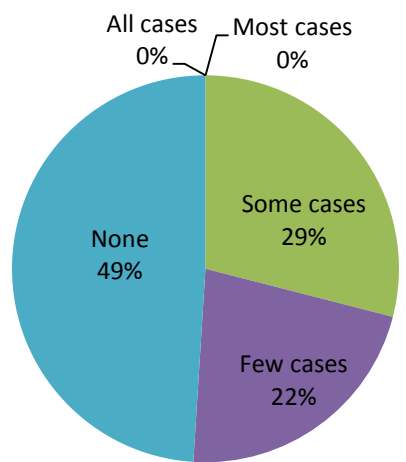
(for contracts > $1.43M)

Percentage of departments redeploying affected staff for other areas

All cases 4%
Most cases 0%
Some cases 29%
Few cases 20%
None 47%
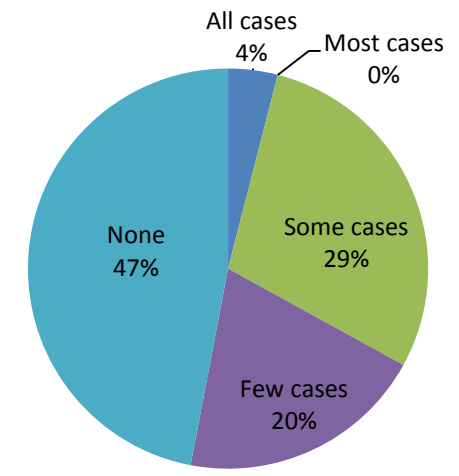
(for contracts > $1.43M)

- As with the 2008 survey, departments rarely delete civil service posts as a result of outsourcing. Only 2% of the departments indicated that they would delete posts affected by outsourcing in all cases (in 2008, 0% for all cases and 2% for most cases). The majority (86%) of department considered that outsourcing has no or little impact on deletion of posts. If there are staff affected by outsourcing, the departments would normally redeploy the affected staff, some for contract management, the rest to other duties.
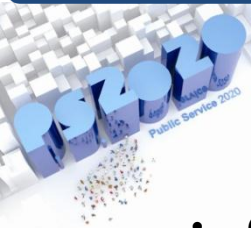
Staff generally accepted changes arising from outsourcing arrangement

- Comparing with the 2008 survey, similar pattern of departments' view on the staff reaction is observed.

- 84% (2008 survey was 83%) of departments reported that their staff accepted the changes brought about from the outsourcing of in-house service. Only 2% of staff strongly objected to outsourcing of services (2008 survey was 3%).

Departments' observations on staff responses to outsourcing

(For contracts >$1.3M/$1.43M)

Accept the changes
- 2010: 84%
- 2008: 83%
- 2006: 86%

Negotiate with management on future arrangements (e.g. redeployment)
- 2010: 41%
- 2008: 44%
- 2006: 50%

Seek assistance from staff union
- 2010: 14%
- 2008: 14%
- 2006: 16%

Object strongly
- 2010: 2%
- 2008: 3%
- 2006: 5%

Others (e.g. Not applicable for new services)
- 2010: 20%
- 2008: 20%
- 2006: 11%

Legend:
- 2010
- 2008
- 2006

0%   20%   40%   60%   80%   100%

% of departments responding (can select multiple)
(No. of respondents : 51 (2010); 44 (2008); 44 (2006))

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Most departments incorporated best practices in contracts

(For all or most of the contracts > $1.3M/$1.43M)
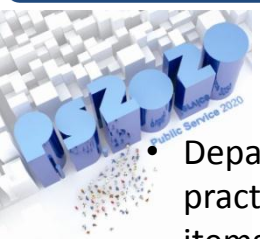
- Departments incorporated various provisions of best practices in their contracts but there is a big drop in 7 items when compared with 2008 Survey –
  - "Method for performance monitoring" (↓9%);
  - "Mechanism for performance review" (↓8%);
  - "Enforcement against service level" (↓14%);
  - "Method for negotiating variations (↓5%);
  - "Access rights" (↓7%);
  - "Extension of contract" (↓13%); and
  - "Provision of non-core services" (↓6%).

- 4 items show marginal improvement when compared with 2008 survey. They are –
  - "Ownership of intellectual property" (↑5%);
  - "Liability cap" (↑1%);
  - "Audit requirements"(↑2%); and
  - "Standard employment contract" (↑4%).

- For standard employment contract, if in terms of number and value instead of by departments, 48% of the number and 82% of the value of outsourcing contracts are making use of the standard employment contracts for protection of non-skilled workers in all or most of their service contracts. This is at similar level with 2008.

Chart:

Provision	2010	2008	2006
Method for performance monitoring	72%	81%	79%
Mechanism for performance review	63%	71%	66%
Ownership of intellectual property	59%	54%	
Enforcement against service levels	56%	70%	64%
Break clause	52%	54%	
Method for negotiating variations	47%	52%	56%
Liability cap	38%	37%	35%
Access rights (e.g. facilities and accounts) for the government	37%	44%	45%
Extension of contract	35%	48%	50%
Audit requirements	30%	28%	34%
Standard Employment Contract	21%	17%	
Demerit Point System	13%	15%	
Provision of non-core services	11%	17%	12%
Incentive scheme	2%	5%	9%
Sharing efficiency savings or revenue with government	0%	2%	4%

% of departments responding (can select multiple) with best practices included in all or most of their contracts.

(No. of respondents : 57 (2010); 59 (2008); 58 (2006))

Contracts have some provisions for end of contract arrangements

- 73% of departments include exit provisions in all or most of their outsourcing contracts.

- 25% of the departments include provisions for transfer of assets or skills in all or most of their contracts.

- 54% do not include provision for roll-over of contracts.

- The results are similar to the previous surveys.

Provision for end of contract arrangement

(For contracts > $1.43M)

	All	Most	Some	Few	None
Exit provisions (for either party)	41%	32%	14%	9%	4%
Transfer of assets / skills	11%	14%	21%	20%	34%
Roll-over of contract	5%	4%	20%	18%	54%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
% of departments responding
(No. of respondents : 56 (2010))

For all or most of the contracts > $1.3M/$1.43M

	2010	2008	2006
Exit provisions (for either party)	73%	77%	59%
Transfer of assets / skills	25%	23%	20%
Roll-over of contract	9%	14%	9%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%
% of departments responding (can select multiple)
(No. of respondents : 56 (2010); 59 (2008); 58 (2006))

Average contract management cost remains the same

Types of performance monitoring mechanism adopted by departments

(For contracts > $1.3M/$1.43M)
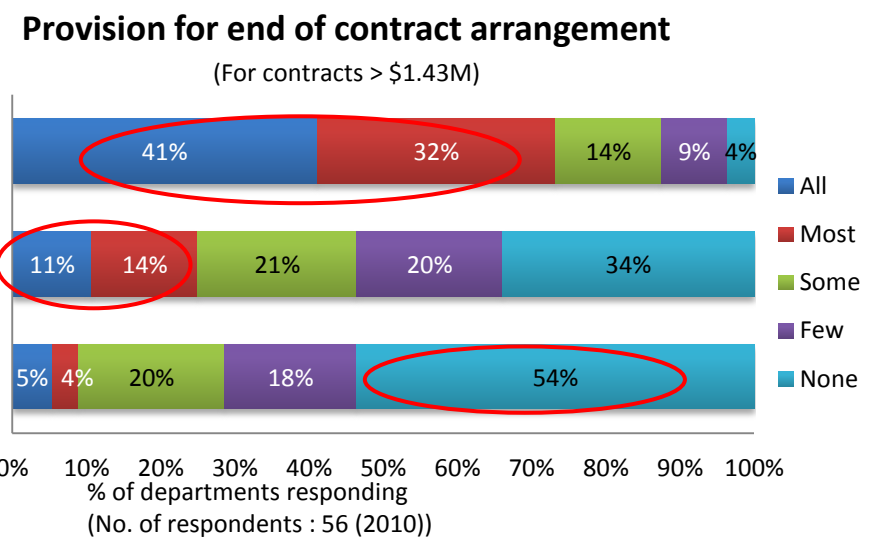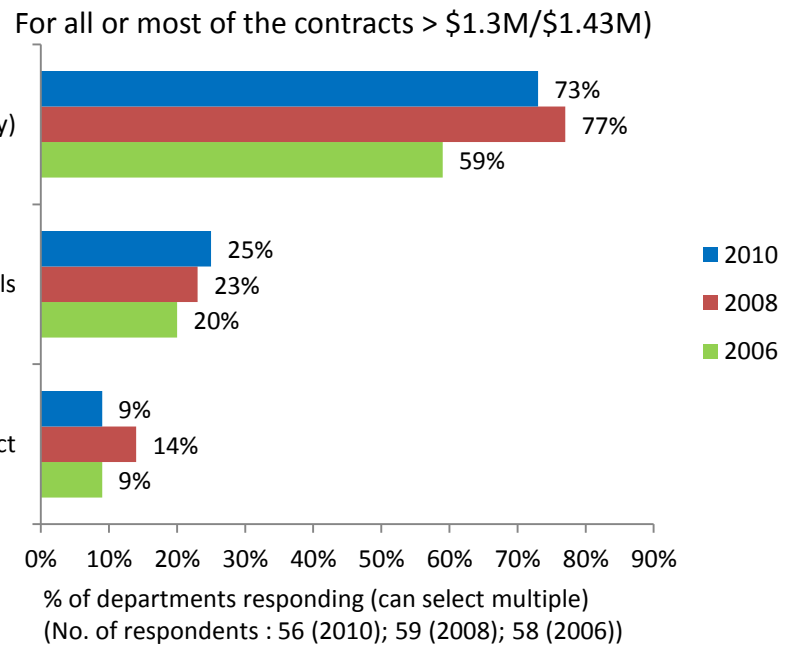
- On average, the estimated cost of contract management is 11% of the annualised contract value in 2010 for contract above $1.43M. This is the same as 2008.

- Departments are adopting various measures and management tools to monitor service quality.

- On-site inspections (88%) and senior management meetings (84%) are the most common types of performance monitoring mechanisms in use.

- All responding departments expressed that there are arrangements for rectifying non-performance of contractors.

Type	2010	2008	2006
On-site inspection	88%	83%	77%
Meeting between senior management of departments and contractors	84%	81%	88%
Complaints against contractors	80%	76%	75%
Reporting by contractors	80%	85%	82%
Reporting by procuring departments	70%	61%	54%
End user satisfaction survey	59%	63%	63%
Open book accounts	14%	10%	11%
Others	13%	19%	5%

0% 20% 40% 60% 80% 100%

% of departments responding (can select multiple)
(No. of respondents : 56 (2010); 59 (2008); 57 (2006))

Most departments resolve disputes in collaboration with contractors

- As with previous surveys, most departments (89%) adopted a proactive way to handle disputes by solving the problems in collaboration with contractors in all, most or some of the cases.

- 14% of the departments claimed that they would terminate the contract in all, most or some of the cases when dispute arises.

- During the period of 1 July 2009 to 30 June 2010, no department reported any contract termination due to unsatisfactory performance of the contractor.

Dispute resolution methods
(For all, most and some contracts > $1.3M/$1.43M)

Solve the problems in collaboration with service provider
- 89%
- 95%
- 96%

Issue default notices, withhold incentives, etc. as per the contract terms and conditions
- 64%
- 60%
- 66%

Resolve through mediation, conciliation or arbitration
- 38%
- 41%
- 17%

Terminate the contract
- 14%
- 13%
- 8%

Take legal action
- 11%
- 10%
- 6%

Others
- 3%
- 2%
- 0%

■ 2010
■ 2008
■ 2006

0%   20%   40%   60%   80%   100%
% of departments responding (can select multiple)
(No. of respondents : 56 (2010); 59 (2008), 56 (2006))

Departments face challenges in negotiation, contract management and understanding contract terms

Skills / capabilities required to manage outsourced services that are lacking in departments
(For contracts >$1.3M/ $1.43M)

- Departments reported a growing lack of negotiation skills in contract management. As compared to the 2008 survey, there is a rise of 18% from 47% in the number of departments reporting this.

- The demand for skills/capabilities required in the understanding of contract terms also increased from 31% to 46%. Similarly there is also a 12% increase for general contract management skills.

Negotiation skills
- 65% (2010)
- 47% (2008)
- 42% (2006)

Specialists skills for business analysis
- 54% (2010)
- 59% (2008)
- 70% (2006)

General contract management skills
- 54% (2010)
- 42% (2008)
- 36% (2006)

Partnering skills
- 50% (2010)
- 44% (2008)
- 40% (2006)

Understanding of contract terms
- 46% (2010)
- 31% (2008)
- 30% (2006)

Investigation skills
- 43% (2010)
- 37% (2008)
- 34% (2006)

Stakeholder management skills (new item)
- 39% (2010)

Others
- 11% (2010)
- 22% (2008)
- 10% (2006)

Legend: ■ 2010 ■ 2008 ■ 2006

0% 10% 20% 30% 40% 50% 60% 70% 80%

% of departments responding (can select multiple)
(No. of respondents : 46 (2010) 59 (2008),50 (2006)

60% of departments reported that their contract managers were not trained in contract management

- 60% of departments reported that their contract managers have not been given formal contract management training. This is a big jump from the 22% reported in the 2008 survey.

- For the remaining 40% of the departments that have conducted trainings on outsourcing for their contract managers, the topics covered are mainly tender selection and evaluation (95%), and contract enforcement (75%).

- A number of major outsourcing departments (i.e., those with more than 100 service contracts) indicated in both the 2008 and 2010 surveys that they have not conducted contract management training courses before.

Contract managers provided with formal contract management training (for contracts > $1.3M/ $1.43M)

■ Yes ■ No

	Yes	No
2010	40%	60%
2008	78%	22%

% of departments responding
(No. of respondents : 55 (2010), 59 (2008))
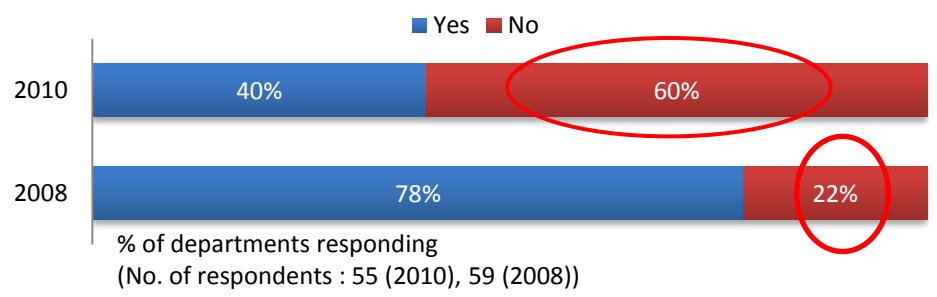
Topics covered in departments' training on contract management (for contracts > $1.3M/$1.43M)

Tender selection and evaluation
- 95% (2010)
- 58% (2008)
- 64% (2006)

Contract enforcement
- 75% (2010)
- 79% (2008)
- 86% (2006)

Managing contractor relationships
- 50% (2010)
- 46% (2008)
- 50% (2006)

Business case development
- 25% (2010)
- 29% (2008)
- 32% (2006)

Others
- 10% (2010)
- 17% (2008)
- 18% (2006)

■ 2010 ■ 2008 ■ 2006

0%   20%   40%   60%   80%   100%
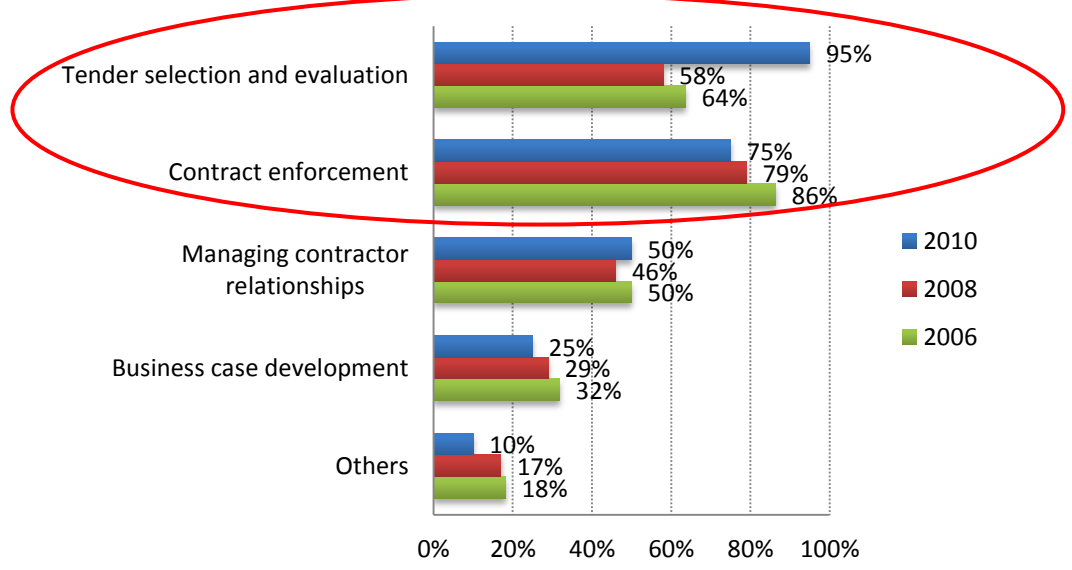
% of departments responding (can select multiple)
(No. of respondents : 20 (2010), 27 (2008), 56 (2006))

Service delivery and compliance remains the major issue in contract management

- Service delivery and compliance is still the major issue (78%, a 10% increase from 68% in 2008).

- It is followed by performance evaluation and reporting (69%), enforcing performance against service levels (65%), and capability of contract management staff (50%).

- Compared to the 2008 survey, there is a big increase in departments finding these top four issues difficult to handle.

Major issues experienced in managing outsourced contracts
(For contracts > $1.3M/$1.43M)

Issue	2010	2008	2006
Service delivery and compliance	78%	68%	80%
Performance evaluation and reporting	69%	53%	50%
Enforcing performance against service levels	65%	54%	65%
Capability of contract management staff	50%	44%	44%
Managing changes to service requirement	48%	53%	44%
Expectation management	44%	51%	30%
Transition to new operation model	31%	42%	33%
Resistance to change	22%	31%	20%
Other	6%	8%	4%

■ 2010 ■ 2008 ■ 2006
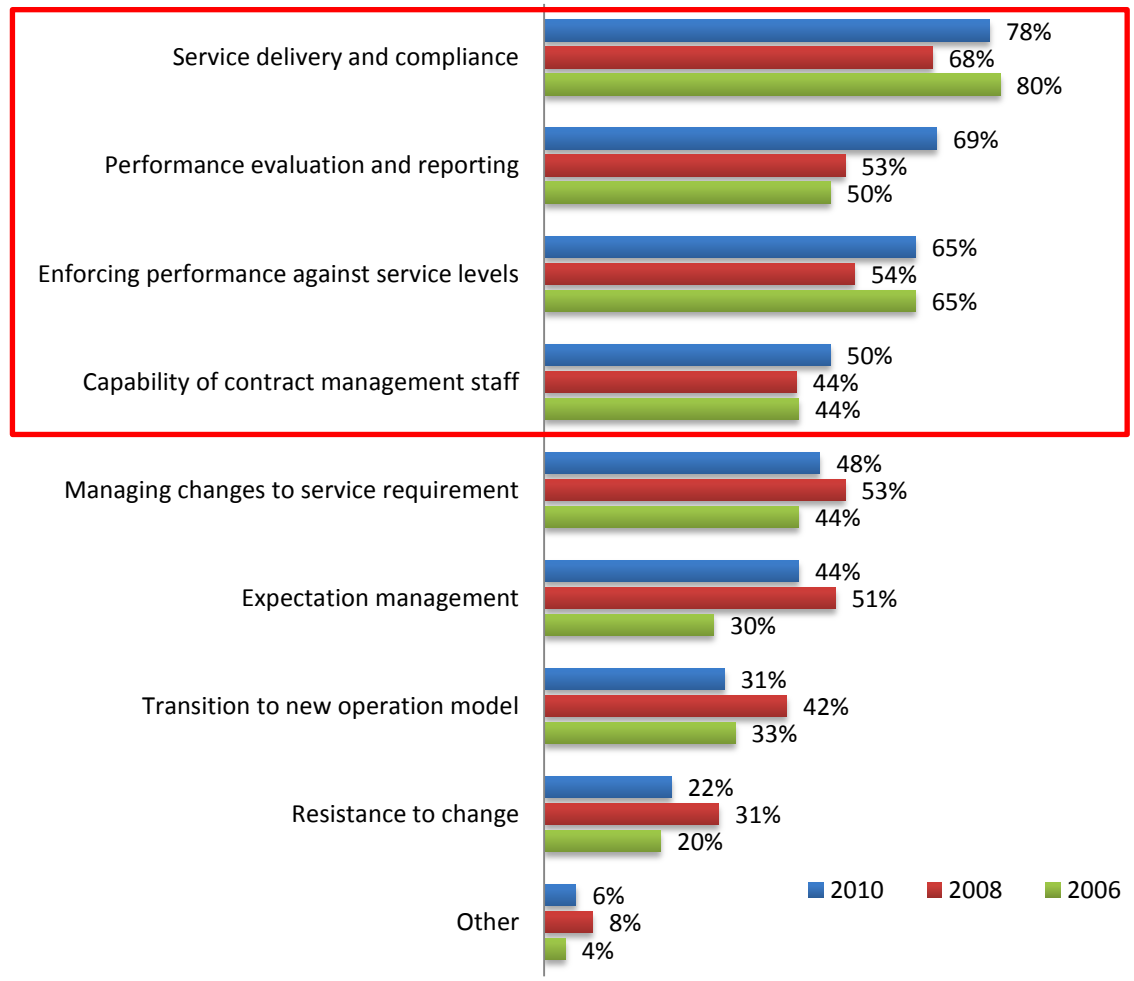
% of departments responding (can select multiple)
(No. of respondents : 54 (2010); 59 (2008); 54 (2006))

Fewer departments conduct post-implementation reviews for outsourcing contracts

- 31% of departments have not conducted any post-implementation reviews (PIR) on the effectiveness of their outsourcing exercises. The comparable figure for 2008 is 20%.

- For those 37 departments who have conducted PIRs, they usually conducted the PIRs after the start of the current contract (13 departments) or after the expiry of the current contracts (13 departments).

- Achievement of objectives, scope & requirements, and cost effectiveness are the most common areas covered. However, the present survey shows that there is a drop in almost every area in the PIR conducted compared with 2008.

Topics covered in post implementation review

(For contracts > $1.3M/$1.43M)
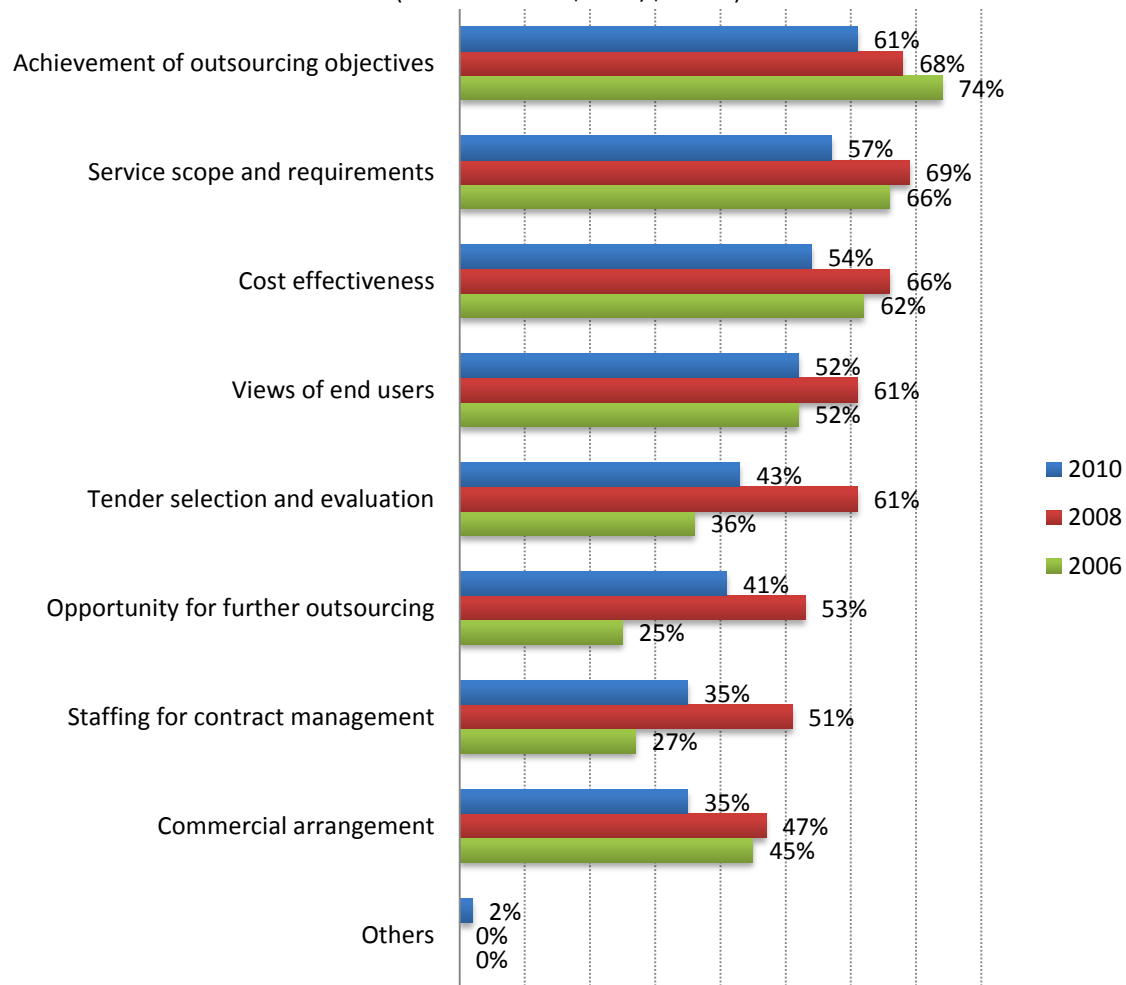
Achievement of outsourcing objectives
61%
68%
74%

Service scope and requirements
57%
69%
66%

Cost effectiveness
54%
66%
62%

Views of end users
52%
61%
52%

Tender selection and evaluation
43%
61%
36%

Opportunity for further outsourcing
41%
53%
25%

Staffing for contract management
35%
51%
27%

Commercial arrangement
35%
47%
45%

Others
2%
0%
0%

■ 2010
■ 2008
■ 2006

0% 10% 20% 30% 40% 50% 60% 70% 80%
% of departments responding (can select multiple)
(No. of respondents : 54 (2010); 59 (2008); 56 (2006))

Most departments seek improvements for the next contracts

- 91% of all departments will review the arrangements for the current contracts for improvements in the next contract cycle.

- Most departments plan for the next steps around 6 – 10 months before contract expiry. The range is 3 to 30 months.

Activities near the end of service contracts
(New item. For contracts > $1.43M)

Activity	%
Identify learning points and improvements based on current contract and apply to new contract where possible	91%
Re-think the scope	85%
Re-assess the business case	72%
Re-use the old contract	41%
Others	13%

% of departments responding (can select multiple)
(No. of respondents : 54 (2010))
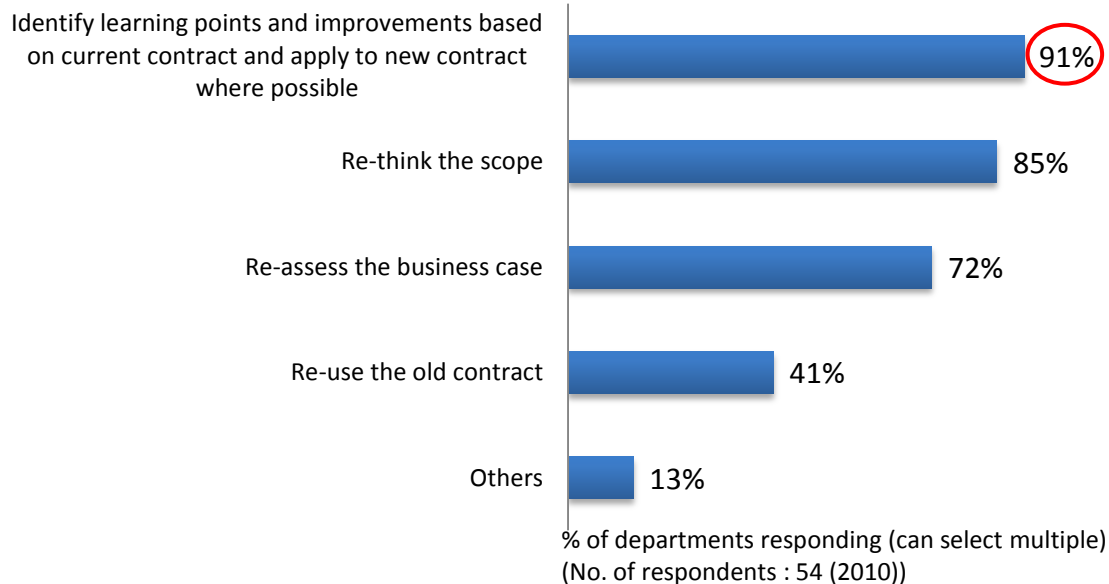
Lead time to start planning before contract expiry
(New item. For contracts > $1.43M)

Months before contract expiry	no. of departments
1 to 5	7
6 to 10	24
11 to 15	11
15 to 20	6
over 20	4

Months before contract expiry
(No. of respondents : 52 (2010))
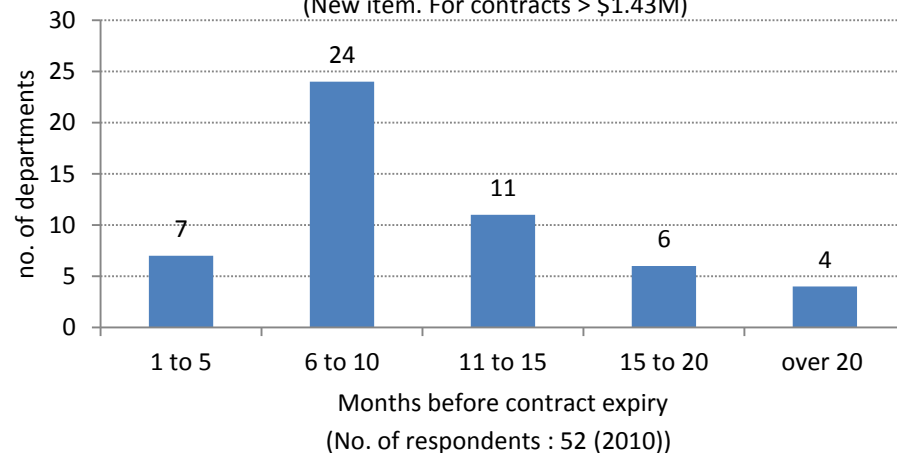
Amount of preparatory work is the main concern in outsourcing

Major concerns of departments in outsourcing

(For contracts >$1.3M/$1.43M)

- Departments continued to share the same top five concerns as revealed in the 2008 survey though there is a general drop in magnitude –
  - The amount of preparation work needed (↓1%);
  - Difficulties in ensuring quality of work(↓5%);
  - Procedures and processes involved in procurement (↓10%);
  - Lack of service providers in the market (↑10%); and
  - Difficulties in defining service requirements (↓7%).

Concern	2010	2008
Amount of preparation work required for the outsourcing exercise	77%	78%
Difficulties in ensuring quality of work	66%	71%
Procedures and processes involved in procurement	61%	71%
Lack of service providers in the market	61%	51%
Difficulties in defining the contract requirements/service level agreements, deliverables & performance measures	61%	68%
Lack of expertise and/or guidelines on outsourcing	41%	39%
Difficulties in defining and agreeing the objectives, scope and approach with senior management	38%	
Difficulties in managing malpractice of contractors	36%	42%
Staffing issues	30%	36%
Redeployment of affected staff and posts	14%	22%
Constraints in settlement of payment	14%	17%
Difficulties in getting senior management's support/commitment in the outsourcing exercise	7%	
Others	4%	8%

■ 2010   ■ 2008

% of departments responding (can select multiple)
(No. of respondents : 56 (2010); 59 (2008))

The top 5 improvements to be made in new contracts are the same in the 2008 and 2010 surveys

Improvements to be made in coming new outsourcing arrangements

(For contracts > $1.3M/$1.43M)

- Compared with the 2008 survey, the same top five improvements were suggested by departments though there are general drop for four of them –
  — Better define contract and service requirements (↑3%);
  — Allocate sufficient time and resources for preparation and implementation (↓10%);
  — Involve the right people as early as possible (↓5%);
  — Improve communication within the organisations and with service provider (↓19%); and
  — Develop realistic and planned tender process (↓9%).

| Improvement	2010	2008
Better define the contract requirements/service level requirements, deliverables & performance measures	81%	78%
Allocate sufficient time & staff resources for the preparatory work as well as participating in outsourced projects	70%	80%
Make sure the right people are involved as early as possible	54%	59%
Improve communications within the organisation and between user/service provider	52%	71%
Develop a realistic and planned tendering process	50%	59%
Carefully consider the objectives of outsourcing	46%	47%
Provide prior training to staff to be redeployed to contract management and monitoring	44%	56%
Set up a dedicated management team to oversee the tender exercise and manage the contract	44%	56%
Conduct market research on service providers and costs	44%	47%
Undertake due diligence check on service providers/seek independent advice or advice of departments with similar experience	31%	39%
Seek external support and advice on procuring/managing the outsourced activities	28%	39%
Secure senior management's support/commitment in the outsourcing exercise (New item)	26%	
Others	4%	8%

■ 2010
■ 2008

% of departments responding (can select multiple)
(No. of respondents : 54 (2010); 59 (2008))

Departments outsourced primarily because of unavailability of services in-house

- Departments were asked to select up to five reasons on why they outsourced. Similar to the 2008 survey, the top five reasons for departments to outsource are -
  - Unavailability of required service in-house;
  - Make up for staff shortage;
  - Increase the flexibility in service delivery;
  - Access to skills; and
  - Allow the departments to focus on core business.

- Compared to the 2008 survey, the relative importance reported for cost reduction has dropped from the sixth to tenth place.

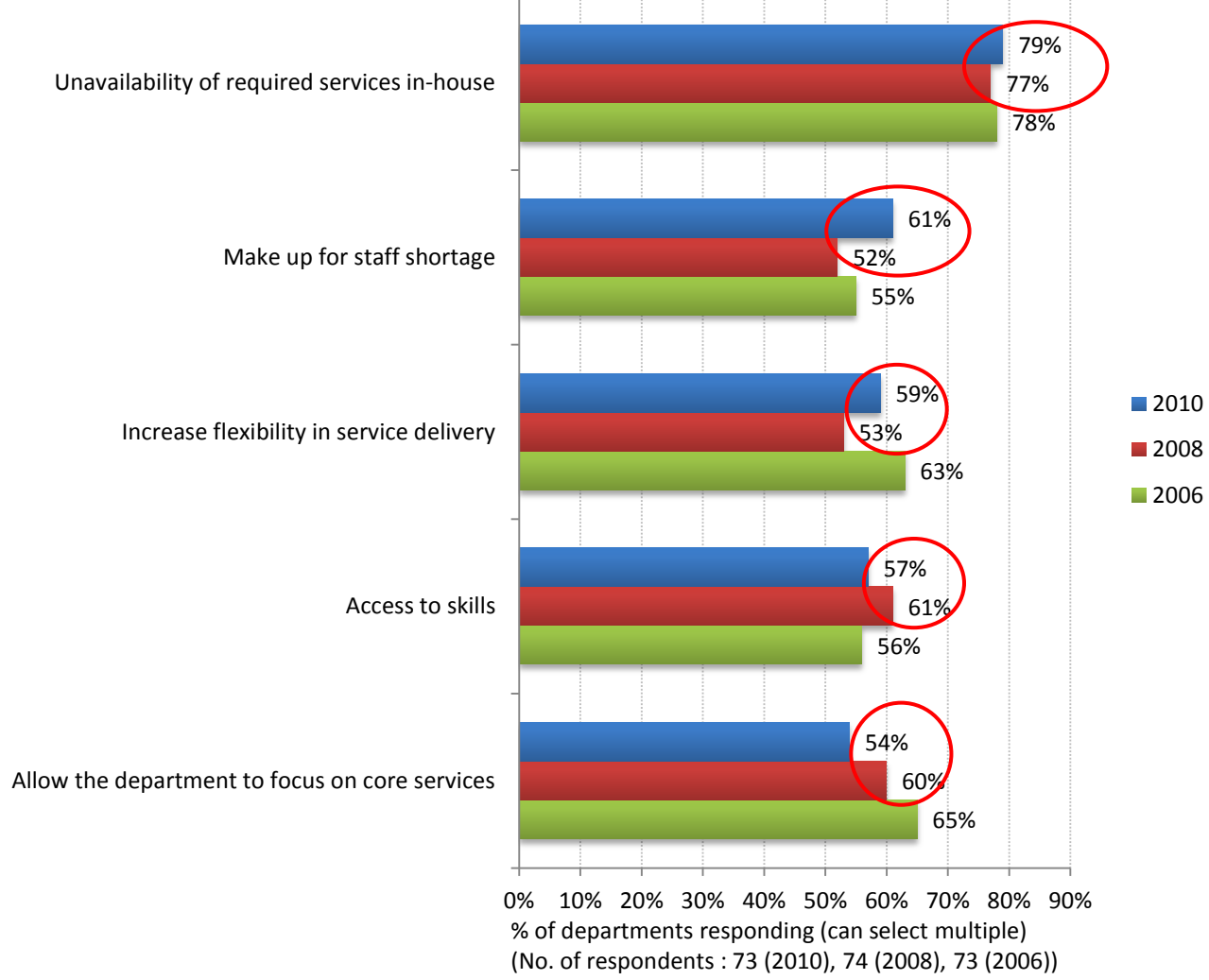| Reasons for outsourcing	2010 Ranking	2008 Ranking
Unavailability of required services in-house	1	1
Make up for staff shortage / Meet establishment ceiling	2	2
Increase the flexibility in service delivery	3	5
Access to skills	4	3
Allow the department to focus on core services	5	4
Access to technology	6	7
Achieve defined service levels	7	9
Improve service quality	8	10
Improve service output	9	8
Reduce costs	10	6
Access to information	11	11
Imposed by policy changes	12	12
Facilitate other organisational changes	13	15
Legacy system (IT) necessity	14	16
Change fixed costs to variable costs	15	14
Risk diversification	16	13
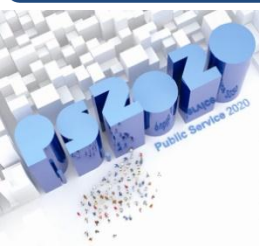
Departments are generally satisfied that outsourcing fulfilled their objectives

- Departments reported a rise in fulfillment level for the top 3 reasons for outsourcing :
  — Unavailability of required services in-house (↑2%);
  — Make up for staff shortage (↑9%);
  — Increase flexibility in service delivery (↑6%).

- However, there is a drop for:
  — Access to skills (↓4%); and
  — Allow the department to focus on core services (↓6%).

Fulfillment of top 5 reasons for outsourcing
(For outsourcing expectation fully met)

Unavailability of required services in-house
- 79%
- 77%
- 78%

Make up for staff shortage
- 61%
- 52%
- 55%

Increase flexibility in service delivery
- 59%
- 53%
- 63%

Access to skills
- 57%
- 61%
- 56%

Allow the department to focus on core services
- 54%
- 60%
- 65%

- 2010
- 2008
- 2006

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%
% of departments responding (can select multiple)
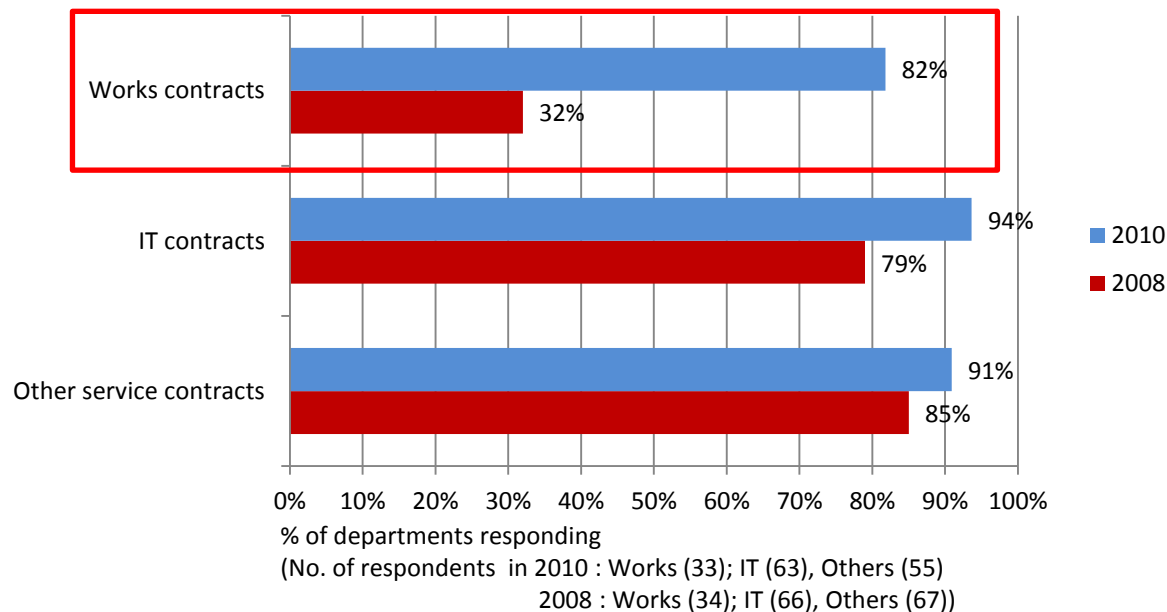(No. of respondents : 73 (2010), 74 (2008), 73 (2006))

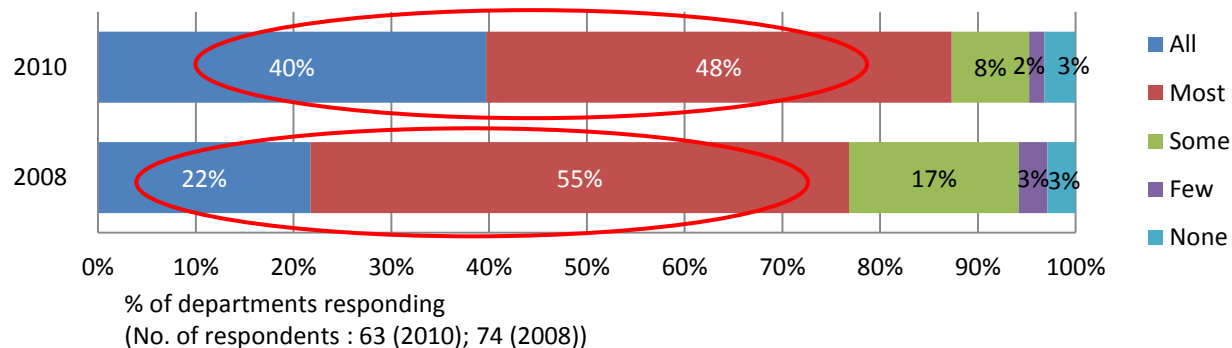# Departments reported improvement in budget and time control

- There is improvement in budget control for all or most of the contracts. The improvement is most remarkable for works contracts which shows a significant improvement of 50% from the 2008 survey.

- 88% of departments reported that all or most of their works and IT contracts were completed on time. This shows an improvement of 11% from 77% in the 2008 survey.

- For IT and works projects that are not completed on time, the average duration of delay is 3.7 months (new item in 2010).

Contract payments within original budget
(For all or most of the contracts)

	2010	2008
Works contracts	82%	32%
IT contracts	94%	79%
Other service contracts	91%	85%

% of departments responding
(No. of respondents in 2010 : Works (33); IT (63), Others (55)
2008 : Works (34); IT (66), Others (67))

Completion of IT and works projects on time

	All	Most	Some	Few	None
2010	40%	48%	8%	2%	3%
2008	22%	55%	17%	3%	3%

% of departments responding
(No. of respondents : 63 (2010); 74 (2008))
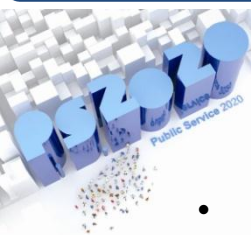
Most contracts can achieve cost savings ranging from 26% to 35%

- On average, the cost saving was estimated to be 31% as compared with in-house provision. The majority of responding departments reported estimated savings in the region of 26% to 35%.

Service category	Average cost saving (%)	No. of departments
Community, medical and welfare services	90%	1
Call centres	60%	2
Printing and distribution	49%	5
Training and education	44%	7
Finance and accounting	42%	4
Policy advice and management consulting	38%	3
Environmental hygiene services	35%	4
Information technology	34%	29
Office support and administrative services	34%	26
Human resource management	31%	12
Others	28%	11
Building and property management services	28%	21
Plant and equipment maintenance	27%	11
Technical services	26%	11
Transport services	26%	8
Marketing, communication, publicity and public relations	22%	12
Infrastructure maintenance Works contracts	22%	4
Capital works and construction	21%	4
Cultural and recreational services	20%	5
Legal services	N/A	0
	Overall average : 31% (2008: 29%)	

Note: 1. Of the 74 departments with outsourcing activities, 49 responded with estimated cost savings.
2. Each department can respond in more than 1 service category.

Increase in demand for outsourcing support services

- There is a significant increase in the demand for outsourcing support services. As compared to the 2008 survey, there is increase in all types of supporting services required by departments.

- The top 3 support services required are:
  — Sample on contract templates (↑33%);
  — Experience sharing (↑31%); and
  — Training in contract management (↑28%).

Support required to take forward outsourcing initiatives

Support required	2010	2008	2006
Sample on contract templates	98%	65%	85%
Experience sharing	82%	51%	70%
Training in contract management	73%	45%	61%
Training in outsourcing / PPP techniques & skills	69%	47%	57%
Advice on contract management	67%	39%	54%
Tendering and evaluation	67%	39%	59%
Development of service specifications	67%	43%	48%
Help desk	66%	47%	67%
Management talks on PSI	53%	35%	52%
Safeguards to ensure probity, information/data security	51%	22%	20%
Market research and testing	49%	27%	26%
Identification of outsourcing / PSI opportunities	47%	27%	28%
Training in business case analysis	45%	28%	0%
Reference materials	13%	7%	7%

% of departments responding (can select multiple)
(No. of respondents : 56 (2010); 74 (2008); 54 (2006))

Contractors' Views

Responses from contractors

Distribution of contractors' responses by service category
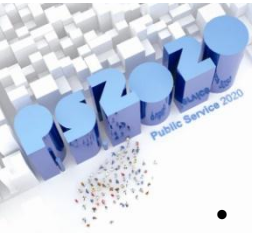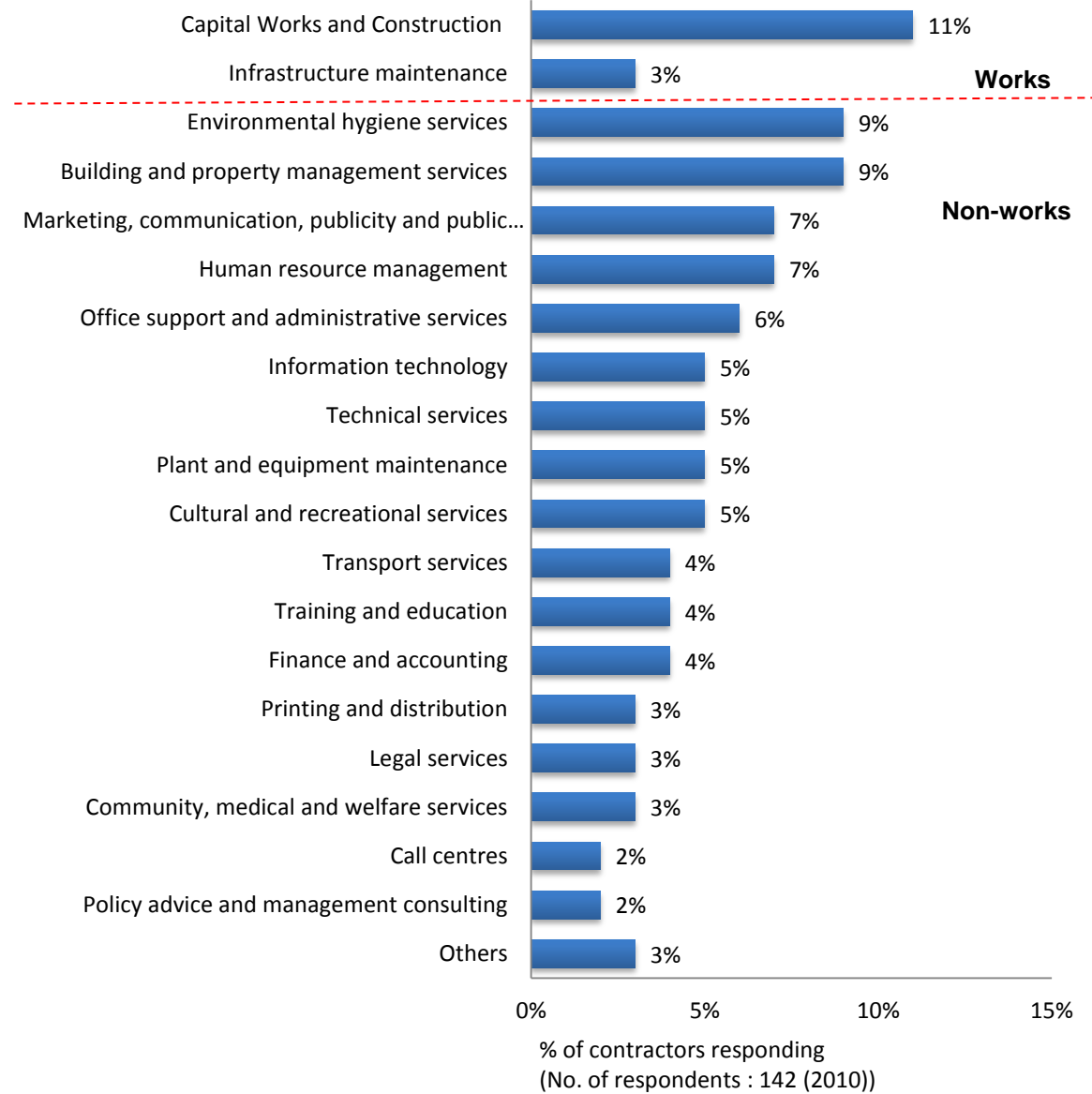
- The number of completed questionnaires was 142 (2008: 129) and overall response rate was 40% (2008: 45%).

- About 86% (2008: 82%) of responses relate to non-works service categories and about 14% (2008: 18%) to works service categories.

Service category	%
Capital Works and Construction	11%
Infrastructure maintenance	3%
Environmental hygiene services	9%
Building and property management services	9%
Marketing, communication, publicity and public…	7%
Human resource management	7%
Office support and administrative services	6%
Information technology	5%
Technical services	5%
Plant and equipment maintenance	5%
Cultural and recreational services	5%
Transport services	4%
Training and education	4%
Finance and accounting	4%
Printing and distribution	3%
Legal services	3%
Community, medical and welfare services	3%
Call centres	2%
Policy advice and management consulting	2%
Others	3%

Works

Non-works

0%   5%   10%   15%

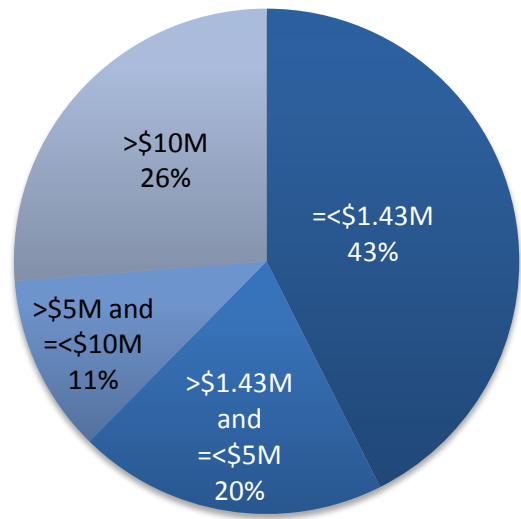% of contractors responding
(No. of respondents : 142 (2010))

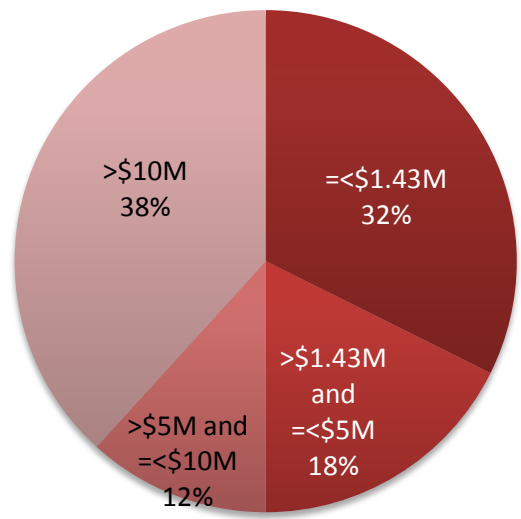# 7% drop in the number of contractors getting contracts above $1.43M

- Overall, 57% of contractors had contracts valued over $1.43 million, compared with 64% in 2008 (value above $1.3 million).

- For works contracts, 68% of contractors had contracts valued over $1.43 million, down from 87% in 2008 (value above $1.3 million).

- For non-works contracts, 55% of contractors had contracts valued over $1.43 million, whereas it was 60% in 2008 (value above $1.3 million).
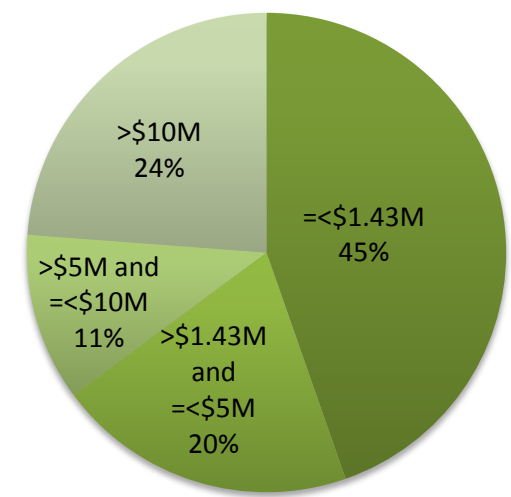
Overall

=<$1.43M
43%

>$1.43M and =<$5M
20%

>$5M and =<$10M
11%

>$10M
26%

Percentage by number of all contractors

Works

=<$1.43M
32%

>$1.43M and =<$5M
18%

>$5M and =<$10M
12%

>$10M
38%

Percentage by number of works contractors

Non-works

=<$1.43M
45%

>$1.43M and =<$5M
20%

>$5M and =<$10M
11%

>$10M
24%

Percentage by number of non-works contractors

68% of contractors reflected that the contract values are about right

- Overall, 68% (2008: 67%) of contractors considered that the contract values awarded were about right. None of them considered the contract values were too big.

- For contracts with value at or below $1.43 million, 50% of the responded works contractors considered the contract values as appropriate, compared with 100% in 2008. (Noted that the no. of responses was only 3 in 2008 but 10 in 2010). 55% (2008: 53%) of the responded non-works contractors considered the contract values were about right.

- For contracts with value more than $1.43 million, 71% (2008: 75%) of works and 77% (2008: 73%) of non-works contractors considered the contract values were about right.
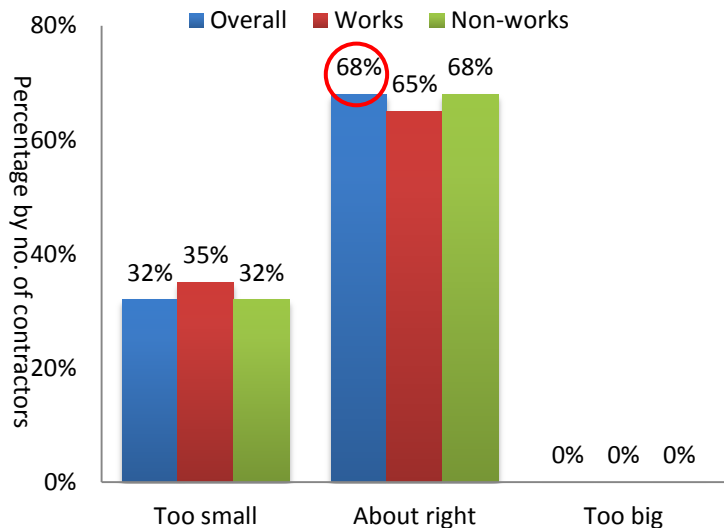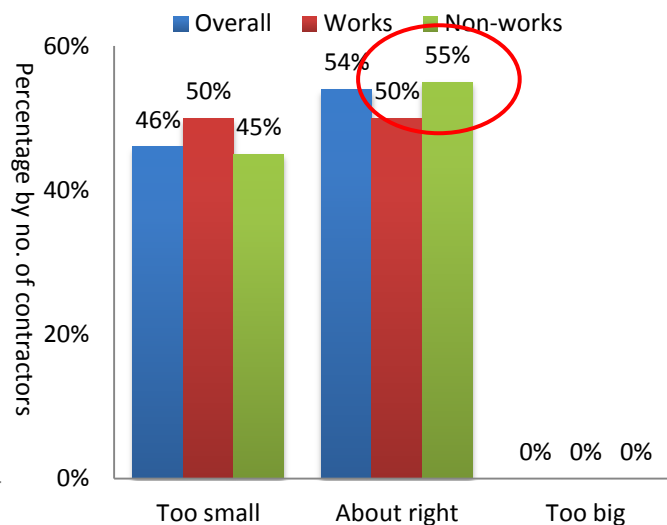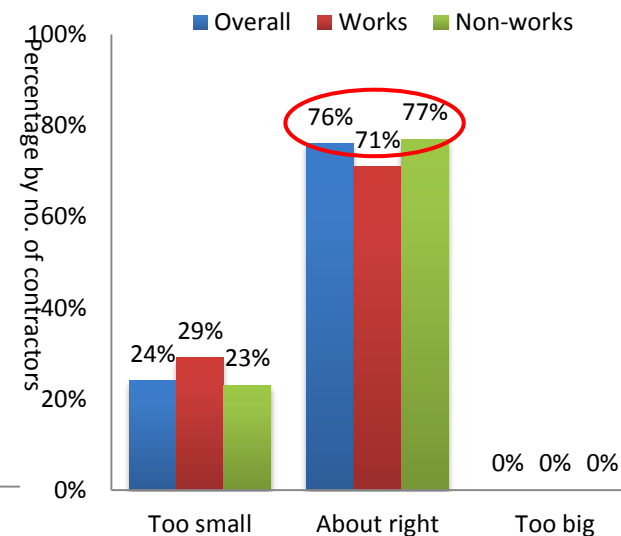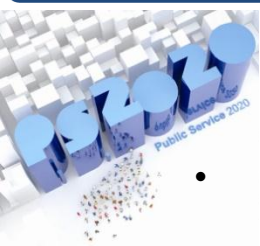
Most contractors are satisfied with the contract duration

- 50% (2008: 39%) of works contracts and 64% (2008: 68%) of non-works contracts have contract period less than or equal to 2 years.

- There is a big drop in work contracts with contract period between 2 – 3 years from 52% in 2008 to 24% in 2010.

- There is a 14% drop in contractors' view that the duration for both works (73% down from 87% in 2008) and non-works contracts (59% down from 73% in 2008) is about right.

Average Contract Duration (years)

2010
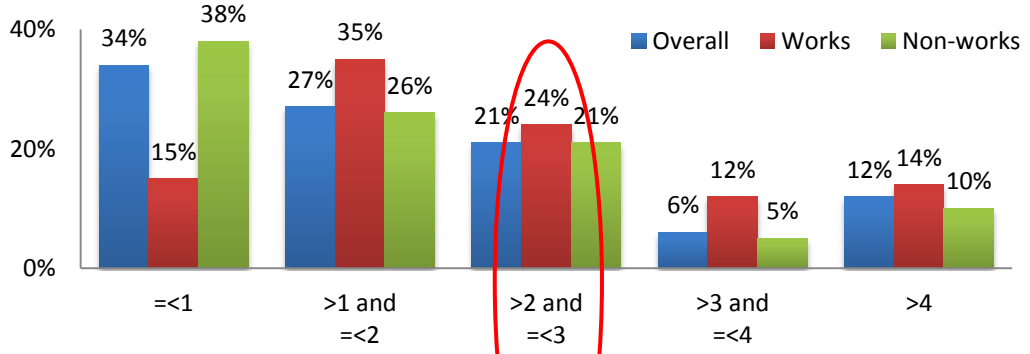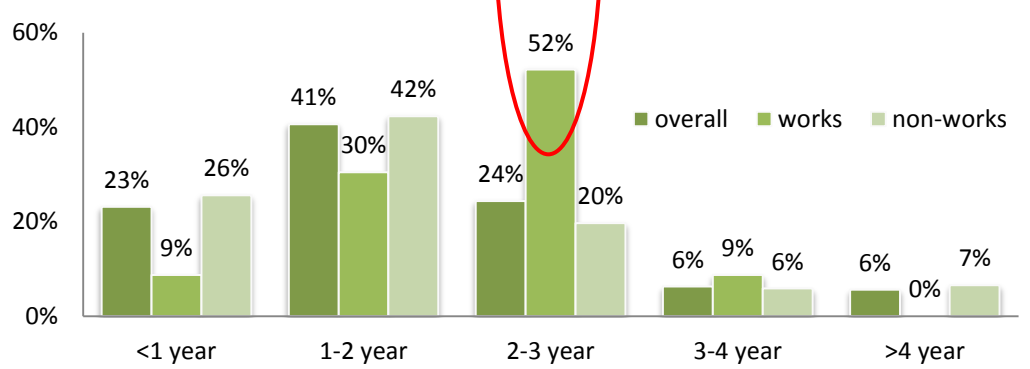
Views on Contract Duration

2008
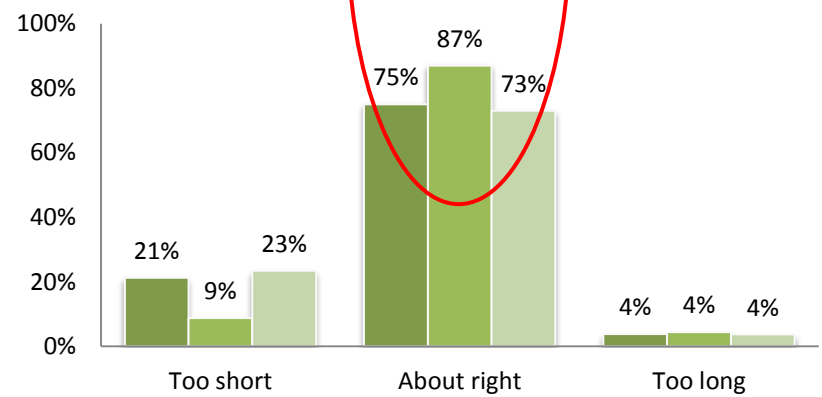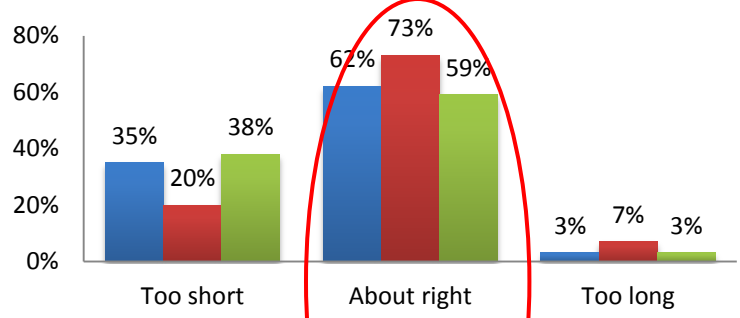
Secure payment is the top attraction for Government contracts

- Top three attractions of Government contracts are -
  — Secure payments (90%, ↑3%);
  — Build up company image (65%, ↑3%); and
  — Open, transparent and fair procurement process (50%, same).

- A significant increase of 12% over 2008 is observed on "Good opportunities in public sector market"

Attractiveness of Government Contracts

Category	2010	2008
Secure payments	90%	87%
Build up company image	65%	62%
Open, transparent and fair procurement process, etc.	50%	50%
Good opportunities in public sector market	40%	28%
Well established contract management procedures	38%	37%
Large contract value	20%	14%
Long contract duration	19%	15%
High autonomy in deciding the approach to the delivery of services	7%	6%
Others	1%	1%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
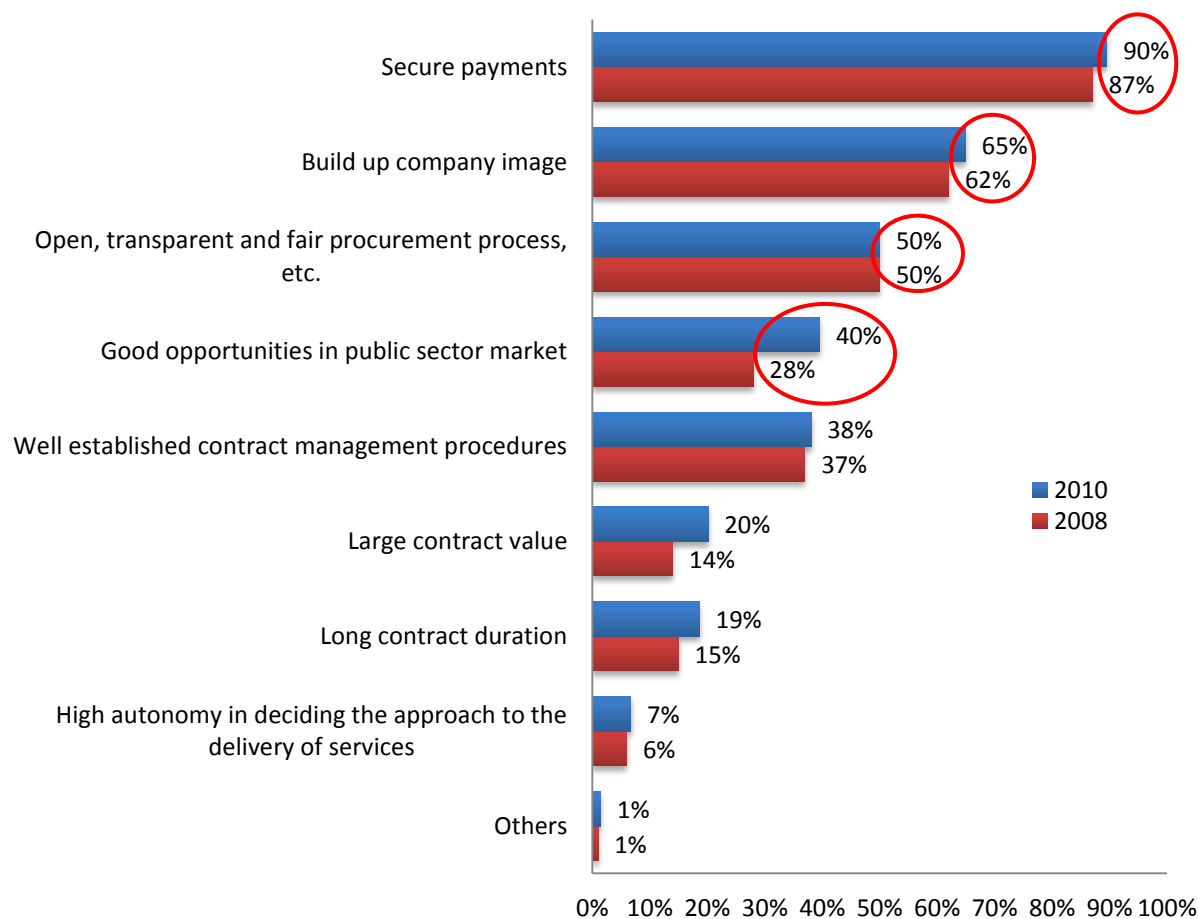
% of contractors responding (can select multiple)
(No. of respondents : 134 (2010) ; 129 (2008))

Contractors' major concerns in bidding are price being the dominant factor and little room for negotiation

Price being the dominant factor in tender evaluation — 62% / 57%
Little room for negotiation — 49% (New item in 2010)
Too many bidders — 32% / 37%
Short notice of contract award — 31% / 29%
Complicated requirements in tender proposals — 28% / 26%
Short notice of tender invitation — 28% / 29%
Unfair/rigid contract terms and conditions — 28% / 29%
Inadequate weighting of performance track record — 23% / 27%
Insufficient transparency in tender evaluation — 22% / 30%
Unclear requirements of service level and performance standard — 20% / 13%
Too much use of prescriptive input-based specifications — 18% / 9%
Long procurement process — 17% / 14%
Short handover period — 14% / 17%
Insufficient linkage between payment and change in cost of service provision — 13% / 22%
Insufficient linkage between payment and volume of service provision — 13% / 19%
High requirement on financial capability — 7% / 12%
Risk of non-compliance with labour protection measures — 6% / 10%
Increased costs in adopting labour protection measures — 5% / 13%
Others — 7% / 5%

■ 2010 ■ 2008

% of contractors responding (can select multiple)
(No. of respondents : 133 (2010); 129 (2008))

- 62% of contractors expressed the major problem to be price being the dominant factor in tender evaluation (↑5%).

- About half (49%) of the contractors expressed there was little room for negotiation.

- There is a big drop in contractors' concerns in the following : "insufficient transparency in tender evaluation" (↓8%), insufficient linkage between payment and change in cost (↓9%), insufficient linkage between payment and workload (↓6%) and increased cost in adopting labour protection measures (↓8%).

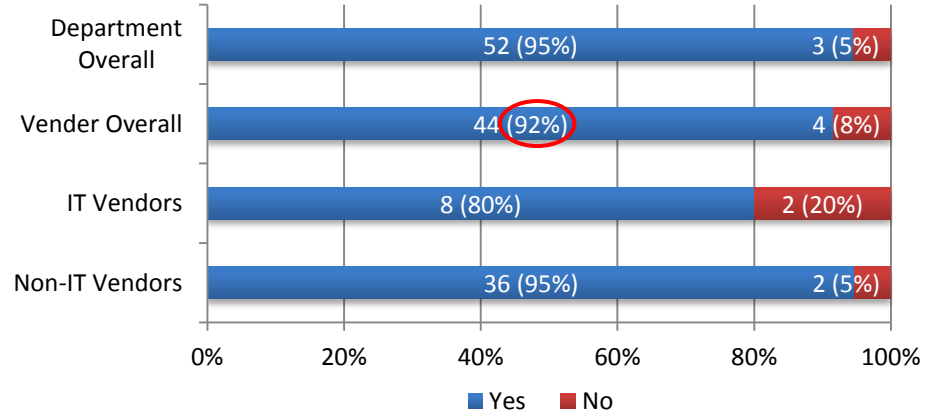# Most contractors welcome higher technical weighting and assessment on past performance for IT tenders

- 62% of respondents agreed that IT tenders warrant a higher technical weighting greater than 30%.

- 92% of respondents considered that contractors' past performance in delivering government services should be taken into account in tender evaluation.

IT tenders warrant a higher technical weighting greater than 30% (New item)

	Yes	No
Department Overall	24 (57%)	18 (43%)
Vendor Overall	23 (62%)	14 (38%)
IT vendors	10 (100%)	
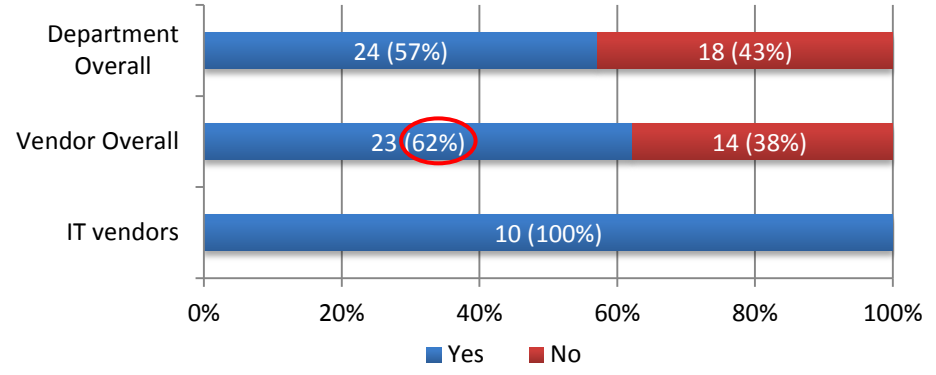
Percentage by number of respondents

Need to consider contractors' past performance in delivering government services in tender evaluation (New item)
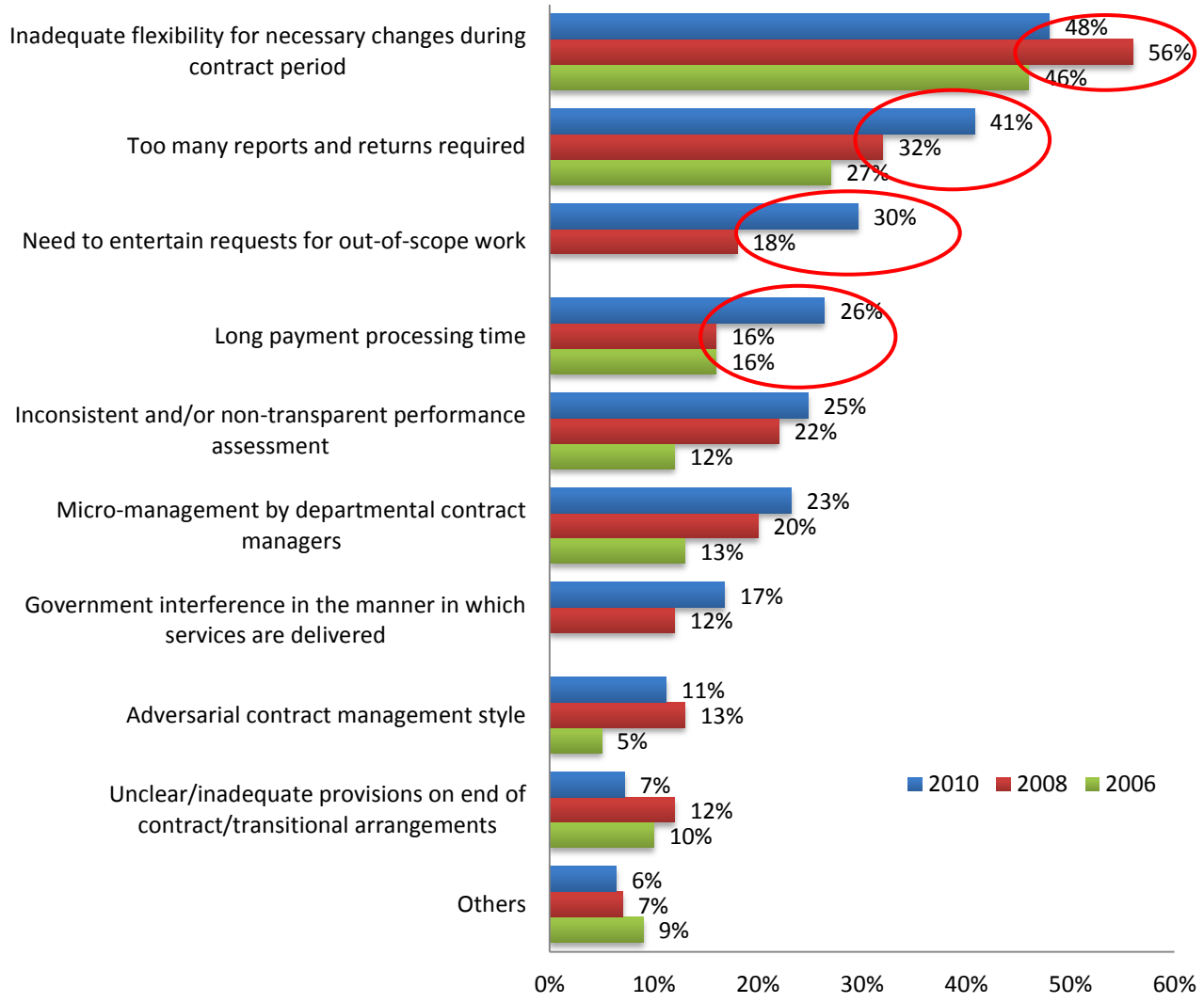
	Yes	No
Department Overall	52 (95%)	3 (5%)
Vender Overall	44 (92%)	4 (8%)
IT Vendors	8 (80%)	2 (20%)
Non-IT Vendors	36 (95%)	2 (5%)

Percentage by number of respondents

Contractors are increasingly concerned about out-of-scope work, too many reports and long payment processing time

- Inadequate flexibility for necessary changes during contract period remains top concern although there is a drop of 8%;

- In addition, there is :
  - 9% increase in contractors' concerns about too many reports and returns;

  - 12% increase in concerns about entertaining out-of-scope work; and

  - 10% increase in long payment processing time.

Difficulties in Delivering Services

Category	2010	2008	2006
Inadequate flexibility for necessary changes during contract period	48%	56%	46%
Too many reports and returns required	41%	32%	27%
Need to entertain requests for out-of-scope work	30%	18%	
Long payment processing time	26%	16%	16%
Inconsistent and/or non-transparent performance assessment	25%	22%	12%
Micro-management by departmental contract managers	23%	20%	13%
Government interference in the manner in which services are delivered	17%	12%	
Adversarial contract management style	11%	13%	5%
Unclear/inadequate provisions on end of contract/transitional arrangements	7%	12%	10%
Others	6%	7%	9%

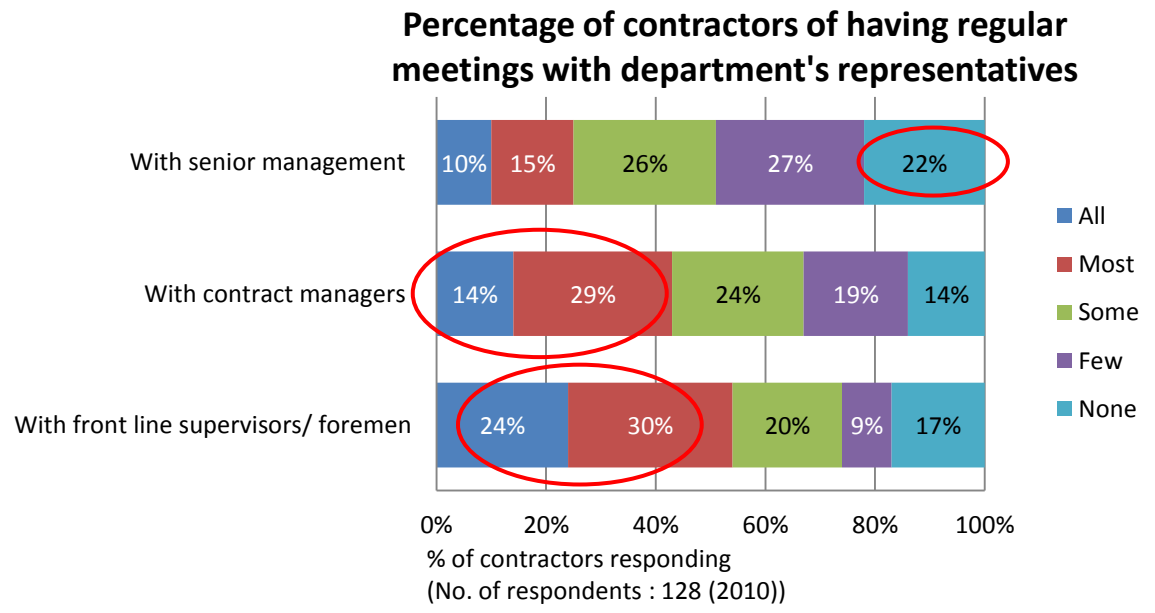■ 2010 ■ 2008 ■ 2006

0% 10% 20% 30% 40% 50% 60%

% by number of contractors (can select multiple)
(No. of respondents : 129 (2010) ; 125 (2008), 127 (2006))

## Contractors have more opportunities to meet with senior management

- 54% (2008: 51%) of contractors met front-line supervisors for all or most contract services, whilst 43% (2008: 42%) of contractors met contract managers.

- 22% of contractors reported that they had no meetings with departments' senior management, down from 42% in 2008.

- 60% (2008: 56%) of contractors had no access to their performance appraisal reports.

Percentage of contractors of having regular meetings with department's representatives

	All	Most	Some	Few	None
With senior management	10%	15%	26%	27%	22%
With contract managers	14%	29%	24%	19%	14%
With front line supervisors/ foremen	24%	30%	20%	9%	17%

% of contractors responding
(No. of respondents : 128 (2010))

Percentage of contractors having access to performance appraisal reports
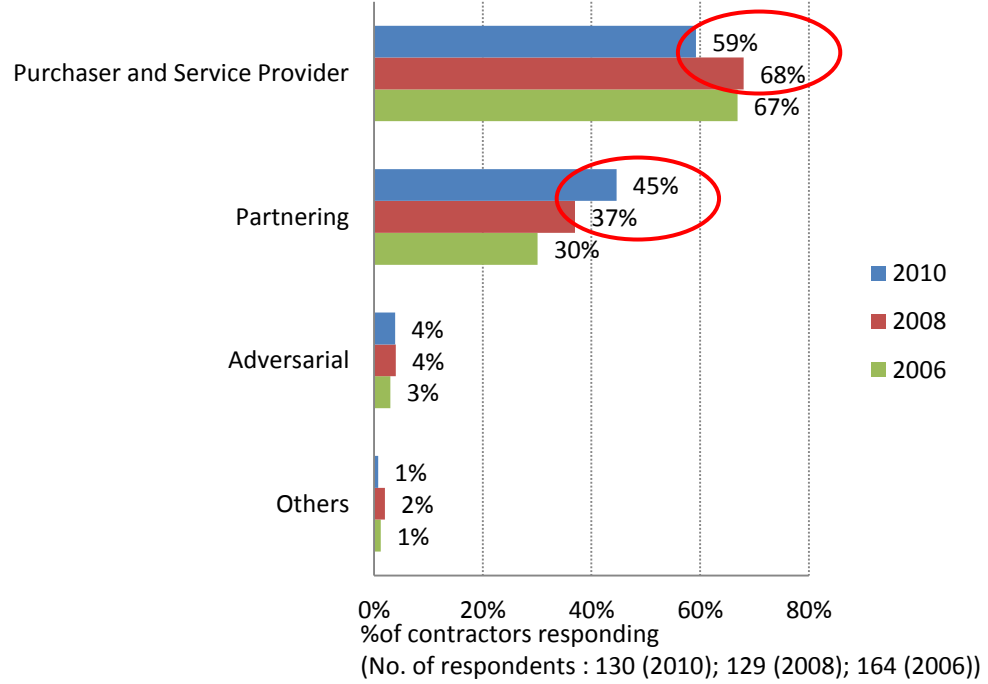
Yes 40%

No 60%
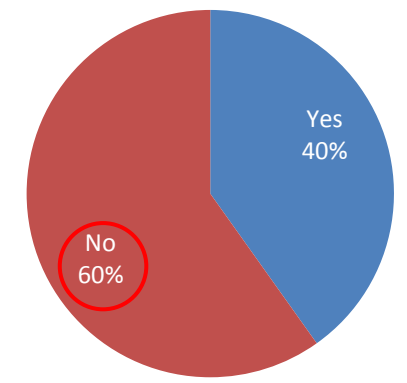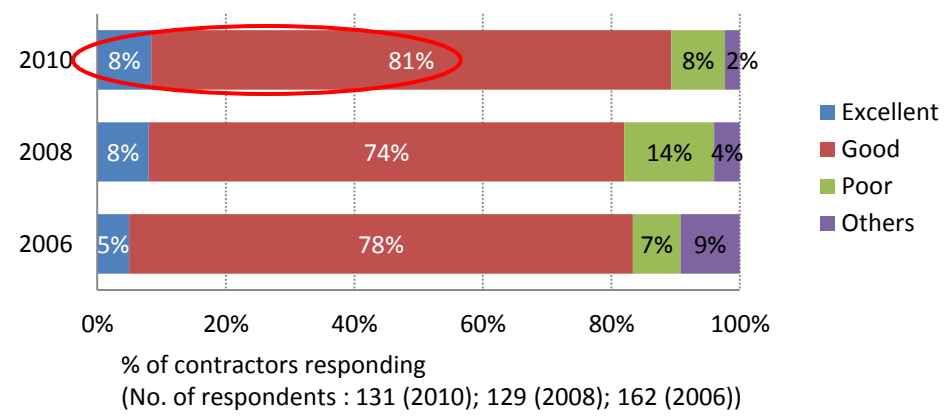
(No. of respondents : 127 (2010))
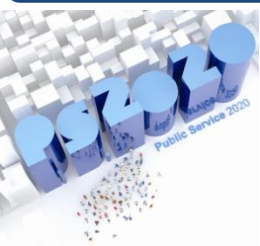
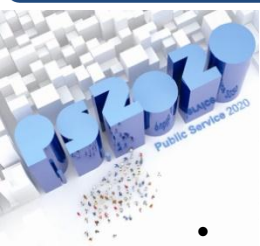# Relationship between Government and contractors : more as partner, less as purchaser and service provider

- 45% of contractor described their relationship with Government as a "Partner", an 8% increase from 37% in 2008. "Purchaser and Service Provider" relationship was 59%, indicating a 9% decrease from 68% in 2008.

- The majority of contractors (89%) had an "excellent" or "good" satisfaction level in working with the Government, a 7% increase from 82% in 2008.

Working relation with departments

Purchaser and Service Provider
- 59%
- 68%
- 67%

Partnering
- 45%
- 37%
- 30%

Adversarial
- 4%
- 4%
- 3%

Others
- 1%
- 2%
- 1%

Legend:
- 2010
- 2008
- 2006

0%   20%   40%   60%   80%
%of contractors responding
(No. of respondents : 130 (2010); 129 (2008); 164 (2006))

Satisfaction level of contractors

2010: 8% | 81% | 8% | 2%
2008: 8% | 74% | 14% | 4%
2006: 5% | 78% | 7% | 9%

Legend:
- Excellent
- Good
- Poor
- Others

0%   20%   40%   60%   80%   100%

% of contractors responding
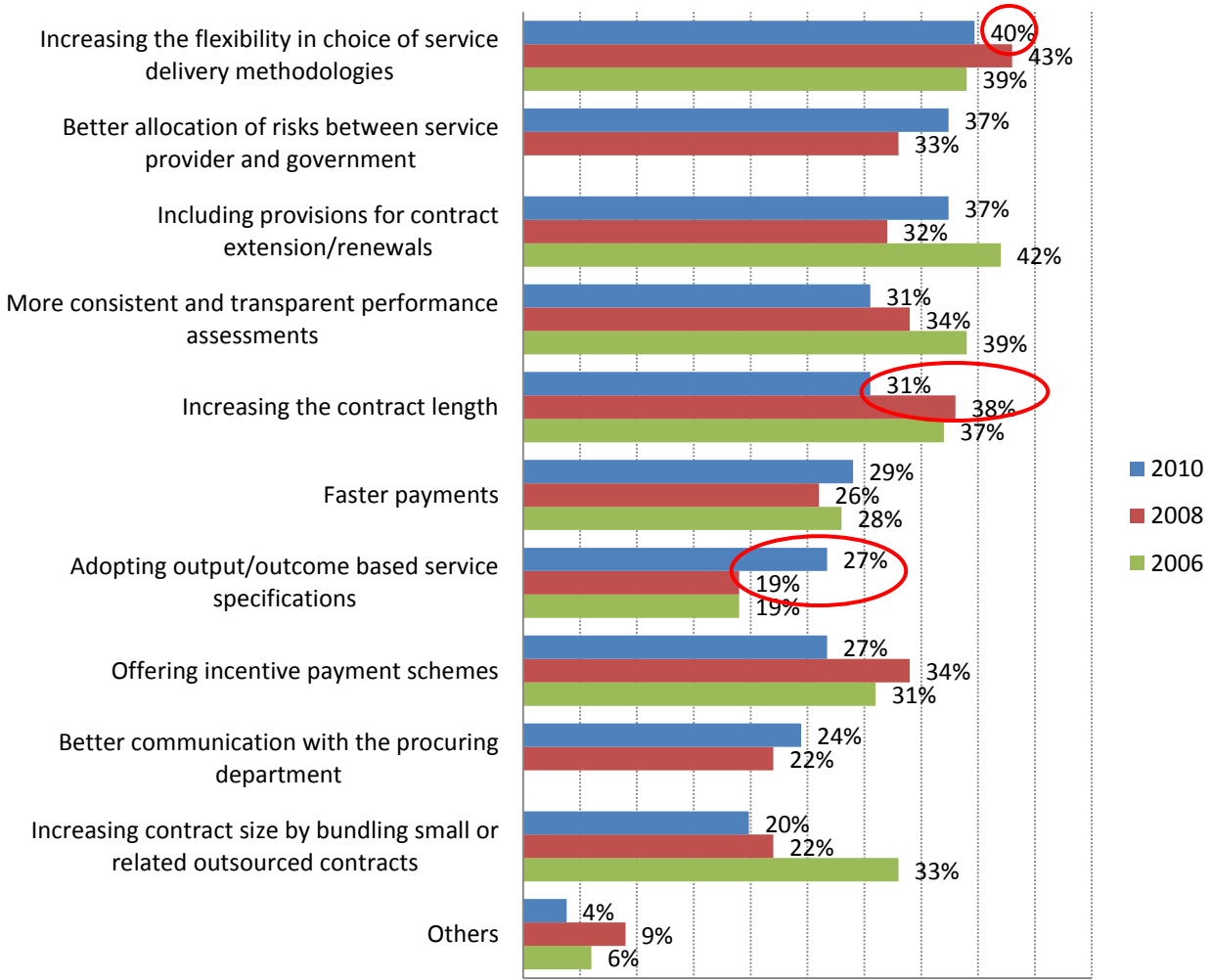(No. of respondents : 131 (2010); 129 (2008); 162 (2006))

Contractors want more flexibility in delivering their services

- Contractors continue to rank being given more flexibility in service delivery methodologies as their top priority.

- As compared to the 2008 Survey, there is an 8% increase in the number of contractors indicating that Government should adopt output/outcome based service specification. On the other hand, there is an 7% drop in the number of contractors considering that the contract length should be increased. This echoes the earlier findings that contractors in general are satisfied with the length of the contract period.

Improvement opportunities identified by contractors

Improvement opportunity	2010	2008	2006
Increasing the flexibility in choice of service delivery methodologies	40%	43%	39%
Better allocation of risks between service provider and government	37%	33%	
Including provisions for contract extension/renewals	37%	32%	42%
More consistent and transparent performance assessments	31%	34%	39%
Increasing the contract length	31%	38%	37%
Faster payments	29%	26%	28%
Adopting output/outcome based service specifications	27%	19%	19%
Offering incentive payment schemes	27%	34%	31%
Better communication with the procuring department	24%	22%	
Increasing contract size by bundling small or related outsourced contracts	20%	22%	33%
Others	4%	9%	6%

0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%

% of contractors responding (can select multiple)
(No. of respondents: 131 (2010), 129 (2008), 113 (2006))

Appendices

List of Appendices

Appendix 1 – Questionnaire to Government departments
Appendix 2 – Questionnaire to contractors providing outsourcing services
Appendix 3 – Breakdown of contracts by service categories
Appendix 4 – Breakdown of contracts by departments
Appendix 5 – Explanation on different types of tendering procedures
Appendix 6 – List of abbreviation of departments

2010 OUTSOURCING SURVEY
Part II - Outsourcing Questionnaire for Departments/Bureaux

GUIDANCE NOTES FOR PART II

A. Purpose of the survey

The purpose of this survey is to understand the nature and the extent of outsourcing within the Hong Kong SAR Government. The information collected will be used to update the service-wide database on outsourcing. It will also help us design the support services that best meet the requirements of departments (we use this term to cover all bureaux, departments, agencies, etc). This is a biennial survey and the last one was conducted in July 2008.

B. Scope of the survey

For the purpose of this survey, an outsourcing activity refers to any contractual arrangement whereby a department **pays a service provider to deliver specified service outputs** with a contractual value exceeding **$0.15M**. One-off service contracts should also be included.

Apart from the private sector, services procured from the trading fund departments, (e.g. EMSTF, OFTA, etc.), consultants, tertiary and research institutions are considered as outsourcing services and are included in the scope of this survey.

This survey DOES NOT cover the following contracts-
(1) Contracts for procurement of goods, leasing or rental of accommodation and telecommunication lines, and employment contracts for individual staff (Note).
(2) Revenue contracts where the contractor shares revenues with/pays charges to government departments.

Note:
(i) Employment contract which department pays salary direct to individual staff should be excluded.
(ii) Contracts which the manpower agent employs the staff direct for provision of service to a department should be included, e.g. T contracts of OGCIO for provision of IT staff should be included.
(iii) For (ii) above, the service category (see (C) below) should be based on the nature of services being provided by the staff, e.g. the services category for provision of IT staff through T contracts should be "Information Technology".

C. Description of service category

Service category	Examples
1. Building and property management services	◆ Cleansing of office, building, school ◆ Building maintenance services ◆ Security guarding services ◆ Leasing agency services ◆ Property management
2. Call centres	◆ Provision of telephone/computer-based centres for managing interface with customers
3. Capital works and construction	◆ Construction of public housing ◆ Building of infrastructure (e.g. road construction) ◆ Feasibility study/ technical research for construction works
4. Community, medical and welfare services	◆ Home help/care ◆ Medical services ◆ Hospital services ◆ Elderly care services ◆ Laundry services for care/attention homes

5. Finance and accounting	◆ Advice on finance, accounting or investment ◆ Bill payments ◆ Maintenance of accounting records ◆ Preparation of financial statements
6. Human resource management	◆ Recruitment of staff ◆ Payroll processing ◆ Staff counselling service
7. Information technology	◆ Management, operation, support and maintenance of information technology infrastructure ◆ Applications development and maintenance
8. Infrastructure maintenance	◆ Road maintenance ◆ Road painting ◆ Slope maintenance
9. Legal services	◆ Legal advice, briefing out cases ◆ Preparation of legal documents ◆ Legal aid
10. Marketing, communication, publicity and public relations	◆ Public relations services ◆ Publicity, media campaigns (e.g. public awareness) ◆ Editorial services ◆ Market research ◆ Opinion survey
11. Office support and administrative services	◆ Data entry, collection and analysis services ◆ Secretarial and clerical support ◆ Despatch and delivery services ◆ Recording and transcription services ◆ Translation and interpretation services
12. Plant and equipment maintenance	◆ Maintenance of motor vehicles, vessels etc ◆ Maintenance of office automation equipment ◆ Maintenance of electrical and mechanical equipment
13. Policy advice and management consulting	◆ Advice on policy/ programme development, organisational improvements ◆ General management consultancy
14. Printing and distribution	◆ Printing of stationery ◆ Printing and design of publications (reports, examination papers, etc) ◆ Photo finishing services, photographic services ◆ Logistic support and storage service
15. Technical services	◆ Scientific research ◆ Laboratory services ◆ Mapping and surveying ◆ Aerial photography ◆ Property valuations ◆ Assessment of compensation for land resumption
16. Training and education	◆ Staff training and development ◆ Provision of educational services/ research
17. Transport services	◆ Management of government tunnels ◆ Vehicle examination ◆ Provision/ maintenance/ management of transport fleet including land and marine ◆ Transport of plant and equipment / removal expenses
18. Cultural and recreational services	◆ Management of community venues, recreational facilities, club houses ◆ Organisation and delivery of cultural events ◆ Horticultural and landscape maintenance services
19. Environmental hygiene services	◆ Waste collection/ disposal and waste management ◆ Management of public bathrooms/ toilets ◆ Management of public markets/ cooked food centres ◆ Street, gully cleansing ◆ Pest control
20. Others	For services not covered above, please provide details.

D. Other guidelines

Guidelines are provided for items that may require further explanation. These items are marked in blue with a red indicator on the upper-right corner of the cell (as illustrated in this cell). You can place the cursor over the cell to reveal the guideline. Please see the screen capture below.

SECTION 1 – EXISTING OUTSOURCING CONTRACTS

1.1 Please list all contracts that were in force **as at 1 July 2010** with contract value **exceeding $1.43M**.
Add new rows if necessary. Please fill the rows consecutively and leave no blank rows in between.

Fill in either one of the followings. Refer SPRs 220-290 and 315-330 for the definitions of tendering procedures-
- Open tendering
- Selective tendering
- Pre-qualified tendering
- Single/ restricted tendering
- Direct purchase

You can select the service category from the drop down list below.

Put "Yes" if the outsourced service has never been contracted out in the department previously. Bundling of small contracts or extend of project scope (e.g. to cover other geographical areas) should not be included

No.	Contract Title	Contract Value (HK$M)	Service Category (see Notes (C))	Contract Period (MM/YYYY) (Start)	(End)	Tendering Procedure	Is this nature or type of service outsourced for the first time? (Yes/ No)	Description of the outsourced services (if the nature/ type of the service is outsourced for the first time)
1								
2								
3								
4								

The majority rule applies if it is required to generalise answers provided by different sections.

E. Submission

Please send the completed questionnaire via Lotus Notes to the following email address by **26 August 2010** –

KK HO/EU/HKSARG

Nil return is required.

F. Enquiry

For any questions, please contact Mr KK HO at 2810 3485 or Mr. SK LEUNG at 2810 3482

SECTION 1 – EXISTING OUTSOURCING CONTRACTS

1.1 Please list all contracts that were in force **as at 1 July 2010** with contract value **exceeding $1.43M.**
Add new rows if necessary. Please fill the rows consecutively and leave no blank rows in between.

No.	Contract Title	Contract Value (HK$M)	Service Category (see Notes (C))	Contract Period (MMM-YYYY) (e.g. Jan-2010)		Tendering Procedure	Is this nature or type of service outsourced for the first time? (Yes/ No)	Description of the outsourced services (if the nature/ type of the service is outsourced for the first time)
				(Start)	(End)			
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								

SECTION 1 – EXISTING OUTSOURCING CONTRACTS (CONT'D)

1.2 For individual contracts which were in force as at **1 July 2010** with contract value **exceeding $0.15M but not more than $1.43M**, please provide the **aggregate information by service category**:

Service Category (see Notes (C))	Number of Contracts (No.)	Total Contract Value (HK$M)	Tendering Procedure
1. Building and property management services			
2. Call centres			
3. Capital works and construction			
4. Community, medical and welfare services			
5. Finance and accounting			
6. Human resource management			
7. Information technology			
8. Infrastructure maintenance			
9. Legal services			
10. Marketing, communication, publicity and public relations			
11. Office support and administrative services			
12. Plant and equipment maintenance			
13. Policy advice and management consulting			
14. Printing and distribution			
15. Technical services			
16. Training and education			
17. Transport services			
18. Cultural and recreational services			
19. Environmental hygiene services			
20. Others			

SECTION 2 - OUTSOURCING PRACTICE

THIS SECTION APPLIES TO CONTRACTS VALUED OVER $1.43M ONLY. For each of the following questions please select only **one** answer that most generally applies to outsourcing contracts **valued over $1.43M**.

2.1 Strategy and business case

(a) Do you have a departmental outsourcing strategy or goal?

◯ Yes   ◯ No

(b) Do you explore outsourcing opportunities extensively, e.g. by conducting market research / testing?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(c) Do you conduct "business case" studies for new projects?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(d) Do you conduct risk assessment and establish appropriate risk allocation arrangements?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(e) Do you estimate the full cost of delivering the service in-house assuming the service is not to be outsourced?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

2.2 Specifications of services to be provided

(a) Are the services defined on an output/outcome basis?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(b) Do you use service level agreements?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(c) Do you assess performance using measurable indicators?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(d) (For IT tenders only) Is feasibility study or business process re-engineering (BPR) exercise conducted?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

If BPR or feasibility study is NOT conducted for IT projects, what are the most common reasons :

2.3 Tender evaluation

(a) Do you use a marking scheme?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(b) Do you use the "two-envelope system"?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(c) What is the most commonly used ratio of technical to price score?

Technical: [   ]   Price: 100%

(d) What is the % of tenders awarded to the lowest price bids?

[   ]

(e) Do you think contractors' past performance in delivering government services should be taken into account in tender evaluation?

◯ Yes   ◯ No

Items (f) and (g) below are for IT tenders only

(f) What is the most commonly used ratio of technical to price score?

Technical: [   ]   Price: 100%

(g) Do you think IT tenders warrant a higher technical weighting greater than 30%?

◯ Yes   ◯ No

If yes, please elaborate on the situations or system features or other reasons that warrant a higher technical weighting:

2.4 Tendering Process

Which of the following do you think can speed up the tendering process? (Check all items that apply)

☐ (a) Standard marking scheme

☐ (b) Standard terms and conditions

☐ (c) Simplified procedures for clearance of tender documents by procurement and legal authorities

☐ (d) Checklist of common issues raised by procurement authorities

☐ (e) Others, please specify

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2.5 Pricing arrangements embodied in the contract

(a) Would there be incentive payments for good performance?   ○ All ○ Most ○ Some ○ Few ○ None

(b) Would there be payment deductions for performance deficiencies?   ○ All ○ Most ○ Some ○ Few ○ None

(c) Can prices vary with quantitative changes in services?   ○ All ○ Most ○ Some ○ Few ○ None

(d) Can the annual contract prices be varied in accordance with adjustments in market indices (e.g. Consumer Price Index)?   ○ All ○ Most ○ Some ○ Few ○ None

(e) What is the most commonly used pricing model in your outsourcing contracts?

    ○ (i) Fixed price lump sum payment

    ○ (ii) Variable price payment that links with the output of the contractor

    ○ (iii) Mixed (both fixed price and variable price payment) - % of the fixed price payment : ☐

2.6 Deployment of resources after outsourcing

(a) How are the affected posts being deployed?

    (i) No affected posts   ○ All ○ Most ○ Some ○ Few ○ None

    (ii) Redeployed to conduct contract management   ○ All ○ Most ○ Some ○ Few ○ None

    (iii) Redeployed to other areas   ○ All ○ Most ○ Some ○ Few ○ None

    (iv) Deleted   ○ All ○ Most ○ Some ○ Few ○ None

    (v) Others (please specify)   ○ All ○ Most ○ Some ○ Few ○ None

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(b) What has been the staff response(s) to outsourcing of in-house services? (check all items that apply)

    (i) ☐ Accept the changes readily

    (ii) ☐ Negotiate with management on future arrangements (e.g. redeployment)

    (iii) ☐ Seek assistance from staff union

    (iv) ☐ Object strongly

    (v) ☐ Others (please specify)

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2.7 Contract provisions

Do the contracts include provisions for the followings -

(a) Liability cap?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(b) Break clause?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(c) Extension of contract?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(d) Method for performance monitoring?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(e) Mechanism for performance review?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(f) Enforcement against service levels?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(g) Method for negotiating variations?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(h) Incentive scheme?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(i) Provision of non-core services?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(j) Sharing efficiency savings or revenue with government?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(k) Audit requirements?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(l) Access rights (e.g. facilities and accounts) for the government?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(m) Demerit Point System?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(n) Standard Employment Contract?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(o) Ownership of intellectual property?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

2.8 Termination arrangement

Do the contracts include provisions for the followings -

(a) Exit provisions (for either party)?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(b) Roll-over of contract?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

(c) Transfer of assets / skills?   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

2.9 Contract management arrangements

(a) What is the estimated cost of your contract management and monitoring (as a % of the annual contract value)?

(b) What types of performance monitoring mechanisms are in use? (check all items that apply)

☐ Performance reporting by contractors

☐ Performance reporting by the procuring departments

☐ Performance review meetings between senior management of both parties

☐ Open book accounts

☐ On-site inspection / supervision

☐ End user satisfaction survey

☐ Complaints against the contractors

☐ Others (please specify)

(c) Any arrangement for rectifying non-performance of contractors?   ◯ Yes   ◯ No

(d) How do you handle disputes with the service providers?

    (i) Issue default notices, withhold incentives, etc. as per the contract terms and conditions   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (ii) Solve the problems in collaboration with service provider   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (iii) Resolve through mediation, conciliation or arbitration   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (iv) Take legal action   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (v) Terminate the contract   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (vi) Others (please specify)   ◯ All ◯ Most ◯ Some ◯ Few ◯ None

> [ ]

(e) During the period from 1 July 2009 to 30 June 2010, how many outsourcing contracts have been terminated before contract expiry because of unsatisfactory performance of the contractor?   [ ]

(f) What skills / capabilities required to manage outsourced services are lacking in your department?
(check all items that apply)

☐ General contract management skills   ☐ Specialists skills for business analysis

☐ Negotiation skills   ☐ Investigation skills

☐ Partnering skills   ☐ Understanding of contract terms

☐ Stakeholder management skills

☐ Others (please specify)

> [ ]

(g) What are the major issues experienced when managing the outsourced contracts?
(check all items that apply)

☐ Transition to new operation model   ☐ Enforcing performance against service levels

☐ Resistance to change   ☐ Expectation management

☐ Service delivery and compliance   ☐ Managing changes to service requirement

☐ Performance evaluation and reporting   ☐ Capability of contract management staff

☐ Others (please specify)

> [ ]

(h) Are contract managers provided with formal contract management training?   ◯ Yes   ◯ No

(i) If you have conducted contract management training course(s) (excluding those organised by EU and CSTDI), what topics are covered?
(check all items that apply)

☐ Have not organised such course before   ☐ Tender selection and evaluation

☐ Business case development   ☐ Contract enforcement

☐ Managing contractor relationships

☐ Others (please specify)

> [ ]

2.10 Post-implementation reviews

(a) Do you conduct post-implementation reviews (PIR), particularly on outsourcing effectiveness?

◯ All ◯ Most ◯ Some ◯ Few ◯ None

(b) If you have conducted PIRs, when would you mostly start the exercise?

[   ] months

◯ after the start of the current contract
◯ before the end of the current contract
◯ after the expiry of the current contract

Others (Please specify):

[   ]

(c) If you have conducted such review, what areas were covered by the review(s)? (check all items that apply)

☐ Achievement of outsourcing objectives   ☐ Commercial arrangements (e.g. contract length, pricing mechanism)

☐ Views of end users   ☐ Tender selection and evaluation

☐ Cost-effectiveness   ☐ Staffing for contract management

☐ Service scope and requirements   ☐ Opportunity for further outsourcing

☐ Others (please specify)

[   ]

2.11 Contract expiry

(a) What would your department do when the contract is approaching expiry? (check all items that apply)

☐ Re-use the old contract

☐ Re-think the scope

☐ Re-assess the business case

☐ Identify learning points and improvements based on current contract and apply to new contract where possible

☐ Others (please specify)

[   ]

(b) When will your department start to plan for the contract expiry?

[   ] months before the contract expiry.

2.12 Others

(a)   Based on your experience, what are the main concerns when considering / embarking on outsourcing activities? (check all items that apply)

☐ Difficulties in defining and agreeing the objectives, scope and approach with senior management

☐ Difficulties in defining the contract requirements/service level agreements, deliverables & performance measures

☐ Lack of service providers in the market

☐ Amount of preparation work required for the outsourcing exercise (e.g. tender preparation & evaluation, contract management)

☐ Staffing issues

☐ Difficulties in ensuring quality of work

☐ Difficulties in getting senior management's suport/commitment in the outsourcing exercise

☐ Procedures and processes involved in procurement (e.g. seeking tender board approval & contract terms clearance)

☐ Lack of expertise and/or guidelines on outsourcing

☐ Constraints in settlement of payment (e.g. payment by the end of financial year; reimbursement procedures)

☐ Redeployment of affected staff and posts

☐ Difficulties in managing malpractice of contractors (e.g. exploitation of non-skilled workers)

☐ Others (please specify)

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(b)   Based on experience gained, what changes will your department make next time to improve new outsourcing arrangements? (check all items that apply)

☐ Better define the contract requirements/service level requirements, deliverables & performance measures

☐ Conduct market research on service providers and costs

☐ Secure senior management's suport/commitment in the outsourcing exercise

☐ Allocate sufficient time & staff resources for the preparatory work as well as participating in outsourced projects (e.g. acceptance testing)

☐ Develop a realistic and planned tendering process

☐ Carefully consider the objectives of outsourcing

☐ Improve communications within the organisation and between user/service provider

☐ Make sure the right people are involved as early as possible (e.g. end users)

☐ Set up a dedicated management team to oversee the tender exercise and manage the contract

☐ Undertake due diligence check on service providers/seek independent advice or advice of departments with similar experience

☐ Seek external support and advice on procuring/managing the outsourced activities

☐ Provide prior training to staff to be redeployed to contract management and monitoring

☐ Others (please specify)

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SECTION 3 - OUTSOURCING EFFECTIVENESS

Please answer the following questions for outsourcing contracts with individual contract value above $0.15M.

3.1 Why do you outsource services and to what extent are these expectations met under the existing outsourcing arrangements?

(Please select up to **FIVE** items from the list below and rank them in order of importance [1,2,3,…] with "1" being most important.)

Reasons for Outsourcing	Ranking of Reasons	Fulfilment			
		Fully met	**Partially met**	**Not met**	**Not applicable**
		(Where you have ranked a reason, please check one of these boxes)			
(a) Access to information		○	○	○	○
(b) Access to technology		○	○	○	○
(c) Access to skills		○	○	○	○
(d) Achieve defined service levels		○	○	○	○
(e) Allow the department to focus on core services		○	○	○	○
(f) Change fixed costs to variable costs		○	○	○	○
(g) Reduce costs		○	○	○	○
(h) Make up for staff shortage / Meet establishment ceiling		○	○	○	○
(i) Facilitate other organisational changes		○	○	○	○
(j) Imposed by policy changes		○	○	○	○
(k) Increase the flexibility in service delivery		○	○	○	○
(l) Improve service quality (e.g. transform operations and drive improvements in efficiency, productivity and reliability)		○	○	○	○
(m) Improve service output		○	○	○	○
(n) Legacy system (IT) necessity		○	○	○	○
(o) Risk diversification		○	○	○	○
(p) Unavailability of required services in-house		○	○	○	○
Others (Please specify)					
(q)		○	○	○	○
(r)		○	○	○	○

3.2 When compared with the original contract value, are the contract payments within budget?

    (a)   Works contracts

             ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (b)   IT contracts

             ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (c)   Other service contracts (please specify)

             ◯ All ◯ Most ◯ Some ◯ Few ◯ None

3.3 (For works & IT projects only) When compared with the original schedule stated in the contract documents,

    (a)   Are the projects completed on time?

             ◯ All ◯ Most ◯ Some ◯ Few ◯ None

    (b)   For projects that are NOTcompleted on time, what is the average duration of delay?   months

    (c)   What are the most common causes of project delay?

3.4 For those existing contracts reported under Question 1.1 and 1.2 above, what cost savings are achieved as a % of the expenditure under in-house provision?

		% of cost saving
1	Building and property management services	
2	Call centres	
3	Capital works and construction	
4	Community, medical and welfare services	
5	Finance and accounting	
6	Human resource management	
7	Information technology	
8	Infrastructure maintenance	
9	Legal services	
10	Marketing, communication, publicity and public relations	
11	Office support and administrative services	
12	Plant and equipment maintenance	
13	Policy advice and management consulting	
14	Printing and distribution	
15	Technical services	
16	Training and education	
17	Transport services	
18	Cultural and recreational services	
19	Environmental hygiene services	
20	Others	

3.5 Do the cost savings meet the original expectations? If not, what are the reasons?

3.6 Are there any constraints that prevent your department from achieving better value for money by outsourcing services?

SECTION 4 - EXTERNAL SUPPORT

4.1 Does your department need support to take forward your PSI initiatives? (Check all items that apply)

Consultancy

☐ Identification of outsourcing / PSI opportunities   ☐ Tendering and evaluation

☐ Market research and testing   ☐ Advice on contract management

☐ Development of service specifications   ☐ Safeguards to ensure probity, information/data security

Professional advice/sample documents

☐ Help desk

☐ Sample on contract templates

☐ Reference materials (please specify)

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Training

☐ Management talks on PSI   ☐ Training in contract management

☐ Training in business case analysis   ☐ Experience sharing

☐ Training in outsourcing / PPP techniques & skills

Others (please specify)

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4.2 Any suggestions to improve the Efficiency Unit support for your department in PSI initiatives?

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SECTION 5 - PARTICULARS OF RESPONDENT

Name of Bureaux/Department

Name of Contact Person

Post

Tel. No.

Fax. No.

Lotus Notes Mail Address

Internet Email Address

~ END ~
Thank you for taking the time to complete this questionnaire

**Please SAVE this file and send it to KK HO at
KK HO/EU/HKSARG through Lotus Notes.**

Survey on Outsourcing of Government Activities in 2010

GUIDANCE NOTES

A. Purpose of the Survey

The purpose of this survey is to collect views from private sector service providers on government outsourcing policies and practices. It will help us identify where improvements to procedures, practices, training, etc. may be needed. To collect the views of government departments, a separate survey of all government departments is also being conducted.

B. Approach of the Survey

Respondents' views will NOT be individually identified or referred to third parties. All information provided in this exercise will be treated in confidence and will NOT be considered in any future government tender exercise.

C. Scope of the Survey

For the purpose of this survey, an outsourcing activity refers to any contractual arrangement where a government department pays a service provider to deliver specified service outputs with a contract value exceeding $ 0.15M. One-off service contracts are also included.

This survey DOES NOT cover the following contracts-
(1) Contracts for procurement of goods, leasing or rental of accommodation and telecommunication lines, and employment contracts for individual staff.
(2) Revenue contracts where the contractor shares revenues with/pays charges to government departments.

D.   Submission method

Please fax the completed questionnaire to **Mr. KK HO at 2123 1070** by **24 September 2010**. Alternatively, you may email the softcopy of the completed questionnaire to Mr. HO at **kkho@eu.gov.hk**.

E.   Enquiry

For any questions, please contact **Mr. KK HO at 2810 3485** or **Mr. SK Leung at 2810 3482**.

Appendix - Description of service category
This appendix describes the service categories used in the questionnaire.

Service category	Examples
1. Building and property management services	◆ Cleansing of office, building, school ◆ Building maintenance services ◆ Security guarding services ◆ Leasing agency services ◆ Property management
2. Call centres	◆ Provision of telephone/computer-based centres for managing interface with customers
3. Capital works and construction	◆ Construction of public housing ◆ Building of infrastructure (e.g. road construction) ◆ Feasibility study/technical research for construction works
4. Community, medical and welfare services	◆ Home help/care ◆ Medical services ◆ Hospital services ◆ Elderly care services ◆ Laundry services for care/attention homes
5. Finance and accounting	◆ Advice on finance, accounting or investment ◆ Bill payments ◆ Maintenance of accounting records ◆ Preparation of financial statements
6. Human resource management	◆ Recruitment of staff ◆ Payroll processing ◆ Staff counselling service
7. Information technology	◆ Management, operation, support and maintenance of information technology infrastructure ◆ Applications development and maintenance
8. Infrastructure maintenance	◆ Road maintenance ◆ Road painting ◆ Slope maintenance
9. Legal services	◆ Legal advice, briefing out cases ◆ Preparation of legal documents ◆ Legal aid
10. Marketing, communication, publicity and public relations	◆ Public relations services ◆ Publicity, media campaigns (e.g. public awareness) ◆ Editorial services ◆ Market research ◆ Opinion survey
11. Office support and administrative services	◆ Data entry, collection and analysis services ◆ Secretarial and clerical support ◆ Despatch and delivery services ◆ Recording and transcription services ◆ Translation and interpretation services
12. Plant and equipment maintenance	◆ Maintenance of motor vehicles, vessels etc ◆ Maintenance of office automation equipment ◆ Maintenance of electrical and mechanical equipment
13. Policy advice and management consulting	◆ Advice on policy/programme development, organisational improvements ◆ General management consultancy

14. Printing and distribution	◆ Printing of stationery ◆ Printing and design of publications (reports, examination papers, etc) ◆ Photo finishing services, photographic services ◆ Logistic support and storage service
15. Technical services	◆ Scientific research ◆ Laboratory services ◆ Mapping and surveying ◆ Aerial photography ◆ Property valuations ◆ Assessment of compensation for land resumption
16. Training and education	◆ Staff training and development ◆ Provision of educational services/research
17. Transport services	◆ Management of government tunnels ◆ Vehicle examination ◆ Provision/ maintenance/management of transport fleet including land and marine
18. Cultural and recreational services	◆ Management of community venues, recreational facilities, club houses ◆ Organisation and delivery of cultural events ◆ Horticultural and landscape maintenance services
19. Environmental hygiene services	◆ Waste collection/ disposal and waste management ◆ Management of public bathrooms/toilets ◆ Management of public markets/cooked food centres ◆ Street, gully cleansing ◆ Pest control
20. Others	For services not covered above, please provide details.

Survey on Outsourcing of Government Activities in 2010

SECTION 1 - COMPANY PROFILE

1.1 What kinds of outsourcing services is your company providing? (Check all items that apply)

- ☐ Building and property management services
- ☐ Call centres
- ☐ Capital works and construction
- ☐ Community, medical and welfare services
- ☐ Finance and accounting
- ☐ Human resource management
- ☐ Information technology
- ☐ Infrastructure maintenance
- ☐ Legal services
- ☐ Marketing, communication, publicity and public relations
- ☐ Office support and administrative services
- ☐ Plant and equipment maintenance
- ☐ Policy advice and management consulting
- ☐ Printing and distribution
- ☐ Technical services
- ☐ Training and education
- ☐ Transport services
- ☐ Cultural and recreational services
- ☐ Environmental hygiene services
- ☐ Others (Please specify)

1.2 For the outsourcing services provided, how many years of experience does your company have?

- ☐ Less than 2 years
- ☐ 2 to 5 years
- ☐ 5 to 10 years
- ☐ 10 to 20 years
- ☐ More than 20 years

1.3 For the outsourcing services provided, how many years of experience has your company been working with government departments?

- ☐ Less than 2 years
- ☐ 2 to 5 years
- ☐ 5 to 10 years
- ☐ 10 to 20 years
- ☐ More than 20 years

1.4 How many staff does your company employ?

- ☐ 50 or less
- ☐ Between 51 and 100
- ☐ More than 100 but less than 500
- ☐ 500 or more

SECTION 2 - VIEWS ON GOVERNMENT OUTSOURCING PRACTICES (EXCLUDING CONTRACTS WITH QUASI GOVERNMENT ORGANISATIONS) (Note)

2.1 Information on outsourced services delivered

(a) What are the **average** contract values of most of the outsourced contracts awarded to your company by the Hong Kong government? Are the government outsourcing contracts awarded to your company attractive in terms of contract value? (Type "**Y**" for all items that apply)

	Average Contract Value in HK$ million				View on Contract Value		
	=<1.43	>1.43 and =<5	>5 and =<10	>10	Too small	About right	Too big
Building and property management services							
Call centres							
Capital works and construction							
Community, medical and welfare services							
Finance and accounting							
Human resource management							
Information technology							
Infrastructure maintenance							
Legal services							
Marketing, communication, publicity and public relations							
Office support and administrative services							
Plant and equipment maintenance							
Policy advice and management consulting							
Printing and distribution							
Technical services							
Training and education							
Transport services							
Cultural and recreational services							
Environmental hygiene services							

Others (Please specify)

Note
Examples of quasi government organisations include Hospital Authority, Airport Authority, Hong Kong Monetary Authority, etc.

(b) What are the contract durations of most of your awarded outsourced contracts by the Hong Kong government? Are the government outsourcing contracts awarded to your company attractive in terms of duration? (Type "**Y**" for all items that apply)

	Contract Duration in Number of Years					View on Contract Duration		
	=<1	>1 and =<2	>2 and =<3	>3 and =<4	>4	Too short	About right	Too long
Building and property management services								
Call centres								
Capital works and construction								
Community, medical and welfare services								
Finance and accounting								
Human resource management								
Information technology								
Infrastructure maintenance								
Legal services								
Marketing, communication, publicity and public relations								
Office support and administrative services								
Plant and equipment maintenance								
Policy advice and management consulting								
Printing and distribution								
Technical services								
Training and education								
Transport services								
Cultural and recreational services								
Environmental hygiene services								

Others (Please specify)

2.2 Views on tendering process

(a) What are the major attractions of government contracts? (Check all items that apply)

☐ Open, transparent and fair procurement process, etc.

☐ Secure payments

☐ Large contract value

☐ Long contract duration

☐ Build up company image

☐ Good opportunities in public sector market

☐ High autonomy in deciding the approach to the delivery of services

☐ Well established contract management procedures

☐ Others (Please specify)

(b) What are the major problems or difficulties in bidding for government outsourced contracts? (Check all items that apply)

☐ Short notice of tender invitation

☐ Too many bidders

☐ Price being the dominant factor in tender evaluation

☐ Little room for negotiation

☐ Inadequate weighting of performance track record

☐ Insufficient transparency in tender evaluation

☐ Unclear requirements of service level and performance standard

☐ Too much use of prescriptive input-based specifications

☐ Long procurement process

☐ Short notice of contract award

☐ Short handover period

☐ Risk of non-compliance with labour protection measures*

☐ Increased costs in adopting labour protection measures*

☐ Unfair/rigid contract terms and conditions

☐ High requirement on financial capability

☐ Complicated requirements in tender proposals

☐ Insufficient linkage between payment and change in cost of service provision

☐ Insufficient linkage between payment and volume of service provision

☐ Others (Please specify)

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* For contracts that rely heavily on deployment of non-skilled workers (e.g. cleaners, security guards, etc.) only. Under the current system, a contractor will be awarded a demerit point if he breached the contractual obligations in respect of committed wages, daily maximum working hours, signing of Standard Employment Contracts, etc. The contractor's tender offer for future contracts and the service duration of existing contracts will be affected by the number of demerit points obtained.

(c) Views on tender evaluation (For IT tenders only)

    (i) Do you think contractors' past performance in delivering government services should be taken into account in tender evaluation?   ◯ Yes ◯ No

    (ii) Do you think IT tenders warrant a higher technical weighting greater than 30%?   ◯ Yes ◯ No

    If yes, please elaborate on the situations or system features or other reasons that warrant a higher technical weighting:

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2.3 Views on contract management and monitoring

(a) What are the major issues in delivering government outsourced services? ("✓" all items that apply)

☐ Inadequate flexibility for necessary changes during contract period

☐ Unclear/inadequate provisions on end of contract/transitional arrangements

☐ Need to entertain requests for out-of-scope work

☐ Long payment processing time

☐ Inconsistent and/or non-transparent performance assessment

☐ Adversarial contract management style

☐ Micro-management by departmental contract managers

☐ Too many reports and returns required

☐ Government interference in the manner in which services are delivered

☐ Others (Please specify)

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[                                                          ]
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(b) Do you have access to your performance appraisal reports?

○ Yes   ○ No

(c) Do you have regular meetings with department's representatives to resolve issues related to the services being provided?

(i) With senior management — ○ All ○ Most ○ Some ○ Few ○ None

(ii) With contract managers — ○ All ○ Most ○ Some ○ Few ○ None

(iii) With front line supervisors/ foremen — ○ All ○ Most ○ Some ○ Few ○ None

(d) How would you describe the working relationship with government procuring departments? (Check all items that apply)

(i) Nature of relationship

☐ Purchaser and Service Provider

☐ Partnering

☐ Adversarial

☐ Others (Please specify)

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[                                                          ]
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(ii) Satisfaction level

☐ Excellent

☐ Good

☐ Poor

☐ Others (Please specify)

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[                                                          ]
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2.4 Views on improvement opportunities

In your opinion, government outsourcing arrangements could be improved by: (Check all items that apply)

☐ Offering incentive payment schemes

☐ Increasing contract size by bundling small or related outsourced contracts

☐ Increasing the contract length

☐ Including provisions for contract extension/renewals

☐ Adopting output/outcome based service specifications

☐ Increasing the flexibility in choice of service delivery methodologies

☐ Better allocation of risks between service provider and government

☐ Better communication with the procuring department

☐ More consistent and transparent performance assessments

☐ Faster payments

☐ Others (Please specify)

2.5 Any other comments?

SECTION 3 - PARTICULARS OF RESPONDENT

Name of Service Provider
(Name of Company)

Name of Contact Person

Post

Tel. No.

Fax. No.

Email Address

~ END ~

Thank you for taking the time to complete this questionnaire

Breakdown of contracts by service categories

	Service category	No. of contracts	Total value (HK$ M)	Annualised expenditure (HK$ M)	Contract value > $1.43M			Contract value ≦ $1.43M	
					No. of contracts	Total value (HK$ M)	Annualised expenditure (HK$ M)	No. of contracts	Total value (HK$ M)
Works	Capital works and construction	1,046	120,316	34,134	709	120,017	33,834	337	300
	Infrastructure maintenance	90	8,431	1,946	76	8,422	1,936	14	9
Non-works	Building and property management services	840	18,488	6,515	469	18,243	6,270	371	245
	Call centres	9	84	27	1	76	19	8	8
	Community, medical and welfare services	33	271	177	11	255	160	22	17
	Finance and accounting	32	272	101	18	266	96	14	6
	Human resource management	181	273	190	10	155	72	171	118
	Information technology	753	9,303	2,034	187	8,944	1,675	566	359
	Legal services	31	121	39	20	112	29	11	9
	Marketing, communication, publicity and public relations	130	132	100	6	51	18	124	82
	Office support and administrative services	198	280	167	6	170	57	192	110
	Plant and equipment maintenance	366	5,488	1,564	180	5,380	1,456	186	107
	Policy advice and management consulting	13	31	31	5	24	24	8	7
	Printing and distribution	86	50	40	5	26	16	81	24
	Technical services	437	1,124	561	79	866	302	358	258
	Training and education	185	425	200	35	338	113	150	86
	Transport services	98	4,557	1,370	46	4,521	1,334	52	36
	Cultural and recreational services	63	693	239	40	681	228	23	11
	Environmental hygiene services	141	39,238	2,282	88	39,212	2,256	53	26
	Others	379	356	261	7	137	42	372	219
Total	**Works**	**1,136**	**128,747**	**36,079**	**785**	**128,438**	**35,770**	**351**	**309**
	Non-works	**3,975**	**81,186**	**15,897**	**1213**	**79,457**	**14,168**	**2,762**	**1,729**
	Overall	**5,111**	**209,933**	**51,976**	**1998**	**207,895**	**49,938**	**3,113**	**2,038**

Department	Overall		Contract value > $1.43M									Contract value ≤ $1.43M					
			All contracts > $1.43M			Works contracts			Non-works contracts			All contracts ≤ $1.43M		Works contracts		Non-works contracts	
	No. of contracts	Contract value (HK$ M)	No. of contracts	Contract Value (HK$ M)	Annualised expenditure (HK$ M)	No. of contracts	Contract Value (HK$ M)	Annualised expenditure (HK$ M)	No. of contracts	Contract Value (HK$ M)	Annualised expenditure (HK$ M)	No. of contracts	Contract Value (HK$ M)	No. of contracts	Contract Value (HK$ M)	No. of contracts	Contract Value (HK$ M)
AFCD - Agriculture, Fisheries and Conservation Department	102	281	12	239	56	0	0	0	12	239	56	90	42	8	5	82	38
AMS - Auxiliary Medical Service	2	1	0	0	0	0	0	0	0	0	0	2	1	0	0	2	1
ARCHSD - Architectural Services Department	578	67,799	360	67,675	20,089	331	62,436	18,411	29	5,238	1,678	218	124	135	72	83	52
BD - Buildings Department	207	270	23	133	96	0	0	0	23	133	96	184	137	0	0	184	137
C&ED - Customs & Excise Department	29	278	5	260	54	0	0	0	5	260	54	24	17	0	0	24	17
C&SD - Census & Statistics Department	36	42	9	24	13	0	0	0	9	24	13	27	19	0	0	27	19
CAD - Civil Aviation Department	35	966	8	948	111	0	0	0	8	948	111	27	18	0	0	27	18
CAS - Civil Aid Service	10	6	0	0	0	0	0	0	0	0	0	10	6	0	0	10	6
CEDB (CITB) - Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	13	7	0	0	0	0	0	0	0	0	0	13	7	0	0	13	7
CEDB (CTB) - Commerce and Economic Development Bureau (Communications and Technology Branch)	3	3	0	0	0	0	0	0	0	0	0	3	3	0	0	3	3
CEDD - Civil Engineering and Development Department	145	5,957	102	5,923	1,729	93	5,829	1,695	9	94	35	43	35	6	6	37	29
CEO - Chief Executive's Office	3	4	1	3	3	0	0	0	1	3	3	2	1	0	0	2	1
CMAB - Constitutional and Mainland Affairs Bureau	6	4	0	0	0	0	0	0	0	0	0	6	4	0	0	6	4
CPU - Central Policy Unit	27	17	0	0	0	0	0	0	0	0	0	27	17	0	0	27	17
CR - Companies Registry	2	304	2	304	35	0	0	0	2	304	35	0	0	0	0	0	0
CSB - Civil Service Bureau	62	56	6	27	9	0	0	0	6	27	9	56	29	0	0	56	29
CSD - Correctional Services Department	44	40	2	9	4	0	0	0	2	9	4	42	32	0	0	42	32
CSO - Chief Secretary for Administration's Office	14	29	4	23	14	0	0	0	4	23	14	10	6	0	0	10	6
DEVB (PLB) - Development Bureau (Planning and Lands Branch)	7	4	0	0	0	0	0	0	0	0	0	7	4	0	0	7	4
DEVB (WB) - Development Bureau (Works Branch)	1	18	1	18	2	0	0	0	1	18	2	0	0	0	0	0	0
DH - Department of Health	209	189	5	59	20	0	0	0	5	59	20	204	129	0	0	204	129
DOJ - Department of Justice	21	21	1	7	1	0	0	0	1	7	1	20	14	0	0	20	14
DSD - Drainage Services Department	141	21,972	108	21,954	5,237	97	21,610	5,079	11	344	158	33	19	14	9	19	10
EDB - Education Bureau	184	348	27	233	84	0	0	0	27	233	84	157	115	1	0	156	115
EMSD - Electrical and Mechanical Services Department	119	900	83	871	357	0	0	0	83	871	357	36	28	0	0	36	28
EPD - Environmental Protection Department	133	40,677	46	40,579	1,395	17	3,665	202	29	36,914	1,192	87	98	3	25	84	74
EU - Chief Secretary for Administration's Office (Efficiency Unit)	5	6	2	6	2	0	0	0	2	6	2	3	1	0	0	3	1
FEHD - Food and Environmental Hygiene Department	190	2,738	113	2,712	1,209	0	0	0	113	2,712	1,209	77	26	0	0	77	26
FHB - Food and Health Bureau	14	8	0	0	0	0	0	0	0	0	0	14	8	0	0	14	8
FSD - Fire Services Department	19	206	9	199	51	0	0	0	9	199	51	10	8	0	0	10	8
FSTB (TSYB)- Financial Services and the Treasury Bureau (Treasury Branch)	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0
GFS - Government Flying Service	22	25	4	15	7	0	0	0	4	15	7	18	10	0	0	18	10
GLD - Government Logistics Department	86	186	14	161	82	0	0	0	14	161	82	72	25	0	0	72	25
GOVTLAB - Government Laboratory	19	21	2	14	5	0	0	0	2	14	5	17	8	0	0	17	8
GPA - Government Property Agency	9	1,546	8	1,546	396	0	0	0	8	1,546	396	1	0	0	0	1	0
HAB - Home Affairs Bureau	24	385	1	371	53	0	0	0	1	371	53	23	14	0	0	23	14
HAD - Home Affairs Department	262	428	44	230	228	39	130	191	5	100	37	218	197	161	166	57	32
HD - Housing Department	700	25,993	540	25,882	9,909	80	13,575	5,592	460	12,307	4,317	160	111	13	19	147	92
HKO - Hong Kong Observatory	26	58	4	27	5	0	0	0	4	27	5	22	31	0	0	22	31
HKPF - Hong Kong Police Force	186	1,045	18	942	117	0	0	0	18	942	117	168	103	0	0	168	103
HYD - Highways Department	131	15,915	93	15,871	3,700	81	15,674	3,616	12	197	84	38	44	7	5	31	39
ICAC - Independent Commission Against Corruption	20	12	0	0	0	0	0	0	0	0	0	20	12	0	0	20	12
IMMD - Immigration Department	68	2,811	22	2,774	312	0	0	0	22	2,774	312	46	37	0	0	46	37
INVESTHK - Invest Hong Kong	17	2,417	1	2,410	88	1	2,410	88	0	0	0	16	7	0	0	16	7
IPD - Intellectual Property Department	6	89	2	86	18	0	0	0	2	86	18	4	3	0	0	4	3
IRD - Inland Revenue Department	21	120	4	108	9	0	0	0	4	108	9	17	12	0	0	17	12
ISD - Information Services Department	65	43	0	0	0	0	0	0	0	0	0	65	43	0	0	65	43
JUD - Judiciary	16	407	10	405	96	0	0	0	10	405	96	6	2	0	0	6	2
LAD - Legal Aid Department	13	46	6	40	7	0	0	0	6	40	7	7	6	0	0	7	6
LANDSD - Lands Department	122	639	19	591	205	12	496	157	7	94	48	103	49	1	1	102	48
LCSD - Leisure & Cultural Services Department	243	2,395	103	2,322	778	0	0	0	103	2,322	778	140	74	0	0	140	74
LD - Labour Department	51	71	5	53	36	0	0	0	5	53	36	46	19	0	0	46	19
LR - Land Registry	19	14	0	0	0	0	0	0	0	0	0	19	14	0	0	19	14
LWB - Labour and Welfare Bureau	9	9	1	4	1	0	0	0	1	4	1	8	6	0	0	8	6
MD - Marine Department	104	528	25	480	105	4	18	10	21	462	95	79	48	1	1	78	48
OCI - Office of the Commissioner of Insurance	7	10	2	8	5	0	0	0	2	8	5	5	2	0	0	5	2
OFTA - Office of the Telecommunications Authority	10	15	2	11	1	0	0	0	2	11	1	8	4	0	0	8	4
OGCIO - Office of the Government Chief Information Officer	32	2,462	12	2,448	783	0	0	0	12	2,448	783	20	14	0	0	20	14
ORO - Official Receiver's Office	10	27	5	23	10	0	0	0	5	23	10	5	4	0	0	5	4
PLAND - Planning Department	29	73	7	56	20	0	0	0	7	56	20	22	17	0	0	22	17
PO - Hong Kong Post	36	1,307	11	1,290	659	0	0	0	11	1,290	659	25	17	1	0	24	17
REO - Registration and Electoral Office	8	2	0	0	0	0	0	0	0	0	0	8	2	0	0	8	2
RTHK - Radio Television Hong Kong	57	66	4	47	12	0	0	0	4	47	12	53	19	0	0	53	19
RVD - Rating and Valuation Department	7	23	3	20	8	0	0	0	3	20	8	4	3	0	0	4	3
SB - Security Bureau	17	66	4	58	14	0	0	0	4	58	14	13	8	0	0	13	8
SCIOCS - Secretariat, Commissioner on Interception of Communications and Surveillance	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0
SFAA - Student Financial Assistant Agency	4	25	3	24	5	0	0	0	3	24	5	1	0	0	0	1	0
SWD - Social Welfare Department	41	463	7	446	174	0	0	0	7	446	174	34	17	0	0	34	17
TD - Transport Department	123	4,226	46	4,173	799	11	641	150	35	3,532	650	77	53	0	0	77	53
THB (Transport) - Transport and Housing Bureau (Transport Branch)	8	4	0	0	0	0	0	0	0	0	0	8	4	0	0	8	4
TID - Trade and Industry Department	39	20	0	0	0	0	0	0	0	0	0	39	20	0	0	39	20
TRY - Treasury	44	579	13	560	118	0	0	0	13	560	118	31	19	0	0	31	19
UGC - Secretariat, University Grants Committee	9	7	0	0	0	0	0	0	0	0	0	9	7	0	0	9	7
WSD - Water Supplies Department	28	2,202	24	2,198	602	19	1,955	580	5	243	23	4	4	0	0	4	4
Total	5,111	209,933	1,998	207,895	49,938	785	128,438	35,770	1,213	79,457	14,168	3,113	2,038	351	309	2,762	1,729

Explanation on different types of tendering procedures

Tendering procedures	Explanations
Direct Purchase	❖ When purchasing services not exceeding a certain financial limit, departments may obtain a specified number of quotations and accept the lowest offer to specifications.
Open Tendering	❖ Tender invitations published in the Government Gazette and if necessary, in the local press/Internet/ selected overseas journal for the particular trade/product. ❖ All interested contractors/suppliers are free to submit their tenders.
Selective Tendering	❖ A list of qualified (but not all) contractors/suppliers capable of supplying a particular service in which there is a frequent need to invite tender is drawn up and approved by the Permanent Secretary for Financial Services and the Treasury (Treasury). ❖ The list is reviewed regularly, with additions or deletions being dealt with expeditiously.
Single and restricted tendering	❖ Only be used in circumstances when open competitive tendering would not be an effective means of obtaining the requisite supplies/services. ❖ Prior approval of the Permanent Secretary for Financial Services and the Treasury (Treasury) required before initiation.
Pre-qualified tendering	❖ A list of tenderers financially and technically capable of undertaking a particular project or supplying a particular product is drawn up. ❖ The use of pre-qualified tendering and the evaluation criteria for pre-qualifying applications require the prior approval of the Permanent Secretary for Financial Services and the Treasury (Treasury) required before initiation.

List of abbreviations of departments

AFCD	Agriculture, Fisheries and Conservation Department
AMS	Auxiliary Medical Service
ARCHSD	Architectural Services Department
BD	Buildings Department
C&ED	Customs & Excise Department
C&SD	Census & Statistics Department
CAD	Civil Aviation Department
CAS	Civil Aid Service
CEDB (CITB)	Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)
CEDB (CTB)	Commerce and Economic Development Bureau (Communications and Technology Branch)
CEDD	Civil Engineering and Development Department
CEO	Chief Executive's Office
CMAB	Constitutional and Mainland Affairs Bureau
CPU	Central Policy Unit
CR	Companies Registry
CSB	Civil Service Bureau
CSD	Correctional Services Department
CSO	Chief Secretary for Administration's Office
CSTDI	Civil Service Training and Development Institute
DEVB (PLB)	Development Bureau (Planning and Lands Branch)
DEVB (WB)	Development Bureau (Works Branch)
DH	Department of Health
DOJ	Department of Justice
DSD	Drainage Services Department
EDB	Education Bureau
EMSD	Electrical and Mechanical Services Department
EPD	Environmental Protection Department
EU	Chief Secretary for Administration's Office (Efficiency Unit)
FEHD	Food and Environmental Hygiene Department
FHB	Food and Health Bureau
FSD	Fire Services Department
FSTB	Financial Services and the Treasury Bureau
FSTB (TSYB)	Financial Services and the Treasury Bureau (Treasury Branch)
GFS	Government Flying Service
GLD	Government Logistics Department
GOVTLAB	Government Laboratory
GPA	Government Property Agency
HAB	Home Affairs Bureau

List of abbreviations of departments

HAD	Home Affairs Department
HD	Housing Department
HKO	Hong Kong Observatory
HKPF	Hong Kong Police Force
HYD	Highways Department
ICAC	Independent Commission Against Corruption
IMMD	Immigration Department
INVESTHK	Invest Hong Kong
IPD	Intellectual Property Department
IRD	Inland Revenue Department
ISD	Information Services Department
JUD	Judiciary
LAD	Legal Aid Department
LANDSD	Lands Department
LCSD	Leisure & Cultural Services Department
LD	Labour Department
LR	Land Registry
LWB	Labour and Welfare Bureau
MD	Marine Department
OCI	Office of the Commissioner of Insurance
OFTA	Office of the Telecommunications Authority
OGCIO	Office of the Government Chief Information Officer
ORO	Official Receiver's Office
PLAND	Planning Department
PO	Hongkong Post
REO	Registration and Electoral Office
RTHK	Radio Television Hong Kong
RVD	Rating and Valuation Department
SB	Security Bureau
SCIOCS	Secretariat, Commissioner on Interception of Communications and Surveillance
SFAA	Student Financial Assistant Agency
SWD	Social Welfare Department
TD	Transport Department
THB (Transport)	Transport and Housing Bureau (Transport Branch)
TID	Trade and Industry Department
TRY	Treasury
UGC	Secretariat, University Grants Committee
WSD	Water Supplies Department