

**立法會**  
**Legislative Council**

LC Paper No. CB(1)705/05-06

Ref : CB1/PL/ES

**Panel on Economic Services**

**Background Brief on Purchase of Equity in  
Digital Trade and Transportation Network Limited**

**Purpose**

This paper sets out the background to the Administration's proposal to seek funding approval from the Finance Committee of the Legislative Council for the purchase of equity in Digital Trade and Transportation Network Limited (DTTNC<sub>o</sub>), a separate corporate entity incorporated for the delivery of the Digital Trade and Transportation Network (DTTN) services.

**Background**

2. The DTTN system aims at offering a neutral e-platform to facilitate information flow and service integration both in the region (including the Pearl River Delta region) and globally, providing a stable and reliable environment and a technology platform for the exploration, development and delivery of innovative value-added services, and acting as a catalyst to promote electronic business adoption, especially by small and medium-sized enterprises.
3. To facilitate early implementation of the DTTN system, the E-logistics Project Group of the Hong Kong Logistics Development Council (LOGSCOUNCIL) openly invited interested parties to submit proposals in early 2003. Three proposals were received at the end of the invitation period.
4. After careful and thorough consideration, the Assessment Panel formed under the Project Group considered that the proposal from Tradelink Electronic Commerce Ltd ("Tradelink") was the closest available one to the blueprint envisaged in the DTTN Report in terms of compliance with the guiding principles, service coverage and technical standards.
5. In July 2003, the LOGSCOUNCIL recommended that the Government should jump start the project and enter into discussion with Tradelink immediately with a view to concluding an operating agreement with the company as a DTTN service provider.

6. In July 2003, the Administration briefed the Panel that it had accepted the recommendations of LOGSCOUNCIL and entered into discussion with Tradelink accordingly.

7. In August 2005, the Administration concluded an Operating Agreement (OA) with the DTTNCo, a Shareholders' Agreement (SA) with Tradelink and the DTTNCo, and a Shares Acquisition Agreement (SAA) with Tradelink.

8. The OA requires the DTTNCo to develop and implement the DTTN services in accordance with the service parameters, service levels, pricing model and implementation programme stipulated therein. The SA defines the rights and duties of shareholders of the DTTNCo. It also enshrines the safeguards endorsed by LOGSCOUNCIL for upholding the neutrality and non-exclusivity of the DTTN services to be provided by the DTTNCo. The SAA provides for the acquisition of shares in the DTTNCo by the Government through the Financial Secretary Incorporated (FSI).

9. In October 2005, the Administration briefed the Panel on its proposal for the purchase of equity in DTTNCo.

### **Shares Acquisition Agreement**

10. According to the Administration, there is strong industry consensus for Government to become a shareholder of the DTTNCo in order to play an effective role in ensuring that the company will develop and implement DTTN services in compliance with the OA. Lack of direct Government involvement will likely undermine industry support for and subscription to the DTTN system. The Administration explored different options with Tradelink for acquiring the DTTNCo shares. In the end, it decided for a purchase of equity in the DTTNCo in cash through the SAA to achieve certainty in Government's investment and involvement in the DTTNCo.

11. Pursuant to the signing of the SAA, the FSI now holds DTTNCo shares of HK\$31.5 million valued at par with the settlement of the amount to be made subject to FC's approval. The FSI will need to obtain FC's funding approval within 12 months from the date when Tradelink completed transferal of the shares to the FSI (i.e. 31 August 2005). If such approval is not forthcoming, FSI will return the DTTNCo shares to Tradelink, who will have no further claim against FSI.

12. At present, the total issued share capital of the DTTNCo is HK\$108 million. FSI shareholding in the DTTNCo represents 29.17% of the company's issued share capital, with the balance of 70.83% held by Tradelink. There is a plan to recruit other shareholders for the company and it is envisaged

that the eventual proportion of shareholding would be 21% by FSI, 51% by Tradelink, and 28% by others.

### **Members' views**

13. Whilst recognizing the potential benefits of the DTTN System, members expressed divergent views on the Administration's proposal for the acquisition of DTTNCo shares from Tradelink, which was incorporated in 1988 as a joint venture between Government and some key players in Hong Kong's trading sector. Tradelink has become a publicly listed company since 28 October 2005. The Government remains the largest single shareholder of the company.

14. Some members are of the view that the unique status of Tradelink has already created unfair competition with the private sector. The Government's proposal for the acquisition of DTTNCo shares from Tradelink may give DTTNCo an unfair advantage over prospective competitors which is contrary to free market practice and competition.

15. A member however holds the view that since the data provided by the logistics players contain sensitive information such as the names and contact details of their customers, it is highly important that the DTTN system must provide a level-playing field for all stakeholders, and be perceived by them as free from real or potential conflict of interests or sector influence. As such, there is a strong industry call for Government to become a shareholder of the DTTNCo in order to ensure the neutrality of the DTTN System.

16. In view that the majority of the members present at the Panel meeting on 24 October 2005 was not in support of the Administration's proposal, the Administration did not submit the funding proposal to the Finance Committee for approval as originally planned.

17. Subsequent to the Panel meeting on 24 October 2005, the Panel received written views from the following 12 organizations, urging the Panel to lend support to the Government's proposal for the purchase of DTTNCo shares:

- (a) The Institute of Purchasing & Supply of Hong Kong
- (b) Hong Kong Logistics Association
- (c) E-logistics Project Group, Hong Kong Logistics Development Council
- (d) Hong Kong Container Terminal Operators Association
- (e) GS1 Hong Kong
- (f) Hong Kong CFS and Logistics Association Ltd
- (g) Hong Kong Container Drayage Services Association Ltd

- (h) The Chamber of Hong Kong Logistics Industry
- (i) The Hong Kong Shippers' Council
- (j) Internet Professional Association
- (k) The Chartered Institute of Logistics & Transport
- (l) Hongkong Association of Freight Forwarding and Logistics Limited

Their written submissions are attached in the **Annex**.

**Latest position**

18. The Administration will brief members further on its proposal at the forthcoming meeting to be held on 23 January 2006.

Council Business Division 1  
Legislative Council Secretariat  
16 January 2006



**THE INSTITUTE OF PURCHASING & SUPPLY OF HONG KONG** 香港物資採購與供銷學會

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Hon James TIEN Pei-chun, GBS, JP  
 Chairman, Panel on Economic Services  
 Legislative Council  
 Legislative Council Building  
 8 Jackson Road  
 Central  
 Hong Kong

5<sup>th</sup> November, 2005

Dear Mr. Tien,

We are more than a bit surprised and disappointed that the Government's proposal to purchase equity in the Digital Trade and Transportation Network Limited (DTNCo) did not receive support from Panel on Economic Services. We write to express the views of the logistics industry, and appeal to the Panel to reconsider the proposal favourably.

The DTN is a key initiative pursued by the Government in close collaboration with the logistics & supply management industry through the Hong Kong Logistics Development Council (LOGSCOUNCIL). As a LOGSCOUNCIL member, our Institute fully supports this initiative as it will enhance the efficiency, reliability, quality and cost-effectiveness of information flow along the total supply channel management. More importantly, it will provide an open and secure platform for use by all players, especially logistics SMEs which may not otherwise have the resources, expertise and willingness to develop their own information system.

Prof. Arne Jensen from Goteborg University, Sweden has estimated a saving of U.S. 490 billion from world trade facilitation. DTN System will help move faster towards this direction for Hong Kong and for the logistics SMEs.



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## THE INSTITUTE OF PURCHASING & SUPPLY OF

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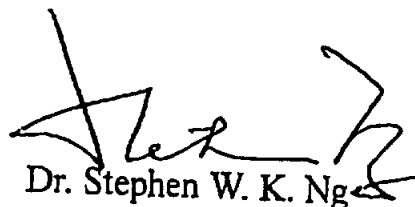
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As there is a strong industry consensus that the DTTN System must be neutral and non-exclusive, the DTTNCo has been set up to operate in accordance with guiding principles and technical specifications agreed by the industry and endorsed by LOGSCOUNCIL. The Government's shareholding in the DTTNCo is vital in monitoring the company's operation and safeguarding the interest of the industry, especially that of the smaller players. The proposal for Government to acquire DTTNCo shares therefore has the full support of LOGSCOUNCIL, and is in fact a response to industry expectation.

After thorough discussion over the past three years, a good foundation has been laid for the DTTN initiative to take off the ground. We are anxious to see its fruition, and urge the Panel to lend support to the Government's proposal to purchase DTTNCo shares.

Yours sincerely,



Dr. Stephen W. K. Ng

President

The Institute of Purchasing & Supply of Hong Kong

C.c. Mr. Timothy P. W. Lam, Chairman of IPSHK

Mr. Peter P. H. Tse, Secretary of IPSHK

M. Leo Chow, Chairman of Information Services & Communications Committee

CB(1)291/05-06(02)



HONG KONG LOGISTICS ASSOCIATION

香港物流協會

Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

8 November 2005

Dear Mr. Tien,

We write to urge the Panel on Economic Services to lend support to Government's proposal for funding approval by the Finance Committee for the purchase of equity in the Digital Trade and Transportation Network Limited (DTTNCo).

The Hong Kong Logistics Association supports the DTTN initiative as it is designed to provide a secure e-platform for logistics players to exchange information and data in an efficient, reliable and low-cost manner. We also hope that it will promote information technology adoption in particular by the small and medium sized enterprises (SMEs) in the logistics industry.

The incorporation of the DTTNCo is a response to industry demand that the DTTN services should be provided by a neutral corporate entity in an open and non-exclusive fashion. We support the involvement of the Government in the DTTNCo as a shareholder, so that it will help steer the operation of the company in compliance with the principles of "neutrality" and "non-exclusivity", which are of paramount importance in securing industry acceptance of and confidence in the service provider.

The logistics industry looks forward to the scheduled launch of the DTTN services by the end of 2005. We sincerely hope that funding approval will be forthcoming soon for Government to purchase equity in the DTTNCo.

Yours sincerely,

(Anthony Wong)  
President,

Hong Kong Logistics Association

31<sup>st</sup> October 2005

Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Mr Tien,

**Purchase of Equity in  
Digital Trade and Transportation Network Co. Ltd (DTTNC<sub>o</sub>)**

As the Shepherd of the E-logistics Project Group and member of the Hong Kong Logistics Development Council (LOGSCOUNCIL), I am surprised and disappointed to learn that the Panel on Economic Services did not support the government's proposal for acquisition of shares in DTTNC<sub>o</sub>.

The DTTN concept was first mooted in September 2001 and after the study by Accenture in November 2002, has been developed into an E-logistics initiative not only to enhance the efficiency of the industry players in the supply chain, but also to promote Hong Kong as a virtual logistics hub. After many meetings of and discussion by the E-logistics Project Group and the LOGSCOUNCIL over the past three years, the industry is indeed anxious for the scheduled launch of the DTTN by the end of this year.

During the many discussions, LOGSCOUNCIL members and industry stakeholders have repeatedly stressed the importance of the DTTN as a neutral, open and non-exclusive platform for the industry. This leads to the need to create a separate entity providing for the service; to set out the guiding principles in an operating agreement and to involve the government in its

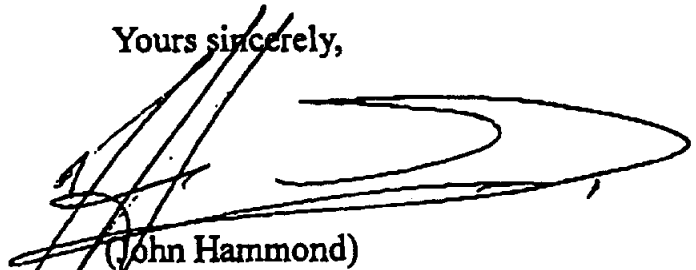


corporate governance to monitor closely the operation, service levels and the fair pricing of the DTTN services.

The proposed shareholding to be acquired by the government was requested by the industry and supported by the E-logistics Project Group and LOGSCOUNCIL which bodies comprise mainly of non-official members with a wide representation from the logistics industry. There is a clear industry consensus in favour of community participation in the form of shareholdings by government and trade organisations in DTTNCo. These holdings will safeguard the interests of the industry users and in particular that of the SMEs.

I hope that with this clarification of the background and of the strong industry views on the DTTN proposal, the Panel on Economic Services will lend its support to the proposed funding for the share acquisition by government so that the project can proceed as quickly as possible.

Yours sincerely,



(John Hammond)  
Shepherd, E-logistics Project Group  
Member, Hong Kong Logistics Development Council

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CB(1)241/05-06(02)



Hong Kong Container Terminal  
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31 October 2005

Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong.

Dear Hon. Mr Tien,

**Re: Purchase of Equity in  
Digital Trade and Transportation Network Co. Ltd (DTTNCo)**

As a member of the Hong Kong Logistics Development Council (LOGSCOUNCIL) member, we write in support of the government proposed acquisition of shares in DTTNCo.

The DTTN initiative, as discussed in the LOGSCOUNCIL, was developed with the aim to provide a neutral, open and non-exclusive platform for information exchange among players in the logistics industry. The guiding principles, the scope of services, pricing, shareholding structure and corporate governance have all been discussed at LOGSCOUNCIL to ensure that DTTN would not only reduce cost in the supply chain but also provide an IT infrastructure for high value added logistics development in Hong Kong. During the discussion, it was considered necessary to have 21% government shareholding in DTTN to enable the government have a final say on important decision regarding the operation of DTTN under the "80% rule". Government involvement would



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provide the necessary monitoring through the appointment of the majority of board members by government.

Faced with increasing competition in the port and logistics sectors, the DTTN initiative would, we believe, be an effective measure to strengthen Hong Kong's position as a regional shipping and logistics hub. To this end, government support and active participation is seen by the industry as the necessary driving force. We therefore urge for support of the Panel on Economic Services for the government funding proposal for the acquisition of DTTNCo shares.

Yours sincerely,



Alan Lee  
Chairman,

Hong Kong Container Terminal Operators Association and  
Member, Hong Kong Logistics Development Council

c.c. Mr Stephen Ip, LOGSCOUNCIL Chairman



Hong Kong  
new name of HKANA

CB(1)241/05-06(03)

*The Global Language of Business*

1 November 2005

Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Mr Tien,

**Purchase of Equity in  
Digital Trade and Transportation Network Co. Ltd (DTTNCo)**

I understand that at the meeting of the Panel on Economic Services of LegCo on 24 October 2005 Members have questioned the need for government acquisition of shares in DTTNCo. I would like to outline the background to the government proposal and also appeal to the Panel for support in that regard.

As a member of the E-logistics Project Group of the Hong Kong Logistics Development Council (LOGSCOUNCIL), I have been closely involved in the discussion on the DTTN project. Throughout the discussion, there is a clear industry demand for the DTTN as a neutral, non-exclusive and open platform for data/information exchange in the supply chain. It is also a thoroughly argued conclusion that the principles of neutrality and non-exclusivity of the DTTNCo should be enshrined in its operating agreement and underpinned by government and industry participation in its corporate governance and shareholding. The proposed shareholding by government and



Hong Kong  
new name of HKANA

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The Global Language of Business

the trade associations is a necessary means to enforce those safeguards requested by the industry on DTTN's operation and to ensure that the government have sufficient power to maintain the DTTN's neutrality.

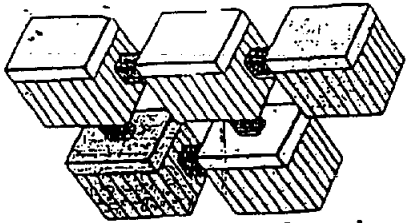
The proposed share acquisition has been endorsed by the E-logistics Project Group and LOGSCOUNCIL. The logistics industry is fully aware of and supported the proposal. Also, many industry/trade organisations have been invited to join the government in taking up a stake in the DTTN. With such transparent and thorough discussion with industry representatives and very clear industry support, it therefore comes as a surprise that the DTTN proposal did not get the endorsement of the Panel on Economic Services.

I hope the above would facilitate the Panel on Economic Services in understanding the industry consideration and views behind the proposal and giving its support to the acquisition of shares in DTTN by government.

Yours sincerely,

(Ms Anna Lin)

Chief Executive, GS1 Hong Kong and  
Member, Hong Kong Logistics Development Council



# Hong Kong CFS and Logistics Association Ltd.

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CB(1)241/05-06(04)

日期：2005年11月1日

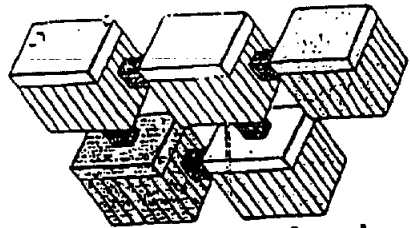
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 經濟事務委員會  
 田北俊主席, GBS, JP

田主席：

## 認購數碼貿易運輸網絡有限公司的股份

我知悉最近立法會經濟事務委員會就  
 政府申請撥款認購數碼貿易運輸網絡  
 (DTTN)有限公司股份一事作出討論，並提  
 出疑問。最後，事務委員並沒有支持政府的  
 建議，對此我深表關注和失望。

作為香港集裝箱貨倉及物流服務聯會  
 主席，我深明中小企的關注和經營困難。香  
 港的物流業內大部分是中小企業。中小企缺  
 乏發展電子資訊系統的資金和專才。與此同  
 時，面對運輸和物流業的劇烈競爭，供應鏈  
 的資訊流通對於貨運效率和清關報關等程  
 序至為重要。因此物流發展局在過去幾年，



# Hong Kong CFS and Logistics Association Ltd.

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經過廣泛諮詢業界，努力推動發展 DTTN，  
 希望為業界提供高效和可靠的資訊交換平  
 台。對中小企來說一個中立、開放和安全的  
 資訊平台是非常重要的。為了保障用者和中  
 小企的利益，業界希望政府能積極參與以確  
 保 DTTN 的收費、服務和資料保密等方面都  
 得到監管。政府建議認購百分之二十一  
 DTTN 公司股份，以便在該公司的重大的決  
 策上有否決權，確保業界利益。我們非常支  
 持政府的參與，並深信這會有助提高業界對  
 DTTN 的信心。我希望貴委員會能了解中小  
 企的關注，並支持政府申請撥款入股 DTTN。

香港集裝箱貨倉及物流服務聯會主席

For and on behalf of  
 HONG KONG CFS AND LOGISTICS ASSOCIATION LIMITED  
 香港集裝箱貨倉及物流服務聯會有限公司

*(Handwritten Signature)*  
 Authorized Signature

(董美珍)

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香港貨櫃拖運業聯會有限公司  
Hong Kong Container Drayage Services Association Ltd

CB(1)241/05-06(05)

日期：2005年11月1日

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田主席：

認購數碼貿易運輸網絡有限公司的股份

我知悉最近立法會經濟事務委員會就

政府申請撥款認購數碼貿易運輸網絡(DTTN)

有限公司股份一事作出討論，並提出疑問。

最後，事務委員並沒有支持政府的建議，對

此我深表關注和失望。

作為香港貨櫃拖運業聯會主席，我深明中小企的關注和經營困難。香港的物流業內大部分是中小企業。中小企缺乏發展電子資訊系統的資金和專才。與此同時，面對運輸和物流業的劇烈競爭，供應鏈的資訊流通對於貨運效率和清關報關等程序至為重要。因此物流發展局在過去幾年，經過廣泛諮詢業



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香港貨櫃拖運業聯會有限公司  
Hong Kong Container Drayage Services Association Ltd.

CHAIRMAN 主席  
MR. STEVE W. FLO  
SAGAWA EXPRESS (HK) CO. LTD.  
FIRST VICE CHAIRMAN 第一副主席  
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MANLITAT CONTAINER SERVICE LTD.

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RECREATION ACTIVITY COMMITTEE CHAIRMAN  
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MR. JOHNNY LAU  
LAU'S BROTHERS GODOWN & TRANSPORTATION CO.  
WELFARE COMMITTEE CHAIRMAN  
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NVO TERMINAL LTD.

COMMITTEE MEMBER 理事  
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GOLDEN OCEAN WAREHOUSE & TRANSPORTATION LTD.  
COMMITTEE MEMBER 理事  
MS. KWONG MI LI  
GOLDEN FAME SHIPPING LTD.  
COMMITTEE MEMBER 理事  
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2

界，努力推動發展 DTTN，希望為業界提供  
 高效和可靠的資訊交換平台。對中小企來說  
 一個中立、開放和安全的資訊平台是非常重  
 要的。為了保障用者和中小企的利益，業界  
 希望政府能積極參與以確保 DTTN 的收費、  
 服務和資料保密等方面都得到監管。政府建  
 議認購百分之二十一的 DTTN 公司股份，以  
 便在該公司的重大的決策上有否決權，確保  
 業界利益。我們非常支持政府的參與，並深  
 信這會有助提高業界對 DTTN 的信心。我希  
 望貴委員會能了解中小企的關注，並支持政  
 府申請撥款入股 DTTN。

香港貨櫃拖運業聯會主席



(黃兆華)

## 香港物流商會

CB(1)241/05-06(06)

THE CHAMBER OF HONG KONG LOGISTICS INDUSTRY

日期：2005年11月1日

中區皇后大道 8 號  
立法會大樓  
立法會秘書處  
經濟事務委員會  
田北俊主席, GBS, JP

田主席：

## 認購數碼貿易運輸網絡有限公司的股份

我知悉最近立法會經濟事務委員會就政府申請撥款認購數碼貿易運輸網絡(DTTN)有限公司股份一事作出討論，並提出疑問。最後，事務委員並沒有支持政府的建議，對此我深表關注和失望。

作為物流發展局的委員及香港物流商會主席，我深明中小企的關注和經營困難。香港的物流業內大部分是中小企業。中小企缺乏發展電子資訊系統的資金和專才。與此同時，面對運輸和物流業的劇烈競爭，供應鏈的資訊流通對於貨運效率和清關報關等程序至為重要。因此物流發展局在過

# 香港物流商會

## THE CHAMBER OF HONG KONG LOGISTICS INDUSTRY

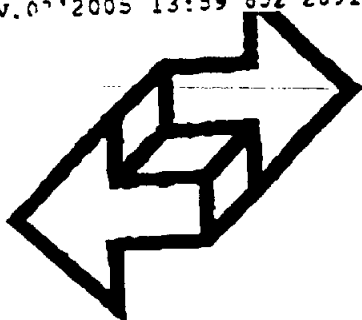
去幾年，經過廣泛諮詢業界，努力推動發展 DTTN，希望為業界提供高效和可靠的資訊交換平台。對中小企來說一個中立、開放和安全的資訊平台是非常重要的。為了保障用者和中小企的利益，業界希望政府能積極參與以確保 DTTN 的收費、服務和資料保密等方面都得到監管。政府建議認購百分之二十一的 DTTN 公司股份，以便在該公司的重大的決策上有否決權，確保業界利益。我們非常支持政府的參與，並深信這會有助提高業界對 DTTN 的信心。我希望貴委員會能了解中小企的關注，並支持政府申請撥款入股 DTTN。

香港物流發展局委員

香港物流商會主席



(羅焯楓)



# THE HONG KONG SHIPPERS' COUNCIL

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CB(1)241/05-06(07)

3<sup>rd</sup> November 2005

Hon James TIBN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

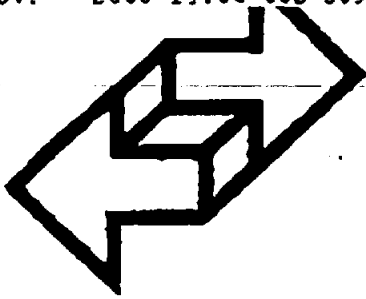
Dear Mr. Tien,

## Purchase of Equity in Digital Trade and Transportation Network Co. Ltd (DTNCo)

We learn that the Panel on Economic Services has expressed concern about the proposed government acquisition of equity in the DTNCo at its meeting on 24 October 2005. We are writing in support of the government proposal and urge that the Panel reconsider it favourably.

The DTN was shaped by the Hong Kong Logistics Development Council (LOGSCOUNCIL) E-logistics Project Group and has been endorsed by the LOGSCOUNCIL after thorough discussion.

The LOGSCOUNCIL also discussed and endorsed the shareholding and corporate governance of DTNCo in observance of the principles of neutrality and non-exclusivity in the development and operation of the DTN services. In this regard, it is the industry and the LOGSCOUNCIL's proposal for the government to hold 21% DTNCo

**THE HONG KONG SHIPPERS' COUNCIL**

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shareholding so that it will have a veto power over DTINCo major decision, which would be subject to an 80% rule. This safeguard is vital to maintaining the neutrality and non-exclusivity of DTIN as well as to the monitoring of the service level and pricing of DTIN. We therefore support the proposed shareholding by government.

The many shippers in Hong Kong, particularly the small ones, are keen to have the DTIN services as they do not have the resources and expertise to develop their own system. To that end, we sincerely urge the Panel to endorse the proposed share acquisition by government. Hong Kong's position as a logistic and shipping hub has been under serious challenge from neighbouring ports. There is a high hope that the DTIN initiative would help reduce cost and raise efficiency in our supply chain management and in turn enhance our competitiveness in trade and logistics services. We should implement the DTIN initiative as a matter of urgency. As shippers and member of the LOGSCOUNCIL, we firmly stand behind the government's proposal and would appeal for the Legislative Council's support for funding this initiative for the benefit of our trade the logistics industry in Hong Kong.

Yours sincerely,

( Willy Lin )

Chairman, Hong Kong Shippers Council and  
Member, Hong Kong Logistics Development Council

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Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
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2 November 2005

Dear Mr. Tien,

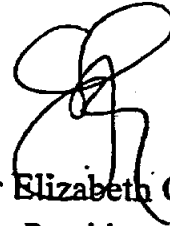
I would like to express the strong expectation of Hong Kong's logistics industry for the scheduled launch of the DTTN System by the end of 2005, and lend support to Government's proposal to purchase equity in the Digital Trade and Transportation Network Limited (DTTNCo).

Through the Hong Kong Logistics Development Council (LOGSCOUNCIL), the local logistics industry and related organisations have been closely involved in defining the scope, technical standards and service levels of the DTTN System, as well as the regulatory regime to ensure its conformity with the agreed principles of neutrality and non-exclusivity. To meet industry demand and instill confidence in the DTTN initiative, LOGSCOUNCIL considers it important for the Government to play a direct monitoring role by becoming a shareholder of the DTTNCo, the company incorporated to deliver DTTN services under an Operating Agreement. The shareholding structure and corporate governance of the DTTNCo are designed to ensure neutrality, foster industry participation and promote Hong Kong's logistics competitiveness. There are also additional safeguards to ensure that, through Government shareholding, the operation of the company and the DTTN services it delivers will comply with the requirements in the Operating Agreement.

The early launch of the DTTN System is an important step to enhance Hong Kong's information connectivity. It is also a key stepping

stone for us to move up the value ladder and build Hong Kong into a virtual logistics hub. We sincerely hope that Government's proposal to purchase DTTNCo shares will receive support and funding approval from the Legislative Council Finance Committee.

Yours sincerely,



( Dr Elizabeth Quat )  
President,

Internet Professional Association

Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

14 November 2005

Dear Mr. Tien,

We write to support the involvement of Government in the Digital Trade and Transportation Network Limited (DTTNC) as a shareholder to ensure the neutrality and non-exclusivity of the services provided by the company.

As a member of the Hong Kong Logistics Development Council (LOGSCOUNCIL), I have witnessed the close involvement of the industry in shaping the outcome of Government's discussion with the prospective DTTN service provider, culminating in the conclusion of the DTTN Operating Agreement, Shareholders Agreement and Shares Acquisition Agreement. Government's equity investment in the DTTNC is a response to industry demand for strong and effective monitoring over the operation of the DTTNC and the services it provides. Without this, there will be scant industry support for or confidence in the DTTN initiative, and this important initiative will not be able to achieve the objectives of improving information connectivity and promoting IT adoption by logistics SEMs.

The logistics industry has high expectation that the DTTN services will be launched as scheduled by the end of 2005. Without funding approval from the Finance Committee for Government to purchase DTTNC shares, the regulatory regime developed with the concerted efforts and collective wisdom of the industry over the past three years

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cannot be implemented. Hong Kong will also miss a golden opportunity to enhance its logistics competitiveness. I therefore appeal to the Panel on Economic Services to support Government's funding proposal.

Yours sincerely,



(K Y Leung)

President,

The Chartered Institute of  
Logistics and Transport in Hong Kong

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CB(1)312/05-06(02)



香港貨運物流業協會有限公司

HONGKONG ASSOCIATION OF FREIGHT FORWARDING AND LOGISTICS LIMITED

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TEL: (852) 2796 3121 FAX: (852) 2796 3719, (852) 2754 8926 INTERNET: <http://www.haffa.com.hk>

Hon James TIEN Pei-chun, GBS, JP  
Chairman, Panel on Economic Services  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

14 November, 2005

Dear Mr. Tien,

We note with concern that the proposal of the Government to seek funding approval from the Finance Committee (FC) of the Legislative Council for the purchase of equity in Digital Trade and Transportation Network Limited (DTTNC) did not receive support at the last meeting of the Panel on Economic Services (the Panel) held on 24 October 2005.

The Hong Kong Association of Freight Forwarding and Logistics Limited (HAFFA), as a member of the Hong Kong Logistics Development Council (LOGSCOUNCIL), has been closely involved in taking forward the DTTN initiative. We firmly believe that, as a cyber infrastructure built in response to the global trend towards more efficient information flow, the DTTN will enhance Hong Kong's supply chain visibility and boost the competitiveness of the logistics industry. Freight forwarders, as key players within the industry, will also be able to benefit DTTN as an integrated platform to streamline the different trade chains and business partners worldwide.

Right from the start, we have insisted that the DTTN services should be provided by a corporate entity separate and independent from any existing provider of e-commerce services. This is very important for underlining the neutrality, non-mandatory and non-exclusivity of the DTTN services – a crucial success factor for the initiative. DTTN System, capable of tighter integration with shippers' systems, would be a key to address the long standing issue of lack of IT sophistication for the SME operators. We also find it important for the Government to play a substantive role in the areas including balancing the profit driven factor against service-oriented factor; monitoring the development of the DTTN System so as to speed up the IT integration process with other Government



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HONGKONG ASSOCIATION OF FREIGHT FORWARDING AND LOGISTICS LIMITED


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bureau/department locally and regionally; DTTNCo's subsequent promotion and operation in the shipping community, or there could be a lack of industry confidence. We therefore support Government's equity investment in the DTTNCo.

The shareholding structure and corporate governance of the DTTNCo, as well as the technical blueprint enshrined in the DTTN Operating Agreement, have all been discussed and agreed by LOGSCOUNCIL. We believe they reflect the consensus of the logistics industry. In particular, shareholding in the DTTNCo will entitle the Government to appoint a majority of DTTNCo Directors. This will offer an effective channel for the industry to steer the development of the DTTN System and shape the future of the company.

We hope this letter would facilitate consideration by the Panel of the Government's proposal.

Yours sincerely,



Mr. Kelvin Leung  
Chairman

Hong Kong Association  
of Freight Forwarding and Logistics Limited

cc: Executive Members of the HAFFA Committee