

**For information
on 3 November 2006**

**Legislative Council Panel on
Information Technology and Broadcasting**

Outsourcing the Operation of Hongkong Post Certification Authority

PURPOSE

This paper reports on the outcome of the request for proposal exercise to outsource the operation of the Hongkong Post Certification Authority (HKPCA).

BACKGROUND

2. At the meeting on 12 December 2005, we reported to Members the outcome of the Government's review of the e-Cert service run by the HKPCA. In the light of the review, the Government came to the view that the current mode of operation of the HKPCA, which required substantial funding support from the Government and the Hongkong Post's (HKP's) cross-subsidization from its postal services, was not sustainable in the longer term¹. We briefed Members on our proposal to explore possible synergy with the private sector by conducting a request for proposal exercise to invite interested parties in the private sector to run HKPCA's e-Cert services and to come up with new value-added services/businesses. The aim is to generate a self-financing public certification authority (CA) operation and to further drive the utilization of e-Cert. At the meeting, we undertook to report the outcome of the request for proposal exercise and the way forward of the HKPCA operation to Members in due course.

¹ As at mid-October 2006, HKPCA has issued about 1.54 million personal and organizational e-Certs, including 1.26 million free personal e-Certs embedded in smart ID cards and 280,000 other types of e-Certs. At present, only about 60,000 of the 1.54 million e-Certs (or about 4%) are fee-paying e-Certs. The collected fees, together with other incomes from HKPCA's operation, cover less than 40% of the annual operating costs incurred by HKPCA in 2005/06. As at end March 2006, HKPCA incurred a cumulative loss of about \$105 million (\$167 million if depreciation is included).

OUTCOME OF REQUEST FOR PROPOSAL EXERCISE

3. HKP requested proposals from the private sector to run the e-Cert operation through conducting an open tendering exercise from 16 June 2006 to 2 August 2006. Three tender proposals were received. After a fair and objective evaluation of the tender proposals based on a set of pre-determined evaluation criteria issued together with the tender document, the proposal submitted by E-Mice Solutions (HK) Limited was selected.

4. In accordance with the contract conditions, the contractor will start to operate the e-Cert services from 1 April 2007 for four years until 31 March 2011. The Postmaster General remains a recognized public CA under the Electronic Transactions Ordinance (ETO). The e-Cert data is owned by the Government and the contractor will be allowed to use such data only in performance of its obligations under the contract for the provision of e-Cert services. The Government is responsible for monitoring the performance of the contractor during the contract period.

SERVICES TO BE PROVIDED BY THE CONTRACTOR

5. The level of e-Cert services provided to the public, including the service outlets and the service hours, will remain unchanged with the contractor taking up the service by 1 April 2007. The contractor will be responsible for the full operating cost in providing the e-Cert services and is entitled to receive subscription and renewal fees from the e-Cert subscribers. The fees will also remain unchanged.

6. The contractor has also proposed a number of value-added services in its tender proposal as part of its business plan for generating a self-financing public CA operation. These value-added services would be offered under the contractor's own brand name and distinct from the e-Cert operation. While the Government welcomes suggestions on value-added services, further detailed discussion with the contractor is required to ensure that all such services riding on the e-Cert comply with the ETO, the Code of Practice for Recognized CAs, Government security rules and regulations and the privacy

requirements under the Personal Data (Privacy) Ordinance, in addition to the terms and conditions of the contract.

SECURITY AND PRIVACY SAFEGUARDS

7. As the contractor will be operating a system containing the personal data of over 1.5 million Hong Kong citizens, we have taken a number of security measures to protect the personal data privacy of e-Cert holders.

- (a) First, in the course of preparing the tender exercise, the Government has conducted a Privacy Impact Assessment to ensure that adequate security measures are included in the contract conditions to protect the personal data privacy of e-Cert holders. The Privacy Commissioner was also consulted and their comments were incorporated in the terms of the tender document.
- (b) Second, the contractor must comply with the ETO, the Code of Practice for Recognized CAs, Government security rules and regulations, the Personal Data (Privacy) Ordinance and the contract conditions. The contract conditions require the contractor, among other things, to provide Government with a report prepared by an independent third party containing a security risk assessment every six months as to whether the contractor is capable of fulfilling its obligations on security and data protection. Moreover, under the Code of Practice for Recognized CAs, the HKPCA will need to submit a report prepared by an independent third party to the Government Chief Information Officer every 12 months as to whether the HKPCA has complied with the ETO and the Code of Practice. The contractor's performance will form part of this assessment report. We believe that third party audit practices provide adequate safeguards to monitor compliance by the contractor.
- (c) Finally, it is clearly stated in the contract that the e-Cert data is owned by the Government and the contractor will be allowed to use the personal data of e-Cert holders only in performance of its obligations under the contract for the provision of e-Cert services. If the contractor is providing any value-added services, the e-Cert holders'

consent will need to be sought on whether they wish to receive information about these services.

**Office of the Government Chief Information Officer
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