

立法會
Legislative Council

LC Paper No. CB(1)2305/11-12(04)

Ref. : CB1/PL/ITB

Panel on Information Technology and Broadcasting

Meeting on 10 July 2012

**Updated background brief on facilitating a digital economy
under the Digital 21 Strategy**

Purpose

This paper provides an update on facilitating a digital economy under the Digital 21 Strategy and summarizes the latest views and concerns expressed by Members on the subject.

Background

2. The latest version of the Digital 21 Strategy was published in December 2007 and is a blueprint for the development of information and communication technology (ICT)¹ in Hong Kong. The focus of the Digital 21 Strategy is to advance Hong Kong's achievements, seize new opportunities and harness its advantage so as to strengthen its position as a leading digital city. The ultimate aim is to promote Hong Kong's economic development and to provide better services to citizens. The Statements of Desired Outcomes of the Five Action Areas under the Strategy are: facilitating a digital economy, promoting advanced technology and innovation, developing Hong Kong as a hub for technological cooperation and trade, enabling the next generation of public services, and building an inclusive, knowledge-based society.

3. According to the Administration, the desired outcome for the action area of facilitating a digital economy is: "*Hong Kong has the standards,*

¹ ICT refers to all technologies and applications that involve information processing and/or exchange over communication networks, including the internet.

infrastructure, legal framework and talent that are needed to facilitate a vibrant digital economy, and to enable our core industries to sustain and improve their competitive position. Our community, individuals and businesses are aware of the opportunities brought by a knowledge-based society and have confidence in their ability, skills and professionalism to take full advantage of the opportunities to enhance our economic prosperity and quality of life."

Previous discussions

4. The Panel on Information Technology and Broadcasting (the Panel) generally supported the development of the Digital 21 Strategy and received regular reports from the Administration on the implementation. Panel members' views and concerns in respect of the progress made in facilitating a digital economy were summarized in the ensuing paragraphs.

Hong Kong's competitiveness in ICT

5. At the Panel meeting on 11 July 2011, members expressed concern that in the Chinese Academy of Social Sciences (CASS) Study in 2011, Hong Kong ranked only the 37th in the Information Technology Infrastructure Index under Infrastructure Facilities Competitiveness, and a mere 26th place in Science and Technology Competitiveness. Panel members were concerned about the discrepancies between the findings of the CASS Study and those of the Boston Consulting Group (the BCG Report), which reaffirmed Hong Kong's position as a leading digital city. The Administration advised that the two reports had different scopes and research methodologies and could not be compared directly. The BCG Report focused on the Internet economy of Hong Kong, whereas the CASS Study focused on overall competitiveness of Chinese cities. In fact, in terms of mobile and Internet penetration rates, Hong Kong ranked amongst the highest in the world.

Support for ICT small and medium enterprises

6. At the Panel meeting on 11 July 2011, members urged the Administration to provide assistance to the small and medium enterprises (SMEs) of the ICT sector, in particular the Internet content providers, to develop the Mainland market and benefit from the closer economic integration with the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). The Administration advised that various segments of telecommunications services had been liberalized under CEPA to allow Hong Kong service suppliers to set up joint venture enterprises with shareholding not exceeding 50% in the Mainland and to

provide various types of value-added telecommunications services. These included Internet data centre services, store and forward services, call centre services, Internet access services, content services and Internet Protocol (IP) based virtual private network services.

7. At the Panel meeting on 12 April 2012, the Administration briefed members on the progress of the Cyberport Project. Some Panel members opined that the Cyberport had not yet managed to achieve some of its public missions, such as "to create a strategic cluster of quality IT and IT related companies critical to the development of Hong Kong into a leading digital city in the region". These members opined that apart from fostering IT exchanges with the Mainland, Hong Kong should also step up exchanges with other countries in the Asia Pacific region such as Korea and Taiwan. The Hong Kong Cyberport Management Company Limited advised that in order to help the incubatees survive after graduation from the Incubation Programme, the Cyberport had established the Collaboration Centre which aimed at assisting SMEs in the ICT sector to explore and capture emerging business opportunities in other markets such as the Mainland. The Administration also advised that in pursuit of its public missions, the Cyberport announced in 2011 its plans to invest HK\$100 million in Hong Kong's ICT over a period of three years.

ICT manpower development

8. At the Panel meeting on 11 July 2011, members expressed concern about certain weaknesses in Hong Kong's human capital compared to other Chinese cities, namely the lower rate of enrolment in universities of secondary school graduates, and the lower academic qualifications of the working population. The Administration advised that it would foster an environment in which a well-qualified IT workforce could flourish and meet the needs of the society. In this regard, the Cyberport had implemented the IT Internship Co-ordination & Facilitation Programme and the IT Exchange Programme. The Administration had been working with the industry and academia to enhance the portfolio of ICT professional qualifications.

Data centre development

9. At the Panel meeting on 11 July 2011, members noted the development of data centres in Qianhai of Shenzhen and Foshan, and urged the Administration to encourage the setting up of such data centres in Hong Kong in the face of keen competition from the neighbouring cities. The Administration advised that in 2010-2011, about eight hectares of land in the Tseung Kwan O Industrial Estate were granted by the Hong Kong Science and Technology Parks Corporation for the development of data

centres. Meanwhile, the Administration would promote the use of industrial buildings for developing data centres with mid-tier requirements. The Administration would continue to implement facilitation measures for the ICT sector, including the identification of suitable land for the setting up of data centres.

10. According to the Administration, since the Financial Secretary announced in the 2011-12 Budget the policy to facilitate the development of high-tier data centres, the Administration had introduced the following facilitation measures:

- (a) One-stop portal: launched in July 2011 to provide information on policy and technical issues relating to data centre development in Hong Kong;
- (b) Facilitation Unit: launched in July 2011 to offer proactive and one-stop advice to parties seeking information or help on data centre development in Hong Kong; and
- (c) Government facilitation: the Office of the Government Chief Information Officer had been collaborating with the departments concerned to identify scope for streamlining, fine-tuning the regulatory regime to better serve the legitimate needs of data centres, and expediting the vetting processes.

11. The Government subsequently announced in the 2012-13 Budget a series of measures to facilitate the timely development of data centres to further promote the industries where Hong Kong enjoyed competitive advantages and sustain Hong Kong's competitiveness as a regional hub and international financial centre. The Administration would introduce two new measures to encourage optimization of existing industrial buildings or industrial lots for data centre development. The first would exempt the waiver fee for changing parts of industrial building aged 15 years or above into data centre use. The exemption would be applicable to data centres of all tiers. The other measure concerned the development of high-tier data centres involving lease modification on industrial lots, regarding which the Government would assess the premium for lease modification on the basis of actual development intensity and high-tier data centre use instead of optimal use.

Recent developments

12. At the Panel meeting on 14 May 2012, the Administration briefed the Panel on the proposal for implementation of a Government Cloud Platform (GovCloud). Panel members noted that in order to meet the rising public expectations and citizens' demand for quality government services, the Government needed to continuously enhance the cost-effectiveness and responsiveness in e-government service delivery. This could be effectively achieved through cloud computing. Panel members also noted that a total of \$242 million would be required for implementing GovCloud. The estimated one-off funding would support about 30 bureaux and departments in rolling out their electronic information management and electronic procurement services for five years from 2013-2014 to 2017-2018. Panel members generally supported the proposal. The Finance Committee subsequently approved the funding proposal on 8 June 2012.

Latest position

13. The Administration will brief the Panel on 10 July 2012 on the progress made in facilitating a digital economy.

Relevant papers

14. A list of the relevant papers with their hyperlinks is at http://www.legco.gov.hk/yr11-12/english/panels/itb/papers/itb_eb.htm

Council Business Division 1
Legislative Council Secretariat
4 July 2012