



**Submission to Financial Secretary
The Government of the Hong Kong Special Administrative Region
On
ICT Industry Recommendation to
The 2012 – 2013 Budget**

**Internet Professional Association
January 2012**

ICT Industry Recommendations for the 2012 – 2013 Budget

Introduction

The 2012 – 2013 Budget will be the final one from the current Hong Kong SAR Government. Internet Professional Association (iProA) would like to acknowledge the measures that the Financial Secretary, Mr. John Tsang Chun-wah has launched in response to our recommendations on Information and Communication Technology (ICT) related issues in his previous Budgets.

Given the weak economic condition in Europe and the US, various Governments and experts in financial and other industry sectors have not forecasted an optimistic global economic outlook for 2012. It will be a challenging year for Hong Kong, and iProA would like to urge the Financial Secretary to take prudent measures to minimize risks while retain financial flexibility for growth opportunities.

The strategic development and deployment of information technology has facilitated and enabled rapid economic development in many countries worldwide. For a number of years, iProA has advocated the development of ICT industry as another pillar industry for Hong Kong to enhance our competitiveness in the long run. We've all witnessed the rapid development of ICT in the Mainland and this suggested move is more pressing than ever and we cannot afford to stand still.

In the Chief Executive's 2011 – 12 Policy Address, the Chief Executive has mentioned a few measures related to ICT, including 2 hectares of land reserved for data centre use, to conduct feasibility study of housing data centres in revitalized industrial buildings, to review current assistance programmes to better support R&D of small and medium businesses. We believe the Address was on the right track but far from sufficient for Hong Kong to propel the development of local innovation and technology industry without concrete actions and budget support. We expect the 2012 – 13 Budget will reflect the commitment of the Chief Executive to support the development of local ICT industry for the sustainable development of the Hong Kong economy.

Our recommendation on the 2012 – 2013 Budget will focus on the following 3 areas:

1. Empowering Small and Medium Businesses with ICT to Stay Competitive
2. Proactive Measures to Support Local ICT Industries
3. Incentive Schemes for Businesses and NGOs to Support Barrier-free Internet

1. Empowering Small and Medium Businesses with ICT to Stay Competitive

In Hong Kong, there are still a lot of local small and medium businesses (SMBs) which are lagged behind of their international counterparts in terms of utilization of ICT. However, it is especially important for SMBs embracing ICT to stay competitive during economic downturn and in order to stay afloat.

To encourage the use of ICT within SMBs' daily business operation, iProA recommends the Government to make improvements to the current funding schemes for SMBs including SME Loan Guarantee Scheme, SME Export Marketing Fund and SME Development Fund by increasing the amount and scope of the funds as suggested below:

- i) For SME Export Marketing Fund, the Government should increase the maximum amount of grant of SME Export Marketing Fund for each successful application from \$50,000 to \$100,000. The scope of fundable items should also be expanded to include online marketing, website development and other digital marketing channels;
- ii) For SME Development Fund, its scope should be expanded to include ICT equipment investment and ICT skill training of employees.

The suggested improvements will allow SMBs to use ICT to market their products and improve their operation effectiveness, leading to enhanced business competitiveness.

2. Proactive Measures to Support Local ICT Industries

2.1 Rent Assistance for Local ICT SMBs

High office space rental is a major operating burden for local ICT SMBs in Hong Kong with skyrocketing prices of real estate. Even the rent of Science Park and Cyberport is too high for most SMBs and start-ups. Once again, iProA recommends the Government to:

- i) Expand the rent incentive scheme to encourage the entry of ICT SMBs;
- ii) Introduce rent allowance and/or discounted rental for start-ups setting up offices in government and quasi-government premises for a limited period.

The measures can help to facilitate start-ups to control their operating expenses and maintain

stable cash flows during their formative years.

2.2 Pilot Scheme for Locally Developed Technology

There are some local ICT products and technologies which are as good as their international competitors yet failed to make a market impact. The issue lies in the fact that there is not enough number of customer references making their marketing difficult. iProA believes our Government can facilitate an environment which is friendly to local R&D.

HK SAR Government departments can act as pilot users of new locally developed technologies and OGCIO can oversee the pilot projects in order to ensure quality. As pilot projects, traditional tendering process for procurement by the Government should not apply and the Government will only pay the costs of time and labour of the providers.

In this way, Hong Kong Government can serve as a user reference for local industries and spring-board the local start-ups to reach out to the international markets and customers in a timely fashion.

2.3 Leveraging ICT in Strategic Sectors for Cross-Disciplinary Development

In the past few years, iProA has recommended integrating ICT with different industries in order to consolidate and enhance our competitive edges in the digital economy. We are pleased to see that new disciplines including eHealth, e-Learning, e-Logistics, e-Transportation have brought operational efficiency to organizations and delivered many advantages to service users.

We urge the government to continuously enhance the support to these new disciplines and work with the industries to groom new talents and help the industry players to tap into new markets. We recommend engagement schemes which provide resources for capacity building, pilot for testing into the actual markets, and funding support for R&D of related technologies.

In particular, Education Bureau has launched the Pilot Scheme on e-Learning in Schools in 2011 in the view of strengthening the effectiveness of learning and teaching through the development and use of IT. The scheme has been implemented in selected pilot schools already. We hope that there will be second phase of the Scheme with adequate funding allocated for more schools to participate in the development of effective e-Learning solutions for Hong Kong.

3. Incentive Schemes for Businesses and NGOs to Support Barrier-free Internet

We recognize the Internet has provided a level-playing field for all netizens to benefit from the free flow of information and services. Over the last decade, funding support from the Government such as The Development of Assistive Technology for Persons with Disabilities Fund (ATDF) and initiatives such as the e-Inclusion Campaign are proven successful cases in our territory-wide effort to bridge the digital divide.

Nevertheless, there is still the accessibility gap among users of special needs. We urge the government to step up their effort to update the overall standards for Web Content Accessibility such as W3C standards, and initiate stronger incentives for private sectors to participate in the effort and comply with the new standards.

iProA recommends the Government to extend the effort on fostering assistive technology into a community branding initiative. Funds can be allocated to provide incentive schemes and promotion campaigns that recognize businesses and NGOs which have embarked on assistive technologies. These are effective measures to motivate private sectors to develop innovative technologies to provide a barrier-free internet environment.

Conclusion

Having experienced several global financial crisis and economic turbulences in the past, Hong Kong government should have gained the experience and learned the lesson to prepare for the challenges ahead. Given the unstable economic condition of European and American markets, Hong Kong need to stay vigilant for the worst to come yet stay alert to capitalize on available opportunities.

Other countries and the Mainland have acted swiftly to combat economic downturn and strengthen their competitiveness. Hong Kong has no time to waste if we were to stay in the world city league. Our recommendations would enable Hong Kong to stay competitive with niche and we do hope the 2012-13 Budget will lay a foundation for Hong Kong to enter the next stage of prosperity on both the macro and micro levels.

We would be happy to elaborate or clarify on any aspect of this submission.

Policy Committee



Internet Professional Association

20 January 2012

About iProA (Internet Professional Association)

iProA is a non-profit making professional organization founded in December 1999. It represents over 2,600 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.