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Panel on Commerce and Industry

Meeting on 17 December 2019

Updated background brief on the development of a Trade Single Window

Purpose

This paper provides updated background information on the development of the Trade Single Window ("TSW").¹ It also summarizes the views expressed by members of the Panel on Commerce and Industry ("the Panel") during the previous discussions on the subject.

Background

2. The Administration announced in February 2016 that to maintain Hong Kong's competitiveness as a trading and logistics hub and to align with the international trend, the Administration would take forward a major policy-cum-information technology ("IT") initiative to develop a TSW as a one-stop electronic platform for the trading community to lodge all the 50-plus trade documents and submissions with Government for trade declaration and customs clearance purposes.² According to the Administration, TSW would

¹ According to the United Nations Centre for Trade Facilitation and Electronic Business, a Trade Single Window ("TSW") 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."

² The Administration launched a three-month public consultation exercise from April to July 2016 to gauge views on the development of a TSW in Hong Kong. During the consultation period, over 800 representatives from various stakeholders (including traders, carriers, forwarders, logistics practitioners and associations, chambers of commerce, advisory bodies, licensees and permit holders for controlled goods) were engaged through 33 briefing sessions and an industry forum. A total of 35 written submissions were received from trade associations, commercial entities from the relevant sectors, political groups, interest groups, universities and individuals.

save time and cost of the trading community, as they would no longer need to approach different government agencies individually and could lodge import and export trade documents electronically round the clock through a centralized platform. Upon full implementation of TSW, cargo hold-ups during clearance (because of insufficient cargo information) could be minimized, bringing a smoother and seamless cargo clearance, thus enhancing trade efficiency in the long run. The Panel supported the initiative to develop TSW at the meeting on 19 April 2016.

Transitional arrangement

3. Among the 50-plus trade documents to be covered by TSW, there are four trade documents currently submitted through the Government Electronic Trading Services ("GETS").³ Whilst TSW is expected to take over from GETS upon its full implementation, the provision of GETS should continue until then. The Administration announced in February 2018 the appointment of three service providers⁴ for the provision of GETS from January 2019 to December 2024. According to the Administration, the new contracts also allow possible extension for up to three more years at the Government's option in order to ensure a smooth transition to TSW until its full implementation.

Implementation of Trade Single Window and connections with other Trade Single Windows

4. The Administration gave the Panel a briefing on the progress of the implementation of TSW at the meeting on 15 May 2018. Being a highly sophisticated project of a mega scale, TSW will be implemented in three phases.

Phase 1

5. The Administration rolled out Phase 1 of TSW in December 2018, covering 13 types of trade documents (mainly licences for the import and export of certain controlled products).⁵ As a pilot phase, Phase 1 provides a voluntary

³ The Government Electronic Trading Services is a front-end electronic service mandatory for the trading community to submit commonly used trade documents including the Import and Export Declarations, Certificate of Origin, Dutiable Commodities Permit and Cargo Manifest for air and sea modes.

⁴ The three appointed service providers are Brio Electronic Commerce Limited, Global e-Trading Services Limited, and Tradelink Electronic Commerce Limited.

⁵ When Phase 1 of TSW was launched in December 2018, it covered only five types of import and export trade documents for specific types of commodities. TSW was progressively extended to cover another five trade documents in the first half of 2019. According to the Administration, TSW would cover three more trade documents in the months ahead.

e-option to cultivate the trade's buy-in for TSW. The trade can lodge the relevant types of documents through a single electronic platform. Customs and Excise Department, as the operator of TSW, has set up a dedicated office to oversee the operation of the TSW system and provide support to TSW users through training, help-desk and hotline services.

Phases 2 and 3

6. Phase 2 will cover some 28 additional types of trade document. The 41 in total of trade documents covered by the first two phases are mainly those for specific types of commodities (e.g. licences for the import and export of specific controlled products). Phase 3 will cover trade documents required or proposed to be required for all cargoes (e.g. Import and Export Declarations, Advance Cargo Information and Cargo Report).

7. Subject to satisfactory progress of all the preparatory work (e.g. trade engagement, legislative exercise,⁶ IT system design and development and business process design), the Administration plans to roll out Phase 2 in 2022 and Phase 3 in 2023 the earliest.

Connections with other Trade Single Windows

8. In respect of providing connectivity between Hong Kong's TSW and those of other jurisdictions, including the Mainland, the Administration advised that it would closely monitor the latest development of TSWs in other jurisdictions and would liaise with the relevant authorities to study the issue at an early suitable juncture.

9. To implement more convenient customs clearance modes at the control points in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"), and promote the convenient and efficient flow of factors of production in the Greater Bay Area, the Agreement on Trade in Goods signed between the Mainland and Hong Kong on 14 December 2018 has included a dedicated Chapter on "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area", stipulating that the nine Pearl River Delta municipalities⁷ and Hong Kong will explore the inter-connectivity of TSWs and study the mechanism for control point information exchange.

⁶ It involves the formulation of a new enabling bill to underpin the establishment and use of TSW and the amendment of over 40 pieces of existing legislation (including the Import and Export Ordinance (Cap. 60) and its subsidiary legislations).

⁷ The nine Pearl River Delta municipalities include Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing.

Establishment of the Project Management Office

10. With the Panel's support, the Finance Committee ("FC") approved in June 2016 the creation of a supernumerary 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 a dedicated Project Management Office ("PMO") to take forward the TSW initiative.

11. In July 2018, FC approved the retention of the said post for four years (up to 2023) to continue overseeing and steering PMO's work to spearhead the implementation of the TSW project. FC also approved the creation of a supernumerary Chief Systems Manager ("CSM") post for five years (up to 2023) to lead the IT development of the TSW project.⁸

Fees to be charged by the Trade Single Window

12. As regards the fees for using TSW, the Administration advised 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 TSW 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 TSW service attributed to the trade document concerned. As Phase 1 was an expedited project providing a voluntary e-option to cultivate the trade's buy-in, the Administration has waived the fees for the use of TSW in Phase 1 to encourage the trade's take-up.

Previous discussions by the Panel on Commerce and Industry

13. The major views and concerns on the development of TSW expressed by members at the Panel meeting on 15 May 2018 are summarized in the ensuing paragraphs.

Expediting the implementation of Trade Single Window

14. Noting that the last phase of TSW would only be ready to roll out in 2023 the earliest, members urged the Administration to further explore means to advance the implementation of TSW. They also enquired which phase of the implementation of TSW would involve the most complicated work and the

⁸ The Project Management Office is supported by 24 time limited non-directorate officers from multi-disciplinary teams.

experiences of other jurisdictions in the time required for developing a similar system.

15. The Administration advised that TSW was a highly sophisticated project of a mega scale, and involved close coordination with over 10 government agencies to spearhead different components of the project. The current proposed timetable for the implementation of TSW was already aggressive. That said, the Administration would strive to explore room for expediting the implementation of TSW with a view to allowing more time for progressive adoption of TSW by the trading community and enabling them to enjoy further trade facilitation early. The Administration would consider, for example, the possibility of speeding up Phase 2 by implementing it on a voluntary (rather than mandatory) basis. If achievable, this would allow the trade to submit some 30 types of trade documents, on top of the 13 types under Phase 1, through TSW and to get familiar with the system earlier as a voluntary e-option.

Development cost of information technology system

16. In response to members' enquiry on the estimated capital cost for the development of the IT system for the TSW project, the Administration advised that, given its mega scale, the TSW project was expected to involve significant cost for the development of the IT system. The funding required would need to be approved by FC in future. It was, however, not feasible to arrive at a precise estimation at this stage, pending the technical studies to be conducted for Phases 2 and 3 to ascertain the overall technical design and requirements of IT components in more specific details. Such details were essential for the preparation of funding proposals and relevant procurement exercises, including the cost projection of the system development.

Technical requirements on the part of users in the trade

17. Members sought details about the technical requirements for using the TSW system after the launch of Phases 2 and 3. The Administration advised that to facilitate easier use of the TSW system as a one-stop electronic platform for lodging all business-to-government trade documents, the TSW system would support commonly used web browsers so as to encourage the trade's take-up.

Need for technical support from the proposed Chief Systems Manager post

18. Noting that the development of the IT system and legislative amendments were two major areas of work ahead in the development of Phases 2 and 3 of TSW, members enquired about the details of the relevant work plan as they were concerned whether the entire TSW system could eventually be implemented as scheduled. They also asked whether the proposed creation of a supernumerary CSM post could be put on hold until the

user requirements relevant to the design and development of the IT system were finalized.

19. The Administration advised that PMO had, since it was established in 2016, been sparing no efforts to take forward the TSW project. The TSW project had entered a critical stage requiring work with wider span and greater depth on various fronts, in particular the IT and policy and legislative fronts. On the IT front, having regard to the complexity of system design and development, there was a pressing need for the creation of a supernumerary CSM post to help formulate strategies on the IT direction of the TSW project. PMO would indeed need to rely heavily on the expertise of the IT Unit (to be led by the proposed CSM post) to draw up specific requirements for the design and development of the system.

Latest position

20. The Administration will brief the Panel on 17 December 2019 on the latest progress of the development of TSW and seek the Panel's support for the funding proposal for the IT system for implementation of Phase 2 of TSW.

Relevant papers

21. A list of relevant papers is in **Appendix**.

List of relevant papers

Date of meeting	Meeting	Minutes/Paper
15/5/2018	Panel on Commerce and Industry	<p>Administration's paper on "Progress of the development of trade single window and launch of Phase 1" (LC Paper No. CB(1)921/17-18(03))</p> <p>Updated background brief on the development of a trade single window provided by the Legislative Council Secretariat (LC Paper No. CB(1)921/17-18(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)1239/17-18)</p>
20/6/2018	Establishment Subcommittee	<p>Administration's paper on the proposed creation of a supernumerary directorate post and the retention of a supernumerary directorate post (EC(2018-19)10)</p> <p>Administration's follow-up paper (LC Paper No. ESC160/17-18(01))</p> <p>Minutes of meeting (LC Paper No. ESC169/17-18)</p>
17/7/2018	Finance Committee	<p>Administration's paper on the proposed creation of a supernumerary directorate post and the retention of a supernumerary directorate post (FCR(2018-19)42)</p> <p>Minutes of meeting (LC Paper No. FC120/18-19)</p>