

Legislative Council Panel on Commerce and Industry

Electronic Submission of Cargo Manifests

Purpose

This paper seeks Members' support to end the transitional period for the electronic submission of air and rail cargo manifests.

Background

2. To promote electronic commerce, improve efficiency and reduce the use of paper, the Government has since 1997 introduced electronic services for the submission of a number of trade documents. The services for electronic submission of cargo manifests in the air, rail, river and ocean modes of transport (EMAN services) were launched by Tradelink Electronic Commerce Ltd (Tradelink) on 11 April 2003 upon the coming into effect of the Import and Export (Electronic Transactions) Ordinance 2002 (the Ordinance). In order to allow time for the affected parties to get ready for electronic submission, the Ordinance provides for a transitional period during which the concerned cargo manifests may be submitted in either paper or electronic form. We expect this transitional period to end after a smooth run-in of the EMAN services and a reasonable take-up rate has been achieved. Recognizing the fact that carriers in different modes of transport may adjust to using EMAN services at different paces because of distinct operational practices, we have included in the Ordinance provisions which allow flexibility for the Commissioner of Customs and Excise (the Commissioner) to specify by way of notice in the Gazette different end dates for the transitional period

for different modes of transport. Such notice by the Commissioner constitutes subsidiary legislation and is subject to negative vetting by the Legislative Council.

3. The Bills Committee which scrutinized the then Import and Export (Electronic Transactions) Bill requested that the transitional period should be sufficiently long to ensure that the concerned practitioners would have ample time to adapt to the electronic mode of operation. It also requested that the LegCo Commerce and Industry Panel should be briefed before the Commissioner would specify an end date for the transitional period.

Use of EMAN Services

Air mode

4. All the air carriers operating in Hong Kong have already registered with Tradelink for using EMAN services. In the first quarter of 2004, we received a total of 49 178 air cargo manifests, of which 79% were submitted in electronic form. The Carrier Liaison Group, which represents all the airlines operating in Hong Kong, supports the full migration to electronic submission of air cargo manifests and has noted the Government's intention of ending the transitional period in early July 2004.

Rail mode

5. There are altogether three rail cargo operators which submit

rail cargo manifests, two are larger ones accounting for 96% of the rail cargo manifests submitted last year. All three operators have registered with Tradelink for using EMAN services. In the first quarter of 2004, we received a total of 873 rail cargo manifests, of which 42% were submitted electronically. According to Tradelink, one of the two larger operators has been submitting most of its manifests in electronic form. This operator strongly supports the full migration to EMAN services any time. The other bigger operator has been using EMAN services sparingly for financial reason, although it appreciates that electronic submission of cargo manifests will help facilitate its operation and improve efficiency. We understand Tradelink is marketing its discount packages¹ to this operator. The third operator, which submits only 4% of all rail cargo manifests received last year, has been deferring a decision to switch from paper to electronic submission. We understand from Tradelink that there is no outstanding technical issue preventing this operator from using EMAN services. Tradelink has been explaining the potential efficiency gains arising from electronic operation to this operator.

Ocean mode

6. We received 32 581 ocean cargo manifests in the first quarter of 2004, of which less than 1% were submitted in electronic form. We understand that ocean carriers need more time to adjust their existing operational practices and enhance their backend systems for interface with the EMAN system. We are exploring with all parties concerned to

¹ The standard service charge for one EMAN submission for the rail mode is \$28.60. Tradelink offers discounts to customers which sign up for 3, 5 or 7 years, offering discounts of 15%, 25% and 35% per transaction respectively throughout the contract period. According to Tradelink, the rail industry did not raise any objection to the standard EMAN charges and the discount packages when they were proposed by Tradelink back in 2002.

address the outstanding technical and operational issues to facilitate migration from paper submission to EMAN services.

River mode

7. We received 58 461 river cargo manifests in the first quarter of 2004, of which 4% were in electronic form. The low take-up rate by river carriers is largely due to their reluctance to make the necessary operational changes. In this regard, we note that the Mainland Customs has since mid-March 2004 required electronic submission of manifests by river vessels which ply between Hong Kong, Macau and the Pearl River Delta. In the light of this, Tradelink has introduced a new service for river vessels whereby the latter need to submit only once manifest data in electronic form and could fulfill the manifest submission requirements of both the Hong Kong and Mainland authorities. We are monitoring the impact of this new service by Tradelink on the take-up rate of EMAN services by river carriers.

Proposed End of Transitional Period

8. Subject to the completion of necessary legislative procedures, we propose to end the transitional period for air and rail cargo manifests in a few months' time for the following reasons :

- (a) there is no outstanding technical issue with regard to full migration to EMAN services for these two classes of manifests;

- (b) the take-up rate of EMAN services by air carriers and rail cargo operators has been increasing steadily (the electronic submission rate for air cargo manifests has increased from 46% in the fourth quarter of 2003 to 79% in the first quarter of 2004 and that for rail cargo manifests from 29% in the fourth quarter of 2003 to 42% in the first quarter of 2004);
- (c) all the air carriers and rail cargo operators are aware of the proposed ending of the transitional period in a few months' time and have not raised objection; and
- (d) in line with the arrangements for other trade documents (e.g. trade declarations and dutiable commodities permits) which have to be submitted electronically, carriers and operators will have the option of using the electronic trading access service provided by Tradelink to convert paper submissions into electronic ones if they do not wish to do so with their own in-house resources.

9. Our present assessment is that the relevant legislative procedures may be completed in around two or three months' time. If so, the transitional period for the electronic submission of air and rail cargo manifests would end around early July at the earliest. Should the relevant legislative procedures take longer to complete, then the transitional period may end by a later timeframe.

10. We further propose that the transitional period for the electronic submission of ocean and river cargo manifests should not be

brought to an end for the time being because of the low take-up rate of electronic submission and because there are still some technical issues to be resolved. We will continue to address the outstanding issues and monitor the service take-up rate. We will put forward recommendations on the timing of full migration to electronic submission for these two types of cargo manifests when we judge the conditions are ready.

Conclusion

11. Members are invited to give their views on the proposed end of the transitional period for the electronic submission of air and rail cargo manifests.

Commerce and Industry Branch

Commerce, Industry and Technology Bureau

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