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Legislative Council

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Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 12 December 2005, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon SIN Chung-kai, JP (Chairman)
Hon Albert Jinghan CHENG (Deputy Chairman)
Dr Hon LUI Ming-wah, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP

Members absent : Hon Fred LI Wah-ming, JP
Hon Emily LAU Wai-hing, JP
Hon Ronny TONG Ka-wah, SC

Public officers attending : Agenda Items IV, V and VI

Mr Howard C DICKSON
Government Chief Information Officer

Mrs Betty FUNG, JP
Deputy Government Chief Information Officer
(Planning and Strategy)

Mr Stephen MAK, JP
Deputy Government Chief Information Officer
(Operation)

Agenda Item IV

Mr Raymond CHAN
Chief Systems Manager
(E-Government Policy and Development)

Agenda Item V

Mr Victor LAM
Chief Systems Manager (Human Resources,
Professional Development and IT Management)

Agenda Item VI

Mr Michael CHUNG
Director (Postal Development, Marketing and Sales)
Post Office

Clerk in attendance : Miss Polly YEUNG
Chief Council Secretary (1)3

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Ms Sharon CHAN
Legislative Assistant (1)6

Action

I. Confirmation of minutes and matters arising

(LC Paper No. CB(1)412/05-06   --   Minutes of special meeting held on 1 November 2005

LC Paper No. CB(1)459/05-06   --   Minutes of meeting held on 14 November 2005)

The minutes of the meetings held on 1 and 14 November 2005 were confirmed.

II. Papers issued since last meeting

2. Members noted that no information paper had been issued since last meeting.

III. Date and items for discussion for next meeting

(LC Paper No. CB(1)460/05-06(01) -- List of outstanding items for discussion

LC Paper No. CB(1)460/05-06(02) -- List of follow-up actions)

3. Members agreed that the Panel would discuss the following two items at the next meeting scheduled for 9 January 2006:

(a) The development of digital audio (DA) broadcasting in Hong Kong; and
(b) New Strategy for e-government services delivery.

IV. CWRF Head 710 Computerization Subhead A007GX – New Administrative Computer Systems

(LC Paper No. CB(1)460/05-06(03) -- Information paper provided by Administration)

LC Paper No CB(1)510/05-06(02) -- Letter dated 9 December 2005 from *(tabled and subsequently issued to members on 13 December 2005)* Hong Kong Linux Industry Association regarding the adoption of Linux within government bureaux and departments)

4. At the invitation of the Chairman, the Deputy Government Chief Information Officer (Planning and Strategy) (DGCIO(P&S)) briefed members on the funding requirement for 2006-07 for the implementation of computerization projects under the Capital Works Reserve Fund (CWRF) Head 710 Computerization Subhead A007GX – New Administrative Computer Systems. In gist, she said that based on the proposals submitted by bureaux and departments, the Office of the Government Chief Information Officer (OGCIO) estimated that for 2006-07 a block allocation of $540 million would be required to fund a total of 285 administrative computer system projects. These included $389 million for the 178 projects initiated in 2005-06 or earlier; and $151 million for 107 new projects. DGCIO(P&S) further advised that the new projects to be implemented included (a) projects to enable the delivery of better services to the citizens and businesses; (b) projects to attain greater efficiency and productivity; and (c) projects to enhance the e-government infrastructure of government bureaux and departments. Members noted that the relevant funding request would be put to the Finance Committee (FC) for consideration on 13 January 2006 after endorsement by the Public Works Subcommittee (PWSC).

5. On the implementation of new projects, Mr Howard YOUNG cautioned that the Administration should be more mindful not to take forward projects that might eventually incur financial loss to the Government as in the case of the digital

certificate (e-Cert) scheme administered by Hongkong Post.

6.   In response, <u>DGCIO(P&S)</u> advised that some of the projects covered by the current proposal were general computerization projects such as the Accessibility Programme started a couple of years ago to enhance the adoption of information technology (IT) by all civil servants on a shared basis; while others were department-specific, such as the electronic documents management system for the Civil Engineering and Development Department and the human resources management information system for the Leisure and Cultural Services Department. In addition, there were also computerization projects aimed at implementing the priority initiatives under the next wave of e-government development such as delivering citizen-centric e-services and customer relationship management (CRM) measures.   The implementation of CRM measures for the Central Cyber Government Office Portal by OGCIO was a case in point and additional funding would be required by bureaux and departments to implement CRM measures. <u>DGCIO(P&S)</u> stressed that these projects served to improve service quality, efficiency and productivity and were not intended to be business ventures.

7.   <u>The Chairman</u> drew members' attention to a letter from the Hong Kong Linux Industry Association (HKLIA) regarding the adoption of Linux within government bureaux and departments.   Referring to projects funded under CWRF Head 710 Subhead A007GX for the past few years, he sought information on the number and percentage of computerization projects which used open source software (OSS) and Linux.

8.   In response, <u>the Government Chief Information Officer (GCIO)</u> acknowledged the importance of OSS of which Linux was a major development. However, he pointed out that in adopting new technologies, the Administration must exercise prudence and take into account all relevant factors such as the total cost of ownership and the procurement problems with prescriptive technologies. At this stage, the Government had not come to the view that OSS and Linux should be the sole option to be adopted service-wide.

9.   <u>The Deputy Government Chief Information Officer (Operation) (DGCIO(O))</u> supplemented that the Government's policy on procurement of software products was based on objective criteria such as value for money, functionality, security, system compatibility and the availability of reliable technical support.   There was no preference for brand name or technology and the Administration was prepared to consider the proposed e-solutions on a technology-neutral basis.   Having regard to the international trend in the development of OSS in recent years, the Administration had required suppliers to propose both OSS and non-OSS products in their bids to widen product choice and maximize the potential for cost savings.

10.   While agreeing in principle that careful consideration should be given to the adoption of new technologies, <u>Dr LUI Ming-wah</u> pointed out that OSS and Linux had been introduced as early as 1991 and by now, had over 15 years of development experience.   Noting from HKLIA's letter that the Mainland authority had stipulated Linux as the key requirement in a sizeable portion of computer

projects, <u>Dr LUI</u> considered that the Administration was overly conservative towards the adoption of new technologies and urged the Administration to give greater support to this growing industry. He sought information on the total expenditure of the Government on procuring OSS and Linux products under CWRF Head 710 Subhead A007GX for the past five years.

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11.   On the use of OSS and Linux among government bureaux and departments, <u>DGCIO(O)</u> advised that according to his understanding, more than half of all government departments involving over 1 400 computer systems had adopted OSS systems.   He also referred to the Government's Accessibility Programme implemented last year when the use of OSS had been included in the product list for consideration by the departments.   In response to members' request, <u>DGCIO(O)</u> agreed to provide information on the procurement of OSS and Linux products for the past five years.   He however said that the expenditure involved was not project-based.

12.   Notwithstanding the Administration's explanation, <u>Dr LUI Ming-wah</u> shared the concern of HKLIA and maintained his view that the Government should take a more proactive role in promoting Linux instead of leaving the development of the technology to be market-driven.

13.   <u>GCIO</u> highlighted that it was undesirable for the Government to advocate or rely on a single technology standard for service-wide adoption as it might not be failure-proof.   Such an approach might also exclude other worthy solutions based on a different technology.   Actually, HKLIA was one of many special interest groups which had provided their input to the Government.   The Administration had to strike a balance among the interests of all stakeholders and to maintain an open attitude in recommending OSS as a viable option to departments.   As such, <u>GCIO</u> reiterated the need for prudence in considering whether or not to adopt Linux as the sole technical standard for the entire Government at this stage.

14.   Regarding support for the growing Linux industry, <u>DGCIO(O)</u> advised that the Government had taken measures to promote the development of OSS.   In July 2003, the Government had provided funding support through the SME Development Fund (SDF) to establish a Linux Resources Centre to promote and support the wider adoption of OSS by small and medium enterprises (SMEs).   Also with funding support provided by the SDF, the Hong Kong Productivity Council and the Linux Resources Centre had jointly launched a SME Linux Jumpstart Programme.   <u>DGCIO(O)</u> further said that the Government would continue to encourage the local software industry to develop OSS and to promote its wider use.

Admin

15.   Summing up, <u>the Chairman</u> expressed the support of the Panel for the funding proposal.   He however pointed out that as there was now some improvement to the Government's fiscal position, the IT industry would expect the Administration to propose a higher level of funding with a view to promoting wider IT adoption within the Government and in the community.   He further asked <u>the Administration</u> to provide the information requested by Dr LUI Ming-wah and to

provide a written response to HKLIA's letter well in advance of the PWSC meeting on 21 December 2005 to consider the funding proposal.

V. Targeted Voluntary Retirement Scheme for the Computer Operator Grade

(LC Paper No. CB(1)460/05-06(04) -- Information paper provided by Administration)

Introduction by the Administration

16.   At the invitation of the Chairman, DGCIO(O) briefed members on the Targeted Voluntary Retirement Scheme (TVRS) for the Computer Operator (COp) grade in the civil service.   He said that in line with the Government's Digital 21 Strategy, the OGCIO had examined the opportunities for outsourcing the existing departmental information system hosting services being provided by its Central Computer Centre (CCC) to an external service provider, i.e. a commercial data centre operator, under a CCC Outsourcing Initiative (CCCOI).   It was estimated that a maximum of 27 COp grade posts might become surplus to requirements as a result of the outsourcing exercise.   In addition, the manpower plans returned from various bureaux/departments (B/Ds) had revealed that by 2006-07, there would be a potential surplus of 56 COp grade posts, 44 of which would arise from planned alternative modes of service delivery such as outsourcing of data centre functions. To provide an additional incentive for COp grade staff to join the TVRS, the Administration would encourage external service providers under the outsourcing initiatives to employ personnel with relevant experience and government expertise, most of whom would likely be members of the COp grade and in particular those who wished to pursue their career in the IT industry.   This arrangement had also been recognized by the industry as a best practice to smoothen the transition and maintain continuity of service.   As such, DGCIO(O) remarked that the TVRS and the outsourcing of Government's data centres were initiatives in the right direction. The Grade Management had maintained ongoing communication with the staff side and so far, the latter had not raised any objection to the introduction of the TVRS as an exit option.   DGCIO(O) then introduced the features of the TVRS which would generally follow those of the second Voluntary Retirement Scheme, and stressed that participation in TVRS was entirely voluntary.   On the financial viability of TVRS, DGCIO(O) advised that the costs of compensation and the pension payments under the scheme could be paid back in the fourth year of scheme implementation.   The Administration planned to implement the TVRS for the COp grade in 2005-06.   To tie in with the award of the outsourcing contract under CCCOI by the end of 2005 or early 2006, the Administration aimed to accept applications for the TVRS from staff starting from January or February 2006.

Discussion

17.   The Deputy Chairman referred to an email he had received from a serving Senior Computer Operator (SCOp) expressing reservation on the TVRS.   In gist,

the SCOp considered that there was no real staff surplus within the COp grade as the growth in workload had actually been absorbed by the engagement of contract staff and contracting out part of the service. As 26 members in the COp grade had joined the Second Voluntary Retirement Scheme in 2003, he envisaged that no more than 15 members of the COp grade would be interested in joining the proposed TVRS. In the view of the SCOp, the Administration should consider launching another round of voluntary retirement scheme on a service-wide basis instead of targeting at the COp Grade. He also raised grave concern that the continuation of outsourcing initiatives by individual departments would eventually lead to dismissal or compulsory redundancy in the COp grade, in particular when the Head of the COp grade, i.e. GCIO, had all along been reluctant to absorb in OGCIO the surplus COp grade staff posted to other B/Ds.

18.   In response, DGCIO(O) reiterated that participation in the TVRS was strictly voluntary in nature and there was no question of compulsory retirement or redundancy under the existing civil service policy. On the potential surplus of 56 COp grade posts currently serving in various B/Ds, DGCIO(O) explained that 44 of them would arise only when the respective B/Ds outsourced its computer services in line with the ongoing initiative to outsource data centre services under the Government's Digital 21 Strategy. As all B/Ds, including the OGCIO, had embarked on downsizing initiatives, it was quite impracticable to expect the OGCIO to absorb the surplus COp grade staff posted to various B/Ds. To provide an additional incentive for the TVRS, the Administration would encourage the external service providers of the outsourced services to employ ex-staff of the COp grade.

19.   The Chief Systems Manager (Human Resources, Professional Development and IT Management) (CSM (HR, PD and ITM)) supplemented that the TVRS was an initiative to help relieve the potential surplus staff situation which would arise by 2006-07. Other measures to deal with the potential staff surplus situation included the expansion of the roles and responsibilities of the COp grade in IT support services, e.g. supporting local area networks, computer servers and personal computers, performing security monitoring and patching, administering outsourcing contracts and monitoring contractors' performance, etc., in addition to their traditional data centre operation roles.

20.   Noting the Administration's explanation, the Deputy Chairman enquired about the arrangement for those surplus staff members of the COp Grade who were not interested in applying for the TVRS and for various reasons, could not be gainfully deployed to take up other IT-related duties in the civil service. In response, DGCIO(O) confirmed that under such circumstances, the officers in question would remain on the establishment of the concerned B/D in accordance with the existing civil service practice. In this connection, the Chairman commented that this might result in an anomaly whereby a civil servant would continue to receive salary but not performing any substantive duties.

21.   Sharing the Chairman's view, Mr Jasper TSANG asked whether the pace of outsourcing could be adjusted according to staff response to the TVRS. He also

enquired whether the demand for computer operation services would continue to diminish in the foreseeable future following wider adoption of IT within the Government. In response, DGCIO(O) highlighted that the outsourcing of IT work, which had been implemented for many years since the late 1990's, was an initiative independent of the TVRS. On the demand for computer operation service in future, DGCIO(O) advised with the deployment of computers with much higher processing automation, the need for manual data operation had diminished considerably. Nevertheless, the manpower needs of individual computer centres or computer systems would be assessed on a case-by-case basis.

22.   Mr Jasper TSANG did not agree entirely that outsourcing and TVRS were independent issues. He pointed out that most of the surplus posts in the COp grade had resulted from outsourcing. If on one hand, the surplus staff were not interested in joining the TVRS and remained idle on the establishment of the B/Ds while on the other hand, the data operation service would be outsourced as scheduled, then there would be a waste of public resources. As the demand for computer operation service in the private sector had likewise diminished, Mr TSANG was concerned about the job prospect of those surplus staff who would join the TVRS and then seek employment in the private sector.

23.   The Deputy Chairman shared Mr Jasper TSANG's concern. He was of the view that the Administration should not proceed with outsourcing merely because it was a planned initiative under the Digital 21 Strategy. Instead, the Deputy Chairman urged that the Administration should critically examine the manpower situation of the COp grade and gauge their response to TVRS before taking forward any outsourcing initiatives. He considered that to minimize staff surplus and ensure the effective use of public resources, the Administration should not pursue outsourcing without due regard to utilizing existing manpower to carry out the services.

24.   On the reasons for outsourcing the Government's computer hosting services, DGCIO(O) recapped that the arrangement would help the development of local IT industry and enhance operational efficiency in the Government. He further explained that outsourcing was not the sole cause of surplus staff. Some of the COp grade posts had become surplus due to other cost saving initiatives and a decline in demand for the services in question. Nevertheless, he assured members that the B/D concerned would take into consideration the implications on staff and financial resources before deciding to outsource a project.

25.   On members' concern about staff surplus, DGCIO(O) stressed that at present, there was no staff surplus in the COp grade. The TVRS had been proposed in anticipation of the surplus staff situation likely to arise by 2006-07. The TVRS would provide an exit option for the surplus staff, in particular those who wished to pursue their career in the IT industry in the private sector. It would also enable the Government to alleviate the surplus staff situation.

26.   Regarding concern about surplus staff remaining idle after the services had been outsourced, DGCIO(O) advised that the Administration would continue to

provide specific competencies and skills training with a view to equipping them to undertake expanded roles and responsibilities in IT support services. <u>CSM (HR, PD and ITM)</u> added that staff in the COp grade were keen to upgrade themselves. Most of them had attended the relevant training courses and a significant number of staff had passed the requisite examinations.

27. Drawing on his years of experience in the IT industry, <u>GCIO</u> highlighted the evolvement over time from data operation to IT security, certification and the application of OSS products. He said that staff members of the COp grade also appreciated the implications of such changes on their current mode of work and the need to cope with new service demands. The Administration had also been very prudent in formulating initiatives to facilitate changes. Outsourcing and the TVRS had been proposed as viable options which could enable the Government to capitalize on the expertise in the market on the one hand, and to address the potential staff surplus situation on the other. <u>GCIO</u> also pointed out that departure of staff under the TVRS would lead to savings in staff costs in the long run. <u>DGCIO(O)</u> added that even if there was only a small number of COp grade members applying for the TVRS, the scheme *per se* had its own merits as an exit avenue and should be implemented.

28. Agreeing with GCIO on the changing landscape in the IT sector, <u>the Chairman</u> said that he was surprised to note that there were still over 400 staff members in the COp grade while the size of data operating and processing teams in the private sector had been scaled down significantly over the last 20 years.

29. <u>Mr Jasper TSANG</u> sought the Administration's view on the causal relationship, if any, between outsourcing and surplus staff situation. He was concerned whether outsourcing was the only option for the Government to cope with the ongoing advancement in technologies. In response, <u>GCIO</u> highlighted that the Government had decided to pursue outsourcing for good business reasons and as a better way to deliver services. He recapped that many areas of IT which hitherto required manual operation could now be taken over by advanced technology. Meanwhile, numerous IT related issues on Internet services, data privacy, security and software procurement had emerged. The personnel required nowadays were not those conversant with routine computer operation, but those who were capable of dealing with more complicated and solution-based issues.

30. <u>The Deputy Chairman</u> stated that he was not convinced by the Administration's explanation. He also reiterated his concern about the possibility of compulsory redundancy arising from staff surplus in the civil service and the proper use of public money in funding various initiatives.

31. In reply to the Chairman on the financial arrangement for TVRS, <u>CSM (HR, PD and ITM)</u> confirmed that approval for additional funding from the FC was not required as the retirement payments would be borne by the respective bureaux with posts deleted arising from the TVRS. In the unlikely event that the bureau concerned had to bear more than $10 million of retirement payment, it would seek FC's approval for creating the relevant account for the payment. In this

connection, the Chairman expressed his query as to why the Administration would not assess and consolidate the funding requirements from B/Ds and submit a composite request to FC for approval. In response, CSM (HR, PD and ITM) explained that under the existing financial arrangements, each Bureau Secretary was given an envelop of expenditure in respect of the financial year in question. Within the provision in the financial envelope, delegated authority from the Financial Secretary would be sought for the retirement payment if the expenditure did not exceed $10 million.

32. Summing up the discussion, the Chairman said that the Panel had expressed diverse views on the subject.

VI. Business Review of the Hongkong Post Certification Authority

     (LC Paper No. CB(1)460/05-06(05)   -- Information paper provided by Administration

     LC Paper No. CB(1)510/05-06(01)   -- Letter dated 9 December 2005 from Hon SIN Chung-kai in relation to the item on "Business Review of the Hongkong Post Certification Authority"

     LC Paper No. CB(1)510/05-06(03)   -- The Administration's response to letter dated 9 December 2005 from Hon SIN Chung-kai)

Briefing by the Administration

33. At the invitation of the Chairman, DGCIO(P&S) reported the outcome of a recently completed business review of the Hongkong Post Certification Authority (HKPCA). She outlined the background and the outcome of the business review conducted in mid 2005 as set out in the Administration's paper (CB(1)460/05-06(05)). On the proposed way forward, the Government had come to the view that the current mode of operation of the public CA, which required substantial funding support from the Government and the HKP's cross-subsidization from its postal services, was not sustainable in the longer term. It was considered that possible synergy with the private sector should be explored by inviting the latter to participate in running the e-Cert services and to come up with new value-added services/businesses that could engender a self-financing public CA operation. In the event that there was no successful bidder, the Government would support the HKPCA until end March 2008 so as to allow sufficient time for the existing subscribers of e-Certs and business partners of HKPCA to complete the necessary transitional arrangements and switch to the service of other recognized CAs or other authentication solutions. DGCIO(P&S) stressed that the Postmaster General (PMG) would remain a recognized CA under the Electronic Transactions Ordinance (ETO) (Cap. 553) and be responsible for the

performance of its private sector partner in providing recognized certification services. Members noted that HKP would conduct a Request for Proposal exercise in the first half of 2006. If a successful bidder was identified, HKP would award the contract before end 2006 to enable the selected bidder to take over its CA operation in early 2007.

34. Referring to his letter dated 9 December 2005 raising a number of questions on the business review of HKPCA, the Chairman thanked the Administration for its prompt written reply.

Discussion

Utilization of e-Certs

35. Mr Jasper TSANG referred to his oral question on "Usage of e-Certs issued by HKP" raised at the Council Meeting on 25 May 2005 and recalled that in his reply, the Secretary for Commerce, Industry and Technology (SCIT), had attributed the low usage rate of e-Certs to the fact that many members of the pubic were not used to using e-Certs to conduct online transactions. However, some six months later, the Administration had identified as the major reasons for the low utilization of e-Certs the mismatch of security/authentication requirements and a lack of "killer applications". Mr TSANG was concerned whether these two shortcomings could be overcome merely by entrusting the operation of e-Cert services to the private sector.

36. On the usage rate of e-Certs, DGCIO(P&S) informed members that at present, only about 40 000 (about 3%) of the 1.47 million e-Certs were valid fee-paying e-Certs and, according to a survey conducted in late 2004, only 10% of those citizens who had opted for free-e-Certs embedded in their smart ID cards had used the e-Certs. As experience had shown that e-Certs were more readily used for government to government (G2G), government to business (G2B) and business to business (B2B) transactions that had high security, integrity and authentication requirements, DGCIO(P&S) said that there would still be a market for fee-paying e-Certs for these types of transactions. However, in the absence of "killer applications", the Administration did not envisage a large number of renewals of the e-Cert embedded in smart ID cards when the annual subscription fee of $50 was due for these e-Certs. Without a sustainable subscription base and income source, it would be difficult for HKPCA to achieve a self-financing operation in the foreseeable future. However, unlike HKP which operated as a Trading Fund in accordance with the relevant legislation, commercial operators could have greater flexibility in providing value-added commercial services or bundled services under separate brand names to drive the adoption of e-Certs and generate other income to support their CA operations. For example, Digi-Sign Certification Services Limited, which mainly served the trading community using the services of Tradelink, had in recent years expanded its services to support other applications such as e-banking, e-betting and e-government services.

37.   Referring to his concern in connection with the aforesaid oral question that unused e-Certs provided free of charge amounted to a waste of resources, Mr Jasper TSANG recalled that SCIT had undertaken to strengthen efforts to promote the use of e-Certs in the business community and among the general public.   However, now that the Government had proposed to invite the private sector to operate the HKPCA services and the private sector might be more interested in developing G2G and G2B services, Mr TSANG questioned whether this was indicative that business to consumer (B2C) and government to citizen (G2C) electronic transactions were not viable in Hong Kong.   He was concerned whether at the outset, the Government had made a wrong decision to offer the option of embedding free e-Certs in smart ID cards.

38.   In response, DGCIO(P&S) explained that the scheme of offering free e-Certs embedded in smart ID cards was intended to create a critical mass of personal e-Cert users to drive the adoption and development of further e-commerce applications in Hong Kong.   While the scheme had successfully raised public awareness of e-Certs and created a critical mass of e-Cert holders, it was disappointing that a "killer application" that could drive the adoption of e-Cert by the general public was not yet available.   In this regard, authentication for Internet banking had once been thought to be a promising B2C killer application in view of the increasing risks of fraudulent websites and the introduction of the "two factor authentication" requirement by the Hong Kong Monetary Authority since June 2005.   Some major banks had nonetheless chosen other means (e.g. one-time password token or Short Message Service) to satisfy the "two-factor authentication" requirement.   It was true that back in May 2005, the Government was still hopeful that e-Certs could be more widely adopted in electronic transactions especially e-banking.   However, after reviewing the take-up of e-Certs in e-banking transactions and the outcome of the e-Cert usage promotion programme in the second half of 2005, the Government had come to the view that the current mode of public CA operation was not sustainable in the longer term and that private sector participation would be instrumental in engendering self-financing operation since it could offer a greater variety of new value-added services/businesses.

39.   Mr Jasper TSANG further enquired about the adoption rate of e-Certs in B2C electronic transactions in other jurisdictions and the successful overseas experience that Hong Kong might draw on.

40.   In reply, GCIO recalled that when the National Defence Department of the Canadian Government first launched a public key infrastructure (PKI), a major Canadian bank had agreed to adopt the PKI at the consumer level.   However, it had subsequently withdrawn from proceeding in this direction.   Experience indicated that PKI, despite being a global e-solution, was more appropriate for large institutions which usually required the highest level of security in authentication. While PKI technology should be improved to make it more user-friendly at the consumer level, GCIO believed that there would be wider use of PKI over time.

41.   DGCIO(O) informed members that certain jurisdictions like Australia, Singapore and Malaysia had adopted PKI to ensure the security and integrity of

electronic transactions. The Ministry of Information Industry of the Central People's Government had recently recognized the digital certificates issued by 12 institutions and these certificates were mainly used in financial transactions. DGCIO(O) further stressed that e-Certs *per se* posed no technical problem but the framework and mode of operating the service could be enhanced to enable the provision of more value-added services and e-commerce applications which could in turn encourage wider use of e-Certs.

42. The Chairman observed that following active promotion and publicity effort of the Government, over 1.2 million persons had opted for free e-Certs to be embedded in their smart ID cards. He was worried that the Administration's plan to outsource the CA service of HKP to the private sector might reduce the confidence and interest of the public in using the e-Certs because of concerns about privacy and data security when the service was no longer run by the Government. The Chairman enquired whether members of the public could request for the removal of the e-Certs currently embedded in their smart ID cards.

43. In response, DGCIO(P&S) reiterated that even if e-Cert services were run by a private sector operator, PMG would still be responsible for monitoring the performance of the contractor to ensure that the future operation of the CA service would fully meet the Government's requirements. This arrangement would help sustain users' confidence in the use of e-Certs under the future mode of operation. She further recapped the advantage that a private sector operator would have greater flexibility in providing value-added services and e-commerce applications, which should have a positive impact on the promotion of e-Cert services and its utilization rate.

44. On the duration of the e-Cert embedded in smart ID cards, DGCIO(P&S) advised that its period of validity was three years. Upon the request of the smart ID card holder, HKPCA would revoke or even remove the embedded e-Cert from the smart ID card. DGCIO(O) and the Director (Postal Development, Marketing and Sales) of the Post Office further advised that an e-Cert embedded in the smart ID card would not function if it was not renewed before the specified period of validity. If the holder concerned wished to use the e-Cert service again, he would need to apply for a new e-Cert.

Financial implications and future development

45. The Chairman further enquired about the level of financial resources, if any, to be provided by the Government in supporting the private contractor running the e-Cert operation.

46. In reply, DGCIO(P&S) highlighted that the ultimate goal in inviting the private sector to participate in running the e-Cert services was to engender a self-financing e-Cert operation. If the selected bidder would take over the CA operation in early 2007, the Administration might provide some support for the initial operation up to March 2008. However, it would be inappropriate to disclose the nature and level of the Administration's financial support, if any, at this

stage as it might affect the bidding exercise. The Administration was now preparing the conditions and detailed provisions of the Request for Proposal (RFP) document which would be announced early next year.

47.   GCIO highlighted that under the circumstances, the best way to take forward the operation of HKP's CA service was to explore possible synergy with the private sector.   In this connection, The Chairman requested the Administration to report the outcome of the RFP exercise and the way forward of the HKPCA operation to the Panel in due course.

Admin

VII. Any other business

48.   There being no other business, the meeting ended at 4:00 pm.

Council Business Division 1
Legislative Council Secretariat
5 January 2006