

For Information

**Legislative Council Panel on Public Service
Follow-up to the Meeting on 21 February 2011**

At the meeting of the Panel on Public Service Meeting on 21 February 2011, the Administration was requested to provide the following information in relation to the 2010 Outsourcing Survey (the Survey) conducted by the Efficiency Unit (EU) –

- (a) full report of the Survey; and
 - (b) further details, including the specific numbers of staff members and respondents on the finding that 84% of responding departments reported that their staff accepted the changes brought about from the outsourcing of in-house service, and only 2% of staff strongly objected to outsourcing of services.
2. The full report for the Survey was uploaded to the EU's website in May 2011 and a copy is at [Annex](#).
3. As with previous surveys on outsourcing, the questionnaire for the Survey was sent to all bureaux/departments (B/Ds). Each B/D returned to the EU one response consolidating views from various units which were involved in outsourcing activities. In the Survey, 84% of B/Ds responding to the specific question on the staff response to outsourcing of in-house services indicated that their staff accepted the changes readily while 2% found their staff objected it strongly.
4. Responding B/Ds reported that in responding to the questionnaire, views from the staff side were gauged through various channels such as –
 - (a) meetings and daily communications with staff;
 - (b) departmental staff consultative committees;
 - (c) questionnaire surveys conducted by B/Ds themselves; and
 - (d) user satisfaction survey by contractors.
5. 30 B/Ds (out of the 51 responding B/Ds) replied that their answers were based on consolidated replies from units or views gauged through staff

briefings, departmental consultative committee or staff union meetings, etc.. The remaining 21 responding B/Ds indicated that their answers were based on the experience and observation of the management, taking into account whether any complaints in connection with outsourcing had been received from staff concerned. As the purpose of the Survey was to collect general opinions from B/Ds, the EU did not require B/Ds to provide the details as to how the feedback were collected and the number of departmental units or staff involved in the process.

Efficiency Unit
September 2011



Report on 2010 Survey on Government Outsourcing

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 \leq \$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

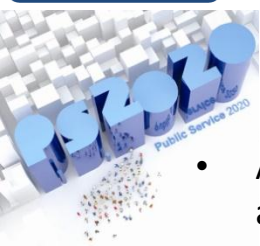
- 82 departments submitted responses, of which eight, viz Audit Commission, Economic Analysis and Business Facilitation Unit, Financial Services Branch of FSTB, Independent Police Complaints Council, Innovation and Technology Commission, Joint Secretariat for the Advisory Bodies on Civil Service and 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.



Survey on Government Departments

General Observations



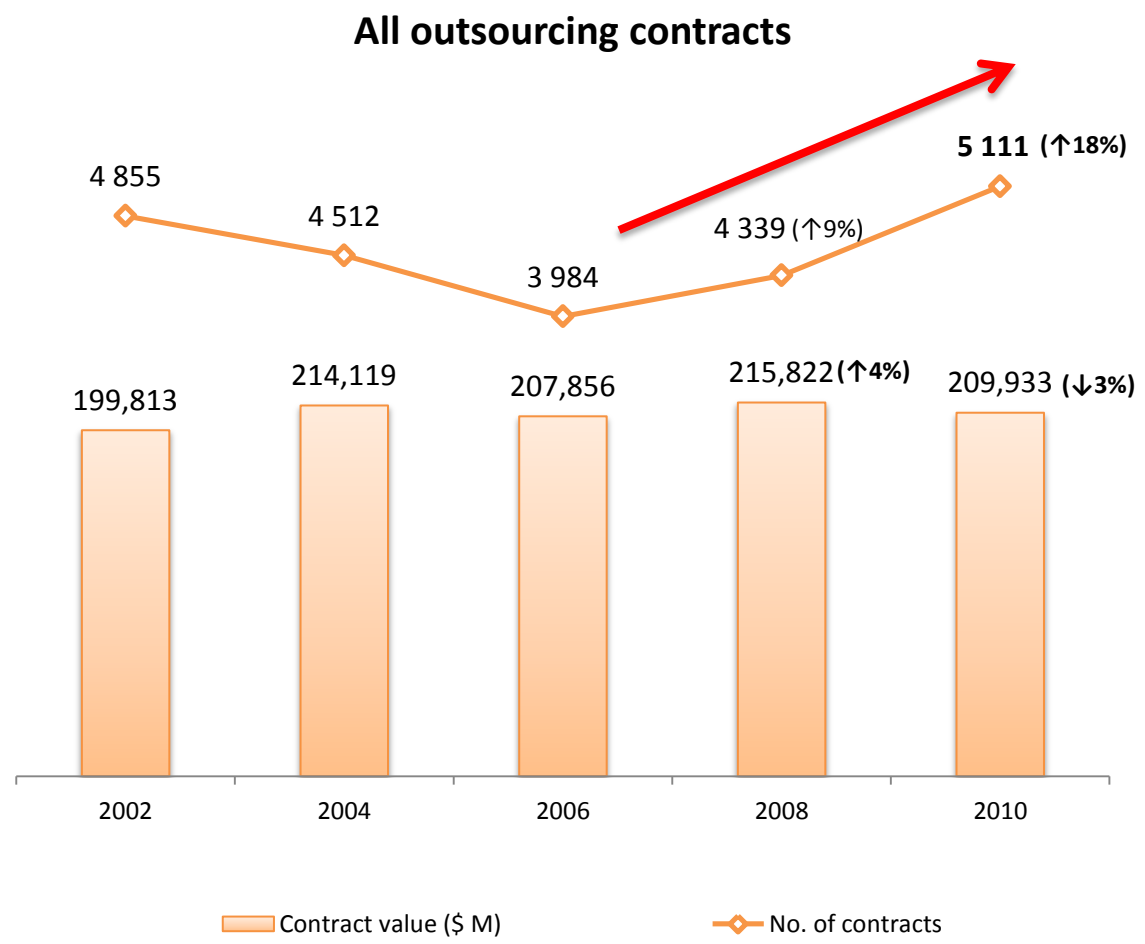
78% of contracts are non-works contracts

- 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.

	<u>Non-works</u>		<u>Works</u>		<u>Total</u>		<u>Overall</u>
	Contract value ≤ \$1.43M	Contract value > \$1.43M	Contract value ≤ \$1.43M	Contract value > \$1.43M	Non-works	Works	
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



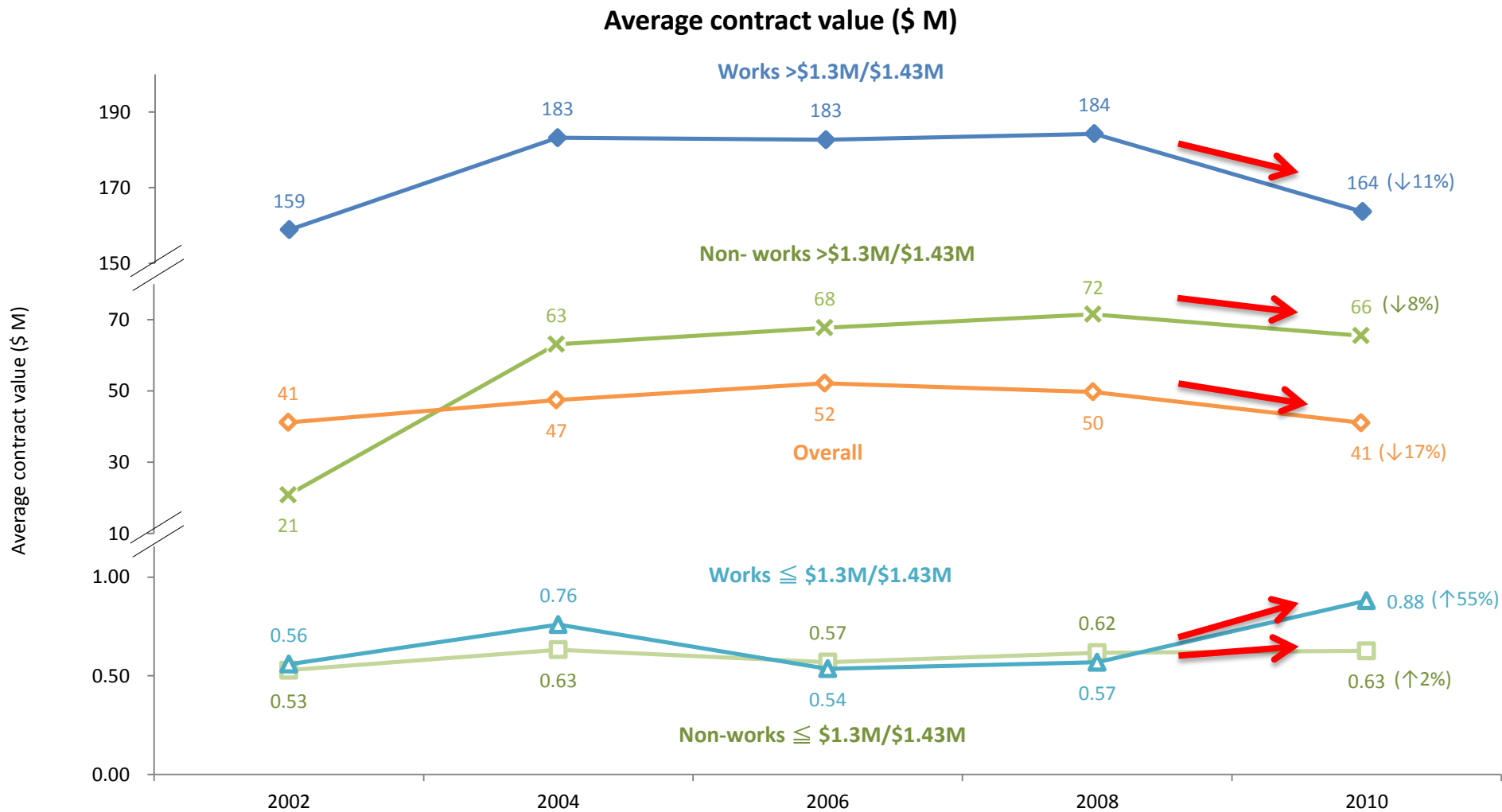
No. of contracts is on an increasing trend from 2006 to 2010



- 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 $\leq \$1.43M$ but a decrease for contracts $> \$1.43M$

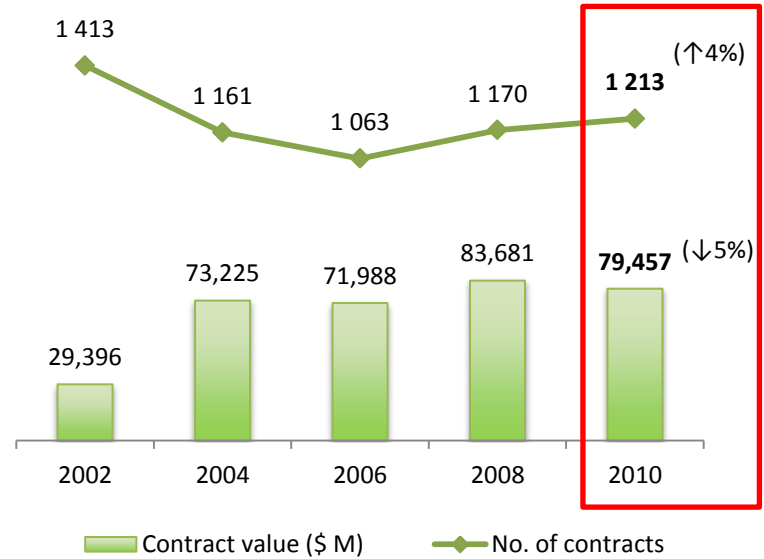


The number of contracts have increased but the contract values decreased for contract value > \$1.43M

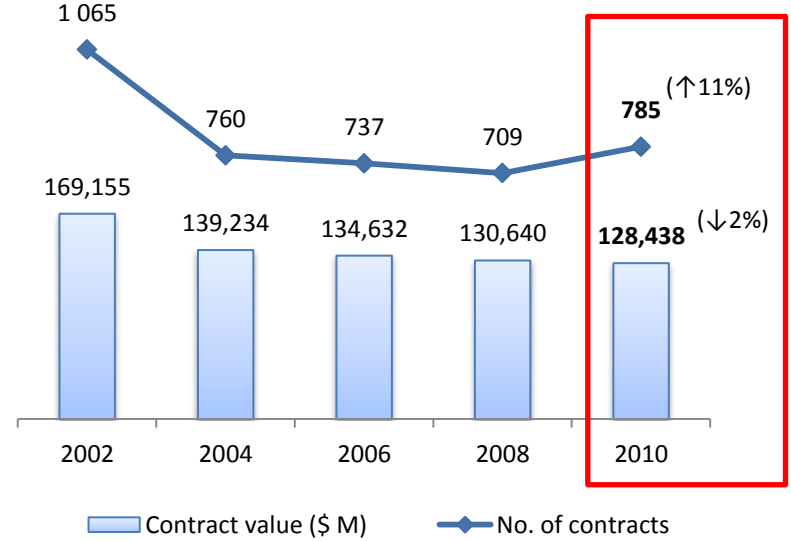


- For non-works contracts above \$1.3M/\$1.43M, the rise in no. of contracts (4%) but drop in contract value (5%) is due to the contract value dropped for two large environmental hygiene services contracts for EPD. If excluding these two contracts, there is a 4% increase in both the no. of contracts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



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

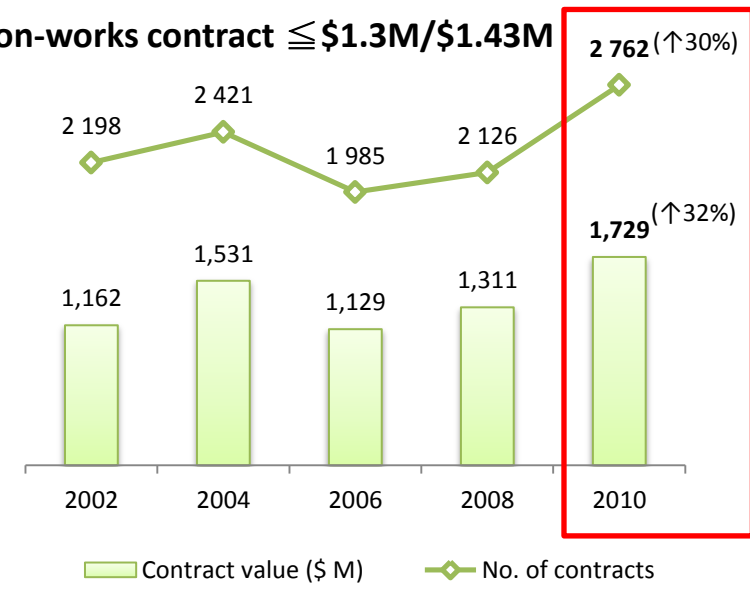


Both the number of contracts and the contract values have increased for contract value \leq \$1.43M

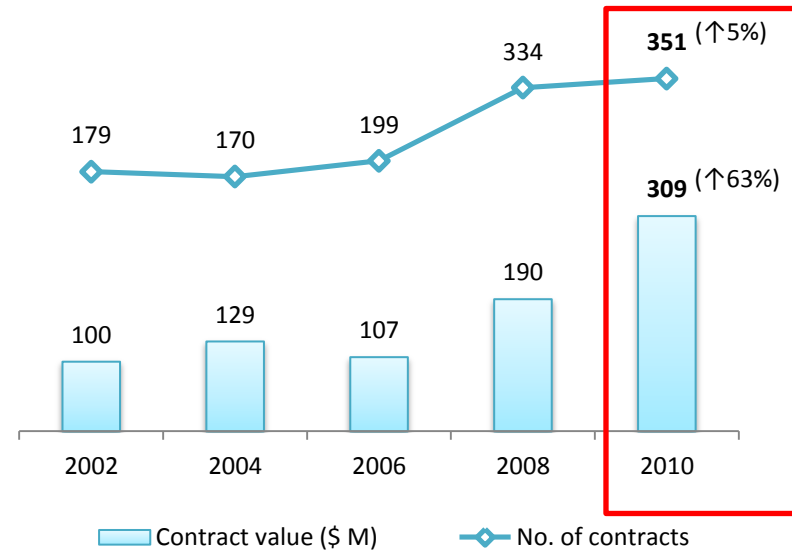


- There is a rise of 30% or more in both the contract values and number of contracts for non-works contracts at or below \$1.3M/\$1.43M.
- For works contracts at or below \$1.3M/\$1.43M, there is a 63% increase in the contract value but only 5% increase in the number of contracts.

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



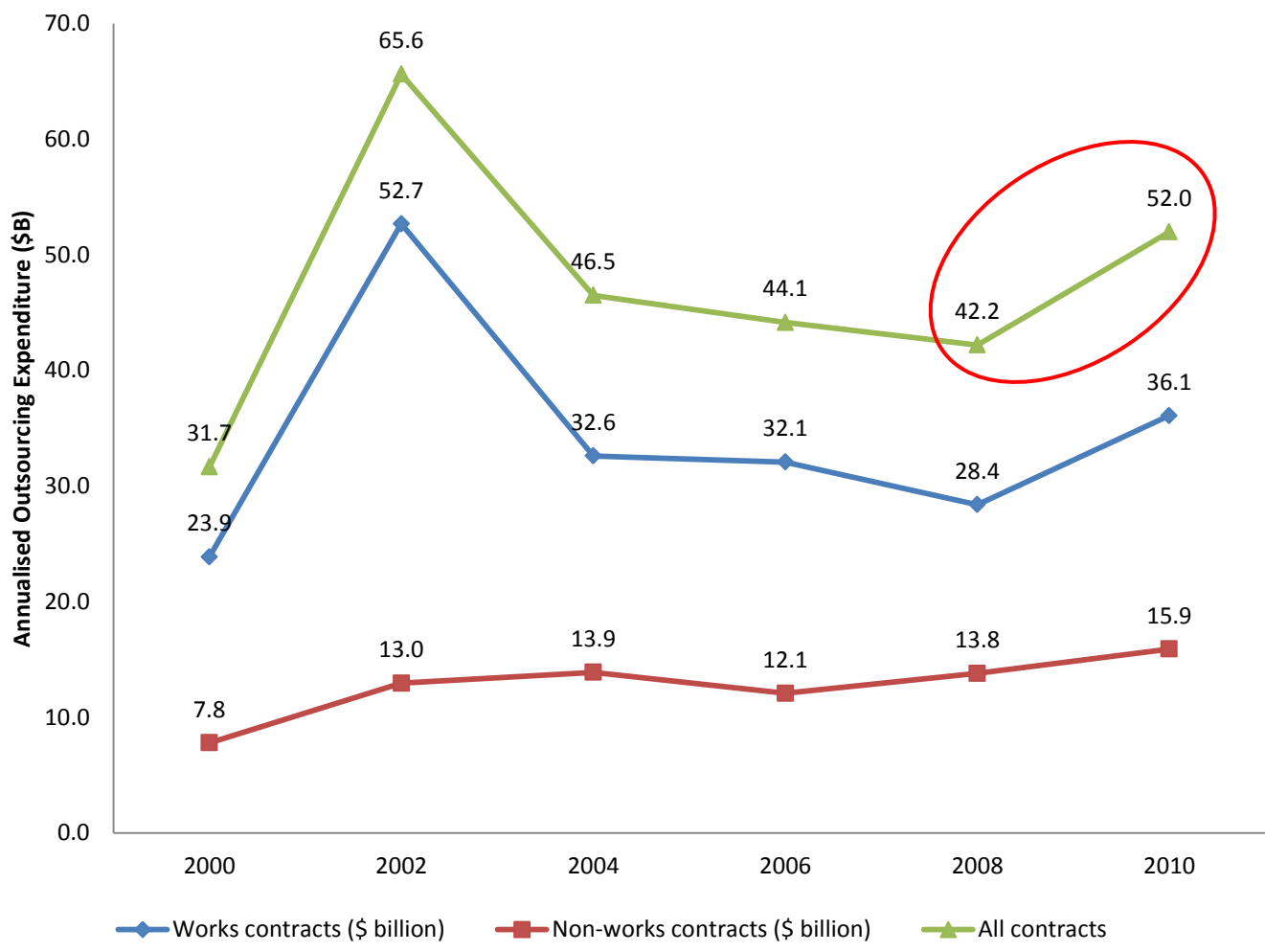
Works contract \leq \$1.3M/\$1.43M





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.

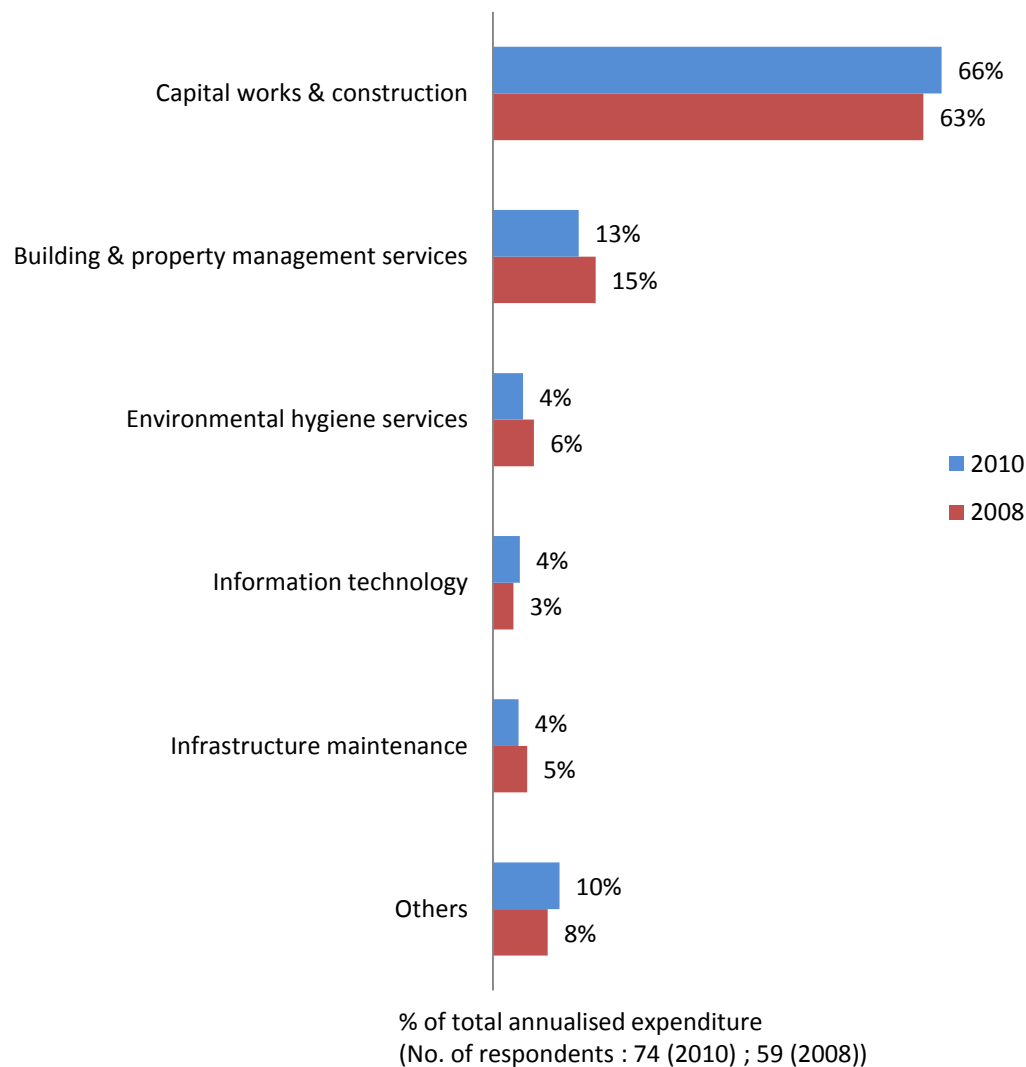


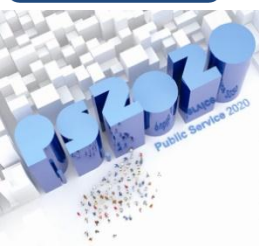


Top 5 service categories account for 90% of the total annualised expenditure

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

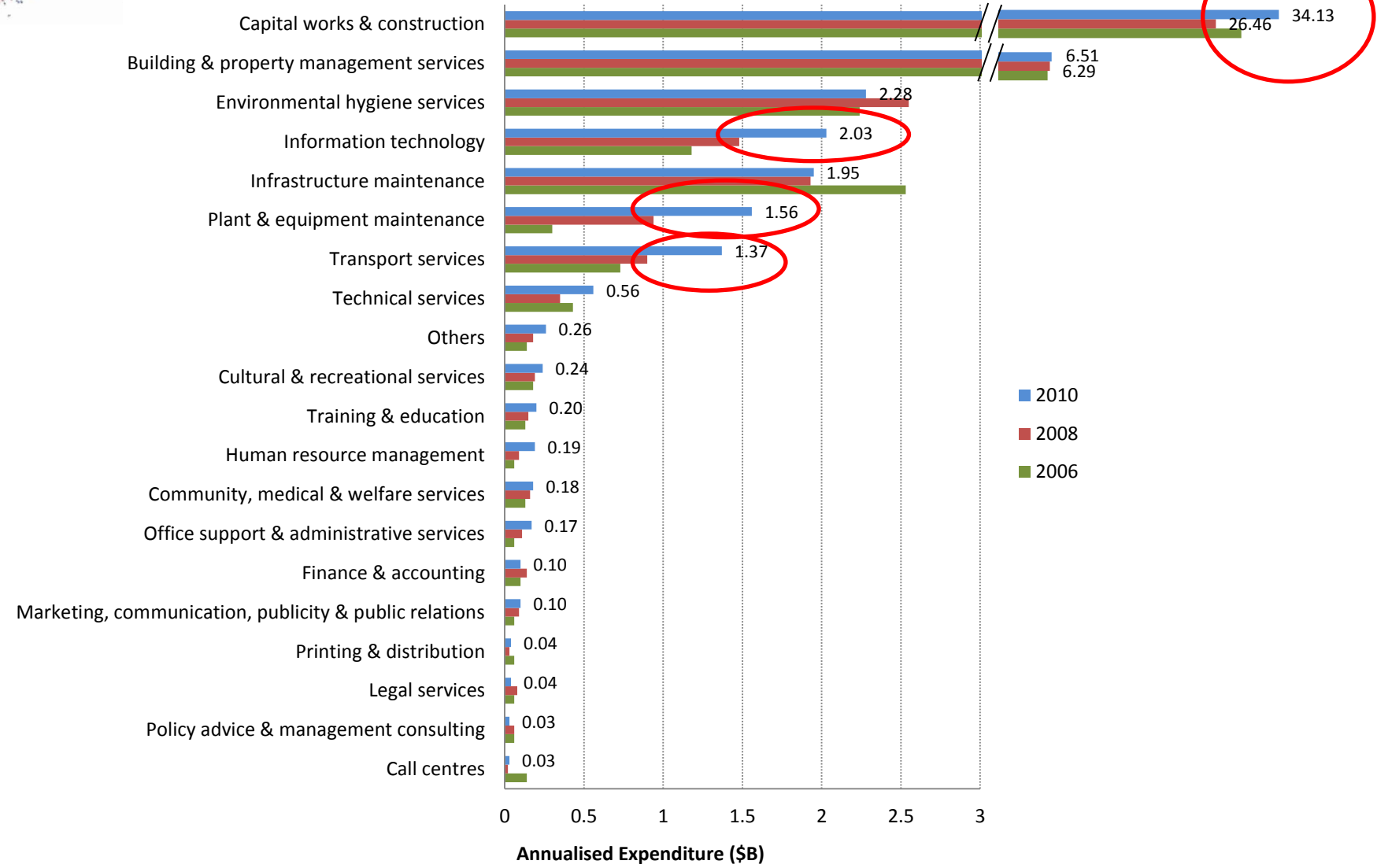
Top 5 service categories in terms of percentage of annualised expenditure





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

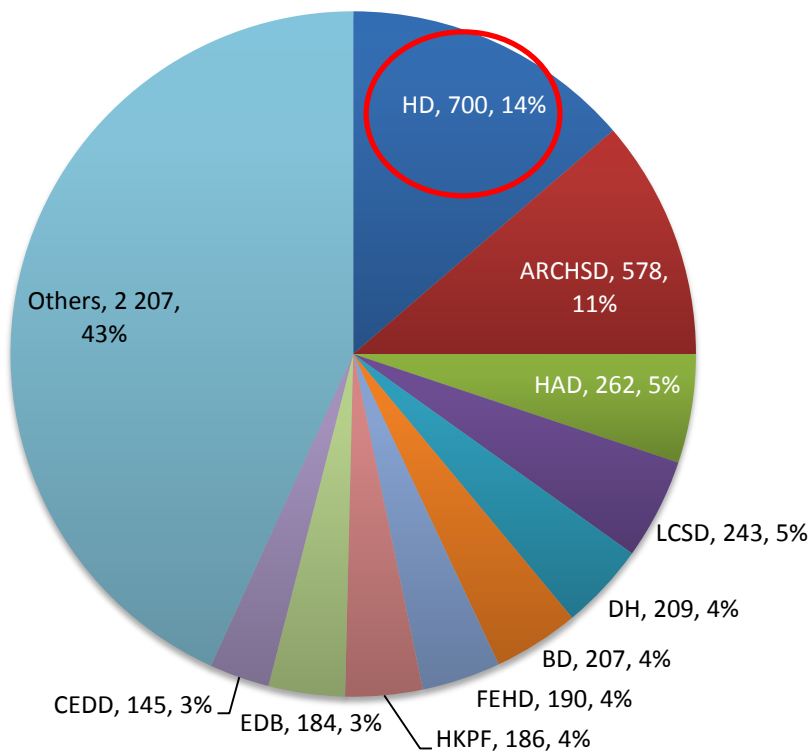
Annualised Outsourcing Expenditure by Service Category





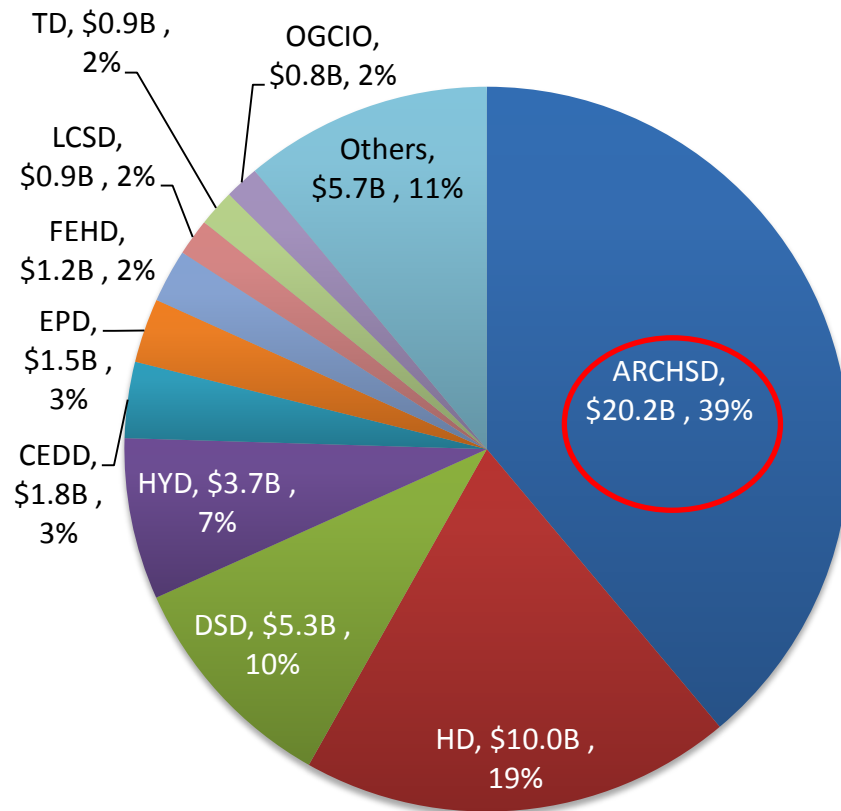
HD has the largest number of contracts but ARCHSD has the biggest share of expenditure

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



(department, no. of contracts, % of total no. of contracts)

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

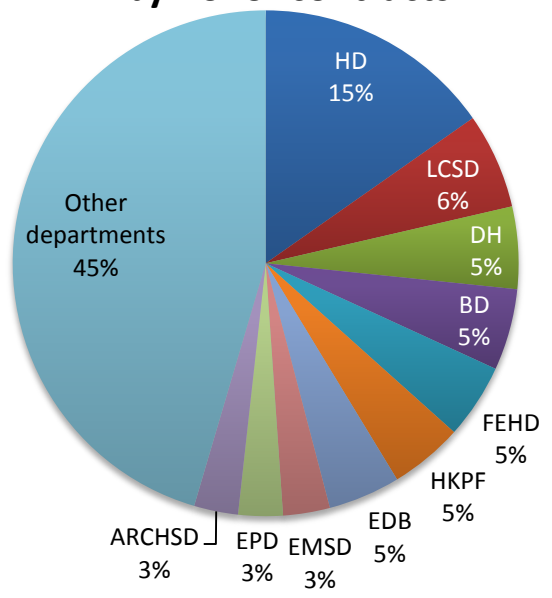


(department, annualised expenditure in \$B, % of total \$)

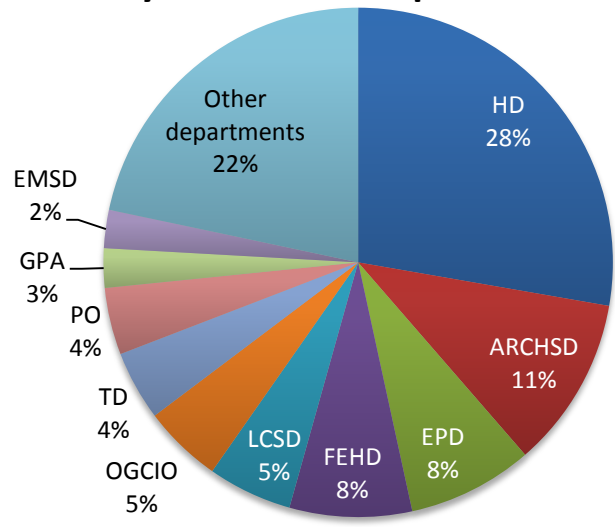


For non-works contracts, ARCHSD, EPD, FEHD, HD and LCSD are amongst the top 10 departments in terms of no. of contracts, annualised expenditure & contract value

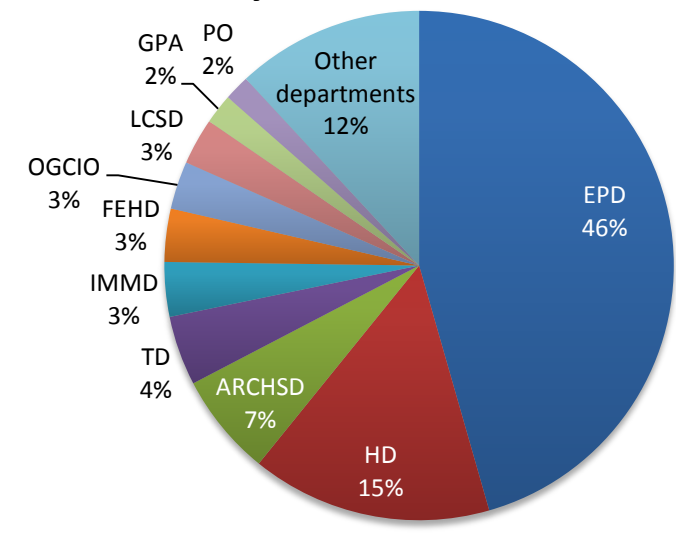
Top 10 departments by no. of contracts



Top 10 departments by annualised expenditure



Top 10 departments by contract value

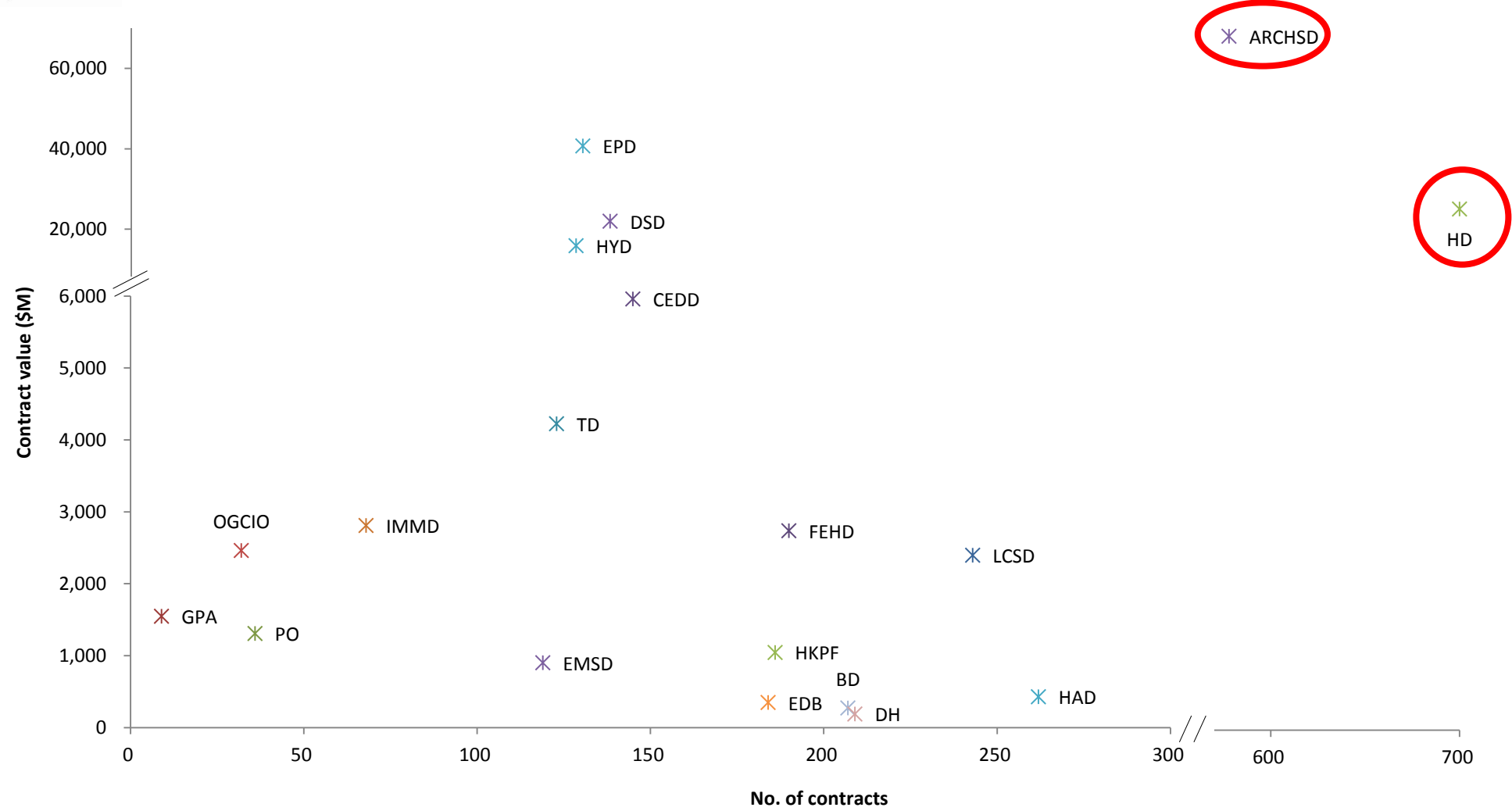


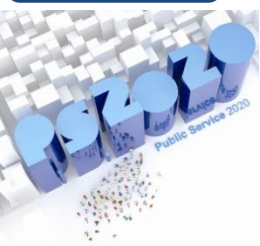
- In terms of no. of contracts, HD, LCSD, DH, BD and FEHD are the top 5 departments.
- In terms of contract value, EPD, HD, ARCHSD, TD and IMMD are the top 5 departments.



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

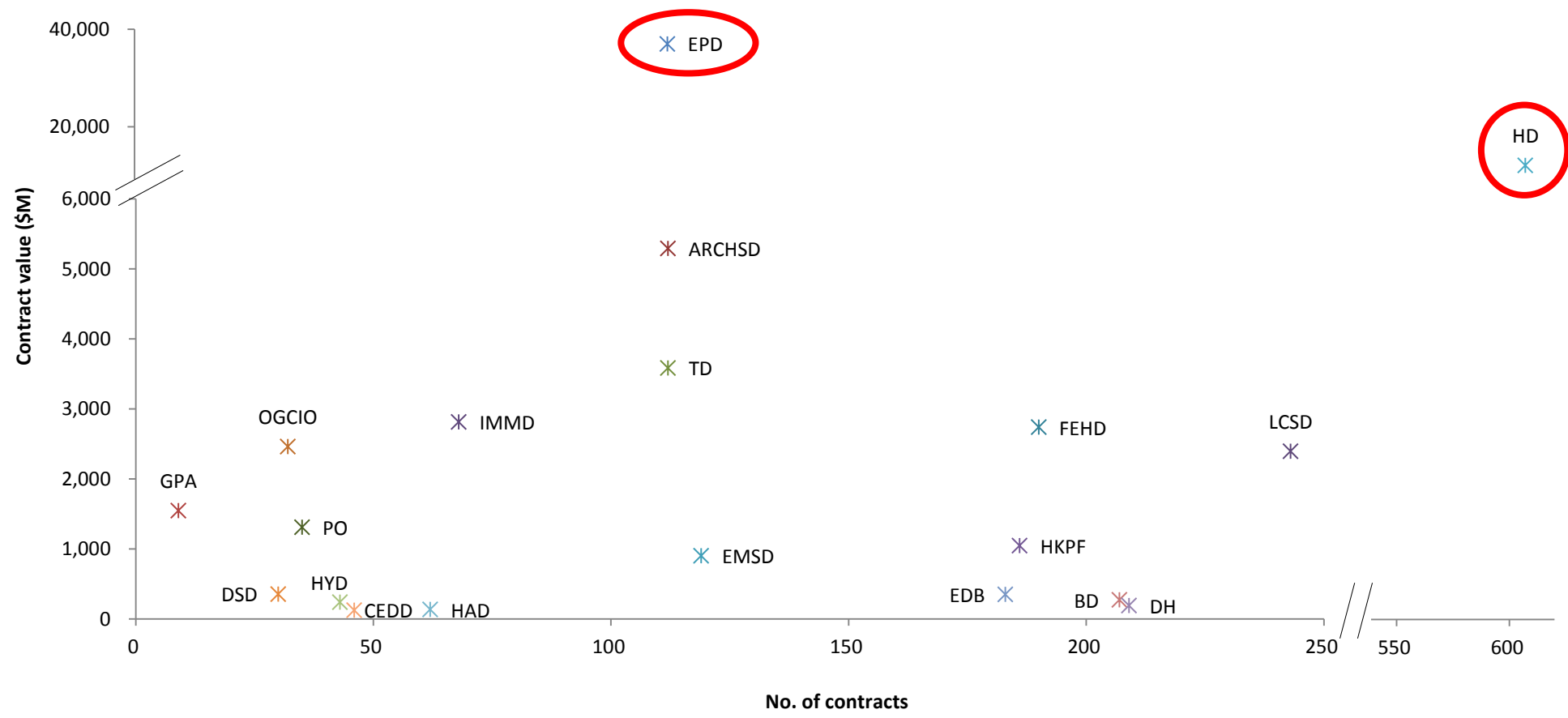
All outsourcing contracts

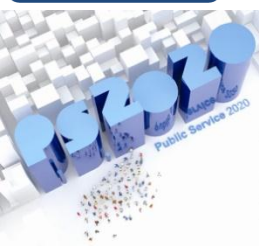




For non-works contracts, EPD and HD report the largest contract value and no. of contracts respectively

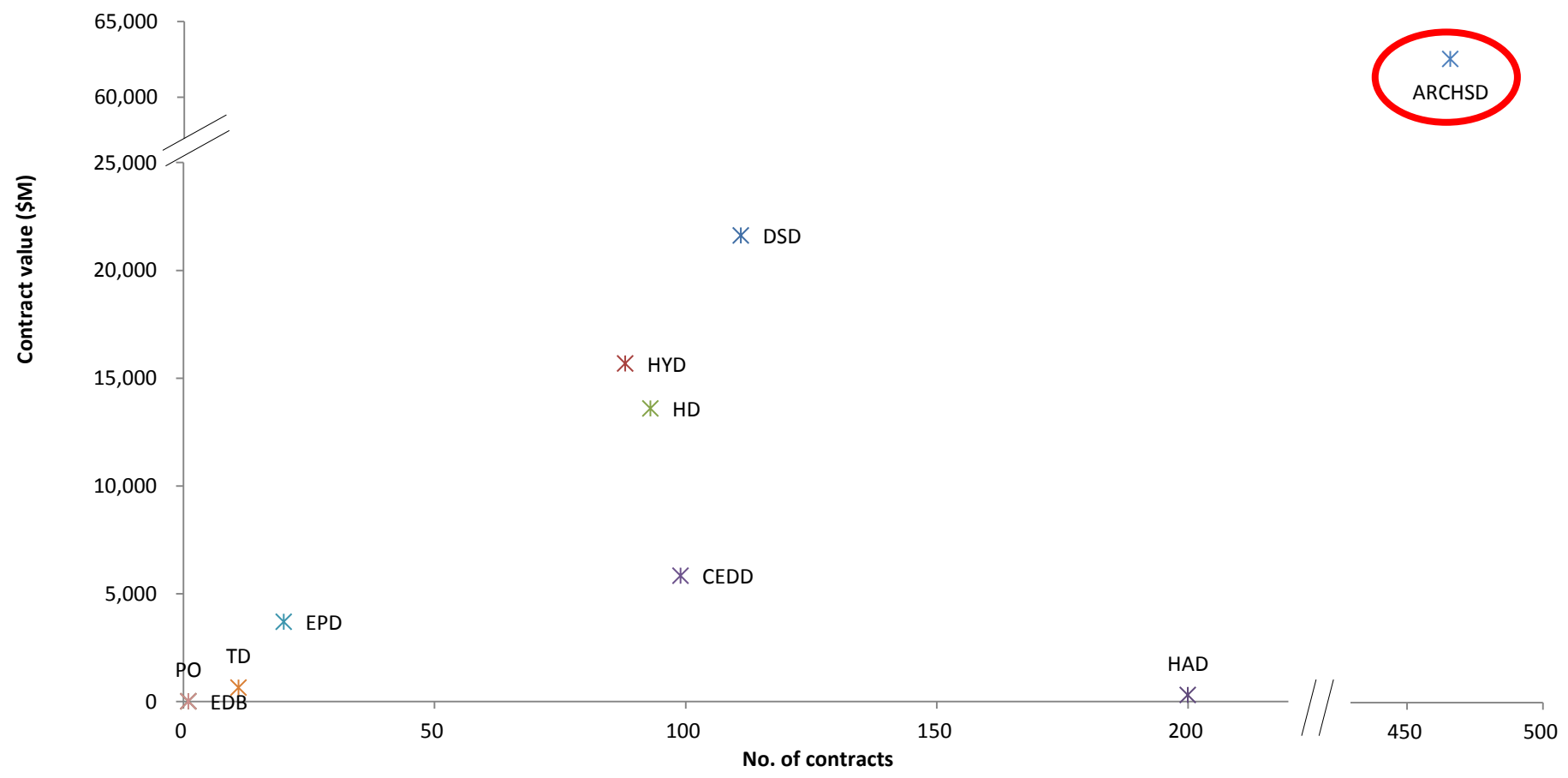
All non-works contracts





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

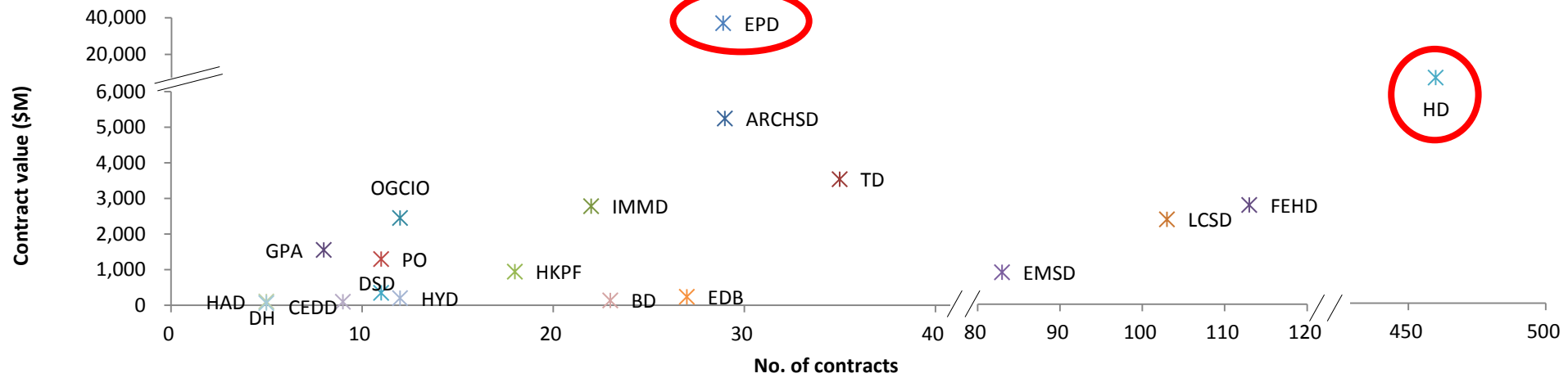
All works contracts



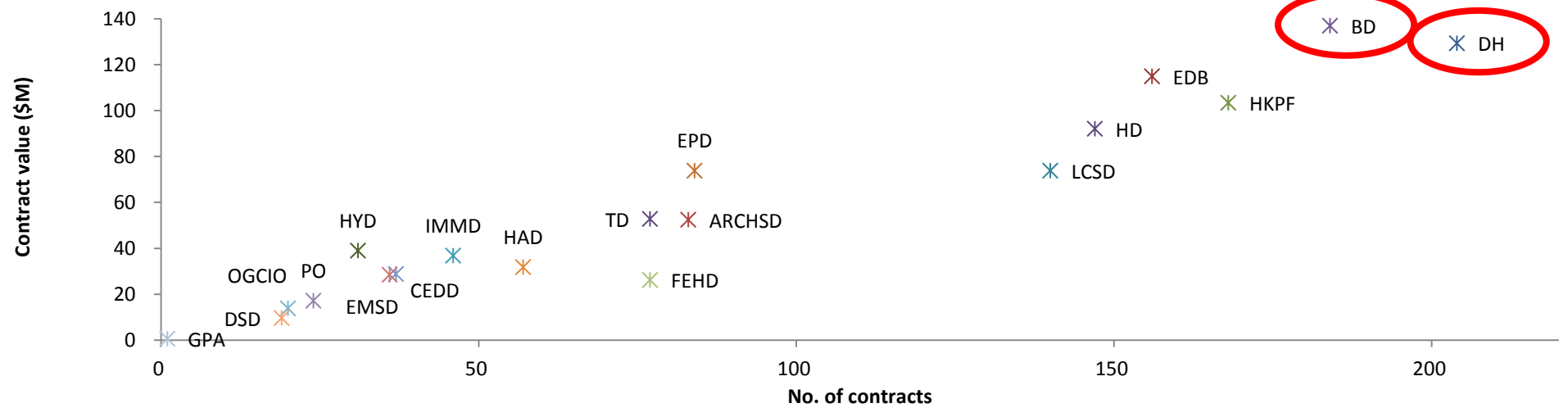


For non-works contracts > \$1.43M, EPD and HD are the major contributors to the contract value and no. of contracts respectively; for non-works contracts ≤ \$1.43M, BD and DH report the largest contract value and no. of contracts respectively

Non-works contracts > \$1.43M

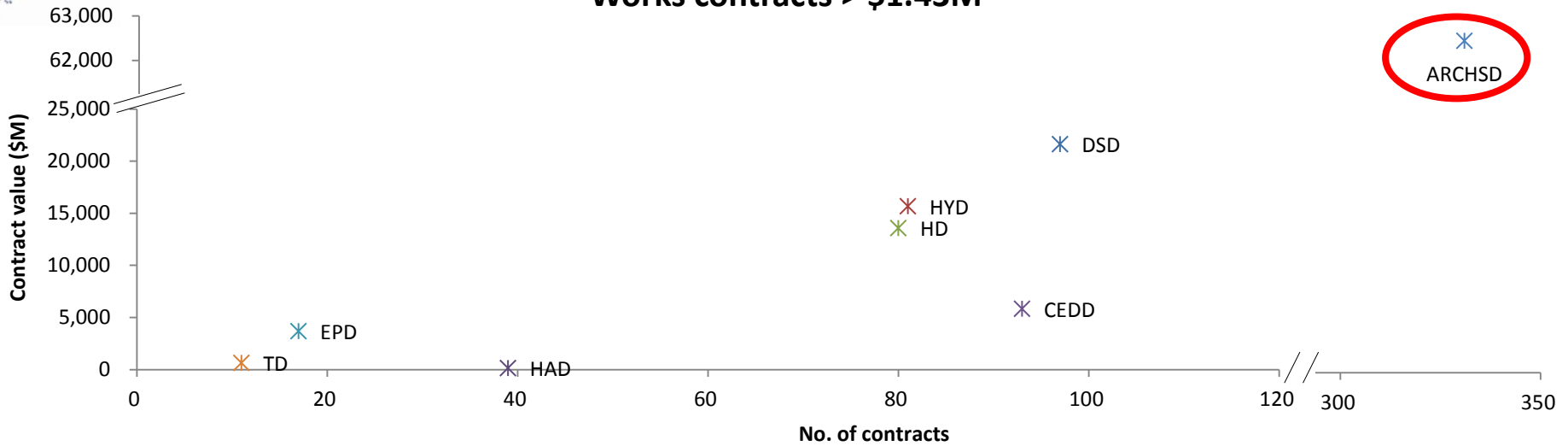


Non-works contracts ≤ \$1.43M

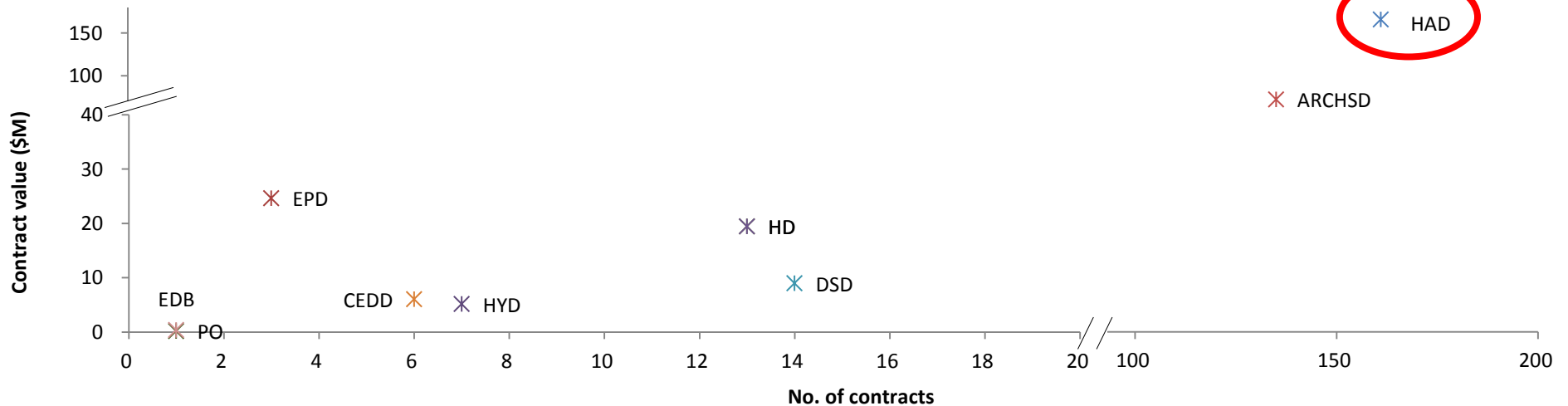


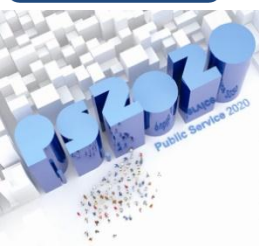
ARCHSD and HAD report the largest no. of contracts and contract value in works contracts >\$1.43M and works contracts ≤\$1.43M respectively

Works contracts > \$1.43M



Works contracts ≤ \$1.43M



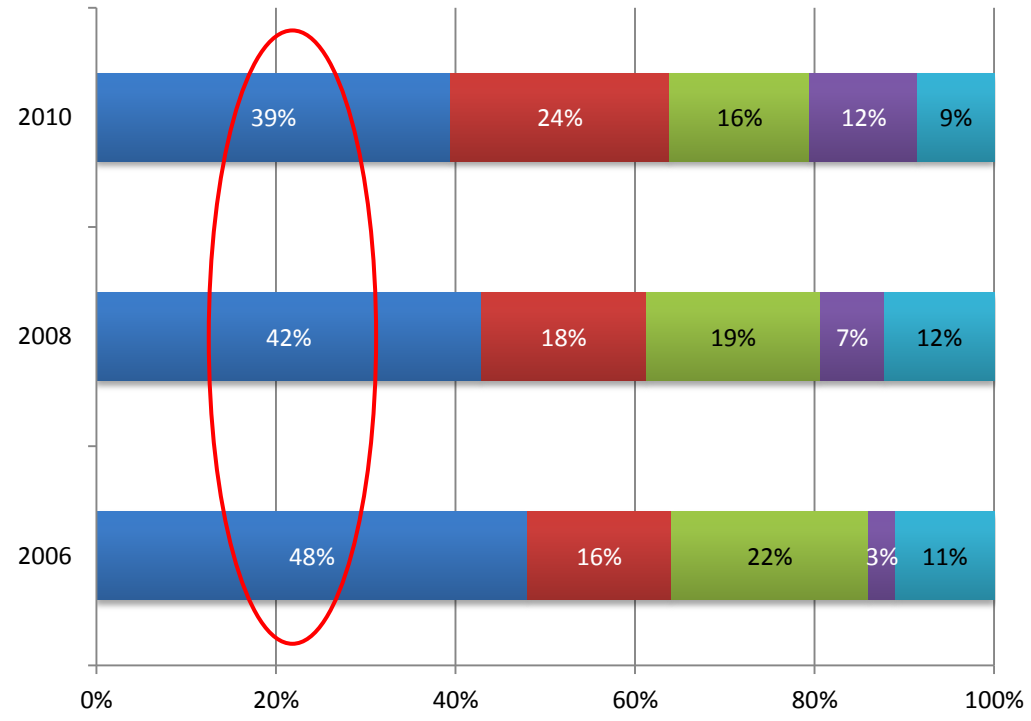


Selective tendering remains the most common tendering approach

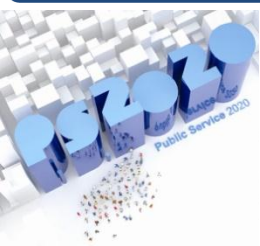
- Overall, the pattern on the use of tendering approaches by contract number is similar to the 2008 survey. Although selective tendering remains the main procedure being used, there is a continuous increase in the number of procurements using direct purchase and pre-qualified tendering.

Tendering Procedure (See explanations at Appendix 5)

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



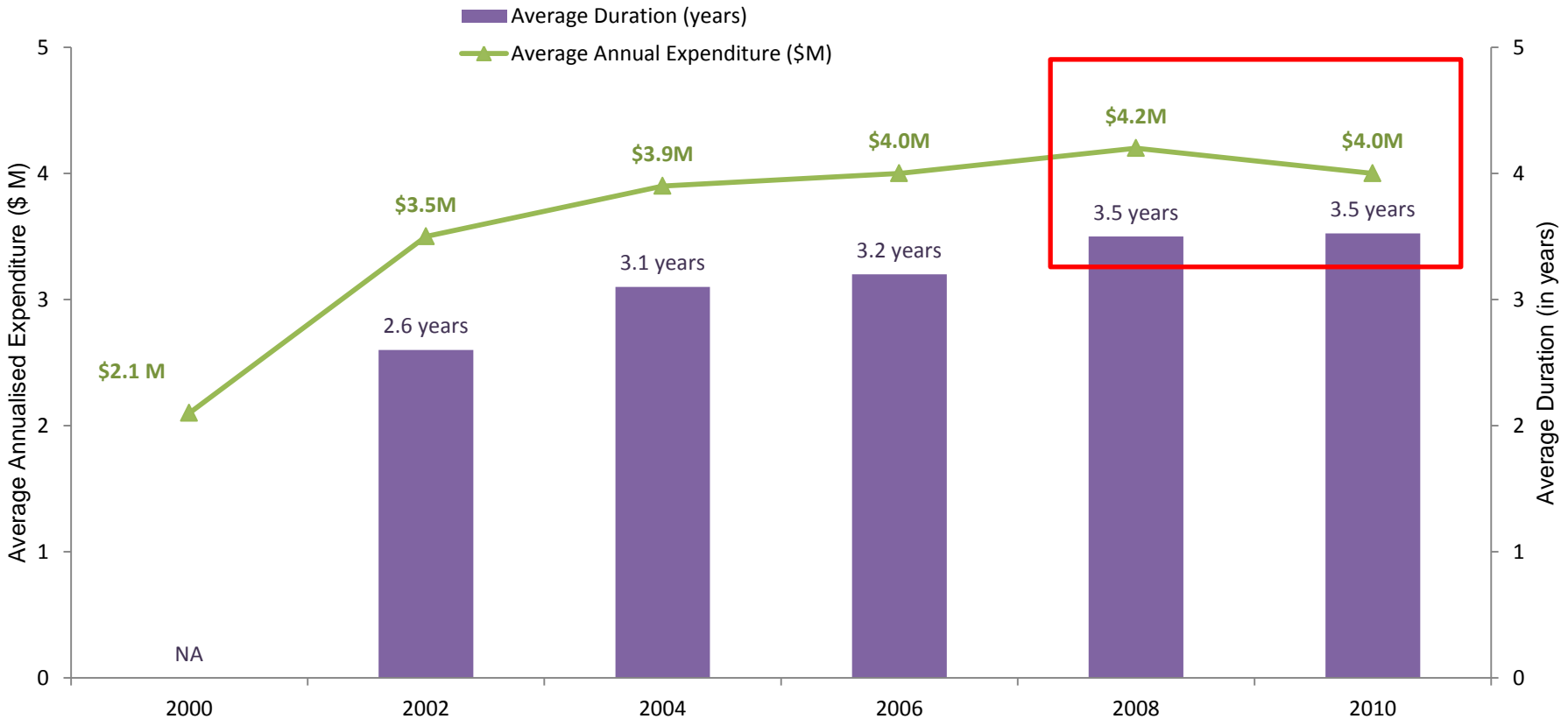
% of total number of contracts
 (No. of contracts : 5 111 (2010) ; 4 339 (2008); 3 984(2006))



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).

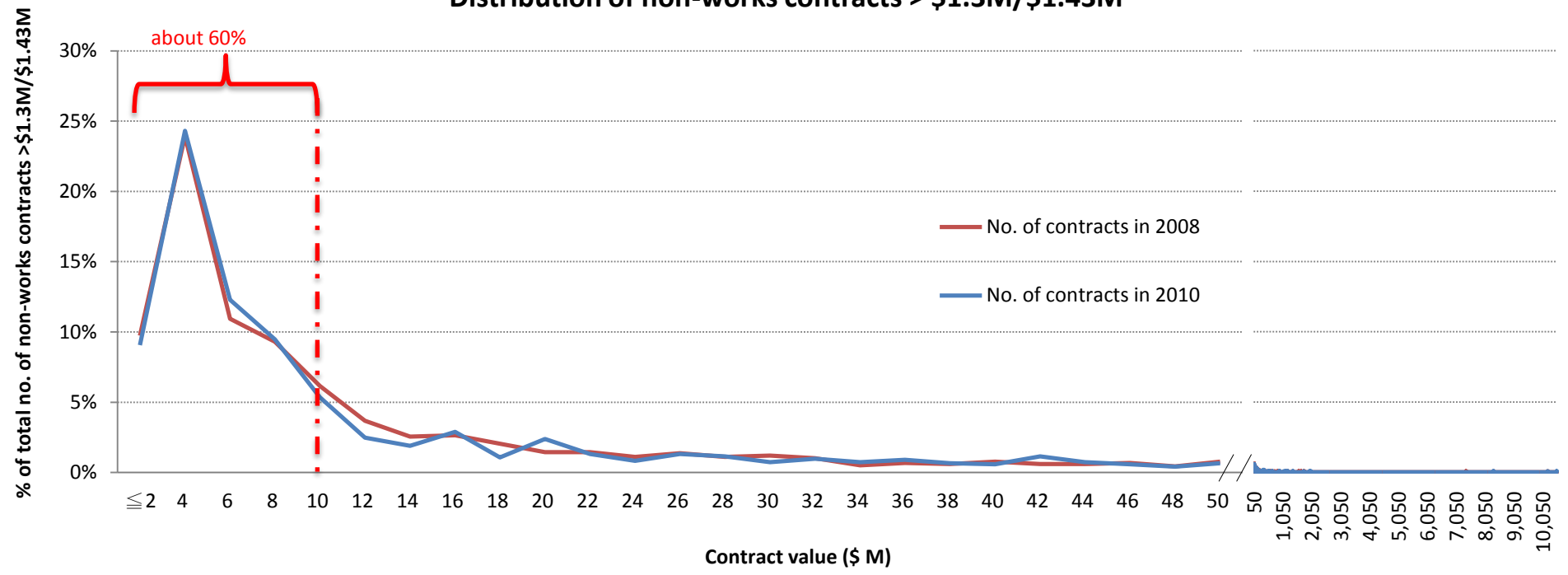
Non-works contract annualised expenditure and duration trend





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

Distribution of non-works contracts > \$1.3M/\$1.43M¹

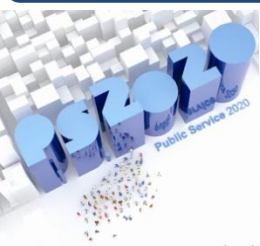


Characteristics of 2010 results :

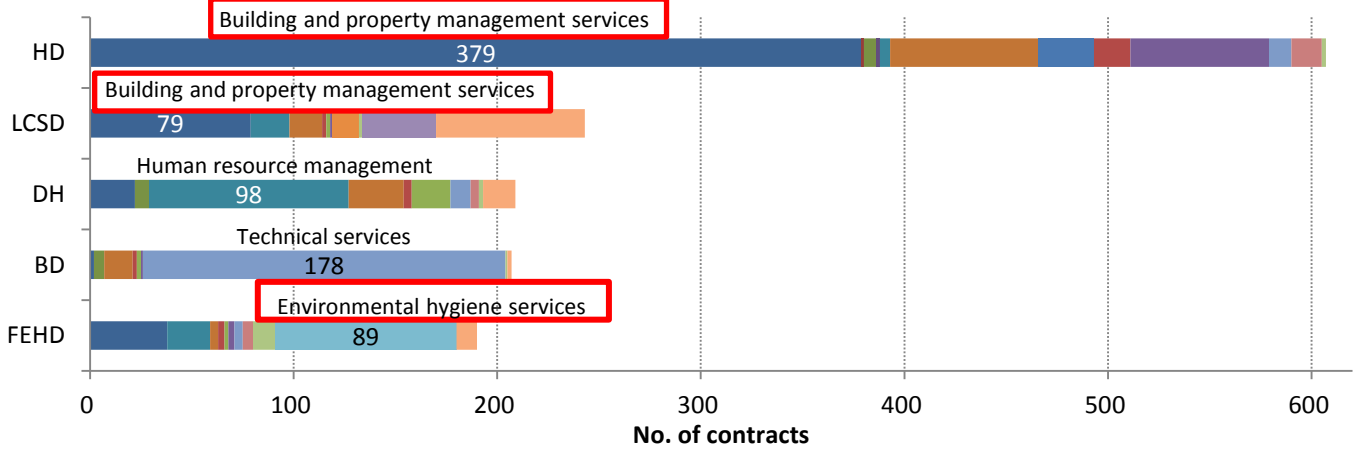
- Mean – \$65.5M
- Median – \$7.02M
- Mode – Range \$2M to \$4M (about 24% of total no. of non-works contract)

Note 1: Breakdown not available for contracts ≤ \$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

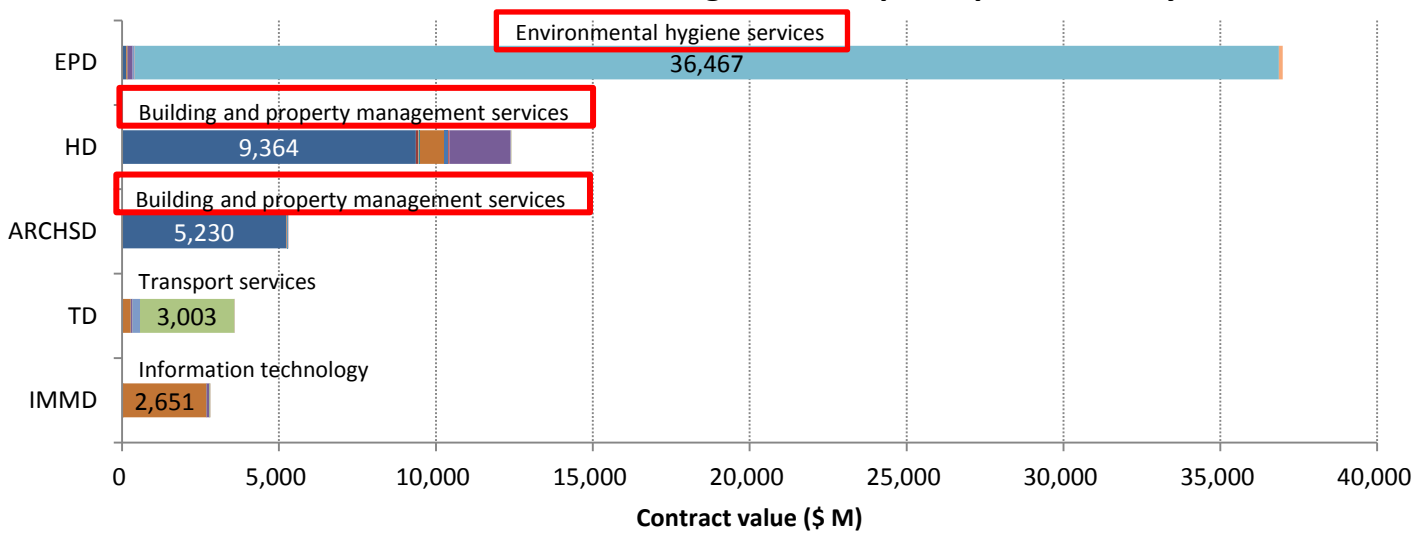


Breakdown of non-works service categories of top 5 departments by no. of contracts



- Building and property management services
- 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





Departments' Views



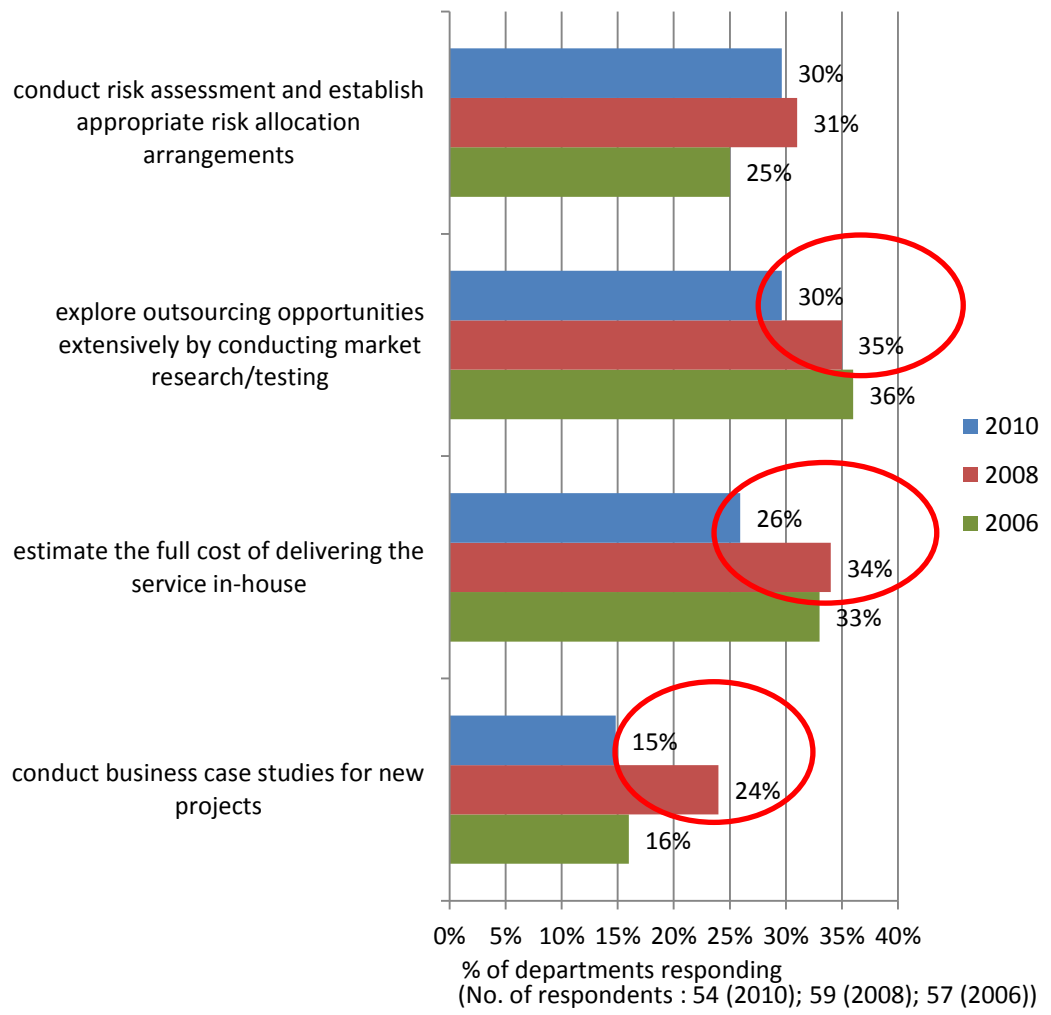
Fewer departments conduct business case studies and estimate the full cost of delivering service in-house

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%).

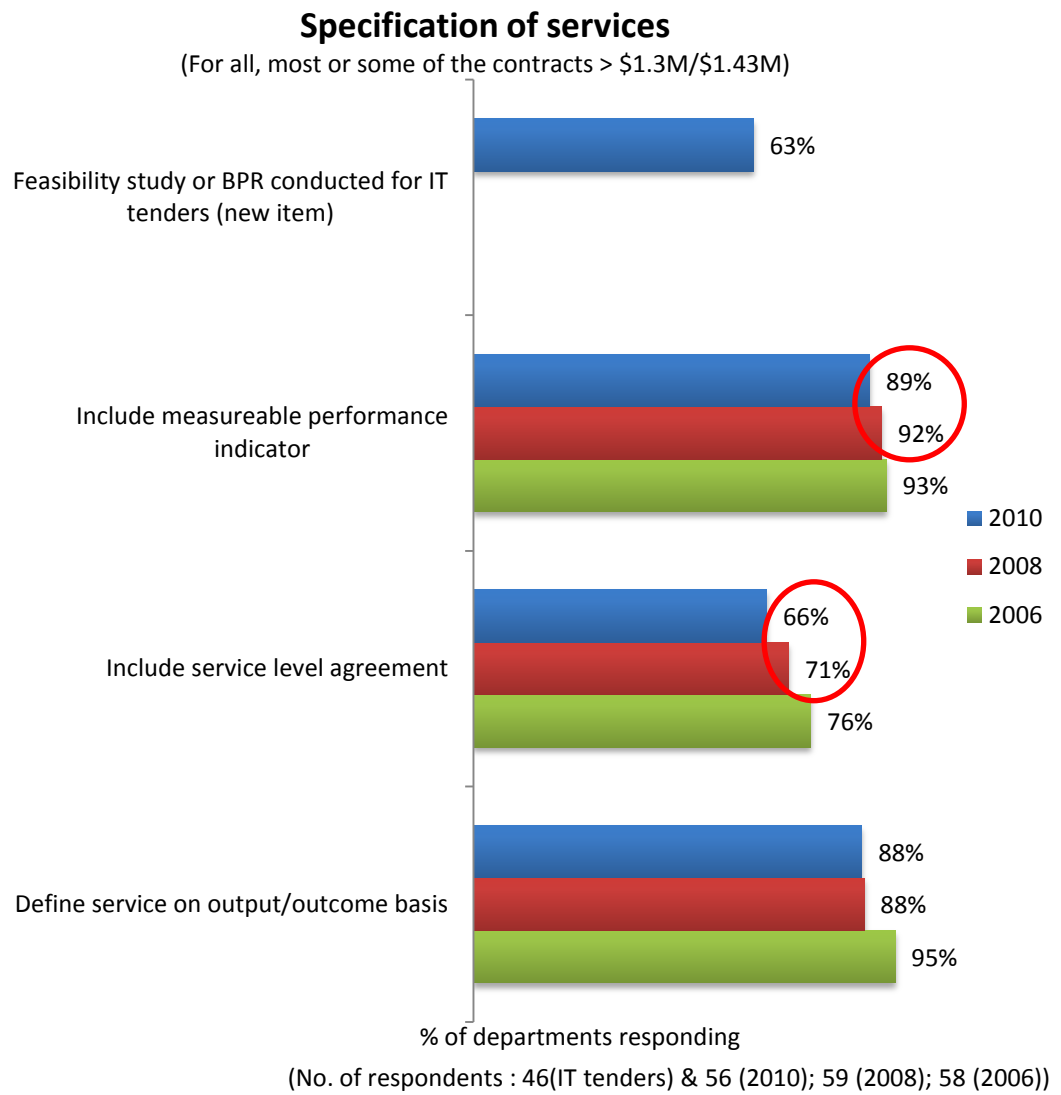
Strategy and business case
(For all or most of the contracts > \$1.3M/\$1.43M)





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%).

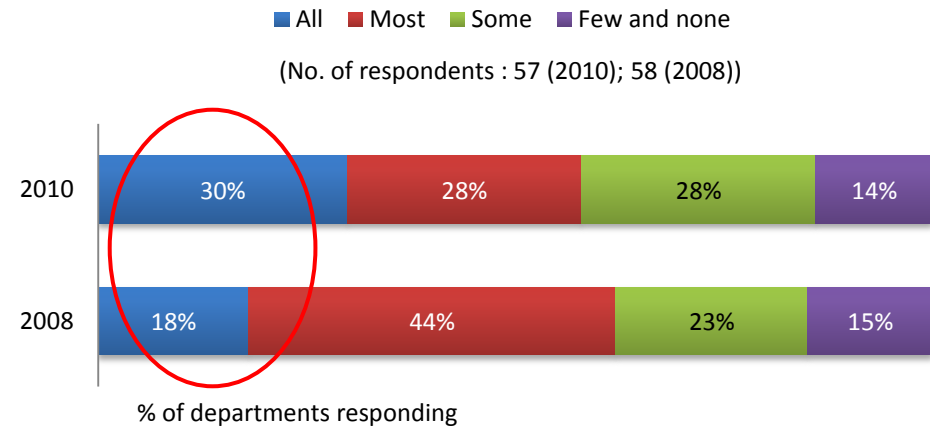




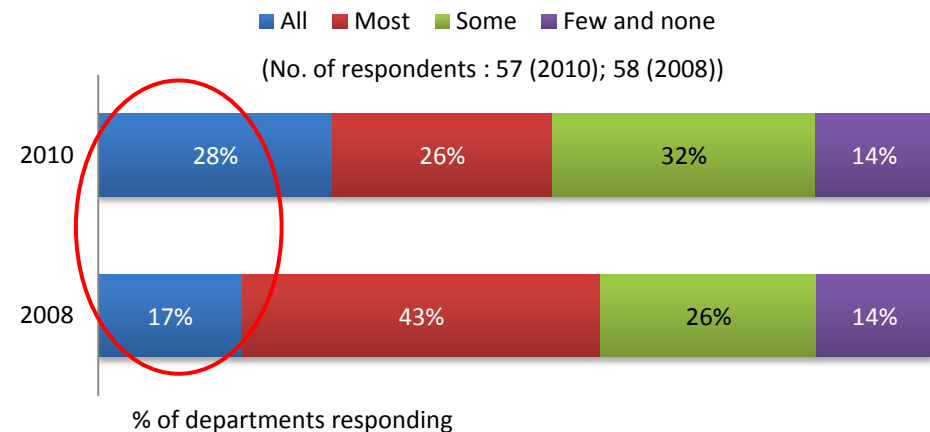
Increase in department's use of marking scheme and 'two-envelope' system in all their tenders

- 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)



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

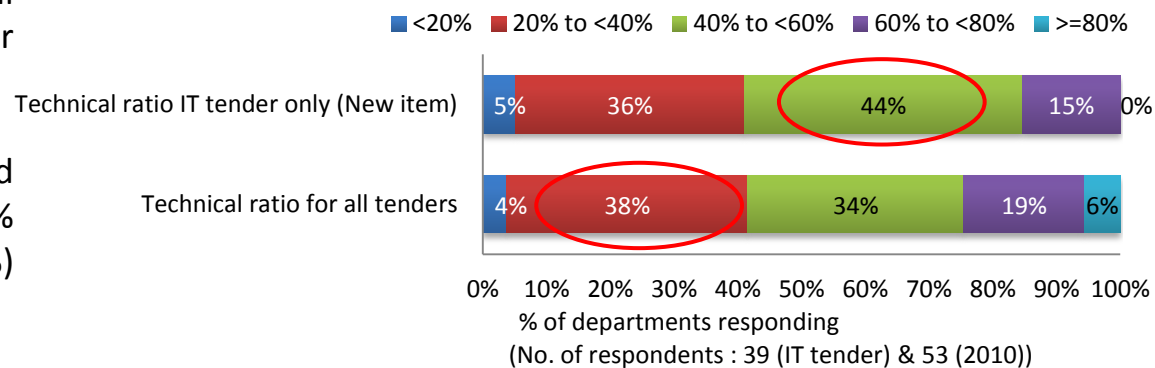




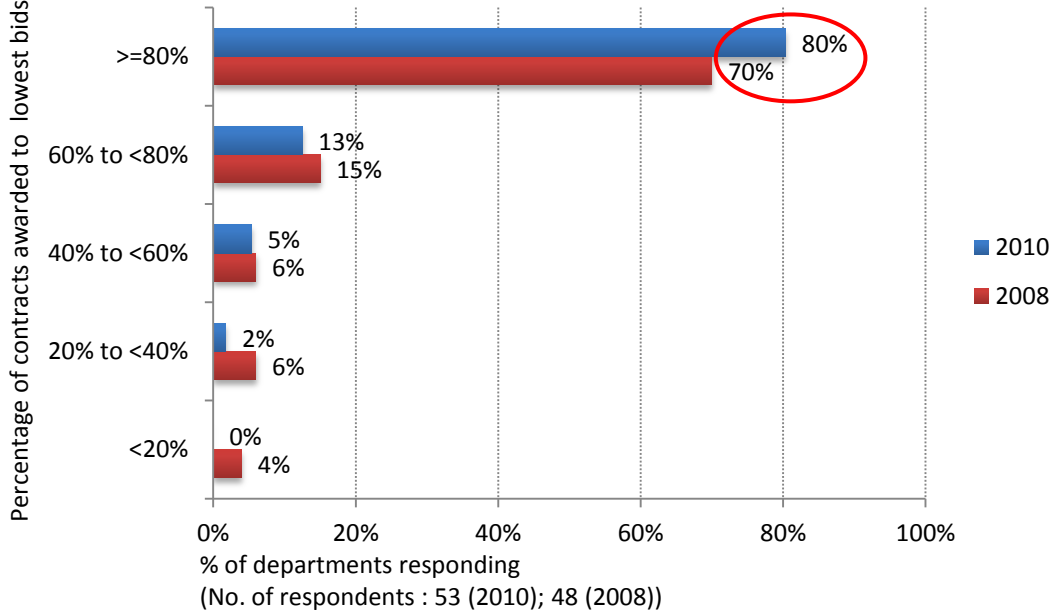
80% of departments awarded over 80% of their tenders to the lowest conforming bids

- 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)



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



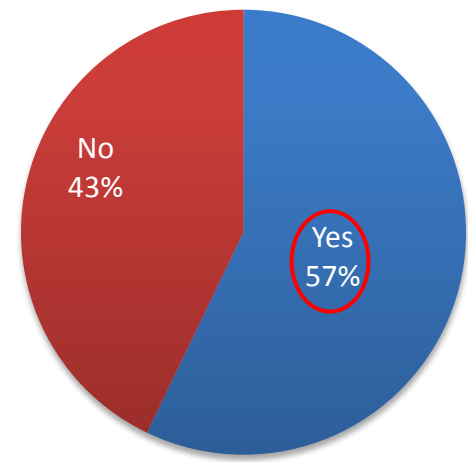


Departments prefer a higher technical weighting for IT tenders

- 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%).

Percentage of departments preferring Technical weighting > 30%

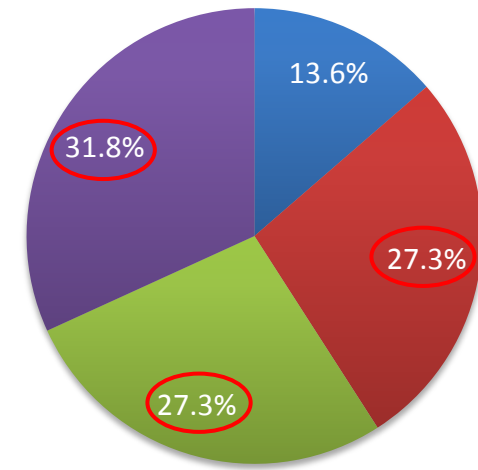
(New Item. For contracts > \$1.43M)



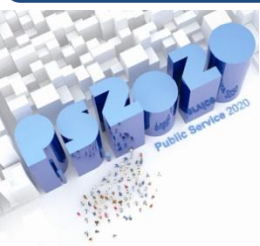
(No. of respondents : 52 (2010))

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

(New item. For contracts > \$1.43M)



- 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

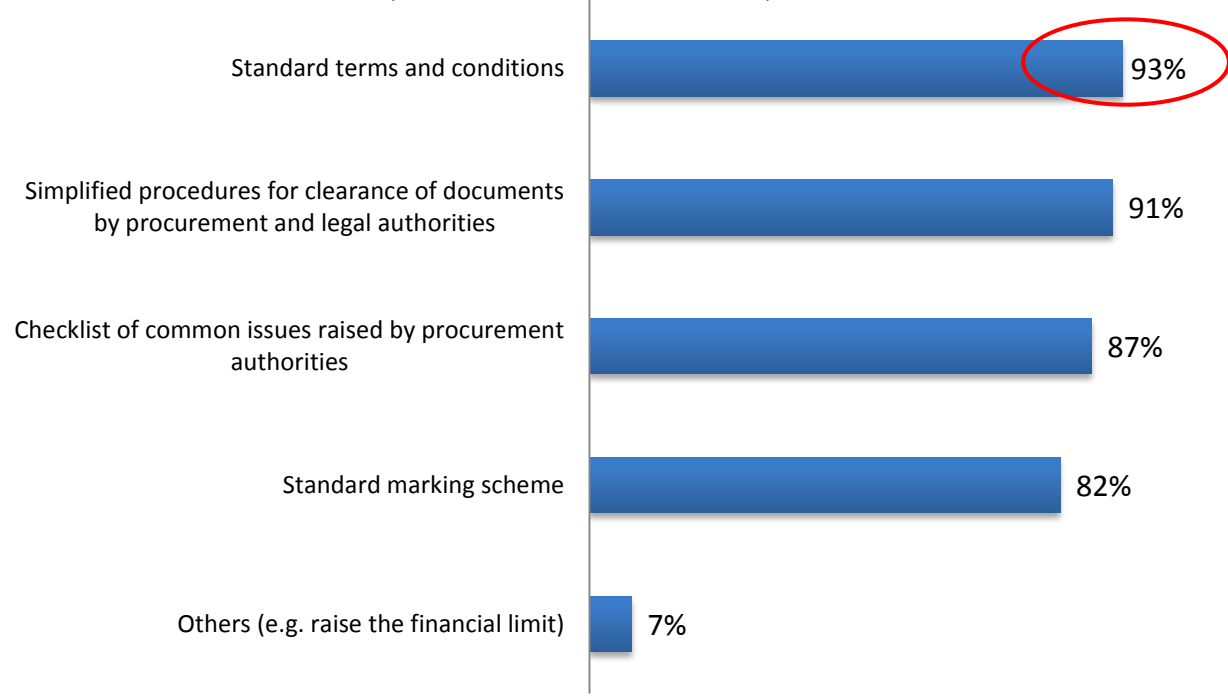


Standard terms and conditions can help to speed up tendering process

- 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)



% of departments responding
(No. of respondents : 55 (2010))

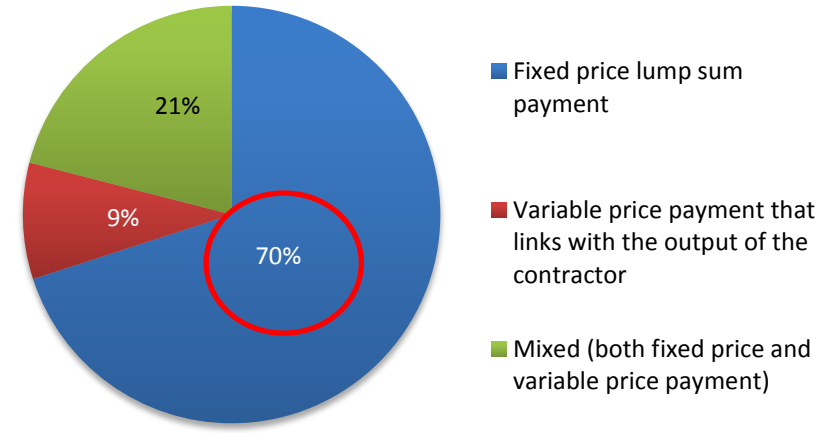


Most departments used fixed price lump sum payment for their contracts

- 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

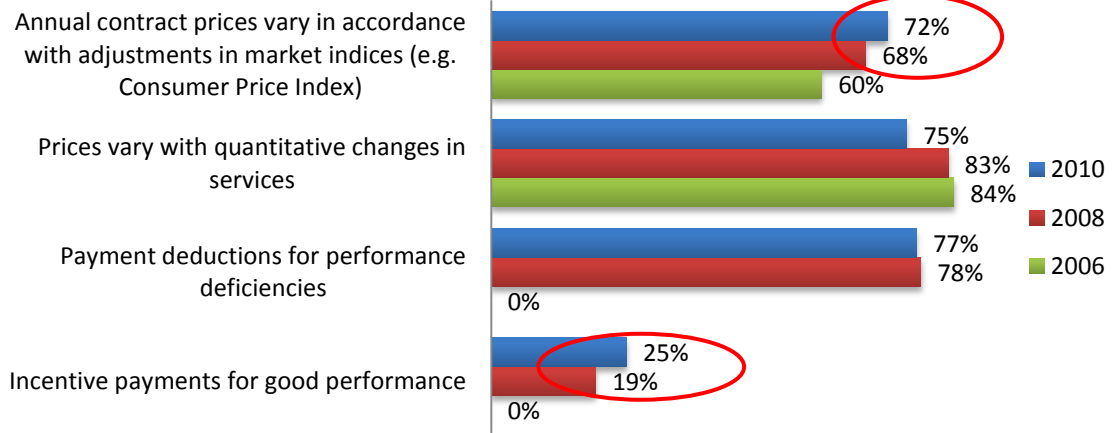
(New item. For contracts > \$1.43M)



% of departments responding
(No. of respondents : 53 (2010))

Pricing arrangement in contracts

(For all, most, some or few contracts > \$1.3M/\$1.43M)

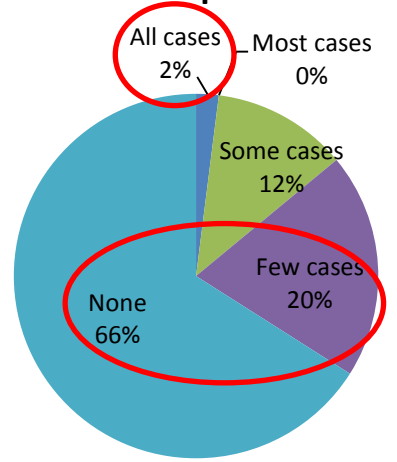


% of departments responding (can select multiple)
No. of respondents : 57 (2010); 59 (2008); 58 (2006))



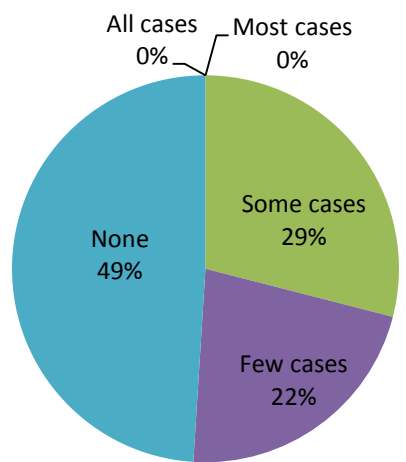
Civil service posts rarely deleted due to outsourcing

Percentage of departments deleting affected posts



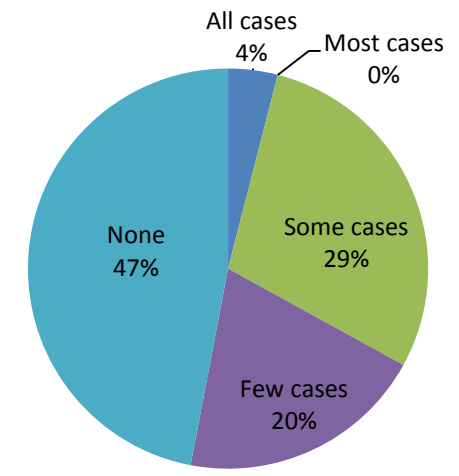
(for contracts > \$1.43M)

Percentage of departments redeploying affected staff for contract management



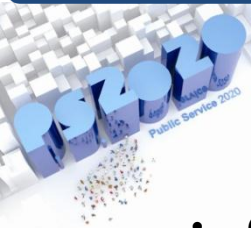
(for contracts > \$1.43M)

Percentage of departments redeploying affected staff for other areas



(for contracts > \$1.43M)

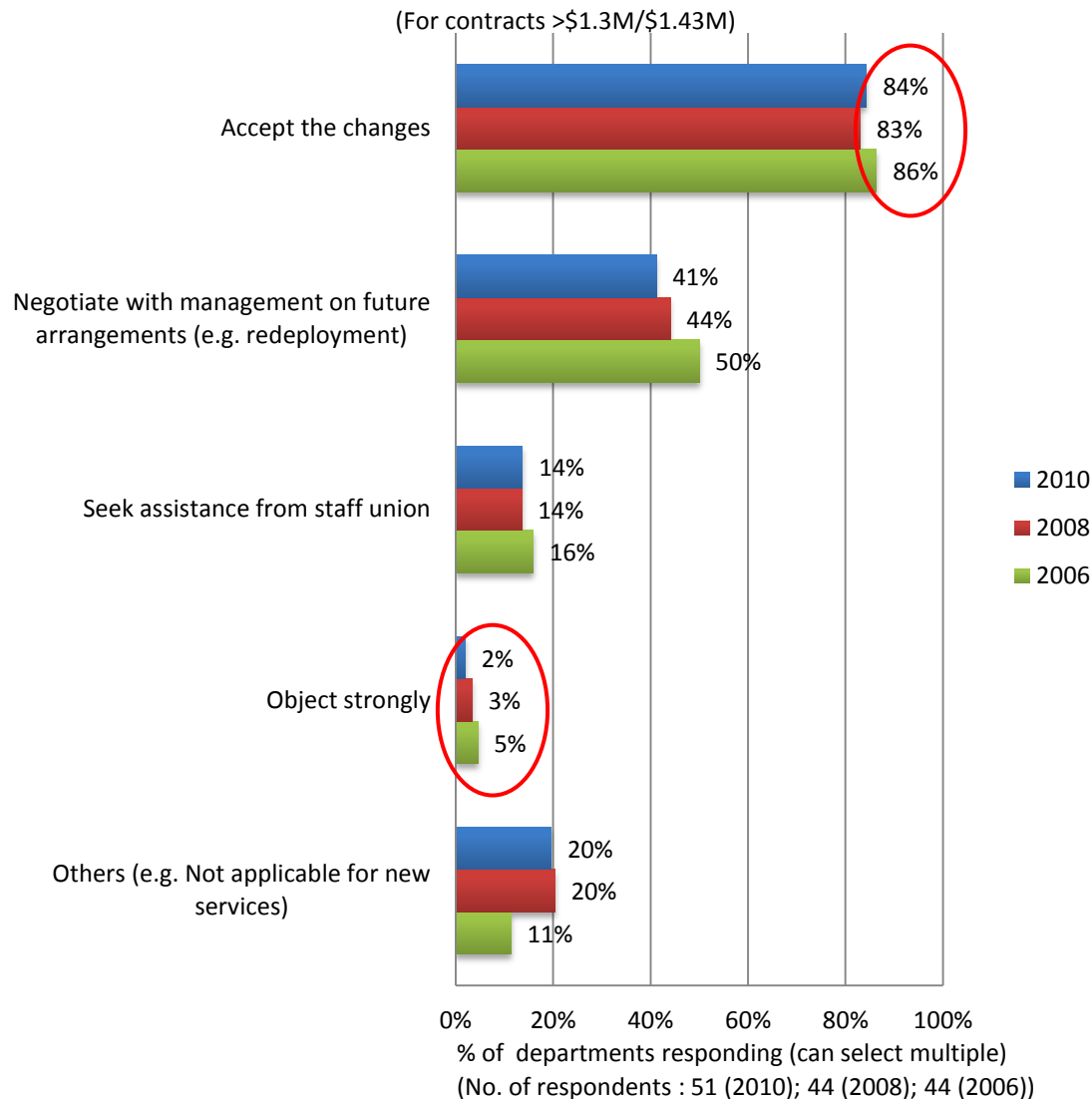
- As with the 2008 survey, departments rarely delete civil service posts as a result of outsourcing. Only 2% of the departments indicated that they would delete posts affected by outsourcing in all cases (in 2008, 0% for all cases and 2% for most cases). The majority (86%) of department considered that 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%).

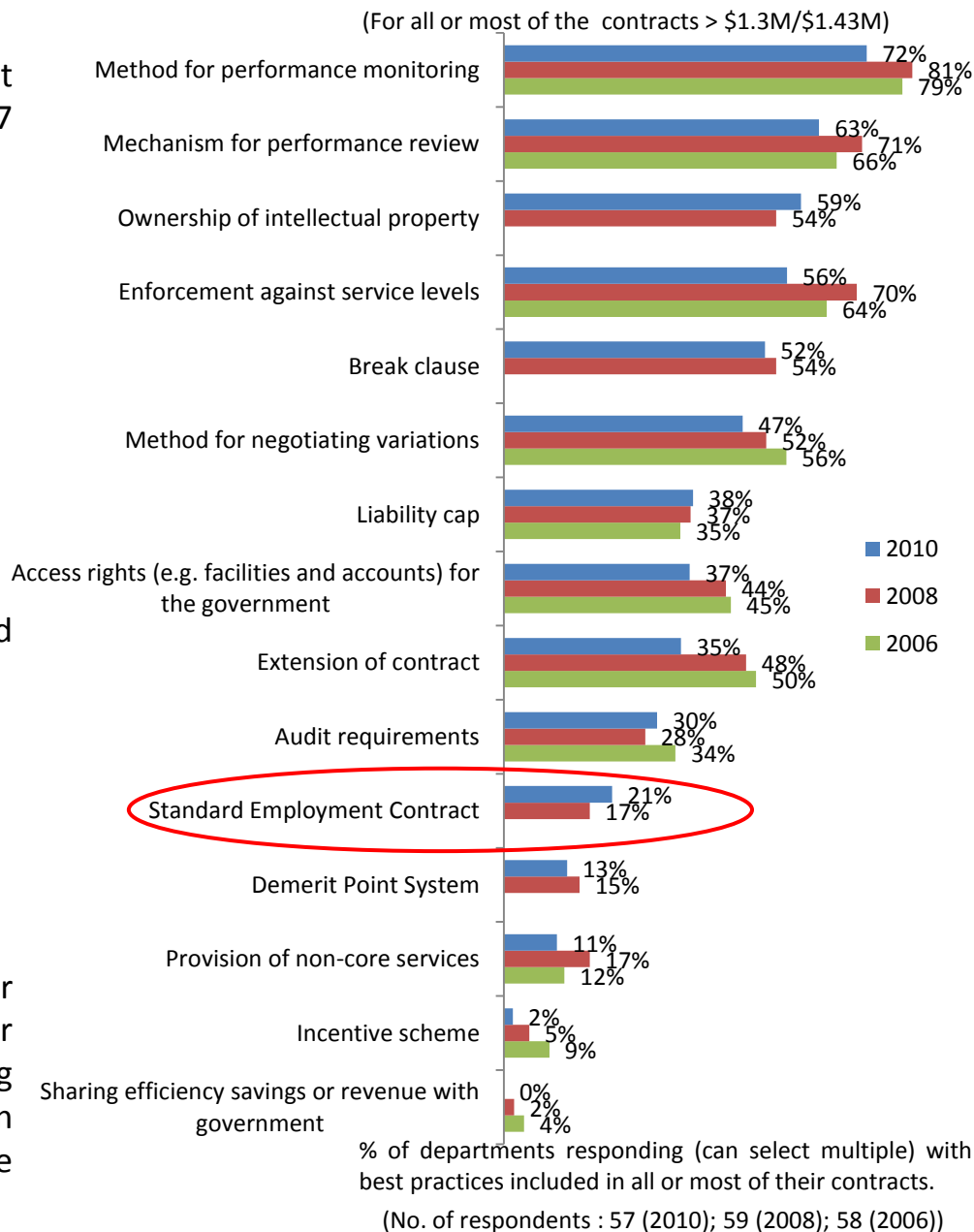
Departments' observations on staff responses to outsourcing

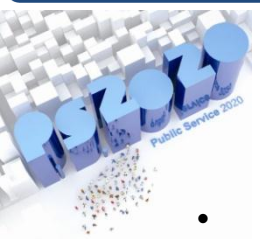


Most departments incorporated best practices in contracts



- 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.





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.

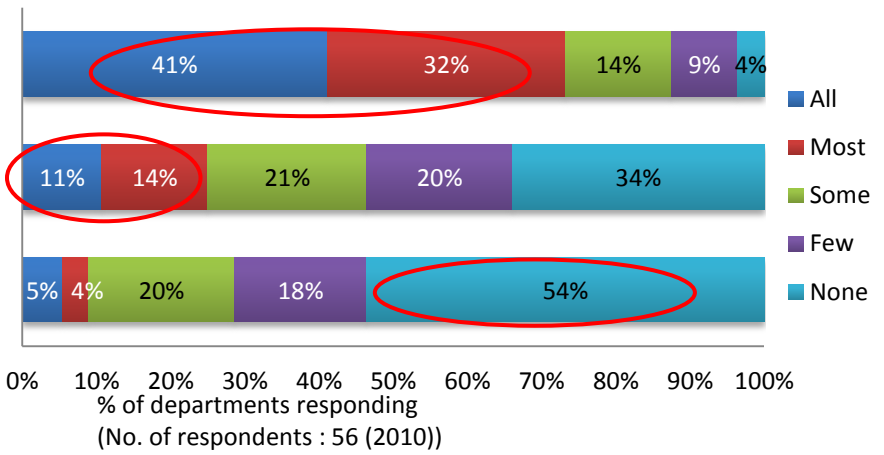
Exit provisions (for either party)

Transfer of assets / skills

Roll-over of contract

Provision for end of contract arrangement

(For contracts > \$1.43M)

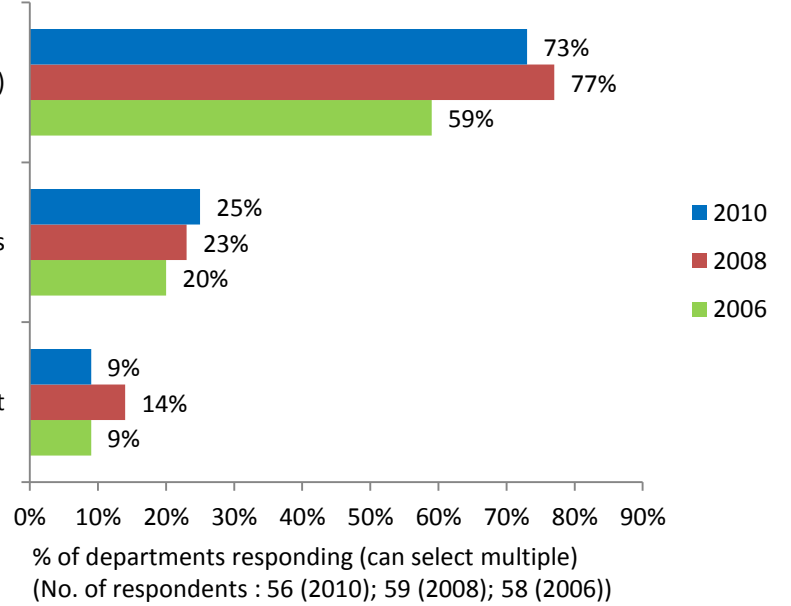


For all or most of the contracts > \$1.3M/\$1.43M

Exit provisions (for either party)

Transfer of assets / skills

Roll-over of contract



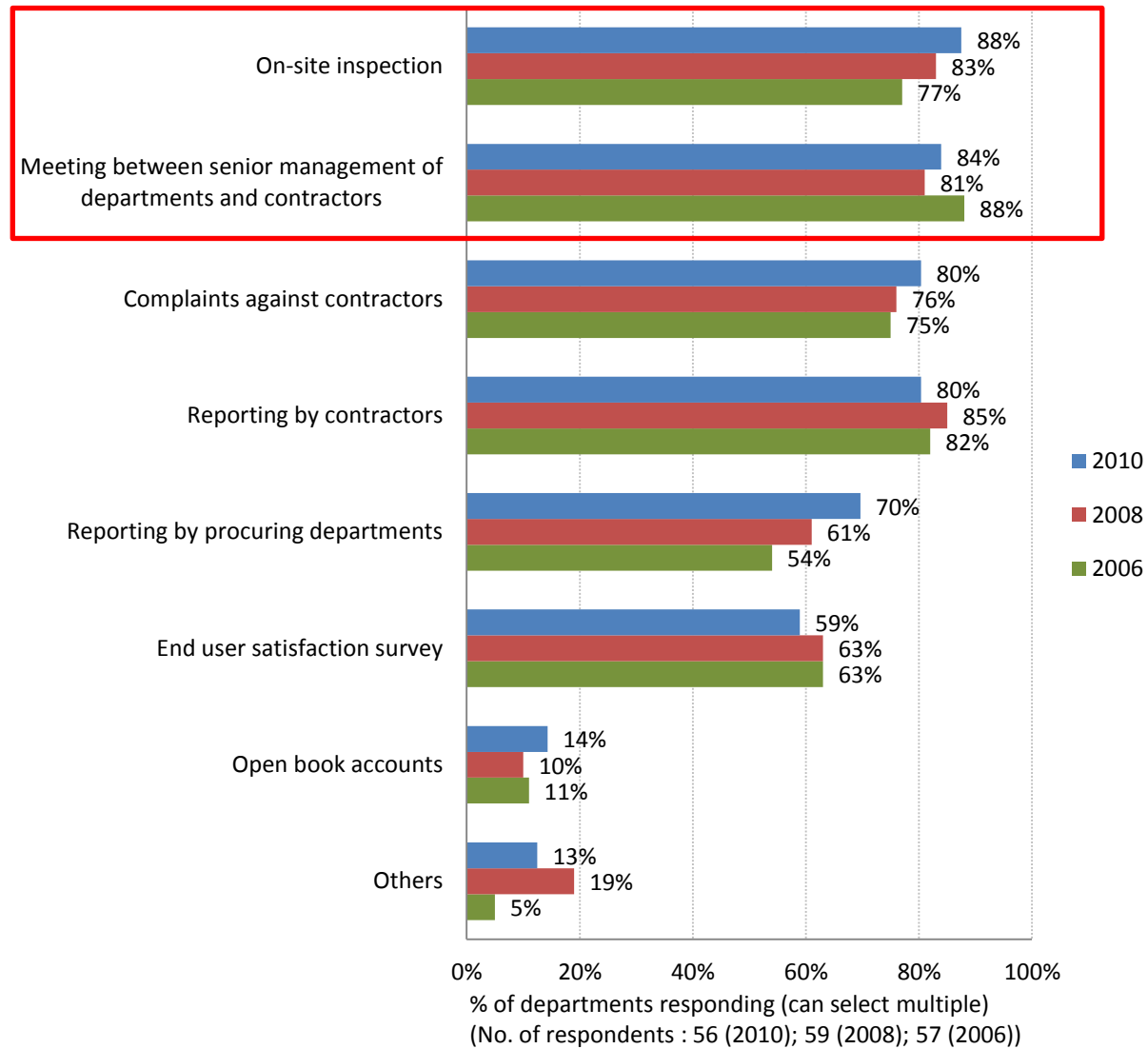


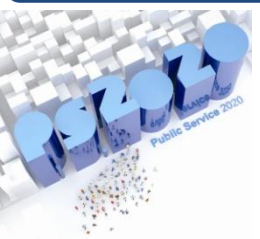
Average contract management cost remains the same

- 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.

Types of performance monitoring mechanism adopted by departments

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



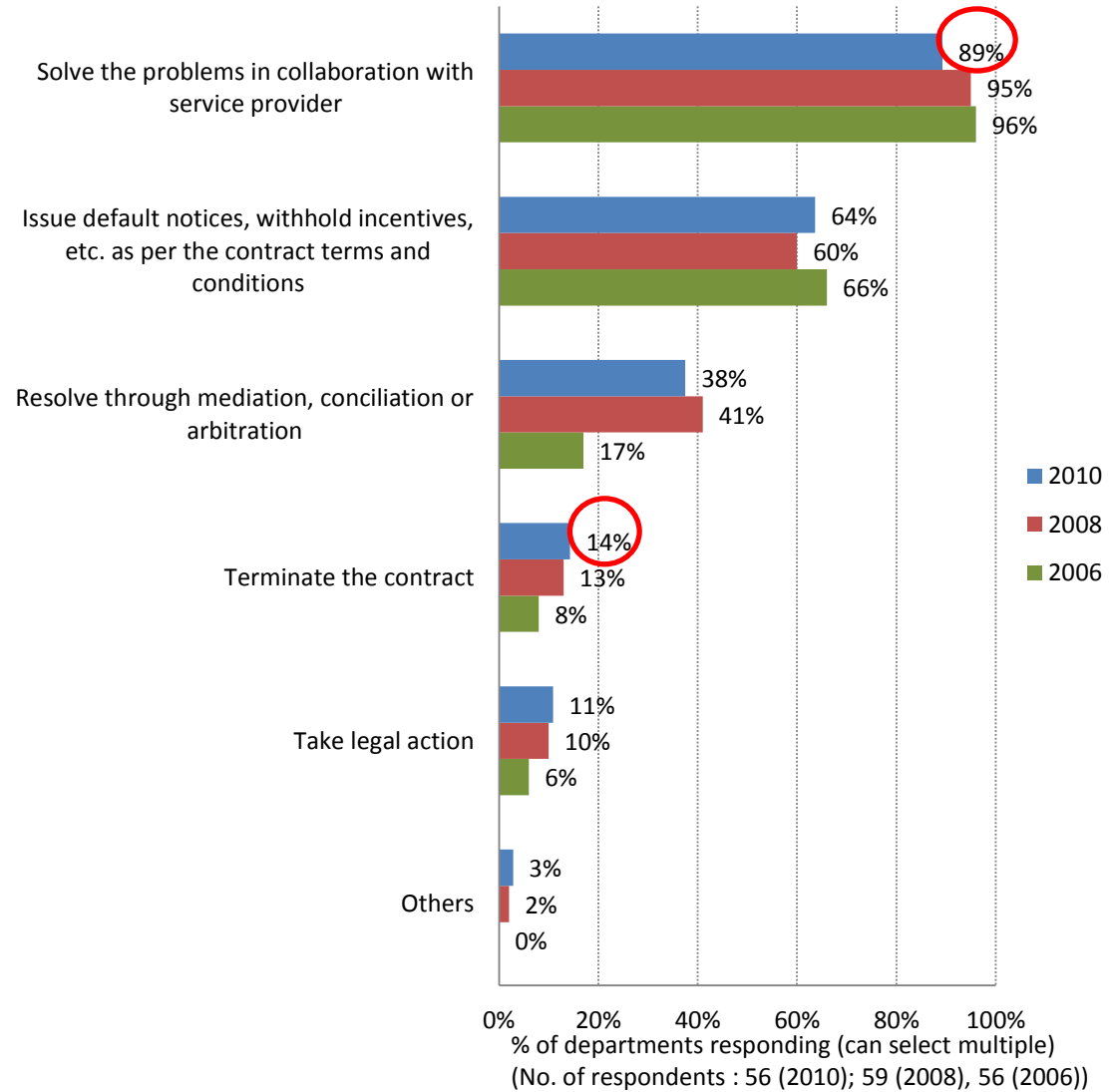


Most departments resolve disputes in collaboration with contractors

- 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)

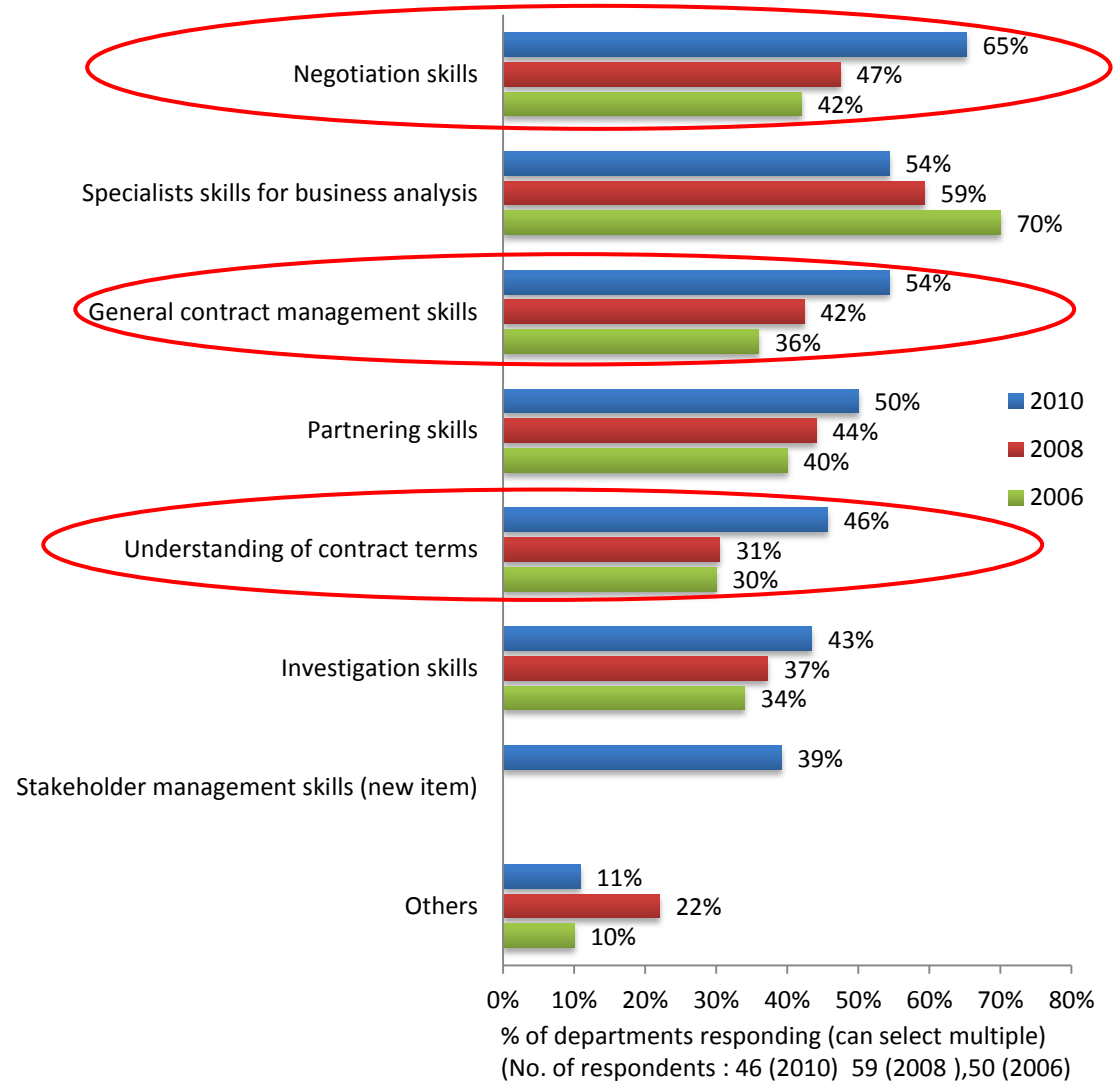


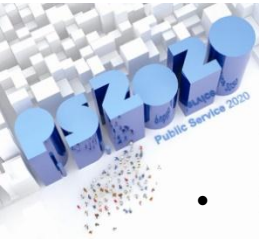


Departments face challenges in negotiation, contract management and understanding contract terms

- 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.

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

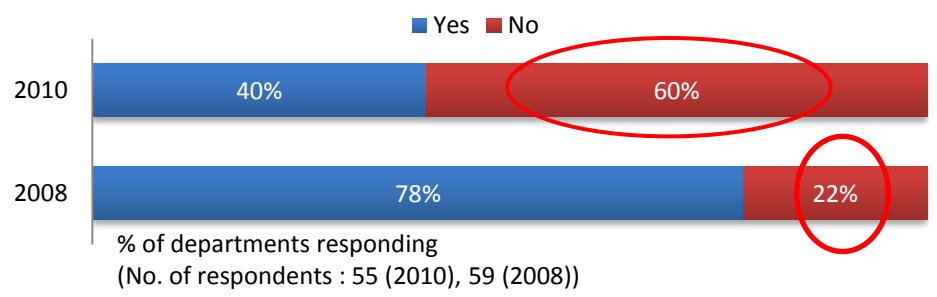




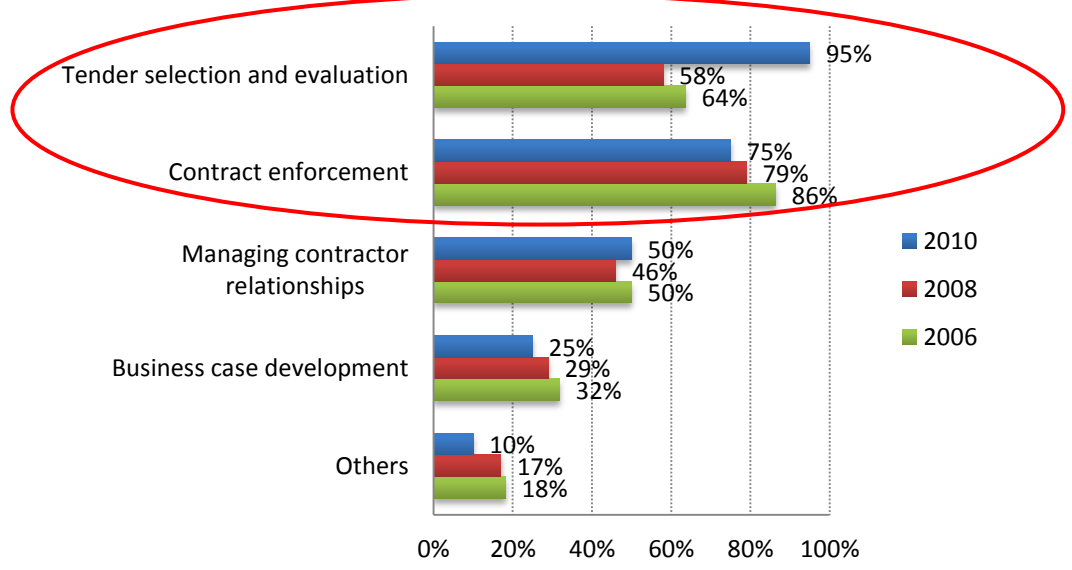
60% of departments reported that their contract managers were not trained in contract management

- 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)



Topics covered in departments' training on contract management (for contracts > \$1.3M/\$1.43M)



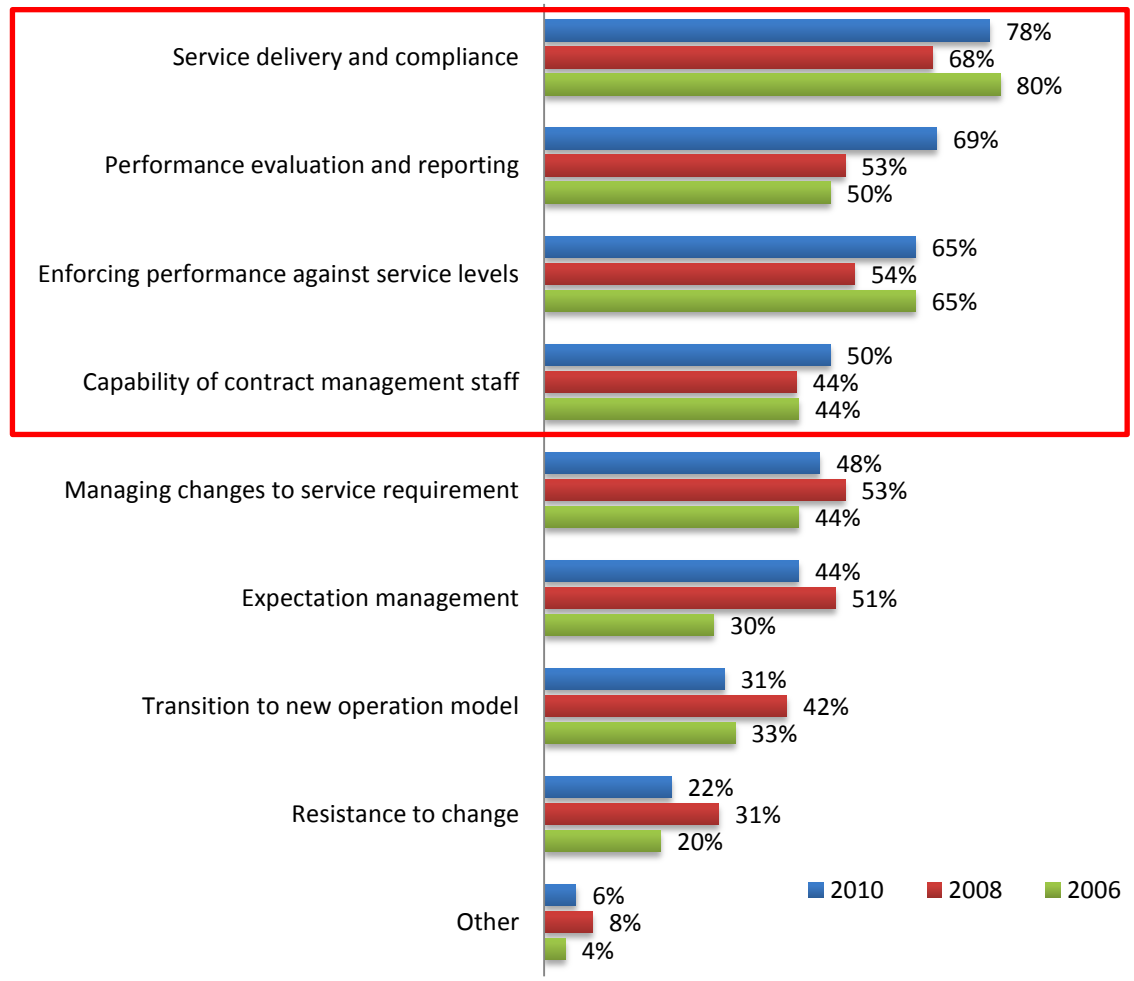
% of departments responding (can select multiple)
(No. of respondents : 20 (2010), 27 (2008), 56 (2006))



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)



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

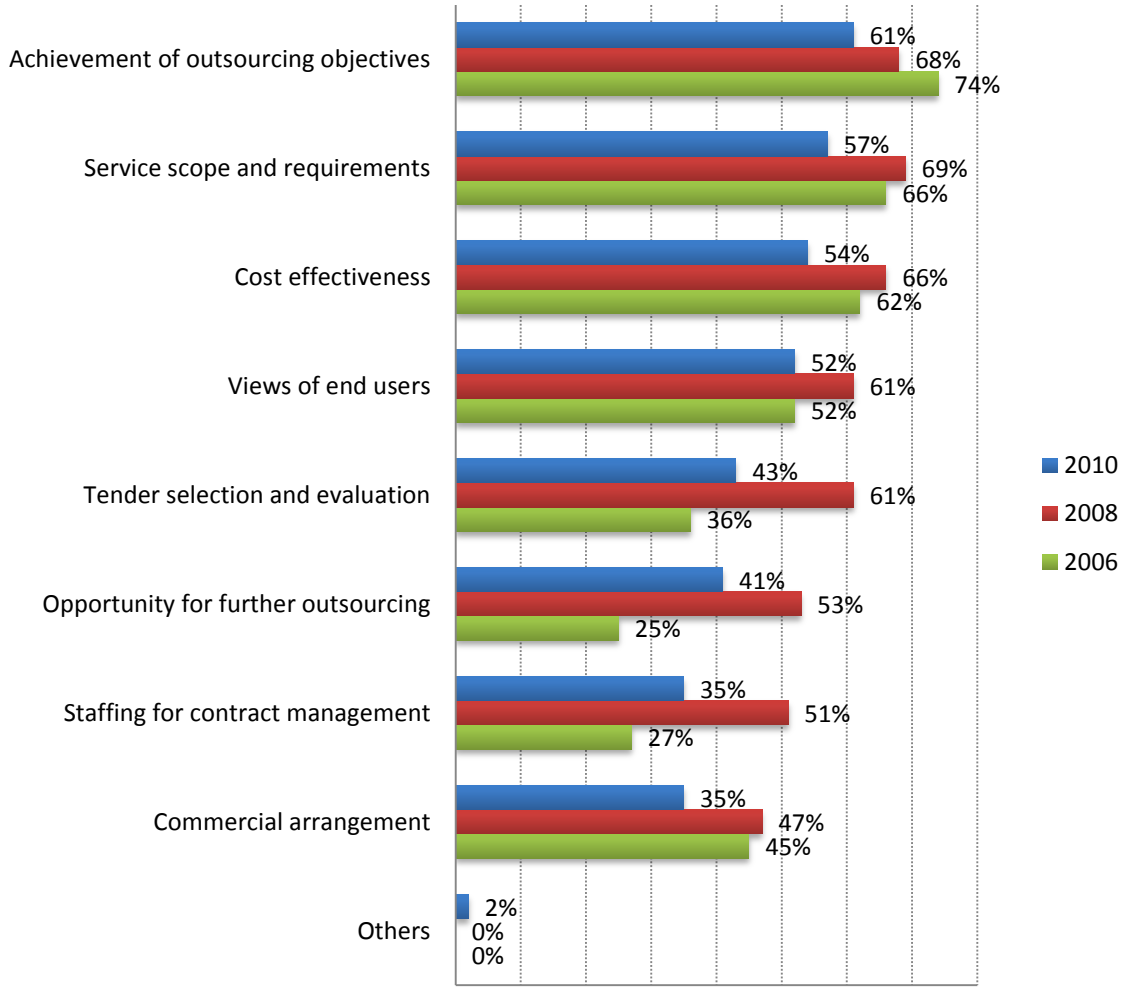


Fewer departments conduct post-implementation reviews for outsourcing contracts

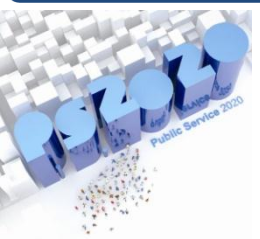
- 31% of departments have not conducted any post-implementation reviews (PIR) on the effectiveness of their outsourcing exercises. The comparable figure for 2008 is 20%.
- For those 37 departments who have conducted PIRs, they usually conducted the PIRs after the start of the current contract (13 departments) 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)



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

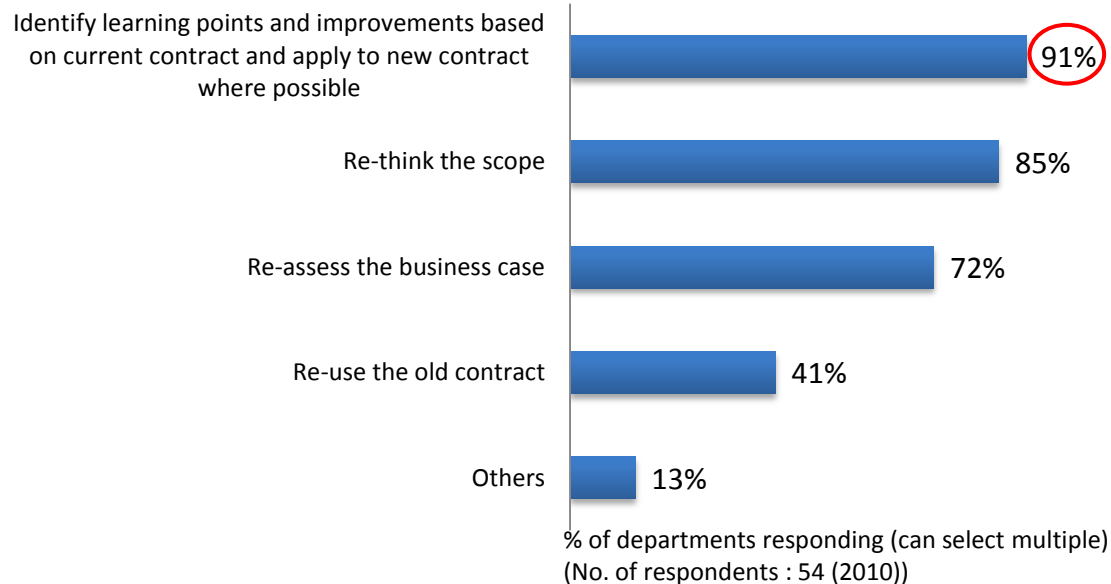


Most departments seek improvements for the next contracts

- 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.

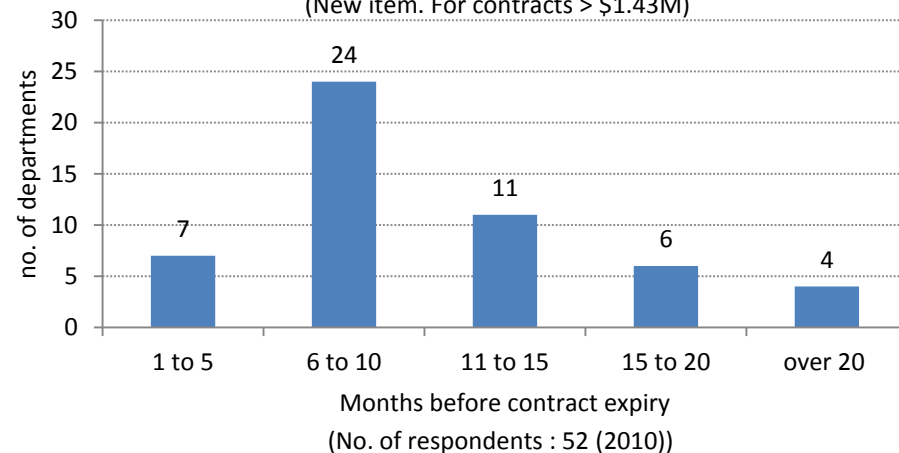
Activities near the end of service contracts

(New item. For contracts > \$1.43M)



Lead time to start planning before contract expiry

(New item. For contracts > \$1.43M)



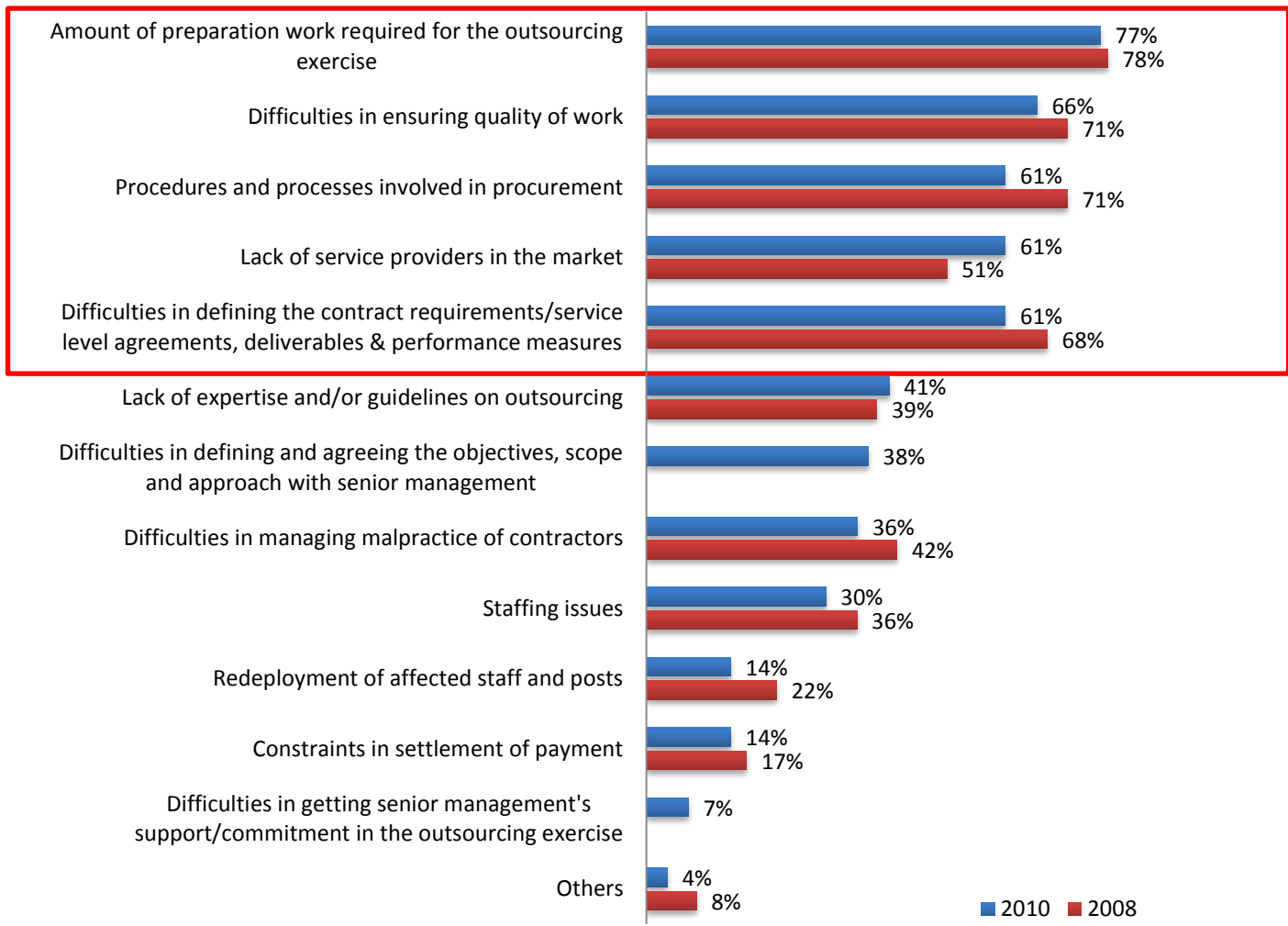


Amount of preparatory work is the main concern in outsourcing

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%).



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

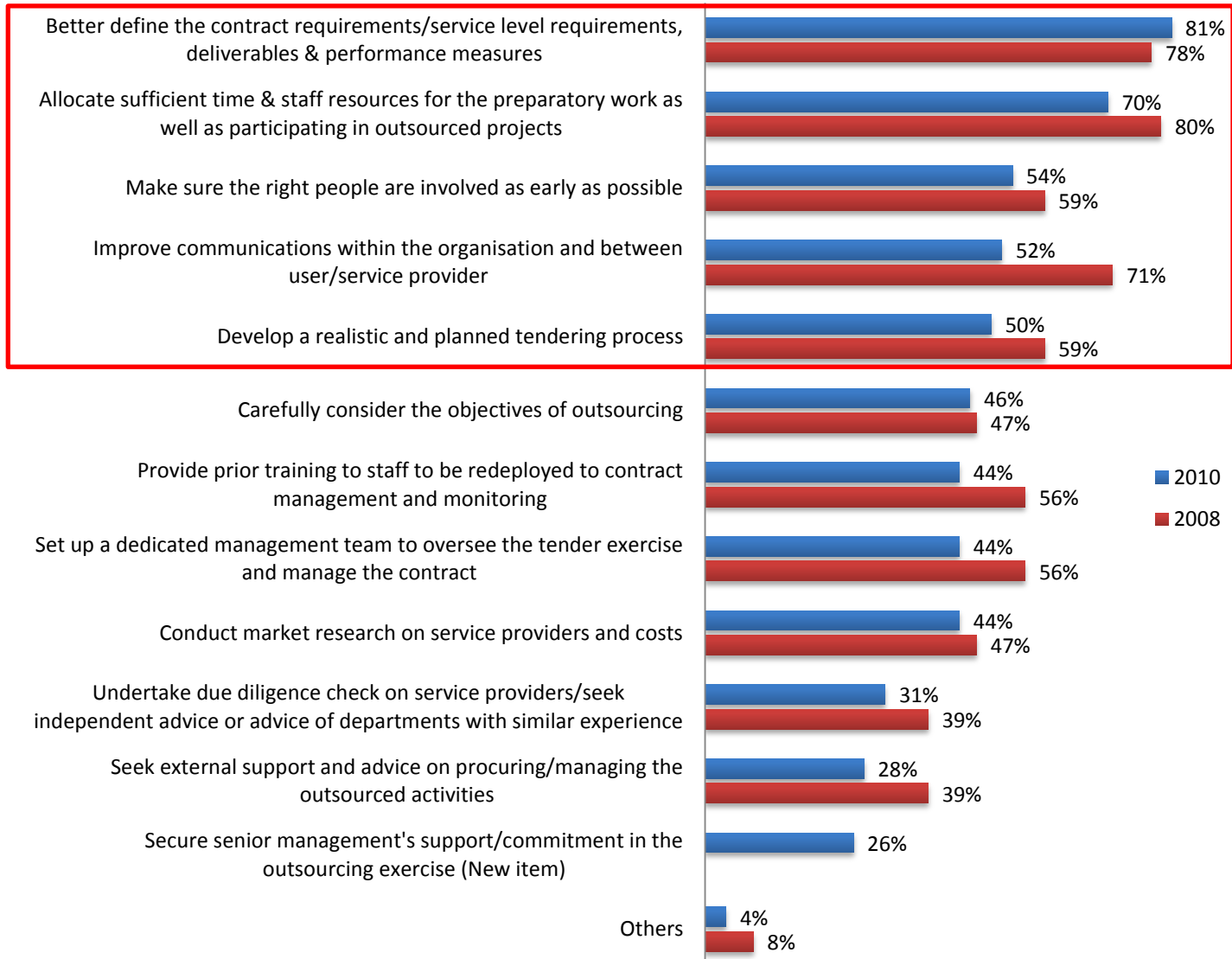


The top 5 improvements to be made in new contracts are the same in the 2008 and 2010 surveys

- 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%).

Improvements to be made in coming new outsourcing arrangements

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



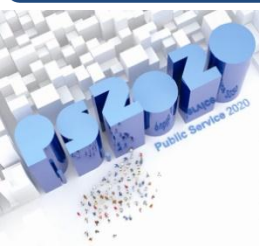
% of departments responding (can select multiple)
(No. of respondents : 54 (2010); 59 (2008))



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

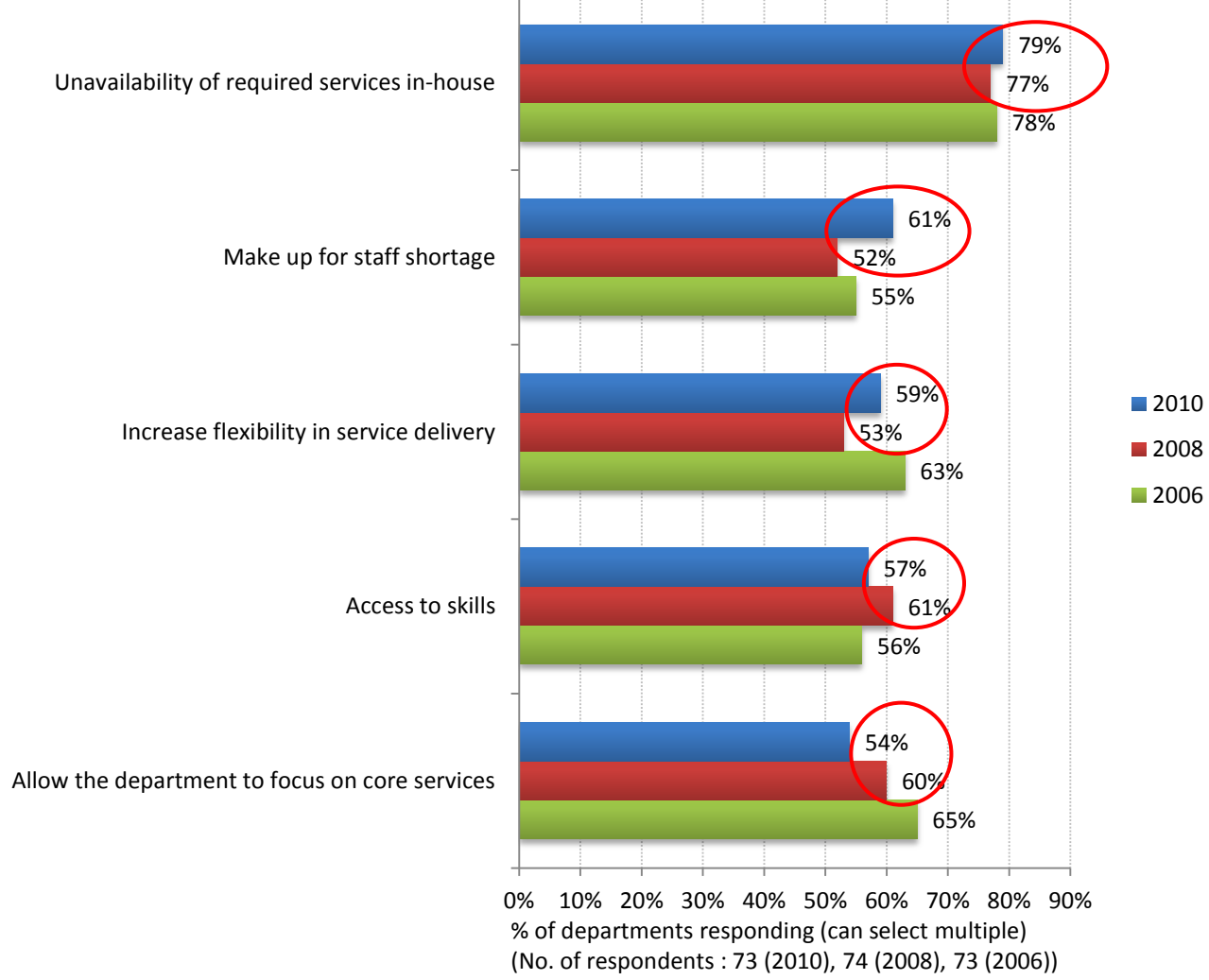


Departments are generally satisfied that outsourcing fulfilled their objectives

- 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%).

Fulfilment of top 5 reasons for outsourcing

(For outsourcing expectation fully met)



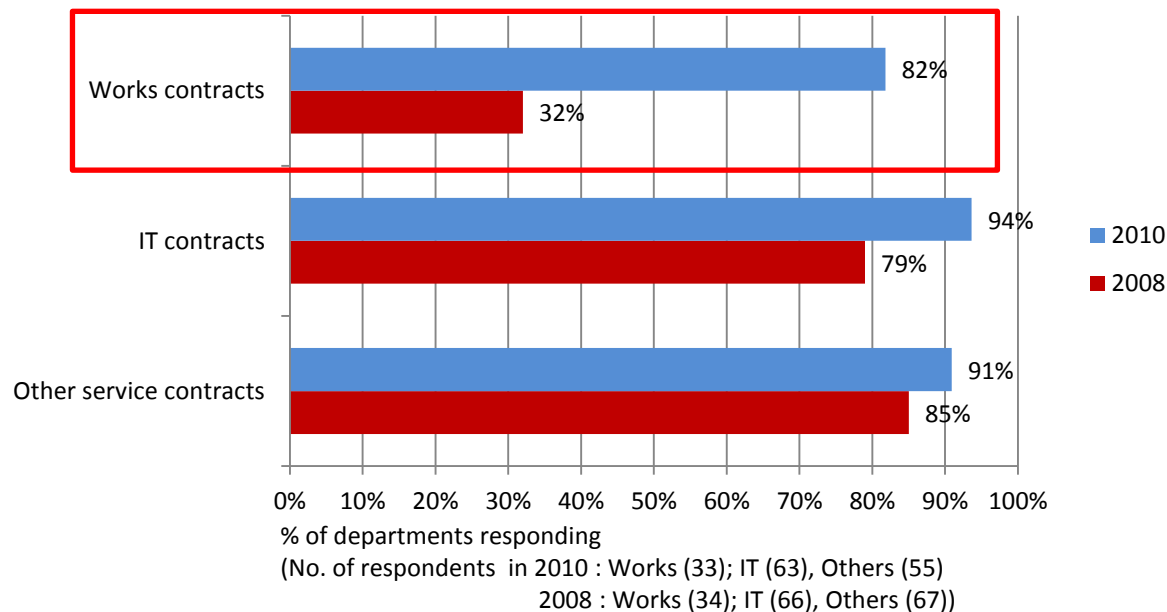


Departments reported improvement in budget and time control

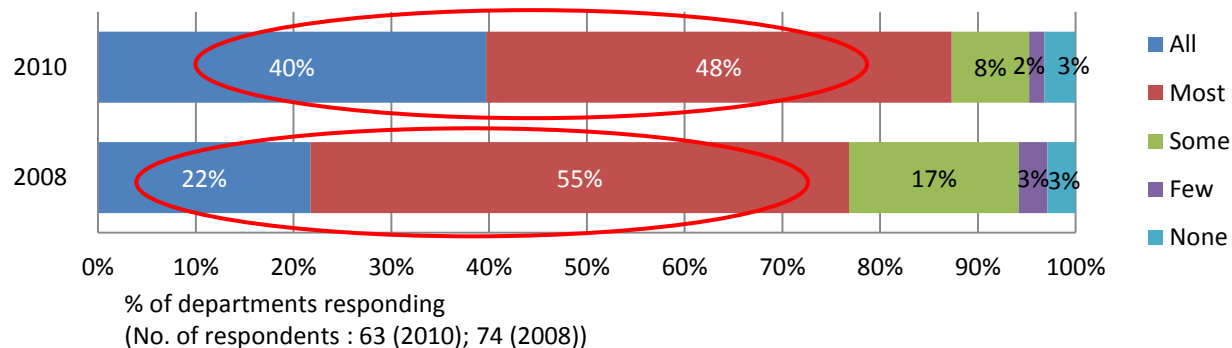
- There is improvement in budget control for all or most of the contracts. The improvement is most remarkable for works contracts which shows a significant improvement of 50% from the 2008 survey.
- 88% of departments reported that all or most of their works and IT contracts were completed on time. This 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).

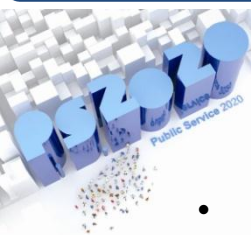
Contract payments within original budget

(For all or most of the contracts)



Completion of IT and works projects on time





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	22%	4
Capital works and construction	21%	4
Cultural and recreational services	20%	5
Legal services	N/A	0
	Overall average :	
	31% (2008: 29%)	

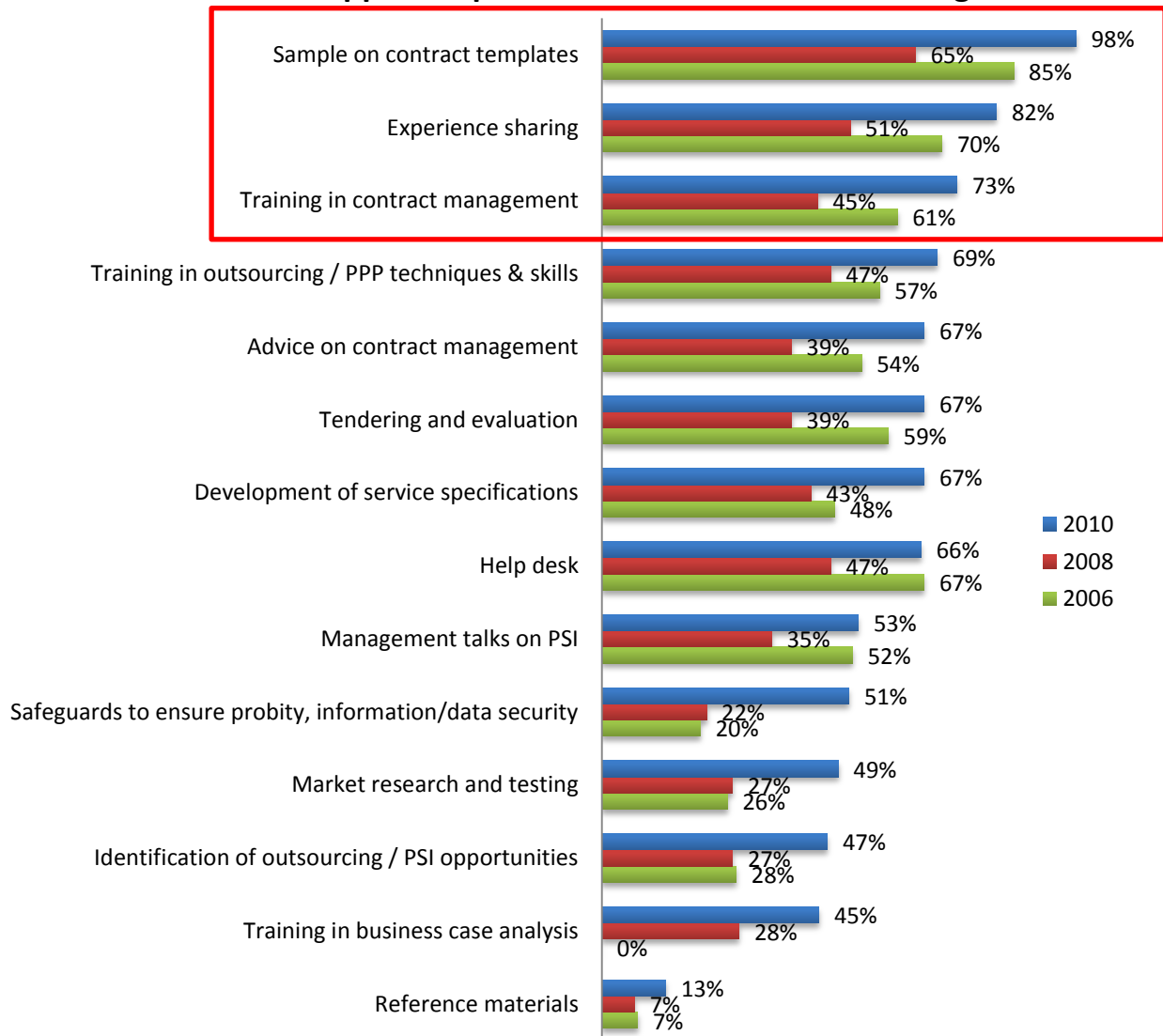
Note: 1. Of the 74 departments with outsourcing activities, 49 responded with estimated cost savings.
 2. Each department can respond in more than 1 service category.



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



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



Survey of Outsourcing Contractors

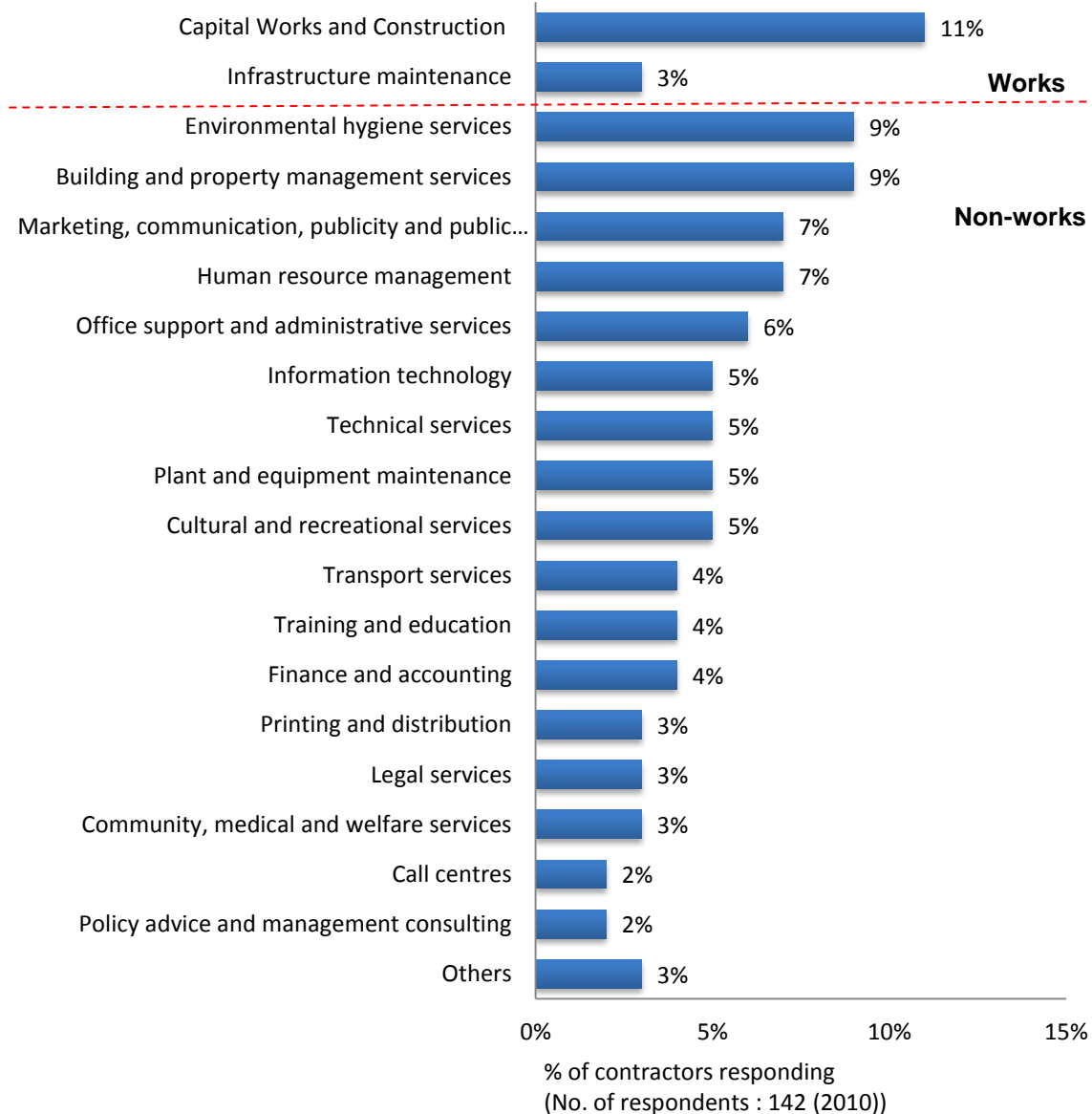
Contractors' Views



- 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.

Responses from contractors

Distribution of contractors' responses by service category

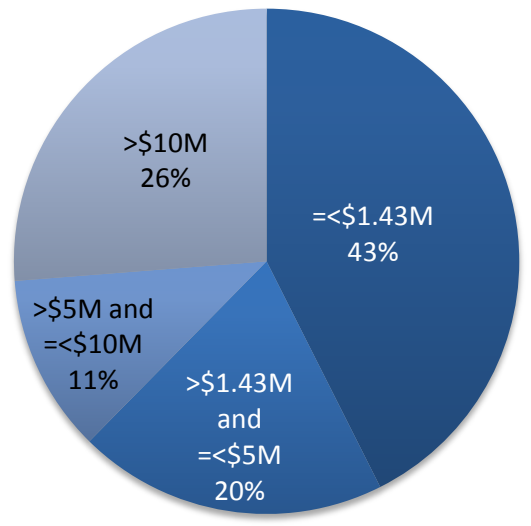




7% drop in the number of contractors getting contracts above \$1.43M

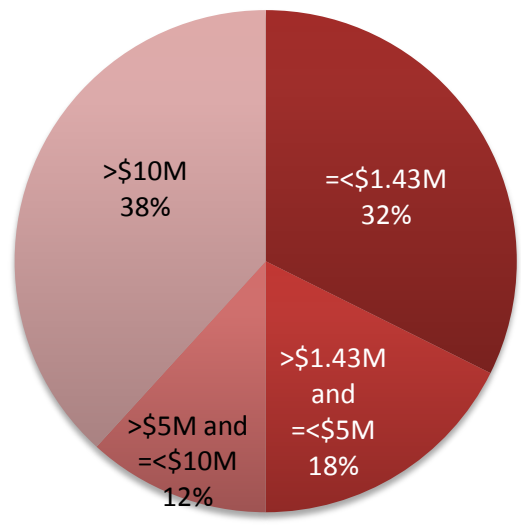
- Overall, 57% of contractors had contracts valued over \$1.43 million, compared with 64% in 2008 (value above \$1.3 million).
- For works contracts, 68% of contractors had contracts valued over \$1.43 million, down from 87% in 2008 (value above \$1.3 million).
- For non-works contracts, 55% of contractors had contracts valued over \$1.43 million, whereas it was 60% in 2008 (value above \$1.3 million).

Overall



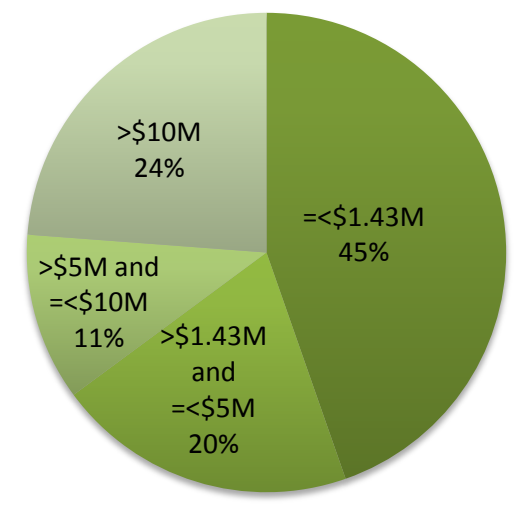
Percentage by number of all contractors

Works



Percentage by number of works contractors

Non-works



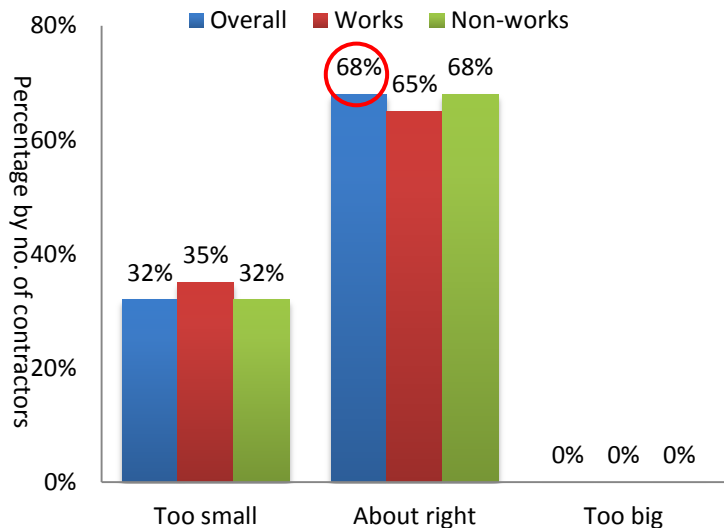
Percentage by number of non-works contractors



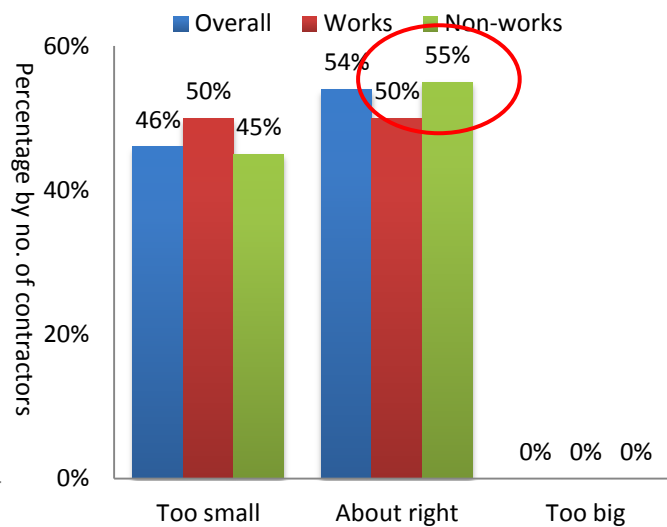
68% of contractors reflected that the contract values are about right

- 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.

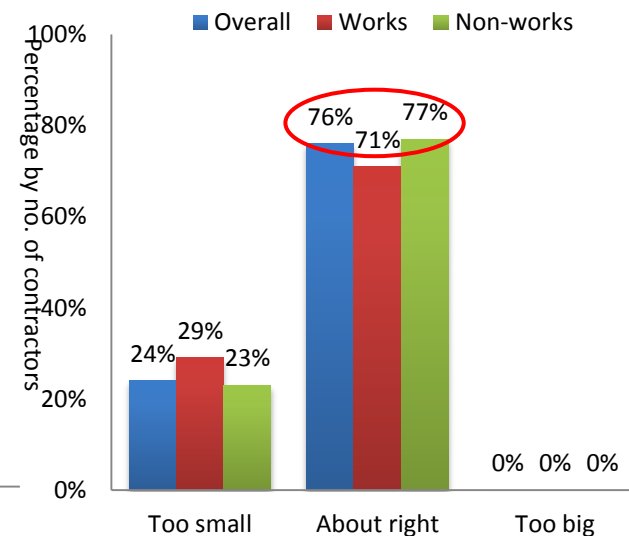
View on Contract value (all values)

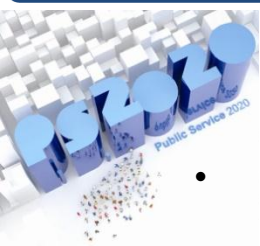


View on Contract value (≤ \$1.43M)



View on Contract value (> \$1.43M)



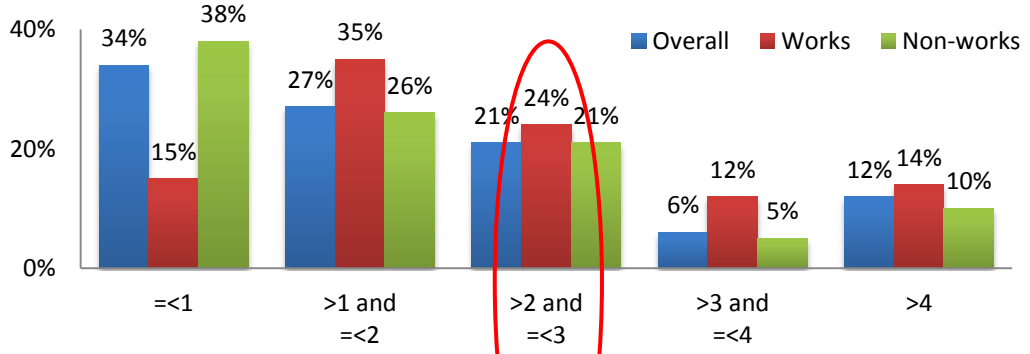


Most contractors are satisfied with the contract duration

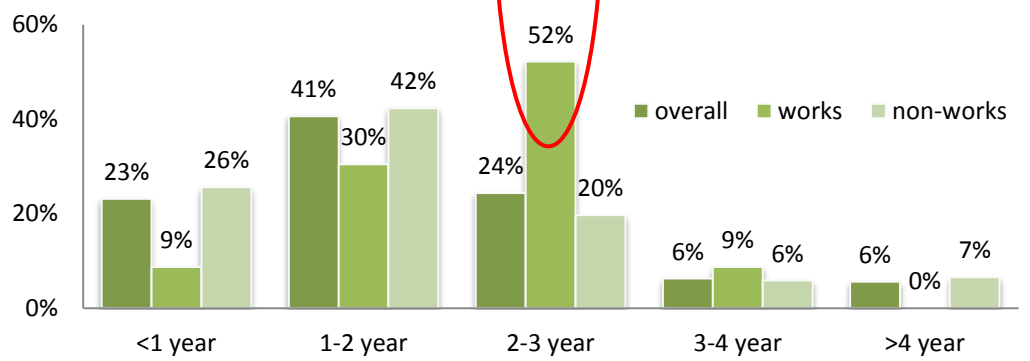
- 50% (2008: 39%) of works contracts and 64% (2008: 68%) of non-works contracts have contract period less than or equal to 2 years.
- There is a big drop in work contracts with contract period between 2 – 3 years from 52% in 2008 to 24% in 2010.
- There is a 14% drop in contractors' view that the duration 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)

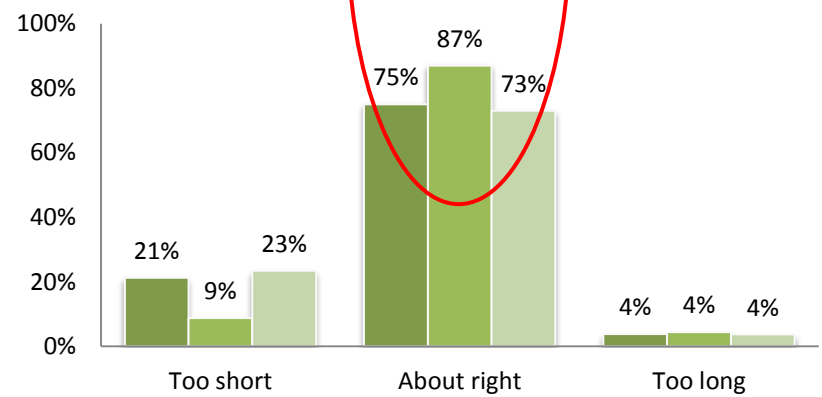
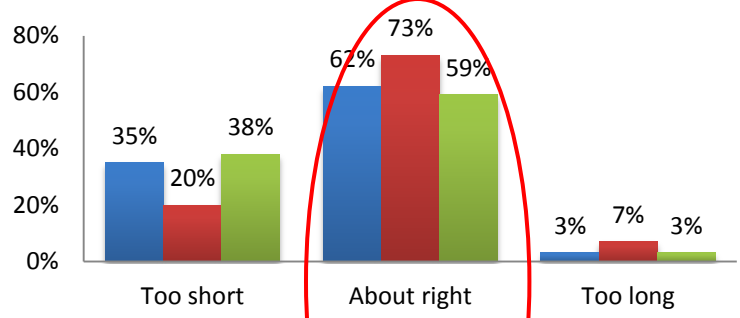
2010



2008



Views on Contract Duration

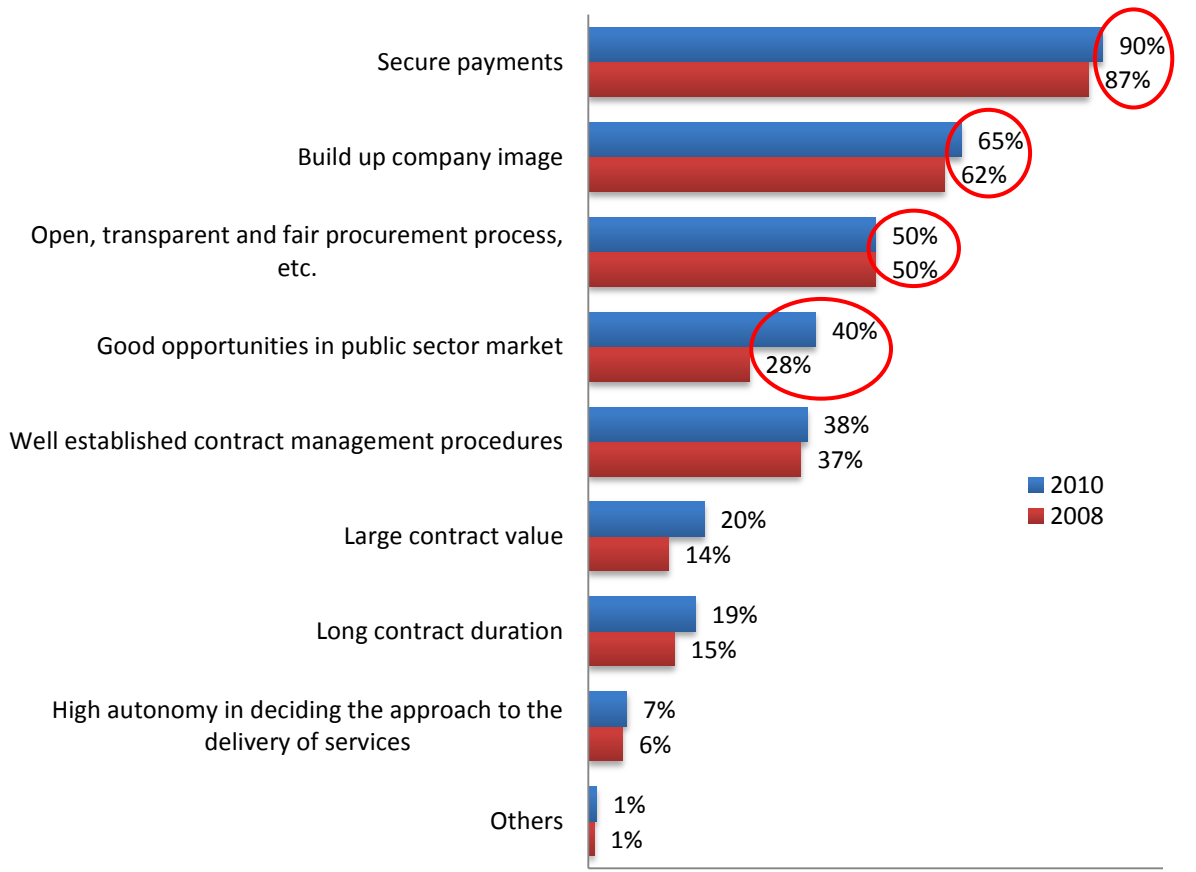




Secure payment is the top attraction for Government contracts

- 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

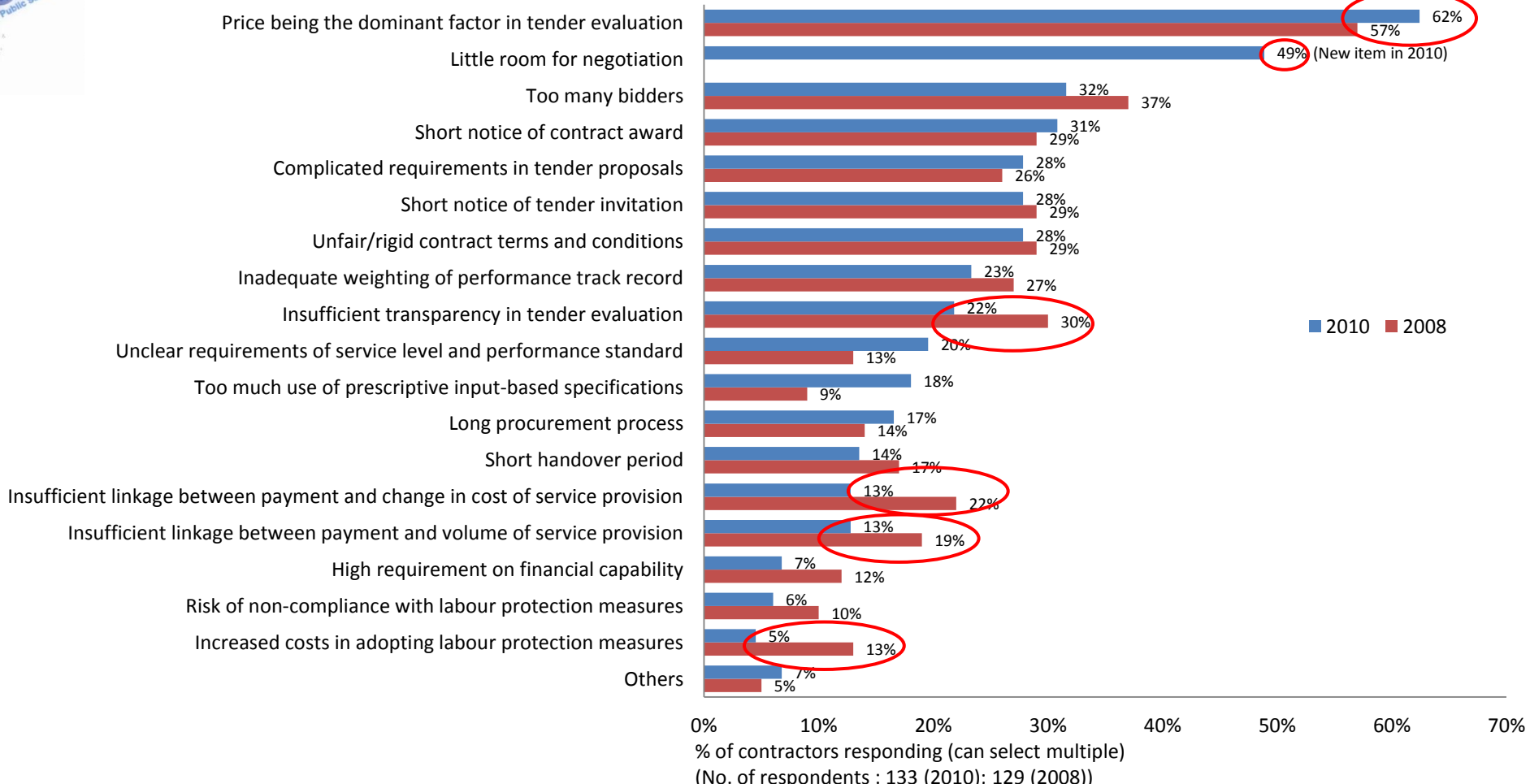


0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

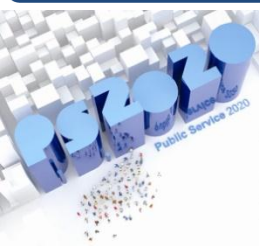
% of contractors responding (can select multiple)
 (No. of respondents : 134 (2010) ; 129 (2008))



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



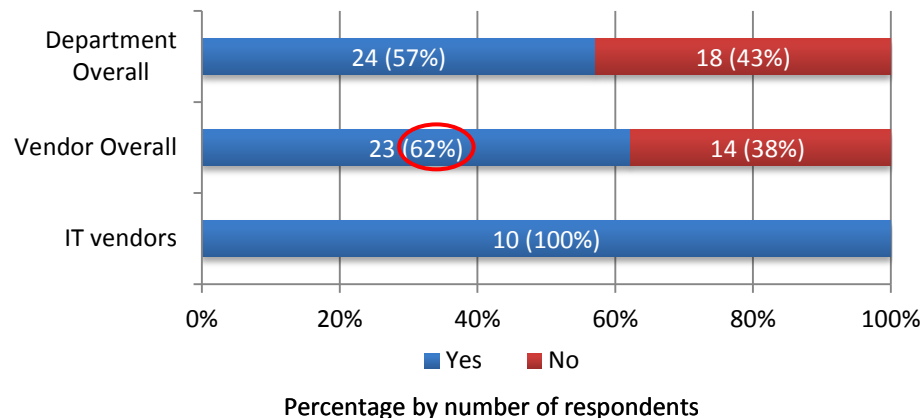
- 62% of contractors expressed the major problem to be price being the dominant factor in tender evaluation (↑5%).
- About half (49%) of the contractors expressed there was little room for negotiation.
- There is a big drop in contractors' concerns in the following : "insufficient transparency in tender 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%).



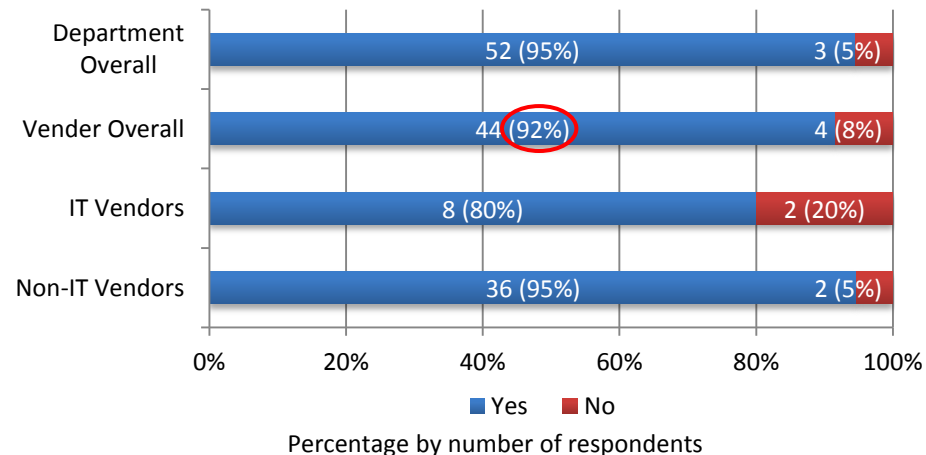
Most contractors welcome higher technical weighting and assessment on past performance for IT tenders

- 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)



Need to consider contractors' past performance in delivering government services in tender evaluation (New item)

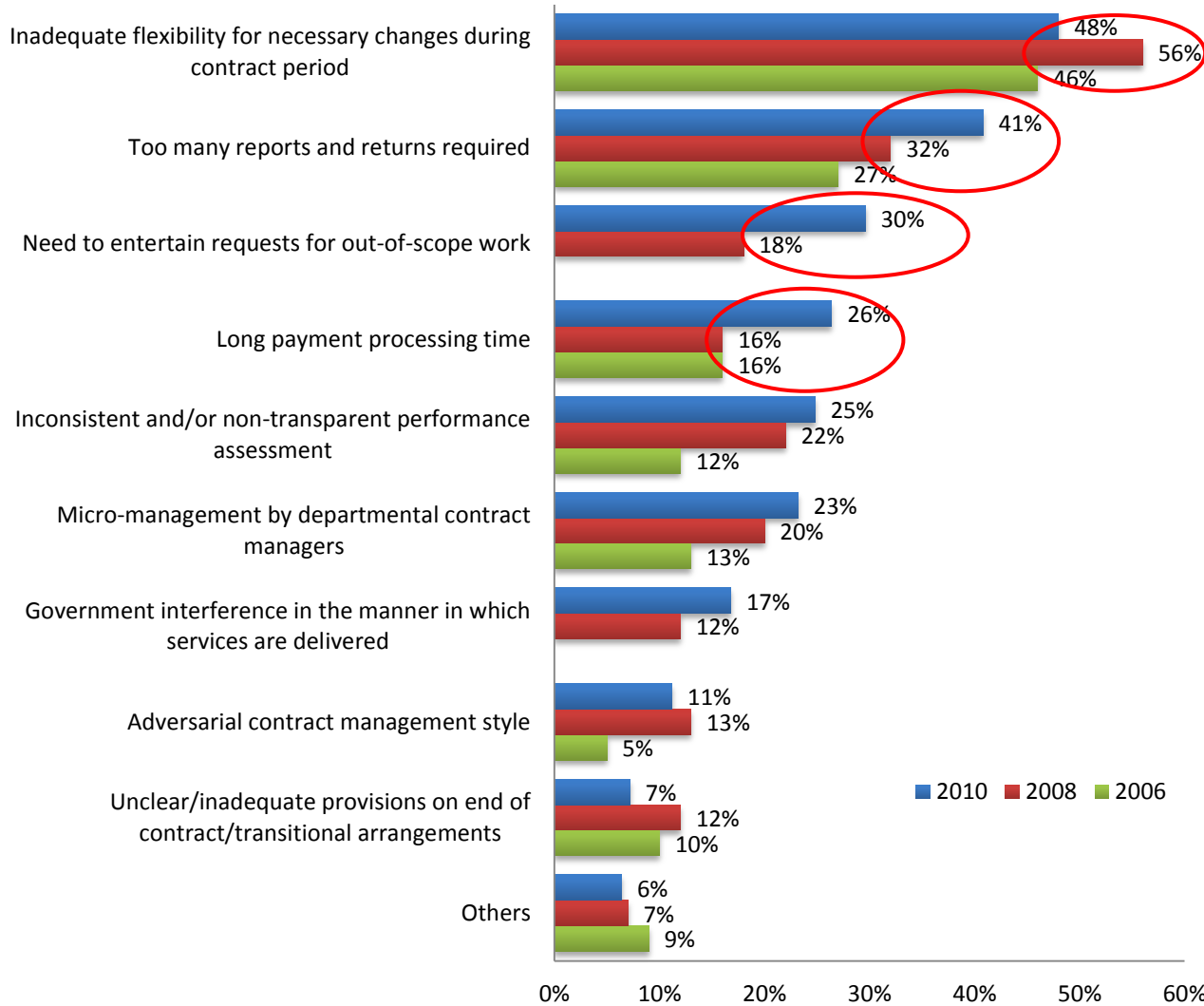




Contractors are increasingly concerned about out-of-scope work, too many reports and long payment processing time

- 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

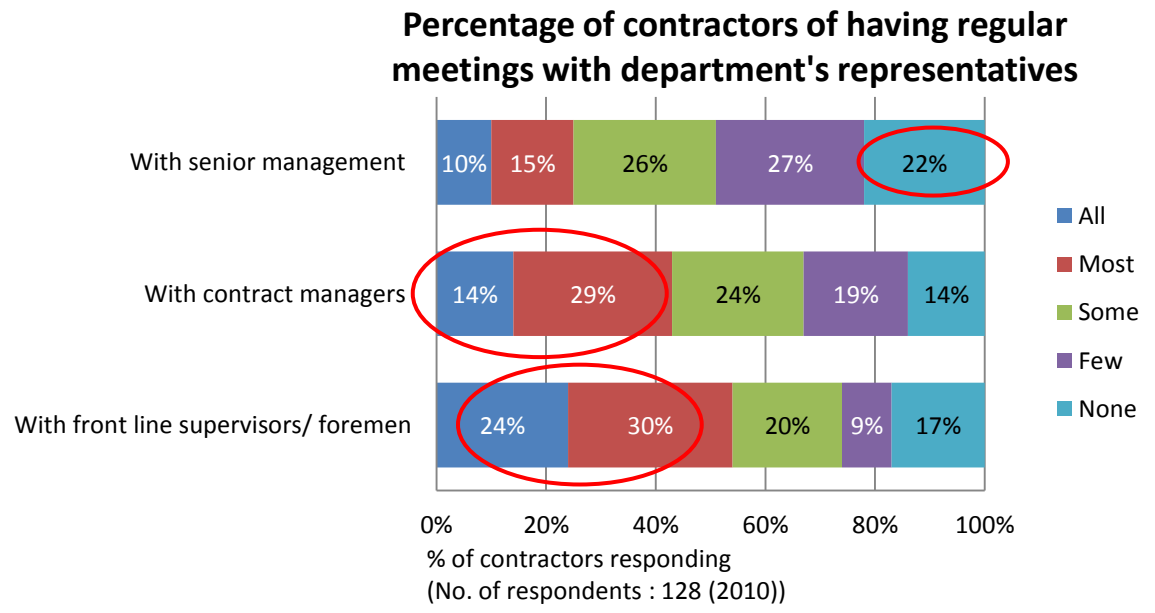


% by number of contractors (can select multiple)
 (No. of respondents : 129 (2010) ; 125 (2008), 127 (2006))

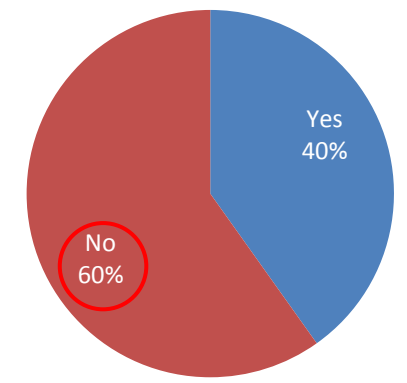


Contractors have more opportunities to meet with senior management

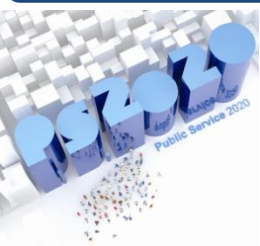
- 54% (2008: 51%) of contractors met front-line supervisors for all or most contract services, whilst 43% (2008: 42%) of contractors met contract managers.
- 22% of contractors reported that they had no meetings with departments' senior management, down from 42% in 2008.
- 60% (2008: 56%) of contractors had no access to their performance appraisal reports.



Percentage of contractors having access to performance appraisal reports



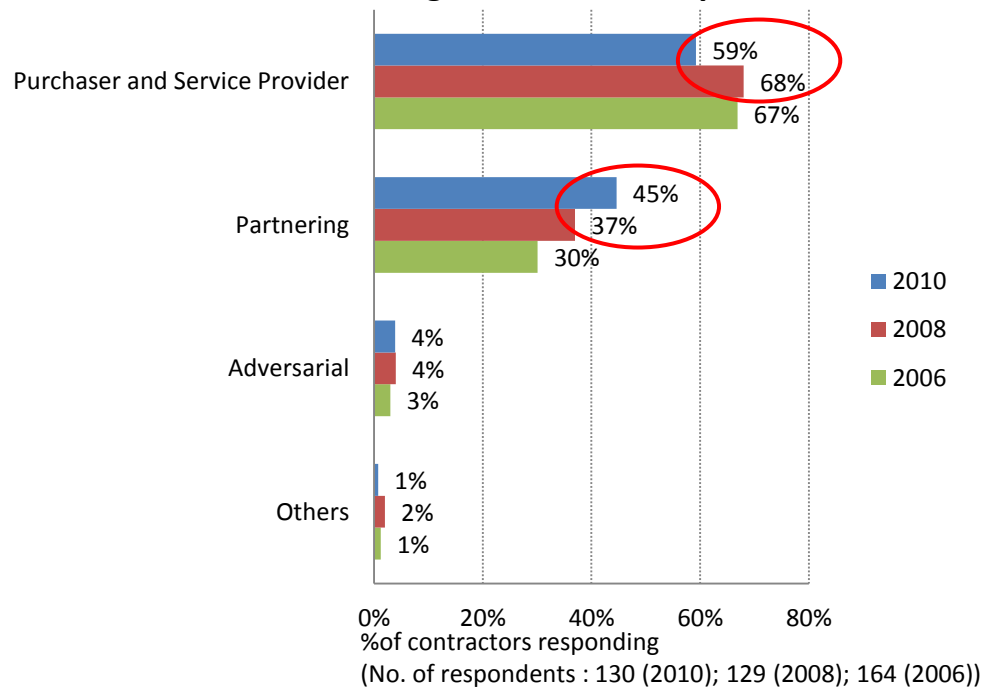
(No. of respondents : 127 (2010))



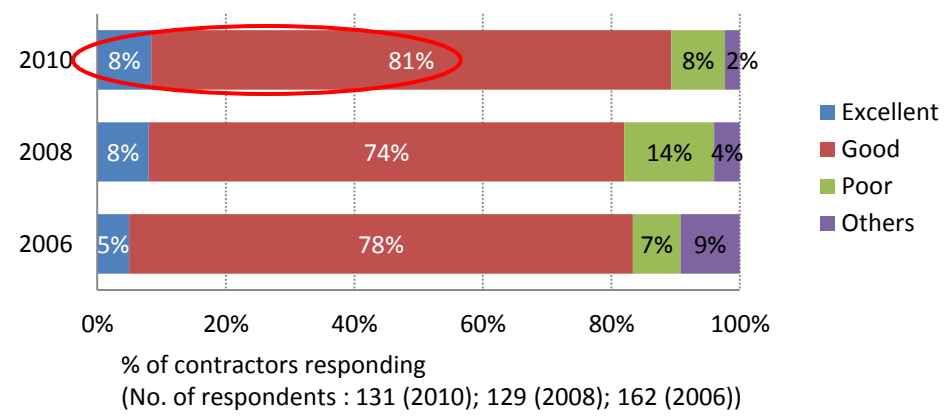
Relationship between Government and contractors : more as partner, less as purchaser and service provider

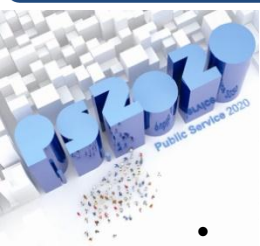
- 45% of contractor described their relationship with Government as a "Partner", an 8% increase from 37% in 2008. "Purchaser and Service Provider" relationship was 59%, indicating a 9% decrease from 68% in 2008.
- The majority of contractors (89%) had an "excellent" or "good" satisfaction level in working with the Government, a 7% increase from 82% in 2008.

Working relation with departments



Satisfaction level of contractors

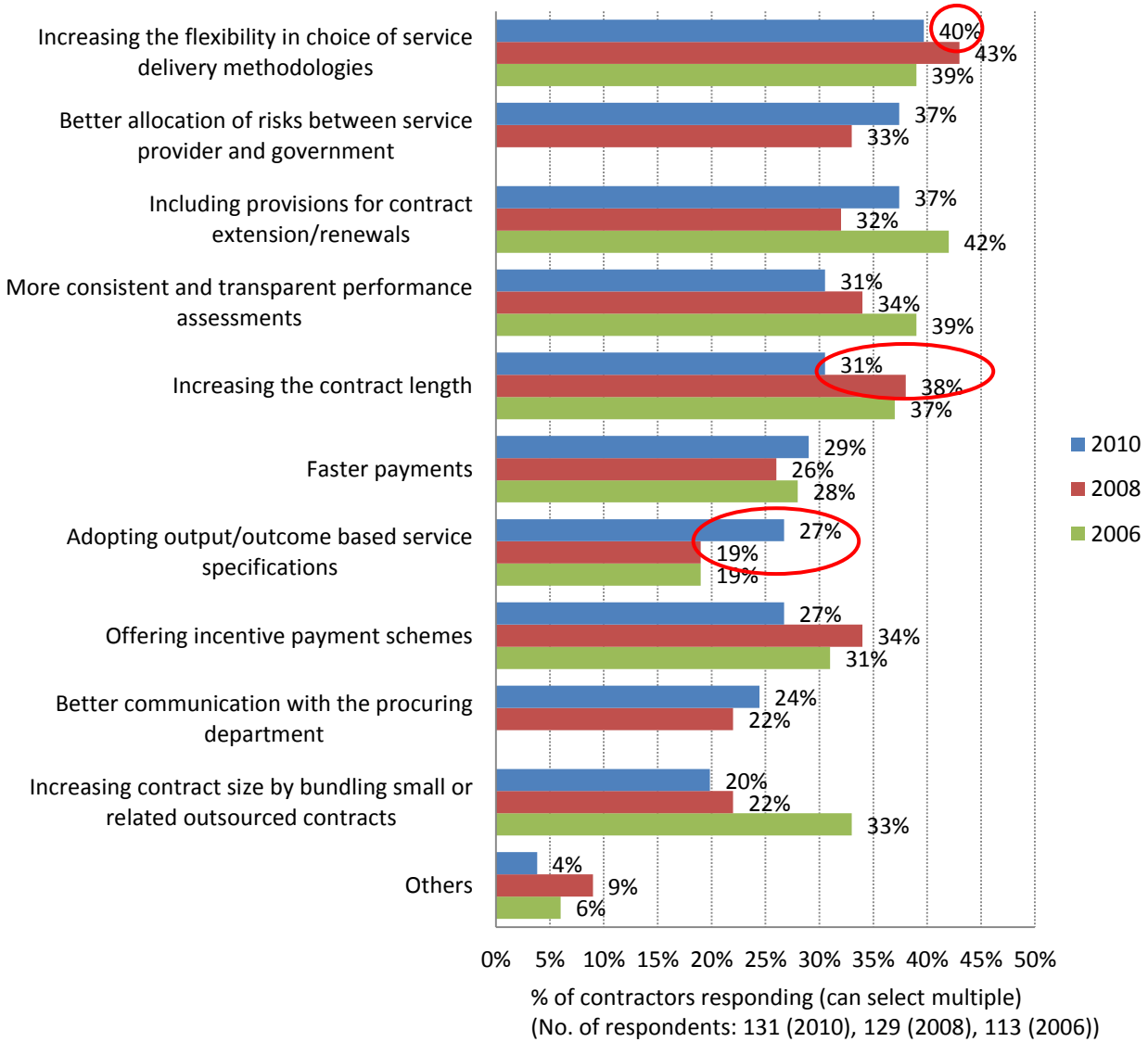




Contractors want more flexibility in delivering their services

- 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





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	<ul style="list-style-type: none"> ◆ Cleansing of office, building, school ◆ Building maintenance services ◆ Security guarding services ◆ Leasing agency services ◆ Property management
2. Call centres	<ul style="list-style-type: none"> ◆ Provision of telephone/computer-based centres for managing interface with customers
3. Capital works and construction	<ul style="list-style-type: none"> ◆ Construction of public housing ◆ Building of infrastructure (e.g. road construction) ◆ Feasibility study/ technical research for construction works
4. Community, medical and welfare services	<ul style="list-style-type: none"> ◆ Home help/care ◆ Medical services ◆ Hospital services ◆ Elderly care services ◆ Laundry services for care/attention homes

5. Finance and accounting	<ul style="list-style-type: none"> ◆ Advice on finance, accounting or investment ◆ Bill payments ◆ Maintenance of accounting records ◆ Preparation of financial statements
6. Human resource management	<ul style="list-style-type: none"> ◆ Recruitment of staff ◆ Payroll processing ◆ Staff counselling service
7. Information technology	<ul style="list-style-type: none"> ◆ Management, operation, support and maintenance of information technology infrastructure ◆ Applications development and maintenance
8. Infrastructure maintenance	<ul style="list-style-type: none"> ◆ Road maintenance ◆ Road painting ◆ Slope maintenance
9. Legal services	<ul style="list-style-type: none"> ◆ Legal advice, briefing out cases ◆ Preparation of legal documents ◆ Legal aid
10. Marketing, communication, publicity and public relations	<ul style="list-style-type: none"> ◆ Public relations services ◆ Publicity, media campaigns (e.g. public awareness) ◆ Editorial services ◆ Market research ◆ Opinion survey
11. Office support and administrative services	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ Maintenance of motor vehicles, vessels etc ◆ Maintenance of office automation equipment ◆ Maintenance of electrical and mechanical equipment
13. Policy advice and management consulting	<ul style="list-style-type: none"> ◆ Advice on policy/ programme development, organisational improvements ◆ General management consultancy
14. Printing and distribution	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ Scientific research ◆ Laboratory services ◆ Mapping and surveying ◆ Aerial photography ◆ Property valuations ◆ Assessment of compensation for land resumption
16. Training and education	<ul style="list-style-type: none"> ◆ Staff training and development ◆ Provision of educational services/ research
17. Transport services	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ Management of community venues, recreational facilities, club houses ◆ Organisation and delivery of cultural events ◆ Horticultural and landscape maintenance services
19. Environmental hygiene services	<ul style="list-style-type: none"> ◆ 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.

No.	Contract Title	Contract Value (HK\$M)	Service Category (see Notes (C))	Contract Period (MM/YYYY)		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								

Fill in either one of the following. 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 to extend of project scope (e.g. to cover of geographical areas) should not be included.

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

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

(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)

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?

<input style="width: 30px; height: 20px;" type="text"/> months	<input type="radio"/> after the start of the current contract <input type="radio"/> before the end of the current contract <input type="radio"/> 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)

- | | |
|---|---|
| <input type="checkbox"/> Achievement of outsourcing objectives
<input type="checkbox"/> Views of end users
<input type="checkbox"/> Cost-effectiveness
<input type="checkbox"/> Service scope and requirements
<input type="checkbox"/> Others (please specify) | <input type="checkbox"/> Commercial arrangements (e.g. contract length, pricing mechanism)
<input type="checkbox"/> Tender selection and evaluation
<input type="checkbox"/> Staffing for contract management
<input type="checkbox"/> Opportunity for further outsourcing |
|---|---|

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 support/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)

- (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 support/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)

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		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(b) Access to technology		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(c) Access to skills		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(d) Achieve defined service levels		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(e) Allow the department to focus on core services		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(f) Change fixed costs to variable costs		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(g) Reduce costs		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(h) Make up for staff shortage / Meet establishment ceiling		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(i) Facilitate other organisational changes		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(j) Imposed by policy changes		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(k) Increase the flexibility in service delivery		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(l) Improve service quality (e.g. transform operations and drive improvements in efficiency, productivity and reliability)		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(m) Improve service output		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(n) Legacy system (IT) necessity		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(o) Risk diversification		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(p) Unavailability of required services in-house		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others (Please specify)					
(q)		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(r)		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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 NOT completed 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

- | | |
|--|--|
| <input type="checkbox"/> Identification of outsourcing / PSI opportunities | <input type="checkbox"/> Tendering and evaluation |
| <input type="checkbox"/> Market research and testing | <input type="checkbox"/> Advice on contract management |
| <input type="checkbox"/> Development of service specifications | <input type="checkbox"/> Safeguards to ensure probity, information/data security |

Professional advice/sample documents

- Help desk
 Sample on contract templates
 Reference materials (please specify)

Training

- | | |
|--|--|
| <input type="checkbox"/> Management talks on PSI | <input type="checkbox"/> Training in contract management |
| <input type="checkbox"/> Training in business case analysis | <input type="checkbox"/> Experience sharing |
| <input type="checkbox"/> Training in outsourcing / PPP techniques & skills | |

Others (please specify)

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

SECTION 5 - PARTICULARS OF RESPONDENT

Name of Bureaux/Department	<input type="text"/>
Name of Contact Person	<input type="text"/>
Post	<input type="text"/>
Tel. No.	<input type="text"/>
Fax. No.	<input type="text"/>
Lotus Notes Mail Address	<input type="text"/>
Internet Email Address	<input type="text"/>

~ 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

Appendix 2

This appendix describes the service categories used in the questionnaire.

Service category	Examples
1. Building and property management services	<ul style="list-style-type: none"> ◆ Cleansing of office, building, school ◆ Building maintenance services ◆ Security guarding services ◆ Leasing agency services ◆ Property management
2. Call centres	<ul style="list-style-type: none"> ◆ Provision of telephone/computer-based centres for managing interface with customers
3. Capital works and construction	<ul style="list-style-type: none"> ◆ Construction of public housing ◆ Building of infrastructure (e.g. road construction) ◆ Feasibility study/technical research for construction works
4. Community, medical and welfare services	<ul style="list-style-type: none"> ◆ Home help/care ◆ Medical services ◆ Hospital services ◆ Elderly care services ◆ Laundry services for care/attention homes
5. Finance and accounting	<ul style="list-style-type: none"> ◆ Advice on finance, accounting or investment ◆ Bill payments ◆ Maintenance of accounting records ◆ Preparation of financial statements
6. Human resource management	<ul style="list-style-type: none"> ◆ Recruitment of staff ◆ Payroll processing ◆ Staff counselling service
7. Information technology	<ul style="list-style-type: none"> ◆ Management, operation, support and maintenance of information technology infrastructure ◆ Applications development and maintenance
8. Infrastructure maintenance	<ul style="list-style-type: none"> ◆ Road maintenance ◆ Road painting ◆ Slope maintenance
9. Legal services	<ul style="list-style-type: none"> ◆ Legal advice, briefing out cases ◆ Preparation of legal documents ◆ Legal aid
10. Marketing, communication, publicity and public relations	<ul style="list-style-type: none"> ◆ Public relations services ◆ Publicity, media campaigns (e.g. public awareness) ◆ Editorial services ◆ Market research ◆ Opinion survey
11. Office support and administrative services	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ Maintenance of motor vehicles, vessels etc ◆ Maintenance of office automation equipment ◆ Maintenance of electrical and mechanical equipment
13. Policy advice and management consulting	<ul style="list-style-type: none"> ◆ Advice on policy/programme development, organisational improvements ◆ General management consultancy

14. Printing and distribution	<ul style="list-style-type: none"> ◆ Printing of stationery ◆ Printing and design of publications (reports, ^{Appendix 2}examination papers, etc) ◆ Photo finishing services, photographic services ◆ Logistic support and storage service
15. Technical services	<ul style="list-style-type: none"> ◆ Scientific research ◆ Laboratory services ◆ Mapping and surveying ◆ Aerial photography ◆ Property valuations ◆ Assessment of compensation for land resumption
16. Training and education	<ul style="list-style-type: none"> ◆ Staff training and development ◆ Provision of educational services/research
17. Transport services	<ul style="list-style-type: none"> ◆ Management of government tunnels ◆ Vehicle examination ◆ Provision/ maintenance/management of transport fleet including land and marine
18. Cultural and recreational services	<ul style="list-style-type: none"> ◆ Management of community venues, recreational facilities, club houses ◆ Organisation and delivery of cultural events ◆ Horticultural and landscape maintenance services
19. Environmental hygiene services	<ul style="list-style-type: none"> ◆ 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)

* 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:

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)

(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)

(ii) Satisfaction level

- Excellent
- Good
- Poor
- Others (Please specify)

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	1,213	79,457	14,168	2,762	1,729
Overall	5,111	209,933	51,976	1,998	207,895	49,938	3,113	2,038

Department	Overall		Contract value > \$1.43M						Contract value ≤ \$1.43M								
	No. of contracts	Contract value (HK\$ M)	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)	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
DOI - 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
OCl - 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	<ul style="list-style-type: none"> ❖ 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	<ul style="list-style-type: none"> ❖ 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	<ul style="list-style-type: none"> ❖ 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	<ul style="list-style-type: none"> ❖ 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	<ul style="list-style-type: none"> ❖ 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