



**ICT Industry Recommendations for
The Chief Executive's Policy Address in 2007-2008**

By

**Dr. Winnie Tang
President
Internet Professional Association**

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Introduction

The Internet Professional Association ("iProA") is pleased to provide for your consideration the following comments and recommendations to the Central Policy Unit (CPU), The Government of Hong Kong Special Administrative Region ("HKSAR"), on the ICT Industry Recommendations for the Chief Executive's Policy Address in 2007-2008.

Our submissions are divided into three major areas:

- 1) Long-term Technology Policy for HKSAR-ShenZhen Metropolis
- 2) Strength of Financial Centre
- 3) Taking strategic actions to develop Hong Kong as a hub for Digital Lifestyle
- 4) Increasing the use of eHealth technology to complement the reform on Healthcare Financing

1) Long-term Technology Policy for HKSAR-ShenZhen Metropolis

1.1 Review

The HKSAR has invested substantial resources into the technology sector during the past decade including HKD5 billion on Innovation and Technology Fund ("ITF"), Digital 21 Strategy, Information Infrastructure Advisory Committee, Science Park, Cyberport, education, establishment of Office of the Government Chief Information Officer ("OGCIO") and increasing R&D from 0.24% of GDP to 0.69% of GDP, etc.

1.2 Current Situation

- 1.2.1 iProA is pleased with the government support and its continuous investment into the technology industry in the HKSAR. The support of the government together with public and private sectors' investments have propelled HKSAR into a knowledge-based economy. However, further support and investments are required for Hong Kong to grow into a mature state of the knowledge-based economy and to maintain its competitiveness as an international financial centre.

1.2.2 We have also identified a number of areas where improvements are required so as to facilitate HKSAR to attain a mature state of the knowledge-based economy. Those areas are as follows:

- (i) We have a talented pool of technology research personnel in HKSAR but the environment is not conducive to innovation and to commercialise innovative ideas. Therefore, there has been a low success rate from research to product commercialization.
- (ii) There is not enough a critical mass of businessmen with adequate understanding of technological concepts in HKSAR.
- (iii) Technology and innovation is not widely adopted in our education system.

1.3 Long-term Technology Policy for HKSAR-ShenZhen Metropolis

To work towards the goal of building the HKSAR-ShenZhen Metropolis by 2020, other than better networking between both places, iProA would recommend that the HKSAR Government should establish a long-term policy to focus on building up competitive edges which take into account the close cooperation with Shenzhen, especially its well-developed based in IT, R&D, as well as manufacturing. This could include the following policy initiatives:

- 1.3.1. We should focus on application-and-market-oriented research topics, which could be commercialized to meet market requirements. Researches on fundamental theories should be given a lower priority as they require national resources support. Besides, application-and-market-oriented research topics are more visible in return on investment and would be easier to draw the supporting efforts from private sector.
- 1.3.2. Policies geared towards Hong Kong-based companies should be developed at two levels, namely for SMEs and technology companies with established track records. For SMEs, government bodies and quasi-government bodies should create more opportunities for local SMEs through a wider adoption of local solutions and local products, such as relaxing the requirements on financial record and track records of relevant experience. Such measures will be conducive to the sustained growth of local technological development and maturation.

- 1.3.3. For Hong Kong technology companies with mature technology and proven track record of success, government should formulate policies that help bring in opportunities from overseas markets. Examples of similar policies can be found in Korea and Taiwan.
- 1.3.4. Adequate resources should be allocated in the budget each year for the encouragement of projects, which would enhance HKSAR's technological competitiveness. This could be in the form of refining the current arrangement of Innovation fund, such as some government pilot projects should be given to the local technology companies, instead of pure sponsoring R&D activities by Innovation Fund.
- 1.3.5. Establishing Hong Kong as a technological licensing hub so as to attract more Venture Capital Funds for the local technology market.
- 1.3.6. Increase investment on R&D to 3% of HKSAR's GDP in the long-term, in order to measure up to the standard of developed countries in the world.
- 1.3.7. Quasi-government bodies such as TDC and HKPC could play a more active role in promoting the local technological sectors and encouraging matching between the funding sources (e.g. venture capital investors) and the funding seekers (e.g. a start-up technological firm).
- 1.3.8. Make use of ITF, Government Projects, local venture capital and education system so as to create a real incubating atmosphere for the local technology industry to be developed as the core element for knowledge-based economy in the future.
- 1.3.9. Promote more effective co-operation on HKSAR-ShenZhen Innovative Circle and to strengthen the educational and cultural cooperation by commencing the HKSAR-ShenZhen talent nurturing programme (as recommended by the Report from the Bauhinia Foundation Research Centre).

2) Strength of Financial Centre

2.1 Legislation and Compliance to meet global standards

- 2.1.1. Protection or security control measures over sensitive information should be considered to strengthen Hong Kong as a major financial centre in IT governance framework, such as COBIT, ITIL, ISO and supporting toolset that allows managers to bridge the gap between control requirements, technical issues and business risk. It will be a useful reference which

enables clear policy development and good practice for IT control throughout organizations to enable organizations to meet today's business and IT challenges.

- 2.1.2. The HKSAR Government should take note of the IT governance framework and legislation developments worldwide, and should suitably adapt them to the HKSAR's environment so as to improve the overall corporate and IT governance of both the public and private sectors and to strengthen HKSAR's as a global financial centre. Without implementing further appropriate corporate and IT governance measures, it will undermine HKSAR as a global financial centre.
- 2.1.3. On the other hand, several other legislations have also emerged to improve the enterprise governance and security control measures in different industries such as the Gramm-Leach-Bliley Act ("GLBA"), Health Insurance Portability and Accountability Act ("HIPAA") and Federal Information Security Management Act ("FISMA") in the US, all of which are to protect sensitive information involved in the financial and hospitality industries and Federal organizations respectively.

2.2 Better Infrastructure for Financial Centre

- 2.2.1 HKSAR is falling behind the rest of the world in terms of technological capability. In this respect reference is made to the recently released Global Information Technology ("GIT") Report 2006-07 published by the World Economic Forum ("WEF"), in which HKSAR's ranking has dropped from 7th in 2004-05 to 11th in 2005-06 and to 12th in 2006-07 among 122 economic regions in the Networked Readiness Index ("NRI"). The NRI measures the propensity of a nation or economic region to invest in and benefit from the nation's information and communication technology ("ICT") developments.
- 2.2.2 Moreover, as pointed out in the GIT Report 2006-07, the deployment of Next-Generation Networks ("NGNs") has a profound effect on the future ICT competitiveness of a nation. The benefits of NGNs, such as reducing operational costs and increasing the speed of product development, are catalysts to innovation and hence economic competitiveness. Regulators should look for an alternative policy framework that recognizes the impact of NGNs and regulations on the overall structure of the industry. In order to facilitate the deployment of NGNs while managing the risks faced by the operators, operators, regulators and other industry stakeholders should co-operate to ensure a smooth transition from current PSTN based networks to NGNs.
- 2.2.3 The NRI comprises three components which assess:

- (i) Environment for ICT offered by an economic region,
- (ii) Readiness of the community's key stakeholders (individuals, business, and governments), and
- (iii) Usage of ICT among these stakeholders

2.2.4 The WEF has long recognized that technological readiness and innovation, as measured by the NRI, has a direct relationship with a nation's global competitiveness. This is reflected in the fact that the top five-ranked NRI nations this year (Denmark, Sweden, Singapore, Finland, and Switzerland) are also ranked top five in the WEF's Global Competitiveness Index (HKSAR is ranked no. 11).

2,2.5 In order to enhance HKSAR as one of the major global financial centres, HKSAR should be moving to the deployment of NGNs, which will have a profound effect on the future ICT competitiveness of a nation. NGNs will reduce operational costs but will increase the speed of product development, thus will facilitate innovation and economic competitiveness.

3) Taking strategic actions to develop Hong Kong as a hub for Digital Lifestyle

3.1 Digital Lifestyle is not to be meant simply an enumeration of the various wise or popular uses of Information and Communication Technology (ICT) applications. Instead, Digital Lifestyle is an integration of technology and people in concord by leveraging the ever advancing global network communication infrastructure and digital multi-media technologies that enable extremely efficient exchange of knowledge and intelligence, and support sophisticated means of virtual presence in distance.

3.2 Leveraging on Hong Kong Strengths to Exploit the Opportunities in Digital Lifestyle

Hong Kong possesses diverse strengths to become the hub of Digital Lifestyle innovations. Against the backdrop of Hong Kong's metropolitan lifestyle and our reputable fame as the global financial centre, our state-of-the-art ICT infrastructure, professional institutions of international standard, and the availability of high-calibre professionals and a workforce with high creativity, international exposure and extensive collaborative experience with Mainland China constitute considerable advantages for Hong Kong to become a leader in driving Digital Lifestyle in the global market place.

3.3 Value Proposition of Digital Lifestyle

3.3.1 To realize our vision, the Internet Professional Association (iProA), the Hong Kong Institution of Engineers - Information Technology Division (HKIE-ITD) and the School of Design of the Hong Kong Polytechnic University formulated the Digital Lifestyle initiative to lead a critical mass of industry players to initiate early and shift actions to position Hong Kong on the roadmap towards achieving leadership in the global arena.

3.3.2 Cyberport, the breeding ground of hi-end, innovative industries and unparalleled ICT infrastructure, is chosen as an ideal site for establishing a hub to breed the development of Digital Lifestyle initiative and allow it to reach into every industry in Hong Kong and Mainland China. It will be an ideal site for international enterprises to test and showcase their latest products, allowing them to leverage on the close ties between Hong Kong and the Mainland to reach into the manufacturing base and vast market in China.

3.3.3 The Digital Lifestyle initiative will achieve the following objectives:

a. To bring in new investments in Hong Kong

The digital lifestyle initiative will invite global brand names to develop showcases and pilot new projects in Hong Kong.

b. To stimulate development of new business models in Hong Kong

Digital home concepts have brought forth new ways of thinking about integrating technology and lifestyle together. Traditional industries such as construction, interior design, and home improvements have now shifted towards integrating information technologies into their products and services. With the flourishing digital entertainment and abundant resources of digital contents in Hong Kong, it is believed that more creative bundle of digital products/services with contents will give birth to new breeds of business models and fuel positive drive to development of ICT as well as the traditional industries.

c. To create opportunities for practitioners in various industries

Nowadays, many industries such as design, engineering, and manufacturing have integrated ICT elements into their concepts in order to provide value-added services for their customers. Under the advocacy of Digital Lifestyle initiatives, it is expected that talents of different industries would be

motivated to collaborate with each other to develop highly value-added creative products and services. With the creation of Digital Lifestyle Center, different industrial experts would be provided with opportunities and platforms to develop, test and showcase their new product ideas. Hence, the Digital Lifestyle Centre will facilitate their accumulation of experiences in these areas, thereby fostering their development opportunities and their cross-industrial expertise.

3.3.4 Through the support of the Hong Kong government and the Internet Professional Association (iProA), the Digital Lifestyle initiative will signal to the respectable brand names worldwide that Hong Kong is committed to develop Digital Lifestyle and strive to become a global leader in this area.

3.3.5 Starting from pan-industry-community advocacy efforts, the Digital Lifestyle Initiative will create a favorable trend for the actions of Digital Lifestyle to set in motion. Given the advantages of Hong Kong and the investment opportunities brought forth by Digital Lifestyle development, it warrants the recognition and support from Hong Kong Government to drive the development of Digital Lifestyle in Hong Kong.

4) Increasing the use of eHealth technology to complement the reform on Healthcare Financing

We believe the eHealth technology would be an important enabler to complement the smooth delivery of healthcare system in the near future and it would be a strategic agent that facilitates any healthcare reform in Healthcare Financing arrangements that might be considered by the Government.

In terms of policies, attention should be given to the following focused areas:

- a) Territorial-wide adoption of standardized electronic patient record in both public and private sectors
- b) Capacity building in the private healthcare sector
- c) Initiation of pilot projects in various key areas of eHealth implementation, such as public-private interfaces, centralized data centres for electronic health records, and patient oriented health portals.

Conclusion

We trust our submission will help shape the development of HKSAR into a knowledge-based economy and strengthen it as a major global financial centre.

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

Dr. Winnie Tang
President
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 1,400 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.