New Strategy for E-Government Service Delivery

LegCo Panel for Information Technology & Broadcasting

Office of the Government Chief Information Officer
13 February 2006

ESDlife
(Mixed Commercial & Government Service Portal)

Government Information Centre
(www.info.gov.hk) -
(A collection of 200 departmental websites)
New Strategy for E-Government Service Delivery

Examples of Overseas Government Portals (with service clustering)
The ESD Background

- ESD Scheme started in 1998
  - Aim to promote e-commerce by Government setting an example
  - A low-cost option to jump start e-government services
- Procurement approach and outcome
  - ESDL proposed transaction based charging model
  - Government did not have to invest in front-end infrastructure and initial applications development
  - A mix of government services and commercial activities on the same portal
  - Contract with fixed period (of 5 years extendable to 7 years)
  - Not intended to cover all e-government services
- Termination Scenarios envisaged in contract
  a) Government taking over
  b) Other non-governmental operator taking over
  c) ESDL has the obligation to fully cooperate and ensure orderly transfer
Why not Status Quo

- 5+2 contract not extendable beyond Jan 2008
- Open tender required to identify a new operator(s)
- ESDlife remains a commercial portal and perceived as such by the public
- Not conducive to creating a clear and strong e-government branding for Hong Kong
- Private-sector operator cannot replace Government to re-engineer its business processes and deliver citizen-centric government services
- Increase operating efficiency and service accountability
- Retain flexibility over service scope
- Establish a clear and unified e-government branding
- The New Strategy will cover a bigger scope of services

The Investment Comparison

<table>
<thead>
<tr>
<th>ISD Contract (45 applications/ 33 services)</th>
<th>OSFP/Service (covering &gt;1,300 applications)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-recurrent</td>
<td>Non-recurrent</td>
</tr>
<tr>
<td>Borne by ISD</td>
<td>Borne by Government (mostly recurrent)</td>
</tr>
<tr>
<td>Implementation and contract staff services</td>
<td>Borne by ISD + Government (two-year contract)</td>
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<tr>
<td>Recurrent</td>
<td>Recurrent</td>
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<td>Borne by Implementation/OSP</td>
<td>Borne by Government (mostly recurrent)</td>
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<tr>
<td>Initial E-government Applications of B/Ds</td>
<td>Recurrent</td>
</tr>
<tr>
<td>Recurrent</td>
<td>Borne by Government (mostly recurrent)</td>
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<tr>
<td>Promotion &amp; Publicity</td>
<td>Recurrent</td>
</tr>
<tr>
<td>Borne by Government (mostly recurrent)</td>
<td>Recurrent</td>
</tr>
<tr>
<td>Total Government Investment</td>
<td>Recurrent</td>
</tr>
<tr>
<td>Non-recurrent</td>
<td>Borne by Government (mostly recurrent)</td>
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<td>Non-recurrent</td>
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</tbody>
</table>

Note: The total recurring expenditure to be borne by the Government in the 5 years from 2008-09 would be about $230M if the ESD contract were to continue beyond January 2008.

Breakdown of Non-recurrent Expenditure (requested from FC)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Hardware and software</td>
<td>59.1</td>
</tr>
<tr>
<td>(b) Implementation and contract staff services</td>
<td>88.3</td>
</tr>
<tr>
<td>(c) Publicity and promotion</td>
<td>8.0</td>
</tr>
<tr>
<td>(d) Contingency</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>170.8</td>
</tr>
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New Strategy for E-Government Service Delivery

Considerations for the New Strategy

The Original Plan (March 2005)

- Existing ESD contract due by mid-January 2006
- To extend the ESD contract for 2 years (up to 7 years max.)
- To issue Expression of Interest (EOI) by mid-2005 to invite interested private sector operators to develop and operate service clusters and repurpose ESD services

The Concerns (April 2005)

- Substantial business transformation involved in delivering citizen-centric services
- Private sector cannot take charge of and deliver such changes
- Uncertainty about scope of services/businesses under the clustering approach
- Government cannot assess and award contracts before defining the service clusters/business models of OSP
Lack of experience and high risk involved in managing multiple private-sector cluster operators

Short decision and implementation timeframe
- need to decide on renewal of ESD contract before July 2005
- need to launch the OSP to provide new services before mid-2006

Outsourcing usually refer to having an external organization provide operational services that are in an advanced state of maturity.

Usually the primary organizations are looking for greater economies of scale and an overall low surprise experience with predictable costs and clear service expectations.

The outsourced services are usually more essential than strategic and do not reflect a key area of citizen or customer value differentiation.

There are numerous examples of outsourcing services including data centres, telecommunications services and various reservation services.

Examples include the use of private sector funding and implementation of major infrastructure e.g. bridges, toll-roads and tunnels.

The investing partner provides capital and implementation in exchange for a major share in the resulting revenue stream through tolls etc.

These projects are typically independent of the internal workings of the sponsoring government.

Experience with PPP in IT work has had mixed results internationally. The business model has not always been clear and performance of the private-sector partner and the government tends to become blurred when the focus area is internal.

PPP may present serious contracting difficulties, particularly when the revenue is linked to cash savings, a traditionally difficult outcome for IT projects.

To extend the ESD contract for 2 years (up to Jan 2008)
- Buy time to work out the details of the new service clustering approach
- To invite external consultant to study the roadmap for implementing the New Strategy for e-government service delivery

Recommendations

1. Create a single destination for all online government services
   - A One-Stop Access Portal (OSP)
2. Use a modular approach and build the service incrementally
   - A four-stage, low risk approach
3. Use departmental infrastructure and funding
   - Readily available and scalable platform
   - User requirements insufficiently defined for outsourcing or PPP
Recommendations

4. Launch the service ahead of imminent major new e-services
   - Immigration Department to roll out 100 new services from mid to late 2006
   - Transport Department to roll out revamped renewal of driving licence service in early 2007

5. Build the service downwards and across over time
   - Service clusters to be broadened and deepened progressively from mid-2006 to end 2007

6. Deliver cross-government capability ahead of ESD contract end
   - Plan for OSP initial launch 12 to 18 months ahead of ESD contract expiry

7. Adopt a policy that opens up to private sector delivery channels
   - Does not preclude ESDU & continuing as private sector delivery channel
   - Enable others to join in