



## Hong Kong Information Technology Federation

Mr Tang Ying Yen, Henry, GBS, JP  
Secretary for Commerce, Industry and Technology  
Central Government Office  
Hong Kong

April 15, 2003

Dear Mr Tang,

In response to your call for discussions on the impact of the Atypical Pneumonia outbreak, the concerns of the IT sector, and what actions the government and the business sector can take to revive Hong Kong's business vitality, the Hong Kong Information Technology Federation urgently surveyed our members and suggestions from our members, which our Federation endorses in principle, are summarized as follows:

### Principles

1. Controlling the outbreak is still the most important prerequisite to rebuilding confidence.
2. Government must act quickly and decisively.
3. Government actions cannot be delayed by bureaucracy or by cross-bureau jurisdiction issues.
4. Balancing the budget deficit can no longer be the basis for short-term Government actions.

### Immediate impacts on the IT sector

1. Most public activities, e.g. seminars, conferences, visits, were suspended.
2. International and China travels are banned, or employees are unwilling to travel.
3. Quarantines on incoming staff members from Hong Kong are imposed by many multinationals.
4. Customers are delaying or canceling meetings and so are deals and business opportunities.
5. Market sentiments are the lowest in decades, causing many potential clients to further wait and see.
6. Increased cost of business operations – from extra time off for staff suspected of illness, to office cleaning, etc.
7. More SMEs are now in trouble, because of declining business, causing a cashflow crunch that may lead to the failure of some of them within a few months, followed by more unemployment.
8. Cash crunch on SMEs caused by both the difficulties to get loans from lending institutions, and

the additional burden imposed on SMEs due to high margin requirements on the loans.

9. In the medium term, there may be a positive impact for some IT sectors, e.g. VPN and broadband usage, business continuity services, video conferencing facilities, e-learning, etc.

### Short-term measures

1. Matching grant for SMEs adoption of IT and telecom hardware, software or services – possible in short term through the SME Fund.
2. Waiver or partial waiver of MPF contributions.
3. Waiver of some across-the-board fee that are not charged to cost, especially the business registration fee.
4. Waiver of some sector-specific fees for some industries that are hit the hardest. (However, this may not apply to IT.)
5. Halt increase in business tax.
6. Government leadership to obtain short-term relief on credit crunch for SMEs from financial institutions.
7. 100% deduction for IT and telecom purchases by SMEs on taxable incomes.
8. Invite top medical experts, including Nobel laureates, to visit Hong Kong *now* to convene a meeting (similar to Chief Executive's Council of Economic Advisors) – instill international confidence in Hong Kong's situation through expert endorsement (outside of WHO). Hong Kong has the most number of cases and so we have the most experience in treatment!
9. Immediately hire a top PR firm to design the short-term and longer-term programs to reposition and promote Hong Kong – it must be done by professionals and not Government bureaucrats. For example, Government's daily briefings on the outbreak are now done in a matter-of-fact way but totally lack of PR skills or finesse.
10. Fast-track funding for schools to establish e-learning capabilities and online course content; subsidies for needy students for PCs at home (e.g. notebook leasing to under-privileged students in the UK).
11. Fast-track implementation of e-visitation facilities for all hospitals in Hong Kong, via broadband and video-conferencing.
12. Endorsement from Government for industry organizations and vendors to come up with guidelines for companies – especially SMEs – to operate from home (e-commuting).
13. Open up video conferencing facilities of Government for at-cost leasing to local companies to conduct meetings with overseas partner until travel limits subside.
14. Lead negotiation with IT and telecom industries to offer special discount rates for SMEs and



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those sectors hit hardest by the outbreak, e.g. travel, hospitality, restaurants, etc.

15. Expedite IT spending by the Government.
16. Programs by industry to stimulate local spending – e.g. coupons for local restaurants, discounted travel, etc. Industry organizations (including IT) can help promote these offers to members for troubled sectors, in order to support Hong Kong economy.

### Medium to long-term measures

1. Focus resources for industry support directly to the “users” (industry), rather than the high overheads with intermediary or “industry support” organizations, often Government-subsidized organizations.
2. Implement the sales tax system (GST/VAT) but put the rate at 0% for at least the next 18 months – this will allow faster actual implementation when timing is right.
3. Provide incentives for international firms to locate in Hong Kong.
4. Increase IT spending as a portion of Hong Kong’s GDP (re: HKITF paper to CITB).
5. Renew focused efforts to make Hong Kong a regional center for business continuity or disaster recovery services.
6. Many IT SMEs lack skills in effective sales and marketing – Government may facilitate programs (e.g. through SME Development Fund) to match sales and marketing agents with local, international or Mainland IT companies with support for training, virtual offices, standard legal services, etc. to facilitate Hong Kong as a real center and IT marketplace.
7. Adopt the Korean model to recovery – direct Government involvement in *selected* new high technology sectors to develop in a focused way, through direct/indirect financial investment, industry coordination, ultra-active international promotion, etc. Not choosing a winner, but choosing the winning sectors!

We look forward to discussing with you and your colleagues about our suggestions in more details.

Sincerely Yours,

Charles Mok  
President, HKITF