

**Bills Committee on  
Import and Export (Electronic Transactions) Bill 2001**

**Follow-up actions arising from  
the meeting on 22 March 2002**

Below is the Administration's response to the list of follow-up actions arising from the meeting of the Bills Committee on 22 March 2002.

Response to the submissions from various deputations

2. We note that all the submissions<sup>1</sup> support in principle electronic submission of manifests, which improves efficiency of operation, quality of data and the competitiveness of Hong Kong. Our responses to the concerns expressed by carriers are appended below.

*Benefits of the EMAN system*

3. Regarding the benefits of EMAN to the industry, our view is that carriers could enjoy improved efficiency in submission of cargo manifests. The time and resources spent on preparing the paper manifests and submitting the manifests in person to various Government departments could be saved. Electronic submission also encourages carriers to transact business electronically and embrace e-commerce.

*EMAN fees*

4. A submission expressed the view that EMAN should not be treated as a profit-making undertaking and should be free of charge. It should be noted that the Government has invested \$110 million in developing the EMAN back-end system without recovering the cost from the industry. The EMAN service is not treated as a profit making business. However, it is only fair for Tradelink to charge a service fee in order to recoup the considerable investment that it has made in developing the front-end system and providing the package of services to carriers.

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<sup>1</sup> The submissions from the Carrier Liaison Group (CLG) of 18 February 2002, the Kowloon Canton Railway Corporation of 11 March 2002, the Hong Kong Sea Transport Association Ltd. of 13 March 2002, the Grand Alliance of 20 March 2002 and the Guangdong and Hong Kong Feeders Association Ltd. of 28 March 2002.

5. Some carriers are concerned about the level of EMAN fees to be charged by Tradelink. The latest pricing package offered by Tradelink is as follows -

	Ocean / Air / Rail (HK\$/ manifest)			River (HK\$/ manifest)
	1 <sup>st</sup> – 200 <sup>th</sup> manifests in a month	201 <sup>st</sup> – 1000 <sup>th</sup> manifests in a month	1001 <sup>st</sup> or above manifests in a month	Regardless of volume of manifests
Standard	28.6	17.2	8.6	14.3
3-year contract	24.3	14.6	7.3	12.2
5-year contract	21.5	12.9	6.4	10.7
7-year contract	18.6	11.2	5.6	9.3

Tradelink is maintaining its dialogue with carriers on the fee to be charged.

#### *Introduction of market competition*

6. After the expiry of Tradelink's exclusive franchise in end 2003, we will introduce competition for the provision of front-end EDI services by engaging two new service providers in addition to Tradelink. We believe that market competition will generally increase efficiency, lower prices and improve service quality.

#### *Direct Submission of manifests to the Government*

7. A submission suggested that it would be more cost-effective for the industry to develop their own solution to meet the Government's specifications and requirements for manifest submission. While this is technically feasible, it will require a revamping of the existing back-end systems in the Government concerned, incurring substantial additional capital cost. In addition, the Government will have to augment its staff establishment considerably for customer interface and service support. Out-sourcing the front-end EDI service to private sector would contain the size of the civil service, be more cost-effective generally, and create business opportunities for the private sector. We have therefore not adopted this

approach.

*Technical issues*

8. Tradelink has undertaken to resolve the problems of carriers having difficulty in connecting with the system of Tradelink.

9. Assuming an average manifest size of 2MB, the processing capacity of the EMAN system is around 120 sets of manifests per hour while the likely volume of transactions on average are expected to be 80 sets of manifests per hour. The processing capacity of EMAN is therefore sufficient to meet the projected volume of transactions. We have contingency plans in place to cope with failure of the system.

*ACCS vs EMAN*

10. The submission from the CLG asked the purpose of EMAN, given that air mode cargo clearance has already been carried out by the Air Cargo Clearance System (ACCS).

11. The ACCS is operated for facilitating cargo clearance with the cargo operators. The cargo data submitted through the ACCS does not satisfy the legal requirement of a cargo manifest. Specifically, certain particulars are required in a manifest but not the ACCS, for example, licence and permit numbers. In addition, the cargo data submitted through the ACCS, for example, the exact quantity of cargo, has to be updated subsequently to prepare a manifest.

12. We will include in the speech of the Secretary for Commerce and Industry at the resumption of Second Reading that EMAN will not replace the existing ACCS.

*The meaning "a copy" and the duration for keeping electronic records*

13. CLG asked the meaning of "a copy of every cargo manifest to the Director of TID" in paragraph 14 of the LegCo Brief.

14. "A copy" should be given its ordinary meaning and is capable of being interpreted as paper or electronic copy, depending on whether the

manifest is submitted using paper or electronic form.

15. CLG also asked if there is any legal requirement on the duration for keeping electronic copies of manifests. The answer is in the negative.

#### Greater cooperation with the Pearl River Delta region

16. In response to Members' suggestion, the Customs and Excise Department will liaise with the Guangdong Customs Administration to enquire the schedule for having the submission of export manifests in electronic form. The Hong Kong Guangdong Cooperation Coordination Unit is prepared to discuss the issue in due course.

#### Support to the industry

17. We understand that some carriers may incur additional cost in, say, procuring computer software and hardware for submitting manifests electronically. Carriers (provided they are small and medium enterprises (SMEs)) may apply for the SME Business Installations and Equipment Loan Guarantee Scheme. This is a loan guarantee scheme whereby the Government acts as the guarantor of individual SMEs to secure loans from the participating lending institutions of the Scheme to procure business installations and equipment. The maximum guarantee amount for each SME is \$1 million, or 50% of the approved loan, whichever is the less.

18. In addition, Tradelink will provide technical support to carriers such as hotline service, seminars, and training.

#### Transitional period

19. To allow time for the industry to adapt to the change, we will provide a transitional period whereby cargo manifests may be submitted either in paper form or by EDI services provided by Tradelink. In deciding when to end the transitional period, the Commissioner would consider the take up rate by users of the EMAN service and the smooth operation of the system .