



Response from HKCS

on

Public Consultation on DIGITAL 21 Strategy

issued in October 2006



Introduction

Since the launch of the Digital 21 Strategy and with updates to the Strategy made in 2001 and 2004, this is the third review of progress made and positioning for the future of HK as a leading digital city. The HKCS, with the support of its members, has reviewed carefully the draft 2007 Digital 21 Strategy, and this paper is our response for your kind consideration.

Overall Comments

Since the launch of the Digital 21 Strategy in 1998, much progress has been made in HK with facilitation by the HK Government towards the goal of becoming Asia's leading digital city. Great strides have been made in the development and implementation of our technological infrastructure, with our broadband penetration to all our commercial buildings and almost all our residential buildings, and our Internet connection and mobile phone service ranked as most affordable by surveys of international repute. Through the development of and programmes at the Cyberport and Science Park, selective R&D programmes in targeted industries and areas, extensive outsourcing of HK Government IT projects to the IT industry players, the pursuit of the e-Government initiatives, all these are contributing to the building and realization of an inclusive knowledge-based society. The HK Government is applauded for the efforts and strides made.

With this positive background, we like to make a number of general observations, critical though they may be, but should be seen as constructive and food for thought in updating the Strategy:

- We are close to 10 years in the pursuit of our DG21 Strategy, but throughout the draft Strategy document, we are still long on assessing, consulting, reviewing, anticipating etc and sadly short on assertive decisions, performance targets and concrete actions.
- While there is a broad vision of DG21, but “a vision without targets is daydream”, to quote a notable saying. This is much in contrast to the Singapore's 10 year ICT masterplan iN2015, its DG21 equivalent (www.ida.gov.sg), where the following aspired targets are boldly stated:
 - #1 in the world in harnessing infocomm to add value to the economy and society
 - 2-fold increase in value-added of infocomm industry to S\$26 billion
 - 3-fold increase in infocomm export revenue to S\$60 billion
 - 80,000 additional jobs
 - 90% of home using broadband
 - 100% computer ownership in homes with school-going children

While we may question the quixotic approach of Singapore, established targets do bring out the granular clarity of its vision and serve as ongoing focus and performance measurements.

- There is an apparent lack of evidence that the draft DG21 Strategy is updated with the consideration of the overall economical environment of HK nor the 11-5 development plan of Mainland China, with which our positioning is of critical importance to sustain our continual value to the China economy. There seems to be a strong focus primarily from an IT perspective rather than from a strategic economic and industrial focus in our way forward. For example, there is a glaring omission of one of the important if not our most important sector, the financial sector. Another important sector missing is the tourism industry.
- Generally, for plans and actions outlined, there are little tangible and quantitative targets, milestones, timeframes, and performance measurements.
- The Government should be more definitive and assertive, eg in how it sees how and which technology should be harnessed for the betterment of our future. A case in point is the Government vision to make broadband Internet access available to all citizens in HK (Section 7.2). This is just a statement, without any accompanying plans, timeframe and actions to accomplish this goal. More of a concern is the lack of any vision or actions to make HK a Wi-Fi city whereas in Taipei, Singapore and other cities perceived of similar standing as HK are well into their implementation of Wi-Fi facilities.
- This apparent lack of definition and assertiveness, SWOT analysis for policy making and performance metrics on programme executions, was challenged by a prominent member of the IT community as a lack of IT leadership within the Government in one of the consultative sessions conducted by OGCIO to supplement this consultation exercise. While the HKCS has a high regard for the government officials involved in the DG21 Strategy, it would be pertinent for the HK Government to reflect on such a comment, unfair or untrue though it might be, and on how to further improve the Strategy in light of the many responses expected to come in from the IT sector on this important document.



Specific Responses and Suggestions on the five key action areas

Promoting advanced technology and innovation

While we compliment the HK Government in identifying key technologies for applied R & D to promote technology upgrading in a number of industries, there seems to be a lack of coherency and policy definition of these endeavours. No one would dispute these seem to be the “right and topical things” to do, but there does not appear to be a technology policy framework and a blue print upon which is articulated the essence, and appropriate justifications on the magnitude of investment in the effective application of these technologies in terms of their critical success factors and key performance measures, eg the economic and societal benefits to be accrued.

We believe that IT, as a strategic asset, should be an important component in the formulation of a Science and Technology Policy for Hong Kong, a policy which, in our view, is sadly neglected by the HK Government. Our science and technology R&D spending is less than 1% of our GNP, which is much less than other developed countries, eg Singapore, and is way below the norm of 2-4% as recommended by global entities like the EU.

We therefore recommend as a matter of urgency to the HK Government the **formulation of a Science and Technology Policy to drive innovation, to be undertaken by a new Science and Technology Bureau, through which IT would be given an effective focus and direction** (instead of currently being all thing to all people) which is, to many, apparently not fruitful despite the valor efforts of the relevant government departments and bureaux.

Apart from the afore-mentioned strategic recommendation, we like to make a number of specific observations:

1. Significant financial funding has been devoted Cyberport and Science Park as the two Government designated key centres in activities related to ICT. While the Government and these establishments regularly report of the significant work being performed, there is a general perception that these institutions provide little valued impact to our economy. Such a perception might have resulted from an apparent lack of objective and quantitative assessment reports on how well these establishments have been performing in terms of ROI, their differentiated values and the impact they have brought upon our economy. **The Government should seriously consider the compilation and promulgation of such assessment reports.**

2. That the Government “will support its e-government contractors in developing a local centre of excellence through setting high standards of professional , managerial and technical practices” (page 25) is welcome, though without further elaboration on this endeavour we are not sure of what its means. Does it mean a physical Centre of Excellence is to be established specialising in government applications? Or is the government going to tighten or relax its contractual terms for government IT contracts? It is also regrettable that **the report, apart from relaxing its tight rein on intellectual property in Government IT systems, does not provide some remedial measures or suggestions on the phenomenon of the increase of failure of major government IT projects in recent years.**
3. That the setting up of an IT Outsourcing Centre is to be explored (page 26) is better late than never. This is most welcome, and we urge the government to adopt a sense of utmost urgency in its establishment, an urgency which is arguably not reflected in this section of the Paper. **We urge the Government to exercise its leadership in putting forward a blueprint of the objectives, organisation and business model for an immediate dialogue with the stakeholders.** Suffice at this stage, our immediate focus is on its business model. A major question is, why should it be, as categorically stated, be established in Science Park? We also feel that a private-public partnership model appears to be appropriate and synergistic. This Outsourcing centre is further discussed below in the development of HK as an ICT hub.
4. **The report is absolutely silent on the future of the HK ICT Awards** (page 27). This is surprising if not disappointing. It would be surprising if the Government does not intend to coordinate or fund this event in the future when our ICT products and applications regularly won more grand awards in recent APICTAs (the Asia Pacific ICT Awards) than any other economies, but at least we would know where Government stands. It would not be surprising if the Government wants to do a review of the 2006 ICT Awards to deliberate its future. It is disappointing when there is no view from the Government at all in the report.

Developing HK as a hub for technological cooperation and trade

The development of HK as a hub for technological cooperation and trade is a commonly well accepted and essential objective. The paper devotes substantial verbiage on the background information and our relationship and anticipated synergy with the Mainland. While the Government is planning and executing a considerable number of constructive tasks towards the development of HK as a hub, we have the following observations:

1. Though aware of HK's unique position with the Mainland as a strong hinterland and making reference to the 11th Five-year Plan of China, the Paper addresses very little of how HK can play a strategic role in this enabling environment to develop and sustain its hub position for technological cooperation and trade. None of the points mentioned in the GD/HK cooperation gives specific reference to the 11th Five Year Plan nor leveraging HK's unique advantages in technology application areas.
2. We would expect that the Paper to articulate the vision and strategy of the HK Government in this important development, but such is sadly lacking in this aspect. The tasks as outlined unfortunately are perceived as piece-meal and non-cohesive.
3. or the various initiatives and tasks, though relevant at the task level to the captioned objective, only a high level description is given. It is not possible to know exactly what will be achieved to meet what objectives that would directly affect HK to become the hub for technological cooperation and trade. They do not generally have specific targets, timeframes and performance measurements.
4. Most of the initiatives/tasks mentioned are not directly responsible by OGCIO/CITB. While it is understood that IT being an enabling technology permeates throughout the entire government machinery with OGCIO/CITB in the prevailing HK Government structure playing mainly a coordinating role, we cannot help but to contrast with the IDA of Singapore in their more proactive and decisive role in the implementation of its iN2015 ICT strategy.

With the above observations as a backdrop, we wish to make the following comments:

1. **The Government must establish a coherent HK ICT strategy, with specific targets, action timetable and performance measurements in relation to the 11th Five Year Plan of China as well as the mission of “HK going Global with ICT”.**

The strategy should include

- Taking more progressive steps and assuming a proactive role in the 11th 5-Year Plan of the Mainland to strengthen the autonomous innovation (Page 29).
 - The establishment of an Outsourcing Centre (further elaborated below).
 - Further exploration of opportunities created by CEPA and the forging of closer ties with partners in the Mainland (Pages 28-29).
 - Strengthening of Hong Kong’s edge as a conduit to the Mainland market for international industry players (Page 29).
 - Developing Hong Kong as a hub for technological business through the support of a vibrant ICT industry with a knowledgeable and versatile workforce (Page 30).
 - Developing data standards for the industry (Page 35).
2. **The HKCS is in strong support of the planned initiative of the SAR Government for the setting up of an IT Outsourcing Centre (Page 26). We agree on the proposed two main charters given to this planned Centre:**

- To support commercialization and export of software products developed by local and Mainland software developers;
- To facilitate the further development of IT related offshore outsourcing services through concerted effort of the industry in the Pearl River Delta region.

In addition, we like to extend the first charter to include commercialization and export of software products developed by our R & D institutions.

We believe the setup of this Centre with an appropriate business PPP model and governance structure, including active industry participation and influence, can be an effective vehicle in bringing focus to many of the policy initiatives outlined in this Paper. A few of the more obvious ones are listed below:

- productize relevant R&D project results, enhance local and mainland products initially designed for own markets to target for global markets, and provide international sales/marketing support using our skills and experience in project management, quality control, customer services and international market dynamics.

- focus on the exploration and exploitation of our many world renowned IT applications in logistics, finance, transportation, e-government, ehealth etc which have made Hong Kong a leading service centre in the world. Except for isolated cases like the HK Airport Authority or the Octopus Card, such marketing opportunities have not been leveraged as understandably marketing such capabilities is not the core business objective of the organizations responsible for the development of such applications. A dedicated function, driven by IT specialists, international sales and marketing experts, and domain knowledge experts (seconded where possible from relevant organizations) would focus on enhancing and internationalizing such excellent applications for export to create economic values and employment opportunities for HK.
- a “data exchange “function to facilitate business and social data exchange between the Mainland and HK, particularly between HK and the PRD region. Such data exchange, eg custom data for more efficient custom clearance, and community health data for more efficient medical alert and epidemic prevention. Such data exchange would also help to formulate commonality in cross-border data standards for more efficient functional coupling in systems integration.

It will be easier to bring focus to these policy initiatives through concerted effort of a Centre adequately staffed, given sufficient resources, an appropriate PPP business model and over-sighted with the proper governance. We must avoid the temptation to yield under public pressure to spread resources thinly among many competing organizations as agents for the implementation of these initiatives. Uncoordinated and isolated attempts to implement this set of related policy initiatives can lead to wasteful endeavours with very little results.

3. To face up to the challenge of a globalized knowledge-based economy, an “**Intellectual Property Capital Centre**” should also be set up , modeled on the Scottish Intellectual Asset Centre and the Singapore Intellect Asset Academy to provide intellectual property knowledge and support to emerging and promising product development projects locally and in China. Frequently and unsuspectingly, such promising development, particularly in the SME sector, has lost its uniqueness and economic advantage in ignorance of IP protection. We take note of and fully endorse a recent and relevant proposal from Cyberport to establish such a centre.
4. Increase demand for data centre facilities has been observed in HK from MNCs and service providers. The underlying factors include the relatively lower costs, availability and stability of our telecommunications infrastructure, the abundance of our technical and managerial skills and a less cumbersome and complicated

regulatory regime. With the availability of lower cost/rental for space eg in the land recently released for commercial use in the border areas, HK should aim to be the **Centre in the region for hosting large and data centres**, particularly for mission-critical systems. To provide effective impetus to this valued-added initiative, the Government should seriously consider the provision of incentives to attract international clients through InvestHK or the designation of a zone with low costs of land.

5. **The HK Government should re-establish the DTTN platform** to ensure platform service provider to focus on trade and logistics application development with the IT industry and on applications demanded by the import/export/logistics community, eg cargo track-and-trace common platform for SME service providers, e-seal to secure container and reduce /eliminate goods inspection at custom checkpoints, reduce/eliminate HK/Mainland cross-border trade documents requirements by HK custom by electronic mapping of data from mainland central Customs e-Platform (already exists and used by most large and medium logistics providers).
6. Based on HKCS's work on the IT professional Certification Scheme **the HK Government to support and initially fund the establishment of an entity to continue and sustain the Scheme for the local IT professionals, and to facilitate the reciprocal recognition of the Scheme with its equivalent in the Mainland.**
7. The Government should work closely with the academia and the IT industry to conduct with adequate funding an ongoing **campaign to promote IT as a challenging and rewarding career**, particularly targeting parents and youngsters. The looming danger of a shortage of IT graduates, both in quantity and quality, would seriously impact the development of our knowledge-based economy and our societal objective to be recognized as a digital city.

Enabling the next generation of public services

The HKCS is in general support of the policy initiatives outlined in the Consultation Paper for the next generation of e-government public services (Pages 37-45). The following observations are relevant:

1. We do feel there are important elements missing in the Paper for the enabling of this new generation of services. The OGCIO may have assumed that these missing elements are pre-requisites and that there is no need to explicitly mentioning them in the Consultation Paper.

A few of these critical elements that we feel are missing in the Paper are outlined here to ensure that we have a common understanding on their importance:

- 1.1. The review and re-engineering of business processes within government departments and more importantly, between these departments are crucial to the success of launching more citizen-centric services to the public. Delivery of government services to the public through electronic (or online) means is more than the automation of old processes. To achieve the maximum benefits from the investments we put into the next generation of public services, **review of these old business processes, rationalization of their execution steps and sequences, re-engineering of the related information flow are critically important.**
- 1.2. Integration of services for a more citizen-centric view and using a more unified delivery scheme will require the better integration of information systems operated and owned by different bureaux and departments of the HK government. **The clustering architecture concept advocated by OGCIO is in our mind a very practical approach** to solving the “information silo” problem that we are facing today in the HK government.
- 1.3. Data standardization, information management are important issues, however, we cannot afford to pass over some of the more fundamental problems at the policy level. These policy level issues must be boldly addressed before we can find effective solutions to the technical ones. **It is opined that the current level of understanding at the SAR government on information ownership, information custodianship, obligations to contribute information, rights to use information are outdated and not conducive to the implementation of integrated government services.** The automatic coupling of information to computer applications and the unchallenged association of ownership of computer applications to bureaux and department are believed to be the root cause of these



information silos preventing some of the more effective integration of services in today's world.

- 1.4. The traditional and prevailing method of establishing and funding IT related projects in the government has inadvertently or otherwise bred the prevalence of the information silos that we have unintentionally created. New thinking and the willingness to break away from the traditional modes of funding are required for the successful implementation of information clusters that the OGCIO advocate. These clusters will provide more conducive avenues for better integrated and more efficient government services.
2. As mentioned earlier on, we are in support of the bulk of the e-Government initiatives, but we are somewhat concerned with the progress, or the lack of progress of some of these initiatives, notably the Channel Management Strategy, which was supposed to be formulated in 2005, and the e-procurement initiative, which has been discussed for a number of years, is targeting 2009 for completion as pilot. Given the extent of the potential benefits and tangible financial savings with effective **e-procurement, we wish for a more aggressive time table with its implementation.**

We most welcome the eHR initiative, and wish to emphasise to the working group being established that back in the late 90's the HA has commissioned an extensive consultancy study to look into the public-private sector partnership in the health sector, the issue of patient record privacy, and the impact of the HII (Health Information Infrastructure). There was extensive dialogue on all these issues between the stakeholders, and **this relevant consultancy report should provide substantial ground work for the working group.**



Building an inclusive, knowledge-based society

We support the Government's initiatives in building an inclusive, knowledge-based society, and wish to make the following observations:

1. The objectives for digital inclusion is appreciated, with broadband connectivity for every citizen, and allowing every student access to ICT facilities to support learning. It would be more appreciated and allow better focus if there are defined time frame targets to achieve these admirable objectives.
2. We are concerned there is no mention of a vision to make HK as a WiFi city, an essential component of a digital city. City-wide WiFi facilities are being implemented in Singapore, San Francisco, Taipei etc, which are cities of comparable standing and connectivity needs.

We are particularly struck by the vision of Singapore, which in its iN2015 strategy, categorically states the following

Wireless@SG is a wireless broadband programme developed by IDA as part of its Next Generation National Infocomm Infrastructure initiative. It will be run and developed in the next two years by three local wireless operators who will deploy a wireless broadband network in Singapore. Users can enjoy free, both in-door and outdoor seamless wireless broadband access with speeds of up to 512kbps at most public areas.

We wish the Government to seriously consider a blue print for prevalent WiFi facilities for our territory.

3. While we are aware the HK Government is trying hard to enhance the level of ICT adoption for the SMEs, which make up the bulk of our economic establishments, the results are not satisfactory. We hope the Government would make further reference to successful case studies elsewhere in the world, and together with further brainstorming and lateral thinking, to seek some dramatic breakthrough in this issue.