

WTIA Response to

2007 Public Consultation on Digital 21 Strategy

General Comments

The dawn on a new era in ICT Industry

Hong Kong ICT industry will face tremendous challenges in the coming years. In addition to the already rapid changes in technology standards and developments, two new trends, *Convergence* and *User Generated Content Sharing – Blogging*, are emerging and that could bring about fundamental changes to the World ICT Industry. Together with the coming of age of the “Internet Generation”, these two trends will have profound impact on how ICT and Internet are being used in this new era, and that would in turn impact on the business opportunities and industry development of Hong Kong ICT Industry.

Faced with these rapid changes in market dynamics, technology standards and industry model, the positioning of the Hong Kong ICT Industry and how the HKSAR Government would work with the HK ICT Industry will be pivotal to the viability and sustainability of the Industry in the future. HK ICT Industry could no longer rely on the past model to survive. The “*steady as she goes*” type of attitude will no longer work in such a rapidly changing competitive market now.

Hong Kong Industry must establish our Value

2. In order to compete in the World under this new era, Hong Kong Industry must establish our own Value and present a simple but marketable message to the World Market. For example, India, simply, is a target for world software outsourcing. Thailand is becoming a target for digital entertainment content creation. Then, what is the message of Hong Kong ICT Industry presenting to the World Market?

3. WTIA believes that Hong Kong unique Value could come from three aspects:

(a) **World Digital City of China** – Hong Kong is a true World City. Hong Kong has our unique lifestyle and cultural heritage which has no parallel in both the Mainland and the rest of the World. Hong Kong people are very sensitive to market changes in the world and as such, Hong Kong is well-positioned to be the fountain of World leading ICT business ideas.

(b) **World management and financial Centre** – Without doubt, Hong Kong is a World Financial Centre. With this as the backdrop, Hong Kong is seen by both the World and the Mainland as a place with clean and good management, legal system, and, with people possessing good management skills.

With low cost labour in the Mainland and lots of outsourcing business opportunities from the World, Hong Kong could strengthen our image as the Project Manager of ICT outsourcing projects from the World, with people and management systems that could win the trust of the World outsourcing customers.

(c) **World Conduit to China** – As mentioned, Hong Kong is one of the few true World Cities of China. WTIA does not need to re-iterate how HK being the landing place for the International companies to the Mainland, and how HK being the launching pad of the Mainland businesses to the World. WTIA believes that HK ICT industry must *focus* on what *specific* aspects Hong Kong can become that *conduit* between the World and the Mainland. WTIA suggests that we could focus on

- i. new technology applications
- ii. outsourcing management
- iii. creative content creation

Hong Kong and Mainland Collaboration

4. In the ICT Industry, our Mainland counterpart could be a competitor as well as a collaborator. The Mainland is also a huge market on its own. In working with our Mainland counterpart, HK

Industry must establish our own unique value, our unique selling point. We need this unique value to compete with them as well as collaborate with them to compete in the world market. Without this, Hong Kong ICT industry will face the danger in being squeezed out of our existence. Our own very survival could be threatened.

Specific Suggestions

5. In the following section, WTIA aims to make to the Digital 21 Consultation Process specific suggestions that would strengthen and supplement the 2007 Digital 21 Strategy.

China's 11th Five-year Plan – Mainland – HK Collaboration

6. The 11th Five-Year Plan of China is an important document. There are many specific development areas in both Guangdong and the rest of the Mainland that Hong Kong ICT Industry could play an important part.

7. With particular reference to the 11th Five-Year Plan of the Guangdong ICT Industry, Guangdong province is making tremendous effort in the informisation of many industry sectors including manufacturing, service, technology, education, culture, and health care etc.

8. WTIA notes that OGCIO has formed an Expert Group on Co-operation in Informatisation (EGCI) as a follow-up establishment from HK-Guangdong Joint Conference for collaboration between HKSARG and GD Government.

9. **WTIA recommends** that EGCI to look closely into the 11th Five-Year Plan of the Guangdong ICT Industry and work at arriving at some solid collaboration work, under the 11th Five-Year Plan framework, between Hong Kong and Guangdong Government.

10. **WTIA recommends** that in addition to the nine areas identified for collaboration in EGCI, solid and specific projects need to be carried out within this framework. To this end, HKSAR Government should establish a “GD-HK ICT Collaborative Development Fund” for providing seed funding for collaborative projects between HK and GD.

User initiated content creation - Blogging

11. User created, initiated and controlled content creation is emerging to be a new development trend in the ICT industry. This could bring about some fundamental changes to the concept in how contents are created and distributed. This in turn would create new business opportunities for Hong Kong ICT Industry.

12. In a way much similar to the former dawn of the Internet era, blogging and Instant Messaging (IM) starts as a leisure means of personal communications. However, with the coming of age of the people grown up with the Internet - “the Internet Generation”, the trends in using Instant Messaging and Blogging could become a new opportunity for value added services and business usage.

13. With the skyrocketing popularity of websites such as youtube.com and myspace.com, the demand on technology and services for user generated contents could only increase. As such, Hong Kong operators are already seizing on this opportunity by starting to provide mobile IM services. With the instantaneous nature of image and video capture by mobile devices now, there are tremendous opportunities in mobile video and image blogging.

14. In terms of business, certain marketing agencies are already using YouTube video blog as a means to market new products to the “Internet Generation”. This new model in e-Marketing will only be the tip of an iceberg. In the future, other value added services such as mobile e-marketing, opinion polls and games could make use of blogging and IM technology to bring out a generation of new services to the public.

15. **WTIA recommends** that Digital 21 Strategy should establish and encourage the development of pilot value added services based on the new development trends. These developments would strengthen HK image as a World Digital City.

Convergence

16. The Convergence of Consumer, Communications and Computing Products is increasing having fundamental impact on the future development of the ICT Industry. With overlapping and competing Standards, products and services in the market are causing certain market confusion.

17. Convergence is already bringing about profound changes in certain traditional Industries. Music Industry is certainly strongly affected by Convergence with many young upcoming singers bypassing the traditional studios and publishing their pieces on the Internet. Many traditional well-established ICT companies could be affected while many new ICT companies could be established.

18. With the apparent market confusion and re-alignment of many traditional Industry structures in light of Convergence, Hong Kong ICT industry could seize this rare opportunity to establish ourselves as a frontrunner of developing these next generation products and services in this new Convergence age.

19. **WTIA recommends** that Digital 21 Strategy should establish and encourage the development of pilot convergence content and application development. By identifying certain specific themes for content development, the pilot development could create synergy with the

HK well-established media Industry. These developments would further strengthen HK image as a World Digital City.

Hong Kong as a Technology Hub

20. WTIA notes that HKSAR Government has put in a lot of resources into turning Hong Kong into a knowledge based society by developing a lot of good technology in the universities, R&D Centres and ASTRI.

21. However, we find that many of these technology projects finished in a near commercial ready stage, just one step stopping short from being a full commercial product. Until now, we do not see a holistic and concerted approach and mechanism by the HKSAR Government to commercialise these wonderful technologies. The commercialisation of many of these projects is left to the discretion of the Principal Investigators. As a result, many wonderful new technologies could miss the acceptable market window.

22. WTIA views that it is important to establish a bridge between the R&D communities and the ICT Industry. To this end, WTIA has already started working with ASTRI to see how build up this bridge. WTIA sees that many companies are either unaware of certain new technology developments or are reluctant to put in investment into the commercialisation of new technology as they see this as too risky. A matching fund mechanism could be established to take away certain risks

as perceived by the ICT Industry in this respect and encourage more companies to participate in R&D commercialisation.

23. **WTIA recommends** that Digital 21 Strategy should establish a mechanism to encourage the commercialisation of Hong Kong developed technology in ICT area. An “ICT Commercialisation Fund” should be established to encourage business establishment to turn near-ready technology into commercial products.

Development of Demand Side

24. Despite the well establishment of many traditional Industries such as Manufacturing and Logistics, their use of ICT services and related technologies to improve their efficiency remains low. In order to have Hong Kong to be the World Digital City, the Digital 21 Strategy should establish a mechanism to encourage and develop the demand side.

25. In much the same way as the Informisation drive of the Mainland’s 11th Five-Year Plan, Hong Kong should follow by encouraging the use ICT services and systems by the many Logistics service providers as well as the 70,000+ HK owned manufacturing plants in the PRD.

26. **WTIA recommends** that Digital 21 Strategy should initiate the conduction of a Study on the requirements and needs of ICT Technology

and Service in the *Manufacturing* and *Logistics* Industries. This Study could form the basis with which Hong Kong ICT Industry could develop the services and products to fulfil the requirements of the Industry.

27. **WTIA recommends** that Digital 21 Strategy should initiate an incentive scheme for Logistics and Manufacturing Industries to make use of new ICT services and technologies.

Wireless Infrastructure Cooperation

28. WTIA notes that Hong Kong Science and Technology Park will establish a Wireless Communications Laboratory. To this end, WTIA is glad to work with HKSTP to establish how the work of Hong Kong Wireless Development Centre (HKWDC) and HKSTP could complement each other.

29. WTIA, with the help of HKPC, is also working with ASTRI to forge close relationship between this R&D Centre with the Industry.

30. **WTIA recommends** that Digital 21 Strategy should initiate a mechanism with which all the government bodies, such as HKPC, HKSTP and ASTRI, would coordinate our work effort with the Wireless Industry such as WTIA.

Effective use of 3G Spectrum

31. Hong Kong has had 3G services for nearly three years. With this head start, Hong Kong ICT industry is well positioned to work with the Mainland counterpart by providing 3G value added services and contents in their looming TD-SCDMA infrastructure.

32. To this end, WTIA is grateful for the Government support for the establishment of the TD-SCDMA test facilities in the HKWDC to allow HK ICT service and content developers to develop and test their contents and services in Hong Kong.

33. Currently with all the four 3G licenses issued, the commercial mobile network operators are only making use of the FDD portion of the spectrum, because of the nature of W-CDMA, the 3G standard used in Hong Kong.

34. There is spare spectrum in the TDD portion of the 3G licenses currently unused in all the network operators. With TD-SCDMA looming as one of the standards being used in the Mainland 3G services, the TDD portion could now be used by the mobile operators to offer the convenience of roaming capability to the future TD-SCDMA users. As such, the services and contents developed in HK in these years would be given a better opportunity to work with our Mainland visitors and for HK-Mainland value added services.

35. **WTIA recommends** that the Digital 21 Strategy should encourage Hong Kong MNOs to make use of the 3G TDD spectrum to offer 3G TD-SCDMA roaming services to our Mainland visitors. To this end, Hong Kong Wireless Development Centre would be happy to help coordinate the development with the Hong Kong mobile network operators.

Establishment of a Territory-Wide Wi-Fi Infrastructure

36. Many cities in the World, including Singapore and Taiwan, are establishing a city-wide Wi-Fi infrastructure to allow their citizens wireless access to information across the entire city. If Hong Kong is to become a World Digital City, Digital 21 Strategy should seriously look into its feasibility, its issues and its impact on established market service providers.

37. Although many see Territory-wide Wi-Fi access will pose a threat to established mobile network operators offering 3G services, WTIA view is that Territory-wide Wi-Fi access could actually encourage the habit in the use of Wireless Data in Hong Kong. This will in turn encourage higher use of 3G in Hong Kong.

38. **WTIA recommends** that the Digital 21 Strategy should look into the feasibility of the establishment of a Territory-Wide Wi-Fi Infrastructure. Specific reference should be made to the experiences in

our neighbour, Taiwan and Singapore, as to the impact to both the ICT Industry and the users. If found feasible, such a network needs to be rapidly establish as HK is already falling behind Taiwan and Singapore for almost 2 years.

Hong Kong Wireless Technology Industry Association
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