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Panel on Commerce and Industry

Meeting on 18 December 2012

**Background brief on
proposed adjustment to fees and charges
under the purview of the Trade and Industry Department**

Purpose

This paper provides background information on the adjustment to fees and charges in respect of the certification and licensing services related to strategic commodities¹ under the purview of the Trade and Industry Department (TID) in 2011-2012, and previous discussions on the subject.

Background

The strategic trade control system

2. The Import and Export Ordinance (Cap. 60) (the Ordinance) is the legal basis for strategic trade control in Hong Kong. The Ordinance requires strategic commodities to be covered by import/export licenses issued by TID before they are imported into/exported from Hong Kong. Under the Ordinance, no person shall import or export strategic commodities unless there is a valid licence issued by the Director-General of Trade and Industry.

Delivery Verification Certificate (DVC)

3. For the purpose of ascertaining the actual destination of specific types of strategic commodities exported, Hong Kong importers may be asked by overseas exporters to obtain a DVC from the Hong Kong authorities as evidence

¹ Any article specified in the four Schedules to the Import and Export (Strategic Commodities) Regulations (Cap. 60 sub. leg. G)

that a certain consignment of strategic commodities has arrived in Hong Kong. DVCs for strategic commodities are issued by TID upon request of Hong Kong importers. Traders, however, need not apply for DVCs unless they are so requested by overseas exporters.

International Import Certification (IIC)

4. For the purpose of controlling the exports of specific types of strategic commodities, overseas exporting licensing authorities may ask their exporters who, in turn, request Hong Kong importers to obtain an IIC. On the IIC, the Hong Kong importer undertakes that the goods concerned will be imported into Hong Kong and will not be diverted, transshipped or re-exported except under the authority of an export licence issued by TID. An approved IIC issued by TID is valid for six months from the date of issue.

Adjustment to fees and charges for DVC and IIC in 2011-2012

5. Under the "user-pays" principle, fees charged by the Government for various goods and services should be regularly reviewed and updated, and in general be set at levels adequate to recover the full cost of providing these goods and services.

6. A costing review on strategic commodities-related fees conducted in 2011-2012 found that the fees for DVC and IIC payable under the Import and Export (Fees) Regulations (Cap. 60 sub. leg. B) were not adequate to recover the full costs of providing the relevant services. Detailed cost computations are set out in **Appendix I**.

7. According to the guidelines issued by the Financial Services and the Treasury Bureau, for fees with an existing cost recovery rate of over 70%, full-cost recovery is to be achieved within one to three years through a 10% or lower increase. Based on the outcome of the review, the Administration proposed to adopt a gradual approach to achieve full-cost recovery in respect of fees for DVC and IIC through a fee increase by about 10% in 2011-2012. Details of the proposed adjustments were:

	2010-2011 fee level	Full unit cost according to Costing Review	Proposed 2011-2012 fee (Change in monetary and percentage terms compared with original fee)
DVC	\$235	\$313	\$260 (+\$25 / +10.6%)
IIC	\$79	\$110	\$87 (+\$8 / +10.1%)

Previous discussions

8. At the meeting of the Panel on Commerce and Industry (the Panel) on 17 January 2012, members were briefed on the proposals to adjust, among other things, the fees for DVC and IIC in 2011-2012 as set out in paragraph 7 above. The Administration advised that in the past few years, only the exporting licensing authorities in Germany had required Hong Kong importers to obtain DVCs. In 2011, TID had issued 8 DVCs and 88 IICs. The Panel supported in principle the Administration's proposal.

9. The Import and Export (Fees) (Amendment) Regulation 2012 (L.N. 16/2012) was gazetted on 3 February 2012 and tabled at the Council meeting on 8 February 2012. At the House Committee meeting on 10 February 2012, Members considered it not necessary to form a subcommittee to study the subsidiary legislation. The proposed new fees came into effect on 30 March 2012.

Latest position

10. The Administration will seek the Panel's views on 18 December 2012 on the proposals to adjust the fees for DVC and IIC in 2012-2013.

Relevant papers

11. A list of relevant papers is in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
12 December 2012

COST COMPUTATION

Fees under the Import and Export (Fees) Regulations (Cap. 60B)

**Cost at 2011-2012 Prices
(for processing one application)**

	(1) Delivery Verification Certificate	(2) International Import Certificate
	\$	\$
Staff Costs	247	85
Accommodation Costs	25	7
Departmental Expenses	15	7
Depreciation	4	3
Central Administrative Overheads	22	8
Total Unit Cost	313	110
Existing fee	235	79
Proposed fee	260	87

Appendix II

Proposed adjustment to fees and charges under the purview of the Trade and Industry Department

List of relevant papers

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
17/1/2012	Panel on Commerce and Industry	Administration's paper Minutes meeting	CB(1)829/11-12(05) http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0117cb1-829-5-e.pdf CB(1)1296/11-12 http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20120117.pdf
-	-	Legislative Council Brief	http://www.legco.gov.hk/yr11-12/english/subleg/brief/16_17_brf.pdf
8/2/2012	Council	Import and Export (Fees) (Amendment) Regulation 2012 (L.N. 16/2012)	http://www.legco.gov.hk/yr11-12/english/subleg/negative/ln016-12-e.pdf
10/2/2012	House Committee	Legal Service Division Report Minutes meeting	LS26/11-12 http://www.legco.gov.hk/yr11-12/english/hc/papers/hc0210ls-26-e.pdf CB(2)1066/11-12 http://www.legco.gov.hk/yr11-12/english/hc/minutes/hc20120210.pdf