****

For Immediate Release

**A much commendable 2017 Policy Address**

**by our new Chief Executive**

**Hong Kong, 11 October, 2017** - The Hong Kong Computer Society (HKCS) is positively impressed by the first Policy Address by Mrs Carrie Lam, our Chief Executive (CE). While as expected a Policy Address should and does cover the broadest policy spectrum across our society and community, it is by far the most technology and innovation-focused Policy Address in our history. It is also good to see that the Government is willing not just to lead, but also serves as a facilitator and promoter, in addition to a regulator and service provider.

As a professional body in ICT, our views expressed here are relevantly

* **Focused on the technology and innovation aspects of the Policy Address.**
* **Mainly on new initiatives mentioned for the first time.**

In essence, the Policy Address sets out the blue print for HK to be established as a Smart City, here Smart City is interpreted in its broadest definition. It aims to create a conducive ecosystem for innovation and technology, drive entrepreneurship through R&D results, foster economic development and improve people’s daily lives.

**Governance**

Commitment from the top with departmental collaboration across government departments and stakeholders is the key to success in strategic initiatives. We much welcome the CE in setting up and chairing the new Council of Advisers on Innovation and Strategic Development, as well as an internal Steering Committee on Innovation and Technology to take forward the development of innovation and technology in Hong Kong, and to steer collaboration and participation across bureaux and departments with effect from the most senior level. This internal Steering Committee will also coordinate the development of government's smart city initiatives. It is our hope that these two high level committees would publish its findings and decisions as every organisation and individual in HK is a stakeholder.

**Development of the Guangdong-HK-Macao Bay Area**

We take note of the HKSAR Government's active participation in taking forward the strategic development of the Bay Area, so as "to create favourable conditions for diversifying our industries, in particular for promoting innovation and technology development".

We also take note that The Constitutional and Mainland Affairs Bureau will set up a Guangdong‐Hong Kong‐Macao Bay Area Development Office, which will be responsible for co‐ordination with the development Plan and to proactively approach trade associations, professional bodies and relevant stakeholders to co‐ordinate effort related to the implementation of the Plan. The HKCS stands ready to provide input and knowledge to this Development Office to assist in this initiative.

**Taxation Proposals**

With last year's Policy Address, we noted with anticipation of the observation that "Facing competitors, Hong Kong must consider how to enhance its overall competitiveness, including offering tax and financial concessions, and other policy support measures to attract innovation and technology enterprises from Hong Kong, the Mainland and overseas.". Therefore we much welcome the introduction of tax relief, in particular for our SMEs, whereby on the two‐tier profits tax system, the profits tax rate for the first $2 million of profits of enterprises will be lowered to 8.25%, or half of the standard profits tax rate, with profits above that amount will continue to be subject to the standard tax rate of 16.5%.

A second tax relief, also much welcomed, is to encourage research and development (R&D) investment by enterprises in the private sector. It is proposed that the first $2 million eligible R&D expenditure will enjoy a 300% tax deduction with the remainder at 200%. We look forward to the implementation of the two tax proposals in 2018 as envisaged.

**Substantial R&D increase**

Though somewhat belated, we are nevertheless pleased with the increase resources for R&D., whereby a goal is set to double the Gross Domestic Expenditure on R&D as a percentage of the Gross Domestic Product to about $45 billion a year (i.e. from 0.73% to 1.5%) by the end of the current Government’s five‐year term of office. We should also bear in mind that nations which are considered as technology savvy, e.g. US, Germany, Japan, Denmark, the R&D resources range from 2.8% to 3.2% as a percentage of GDP.

**Smart City**

With the release of the much awaited Smart City blueprint report in September which is indeed comprehensive in its coverage and aspiration, Hong Kong is confirmed to be lagging behind other enlightened cities in the planning and deployment of smart strategy in fully exploiting the potentials of smart technologies such as Internet of things, Big Data, Artificial Intelligence. We are encouraged by the quick follow-through in investing $750M to implement priority smart city projects across a number of key industries and domains as proposed in the blueprint. Apart from the projects ( Building Information Modelling BIM, eID, Pilot Smart Lamppost) highlighted in the Policy Address, other equally significant projects , including GIS, paper-less Government, and IoT enabled society should also be priorities.

**Public-Private-Sector Partnership (PPP)**

The synergistic partnership between the private and the public sectors is explicitly or implicitly encouraged in our development as a smart city.

* the afore-mentioned tax deduction for R&D expenditures in enterprises
* The further dissemination of open data from government and public enterprises would encourage commercial usage as well as productivity gains. To sustain effective usage, we wish to see from the Government more concrete plan and incentive to encourage business and other public enterprises to work together on an open data platform for the whole community.
* Changes to government procurement arrangements to put more emphasis on the inclusion of innovation and technology as a tender requirement and not award contract only by reference to the lowest bid, would do much to encourage local technological innovation. With ITB last year allocating its block vote of $500 million to promote the use of technology by government departments to enhance service quality, this funding together with the tender procedural changes would do much to encourage local technological innovation.
* the various smart city projects, from providing an “eID” for all Hong Kong residents so that everybody can use a single digital identity and authentication to conduct government and commercial transactions online, to launching a pilot Multi-functional Smart Lampposts, together with the focused development of communal strategies, e.g. The focus on primary medical care, would develop new and innovative economical and infrastructural models for HK through PPP.
* To train and pool together more technology talent and to encourage them to pursue a career in innovation and scientific research, the ITB will launch a $500 million “Technology Talent Scheme” in the coming year, one of the initiatives is to establish a “Postdoctoral Hub” to provide funding support for enterprises to recruit postdoctoral talent for scientific research and product development. While we welcome this talent hub, we wish to point out that not all talent, particularly in applied research, would need to have a PhD. There are numerous productive talent, at the Bachelor or Master level or even just with good demonstrable practical experience, who should also be benefited by this scheme.

**Reviewing existing legislation and regulations**

We are pleased with the expressed will to review existing legislation and regulations, so as to remove outdated provisions that impede the development of innovation and technology. The recent societal debate on Uber serves as a case in point. With the rapid advancement in technology, new economic models lead to the emergence of many new economic activities, which if properly handled would be laudable opportunities rather than stumbling blocks. We urge the Government to give the issue the urgent priority it deserves.

**Conclusion**

Together with others related to the advancement of technology and innovation, the afore-mentioned initiatives in the Policy Address do paint a positive and commendable roadmap towards HK's development as an enlightened smart city. We stress on the word "roadmap" as we are not there yet. Peppered throughout the Policy Address are sobering reminders that “HK has high potential to become an international innovation and technology hub", that "HK is a prime location for establishing an international hub of scientific research talent".

Overall the CE should be applauded in taking the lead to crate the momentum to create a knowledge based economy. It would be even more reassuring if the Address not only focuses on what the Government will do, but also on what it intends to achieve.

Bearing in mind that more concrete measurement on outcomes would be much welcome, we hope that the subsequent policy addresses would provide adequate progress reporting on how HK fare in our strategic pursuit of technology and innovation excellence, e.g. Tracking our R&D expenditures, our PPP performance in e.g. Open Data, Smart Mobility, government procurement.

We are also somewhat disappointed that other equally critical areas in Technology and innovation have not been mentioned or adequately mentioned, which include

* the development of ICT professional qualification and certification, and the continual professional education for our working professionals,
* The support of other industries not in the advance manufacturing areas, e.g. food safety technology
* How to attract more technology suppliers to set up HQ and research centers in HK

**About the Hong Kong Computer Society**

Founded in 1970, the Hong Kong Computer Society (HKCS) is a recognised non-profit organisation focused on developing Hong Kong's Information Technology (IT) profession and industry. Members hail from a broad spectrum of Hong Kong's IT community, from corporations to like-minded individuals, all coming together to raise the profile and standards of the profession and industry. As a well-established IT professional body, the Society is committed to professional and industry development as well as community services that ensure the IT sector continues to make a positive impact on peoples' lives with three main goals, namely, 1) talent cultivation and professional development, 2) industry development and collaboration, and 3) the effective use of IT in our community.

For more information, please visit <http://www.hkcs.org.hk>.

– End –

**For media enquiries, please contact:**

**Hong Kong Computer Society**

Coco Wong

Tel: 2834 2228

Email: [cocowong@hkcs.org.hk](mailto:cocowong@hkcs.org.hk)