

Task Force on Economic Challenges

Summary of the Focus Group Discussions on the Six Economic Areas

Competitive Advantages and Potential	Factors limiting Development/Concerns	Proposals Raised by Participants
<u>1. Educational Services</u>		
<ul style="list-style-type: none"> • Hong Kong has potential and competitive advantage to develop educational services. Development of the private sector or self-financing programmes may increase capacity for both local and overseas students. • World-class higher institutions, academic freedom, biliterate and trilingual environment attract students from the region especially those from the Mainland. • High demand for higher education services both locally and from the Mainland, in particular the Pearl River Delta (PRD). • Potential for attracting students from the region at the post-secondary and secondary levels. • Hong Kong has potential to meet the educational and research needs of the PRD. 	<ul style="list-style-type: none"> • Debate over whether educational services should be developed as an industry or as a service. • Concern over subsidizing the education of non-local students using tax-payers' money. • Land scarcity for developing new teaching premises and accommodation for students. • Current legislation and accreditation mechanism may not be conducive to the establishment of self-financing degree awarding institutions, i.e. private universities. • Newly established universities, even branches of established local institutions, may take time to build up their reputation and to ensure their teaching quality. 	<ul style="list-style-type: none"> • Expand non-local student intake, though not at the expense of educational opportunities of local students. • Government should have clear policy and development direction for private institutions, which should primarily be non-profit-making. • Government should facilitate the development of more self-financing institutions. For example, Government should review the legal and institutional framework for establishing private universities and appropriate accreditation mechanisms. • Government should consider providing land earmarked for development of “educational institutions” only, such as the Lok Ma Chau Loop and other sites in the city. • Attract more foreign students to study in

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- Limited supply of teachers including those from locally and overseas.

Hong Kong through more exchange and joint promotion programmes with the universities.

- Strengthen post-secondary, vocational, continuing and secondary education with a view to developing Hong Kong as a vocational training hub in the long run.
- Consider facilitating more Mainland students to study in Hong Kong and assisting existing institutions to set up institutions in Shenzhen or PRD.

2. Testing and Certification

- Hong Kong industry's high reputation and credibility are trusted by overseas and Mainland clients.
- Well-established and trusted accreditation schemes for local laboratories in place.
- Market potential is significant, especially with increasing demand from the food and drug industries.
- Market opportunities arising from increased customer awareness on food and consumer safety as well as opportunities for environmental concerns.
- Potential for Hong Kong to develop into a testing hub under the Outline of the Plan

- Existing scale of industry is still limited. Not all laboratories can provide comprehensive testing services given the specialised nature of the services.
- Local industry has to compete with global testing laboratories or brands which have established operation in the PRD.
- Testing reports produced by local laboratories are not recognised by Mainland authorities.
- Short supply of skilled personnel, both at the undergraduate and post-secondary level. Existing educational or training programmes may not meet the needs of

- Government should help persuade the Mainland authorities to recognise the testing reports prepared by local laboratories, say through CEPA.
- Enhance training of the right talents through vocational and university programmes and enhance the profile and recognition of the profession in the community.
- Government to assist in the promotion of local testing laboratories to overseas clients, e.g. through better mutual-recognition at the international level.
- Government to make available suitable land/premises at a more competitive

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for the Reform and Development of the Pearl River Delta (2008-2020) (the PRD Outline).

- Hong Kong companies' expertise in providing high value-added services such as design of testing protocol and manufacturing processes compared to their Mainland counterparts.

Factors limiting Development/Concerns

the industry.

- Difficult to retain talents due to a lack of professional recognition, e.g. there is no professional registration scheme for skilled practitioners.
- High operating costs and capital investment for equipment.
- Testing laboratories for certain products usually have to be situated near to the manufacturing base, e.g. in the PRD.

Proposals Raised by Participants

premium for the industry.

- Focus on development of food testing in the initial stages and explore new testing services such as authenticity testing for premium food (e.g. birds' nest) or energy efficiency testing, as well as high value-added testing or consultancy services to support R&D, design, and product development.

3. Innovation and Technology

- Excellent fundamentals conducive to development of innovation and technology, e.g. robust intellectual property right protection regime, simple and low tax regime, an independent judiciary and free flow of funds, information and talents.
- Sophisticated financial services sector conducive to financing of industry.
- High quality basic research personnel and universities.
- Potential for Hong Kong technology firms to serve the large manufacturing base in the PRD.
- Hong Kong companies' expertise in high-technology management systems for processes such as logistics or manufacturing processes.

- Low level of private sector investment in R&D and high-technology projects compared to other major economies.
- Researchers in universities focus more on basic research than commercialisation of their research outcome.
- Lack of venture capital and angel investors to fund technology start-ups amid the financial tsunami.
- Land constraint.
- Lack of government incentives schemes (e.g. tax, land) to attract major investors to Hong Kong compared to other economies or Mainland cities.
- Debate over the role of Government in promoting the development of the

- Government to set a clear direction and policy to attract more private investment.
- Government to encourage more investment in R&D in the private sector through incentives and streamline funding support for R&D and commercialisation of technologies.
- Attract large international companies to invest in landmark projects to stimulate the development of related technologies and companies.
- Encourage universities to better collaborate with the industry to focus on research of technologies that are more readily commercialised.
- Provide a more favourable environment for

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- Reduced investment in overseas economies due to the financial tsunami may encourage more overseas talents to come to Hong Kong.

Factors limiting Development/Concerns

industries.

Proposals Raised by Participants

non-local talents and entrepreneurs and their family members to come to Hong Kong.

- Government to be a lead-adopter of innovative and high technology products.
- Target the development of technologies that Hong Kong has an edge over and that will meet the demand of the Mainland market, e.g. environmental technologies and electrical vehicles.
- Make available suitable land and premises (e.g. vacant factory buildings) for technology companies and develop the Science Park and the Industrial Estates into technology clusters.
- Enhance element of innovation and technology in the school curriculum and training of young people.

4. Medical Services

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| <ul style="list-style-type: none">• Excellent medical professionals with professional ethics and credibility.• Expertise in training and management services.• Advanced medical technology.• Strong demand from Mainlanders wishing to receive treatment in Hong Kong.• Potential for development of hospital | <ul style="list-style-type: none">• Concerns over development of the private sector would lead to deterioration of the level of healthcare services available to the general public.• Land constraint for developing new hospitals.• Existing healthcare services over-reliant on the public sector, limiting the development of the private sector. | <ul style="list-style-type: none">• Make available more land suitable for development of private hospitals or clinics.• Enhance training of physicians and auxiliary medical professionals and provide more employment and training opportunities for graduates.• Facilitate mutual recognition of medical professionals with their Mainland |
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Competitive Advantages and Potential

combining traditional Chinese and Western medicine.

Factors limiting Development/Concerns

- Capacity constraints including supply of physicians and auxiliary medical professionals such as nurses and physiotherapists.
- Cannot compete over cost with other economies in the region. High investment in equipment and operating costs.
- Mainland healthcare market still not fully open to Hong Kong practitioners.

Proposals Raised by Participants

counterparts through CEPA.

- Promote more public-private sector collaboration (e.g. set up joint medical centres of excellences) in the provision of healthcare services.
- Explore with the private practitioners to better promote their services in the Mainland.
- Partner with Mainland experts to provide medical services combining Chinese and Western medicine.

5. Cultural and Creative Industries

- Hong Kong has the right environment for development of cultural and creative industries: blending of Eastern and Western culture, freedom of expression, robust intellectual property right protection regime.
- Large potential market of Mainland audience who are willing to come to Hong Kong for cultural programmes.
- Potential for leveraging on our successful experience in organising large-scale events such as the Business of Design Week, Hong Kong Entertainment Expo and Book Fair, etc.
- West Kowloon Cultural District (WKCD) presents further opportunities to upgrade
- Need to better cultivate our next generation of audience and develop the local cultural software.
- Lack of dedicated performance venues for performing arts groups.
- Need to increase the proportion of cultural and creative elements in the school curriculum.
- Some performance groups may focus more on artistic or professional standards than developing a bigger audience.
- Government procurement policy may not put sufficient consideration on the creative element of public works
- Enhance cultural and creative elements in school education to better cultivate the next generation of audience.
- Implement further CEPA liberalisation measures to facilitate more Hong Kong companies to enter the Mainland market.
- Better utilise the opportunities arising from the development of WKCD to provide better performance venues as well as cultivating our cultural software.
- Government to be lead-adopter of design and creativity by putting more emphasis on design and creative elements of public works projects, and provide more opportunities for innovative local firms to

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both our cultural hardware and software.

- Large Mainland market for sectors such as film, music, gaming, comics and animation, etc. where Hong Kong's creative talents are sought after.

Factors limiting Development/Concerns

projects and might be unfavourable to local SME firms.

- Existing institutional arrangement for managing our cultural policy and the creative industries may not be conducive to development of cultural and creative industries.
- Gaming (console, computer and online games), comics and animation sectors still have difficulties entering the Mainland market even though certain liberalization measures are already in place under CEPA.

Proposals Raised by Participants

engage in these projects.

- Enhance promotion of the local industries and exchanges with the Mainland through major exhibitions, expos or trade shows locally and in the Mainland.
- Better coordinate government efforts amongst various bureaux and departments to promote the industries.
- Enhance training and education in areas where Hong Kong has competitive advantages such as film and TV production, digital animation and gaming.

6. Environmental Industry

- Increasing public support and expectation for Government to improve the environment and quality of living.
- Local companies possess the expertise and credibility in providing consultancy services to Mainland companies to upgrade their environmental standards.
- Expected increase in public expenditure in environmental projects in the Mainland give rise to business opportunities for Hong Kong companies.
- Public perception of environmental industry limited, e.g. usually confined to waste recycling only. Notion of "green lifestyle" yet to be widely accepted among the community and other industries.
- Limited land supply.
- Limited private and international investment in the industry and private R&D expenditure.
- Certain environmental industries such as waste disposal currently heavily subsidized by the Government.
- Government to assist local companies to participate in more Mainland environmental and infrastructural projects through CEPA and better assist the industry in promoting their services to the Mainland market.
- Leverage upon the PRD Outline proposal to develop the PRD region into a Green & Quality Living Area.
- Enhance public and school education for a green lifestyle and adoption of green elements into other sectors of the society.
- Government to set clear targets and road maps for energy efficiency and carbon

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- Difficulties faced by local companies in obtaining the necessary approval and accreditation to engage in environmental projects in the Mainland.

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emission, as well as green design guidelines and accreditation schemes to stimulate the development of related industries.

- Government to take the lead to adopt green technologies in government buildings and public projects. Leverage upon the opportunities arising from large-scale development projects such as WKCD and Kai Tak development plan.
- Focus on the development of areas to meet the demand of the Mainland market, e.g. electric or hybrid vehicles and process design and consultancy, etc.
- Government to provide incentives to stimulate private investment, and provide better funding support for environmental R&D activities.