Finance Committee of the Legislative Council

Minutes of the 8th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 24 November 2017, at 3:15 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNGL Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho

**Members absent:**

Hon Tommy CHEUNG Yu-yan, GBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon SHIU Ka-fai
Public officers attending:

Ms Alice LAU Yim, JP  Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP  Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG  Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Eugene FUNG Kin-yip, JP  Deputy Secretary for Food and Health (Food)2
Mr Kenneth CHAN Siu-yum  Principal Assistant Secretary for Food and Health (Food)1
Dr Christine WONG Wang  Assistant Director of Food and Environmental Hygiene (Food Surveillance and Control)
Dr David CHUNG Wai-keung, JP  Under Secretary for Innovation and Technology
Ir Allen YEUNG, JP  Government Chief Information Officer
Mr Victor LAM Wai-kiu, JP  Deputy Government Chief Information Officer (Infrastructure and Operations)
Mr Vinci CHOU Kai-ming  Chief Systems Manager (Common Services), Office of the Government Chief Information Officer

Clerk in attendance:

Ms Anita SIT  Assistant Secretary General 1

Staff in attendance:

Ms Ada LAU  Senior Council Secretary(1)7
Mr Raymond SZETO  Council Secretary (1)5
Miss Queenie LAM  Senior Legislative Assistant (1)2
Mr Frankie WOO  Senior Legislative Assistant (1)3
Miss Yannes HO  Legislative Assistant (1)6
The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

Item No. 1 — FCR(2017-18)17
RECOMMENDATION OF THE ESTABLISHMENT SUBCOMMITTEE MADE ON 25 APRIL 2017

EC(2016-17)25
Head 139 —GOVERNMENT SECRETARIAT: FOOD AND HEALTH BUREAU (FOOD BRANCH)
Subhead 000—Operational expenses

Head 49 —FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT
Subhead 000—Operational expenses

2. The Chairman said that this item sought approval from the Finance Committee ("FC") of the recommendation of the Establishment Subcommittee ("ESC") made at its meeting held on 25 April 2017 (Paper No. EC(2016-17)25), i.e. creation of the following supernumerary posts upon the approval of FC:

(a) one Senior Principal Executive Officer ("SPEO") (D2) post, to be designated as Principal Assistant Secretary (Food) Special Duties ("PAS(F)SD"), for two and a half years in the Food Branch of the Food and Health Bureau ("FHB") to strengthen the directorate support to carry out various new policy and legislative initiatives on food safety; and

(b) one SPEO (D2) post, to be designated as Senior Principal Executive Officer (Corporate and System Management) ("SPEO(CSM)"), for about seven years up to 31 March 2024 in the Centre for Food Safety ("CFS") of the Food and Environmental Hygiene Department ("FEHD") to head the new Corporate and System Management Division.

3. The Chairman said that ESC had discussed the proposal concerned at three meetings, spending about two hours and 30 minutes on the deliberation. The Administration had also provided a number of information papers at members' requests.
Proposed creation of the PAS(F)SD post

4. Regarding the abusive use of antibiotics in animals and food animals as well as the Administration's proposal to enact legislation by 2019 to make it a mandatory requirement that the use of antibiotics in food animals had to be prescribed by veterinary surgeons, Dr Pierre CHAN asked about the Administration's communication with the agricultural and fisheries sector and veterinary surgeons, as well as the progress of and timetable for implementing the legislative proposal. Dr CHAN and Ms Claudia MO also enquired how the proposed post would facilitate the promotion of the aforesaid tasks, and enhance the inspection, enforcement and operation workflow against illegal use of antibiotics. Ms MO suggested more stringent inspection of food animals imported from the Mainland. She enquired about the division of work between the Agriculture, Fisheries and Conservation Department ("AFCD") and CFS in combating the abusive use of antibiotics. Mr Steven HO advised that Hong Kong had established a comprehensive system regulating how antibiotics were used in livestock farms. It might be necessary for the Administration to consider deploying more manpower to regulate the abusive use of antibiotics in some other aspects, including improper uses by humans. He requested the Administration to provide reports setting out the areas of work on which Hong Kong should focus in tackling the abusive use of antibiotics. Mr HO also asked whether the scope of responsibilities of the proposed post included enhancing the coordination with the Mainland and the other countries in formulating the testing standards and methods for food safety purpose.

5. Deputy Secretary for Food and Health (Food) 2 ("DSFH(F)2") responded that FHB had set up a High Level Steering Committee on Antimicrobial Resistance to study the problem of antimicrobial resistance. A three-pronged action plan under the "One-Health" framework had been implemented, recommending actions to be taken on the use of antibiotics in livestock farming and on the limits of antibiotics in food, in addition to actions to be taken on monitoring human consumption of antibiotics. AFCD would be responsible for the enforcement work, while CFS and the Health Branch would assist in investigation. The Administration was taking forward the plan as scheduled. Data on the use of antibiotics gathered by different departments through surveys would be forwarded to a centralized scheme for inspection and testing. The Administration would submit a report on the key areas to be tackled upon completion of the five-year action plan. Principal Assistant Secretary for Food and Health (Food)1 ("PASFH(F)1") would continue to be responsible for enhancing the Government's coordination with the Mainland and the other countries in formulating food testing standards and methods.
6. **DSFH(F)2** and **PASFH(F)1** added that enforcement against abusive use of antibiotics in livestock farming and excessive antibiotics in food was carried out by government departments through inter-departmental cooperation where different departments were empowered by the relevant legislation to perform their respective enforcement duties. **AFCD** was responsible for monitoring the use of medication by farmers in food animals which was subject to regulation by the relevant legislation, while **CFS** would conduct sample checks of food animals imported from the Mainland, such as livestock, and collect samples of slaughtered food animals at the import, wholesale and retail levels, regardless of the origin of these animals, through its food surveillance programme and test for existence of harmful substances. **Assistant Director of Food and Environmental Hygiene (Food Surveillance and Control)** ("**AD(FSC)/FEHD**") added that **FHB** would carry out enforcement work jointly with other departments. If animals were found sick, veterinary surgeons would check and decide whether it was necessary to use antibiotics. **CFS** would also, from time to time, test imported food animals for veterinary drug residues, antibiotics, etc.

7. **Mr CHAN Chun-ying** enquired that, further to the measure of conducting sampling tests on formula products for infants and young children as a result of the incident of tainted formula powder in 2013, whether the Administration had initiated any checks of these products again in the past four years. Regarding issues relating to the regulation of genetically modified food and online trading of food, **Mr CHAN** asked about the timetable for taking forward these initiatives after creation of the proposed post and whether the duration of the proposed post should be extended.

8. **AD(FSC)/FEHD** responded that **CFS** had recently included formula powder as food products subject to routine checks and would disclose the relevant food surveillance results in the **Food Safety Reports** published each month. It would also publicize the formula products that were found to be substandard. As for the regulation of genetically modified food and organic food, **DSFH(F)2** added that the proposed post would make reference to overseas experience and look into the related issues in two and a half years. Since the proposed post would be responsible for several one-off projects, the Administration would, after the creation of the proposed post, review the necessity of extending the duration of the post.
9. Noting from Enclosure 3 to EC(2016-17)25 that the responsibilities of the proposed post included reviewing and formulating proposals for enhancing regulatory arrangements on food safety, in view of e-commerce trends and activities, Mr CHAN Chi-chuen enquired whether the scope of such responsibility covered the studies on regulation of online food trading by legislative means. If so, he would like to know what the legislative timetable was, whether the duration of proposed post was sufficiently long to sustain and complete the relevant tasks, and whether a review report would be submitted upon the completion of all relevant tasks. Mr CHAN also expressed concern about the prioritization of jobs for the proposed post, the possibility of overlapping of duties between the proposed post and the existing PASFH(F)1, as well as the food safety issues that would be regulated through legislative means.

10. In response, DSFH(F)2 advised that one of the duties of the proposed post was to review e-commerce activities and the licensing regime for online food trading, and to complete, within two and a half years, a study on the need for imposing legislative controls in this respect. The proposed post would also be responsible for updating the standards for mycotoxins in foods, conducting public consultation on the genetically modified food policies and drawing up proposals to regulate the safety standards of edible fats and oils. In view of the above, the proposed post and PASFH(F)1 would take up different duties. As for the regulatory arrangements, it might not be necessary to exercise regulatory control through legislative means, as the existing regime could be enhanced to impose more stringent controls. Work in this respect had been reported to the Panel on Food Safety and Environmental Hygiene ("FSEH Panel") from time to time since the introduction of a new set of permits for regulation of operators selling restricted foods online. The Administration would also brief the Legislative Council ("LegCo") in a timely manner on the progress made in other areas of work.

11. Mr LEUNG Che-cheung enquired whether the proposal to expand the civil service as indicated by the Chief Executive ("CE") in her Policy Address covered the proposed posts. DSFH(F)2 responded that the proposed creation of these two supernumerary posts was not included in the proposal to expand the civil service announced by CE in the 2017 Policy Address. While expressing support for the proposal, Mr LEUNG asked why FEHD had proposed the creation of a supernumerary post, instead of a permanent post, to undertake the duty of reviewing its policy on food safety, including overseeing and managing the sporadic outbreaks of major food incidents. DSFH(F)2 responded that PASFH(F)1 of the Food Branch was responsible for handling food safety issues. At the moment,
there was a need for FHB to engage additional manpower to handle special topical issues. When the projects were finished, PASFH(F)1 would continue to take up issues relating to food safety.

12. Referring to the eight recommendations made by the Office of The Ombudsman in the report entitled "Food and Environmental Hygiene Department's System of Safety Control for Imported Fruits and Vegetables" published in November 2017 ("the Report"), Dr Helena WONG asked about the follow-up measures taken by the Administration, whether "lotus roots" and "bean sprouts" would be included in Schedule 1 to the Pesticide Residues in Food Regulation (Cap. 132CM), how the food safety surveillance arrangements for food imported by sea would be tightened, and whether the proposed post would be responsible for benchmarking the levels of pesticide residues in food and formulating the relevant legislation. She also asked why formal samples were taken only at the Man Kam To Food Control Office ("MKTFCO"), as well as whether the Administration could increase the number of formal samples taken, streamline the prosecution process, shorten the time required for completing food tests and embark on the use of quick tests.

13. Dr KWOK Ka-ki was concerned that the sampling tests for imported fruits and vegetables conducted at MKTFCO were sloppy. He asked whether the creation of the proposed post could ensure that tests for harmful substances and/or heavy metals in fruits and vegetables would be performed in an effective manner, and how such creation could strengthen law enforcement. Dr Fernando CHEUNG was concerned about the inadequacies of CFS in inspecting and testing fruits and vegetables imported by sea and via land routes as set out in the Report. He enquired about the specific measures in place to improve the inspection and testing of imported fruits and vegetables, and whether the proposed post would be responsible for taking forward such improvement measures. He also asked how the Administration could ensure that the staff employed by contractors would follow the Administration's instructions in conducting sampling tests for fruits and vegetables. Noting from the Report that the Government Laboratory ("GL") generally could complete food testing within 19 working days, Dr KWOK and Dr CHEUNG asked whether the Administration would allocate more resources to shorten the time required for completing the food tests, and requested the Administration to provide written supplementary information on the specific follow-up measures taken by the Administration in the light of the eight recommendations made in the Report and their implementation timetable.
[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC114/17-18(01) on 19 January 2018.]

14. **DSFH(F)2 and AD(FSC)/FEHD** responded that:

(a) the Administration had worked on two recommendations in the Report, and would follow up on other recommendations on an ongoing basis. The Administration would also issue guidelines to MKTFCO officers regarding inspection and testing of imported fruits and vegetables to facilitate the conduct of random sampling of fruits and vegetables in different storage compartments of lorries. In order to implement the procedures more effectively, and having regard to the traffic flow in areas near MKTFCO, CFS would schedule trial runs after the guidelines had been drafted so as to assess the impact of the new procedures on the traffic flow;

(b) the Administration would install cameras at MKTFCO to enhance deterrent effect against uncooperative lorry drivers and collect evidence to facilitate enforcement;

(c) the Administration would communicate with the main place of origin for imported food, and adopt the risk-based and control-at-source principles in carrying out inspection and testing at the import, wholesale and retail levels. Also, more imported fruit and vegetable samples would be taken at MKTFCO for checking. The reason why it took 19 working days to complete laboratory tests was that the consignments of fruits and vegetables subject to testing were food with lower risks. The time required to complete the tests could be shortened to two to three days when necessary. The Administration would discuss further with GL with a view to shortening the time for laboratory tests as far as possible. Also, quick tests were currently available on-site at MKTFCO on an ongoing basis;

(d) since more resources were involved in taking formal samples, the Administration adopted the risk-based principle in taking formal samples from fruits and vegetables imported via sea, land and air when it was satisfied that there was reasonable suspicion;
(e) the Administration would expand the sample size of imported fruits and vegetables taken at MKTFCO per year by 100%, and would continue to enhance inspection and testing of fruits and vegetables imported via MKTFCO in response to the recommendations set out in the report;

(f) as for inspection and testing of food imported by sea, the Administration had worked with the Customs and Excise Department ("C&ED") to exercise more stringent inspection and testing at the Kwai Chung Container Terminal, and arranged trial runs by assigning CFS officers to conduct sampling checks at importers' cold storages;

(g) given that the Codex Alimentarius Commission had classified "lotus roots" and "bean sprouts" into "Root and Tuber Vegetables" and "Leafy Vegetables" respectively, the Administration had no objection in principle to make corresponding amendment to Hong Kong's relevant regulations;

(h) PASFH(F)1, a permanent post, would be responsible for benchmarking the levels of pesticide residues in food, formulating relevant legislation, and overseeing food safety issues (including the levels of harmful substances and/or heavy metals in food); and

(i) with the completion of the public consultation exercise on updating the proposed maximum permitted concentrations for various metallic contaminants as stipulated in the Food Adulteration (Metallic Contamination) Regulations (Cap. 132V), the Administration would brief the FSEH Panel on the outcomes in early 2018 and gradually review the legislations relating to other food safety issues.
15. Mr Jeremy TAM expressed concern about the role to be assumed by the proposed post in the Committee on Reduction of Salt and Sugar in Food ("CRSS"). He asked whether the Administration would consider requiring prepackaged drinks with high sugar content to carry food labels, and whether automatic vending machines selling drinks with low sugar content would be introduced. Raising similar enquiries, Mr CHU Hoi-dick suggested that the Administration should work with the other departments (such as the Environmental Protection Department ("EPD")) for provision of more drinking fountains in government buildings so that members of the public might reduce consumption of drinks with high sugar content. Dr CHIANG Lai-wan also expressed concern about the sugar, salt and flavour enhancer content in food, and suggested that joint efforts between the Administration and schools should be made to promote healthy food.

16. DSFH(F)2 responded that CRSS was an advisory committee. The proposed post would be responsible for providing secretarial support to CRSS. The Administration and CRSS had jointly launched a low-salt-low-sugar/no-salt-no-sugar label scheme for prepackaged food products (including drinks) to help people reduce their dietary intake of salt and sugar. Given that there was no statutory definition for food with "high salt content" and "high sugar content", the Administration would examine the effectiveness of the above label scheme and consider the other recommendations made by CRSS.

17. Mr CHU Hoi-dick enquired about the specific timetable for introducing a legislative proposal to regulate waste cooking oils and the issue of a set of guidelines on the maximum number of times edible oils could be reused before disposal. DSFH(F)2 responded that EPD had compiled a list of local recyclers engaged in waste cooking oil recycling. FEHD would work with EPD and request licensed food premises and factories to pass their waste cooking oils to the recyclers concerned. As for the guidelines on the maximum number of times edible oils could be reused before disposal, the Administration had just commissioned the relevant consultancy studies and surveys, and would brief the relevant LegCo Panel(s) on the outcomes upon completion of the studies and surveys.
Proposed creation of the SPEO(CSM) post

Proposed duration of the post

18. While expressing support for the creation of the proposed post, Dr Helena WONG suggested that the Administration should thoroughly consider adopting a two-phased approach in creating the proposed post (i.e. three years plus four years) and conducting a mid-term review, so that LegCo would be informed of the work progress during the mid-term review. Mr CHAN Chi-chuen made similar suggestions. Dr WONG also requested the Administration to expeditiously brief the relevant LegCo Panel(s) on the work arrangements to upgrade the IT systems, and how to work with C&ED in making use of its Trade Single Window ("SW") to facilitate trade declaration and customs clearance in relation to import and export of food products, as well as to enhance the traceability arrangement. Dr WONG also enquired whether the Administration would enable a tracking function for imported Chinese medicine and Chinese herbal medicine as well when upgrading the IT systems.

19. DSFH(F)2 responded that the duration of the proposed post was set at seven years to upgrade several sets of existing IT systems in CFS. The proposed post was expected to examine the IT systems and workflow of CFS in the first 12 months of its duration. The Administration would brief the relevant LegCo Panel(s) on the work progress one year after the creation of the proposed post at the very latest. Since Chinese medicine and Chinese herbal medicine were subject to a separate regulatory regime, the Administration could not, in the IT systems concerned, create a tracking function for this purpose. However, the Administration would discuss with the Department of Health ("DH") to consider taking forward the suggested arrangement under DH's purview. Mr CHAN Chi-chuen requested the Administration to submit a report, addressed to the relevant LegCo Panel(s) and copied to the FC Chairman, within a year after the creation of the proposed post, setting out its work objectives for each year, its work schedule and the estimated expenditure for IT system upgrade.
Update of the IT Systems

20. Mr James TO enquired about the functions of the IT Systems after system upgrade. DSFH(F)2 responded that, in the process of overhauling the existing IT systems and re-engineering the business process of CFS, the proposed post would enhance CFS's food import regulatory and food surveillance functions, and would explore the collection of more comprehensive information on food imports so as to strengthen CFS's ability on risk profiling and food tracing, thereby enhancing CFS's backend IT systems for future interface with SW. Mr TO asked whether an SPEO would be fit for the proposed post since update of CFS's IT Systems was a professional IT project involving the policies to enhance the regulatory and monitoring regime for imported food. DSFH(F)2 responded that the proposed post would be supported by a team comprising Analysts/Programmers, Executive Officers and frontline Health Inspectors, for the purpose of considering and evaluating various needs that might arise in the relevant workflows. The proposed post should be filled by a person with strong leadership skills to lead the whole team, and it was appropriate to appoint an SPEO to take up the post.

21. Regarding food surveillance data, Mr CHU Hoi-dick enquired whether the proposed post could consolidate and share such data with the public in a more integrated manner. He also asked whether the Administration had established any common interface for sharing food safety data with the food safety authorities of various places in East Asia, in particular the latest situation of data sharing in relation to food radiation testing results. He also requested the Administration to provide written supplementary information on further details of food radiation testing, including the detailed procedures, devices, sampling methods and records involved.

22. DSFH(F)2 responded that there would be substantial progress in terms of data analysis and data management after the overhaul of CFS's IT Systems. CFS would continue to keep in touch and share information with the food safety authorities of different places. According to its food surveillance programme, CFS would publish the unsatisfactory cases after food testing. It would also make public the test results of individual food groups annually. The Administration would provide supplementary information on food radiation testing after the meeting. Mr CHU Hoi-dick suggested that the Administration should consolidate the food test data in a more user-friendly manner to facilitate perusal and easy comparison by the public. Mr Charles Peter MOK suggested that the Administration should make public and upload the food test data on the government database data.gov.hk for the reference of the public.
23. Dr Fernando CHEUNG enquired whether CFS's new system would be connected with the digital platform of SW in a timely manner, as well as how it would assist CFS in managing food safety. He also asked about the progress of developing SW. In response, DSFH(F)2 said that SW would enable full-scale digitization of trade declaration documents for food imports. Since SW would be launched in around 2023, update of CFS's IT Systems must be completed by that time to connect with the digital platform of SW in a timely manner so that CFS could capture information on food imports and trace imported food with unsatisfactory test results.

24. Ms Claudia MO enquired why the IT Systems of CFS had to be overhauled. DSFH(F)2 responded that as the IT Systems of CFS were developed at different times, the problem of convergence among different systems had necessitated an overhaul of all IT systems. While the operation of the existing systems would not affect CFS's risk profiling work, it was necessary to enhance the efficiency.

25. At 4:51 pm, the Chairman invited members to press the buttons to indicate their intention to speak for the last round. The meeting was suspended at 5:17 pm and resumed at 5:27 pm.

Voting on FCR(2017-18)17

26. At 5:29 pm, there being no further questions from members, the Chairman immediately put the item to vote. The Chairman declared that he thought the majority of the members present and voting were in favour of the item. The item was approved.

Item No. 2 — FCR(2017-18)9
CAPITAL WORKS RESERVE FUND

HEAD 710 — COMPUTERISATION
Office of the Government Chief Information Officer
New Subhead — "Centrally Managed Messaging Platform"

27. The Chairman said that this item invited FC to approve the creation of a new commitment of $252.21 million for developing and implementing a Centrally Managed Messaging Platform ("CMMP") in the Government. The Innovation and Technology Bureau consulted the LegCo Panel on Information Technology and Broadcasting ("ITB Panel") on this item on 13 March 2017.
28. **The Chairman** invited Mr Charles Peter MOK, Chairman of the ITB Panel, to report to members the deliberation of the ITB Panel on this item. Mr MOK advised that the ITB Panel had no objection to the Administration seeking FC's approval for the funding proposal. Raising enquiries about energy conservation, economy of scale and the level of savings that could be achieved through installing CMMP, members of the ITB Panel had suggested that the Administration should extend the new system to the other government departments at the earliest opportunity. In addition, some members advised that CMMP should be implemented to enhance communication between the community and the Administration. Members also expressed concern about the improvement measures to be introduced by the Administration to enhance system security in CMMP. The Administration advised that as CMMP would centralize the administration of email systems of different bureaux and departments, any system maintenance and security enhancements could be implemented centrally and in a timely and integrated manner.

### The cost breakdown and estimated cash flow requirements of the project

29. Noting that paragraph 16 of FCR(2017-18)9 had set out the indicative cost breakdown of the item from 2017-2018 to 2020-2021, Mr Jeremy TAM asked why the costs of a number of items (hardware, software, implementation services, training, etc.) in 2018-2019 were either zero or lower than those in other years. **Deputy Government Chief Information Officer (Infrastructure and Operations)** ("DGCIO(I&O)") responded that cash flow was required in 2017-2018 due to payments to vendors arising from purchases of hardware and software. In 2018-2019, payments would not be made to contractors since certain hardware and software would be awaiting acceptance inspection by that time. Subsequently, it was anticipated that there would be cash flow requirements in 2019-2020 since the contractors would be paid after completing the acceptance inspection. In respect of training, it was expected that no training expenditure would be incurred as only a small number of departments would implement CMMP in 2018-2019.
Expected benefits

Impact of the project on staffing

30. Given that after the implementation of CMMP, the technical and maintenance staff in charge of the old email systems originally scattered among various departments would be pooled under one roof, Mr YIU Si-wing asked whether the Administration would reduce the total number of these technical staff, and if so, what the job arrangements were for the staff members to be cut from the establishment. Mr YIU also enquired whether the workload of technical staff and departmental budgets would be reduced as a result of the reduced use of hardware after the implementation of CMMP, as well as how departmental budgets would be accordingly revised. He also expressed concern about the timetable for system transition.

31. In response, DGCIO(I&O) advised that there were a total of 10 IT staff working on the support and administration of the existing email systems. The Office of the Government Chief Information Officer ("OGCIO") would internally redeploy a total of 120 man-months of IT staff per year to operate CMMP. It would not reduce the number of staff of OGCIO after all. OGCIO would also liaise with various departments to internally re-allocate government resources through inter-departmental cooperation to provide system support and administration, entailing a recurrent staff cost of $7.1 million per annum. With the reduced use of hardware after the implementation of CMMP, it would become more complicated to manage hardware centrally. As a result, the workload of technical staff might not be reduced. On the whole, government expenditure would not increase as a result of the project. The Administration would seek to work for a smooth transition by making various pre-CMMP transition arrangements (including financial arrangements) with different departments.

32. Ms Claudia MO noted from paragraph 13 of FCR(2017-18)9 that the implementation of CMMP would bring about approximately $28 million cost savings per annum from 2021-2022 onwards, including savings of about $18 million on staff cost for supporting the current email systems. She asked whether this meant that a significant staff cut would be resulted given the substantial amount of savings on staff cost. DGCIO(I&O) responded that extensive lay-off would not be effected. This was simply an accounting presentation setting out separately the cost savings and expected costs, in order to increase transparency. There was actually no net change in the staff cost because future savings arising from
implementation of the new system were the same as the staff cost for supporting the existing system. A detailed analysis of the staff cost and savings concerned was set out in Enclosure 2 to FCR(2017-18)9. Ms MO considered it confusing and inappropriate to present the savings on staff cost in this way.

Expected cost savings

33. Noting from paragraph 13 of FCR(2017-18)9 the estimated amount of cost savings and/or cost avoidance to be brought about by implementing CMMP, Mr KWONG Chun-yu asked the Administration to explain the areas in respect of which cost savings/avoidance would be achieved. He also said that the existing decentralized email system and the distributed servers provided certain replacement and backup functions, while CMMP was a system with service availability of up to 99.95%. He enquired whether cost savings could be achieved by reducing the number of servers, how CMMP system security could be enhanced, and about the total amount of costs savings per annum that could be achieved after the implementation of CMMP.

34. DGCIO(I&O) responded that:

(a) the amounts set out in paragraph 13(a) were the cost savings to be brought about by the implementation of CMMP, i.e. the current expenditure per annum incurred by 22 bureaux/departments ("B/Ds") on server maintenance and staff costs for supporting the existing systems;

(b) paragraph 13(b) set out the cost avoidance of $6 million per annum after the implementation of CMMP, i.e. the amount which would otherwise be incurred if the existing system continued to be used with enhanced functions provided by the new system;

(c) paragraph 14 set out the expenditure of about $230 million per annum on upgrading the existing email systems, it was therefore more cost-effective to implement CMMP;

(d) the new system was different from the existing one in terms of its service availability and information security stability. Replacement of hardware and software might sometimes be necessary due to damages. The service availability of up to 99.95% represented a monthly downtime of not more than 0.05%, which meant that the system would not be out of service for more than 22 minutes; and
(e) Enclosure 2 to FCR(2017-18)9 set out the net cumulative savings, after implementation of CMMP, for 2025-2026 and 2026-2027, which were about $10.23 million and $17.89 million respectively.

Tender arrangements and terms

35. Mr CHAN Chi-chuen said that the Administration commissioned a consultancy study in 2016 on the feasibility of CMMP development. He asked whether the feasibility study conducted by the consultant, Hewlett-Packard (HKSAR) Limited ("HPHK"), covered projection of the price and estimated costs and if so, whether HPHK was eligible to bid for the contracts for CMMP development and operation, and how the Administration could ensure that HPHK would not over-estimate the project development and operation costs. Mr CHAN also advised that the Government might encounter unexpected difficulties in the course of procurement, thereby causing project delays and cost overruns. He asked whether the relevant costs were recoverable from the company responsible for system development or from the consultant conducting the feasibility study in the event that the Administration was unable to achieve the cost savings of $27.95 million per annum from 2021-2022 onwards as stated in paragraph 13 of FCR(2017-18)9, or if the annual recurrent expenditure arising from the project exceeded the amount stated in paragraph 26 of FCR(2017-18)9 (about $13.19 million).

36. In response, DGCIO(I&O) said that the consultancy study covered projection of the price and estimated costs for development of the new system, and it had been stipulated in the tender document that the consultant, namely HPHK, was restricted from bidding for the project. While the Administration had included in its annual budget a small sum of money for contingency purposes, it did not stipulate in the tender document that the unachievable cost savings were recoverable from the consultant. The Administration would try to lower the cost of the new system as far as possible and maximize cost savings. There were two solutions available in case the tender price for the project exceeded the budgeted costs. The first option was to re-tender the contract so as to keep the costs of system development within budget. If the first option was not viable, the Administration would seek FC's approval for supplementary provision. If the maintenance costs rocketed beyond the budgeted level in future, the excess costs would be borne by the Government.
Mr Charles Peter MOK expressed support for the proposal. He said that Government IT projects experienced cost overruns on extremely rare occasions because the Administration usually awarded contracts based on the principle of "lowest bid wins" and might even ask the contractors to provide additional services halfway through the contract period. He considered that there was a big difference between government IT projects and public works projects in terms of contractors' responsibilities for delays, i.e. expenditures arising from delays in public works projects were borne by the Government while expenditures arising from delays in IT projects were shouldered by the contractors. This was unfair to the IT industry. He enquired whether the tender document for CMMP carried provisions on unlimited liability, a requirement that had been put in place since 2016, and about the price and quality criteria weightings for the evaluation of tenders for CMMP. DGCIO(I&O) responded that the tender document for CMMP included provisions on unlimited liability, and tender price would be the sole criterion in tender evaluation as the quality of tenders must comply with the requirements set out in the tender document before they could be further considered.

Mr Michael TIEN expressed concern as to whether seamless transition from the existing system to CMMP was possible. He enquired whether the contract had set out penalty terms for an underperformed contractor, such as an underperformed service availability of below 99.95% or failure to resume service in 10 minutes when security attacks took place. DGCIO(I&O) responded that under the contract, OGCIO would require the contractor to provide monthly service reports, and fines would be imposed if service availability could not be kept at the level of 99.95%. If the contractors, without reasonable grounds or improvement plans, had failed to maintain its service availability at the promised level for three consecutive months, the Administration had the right to terminate the contract prematurely. Mr James TO considered that the Government should, before inclusion of the relevant terms in the contract, consider carefully the impact of such terms on the contractors' participation in the tender exercise for developing the Government's communications systems.

Mr Charles Peter MOK also said that the tender document for CMMP requested tenderers to provide their track records in system development, including whether their systems were used by sizable corporations. As a result, it was difficult for local companies to participate in the tender exercise. He enquired whether the Administration could ensure that requests for track records in the tender document were reasonable requirements which would not prevent small companies or enterprises from participating in the tender exercise.
40. The Government Chief Information Officer ("GCIO") responded that the Administration had taken into account the following factors when contemplating the system design:

(a) the overall benefits and security of the system, and the necessary function of handling emails of different classifications in one single mailbox;

(b) the tender exercise would be conducted in a fair, open and equitable manner; and

(c) the future development needs of the system.

DGCI0(I&O) supplemented that the Administration had considered using the existing Government Private Cloud Platform to support the development of CMMP. However, since the existing "private clouds" service environment with "IaaS" service required heavy investment to support CMMP, it would be more cost-effective to buy a brand new system. Moreover, the new cloud system with "IaaS", "PaaS" and "SaaS" services, once in operation, would enable connections with the other cloud systems, including the existing cloud system of the Government and the future "public cloud" and "private cloud" systems. The Administration considered that, at the moment, it would be most cost-effective to handle all the tasks via one single communication system.

Measures for transition to CMMP

41. Noting from paragraph 16 of FCR(2017-18)9 the respective indicative training cost in each year over a period of four financial years, Dr CHENG Chung-tai asked the Administration to explain whether the total expenditure of more than $40 million to be spent on training over a period of four financial years was adequate, given that over 10,000 staff members would have to use CMMP, and it would be difficult for such a large number of staff members to learn how to use a brand new system. He also asked whether it was reasonable and feasible to provide a period of about two years for transition from the existing email systems to CMMP. He requested the Administration to provide a detailed training timetable for this purpose, and to explain how it could ensure that the entire existing email system could be smoothly migrated to CMMP. Mr Charles Peter MOK considered that the staff members should not have much difficulty in learning how to use CMMP.
42. **DGCIO(I&O)** responded that the Administration would set up a steering committee chaired by him to steer the development of CMMP, and a number of subcommittees would be formed under the steering committee to implement CMMP in the respective departments concerned. Implementation of CMMP would be carried out in phases, and a trial run would first be conducted in two B/Ds. When the difficulties associated with the implementation of CMMP had been overcome, the Administration would further implement the system in other departments. Regarding staff training, the Administration would, instead of providing training to individual staff members at the same time, train up a group of trainers by familiarizing them with the operation of CMMP. These trainers would then provide training to staff members in their respective departments or training groups. Also, a central support team would be set up with service hotlines available to provide technical support to individual staff members.

**CMMP functions**

43. Mr WU Chi-wai enquired whether, apart from email system update, the Administration would consider centralizing the administration of the other systems in use by the Government as well, such as word processing and network systems. Noting from paragraphs 11 and 12 of FCR(2017-18)9 that CMMP would initially be implemented in 22 B/Ds located in the Central Government Offices and be gradually expanded to cover government departments in other locations, Mr WU asked about the technical specifications for CMMP drawn up by the Administration based on the current needs of different departments, and the timetable for implementing CMMP in other government departments.

44. **DGCIO(I&O)** responded that, apart from the main function of email communication, CMMP had some other collaborative functions such as compatibility with a series of collaboration tools, including unified communication and file sharing, and full support for mobile instant messaging ("IM"). To enable implementation of CMMP in other government departments, it was necessary to use some other hardware and buy certain licences. There were some alternative collaborative tools available for use by departments for better economies of scale. As for the technical specifications for CMMP, the Administration created 10-odd separate mini systems under CMMP, including email system, mobile email, IM, email directory, digital certificate management, email conversion and infrastructure system. In addition, CMMP operation involved the use of the existing confidential email systems and the existing email systems of different departments.
45. Dr Fernando CHEUNG and Ms Claudia MO pointed out that the development of CMMP should achieve the purpose of enhancing communication between the public and the Government since this involved the use of public funds for provision of public services. Dr CHEUNG requested that when CMMP was launched in all 22 B/Ds, the official email addresses of all the bureau officials concerned be made public to enhance communication and information transparency. He also looked forward to including in the new system the function of intercepting junk mails. Mr Holden CHOW said that the Prime Minister's Office of the United Kingdom had made public its official email address as well, with a note stating that people might not get a response since the office was handling a large amount of emails. He suggested that the Government could make reference to this practice if it was worried about receiving a large amount of emails.

46. DGCIO(I&O) responded that email system revamp was technically unrelated to the question of whether or not government officials' email addresses were made public, but CMMP was capable of further intercepting junk mails. The Administration would relay Members' suggestions to the bureaux concerned via appropriate channels. Under Secretary for Innovation and Technology supplemented that B/D officials' email addresses were readily available in the public domain to facilitate correspondence and communication. Given the large amount of emails to be handled by bureaux every day and the inadequate capacity of the existing system, the Administration expected that system update would bring about new functions which could facilitate the everyday work of bureaux.

Implementation timetable

47. Noting that CMMP would initially be implemented in 22 B/Ds and be gradually expanded to other government departments, Mr Jeremy TAM asked whether the system would require further updates when the Administration implemented CMMP in other government departments after about four years. Dr Elizabeth QUAT expressed similar concerns. Mr WU Chi-wai enquired about the measures in place to ensure that the hardware and software concerned would not become outdated upon the delivery of CMMP, and whether the new system was compatible with the existing systems which were rather archaic, such as Windows 7.
48. DGCIO(I&O) advised that CMMP would first be implemented in 22 B/Ds. The Administration would conduct a post-implementation review and examine whether the new system would be implemented in other departments. If so, the Administration would seek funding approval from FC. As for system updates, these systems could generally be used for 5 to 10 years, and would require system updates after having been used for a certain period of time. Since CMMP was a system connecting different government departments, the Administration would have to update the system before further extending the use of CMMP to other departments, and timely updates would also be made thereafter. Regarding measures to ensure that both the software and hardware were up-to-date, the Administration would stipulate in the contract that, if the software and hardware had become outdated upon delivery of the system, the Administration might request the contractors to provide the most up-to-date software and hardware without additional charges. Nowadays, new systems were designed with layered architecture and simple connection interfaces, basically compatible with different systems, including such old systems as Windows 7.

49. Given that the Government's existing internal email systems were too old without adequate encryption protection, Dr Elizabeth QUAT expressed support for expeditiously revamping the old systems and extending CMMP to other government departments. She enquired whether the Administration could simultaneously implement CMMP in government departments other than the 22 B/Ds under its implementation plan. She also enquired how to ensure the older hardware currently used by different department would work with CMMP after the system revamp, in particular those departments where not all staff members were each assigned a personal computer ("PC"). She suggested that the Administration should comprehensively review the software and hardware needs of all departments, and provide full support for them in using the new system for the purpose of enhancing their communication efficiency with the public.

50. GCIO responded that when CMMP was installed in the first batch of B/Ds, the software for the old systems would be simultaneously migrated to CMMP. When CMMP was to be implemented in the subsequent batches of B/Ds, this migration step could be dispensed with, thereby saving time and enhancing efficiency. DGCIO(I&O) supplemented that the assignment of PCs for use by individual staff members was subject to the operational needs of government departments. Most staff members working in the office were currently each assigned a PC, while field workers might not have PCs for their exclusive use.
51. Mr LEUNG Yiu-chung said that "offices/departments" were usually the frontline units having to communicate with the public directly. Some staff members working in these "offices/departments" had, from time to time, pointed out that they were still using old and slow computers that were installed with outdated computer systems (such as the systems of the Police for crime reports and the systems of the Social Welfare Department for the administration of the Comprehensive Social Security Assistance ("CSSA") Scheme). He asked why CMMP would first be implemented in 22 B/Ds instead of these "offices/departments". He also asked about the time it would take to expand CMMP to other government departments or "offices/departments". Ms Claudia MO enquired about the measures in place to make CMMP free from faults and hacker attacks, and the other back-up measures to ensure security. She also asked which policy bureau, among the 22 B/Ds, would first implement CMMP, and whether departments would use the new system as well.

52. GCIO responded that the Administration did not simply work on system revamp, but had taken into account the need to enhance the security level of the entire system and the overall mode of operation in future. This was why the funding proposal included budgeted expenditures on security upgrade and measures against hacker attacks. When OGCIO contemplated a revamp of the email systems, priority was given to developing and launching CMMP and implementing security upgrades at the level of policy bureaux which had to frequently handle a lot of sensitive information. As for "offices/departments", the use of old and slow computers did not have much to do with the email system update because the "offices/departments" concerned could always exercise their own discretion to replace or update their computer software and hardware to perform everyday work.

53. DGCIO(I&O) supplemented that "offices/departments" might experience problems when running outdated IT systems on new computers. The Administration would update the old computer systems one after another. The new generation crime report system and the CSSA Scheme administration system would be launched next month. It took time to update complicated systems. For example, the Administration had spent two to three years to update the crime report system. CMMP trial run would first be implemented in OGCIO, followed by the first batch of B/Ds. In future, CMMP would apply to all bureaux and departments.
CMMP security issues

54. Mr Holden CHOW said that CMMP would be supported by a centralized server. He was concerned about the system security issues in this respect, and asked whether CMMP would as a result become more vulnerable to hacker attacks. DGCIO(I&O) responded that the main difference between a centralized email system and the decentralized ones was the time it took for system updates. A centralized system would be updated once only while it took time to update the decentralized ones at different times. System updates should be done the earlier the better, as late updates would expose the systems to hacker attacks. As for system security concerning centralized server, a centralized server with higher security level would be more robust against hacker attacks while individual servers under a decentralized system were vulnerable to cyberattacks by hackers who, after successfully hacking into the system of one particular department, would easily initiate attacks on other departments via the network.

55. Mr Charles Peter MOK said that the industry in general supported the implementation of CMMP. He asked whether the Administration could make use of the existing Government Private Cloud Platform instead of separately creating a central cloud platform. He also noted that the Government might prefer creating a private cloud platform for security purposes. However, given that a large portion of the existing "public cloud" services was highly secure offering system development flexibility, and that most of the information accessible to government departments was not highly confidential, he urged the Administration to consider using "public cloud" to support CMMP so that more "public cloud" development companies could participate in the tender exercises. Mr MOK suggested that the Administration should consider making more extensive use of "public cloud" to facilitate mutual compatibility and interface with old systems in tandem with the emergence of new technology. He considered that "public cloud" technology should be the preferred option in future under the Administration's policies.

56. DGCIO(I&O) supplemented that, according to the Administration's detailed review of cloud computing completed this year, "public cloud" should be used in parallel with "private cloud", thereby adopting a "hybrid cloud" approach. Subject to suitable uses, a "hybrid cloud" approach would bring about cost-effectiveness and help ensure good timing for introducing the system. Also, "hybrid cloud" would be used to support the Government's upcoming new generation cloud system. The Administration would submit the proposal for a new cloud platform to FC for consideration next year. Regarding the tender exercises, local small companies or enterprises were not excluded from tendering for the contract
for CMMP. The Administration considered that the tender threshold was appropriate, and that small companies or enterprises might collaborate with large companies or enterprises in the tendering exercise.

57. Mr Charles Peter MOK enquired how the Administration could ensure that the security standards to be adopted for CMMP were the best for use by the Government. He also asked about the data or certification standards to which the Administration would make reference, and the relevant requirements for contractors as set out in the tender document. He also said that as CMMP might be subject to post-implementation defects that were vulnerable to attacks, the contractor would have to rectify the defects and tackle the problems within a short period of time. He asked the Administration about the objective criteria for selecting contractors. Ms Claudia MO enquired about the specific security level of CMMP, and whether, in case of computers of individual staff members being stolen, the centrally managed CMMP system could lock the stolen computers up to avoid leakage of confidential information. Chief Systems Manager (Common Services), OGCIO responded that the security standards to be adopted for CMMP were set out in Annex 2 to the Administration's earlier reply (LC Paper No. FC226/16-17(01)) to Mr CHU Hoi-dick's letter dated 7 July 2017 about the CMMP system design standards in terms of security. Those security standards were recognized by international professional certification institutions.

58. DGCIO(I&O) supplemented that the Administration had made reference to international standards in determining the security standards for CMMP. While achieving the highest level of system security for government email systems, CMMP was also compliant with the standards for handling government confidential information. It processed confidential emails in the centralized server. Individual staff members were unable to download these confidential emails to their own PCs. So, confidential emails would never be disclosed even when the computer was stolen. The Administration had listed the latest industry standards to be adopted for CMMP in Annex 2 to its reply to Mr CHU Hoi-dick's letter, which included "PKCS", "AES", "ECDH", "SHA-2" and so on. These were all international standards set by standards bodies such as "IETF". Regarding how to select contractors, the Administration would conduct a series of tests in detail to ensure that the system was in compliance with the Administration's standards and requirements. It would also invite a third party to carry out security tests. When security loopholes were found, measures would be taken to plug the loopholes first. Further security tests would then be done to ensure that the new system were launched loophole-free. The costs for security tests to be conducted by third parties had been included in the funding proposal.
59. Mr James TO asked whether it would include the disciplinary forces when implementation of CMMP was expanded to cover all government departments in future. If so, he enquired about the measures in place to ensure that confidential emails between the disciplinary forces were well protected, as well as the level of security for confidential information according to international classification standards. In addition, he asked about whether there would be special protection for correspondence among senior government officials in case CCMP was subject to major cyberattacks.

60. DGCIo(I&O) responded that the implementation of CMMP would be expanded in future to cover all government departments, including the disciplinary forces. CMMP could handle confidential information contained in government emails, with an encryption level as high as the international security standard of RSA 2048-bit, which was equivalent to the security standard adopted by the US Department of Defense for confidential information processing. CMMP had also adopted high network security standards. When subject to DDoS attacks, CMMP would block a considerable volume of hacking traffic so long as there were sufficient resources. In the event that attacks could not be stopped, CMMP would suspend operation to prevent leakage of confidential information. Also, the Administration had taken risk management measures in relation to the operation of CMMP. More resources would be allocated when a higher risk was anticipated.

61. Noting that the total number of servers would be reduced from about 320 to some 80 after implementation of CMMP under which administration of all existing systems would be centrally managed by one single cloud system, Dr CHENG Chung-tai expressed concern that certain officers might possess the right of "all-purpose access" to all restricted information of different departments, and it seemed that there were great differences between the overall operation of CMMP and that of the existing systems. Dr CHENG and Mr Holden CHOW asked how the confidentiality of information of various departments could be safeguarded after the implementation of CMMP, as well as the expenditures involved.

62. DGCIo(I&O) responded that different departments would perform their own duties to operate the centrally managed CMMP. They would be responsible for the daily operation of their own staff accounts. As for the "all-purpose access" rights, the Administration had put in place a system of checks and balances to manage the entire system by assigning the access rights to more than one management officer. Activities of any CMMP account would be recorded by the independent audit trail mechanism, and
daily monitoring could be exercised by the management to look for any improper access in order to protect privacy and system security. Different departments would have their respective access to the cloud system and be responsible for monitoring their own audit trails. The Administration had been looking into the mode of operation and design of CMMP in detail, and would be happy to report the progress to LegCo if Members were interested in following up on this issue.

63. Dr Fernando CHEUNG asked whether the operation, management, maintenance and support of CMMP would be taken up by OGCIO or by an outsourced contractor. He said that the Police had the powers to monitor communication systems, and so did certain law enforcement departments subject to the leave of the court. He asked how the work of an outsourced contractor could be monitored after the implementation of CMMP. DGCIO(I&O) advised that as system maintenance and management involved certain software and hardware of CMMP, system maintenance and management had to be jointly done by OGCIO together with the contractor, subject to service fees being paid to the contractor. All activities of the contractors would be recorded by the independent audit trail mechanism. In case of irregularities, OGCIO would follow up immediately. Only OGCIO would be involved in the handling of confidential or sensitive information in the system.

64. At 7:22 pm, the Chairman instructed that the quorum bell be rung. He instructed at 7:23 pm that the meeting be extended for 15 minutes to allow sufficient time for voting.

Voting on FCR(2017-18)9

65. At 7:24 pm, there being no further questions from members, the Chairman immediately put the item to vote. The Chairman declared that he thought the majority of the members present and voting were in favour of the item. The item was approved.

66. The meeting ended at 7:25 pm.

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