

Information paper on
18 January 2001

Panel on Security of the Legislative Council

**HKSAR Identity Card Project —
Funding Arrangement**

INTRODUCTION

We intend to make a submission to the Finance Committee (FC) on 23 February 2001 to apply for funds to implement the HKSAR Identity (ID) Card Project. This paper explains the financial implications and the manner in which funding approval will be sought.

FINANCIAL IMPLICATIONS

2. The total cost for development and implementation of a new generation of ID cards, including the development of a new computer supporting system and the launching of a region-wide ID card replacement exercise is currently estimated at some \$3.11 billion to be incurred in seven years up to 2007/2008.

3. The sum of \$3.11 billion may be broken down into the following components –

	<u>HK\$</u> (’000)
(a) <u>non-recurrent project expenditure</u> for the purchase of computer hardware and software, implementation services, record conversion, site preparation, accommodation, publicity, blank smart ID cards and miscellaneous items	1,664,959
(b) <u>non-recurrent staff costs</u> for additional in-house staff for system development and ID card re-issue exercise	949,044
(c) <u>recurrent expenditure</u> up to 2007/2008 for hardware and software maintenance, additional ID card costs, accommodation, contract service and additional in-house staff costs for on-going support/administration and maintenance of the new computer supporting system	499,144

	Total	3,113,147
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4. For the non-recurrent project expenditure mentioned at para 3(a) above, we propose to seek funding approval from the Finance Committee (FC) in two phases (see paras 7-11 below for details).

5. For the non-recurrent staff costs mentioned at para 3(b) above, subject to Members' approval of the ID card project, we will seek approval from the Establishment Sub-Committee (ESC) and the FC separately for the creation of two directorate posts (one Deputy Director of Immigration and one Chief Systems Manager) and an increase in the establishment ceiling of the Immigration Department (ImmD) for creating some 42 non-directorate posts in 2001/2002 (up to a total staff cost of some \$25,480,000). The increase in ImmD's establishment ceiling is necessary because the NAMS values required for the creation of the non-directorate posts have not been included in the 2001/2002 draft Estimates. The non-recurrent staffing requirement for the remaining period from 2002/2003 to 2007/2008 will be included in the annual Estimates of the respective year in accordance with the arrangements set out in the funding submission to FC, subject to Members' approval of the ID card project.

6. For the recurrent consequences of the project mentioned at para 3(c) above, subject to Members' approval of the ID card project, we shall include the necessary resources in the annual Estimates in accordance with the arrangements set out in the funding submission.

FUNDING APPROACH

7. There are obvious advantages for funds to be approved to meet the non-recurrent and recurrent expenditures at one go. When funds are assured, continuity of the project activities can be more systematically organized and better coordinated. By way of example, all tender specifications can be issued at the same time so that the information technology (IT) service suppliers will have a better idea of the whole project and the total requirements expected from them. Such information will facilitate them to work out the most cost-effective proposals to suit our requirements and to ensure the compatibility of products sourced from different suppliers. Furthermore, large orders are more likely to attract reputable international companies with proven experience in smart card and biometric identification technologies to bid for the tenders. Successful service suppliers will then be more willing to provide better quality people and commit adequate resources for this project. For reasons of economy of scale, more favourable terms may be secured if purchase is made in bulk (e.g. for blank smart cards).

8. However, it is appreciated that Members may prefer a more prudent approach in the allocation of funds for a project of such scale and complexity. After careful consideration, we propose to apply for funding approval in two phases as follows-

Phase I - the creation of a new commitment for the non-recurrent project expenditure for the amount of some \$840,976,000 in February 2001; and

Phase II - increase the ceiling of the approved commitment under Phase I to \$1,664,959,000 in February 2002; i.e. addition of \$823,983,000 under Phase II.

Details of the coverage of these two phases are set out at Annex.

Phase I

9. The Phase I submission will cover the development and purchase of the entire computerized Registration of Persons (ROP) System and related activities, e.g. record conversion, site preparation and accommodation for the project team and purchase of blank smart ID cards etc. This submission also covers the acquisition of the necessary implementation services, i.e. employment of IT specialists to develop the ROP system (e.g. designing/developing customized programs and integrating the various systems) and commission of consultancy studies in 2001/2002 (e.g. the second Privacy Impact Assessment and review of security design, etc). The conversion of the historical microfilm records and paper records into images should also have to start in mid-2001 so that the main part of it can be completed by early or mid-2003 to tie in with the launching of the first new ID card. Such a data conversion exercise will enable the processing of new ID card applications to be done effectively on screen. Under Phase I, funds should also be provided for the purchase of 2.5 million blank smart ID cards (consumption in the first year plus a stock of six months).

10. All the activities under Phase I are essential, closely inter-related and time critical. For a complicated project such as this, it will take at least six months for completing the tendering procedures and another 1½ years for system design, development and testing. Since the existing computer system will become obsolete by the end of 2002, there is no scope for deferring the funding request under Phase I.

Phase II

11. Under Phase II, major Items are for setting up nine new identity card issuing offices (NICIOs) in various parts of Hong Kong to cater for the

region-wide ID card replacement exercise. The same arrangements had been adopted in the last two region-wide replacement exercises in 1983 and 1987. Given the size of the existing six ROP offices and their locations, it is not possible to expand them to cope with such a large-scale exercise. Expenditures incidental to this exercise relate to the procurement of a Tag System and a Appointment System which can be developed separately from the main ROP system and the employment of some 559 contract staff (in addition to some 290 in-house staff to be created within ImmD funded by the non-recurrent staff costs mentioned at para 3(b) above) for conducting the ID card replacement exercise. (By way of comparison, a total of 887 and 972 staff were utilized in the last two ID card replacement exercises respectively.) Provisions are also made under Phase II for the purchase of the remaining batch of blank smart ID cards.

RECOMMENDATION

12. We believe that a two-phased approach in seeking funding approval will provide additional safeguards and controls in the request for funds without causing undue uncertainties and delay to the project.

REMARKS

13. It should however be stressed that the costing and establishment figures quoted in this paper are just preliminary estimates. They are subject to change during the process of preparing a detailed submission to the FC. Furthermore, the costs as outlined at Annex only covers the replacement of the ROP System and the region-wide ID card replacement exercise. They do not include the costs of incorporating other non-immigration applications for which feasibility studies will be conducted and funding will be sought separately.

Security Bureau
15 January 2001

HKSAR ID Card Project
Coverage of Funding Submissions in Two Stages

The Finance Committee (FC) will be requested to endorse the whole HKSAR ID project in principle and approve the creation of a new commitment for the non-recurrent project expenditure in two phases in February 2001 and February 2002 respectively.

2. The coverage of **Phase I** is as follows -

	<u>HK\$</u> <u>('000)</u>
(a) Computer hardware and software for the Registration of Persons System including registration, card personalisation and record management	220,123
(b) Implementation services including programming, system integration and consultancy studies	97,180
(c) Record conversion, i.e. converting existing microfilm as well as paper record into digital images and other data conversion	201,573
(d) Site preparation for the new computer system for the project team and development team	15,352
(e) Accommodation for the project team and development team	3,187
(f) Publicity in 2001/2002	1,000
(g) Costs of smart ID cards for the first batch (2.5 million cards)	172,845
(h) Contract staff costs (some 5 clerical staff for project team)	1,115
(i) Miscellaneous (e.g. consumables, training materials and equipment etc.)	60,106
(j) Contingency	68,495
Total	<u>\$840,976</u>

3. The coverage of **Phase II** is as follows -

	<u>HK\$</u> <u>(’000)</u>
(a) Computer hardware and software for tag and appointment system	12,051
(b) Implementation services, i.e. consultancy studies (e.g. privacy impact assessment and security evaluation at latter stage of the project)	4,750
(c) Site preparation for 9 new ID card issuing offices (NICIOs)	89,150
(d) Accommodation costs for NICIOs	109,119
(e) Publicity for the latter part of the project	11,250
(f) Costs of smart ID cards for Year 2 and after	321,604
(g) Contract staff costs for NICIOs	237,347
(h) Contingency	38,712
Total	<u>\$823,983</u>