

Legislative Council Panel on Commerce and Industry

Review of Licensing Requirements for Transhipment Cargoes

Purpose

In consultation with relevant bureaux and departments, we have reviewed the licensing requirements for transhipment cargoes with a view to removing or simplifying them. This paper sets out the review findings.

Background

2. At present, 31 categories of articles are subject to licensing control. These controls are imposed mainly for the purposes of fulfilling our international obligations, public health or safety, anti-smuggling, or protection of public revenue. The controls generally apply to import, export and transhipment¹ of the articles, and in some cases, also to their storage or movement in Hong Kong.

3. The following facilitation arrangements are already in place in respect of some categories of articles –

- (a) For articles in transit², almost all of the 31 categories of articles are already exempted from licensing by the relevant Ordinances, except radiocommunications transmitting apparatus and more sensitive strategic commodities.
- (b) For textiles, traders who have registered with the Trade and Industry Department (TID) do not need to obtain a licence for import, export or transhipment of textiles which fall within the scope of the Textiles Trader Registration Scheme (TTRS). All these traders need to do is to provide a notification in a specified form to the carrier before import, export or transhipment.

¹ Transhipment cargoes mean cargoes imported into Hong Kong for the purpose of export. Proof of the said purpose must be demonstrated in shipping documents (e.g. through bills of lading).

² Articles in transit mean articles brought into Hong Kong during their international transport movement. While in Hong Kong, these cargoes must remain at all times in the vessel or aircraft in which they are brought into Hong Kong.

- (c) For rice; frozen/chilled meat and poultry; and pharmaceutical products and medicines, carriers or freight forwarders which have registered with TID under the Transshipment Cargo Exemption Scheme (TCES) do not need to obtain import and export licences for the transshipment of these cargoes. All these registered freight forwarders need to do is to report to TID the details of transshipments conducted in each month.
- (d) For plants, plant pests and soil; and endangered species, transshipment is exempted under the relevant Ordinances from licensing control subject to fulfilling certain conditions.
- (e) For certain less sensitive categories of articles, their air-to-air transshipment does not require any licence, provided that the imported cargoes remain at all times in the restricted area of the airport while in Hong Kong before being exported by the same or a different flight.

The review conclusions

4. We have reviewed the licensing requirement for each of the 31 categories of articles in consultation with relevant bureaux and departments. We have examined carefully whether the justifications for licensing requirement for each category are still valid and whether the requirement could be dispensed with or simplified.

5. The review concludes that –

- (a) the exemptions provided for the six categories of articles set out in paragraphs 3(b), (c) and (d) above (namely textiles; rice; frozen/chilled meat and poultry; pharmaceutical products and medicines; plants, plant pests and soil; and endangered species) should continue and no further relaxation is necessary;

- (b) there is a need to maintain licensing requirement for 12 categories of articles³ to meet our international obligations (e.g. precursor chemicals), or because of the relatively high risk of the articles posing a health hazard or danger to the public (e.g. animal carcasses, dangerous drugs and dangerous goods) or because of the risk of abuse leading to public revenue loss (e.g. dutiable commodities). The existing level of control is still required to screen out problematic shipments in advance, and to enable control authorities to impose specific conditions on individual shipments case-by-case to ensure the shipment is properly handled; and
- (c) the licensing control for the following 13 categories of articles may be removed entirely or partially, or replaced with a notification system. Details are as follows –

Removing licensing or export certification requirement entirely

- (i) television sets, video cassette recorders and video cassette players;
- (ii) air conditioners and refrigerators;
- (iii) poultry carcasses and poultry products;

Combining import and export licences or removing redundant licences for all or specific modes of transshipment

- (iv) left hand drive vehicles;
- (v) outboard engines exceeding 111.9 kilowatts;
- (vi) marine fish;
- (vii) ozone depleting substances;
- (viii) radioactive substances and irradiating apparatus;
- (ix) strategic commodities;

³ These are : equines; live animals (other than equines) and birds; animal carcasses and products; dutiable commodities; vehicles and vehicle parts; precursor chemicals; smokeless tobacco products and specified food materials; dangerous drugs; infectious goods; hazardous waste; sand; and dangerous goods (including explosives).

Replacing licensing requirements with a notification system

- (x) radiocommunications transmitting apparatus;
- (xi) optical disc mastering and replication equipment;
- (xii) firearms and ammunition; and
- (xiii) pesticides.

The existing licensing control on these articles and details of the proposed relaxation measures are set out at the Annex.

Way forward

6. To implement the relaxation measures in respect of 10 of the 13 categories of articles mentioned in paragraph 5(c) above, we will amend the relevant Ordinances and Regulations by an omnibus bill.

7. Relaxation measures for the remaining three categories of articles, namely, strategic commodities, pesticides, and firearms and ammunition, will be pursued in separate exercises for the following reasons -

- (a) For strategic commodities, we are considering a system of general licences providing broad approval to traders in respect of specified shipments of less sensitive strategic commodities so as to relieve traders from the need to apply for individual licences. The streamlined measure should on the one hand offer greater trade facilitation, and on the other safeguard against the proliferation of weapons of mass destruction. We are working on the safeguard mechanism and envisage that some more time will be needed before completion of the exercise. We will pursue a separate legislative amendment exercise to provide for the streamlined system when ready.

- (b) For pesticides, the Government is considering whether the new Rotterdam Convention, which governs the international movement of hazardous substances (including pesticides and industrial chemicals), should be extended to Hong Kong. If so, new legislation is likely to be introduced for this purpose. Health, Welfare and Food Bureau intends to consider any possible transshipment facilitation measures in that legislative exercise.

- (c) For firearms and ammunition, we have examined the feasibility of extending the notification system currently provided for air and sea transshipment to land transshipment as well. Because of the potential security and public safety risk in land transshipment which will likely involve storage, such extension will require introduction of some standard conditions on handling which would restrict the manner in which land transshipments are conducted. Therefore, the potential benefits that a notification system may bring would be limited. Furthermore, since there has been no application for licences up to now for land transshipment of firearms and ammunition, there is no immediate need for extending the notification system to land transshipment. Security Bureau will revisit the idea of extending the notification system to land transshipment should the need arise in future.

Public consultation

8. We have consulted the Trade and Industry Advisory Board, the SME Committee, the Business Advisory Group, as well as over 50 relevant trading and transport associations and companies. The respondents welcome the relaxation measures. Two respondents suggest respectively that all the licensing requirements for transshipment of pesticides should be removed and the proposed licensing relaxation for air-to-air transshipment cargoes of radioactive substances and irradiating apparatus should be extended to sea-to-sea transshipment cargoes. For pesticides, as explained in paragraph 7(b) above, the Health, Welfare and Food Bureau will take into account the implications and coverage of the new Rotterdam Convention and consider the most appropriate transshipment facilitation measures. For radioactive substances and irradiating apparatus, the air-to-air transshipment facilitation cannot be extended to other modes because of public safety concern. Since the

restricted areas of the Airport and its cargo terminals, where the operations of air cargo transshipment are held, are kept under tight security control and placed under close surveillance by Customs and Excise Department, we believe that the risk of illegal diversion of the radioactive substances and irradiating apparatus in air transshipment is much lower than other modes including sea transshipment.

Legislative timetable

9. We are now preparing the omnibus bill referred to in paragraph 6 above. We plan to introduce the bill into the Legislative Council within this legislative session.

Commerce, Industry and Technology Bureau
April 2003

List of Relaxation Measures

Products	Existing Licensing Control	Controlling Ordinance/Regulation	Relaxation Measures
<i>I. Full Relaxation of Licensing Control or Export Certification Requirement</i>			
Television sets, video cassette recorders and video cassette players	Export Licence Carriage Licence if carried on board by vessel less than 250 gross tons	Import and Export Ordinance, Cap. 60 ss. 6D, 6E Export (Prescribed Articles) Regulations, Cap. 60D Reg. 2, 4 Import and Export (Carriage of Articles) Regulations, Cap. 60I Reg. 3, 5	Licensing requirements will be removed entirely for all export and carriage.
Air conditioners and refrigerators	Carriage Licence if carried on board by vessel less than 250 gross tons	Import and Export Ordinance, Cap. 60 ss. 6E Import and Export (Carriage of Articles) Regulations, Cap. 60I Reg. 3, 5	Licensing requirements will be removed entirely for all carriage.
Poultry carcasses and poultry products	Export Certificate	Poultry (Slaughtering for Export) Regulations, Cap. 139E Reg 3, 3A	Export certification requirements will be removed entirely.

Products	Existing Licensing Control	Controlling Ordinance/Regulation	Relaxation Measures
II. Partial Relaxation by Reducing the Number of Licences Required			
Left hand drive vehicles	Import Licence Export Licence Carriage Licence if carried on board by vessel less than 250 gross tons	Import and Export Ordinance, Cap. 60 ss. 6C, 6D Import and Export (General) Regulations, Cap. 60A Reg. 3, 4, 6, 6AA Import and Export (Carriage of Articles) Regulations, Cap. 60I Reg. 3, 5	Licensing requirements will be removed entirely for all import and export. Carriage Licence has to be retained because of anti-smuggling reasons.
Outboard engines exceeding 111.9 kilowatts (150 horsepower)	Import Licence Export Licence Carriage Licence	Import and Export Ordinance, Cap. 60 ss. 6C, 6D Import and Export (General) Regulations, Cap. 60A Reg. 3, 4, 6, 6AA Import and Export (Carriage of Articles) Regulations, Cap. 60I Reg. 3, 5	Import and Export Licences will be removed entirely for all import and export. Carriage Licence has to be retained because of anti-smuggling reasons.
Marine fish	Landing Permit Transportation Permit Export Permit Notification of Exports	Marine Fish (Marketing and Exportation) Regulations, Cap. 291A Reg. 2, 3, 4, 4A, 4B, 4BA, 4C, 4D, 4E, 4F, 4G and 5	Landing Permit, Transportation Permit and Export Permit will be removed for transshipment cargoes. Notification of Exports will be removed entirely.
Ozone depleting substances	Import Licence Export Licence	Ozone Layer Protection Ordinance, Cap. 403 ss. 4, 4A, 5, 6	A combined Import and Export Licence will be introduced for transshipment cargoes.

Products	Existing Licensing Control	Controlling Ordinance/Regulation	Relaxation Measures
Radioactive substances and irradiating apparatus	<p>Import Licence</p> <p>Permit to Move Radioactive Substance</p>	<p>Import (Radiation) (Prohibition) Regulations, Cap. 60K Reg. 2</p> <p>Radiation (Control of Radioactive Substances) Regulations, Cap. 303A Reg. 7</p>	<p>Import Licence will be removed for air-to-air transshipment cargoes. For inter-modal transshipment cargoes, Import Licence has to be retained to address public safety concerns.</p> <p>Removal Permit helps to ensure the safe conveyance of radioactive substances within Hong Kong. This requirement applies to conveyance of all such articles, whether they are for transshipment or not. It has to be retained to address public safety concerns.</p>
Strategic commodities	<p>Import Licence</p> <p>Export Licence</p>	<p>Import and Export Ordinance, Cap. 60 ss. 6A</p> <p>Import and Export (Strategic Commodities) Regulations, Cap. 60G Reg. 2, 2A</p>	<p>A General Licence giving broad approval to traders in respect of import and/or export of specified strategic commodities of less proliferation concern will be considered*.</p>
<i>III. Partial Relaxation by Transshipment Notification System</i>			
Radiocommunications transmitting apparatus	<p>Import Permit</p> <p>Export Permit</p>	<p>Telecommunications Ordinance, Cap. 106 ss. 9, 9A</p>	<p>For air-to-air transshipment, the licensing requirement has already been exempted.</p> <p>The current proposal is to exempt the licensing control on articles in transit. For other modes of transshipment, the import and export licensing control will be replaced by a new pre-shipment notification system.</p>

* Legislative changes for the relaxation measures will be pursued in a separate legislative exercise.

Products	Existing Licensing Control	Controlling Ordinance/Regulation	Relaxation Measures
Optical disc mastering and replication equipment	Import Licence Export Licence	Import and Export Ordinance, Cap. 60 ss. 6C, 6D Import and Export (General) Regulations, Cap. 60A Reg. 3, 4, 6, 6AA	For articles in transit and air-to-air transshipment, the licensing requirement has already been exempted. The current proposal is to replace the licensing control on other modes of transshipment with a new pre-shipment notification system.
Firearms and ammunition	Exemption Permit Dealer's Licence	Firearms and Ammunition Ordinance, Cap. 238 ss. 8, 13, 14	For air-to-air transshipment, the licensing requirement has already been fully exempted. For inter-modal transshipment involving air and sea, the licensing requirement has been replaced by a pre-shipment notification system. The proposal is to extend coverage of the notification system to land transshipment. Because of the potential security and public safety risk in land transshipment which will likely involve storage, such extension will require introduction of some standard conditions on handling [#] .
Pesticides	Import Licence Export Licence	Import and Export Ordinance, Cap. 60 ss. 6C, 6D Import and Export (General) Regulations, Cap. 60A Reg. 3, 4, 6, 6AA	For transshipment cargoes, the import and export licensing control will be replaced by a new pre-shipment notification system*.

Legislative changes for the relaxation measures will not be pursued in this exercise. For reasons, please refer to paragraph 7(c) of the paper.

* Legislative changes for the relaxation measures will be pursued in a separate legislative exercise.