

## **Legislative Council Panel on Commerce and Industry**

### **Electronic Data Interchange (EDI) Service for the Textiles Trader Registration Scheme (TTRS)**

#### **PURPOSE**

The Government proposes to extend EDI service to the TTRS in 2002. The paper seeks Members' views on the proposal.

#### **BACKGROUND**

2. Government is committed to facilitating the development of e-business in Hong Kong. Since 1992, Government has been working with the Tradelink Electronic Commerce Limited (Tradelink) to provide EDI services for a wide range of Government trade-related documents. The documents include the Restrained Textiles Export Licences (RTEL), Trade Declarations (TDEC), Production Notifications (PN), Certificates of Origin (CO), Dutiable Commodities Permits (DCP) and Cargo Manifests (except for the road mode of transport) (EMAN). To further improve efficiency, Government proposes to extend the EDI service to the TTRS.

3. The TTRS was introduced in 1993. A trader registered under the scheme may be exempted from licensing requirements for the import and export of textile products. Instead of applying for an import or export licence from the Trade and Industry Department (TID), the registered trader will complete a Textiles Notification and deliver it to the carrier at the time of import or before export of the textile products. The carrier will deliver the Textiles Notification to TID together with the relevant cargo manifest within 14 days after the date of import or export. In 2000, TID received about six million Textiles Notifications.

#### **THE PROPOSED EDI TTRS SERVICE**

4. To improve the efficiency and effectiveness of handling trade documents, Government proposes to introduce EDI service for TTRS. We will adhere to the following principles in developing the service. First, the electronic service should be no less convenient to traders than the current paper system. Secondly, the charge for the electronic service should not be higher than the cost for paper submission.

5. Subject to Member's support of the proposal, we intend to launch the service in the third quarter of 2002. As in the case of other EDI services, there will be a transitional period in which traders and carriers may choose to submit Textiles Notifications in paper form or by the electronic service. Full migration will be implemented<sup>1</sup> within, say, one year after the launching of the electronic service.

6. For traders which do not have the computer equipment to make use of the electronic service, we will arrange for services to be provided for them to convert their paper document into electronic form. This will be similar to the Electronic Trading Access Service available for the existing EDI services for other documents.

#### *Benefits to Traders and Carriers*

7. The proposed EDI service for TTRS will bring about the following benefits to traders and carriers :

(i) Greater facilitation

8. When Textiles Notifications are sent electronically through the system, omissions and inconsistency of information in the Notifications will be easily detected. An electronic message will be sent to traders to facilitate their rectification. This will be a great facilitation to traders in completing their Textiles Notifications, and to carriers in checking that the Notifications are duly completed.

(ii) Paperless submission

9. It will no longer be necessary for traders to deliver hard copies of Textiles Notifications to carriers, and for carriers to deliver them to TID. Carriers will receive the Notifications electronically from traders and they will only need to quote the reference number of the Notifications in their electronic lodgment of cargo manifests (since the Notifications will in parallel be electronically sent to TID). With the development of EDI service for cargo manifest and the proposed EDI service for TTRS, traders and carriers can benefit from an integrated EDI service.

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<sup>1</sup> EDI service for TTRS will remain optional for the road mode of transport, until such time when electronic service is available and mandatory for submission of cargo manifest in respect of the road mode of transport.

(iii) Improved services

10. With EDI service for TTRS, we will streamline the requirement for supporting documents for Notifications. For instance, in the case of re-export, if an Import Notification is submitted through EDI service, the trader will only need to quote the reference number of the Import Notification when the trader submits electronically the Re-export Notification afterwards. It will no longer be necessary for the trader to provide a hard copy of the Import Notification as a supporting document. This will relieve the burden of traders and carriers in delivering paper documents to TID.

*Tradelink as the Service Provider*

11. So that traders could benefit from the integration of the proposed service with existing EDI services, Government intends to engage Tradelink to provide the new EDI service for TTRS. Tradelink is the exclusive service provider of current EDI services, and will make use of the existing infrastructure for the provision of the new service. The development cost and delivery time will hence be minimised. According to Tradelink, the charge for the proposed EDI service will be \$0.50 per Notification (covering the transmission of the electronic document to both the carrier and TID). This is no more than the current cost of a paper Notification form.

12. We intend to engage Tradelink to provide the service until the end of 2003 when its franchise expires. We will make appropriate arrangement for the provision of the service after 2004, bearing in mind our plan to introduce additional service providers, as well as possible changes to Hong Kong's textiles export control regime in 2005 in accordance with the World Trade Organization Agreement on Textiles and Clothing.

*Legislative Amendments*

13. We need to make appropriate amendments to the Import and Export (General) Regulations under the Import and Export Ordinance, Cap 60, to implement the proposed EDI service.

*Financial Implications*

14. The proposal will require a relatively small enhancement to Government's back-end computer systems, at an estimated cost of about \$7.8 million, and an annual recurrent cost of \$1.4 million. Annual savings of about \$2.6 million will be achieved by reduction of eight posts.

**TRADE CONSULTATION**

15. In November 2001, we consulted the Textiles Advisory Board, all registrants (about 20,000) under the TTRS, and carrier associations. There is broad in-principle support for the proposal. Government will require the service provider to conduct comprehensive consultation with traders and carriers on the detailed operation in due course. This will ensure that the service provided will meet the needs of the trade.

**ADVICE SOUGHT**

16. Members' views are sought on the proposal to extend EDI service to the TTRS.

**Commerce and Industry Bureau  
December 2001**