

4. Overseas Policies/Measures and Developments

A. Policies and Measures

Hong Kong remains a key data centre and telecommunications hub for the region. However, for Data Centre Operators and End Users, the option of expanding or setting up their data centre operations in other locations such as Singapore is becoming increasingly attractive. Competing locations such as Singapore has been actively facilitating the development of the data centre industry. For example, the Singapore government has set in place processes to expedite the application and licensing approval required to set up a data centre. Similar to State practices in USA, incentives are also granted in various forms to attract foreign investors. According to feedback provided by industry respondents, this has encouraged global DCOs such as Digital Realty Trust, Equinix and Global Switch to put in significant investments in Singapore. Furthermore, Cloud service providers such as Amazon, Google, VMware and Salesforce.com already have a much larger presence in Singapore as compared to Hong Kong.

Due to the large land plots required for data centre development, the Singapore government is also planning to set up a 12 hectares data centre park, making it the largest single data centre facility in the world. The facility aims to attract multinational banks, telecommunication players, and global Data Centre Operators to set up their mission-critical operations there.

Studies reveal that data centres in clusters are expected to save on infrastructure costs and benefit from the last mile utility advantage. Industry generally feels that clustering effects can only lead to lowered start-up and operations costs if there is geographical consolidation, *which focuses on shared resources*, and not simply from the existence of more data centres.

Currently, there is no clustering of data centres in Hong Kong as they are geographically dispersed in different districts except for a few players in the Industrial Estates managed by the Hong Kong Science and Technology Park Corporation (HKSTPC). Hence, benefits from clustering effects could accrue if a large piece of land (about 8 to 10 hectares) is set aside.

Furthermore, service providers such as electricity companies may be attracted to invest in capital intensive infrastructure as demand is potentially assured.

B. Data Centre Development in Overseas Financial Centres

A review to identify the presence of data centres in specific locations indicates that global financial centres and cities such as New York, London, Paris, Tokyo, Chicago and Singapore have a significant number of data centres located near to these cities/areas to meet demand.

Table 3: Presence of Global Data Centre Operators in Key Financial Centres and Cities

Selected Global Data Centre Operators	Presence in Key Financial Centres (> 100,000 square feet RFS)	Presence¹ in Other Selected Locations
Digital Realty Trust	London, New York, Paris, Chicago and Singapore ²	Boston, Houston, Silicon Valley, Dublin, Amsterdam, Los Angeles, San Francisco, Dallas and Charlotte
Equinix	London, New York, Paris, Chicago, Tokyo, Hong Kong and Singapore	Boston, Dallas, Silicon Valley, Shanghai, Sydney, Amsterdam, Los Angeles, Atlanta and Washington DC
Global Switch	London, Paris and Singapore	Amsterdam, Frankfurt and Sydney
Telehouse	London, New York, Paris, Tokyo and Hong Kong	Shanghai, Los Angeles, Seoul, Cape Town, Osaka and Nagoya
Savvis	London, New York, Chicago, Tokyo and Singapore	Boston, Silicon Valley, Dallas and Los Angeles

Source: Frost & Sullivan Research

In addition, a quote from the CEO of Equinix in North America states that the demand for data centre services in the New York metropolitan area, particularly for the financial sector, has increased significantly over the past year. A new data centre, offering 100,000 square feet of RFS, and located just 17 kilometers from downtown Manhattan, was constructed specifically to increase Equinix’s capacity and enhance its capabilities to meet demand from the financial sector, and is just one of Equinix’s eight data centres in the area. These indications serve to substantiate the need for data centres to be located near to or within global financial centres.

¹ In terms of RFS size, Data Centre Operators with presence in other selected locations have facilities that typically range between 50,000 to 100,000 square feet, sometimes more.

² In 2010, Digital Realty Trust made a significant investment to build a 370,000 square foot facility in Singapore.

While it may not be feasible for Hong Kong to directly adopt these measures and policies, we must acknowledge them, take note of the constraints facing Hong Kong, and consider appropriate measures that benefit Hong Kong.