Legislative Council Panel on Commerce and Industry

New Fee Structure for the Textiles Trader Registration Scheme

Purpose

This paper seeks Members' views on the proposed new fee structure for the Textiles Trader Registration Scheme (TTRS).

Background

2. 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]. The GETS platform allows the trading community to submit to the Government by electronic means a number of official trade-related documents including textiles notifications under the TTRS. The service for electronic submission of TTRS notifications was launched in May 2003 upon the coming into effect of the Import and Export (General) (Amendment) (No.2) Regulation 2003.

3. TTRS is a licence exemption scheme. In lieu of applying for consignment-specific textiles licences, textiles traders registered under TTRS are allowed to lodge textiles notifications to the Trade and Industry Department (TID) for imports and exports of textiles shipments covered by the Scheme. Prior to 2005, the scope of TTRS mainly covered textiles imports from any markets and exports to markets which did not impose quantitative restrictions on Hong Kong's textiles exports.

[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. With the global elimination of textiles quotas from 1 January 2005, Hong Kong's textiles licensing arrangement has been streamlined to provide greater facilitation to the trade while maintaining necessary control on the origin compliance of Hong Kong's textiles and clothing (T&C) exports. As a result, the scope of TTRS has been modified.

5. Under the streamlined licensing system, different licensing requirements are applied to "sensitive" and "non-sensitive" markets in the following manner:

(a) sensitive markets – all textiles exports to and imports from the Mainland, and exports to major economies which have invoked safeguard measures or imposed quantitative restrictions against the textiles exports from the Mainland (i.e. the US and the EU) require either consignment-specific export or import licences, or textiles notifications under the TTRS; and

(b) non-sensitive markets – textiles imports and exports other than those set out in (a) above require either comprehensive export or import licences which allow for multiple shipments with no quantitative limits for each consignment, or consignment-specific export or import licences.

6. The Mainland's T&C exports to major markets are subject to quota restrictions. Illegal transshipment of such products to circumvent the quota restraint remains a concern of major importing economies. Given our geographical proximity to and close economic integration with the Mainland,

Hong Kong needs to stay vigilant in monitoring our T&C exports to the sensitive markets and to maintain a credible textiles control system to guard against circumvention of the importing economies' control in the guise of Hong Kong products. In view of the above circumstances, we see a need to retain TTRS until at least end 2008 (when the current quantitative restrictions imposed by the US on the Mainland's T&C products are due to expire), so that we could continue to monitor the movement of T&C products involving sensitive markets through the consignment-specific information provided in the textiles notifications.

7. The continued need for TTRS beyond 2008 will be reviewed, having regard to such considerations as developments in the international textiles trading environment (in particular whether the major importing economies would continue to invoke safeguard actions or quantitative restrictions against the Mainland's T&C exports) and the development of Hong Kong's T&C industry at that time.

8. The Government has also conducted a costing review for the TTRS fee structure, having regard to the modified scope of TTRS, the changes to the manpower and resources devoted to the TTRS since January 2005, and the policy objective of promoting the use of electronic service.

Proposal for a Price Differential in TTRS

9 Under the **current fee structure**, traders registered under TTRS are required to pay an annual registration fee of $2,825. Thereafter they may lodge textiles notifications either in paper or electronic mode. The costs of lodging paper or electronic notifications are at present the same (i.e. for lodging

notifications on paper, the registered traders have to purchase notification forms from TID at a charge of HK$0.5 per form to cover the printing cost. For electronic notifications, the electronic service provider charges a message fee of HK$0.5 per notification). Hence, the current TTRS fee structure does not provide any financial incentive for lodging the notifications electronically. Since the launching of electronic service for TTRS, about 60% of the TTRS registrants have registered for e-TTRS service. However, the electronic take-up rate (i.e. proportion of textiles notifications lodged electronically) has remained low (only about 12%).

10. In light of the above considerations, we propose to introduce a new fee structure to encourage textiles traders to switch to electronic submission. We expect this would increase textiles traders' efficiency in lodging and processing trade documentation. The measure is in line with the Government's general policy of introducing a price differential to encourage migration to a paperless environment and work flow.

11. The proposed **new TTRS fee structure** is set out as follows -

(a) the annual registration fee (applicable to all TTRS registrants irrespective of the mode of lodgement) will be reduced from HK$2,825 to HK$718, having regard to the changes to the manpower and resources devoted to the TTRS since January 2005 when the scope of TTRS was modified following the streamlining of our textiles licensing arrangement. The annual registration fee is to cover the costs for processing TTRS registration and handling textiles notifications, be they lodged electronically or on paper;

(b) a new fee of HK$3.8 will be collected for each paper notification, on top of the printing cost of HK$0.5 for each paper form. The new fee of HK$3.8 is to cover the costs incurred by TID to input the essential data contained in the paper notifications into the computer (to enable data compilation and analysis for the purpose of monitoring the shipments involving sensitive economies); and

(c) TID will not charge any fee for electronic notifications as the data submitted electronically could readily be captured by the computer system. The service provider will continue to charge a message fee of HK$0.5 for each electronic notification.

Consultation with Stakeholders

12. When consulted, the Textiles Advisory Board indicated support for the proposed new TTRS fee structure. The Textile Council, a body representing major T&C associations in Hong Kong, has also indicated support for the proposal.

13. The impact of the proposed new TTRS fee structure on individual textiles traders would depend on the number of textiles notifications they lodge and the mode of lodgement. We envisage that the majority of TTRS registrants will pay less under the proposed new fee structure. Textiles traders who lodge all TTRS notifications in electronic mode will pay less irrespective of their transaction volume. Only those textiles traders who choose to lodge a large number of TTRS notifications in paper mode may pay more under the new fee structure. That said, if such textiles traders switch to the electronic mode of submitting some of the TTRS notifications, they may also benefit from the

new fee structure. A textiles trader will not pay more under the new fee structure if he submits less than 550 paper notifications per year. Based on our available information in 2005, a very rough estimate is that more than 90% of textiles traders submit less than 550 notifications a year. We believe that the proposed new fee structure should provide a good incentive for all textiles traders to migrate to electronic submission.

Financial Implication

14. It is the Government's policy to set fees on a cost-recovery basis. The Director-General of Trade and Industry has taken into account the usual Government costing principles in drawing up the proposed fee structure. It reflects the difference in the processing costs between paper and electronic notifications as well as the modified scope of TTRS. Under the existing fee structure, traders registered under TTRS are required to pay an annual registration fee of $2,825. The actual revenue generated would be determined primarily by the number of TTRS registrants. As regards the new fee structure, the actual revenue generated would depend on the number of registrants, the transaction volume of notifications and the take up rate of the electronic TTRS service.

Implementation of the New Fee Structure

15. To give effect to the proposed TTRS fee structure, we need to make amendments to the Schedule to the Import and Export (Fees) Regulations (Cap.60B), which sets out the existing annual registration fee of the TTRS. These amendments (being amendments to subsidiary legislation) are subject to

negative vetting by the Legislative Council. Subject to Members' views, we shall proceed with the necessary legislative amendments as soon as possible.

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