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(Fax No.: 2121 0420)

Dear Miss Yeung,

Electronic Submission of Cargo Manifests

At the meeting of the Legislative Council Panel on Commerce and Industry held on 17 January 2006, Members had no objection to our proposal of proceeding to publish the necessary notices to end in June 2006 the transitional period in respect of ocean and river cargo manifests. In this regard, the Panel Chairman asked the Administration to elaborate our consultation process with the industry leading to the conclusion in paragraph 11(b) of the Panel paper [CB(1)683/05-06(05)] to the effect that ocean and river carriers have raised no objection to the proposed timeframe of mandating the use of the services for electronic submission of cargo manifests (EMAN services) and that they should be ready for full migration before the proposed end date.

Back in July 2002, on the basis of the support of the industry (including air, rail, ocean and river carriers) for the implementation of the EMAN services, the Legislative Council enacted the Import and Export (Electronic Transactions) Ordinance which provides for the use of EMAN services provided through service provider(s). The Ordinance also provides for a transitional period during which carriers may submit cargo manifests in either paper or electronic form. With the launch of the EMAN services in April 2003, our consultation with the industry has mainly focused on its readiness for full migration to the use of EMAN services.

In the past two years or so, the Administration has been engaging in on-going constructive dialogue with the major representative associations of water mode carriers, including the Hong Kong Liner Shipping Association (HKLSA), the Guangdong and Hong Kong Feeder Association, the Hong Kong Sea Transport and Logistics Association and the Hong Kong Cargo Vessel Traders' Association. These Associations represent the majority of active ocean and river carriers in term of the total number of manifests submitted to the Government. We have also been maintaining constructive dialogue with the Hong Kong Association of Freight Forwarding and Logistics which represents a number of freight forwarders who consolidate cargo data collected in the supply chain before passing them on to carriers.

In consultation with these representative associations, the Administration, together with the EMAN service provider, has resolved a number of technical/ operational issues raised by the industry. The major ones of these issues are –

- (a) ***Integrated solution for manifest submission to the Customs authorities of Hong Kong and the Mainland*** – the service providers of the two sides have jointly developed an IT solution through which river carriers can download most of the data from one manifest (usually the one to be submitted in advance to the Mainland authorities) for preparing another one (usually the one to be submitted on a post shipment basis to Hong Kong Customs), thereby significantly reducing carrier's duplicated efforts to input more or less the same set of data for the purpose of reporting to the two Customs authorities;

- (b) ***Reporting of cargo description*** – with the collaboration of the industry, the Administration has worked out several viable options for carriers to report cargo description/ packing in EMAN submissions. To assist carriers to capture complete cargo description at source from the information provided to them by freight forwarders and shippers, the Administration also issued a set of cargo description guidelines to freight forwarders and shippers in mid 2005;
- (c) ***System readiness*** – the Administration, in conjunction with the service provider, conducted two rounds of trial run in 2005 for all parties concerned to test the EMAN services in a full operation environment. The outcomes are satisfactory and have also showed that no major technical and operational issues remain outstanding.

Having regard to the pace of the industry's preparedness for EMAN submissions, the Administration informed all ocean and river carriers in October 2005 of our intention to mandate the use of EMAN services in early 2006. The industry has raised no objection to the proposed timeframe, except that the HKLSA has requested a short extension of the target date. This is understandable, as the majority of the HKLSA's members have opted to use relatively more sophisticated IT solutions in view of the large volume of cargo manifests that they submit. The HKLSA has recently advised us that its members should be ready for full migration before the proposed end date in June 2006. We notice that other carriers are also actively preparing themselves for full migration within the proposed timeframe. The Administration and the service provider stand ready to continue to assist the carriers concerned and other stakeholders in resolving outstanding technical issues, if any, in the run up to the proposed end date in June 2006.

As regards the concerns about costs raised by some industry players, we wish to point out the potential efficiency gains that can be realized by the industry through migrating to the electronic mode of submission, including the fact that they no longer need to deliver three sets of paper manifests to three different Government departments. In our contract with the current service provider, we have included a provision on the price ceiling for the EMAN services whereby the service provider cannot set service charges

above the level of the ceiling. We will continue to explore possibilities for introducing more competition into the GETS market through the engagement of additional service providers if the opportunity arises.

I should be grateful if you would convey the above to the Chairman and other Members of the Panel.

Yours sincerely,

( David Leung )  
for Secretary for Commerce, Industry and Technology