
**WHARF T&T LIMITED
SUBMISSION IN RESPONSE TO THE
PUBLIC CONSULTATION ON
DIGITAL 21 STRATEGY**

22 DECEMBER 2006

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INTRODUCTION

1. Wharf T&T Limited (“WTT”) is a leading fixed-line operator since 1995 with over HK\$5 billion of investment in its own telecommunications network infrastructure in Hong Kong. With over 2,225 km of extensive fibre network in the Territory, WTT possesses 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 with its wholly owned subsidiary COL Limited, a leading IT services company in Hong Kong with over 34 years of experience, WTT and COL 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 service engine.
2. WTT 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 was first issued in 1998 and it sets out the Hong Kong Government’s vision of building Hong Kong as a world digital city. We are encouraged by the Government’s initiatives in the development of information and communication technology (ICT) in Hong Kong. Whilst we should be proud of ourselves with the achievements and progress made to date, we must not rest on our laurels. We believe much have yet to be done particularly in efforts to encourage and enable our SME participants to be involved in the process given that they made up of 98% of our business establishment and employs around 66% of our workforce in the private sector.
4. WTT has over the years built an extensive broadband infrastructure throughout the Territory to penetrate the SME sector. We have also invested extensively on products and services riding on our infrastructure so as to create values for the SME customers. By using managed services approach to lower the barrier of entry, such products and services including IP telephony, anti-virus, anti-spam, desktop support, and router management have been very receptive to the SME market providing great impetus in their businesses. We will continue to invest in developing various business applications using managed services approach to enable the SMEs to adopt and deploy technology in their businesses to support the Government’s Digital 21 Strategy.
5. We believe there are sufficient infrastructures to access every user including the SMEs through various regulatory initiatives adopted by the Government in the past encouraging infrastructure rollouts for the benefits of the consumers through choice

and lower prices. Moving forward we urge the Government to focus on any regulatory initiatives to promote applications and contents to enable greater adoption of ICT by SMEs.

6. ICT is a powerful tool for communication and information dissemination and sharing. It is vital that the Government promotes the opportunities of ICT to all segments of the community to place Hong Kong as a world digital city. It is vital that the Government, the ICT industry, businesses, academia and the public work together to realize this vision. In particular we urge the Government to take a proactive approach in designing a framework for cooperation with businesses in order for businesses to make greater use of the Government resources e.g. the Government portal. Through better collaborative effort between the Government and businesses, Hong Kong can pioneer the adoption of ICT in the SME sector to deliver enhanced business values to the community.
7. The Government has identified 5 action areas to achieve 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.

We provide our comments in response to each of these action areas in the following sections

FACILITATING A DIGITAL ECONOMY

8. In the Strategy Paper, in facilitating a digital economy the Government said it will:
 - Continue to invest in IT to support and improve its operations;
 - Set agenda for a deepened e-government programme;
 - Provide financial assistance for R&D and innovative work and facilitate their wider application and commercialization;
 - Ensure that regulatory framework keeps abreast of advancement in technology and changing needs;
 - Sharpen its focus in implementing digital inclusion programmes among SMEs and citizens with special needs; and
 - Forge 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 these initiatives and note the specific works of the Government in these areas.

PROMOTING ADVANCED TECHNOLOGY AND INNOVATION

9. With respect to the 5 R&D Centres that have been set up, namely R&D Centre for Logistics and Supply Chain Management Enabling Technologies, R&D Centre for Information & Communications Technologies, R&D Centre for Automotive Parts and Accessory Systems, R&D Centre for Textile and Clothing and R&D Centre for Nanotechnology and Advanced Materials, we query how the outcomes of these R&D Centres would be made accessible to the business community thereby to facilitate their applications.
10. We encourage the promotion of advanced technology and innovation. The setting up of R&D Centres would facilitate the development of advanced technology and innovation. To ensure that the outcome of the R&D projects would be relevant to the industry and their subsequent successful exploitation we believe the Government should encourage greater participation by the industry in the projects. Other countries have facilitated greater participation 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.
11. Whilst enabling regulatory environment is important for introduction of new communications technologies, equally important is certainty in regulatory environment for the existing players and potential new comers. The regulators should not single-mindedly drive for the development of any particular technologies, the regulators should give due consideration to potential technical interference and ensure regulatory certainty. In any event it is not for the regulators to drive the development or adoption of any particular technologies, as this should be a market-led development.
12. Hong Kong has in the past put in place regulatory framework which amongst other things encourage investment in infrastructure rollout and lower prices of telecommunications services to consumers. In a small economy such as Hong Kong we now have abundant of choice and prices for telecommunications services are amongst the lowest in the world, we believe it is time for the Government to shift its focus to encourage development of contents and applications. Through rich contents and applications we can encourage greater deployment of ICT especially amongst the SMEs.

HONG KONG AS A HUB FOR TECHNOLOGICAL COOPERATION AND TRADE

13. Because of its geographical location, its economic and cultural development, well established and advanced telecommunication infrastructure, transportation networks, financial institutions and legal systems, Hong Kong is uniquely placed as a hub for technological cooperation and trade between the Mainland and the rest of the world.
14. We agree that the Government has a leading role to play in ensuring the continued presence of a conducive business environment for technological business to flourish. We welcome the various initiatives of the Government in that respect and we support the merging of establishment of a Communications Authority to replace the Telecommunications Authority and Broadcasting Authority. We await the proposed legislation to set up the new Communications Authority. The Government's consultation on the establishment of a new Communications Authority ended in June

2006 and we are still waiting for the details of the proposal. As we previously submitted, it is not a question of whether Hong Kong should have a unified regulator by merging the Telecommunications Authority and Broadcasting Authority, rather the issues are with the details of the implementation, the shape and form that the new regulatory body should take, the role it should play and how it should function. We are concerned that the earlier consultation paper from the Government is merely an expression of the Government's intention to structurally integrate the two authorities and it is very much lacking in details on the structure and implementation of the proposed new regulatory body. The lack of information on the structure, composition of the new regulator and implementation raises concerns and creates regulatory uncertainty for the industry participants.

ENABLING THE NEXT GENERATION OF PUBLIC SERVICES

15. The newly introduced GovHK (www.gov.hk) as a single point of entry to online Government information and services is encouraging and we welcome the Government's effort to continue to develop and enrich GovHK. We agree that the introduction of appropriate private sector content and services on GovHK would enrich GovHK thereby benefiting the users and business community.
16. We agree that the Government's electronic procurement projects would encourage private sector suppliers, including SMEs, to migrate to electronic commerce. Supports would be needed from the Government to assist our SMEs to migrate to electronic commerce. It is important for the Government to work closely with the relevant sectors to understand the obstacles and what are needed to assist the SMEs to adopt electronic commerce.
17. The electronic health records will present huge challenge to the Government with the range of issues that need to be tackled as identified in the strategy paper. The eHR system is probably at its infant stage and we agree that it cannot be considered in isolation and it has to be considered in conjunction with other proposals for healthcare reforms.
18. 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.

BUILDING AN INCLUSIVE, KNOWLEDGE-BASED SOCIETY

19. To move Hong Kong towards an inclusive, knowledge-based society, the Government has identified 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
20. We share the concerns that despite that 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, and only half of Hong Kong's small establishments are connected to the Internet. It is important that we understand the reasons for the low uptake in order to find the right solutions to the problems. We do not believe that affordability of broadband connectivity is an issue as prices for telecommunications services in Hong Kong are already very low by world standards.
21. We note the various initiatives by the Government to bridge the digital divide with installation of computers at various places for public use and various support programmes. It is important that we understand where the obstacles are and assess the success of the various initiatives in overcoming them. Indeed some of the obstacles may take longer time to over come than others. We see a lot of initiatives for private citizens more so than say for the SMEs, perhaps 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. We would welcome further consultations on specific programmes in this area. As a start we would suggest that the Government runs a number of workshops to ascertain the problems or hindrances amongst the SMEs.

TARGETS AND OUTCOMES

22. The Strategy Paper presents a good starting point as it represents the Government's commitment to build Hong Kong as the world's digital city. As a strategy paper, it should be flexible and dynamic to cope with changes and should be subject to regular reviews.
23. Other than the Strategy Paper that sets out the Government's vision, we believe it is important that there is a detailed action or work plan on the various initiatives. This action or work plan would set out the details of the various projects and the status and should be made generally available to the community.

CONCLUSION

24. We welcome the various initiatives by the Government to strengthen the role of Hong Kong as a world digital city. Hong Kong is not short of infrastructure. We believe it is now time for the Government to shift its regulatory focus from infrastructure rollout and price competition to a regulatory framework that would promote applications and creativity. This would assist the adoption of ICTs by our SMEs in their businesses. We also urge the Government to proactively cooperate with private sector to invest on R&D projects and Government's portal to drive the ICT value chain.

Submitted by Wharf T&T Limited

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