

**For discussion
on 17 December 2019**

Legislative Council Panel on Commerce and Industry

Progress of the Development of Trade Single Window

PURPOSE

This paper reports on the latest progress of the project of establishing the Trade Single Window (“TSW”) and seeks Members’ support for the funding proposal for the IT system required for implementation of Phase 2 of the project.

BACKGROUND

2. One key competitive edge of Hong Kong in merchandise trade lies with our renowned customs clearance efficiency. According to the Global Competitiveness Report released by the World Economic Forum in October 2019, Hong Kong is ranked the 9th worldwide for “border clearance efficiency” (in the context of trade openness). Over the years, the Government has put in place various measures to enhance customs clearance efficiency and expedite cargo flow while maintaining effective controls. These measures¹ are well received by the trade.

TSW in Hong Kong

3. The Government announced in February 2016 that it would establish a TSW for one-stop lodging with the Government of all the 50-plus Business-to-Government trade documents for trade declaration and customs clearance purposes. According to the original proposal at that time, the Government also recommended replacing the existing post-shipment Import and Export Declarations (“TDEC”) and cargo manifests

¹ For example, the Single E-Lock Scheme and the Hong Kong Authorized Economic Operator Programme. We briefed the Panel on these two measures at the meeting held on 25 June 2019.

with pre-shipment TDEC and Cargo Reports. It was envisaged that, upon full implementation of the TSW, traders can lodge import and export trade documents electronically round the clock through a centralised platform. The TSW will also serve as the single platform for customs clearance with a central backend system for risk assessment to facilitate the Customs and Excise Department (“C&ED”) in carrying out more targeted enforcement work. This is so as the TSW will replace the existing cargo clearance systems in C&ED such as the Road Cargo System (“ROCARS”) and the Air Cargo Clearance System, which are designed for single transport mode and not interconnected.

4. During the 3-month consultation exercise that followed, there was overwhelming support for the development of TSW in Hong Kong in anticipation of the savings in manpower and operational cost (notably through data re-use and sharing) it would bring about, and its facilitation of future connection with Single Windows (“SWs”) of other economies and business-to-business (“B2B”) systems. However, general concerns were raised by the trading community that pre-shipment TDEC might lead to additional compliance cost, adversely affecting our overall competitiveness and diverting trade away from Hong Kong. Some suggested that implementation should be flexible to cater for the operational needs of different types of cargoes and transport modes and that it would be more acceptable if data requirements under the TSW would not exceed those under the existing ROCARS.

5. Having regard to the outcome of the public consultation and subsequent trade engagement, we informed the Panel in April 2017 that the TSW was planned to be implemented in three phases –

- (a) Phase 1 (2018 roll-out) – covering 13 types of trade documents (mainly for specific controlled products), the applications of which could be made through the TSW on a voluntary basis;
- (b) Phase 2 (2022 the earliest) – mandating the submission of some 40 types of trade documents (including those documents under Phase 1) for specific controlled products through the TSW by way of legislation; and

- (c) Phase 3 (2023 the earliest) – mandating the submission of TDEC, Advance Cargo Information (“ACI”) and Cargo Reports (which are required or proposed to be required for all cargoes) through the TSW serving as the single platform for customs clearance.

Benefits of the TSW

6. In taking forward the TSW project, we have been working closely with over ten other Government agencies, including C&ED, being the TSW Operator and a key frontline law enforcement agency for import and export control, and maintaining on-going engagement with relevant stakeholders in the trade, with a view to enabling the TSW project to deliver the following benefits –

- (a) **Enhancing operational efficiency of the trade** – upon full implementation of TSW, the trading community can lodge import and export trade documents electronically round the clock through a centralised platform, and will no longer need to approach different Government agencies individually. Under the TSW system, data can be reused more conveniently, thus minimising data input efforts and errors. The trade can also check the status of their applications and the submitted information through the centralised TSW platform anytime. We expect that this would save time and cost of the trading community;
- (b) **Enhancing operational efficiency of the Government** – we also expect that the TSW will support the work of the participating government agencies (“PGAs”) in receiving and processing applications as well as issuing licences/permits electronically. This will enhance the operational efficiency and productivity of PGAs by reducing manual work, streamlining business processes, and facilitating development of cross-departmental online services, e.g. a single application for licences/permits from two or more PGAs; and
- (c) **Enhancing cargo clearance efficiency** – upon full implementation of the TSW, cargo hold-ups during clearance (because of insufficient cargo information) is expected to be minimised, thus bringing a smoother cargo clearance and enhancing the overall cargo flow. Furthermore, if the existing

submission requirements of pre-shipment and post-shipment cargo information could be streamlined or rationalised, it would also further save time and cost of the trading community.

LATEST PROGRESS OF WORK

Progressive rollout of Phase 1

7. Phase 1 is a pilot phase which provides a voluntary e-option to cultivate the trade's buy-in for the TSW. With close cooperation of the PGAs and after engaging external users for feedback and the final round testing, Phase 1 was launched in December 2018, initially covering five types of trade documents. During the first half of 2019, another five types of trade documents have been progressively rolled out and so the TSW now covers 10 types of trade documents. It is our target to roll out another two types of trade documents by the end of this year and the 13th document in 2020. The list of trade documents that fall under Phase 1 is at **Annex A**.

8. As at 30 November 2019 (i.e. eleven months since the launch of Phase 1), there are around 300 registered TSW users (including individual and company users). Over the same period, some 800 applications have been received and around 650 permits/licences have been successfully issued. On average, about 15% of the permits/licences were issued through the TSW platform. It should be noted though as Phase 1 documents were rolled out under different timelines, this may impact upon the average take up rate.

Users' experience and feedback to TSW Phase 1

9. C&ED has established the Office of TSW Operation ("OSWO") in June 2018 to tie in with the launch of Phase 1. It is responsible for the processing of user registration for the TSW, system administration and other supporting services such as service counters, customer support, outreach and training, etc. Apart from OSWO's services, the "1823" hotline provides 7x24 enquiry and support service to TSW users. Since the launch of Phase 1, some 260 enquiries have been handled, most of them related to day-to-day use of the TSW (e.g. procedures related to registration and account administration, and progress of individual licence/permit applications etc.).

10. To gauge feedback on the experience of using the new platform, OSWO actively reaches out to the users of TSW. Responses are generally positive. The users in the trade generally agree that, while the platform is confined to a limited range of trade documents under Phase 1, the TSW is a useful way to save cost and time for the trade. This is particularly so for the small and medium enterprises where the cost for submitting applications and collecting approved trade document in paper form would be relatively more onerous as compared with larger firms. Some users have also indicated that the TSW helps minimise manual errors in completing the applications over the conventional paper-based process. At the same time, to step up publicity of the TSW, OSWO actively reaches out to potential users in the trade. To dovetail with the efforts of OSWO, other PGAs involved in Phase 1 have also assisted in publicising the TSW to the respective specific trades.

11. Being a pilot phase, Phase 1 provides basic functions for user registration, submission of licence/permit applications, and online payment of the relevant fees by the traders. Phase 1 also enables on-line processing of applications by PGAs and verification of issued licences/permits by C&ED front-line officers and carriers etc. The business processes and technical requirements for licences/permits covered under Phase 1 are relatively straight-forward. Phase 1 not only enables the trade to enjoy early the benefits of the TSW, the experience gained in Phase 1 also provides us with useful reference for ongoing enhancements as well as the design and development of future phases.

12. Now that the implementation of Phase 1 is near completion, we need to move ahead with planning for Phase 2 by seeking from the Legislative Council Finance Committee (“FC”) the funding for the IT system in support for its launch.

DEVELOPMENT OF PHASE 2

13. Phase 2 of the TSW will cover another 28 types of trade documents (see **Annex B**), so as to enable the trade to submit applications for licences/permits electronically on a voluntary basis through the same platform. Apart from expanding the scope of trade documents covered by TSW to a total of 41 types, Phase 2 will provide the following enhancements building on the basic functions already provided in

Phase 1 –

- (a) User account administration – more advanced management functions will be put in place to allow company users to manage the accounts of their staff, e.g. to view applications of their staff, transfer applications to other staff, etc.;
- (b) Support interface with iAM Smart² – with the expected launch of iAM Smart in 2020, TSW users who are individuals holding iAM Smart may log into TSW services with iAM Smart and perform digital signature where necessary;
- (c) Support interfaces with PGAs’ IT systems – some PGAs have existing systems or plan to develop new systems to handle submissions of trade documents and/or other regulatory matters. Phase 2 development of the TSW will interface with these systems to provide smooth and seamless services to the users, e.g. to provide single sign-on services to the TSW and PGAs’ systems, and efficient flow of information among systems;
- (d) System capacity – Phase 2 development of TSW will enhance the capacity of the IT system to cater for the increase in transaction volume as well as the processing workload for system interface and integration with PGAs’ systems;
- (e) Service availability – Phase 2 development of TSW will adopt the Government Cloud Infrastructure Services which supports higher system availability, to make the TSW service more accessible to the users;
- (f) Usage status of trade documents – where a trade document covers multiple consignments (which may be shipped separately), TSW Phase 2 will facilitate both TSW users and PGAs in keeping track of whether the trade document has been used for all the consignments covered; and

² iAM Smart is formerly called Electronic Identity (eID).

- (g) Mass submissions – Phase 2 development of TSW will provide functions for traders to conveniently upload a large amount of submissions of trade documents to save time and better meet the business needs.

14. As mentioned in paragraph 5(b) above, previously it was our plan to mandate the use of the TSW for the submission of trade documents for specific trades or controlled products under Phase 2. Upon further engagement with the trade, there were concerns that mandating the use of TSW for the submission of these 41 types of documents upfront would cause disruption to the trade and would not be possible without a massive and time-consuming exercise to amend a wide range of legislation.

15. With the experience of Phase 1 and further engagement with the trade, we gather that the trade prefers having the e-option provided by the TSW, whilst keeping the flexibility for resorting to the conventional means of application through service counters. The readiness for a switch to the e-option indeed varies from sectors to sectors. We therefore propose to implement Phase 2, as with Phase 1, as a voluntary e-option. This would give the trade a choice and encourage their gradual adoption. Indeed, we understand that the use of SWs in some other places, for example in the Mainland, Japan and Korea, is also voluntary. That said, we are confident that given time and the extension of the TSW to cover more documents, the trade would eventually switch to the new platform, in order to realise the benefits which could be brought to users by switching to TSW. We would continue our engagement with the trade in this regard.

Cost savings of Phase 2

16. It is estimated that the implementation of Phase 2 will bring about notional savings of \$7,793,000 per annum for PGAs and \$45,220,000 per annum for the trade as and when the trade documents covered are all submitted via TSW. Such notional savings will be achieved by streamlining the application, submission and processing of licences/permits and simplifying the logistics arrangement for licences/permits application and subsequent collection.

Financial implications and implementation plan of Phase 2

17. It is estimated that the IT system required for implementation of Phase 2 will entail a non-recurrent cost of \$133,770,000 from 2020-21 to 2023-24, with breakdown as follows –

Item	\$'000
(a) Hardware	8,615
(b) Software	5,763
(c) Hosting Services	11,442
(d) Communication Network	2,942
(e) Implementation Services ³	80,014
(f) Contract Staff	17,576
(g) Others	1,048
(h) Contingency	6,370
Total	133,770

18. Upon implementation of Phase 2, it is estimated that an indicative annual recurrent expenditure of \$18,952,000 will be required for maintaining and supporting the operation of Phase 2 from 2023-24 which will be absorbed from within existing resources.

Seeking the Panel's support for submitting the funding application to the Finance Committee

19. Subject to Members' views, we plan to submit the funding application for the IT system required for implementation of Phase 2 to the FC as soon as practicable. Our target is to secure funding approval in the first half of 2020 and invite tender proposals in mid-2020, with a view to rolling out Phase 2 in 2023 by batches.

³ "Implementation services" refers to services related to project management, system analysis and design, program development, data conversion, independent system testing, user acceptance test support, user training and system administration, etc. provided by external service providers. It also covers Security Risk Assessment and Audit, as well as Privacy Impact Assessment.

DEVELOPMENT OF PHASE 3

20. Planning of Phase 3 (the final phase) of the TSW project is ongoing. As we reported to the Panel in April 2017, in view of the concerns on the original proposal of replacing the existing post-shipment TDEC by pre-shipment TDEC, Phase 3 will introduce a hybrid pre-shipment documentation arrangement along the framework below –

- (a) **Post-shipment TDEC** – the existing arrangement (i.e. to be submitted within 14 days after import or export) will be maintained, and traders will be encouraged to submit TDEC at the pre-shipment stage voluntarily;
- (b) **Unified ACI**– the submission requirements of ACI for all modes of transport will be unified and modelled on ROCARS⁴; and
- (c) **Pre-shipment Cargo Reports** – new and standardised pre-shipment Cargo Reports will replace the existing post-shipment cargo manifests. Carriers and forwarders will be required to submit master-level Cargo Reports and house-level Cargo Reports respectively. Data required are mainly those in the existing cargo manifests.

21. Under the above framework, pre-shipment documentation (i.e. ACI and Cargo Reports) would be required for both imports and exports across all transport modes (i.e. air, sea and land modes).

22. We have engaged the trade extensively through the six User Consultation Groups (“UCGs”)⁵ set up specifically to tap industry views for the TSW project as well as individual visits to and meetings with relevant stakeholders to develop future business workflow and refine the

⁴ ROCARS is a statutory electronic ACI requirement (pre-shipment) introduced in 2010 for all road cargoes, as required under the Import and Export (Electronic Cargo Information) Regulation (Cap. 60L). Data items include: (1) description of packages, (2) number of packages, (3) cargo description, (4) name of consignor, (5) address of consignor, (6) name of consignee, (7) address of consignee, (8) expected date of import/export, and (9) vehicle registration number of the conveying truck.

⁵ The six UCGs are (1) air cargo terminal operators, (2) sea cargo terminal operators and public cargo working area operators, (3) airlines, (4) shipping lines, (5) express couriers and forwarders, and (6) traders.

pre-shipment proposals. Upon consultation, there remains concerns that the proposed new pre-shipment documentation requirements would bring about additional compliance cost to the trade. In particular, we are mindful that the escalating trade conflict between the Mainland and the US has dampened global economic growth momentum and brought direct and indirect negative impacts on Hong Kong economy. The value of Hong Kong's total export has been decreasing since November 2018, with a year-on-year decrease of 5.1% in the first ten months of this year. The trading and logistics sector has been under strain, and it is incumbent upon us to ensure that the submission requirements for documents covered by Phase 3 of the TSW project should strive to minimise the burden on the trade, rather than adding on the sector financial pressure.

23. In this regard, we are now actively exploring ways to encourage the trade to submit pre-shipment cargo information for air exports by way of voluntary arrangements through the TSW to facilitate cargo clearance and risk management. We are liaising with the trade to conduct proof-of-concept exercise(s) and business studies to test out possible voluntary arrangements. So far, the trade is generally supportive of our approaches. Looking ahead, we will, taking into account the feedback from trade engagement, conduct technical feasibility studies to map out implementation plan for Phase 3 of the TSW project. We will report the outcome of our deliberation to the Panel in due course.

PROVIDING CONNECTIONS WITH SWs OF OTHER ECONOMIES

24. In respect of providing connectivity between Hong Kong's TSW and those of other jurisdictions (including the Mainland) or B2B systems, we have been monitoring the latest development of SWs in other jurisdictions. It remains our target that our TSW, when fully implemented, will have the technical capability to connect with these systems should the need arise. For the time being, such inter-connectivity is practised in a number of economies in respect of specific types of trade documents. We will continue to keep a close watch of any further development.

ADVICE SOUGHT

25. Members are invited to note the progress of development of the TSW and the latest plan for its implementation. Members' support is sought for us to submit the funding proposal for the IT system required for implementation of Phase 2 (as mentioned in paragraphs 17 to 19 above) to the FC as soon as practicable.

**Commerce and Economic Development Bureau
December 2019**

**Trade Single Window
Documents under Phase 1¹**

Government Agency	Types of Document
Agriculture, Fisheries and Conservation Department	1. Import/Export Licence for Pesticides
Customs and Excise Department	2. Authorization to Import/Export Controlled Chemicals 3. Certification of Non-U.S. Frozen Chicken Products Transhipped to the Mainland through Hong Kong 4. Licence for Optical Disc Mastering and Replication Equipment 5. Permit to Remove Controlled Chemicals in Transhipment 6. Transhipment Notification for Optical Disc Mastering and Replication Equipment 7. Certificate of Non-manipulation under Free Trade Agreement Transhipment Facilitation Scheme <i>(to be rolled out in 2020)</i>
Civil Engineering and Development Department	8. Hong Kong Natural Sand Final User Certificate <i>(to be rolled out in end 2019)</i> 9. Sand Removal Permit <i>(to be rolled out in end 2019)</i>

¹ All documents have been rolled out unless otherwise specified.

Government Agency	Types of Document
Environmental Protection Department	10. Licence for Ozone Depleting Substances ² 11. Licence for Scheduled Chemicals
Office of the Communications Authority	12. Import and Export Permit for Radiocommunications Transmitting Apparatus 13. Transshipment Notification for Radiocommunications Transmitting Apparatus

² The Trade and Industry Department is also involved in the processing and issue of this licence.

**Trade Single Window
Documents under Phase 2**

Government Agency	Types of Document
Agriculture, Fisheries and Conservation Department	<ol style="list-style-type: none">1. Import Plant Licence2. Licence to Export/Re-export Endangered Species3. Licence to Import/Introduce from the Sea for Endangered Species4. Permit for Import of Mammals from the Mainland and Animal Products5. Re-export Certificate for Species of non-Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or not yet Controlled under the Protection of Endangered Species of Animals and Plants Ordinance (Cap. 586)6. Special Permit for Import of Animals and Birds from Overseas7. Special Permit for Import of Dogs and Cats from Overseas8. Special Permit for Import of Food/Pet Reptiles
Customs and Excise Department	<ol style="list-style-type: none">9. Currency and Bearer Negotiable Instruments Declaration Form10. Import and Export Statement for Dutiable Commodities
Department of Health	<ol style="list-style-type: none">11. Diversion Licence for Dangerous Drugs12. Import Licence for Radioactive Substances and Irradiating Apparatus13. Import/Export Licence and Certificate for Dangerous Drugs

Government Agency	Types of Document
Department of Health (Cont'd)	14. Import/Export Licence for Pharmaceutical Products and Medicines 15. Import/Export Licence of Chinese Herbal Medicines 16. Import/Export Licence of Proprietary Chinese Medicines 17. Import Permit for Biological Materials 18. Removal Licence for Dangerous Drugs
Food and Environmental Hygiene Department	19. Health Certificate for Food of Animal Origin 20. Import Licence for Frozen/Chilled Meat or Poultry 21. Permission for Import of Eggs 22. Permission for Import of Frozen Confections 23. Permission for Import of Game, Meat and Poultry 24. Permission for Import of Milk, Cream and Milk Beverage 25. Permission for Import Meat or Poultry (Applicable to import for re-export to the Mainland/Macau)
Trade and Industry Department	26. Import/Export Licence for Rice 27. Kimberley Process Certificate 28. Strategic Commodities Licence