立法會
Legislative Council

Ref   :   CB1/PL/ITB/1

Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 11 December 2006, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present   :   Hon Albert Jinghan CHENG (Chairman)
Hon SIN Chung-kai, JP (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Albert CHAN Wai-yip

Members absent   :   Hon Timothy FOK Tsun-ting, GBS, JP
Hon Ronny TONG Ka-wah, SC

**Public officers
  attending**   :   Agenda Item IV

Mr Howard C DICKSON
Government Chief Information Officer

Ms Linda SO
Deputy Government Chief Information Officer
(Planning & Strategy)

Mr Raymond CHAN
Chief Systems Manager
(E-government Policy and Development)
Office of the Government Chief Information Officer

Miss Caroline FAN
Senior Systems Manager
(E-government Policy and Development)
Office of the Government Chief Information Officer

Mr WONG Shun-sang
Controller (Procurement)
Government Logistics Department

Agenda Item V

Mrs Marion LAI, JP
Deputy Secretary for Commerce, Industry &
Technology
(Communications and Technology)

Mr T Y CHAN
Assistant Director (Regulatory)
Regulatory Affairs Branch
Office of the Telecommunications Authority

Agenda Item VI

Mr Howard C DICKSON
Government Chief Information Officer

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

Mr John WONG
Assistant Government Chief Information Officer
(Infrastructure & Security)

Clerk in attendance : Miss Erin TSANG
Chief Council Secretary (1)3

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

Ms Guy YIP
Council Secretary (1)1

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Confirmation of minutes of meetings

(LC Paper No. CB(1)432/06-07   -- Minutes of special meeting held on 17 October 2006

LC Paper No. CB(1)468/06-07   -- Minutes of meeting held on 13 November 2006)

The minutes of the meetings held on 17 October and 13 November 2006 were confirmed.

II. Information paper issued since last meeting

2.   <u>Members</u> noted that no paper had been issued since the last meeting held on 13 November 2006.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)435/06-07(01)   -- List of outstanding items for discussion

LC Paper No. CB(1)435/06-07(02)   -- List of follow-up actions)

3.   <u>Members</u> agreed to discuss the following items at the next regular meeting which had been re-scheduled to be held on 15 January 2007, at 10:45 am:

    (a)   Public consultation on proposed spectrum policy framework; and

    (b)   Report on the progress made by the previous Digital 21 Strategy.

(*Post-meeting note*: On item (a), a general notice inviting submissions on the subject was posted on the Council's web-site on the Internet on 13 December 2006. The industry, stakeholders and other interested parties have also been invited to provide submissions and to attend the meeting. Members have been duly informed of the arrangements vide LC Paper No. CB(1)507/06-07 issued on 14 December 2006. Discussion of the item has subsequently been deferred to the meeting on 6 February 2007. Separately, the item of "Issues relating to Internet disruptions caused by earthquake damage to undersea cables" will be discussed at the meeting on 15 January 2007.)

4.   To tie in with the Panel's discussion on the spectrum policy framework, <u>the Chairman</u> informed members that a Digital Audio Broadcasting/Digital Multimedia

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Broadcasting (DAB/DMB) Demonstration had tentatively been scheduled for 1 February 2007 to update members on the latest DAB/DMB broadcasting technologies.   Members would be notified of the arrangement in due course.

> (*Post-meeting note*: Members have been duly informed of the arrangement of the DAB/DMB Demonstration on 18 January 2007 vide LC Paper No. CB(1)628/06-07.)

IV.   Implementation of pilot e-procurement project

(LC Paper No. CB(1)435/06-07(03)   -- Paper   provided   by   the Administration)

Introduction by the Administration

5.   At the invitation of the Chairman, the Government Chief Information Officer (GCIO) briefed members on the Administration's funding proposal for a non-recurrent provision of $49.2 million from 2007-2008 to 2010-2011 under Capital Works Reserve Fund Head 710 for the implementation of a pilot e-Procurement programme (pilot programme).   He said that at present, the purchases of goods with a contract value above $1.3 million were handled by the Government Logistics Department (GLD) through its e-tendering system, while purchases of low-value goods (i.e. those with value not exceeding $1.3 million) and services were delegated to bureaux/departments (B/Ds).   The procurement arrangements of B/Ds were largely paper-based and conducted through manual processes.   As one of the priority initiatives identified under the new wave of e-government programme, e-Procurement aimed to automate and integrate the procurement processes within the Government to enhance transparency, efficiency and cost-effectiveness, minimize human errors, and achieve more competitive pricing for Government procurement.   GCIO stressed that since the migration to e-Procurement would be a major transformation involving a large number of stakeholders both inside and outside the Government, it was considered prudent to adopt an incremental approach for implementation of the programme in three pilot departments, namely the Office of the Government Chief Information Officer (OGCIO), the Immigration Department and the Environmental Protection Department (EPD), before service-wide roll-out in the Government would be considered.   The four e-Procurement initiatives, i.e. the setting up of an e-Procurement portal, automation of the entire Purchase-to-Pay system, e-Sourcing and e-Catalogue, would also be rolled out in stages from January 2008 to June 2009. A review would be conducted six months after the full operation of the pilot programme to examine the experience and lessons learnt, and the impact on stakeholders, as well as assessing the actual costs and benefits.   The findings would serve as a useful reference for the Government to decide on the way forward for service-wide implementation of e-Procurement.   In this connection, members noted that the Administration planned to submit the funding proposal to the Finance Committee (FC) for its consideration at the meeting on 26 January 2007.

Discussion

6.   The Chairman said that while he would not impose any restriction on members' speaking time, it would be desirable if members would limit their speaking time to ten minutes.

Measures to promote e-Procurement

7.   Mr Howard YOUNG expressed support for the Administration's e-Procurement initiative which had been implemented in the private sector for over ten years.   He, however, expressed concern on the different approaches adopted by the Government and the private sector .   In the private sector, the e-Procurement arrangement started with high-value purchases whereby e-invoicing was made part of the e-Procurement process so that payment would only be made upon receipt of e-invoice.   The undertaking of payment settlement within a stipulated period did provide incentive to suppliers for participating in the e-Procurement process.   In order to attract more suppliers to migrate to e-Procurement, he enquired whether similar incentives would be provided by the Government to suppliers.

8.   GCIO advised that high-value purchases (i.e. the purchase of goods with a contract value above $1.3 million) were presently handled by GLD through the e-tendering system whereas the proposed pilot programme would deal with high-volume and low-value purchases not exceeding $1.3 million which were currently delegated to B/Ds and were conducted in a highly labour and paper intensive manner.   The Deputy Government Chief Information Officer (Planning & Strategy) (DGCIO(P&S)) added that as Hong Kong acceded to the World Trade Organization Agreement on Government Procurement (WTO GPA) in 1997 which prescribed a set of requirements regarding tender procedures, high-value purchases had to comply with the requirements under WTO GPA.   Acting as the Government's central procurement agent, GLD was responsible for those purchases. In response to Ms Emily LAU, DGCIO(P&S) explained that under WTO GPA, all procurement exceeding the value of $1.3 million had to be made through open tenders.   GLD's computer system was therefore specifically developed to handle e-tendering in accordance with the provisions of WTO GPA.   However, as WTO GPA requirements were not applicable to purchases below the value of $1.3 million, B/Ds would follow internal government guidelines which specified that a number of quotations, ranging from two to at least five, should be solicited for each purchase.   On Ms Emily LAU's further enquiry, the Controller (Procurement) of GLD informed that apart from the procurement of goods with a contract value above $1.3 million, GLD also purchased through allocated bulk contracts a wide range of items commonly used by B/Ds such as stationery and cleansing materials, as well as specific stores and equipment required by user B/Ds such as computer systems.

9.   On the issue of e-invoice, DGCIO(P&S) informed that pursuant to the consultancy study commissioned in 2005 for mapping out a strategy for taking forward the e-Procurement programme, it was recommended that e-invoice would

not be covered in the pilot programme as its implementation would require the presence of the necessary backend accounting or finance computer system at the suppliers' end. As such, an incremental approach was proposed to allow gradual migration to e-Procurement by suppliers, particularly small and medium-sized enterprises (SMEs), under which e-sourcing would be introduced first as part of the pilot programme. Nevertheless, she assured members that subject to the review of the pilot programme, the Administration would consider the way forward on the future implementation of e-Procurement, including the implementation of e-invoice.

10. Mr Howard YOUNG sought further information on the difficulties to be encountered by SMEs in the implementation of e-invoice during the pilot programme as envisaged by the Administration. He remarked that reference should be made to the experience of the Trade and Industry Department in launching its e-services when difficulties in adaptation initially encountered by enterprises might eventually be overcome.

11. Highlighting that it would take time for suppliers, particularly SMEs, to adapt to the electronic mode of procurement, DGCIO(P&S) shared with members the findings of the Annual Survey on Information Technology (IT) Usage and Penetration in the Business Sector released on 30 November 2006 which revealed that the percentage of business establishments having Internet connection was 56% whereas the percentage of SMEs having Internet connection was only 51%. Since quite a number of SMEs still did not have personal computers nor Internet connection, she reiterated that it would be more desirable to adopt an incremental approach for implementation of e-Procurement. The implementation of e-invoice would be explored at the next stage when IT capabilities of SME suppliers were raised after implementation of the pilot programme.

12. Echoing Mr Howard YOUNG's view, the Chairman considered it worth pursuing measures to provide incentive for SME suppliers to migrate to e-business and e-invoice such as Government's guarantee of on-time payment for purchases conducted through e-Procurement or by means of e-invoice.

13. GCIO highlighted the merits of an incremental approach for implementation of e-Procurement which would minimize risks inherent in major transformation initiative and enable better change management to support stakeholders. For the purpose of the pilot programme, the Government believed that the proposed scope encompassing four e-procurement functions with an estimated cost of $49.2 million was a prudent and pragmatic way to proceed. However, GCIO undertook to consider members' suggestions by looking into the possibility of trying out the e-invoice function when circumstances were conducive and to encourage SME suppliers to take part in the e-Procurement programme.

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14. In this connection, Ms Emily LAU opined that the Government had the obligation to settle outstanding payments to suppliers within a reasonable timeframe irrespective whether they were using e-Procurement or not. While consideration could be given to providing incentives for effective implementation

of the e-Procurement programme which had been in the pipeline for several years and should be implemented without further delay, the Government should not give the wrong message to the public that it would settle payment with suppliers and service providers more quickly if the purchase was done through e-Procurement.

Benefits of and review on the e-Procurement programme

15.   Ms Emily LAU noted that according to the Administration, e-Procurement would bring about benefits such as improvement in efficiency and effectiveness, enhancement of traceability, reduction in transaction cost and price, etc to the Government.   Since a review on the pilot programme would be conducted, she requested and the Administration undertook to assess the actual benefits of the e-Procurement programme against the benefits listed in paragraph 12 of the Administration's paper (LC Paper No. CB(1)435/06-07(03).   While noting that e-Procurement might bring about benefits to both the Government and suppliers, Ms Emily LAU enquired whether any problems would arise as a result of e-Procurement.   In this connection, Ms Emily LAU referred to one of the benefits expected of e-Procurement, i.e. the expansion of supplier base, and sought clarification on how it could be achieved as many SMEs seemed not to be very receptive to the use of IT.

16.   In response, DGCIO(P&S) explained that at present, information on suppliers was kept separately by individual B/Ds and might not be readily shared amongst B/Ds.   With the setting up of a procurement portal, however, B/Ds could share and access supplier information and their performance from the central database, which would facilitate the expansion of individual B/Ds' supplier base. The migration to e-Procurement would be a major transformation programme to suppliers and would have significant impact on their operation.   As such, apart from consultation and communication on a frequent basis with suppliers to gauge their views, briefings, seminars and training workshops would also be organized to guide suppliers on how to use the new system with a view to enhancing suppliers' participation in e-Procurement.   Noting the Administration's assistance to suppliers to facilitate the switch to the electronic mode of procurement, Ms Emily LAU requested the Administration to assess and apprise the Panel of the increase in percentage, if any, of SME suppliers having Internet connection as a result of the implementation of e-Procurement, and SMEs' response to and their degree of participation in the programme.

17.   Ms Emily LAU enquired whether the Government would step up its efforts in the promotion of green procurement.   In response, DGCIO(P&S) said that as one of the participants in the pilot programme, EPD would provide information and views on green procurement, which would facilitate the drawing up of green principles in user requirements for reference by B/Ds via the e-Procurement portal. Ms Emily LAU requested that the extent to which green procurement was adopted should also be used as another benchmark for assessment of the effectiveness of the e-Procurement programme during the review.   The Administration took note of Ms LAU's request.

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18.   Citing the IT-enabled telephone system launched by the Hospital Authority which had rendered patients no option except to book their medical appointments through the telephone, Mr Albert CHAN expressed concern that some SME suppliers who were not e-ready to switch to e-Procurement would likewise be deprived of the opportunities of doing business with the Government. DGCIO(P&S) explained that under the incremental approach, the Government would engage suppliers in the e-Procurement programme on a sector-by-sector basis according to their e-readiness, and those with more readiness, such as the IT industry, would first be engaged in the pilot programme.

19.   Highlighting that the reliability of the e-Procurement system might be undermined if the procurement data stored therein could be manipulated wilfully, and that the proliferation of new technologies had given rise to computer malpractices, Mr Albert CHAN expressed further concern on whether measures would be put in place to ensure information security relating to e-Procurement. The Chief Systems Manager (E-government Policy and Development) (CSM (EP&D)) informed that current measures including security guidelines and procedures adopted by the Government in information protection would be employed in the e-Procurement programme to guard against computer malpractices.

Scale and implementation plan of the pilot programme

20.   Ms Emily LAU noted that among the some 80 B/Ds, only three departments, one of which being OGCIO, would take part in the pilot programme. She considered this implementation timetable extremely slow, bearing in mind that the pilot programme, including the post implementation review, would only be completed in over three years' time. With a total of some 200 B/Ds and public organizations which would have to adopt e-Procurement as a long-term aim, the selection of only three departments for the pilot programme seemed to suggest that B/Ds might not be ready to migrate to e-Procurement. Echoing Ms LAU's concern, the Chairman requested the Administration to provide information on the number of B/Ds which had expressed interest in joining the pilot programme.

21.   DGCIO(P&S) advised that to minimize risks inherent in such a major transformation initiative, the consultancy study had recommended, inter alia, that e-Procurement be implemented in a few departments first before service-wide roll-out in the Government would be considered. As such, three departments were selected to participate in the pilot programme on the basis of their considerable volume of purchases, common variety of goods and services procured, their e-readiness and willingness to join the pilot programme. Moreover, EPD's expertise in green procurement would provide useful reference for other B/Ds to model on and hence its participation in the pilot programme. She stressed that the experience gained from the pilot programme could help drawing up internal guidelines on e-Procurement and would facilitate successful service-wide implementation of e-Procurement in the Government.

22.   Noting that the implementation of e-Procurement could bring about financial

savings arising from cost reduction as in the case of overseas experience, Mr SIN Chung-kai urged the Administration to expand the scale of the pilot programme by lobbying more B/Ds to participate in it during the roll-out of the e-Procurement initiatives between January 2008 and June 2009 with a view to expediting the service-wide implementation of e-Procurement in the Government, or else digital divide might exist between B/Ds which participated actively in e-government programme and those that did not. Sharing Mr SIN's views, Ms Emily LAU also considered that the time taken for the implementation plan of the pilot programme to be completed in April 2010 was too lengthy.

23. While acknowledging that it would take some time for the implementation plan to complete, GCIO pointed out that the Government had to follow established procurement procedures in project development. Nevertheless, he assured members that OGCIO would endeavour to implement the pilot programme successfully with a view to attracting more B/Ds to participate. DGCIO(P&S) added that although only three departments were covered in the pilot programme initially, efforts would be made to promote e-procurement to other B/Ds during the period when the e-Procurement initiatives were rolled out, so as to prepare for the extension of the initiative. She advised further that upon the successful implementation of the pilot programme and subject to the review to be conducted, recommendation would be made to the E-government Steering Committee chaired by the Financial Secretary for approval in principle the service-wide implementation of e-Procurement in the Government.

24. As to whether the e-Procurement programme would be extended to public organizations, DGCIO(P&S) advised that some public organizations had already implemented e-Procurement. For instance, Hospital Authority had been handling the purchases of consumables and daily office supplies through its own e-Procurement system. While the Administration would share with public organizations the experience gained from the pilot programme, assistance would be provided to public organizations, if required, to facilitate their adoption of e-Procurement. Ms LAU opined that consideration should also be given to including all public organizations in the e-Procurement programme.

25. Noting that a tendering exercise would be conducted in May 2007, Dr LUI Ming-wah enquired about the items to be covered in the tendering exercise. CSM(EP&D) advised that several tendering exercises would in fact be conducted in parallel to implement the four e-Procurement initiatives, i.e. the Procurement Portal, the Purchase-to-Pay System, e-Sourcing and e-Catalogue. The Administration would first source the relevant softwares from the market and, if unavailable, development would be made. In further response to Dr LUI and the Chairman, CSM(EP&D) clarified that the tendering exercises would be conducted and tenders be awarded during the period from May to December 2007.

Engagement of contract staff for the implementation of the pilot programme

26. Referring to the cost estimate of $15.9 million for employment of contract staff for the pilot programme, Ms Emily LAU and the Chairman enquired and

CSM(EP&D) explained that the non-recurrent provision would include 144 man-months for project co-ordination, liaison with suppliers and provision of support to the tendering and review exercises, and 329 man-months for the drawing up of user requirements, the undertaking of analytical work, etc. Since the contract staff engaged in the pilot programme would leave the Government upon completion of their contracts, Ms Emily LAU enquired as to how their experience obtained from the pilot programme could be passed on to other B/Ds. In response, DGCIO(P&S) informed that apart from comprehensive guidelines to be drawn up on e-Procurement after the pilot programme for reference by B/Ds, workshops would also be conducted to provide in-service training to relevant staff of B/Ds to ensure that the experience learnt from the pilot programme would be shared among Government users.

27. In this connection, Ms Emily LAU noted that according to the Administration, manual labour would be freed up as a result of e-Procurement adoption for delivery of more value-added activities such as strategic sourcing and aggregate buying leading to price reduction. She sought clarification on how this could be achieved given that B/Ds would not usually handle large-volume purchases and hence their need for such value-added activities as aggregate buying. DGCIO(P&S) explained that at present, procurement at B/D level was handled by staff from the general grade and staff posted from GLD. Those staff members had to spend a lot of time to consolidate manually procurement data of respective B/Ds. With the implementation of e-Procurement, however, the time saved from manual compilation and consolidation of procurement data could be used for delivery of other value-added activities, and any surplus staff from the general grade could also be redeployed to undertake other general duties.

28. In view of the manual labour to be freed up from the automation process and the possible loss of experience as a result of departure of contract staff on completion of their contracts, the Chairman enquired whether consideration would be given to deploying surplus staff resulting from the implementation of e-Procurement programme to undertake duties originally designed for contract staff so as to ensure effective utilization of resources. In response, DGCIO(P&S) explained that manpower savings could only be achieved after the implementation of the e-Procurement programme while the work to be undertaken by contract staff had to be carried out to facilitate the implementation of the pilot programme.

Conclusion

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29. Summing up, the Chairman said that, in principle, the Panel supported that the funding proposal could be submitted to FC for consideration. In view of the various concerns raised by Panel members at the meeting, the Administration should address these concerns in its submission to FC.

V. **Public consultation on release of spectrum to enable the provision of CDMA2000 service**

(LC Paper No. CB(1)435/06-07(04) -- Paper provided by the Administration)

30.   With the aid of powerpoint presentation, <u>the Assistant Director (Regulatory), Regulatory Affairs Branch of the Office of the Telecommunications Authority (AD (R)/OFTA)</u> briefed members on the two-month consultation exercise launched by the Office of the Telecommunications Authority (OFTA) on 27 October 2006 regarding the licensing of spectrum in the 850 MHz Band to enable the provision of Code Division Multiple Access 2000 (CDMA2000) service.   In gist, he said that the three-year migration period granted to the licensee providing CDMA mobile service would expire on 20 November 2008.   Since CDMA 2000 standard was amongst one of the key 3G mobile standards in the world and CDMA mobile service was in heavy use in the Mainland and over the world, it was considered necessary for the continual provision of such service in Hong Kong, and a consultation exercise was therefore conducted to solicit views from the industry and other interested parties on the need and the way forward to release spectrum to enable the continuity of CDMA mobile service after 20 November 2008.   Under the proposal, a frequency block with a maximum bandwidth of 10 MHz x 2 in the 850 MHz band (825-835 MHz paired with 870-880 MHz) would be made available for a single licence to provide CDMA2000 after 20 November 2008 for a licence period of 15 years, and the one-off lump sum of Spectrum Utilization Fee (SUF) to be paid by the licensee would be determined through an open auction in the form of multiple round ascending auction.

31.   While expressing his support for the continual provision of CDMA 2000 service in Hong Kong particularly because CDMA service was used by Hong Kong's major trading partners such as the United States and the Mainland, <u>Mr Howard YOUNG</u> enquired about the consequences if no operator was interested in providing CDMA service after the current licence expired in November 2008.

32.   <u>AD(R)/OFTA</u> advised that if CDMA service was not provided, visitors using CDMA handsets could not enjoy roaming services while in Hong Kong, which would cause much inconvenience to them, not to mention that Hong Kong's international image and position as the leading telecommunications hub in the region would be undermined.   As such, it was necessary for Hong Kong to continue with the provision of CDMA service, which would not only help strengthening Hong Kong's strategic position as the gateway between the Mainland and the world but also ensure that visitors from all over the world would be provided with first-class mobile services.

33.   In this connection, <u>Mr Howard YOUNG</u> expressed concern on the amount of reserve price to be set for the one-off lump sum SUF payment, and opined that it should be set at a reasonable level to ensure the continual provision of CDMA service which was an essential telecommunications infrastructure that should be available in Hong Kong.   He added that after the burst of the IT bubble in 2001,

the spectrum value and hence the SUF might not be as high as when the spectrum for 3G licences was auctioned.

34.   In response, AD (R)/OFTA said that there were a number of approaches in estimating and setting the reserve price. One approach was to make reference to the level set in the previous local 2G and 3G auctioning exercises and adjustments would be made to take into account of the change in the market situation. Reference might also be made to the recent auctions of 3G licences in other countries to assess the change in the value of the spectrum.   Alternatively, the reserve price might be based on recent international price of comparable spectrum with adjustments to take into account of local factors/considerations such as the differences in population, Gross Domestic Product, etc.   While assuring members that the Administration would be mindful in setting the reserve price at a reasonable level in order to attract prospective operators to invest in CDMA2000 service, AD(R)/OFTA said that consideration might be given to commissioning a consultancy study on the determination of the reserve price to ensure that the reserve price would be acceptable to the market and attractive to prospective bidders.

35.   On the rationale behind the granting of the licence for a period of 15 years and the issue of one single new licence for CDMA2000 service, Ms Emily LAU enquired and AD (R)/OFTA explained that the proposed 15-year licence period was in line with other mobile carrier licences which were also granted 15 years in order to provide certainty in the investment environment for service providers. AD(R)/OFTA advised further that the frequency block available for licensing could not accommodate the granting of two full-fleged CDMA2000 licences, or else the new licensees could not operate in a level playing field as other mobile carrier licensees in providing a range of comprehensive services to their customers.

36.   Concerning the legislative timetable, Mr SIN Chung-kai noted that the Administration intended to gazette the necessary subsidiary legislation in the second quarter of 2007 for negative vetting by the Legislative Council (LegCo) and to publish bidding documents in the third quarter of 2007 with a view to conducting the proposed open auction and issuing the licence around October 2007.   He remarked that sufficient time should be allowed for LegCo to scrutinize the subsidiary legislation if it was considered necessary.   AD (R)/OFTA advised that the drafting of the relevant subsidiary legislation was already underway and would soon be completed.   If feedback from the industry was supportive of the Government's proposal on the licensing of spectrum to enable the continual provision of CDMA2000 service, the relevant legislative proposal would be submitted to LegCo as soon as possible so that there would be sufficient time for scrutiny.

37.   Since the consultation period would end on 27 December 2006, the Chairman enquired and AD(R)/OFTA undertook to update the Panel on the result of the public consultation.   He added that the Administration would also consult the Panel on the subsidiary legislation to be made under section 32I of the Telecommunications Ordinance (Cap. 106) in due course.

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VI. Information Security

(LC Paper No. CB(1)435/06-07(05) -- Paper provided by the Administration

LC Paper No. CB(1)435/06-07(06) -- Background brief on information security prepared by the Legislative Council Secretariat)

Introduction by the Administration

38.   At the invitation of the Chairman, GCIO and the Deputy Government Chief Information Officer (Operation) (DGCIO(O)) briefed members on the various initiatives pursued by the Government in strengthening the information security protection measures, as well as the information security status of public organizations and regulatory bodies, as detailed in the Administration's paper (LC Paper No. CB(1)435/06-07(05).   In gist, in response to Panel members' request raised at the meeting held on 6 April 2006, surveys on the information security status of B/Ds and public organizations, as well as how regulators monitored the information security compliance of organizations under their purview, were conducted in July and August 2006.   DGCIO(O) said that while the Government would continue to review and enhance the information security related regulations, policies, procedures and guidelines to keep them in pace with the advancement of technology, the development of international/industry best practices and standards, as well as the emerging security threats, an additional mechanism would be introduced to require B/Ds to submit annual reports on their compliance with government information security requirements so that any irregularity could be identified at an early stage.   Moreover, a centrally managed process in the form of security audits would also be introduced for random and sample checks in order to confirm that the necessary security risk assessments and reviews had been satisfactorily performed and any recommendations for improvement had been properly dealt with.   The audit process would commence in early 2007 and cover all B/Ds over a 2-year period.

39.   Concerning public organizations, DGCIO(O) pointed out that the survey findings on their information security status had identified urgent need for improvement, especially in some organizations.   OCGIO would advise the responsible B/Ds to follow up on the security protection improvement of the organizations under their purview.

40.   On regulatory bodies, DGCIO(O) highlighted that as information security incidents involving any organizations, e.g. the leakage of personal data, might have serious impacts across their sectors such as their credibility or legal proceedings might arise, OGCIO would remind the B/Ds that had purview over regulatory bodies of the importance of putting in place the necessary information security measures by organizations within their regulated sectors.   Where necessary, the regulatory bodies should also consider tightening their regulatory regime to

emphasize the importance of information security and protection of personal data.

Discussion

Independent security audits

41.   Referring to the Administration's plan to conduct independent security audits on all B/Ds, Mr SIN Chung-kai enquired whether the audits would be outsourced or performed by staff of OGCIO, the professional qualifications of the personnel responsible for such auditing, and the cost estimate of the auditing exercise. DGCIO (O) advised that the audits would most likely be outsourced under the Standing Offer Agreement for Quality Professional Services.   The Administration would be mindful of the professional qualifications of personnel to be engaged in the auditing exercise, as well as their experience in conducting information security audits.   Since the audit process had yet to start, the cost estimate would be worked out in due course, and funding would be sought under the Capital Works Reserve Fund Head 710 Computerization.

42.   Acknowledging that the security audits might be outsourced, Mr SIN Chung-kai remarked that consideration could be given to laying down the specific internationally recognized professional qualifications required of the personnel assigned by their companies to undertake the audit checks when the security audits were put to tender.   Moreover, he suggested that the Administration should consider making security audit a standing arrangement in order to ensure B/Ds' compliance with the information security requirements.   Alternatively, consideration could be given to maintaining a team of professional staff in OGCIO to conduct in-house security audits on B/Ds on a regular basis.   DGCIO (O) took note of Mr SIN's concerns and suggestions, and assured that in outsourcing the security audits, the Administration would take into account the technical expertise and professional qualifications of personnel assigned to undertake the security audits.   As for security audits on B/Ds, these would be made a standing arrangement in future.

Information security status of public organizations and regulatory bodies

43.   Ms Emily LAU noted from the survey findings that 26% of the public organizations under survey did not have backup, recovery and restricted/classified data disposal procedures, and 43% of which did not utilize technical tools during the storage, transmission and processing of restricted/classified data for prevention from unintentional disclosure.   She expressed grave concern on the information security status of public organizations, with particular respect to the Administration's remark that some public organizations had urgent need for improvement.   In view of the incessant occurrence of information security incidents such as the leakage on the Internet of complainants' personal data held by the Independent Police Complaints Council earlier this year and the recent leakage on the Internet of personal data of police officers and suspects held by the Police, she enquired about the measures to be taken to enhance the information security status of public organizations, and whether proactive assistance would be provided

by the Administration to those organizations in this respect.

44.   In response, DGCIO(O) said that while OGCIO would advise the responsible B/Ds to, pursuant to the findings from the survey, follow up on the security protection improvement and the exposures as represented by the status quo of the public organizations under their purview, those public organizations which were not under the purview of B/Ds could make reference to the information security guidelines promulgated by the Government to enhance their information security measures.   OGCIO would also continue to use a variety of information dissemination channels for the launch of activities in information security protection with a view to raising the awareness of the public, including public organizations, on information security.   Where necessary, the public organizations concerned could identify their own resources and funding for enhancement of their information security measures.

45.   Regarding the 34% of public organizations having information technology outsourcing arrangement which had failed to adopt security control applicable to testing stages, Ms Emily LAU enquired whether remedial actions could still be taken given that contracts had already been signed between the organizations concerned and their outsourcing contractors.   In response, DGCIO(O) advised that as long as the contracts were still in force, the organizations concerned could liaise with their outsourcing contractors, where possible, for necessary rectification.

46.   On the issue of whether the B/Ds concerned were aware of the urgent need for improvement on the information security status as envisaged for the public organizations under their purview, Ms Emily LAU enquired and DGCIO(O) said that OCGIO would apprise the responsible B/Ds of the survey findings and would follow up on the remedial actions taken by the public organizations concerned via the responsible B/Ds.

47.   Ms Emily LAU opined that the responsible B/Ds should be requested to follow up with the public organizations under their purview measures to be taken on security protection improvements as soon as possible, and the Administration should report to the Panel the follow-up actions taken by the public organizations. At the request of Ms Emily LAU and the Chairman, DGCIO(O) undertook to submit to the Panel in three months' time a report outlining the progress of public organizations in taking up follow-up actions, and to brief the Panel on the subject in July 2007.   In this connection, Ms Emily LAU suggested and other members agreed that the names of those public organizations which had urgent need for improvement but still failed to improve their information security status when the Panel revisited the subject in July 2007 should be disclosed for the Panel's reference.   DGCIO(O) took note of members' request.

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48.   Regarding the follow-up actions to be taken by regulatory bodies pursuant to the survey findings, members requested and DGCIO(O) undertook to liaise with the responsible B/Ds for provision of such information for inclusion in the report to be submitted to the Panel in three months' time.   In this connection, Mr SIN Chung-kai remarked that the Panel would focus on whether any effective

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mechanisms such as the regular security audit arrangement as adopted by the Government would be put in place by regulatory bodies or their regulated bodies/sectors for enhancement of information security. DGCIO(O) took note of and undertook to relay Mr SIN's concern to the regulatory bodies via the responsible B/Ds.

Compliance with information security requirements by B/Ds

49.   Mr Jasper TSANG enquired whether B/Ds were accountable to OGCIO in information security compliance as they were required to submit annual reports on their compliance with OGCIO.   In response, DGCIO(O) clarified that while OGCIO was only responsible for, inter alia, devising IT security policies and guidelines and technical measures, as well as providing the necessary assistance to the Security Bureau (SB) in drawing up the Government's Security Regulations which had a dedicated section on information systems for compliance by B/Ds, the Information Security Management Committee with core members from SB would oversee and enforce information security within the Government.   On the annual reports submitted by B/Ds to OGCIO, DGCIO(O) advised that if inadequacies were identified, GCIO would write to the relevant Heads of B/Ds and draw their attention of the issues.   If B/Ds ignored the reminders from GCIO, this would be tantamount to non-compliance with the Security Regulations which could lead to disciplinary action on the offending staff involved.   In further response to the Chairman and Mr Jasper TSANG, DGCIO(O) advised that pursuant to the existing guidelines on information security, certain information security incidents had to be reported to the Police for follow-up and prosecution where applicable.   He stressed that while every possible assistance would be provided by OCGIO to B/Ds in their implementation of information security measures, the responsibility for compliance with the information security requirements rested with B/Ds.

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50.   Concurring that OGCIO should not be held accountable for B/Ds' non-compliance with information security requirements if any as it was rather a management issue, Ms Emily LAU opined that as SB had a role to oversee information security within the Government, representatives from SB should be invited to attend the Panel meeting when the issue was discussed in July 2007. Members agreed to Ms LAU's suggestion.

VII.   Any other business

51.   The Chairman reminded members that a special meeting would be held on Thursday, 11 January 2007 from 4:30 pm to 6:00 pm (or immediately following the Chief Executive's Question and Answer Session, whichever was later) in Conference Room A to further discuss issues relating to change in shareholding in PCCW Limited and cross-media ownership.   Members of the Panel on Financial Affairs were also invited to attend the special meeting.

52.   There being no other business, the meeting ended at 4:25 pm.

Council Business Division 1
Legislative Council Secretariat
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