

**Thirty-second Meeting of  
the Business Facilitation Advisory Committee**

***Agenda Item 2: Development of a Trade Single Window***

**Purpose**

This paper briefs members of the public consultation document on the development of a Trade Single Window in Hong Kong.

**Background**

2. Following mainstream international development and to uphold Hong Kong's competitiveness in trade in goods and position as a logistics hub, the Government is planning to set up a Trade Single Window (SW) in Hong Kong as a single information technology (IT) platform for the one-stop lodging of all trade documents from the trading community to the Government to facilitate trade declaration and customs clearance. The plan was announced by the Financial Secretary in his 2016-17 Budget Speech.

3. To take forward the SW initiative, we have set out a proposal in a Consultation Paper released on 13 April 2016 ([http://www.cedb.gov.hk/citb/doc/en/trade\\_single\\_window\\_consultation\\_paper\\_e.pdf](http://www.cedb.gov.hk/citb/doc/en/trade_single_window_consultation_paper_e.pdf)) to gauge the views of stakeholders and the public.

**Current Situation**

4. At present, 51 trade documents are required to be submitted to the Government for the trading of goods into, out of and through Hong Kong. These include the Import and Export Declarations (TDEC), Cargo Manifests, advance cargo information (ACI) of different forms, as well as licences, permits and other documents required for goods that are subject to specific controls or schemes. They are 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.

5. To ease the burden of trade control over traders and carriers alike and to speed up customs clearance, a number of initiatives have been introduced over the years to facilitate the meeting of the above trade document requirements through electronic means. These include the Government Electronic Trading Services (GETS)<sup>1</sup> since 1997, Air Cargo Clearance System (ACCS)<sup>2</sup> since 1998, Road Cargo System (ROCARS)<sup>3</sup> since 2010 and various voluntary schemes for sea cargoes<sup>4</sup>.

## **Need for an SW in Hong Kong**

6. Notwithstanding the various trade facilitation schemes, a great many business-to-government (B2G) trade document requirements are now being met by conventional paper means (over the counter, by mail, etc.). Regardless of the availability of electronic services or otherwise, stakeholders have 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, taking a toll on not only the trading community but also government agencies such as the Customs and Excise Department (C&ED).

## **Proposal**

### ***SW Development and Operation***

7. The SW will provide a single IT platform for the one-stop lodging of all documents from the trade to the Government in relation to importing

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<sup>1</sup> GETS is a front-end electronic service mandatory for the trading community to submit commonly used trade documents (including TDEC, Certificate of Origin and Dutiable Commodities Permit and Cargo Manifest for air and sea modes (i.e. (a) Statement One Cargo Manifest (sea mode)(upon demand), (b) Statement Two Cargo Manifest (air mode), (c) Statement Two Cargo Manifest (sea mode) and (d) voluntary Electronic System for Cargo Manifest (EMAN) Statement One Submission Scheme for Ocean Going Vessels (OGVs)) to the Government via private sector Service Providers.

<sup>2</sup> ACCS is an electronic system for air cargo operators to submit electronic information of imported goods to the Government on a voluntary basis for customs clearance purposes.

<sup>3</sup> ROCARS is an electronic system for shippers to submit electronic ACI for road cargoes as required under the Import and Export (Electronic Cargo Information) Regulation (Cap. 60L).

<sup>4</sup> As regards sea cargoes, for OGVs, carriers may submit ACI (at the master, more general level) under the voluntary 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 for RTVs Scheme.

and exporting goods. The SW is expected to possess the technical capability to facilitate, if required in future, interfaces with business-to-business (B2B) platforms operated by the private sector and connections with SWs of other economies (Chapter 3 of the Consultation Paper refers).

8. Consideration will also be given as to whether and how best the SW may take on board a new requirement for pre-shipment TDEC to replace the existing post-shipment requirement<sup>5</sup>, as well as a new requirement for pre-shipment Cargo Reports<sup>6</sup> to replace the existing requirements for Cargo Manifests and ACI (Chapter 4 of the Consultation Paper refers).

9. The development of a full-fledged SW is a mega project involving a substantial capital cost. A Project Management Office has been set up within the Commerce and Economic Development Bureau to take forward the SW initiative. It is planned that C&ED will operate the SW upon its implementation and run a SW Operation Centre to look after the future day-to-day maintenance and operation (Chapter 5.1 and Chapter 5.3 of the Consultation Paper refer).

#### *Fees and Value-added Service*

10. On fees, the Government's policy is that fees charged by the Government should in general be set at levels adequate to recover the full cost of providing the goods or services, unless otherwise justified. Government agencies will review the existing fees for their services as well as justifications for those currently free-of-charge services, and identify possible cost savings with a view to achieving full-cost recovery as far as possible in the new SW environment. The change in the submission mode to be brought by the SW itself is neutral and should not attract a new fee (Chapter 5.3 of the Consultation Paper refers).

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<sup>5</sup> At present, traders are required to submit TDEC within 14 days after the actual shipment of goods into or out of Hong Kong.

<sup>6</sup> At present, carriers are required to submit Statement One Cargo Manifests and/or 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.

11. The SW will provide basic functions for meeting government regulatory requirements. SW users may make submissions to the system direct, or via accredited commercial players who may serve as value-added service providers (VASPs) providing enhancement services. Notwithstanding the trend of paperless trading, there may continue to be a need for paper conversion services under the future SW for some users. Such services should generally be left to the VASPs (Chapter 5.4 of the Consultation Paper refers).

### *Phasing and Transitional Arrangements*

12. Subject to implementation progress, we propose to roll out the SW in three phases –

- (a) Phase 1 (Q1 2018 the earliest) covering 14 documents that do not require legislative amendments in migrating to the SW, for voluntary use to solicit and cultivate early buy-in of the SW initiative across different stakeholders;
- (b) Phase 2 (Q4 2021 the earliest) covering 14 documents under Phase 1 and 26 more, after legislative amendments have been made to make submission to the SW mandatory; and
- (c) Phase 3 (Q4 2023 the earliest) covering TDEC and Cargo Reports.

The planning and development of Phase 1 is underway. Implementation of Phases 2 and 3 are subject to the passage of relevant legislative proposals mandating the use of the SW and funding approval in good time, and are expected to commence each with a transitional period of not less than 12 months (Chapter 5.2 of the Consultation Paper refers).

13. In preparation for the full and mandatory implementation of the SW by 2024, the Government's current contracts with the Service Providers of GETS will run until end 2018. After that, we propose to continue the GETS model as a tide-over arrangement before the new SW takes over in 2024 (e.g. for a period of about six years from 2019 to 2024, subject to two years of possible extension until 2026 at the Government's option) (Chapter 5.5 of the Consultation Paper refers).

## **Benefits and Savings**

### *Benefits of SW*

14. The SW will bring about time and cost savings for the trading community, as they no longer need to approach different government agencies separately and can lodge B2G trade documents electronically round the clock through a centralised platform. Data can be reused more conveniently within the SW system, thus minimising data input efforts and errors. Traders can also keep track of the status of their applications and submissions via the SW platform 24/7<sup>7</sup>.

15. For the Government, the sharing of crucial information between participating government agencies (PGAs) will be conducive to efficient trade control and facilitation for achieving various policy objectives. It would be easier to ascertain traders' compliance with legal and procedural requirements given up-to-date and comprehensive information captured by the SW. The SW will also create opportunities for PGAs to promote online services, streamline business processes and integrate computer systems.

16. On the government-to-government (G2G) level, the SW will facilitate customs cooperation and connectivity. Exchange of specified trade information between SWs of different economies, subject to conclusion of bilateral agreements and traders' consent, will in turn expedite the cargo clearance process and enhance trade efficiency.

17. The SW unifying the B2G interface will be an important building block for any wider e-commerce initiative driven by the market, such as possible connection with private sector B2B systems to improve coordination among traders, logistics operators, and agents alike and enhance efficiency along the supply chain. Such connections will also contribute to Hong Kong's position as a logistics hub.

18. For details of the benefits of the SW, please refer to Chapter 3 of the Consultation Paper.

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<sup>7</sup> The trading community is estimated to save up to around \$860 million to \$1,500 million per annum in administrative cost after the SW is fully implemented.

### ***Benefits of Pre-shipment Documentation Regime***

19. Hong Kong is the only major trading economy in the world allowing post-shipment TDEC, which is used for trade statistics purposes instead of customs clearance. A possible change to a simple pre-shipment documentation regime will provide a precious opportunity to streamline and rationalise the existing myriad of submission requirements pre-shipment and post-shipment to the benefit of the trading community<sup>8</sup>. With the availability of TDEC and Cargo Reports pre-shipment, C&ED will be able to carry out more effective risk-profiling and hence more targeted enforcement work. The need for C&ED to detain cargoes solely due to the lack of information required for risk-profiling, as the department does now, will be obviated. This would translate into smoother and seamless cargo clearance for traders. It will also enable more efficient cross-border cooperation between customs authorities through exchanges of information. Without a pre-shipment declaration regime, Hong Kong may not be able to join similar trade facilitation measures with other customs jurisdictions in the future. Chapter 4 of the Consultation Paper refers.

### **Public Consultation**

20. The proposal outlined above has taken into account preliminary views collected in summer 2015 through a series of engagement sessions with representatives of the trading community. Most if not all welcomed an SW for Hong Kong to save time and cost and some urged for expedited implementation but cautioned about the fees. On pre-shipment documentation, views were divided as some were concerned about its feasibility in Hong Kong, and possible time, cost and diversion implications for the trade.

21. A formal three-month public consultation exercise is now underway until 12 July 2016. Industry consultation forums and briefings for various industry stakeholders (including traders, shippers, freight forwarders, agents and carriers), chambers of commerce, business associations and advisory bodies, etc. are being organised during the period. Interested parties may also provide their views in writing.

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<sup>8</sup> See footnote 6.

## **Way Forward**

22. Following completion of the consultation, we will carefully consider the views collected, identify possible concerns about the proposed SW and pre-shipment documentation regime and find pragmatic ways to address such concerns through the detailed design, modus operandi and implementation programme.

23. Members' views are invited on the proposal set out in the Consultation Paper.

Commerce, Industry and Tourism Branch  
Commerce and Economic Development Bureau  
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