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Ms Wendy Au
Secretary to IIAC
IIAC
2/F Murray Building
22 Garden Road
Central
Hong Kong

Dear Ms Au,

2004 Digital 21 Strategy

Thank you for giving IBM the opportunity to comment on the draft consultative document on the 2004 Digital 21 Strategy. IBM Business Consulting Services has had a long and keen interest in Digital 21 and has assisted the HK SAR Government with the development of the 1998 and 2001 versions of the strategy (at that time as PWC Consulting which was acquired by IBM in November, 2002).

We are delighted that the Government has taken the opportunity to revise the strategy. We believe the timing is now right given the Government's continued aspiration to lead in promoting the development and adoption of information technology and given the successful completion of the initiatives set out in the 2001 version of Digital 21.

We have structured our response to the consultative document by firstly commenting on each of the eight areas of action as set in your document. We will then provide some additional thoughts before summarizing our comments.

Government Leadership

We agree with the role of Government as a facilitator and advocate for information technology. We believe that one of the great successes of the last 5 years has been the growing strength of the Digital 21 brand which has currency across the international IT community as well as in the wider Hong Kong community. We recommend that the Government continue to build the Digital 21 brand. We believe that this should be done both by promoting the current flagship projects that demonstrate true leadership and by linking them explicitly to the Digital 21 brand. Examples are the multi-application smart identity card project and the work being done at Immigration Department on the ICAS and APC/AVC projects. However we believe that it is also important to initiate the next round of flagship projects. This will be discussed further below.

While we applaud the success in continuing to meet the 88% target for outsourcing new projects, we believe that there are opportunities to exploit other mechanisms for more extensively utilizing the capabilities of the private sector. Specifically, we would like to

see the Government explore opportunities to outsource the hosting and management of departmental IT operations as well as outsourcing complete business processes where this makes sense in terms of the overall value for money. We note that this approach is increasingly being adopted by other leading overseas governments. We also believe that such a strategy is in line with the Government's wider initiatives to reduce costs and to seek opportunities for public and private sector partnering. However, in order to move in this direction, there are some significant policy issues which will need to be addressed, notably in the area of public procurement where current government rules tend to inhibit such approaches. There might also be a need to look at how staff might be given the opportunity to transfer to the new private sector operators.

Sustainable e-government Programme

We agree that the Government needs to find new impetus to take the e-government programme to the next stage. For this reason, we support the Government's intent to review the e-government strategy. Meeting the target to implement e-options for 90% of amenable public services has provided a good start to Hong Kong's e-government programme. However, the Government should not be content with this achievement. Other leading governments have increasingly moved from these initial 'take up' measures towards a broader assessment of impact or value. This involves setting targets or performance measures based on utilization and quality of e-services, savings for end customers and improved departmental efficiency. We welcome the idea that the Government wishes to enhance the measurement of the benefits of e-government projects and we propose that these attributes should be considered. A transparent performance management framework that promotes departmental efficiency, customer service, cost savings and enhanced public trust of government will also help drive integrated e-government initiatives. This will be all the more effective if the e-government targets are seen to align clearly with other priorities of the Government such as the reduction in expenditure and staffing levels.

It is clear from the document that to achieve these broader performance goals, the next step for e-government is to promote horizontal integration in service delivery with more effective business process re-engineering. This is the right step and again in line with international trends and developments. However, we believe that the current focus on providing online information and access will not deliver full value to the stakeholders of the e-government. The next step in the e-Government journey will require the Government to adopt a new management approach to transform the government operational model to more closely align with citizen and other stakeholder needs – a so called citizen-centric delivery model. This concept will be further discussed in the 'other areas' section below.

We acknowledge that promoting collaboration across government involves wider considerations than developing the supporting technology platform or changing certain business processes. We believe that this objective will not be achieved unless there continues to be strong leadership from the most senior levels of the Government (i.e. a 'CIO') to drive transformation of the current operational model. We will further discuss the need for a 'CIO' in the Institutional Review section.

We welcome the direction to drive utilization and engage customers. We have yet to see the revised strategy on further development of e-Government delivery in 2004 in these

areas. While we recognize that utilization and CRM are important, we believe higher marginal improvements can be made in service speed, satisfaction and effectiveness by improving the internal efficiency of departments. For example, this may include further integration of many back office functions that are common across departments – and support many services.

In terms of the programme of activities related to e-Government, it was not very clear from the document which specific programmes the Government plans to take forward and implement. We applaud the fact that the Government has implemented flagship, government wide projects such as the multi-application smart identity card, the business entry portal and the property information hub. To continue the e-Government journey, we believe the Government should both speed up the implementation of these initiatives (to demonstrate real progress on the ground) and move decisively forward when identifying another tranche of such initiatives.

We believe that the true flagship projects in the next three years will be those that integrate operations between departments effectively. We continue to receive feedback from departments that the most difficult projects to initiate and execute (but potentially those with the highest benefits) are projects that cross departmental boundaries. Some examples of areas that have benefited overseas are the sharing of health information, integrated criminal justice systems, enhanced 'first responder' models and systems particularly for emergency services, the adoption of shared services operations for back office activities such as HR, finance, estates management, procurement and integration across different elements of the education system. These are just examples, and there are no doubt many other good ideas within the Government: the key issue in our view is both to identify, prioritize and publicize a small number of these 'joined up' government initiatives and then pursue them strategically. We have worked closely on similar central initiatives in other governments and, while undoubtedly complex and challenging to implement, the potential benefits are very significant and visible. In some cases a more comprehensive approach to outsourcing – including both technology support and the business processes themselves – can facilitate successful cross departmental integration.

Infrastructure and Business Environment

We agree that Hong Kong has established an infrastructure and business environment that facilitates the adoption of e-business. We acknowledge the fact that it is a complex issue to promote the adoption of e-business among Small Medium Enterprises (SME) and that is a common challenge facing other leading governments. In this connection the development of the DTTN in Hong Kong will be an important step forward. While the proposed private sector led approach to this development certainly has important benefits, it remains to be seen whether such an initiative will be able to deliver the maximum benefits possible without significant government funding and involvement.

Institutional Review

From our experience in working with various Hong Kong government departments, initiating collaboration or sharing data across government organizations has not been easy. However, the dual pressures of the Government's current fiscal position and the continuing demands for more efficient, seamless services should provide more incentive for departments and agencies to embark on initiatives that benefit the Government as a whole, rather than their individual organization.

The silo based governance models, processes, and IT budget allocations, as well as strict data sharing policies across agencies, present challenges that are the prime reasons why we believe there is a strong need for a 'CIO' or equivalent to have the right authority, and to continue to be responsible and accountable for e-government development. This is vital given the Government's increasing desire to drive initiatives that cross organizational boundaries and transform business operation models. In this regard, we believe it may not be appropriate for this function to report to a particular bureau or department. This function should set specific, measurable targets for e-government and have the power and resources to ensure they are met. In addition, we believe there may be opportunities to draw more explicit linkage to the work of other central agencies driving improvements – such as the Efficiency Unit. Effective fusion of the management and technology agendas has been vital to success in other leading governments.

We also welcome the merger of the ITSD into the Communications and Technology Branch of the Commerce, Industry and Technology Bureau as it aligns with the overall direction to progress from strategic planning into implementation and execution.

We support the review of regulatory bodies and agree that separate entities for regulation of telecommunications and broadcasting may now be inappropriate given the economic convergence of networks and content.

We also support the review of the role and membership of the IIAC given the need for an advisory body covering broader IT related issues than simply information infrastructure. We also suggest that the Committee would benefit from increased participation by the private sector as it has had a strong academic representation to date.

Technological Development

We wholly support the Government's focus areas in technological development – particularly the focus on wireless services and openness in technological and standards adoption. For governments, wireless technology is a powerful asset that enables departments to collaborate to provide more responsive and cost-effective services, allows field workers to improve their efficiency and effectiveness, serves as a tool to bridge the digital divide as mobile phones continue to increase in usage, and enhances security. The focus on openness in technology and standards aligns very well with Hong Kong's desire to enhance collaboration with citizens, businesses and across the government.

A Vibrant IT Industry

The Government appropriately recognizes that a vibrant IT industry requires looking beyond Hong Kong's borders. Leveraging the strong linkages with the Mainland through CEPA and with businesses in the Pearl River Delta provides a good foundation for growth. One area where HKSAR can improve both the IT industry and the collaboration with the Mainland is to apply leading edge IT solutions, such as Global Positioning Satellites (GPS), Radio Frequency Identification Tags (RFID), Public Key Encryption and e-Seals, to the global trading supply chain. Integrating these IT solutions will enable Hong Kong to position itself as the secure trade hub which will promote investment in PRD as well as the rest of the Mainland by differentiating its services from other ports.

Human Resources in a Knowledge Economy

We welcome the fact that EMB is establishing a qualifications framework for the IT industry and have supported this initiative for some time.

Bridging the Digital Divide

The initiatives mentioned under this category seem to focus very much on the use of computers and the web. Given the high penetration of mobile phones in Hong Kong, we believe there are opportunities to further explore the use of mobile devices or wireless technologies to bridge the digital divide. We believe that setting up the wireless development centre is an important step in this direction. However we suggest that priority should be given to funding and piloting applications that ease access to and user friendliness of online services.

Other Areas

More generally, we believe that as the Government reviews its e-government strategy it needs to apply four management attributes we have seen in other leading governments which are achieving real gains from e-government. First, they are focusing on their core functions and shifting non-core transactional services to strategic partners in the public and private sectors. Second, governments are becoming highly responsive by rapidly sensing and responding to unpredictable changes in the environment and the needs of stakeholders. Third, governments will apply a variable operational approach by promoting flexible cost structures and business processes to reduce risk and achieve higher levels of productivity, cost control, capital efficiency and financial predictability. Finally, they will become increasingly resilient by preparing for changes and threats – be they technological, economic, or political – thus enabling the government to continue operating with consistent availability, security and privacy.

Applying these management attributes to emerging technologies such as open standards, integrated systems, autonomic/self-healing computing and virtualized networks will help transform HKSARG to a government whose business processes – integrated end-to-end across departments and with other governments, partner institutions and citizens – can respond with speed to citizen and business demands, changing economic conditions and legislative priorities or external threats (e.g. new security or health concerns).

Conclusion

Once again we believe the timing is right to embark on the next stage of the Digital 21 programme. We believe that the next stage of the strategy should include:

- An e-government programme that drives up utilization of electronic service delivery and incorporates a set of specific and transparent targets and metrics based on value to the citizens and to government departments;

- A series of new transformational projects that, in particular, focus on areas where integration between departments and bureaux bring about significant benefits;

- The extension of the Government's outsourcing programme to include other innovative private sector partnering arrangements such as IT operations outsourcing and business process outsourcing;

- Initiatives to further strengthen and build the brand value of Digital 21 across the local and international communities;

- Institutional changes that provide the Government with the authority and accountability to drive transformation across government rather than simply within departments; and

- Initiatives that improve access to online services and facilities to all segments of the Hong Kong community, for example by improving access to wireless services.

Thank you again for providing this opportunity to comment on the document. If required we would be delighted to develop these ideas further. Please do not hesitate to contact me if you require further information.

Yours sincerely,

Richmond Lo
General Manager, IBM Hong Kong