

10 December 2003

Mr John Tsang
Secretary for Commerce, Industry & Technology
C/O Ms Adeline Wong
Commerce, Industry & Technology Bureau
1/F – 2/F Murray Building
Garden Road, Central
Hong Kong

By Email & By Hand

Dear

Re: HKANA's Views on Draft 2004 Digital 21 IT Strategy

Thank you for CITB's invitation for the HKANA's comments regarding the Draft 2004 Digital 21 IT Strategy. Upon receipt of the letter dated 10 October, detailed discussions have been made among our committee members on the Strategy paper. We believe that the new Strategy has addressed most of the current industry issues and we would like to present our views on how to further its momentum with focus in the following areas:

- Government's Leadership – To enhance Government's pivotal role in facilitating global standards adoption of ICT in Hong Kong
- Infrastructure and Business Environment – To strengthen industry collaboration on the implementation of sector-specific programme
- Technological development – To explore the opportunities of EPC and RFID technologies that add value to logistics and supply chain competence
- A vibrant IT industry – To empower the marketability of IT industry abroad

We sincerely hope that the enclosed information could be of reference and fruitful to your finalizing of the Strategy.

We would also be grateful if you could kindly spare some time in your busy schedule to meet up with our Electronic Commerce Advisory Board members to further explore how HKANA can support your Strategy.

Thank you for your kind attention and we look forward to hearing the latest development on Strategy.

Should you have any queries, please feel free to contact the undersigned at 2863 9700.

Yours sincerely

Anna Lin
Chief Executive
Hong Kong Article Numbering Association

c.c. Mr Sandroff Ma, Chairman of Electronic Commerce Advisory Board

From Connection to Communication – Fostering Hong Kong's e-Business Competence

Submission Date: 10th December 2003

FEEDBACK ON THE COMMERCE, INDUSTRY & TECHNOLOGY BUREAU'S
Draft 2004 DIGITAL 21 IT STRATEGY

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Introduction

1. The purpose of this paper is to present the views of the Hong Kong Article Numbering Association (HKANA) and its Electronic Commerce Advisory Board on the Draft 2004 Digital 21 IT Strategy, and our recommendations in support of the refreshed Strategy as a means of fostering Hong Kong’s e-Business competence in the global economy.
2. The Digital 21 IT Strategy initiated by the CITB and implemented over the past five years certainly has laid down a primary foundation for linking the local community through web-based and telecommunications infrastructure. We are pleased to see the significant progress that has been made towards “**connecting**” Hong Kong and the rest of the world since 1998. In today’s globalised economy, however, it is only through effective knowledge management business can survive and remain competitive. It is therefore “**communications**” that count and that will enable Hong Kong as a truly global business hub.
3. To effect a significant leap forward from where we are, it is time to transform our established network into a “**highly communicative hub**” that can fully integrate into the global supply chains. That is to extend the current connection to “**information connectivity**” rather than just physical connectivity. The attached submission explains in detail our key recommended actions that can help cultivate Hong Kong’s e-Business competence in this regard. We would be grateful if the CITB could kindly consider these recommendations for possible inclusion in any forthcoming departmental policies and strategies.

Feedback on Draft 2004 Digital 21 IT Strategy

4. The ultimate goal of Digital IT Strategy is to position Hong Kong as a leading e-Business community and digital city in the globally connected world. To maintain Hong Kong’s competitive edge in the global trade arena, we believe that the refreshed Strategy should take

a step further than simply “getting connected” and become “truly communicative” in the virtual supply chain environment.

5. To further the momentum of the refreshed Strategy, we would like to elaborate our recommendations focusing on the following areas:

- **Government’s Leadership** – To enhance Government’s pivotal role in facilitating global standards adoption of ICT in Hong Kong
- **Infrastructure and Business Environment** – To strengthen industry collaboration on the implementation of sector-specific programme
- **Technological development** – To explore the opportunities of EPC and RFID technologies that add value to logistics and supply chain competence
- **A vibrant IT industry** – To empower the marketability of IT industry abroad

Government Leadership

6. The HKANA fully supports the CITB’s vision of the Government as the focal point for facilitating Hong Kong’s pursuit and promotion of an international image as an aspiring, dynamic, digital city. To this end, there are three recommendations we would like to propose to enhance the Government’s leadership role.

- ***Mastering of Global Standards for Global Integration***

7. To become a truly digital city, it is essential that Hong Kong be able to communicate with the rest of the world in a universal language on the Internet, employing global standards for the emerging information communication technologies (ICT) and information integrity. Standards are important because the proliferation of emerging technologies is bringing new challenges to users every day and the business community alone will not be able to tackle these challenges without Government’s support. As Hong Kong further integrates with its

hinterland and the global supply chain, the mastering of global standards commonly used by China, Hong Kong and our overseas partners is the key component to meaningful interconnectivity.

● ***Proactive Participation in the Global Standards Development Movement***

8. We have seen the active participation of the HKSAR Government in supporting various global standards such as ISO, OFTA, UPU, WCO and IEC, etc. Yet there remains a very limited HKSAR Government presence in the development of global standards for emerging technologies such as the UML, XML, Business Collaborative Framework (See **Appendix I Background of Business Collaborative Framework**) championed by the United Nations’ CEFAC body. We would therefore recommend that the CITB take a proactive role as the nucleus for managing and monitoring the dissemination and consultation of such developed and evolving global standards in order to provide an easily accessible platform for local companies to obtain and implement the standards whenever appropriate.

● ***Extension of Government-to-Business***

9. The e-government initiative has positively increased the adoption of information technologies from a Government-to-Consumer perspective. To extend the current programme further to the Government-to-Business level, it is important to have the Government’s systems interoperable with those of the commercial sectors. Global standards, therefore, again become important building blocks for completing the e-government programme in the long run.

Infrastructure and business environment

10. The proposed sector-specific programme for promoting the adoption of e-business is a practical approach to speed up the e-transformation process. Following are some of our

recent e-supply chain adoption initiatives that are of relevance to your proposed strategy and could possibly be leveraged as part of your overall sector-specific adoption programme.

- ***e-Adoption in the Apparel & Textiles Industry***

11. Apparel and textiles are a major export business for Hong Kong. As the manufacturing base has been relocated to the PRD, the demand for ICT to monitor goods and information flow is increasingly critical to maintain Hong Kong’s responsiveness to market needs. In order to increase the efficiency between buyers and manufacturers, local industry players have joined together to launch a project on “Standardisation of Identification Coding, Classification and Attributes of Raw Materials for Upstream Apparel and Textiles Industry” (www.hkana.org/apparelproject), funded by the Trade & Industry Department since November 2002. Coordinated by the HKANA and the Textiles Council, the project is designed to reinforce Hong Kong’s position as a global sourcing centre through streamlining the procurement process with a common set of terms of reference for raw materials acquisition. The project is now well under way and an innovative web-based library is being established for the chosen raw materials to facilitate sourcing processes for the industry.

12. This is only the first step in enabling our apparel and textiles companies to become connected among them. The next step would be to get their systems linked to those of our Greater China and overseas partners. The HKANA has shared this project with Standards Organisations on the Mainland and they have expressed keen interest in working with us to further extend the deliverables beyond Hong Kong. We would keep the CITB posted on the progress of this initiative and inform the related parties about the optimum timing for sharing the detailed plan in due course.

- ***SMEs in the Consumer Goods Industry***

13. The competitiveness of local economy owes much to a robust SME sector. Most of the 300,000 SMEs in Hong Kong are engaged directly or indirectly in the Consumer Goods

industry. With reference to the success of the global ECR movement since the mid-1990s in popularising the implementation of e-Business technologies such as barcode scanning and EDI among leading consumer goods companies in Hong Kong, the HKANA has been replicating the ECR role model to local SME retailers over the past two years.

14. A study conducted by the HKANA in mid-2003, however, showed that more than 80% of the respondents among some 2,000 consumer goods companies, most of them SMEs, have not used the basic e-Business tool such as Electronic Point-of-Sales systems. To address this issue, the HKANA launched an SME Ambassador Program 2002-2004 (www.smeambassador.org) in November 2002, with support from 16 trade associations and 15 solutions providers. Funded by the Trade & Industry Department's SME Development Fund, the Program aims to develop 12 SME role models and publish two sets of industry guidelines for local enterprises. It is hoped that the delivery of these objectives will encourage and provide reference for others to automate their supply chains.

● ***Transformation of the Healthcare e-Supply Chain***

15. According to the Health and Welfare Bureau, the HKSAR currently spends HK\$31.9 billion, equivalent to 15.4 % of total public expenditure in the year 2003-2004 on healthcare. Costs in this sector are escalating around the world and authorities everywhere are trying to reduce them without jeopardizing the quality of medical services. Many authorities in the advanced economies have been utilizing supply-chain management strategies in eliminating unnecessary processes and resources in order to improve the overall healthcare supply-chain service performance.
16. The local healthcare industry also realizes the potential benefits of e-supply chain management. The Hospital Authority and the healthcare industry are actively looking into the areas that can improve their supply chain efficiency by referencing overseas successful models. In the coming few months, the industry will explore the feasibility of introducing the centralised web-based drugs registry model of the Department of Health in Australia to Hong Kong in order to:

- provide a central drugs datapool for effective and efficient information flow along the supply chain;
- reduce medical errors by creating a common medicine data pool for healthcare professionals in Hong Kong and provide a common reference to patients;
- assist in the promotion, dissemination and implementation of good clinical practice.

17. We would be grateful if CITB could also take a proactive role in including the above initiatives into the sector-specific adoption programme.

Technological development

18. The suggested increased support from the Government to R&D linking industry to the research organisations for more effective technology transfer and commercialisation, and increased openness in technological and standards adoption, are exactly what Hong Kong needs in the long run.

19. Among all emerging technologies, EPC is the one that best supports increased efficiency along the global supply chain. EPC provides a common standard for capturing product-specific data information through RFID with Internet-based information-exchange infrastructure in place to allow for a seamless flow of data around the globe. Many governments in Asia, such as those of Mainland China, South Korea, Singapore and Taiwan, have dedicated resources to exploring the potential deployment of this technology as a catalyst to improve their economies. The HKANA, being the local representative body of EPCGlobal, has been heavily involved in active discussions with the industry regarding this matter. As the representative of the leading economy in the region, the HKSAR Government should put this at the top of its agenda and deploy dedicated resources to study how EPC could add value to cross-border supply-chain efficiency, especially for logistics-services providers and manufacturers.

20. EPC also offers numerous opportunities for local business development. In this regard, the HKANA is planning to launch an EPC Knowledge Centre in 2004 to facilitate the local deployment of the global EPC standard for Radio Frequency Identification in Hong Kong. A brief summary of EPC's latest development is enclosed in **Appendix II** for your kind perusal. Our Electronic Commerce Advisory Board members will be pleased to discuss with you further how the HKANA can work with the Government to make EPC a value-added element in the e-transformation of Hong Kong and incorporate it into the Digital 21 initiative.

A vibrant IT industry

21. The HKANA fully supports the Strategy of promoting Hong Kong's IT industry abroad. To empower Hong Kong's IT services and solutions' competitiveness in overseas markets including China, the HKANA and the Retail Technology Industry Association are now developing a list of global standards and best-practice parameters for upgrading locally developed solutions to fulfill both local and overseas user requirements. In the long term, we intend to engage the IT industry in a joint certification programme so that its standard-compliant solutions can be well-recognised and marketable in different territories, particularly China.

Conclusion

22. The ICT industry is fast-moving and full of dynamic changes. We greatly appreciate the CITB's taking such a proactive role in refreshing the Strategy that is so opportunely addressing the changing needs of the industry. We look forward to further discussions with the CITB not only regarding the above-consolidated feedback but, more importantly, as part

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of a long-term collaboration with the Government with a view to growing Hong Kong's e-Business competence in the global economy.

- End -



For Immediate Release

***United Nations/CEFACT Business Collaboration Framework (BCF) Workshop
Delivers Global e-Business Vision to Hong Kong***

(Hong Kong, 9 September 2003) – A truly interoperable e-business environment means more than the seamless exchange of trade data but also requires the complete alignment of the underlying business processes. This is the message passed to more than one hundred local business leaders, academia and system developers participating in the UN/CEFACT (United Nations – Center for Trade Facilitation and Electronic Business) Business Collaboration Framework (BCF) Workshop today.

Co-hosted by the Hong Kong Article Numbering Association (HKANA) and the Center for E-Commerce Infrastructure Development (CECID) of the University of Hong Kong, the half-day seminar addressed common problems in developing a coherent e-business infrastructure and explored how the BCF, as championed by UN/CEFACT, can raise the present e-business practices to a new level.

While the majority of interoperability frameworks being defined today have focused on message/document based information exchange, UN/CEFACT believes that the true power of e-business collaboration can only be achieved when the underlying business processes are harmonised and rationalised to form the foundation of these interoperability frameworks.

UN/CEFACT BCF advocates a ‘top-down’ approach that enables business process and information models to be specified in a technology and implementation neutral manner that can then be implemented in software using the information exchange syntax and structures of choice. The primary goal of the BCF is to systematically capture business and administrative process knowledge that will enable the development of low cost software components for use by companies in adopting e-Business practices, regardless of their size.

“Asia is one of the most buoyant markets in global trade and Hong Kong represents one of the major trading and financial centers. Through the workshops, we hope to share with business leaders in the region our vision of facilitating global e-commerce and call for their support and input to the ongoing development of the BCF.” said Mr.



Ray Walker, Chair of the UN/CEFACT Steering Group and Head of the UN/CEFACT BCF Asia delegation.

Included in his team are Mr Kenji Itoh, Vice Chair of UN/CEFACT, Mr Klaus-Dieter Naujok, Chair of the UN/CEFACT Technologies and Methodologies Group, and Mr Dave Welsh, Chair of the UN/CEFACT Business Process Work Group.

Dr David Cheung, Director, Center for E-Commerce Infrastructure Development and co-host of the BCF Workshop said "Open standards technology such as XML, ebXML and Web Services have emerged in the last few years to tackle the interoperability problem at the data level. However, to address the other parts of the interoperability problem besides data, standardized e-business processes and information need to be in place. The Framework developed by UN/CEFACT serves as an excellent starting point for business consortiums and governments around the world to customize for their own industry. The Delegation's visit to Hong Kong gives our local community an opportunity to understand and contribute to the missing pieces of an effective e-business solution."

Ms Anna Lin, Chief Executive, Hong Kong Article and Numbering Association and co-host of BCF Workshop, said "Hong Kong is proactive in creating an e-business environment and continues to cement itself as one of the major business hubs in Asia. The mega e-government project, the versatile Digital Trade and Transport Network (DTTN) in the logistics sector, and the vibrant e-commerce development in the business community are examples. The success of all these initiatives will rely heavily on an interoperability framework, which must be built on a universal protocol. We strongly believe that the trip of UN/CEFACT is significant for our business leaders, system developers and the government to understand more of the pivotal qualities and considerations that must be addressed in building the e-business infrastructure."

The UN/CEFACT BCF delegation began their Asia Promotional Tour on September 1 and has visited Taipei, Singapore and Kuala Lumpur. Following today's meeting with the local business leaders and academics, the delegation will tomorrow share their vision of e-business development and the BCF with the Hong Kong SAR Government. After the Hong Kong tour, they will finish the trip by visiting Tokyo and Seoul. For more information regarding UN/CEFACT and the Tour, please visit: www.unece.org/cefact.

The Workshop was sponsored by Tradelink Electronic Commerce Ltd and Atos Origin



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About UN/CEFACT:

UN/CEFACT, the United Nations Centre for Trade Facilitation and Electronic Business, which is based in the United Nations Economic Commission for Europe, and has a global remit, has led the development of international standards for electronic transactions for government, commerce and industry. UN/CEFACT's experience and ability to bring together world class experts and match trends in information technology with business requirements, in an open and transparent way, gives UN/CEFACT a unique viewpoint.

The viewpoint, and the recognition that the next technology trend is just around the corner, has allowed UN/CEFACT to identify the growing need for governmental, commercial and industrial organizations to approach their global information exchange requirements in a fundamentally different way to the current modus operandi. In particular UN/CEFACT has pioneered a technology and implementation neutral approach to the exchange of global information requirements. This is known as UN/CEFACT's Business Collaboration Framework (BCF).

For more information about the co-hosts, please visit:

www.hkana.org and www.cecid.hku.hk

For more information about the sponsors, please visit:

www.atosorigin.com and www.tradelink.com.hk



For more information about the supporting organization, please visit:

www.hkcs.org.hk

Appendix II(a) Electronic Product Code (EPC)

What is Electronic Product Code (EPC)?

In 1999, MIT formed a research team — AutoID Centre — to focus research on the potential application of Radio Frequency Identification (RFID) to the worldwide supply chain. The resultant Electronic Product Code (EPC) standard promises to revolutionise the way the global supply chain works.

Charged with the mission of promoting the use of EPC in business & industries worldwide, EAN International and the Uniform Code Council (UCC) set up EPCglobal Inc. in September 2003 to take research accomplishment further into actual implementation on a global scale. The original AutoID Centre will continue to be the research arm of EPCglobal.

With the EPC standard and back-end network infrastructure in place, product visibility and efficiency of the whole supply chain can be improved tremendously. Value-added services such as real-time track-and-trace can be introduced via the Internet, projecting the vision of an “Internet of Things”.

Major retailers in the world such as Wal*Mart, Tesco, Metro, Carrefour and the US Department of Defense have announced plans and timetables to adopt EPC in their supply chains. Together they form the strongest driving force behind the adoption of EPC worldwide so far.

Industry sectors that are likely to find new opportunities in EPC adoption

- Packaging & Printing

New opportunities can be found in new packaging and labelling standards in compliance with EPC requirements.

- Electronics

Hardware infrastructure of the EPC network, which includes tags, readers and antennae, will boost the demand for certain electronic components and devices.

- IT

New opportunities will be generated in EPC-compliant software development and system integration, which allow enterprises to become hooked up to the EPC network infrastructure.

- Logistics

Real-time track-and-trace using EPC and other value-added services will bring new service streams to the logistics industry.

Potential specific applications of EPC

***Anti-counterfeit**

Identification of product down to serial level using EPC gives rise to services in product authentication. It could further open up potential services to be introduced in applications related to anti-counterfeit measures.

***Security**

Real-time track-and-trace on products and logistics units using EPC and its network infrastructure enhances traceability and transparency of products along the supply chain. Related services could be developed in areas related to security such as that of container security.

***Warranty and after-sales service**

The interactive nature of EPC and its back-end infrastructure provides a solid network for potential after-sales services. Warranty and replacement can be facilitated and automated with EPC in place.

Road ahead

Undertaking the responsibility to bring EPC technology to Hong Kong, HKANA will be focusing its efforts on different aspects. Already on the drawing board are EPC industry implementation roadmap, EPC knowledge centre, EPC training & education programme and potential EPC pilots.