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Panel on Information Technology and Broadcasting

Special meeting on 7 June 2011

Background brief on the Internet Learning Support Programme

Purpose

This paper summarizes the previous discussions by Members on the Internet Learning Support Programme (ILSP).

Background

2. In his 2010-2011 Budget, the Financial Secretary announced a two-pronged strategy to assist students from low-income families to undertake web-based learning at home through provision of an Internet access subsidy and an ILSP. Following consultation with the Panel on Education, the Administration obtained the approval of the Finance Committee (FC) for a funding of \$500 million for these two initiatives at its meeting on 28 May 2010.

3. The ILSP aims at helping eligible families acquire affordable computers and Internet access service and providing them with technical and social support. The Office of the Government Chief Information Officer (OGCIO) launched an open Request for Proposal (RFP) between May and July 2010 with a view to identifying a non-profit organization as implementation agent for the ILSP.

4. Five proposals were received when the RFP closed on 5 July 2010. They were assessed by an Evaluation Panel, led by the Government Chief Information Officer (GCIO) and comprising representatives of the Education Bureau and the Office of the Telecommunications Authority, in accordance with the published process and criteria. The Evaluation Panel completed assessment on different aspects of the proposals, including the proposed

operating and financial models, key performance indicators, risk assessment, collaboration with various parties, the expertise, track record and commitment of the proponent and its partners, as well as the arrangements for corporate governance, management and control, and public accountability.

5. According to the Administration's paper (Paper No. FCR(2010-11)15) provided to FC at its meeting on 28 May 2010, the following aspects of the proposals were to be assessed:

- (a) in respect of the proposed non-profit-making organization (NPO) and other parties involved –
 - (i) business skills required to develop the necessary product and service offerings;
 - (ii) knowledge and understanding of the learning needs of children from the target low-income families;
 - (iii) capability of managing and sustaining a business start-up of comparable target market and turnover in relevant industries or businesses;
 - (iv) experience of managing a project involving substantial public money;
 - (v) ability to work with non-governmental organizations (NGO) and government departments in the sale and marketing of the organization's services;
 - (vi) ability to work with Internet service providers and information technology suppliers; and
 - (vii) ability to work with district and community service networks to provide services in, for example, distributing computers, providing technical support and Internet education.
- (b) in respect of the implementation of the proposal –
 - (i) delivery against programme objectives;
 - (ii) cost effectiveness of operation and financial management of the Programme;
 - (iii) governance mechanism for the Programme and for the NPO;

- (iv) effectiveness of relationship management among the parties involved in the programme; and
- (v) risk management of the programme.

6. According to the Administration's paper (LC Paper No. CB(1)1023/10-11(01)) provided to the Panel on Information Technology and Broadcasting (ITB Panel) on 10 January 2011, upon conclusion of the RFP exercise, the Administration informed the proponents on 22 October 2010 that it would invite the Hong Kong Council of Social Service (HKCSS) and the eInclusion Foundation Limited (eInclusion) to explore the possibility of collaboration in jointly establishing a NPO to implement the programme. In early January 2011, the Administration proposed an alternative collaboration arrangement by engaging HKCSS and eInclusion to implement the programme in two geographical zones having regard to the spread of low-income families, with each of them taking up responsibility for one of the zones and OGCIO providing central coordination on matters such as territory-wide promotion, students' eligibility, monitoring and reporting, and other mutual concerns. According to the Administration, this arrangement would enable both organizations to leverage their network and management experience to bring benefits to low-income families. The Government would review the implementation arrangements in two years. Both HKCSS and eInclusion had accepted this dual implementer approach.

Previous discussions

7. Members in general supported the implementation of the ILSP as it could provide convenient and suitable Internet learning opportunities to needy students.

Finance Committee

8. When discussing the proposal of creating a new commitment of \$280 million for providing subsidies for Internet access charges for needy families, and a new commitment of \$220 million for the implementation of a five-year programme to help needy students and parents gain access to the Internet for learning on 28 May 2010, some FC members expressed concern about the selection of an NPO for the ILSP. These members considered that the Administration should exercise caution in selecting a suitable organization, and closely monitor its performance and operation so as not to give rise to conflict of interests. These members also considered it prudent for the Administration to select a reputable organization to operate the programme. The

Administration advised that OGCIIO would adopt an open and transparent process in selecting its non-governmental partner for undertaking the programme.

9. Some FC members raised concern whether any NPOs in Hong Kong had the capability of providing the required range of services under the programme. Other Members were concerned that the NPO would incur high administrative costs. The Administration advised that the NPO would operate as a business entity and its operation would be overseen by OGCIIO. OGCIIO and the NPO would enter into an agreement which would set out the responsibilities and obligations of the NPO, including the need for OGCIIO's approval of its annual business plan and the submission of regular reports. In evaluating a business plan, OGCIIO would pay particular attention to the level of the NPO's administrative cost. It was estimated that the total administrative cost for the five-year programme would not exceed \$22.5 million, which was about 2.5% of the total operating costs of the NPO covering the startup funding provided by the Government and the costs in acquiring Internet access services and facilitating the acquisition of computers.

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10. At the ITB Panel meeting on 14 March 2011, the Administration briefed members on the progress of the Government's digital inclusion initiatives, including the progress of the ILSP. Hon Emily LAU expressed concern about the selection process for the ILSP, in particular the apparent lack of proven track record of one of the selected Implementers, i.e. eInclusion, in providing the services concerned.

11. The Administration advised that under the ILSP, the five proposals received in the RFP exercise were assessed by the Evaluation Panel led by the former GCIO in accordance with the assessment process and criteria approved by FC in May 2010. After rigorous assessment of the proposals, two leading contenders emerged and GCIO concluded that it would be in the best interest of low-income families if the programme could be executed so as to incorporate the best elements of the two leading proposals. As such, GCIO suggested collaboration between the two leading proponents to implement the programme as a single implementer. The assessment process followed established procedures and due process. It was conducted in a fair and just manner with the objective of optimizing the benefits for the low income families. Neither the Secretary for Commerce and Economic Development (SCED) nor Under Secretary for Commerce and Economic Development was involved in the RFP exercise. The former GCIO had reported progress to Permanent Secretary for Commerce and Economic Development (Communications and Technology) and SCED.

12. The Administration further advised that the two leading contenders both met the qualifying criteria of the ILSP. Owing to difficulty in reaching agreement on a collaboration model to co-found an implementation agent to take forward the programme, the Government proposed and both parties agreed to take forward the ILSP as separate Implementers in two separate geographical zones. It was anticipated that the Implementers would roll out the programme before the commencement of the 2011/2012 school year as scheduled.

13. Hon Emily LAU was not convinced of the Administration's explanation and expressed concern about the sudden termination of the contract of Mr Jeremy Godfrey¹, the former GCIO who was responsible for the RFP. In this connection, the Chairman suggested that detailed information on the RFP exercise, in particular the assessment process of the various proposals, as well as reasons for and the circumstances leading to the early termination of contract of the former GCIO, be disclosed to the ITB Panel to allay members' concerns.

14. The Administration advised that the proposals had been evaluated through a rigorous vetting process by the Evaluation Panel comprising representatives from the Education Bureau, the Office of the Telecommunications Authority and the OGCI, which had adhered to the selection criteria presented to FC. The outcome of the Evaluation Panel should be respected. As regards the contract of Mr Godfrey, the Administration advised that it was resolved by mutual consent for personal reasons.

15. Dr Hon Samson TAM opined that it was important that public money for implementing the ILSP should be used properly, effectively and solely for the programme objectives. At the Panel's request, the Administration would periodically report progress on the implementation of the ILSP to the Panel.

Recent developments

16. On 29 March 2011, Hon Emily LAU, in her capacity of the FC Chairman, requested the Administration to provide information on the justifications for selecting eInclusion as one of the implementers for the ILSP. She also enquired about the rationale for engaging HKCSS and eInclusion to implement the ILSP in two geographical zones, the arrangement of which was deviated from the proposal presented to FC. The Administration subsequently provided an information paper (LC Paper No. FC65/10-11) to FC on 21 April 2011.

¹ On 28 January 2011, the Government announced that Mr Jeremy Godfrey would vacate the post of GCIO and leave the Government on 12 February 2011.

17. On 18 April 2011, Mr Jeremy Godfrey, the former GCIO, wrote to the ITB Panel alleging that the remarks made by the Administration at the Panel meeting on 14 March 2011 regarding his role in the events leading to the selection of implementers for the ILSP were incomplete and misleading. The reasons for him to seek early termination of service were related to the conduct of Government business. On 8 May 2011, Mr Godfrey wrote to the Secretariat requesting the Administration to allow greater transparency on the matter.

18. At the ITB Panel meeting on 9 May 2011, some members expressed concern about the selection of the implementer for the ILSP raised in Mr Godfrey's submissions dated 18 April and 8 May 2011. The Administration advised that the circumstances leading to the selection of implementation agent for the ILSP had been reported in detail to the ITB Panel in January and March 2011, and also to FC in April 2011. The Administration stressed that the assessment process of the implementation agent followed established procedures and due process, and it was conducted in a fair manner with the objective of optimizing the benefits for the low income families. It was important to respect the collective decisions made by the established mechanism.

19. Hon Fred LI raised an oral question on the ILSP at the Council meeting on 25 May 2011. He expressed concern about the dual implementer approach in implementing the ILSP. He also urged the Administration to permit Mr Jeremy Godfrey to attend the ITB Panel meetings to speak on the matter, and to ensure that the two implementers would not misuse the personal data of members of the public obtained in the implementation of the ILSP. The Administration advised that it would be prepared to facilitate the deliberation of the ITB Panel and had informed Mr Godfrey that the Government would not object to his disclosing confidential information relating to the ILSP selection process to the Panel provided that the disclosed information or claim was factually correct and based on evidence and to the extent that the disclosure was relevant and necessary for the sake of public interest.

20. Subsequently, Mr Jeremy Godfrey provided a submission to the ITB Panel on the events leading to the selection of the implementers for the ILSP and his departure from the Government. Mr Godfrey's submissions and the Administration's letters and papers to the ITB Panel and FC on the ILSP since January 2011 are listed in the **Appendix**.

Latest position

21. The ITB Panel will hold a special meeting on 7 June 2011 for Members to follow up on the selection of the Implementer for the ILSP. Mr Jeremy Godfrey and relevant government officials will be invited to the Panel meeting to brief Members on the selection and decision process for the Implementer of the ILSP, and to answer Members' questions in this respect. The two leading contenders, namely the HKCSS and eInclusion, will also be invited to answer Members' questions.

Relevant papers

22. A list of relevant papers on the subject is available on the Legislative Council website at http://www.legco.gov.hk/yr11-12/english/panels/itb/papers/itb_ea.htm.

Council Business Division 1
Legislative Council Secretariat
3 June 2011

Appendix

Mr Godfrey's submissions and the Administration's letters and papers to the ITB Panel and FC on the ILSP

(as at 31 May 2011)

<u>Date</u>	<u>Item</u>
10 January 2011	The Administration provided an information paper on the ILSP to the ITB Panel (issued vide LC Paper No. CB(1)1023/10-11(01)).
8 March 2011	The Administration provided a discussion paper on the progress of the Government's digital inclusion initiatives, including the ILSP, for the ITB Panel meeting on 14 March 2011 (issued vide LC Paper No. CB(1)1517/10-11(05)).
18 April 2011	Mr Jeremy Godfrey, the former GCIO, wrote to the ITB Panel on the ILSP (issued vide LC Paper No. CB(1)2118/10-11(01) on 6 May 2011).
19 April 2011	The Administration provided supplementary information on the ILSP to FC (issued vide LC Paper No. FC 65/10-11 on 21 April 2011).
8 May 2011	Mr Jeremy Godfrey wrote to the Secretariat expressing views on the ILSP selection process (tabled at the ITB Panel meeting on 9 May 2011 and issued on 11 May 2011 vide LC Paper No. CB(1)2148/10-11(01)).
10 May 2011	Mr Jeremy Godfrey wrote to the ITB Panel Chairman requesting for the Administration's permission for him to speak at a Panel meeting regarding the ILSP selection process. (Mr Godfrey's submission and the Chairman's reply dated 11 May 2011 were issued vide LC Paper No. CB(1)2163/10-11(01) & (02) on 12 May 2011.)
25 May 2011	The Administration issued a response to the ITB Panel and a reply to Mr Jeremy Godfrey regarding his request for permission to speak at a Panel meeting on the ILSP (issued vide LC Paper Nos. CB(1)2295/10-11(01) & (02) on 26 May 2011).

<u>Date</u>	<u>Item</u>
25 May 2011	Mr Godfrey provided a submission to the ITB Panel on the events leading to the selection of the implementers for ILSP and his departure from the Government (issued vide LC Paper No. CB(1)2299/10-11(01) on 27 May 2011).
27 May 2011	The Administration provided an information paper giving a detailed account of the events leading to the selection of the Implementer for the ILSP and the role of Mr Jeremy Godfrey as the former GCIO in these events (issued vide LC Paper No. CB(1)2299/10-11(02) on 27 May 2011).
30 May 2011	Mr Jeremy Godfrey wrote to the ITB Panel Chairman enclosing his affidavit verifying the account of events given in his submission dated 25 May 2011 (issued vide LC Paper No. CB(1)2354/10-11(01) on 1 June 2011).