

**For discussion on
12 April 2010**

Legislative Council Panel on Education

**Subsidy on Internet Access Charges for Needy Students
and Related Measures**

Purpose

In the 2010-11 Budget, the Financial Secretary (FS) proposed to dedicate \$500 million as the start-up capital for the provision of convenient and suitable Internet learning opportunities to students in need. This paper sets out the implementation details of the proposed two-pronged approach and seeks Members' views on the arrangements.

Proposals

2. We propose –

(a) to provide a household-based cash subsidy scheme for Internet access charges from the 2010/11 school year for two categories of needy families:

- (i) full subsidy rate of \$1,300 for families with children who are full-time students receiving education at primary and secondary levels and who are eligible for the flat-rate grant for School-related Expenses (SRE) under the Comprehensive Social Security Assistance (CSSA) Scheme; and
- (ii) full subsidy rate of \$1,300 or half subsidy rate of \$650 for families with children who are full-time students receiving education at primary and secondary levels, and who pass the existing means test for receiving financial assistance under the Student Financial Assistance Agency (SFAA)¹. The granting of the full rate or half rate will depend on the result of the

¹ These families are those who pass the existing means test of SFAA and whose children are full-time students attending primary or secondary schools, pursuing Project Yi Jin programmes or relevant courses of the Vocational Training Council.

means test; and

- (b) to facilitate needy students and parents to gain access to the Internet for learning by providing economical Internet access services, suitable computers and the necessary complementary services such as training and technical support.

Provision of Convenient and Suitable Internet Learning Opportunities

3. In the 2009-10 Policy Address, the Chief Executive announced that as the younger generation increasingly uses the Internet and electronic tools in their learning activities in this digital age, convenient and suitable Internet learning opportunities should be provided for students in need through tripartite collaboration between the community, the business sector and the Government in order to mitigate the impact of the digital divide on the quality of learning.

4. According to a recent survey, the broadband penetration rate of low-income families with children in primary and secondary schools, that is, CSSA families with school-age children and families receiving student financial assistance, is about 92%. The main reasons for getting online are that the children need Internet access to allow them to do schoolwork, or that their children have asked to get online. The broadband penetration rate for low-income families without children, by contrast, is under 30%. It is reasonable to conclude from this evidence that although the Internet can be used for many purposes, education is the primary motivator for families with children to get online.

5. Low-income families which do not subscribe to Internet service have similar income levels as those families who are online and have an accurate perception of the price of Internet access. However, the parents are less likely to perceive the educational value of being online and are more likely to be concerned about the possible downsides. They are also concerned about the cost of obtaining a computer. Unfortunately, some families have had to give up Internet service when their computer broke down as they do not have the financial resources or technical expertise to have it repaired, fixed or replaced.

6. The Government proposes to adopt a holistic approach to afford students of low-income families with Internet learning opportunities. Specifically, we should grant these families a subsidy for Internet access

charges and provide training and technical support to address their concerns, whilst encouraging the market to provide students in these families with an option of economical Internet services. To this end, FS proposed in his 2010-11 Budget that we should adopt a two-pronged approach to help primary and secondary school students from low-income families with Internet learning, as set out in paragraphs 2(a) and (b) above.

(A) Household-based subsidy scheme for Internet access charges

7. In this digital age, web-based learning and research on the Internet have become an integral part of education. The use of the Internet is considered to be conducive to students' learning. Alongside the wide use of the Internet in teaching and learning in schools, access to the Internet at home has become widespread. Students can now search for information, complete their homework, maintain their social networks, acquire knowledge and understand the world. This has become increasingly a way of life for students.

8. To help students from low-income families to access the Internet after school, the Administration has made continuous efforts to introduce measures to help these students gain access to computers and the Internet. These include disbursement of recurrent subsidies to schools to open their computer rooms for use by students after school; implementation of the Computer Recycling Programme to provide students from CSSA families and students receiving assistance under the School Textbook Assistance Scheme administered by SFAA with recycled computers and one year's free Internet connection; launching a pilot District Cyber Centre Scheme by the Office of the Government Chief Information Officer (OGCIO), which includes lending laptop computers with free wireless Internet access to students in need. These initiatives have helped more students from low-income families to gain access to the Internet. Nevertheless, there remains a group of students who are digitally excluded.

9. Recognising that Internet access at home is becoming as important as other learning resources and that students from low-income families should be supported on access to Internet learning opportunities at home, we propose that a new subsidy scheme should be implemented from the 2010/11 school year to provide a subsidy for Internet access charges as follows -

- (a) full subsidy rate of \$1,300 for families with children who are full-time students receiving education at primary and

secondary levels and who are eligible for the flat-rate grant for SRE under the CSSA Scheme; and

- (b) full subsidy rate of \$1,300 or half subsidy rate of \$650 for families with children who are full-time students receiving education at primary and secondary levels, and who pass the existing means test for receiving financial assistance under SFAA². The granting of the full rate or half rate will depend on the result of the means test.

10. We propose that the subsidy should be granted on a household and non-accountable basis, such that parents can use the subsidy flexibly to acquire Internet access services that best meet their children's learning needs. The Social Welfare Department (SWD) and SFAA will be responsible for disbursement of the proposed subsidy to these two categories of eligible families respectively.

11. The proposed full subsidy rate of \$1,300 for Internet access charges for the 2010/11 school year is set with reference to the prevailing market prices of Internet access services. We plan to provide the subsidy scheme on a recurrent basis and would review the subsidy rate in each school year with reference to the latest prices of Internet access services in the market and other relevant factors.

12. We estimate that around 300 000 low-income families can benefit from the proposed subsidy scheme in the 2010/11 school year, including 80 000 CSSA families and 220 000 families passing the existing means test of SFAA. The number of students who can benefit from the proposed subsidy scheme in the 2010/11 school year will be around 410 000, including around 120 000 CSSA students and around 290 000 students eligible for financial assistance from SFAA. The proposed subsidy will be able to reduce the burden of the low-income families in meeting the Internet access charges for e-learning at home for their children.

(B) Facilitating the students and parents to access the Internet for learning

13. In order to increase the take-up of Internet access at home by students from low-income families and to ensure that the families in need

² These families are those who pass the existing means test of SFAA and whose children are full-time students attending primary or secondary schools, pursuing Project Yi Jin programmes or relevant courses of the Vocational Training Council.

can afford to have computers to do so, we propose a five-year implementation programme to facilitate the families to have suitable and affordable computers and Internet access service for online learning, and to provide the necessary training and technical support to students and parents.

14. The programme aims at enabling all 410 000 students receiving education at primary and secondary levels in 300 000 low-income families, especially the about 8% of these families that currently do not have Internet connection at home, to gain access to the Internet for the purpose of learning. The programme will be managed by a non-profit-making organisation which will work closely with community organisations, educators, Internet service providers (ISPs), IT suppliers and government agencies, to identify the students' learning needs and, by making use of existing facilities and services of government departments and non-governmental organisations where possible, facilitate Internet access by making available (a) affordable Internet access services and computers and (b) training and technical support, in a cost-effective manner.

Affordable Internet access and computers

15. There is currently a wide range of prices being paid by low-income families for Internet access. In locations where competition is most intense, families have recently been able to sign up for contracts for under \$100 a month. However, some families in other locations are paying over \$200 a month. Based on our consultations with ISPs, we consider there is scope both to achieve lower prices for low-income families and to reduce the price disparities between different locations. This could be achieved by providing ISPs with a mechanism to serve low-income families on a marginal cost basis, without disrupting the mainstream Internet market, and by working with them to reduce certain costs to serve such as capacity costs, sales and marketing costs, and technical support costs. The non-profit-making organisation will provide an alternative route to market for ISPs wishing to provide Internet access and computers to the low-income segment, either operating as a reseller or as a sales channel or both of internet access and computers, depending on the outcome of its discussions with ISPs.

Training and technical support

16. Apart from the cost of Internet access and computers, the main reason of not pursuing learning through the Internet amongst the

low-income families is the limited knowledge of the parents of the Internet and the lack of technical support. There are concerns about the possible negative effects of the Internet such as Internet addiction, and hence suitable guidance should be provided for parents and students on the healthy and safe use of the Internet. We consider that these concerns have to be addressed through the concerted efforts of all the parties concerned, including schools, parents, the community and the Government.

17. We have launched a “*Be NetWise*” Internet Education Campaign, led by OGCIO, to educate young people as well as parents and teachers on the proper and safe use of the Internet. The Campaign coordinates the efforts of relevant departments, such as the Intellectual Property Department, Information Services Department, Hong Kong Police Force, Television and Entertainment Licensing Authority, and non-governmental organisations to provide information and guidelines for students, parents and teachers on the safe use of the Internet. A Family Support Centre was also set up under the Campaign to provide multi-disciplinary support services to families on issues relating to the use of Internet by their children. In addition, the Education Bureau will collaborate with the Campaign to distribute a resource kit to teachers and school social workers to provide information and suggested learning activities to guide students on the proper and safe use of the Internet.

18. Building on the experience of the one-year Campaign and making use of the resources that have been developed under the Campaign, the new organisation will design tailor-made programmes to enhance the technical know-how of parents and students and their knowledge about the safe and healthy use of the Internet. That will help foster a better Internet culture among the children and young people and will encourage the take-up of Internet-based learning among the families that currently do not have Internet connection at home.

Benefits of engaging a non-profit making organisation

19. The non-profit making organisation will operate as a business entity so that it can implement the programme with maximum flexibility. The non-profit-making business entity can work with ISPs / IT suppliers and community organisations to develop affordable and flexible product and service solutions in a more effective manner. The organisation can also seek sponsorships or donations that are specific to its mission.

Selection and governance of the non-profit-making organisation

20. We plan to issue an open invitation for proposals from interested organisations in the community to implement the programme described in paragraphs 13 to 18 above through a nominated or newly-established non-profit-making organisation. OGCIO will publish the selection criteria and set up a multi-disciplinary selection panel within the Government to evaluate, through an open, fair and transparent process, the detailed business proposals, including the operating and financial models, key performance indicators, risk assessment, collaboration with various parties, as well as the expertise, track record and commitment of the organisations involved. The proposal to be selected will also need to demonstrate that the governing body of the non-profit-making organisation will have:

- (a) business skills required to develop the necessary product and service offerings;
- (b) knowledge and understanding of the learning needs of the target low-income families with children
- (c) capability of managing a business start-up;
- (d) experience of proper handling of a substantial amount of public money;
- (e) ability to work with non-governmental organisations and government departments in the sale and marketing of the organisation's services;
- (f) ability to work with a portfolio of ISPs and IT suppliers; and
- (g) ability to work with district and community centres, for example, distributing computers, providing technical support and Internet education.

21. We expect that the non-profit-making organisation will be a legal entity that should operate for at least an initial term of five years and have the potential to sustain operation on an ongoing basis. It will have a high degree of independence and flexibility in planning and operating its services, as well as in managing its human and financial resources. The proposal should also describe the constituents of the governing body of the non-profit-making organisation, how it will be formed, as well as the

arrangements for corporate governance, management and control, and public accountability. The non-profit-making organisation will be expected to be registered under Section 88 of the Inland Revenue Ordinance, to publish business reports and to be subject to Government's audits on its accounts and operations.

Control and review mechanism

22. It is of paramount importance to ensure that public money is used properly and effectively and solely for the specific mission to assist students of the low-income families to enjoy more convenient and affordable Internet learning opportunities. We will therefore enter into a legally binding funding agreement with the organisation. The funding agreement will describe the framework and terms and conditions under which the Government will provide the funding for the organisation and how the performance of the organisation will be measured and reviewed regularly, such as the objectives of the organisation and services to be provided upon start-up, the funding arrangements, the governance structure, the performance parameters, and the review mechanism, reporting requirements and information disclosure arrangements.

23. More importantly, throughout the implementation of the programme, we will conduct regular reviews on the performance and financial situation of the programme and the non-profit-making organisation, as well as the prevailing social and educational needs of the public with a view to making an appropriate assessment on the way forward of the organisation after the 5-year term.

Financial Implications

(A) Household-based subsidy scheme for Internet access charges

24. Based on the proposed subsidy rate in the 2010/11 school year and the estimated number of families benefitted in paragraph 12 above, the estimated expenditure required for disbursement of the subsidy for Internet access charges in the 2010/11 school year is \$280 million, including \$98 million for CSSA families and \$182 million for families passing the means test of SFAA. The financial implications for subsequent school years will depend on the subsidy rate and the number of beneficiaries. The subsidy rate will be reviewed annually having regard to the latest Internet access charges in the market and other relevant factors. SWD and SFAA would require strengthening of staff resources for administering the new subsidy scheme, and additional

resources required will be sought through the prevailing funding mechanism.

(B) Facilitating the students and parents to access the Internet for learning

25. We estimate that a non-recurrent commitment of around \$220 million is required to implement the initial 5-year programme, comprising:

- (a) Cost of facilitating the provision of affordable Internet access services as described in paragraph 15 above – \$36 million;
- (b) Cost of facilitating the provision of affordable computers as described in paragraph 15 above – \$84 million;
- (c) Cost of training and technical support – \$65 million; and
- (d) Cost of administration and operation of the organisation – \$35 million.

OGCIO may require strengthening of staff resources for overseeing the development and operation of the programme. Additional resources required in this connection will be sought through the prevailing funding mechanism.

26. The costs mentioned in paragraph 25 are estimates only. The actual costs are subject to the proposals to be selected as described in paragraph 20 above, subsequent consultation and negotiation between the non-profit-making organisation and ISPs / IT suppliers, and the execution of the funding agreement.

Implementation Plan

(A) Household-based subsidy scheme for Internet access charges

27. Assuming that the proposal is approved by the Finance Committee (FC) in May 2010, SFAA will start to disburse the subsidy to eligible families as from late August 2010. SWD will also arrange for disbursement of the subsidy to eligible CSSA families in August 2010.

(B) Facilitating the students and parents to access the Internet for learning

28. Taking into account Member's comments on the

non-profit-making organisation, we plan to issue a Request For Proposal in May 2010. After thorough evaluation of the proposals received, we will select a suitable organisation for further negotiations on the funding agreement and details relating to the non-profit-making organisation, including the funding arrangements, service requirements, governance and management structure, etc.

29. We expect the selected organisation to commence discussion with ISPs / IT suppliers and community organisations as soon as possible after the selection. We aim to conclude the funding agreement by early 2011 so that the organisation can commence the implementation of the programme to enable needy families to have access to affordable Internet access services and computers, as soon as possible but no later than in the 2011/12 school year. We will update the Information Technology and Broadcasting Panel on the progress at the appropriate time.

Way Forward

30. Subject to Members' views, we will seek funding approval for the disbursement of the subsidy for Internet access charges to eligible families, and for making preparation to implementing the five-year programme to facilitate the students and parents to access the Internet for learning from FC in May 2010.

Education Bureau
Student Financial Assistance Agency
Office of the Government Chief Information Officer
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