**Letterhead of Telecom Association of Hong Kong**

**Written submission to the Provisional Legislative Council's
<u>Panel on Information Policy</u>**

This document conveys the Telecom Association of Hong Kong's views and suggestions on the future development of information technology as set out in the Chief Executive's 1997 Policy Address.

## 1. Building Hong Kong's leadership in the Information Age

The Telecom Association of Hong Kong (TAHK) wholeheartedly endorses the Chief Executive's policy of providing Government support for the task of building Hong Kong up as a leader in the Information Age. We note that the Chief Executive referred to four things necessary for Hong Kong to acquire a position of leadership, and that the first of these four is the hardware of a high-capacity communications system.

We believe that Hong Kong is among the world leaders in the development of its advanced telecommunications infrastructure, which has already contributed significantly to the prosperity of the SAR. In recent years, the link between efficient communications and wealth creation has been acknowledged world-wide and many of Hong Kong's competitors are implementing vigorous development policies for telecommunications. Therefore, if the SAR is to maintain and increase its competitive edge in future years, and fulfil its projected role in China and the Asia Pacific region, it is essential that the pace of telecommunications development is not only maintained, but increased.

Above all, we believe that Hong Kong should move on from being an efficient adopter of technologies created elsewhere, towards becoming a creative centre for IT infrastructure and software.

## 2. Framework for further deregulation of telecommunications

Hong Kong has benefited greatly from the deregulation of fixed line and mobile telecommunications. The TAHK anticipates further deregulation as Hong Kong experiences the convergence of telecommunications, computing, television and other communications industries. We welcome the new competitive markets that will be created by deregulation and the benefits that will accrue to the community from the more efficient utilisation of infrastructure and other resources.

We hope that in framing policies for deregulation, the Government will consider with special care the need for all companies investing in these new technologies to obtain a commercial return on their operations. In particular, the need for interconnection between the market incumbents and the new entrants is a sensitive issue, and can lead to unfair burdens being assumed by one or other of the parties concerned.

In the unusual market conditions created by deregulation, the Government's task in creating a level playing field is not an easy one. Nevertheless, it important that all players should have the opportunity of providing a proper return on their assets, so as to protect the public from market instability and excessive or sudden industrial consolidation.

## 3. Nurturing of Hong Kong's software industry

The TAHK believes that the Government should take decisive action to spur the growth of a home software industry, especially for the educational programs that are needed to fulfil a large and growing requirement from our schools and colleges.

We note that, although Hong Kong's telecommunications system is among the world leaders, with 300,000 km of optical fibres providing high-capacity connections to an increasing proportion of homes and offices, the availability of local software to provide services is totally inadequate. Our schools have to obtain educational programs from overseas, at considerable expense, yet these programs are mostly in English language, and are rarely culturally compatible with Hong Kong's real requirements.

The same applies to software for business requirements, where high prices are paid for overseas products which do not closely match the requirements of local companies with regard to operational practices or the SAR's financial environment. Even in the computer games sector, which is now a large international market, Hong Kong is a consumer rather than a producer, failing to exploit or either its own unique cosmopolitan character or the rich Chinese cultural heritage.

In its widest sense, software, for education, business and leisure reflects the culture that creates it and also contributes towards that culture. It is therefore entirely appropriate that the Government should provide a lead in cultivating this vital industry. Hong Kong is an ideal location for a large and prosperous software industry. It has huge natural markets, both on the mainland and in Chinese communities overseas, which could provide excellent export opportunities. A strong home software industry could provide white collar employment to match the skills being generated at Hong Kong's tertiary education establishments, and play a vital role in replacing the diminishing employment opportunities in manufacturing.

We recommend that the Government should consider using its buying power, especially in the educational sector, to encourage the creation of local software products. One approach would be for the Education Department to encourage the formation of consortium of local companies to produce a diverse range of software titles, aimed for use both in schools and by parents wishing to nurture the computing skills of their children.

## 4. To encourage the efficient use of Hong Kong's R&D resources

To become a leader in the IT field, Hong Kong requires a substantial and long-term R&D investment in core technologies, in fields including semiconductors, wireless, switching and advanced transmissions technologies such as ATM (Asynchronous Transfer Mode). It is unrealistic to expect the commercial sector to initiate and fund such a programme in the absence of Government leadership and support.

The TAHK believes that one area where the Government could provide decisive and effective leadership is in collaborating with industry and the tertiary academic sector to review and respond to the SAR's requirements for critical core technologies. The goal would be to ensure that both Government and commercial funds are utilised efficiently, so as to avoid the unnecessary importing of technologies which could be developed locally.

A starting point for this programme could be the tertiary academic sector, since all local universities have existing R&D projects in the various disciplines related to information technology. Given adequate encouragement and supervision, together with the seed funds for pilot projects, R&D projects can be commercialised to the mutual benefit of local industry and the educational institutions.

One existing successful example of this approach is City University Consultants Ltd, a company set up to commercialise projects started at the City University of Hong Kong. We feel that the Government could contribute greatly to the development of basic technologies in Hong Kong by encouraging a similar approach at all tertiary institutions.

## 5. Government's leading role in adoption of new technology

The TAHK believes that, if the Government is to provide the maximum impetus to help Hong Kong take full advantage of the Information Age, then it must not only provide leadership in terms of industrial policy and purchasing power, but also as a role model.

It would be advantageous to Hong Kong if the Government were to become an "early adopter" of new (but proven) technologies as a matter of policy. If Government departments make full use of email, database technology, intranets, EDI, mobile communications and laptop computing, then this will not only contribute to the efficiency of Governmental processes, but also stimulate the home market in these technologies and encourage the private sector to take a more positive stance towards them.

An incidental benefit of a pro-technology strategy would be that both Government officers and civil servants could develop a heightened familiarity with technology which would place them in an excellent position in their task of encouraging adoption of efficient technologies by the commercial and educational sectors.

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