

For Discussion on
9 April 2002

Panel on Security of the Legislative Council

**Hong Kong Special Administrative Region (HKSAR)
Identity Card Project: Progress Report**

INTRODUCTION

This paper updates Members on the latest development of the HKSAR identity (ID) card project and explains the financial requirements of Phase 2 implementation of the project for which approval will be sought from the Finance Committee (FC) of the Legislative Council in April/May 2002.

BACKGROUND

2. On 9 March 2001, approval was obtained from the FC for the creation of a non-recurrent commitment of \$747,037,000 for implementing Phase 1 of the HKSAR ID card project. This amount is to cater for the conversion of the historical microfilmed ID card records and paper index cards into electronic images, purchase and development of a new computerized Registration of Persons (ROP) system, acquisition of the necessary implementation services, and procurement of 1.2 million blank smart cards.

3. At the meeting of 7 November 2001, we reported to Members the progress of the project including tendering work, design of the card face and legislative amendments necessitated by the introduction of a smart ID card. On 26 February 2002, we informed Members vide LC Paper No. CB(2)1207/01-02(01) of the tendering results of the main tender for the supply of 1.2 million blank smart cards and implementation of its new supporting computer system (hereafter referred to as the Smart Identity Card System (SMARTICS)).

LATEST DEVELOPMENTS

Records Conversion Exercise

4. The tender for the conversion of the historical microfilmed ID card and some old paper index cards into electronic image was awarded in September 2001. After a 2-month pre-production test run, mass conversion of the microfilmed ID card records commenced on 14 January 2002 as scheduled. The conversion work is now progressing smoothly. We are confident that records of ID cards issued after 1 July 1987 will all be digitised before the roll-out of the new ID card in May 2003 so that retrieval of the old records can be expedited under the new workflow.

System Analysis and Design

5. Following acceptance of the main tender, the contractor has started working on the System Analysis and Design (SA&D). Immigration Department's (ImmD) project team is working closely with the contractor who has been fully briefed on the user requirements as well as the front-end and back-end processes. Our plan is to complete the SA&D by late April 2002.

Second Privacy Impact Assessment

6. Following the recommendation in the first Privacy Impact Assessment (PIA) report, ImmD has undertaken to conduct further PIAs at different stages of the project, i.e. before finalising the system analysis and design, before finalising the operating procedures and three months after the system cutover.

7. An assignment brief inviting proposals from relevant consultancy firms for the second PIA study was issued on 9 February 2002 and the tender was closed on 26 February 2002. After detailed evaluation by an Inter-departmental Assessment Panel, a qualified consultant has been selected for the job. We have just started the study and aim to conclude it in April 2002. The thrust of the second PIA study is on the technical design of the new computer system. Our objective is to ensure that the proposed system design being developed

(as mentioned in paragraph 5 above) can adequately safeguard the privacy of personal data and that improvements, if any, can be made in time before the commencement of the system development work.

Security Review

8. To ensure that the new computer system is secure, ImmD issued a separate tender on 28 February 2002 inviting qualified security experts to conduct a review of the security design of the system to be developed and see if the security requirements prescribed in our SMARTICS tender document had been adequately met. The tender was closed on 14 March 2002 and a security consultant has been selected. The security review will commence in early April and will be completed in around four weeks' time. The findings and recommendations of the review will be incorporated into the security design of the system at the late stage of the SA&D.

FUNDING APPLICATION FOR PHASE 2 OF THE PROJECT

9. When we sought funding for Phase 1 implementation of the project in March 2001, we informed FC that a further submission would be made in early 2002 for approval to increase the non-recurrent commitment by \$794,404,000 to carry out the activities earmarked in the second phase of the project. Major activities under this phase include the setting up of nine New Identity Card Issuing Offices (NICIOs), purchase of 5.9 million blank smart cards; recruitment of and training for 852 staff for conducting the replacement exercise; procurement of hardware, software and implementation services for the Tag System and Appointment System for the NICIOs and publicity work.

10. Our plan is to issue the first smart ID card in May 2003 and commence the ID card replacement exercise around July 2003. As from now, it is less than twelve months for us to look for suitable sites for the nine NICIOs, to get them properly fitted out, to install and test the necessary computer equipments. Besides, within the same period, among other implementation activities, we have to engage in a time consuming recruitment and training process for the 852 staff who are going to work in these offices. To avoid delays, we have to apply for funding approval for Phase 2 implementation of the project and

commence activities under this phase as soon as possible.

11. We have worked out the cost estimates for Phase 2 implementation as follows -

	<u>HK\$</u> (‘000)
(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) Costs of smart ID cards for Year 2 and after	203,111
(d) Publicity	11,250
(e) Site preparation for 9 new ID card issuing offices (NICIOs)	116,117
(f) Contract staff costs	237,347
(g) Contingency	24,573
Total	<u>\$609,199</u>

12. The total non-recurrent commitment for Phase 2, as currently estimated at the sum of \$609,199,000, will be incurred in six years up to 2007/2008. This revised Phase 2 estimate represents a decrease of \$185,205,000 (-23.3%) when compared against the original estimate of \$794,404,000 mentioned in the FC paper FCR(2000-01)82 of 9 March 2001. Major adjustments to the last submission are elaborated in paragraphs 13 to 15 below.

13. When compared with the previous submission, the cost for the procurement of 5.9 million customised blank smart ID cards has been adjusted downward and represents a decrease of \$204,638,000 (-50.2%). The drastic downward adjustment is made having regard to the competitive pricing strategy adopted by the system contractor. A

separate tender exercise will be conducted for procurement of these 5.9 million smart cards which will be used to meet the initial demand of the normal ROP offices and to cater for the ID card replacement exercise.

14. Following the award of the main tender, ImmD has a more concrete idea of the accommodation requirements of the NICIOs and Registration of Persons Offices. The increase in site preparation cost by \$26,967,000 (+30.2%) is due to the increase in office area requirements resulting from the new workflow of SMARTICS.

15. The decrease in contingency by \$7,534,000 (-23.5%) represents a pro-rata decrease as a result of net decrease in costs resulting from the decrease in smart card cost outweighing the increase in site preparation cost mentioned above.

16. In view of the low tender price, certain savings are anticipated in relevant items under Phase 1. We will take the savings into account in our FC submission seeking an increase in commitment for implementing Phase 2.

IMPLEMENTATION PLAN

17. The proposed implementation plan of the HKSAR ID card project and its progress are as follows –

Activity	Timing
(a) Funding approval for Phase 1 of the project obtained	9 March 2001
(b) Records conversion	January 2002 to Mid 2004
(c) Legislative amendment – 1 st Reading and 2 nd Reading of the ROP(Amendment) Bill 2001	9 January 2002
(d) System analysis and design	February 2002 to April 2002

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| (e) System development | April 2002 to
October 2002 |
| (f) Issue of Tender for Appointment and Tag
Systems | June 2002 |
| (g) System testing | September 2002 to
November 2002 |
| (h) Setting up of NICIOS and Installation of
Computer Equipments | October 2002 to
April 2003 |
| (i) User acceptance test and training | November 2002 to
July 2003 |
| (j) System implementation | May 2003 |
| (k) Replacement exercise | July 2003 to
June 2007 |

Security Bureau
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