

立法會 *Legislative Council*

LC Paper No. CB(1)921/17-18(04)

Ref. : CB1/PL/CI

Panel on Commerce and Industry

Meeting on 15 May 2018

Updated background brief on the development of a Trade Single Window

Purpose

This paper provides updated background information on the development of a Trade Single Window ("SW")¹ as a one-stop electronic platform for the trading community to lodge import and export trade documents with the Government. It also summarizes the views expressed by members of the Panel on Commerce and Industry ("the Panel") on the subject.

Background

2. Currently, 51 business-to-government ("B2G") trade documents and submissions are required by nine government agencies for the trading of goods into, out of and through Hong Kong to meet regulatory requirements for a number of public policy reasons, such as statistics, levies and duties, anti-smuggling, public safety and health, and security purposes. A brief summary of the existing import and export regulatory regime is in **Appendix I**.

3. To ease the burden of trade control over traders and carriers and to speed up customs clearance, quite a number of schemes have been introduced to help

¹ According to the United Nations Centre for Trade Facilitation and Electronic Business, a Trade Single Window ("SW") is a "facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If the information is electronic, then individual data elements should only be submitted once."

stakeholders meet trade document requirements through electronic means.² Regardless of the availability of electronic services or otherwise, stakeholders are still required to deal with each and every government agency separately as may be required at different points of time. The fragmented approach is not conducive to the efficient processing of incoming and outgoing goods.

Proposed Trade Single Window in Hong Kong and the setting up of the Project Management Office

4. Following mainstream international development and to uphold Hong Kong's competitiveness in trade in goods and position as a logistics hub, the Financial Secretary announced in his 2016-17 Budget that the Government planned to set up an SW as a single information technology ("IT") platform for the one-stop lodging of all 51 B2G documents for all trade declaration and customs clearance purposes, as well as a dedicated office to coordinate with the relevant departments, engage the industries and prepare the detailed design and implementation programme for SW.

5. To establish the dedicated office to take forward the SW initiative, the Administration obtained the support of the Panel at the meeting on 19 April 2016 on its proposal to create a supernumerary post of Administrative Officer Staff Grade C, designated as Principal Assistant Secretary (Single Window) in the Commerce and Economic Development Bureau for an initial period of three years to head the Project Management Office ("PMO").³ The Finance Committee approved the funding proposal on 24 June 2016.

Public consultation on the proposed Trade Single Window

6. The Administration launched a three-month public consultation exercise on the SW proposal from April to July 2016 to gauge the views of stakeholders and the public.

7. According to the Administration, there was overwhelming support for the development of SW in Hong Kong with the anticipation that it would bring

² These include the Government Electronic Trading Services since 1997, Air Cargo Clearance System since 1998, Road Cargo System since 2010 and various voluntary schemes for sea cargoes.

³ The Project Management Office ("PMO") comprises four units, namely the (a) Policy and Legal Unit, (b) Business Process Unit, (c) Information Technology Unit and (d) Resources, Planning and Administration Unit. PMO is headed by Principal Assistant Secretary (Single Window) and filled by 16 non-directorate officers (both civilian and disciplinary) from Commerce and Economic Development Bureau, Customs and Excise Department ("C&ED"), the Office of the Government Chief Information Officer, Efficiency Office and Department of Justice. C&ED will be the future SW operator and frontline law enforcement agency.

about savings in manpower as well as operational cost (notably through data re-use and sharing) and would facilitate future connection with SWs of other economies and business-to-business ("B2B") systems. That said, there were concerns about future fees for using SW. Some also gave views on the more technical aspects, including scope and accreditation of Value-Added Service Providers ("VASPs"),⁴ SW functionalities such as access rights and system design, and future operation of SW.

8. As to whether and how best the SW proposal might take on board a proposed requirement of pre-shipment import and export declaration ("TDEC") (i.e. to change the existing post-shipment TDEC⁵ and cargo manifests to pre-shipment TDEC and Cargo Reports⁶), some supported the proposal on account that the proposal was in line with international norms and would enhance customs cooperation and trade efficiency in the long run. However, concerns were raised by the trading community that pre-shipment TDEC might lead to additional compliance cost and thus adversely affect the overall competitiveness and divert trade away from Hong Kong. Some considered that the proposed pre-shipment documentation regime would be more acceptable if data requirements would not exceed those under the existing Road Cargo System ("ROCARS"). Given that there are existing pre-shipment submissions on cargo information (as most are readily available in shipping documents), some considered that the trade should be able to comply with the proposed pre-shipment Cargo Report.

The Administration's revised proposal

9. At the meeting on 18 April 2017, the Administration advised the Panel that in view of the downside of a post-shipment TDEC regime, the Administration decided to take the opportunity of setting up the SW to advance the pre-shipment documentation regime. The Administration advised that the revised pre-shipment documentation proposal would require only the most

⁴ As a government facility, SW will only provide basic functions to users for meeting regulatory requirements through trade documents and submissions and payment of fees. Commercial players may serve as Value-Added Service Providers and provide enhancement services to meet the market demands, e.g. submission on behalf of traders, data validation, provision of additional reports and statistics and paper conversion, etc.

⁵ At present, traders are required to submit import and export declaration ("TDEC") within 14 days after the actual shipment of goods into or out of Hong Kong. Hong Kong is the only major economy which allows post-shipment TDEC.

⁶ At present, carriers are required to submit Statement One Cargo Manifests and/or advance cargo information ("ACI") pre-shipment for customs clearance, as well as Statement Two Cargo Manifests post-shipment for matching with TDEC. Similar information are submitted more than once. It is proposed that a pre-shipment Cargo Report will replace the existing requirements for cargo manifests and ACI which streamlines and simplifies the submission requirements.

essential information for customs clearance. Major features of the revised proposal included –

- (a) *Post-shipment TDEC*: the Administration proposed to remain as a minimum legal requirement, and to explore ways to encourage voluntary submission of TDEC at the pre-shipment stage (e.g. through convenient, user-friendly interface in SW design);
- (b) *Unified electronic Advanced Cargo Information ("eACI")*: the Administration would unify pre-shipment eACI requirements for all modes of transport based on the statutory ROCARS model as implemented since 2010; and
- (c) *Pre-shipment Cargo Report*: the Administration would introduce a new and standardized pre-shipment Cargo Report to rationalize the existing myriad of submission requirements of Cargo Manifests.

Implementation of Trade Single Window

10. Subject to satisfactory progress of the passage of the necessary legislation, approval of funding and other preparatory work, the Administration planned to implement SW in the following phases –

- (a) *Phase 1 (mid-2018 roll-out)*: which would cover 14 trade documents whose applications could be made through SW on a voluntary basis under the present law;
- (b) *Phase 2 (2022 roll-out)*: which would mandate the submission of all the 40 trade documents (including the 14 documents under Phase 1) through SW by way of legislation; and
- (c) *Phase 3 (2023 roll-out)*: which would mandate the submission of TDEC and the revised pre-shipment documentation proposal through SW.

Fees to be charged by Trade Single Window

11. As regards the fees for using SW, the Administration advised the Panel that the policy would be that fees charged should in general be set at levels adequate to recover the full cost of providing the services, and that the change in submission mode to SW should be neutral and itself should not attract a new fee. In this regard, the Administration considered that where justified, a trade document that was currently not subject to charge for submission might remain so in future. Where a fee was required in other cases, it would be set to recover the cost of that part of the SW service attributed to the trade document concerned. As Phase 1 would be an expedited project providing a voluntary

e-option to cultivate the trade's buy-in for SW and a paradigm shift for migrating to later phases, the Administration proposed to waive the SW fees for all the trade documents covered by Phase 1 during its run.

Transitional arrangement

12. Of the 51 B2G documents to be covered by SW, four are currently submitted through Government Electronic Trading Services ("GETS"), which have been run by private sector service providers since 2004. The contracts of the current GETS service providers will expire on 31 December 2018. To tide over to SW until its full implementation, the Administration saw the need to continue the GETS model, and subsequently renewed the GETS contracts through an open tendering exercise for six years from 2019 to 2024.

Discussions at the Panel on Commerce and Industry

13. The major views and concerns on the progress of the SW initiative and the Administration's proposed way forward expressed by members at the Panel meeting on 18 April 2017 are summarized in the ensuing paragraphs.

Pre-shipment documentation regime

14. Some members raised concern about the proposed pre-shipment TDEC under the SW initiative, which aimed to replace the existing post-shipment TDEC, because it was less favourable in terms of flexibility and efficiency compared with the existing post-shipment documentation regime. They were also of the view that the data requirements of the pre-shipment TDEC should not exceed those under the existing ROCARS.

15. The Administration advised that it was aware of the trade's concerns on the proposed pre-shipment TDEC and had revised the proposal as appropriate to address the concerns raised. Post-shipment TDEC would remain as a minimum legal requirement and it would explore ways to encourage voluntary submission of TDEC at the pre-shipment stage. The Administration would also unify pre-shipment eACI requirements for all modes of transport based on the statutory ROCARS model. Traders would only be required to submit the most essential information as pre-shipment eACI for customs clearance.

16. Noting that post-shipment TDEC would remain as a minimum statutory requirement under the SW initiative, some members raised concern over the effectiveness of the SW initiative in enhancing safety control of imported food since the existing post-shipment TDEC did not provide the Food and Environmental Hygiene Department ("FEHD") with requisite information prior to arrival of imported food to facilitate risk profiling and food tracing. These members considered that traders should be required to submit declaration

documents to the relevant government departments before the arrival of goods to facilitate food surveillance work of FEHD.

17. The Administration advised that as a general requirement applicable to all goods, the post-shipment TDEC would remain as a minimum legal requirement. The Administration would also unify pre-shipment eACI requirements for all modes of transport based on the statutory ROCARS model whereby traders would be required to submit the most essential information as pre-shipment eACI for customs clearance. Notwithstanding the above, the proposed SW could cater to additional requirements for further pre-shipment information specific to particular areas, such as statutory regulatory requirements on food safety.

Fees to be charged by Trade Single Window

18. Quite a number of members were concerned that the proposed pre-shipment documentation regime under the SW initiative might increase the cost of compliance of small and medium enterprises ("SMEs"). They opined that there should be cost-savings under the new electronic platform as less manpower would be involved in its operation and considered that there should be room to lower the fees under Phases 2 and 3 of the implementation of SW. They also urged the Administration to explain to the trade the benefits of SW and the future fees to be charged to alleviate their concerns.

19. The Administration advised that it was the Government's policy that fees charged under SW should be set at levels adequate to recover the full cost of providing the services, unless otherwise justified. The change in submission mode to SW should be neutral and itself should not attract a new fee. The Administration emphasized that where justified, a trade document that was currently not subject to a charge for submission would remain so in future. In the cases where a fee was required, it would be set to recover the cost of that part of the SW service attributed to the trade document concerned.

20. The Administration also advised that among the 51 B2G documents to be covered by the future SW, a total of 16 documents were currently fee-charging. The Administration would critically review the existing business workflows of the documents concerned under the business process review to identify cost savings in the new SW environment and strive to keep future fees at a reasonable level. The Administration also undertook to update the Panel on the progress of the business process review at an appropriate juncture.

21. Some members noted that the fees for using SW under Phase 1 would be waived to cultivate the trade's buy-in for the project and asked whether the Administration would recover such fees in Phases 2 and 3 of the SW initiative. The Administration advised that the fees waived in Phase 1 would not be recovered in Phases 2 and 3.

Expediting the implementation of Trade Single Window

22. Noting that the SW initiative in Hong Kong would be fully implemented by 2023 while the Mainland had targeted to implement an SW in all customs districts by end 2017 and the Asia-Pacific Economic Cooperation aimed to develop an SW within each member economy by 2020, some members enquired whether there would be any negative impact on Hong Kong as its SW would not be ready to facilitate future connection with SWs of other economies and B2B systems. They urged the Administration to expedite the implementation of SW to catch up with the development in the neighbouring region.

23. In response, the Administration advised that while it would strive for early completion of the SW initiative, some essential preparatory work had to be done prior to its implementation. These included engaging the industry, conducting a business process review on the workflow of all 51 B2G trade documents covered by SW, undertaking system design and development to develop the IT platform of SW in phases, and conducting a mega legislative exercise to formulate and draft a new enabling principal Ordinance and to amend some 40 pieces of existing legislation. The Administration planned to submit the legislative proposal for the new enabling principal Ordinance by 2019 and seek funding approval within the Sixth Legislative Council to take forward system design and development, which would take about two to three years to complete.

24. In response to members' enquiry on how the proposed SW could complement the Belt and Road Initiative, the Administration said that it would, in future, seek connection of Hong Kong's SW with those of the Belt and Road economies to enhance customs cooperation and trade efficiency.

Extension of Government Electronic Trading Services

25. Some members enquired how the Administration could, in the light of past experience gained during the implementation of GETS, encourage SMEs in the trading community to adopt the IT platform under the future SW, as well as ensuring effective competition among VASPs under SW in the future. The Administration advised that companies were applying IT much more widely nowadays than in 1997 when GETS was first introduced. That said, individual companies would have varying degrees of adoption of the new IT platform of SW and commercial players may provide value-added services to facilitate the submission of trade documents by electronic means under the new SW environment to ensure a smooth transition to SW.

26. Regarding the GETS extension for tiding over to the full implementation of SW, the Administration advised that it would work to ensure fair and effective competition of bidders, reliable service in a stable market during the tide-over period, and smooth transition from GETS to SW eventually. To this

end, an open tender exercise would be conducted with a view to appointing up to three private sector service providers. The Administration considered that the proposed six-year contract period of the new GETS contract (from 2019 to 2024) plus a possible extension of an additional three years should be able to present a reasonable business case for interested bidders.

27. Some members enquired whether the Administration would consider extending the transition period to allow more time for SMEs to adapt to the new SW system. The Administration advised that while its target was to fully implement the SW system by 2023 and the maximum duration of the new GETS contract would be for nine years, the actual implementation of SW would depend on the progress of system development and degree of acceptance of the trade in respect of the new electronic platform.

Anti-smuggling

28. Some members pointed out that smugglers used to provide false information in trade declarations and enquired how the proposed SW could facilitate the anti-smuggling work of Customs and Excise Department ("C&ED"). The Administration advised that at present, traders were required to submit pre-shipment eACI for customs clearance for road cargoes only. Under the SW initiative, the requirement of pre-shipment eACI would be extended from road cargoes to air and sea cargoes, thereby providing necessary advance cargo information on all modes of transport for C&ED to carry out more effective risk-profiling, and hence more targeted enforcement work for efficient customs clearance. In addition, the sharing of crucial information among participating government agencies of SW, such as licences for controlled goods, would be conducive to efficient trade control and facilitation for achieving various policy objectives, including anti-smuggling, since it would be easier to ascertain traders' compliance with legal and procedural requirements given up-to-date and comprehensive information captured by SW.

Council question

29. At the Council meeting of 28 February 2018, Mr Jimmy NG asked a written question on the development of SW in Hong Kong, which included whether the Administration would formulate any guidelines specific to SMEs in different sectors and provide them with training and technical support to assist them in adjusting their related procedures and systems to dovetail with the SW implementation; and given that SW would operate round the clock, whether the Administration had put in place any measures to prevent a backlog of trade documents submitted by traders to the authorities over long holidays.

30. The Administration advised that the SW system would strive for a simple and user-friendly interface, and that the trade should be able to meet,

with commonly used web browsers, the basic technical requirements for using the SW system. That said, the Administration also advised that it had closely liaised with the relevant stakeholders for documents covered by Phase 1 and invited them to participate in functionality test and provide feedback. Briefings would be arranged for the trade on the details of SW. The SW Operation Office under C&ED would also provide service counters, customer support as well as 24-hour hotline service. In respect of the measures to deal with a backlog of trade documents over long holidays, the Administration advised that SW would operate 24 hours a day in order to provide the trade with maximum flexibility. If a heavier volume of applications and submissions were received during certain periods, the processing time might be longer than usual. The relevant government departments would endeavour to process and vet applications as soon as practicable in order to facilitate the trade's operations.

Latest position

31. The Administration will brief the Panel on 15 May 2018 on the latest progress of developing SW, including the plan to launch Phase 1 in mid-2018 as well as the progress of the associated business process review, and the manpower proposal regarding the directorate posts in PMO.

Relevant papers

32. A list of relevant papers is in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
8 May 2018

Existing Import and Export Regulatory Regime in Hong Kong

The existing import and export regulatory regime in Hong Kong is summarised below –

- (a) Import and Export Declaration ("TDEC") and Statement Two Cargo Manifests generally required *after* the arrival or departure of goods (post-shipment);
- (b) advance cargo information ("ACI") and Statement One Cargo Manifests generally required *on* or *before* the arrival or departure of goods (pre-shipment); and
- (c) licences, permits and other documents required for goods that are subject to specific controls or schemes, *on* or *before* the arrival or departure of goods (pre-shipment).

A. *Import and Export Declaration*

2. Under Regulations 4 and 5 of the Import and Export (Registration) Regulations (Cap. 60E), TDEC is required to be lodged within 14 days by every person who imports, exports or re-exports *after* the import, export or re-export of goods (except from exempted articles¹). A trader (or his agent) is required to provide details on the trader, commodity, packaging, transportation, etc. via TDEC. The information is used for calculating the declaration charges and trade statistics purposes.

B. *Cargo Manifest*

3. A cargo manifest is required to be lodged or held by carriers setting out details of every cargo imported into or exported out of Hong Kong. There are two types of cargo manifests –

- (a) Statement One Cargo Manifest: under Section 15 of the Import and Export Ordinance (Cap. 60), a cargo manifest is required to be submitted by carriers upon demand by the Customs and Excise Department ("C&ED") when the vessel, aircraft or vehicle is

¹ "Exempted articles" as defined under section 3 of Cap. 60E, such as transshipment cargo, transit cargo, ships' stores, aircraft stores, personal baggage and gift, postal packets of a value less than \$4,000, etc. are exempted from the import and export declaration requirement.

entering or leaving Hong Kong. The information is used for risk-profiling and customs clearance upon the arrival or departure of cargoes; and

- (b) **Statement Two Cargo Manifest:** under Regulations 11 and 12 of Cap. 60E, a cargo manifest is required to be submitted by carriers within 14 days after the arrival or departure of vessel, aircraft or vehicle to or from Hong Kong. Statement Two Cargo Manifests are used by the Census and Statistics Department for verification with TDEC lodged separately and for compilation of trade and cargo statistics.

C. Advance Cargo Information

4. C&ED has introduced various schemes for obtaining ACI pre-shipment generally for risk-profiling and customs clearance purposes –

- (a) **air cargo:** air cargo operators may submit electronic information of imported goods via the Air Cargo Clearance System (ACCS, since 1998) on a voluntary basis for the purpose of cargo clearance. They are also encouraged to provide C&ED with information on exported goods;
- (b) **road cargo:** shippers are required to submit electronic ACI via the Road Cargo System (ROCARS, since 2010) under the Import and Export (Electronic Cargo Information) Regulation (Cap. 60L); and
- (c) **sea cargo:** for ocean ongoing vessels ("OGVs"), carriers may submit ACI (at the master, more general level) under the voluntary Electronic System for Cargo Manifest (EMAN) Statement One Submission Scheme for OGVs. Sea freight forwarders may submit ACI (at the house, more detailed level) under the E-Sea Customs Clearance Scheme (e-SCC Scheme) on a voluntary basis. For River Trade Vessels (RTVs), carriers may submit ACI under the voluntary ACI - RTV Scheme.

D. Licences, Permits and Other Documents

5. As a free port, Hong Kong exercises minimal licensing control on goods entering or leaving Hong Kong. Licences are required for specific goods mainly to fulfill Hong Kong's international obligations, and to protect public health and safety, the environment, intellectual property rights, etc. The submission requirements vary for different types of goods.

List of relevant papers

Date of meeting	Meeting	Minutes/Paper
18/4/2017	Panel on Commerce and Industry	<p>Administration's paper on "Way forward for the development of trade single window" (LC Paper No. CB(1)779/16-17(03))</p> <p>Background brief on "Development of a trade single window" provided by the Legislative Council Secretariat (LC Paper No. CB(1)779/16-17(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)1145/16-17)</p>
28/2/2018	Council	<p>Question No. 7 on "Development of trade single window in Hong Kong" raised by Hon Jimmy NG (Press release)</p>