

Panel on Information Technology and Broadcasting

Extract from minutes of the meeting held on 12 November 2007

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V. Capital Works Reserve Fund Head 710 Computerization Subhead A007GX – New administrative computer systems

(LC Paper No. CB(1)203/07-08(05) -- Paper provided by the Administration)

Presentation by the Administration

18. At the invitation of the Chairman, the Deputy Government Chief Information Officer (Operation) (DGCIO(O)) briefed members on the 2008-09 funding requirements for implementing computerization projects costing above \$150,000 but not exceeding \$10 million each under the Capital Works Reserve Fund (CWRP) Head 710 Computerization Subhead A007GX – New administrative computer systems. Based on the proposals submitted by Government bureaux and departments (B/Ds), a block allocation of \$600 million was estimated to be required for 2008-2009 to fund a total of 378 administrative computer system projects. These included \$437 million for the 262 projects initiated in 2007-2008 or earlier, and \$163 million for 116 new projects. The proposed 2008-2009 block allocation of \$600 million represented an increase of 11% over the \$540 million provision for fiscal year 2007-2008. Members noted that subject to the Panel's support, the funding request would be submitted to the Finance Committee for consideration on 11 January 2008 following endorsement by the Public Works Subcommittee.

Discussion

Strategies and measures to promote and facilitate e-government initiatives in Government Bureaux and Departments

19. Mr SIN Chung-kai recalled that before the economic downturn and fiscal deficit of 2002-2003, the CWRP block allocation and expenditure under subhead A007GX had been as high as \$700 million. He was disappointed that the allocation had dwindled since then to around \$500 million in the past few years. He noted with concern that despite the 11% increase in the proposed CWRP block allocation to \$600 million for 2008-2009, the increase in the funding requirements and allocation for administrative computer projects over the past few years had lagged behind the rebound in fiscal fundamentals in recent years. He sought explanation on the apparent low rate of increase in the funding requests and allocation.

20. DGCIO(O) said that the Office of the Government Information Officer (OGCIO) had encouraged B/Ds, when preparing their annual budgets, to review their overall business operations and service delivery to proactively identify opportunities for integrating e-government into their overall business plans so as to improve services to the public and to attain greater efficiency and productivity. While sharing Mr SIN's observation that the allocation for the past few years had remained around \$500 million, he highlighted that the increase by 11% from \$540 million (2007-2008) to \$600 million (2008-2009) was mainly due to the increased number of approved projects and new bids (making a total of 279 new and ongoing projects) submitted by B/Ds for 2008-2009. He said that a number of B/Ds had taken the initiative to formulate new computerization project proposals to extend the use of IT, which was an encouraging sign. He pointed out in addition to the proposed block allocation of \$600 million for projects costing between \$150,000 and \$10 million each, there were other projects costing more than \$10 million which were subject to the specific approval of the Finance Committee of the Legislative Council and to be funded under separate subheads.

21. Mr SIN Chung-kai noted with concern that some Government B/Ds had gone opposite directions in the implementation of the key e-government initiatives and the Digital 21 Strategy. Citing the Immigration Department's launch of the e-channels as an example, he observed that Government B/Ds that were experienced in computerization and the integration of e-government into their overall operation model were more ready to go further towards automation and electronic solutions, while departments that had little or no experience in IT development and application were dragging their feet. He was concerned that with the setting up of the Information Technology Management Unit (ITMU) and the Government's policy of devolving management responsibilities for IT projects to B/Ds, some departments in need of automation might be limited by insufficient manpower and impeded by the lack of management and technical know-how to embark on IT initiatives. He said that delays in the implementation of e-government initiatives for better delivery of services and higher operational efficiency would prove to be costly. He asked whether the Administration had drawn up comprehensive and integrated strategies and put in place measures to systematically and specifically assist those B/Ds that were relatively slow in automation and computerization to catch up on e-government initiatives.

22. DGCIO(O) said that the Administration had considered the issues and had earlier commissioned a consultancy study to examine and address the underlying issues and come up with recommendations. The recommendations of the study would be taken forward to encourage and facilitate integration of e-government and the adoption of e-business solutions in B/Ds. He said that about 60 departments had so far set up ITMU to provide direct advice and support to the lines of business of B/Ds, while OGCIO would provide central services and advice.

23. At the request of the Chairman and Mr SIN Chung-kai, DGCIO(O) undertook to provide information on the allocation under CWRP Head 710 Computerization for the past seven years, showing the amount of allocation and expenditure by B/Ds.

Outsourcing of information technology services and manpower requirements

24. In response to Mr Albert CHAN's enquiry on the make-up of the project estimate for the new proposals listed in Annex B to LC Paper No. CB(1)203/07-08(05), DGCIO(O) clarified that the estimated amount referred only to the cost of software and hardware systems and external services. They did not include personal emoluments of government staff. On Mr CHAN's enquiry about the present Government IT manpower resources, DGCIO(O) advised that excluding contractors for outsourced projects, the Government's IT personnel count stood at around 2,300, including both civil servants and contract staff. They were deployed in various B/Ds with the OGCIO performing a central coordination role. Where considered appropriate, the OGCIO would assist B/Ds to obtain IT services through the standing offer agreements or by drawing up separate service agreements on outsourcing.

25. Noting the Government's practice on contracting out, particularly during the time of financial stringency in 2000s, Mr Albert CHAN expressed great reservation on the Government's over-reliance on consultancy and outsourcing. He held that under normal circumstances, Government departments should have sufficient in-house IT personnel to support its internal IT development and formulate IT strategies. He queried whether out-sourcing was the best solution and whether the commissioning of outside consultancy study was a healthy practice.

26. In response, DGCIO(O) said that in terms of the new projects listed in Annex B, there was no question of over-reliance on outside consultancy as the majority of the projects were development and implementation proposals on new initiatives. He added that to take forward IT initiatives during the time of containing the size of the civil service, contracting out was adopted by departments to meet the demands for IT manpower. Even so, Government IT staff were deployed in project management, tendering exercises and project monitoring and contract management during implementation of the projects.

27. In this regard, Mr Albert CHAN stated that he did not agree that outsourcing of services, which he considered as a form of exploitation, was a move in the right direction as in-house IT personal had to be deployed to monitor outside contractors. He considered that the Panel should examine whether, as compared with other advanced economies, the Government had relied overly on contracting out and outside consultancy; and whether the Government should have in-house expertise to formulate IT strategies and support IT development in the Government, and if yes, the level of manpower requirements considered appropriate.

28. Referring to his past working experience in Canada, Government Chief Information Officer (GCIO) said that it was important to maintain outsourcing at an appropriate level and to have a right mix of in-house IT staff and outsourcing. While outsourcing was a fact of life, the OGCIO, which had been operating under a zero growth for a long time, was mindful of the need to keep and cap outsourcing at

a healthy level, and at the same time making sure there was no conflict of interests. Mr Albert CHAN concurred that some degree of outsourcing might be necessary and suggested that the Administration should make a comparison with similar government set-up in other countries to ascertain what level of in-house IT manpower was considered appropriate to support a Government of 160,000 civil servants. He also requested the Administration to provide information on the present in-house IT manpower resources within the Government, and make an analysis of the present IT manpower situation in the Government in comparison with other governments and advanced countries.

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29. Agreeing with Mr Albert CHAN, GCIO said that the Administration would keep in view the situation and monitor the level of outsourcing to ensure a right balance. At the request of the Chairman, GCIO agreed to provide the information as requested by Mr Albert CHAN as far as practicable.

Summing up

30. Noting that members did not have any objection to the proposed block allocation of \$600 million for 2008-2009 for the implementation of computerization projects under CWRP Head 710 computerization subhead A007GX-New administrative computer systems, the Chairman concluded that the Panel supported the proposal in principle for consideration by the Public Works Subcommittee and the Finance Committee.

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