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**Cyber-Port : Pacific Century Group Supplementary Submission  
to the Government of the HKSAR - 21 September 1998**

The Pacific Century Group (PCG) is pleased to offer the attached supplementary submission on the Cyber-Port proposal. In previous submissions to Government we had identified a site at Pok Fu Lam as a prime candidate for the location of the Cyber-Port. The Government has indicated that this site could indeed be made available but that more work needs to be done on identifying the site boundaries.

We have studied this matter further and have taken on board the Government's concern that the site as we originally proposed it was on the small side and lacked scope for expansion. In an attempt to address this concern we have proposed increasing the site boundaries generally and as a specific improvement we advocate the inclusion of the site marked A3 on the maps in Annex 1. This site is currently in temporary use as a golf-driving range pending the disposal of the site by Government. Its inclusion in the Cyber-Port would allow for a further stage of expansion several years downstream. We would not propose closure of the golf-driving range until the site was actually needed by the Cyber-Port but we would hope that the Government would handle sensitively the relocation of this much used recreational facility.

The revised site would comprise about 290,000 square metres of land. To achieve the desired design of the Cyber-Port a low plot ratio of about 1.5 is envisaged. None-the-less this would yield about 420,000 square metres of gross floor area of building space (we would propose this be divided approximately 120,000 square metres (g.f.a) for office space, 50,000 square metres (g.f.a) for educational/entertainment/commercial space and 250,000 square metres (g.f.a) for residential space).

The Annexes provide detailed material addressing various issues raised in our discussions with Government. It is important, however, to recognise the key assumptions underlying the Annexes:

- 1) The Pok Fu Lam (PFL) site can be developed in stages. The number of stages will be influenced heavily by the road access available – if Route 7 (or Part of Route 7) could be completed early, 2 stages would be sufficient; without Route 7, 3 stages are probably necessary.
- 2) Consolidating the site marked A3 on the maps at Annex I into the Cyber-Port would provide significant potential for expansion of the Cyber-Port. The A3 site could be developed as the last stage of the Cyber-Port.
- 3) PCG assumes that the Government will bear all the costs of infrastructure for the Cyber-Port (including road access, drainage and sewerage). In addition, the Government will finance the construction of the Cyber-Port itself (including buildings, landscaping and community facilities).
- 4) The Government will establish a suitable management body for the Cyber-Port – this could be an Authority or, preferably, a Company. The management body ought to have a broad cross-sectional representation and ought include representatives of the principal users of the Cyber-Port.
- 5) The PFL site would be granted to in the Cyber-Port management body. Further, the management body would be able to grant long-term sub-leases for parts of the PFL developed properties to parties meeting the strict criteria for entry to the Cyber-Port. Flexibility ought to be retained so that long-term sub-leases could be structured on the basis of annual lease payments or premium payments (either paid in lump sums or by installments). Sub-leasees ought to be able to lease temporarily surplus space to parties that meet the entry criteria to the Cyber-Port.
- 6) The Cyber-Port is to be financially self-sustaining in terms of its annual operating costs with fees and charges being established to re-coup these costs. Capital costs would represent an investment by the Government in Hong Kong's key infrastructure.

- 7) The Cyber-Port would be fast-tracked with Phase 1 being completed by the second half of 2001. The private sector will be engaged to implement as much of the Cyber-Port as possible. The Government will need to streamline approvals processes and the provision of basic infrastructure and improved road access to allow for construction to commence in early 1999.

We trust the Government finds this supplementary information useful; of course, we stand ready to assist further as necessary.

21<sup>st</sup> September, 1998

**ESTIMATED EMPLOYMENT OPPORTUNITIES**

When completed the Cyber-Port would provide approximately 50,000 square metres (g.f.a) of educational/entertainment/commercial space and 120,000 square metres (g.f.a) of office space. This would equate to approximately 3,000 education/commercial/retail staff and 10,000 office staff. Once allowance is made for ancillary staff, for example, ground-keepers, guards, cleaners, casual staff etc, total employment at the Cyber-Port could be between 15,000 and 20,000.

Importantly, a large proportion of the 10,000 office based staff would be highly skilled individuals, professionals and entrepreneurs. Experience has shown that such individuals (for example, in Silicon Valley) earn incomes which are multiples of the average salaries in their economy.

Construction of the Cyber-Port itself would also be a significant civil engineering project and would generate employment for about 2,000-3,000 construction workers and professionals for several years.

**ECONOMIC IMPACT ASSESSMENT**

A starting point for an assessment of the Cyber-Port concept would be to define the contents of a 'balance sheet' of potential costs and benefits. PCG would suggest that such a balance sheet would include the following items:

Costs		Benefits	
Capital	<ul style="list-style-type: none"> <li>• Land</li> <li>• Construction</li> <li>• Supporting Infrastructure (roads, etc)</li> </ul>	Direct	<ul style="list-style-type: none"> <li>• Rentals from office, residential and other commercial (including tourism/entertainment) properties</li> </ul>
Operating	<ul style="list-style-type: none"> <li>• Running costs of Operating company</li> </ul> <p>(i.e. staff, overheads, etc.)</p>	Indirect	<ul style="list-style-type: none"> <li>• Value added by tenants</li> <li>• Value added by suppliers to company</li> </ul>
		Induced	<ul style="list-style-type: none"> <li>• Value added from expenditure by employees of operating company and tenants</li> </ul>
		Wider	<ul style="list-style-type: none"> <li>• Improved competitiveness of Hong Kong based businesses</li> <li>• Enhanced value added from additional tourism</li> <li>• Additional inward benefit from "demonstration" effect of successful Cyber-Port</li> <li>• Enhancement to skills of Hong Kong's labour force from training and experience provided by Cyber-Port tenants</li> <li>• Environmental improvements – enhanced amenity, reduced congestion</li> <li>• Education for information technology and innovation</li> </ul>

On the cost-side of the equation the land, construction costs and supporting infrastructure can all be imputed some notional value. Estimates of the construction costs have been given in Annex 1. The value to be ascribed to the land would be more problematic given the state of the market and the current land sales freeze by Government. Should 'Other Uses' zoning be applied to the land the valuation should be correspondingly lower.

The operating costs are likely to be relatively small. They will presumably include the staff and operating costs of the managing body. They should also include some allowance for repair and maintenance of the Cyber-Port facilities. None-the-less the operating costs would still be relatively small compared to the capital costs.

On the credit side of the balance sheet are several important elements of benefit. The direct benefits are the streams of rents (and income from any prepaid premium) of the different properties at the sites. Given a total area of over 420,000 square metres (g.f.a), albeit phased, the income is potentially substantial in present value terms given that the life of the buildings would be well over 10 years.

In addition, there are three other potential benefits from the Cyber-Port project. The indirect benefits are the streams of value added which are generated by the tenants of the Cyber-Port (including Pacific Convergence Corporation and its partners) and the suppliers to the operating company (although the latter might arguably be categorised as an induced benefit). In assessing these benefits, it is important to make allowance for "deadweight" and "displacement". In particular, it is important to recognise that not all the activities that will be undertaken at the Cyber-Port will necessarily be additional to Hong Kong. Some of the businesses might operate from other sites in Hong Kong. Moreover, some of the businesses might displace other businesses' development or start-up. Also, some of the people employed at the Cyber-Port might find alternative employment in Hong Kong if the Cyberport were not to proceed.

Nonetheless, given what we know about Hong Kong's weaknesses in the area of information services (i.e. there are few established firms in the sector and there is the expectation that, at least initially, many of the key skills will be imported), this would suggest that the level of additionality

will be relatively high for a project of this nature. That said, it is very difficult at this stage to offer any quantification in this area. However as will be shown below, the level of additionality does not need to be very large for the overall benefits to be considerable when considered over the project's lifetime which would stretch well over 10 years.

The induced benefits arise from the value added from expenditure by those employed at the Cyber-Port. Again, arguably, some allowance is needed for deadweight and displacement.

Finally, there is the issue of the wider benefits of the Cyber-Port. These would take five potential forms.

First, as we mentioned during the presentation to Government on 2 September 1998, the Cyber-Port would potentially have a significant positive impact on Hong Kong's long-term competitiveness. Assuming such an argument can be sustained (which we believe it can given the evidence of productivity increases in countries overseas investing in information technology) the potential economic benefits could be very significant.

For example, we could illustrate by considering Hong Kong's financial services sector which is at risk due to movements towards global e-commerce – 10% of retail stock-broking is now on-line in the USA. A Cyber-Port would assist in addressing this potential decline by bringing this new business to Hong Kong. If we were to consider that if the competitiveness of Hong Kong's finance, insurance and business services sector were to deteriorate such that its contribution to GDP was reduced by 1% in each of five years, this suggests that the benefits of a Cyber-Port would be of the order of HK\$12bn if the Cyber-Port merely maintained Hong Kong's existing market. Clearly, such a set of assumptions is highly conservative in the sense that no allowance is made for the potential growth of the sector, the impact is limited to a very short period of time and the impact on competitiveness is modest given the importance of information services. Also, other service sectors of the economy stand to benefit and a similar analysis would yield similar potential benefits.

Second, a similar approach can be taken to assessing the impact of tourism. If the Cyber-Port were to induce an increase in receipts from tourists of 1% for a period of only 5 years, this would represent a further "benefit" of HK\$9bn. Whilst only part of this is an increase in value added, it is still a potentially significant impact.

The other four benefits we have identified are rather more speculative although that does not mean they should be ignored. The Cyber-Port is a flagship project that can be expected to stimulate further inward investment in Hong Kong, and its associated benefits. In addition, the Cyber-Port will contribute to enhancing labour force skills for the benefit of Hong Kong's community not just the employers. Finally, rather than being a cost, it might be argued that the development would enhance the environment through improved amenity and reduced traffic congestion in other parts of Hong Kong. Certainly, there should be no presumption that there are environmental costs.

Excluded from the analysis above are estimates of the increased tax receipts to Government accruing from increased economic activity. Also excluded are estimates of multiplier effects which even based on a very conservative multiple of 1 would none-the-less be highly significant.

PCG concedes that the above economic impact assessment is still somewhat crude at this stage. However, even this level of analysis is amply sufficient to demonstrate that the potential benefits far outweigh the potential costs and that a detailed feasibility study is unnecessary.

A vitally important benefit for enhancing the competitiveness of Hong Kong's future workforce lies in the potential education in information technology innovation and creativity which the project can influentially inspire through imaginative yet practical forms of information oriented entertainment. The exposure of young people and school children to visits to the Cyber-Port will lay a good foundation for the future training of intellectual manpower much needed for Hong Kong to sustain its position as a service centre for the information economy.

### FINANCIAL ISSUES

In committing to the Cyber-Port proposal, the Government would naturally be concerned about the potential longer term implications for the Government's Budget. Specifically the issue would arise whether the Cyber-Port would be likely to be a fiscal drag into the future. PCC would contend that it should not be so – in fact, there is a high probability that the Cyber-Port could prove self-sustaining.

In our presentation to Government on 2 September 1998 we suggested that the Cyber-Port could be modeled on the airport financing model. The airport model is tried and trusted. Airports in most developed countries are highly successful financially and are self-sustaining. The Cyber-Port shares several important aspects of the airport model. In particular there would be :

- . commercial areas producing significant revenues
- . rental revenue from lease of properties
- . pre-paid premium from tenants taking long term commitments;  
and
- . annual fees and charges to cover common costs in managing  
and maintaining the Cyber-Port.

The key issue is not whether the Cyber-Port could be self-sustaining but rather what costs ought reasonably be charged to the Cyber-Port itself. In Annex 3 we argued that the costs of the Cyber-Port fall into two categories; capital costs and operating costs. We would argue that the capital costs ought not be a charge to the Cyber-Port and should not be recouped from the Cyber-Port tenants directly. We argue that the Cyber-Port should be regarded as a long-term investment to sustain Hong Kong's economic growth.

The Cyber-Port would represent an investment in Hong Kong's capital stock of infrastructure necessary to support any economy as developed and as service-oriented as Hong Kong. Historically the Government has supported the development of Hong Kong's infrastructure without a direct charge to the immediate beneficiaries – this is evident in areas as diverse as the maritime port, airport, all utilities, roads and rail services. As shown in Annex 3, the Cyber-Port would best bring benefits to the Hong Kong economy as a whole – given such a wide dispersion of the beneficiaries, and the likelihood that the economic benefits would far outweigh the capital costs, it would be appropriate to charge the capital costs to Government's capital account. Indeed, the issue here is that of public interest; Hong Kong's greater interests would be advanced even after allowing for the expenditure in capital costs. If, however, despite these arguments, the Government was inclined to charge the capital costs to the Cyber-Port we would be disappointed – such an action would likely chill demand for entry to the facility (in particular, foreign firms would be deterred) and would kill the attainment of the objectives the concept was intended to achieve.

A case could be made that operating costs should also be absorbed by the public purse. However, we do not advocate such an argument. First, the operating costs are likely to be orders of magnitude lower than the capital costs and are more likely to bear a closer relationship to the benefits directly received by the Cyber-Port's occupants. We would consider the reasonable operating costs in managing and maintaining the Cyber-Port to be attributable costs to the occupants and, therefore, recouped through the revenue streams identified above.

We would trust that the management overhead of the Cyber-Port would be kept lean so as to minimize the annual recurrent expenses and, therefore, the level of fees and charges that are imposed. Should the management body succeed in maintaining low charges and yet produce surplus in fees over costs, these surpluses could be re-invested in the Cyber-Port.

**PCG's Commitment to the Cyber-Port**

The Pacific Century Group has several opportunities to expand its interests in the information services sector – the Pacific Convergence Corporation (PCC) initiative with Intel is one of these opportunities. PCG believes that the Cyber-Port would represent a substantial development of Hong Kong's policy framework.

Should the Government commit the resources required to implement the Cyber-Port, PCG would be prepared to commit to becoming a pioneer in the Cyber-Port. Specifically PCG would be prepared to commit (subject to satisfactory terms and conditions of leases) that it and/or its subsidiaries would take up to 60,000 square metres (g.f.a) of office space and 120,000 square metres (g.f.a) of residential space within 5 years of the first phase of Cyber-Port being completed.

This commitment is substantial as it would encompass up to 50% of the Cyber-Port office and residential space. It would guarantee the Government a quality anchor tenant and would minimize the risk for Government in proceeding with this project.

### OTHER COUNTRIES' EXPERIENCES

Several countries are attempting to kick-start their information services and information technology sectors. Unlike Hong Kong where our I.T. manufacturing base is weak and the Cyber-Port is focussed on information services solely, other countries often combine both information services and information technology in the same development. Hence comparisons can be misleading. None-the-less several States in the USA have a variety of "incubator" projects in train – information on these is not, however, readily available. Within Asia, the Malaysian Multi-Media Super Corridor is also widely referred to.

Perhaps of most direct interest is Singapore's announcement only last week about its latest Science Park project. This project has many of the hall-marks of the Hong Kong Cyber-Port concept – significantly, however Singapore's proposed site is about 6 times bigger and the budget also several times larger. Information on the Singapore proposal is attached – clearly it indicates the tough competition Hong Kong would have in developing a significant information services sector in the absence of a Cyber-Port.

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**SUMMARY OF ARTICLE IN 'THE STRAITS TIMES'**  
**(SEPTEMBER 16<sup>TH</sup>, 1998)**

Current economic crisis makes it inevitable for Singapore to develop a scientific community (called the Science Hub) that can supplement Singapore's role as a manufacturing base for MNCs and as a service hub for the region. The Science Hub shall contain:

Cost of up to \$5 billion to set up.

Take 15 years or more to develop.

About 20,000 people will be working there.

The project is expected to occupy 176 ha. Land will be zoned for industrial, research and development and commercial purposes, while the rest will be residential.

Being in close proximity, researches and scientists can easily visit companies that can market their inventions. Also, those businessmen, lawyers and venture capitalists involved in this community can provide easy access to ways to finance the commercialisation of the inventions.

Facilities will include clusters of high-tech and research and development activities; fast Internet services leveraging on Singapore One; a possible light-rail transport system; and restaurants, pubs and theatres.

# The Straits Times

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## Coming: \$5b Science Hub

**A long-term project to develop a scientific community in the Buona Vista area will take more than 15 years**

### BY CHANG-ALIEEN

SINGAPORE is developing a new Silicon Valley, where ideas will be turned into commercial products. A long-term project, it could cost up to \$5 billion and take 15 years or more to complete.

It will occupy 175 ha — a core area slightly larger than half of Sentosa — and will be put into place in the Buona Vista area.

When the Science Hub, as it is called, is completed, about 20,000 people will be working in the area, which will include Sciences Parks 1 and 2.

There will be a variety of concerns, such as educational institutions, research centres and venture-capitalists — all of which will boost

technopreneurship — located in the hub.

Residential and recreational facilities are also part of the plan.

The core area to be developed will cover 110 ha, while the entire hub will cover 810 ha, encompassing the National University of Singapore (NUS) and Singapore Polytechnic, as well as Holland and Park Pasirang villages.

People living and working in the area will use a special transport system, possibly a Light Rapid Transit (LRT) system.

Deputy Prime Minister Tony Tan announced the

plan for the hub yesterday at Techventure 98, a gathering for high-technology startups and corporate investors to interact.

The hub, he said, would position Singapore for high-tech industry activities, create a focal point for research and development and develop an innovation culture.

He said: "The present economic crisis makes it all the more urgent for us in Singapore to develop new economic activities and new markets which can supple-

ment Singapore's present role as a manufacturing base for MNCs and as a services hub for the region."

He added that entrepreneurial, high-technology businesses would be a vital part of Singapore's economic status by the 21st century as the region was unlikely to provide the same boost for its economic growth as in past years for

National Science and Technology Board chairman Teo Ming Kian will head an inter-agency steering com-

mittee which will spearhead the overall development of the hub.

At a press briefing yesterday, he said the hub's core area would be three times the size of the present two science parks.

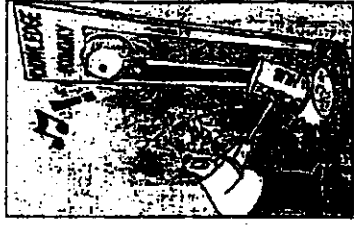
About three-quarters of this hub would be zoned for industrial, research and development and commercial purposes, while the remainder would be residential.

He said that some outstanding developments in the area, such as the Urban Development and Management Company (UDMC) bungalows, would make way for the hub.

So would army camps and some industrial developments, which their leases run out.

Dr Tan said: "Much needs to be done to build an environment in Singapore where high-technology enterprises can flourish and grow and where technopreneurial activities can thrive."

"An entrepreneurial high-technology business environment will add a new dimension to the next phase of our economic development and assist our transition to a knowledge economy," he added.

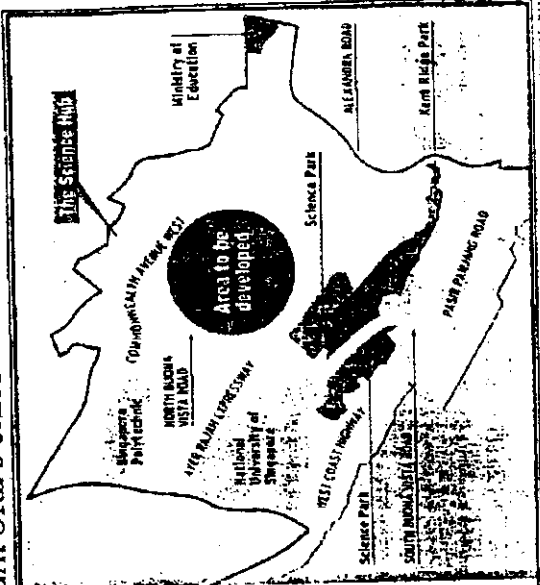


ADAM'S HUB



Rising on land now occupied by, among others, army camps will be the total lifestyle hub where researchers will work and play.

SINGAPORE'S SILICON VALLEY



- The Science Hub will be to research and development what Rajias Place is to the finance sector. It will be a self-contained local point for research and development and the techno-entrepreneurial culture and environment. Facilities will include:
- Clusters of high-tech and research and development activities
- Could have fast Internet servers leveraging on Singapore One and possibly links with other hubs around the world, such as Silicon Valley
- A transport system possibly a light-rail system
- Restaurants, pubs and in-loues
The headquarters of the land will be zoned for industrial, research and development and commercial purposes, while the rest will be residential.
What will make use for the hub:
- Army Camps
- The new Rajias Industrial Estate
- UIC Hongkong

...will be available for development.

The Ayer Rajah Industrial Estate would also make way for the hub, he said. But schools in the area such as Anglo-Chinese Junior College and United World College would be retained, as educational development was part of the overall scheme.

But it will not be all work and no play in the community. The vision for the hub includes a total life setting. Said Mr. Teo: "You can imagine some people not being able to get their exercise, but they will still be able to get their move, according to their own enjoy their own activities."

After a lunch they will be researchers who will be living in the hub can go to pubs, restaurants and other areas planned for the area.

Mr. Low said that the former-Gilchrist Village Park from Fishery Village Park to Panjiang Village could be from Vista's Road Quay. "Even while they are re-locating over dinner, brilliant ideas may emerge," he said.

A centre for ideas and innovations

The Science Hub will have a dynamic environment for not just the development of ideas, but their commercialisation as well

By KIANGLIN LEE
A management consultant on the next floor could also help him while starting up a new company.

This is the vision that the National Science and Technology Hub has for the hub, where it is completed in a decade and a half or so.

At a press briefing on the occasion of his inauguration, Nanyang Technological University chairman Teo Ming Kian said that

Vibrant environment

"This will be a vibrant area where ideas and innovations can take place. Not only researchers, but businessmen, lawyers and venture capitalists will be involved."

- Nanyang Technological University Chairman Teo Ming Kian

"Sometimes the level of support a researcher gets depends on how well he knows people in the business such as patent lawyers and venture capitalists."

"Being in close proximity will definitely be an advantage."

- Mr Low Kian Chin, the board senior manager for infrastructure and manpower division

development would start as soon as possible. "This will be a vibrant area where ideas and innovations can take place. Not only researchers, but businessmen, lawyers and venture capitalists will be involved," he said.

Mr Low Kian Chin, the board senior manager for infrastructure and manpower division, told The Straits Times that local researchers were strong in developing ideas, but often lack out when it came to commercialising them.

But this would change in the dynamic environment of the planned hub. He said: "Sometimes the level of support a researcher gets depends on how well he knows people in the business such as patent lawyers and venture capitalists."

"Being in close proximity will definitely be an advantage."

The researcher will rub shoulders and share ideas with other international academics and be within walking distance of companies which could market his inventions.

World-class institutions such as Insead - Europe's version of Harvard University - and Johns Hopkins University will also be setting up campuses there soon.

This would allow Singapore researchers to interact with the best minds in their fields, he said.

Mr Teo, who is heading a committee to study the constitution of the hub, added that it would include various facilities around the world, such as those in the United States, Taiwan and France.

All this would mean some changes. The land currently used by army camps and Urban Development and Management Company (UDMC) housing and study land

# S'pore to build \$5b science hub, study Nasdaq equivalent

**By Teo Hood Ling**  
 (SINGAPORE) Singapore will build a \$5 billion Science Hub in the Buona Vista area as part of the government's efforts to foster entrepreneurial hi-tech businesses.

The Science Hub, which will include Holland Village and the present two Science Parks, will have an "attractive, thriving working and living environment", said Deputy Prime Minister Tony Tan in a luncheon speech at a conference organised by National Science & Technology Board (NSTB) and Singapore Venture Association.

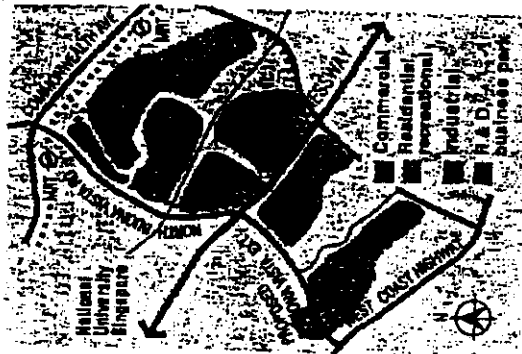
Besides infrastructure, Dr Tan said Singapore should also consider creating its own equivalent of Nasdaq — the

US stock exchange where many hi-tech companies are listed.

"Only then can we be like Silicon Valley, a hotbed for talents, not only from Singapore but from all over the world, bringing in large treasure troves of ideas to test and experiment," he said.

Singapore's efforts to develop new economic activities and new markets which can supplement its present role as a manufacturing base for MNCs and as a services hub for the region has gained more urgency in view of the current economic crisis.

"With the region unlikely



for some time to provide the same boost for Singapore's economic growth as in past years, the development of entrepreneurial hi-tech businesses will be a vital component of Singapore's economic strategy in the 21st century," said Dr Tan.

Continued on Pg 2

# \$5b science hub in Buona Vista

Continued from Pg 1

For the Science Hub, the core area to be developed is about 176 ha, three times the size of the present two Science Parks. Three-quarters of the land will be zoned for industrial, research & development and commercial purposes.

The remaining land will be for residential, recreational and support facilities.

In addition to the National University of Singapore and Singapore Polytechnic, world-class institutions like French business school Insead and the American medical institution, Johns Hopkins University, will establish a presence in the Science Hub.

The co-existence of the research and business communities will foster greater interaction and synergies between the research community and industry, said Dr Tan. And an efficient transportation network — possibly a light rail transit system —

will be developed to create links within the Science Hub, and with the rest of Singapore. The government will set up an inter-agency steering committee led by NSTB chairman Teo Ming Kiat to spearhead the overall development of the Science Hub.

In a press briefing yesterday, Mr Teo said the project will take up to 15 years to complete with a total investment of between \$4 billion and \$5 billion. When built, the hub is expected to have an estimated working population of 20,000.

Besides NSTB, other representatives to sit on the committee will include those from the Urban Redevelopment Authority and Jurong Town Corporation, and venture capitalists.

The committee will decide on the private and public sectors' roles and whether to appoint a master developer to undertake the whole project or to split the work among dif-

ferent developers, said Mr Teo. Currently, a few schools, UDMC bungalows, Ayer Rajah Industrial Park and an army camp are among those included within the proposed Science Hub site. All will have to vacate the land over time.

The Science Hub is the latest in a series of moves announced by the government to cultivate "techno-entrepreneurship" and create a knowledge economy in Singapore.

Last month, Dr Tan said the government will have to transform the education system, and change tax and stock market regulations, in order to nurture entrepreneurship and innovation.

A Technology Incubator Programme has been launched since then. Singapore is also wooing world-class universities to either set up their own branch campuses here or team up with local institutions to offer specialist programmes.

### ATTRACTION OF MNC's

Global leaders in information services, for example, IBM, Microsoft, Intel, Yahoo, etc recognise the value and necessity of an Asian presence. Despite its current economic uncertainties, Asia remains an essential part of any long term business plan of these companies. Hong Kong is well known to them – the advantages of locating here, for example, the rule of law, clean government, low taxation, strong services centre etc, are easily understood. Hong Kong's glaring deficiency though is the lack of a critical mass in information services upon which to graft a significant increase in presence by these MNC's.

The Cyber-Port represents an excellent opportunity to create this critical mass. As mentioned in Annex 5, PCG and its subsidiaries (for example, PCC) would commit to becoming an anchor occupant of the Cyber-Port. PCG's information services businesses will bring with them a number of the MNCs. For instance, Intel owns 40% of the equity in PCC; IBM is PCC's chosen long term partner as Systems Integrator/Prime Contractor and possibly operator of several of PCC's back-office systems; Oracle's subsidiary NCI is an equipment supplier. PCG expects other MNC's will seek to attach themselves to PCC or other PCG subsidiaries as equity holders, partners, suppliers and customers. Our expectation is that PCG would be able to leverage its position in the Cyber-Port to attract these MNC's to co-locate some of their related activities in the Cyber-Port. It could be expected that a virtuous cycle could thus be triggered – as more MNC's join the Cyber-Port and critical-mass is achieved other MNC's as well as many more entrepreneurs and small and medium enterprises should be attracted to the Cyber-Port facility.