

Legislative Council Panel on Trade and Industry

An Omnibus Bill to Facilitate Air Cargo Transshipment in Hong Kong

Introduction

The purpose of this document is to brief Members on the latest Government effort to facilitate the development of an air cargo hub in Hong Kong without compromising the integrity of our trade controls by way of preparing an omnibus bill seeking to amend six ordinances and 14 regulations.

Background

2. In October last year, the Chief Executive in his Policy Address announced our determination to further develop Hong Kong into an international and regional air cargo hub. There have since been strong indications from the air cargo industry that they are considering plans for substantial expansion of their air cargo transshipment business in Hong Kong. In particular, there are express cargo operators looking into the setting up of their regional express cargo hubs at the Hong Kong International Airport (Airport). We need to create a suitable environment for the hub operation which is characterized by a smooth flow of massive volume of air transshipment cargo within a short period of time.

3. Specifically, the concept of a hub involves de-consolidation of different consignments of air transshipment cargo destined for different countries arriving on board an incoming flight, sorting them in the airport and then placing them on board connecting flights according to their respective end destinations within a very tight time frame. In so doing, the airlines can pool their resources and maximize the use of their airlift capacity. For express cargo operators with a number of dedicated flights under their deployment, they use the hub operation to complete the whole process of de-consolidation, sorting and re-consolidation within about a 3-hour time span during the night for service delivery the following day.

Present Arrangements and Proposed Measures

4. At present, air transshipment cargo going through Hong Kong are treated as both “import” and “export” and require licences where the “import” and “export” of the goods concerned are subject to licensing control.

5. The Government is committed to maintaining stringent controls against illegal diversion or smuggling of air transshipment cargo into Hong Kong. The Airport together with the restricted areas of its cargo terminals, where the operations of air cargo transshipment are held, are kept under tight security control and placed under close surveillance of the Customs and Excise Department. All cargo manifests have to be submitted to the Department before or at the arrival of the flights and no cargo is released for import or re-export without Customs clearance. We therefore assess that the risk of illegal diversion of goods in air transshipment is low and there is a case for reviewing the licensing requirements for the goods concerned without compromising the integrity of our trade controls.

6. Accordingly, we have conducted a thorough examination of the present arrangements and concluded that :

- (a) There is a need to maintain licensing requirements for certain categories of air transshipment cargo for trade, public health, safety and internal security reasons. Examples are hazardous wastes, narcotic drugs, infectious materials such as germs and human remains, explosives and sensitive strategic commodities. Licensing control is often necessary to track the movement of such cargo worldwide for prevention of proliferation and where relevant our controlling measures are drawn up in line with international obligations that Hong Kong has signed up to;
- (b) Removing the licensing requirements over certain miscellaneous categories of non-sensitive air transshipment cargo would not pose threats to our controls. These include:
 - dutiable commodities such as alcoholic liquor and tobacco
 - radiocommunication transmitting apparatus

- pharmaceutical products and medicines
- optical disc mastering and replication equipment
- rice
- left hand drive vehicles
- outboard engines
- pesticides
- food materials such as colouring matter and preservatives
- meat and animal products
- smokeless tobacco products
- ozone depleting substances

In removing the licensing requirement for the air transshipment of such goods, we will institute adequate safeguard measures to guard against their unauthorized movement. If any such air transshipment cargo is removed from the Airport and brought into Hong Kong, it would be deemed that the relevant import control provisions had been breached and the importer would be held liable to the respective penalty provisions under the existing laws;

- (c) Hong Kong is determined to maintain the integrity and effectiveness of our controls to deter the illegal diversion of strategic commodities. Having regard to this strong policy commitment, we propose to implement a Transshipment Cargo Exemption Scheme to give due facilitation to air transshipment of less sensitive strategic commodities. Under this Scheme, legitimate air carriers and their agents could seek exemption of individual licensing requirements under the close monitoring of the Director-General of Trade. Details of the Scheme are set out at Annex A.

Way Forward

7. To give effect to the above proposals, we intend to introduce legislative amendments to six ordinances and 14 regulations as set out at Annex B under the framework of an omnibus bill. The drafting of the bill is in its final stage. We plan to introduce the bill into this Legislative Council as soon as possible within the current legislative session.

8. The introduction of the bill would be a timely and strong message to the international community reaffirming the Government's intention to further develop Hong Kong into an international and regional air cargo hub. The trade facilitating measures would help attract more air cargo and express service providers to invest in Hong Kong and would stimulate Hong Kong as a transportation, distribution and production centre. We are confident that with the safeguard measures put in place, we will strike a good balance between trade facilitation and maintaining the integrity of our trade controls system.

Trade and Industry Bureau

February 2000

[legco/panel-2]

**Transshipment Cargo Exemption Scheme
for Less Sensitive Strategic Commodities**

Hong Kong is determined to maintain the integrity and effectiveness of our controls to deter the illegal diversion of strategic commodities. Having regard to this strong policy commitment, we propose to implement a Transshipment Cargo Exemption Scheme to give due facilitation to air transshipment of less sensitive strategic commodities. The arrangement is modeled on the existing Transshipment Cargo Exemption Scheme which covers pharmaceutical products, reserved commodities and pesticides.

2. Under the proposed Scheme, air carriers and their respective appointed agents have to register with the Trade Department in accordance with specified registration criteria. These include, undertakings to: (i) maintain up-to-date books and records in respect of the transshipment cargo of strategic commodities; (ii) ensure that the cargo concerned would remain in their physical custody and in the Airport restricted area; (iii) render assistance and co-operation to authorized officers to inspect consignments held in their custody and relevant books and records; (iv) produce movement details of the cargo upon request, etc. Failure to comply with the exemption conditions will result in their exemption facilities being withdrawn and prosecution under the law.

3. Those who are registered under the Scheme are entitled to the licensing exemption facilities, i.e. no import/export licence is required for the air transshipment of strategic commodities which remain within the confines of the Airport area. The scope of exemption would cover strategic commodities on the air-to-air transshipment mode, which are covered by a through air waybill issued at the original port of loading, and which remain within the confines of the Airport restricted area except for onward flights. The product scope would include strategic commodities detailed in Schedule 1 to the Import and Export (Strategic Commodities) Regulations except sensitive items such as specified munitions, nuclear related materials, encryption equipment as listed in Schedule 2 to the Regulations and which are currently already subject to licensing control even if they are in transit through Hong Kong. The licensing requirements for the import and export of strategic commodities other than air-to-air transshipment will not be affected by the Scheme.

Ends

Ordinances

- (1) Dutiable Commodities Ordinance
- (2) Telecommunication Ordinance
- (3) Import and Export Ordinance
- (4) Reserved Commodities Ordinance
- (5) Public Health (Animals and Birds) Ordinance
- (6) Ozone Layer Protection Ordinance

Regulations

- (1) Dutiable Commodities Regulations
- (2) Import and Export (General) Regulations
- (3) Import and Export (Strategic Commodities) Regulations
- (4) Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations
- (5) Colouring Matter in Food Regulation
- (6) Food Adulteration (Artificial Sweeteners) Regulation
- (7) Food Adulteration (Metallic Contamination) Regulation
- (8) Harmful Substances in Food Regulation
- (9) Imported Game, Meat and Poultry Regulation
- (10) Preservatives in Food Regulation
- (11) Smokeless Tobacco Products (Prohibition) Regulation
- (12) Poultry (Slaughtering for Export) Regulations
- (13) Marine Fish (Marketing and Exportation) Regulations
- (14) Rabies Regulation