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商務及經濟發展局
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COMMERCE, INDUSTRY AND TOURISM BRANCH
**COMMERCE AND ECONOMIC
DEVELOPMENT BUREAU**

GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION

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2 May 2018

Clerk to Panel on Commerce and Industry
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn.: Mr Desmond Lam)

Dear Mr Lam,

**Supplementary Information regarding
the Proposed Cap on Import and Export Declaration Charges**

Thank you for your letter of 11 April 2018, enclosing a letter from the Chairman of the Panel on Commerce and Industry.

Major Categories of Goods Benefitted by the Proposed Cap

The relevant information requested under Items (1) and (2) of the Panel Chairman's letter is set out below.

The proposed \$200 cap on import and export declaration (TDEC) charges will benefit TDEC cases involving goods at a value above \$1.644 million. In 2016-17, about 900 000 TDECs involved goods valued at above that threshold, and they covered about 5.18 million declaration items. Breakdown of the number and trade value of these items by commodity sections of the Hong Kong Imports and Exports Classification List (Harmonized System) are set out at **Annex**. For the three types of goods specifically mentioned in the letter, the **Annex** has set out the statistics for the most closely related types of corresponding goods (i.e. food and drink, pharmaceutical products, and articles of apparel and clothing accessories).

Development of High Value-added Logistical Services in Hong Kong and Government Support

As regards Items (3) to (8) of the Panel Chairman's letter, we have consulted the Transport and Housing Bureau ("THB") (the bureau for policy matters involving logistics development), the Hong Kong Trade Development Council ("TDC") and Invest Hong Kong ("InvestHK"). The consolidated reply is set out in the ensuing paragraphs.

On the development of high value-added logistics services in Hong Kong, the logistics industry has become more specialised, with a gradual shift towards provision of high value-added services in handling of high-value goods. In the past, the industry primarily focused on transportation of goods. More recently, it has migrated towards providing additional value-added services for the supply chain process, such as inventory management, labelling, packaging, etc.. We further observed that demand exist in various industries and products for high value-added logistics services. The demand is more apparent for goods requiring further processing before distribution, goods with more stringent storage requirements, as well as those with more fluctuating demands. Such goods include temperature-sensitive pharmaceutical products as mentioned by the Panel. Recently, with markets and consumer trends changing at a greater pace, and with increasing demand for up-market consumer goods in the Mainland and other parts of Asia, many overseas brands have set up regional distribution centres in Hong Kong and engaged third party logistics service providers to provide high value-added services, before distributing their goods and products to other countries or regions in a just-in-time manner. An increasing number of industries may therefore engage high value-added logistics services in the future.

The logistics industry in Hong Kong has benefitted from our well-developed transport network and infrastructure. The industry has a niche in cold chain logistics and total logistics management. The highly reliable and efficient logistics services have attracted many international brands to use our logistics services such as inventory management, further processing and handling, packaging and labelling, before distributing various products to the Mainland and other markets in Asia via Hong Kong. With regard to international recognition and standards, firms and logistics service providers will need to take into account various factors, including the nature and handling needs of their goods and products, so as to formulate appropriate logistics solutions. Logistics service providers will consider the needs and requests of their clients and services provided as appropriate, and decide whether there is a need to obtain different international recognitions. We understand the relevant international certifications may cover areas such as safety and system management.

The proposal to set a cap on TDEC charges would lower the proportion of said charges in relation to the inherent value of high-value goods and the cost of moving high-value goods through Hong Kong. By lowering business cost of logistics and trading operators, the cap would encourage the import and export of high-value goods and thereby further increase the demand for related logistics services outlined above.

In respect of the support provided by the Government, the logistics industry is a market-driven trade, and it has long underpinned Hong Kong's import and export sector. To support the continual healthy growth of the logistics industry and its migration towards high value-added services, the Government has been proactively identifying and providing dedicated land for the development of modern logistics facilities. To this end, a site of 3.2 hectares in Tuen Mun Area 49 was put out for tender in March 2018. The Hong Kong Airport Authority has also made available a new site of around 5.3 hectares at Kwo Lo Wan on the airport island for the development of a modern air cargo logistics centre in December 2017. Moreover, THB will continue to work closely with other bureaux and departments to identify dedicated land for the logistics industry at different locations, such as the Hung Shui Kiu New Development Area, Tuen Mun Area 40 and 46, etc.

The Government has been sparing no efforts in publicising the advantages of our logistics and maritime industries, and promoting Hong Kong as a major logistics hub in the region. InvestHK has been actively reaching out to overseas and Mainland companies to encourage them to set up or expand their businesses in Hong Kong. It organises sector-focused receptions and sponsors major local and overseas events, with a view to promoting the business opportunities in priority sectors, including the transport and logistics sector. For the transport and industrial sector (including logistics, transport, and supply chain management industries), InvestHK completed a total of 54, 58 and 61 projects respectively in 2015, 2016 and 2017. In addition, the Government has been coorganising with the TDC the Asian Logistics and Maritime Conference (ALMC), which is now the largest conference of its kind in Asia. The event gathers service providers, manufacturers, distributors, retailers and brands to discuss topics such as supply chain management, logistics, air freight, maritime and new economic trends. More than 70 leaders spoke at the seventh ALMC last year, which attracted over 2,000 participants from 36 countries and regions as well as around 120 local and overseas exhibitors, reinforcing Hong Kong's role as the logistics hub and international maritime centre in the region. TDC also organises seminars in the Mainland and overseas to promote the advantages of Hong Kong's logistics and maritime industries.

Development of the logistics industry and sectors such as exhibition and auctions are closely related. We trust the aforementioned promotion and initiatives would benefit not only the logistics industry, but related sectors as well. Indeed, the development of the warehousing and storage service industry is promising in recent years. According to information from the Census and Statistics Department, the Business Receipts Index for warehousing and storage service industry has witnessed a year-on-year increase of 12% to 14 % in the past three years. In 2017, tourism, convention and exhibition services has reversed the declining trend from the previous two years and recorded a year-on year increase at 1.6% in its Business Receipts Index. In addition, with its strategic location, low tax rate and simple tax regime and excellent logistics network, Hong Kong has attracted the trading of high-value goods such as high-value wine. Currently, Hong Kong is, for example, one of the major wine auction markets in the world. We consider that a cap on the TDEC charges could further attract the storage and auction of various kinds of high-value goods in Hong Kong.

Lastly, we would like to express our gratitude once again to the Panel for its support to the proposed cap on TDEC charges. The Government will keep in touch with the trade and support our trading and logistics industry in moving up the value chain.

Yours sincerely,



(Ms Cherry Ip)
for Secretary for Commerce and Economic Development

Encl

2016 至 17 年度貨值超過 164 萬 4,000 元的進出口報關單統計數據

Statistics on Import and Export Declarations with Goods Value above \$1.644 Million for 2016-17

	貨物描述 Commodity Description ¹	報關項目 Declaration Item ²		貨物價值 Trade Value	
		數目 Number ³	百分比 Percentage	百萬港元 HK\$ million	百分比 Percentage
1.	機械及機械用具；電動設備；有關的零件；聲音收錄器及重播器、電視圖像及聲音收錄器及重播器、及這類製品的零件及附件 Machinery and Mechanical Appliances; Electrical Equipment; Parts thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles	3 779 780	72.95%	3,674,741	74.67%
2.	紡織原料及紡織製品 Textiles and Textile Articles (其中，服裝及衣服配件佔) (Of which, Articles of Apparel and Clothing Accessories)	391 620	7.56%	76,337	1.55%
		328 480	6.34%	58,565	1.19%
3.	光學、攝影、電影攝影、量度、檢查、精密、內科或外科儀器及器具；鐘錶；樂器；其零件及附件 Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments and Apparatus; Clocks and Watches; Musical Instruments; Parts and Accessories thereof	232 970	4.50%	218,945	4.45%

¹ 貨物描述參考香港進出口貨物分類表（協調制度）2017 年版。協調制度由世界海關組織設計，作為多種用途的分類法，可供海關及統計部門、進出口商、運輸業及其他與國際貿易有關的人士採用。

Commodity descriptions are based on the Hong Kong Imports and Exports Classification List (Harmonized System) 2017 Edition. The Harmonized System has been designed by the World Customs Organization to serve as a multi-purpose classification suitable for use by customs and statistical authorities, traders, carriers and others concerned with international trade.

² 報關項目數字根據約 90 萬張須繳付報關費的未經修訂的進/出口報關單編製而成，共牽涉約 518 萬個報關項目，但不包括列於香港進出口貨物分類表（協調制度）2017 年版附錄一的進口食品項目，其每張報關單的報關費不論貨值一律為 2 角。

The total number of declaration items are compiled based on about 900 000 original import/export declarations which are required to pay declaration charge, involving about 5.18 million declaration items. Excluded are imports of food items specified in Appendix I of the Hong Kong Imports and Exports Classification List (Harmonized System) 2017 Edition, whose declaration charge is \$0.2 per declaration irrespective of goods value.

³ 報關項目數字四捨五入到最近的十位，因此個別數字相加未必與總數相等。

The number of declaration items is rounded to the nearest ten and thus individual figures may not add up to the total.

	貨物描述 Commodity Description ¹	報關項目 Declaration Item ²		貨物價值 Trade Value	
		數目 Number ³	百分比 Percentage	百萬港元 HK\$ million	百分比 Percentage
4.	珍珠或養珠、寶石或半寶石、貴金屬、包貴金屬的金屬及其製品；仿首飾；錢幣 Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals, Metals Clad with Precious Metal, and Articles thereof; Imitation Jewellery; Coin	151 060	2.92%	475,112	9.65%
5	其他 Others 其中以下貨物佔 <i>Of which</i> : - 藥用產品 <i>Pharmaceutical Products</i> - 食品及飲品 <i>Food and Drink</i> ⁴)	626 000	12.08%	476,072	9.67%
		20 550	0.40%	22,874	0.46%
		42 330	0.82%	60,769	1.23%
	總數 Total	5 181 410	100.00%	4,921,207	100.00%

⁴ 不包括進口食品項目(見註 2)。
Excluding imports of food items (see Note 2).