New Strategy for E-Government Service Delivery

LegCo Panel for Information Technology & Broadcasting

Office of the
Government Chief Information Officer
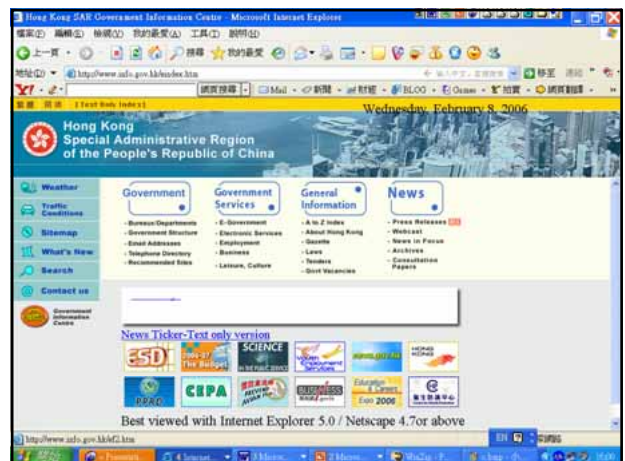13 February 2006

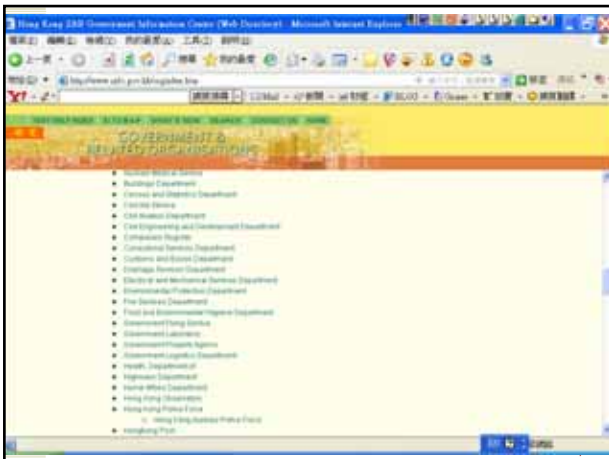
New Strategy for E-Government Service Delivery

ESDlife
(Mixed Commercial & Government Service Portal)

New Strategy for E-Government Service Delivery

Government Information Centre
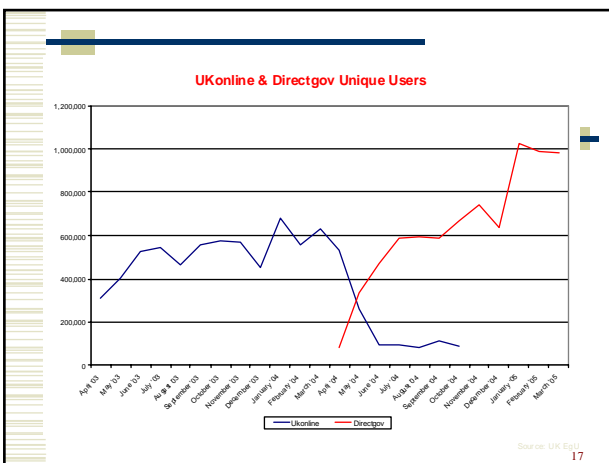(www.info.gov.hk) -
(A collection of 200 departmental websites)

New Strategy for E-Government
Service Delivery

Examples of
Overseas Government Portals
(with service clustering)

UKonline & Directgov Unique Users

Source: UK Egu

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The ESD Background

- ◆ **ESD Scheme started in 1998**
    - Aim to promote e-commerce by Government setting an example
    - A low-cost option to jump start e-government services
- ◆ **Procurement approach and outcome**
    - ESDSL proposed transaction based charging model
    - Government did not have to invest in front-end infrastructure and initial applications development
    - A mix of government services and commercial activities on the same portal
    - Contract with fixed period (of 5 years extendable to 7 years)
    - Not intended to cover all e-government services
- a) **Termination Scenarios envisaged in contract**
    - a) Government taking over
    - b) Other non-governmental operator taking over
    - ESDSL has the obligation to fully cooperate and ensure orderly transfer 18

Why not Status Quo

- ◆ 5+2 contract not extendable beyond Jan 2008
  - ■ Open tender required to identify a new operator(s)
- ◆ ESDlife remains a commercial portal and perceived as such by the public
  - ■ Not conducive to creating a clear and strong e-government branding for Hong Kong
- ◆ Private-sector operator cannot replace Government to re-engineer its business processes and deliver citizen-centric government services
  - ■ Increase operating efficiency and service accountability
  - ■ Retain flexibility over service scope
  - ■ Establish a clear and unified e-government branding
- ◆ The New Strategy will cover a bigger scope of services

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The Investment Comparison

		ESD Contract (for 49 applications/ 200 e-services)	OSP/Clusters (covering >1,300 e-services)
Front-end Infrastructure + Common Services/Applications (e.g. e-payment, e-authentication, search) + Initial E-government Applications of B/Ds + Promotion & Publicity	Non-recurrent	Borne by ESDSL (deriving revenues from advertising and other commercial activities on ESDlife + subscription & transaction fees at $12M – 14M per year# from Government)	Borne by Government (non-recurrent expenditure: $170M from FC + $90M from block allocation; recurrent expenditure: $45M absorbed by OGCIO + $15M absorbed by B/Ds per year)
	Recurrent		
Back-end Infrastructure	Non-recurrent	Borne by Government ($140M)	(PPP / revenue opportunity to be identified after mid 2006)
	Recurrent	Borne by Government ($13M per year)	
Financial charges (for e-payment services) + Other Miscellaneous Expenses	Recurrent	Borne by Government ($10.5M per year)#	
Total Government Investment	**Non-recurrent**	**$140M**	**$260M**
	Recurrent	**$35.5M - $37.5M per year #** (#increase with the volume of transactions)	**$60M per year**

Note: The total recurrent expenditure to be borne by the Government in the 5 years from 2008-09 would be about $230M if the ESD contract were to continue beyond January 2008.

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Breakdown of Non-recurrent Expenditure (requested from FC)

		$ million
(a)	Hardware and software	59.1
(b)	Implementation and contract staff services	88.3
(c)	Publicity and promotion	8.0
(d)	Contingency	15.4
	Total	**170.8**

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New Strategy for E-Government Service Delivery

Considerations for the New Strategy

The Original Plan (March 2005)

- ◆ Existing ESD contract due by mid-January 2006
- ◆ To extend the ESD contract for 2 years (up to 7 years max.)
- ◆ To issue Expression of Interest (EOI) by mid-2005 to invite interested private sector operators to develop and operate service clusters and reprovision ESD services

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The Concerns (April 2005)

- ◆ Substantial business transformation involved in delivering citizen-centric services
  - ■ Private sector cannot take charge of and deliver such changes
- ◆ Uncertainty about scope of services/businesses under the clustering approach
  - ■ Private sector cannot respond meaningfully to an all embracing EOI/RFP covering infrastructure, portal and multiple clusters
  - ■ Government cannot assess and award contracts before defining the service clusters/business models of OSP

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The Concerns (April 2005)

- Lack of experience and high risk involved in managing multiple private-sector cluster operators
- Short decision and implementation timeframe
  - need to decide on renewal of ESD contract before July 2005
  - need to launch the OSP to provide new services before mid-2006

New Strategy for E-Government Service Delivery

Outsourcing and Public Private Partnerships

Some Basic Concepts

Outsourcing

- Outsourcing usually refers to having an external organization provide operational services that are in an advanced state of maturity.
- Usually the primary organizations are looking for greater economies of scale and an overall low surprise experience with predictable costs and clear service expectations.
- The outsourced services are usually more essential than strategic and do not reflect a key area of citizen or customer value differentiation.
- There are numerous examples of outsourcing services including data centres, telecommunications services and various reservation services.

Public Private Partnerships

- Examples include the use of private sector funding and implementation of major infrastructure e.g. bridges, toll-roads and tunnels.
- The investing partner provides capital and implementation in exchange for a major share in the resulting revenue stream through tolls etc.
- These projects are typically independent of the internal workings of the sponsoring government.
- Experience with PPP in IT work has had mixed results internationally. The business model has not always been clear and performance of the private-sector partner and the government tends to become blurred when the focus area is internal.
- PPP may present serious contracting difficulties, particularly when the revenue is linked to cash savings, a traditionally difficult outcome for IT projects.

The Revised Plan (May 2005)

- To extend the ESD contract for 2 years (up to Jan 2008)
  - Buy time to work out the details of the new service clustering approach
- To invite external consultant to study the roadmap for implementing the New Strategy for e-government service delivery

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The Roadmap Study (June 2005)

Recommendations
1. **Create a single destination for all online government services**
   - A **One-Stop Access Portal** (OSP)
   - A strong and **unified e-government branding**
2. **Use a modular approach and build the service incrementally**
   - A four-stage, low risk approach
3. **Use departmental infrastructure and funding**
   - Readily available and scalable platform
   - User requirements insufficiently defined for outsourcing or PPP

The Roadmap Study (June 2005)

Recommendations

4. **Launch the service ahead of imminent major new e-services**
   - Immigration Department to roll out 100 new services from mid to late 2006
   - Transport Department to roll out revamped renewal of driving licence service in early 2007

5. **Build the service downwards and across over time**
   - Service clusters to be broadened and deepened progressively from mid-2006 to end 2007

6. **Deliver cross-government capability ahead of ESD contract end**
   - Plan for OSP initial launch 12 to 18 months ahead of ESD contract expiry

7. **Adopt a policy that opens up to private sector delivery channels**
   - Does not prevent ESDlife continuing as private sector delivery channel
   - Enable others to join in

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