

“Hong Kong – Digital World City”

Response to the Digital 21 consultation document Hong Kong Coalition of Service Industries Hong Kong General Chamber of Commerce December 2003

Summary

1. We believe that the new Digital 21 strategy should be based on a coherent theme. We suggest the theme should be “positioning Hong Kong to be the digital hub for the Pearl River Delta”.
2. Our vision is that Hong Kong companies will:
 - Undertake high value-added activities such as commercial management, software design and content production, whilst outsourcing activities such as call centre operations, data centre operations and software coding to lower-cost locations in China
 - Make maximum use of electronic communications and IT where these add value to Hong Kong’s role as the logistics and services hub for the manufacturing hinterland of the Pearl River Delta.
3. Achieving this vision would enable Hong Kong to maintain and improve living standards in the 21st century. We would play a key role in transforming the Pearl River Delta economy, so that the region became an exporter of software, digital content and services such as business process outsourcing, as well as an exporter of traditional manufactured goods.
4. In order to facilitate this, the Government should adopt a more focused programme of initiatives than the one set out in the consultation paper. The key elements would be:
 - Education and training to produce the skills required.
 - Use of the Government’s international and Mainland relationships to assist Hong Kong companies promote their capabilities and to achieve rapid upgrading of communications infrastructure in the Pearl River Delta region.
 - Strengthen intellectual property rights protection.
 - Adopt open international standards to enable interoperability among products and services of different parties.
 - Undertake a review of the institutional structure across all the information industries, including a structural review of the regulatory framework for broadcasting and telecommunications. As part of the institutional change, a champion should be appointed to coordinate industry sponsorship and regulatory policies across the information industries.

- Ensuring that the Government's own use of IT is a showcase of IT-enabled business change that delivers value to users of Government services and to taxpayers and does not showcase technology for technology's sake.

Where are we now?

5. The past five years have been a period of unprecedented experimentation in the IT field.
6. In the private sector, many organisations made large investments, only to discover that the impact of the Internet was not as all-embracing nor as immediate as they had initially thought. They now take a more pragmatic view. They see the Internet and advanced IT as critical enablers of change. But they see them as tools to help them serve customers better, help them lower costs and help them run their businesses more efficiently. Few private sector organisations now see IT or the Internet as a stand-alone initiative.
7. The public sector has also engaged in a great deal of experimentation over the past five years. We believe the Government should be congratulated on being bold enough to experiment, as long as it is also bold enough to openly acknowledge and learn from both its successes and failures.
8. In particular we believe that the following lessons should be drawn from the experience of the past five years:
 - Property development projects such as the Cyberport and the Science Park take a long time to come to fruition and the IT field will have undergone significant change during the construction period. Moreover there is little evidence that they are likely to materially assist the development of Hong Kong's IT industry or enhanced the use of IT by industry generally.
 - Many e-Government services have not yet achieved success in terms of utilisation and benefits for users and the taxpayer. Setting a target for the number of services for which an e-option is available has led to insufficient focus deriving value from the e-Government programme.
 - Regulation of the telecommunications sector has led to an expansion in the number of competitors but this has led primarily to price-based competition, rather than to competition based on service differentiation and innovation. It has also made the industry in Hong Kong into a comparatively unattractive place to invest, compared to other markets.
 - Despite substantial government funding, the development of IT education is far from satisfactory, as reflected in obsolete hardware in schools and lack of training for teachers. In terms of standard, our curriculum does not compare favourably with those of the UK, the US and Singapore. There is still much room for improvement, both in the teacher's ability in integrating technology into the school curriculum, and the student's ability to achieve better learning with technology.

Where should we aim to get to?

9. We agree that the Government should have an updated Digital 21 strategy. However we believe that the Government needs to articulate an overall theme and choose a few high-impact initiatives to support that theme.
10. We think that the vision for Hong Kong's role as a Digital City can be analogous to the role that Hong Kong has achieved in relation to the manufacturing sector. Lower value-added activities, such as factory operations factories, have long been relocated to the Mainland, with the higher value-added activities such as product design, customer liaison, finance and logistics management retained in Hong Kong.
11. Similarly, we think we need to acknowledge that there are many activities in the IT field which can be conducted more effectively in low-cost economies such as India and the Mainland. These increasingly include activities such as the operation of call centres and data centres, and writing of software.
12. Our vision for Hong Kong is that Hong Kong companies will:
 - Undertake high value-added activities such as commercial management, software design and content production, whilst outsourcing activities such as call centre operations, data centre operations and software coding to lower-cost locations in China
 - Make maximum use of electronic communications and IT where these add value to Hong Kong's role as the logistics and services hub for the manufacturing hinterland of the Pearl River Delta.
13. Achieving this vision will enable Hong Kong to maintain and improve living standards in the 21st century. We would play a key role in transforming the Pearl River Delta economy, so that the region became an exporter of software, digital content and services such as business process outsourcing, as well as an exporter of traditional manufactured goods.

How should we get there?

14. We believe that many of the ingredients for achieving the vision are already in place. These include the rule of law, our location and our experience in dealing both with Mainland suppliers and with overseas customers. Hong Kong's entrepreneurial companies have an excellent record of exploiting technologies developed anywhere in the world.
15. We therefore think that the Government should rely on the private sector to play the leading role in achieving the vision. However, there are some critical initiatives that the Government must take to facilitate the vision.
16. ***Increase the focus on IT-related education and skills-training.*** We acknowledge that this will be led by EMB rather than CITB and we suggest that the review involve a wide range of stakeholders from the IT and education/training fields.

Despite the budget constrain, the investment in IT education should not be compromised as this is of fundamental importance to the schools, teachers and students alike. Government should provide more IT training programs for teachers and students, since all future leaders and businessmen must equip themselves on IT usage.

- There should be more focus on integrating technology into the curriculum to improve teaching and learning with appropriate use of technology.
- Government should also consider opening the market in professional development training to the schools, giving the latter the flexibility to use private-sector training service providers.
- A strategic plan for IT education should be an integral part of the Digital 21 Strategy. In developing this strategy, relevant stakeholders should be properly engaged, including not just academics but also experienced local IT education practitioners from the business sectors.

17. ***Make more use of the Government's international and Mainland relationships.***

We see two critical roles for the Government:

- Assisting in achieving a significant upgrading of communications facilities throughout the Pearl River Delta region. Extensive broadband communications are necessary throughout the region if it is to be successful in exporting IT-related services and if manufacturing and trading companies are to make maximum use of electronic communications to achieve cost-efficiency. Hong Kong companies have the necessary skills and access to the necessary capital. We suggest the Government use its relationships to persuade the Mainland authorities to welcome the involvement of Hong Kong companies in upgrading the communications infrastructure so as to enhance the competitiveness of the region as a whole. For the ongoing CEPA discussion, we would also recommend that the Government undertake closer consultations with industry.
- Supporting and promoting Hong Kong's IT capabilities on a global basis through its network of international offices. This is particularly important when Hong Kong companies are competing to participate in technology projects of national importance where Government support is critical to success.

18. ***Strengthen intellectual property rights protection.*** Intellectual Property Rights (IPR) protection is essential not only to the digital entertainment business but also to software and hardware-related IT industries. Good IPR protection will foster creativity and innovation, and provide return on investment for the IP owners, thus attracting further investments, especially those from overseas.

19. ***Adopting open international standards.*** In pursuing e-government and e-commerce initiatives, the Government should facilitate the adoption of open international standards for document, data, format etc., to encourage seamless connection to the rest of the world. Open standards should be created, in a market-driven manner and on neutral platform, to enable interoperability among products

and services offered or used by different vendors, users, researchers, and individuals so as to achieve the objective of communicating “anytime, anywhere and with anyone”.

20. ***Institutional review.*** We welcome a review of the institutional structure for the information industries.

- This should include, among other things, a structural review of the regulatory framework for broadcasting and telecommunications, in light of the increasing convergence of technologies and the changing competition landscape. The review process will be more effective if representatives of the industry are allowed early participation.
- The Government should appoint a champion with authority to coordinate industry sponsorship and regulatory policies across the whole of the information industries. This will ensure consistent development and delivery of policies that encourage innovation and investment.

21. ***Government should adopt best practice in its own use of IT.*** This means focusing the e-Government programme on utilisation and value, rather than on service availability. It means using IT to enable business change, rather than merely automating existing paper-based processes. More cross department applications, e.g. one stop licensing, can be developed for a more streamlined process. It also means continuing to outsource IT operations and development. In this regard, the most important elements in government outsourcing should be security and interoperability, on a value-for-money basis and not necessarily lowest-bid basis. Also, Government should not attempt to use its internal IT programme to achieve wider policy goals, especially if this involves compromising on best practice. For instance promoting adoption of e-certs by insisting on them for e-Government services is more likely to lead low utilisation of e-Government services rather than high take-up of e-certs.

Conclusion

22. We welcome the Government’s decision to seek input on the Digital 21 strategy review. We think that the proposals in the consultative paper cover a very broad scope and that a more focused programme, based around a coherent theme, is needed. We hope that our suggestion of a programme based around the “digital hub” theme will prove helpful. We are more than willing to discuss these ideas in more detail.