



**Submission to Financial Secretary  
The Government of the Hong Kong Special Administrative Region  
on  
ICT Industry Recommendation to  
The Fiscal Budget in 2009 -2010**

**Internet Professional Association**

**February 19, 2009**

## **ICT Industry Recommendation to The Fiscal Budget in 2009-2010**

### **Introduction**

The global financial meltdown presents challenging tasks for our fiscal policy this year. The economic downturn has left many companies in a mishap and sent some to closure. As businesses of all sizes are looking for ways to stay afloat and to survive with eroded profits, organizational downsizing and massive layoff are often seen in major enterprises of Hong Kong. Small and medium enterprises (SMEs), which have always been Hong Kong's major driving force for the economy, are facing unprecedented adversities in the current economic crisis.

With a serious concern about the knock-on effects of the global financial crisis on all industry sectors in Hong Kong, it would be more constructive to look into how we can leverage on Information and Communications Technology (ICT) to empower the WHOLE ECONOMY, instead of specific industries, to tackle economic challenges. To this end, the Internet Professional Association (iProA) is putting forward this proposal to the Financial Secretary for consideration regarding the 2009/2010 Budget.

To provide short term solutions to local issues while upholding our long term economic strategies to enhance our external strengths, our recommendations in the following sections will focus on the strategies for SMEs to meet short-term business challenges, and carrying forward territory-wide ICT projects to sustain our global economic competitiveness.

### **Part 1: Strategies for SMEs to Meet short-term business challenges using ICT**

#### **Major Challenges Faced by SMEs to Capitalize on e-Commerce**

- ◆ Although the advantage of e-commerce is generally understood by business operators, a lack of technology and marketing know-how in the online context, and the initiate costs involved in adopting e-commerce are the major obstacles for the adoption. While most SMEs believe that e-commerce could enhance efficiency, lower costs and improve customer services, the main issues holding them back are security and the relatively high initial investment cost. As a result, many SMEs are not well-equipped to embrace e-commerce. Typically speaking, most SMEs in Hong Kong do not have their domain names and homepages. In 2007, only 19.3% of the business establishments in Hong Kong had webpages or websites.<sup>1</sup> The percentage is much lower among the small enterprises

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<sup>1</sup> "2007 Study on IT Purchasing Behaviors in Hong Kong SMEs", Hong Kong Productivity Council

(14%), while fewer than half of the medium enterprises (45%)<sup>2</sup> have such tools in place. Scant progress has been made compared to 2002 when around 46.8% of establishments did not have a presence on the Internet. In fact, a lack of internal technical expertise and budget constraint are stated by SMEs as the major obstacles. All in all, the crux of the problem lies with the cost burden and a lack understanding in the full benefits of IT solutions especially among the senior management at SMEs.

- ◆ More than half of the SMEs surveyed expressed that a lack of internal technical expertise, time-consuming, and difficulty in coping with changing technology are also two other major concerns for SMEs to host an in-house server. This indicates the companies are willing to install the system internally if they have the necessary manpower and knowledge.

### **Recommendations for Government to Assist SMEs to Leverage on e-Commerce Solutions**

- ◆ As ICT industry players observed, an integrated, low-cost solution package incorporating email, database, online security, web site, online transaction and payment would be most handy e-Commerce solution pack for SMEs. As such, we propose the existing **SME Export Marketing Funding Scheme** administered by the Trade and Industry Department be expanded to cover expenses related to conducting business online. Companies are entitled to reimbursement of a maximum of HK\$50,000 for expenses incurred for e-commerce adoption, such as training, software, key word advertising, postage, storage and logistics, online listing fees and so on. We propose the Government to budget HK\$100 million for SMEs to kick-start or enhance their online operation. It is estimated around 2,000 enterprises will benefit.
- ◆ To bridge the knowledge gap that exist across different generations of entrepreneurs and between industry sectors, capacity building programs such as workshops and professional development schemes should be organized to help SMEs acquire the updated knowledge and practical skills on the available tools and platforms, such as e-Marketing tools, popular e-Commerce platforms, to promote their products and services.
- ◆ Funding and subsidies can be provided for SMEs to recruit in-house ICT talents or contract professional consultants for development of their e-Commerce initiatives.

Although export and consumption figures across the world have pointed to a bleak outlook, companies, particularly Hong Kong's trading firms, need to keep transactions going to stay in

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<sup>2</sup> "2007 Study on IT Purchasing Behaviors in Hong Kong SMEs", Hong Kong Productivity Council

business. e-Commerce will serve to bolster operation efficiency, customer services and pricing advantage. Given the agility and resilience of Hong Kong's SMEs, with a little help from the Government to overcome the initial hurdles, they are most well-positioned to ride out of the economic storm and help cement Hong Kong's status as one of the world's busiest trading hubs in the online arena.

Internet Professional Association will be ready to take the lead in joining forces with ICT companies to provide resources, ranging from concessions and discounts, e-commerce education to tailor-made professional consultation for the SMEs to bring e-commerce to live in Hong Kong.

## **Part 2: Carrying Forward Territory-wide ICT Projects to Provide Short-term Solution and Sustain Long-term Economic Competitiveness**

There are a number of ICT initiatives led by different government departments under the auspicious of the Digital Strategy 21 initiative launched by the Office of Government Chief Information Officer (OGCIO) to facilitate a digital economy and to develop Hong Kong as a hub for technological cooperation and trade. ICT industry players would like to call for Government's continued partnership and unflinching support for NGOs and organizations from the public sector and business enterprise because the initiatives will not only provide short-term benefit by creating employment and business opportunities during the turbulent economy, but also enhance Hong Kong competitiveness in the global economy. The highlighted initiatives are as follows:

### **eHealth: Electronic Health Record (eHR)**

The Food and Health Bureau's \$1.1 billion budget earmarked for the electronic Health Records (eHR) system shared between the public and private sectors would be an effective means to reduce the imbalance between the public and private healthcare systems and it's a great step to improve the quality of healthcare services.

With the development roadmap in place, user readiness is another key area for successful implementation. It is a timely action for stakeholders, which include frontline doctors and nurses, hospital management and administrators, and the general public to refresh or enhance their experiences with eHealth related technologies. To this end, capacity building projects of small to medium sizes would provide flexible choices to suit the diverse needs of the stakeholders. We hope to see that government subsidies for such endeavors would be available to provide corresponding technical preparation for the sustainable development of the eHR initiatives.

As a pioneer advocate for eHealth in the ICT industry, iProA would embrace a continued partnership with the Government, ICT industry, and the public sector in promoting the use of ICT to improve the quality of healthcare services.

### **Digital Economy: Strategic Investments to Ensure Long-term Sustainability**

To realize the vision of the Digital 21 Strategy, our government has rolled out a number of initiatives leveraging on high new technologies, such as e-Transportation, e-Book, and Food Safety. For these projects to be sustainable and provide long-term benefits, specific project frameworks and implementation standards are required for stakeholders to participate and contribute to the causes. There are a number of good products in the market that can compliment these initiatives, however, since there is no agreed standard or a centralized clearing platform for their respective implementations, service providers are hesitant to commit more resources for these initiatives.

We believe that the Government's ICT initiatives are well intentioned to enhance the competitive edges of our economy, however, their progress of development has fallen short of expectation because our Government has not taken the lead to develop framework or standard for stakeholders to work upon. To be effective, Government should allocate budget to finance pilot projects engaging the commercial sector to undertake exploratory work for the standard and framework developments of such ICT initiatives. By drawing the operational standard which serves as a backbone of such initiatives, we believe that ICT projects created in this respect will stand to be our achievements that uplift our presence in the world.

### **ICT-enabled Businesses: Sharing Digital Resources and Online Services Provided by the Government**

A number of digital resources adopted by the government could add great value to the ICT applications developed by the private sector. The government may consider sharing such resources with the private sectors at relatively low costs or temporarily waive their service charges. We recommend the respective government departments to re-visit the various ICT services provided to the private sector and explore possible options to waive or reduce the fees. For example, the Digital Trade and Transportation Network (DTTN) will be a highly valuable platform as it allows companies to interconnect and exchange electronic documents quickly with its trade, logistics and finance partners using one single, low cost digital link.

## **Digital Inclusion: Expedite Initiatives and Strengthen Partnerships**

To promote the general application of ICT to break the digital barrier, the Task Force on Digital Inclusion was established at the end of 2008 and the Pilot Scheme on Digital Cyber Centres was officially launched recently this year. We very much appreciate our Government's commitment and funding support. As a step further to promote its effectiveness, we urge the Government to speed up the actions related to the Digital Inclusion Initiative, especially expanding the coverage of the District Cyber Centres in order to serve a broader community of low-income families and needy members of the society with its computing services and internet facilities.

We firmly believe that the Digital Inclusion Initiative would raise the overall quality of our workforce by ensuring members of the society are integrated into the information world and many of its projects can provide employment opportunities for individuals who are interested in ICT but lack experiences in the field. We hope our government may spare no effort to create a favorable environment to promote a new knowledge-based economy in Hong Kong and enhance its competitiveness internationally, giving priority to the nurturing of adequate talent in innovation technology.

## **Conclusion**

In noting that ICT is a critical enabler for economic competitiveness and the competitive advantage of our businesses in the global e-economy, there is no better time to exploit the benefits of ICT and the online platforms as a low-cost, viable tool to boost productivity and efficiency so as to compete in the cut-throat global market. Our recommendations to provide short term solutions to relieve the economic strain and to enhance our long term competitiveness in the global market are summarized as follows:

### **Strategies for SMEs to Meet short-term business challenges using ICT**

- SME Export Marketing Funding Scheme covering SME expenses related to online business activities, benefiting 2,000 enterprises with \$100 million budget
- Capacity Building Programs for SMEs to acquire the updated knowledge and practical skills for e-Commerce platform and e-Marketing tools
- Funding and subsidies for SMEs to recruit in-house ICT talents or contract professional consultants for development of their e-Commerce initiatives

## **Carrying Forward Territory-wide ICT Projects to Provide Short-term Solution and Sustain Long-term Economic Competitiveness**

- Subsidizing Electronic Health Record (eHR) capacity building projects to heighten stakeholders' readiness for implementation
- Allocating budget to pilot projects which aim to establish frameworks and quality standards for major ICT initiatives to ensure their long-term sustainability
- Sharing the Government's digital resources with the private sector at relatively low cost or fee waiver so as to add value to ICT applications
- Speed up and strengthen Digital Inclusion Initiative to raise the overall quality of our workforce in ICT usage

We recognize that the Policy Address has a few areas covering the applications of technology to support and improve different aspects of the society, we do look forward to seeing our fiscal budget will uphold the Policy Agenda as we acknowledge that budget cut or withdrawal from such policy direction will not help in stimulating our economy and empower us to rise above the global economic challenges.

While keeping our development blue print in pace with global trend in this digital era, iProA pledges to work in close collaboration with the Government and the business community to overcome the immediate challenges at home, to safeguard the livelihood of people in Hong Kong, and maintain our competitiveness and prosperity in the long run.

### **Policy Committee**

#### **Internet Professional Association**

19 February 2009

#### **About iProA (Internet Professional Association)**

iProA is a non-profit making professional organization founded in December 1999. It represents over 2,300 professionals from Internet related industries, including CEOs and senior executives from leading information technology enterprises. Our members have made contributions in areas like innovative design, sales, marketing, infrastructure, e-commerce, consultancy, investment and other Internet related professional services, aiming to further develop the Internet industry in Hong Kong. We share the common goal of promoting the proper application of Internet technology and enhancing competitiveness of the IT industry. We work towards improving professionalism of information technology practitioners, encouraging IT professionals to share social responsibilities, as well as striving to bridge the digital divide in Hong Kong. Please visit website [www.iproa.org](http://www.iproa.org) for further information.