The British Chamber of Commerce in Hong Kong

Response to Public Consultation on 2007 Digital 21 Strategy

10 December 2006

Office of the Government Chief Information Officer
Commerce, Industry and Technology Bureau
2/F, Murray Building
Garden Road
Hong Kong

Dear Sirs,

Response to Public Consultation on 2007 Digital 21 Strategy

The British Chamber of Commerce in Hong Kong is pleased to provide this response to the Office of the Government Chief Information Officer (OGCIO) on the above consultation paper. Our submission, which has been prepared by the Chamber's Information and Communications Technology (ICT) Committee, provides the viewpoints of a number of member companies representing a cross-section of industry sectors.

Overall, the Chamber fully supports the spirit of Digital 21, and this emphasis by the Government of the Hong Kong Special Administrative Region on continuing to secure Hong Kong's position as a leading digital city. It is clear that a correctly structured 2007 Digital 21 Strategy, with proper execution targets and measures can make a significant contribution to Hong Kong's future economic development, in the arena of information and communications technology.

In reviewing your 2007 public consultation document, the Chamber notes that Hong Kong has seen significant advances in information and communications technology since publication of the first Digital 21 Strategy. These advances arise out of areas from telecoms liberalisation, improved efficiency and outsourcing to technology enabled joined up government initiatives that allow better access to services.

The Chamber congratulates the Government on the general direction it has set for technology, and on its appointment of a Government Chief Information Officer (CIO). The new draft Digital 21 Strategy is clearly better than previous versions as a result, and initiatives regarding the new government portal and DTTN are especially commendable. However, we have concerns that the proposed breadth of coverage may be over-ambitious. We also note a need to be more specific with regard to objectives and how progress against agreed targets can be measured during your next 2007 – 2010 strategic timeframe. In particular we would like to see a clear layout of measurable objectives in each edition and a similar layout with progress made against all of them shown in the following edition. We would like to see this treatment start with a review in the forthcoming 2007 Digital 21 edition of the progress made over the past 3 years since 2004 Digital 21 was launched.

This paper documents specific areas which the Chamber would like to highlight for consideration by the OGCIO in developing the 2007 Digital 21 Strategy. Underscoring these specific comments is a general call for a better focus on measurable objectives, so as to facilitate progress.

Leveraging Hong Kong's unique positioning as a test bed for China
Hong Kong is uniquely positioned as a potential test bed for technology innovation for China as a whole. The Special Administrative Region is a world financial centre, the world's largest air and

sea cargo hub and it's positioning in the Pearl River Delta – China's largest economic region – positions this city state as an ideal testing ground for new ideas. In addition, and in common with Singapore, Hong Kong has a compact geography – an important factor that simplifies the deployment of new infrastructure initiatives. The 2007 Digital 21 consultation paper recognises a need for greater interplay between industry and academia. However, the strategy could strive for international acclaim as China's "leading digital city" with measurements that address such areas as:

- Readiness of infrastructure
- Maturity of government policies and regulations in ICT
- Accessibility of government information and services through efficient electronic means (e-government)
- Application and adoption of ICT in government, businesses, academia and the general public
- Availability of a competent ICT enabled workforce (including penetration into SME areas)
- Level of government facilitated co-operation between business and university R&D communities
- Raising the standing of R&D communities as acknowledged innovative product developers, acting as a spring board for the commercialization of new technology.

Achieving the above will require a focus on positioning, rather than content, as the draft 2007 Digital 21 document covers many of the initiatives and actions for these areas. In addition, Hong Kong has already made significant improvement in overall infrastructure readiness so that users can enjoy high speed, reliable and low cost fixed or mobile access to information.

The importance of data centres in establishing a "leading digital city"
Besides telecommunication infrastructure, we are seeing an increasing demand for data centre and call centre facilities across Asia Pacific. As international companies expand their businesses across Asia Pacific, they are at the same time re-locating their data centres, and increasingly their R&D centres, into this region. As part of this process organisations take into consideration such aspects as political stability, economic and social development, technology infrastructure availability and cost when making data centre decisions. The Digital 21 Strategy should take into account that Hong Kong, and it positioning within the Pearl River Delta, could provide an attractive data centre and call centre location. The Digital 21 strategy should state clearly what role the Government is playing to ensure Hong Kong's readiness in data centre facilities, so that Hong Kong remains competitive with data centre offerings of other cities - such as Singapore - in attracting foreign investors. If Hong Kong is to maintain its position as a "leading digital city", it is critical that Fortune 500 companies continue to select the HKSAR as a preferred Asia Pacific technology/R&D location.

Setting targets to better support SMEs
The 2007 Digital 21 Strategy draft notes that "In Hong Kong, 98% of our business establishments are SMEs, which together employ around 60% of our workforce in the private sector." Our Chamber membership, which is about 70% SME based, has a significant interest in enhancing ICT effectiveness, and as a consequence the current draft's "big picture" SME initiatives are welcomed. However, the SME community suggests that the focus of support should be on:

- More practical ICT initiatives that SMEs can take advantage of immediately
- Streamlining and speeding up the SME grant application process to align with those in force in competitive high-tech environments such as Singapore
- Supporting SMEs with their advertising, promotion and presentation of Hong Kong developed products/services overseas
- Facilitating the linkage and involvement of SMEs and R&D centres in joint projects.

For example, one of the draft's strategic targets might be to redesign how funding is distributed to SMEs in the technology area. The Chamber feels the current system is not working effectively and is the cause of much negativity. The Chamber would also like to see a system of seed capital

investment for technology SMEs based on focussed industry areas, high potential ideas and the easy distribution of funds, all linked to measurable business and government efficiency outcomes.

The Government should also allow the market to help develop and grow eCommerce platforms that harness the power of the Internet to foster and internationalise Hong Kong SMEs' businesses rather than duplicating effort creating and running competing eCommerce platforms.

As a last point, the Government website and associated websites would benefit from an information structure overhaul as well as a redesign so that the website - the face of the Government for SMEs in Hong Kong as well as overseas – are more SME user-centric. We would suggest that such an overhaul might be conducted following consultation with selected ICT-literate SME organisations.

The energy-saving digital city
The Government might also consider promoting the use of technology, for example advanced building management and data centre technology, that provides the benefits of space and energy savings. Considering the on-going high focus on environmental issues in Hong Kong, it is especially important for data centres to adopt leading-edge technology emphasising a reduction in power consumption. This could be achieved through sponsorship of R&D projects that advance best practices, or in setting out environmental policies or guidelines to regulate the ICT industry. A close working relationship with the Environmental Protection Department is needed in order to establish Hong Kong's image as a "leading digital city" which is both high-tech *and* environmentally conscious.

Maintaining a fair, competitive, and low-cost telecommunication platform
The Chamber recognises that Hong Kong has made significant progress in the provision of telecommunications infrastructure and associated services. The Government has introduced competition in the telecommunication sector over the last 20 years, resulting in the attraction of significant investment into the industry, the current level of market maturity and benefits to the consumer.

Although the current Digital 21 Strategy draft highlights the success of Hong Kong's open market and competitive environment, a further enhancement should focus on establishing mandatory wholesale offer requirements on telecommunication providers in the interests of securing a fair, low-cost base and competitive telecommunication platform and to encourage new ICT ideas and concepts. Furthermore, we encourage the Government to continue its focus on an improved regulatory framework for telecommunications liberalisation and take advantage of Hong Kong's tax framework to become an ICT hub within Asia Pacific.

Establishment of a single regulator for Broadcasting and Telecommunications
The Chamber welcomes the proposal to establish a single Communications Authority by merging the Broadcasting Authority and Telecommunications Authority, and recognises that this is subject to Legislative Council proceedings. Such a development recognises the convergence of content development and delivery. Assuming the regulatory framework is aligned and the promotion of enabling technologies (such as Wimax, fibre to the home and fixed/mobile converged technologies) are actively supported this development will be of great benefit to Hong Kong. The Chamber would like to see more clarity in the final strategy on how the new Authority will operate, and to be given more specific information on its objectives and "mission".

Advising on China's regulatory framework
Hong Kong is ideally placed to act as a technology standards 'bridge' between Europe/USA and proposed developments in China. The Chamber therefore proposes that the Government should play a stronger role in influencing the regulatory framework in China in the broadcasting and telecommunication area. While the Chamber welcomes closer ties with China, especially around IT standards (wireless, RFID etc.), clearer guidelines from the SAR Government on how it intends to manage regulatory conditions that may affect Hong Kong would be welcomed.

Enforcing technology standards, regulations and practices for information sharing
The Chamber recognises that considerable progress has been made with infrastructure deployment in Hong Kong. We anticipate that this will facilitate a corresponding advance in applications enabled information sharing over the 2007 Digital 21 Strategy timeframe, leading to a true "leading digital city" status. However the benefits of these advances – in areas ranging from joined up government to healthcare – will be limited in the absence of enforceable standards that promote such information sharing while protecting personal and confidential information.

We encourage the Government to be a leader in setting guidelines and rules around common technology standards, and then encouraging industry-wide adoption to facilitate efficient business collaboration and integration. We also encourage the initiation of public consultation on new technologies as well as close attention to appropriate regulatory support, so that the industry benefits from the launch of new applications that are appropriately standardised.

Given Hong Kong's dependence on trade, we welcome the development of data standards and a common DTTN platform "to enhance communication, collaboration and business integration within and across sectors". The Chamber congratulates Government on the initiatives surrounding DTTN but emphasises that it needs more publicity, as awareness of this entity is still limited.

We also note that taking the lead in terms of standards setting is not always bound to succeed. In such circumstances it is necessary to take stock of the reasons for non-adoption of the standard and make appropriate changes. In this regard we would mention the Electronic Transactions Ordinance enacted a few years ago. While the Government created a legal framework for e-business transactions, the private sector has generally yet to adopt the framework of digital signatures, authentication and encryption tools prescribed by the Ordinance.

Finally, while the 2007 Digital 21 Strategy consultation document covers information security in a general sense, the Chamber maintains that more prominence is needed for specific ICT security measures.

Digital 21 Interaction with Industry
The Chamber believes that the Government could better target its support for new industry development. In general, there is a clear case for funding an environment and infrastructure in which business can thrive – and then leaving the investment decisions to business. Successful business funded initiatives in Hong Kong include:
- The privately-developed Octopus card, which is a world leader
- RFID trials at Hong Kong International Airport

However, government funding for academic research is an exception, and Cambridge University has shown how this can then be commercialised.

The Chamber maintains that the Digital 21 Strategy could present a more targeted approach to supporting other industries that could directly benefit from Government assistance. Given the importance of the SME community and Hong Kong's reliance on logistics and transportation, some examples might include:
- Logistics: support for One Port and IATA's e-freight initiative by providing the necessary IT enabled Government services
- IT technology: by further progressing biometrics use
- Financial services.

The Chamber welcomes healthcare related initiatives outlined in the draft consultation document. Clearly success will depend on a linkage between government and private community funded

initiatives, and clarity is required on how this will be achieved. The Chamber suggests that effective targeting will enable progress to be monitored in the above areas.

R&D centres

The Chamber suggests that the Government should facilitate closer co-operation between industry and newly established R&D centres to ensure the commercial viability of delivered components. Joint investment in 'club' funded technology initiatives has proved successful in the UK and EU. In addition, partial business funding ensures support and commitment to a successful R&D outcome.

In particular, the Chamber believes that greater clarity regarding R&D centres in the completed 2007 Digital 21 strategy will serve to answer the following questions:

- How will the newly-established R&D Centres work?
- How will the R&D Centres link to the work of universities/colleges?
- How are businesses linked to the work of 3G and RFID labs; how are developments being guided?
- How will the IT Outsourcing Centre be established and what are its objectives?

Government Commitment to an Open Internet and Net Neutrality

The Government should support the Internet as a neutral "pipe" that treats all parts equally. Government should ensure that our local phone companies, cable companies, and other network service providers do not begin to give priority and higher bandwidth and speed to certain services, certain sites, and certain information or block traffic or degrade network performance as a way to maintain competitive advantage. In parallel, Government should ensure that these same parties do not reduce the bandwidth and speed of access to other sites and other content. The risk is that without a single open Internet, one might witness the emergence of two Internets – one an ever-evolving and progressing privately-controlled Internet, which will not allow users access to the full-range of content and applications, and the other an increasingly dilapidated publicly-accessible Internet with poor quality and capacity.

Developing Hong Kong into a leading digital city – measuring success

The Chamber notes that previous versions of the Digital 21 strategy were over ambitious, with complex measures that were difficult to monitor and implement. With the 2007 Digital 21 consultation draft the Government has a better structure, but measures will need to be crafted so that implementation progress can be monitored over the three year life of the strategy.

To underpin success, the Chamber recommends that OGCIO should adopt a 'balanced scorecard' approach that groups projects into a few definable objective areas. In support of these projects there should be a 'vital few' set of progress measures that can be monitored and reported on at regular intervals over the implementation timeframe.

Summary

In summary, the Chamber unanimously endorses the overall direction proposed by the 2007 Digital 21 Strategy Public Consultation document. We view the evolution of Hong Kong into a leading digital city as an essential component of on-going competitiveness and prosperity in Asia Pacific. To underpin success there needs to be greater clarity on the relationship between universities, R&D centres and industry, and on Hong Kong's positioning of its technology relationship with China. The current 2007 draft is a considerable improvement on previous versions. However, as we have outlined above, the Government should formulate a final strategy that is appropriately ambitious, with a limited number of specific and actionable targets by which success will be measured.

On behalf of our members we wish you every success in formulating the final version of the 2007 Digital 21 Strategy and transitioning Hong Kong to centre stage as a leading digital city.