

Extract of minutes of the Finance Committee meeting held on 9 March 2001

X X X X X X X X X X X X

Item No. 6 - FCR(2000-01)82

CAPITAL WORKS RESERVE FUND

HEAD 710 - COMPUTERISATION

Immigration Department

♦ New Subhead "Hong Kong Special Administrative Region Identity Card"

29. Members noted that the Panel on Security had discussed the present proposal on 18 January, 6 and 14 February 2001.

30. Mr James TO Kun-sun stated that in principle, Members of DP were not opposed to the use of a new smart identity card (ID card) which would have the capacity for other non-immigration applications. However, he urged the Administration to undertake that it would not prescribe the type of non-immigration data to be incorporated into the new smart ID card and that card holders will be given voluntary choice. Mr CHEUNG Man-kwong echoed Mr TO's view.

31. In response, the Deputy Secretary for Security (DS(S)) reiterated the Administration's position that the new smart ID card would only store the minimal and necessary data. Apart from the data printed on the surface of the card and the template of two thumbprints, the holder's driving licence was the only non-immigration application which, subject to the outcome of a separate feasibility study, would be introduced on a mandatory basis. He assured members that the Administration took the view that card holders in the great majority of cases would be free to choose whether or which value-added applications were to be incorporated in the new ID card. The implementation of non-immigration applications would be subject to public consultation and require legislative amendments and approval by LegCo. The Principal Assistant Secretary for Information Technology and Broadcasting (PAS(ITB)) re-affirmed that the Administration had not taken a position on whether and which non-immigration applications would be incorporated into the new smart ID card. Subject to feasibility studies on these applications, the Administration would consult the relevant Panels on its proposals.

32. Mr James TO remained concerned that the Administration might still introduce legislation to mandate the storing of certain non-immigration data in the new smart ID card. Mr SIN Chung-kai considered that apart from the card holder's basic personal information and the template of his thumbprints, the Administration should not deprive a person's free choice as to what other data should be stored in his ID card. Mr Martin LEE urged that the choice of every individual should be respected and that a responsible government should

not compel its citizens to store certain data in the new smart ID card.

33. Mr LEUNG Yiu-chung further queried the genuineness of the public consultation which the Administration had undertaken to conduct before proposing the inclusion of any non-immigration data into the ID card and urged that individuals' liberty of choice should not be subject to any majority decision.

34. Mr Andrew WONG reiterated his view that funding should not be sought before the introduction of the necessary legal framework. He also shared some members' concern about depriving card holders' choice and sought the Administration's undertaking not to propose to include other non-immigration data in the new smart ID card. Mr WONG said that in the absence of such an undertaking, he would not support the present proposal.

35. Miss Emily LAU reiterated her concerns about safeguards for privacy, security and the card holders' choice and regretted the lack of a clear undertaking by the Administration.

36. On access control, the Deputy Director of Immigration (DD of Imm) advised that tight control on access to Registration of Persons (ROP) records would be achieved by authorizing different levels of access and by the maintenance of audit trail reports so that all accesses could be closely monitored. DS(S) stressed that present-day smart card technology was very advanced and widely used. He urged members to support the present proposal as implementation of a new smart ID card would be a significant step forward in enhancing the overall information infrastructure of Hong Kong.

37. Miss Margaret NG stated that she was very conservative on issues relating to personal liberty. With its expansion in functions, Miss NG was gravely concerned that the new smart ID card would become a tool of state surveillance. She expressed reservation about the various technical safeguards and pointed out that a number of issues raised by the Privacy Commissioner for Personal Data (Privacy Commissioner) had not been adequately addressed. She requested that her objection to the present proposal be recorded.

38. On behalf of Members of the Hong Kong Progressive Alliance, Mr HUI Cheung-ching expressed support for the present proposal. He nevertheless urged the Administration to adopt a cautious and incremental approach in implementing the new ID card project.

39. Mr Frederick FUNG Kin-kee conveyed the concerns of members of the Shamshuipo District Council (DC). Firstly, the DC members considered that apart from certain core immigration data, the card holders should be given the choice as to what to include in the ID card. Secondly, privacy issues must be adequately addressed. Thirdly, there must be safeguards against access and use of the stored data for commercial purposes. Mr FUNG said that he would

only support the present proposal upon the Administration's positive undertaking.

40. In response, DS(S) reiterated the Administration's position that card holders in the great majority of cases would be allowed to choose whether or which value-added applications were to be included in the new ID card. LegCo would be consulted on the implementation of any such applications. Having regard to the advice of the Privacy Commissioner, the Administration would adopt stringent data protection measures to safeguard data security and privacy.

41. In stating his support for the present proposal, Dr LUI Ming-wah said that he was also speaking on behalf of Mr NG Leung-sing, Mr Abraham SHEK, Mr Bernard CHAN, Mr Eric LI, Dr Raymond HO and Dr LO Wing-lok. Dr LUI expressed confidence that state-of-the-art technology would be able to address concerns about data privacy and security. He nevertheless sought the Administration's assurance on the following –

- (a) to facilitate participation by local enterprises, the massive \$3 billion project should be split into smaller projects for which separate tenders would be invited;
- (b) the estimated unit cost of \$72 was too high. Instead of purchasing 1.2 million cards with \$86.7 million, the Administration should seek to purchase at least 10% more cards with the same amount of money; and
- (c) in view of the security-sensitive nature of the project, the successful bidder should have its own factory/production lines in Hong Kong. This would also boost the employment opportunities for local people.

42. In response, DS(S) advised that according to the Administration's estimate, at least five tenders would be put up. The Administration would strive to secure the best deal through competitive tendering and would report further progress to the Panel in due course. Opportunities for local smart card manufacturers would not be overlooked and the Administration would ensure fair competition having regard to its obligations under the World Trade Organization Agreement on Government Procurement (WTO GPA) and the existing Stores and Procurement Regulations.

43. Mr LAU Ping-cheung supported the present proposal in principle and considered that the Administration should strike a reasonable balance between fulfilling its obligations under WTO GPA and safeguarding the interests of local enterprises. Mr LAU said that according to his understanding, the Administration had only consulted overseas suppliers in determining the unit cost for the blank smart ID cards which was on the high side. He urged the Administration to also consult local suppliers when preparing the tender

Admin documents in due course. The Administration noted his comments.

44. Noting that the Administration had reduced the quantity of blank smart ID cards from 2.5 million to 1.2 million, Mr LAU Kong-wah enquired about the additional unit cost incurred as a result of the reduced quantity. In reply, DS(S) advised that the average unit cost for 2.5 million and 1.2 million blank cards was \$69 and \$72 respectively. The cost for procuring the first batch of 1.2 million blank cards would be higher by a \$3 million than if a lower unit cost was used. Nevertheless, he confirmed that the amount, which was part of the cost for research and development, would be reduced correspondingly in the funding to be sought for the procurement of the second batch of blank cards.

45. Mrs Selina CHOW stated that Members of the Liberal Party were in support of the Administration's early initiatives to make use of new technology to better serve the people of Hong Kong. However, they queried the rationale for the Administration to reduce the quantity of blank smart ID cards by half which would lead to a higher unit cost.

46. Mr CHEUNG Man-kwong said that in the opinion of Members of DP, the Administration should only purchase some 20 000, instead of 1.2 million, blank cards for conducting the acceptance test. The remaining quantity should be procured in phases, having regard to operational needs and bulk purchase discount, if any. Miss Emily LAU shared similar concern.

47. In response, DD of Imm advised that because of the substantial investment required, smart card suppliers were not likely to be interested if they could not be assured of an order of not less than one million blank cards. If the Administration were to tender the research and development for a smaller quantity of blank cards as suggested by some members, the risk was that by the time the research and development work was completed, the Administration would be constrained by a very tight time-frame left for the implementation of the project and might have to pay very high procurement prices as demanded by the card supplier.

48. DS(S) pointed out that the quantity of blank cards had been reduced on account of members' concern and operational needs for the initial phase of the new ID card replacement project from May till the end of 2003. As the estimated expenditure for purchasing 1.2 million blank cards would be smaller than that for 2.5 million cards, the Administration would also earn interest on the difference of the amounts due to deferred payment. On the proposed funding, DS(S) stressed that members' approval was being sought for a new commitment and the actual expenditure would depend on the tender outturn price. DD of Imm supplemented that the supplier for the first batch of cards would have to compete with other suppliers for the contract of the second batch of cards.

49. Mr LAU Kong-wah, Mr Henry WU King-cheong and Mr LEUNG Yiu-chung expressed concern about the testing of the new smart ID card. In response, DD of Imm confirmed that testing would be conducted by a number of government departments, not by the supplier, on a sample of several thousand cards at different stages to tie in with the development of the new ROP computer system. He also informed members that in the case of the Octopus cards, a total of three million blank cards had been procured, of which 5 000 were tested. On whether the cost for procuring the 1.2 million blank cards would be aborted in case the cards were not up to standard, DD of Imm assured members that the Administration would not effect payment for the 1.2 million cards upfront. The delivery of and payment for the bulk of the order would be subject to the condition that the cards could fully meet the Administration's requirements and pass the necessary acceptance test.

50. Mr Henry WU recapitulated concerns of the Eastern District Council about the card face design. DD of Imm recalled that a total of six different designs had been proposed. The Administration would finalize the card face design on the basis of the one which had the majority of votes.

51. Miss Emily LAU referred to a demonstration viewed by members on 20 February 2001 in which passenger clearance under the new arrangement took more time than under existing arrangements. In response, DD of Imm clarified that the said demonstration was on the authentication of the card holder's identity by biometric identification technology, and not on automated passenger clearance which would be subject to a separate feasibility study. Nevertheless, the Administration expected that if an automated passenger clearance system was in place, Immigration Department (ImmD) would be able to open more counters for the travelling public without having to increase its manpower.

52. As to whether it would be more convenient in future when applying for a replacement card upon loss of the ID card, DD of Imm said that a one-stop shop service under ImmD was being contemplated in order that members of the public would not have to approach different departments to report loss.

53. Given the fast changes in technologies, Mr LAW Chi-kwong was concerned whether the contract would provide sufficient safeguards for the Government to be provided with state-of-the-art products. He also asked whether the Administration had made provision for replacement costs in the event of the ROP system being hacked into and sabotaged.

54. In response, DS(S) and DD of Imm assured members that the Administration would only procure state-of-the-art products and at no extra cost. On the security aspects, DD of Imm informed members that the ROP system was a self-confined system not accessible by other departments. Security experts were being engaged to work out a comprehensive security protection strategy. Moreover, each ID card would use sophisticated encryption algorithm and breaking of every single encryption key would be very difficult and costly, if not impossible.

55. Mr James TO reiterated concerns about the privacy impacts of the proposed new smart ID card and requested to put on record his reference to certain parts in the Initial Privacy Impact Assessment Report provided by the Administration's own consultant. (issued to ESC members vide LC paper No. ESC27/00-01 dated 16 January 2001 and copied to all other FC members.) He highlighted a number of broad factors identified by the consultant which included the mandatory nature of the card, the extremely wide range of uses of the card, the increase in the categories of data that would be held on-line, the increased ease with which existing functions would be undertaken, and the proposed design of the new card to support additional applications without at this stage any clear decisions about the nature of those applications. He then referred to the consultant's observation that the extensive use of the card and the card number by non-governmental organizations had reduced the privacy of the Hong Kong population as corporations were capable of assembling profiles on and uniquely identify the various kinds of individuals with whom they dealt. Summing up its analysis, the consultant commented that when undertaking public consultation, the Administration should explain to the general public both the benefits of the scheme and the privacy implications and issues and provide a meaningful opportunity for public feedback to be taken into account.

56. Mr TO reiterated the position of Members of DP that in the absence of any firm undertaking by the Administration to allow individuals full choice of non-immigration data to be stored in the new ID card, they would not support the present proposal.

57. DS(S) re-affirmed the Administration's stance about card holders' choice and emphasized that Hong Kong was a free city and not a police state and there was no question of surveillance on the populace. He stressed that the issuance and uses of the ID card and the handling of personal data were carried out strictly in accordance with the relevant legislation.

58. The Chairman put the proposal to vote. 30 members voted for the proposal, 19 members voted against and one abstained -

For:

Mr Kenneth TING Woo-shou
Mr David CHU Yu-lin
Mr Eric LI Ka-cheung
Mr NG Leung-sing
Mr HUI Cheung-ching
Miss CHAN Yuen-han
Mr CHAN Kam-lam
Mr Jasper TSANG Yok-sing
Mr YEUNG Yiu-chung
Mrs Miriam LAU Kin-ye
Mr Timothy FOK Tsun-ting
Dr TANG Siu-tong
Ms LI Fung-ying
Mr LEUNG Fu-wah
Mr Frederick FUNG Kin-kee
(30 members)

Mr James TIEN Pei-chun
Dr Raymond HO Chung-tai
Dr LUI Ming-wah
Mrs Selina CHOW LIANG Shuk-ye
Mr CHAN Kwok-keung
Mr Bernard CHAN
Mr WONG Yung-kan
Mr Howard YOUNG
Mr LAU Kong-wah
Miss CHOY So-yuk
Mr TAM Yiu-chung
Mr Abraham SHEK Lai-him
Mr Tommy CHEUNG Yu-yan
Dr LO Wing-lok
Mr IP Kwok-him

Against:

Miss Cyd HO Sau-lan
Mr Martin LEE Chu-ming
Miss Margaret NG
Mr CHEUNG Man-kwong
Mr SIN Chung-kai
Dr YEUNG Sum
Mr Andrew CHENG Kar-foo
Mr LAW Chi-kwong
Mr Albert CHAN Wai-yip
Ms Audrey EU Yuet-mee
(19 members)

Mr LEE Cheuk-yan
Mr Fred LI Wah-ming
Mr James TO Kun-sun
Mr LEUNG Yiu-chung
Mr Andrew WONG Wang-fat
Miss Emily LAU Wai-hing
Mr SZETO Wah
Mr Michael MAK Kwok-fung
Mr WONG Sing-chi

Abstention:

Mr Henry WU King-cheong
(1 member)

59. The Committee approved the proposal.

60. There being insufficient time, the Chairman directed that FCR(2000-01)83, the remaining item on the agenda, be carried over to a special meeting of the Committee to be held on 30 March 2001.

61. The Committee was adjourned at 4:35 pm.