

29 November, 2013

Mr Daniel Lai, BBS, JP
Government Chief Information Officer
Office of the Government Chief Information Officer
20/F, West Wing, Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

Dear Daniel,

Public Consultation on the 2014 Digital 21 Strategy

1 With the advent of new technologies in the Internet, e-commerce, cloud computing and tablet devices, the information and communications technology (“ICT”) sector has become a key enabler underpinning developed economies, and Hong Kong’s economy is no different. The Hong Kong General Chamber of Commerce welcomes the Government’s initiatives to update the Digital 21 Strategy for setting out a blueprint for the future development of the ICT industry in Hong Kong. In a recent visit to Hong Kong, Google’s Executive Chairman Eric Schmidt pointed out that Hong Kong’s embrace of new technologies, well-educated population, free environment and highly developed infrastructure makes it an ideal place to develop into a high-tech hub. However, Hong Kong’s reliance on the finance and real estate industries, high rental costs, and lack of science and information technology engineers inevitably imply that very few high-tech companies have decided to set up in Hong Kong. Accordingly, we regard the review of the Digital 21 Strategy as very timely to set out a new strategy fitting the needs of Hong Kong.

2 In devising such a strategy, the Chamber believes that it should embody the universally accepted principles of encouraging fair competition, upholding technology neutrality and meeting international standards. Overall, we are supportive of most of the initiatives proposed in the consultation

document, and we have the following suggestions for the Government to consider:-

A. Talent Development

Promoting Job Attractiveness

3 The ICT industry used to offer lucrative jobs at the turn of the century. At that time, students often had Bill Gates and Jerry Yang as their role models of success and were eager to study ICT subjects at colleges, with an expectation to find an enviable job in the industry. However, those days when youngsters flocked to choose ICT as university majors are gone.

4 In fact, a reversing trend is happening. Both parents and their children are reluctant to make ICT as a career choice, partly due to their misconception. They often mistake ICT jobs as jobs limited to wiring cables, fixing computer bugs, providing backend technical support to keep machines working, and other laboring duties which may get one's hands dirty and rough. What's also hurting the industry is the gradually deteriorating social image and status of ICT practitioners, particularly at the entry level, in terms of compensation compared to investment bankers and other professionals. Therefore, college goers end up entering business schools or other professional studies such as medicine and law which they perceive to be socially more prestigious and financially better off as a career.

5 Coordinated efforts among the Government, ICT industry and schools are required to alter this attitude. Accordingly, we propose that the Government should take initiatives to set up a working group with relevant stakeholders to provide recommendations in promoting the image of the ICT profession to students, parents, academic counsellors and educators alike.

6 In a recent Chamber interview with Mr Scott McNealy, cofounder of Sun Microsystems, Mr McNealy suggested, and the Chamber agreed, that Hong Kong should follow the example of Japan to introduce the Global Assessment of IT ("GAIT") which was created to measure ICT practitioners' expertise in different skill areas and levels, such as systems, networks, database, data centre and general management, to facilitate skill matching of job seekers and employers. The Government should collaborate with the education sector

to implement the GAIT certification and start creating a catalogue of ICT talent of different skill sets on a global scale.

Problem of Skills Mismatch

7 At the same time, employers are complaining about the skills mismatch problem of the ICT workforce in that there are plenty of ICT vacancies in the market but few graduates of relevant disciplines meet the qualification requirements. This may be attributed to the out-of-date ICT curriculum in both secondary and tertiary education and a lack of continuous training of teaching staff in secondary education. It is obvious that teaching staff should receive adequate continuous training on ICT knowledge and skills, and the curriculum should be reviewed and updated regularly to cater to the needs of the industry. To achieve this, we suggest inviting industry practitioners to participate in ICT curriculum development via joining the academic advisory committees of education institutions, and embedding industry training and internship programmes of up to one year in duration into the curriculum of tertiary education.

8 The ICT industry itself should also take initiatives to establish mentorship programmes so as to provide guidance to young employees through their earlier career development stage. This can assist them in swiftly fitting into the working culture of the industry to keep young talent staying within the industry and avoid any brain drain to other professions.

B. Measures to Assist SMEs

Equipping SMEs for the Digital Age

9 The Internet is one of the key platforms which SMEs may employ to compete with larger firms. However, for many SMEs, making use of the Internet for daily business operations may be daunting, due to a lack of knowledge of where to start, and small budget or resources. According to a survey conducted by the Boston Consulting Group in 2011¹, 22% of Hong Kong's small businesses did not have a direct online presence, and another

¹<http://connectedharbour.hk/>

20% only had a low web presence, such as a company website or on a social networking site. Nowadays, having a website is insufficient to make a SME standing out from the others. SMEs need to understand how to use the Internet for building and expanding their business², without limiting it to communications. As Mr Scott McNealy pointed out, to encourage SMEs to use the Internet, a lot of broadband and bandwidth should be made available to bring down the cost of broadband network, wire line and wireless services for SMEs. This can help connect people and business together in a very vibrant entrepreneurial environment.

10 We appreciate the Office of the Government Chief Information Officer taking initiatives to facilitate the adoption of cloud services by sector-specific SMEs such as retail and security industries. To benefit more SMEs, the Government should create an overall roadmap and action plan to equip SMEs with sophisticated digital engagement skills and help more SMEs in other sectors adopt cloud services through partnership with the ICT industry. In particular, there should be policies and incentives to encourage SMEs to use more digital and cloud services.

11 We propose the Government to undertake a regular review of the various funding and assistance programmes and schemes targeting SMEs, such as the SME Export Marketing Fund and SME Loan Guarantee Scheme of the Trade and Industry Department, the Small Entrepreneur Research Assistance Programme of the Innovation and Technology Commission, and the Dedicated Fund on Branding, Upgrading and Domestic Sales (Enterprise Support Programme) administered by the Hong Kong Productivity Council, with an aim to making them more relevant and user-friendly to SMEs in the digital age. Successful cases of SMEs using these programmes to enhance their business development should be advocated, publicized and set as examples for others to follow.

² Ranging from basic digital presence (a business email address, a website, and a presence on social networks), to sophisticated use of the Internet (to communicate internally, market or advertise the business, and reach new customers) and digital marketing (search engine marketing and optimisation, and display advertising online).

Business Technology Expertise

12 A key challenge facing SMEs in Hong Kong is the access to competent business technology expertise, which can be defined as having a qualified business professional of reputable credentials with strong ICT background to continuously advise business owners or senior management on selection of, investment in and management of adequate and effective ICT systems and services. SMEs may hire in-house ICT professionals to serve the purpose, but they always face an employee retention problem due to limited career development prospects and resources.

13 We are of the view that the Government should play an active role in providing free consulting services to assist SMEs in selecting appropriate ICT facilities and suitable solutions to address their particular needs and business problems through setting up a new unit under the Office of the Government Chief Information Officer.

Financial Support to SMEs

14 SMEs generally only have limited working capital. It will be difficult for them to voluntarily adopt cloud services and other ICT applications to automate their business operation without financial support and assistance, despite the Government's advocacy on the benefits of using cloud services.

15 Unlike Hong Kong, the Government of Singapore has been very supportive of their local SMEs by providing financial assistance in the form of tax deduction, allowance for investment in ICT-related expenditures and dollar-for-dollar matching cash bonuses.

16 We propose that the Government should provide tax deduction on ICT-related expenditures for SMEs on the purchase of ICT and automation equipment, training of employees, acquisition and in-licensing of IP rights, registration of patents, trademarks, and designs, and research and development activities. The tax deduction should not be a one-off benefit but should span over a period of at least 3 years, allowing sufficient time for SMEs to

implement the ICT infrastructure and process-improvement initiatives, with a cap on an annual basis or a maximum amount over the entire period.

17 To assist SMEs to embark on business automation, the Government should provide a one-off financial assistance with a cap for first-time users in procurement of packaged solutions, such as accounting, payroll and CRM systems. The Government should also provide grants for eligible SMEs, covering up to 50% of salaries of at least 2 technical staff for one year with a cap. The suggested financial support and assistance schemes should be regularly reviewed to determine their effectiveness, including an evaluation of the service performance of the administrative agents, against a predetermined set of KPIs over time to measure the adoption of cloud services and uses of the financial assistance by SMEs.

C. Collaboration between Industry and Academia

18 As indicated in the consultation document, the amount of patent filings, company spin-offs, proof-of-concept production, income generated from IPs, and engagement of consultancy jobs from universities have all increased on an annual basis in Hong Kong during the past few years. The trend reflects a closer collaboration between academia and the industry, which is useful in generating innovative ideas.

19 Experience from the US, UK and Australia shows that commercialization of academic output has become an economic imperative since the 1990s. The driving force behind the industry and academic collaboration is the concept of equity sharing. It also depends on the respective academic institutes to facilitate the collaboration by setting up clear policies and guidelines. Mr Scott McNealy hinted that the key elements of making this driving force work were to forfeit the tenure of the professors to engage in the collaborative projects or make the Government funded IPs open source and available to anyone in the university or outside the university. Otherwise, it will be a great challenge to plug the gap between academic R&D and commercialization of products and services despite the reported successful cases of using the Innovation Technology Fund (“ITF”) and research grants provided by the University Grants Committee for collaborating R&D research

between academia and the industry.

20 To narrow the aforementioned gap, we suggest the Government to enhance the funding scope of ITF to cover product/service commercialization and relax the restrictions on IP ownership and monetary contribution from the industry to cover in-kind contribution. The Government should also put in place a mechanism to measure the effectiveness of collaborative projects funded through various programmes against a predetermined set of KPIs to ensure that the funding has been used wisely and appropriately.

D. Data for Public Use

21 We support the Government's policy to provide more public data in a machine readable format. However, as more and more government bureaus and departments have published data online, we recognize that this can become a source of innovation to create big data for the Government to manage and use for better public services; and for the business sector to utilize for different purposes. In relation to this, the Government should devise a long term strategy to encourage public-private partnership and nurture a developer ecosystem for open data innovation, while protecting individual privacy as Mr Scott McNealy advised. The Government should also provide more resources to educate the general public on how to be a responsible digital citizen to respect IPs, prevent piracy and cyber bullying.

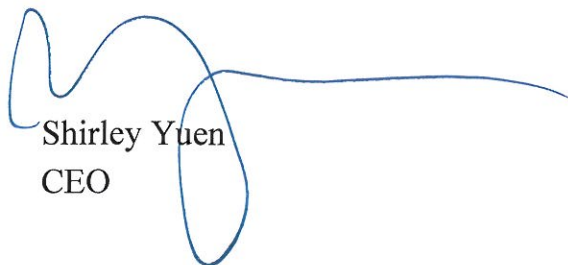
22 At the same time, the Government should publish public data in user-friendly platforms which enable filtering, manipulating and synthesizing different formats and sources of data including structured, unstructured, real-time and archived data in a highly visualized and interactive way. As Mr Scott McNealy described, "written and spoken language of open data should be published just like written/spoken language we all speak".

E. Conclusion

23 In order to realize our Digital 21 strategy and vision, it is important that the Government engages and communicates with the stakeholders to develop a concrete action plan with realistic time schedules as soon as possible. To track progress, we believe appropriate checkpoints should be included in the action plan for assessment of achievements and refinements as necessary.

24 Thank you for your attention and I hope the views provided by the Chamber are useful.

Yours sincerely,



Shirley Yuen
CEO

cc: Ms Monica Leung, Assistant Systems Manager (Strategy Development)