4 December, 2003

Ms Wendy Au   <u>By Fax Only</u>
Assistant Secretary   <No. 2511 1458>
Commerce, Industry and Technology Bureau
The Government of the HKSAR
2/F Murray Building
Garden Road, Hong Kong

Dear Ms Au

Re: Response to Consultation Paper 2004 Digital 21 Strategy

As an active member of the local IT Industries, I am pleased to submit our views for the Government's consideration regarding Digital 21 Strategy in Hong Kong.

Hong Kong's remarkable progress and achievements, since the launch of the first Digital 21 Information technology in 1998, have received international recognition. Hong Kong was ranked first in the International Telecommunications Union Mobile/Internet Index 2002. The Economist Intelligence Unit ranked Hong Kong first in Asia in 2003 in terms of e-readiness. Also, Accenture ranked Hong Kong seventh in the world in 2003 in terms of e-government leadership.

Hong Kong should be proud of such achievements but should not rest on its laurels as other countries are catching up quickly. On 19 November 2003, the first global index to rank Information and Communication Technology (ICT) access was released (see http://www.itu.int/newsroom/press_releases/2003/30.html), and Hong Kong (China) was ranked 7th in the world and 2nd in Asia behind Republic of Korea. Taiwan (China) was 9th with a similar score as Hong Kong. For Hong Kong to assume a leading role as a digital city in a globally connected world, the new Digital 21 Information Technology Strategy must be sound and clear.

It is worthy of note that the HKSAR Government has adopted a number of strategies, some of which have achieved encouraging results, as described below. The liberalization of the Telecommunications market has induced fair competition amongst operators and benefited the general public for enjoying world-class telecommunications services at very low charges. The outsourcing of the Electronic Services Delivery (ESD) project to a private IT company has helped to develop a self-financed model whereby the private company receives charges from government for enabling the citizens to use different government services online. The HKSAR Government did not have to finance the huge implementation cost; at the same time it makes available a perfect business opportunity for the private sector. The implementation of the ESD project and acceptance by the public has been a success, resulting in the prestigious Stockholm Challenge Award in 2001.

Based on successful experience of the last 5 years after the publication of the first Digital 21 Strategy, I believe that the idea of an open market, fair competition, outsourcing and management of government IT projects by market expertise are vital elements that should be included in the upcoming Digital 21 Strategy. Referring to the Institutional Review section of the Draft Digital 21 2004, I realized that the government has the intention of transforming the ITSD via the implementation of a knowledge management framework 2004, and merging the ITSD into the Communications and Technology Branch of the Commerce, Industry, and Technology Bureau, in order to provide new governance environment for supporting the further development of e-government.

It would be much better if the present ITSD could undergo privatization. Privatization may not be an answer for all departments of the government but it is a viable option for the IT department of the HKSAR Government. Advancement in the IT industry is happening at an unprecedented pace, and new technology platforms and tools emerge every one or two years. That makes training existing or recruiting new IT managerial and technical staffs to adapt to the technological changes very costly. The HKSAR Government has been well aware of the situation and has been outsourcing most of the IT projects, in order to shift the risks associated with technological changes to contractors. ITSD has been playing the role of managing and monitoring the progress of these projects. However, if we could privatize the IT department, we would let the IT professionals from the business sector to deal with both the management and technological works, thereby improving the performance and efficiency of the processes that result from better communication and the absence of bureaucracy. The government can even invite third party expertise to define project specifications and requirements, as well as to perform quality analysis and control. In this manner, the risks and costs of the projects are further minimized.

Under the ITU Digital Access Index, a total of 178 economies are classified into one of four access categories: High, Upper, Medium, and Low. Hong Kong is amongst the best 25 and listed on the Top tier. It is noticed that 153 of the countries are listed in Upper, Medium, and Low categories. Privatization of government IT department would not only provide local business opportunity to commercial firms but also allow the privatized firm to extend its economy of scale. As the government IT services enabler, the privatized firm would have the unmatched experience to seize global business opportunity, by demonstrating its project experience to other lower categorized countries, and helping them to implement their own IT infrastructure and e-government environment.

In terms of Information Technology and Communications, Hong Kong has all the fundamentals including telecommunications infrastructure, e-government facilities, IT affordability, education, and public acceptance. With the help of sound and clear government strategy, we can definitely set a good example to the connected IT world and fulfill our hidden potential to compete with any country around the world.

I hope my comments are of use to the Government in formulating further IT policies in Hong Kong.

Thank you for your kind attention.

Yours sincerely

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Leo Kan
Director