

LEGISLATIVE COUNCIL BRIEF

Import and Export Ordinance(Chapter 60)

Reserved Commodities Ordinance (Chapter 296)

**Import and Export Ordinance
(Specification of Ending Date under Section 42) Notice 2006**

**Import and Export (Registration) Regulations
(Specification of Ending Date under Regulation 15) Notice 2006**

**Import and Export (General) Regulations
(Specification of Ending Date under Regulation 6DAH) Notice 2006**

**Reserved Commodities (Control of Imports, Exports, and Reserve
Stocks) Regulations
(Specification of Ending Date under Regulation 26) Notice 2006**

INTRODUCTION

This brief explains the Government's proposal of mandating the use of the services for electronic submission of manifests (EMAN services) in respect of ocean and river cargoes in June 2006, by publishing in the Gazette the Import and Export Ordinance (Specification of Ending Date under Section 42) Notice 2006, the Import and Export (Registration) Regulations (Specification of Ending Date under Regulation 15) Notice 2006, the Import and Export (General) Regulations (Specification of Ending Date under Regulation 6DAH) Notice 2006, and the Reserved Commodities (Control of Imports, Exports, and Reserve Stocks) Regulations (Specification of Ending Date under Regulation 26) Notice 2006, at Annex A to Annex D respectively.

JUSTIFICATIONS

2. Under the Import and Export Ordinance, all carriers are required to send manifests of the cargoes they carry to the Customs and Excise Department, Census and Statistics Department, and Trade and Industry Department. These cargo manifests constitute an important kind of trade document for the purpose of customs clearance, compilation of trade statistics and import and export licensing control. Given the large volume of manifests lodged by carriers, the traditional paper-based method of submission and processing of cargo manifests is labour intensive, time consuming and inefficient for both cargo carriers and the Government departments concerned. The existing manual mode of operation is also environmentally unfriendly and at odd with the international trend of electronic commerce.

Benefits of EMAN Services

3. To promote electronic commerce, improve efficiency and reduce the use of paper, the Government has since 1997 introduced Government Electronic Trading Services (GETS)^(Note 1) for the trading community to submit to the Government by electronic means a number of official trade-related documents including cargo manifests. The EMAN services in respect of air, rail, river and ocean modes of transport were launched in April 2003 upon the coming into effect of the Import and Export (Electronic Transactions) Ordinance 2002 (the Ordinance). To allow time for the affected parties to get ready for electronic submission, the Ordinance provides for a transitional period during which carriers may submit cargo manifests in either paper or electronic form (the transitional period). The transitional period began on 11 April 2003 and will end at midnight on a day to be specified by the Commissioner of Customs and Excise (the Commissioner) and the Director-General of Trade and Industry (the Director) by publishing notices in the Gazette.

^(Note 1) GETS refers to the front-end services of collecting data electronically from traders and carriers, validating such data and transmitting them to the Government.

4. Recognizing the fact that carriers in different modes of transport may adjust to using EMAN services at different paces having regard to their respective operational practices, we have built in the Ordinance the flexibility of specifying different end dates for the transitional period for different modes of transport. Having consulted the air and rail carriers concerned and the LegCo Panel on Commerce and Industry at its meeting on 23 April 2004, we specified 16 July 2004 as the end date of the transitional period for air and rail cargo manifests. We also informed the Panel then that ocean and river carriers would need more time to resolve the outstanding technical and operational issues before full migration to EMAN services could be achieved.

5. The EMAN services for air and rail modes of transports have been operating smoothly since the end of the transitional period in July 2004. Air and rail carriers have achieved efficiency gains by submitting cargo manifests electronically to the Government through a service provider, instead of having to print and arrange for the delivery of three sets of paper manifests to the government departments concerned. The EMAN services have also enabled the government departments concerned to streamline their processing of cargo data and share the necessary information among themselves, thereby enhancing the overall efficiency of cargo clearance, compilation of trade statistics and import and export licensing control. The ocean and river modes of transport account for about 60% of the cargo manifests lodged by all modes of transport covered by the EMAN system^(Note 2). Hence, early migration of ocean and river carriers to the use of EMAN services is crucial for the realization of the full benefits of the EMAN system. This also enables us to keep up with the international trend of electronic submission and processing of cargo data so as to maintain Hong Kong's competitiveness as an international trading centre and logistics hub.

^(Note 2) The road mode of transport is not covered by the EMAN system at this juncture, having regard to the unique operating environment of this mode of transport.

Readiness of Carriers for EMAN Submissions

6. Currently, there are over 450 ocean and river carriers of different sizes in operation. In order to use EMAN services, they need different levels of IT application having regard to their individual circumstances such as volume of manifests lodged and operational mode. While low volume carriers may prefer making use of the Electronic Trading Access Service (ETAS)^(Note 3), high volume carriers may opt to adopt IT solutions at different level of sophistication to best suit their business and operational needs.

7. Since the commencement of the transitional period, both the Government and the existing EMAN service provider have been engaging in on-going dialogues with the major representative associations of the industry to resolve the identified technical and operational issues that may arise from the use of EMAN services. Two rounds of trial run were launched in 2005 for the parties concerned to test their IT applications/solutions for EMAN services in a full operation environment. The results of these trial runs have shown that no major technical and operational issues remain outstanding.

8. Having regard to the pace of the industry's preparedness for EMAN submissions, the Government 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 Hong Kong Liners Shipping Association (HKLSA) has requested a short extension of the target implementation 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 confirmed recently that its members should be ready for full migration before our proposed end date in June 2006. We notice that other carriers are also actively preparing themselves for full migration within the proposed timeframe.

^(Note 3) ETAS is provided by the GETS service providers whereby traders' paper form submissions are converted into electronic form submissions for onward delivery to the Government. ETAS is a walk-in service and traders need not register with the service provider beforehand.

9. The take-up rate of EMAN services by ocean and river carriers has also been increasing from around 4% in early 2005 to over 7% in December 2005. On the basis of our previous experience, we expect the take-up rate to continue to rise steadily in the run up to a specified end date of the transitional period. During the same period, the number of carriers which have registered with the existing service provider has reached over 220. In line with the arrangements for other trade documents which have to be submitted electronically, carriers have the option of using ETAS. We expect that the other carriers which have not yet registered intend to either use ETAS in view of the relatively low volume of manifests to be submitted, or adopt simple IT solution through direct input of data into the EMAN system when the transitional period ends. Together with the service provider, we stand ready to continue to assist the carriers concerned and other stakeholders in resolving any outstanding technical issues, if any, in the run up to the end date in June 2006.

THE NOTICES

10. The Import and Export Ordinance (Specification of Ending Date under Section 42) Notice 2006 (at Annex A) and the Import and Export (Registration) Regulations (Specification of Ending Date under Regulation 15) Notice 2006 (at Annex B) have been made by the Commissioner under section 42 of the Import and Export Ordinance (Chapter 60) and regulation 15 of the Import and Export (Registration) Regulations (Chapter 60 Sub. Leg. E) to end the transitional period in respect of ocean and river cargo manifests required under the respective Ordinance/Regulations at midnight on 15 June 2006.

11. The Import and Export (General) Regulations (Specification of Ending Date under Regulation 6DAH) Notice 2006 (at Annex C) and the Reserved Commodities (Control of Imports, Exports, and Reserve Stocks) Regulations (Specification of Ending Date under Regulation 26) Notice 2006 (at Annex D) have been made by the Director under regulation 6DAH of the Import and Export (General) Regulations (Chapter 60 Sub. Leg.A) and regulation 26 of Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Chapter 296 Sub. Leg. A) to end the transitional period in respect of ocean and river cargo manifests required under the respective Regulations at midnight on 15 June 2006.

LEGISLATIVE TIMETABLE

12. The relevant Notices will be published in the Gazette on 24 February 2006, and tabled at LegCo on 1 March 2006. Subject to the negative vetting procedures, the end date of the transitional period in respect of ocean and river cargo manifests will take effect at midnight on 15 June 2006.

IMPLICATIONS OF THE PROPOSAL

13. The use of EMAN services in respect of ocean and river cargo manifests will involve a service charge to the industry but will reduce the time and manpower resources spent by the industry in submitting manifests to the Government, thereby improving overall efficiency. It will promote the wider use of e-commerce generally, thereby maintaining Hong Kong's position as a leading international trading centre. It will also have positive environmental implications as the use of EMAN services will render obsolete the need for both the Government departments and the carriers concerned to use a huge number of hard copies of paper manifests^(Note 4).

14. The proposal to end the transitional period in respect of ocean and river cargo manifests itself has no additional financial and civil service implications^(Note 5). It does not have any major sustainability implications. The Notices are in conformity with the Basic Law, including the provisions concerning human rights. They will not affect the current binding effect of the Import and Export Ordinance (Chapter 60) and that of the Reserved Commodities Ordinance (Chapter 296).

PUBLIC CONSULTATION

^(Note 4) We estimate that the ocean and river cargo paper manifests submitted to the Government amount to over 6 million pages a year.

^(Note 5) As we reported the full cost and benefit analyses of the EMAN system in FCR(1999-2000)35 and FCR(2003-04)23, the implementation of the EMAN system in two phases would, inter alia, result in the deletion of a total of 67 posts in the three user departments involving annual staff savings of about \$18 million. We have commenced the process of deleting the posts concerned having regard to the progress of implementing the EMAN system. So far, 39 posts have already been deleted. The remaining posts will be deleted upon the full functioning of the EMAN system envisaged in around end 2006.

15. We have consulted the major representative associations of ocean and river carriers, including the HKLSA, the Guangdong and Hong Kong Feeder Association, the Hong Kong Sea Transport and Logistics Association and the Hong Kong Cargo Vessel Traders' Association. We have also consulted 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. After informing all ocean and river cargo carriers of our plan to mandate the use of EMAN services, we have not received any objection to the timeframe of full migration in June 2006.

16. On 17 January 2006, we briefed the LegCo Panel on Commerce and Industry on our proposed timeframe of mandating the use of EMAN services in respect of ocean and river cargoes in June 2006. The Panel had no objection to our proposal.

PUBLICITY

17. A press release will be issued on 24 February 2006. We have separately informed the ocean and river carriers of the end date of the transitional period. A spokesman will be available to handle media enquiries.

ENQUIRIES

18. Enquiries on this brief should be referred to Mr. David Leung, Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) at 2918 7575.

Commerce and Industry Branch
Commerce, Industry and Technology Bureau
February 2006

**IMPORT AND EXPORT ORDINANCE
(SPECIFICATION OF ENDING
DATE UNDER SECTION 42)
NOTICE 2006**

(Made by the Commissioner of Customs and Excise under section 42(2)
of the Import and Export Ordinance (Cap. 60))

For the purposes of section 42(2) of the Import and Export Ordinance (Cap. 60), I specify 15 June 2006 as the date on which the period specified for the purposes of section 42(1) (in so far as it relates to any provision of section 8, 9 or 11 of the Ordinance requiring the delivery of a copy or extract of the manifest of a vessel) of the Ordinance shall end.

Lawrence S. P. WONG
Acting Commissioner of Customs and Excise

February 2006

**IMPORT AND EXPORT (REGISTRATION)
REGULATIONS (SPECIFICATION
OF ENDING DATE UNDER
REGULATION 15)
NOTICE 2006**

(Made by the Commissioner of Customs and Excise under
regulation 15(2) of the Import and Export (Registration)
Regulations (Cap. 60 sub. leg. E))

For the purposes of regulation 15(2) of the Import and Export (Registration) Regulations (Cap. 60 sub. leg. E), I specify 15 June 2006 as the date on which the period specified for the purposes of regulation 15(1) (in so far as it relates to any provision of regulation 11 or 12 of the Regulations requiring the lodgement of the manifest of cargo imported or exported in a vessel) of the Regulations shall end.

Lawrence S. P. WONG
Acting Commissioner of Customs and Excise

February 2006

**IMPORT AND EXPORT (GENERAL) REGULATIONS
(SPECIFICATION OF ENDING DATE UNDER
REGULATION 6DAH) NOTICE 2006**

(Made by the Director-General of Trade and Industry under
regulation 6DAH(3) of the Import and Export (General)
Regulations (Cap. 60 sub. leg. A))

For the purposes of regulation 6DAH(3) of the Import and Export (General) Regulations (Cap. 60 sub. leg. A), I specify 15 June 2006 as the date on which the period specified for the purposes of regulation 6DAH(1) and (2) (in so far as it relates to any provision of regulation 6DAC or 6DAE of the Regulations requiring the delivery of a copy or extract of the manifest of a vessel) of the Regulations shall end.

Director-General of Trade and Industry

2006

**RESERVED COMMODITIES (CONTROL OF IMPORTS,
EXPORTS AND RESERVE STOCKS) REGULATIONS
(SPECIFICATION OF ENDING DATE UNDER
REGULATION 26) NOTICE 2006**

(Made by the Director-General of Trade and Industry under
regulation 26(3) of the Reserved Commodities (Control
of Imports, Exports and Reserve Stocks) Regulations
(Cap. 296 sub. leg. A))

For the purposes of regulation 26(3) of the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Cap. 296 sub. leg. A), I specify 15 June 2006 as the date on which the period specified for the purposes of regulation 26(2) (in so far as it relates to any provision of regulation 5, 6 or 8 of the Regulations requiring the delivery of a copy or extract of the manifest of a vessel) of the Regulations shall end.

Director-General of Trade and Industry

2006