



Submission to Financial Secretary
The Government of the Hong Kong Special Administrative Region
on
ICT Industry Recommendation to
The Fiscal Budget in 2010 -2011

Internet Professional Association

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ICT Industry Recommendation to The Fiscal Budget in 2010-2011

Introduction

The global financial crisis in late 2008-09 had presented to us that our economy is very vulnerable to the external changes in world economy. As noted in our last budget address, we recognized the need to seek measures to promote sustainable economic development. The Government announced the promotion of a technology-based knowledge economy as a part of the long-term plan to enhance the competitiveness of Hong Kong. Recognizing the need to implement structural changes in the economy, the Chief Executive endorsed the key roles of the six major industries, education services, medical services, testing and certification, environmental industries, innovation and technology, and cultural and creative industries, and developed specific measures for promoting these industries. To stay competitive, the areas to address are how to empower the citizens to meet the challenges in this technology-based economy, how to give incentive for local talents to contribute to innovation and tap on their strengths to empower our economy, and how to keep our services and products on par with those developed by advanced economies in other parts of the world.

iProA is pleased to put forward our recommendation on the Fiscal Budget of 2010-11 to address the above mentioned areas. To advance our advocacy for the Digital Economy concept, our recommendations will focus on the following five areas:

1. All Rounded Measures to Bridge the Digital Divide
2. Empowering SMEs with ICT to Stay Competitive
3. Leveraging ICT in Strategic Sectors for Cross-Disciplinary Development
4. Pilot Scheme for Locally Developed Technology
5. Embracing the Use of Internet in Public Engagement.

1. All Rounded Measures to Bridge the Digital Divide

Living in this advanced economy, we can sometimes forget what a difference ICT has made to our lives, how our everyday use of email is now the norm or how valuable the Internet is as a source of information, communication, education, news and entertainment. Many underprivileged-class citizens have not benefited from our transition in this digital age, which often means that the lack of access to ICT facilities and connectivity would result in poor access to education and knowledge. To prevent the vicious cycle of cross-generation poverty, it is of the paramount importance to put underprivileged groups on a level-playing field to access knowledge through the Internet.

To mitigate the impact of the Digital Divide in the society, we call for structural changes at community-wide level so that no group is left behind on the path towards a digital economy. We would like to propose a set of sustainable measures through the following actions:

1.1 Community – Dedicated Efforts to Coordinate Stakeholders’ Participation

Multiple initiatives have been, and continue to be, implemented across the community to address the major obstacles to bridging the digital divide. Most notably, the Web Care Campaign championed by iProA over the past 10 years, and the District Cyber Centre Pilot Scheme launched by the Office of the Chief Information Officer have successfully enabled a wider community of the disadvantaged groups to gain access to Internet and computer facilities. However, we recognize that capacity building for the underprivileged groups is the major issue as this requires all-rounded efforts, long-term investment, and support from a variety of sources including the government, the private sector, professional groups, and the non-profit sector. Therefore, it is necessary to have **dedicated and continuous efforts delivered through a public-private partnership model** to coordinate the actions of diverse stakeholders. The global initiatives, such as the UN ICT Task Force and G8 Digital Opportunity Task Force (DOT Force) will provide good references for us to draft all-rounded measures to address the vital areas in bridging the digital divide in Hong Kong. We strongly recommend that the measures should be led by the government in order to ensure long-term sustainability and effectiveness.

1.2 Youth - Subsidies to low-income families to set up facilities to access Internet

For many underprivileged families, issues of accessibility and affordability of ICT facilities and connectivity still exist. In the CE Policy Address of 2009 – 10, it was noted that “the Financial Secretary will co-ordinate the efforts of relevant bureaux to examine,, options to provide convenient and suitable Internet learning opportunities for students in need”. Although there are government-funded programs providing Internet broadband access services to low income families with children, however, the actions are rather piece-meal, project-based, and lack of sustainability. We recommend that the programs should be all-rounded and address not only hardware and software resources, but also skill-trainings and technical support to the families in need. Our government can draw references from the practices in some European countries where the governments have launched different programs to provide all-rounded resources to cater to the needs of underprivileged families. We urge our government to provide direct resources and subsidies to more low-income families and expedite its supportive actions.

It is imperative to take immediate and efficient actions to aid school-aged children who do not have Internet resources in their homes because most schools have adopted web-based teaching methods to varying extents and e-learning is an inevitable trend in this digital age. It is very important for the low-income families to purchase hardware and software, and obtain Internet connections so that they are well-equipped to integrate into the information society.

1.3 Parents – Capacity building efforts to leverage on Internet Resources

To couple with the resource supports mentioned above, we strongly recommend that **knowledge and skill training should be provided** to parents so that they can guide their children on the safe and healthy use of Internet resources. We recommend that the training programs should be continuous and customized to the needs of parents at various computer literacy levels. The training program should be initiated by professional groups which do not only have the professional knowledge, but also have well-established network with education communities, and non-profit organizations helping the needy groups.

iProA is willing to provide the needed resources and professional expertise to implement and coordinate such programs. It is our ultimate goal that all members of the community are positioned on a level playing field through Internet to access knowledge and compete in this digital economy.

2. Empowering SMEs with ICT to Stay Competitive

Hong Kong has successfully moved in transition to digital economy. We have achieved high level of network readiness among households, and enterprises are receptive to technology usage in business activities. Internet tools & e-commerce platforms have been proven to be effective and cost-saving solutions for businesses to expand their sales channels and tap into new markets. However, most SMEs lack the knowledge and resources to build their Internet marketing infrastructure. Therefore, we would like to make the following recommendations:

2.1 Expand the Scope of SME Developmental Funds

Existing funding schemes such as SME Development Scheme is only limited to non-profit distributing organizations, professional bodies or research institutes. We recommend that the structure of funding be modified into a form of subsidy for SMEs to acquire resources to strengthen their existing ICT infrastructure, hardware and software applications, in addition to the installation of equipment and working capitals. Government may also expand the scope of coverage of other loan or subsidy schemes, such as the Innovation Technology Fund for procurement of ICT applications for SMEs.

2.2 Redefine SME Export Marketing Fund to Encourage e-Commerce

The existing SME Export Marketing Fund (EMF) provides grants to SMEs for their participation in trade fairs/exhibitions and business missions outside Hong Kong, as well as local trade fairs/exhibitions which are export-oriented. However, given the small staff size of most SMEs, employee participation in overseas trips results in shortage of human resources. Therefore, it is more practical to allocate the EMF to empower SMEs with e-Commerce applications and skills, and encourage SMEs to capitalize on online resources to expand their market reach. Government's direct support can be subsidies for SMEs to purchase e-Commerce facilities; the indirect support may include sponsoring capacity building programs such as workshops and professional development schemes which help SMEs acquire the updated knowledge and practical skills on e-Marketing tools and popular e-Commerce platforms to promote their products and services.

3. Leveraging ICT in Strategic Sectors for Cross-Disciplinary Development

To consolidate our strengths in the four pillar industries and enhance our competitive edges in the six major industries, we strongly recommend integrating ICT with these strategic sectors in order to keep up with the rapid changes in the global market and display full-fledged ICT readiness in the digital economy. We strongly advocate the **establishment of systematic structures for the merging of ICT and other industries to create new disciplines**. eHealth, e-Transportation, e-Logistics, and e-Business have not only led to operational efficiency but also delivered many advantages to the service users. For major community-based initiatives, the recent developments such as Green IT, e-Learning, and the West Kowloon Cultural District (WKCD) Project present further advancements which protect the environment, promote the quality of life and social harmony, create opportunities for industries and employment. iProA has also submitted a [paper on WKCD](#) in order to promote applications in arts and culture development. We believe it is only through the crossover of ICT with different domain disciplines can we ensure long-term growth of the overall economy.

We urge the government to support the development of these budding disciplines and work with the industries to groom new talents and help the industry players tap into new markets. The key is to jump start structural efforts for the changes to take place. **We recommend 1) engagement schemes which provide resources for capacity building, and 2) pilot projects for testing into the actual markets.** We must constantly enhance our competitiveness and continue to maintain our leading edge over global competitors and create more quality jobs.

4. Pilot Scheme for Locally Developed Technology

Many local IT industry players express that the technology market for growth is very restricted and investors are hesitant to invest in Hong Kong technology developments. Despite the vigorous effort of the Government to promote technology-based economy during the past decade, the local R&D endeavors still seem to be on the launching path, while our neighbor Shenzhen has been on the fast track towards a successful digital economy with many technology companies already setting their eyes on the global market.

This restricted development of our technology market would seem to be an illogical outcome given the various kinds of government fund to support R&D, the vast pool of talents turned out from universities every year, the state-of-the-art R&D infrastructures, and the economic freedom enjoyed by foreign investors. As we examine closer, the crust of the matter is the lack of a favorable environment for the technology market to grow and sustain. Unlike many developed economies where the governments are the pioneer users for many pilot projects on local technology in compliance with WTO, Hong Kong market only accommodates mature technology with many customer references and strong market appeal. Therefore, this situation in Hong Kong limits many R&D results from commercialization, and many local experts with international standards on R&D either choose to work overseas or land in non-R&D related jobs in Hong Kong.

In fact, the R&D resources and human talents are the “seeds” for the development of Hong Kong technology market, but we need the “environment” for their growth. We would like to make the following recommendations and point out their potential benefits:

- I) To establish a Pilot Project Scheme Fund under the Innovation and Technology Fund in order to provide a local technology development environment and encourage pioneer users to adopt local technology results.
- II) To promote HKSAR government departments as pioneer users of pilot projects overseen by OGCIO. The pilot projects are subjected to further improvements upon the feedback provided by pioneer users.
- III) The pilot projects should fulfill the following requirements: a) the technology should not be available in the market; b) the technology can be productized for commercialization; c) the technology can be exported to other countries or regions.

The Pilot Project Scheme can fill in the gaps between R&D and commercialization and help optimize the use of R&D infrastructure and the continued development of the technology market. Successful commercialization of the pilot projects can also increase the chance of export to mainland and overseas market, raising the GDP of Hong Kong. Users can also benefit from the lower costs of the pilot projects and the potentially favorable return on investment from the successful projects in the long term.

5. Embracing the Use of Internet in Public Engagement

The social media has become a mainstream form of communications, information sharing, and idea expressions nowadays. Therefore, the participatory format of public engagement should also move in the same direction. We recognize that the GovHK Services Portal (<http://www.gov.hk/en/residents/>) represents only one aspect of the public engagement effort. It will be effective to initiate proactive efforts which capitalize on the plethora of social media resources and web 2.0 technology to reach out to stakeholders and collect feedback with mutual convenience. To ensure the most widespread form of genuine consultation at work in the society today, the government is well-advised to embrace the social media in its systematic consultation efforts so as to create results that make most sense to citizens.

Conclusion

We trust that our recommendations will help shape and steer the development of HKSAR into a mature knowledge-based economy and strengthen our position as a major global financial centre. We urge the Government to give serious considerations to our recommendations.

In sum, our recommendations call for government-led actions to develop community-wide and long-term measures to strengthen both the hardware infrastructures and facilities, and quality of our human capital. Through **All Rounded Measures to Bridge the Digital Divide**, we are very hopeful that the quality of our human capital and quality of life will both benefit. We also hope that Government does not just put their strategic actions on the pillar industries, but also lend support to **Empower SMEs with ICT to Stay Competitive** at home and abroad. **Leveraging ICT in Strategic Sectors for Cross-Disciplinary Development** can also bring out added convenience and efficiency for urban living, while providing momentum for industrial growth. **Pilot Scheme for Locally Developed Technology** does not just give incentive for local talents to contribute to innovation but also help open new markets for local R&D endeavors. Last but not least, our government should **Embrace the Use of Internet in Public Engagement** in order to maintain dynamic communications with the public. Leveraging the unique position of Hong Kong, we can well establish Hong Kong as a hub for Digital Lifestyle in Asia, complimenting Hong Kong as a world city.

If there is any aspect of this submission requires elaboration or clarification, we would be happy to do so.

Policy Committee
Internet Professional Association

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About iProA (Internet Professional Association)

iProA is a non-profit making professional organization founded in December 1999. It represents over 2,500 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 for further information.