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Legislative Council

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Panel on Information Technology and Broadcasting

Meeting on 12 January 2004

Information note on annual surveys on IT usage and penetration in the household and business sectors

Purpose

This paper highlights members' key concerns in connection with their deliberation on the annual surveys on IT usage and penetration in the household and business sectors.

Background

2.   In the Policy Objective of the former Information Technology and Broadcasting Bureau (now the Communications and Technology Branch of the Commerce, Industry and Technology Bureau) published as part of the 2000 Policy Address, the Administration has pledged to conduct surveys on an annual basis to assess the usage and penetration of IT in the business sector and among general households.   The statistics will serve as useful reference in the formulation and development of the IT strategy for Hong Kong.   Since the promulgation of this policy commitment, the Administration has conducted the relevant thematic household survey and the survey on the business sector in 2001 and 2002 and published the survey reports towards the end of the year in question.

3.   The objective of the thematic household survey is to collect information on the penetration and usage of personal computers (PCs), the Internet, electronic business services, Chinese input methods etc. while the business sector survey will collect information on PC and Internet usage, electronic business, website usage, IT budget and manpower situation in business establishments.

Consideration by the Panel

4.   The Panel has been briefed on the 2001 and 2002 surveys at its meetings held on 14 January 2002 and 28 January 2003. While expressing support for the Administration to conduct the surveys on an annual basis, members have nevertheless highlighted the following concerns for the Administration's consideration and follow-up action.

Hong Kong's international position

5.   While noting the relevant findings on Hong Kong's performance as revealed in the surveys, members have also sought information on Hong Kong's position when compared with other economies so as to ascertain whether Hong Kong is ahead of, or is lagging behind, other places. Accordingly, the Administration has agreed to provide a comparison between Hong Kong and its major trading partners in respect of the rate of IT adoption.

6.   In the last two comparisons (at **Appendix I**) provided by the Administration, the penetration rates of PCs and of the Internet in Hong Kong were compared with those of Hong Kong's major trading partners (namely, Australia, USA, Singapore, Republic of Korea and Japan). Based on the findings, the Administration has considered that Hong Kong compares well in IT adoption with other advanced economies.

7.   When discussing broadband Internet services in Hong Kong, the Panel has enquired on Hong Kong's international ranking in terms of quality of service and consumer satisfaction of such services.   To illustrate Hong Kong's performance in terms of access to information and communication technology, the Administration has provided information on Hong Kong's position on the International Telecommunication Union's Digital Access Index published in November 2003. In terms of overall performance, Hong Kong ranks seventh and is second to the Republic of Korea in developed Asia-Pacific.   The relevant information has been issued to the Panel vide LC Paper No. CB(1)534/03-04 on 8 December 2003.

IT adoption among disadvantaged social groups

8.   In the course of exchanging views with the Administration and deputations on issues related to the building of a digitally inclusive society, some Panel members have noted from the 2002 thematic survey that Hong Kong's overall penetration rates of PC and Internet in households were 62.1% and 52.5% respectively.   However, the PC penetration rates among low-income households, elderly persons and less educated persons stood at 27.1%, 2.8% and 17% respectively.   Their Internet usage rates were even lower, at 19%, 1.9% and 14.4% respectively among the three groups.

9.   Some members are concerned that the socially disadvantaged groups remain marginalized in terms of their knowledge and ability to use IT despite Hong Kong's informatization. They also enquire how Hong Kong stands internationally as far as IT adoption among socially disadvantaged groups is concerned.

10.   In this regard, the Administration has advised that a more systematic and widely recognized international comparison may emerge from the World Summit on the Information Society, the first phase of which has been held from 10 to 12 December 2003 in Geneva while the second phase will be in November 2005 in Tunis, Tunesia.   The Administration has noted the Panel's specific suggestion that an international comparison in respect of the low-income households, elderly persons and less educated persons should be included when the Administration next reports to the Panel on the annual thematic surveys on IT usage and penetration.

IT adoption among small and medium enterprises (SMEs)

11.   When considering IT usage and penetration in the business sector, members have raised concern about the relatively low IT adoption rate among SMEs.   While noting various support measures such as the SME funding schemes, support centres set up by the Government and related organizations and the availability of IT training programmes, members consider that sustained effort should be made to help SMEs enhance their IT capability, given that they form the bulk of Hong Kong's enterprises and that most of them do not have in-house professional support.

12.   To follow up members' request at the meeting held on 14 January 2002, the Administration has provided information (at **Appendix II**) on the support measures adopted in USA, the United Kingdom (UK), Australia, Singapore and the Republic of Korea to promote IT adoption by SMEs. While the support measures implemented in these countries are quite similar to those adopted in Hong Kong, most of these countries have put in place integrated services to assist SMEs.   Examples are the UK Online for Business Programme, the Business Support Centres in Singapore and the Home Doctor System in Korea.   The Administration has recognized the need to provide effective integrated support services for SMEs so as to reduce their cost and time in searching for the services they require.

Latest position

13.   The Administration has taken note of members' concerns and their request for information, and would brief the Panel on the 2003 surveys on IT usage and penetration in the household and business sectors at the meeting on 12 January 2004.

Council Business Division 1
Legislative Council Secretariat
5 January 2004

IT Penetration in Hong Kong and Its Major Trading Partners

	Period during which the Survey was conducted	% of households with PC at home[#]	% of households with PC at home connected to Internet[#]	Source
Hong Kong	Q2 2001	61%	49%	Census & Statistics Department
Australia	Nov 2000	56%	37%	Australian Bureau of Statistics
USA	Aug 2000	51%	42%	U.S. Department of Commerce
Singapore	Dec 2000	61%	50%	The Infocomm Development Authority of Singapore
Republic of Korea	2001	54%	40%	National Statistical Office of Korea
Japan	Feb 1999 – Feb 2000	41%	27%	Prudential Japanese Consumer Confidence Survey

As a percentage of all households in the respective countries

Comparison of IT Adoption with Other Economies

A. Household PC and Internet Penetration

Economy	Period during which survey was conducted	Percentage of households with PC	Percentage of households with PC connected to the Internet
1. Hong Kong	Q2 2002	62%	53%
2. Singapore	2001	64%	57%
3. Republic of Korea	Mar 2002	60%	51%
4. Japan	2001	58%	35%
5. USA	Sept 2001	57%	51%
6. Australia	Nov 2000	56%	37%

Source : from web sites of different governments

B. Establishment PC and Internet Penetration

	Economy	Survey reference period	Percentage of establishments with PC	Percentage of establishments with Internet connection	Percentage of establishments with web page/web site
1.	Hong Kong	Q2 2002	55%	44%	12%
				(for all establishments)	
			79%	68%	36%
				(for establishments engaging 10 or more persons)	
2.	Australia	2001	84%	69%	22%
				(for all establishments)	
3.	United Kingdom	2001	64%	50%	39%
				(for all establishments)	

Source : from web sites of different governments

Support Measures in Overseas Countries
to Promote IT Adoption by Small and Medium Enterprises

We have conducted research into the support measures adopted in the United States (US), the United Kingdom (UK), Australia, Singapore and the Republic of Korea to promote IT adoption by small and medium enterprises (SMEs). These countries were selected to provide a representative geographical coverage, including North America, Europe and the Asia-Pacific. A comparative study of the measures adopted in these countries and Hong Kong has also been conducted. The findings are set out in the ensuing paragraphs.

Support Measures in Other Countries

2.　　　　The governments of all these countries studied have formulated IT and E-government strategies to promote IT adoption by the government, the business sector and the community at large. They have also established their information infrastructure, consumer protection and privacy protection regimes, and network of industry support organisations and trade associations. The policy drivers and the basic infrastructural support are available.

3.　　　　The support measures implemented in these countries to assist SMEs to adopt IT are quite similar in nature and can be generally classified into the following categories:

    (a)　**financial support,** in the form of tax incentives and funding schemes (loans and/or grants) for dedicated purposes such as training and purchase of equipment;

    (b)　**support centres** where SMEs can obtain industry information, technical advice and training on new skills;

    (c)　**support services** such as IT advisory and hotline services, IT and e-business solutions, IT assessment service and tools, promotion of successful IT adoption cases, implementation guides and IT solutions like virtual trade shows and e-catalogue service;

(d) **information services** such as production and distribution of CD-ROMs and publications, and setting up of websites to keep SMEs abreast of latest IT and market developments;

(e) **awareness building programmes** such as organising seminars, promotion campaigns and exhibitions; and

(f) **education and training** initiatives, some of which are supported by dedicated funding schemes.

Support Measures in Hong Kong

4. Support measures similar to those implemented in these countries have been adopted in Hong Kong. For example, to assist SMEs, the Government has allocated $1.9 billion to set up four SME funding schemes. Three of the schemes can assist SMEs in IT adoption by providing **financial support**. The $1 billion SME Business Installations and Equipment Loan Guarantee Scheme helps SMEs secure loans from lending institutions to acquire business installations and equipment, including computer hardware and software, through the Government acting as the guarantor. The $400 million SME Training Fund provides financial support for SME employers and employers to undertake IT and other training. The $200 million SME Development Fund finances projects of support organisations, trade and industry associations, professional bodies and research institutes which can enhance the competitiveness of SMEs in Hong Kong through, for example, increased IT and e-business adoption.

5. The Government and support organisations have also established **support centres** (e.g. the Support and Consultation Centre for SMEs of the Trade and Industry Department, the DigiHall 21 of the Hong Kong Productivity Centre (HKPC) and the SME centre of the Hong Kong Trade Development Council (HKTDC)) to provide information, advice, training and online resources to drive IT adoption by SMEs. The HKPC and HKTDC also provide other **support services** like IT advisory and hotline services, various IT solutions at affordable prices, e.g. e-catalogue service, e-procurement services and virtual trade service, etc. to SMEs.

6.   The Information Technology and Broadcasting Bureau (ITBB) and Information Technology Services Department (ITSD) have produced pamphlets, publications and CD-ROMs on e-business and successful cases for free distribution to businesses including SMEs. Useful **information** on e-business is also available from the Digital 21 website and the websites of the HKPC and HKTDC. The ITBB and ITSD have organised in partnership with the HKPC and HKTDC free seminars and workshops to raise SMEs' **awareness** and provide information and practical advice to SMEs on adopting e-business.

7.   On **education and training**, apart from financial support available under the SME Training Fund, the HKPC and various trade and industry bodies have organised a wide range of IT training programmes, in particular on new standards and technologies such as XML and wireless applications. In addition, the Vocational Training Council and other industry organisation also organise a wide range of IT training courses from which SME employers and employees may benefit.

8.   Although the support measures in the countries that we have studied are similar to those adopted in Hong Kong, we noticed that many of these countries have put in place integrated services to assist SMEs in IT adoption. For example, under the UK Online for Business Programme, a network of accredited advisers provide businesses with integrated services and advice on IT and e-business, including IT audit and signposting to training. The Business Support Centres in Singapore also offer a wide array of integrated business support services and advice to SMEs to assist them in IT adoption. The Australian Government has earmarked funding to provide tools, training and information to small businesses which wish to embrace e-business. Under the Home Doctor System in Korea, researchers will visit SMEs to provide technical assistance and guidance on adoption of new technology, including IT.

9.   We consider that this is an area which we should strengthen. As most SMEs do not have IT background nor in-house IT support, the support services provided by the Government and support organisations must meet the specific business needs of individual SMEs. The IT solutions recommended to SMEs should be practical and cost effective. Also, the various kinds of support services for SMEs should be integrated

so as to reduce the cost and time of SMEs in searching for the services that they need.

10.   To provide effective and integrated support services for SMEs in Hong Kong, as a first step, the ITBB and the HKPC jointly launched in December 2001 a pilot sector-specific IT audit service for SMEs. The programme aims to help some 400 SMEs in different industry sectors understand the status of their IT governance, identify their IT needs based on a review of their business process, and provide recommendations on the follow-up actions required and how to implement these actions. The goal is to help the participating SMEs formulate a roadmap to adopt IT step-by-step. We have successfully recruited some 400 SMEs to participate in this programme and the IT audit service is now being rolled out.   In addition to providing IT audit service to the participating SMEs, the HKPC will develop self-assessment tools, guidelines on IT adoption/implementation, showcases of successful examples of IT adoption, and an IT solutions directory, so as to benefit the SMEs which have not participated in the pilot programme. IT industry associations will participate in developing the IT solutions directory.

Way Forward

11.   We will continue to keep the IT needs of SMEs in Hong Kong under review and work closely with the relevant Government departments, support organisations and industry bodies to ensure that SMEs in Hong Kong are provided with the necessary support services for them to adopt IT to enhance their operation.

Information Technology and Broadcasting Bureau
March 2002