

Ref : CB1/PL/ITB/1

**Legislative Council
Panel on Information Technology and Broadcasting**

**Minutes of Special Meeting
held on Monday, 2 August 1999, at 2:30 pm
in Conference Room A of the Legislative Council Building**

- Members present** : Hon SIN Chung-kai (Chairman)
Hon Kenneth TING Woo-shou, JP
Hon David CHU Yu-lin
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Fred LI Wah-ming, JP
Hon YEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, SBS, JP
Hon LAW Chi-kwong, JP
- Members absent** : Hon MA Fung-kwok (Deputy Chairman)
Hon Eric LI Ka-cheung, JP
Prof Hon NG Ching-fai
Hon James TO Kun-sun
Hon Howard YOUNG, JP
Hon CHOY So-yuk
- Public officers attending** : Mr K C KWONG
Secretary for Information Technology and
Broadcasting
- Mr Alan SIU
Acting Deputy Secretary for Information
Technology & Broadcasting (2)
- Mr William TANG
Principal Assistant Secretary for Information
Technology & Broadcasting (Y2K)

Mr K H LAU
Director of Information Technology Services

Mr Anthony S K WONG
Director-General of Telecommunications

Mr Roger LAI
Regulatory Services Controller,
Electrical and Mechanical Services Department

Ms Janet WONG
Deputy Director of Urban Services
(Administration)

Ms Michelle CHAU
Assistant Director of Urban Services
(Information Technology)

Mr LAM Kam-kwong
Deputy Director of Regional Services
(Administration)

Mr CHANG Ka-hing
Information Technology Manager,
Regional Services Department

Clerk in attendance : Ms Pauline NG
Assistant Secretary General 1

Staff in attendance : Ms Anita SIT
Senior Assistant Secretary (1)8

I Overall progress of the Year 2000 compliance exercise

Progress in the Urban Services Department (USD) (LC Paper No. CB(1)1767/98-99(01))

At the invitation of the Chairman, the Assistant Director of Urban Services (ADUS) briefed members on the progress report on rectification of the Year 2000 (Y2K) problem in critical systems and equipment of the USD. She also confirmed that the telephone system in the former Hong Kong Museum of History (HKMH), which was the only critical line communication system that would cease to be in operation after year 2000, had been replaced.

2. In response to Miss Emily LAU's questions, the Deputy Director of Urban Services advised that the total expenditure incurred in the Y2K rectification works in USD was \$13 million, including:

- (a) \$2 million on enhancing the mainframe which supported a number of systems, including the Personnel Management System, the License/Permit System and the Hawker License System; and
- (b) \$8 million on the Sports Facilities Booking and Ticketing System (SPORTIX) and the enhancement of SPORTIX's original system capacity and functions by three times.

Progress in the Regional Services Department (RSD)
(LC Paper No. CB(1)1767/98-99(02))

3. At the invitation of the Chairman, the Deputy Director of Regional Services (DDRS) briefed members on the progress report on Y2K compliance in the RSD.

4. In response to Miss Emily LAU's queries, DDRS explained that the \$1.6 million incurred on equipment upgrade/replacement in relation to RSD's critical embedded system was the actual payment made to the Electrical and Mechanical Services Department (EMSD), which was responsible for undertaking RSD's Y2K rectification works.

The Library Automated System

5. Miss Emily LAU noted that the Library Automated System (LAS) of RSD was found "non-compliant but tolerable by user" and therefore sought clarification. The Information Technology Manager, RSD (ITM/RSD) explained that the LAS's application was independent of the date of its system hardware. Therefore although most of its hardware would require clock reset on 1 January 2000 because of non-compliance, the LAS could still operate smoothly to serve its users.

The Regional Council Computerised Booking System

6. In response to members' queries on the slow progress in respect of the Regional Council Computerised Booking System (RCCBS), DDRS explained that a "prototype development approach" had been adopted in respect of RCCBS. This approach required the contractor and the Council staff to work out jointly the users' requirements, programme design and system specifications as project work progressed over time. As such, it was only at a very late stage, i.e. July 1998, that the problems embedded in the Mark I System were found to be too huge and too expensive to rectify and a new

system was needed to accommodate required functional enhancements and for Y2K compliance. Although an independent consultant engaged by the Administration had found the contractor to be at fault, in considering the lengthy and costly litigation process, the Administration had chosen to come to an amicable settlement with the contractor and decided to procure new hardware and software under Mark II instead.

7. Noting that the problem with the Mark I System was identified in July 1998 but the Mark II System would not be commissioned until the end of October 1999, Miss Emily LAU questioned the delay in awarding the contract. In response, DDRS advised that it was first believed that with the system source code provided by the contractor of the Mark I System, the Mark II System could be developed within ten months. However, the Mark I contractor later referred to the license agreement and cautioned that the Regional Council (RC) would be held responsible if the source code was leaked. In consideration of the consequence, the Administration had decided to develop a new system from scratch notwithstanding the tight schedule. ITM/RSD however assured Miss Emily LAU that there would still be sufficient time to conduct Y2K compliance testing on the Mark II System because system testing had already begun in advance before its commissioning. Moreover, the new system contractor had also undertaken to ensure that all system hardware of the new system would be Y2K compliant.

8. Miss Emily LAU was gravely concerned that more money than necessary had been spent on the RCCBS because the Mark I system had become abortive, and enquired about the final costs spent on developing the RCCBS. In response, DDRS reported that \$11 million had been paid for the Mark I System while the tender price for the Mark II System was \$18.88 million. He however emphasised that money spent on the Mark I System was not totally wasted because, though not completely developed, the system had been serving the public since April 1995. The Mark II System was also value for money having regard to the great improvements it would be able to bring to the RCCBS. Moreover, as a result of the above-mentioned amicable settlement, although the Mark I System project agreement was a prototype agreement according to which payment had to be made to work already done, after detailed discussions and upon advice of the independent consultant, the contractor concerned had accepted a smaller sum as full payment for its service.

9. In reply to Miss Emily LAU on the Information Technology Services Department (ITSD)'s role in the negotiation process of the case, the Director of Information Technology Services confirmed ITSD had not played any direct role in this case as RC was financially independent. At Miss LAU's request, DDRS agreed to provide a paper setting out the background for the development of RCCBS since the tendering crisis in 1993.

(Post-meeting note: The required information from the RSD was circulated vide LC Paper No. CB(1)1874/98-99.)

General progress within Government and in non-Government organisations funded or regulated by Government

(LC Paper No. CB(1)1767/98-99(03), and Miss Christine LOH's paper on the subject tabled at the meeting and circulated to all members thereafter vide LC Paper No. CB(1)1784/98-99)

10. The Secretary for Information Technology and Broadcasting (S/ITB) briefed members on the report on progress of Y2K compliance work within Government and in non-Government organisations funded or regulated by Government. He assured members that the overall Y2K rectification progress of Hong Kong was satisfactory. Where there might be failure to meet the target, contingency plans would be put in place. With the aid of powerpoint presentation, the Principal Assistant Secretary for Information Technology and Broadcasting (PAS/ITB) also briefed members on the territory-wide Y2K contingency plan.

(Post-meeting note: The relevant powerpoint presentation material and PAS/ITB's speaking note were circulated after the meeting vide LC Paper Nos. CB(1) 1784 and 1795/98-99 respectively.)

General concerns

11. As to when Y2K-associated risks would cease to come into play, S/ITB advised that apart from 31 December 1999 and 1 January 2000, 29 February 2000 was also a high-risk day. In the meantime, contingency plans of all sectors were being finalised and would be ready for reporting to the Panel at the end of September 1999.

12. Regarding the Central Co-ordinating Centre (CCC), S/ITB elaborated that it was based on the existing emergency response arrangements and would be activated under his supervision on Y2K critical dates to co-ordinate contingency responses across different sectors to Y2K-induced incidents. Apart from those Government departments usually involved in emergency co-ordination, sufficient staff from the Information Technology and Broadcasting Bureau (ITBB), the Security Bureau, ITSD, EMSD and the Office of the Telecommunications Authority (OFTA) would also be on duty at the CCC to provide assistance. In addition, to facilitate the CCC's operation, a special working group under the ITBB was also co-ordinating with all relevant bureaux/departments to ensure they would assign staff to go on duty on Y2K critical dates to closely monitor and report the situation in their respective sectors to the CCC. In response to the Panel's request, S/ITB agreed to keep the monitoring and co-ordinating arrangements for the rollover to 2000 as

transparent as practicable to avoid unnecessary misunderstanding.

13. Miss Emily LAU raised concern about the environmental impacts of the use of large quantities of paper for printing hard copies of important information prior to the critical dates for use as backup records or in manual operation in case of computer breakdown. In response, S/ITB explained that such a practice would be a decision of individual establishments having regard to their own needs. He agreed to consider Mr LAW Chi-kwong's proposal to promote the use of microfilm instead for record purposes to reduce the need for computer printouts.

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Energy supply

14. In reply to Mr Fred LI, PAS/ITB assured members that there had been close contact with the five petrol suppliers. Mobil, Esso and CRC had completed their rectification work. For Caltex and Shell, over 90% of their systems were already Y2K compliant. They aimed to achieve 100% compliance by August 1999. He noted Mr LI's comment that Caltex and Shell's Y2K compliance progress should be monitored more closely in consideration of their over 60% market share.

15. On electricity supply, Mr Fred LI questioned the commissioning of additional power generators as a contingency measure to ensure sufficient energy supply, pointing out that power supply was already in excess. In reply, S/ITB clarified that only additional existing spare generators would be put into operation. In reply to Mr YEUNG Yiu-chung on the need and use of the additional electricity supply of 1,000 MW so made available, S/ITB explained that the arrangements would enable a quick take-over of over 90% of the supply of the necessary electricity by other generators in the event of Y2K-induced generator breakdown. In this regard, he also confirmed that the power companies' liability for damages caused by Y2K-induced power failure should be the same as in other cases of power failure.

16. In response to Miss Emily LAU, the Acting Deputy Secretary for Information Technology and Broadcasting confirmed that the operation of the nuclear safety protection functions in the Guangdong Nuclear Power Station (GNPS) was not controlled by computer. In fact, as they were activated by events rather than time, the Y2K problem could only affect plant availability but not safety. Moreover, the Y2K compliance programme of the GNPS had already been reviewed and endorsed by the International Atomic Energy Agency and contingency plans were well in place.

Financial services

17. As for contingency plans in the financial sector, S/ITB assured Mr David CHU that relevant guidelines had already been issued to banks through the

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Hong Kong Monetary Authority. The Financial Services Bureau (FSB) was also mapping out a Y2K contingency plan for the financial services sector as a whole. PAS/ITB supplemented that a consultant had been commissioned for the job and the plan would be finalised and tested by September 1999. Responding to Mr CHU's call for better preparation for possible chaos in the stock market resulting from small Y2K panicky investors trying to sell all their stocks prior to Y2K critical dates, S/ITB undertook to relay his views to the FSB, which was monitoring the development of a contingency plan for the Stock Exchange of Hong Kong.

Transport and aviation

18. Regarding systems under the Transport Department that had yet to achieve Y2K compliance, S/ITB advised that the only important system that would be outstanding would be the Toll Collection System in Tsing Ma Control Area because of contract problems with the relevant management company in relation to Y2K compliance work. Members noted that as a contingency measure, standalone personal computers and closed circuit TVs would be used to perform the toll collection function starting from October 1999.

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19. On contingency measures regarding the operation of the Hong Kong International Airport, S/ITB agreed to relay Dr Raymond HO's request for details to the Economic Services Bureau (ESB). Members noted that to ensure other countries' Y2K readiness would not affect Hong Kong in this area, the Civil Aviation Department was already keeping track of the Y2K compliance status of the safety and security related systems of Hong Kong's key aviation related organisations including the Hong Kong-based airlines through the International Civil Aviation Organisation to determine whether certain airlines should be prohibited from using the Hong Kong airport on the New Year's Eve of 2000.

(Post-meeting note: The ITBB later advised that the request had been forwarded to the ESB for action when reporting to the Economic Services Panel.)

Telecommunications and broadcasting

20. Referring to the progress of the four radio paging operators which had yet to achieve full Y2K compliance, the Director-General of Telecommunications (DG Tel) explained that these operators were in fact waiting for software upgrades that could enhance their service and would have achieved Y2K compliance once the software was installed. In response to the Chairman, he and S/ITB further advised that all operators still non-compliant by June 1999 had already been asked to map out contingency plans. If by December 1999 they were still not compliant and had no contingency plans in place, the OFTA could suspend or even revoke their licences.

21. In response to Miss Emily LAU, S/ITB confirmed that Radio Television Hong Kong had already achieved Y2K compliance.

Public health services

22. S/ITB assured Miss Emily LAU that the one private hospital which as reported had yet to achieve Y2K compliance would be compliant within August 1999. At the Chairman's request, he agreed to provide further information on the case.

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(Post-meeting note: The required information was circulated vide LC Paper No. CB(1)1818/98-99.)

Social welfare services

23. Regarding the progress of certain social welfare organisations, which could achieve compliance only by the end of 1999, S/ITB said that as their only non-compliant system was the internal financial computer system, their service should not be affected even if they failed to achieve compliance in time. All their proposed contingency plans had already been tested.

Tertiary educational institutions

24. Miss Emily LAU was concerned that none of the tertiary educational institutions had achieved full Y2K compliance. In response, S/ITB explained that the mid July 1999 position was that all but the Hong Kong Institute of Education and the Lingnan University had completed rectification of their critical systems. Moreover, the remaining two had also completed over 80% rectification work and were aiming to achieve full compliance between August and September 1999. Members were assured the Education and Manpower Bureau would continue to closely monitor their progress.

Compliance position of small and medium-sized enterprises (SMEs)

25. As for SMEs' Y2K compliance progress, S/ITB reported in response to Miss Emily LAU that in the past year promotion efforts had been geared up to enhance their awareness of the Y2K problem. The Hong Kong Productivity Council (HKPC), in particular, had launched the "888 Bug-buster Programme" to provide practical assistance to them in Y2K compliance assessment and identification of appropriate rectification solutions and, as in July 1999, over 1,100 SMEs had used the service. At Mr Kenneth TING's request, S/ITB undertook to obtain information from the HKPC on the types of Y2K compliance problems involved in these 1,100 cases.

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(*Post-meeting note:* The required information was circulated vide LC Paper No. CB(1)1818/98-99.)

26. Miss Emily LAU and Mr Kenneth TING saw a need to ascertain the extent of the Y2K compliance problem among SMEs and to further promote HKPC's service, even by cutting the service charge if necessary. In response, S/ITB advised that to encourage SMEs to seek assistance, the service charge had already been cut to \$688. In fact, according to the results of a survey conducted by HKPC in June 1999, there had been a marked improvement in SMEs' Y2K awareness and readiness to take action when compared to those of a similar survey conducted in 1998. However, while ITBB would continue to join hands with HKPC to render assistance to SMEs in this aspect, it was up to them to decide whether they needed the service. Members were nevertheless assured that as not many SMEs' operation relied on computer, their Y2K problem might not be as serious as it appeared. At the Chairman's request, S/ITB agreed to provide a summary of the results of the 1999 survey.

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(*Post-meeting note:* The required summary was issued vide LC Paper Nos. CB(1)1795 and 1800/98-99.)

Publicity programmes

27. On the details of Y2K publicity programmes, PAS/ITB reported that a large-scale symposium would be held on 18 August 1999 in co-operation with HKPC. The symposium, targeted to attract 800 to 1,000 participants, aimed to publicise the latest compliance position of essential services sectors in Hong Kong and to introduce their work in contingency planning. He further advised that to disseminate information on Y2K contingency planning to businesses, in particular the SMEs in Hong Kong, HKPC had also organised a series of industry-specific seminars from March to May 1999. ITBB and HKPC would also jointly organise a large-scale seminar in late August 1999 to further disseminate the message.

Other concerns

28. Concerned about the Y2K compliance of household electrical appliances with a date function, Mr Fred LI enquired about measures to ensure suppliers would not sell non-compliant appliances. In response, S/ITB pointed out that the "Check-list for Homes" prepared by the ITBB had already incorporated important points to note when buying new household appliances. He however assured members that the non-compliance of most household appliances would not give rise to any safety problems.

Follow-up actions

Secretariat

29. Noting the need for individual Panels to follow up on the Y2K compliance work in their respective policy areas, members agreed that the Secretariat should submit a second report on Y2K compliance to the House Committee (HC) at its first meeting in the 1999-2000 legislative session to urge all Panels, especially the Panels on Economic Services, Financial Affairs, Health Services, Transport and Security, to discuss the Y2K compliance progress and contingency planning of their respective sectors by mid October 1999.

(Post-meeting note: The said report has been endorsed by the HC.)

30. The meeting ended at 4:10 p.m.

Legislative Council Secretariat

1 November 1999