
**COL LIMITED
SUBMISSION IN RESPONSE TO THE
PUBLIC CONSULTATION ON
DIGITAL 21 STRATEGY**

22 DECEMBER 2006

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INTRODUCTION

- 1 COL Limited (“COL”) is a leading IT services company in Hong Kong with over 34 years of experience. COL provides datacentre services including facilities management, disaster recovery and full business recovery, as well as extensive professional services capability, which offers application development in the areas of budgeting and planning, ERP and Supply Chain management solutions and HRMS solutions. COL is a wholly-owned subsidiary of Wharf T&T Limited, a leading fixed-line operator since 1995 with over HK\$5 billion of investment in its own telecommunications network infrastructure in Hong Kong and the state-of-the-art metro IP network enabling a full range of voice, data networking, Internet access and video services to meet the dynamic demand of business customers. Together, COL and Wharf T&T Limited have the best-of-breed data centre and business continuity capabilities, backed by one of the most robust telecommunication infrastructures, supported by sophisticated networking solution capabilities and a well renowned professional services engine.
- 2 COL welcomes the opportunity to submit its views in response to the Public Consultation on Digital 21 Strategy issued by Commerce, Industry and Technology Bureau, The Government of the Hong Kong Special Administrative Region in October 2006.

WHERE WE ARE AND THE CHALLENGE

- 3 The Digital 21 Strategy paper sets out the Hong Kong Government’s policy of building Hong Kong as a world digital city. The Government’s achievements have so far been remarkable in terms of achieving an exceedingly high rate of mobile and internet penetration amongst Hong Kong consumers and implementing information and communication technology (“ICT”) in public services and administration. However, we believe much have yet to be done to maximise benefits of the Government’s initiatives particularly to SMEs of the local ICT industry, by assisting them to grow through globalization. Given that SMEs make up 98% of Hong Kong’s businesses and employ around 66% of the workforce, their participation is a vital part of any ICT initiative.
- 4 ICT is a powerful tool for users to communicate, disseminate and share data and information, which in turn promotes prosperity by helping to improve users’ productivity and innovations. At the same time, surging demand for ICT generates enormous business opportunities for providers of ICT. Besides promoting ICT opportunities to all segments of the industry and the community,

to place Hong Kong as a world digital city, the Government must ensure that its policies and programs in ICT industry development are of a scale significant enough to be commercially attractive and provide local companies the chance to develop and do business globally. In particular, such policies should be effectively accessible and beneficial to SME providers of ICT.

- 5 COL, as leader in the ICT sector can play a major role in facilitating the Government to achieve Hong Kong as a world digital city. COL provides world class IT, applications, professional services, data centre services and so forth to banking and financial institutions as well as major corporations with long and successful track record. As expert in ICT, COL would look forward to closer collaborations with the Government in its various initiatives to achieve Hong Kong's role as a world digital city, COL believes it can contribute positively to the Government's vision.
- 6 In this submission we provide our response to each of the following five action areas identified by the Government for achieving its vision of strengthening Hong Kong's role as a world digital city:
 - Facilitating a digital economy;
 - Promoting advanced technology and innovations;
 - Developing Hong Kong as a hub for technological cooperation and trade;
 - Enabling the next generation of public services; and
 - Building an inclusive, knowledge-based society.

FACILITATING A DIGITAL ECONOMY

- 7 The Government continues to be a significant driver of ICT by using, supporting and facilitating ICT and its applications through:
 - Significant investment in IT outsourcing new IT projects, application maintenance and system management and operations;
 - Setting of agenda for a deepened e-government programme;
 - Financial assistance for R&D and innovative work and facilitate their wider application and commercialization;
 - Ensuring that regulatory framework keeps abreast of advancement in technology and changing needs;
 - Sharpening focus on implementing digital inclusion programmes among SMEs and citizens with special needs; and
 - Forging closer cooperation or partnership between Hong Kong and Mainland in the ICT field thereby providing platform for cooperation between business enterprises of both sides.

We welcome and support these initiatives and note the specific works of the Government in these areas. We believe COL, as leader in the field can play a

major role and contribute positively to the Government's various initiatives and we look forward to working closely with the Government.

PROMOTING ADVANCED TECHNOLOGY AND INNOVATION

- 8 We support the Government's promotion of advanced technology and note that the Government has made considerable investments in the setting up of 5 R&D Centres and the pertinence of R&D in the continuing development of ICT. We believe it is equally important for the Government to pursue initiatives to make it commercially beneficial and affordable for SME providers of ICT to make use of such facilities, failure to do so will leave these Centres no more than property investments reserved only for high-profile R&D projects or ICT businesses of large companies. We are of the view that the Government should take proactive steps to encourage participation of more SMEs in these R&D institutions by offering more financial and developmental incentives.
- 9 The Government should also follow the example of other countries that have facilitated closed collaborations between industry and R&D institutions by requiring R&D projects to be led by the industry in order to secure funding from the government for the projects.
- 10 We recognize the importance for Hong Kong to have a conducive and certain regulatory environment for introducing new ICTs and potential new comers as well as to maintain existing players. Given the Government's on-going "technology-neutral" stance, the drive for development of any particular technologies should come from the market rather than from any regulator. A technology-neutral regulatory framework helps ensure regulatory certainty. We urge the Government to focus on regulatory regime, which will drive greater development of contents and applications instead of infrastructure or lower prices. At this stage of market development, Hong Kong is not short of alternative access or infrastructure and prices for telecommunications are amongst the lowest in the world. We do not believe more infrastructure and lower prices would drive the take up of ICT, especially amongst the SMEs, rather we believe development of rich contents and applications would drive the take up of ICT.

HONG KONG AS A HUB FOR TECHNOLOGICAL COOPERATION AND TRADE

- 11 The Government indeed has a leading role to play in ensuring the continued presence of a conducive business environment for ICT to develop and grow in Hong Kong. We support the Government's ongoing efforts in establishing and strengthening cooperation between Hong Kong and the Mainland in a wide range of ICT initiatives. Due to Hong Kong's geographical, cultural and linguistic ties with the Mainland and given its fully developed legal system, information and transportation infrastructure, Hong Kong businesses (which are predominantly SMEs) are ideally placed to supply the Mainland market with ICT solutions and

- professional expertise. We believe COL as a leader in the field can play a major role together with the Government.
- 12 To maximize the benefits of rapid globalization to Hong Kong's ICT industry, the Government must work with local companies, including SMEs that provide ICT to ensure that the profile of local companies continue to grow through vigorous international and local marketing of Hong Kong's innovative and cutting-edge ICT products and services.
 - 13 In making Hong Kong a regional and international hub for ICT, the Government must also encourage innovation and offer incentives for facilities investment and commercialization, making Hong Kong a desirable place to set up and successfully grow local companies in the ICT sector. ICT innovations will increase Hong Kong's economic growth and give local companies in the ICT field the chance to grow and compete their businesses internationally or regionally.
 - 14 We support the Government's efforts to equip Hong Kong's younger generation with ICT skills and attract overseas ICT talents into the Territory. The Government should implement initiatives to encourage improvements in professional skills, research and development, investment and business regulation in ICT. It is important also that the Government includes in its policy such initiatives that would cultivate and develop better management and marketing skills for ICT related businesses.
 - 15 We support the Government's efforts in keeping Hong Kong's relevant legislations on intellectual property rights protection up to date. Intellectual property rights protection is vital in creating and maintaining incentives to innovate in ICT.
 - 16 Equally important is the Government's continuing work to enhance protection of personal privacy. Effective legislation on the protection of personal data or privacy that keeps up with changing technology is essential for maintaining the confidence of users of ICT. It is important for the Government to continue its programs for enhancing awareness of privacy issues.

ENABLING THE NEXT GENERATION OF PUBLIC SERVICES

- 17 We welcome the Government's introduction of GovHK (www.gov.hk) and its efforts to continue developing and improving GovHK as the single entry point to online Government Information Services. The newly launched portal shall be easily accessible by users. Introduction of appropriate private sector content and services on GovHK would enhance GovHK thereby benefiting the users and business community.

- 18 The Government's electronic procurement projects would "convert" more private sector suppliers, including SMEs, to migrate to electronic commerce. The Government will need to assist SMEs in such migration. It is important for the Government to work closely with the relevant sectors including the ICT industry to understand the obstacles and what are needed to assist the SMEs to adopt electronic commerce.
- 19 We recognize the huge challenge that electronic health records will pose to the Government as explained in the Strategy Paper. The eHR system must be considered in conjunction with other healthcare reform proposals. The Transport Information System is an exciting project and will open up a range of opportunities for businesses. Developments in ICT have changed the way we do business and the way of life for private citizens. The active participation of the Government in ICT will no doubt spur further business opportunities and greater participation by private sectors thereby fueling further developments in ICT.
- 20 We welcome the Government's deepening of its e-government programme and the many possibilities promised for public-private partnership. In this respect, significant progress has been made in terms of implementation of the 2004 Strategy. In 2005-2006, about 93% in value of the Government's new IT projects were outsourced. We acknowledge the recent growth of ICT procurement by the Government in an expanding range of ICTs, including data center, disaster recovery service and security and storage management.
- 21 We believe that the Government should focus on more specific issues of its ICT outsourcing with the aim of maximizing business opportunities for local businesses and promoting efficiencies for ICT suppliers when submitting their tenders and conducting contract negotiations with the Government. The Government should develop a reasonable and workable liability policy limiting supplier's liability in ICT contracts with the Government, as the Australian Commonwealth Government has done. The Hong Kong Government should adopt a policy whereby unlimited liability is only to be included in ICT outsourcing contracts for special compelling reasons, supporting capping of various forms of liabilities. The Government should take positive measures to help implement such policy, including the releasing of sample contracts for industry comments and allow for meaningful negotiations.

BUILDING AN INCLUSIVE, KNOWLEDGE-BASED SOCIETY

- 22 In making Hong Kong an inclusive, knowledge-based society, we note the Government will be leading discussions and consulting the industry and community in the following areas:

Digital inclusion

- Broadband connectivity for every citizen

- Allowing every student access to ICT facilities to support learning
- More affordable access to industry software solutions for SMEs

Knowledge-based society

- Information management in the community
- Digital rights management infrastructure and culture

- 23 As acknowledge in the Strategy Paper, although Hong Kong is faring well in terms of Internet connectivity and ICT penetration, only 37.6% of households with monthly income less than \$10,000 have a PC at home. Despite the Government's initiatives to introduce ICT to local businesses, only half of Hong Kong's small establishments are connected to the Internet.
- 24 We acknowledge that the Government has made significant efforts to bridge the digital divide with installation of computers at various places for public use and various support programmes. The Government needs to examine and identify what the obstacles are and assess the success of the various initiatives in overcoming them. However, much of the initiatives by the Government target private individual citizens more so than say for the SMEs. In this sense, the Government should give higher priority to programmes to drive the update of ICT by SMEs given that they make up of 98% of Hong Kong's business establishments and employ 60% of the workforce. As already pointed out in the Strategy Paper, access to industry software solutions through various financing options may help to drive their update. The Government needs to conduct further consultations on specific programmes in this area.
- 25 We support the Government's ongoing measures specific to encouraging greater ICT up-take amongst SMEs, such as promotion of ICT awareness by means of organizing free seminars and workshops. However, since the time and resources of most SMEs are limited, promotion by such means may not always be fully effective. In addition to direct promotion of ICT to SMEs, the Government, as stated above must encourage innovation and offer incentives for investment and commercialization, making Hong Kong a desirable place to set up and successfully grow local ICT companies. The Government needs to generate an environment in which ICT businesses of all sizes, including SMEs can develop and grow. It is necessary to cultivate ICT suppliers to identify and meet the ICT needs of SME businesses in general.

TARGETS AND OUTCOMES

- 26 The Strategy Paper highlights the Government's commitment to build Hong Kong as the world's digital city. In the light that the nature of ICT and needs of Hong Kong businesses and consumers undergo continuous changes, the initiatives proposed in the Strategy Paper should be flexible and dynamic and be subject to regular reviews.

- 27 In addition to publishing the Strategy Paper for setting out the Government's vision, as stated above we believe the Government should take positive steps to develop specific policies for enabling development of contents and applications and greater participations in Government outsourcing projects.

CONCLUSIONS

- 28 We acknowledge that the Government has put in enormous efforts in facilitating a digital economy, promoting advanced technology innovations, developing Hong Kong as an ICT hub, enabling the next generation of public services and building an inclusive knowledge-based society.
- 29 We are of the view that the Government needs to take further initiatives to encourage more SMEs in Hong Kong to adopt ICT in their business operations, as well as harbour a commercially attractive environment in which local SME providers of ICT can develop and grow domestically and globally. We believe adopting a regulatory framework, which encourages development of applications and contents would help achieving greater take up of ICT.
- 30 To create a commercially conducive environment for ICT innovation and investment in Hong Kong, on the domestic front the Government should ensure that local SMEs benefit effectively from its notable IT outsourcing program, by developing a policy of limiting ICT suppliers liability and consulting the local industry on the complex issues surrounding liability and risk management in government ICT contracting. Such policy would help the Government and local ICT industry become better partners. The Government can also help local ICT providers grow internationally by stepping up its international and local marketing of Hong Kong's ICT products and services, and by ensuring that Hong Kong's ICT-related legislation are kept up to international standards.

Submitted by COL Limited

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