

ITEM FOR FINANCE COMMITTEE

CAPTITAL WORKS RESERVE FUND

HEAD 710 – COMPUTERISATION

Immigration Department

New Subhead “Enhancement of computer systems to process electronic Exit-Entry Permit for Travelling to and from Hong Kong and Macao and extension of e-Channel service”

Members are invited to approve a new commitment of \$247,515,000 to enable the Immigration Department to process electronic Exit-Entry Permit for Travelling to and from Hong Kong and Macao and to extend the e-Channel service.

PROBLEM

The Immigration Department (ImmD) needs to upgrade its computer systems and install immigration clearance facilities to meet the requirements arising from the introduction of electronic Exit-Entry Permit for Travelling to and from Hong Kong and Macao (EEP) by the Mainland authorities.

PROPOSAL

2. The Director of Immigration, with the support of the Secretary for Security and Government Chief Information Officer, proposes to create a new commitment of \$247,515,000 to enhance ImmD’s computer systems and install clearance facilities to process electronic EEP, and to enable eligible holders of EEP to use the Automated Passenger Clearance System (i.e. e-Channel).

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JUSTIFICATION

3. Hong Kong is an important travelling hub and a popular tourist and business location for visitors from the Mainland as well as other places. The number of visits to Hong Kong has been on the rise in recent years, from around 46 741 000 in 2005 to around 59 158 000 in 2009, representing an increase of about 27%. In particular, the number of visits by EEP holders has increased by about 47% from around 21 371 000 in 2005 to around 31 343 000 in 2009. Contributing to over 50% of our visits, Mainland visitors is the single largest group of visitors for Hong Kong. We must ensure sufficient capacity to meet the service demand and strive to improve the quality of our immigration clearance service.

Needs for the Proposed Enhancements

4. At present, Mainland residents who are holders of EEP may only enter Hong Kong after examination by immigration officers at counters at the control points. Immigration officers would stamp relevant limit and conditions of stay on the EEP. The Mainland authorities have decided to introduce, by phases from 2012, electronic EEP for Mainland residents travelling to Hong Kong and Macao. An electronic EEP will contain a computer chip which stores the holder's personal information and exit endorsement to Hong Kong. In order to retrieve information from the electronic EEP and record the limit and conditions of stay, the ImmD needs to modify and upgrade its computer systems and install new facilities at the control points and its offices.

5. The Mainland authorities have recently implemented facilitation measures leading to a continuous growth in the Mainland visitor flow to Hong Kong. For example, Shenzhen residents with household registration may apply for multiple-journey exit endorsement on EEP to visit Hong Kong with effect from April 2009, whereas those without household registration may apply for single-journey exit endorsement on EEP in Shenzhen without the need to return to their original place of domicile for the purpose from December 2009. In anticipation of a continued growth in the number of visitors holding EEP, we need to enhance the handling capacity as well as efficiency of the ImmD by allowing eligible Mainland frequent visitors to use e-Channels after enrolment.

Details of the Proposal

6. To cater for the use of electronic EEP, the ImmD needs to install about 620 readers with specific functions at the control points and 120 readers at its offices to handle immigration-related matters for the holders of electronic EEP,

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e.g. applications for extension of stay and various types of registration. The readers will enable the retrieval of information from electronic EEP following decryption. The information so retrieved is the same as that displayed on EEP currently in use.

7. Upon entry into Hong Kong, the ImmD imposes appropriate limit and conditions of stay on visitors according to their individual circumstances. Instead of stamping on the travel documents, the ImmD plans to issue the respective limit and conditions of stay on a print-out slip for every visitor. The arrangements are similar to the present arrangements of issuing print-out slips to Macao permanent residents visiting Hong Kong. To this end, the ImmD needs to install around 560 compact printers at various control points and offices.

8. To support the change in the mode of operation, the ImmD also needs to enhance its computer systems to handle immigration-related matters for holders of electronic EEP. These include the “Entry/Exit Processing and Records System” (EXPRESS) which supports the immigration clearance process at control point counters, and the “Application and Investigation Easy System” (APPLIES) which supports the handling of applications for visas, permits, travel passes, as well as relevant records management service.

9. Taking into account the physical constraints of the control points, the utilisation rate of e-Channels and the growth in number of visitors who are EEP holders, we plan to install 20 new e-Channels at the two most popular control points, i.e. Lo Wu and Lok Ma Chau, and enhance a total of 40 existing e-Channels at others. We will decide on the actual distribution of the relevant e-Channel facilities in the light of the actual passenger pattern and passenger mix at different control points.

10. To allow flexibility in the deployment and effective use of resources, the new/enhanced e-Channels can serve not only Mainland visitors who hold EEP, but also other visitors and Hong Kong residents (either as traditional or Express e-Channels).

11. In 2009, the number of frequent visitors who are EEP holders (i.e. those who have visited Hong Kong for three times or more) was around 294 000. We expect that the number of frequent visitors will continue to grow in the coming years. To use e-Channel service, eligible Mainland visitors will have to enrol in

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advance. ImmD officers will rigorously examine the EEP and endorsement of the applicant to ensure that he/she meets the enrolment criteria (including the absence of adverse records). For those who meet the enrolment requirements, ImmD officers will take photos and record their fingerprints. Personal information in the computer chip of the EEP will be retrieved and recorded in the computer system for future immigration verification.

12. When an enrolled Mainland visitor uses an e-Channel, the system will retrieve the enrolled information for verification. If the system cannot verify the visitor's fingerprint, or it detects any other problem (e.g. adverse records after enrolment), the visitor will not be able to pass through the e-Channel. ImmD officers will then examine the visitor and may refuse his/her entry. Moreover, the ImmD will also conduct spot checks on visitors using e-Channels. We will review the eligibility criteria for using e-Channel service in the light of actual experience, so as to ensure that effective immigration control is maintained while facilitating visitors.

Benefits

13. The implementation of the proposal will bring the following anticipated benefits -

- (a) Accommodate the needs of Mainland visitors - Mainland visitors will be able to use electronic EEP for immigration clearance at the control points and for making immigration related applications during their stay in Hong Kong.
- (b) Improve efficiency in issuing limit and conditions of stay - At present, most visitors arriving at Hong Kong present booklet-type travel documents at immigration counters, and ImmD officers will stamp limit and conditions of stay onto the documents. After implementation of the proposal, all visitors will be issued with print-out slips. Depending on the types of the travel documents, this can shorten the clearance time by about three seconds per visitor.
- (c) Enhance clearance capacity - Installing and modifying e-Channels can enhance the handling capacity of the relevant control points by about 4% and shorten the waiting time of visitors.

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Cost Savings and Avoidance

14. The implementation of the project will bring about recurrent savings of about \$28,366,000 from 2012-13, comprising –

- (a) Realisable savings of \$24,854,000 - Allowing Mainland frequent visitors who hold EEP to use e-Channels can save eight posts of Immigration Officer (IO) and 46 posts of Senior Immigration Assistant (SIA) which are otherwise required for manning immigration counters. This represents an annual realisable savings of \$24,854,000. Part of the savings will be used to cover the recurrent staff requirements for providing enrolment service and support to visitors using e-Channels.
- (b) Notional savings of \$3,512,000 - Printing limit and conditions of stay on print-out slips will enhance efficiency and bring about notional savings of \$3,512,000 in 2012-13. The notional savings will increase over the years if the number of visits continues to rise. The manpower will be deployed to handle the inventory control, distribution and replenishment of print-out slips at the control points.

15. Following the implementation of the proposal, the enhanced handling capacity of the control points will be able to cater for an increasing number of visitors without additional manpower in a period of time. This will avoid the creation of six IO and posts 35 SIA posts, involving an expenditure of \$18,848,000 in 2013-14. The cost avoidance will increase over the years if the number of visits continues to rise.

Encl. 16. A detailed cost and benefit analysis of the implementation of the proposal is at Enclosure.

FINANCIAL IMPLICATIONS**Non-recurrent Expenditure**

17. We estimate that the implementation of the proposal will require a non-recurrent capital expenditure of \$247,515,000 over a three-year period from 2010-2011 to 2012-13, with breakdown as follows -

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Items	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)	Total (\$'000)
(a) Hardware and software	-	78,003	33,310	111,313
(b) Implementation and contract staff services	607	76,803	19,961	97,371
(c) Site preparation	-	6,514	-	6,514
(d) Consumables	-	5,410	3,638	9,048
(e) Communications lines	-	767	-	767
(f) Contingency	61	16,750	5,691	22,502
Total	668	184,247	62,600	247,515

18. As regards paragraph 17(a), the estimated expenditure of \$111,313,000 is for the acquisition of hardware and software items including servers and equipment, e-Channels, compact printers and readers.

19. As regards paragraph 17(b), the estimated expenditure of \$97,371,000 is mainly for the implementation services of the project including system design, installation and testing.

20. As regards paragraph 17(c), the estimated expenditure of \$6,514,000 is for site preparation including the setting up of enrolment offices, installation of data ports and power sockets, as well as trunking and cabling works.

21. As regards paragraph 17(d), the estimated expenditure of \$9,048,000 is for the acquisition of start-up consumables including print-out slips for limit and conditions of stay.

22. As regards paragraph 17(e), the estimated expenditure of \$767,000 is for the procurement and installation of communications/data lines.

23. As regards paragraph 17(f), the estimated expenditure of \$22,502,000 represents about 10% contingency on the cost items set out in paragraphs 17(a) to (e).

/Other

Other Non-recurrent Cost

24. Implementation of the proposal will require a project team for project management, procurement of hardware, software and services, site preparation, installation support, system/user acceptance tests, user training and implementation support. This will entail a non-recurrent staff cost of \$18,153,000 over a three-year period from 2010-2011 to 2012-13, as in-house staff cost for project implementation and management. The staff cost represents a total of 228 man-months of immigration service grade staff and 72 man-months of information technology professional grade staff. The cost will be met by existing resources.

Recurrent Expenditure

25. We estimate that the additional recurrent expenditure arising from the project will be \$43,069,000 per annum from 2012-13 onwards. Such requirements will be reflected in the Estimates of the relevant years, with the breakdown as follows -

	2012-13 onwards (\$'000)
(a) Maintenance of hardware and software	17,656
(b) System support services and contract staff cost	13,876
(c) Consumables	10,915
(d) Communications lines	<u>622</u>
Total	<u>43,069</u>

26. As regards paragraph 25(a), the estimated annual expenditure of \$17,656,000 is for hardware and software maintenance to support the systems.

27. As regards paragraph 25(b), the estimated annual expenditure of \$13,876,000 is mainly for on-going system support services.

28. As regards paragraph 25(c), the estimated annual expenditure of \$10,915,000 is for the purchasing of consumables such as print-out slips for conditions of stay.

29. As regards paragraph 25(d), the estimated annual expenditure of \$622,000 is for rental of communications/data lines.

30. The ImmD will deploy seven IOs and 41 SIAs to handle enrolment applications of EEP holders and to provide on-site support to users of e-Channels. It entails a recurrent staff cost of \$22,058,000 in 2012-13. The requirements will be covered by the realisable savings of the proposal.

IMPLEMENTATION PLAN

31. We plan to implement the proposal according to the following schedule -

Activity	Target Completion Date
(a) Tender preparation	October 2010
(b) Award of contract	April 2011
(c) System analysis, design and development	June to September 2011
(d) Site preparation	November 2011
(e) System and equipment delivery, installation, user testing and training	December 2011
(f) Production roll-out	January 2012

PUBLIC CONSULTATION

32. We consulted the Legislative Council Panel on Security on 1 June 2010. Members supported the proposal and its submission to the Finance Committee (FC) for funding approval.

BACKGROUND

33. The major existing equipment and computer systems covered by the proposal include EXPRESS, e-Channels and APPLIES.

34. The FC approved, in January 2002, the creation of a commitment of \$362,119,000 under Subhead “Implementation of Phase I of the Updated Information Systems Strategy for the Immigration Department”, which covered the Immigration Control Automation System now known as EXPRESS.

35. The FC approved, in January 2003, the creation of a commitment of \$352,753,000 under Subhead “Implementation of Phase II of the Updated Information Systems Strategy for the Immigration Department”, for introducing e-Channels.

36. The FC approved, in May 2004, the creation of a commitment of \$336,845,000 under Subhead “Implementation of Phase III of the Updated Information Systems Strategy for the Immigration Department” which covered APPLIES.

Security Bureau
June 2010

Cost and benefit analysis of enhancement of computer systems to process electronic Exit-Entry Permit for Travelling to and from Hong Kong and Macao and extension of e-Channel service

	Cash flow (\$'000)										
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Cost											
<u>Non-recurrent</u>											
- Expenditure	668	184,247	62,600	-	-	-	-	-	-	-	247,515
- Staff cost	4,895	10,648	2,610	-	-	-	-	-	-	-	18,153
Sub-total	5,563	194,895	65,210	-	-	-	-	-	-	-	265,668
<u>Recurrent</u>											
- Expenditure	-	-	43,069	43,069	43,069	43,069	43,069	43,069	43,069	43,069	344,552
- Staff cost	-	-	22,058	26,098	23,302	22,887	22,058	16,881	17,296	18,019	168,599
Sub-total	-	-	65,127	69,167	66,371	65,956	65,127	59,950	60,365	61,088	513,151
Total Cost	5,563	194,895	130,337	69,167	66,371	65,956	65,127	59,950	60,365	61,088	778,819
Savings											
<u>Realisable savings</u>	-	-	24,854	24,854	24,854	24,854	24,854	24,854	24,854	24,854	198,832
<u>Notional savings</u>	-	-	3,512	3,585	3,659	3,735	3,812	3,891	3,972	4,054	30,220
<u>Cost avoidance</u>	-	-	-	18,848	32,104	48,156	66,589	75,083	85,437	96,312	422,529
Total savings	-	-	28,366	47,287	60,617	76,745	95,255	103,828	114,263	125,220	651,581
Net savings	-5,563	-194,895	-101,971	-21,880	-5,754	10,789	30,128	43,878	53,898	64,132	-127,238
Net cumulative savings	-5,563	-200,458	-302,429	-324,309	-330,063	-319,274	-289,146	-245,268	-191,370	-127,238	
