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Panel on Information Technology and Broadcasting

Meeting on 9 May 2016

**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 Digital 21 Strategy is the blueprint for the development of information and communications technology ("ICT") in Hong Kong. Entitled "Smarter Hong Kong, Smarter Living", the 2014 Digital 21 Strategy sets out the framework to leverage new technologies, such as cloud computing, wireless technology, Internet of Things and big data, etc., to drive continuous economic development, deliver intuitive e-services to the public and foster a thriving ICT industry.

3. The strategic direction of Digital 21 Strategy has been integrated into a number of Government initiatives. For example, the Administration has commissioned a pilot study on 24 February 2016 to examine the feasibility of developing Kowloon East into a Smart City. The setting up of interactive information platforms and the usage of sensors, Internet of Things and big data analytics technology will facilitate data sharing within the community, and will bring convenience to the public. In this connection, the Government plans to release government information in

digital formats online and at no cost to the public, from 2015 onwards. The objective is to tapping the creativity and ingenuity of the community to develop innovative applications using public sector information.

4. The Government also plans to develop Hong Kong into a connected Wi-Fi city. Apart from extending the free public Wi-Fi service under the "Government Wi-Fi Programme", the Government also collaborates with the industry to launch a common Wi-Fi branding "Wi-Fi.HK" for promoting convenient public Wi-Fi services that are free for at least 30 minutes. This will help promote the sustainable growth of Hong Kong's economic development through the use of wireless technology.

5. As part of the Digital 21 Strategy, the Office of the Government Chief Information Officer ("OGCIO") undertakes to implement Sector-specific Programme ("SSP") to drive e-business and ICT adoption in business sectors, targeting on the small and medium enterprises ("SMEs"). In 2013-2014, OGCIO provided sponsorship for two projects under SSP on land transport and logistics sectors. These projects aimed at enhancing the operational efficiency of SMEs through adoption of ICT. Between 2004-2005 and 2014-2015, the OGCIO had launched a total of 19 projects under SSP for 13 sectors.

6. To provide match-making opportunities where SMEs may learn more about possible ICT solutions for their operations and where local ICT companies may seek business collaboration with potential clients, OGCIO has also organized three events under the brandname "SMEs and ITs Business Matching" in 2014. These events featured short one-on-one exchange sessions between small-scale IT companies and SMEs during parties can discuss how ICT solutions could address SMEs' business needs.

Previous discussions

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7. The Panel on Information Technology and Broadcasting ("the Panel") generally supported the development of the Digital 21 Strategy and has received regular reports from the Administration on its implementation. The Administration has recently updated members on the progress of initiatives to facilitate a digital economy at the Panel meeting held on 17 July 2015, members' views are summarized in the ensuing paragraphs.

Collaboration with the industry

8. Members noted that Hong Kong continued to rank first globally in 2015 in technological infrastructure according to World Competitiveness Year Book by International Institute for Management Development. Panel members were of the view that, notwithstanding the Administration's efforts in promoting ICT adoption amongst SMEs, many SMEs still encountered difficulties in adopting ICT solutions in their daily operations.

9. The Administration informed the Panel that the adoption rate of ICT amongst SMEs had risen dramatically over the years. The small number of SMEs which did not adopt ICT were mainly those providing personal services and small scale retail businesses. They perceived that ICT adoption would not bring much benefit to their business operations.

10. Members enquired about the proposed budget for the new round of SSP to be launched in 2015-2016. The Administration advised that the new round of SSP aimed at providing funding support for two proposals, each with a maximum funding of \$1.5 million.

11. Members also enquired about the effectiveness of the series of events organized under the brand name of "SMEs and ITs Business Matching". Members were of the view that efforts to promote digital economy should be more focused, and business deals successfully matched by the events should be made known to the industry. Members considered that the Administration should provide financial support to the ICT industry in promoting e-commerce. The Administration should also promote the benefits of ICT adoption to SMEs.

12. The Administration informed the Panel that OGCIO had organized two exchange session under "SMEs and ITs Business Matching" in 2013-2014. Two more exchange sessions for the catering sector and the manufacturing and logistics sectors in December 2014 and April 2015 respectively, with a total attendance of 118 participants from 41 SMEs and 35 ICT companies. The Administration advised that participants found these exchange sessions useful, and OGCIO would continue to organize such exchange sessions regularly through a sector-specific approach.

Use of ICT within the Government

13. Members enquired about the Administration's initiatives to promote the use of ICT within the Government in the coming few years. The Administration advised that in respect of electronic procurement, all

bureaux/departments ("B/Ds") had been using the e-Procurement System for the purchase of local IT products and services through standing offer agreements. As regards human resources management, the Government Human Resources Management System was under pilot use by some B/Ds. OGCIO was in parallel developing strategy for wider roll-out to allow more B/Ds to use the system for their human resources management functions and strategic manpower planning.

14. On electronic information management, further to the smooth roll-out of Electronic Recordkeeping System ("ERKS") in the Government Records Service and the Communications and Technology Branch of the Commerce and Economic Development Bureau in 2014, the Administration was extending the implementation of ERKS to more B/Ds over the coming few years.

Collaboration with the Mainland

15. In response to the members' enquiry about the Administration's efforts in promoting cross-boundary e-commerce, Panel members were informed that the Administration would continue to work closely with the Mainland to facilitate cross-boundary e-commerce. In August 2012, Hong Kong and Guangdong jointly established the standing arrangement for the mutual recognition of electronic signature certificates issued by the two authorities. A number of certification authorities in Hong Kong and Guangdong had been approved to issue electronic signature certificates with mutual recognition status. These certificates were consolidated in a Trust List which set out the details and gave effect to the mutual recognition status of such certificates. The Trust List had been promulgated in Guangdong and Hong Kong in July 2015.

Nurturing talents

16. Some members held the view that one of the biggest problems facing the ICT industry was the shortage of talents. Members considered that apart from ICT education, the Administration should formulate measures to attract ICT talents from overseas countries in order to strengthen the supply of ICT workforce in Hong Kong. In this regard, some members considered that the current outsourcing arrangement for Government ICT contracts, whereby the bids were selected on the basis of price, and the sub-contracting arrangement had contributed to the low wages and shortage of manpower in the ICT industry.

17. The Administration advised that it attached great significance to cultivating ICT talents, and would continue to foster academia-industry collaboration to create an environment where a well-qualified ICT workforce could flourish and meet the needs of a digital economy. In this regard, the Administration would continue to implement measures to facilitate the development of ICT manpower, such as providing timely and comprehensive information about IT study, career and profession through career talks and exhibitions, as well as implementing the Enriched IT Programme in Secondary Schools from the 2015/16 school year.

Finance Committee

18. At the special meeting of the Finance Committee to examine the Estimates of Expenditure 2016-2017 on 7 April 2016, some Members had raised questions on, inter alia, the Administration's efforts to support SMEs in using technology services and solutions to improve productivity and upgrade or transform business processes, and to develop a blueprint for smart city development.

19. The Administration advised that the 2016-2017 Budget had introduced a three-year Pilot Technology Voucher Programme to subsidize local SMEs, on a matching basis, to use technological services and solutions provided by designated local scientific research institutes or service providers. The pilot programme would provide a maximum subsidy of \$200,000 for each eligible SME. On encouraging SMEs to engage in e-commerce and online business, the Expert Group on E-commerce was established in May 2015 under the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries of the Economic Development Commission to study the development potential of e-commerce in Hong Kong and recommend on strategies and measures for promoting e-commerce.

20. The Government had also taken measures to encourage local SMEs to bid for government IT projects. In 2015-2016 (as of end January), the number of procurement orders issued by government B/Ds on IT products and services through the standing offer agreements administered by OGCIO amounted to 4 670 at a total value of \$650 million. Of these orders, 210 were undertaken by SMEs at a total value of \$46 million.

21. On developing a blueprint for Smart City development, OGCIO would engage a consultant in 2016-17 to formulate a digital framework and technical standards suitable for Hong Kong as the foundation for smart city development. In doing so, the Administration would consult stakeholders,

including related government departments, the academia, research institutions and the private sectors.

Latest position

22. The Administration will brief the Panel on 9 May 2016 on the progress made in the development of digital economy.

Relevant papers

23. A list of the relevant papers with their hyperlinks is at:

http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb_eb.htm

http://www.legco.gov.hk/yr15-16/english/fc/fc/w_q/itb-e.pdf

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