

ITEM FOR FINANCE COMMITTEE

**Head 156 – GOVERNMENT SECRETARIAT :
EDUCATION BUREAU**

Subhead 700 General non-recurrent

New Item “E-Textbook Market Development Scheme”

Members are invited to approve the creation of a new commitment of \$50 million for launching an E-Textbook Market Development Scheme.

PROBLEM

E-textbooks can be a desirable alternative to printed textbooks written for the local curricula. We need to facilitate the development of an e-textbook market and build up a quality assurance mechanism for e-textbooks so that they can take a more prominent role in learning and teaching in schools.

PROPOSAL

2. The Secretary for Education (SED) proposes to create a new commitment of \$50 million to launch an E-Textbook Market Development Scheme (EMADS).

JUSTIFICATION

3. The Task Force to Review Learning and Teaching Materials (Task Force) of the Education Bureau (EDB) was set up in June 2011 to review and examine issues arising from the policy of textbook debundling. It recommended in its Report in December 2011, among other things, that it was time to further implement e-Learning and suggested that e-Learning resources should move beyond their existing supportive role to a more vital role of e-textbooks. The latter could form a complete and independent set of learning and teaching materials developed according to the requirements of our local curricula. SED has accepted the Task Force’s Report and recommendations.

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EMADS

Objectives

4. EMADS aims to facilitate and encourage the participation of potential and aspiring e-textbook developers to develop a diverse range of e-textbooks in line with our local curricula, as well as to try out a quality vetting and assurance mechanism for e-textbooks with a view to drawing up progressively a full-fledged Recommended Textbook List (RTL) for e-textbooks (e-RTL) similar to that for printed textbooks at present¹. Through the provision of a seeding grant to non-profit making developers, it also aims to encourage the participation of new market players and pave the way for the development of a new, healthy, rich and sustainable e-textbook market in the longer run.

Coverage

5. EMADS will cover all eight subjects in Key Stage 1 (lower primary), all eight subjects in Key Stage 2 (upper primary) and all 16 subjects in Key Stage 3 (junior secondary). The senior secondary level is not covered at this stage as the new senior secondary school curriculum is still in its initial stage of implementation.

Eligibility and types of applicants

6. EMADS will be open to application from all potential and aspiring e-textbook developers whose organisation, enterprise, academic institute or society is registered under the laws of the Hong Kong Special Administrative Region. Each application under EMADS should cover one subject set of e-textbooks (i.e. one subject for one key stage). To facilitate the development of a healthy e-textbook market with multiple and diverse sources of supply, each Applicant can submit applications for no more than four subject sets.

7. We understand that some academic institutes and professional organisations, especially those of a non-profit making nature², are interested in developing e-textbooks but may be less endowed financially. We therefore

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¹ In order to ensure the quality of textbooks adopted by schools, EDB has devised a stringent textbook review mechanism for printed textbooks. Printed textbooks will be included in the RTL only if they have met requirements in specified areas including relevance to the curriculum guides, accuracy of content, meeting of learning targets, etc. There is no similar mechanism for e-textbooks at present.

² Non-profit making organisations refer to approved charitable institutions or trusts of a public character exempted from tax under section 88 of the Inland Revenue Ordinance (Cap. 112).

propose to earmark \$50 million for providing seeding grants to successful non-profit making Applicants under EMADS to cover part of their costs in developing e-textbooks and encourage them to participate in the e-textbook market at its initial stage of development. Our intention is to nurture a new, healthy, rich and sustainable e-textbook market, diversify the genres of e-textbooks available as well as enhance consumer choice. In order not to expose the Government to a financial risk greater than that borne by each Applicant, the seeding grant will be provided at 50% of the development cost of the e-textbook project or a cap of \$4 million per application, whichever is the less³. It is estimated that at least 12 applications from non-profit making developers can be covered by the \$50 million earmarked. The actual number of sets of e-textbooks receiving the seeding grant and the level of grant to be awarded will depend on the proposed development cost of the applications which are to be selected on the basis of their quality and pricing commitment, as assessed by a Steering Committee for EMADS (see paragraphs 9 and 10 below).

8. For other organisations/companies which are not eligible for the seeding grant from the Government, they can still apply to join EMADS through submitting their e-textbook proposals for our vetting. These Applicants will use their own money to finance the development of e-textbooks or, where necessary or appropriate, may seek funding from other sources such as commercial loans guaranteed by the Government under the Small and Medium Enterprises Loan Guarantee Scheme subject to their meeting the relevant criteria. Notwithstanding the absence of a seeding grant, we believe that commercial publishers will also have an equal if not stronger interest in joining EMADS because in doing so they can secure early recognition by the Government for the quality of their e-textbooks.

Selection of applicants

9. A Steering Committee on the Selection, Quality Assurance and Review of EMADS (Steering Committee) will be set up to oversee the implementation of EMADS. The membership of the Steering Committee will comprise experienced school principals and teachers, representatives from the business and the information technology (IT) sectors, representatives of the Hong Kong Consumer Council, parents and the Hong Kong Education City Limited. The Steering Committee will set the criteria for assessing and approving applications under EMADS, monitor the implementation of EMADS and advise the Government on all matters related to EMADS, including the dissemination of good practices in using e-textbooks.

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³ According to a consultancy study, the development cost per e-textbook subject set for primary to junior secondary levels is around \$8 million on average. A funding ceiling of \$4 million is thereby proposed.

10. In order to have a diverse range of subjects covered by e-textbooks to be produced under EMADS, our initial plan is for the Steering Committee to approve not more than two applications for each subject set. All Applicants, regardless of whether they are non-profit making or not, will be subject to the same stringent vetting criteria in the selection process. All applications will be assessed on their “quality” (in particular, how e-features are appropriately applied to contents of learning) and “pricing commitment”. To ensure the quality of e-textbooks, we intend to accord more weight to the “quality” component. Furthermore, in line with our objective of encouraging new and aspiring e-textbook developers to join the market, we also intend to accord priority to non-profit making Applicants who have passed the “quality” vetting part. Preference will also be given to applications of the same Applicant which aim to develop e-textbooks covering Key Stage 1 to Key Stage 2 (i.e. whole primary level) for the same subject as this will contribute to smooth progression of learning within the primary level.

Terms and conditions

11. Both the non-profit making Applicants and other Applicants, if selected, will enter into a contract with the Government and be subject to a similar set of terms and conditions under EMADS. Both will be required to commit to the sales price of the e-textbooks produced under EMADS. One of the distinctions between non-profit making Applicants and other Applicants is that the former will be required to provide a specified number of free e-textbooks (accounts and server versions) to specified recipient groups. The major terms and conditions applicable to the two types of Applicants are at Enclosure.

Encl.

Quality assurance mechanism

12. The quality of the e-textbooks to be developed under EMADS will be subject to stringent quality assurance criteria derived from the experience in our vetting of printed textbooks. These include content, accuracy of concepts, information, presentation and language, etc. In addition, on the technical side, the e-textbooks should be accessible by popular computing devices and should embed such e-features as a print-on-demand function, intuitive navigation, multi-media elements, interactive activities, adjustable font size, annotation and bookmarking tools as well as other subject-specific requirements.

13. To help ensure that the e-textbooks produced under EMADS can achieve the intended learning objectives, we will engage partner schools to try out the e-textbooks and provide feedback to the developers for further enhancement. We estimate that two to three schools will be needed for each subject set and we

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will invite around 50 aided, government, caput, Direct Subsidy Scheme and special schools to participate as partner schools in trying out the e-textbooks. Having undergone the try-out process and the quality assurance mechanism under EMADS, the completed e-textbooks developed by successful Applicants will be automatically recognised for inclusion into the e-RTL to be launched in future.

Monitoring

14. The Steering Committee will examine progress reports, e-textbook materials completed, final reports and completed sets of e-textbooks to be prepared by all successful Applicants to ensure their compliance with the terms and conditions of EMADS. A seeding grant will be disbursed to non-profit making developers in phases and only upon successful completion of relevant development milestones. In case of non-compliance with any of the said terms by a successful Applicant, the Government may terminate the contract with the successful Applicant. The e-textbooks and the developers concerned may also be removed from EMADS and the e-textbooks may be excluded from the e-RTL to be introduced. For cases of non-compliance by a non-profit making developer in receipt of the seeding grant from the Government, the developer in question may be required to repay to the Government the full amount of the seeding grant disbursed to it or any part thereof as well as other costs, after consultation with the Steering Committee.

IMPLEMENTATION TIMETABLE

15. Subject to the funding approval of the Finance Committee, we plan to invite applications for EMADS at the end of the second quarter or the start of the third quarter of 2012. We expect that e-textbooks developed by successful Applicants under EMADS will be up in the market in early or mid 2014 the earliest for use in the 2014/15 school year.

16. It will take time for prospective developers to develop high quality e-textbooks covering a wide spectrum of subjects. Since adopting e-textbooks will have a long term impact on the learning and teaching experience in schools, we will conduct a review in the 2014/15 school year to examine the effectiveness of EMADS, the quality assurance system, the benefits generated by e-textbooks and experience gained especially through engaging the partner schools. The result of the review will help refine our overall strategy in the future development of e-textbooks. In due course, it is our intention to provide, where appropriate, financial and technical support to all schools to enhance their IT infrastructure for using e-textbooks.

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FINANCIAL IMPLICATIONS

17. Based on the assumptions given in paragraph 7 above, we estimate that \$50 million is required to launch EMADS. The \$50 million will allow the provision of seeding grants, capped at \$4 million per application, to at least 12 non-profit making Applicants. The participation of Applicants other than the non-profit making ones in EMADS will have no additional financial implication. The estimated cash flow of the \$50 million earmarked for providing seeding grants to non-profit making Applicants is as follows –

	Financial year				Total \$'000
	<u>2012-13</u> \$'000	<u>2013-14</u> \$'000	<u>2014-15</u> \$'000	<u>2015-16</u> \$'000	
Provision of seeding grant	10,000	28,300	6,700	5,000	50,000

18. We expect that the above cash flow may be subject to adjustments depending on the actual number of applications received, number of applications approved by the Steering Committee, level of grant approved and pace of development of e-textbooks by successful Applicants. Subject to Members' approval of the commitment, the Government has earmarked the necessary provision in the 2012-13 Estimates to meet the cash flow required for the current year and will include sufficient provision in the Estimates of subsequent years to meet the cash flow requirements of the commitment.

19. We will absorb from within our existing resources the staffing costs in providing administrative and secretarial support to the Steering Committee and in implementing EMADS.

PUBLIC CONSULTATION

20. The Task Force, members of which come from various sectors including frontline experts and practitioners in the fields of education, business and IT, as well as representatives from parent associations and the Consumer Council, supported the development of e-textbooks.

21. We consulted the Legislative Council Panel on Education on 14 May 2012 on our plan to launch EMADS. Members generally supported our proposal and the submission of the proposal to the Finance Committee for funding approval. Regarding Members' query on the purpose and breakdown of the funding requirement of \$50 million, an explanatory note has been issued on 18 May 2012 for Members' information. The Panel on Education also passed a motion requesting EDB to promote textbook recycling in schools and encourage teachers and students to use second-hand textbooks, so as to alleviate parents' burden and promote environmental protection. We would like to emphasise that in fact, all along, we have encouraged schools to launch various programmes including textbook recycling to promote the relevant practice in schools.

BACKGROUND

22. Textbooks are part of a wide range of learning and teaching resources. Appropriate use of quality textbooks can support teaching and enhance student learning. In this digital age, using e-Learning resources to facilitate interactive and diversified learning has become a major global trend in education. On the other hand, the printed textbooks have long been criticised for being bundled with other teaching materials, resulting in their high prices and market distortion. Against this background, the Task Force chaired by the Under Secretary for Education was set up in June 2011 to review and examine issues arising from the policy of debundling textbooks and learning/teaching materials for pricing, in particular the operation of the RTL as well as other measures concerning the supply of learning and teaching materials with a view to ensuring the provision of quality and value-for-money learning and teaching materials.

Education Bureau
May 2012

**Major terms and conditions applicable to the two types of Applicants
under EMADS**

	Non-profit making organisations	Other organisations/companies
Funding support	Seeding grant at 50% of the development cost or around \$4 million, whichever is less, will be provided.	No seeding grant will be provided
Duration of contract with the Government	Six years from the date of execution of the contract or until 31 August 2018, whichever is earlier.	Four years from the date of execution of the contract or until 31 August 2016, whichever is earlier.
Deliverables	Shall grant a licence to the Government to use the deliverables for internal reference and professional development activities or seminars organised or commissioned by the Education Bureau.	
	Shall provide a specified number of free e-textbooks (accounts and server versions) to specified recipient groups such as schools, the Education Bureau and the public reference libraries in Hong Kong.	Not applicable
Updating of e-textbook	Applicants shall bear the updating responsibilities and associated costs during the contract period.	
Intellectual Property Rights (IPR)	The IPR of the e-textbook and the underlying works (except for those underlying works incorporated in the e-textbook the IPR of which belongs to a third party (“third party underlying works”)) will be owned by the Applicants. A “first charge” will be imposed on the Applicants’ title, rights and interests of the IPR of the e-textbook during the contract period. Upon occurrence of a breach of the contract or the charge, the charge will entitle the Government to enforce, take possession of, hold or dispose of the charged IPR and/or licence.	
