

**Forty-first Meeting of  
the Business Facilitation Advisory Committee**

***Agenda Item 2 : Customs Facilitation Measures –  
Single E-lock Scheme and Hong Kong Authorized  
Economic Operator Programme***

**Purpose**

This paper briefs Members on the key features and latest development of two measures provided by the Customs and Excise Department (“C&ED”) for cargo clearance facilitation, namely the Single E-Lock Scheme (“SELS”) and the Hong Kong Authorized Economic Operator (“AEO”) Programme.

**Hong Kong’s role as a free port and a logistics hub**

2. Hong Kong is a free port. C&ED does not charge any tariff on imports, and excise duties are levied only on four types of dutiable commodities<sup>1</sup>. At the same time, Hong Kong is strategically located at the heart of Asia, and is well connected to the Mainland of China and the rest of the world by a world-class international airport, a container terminal renowned for its efficiency, and extensive land crossings. Hong Kong is therefore well placed to serve as a regional transport and logistics hub.

3. 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 9<sup>th</sup> worldwide for “border clearance efficiency”. On the part of the C&ED, it has put in place various measures over the years to enhance customs clearance efficiency and expedite cargo flow while maintaining effective controls. SELS and AEO Programme are two of the important facilitation measures.

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<sup>1</sup> Liquors, tobacco, hydrocarbon oil and methyl alcohol. Excise duties are charged on these four commodities, irrespective of whether they are imported or locally manufactured.

## **Single E-Lock Scheme**

### ***Major features***

4. SELS, jointly launched by the Mainland Customs and C&ED, was formally implemented in 2016. SELS targets at inter-modal transshipment cargoes between Hong Kong and Guangdong. Such cargoes comprise goods arriving in Hong Kong by air or sea from abroad and, upon arrival, sent to the Mainland by land transport; or, vice versa, goods arriving in Hong Kong by land transport from the Mainland and, upon arrival, sent abroad by air or sea. On Hong Kong's part, SELS is open to all goods<sup>2</sup>, except for certain types of goods which are subject to import and export licensing control in Hong Kong. SELS users may cross the boundary via all Land Boundary Control Points<sup>3</sup>.

5. By using electronic lock and GPS equipment, SELS can provide assurance that the goods are not tampered with in the transportation process, and therefore help obviate the need for repeated inspections on the same cargo by both customs authorities. It is instrumental in streamlining the clearance process and speeding up the cargo flow, stimulating cross-boundary trade activities and enhancing logistics industries' competitiveness. SELS has been well received by the logistics industry<sup>4</sup>. As of November 2019, eight major logistics and express courier service operators in Hong Kong have joined SELS<sup>5</sup>. Since the launch of the trial-run of SELS in 2012, more than 6.5 million cargo shipments between Hong Kong and the Mainland have been handled with facilitation under SELS.

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<sup>2</sup> Coverage includes: (i) General goods which are not controlled by any licence or permit; (ii) Dutiable commodities with permits; (iii) Controlled chemicals with permits; and (iv) Cargoes under the Transshipment Cargo Exemption Scheme.

<sup>3</sup> Land Boundary Control Points include: Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, Lok Ma Chau Control Point, Man Kam To Control Point, Sha Tau Kok Control Point, Shenzhen Bay Control Point.

<sup>4</sup> Participation in SELS is voluntary. Shippers or carriers who wish to join SELS are required to register with C&ED and the Mainland Customs. Participants are required to install an electronic lock and GPS equipment accredited by both customs authorities on their goods vehicles. C&ED does not impose any charge on participants, though suppliers of the electronic lock and the GPS equipment may impose a service charge.

<sup>5</sup> These eight participants comprise (in alphabetical order):

- (a) Asia Airfreight Services Limited;
- (b) Cathay Pacific Services Limited;
- (c) DHL Aviation (Hong Kong) Limited;
- (d) Federal Express (Hong Kong) Limited;
- (e) Hong Kong Air Cargo Industry Services Limited;
- (f) Hutchison Logistics (HK) Limited;
- (g) S.F. Express (Hong Kong) Limited; and
- (h) TNT Express Worldwide (HK) Limited.

### *Network of clearance points*

6. The benefits which SELS can bring to the logistics industry hinges very much on the number and breadth of the clearance points on both sides, especially those in the Mainland municipalities of the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”). For the purposes of SELS operation, Hong Kong and Guangdong have designated their respective pool of clearance points. On Hong Kong’s part, we have set up 12 clearance points, covering various air cargo terminals and sea container terminals in Hong Kong. As for clearance points in Guangdong, as mentioned in the 2018 Policy Agenda, the Government has been actively exploring with the Mainland authorities the extension of SELS to more clearance points in GBA, with a view to enhancing cross-boundary cargo flow and expediting cargo clearance. The number of clearance points under SELS in Guangdong had been significantly increased to 51 in January 2019 (up from 32 hitherto), covering many Mainland municipalities in Guangdong and GBA.

7. Through the concerted effort of C&ED and the Mainland Customs, a clearance point at Zhongshan was successfully launched in May 2019. This enables SELS to cover all nine Mainland municipalities within GBA<sup>6</sup>, as a policy measure promulgated by the Central People’s Government on 1 March 2019 to take forward the development of GBA. This also brings the number of clearance points in Guangdong Province under SELS to a total of 52.

8. With the two sets of clearance points in Hong Kong and Guangdong (full list at **Annex A**), SELS provides the logistics trade with a total of over 620 cross-boundary routes for inter-modal transshipment cargoes between Hong Kong and Guangdong. We will continue to work with the Mainland authorities on the expansion in the network of clearance points under SELS in Guangdong.

### *Latest Development and Promotion*

9. To expand the network of clearance points under SELS in Guangdong, both the Mainland Customs and C&ED have agreed to extend SELS to cover the Heung Yuen Wai Boundary Control Point upon its commissioning.

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<sup>6</sup> Nine municipalities within Greater Bay Area includes: Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing in Guangdong Province.

10. C&ED established a “Transshipment Cargo Clearance Facilitation Customer Liaison Group” in November 2018 to maintain close ties with stakeholders through regular meetings. C&ED will continue to make good use of this channel to engage the trade involved in Hong Kong transshipment cargo to/from the Mainland, so as to better understand the latest market development and collect their views on SELS.

### ***Way Forward***

11. Going forward, C&ED will further strengthen its efforts to encourage the logistics industry to participate in SELS and to make better use of the Scheme to seize business opportunities arising from the GBA development. C&ED will join hands with the Mainland Customs, where appropriate, in promoting SELS to the trade, and will continue to engage the trade to explore room for further enhancing the Scheme.

## **Hong Kong Authorized Economic Operator Programme**

### ***International framework***

12. AEO is a concept under the SAFE Framework of Standards to Secure and Facilitate Global Trade (“SAFE Framework”) promulgated by the World Customs Organization (“WCO”) in 2005. It represents a Customs-to-Business partnership to enhance international supply chain security and facilitate movement of legitimate goods. Customs authorities of different customs territories may accredit enterprises that adopt appropriate security measures and procedures as AEOs. Cargoes handled by AEOs may enjoy customs facilitation such as reduced examination and prioritized clearance.

13. At present, as many as 85 customs administrations have implemented their respective AEO programmes. They cover many of Hong Kong's major trading partners, such as the Mainland of China, the United States, the European Union, Japan, Singapore and Korea.

14. In April 2012, C&ED launched its AEO Programme (known as “Hong Kong AEO Programme”) along the framework promulgated by the WCO. The Programme serves as a free, open and voluntary certification scheme to enhance

international supply chain security. Local companies (including SMEs) may apply for accreditation and will be so accredited as Hong Kong AEOs, so long as they can meet the prescribed standards. Such accreditation would entitle them to enjoy cargo clearance facilitation in Hong Kong as well as other economies with MRAs signed with Hong Kong.

### ***Accreditation of Hong Kong AEOs***

15. The Hong Kong AEO Programme is drawn up with reference to the requirements under the SAFE Framework. The 12 accreditation criteria (full list at **Annex B**) cover areas such as track record of customs compliance, internal control of commercial records, and security arrangement for cargoes, conveyance, personnel, premises, business partners and information access.

16. Upon receipt of an AEO application, C&ED will carefully consider and visit the operation sites of the company to assess its capability of meeting all the criteria. C&ED will assign designated Account Manager to follow up on each AEO application and assist the company in enhancing its internal controls and sharing the best practices in supply chain security. The application process leading to the accreditation (known as “Hong Kong AEO Certification”) usually takes three to four months subject to the complexity of a company’s business operation and the number of sites where joint validation will need to be conducted. Each application is subject to examination and approval by an Accreditation Panel. The accreditation is subject to renewal every three years. When considering each renewal case, C&ED will revisit the operation sites of the company and check if they are in continuous compliance with the criteria.

17. By now, the number of companies accredited as Hong Kong AEO has risen to 60 (position as at December 2019). C&ED is processing a number of applications, and envisages that the number of accredited companies will continue to grow.

### ***Benefits to Hong Kong AEOs***

18. Being accredited as Hong Kong AEO is a manifestation of the outstanding performance of a company in upholding supply chain security and representing a reliable and trustworthy international brand. Hong Kong AEOs can enjoy benefits in terms of reduction in inspection rate up to 80% and priority

clearance services (e.g. clearance services at designated AEO Priority Service Counters at entry points<sup>7</sup>).

19. In the first half of 2019, the Hong Kong AEO Programme has provided facilitation to a total of 3.83 million consignments of cargo, representing 9.7% of Hong Kong's overall trade volume. The value of the consignments involved amounted to \$370 billion, representing 9.2% of the overall value of Hong Kong's external merchandise trade during the same period.

### ***Mutual Recognition Arrangements with other economies***

20. Hong Kong AEOs stand to benefit from clearance facilitation not only in Hong Kong, but also in other economies which have entered into Mutual Recognition Arrangements ("MRAs") with Hong Kong. MRAs are therefore instrumental in facilitating seamless cross-boundary movement of goods through the supply chain.

21. As of December 2019, Hong Kong has entered into MRAs with eleven economies, namely the Mainland of China, India, Korea, Singapore, Thailand, Malaysia, Japan, Australia, New Zealand, Israel and Canada. Most of them are within the scope of Belt and Road related countries and regions. Hong Kong ranked the fourth<sup>8</sup> worldwide in terms of the number of MRAs signed. Expanding the coverage of Hong Kong's MRA network will complement the Government's efforts of encouraging enterprises to capitalize on the new business opportunities arising from the Belt and Road Initiative and the GBA development. It is expected a few more MRAs will likely be signed in 2020.

### ***Publicity and Latest Development of the Programme***

22. To strengthen promotion of the Hong Kong AEO Programme and its branding effect, C&ED introduced a specially designed logo (see **Annex C**) in January 2014. C&ED encourages the Hong Kong AEOs to use the logo in their business operation, such as their websites, vehicles, premises, and

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<sup>7</sup> C&ED sets up designated "AEO Priority Service Counter" and "AEO Priority Parking Space" at various control points. Customs officers will give priority on handling the AEOs' consignments thereby shortening the time required for customs clearance.

<sup>8</sup> As at December 2019, Korea has signed MRA with 21 economies, the Mainland of China with 15 economies, US with 12 economies, Hong Kong and Japan with eleven economies each.

advertisements<sup>9</sup>. Moreover, C&ED has produced a series of promotion video clips to brief the industry on the latest development of the Programme. C&ED has also been promoting the Programme through seminars and workshops for trade associations, and making use of such occasions to share the business practice that meet accreditation criteria and assist interested enterprises in preparing for the accreditation process. Moreover, C&ED has proactively identify potential enterprises for the Programme through out-reaching visits.

23. In addition, C&ED organizes AEO Certificate Presentation Ceremony from time to time to recognize the efforts of Hong Kong AEOs in strengthening international supply chain security. C&ED made use of such occasions to present the HK AEO Partnership Scheme Award to the Hong Kong AEOs in recognition of their excellent performance on promoting the HK AEO Programme and active participation in Hong Kong AEO related activities.

24. Moreover, C&ED launched a webpage of AEO Blogger in 2019 and solicited the support of some top management of Hong Kong AEOs to share their valuable experiences on how the Hong Kong AEO Programme has helped their enterprises in enhancing and improving their operational management and supply chain security, and in exploring business opportunities.

25. C&ED also rolled out a set of online self-learning kit to assist interested enterprises in their preparation for making application for accreditation as Hong Kong AEO. Apart from some basic introduction on the Hong Kong AEO Programme, the kit also covers one module for each of the 12 accreditation criteria adopted for the Programme.

26. In 2019, the Hong Kong AEO Programme was awarded a Special Citation of the Departmental Service Enhancement Award (Large Department Category) under the Civil Service Outstanding Service Award Scheme in recognition of the commitment of C&ED by applying the innovation and technology approach towards Smart Customs and serving the global economy as an economic development promoter.

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<sup>9</sup> As at November 2019, there are 40 out of the 60 Hong Kong AEOs using the AEO logo for their business operation. And there are 209 Hong Kong AEOs' freight vehicles bearing the AEO logo.

### *Way forward*

27. Going forward, C&ED will continue to take active steps to seek reaching MRAs with other customs administrations, particularly those of the Belt and Road related countries and regions. On the local front, C&ED will continue to promote the Hong Kong AEO Programme to the traders, with a view to enhancing international supply chain security, and assisting enterprises to strengthen internal management and enhance external marketability through the Programme.

### **Advice Sought**

28. Members are invited to note the two measures set out in this paper. Members are also welcome to refer to C&ED in case they come across any enterprises interested in these measures, so that C&ED may follow up proactively.

Customs and Excise Department  
December 2019



**List of Clearance Points under SELS in Hong Kong**

(In alphabetical order)

1. Asia Airfreight Terminal
2. Asia Container Terminals
3. Cathay Pacific Cargo Terminal
4. COSCO-HIT Terminals
5. DHL Central Asia Hub
6. DP World
7. Hong Kong International Airport Express Cargo Terminal
8. Hong Kong International Terminals
9. Kwai Chung Customhouse
10. Modern Terminals
11. River Trade Terminal
12. Super Terminal 1

**List of Clearance Points under SELS in Guangdong  
(available in Chinese only)**

**廣東省內的清關點 (52 個) :**

**位於大灣區內地九市的清關點 :**

**中山市**

1. 中山保稅物流中心 (由 2019 年 5 月起新增)

**江門市**

2. 江門市中岸跨境電商快件分揀清關中心
3. 江門市跨境電子商務快件分揀清關中心
4. 江門車檢場
5. 鶴山市南方跨境電子商務快件分揀清關中心
6. 鶴山市萬年松跨境電子商務分揀清關中心

**佛山市**

7. 佛山快件
8. 佛山車檢場
9. 佛山國通保稅物流中心 (B 型)
10. 南海三山碼頭
11. 南海平洲南港碼頭
12. 南海桂江車檢場

## 東莞市

13. 東莞市世通國際快件監管中心
14. 東莞南城國際快件中心
15. 東莞國際郵件互換局兼交換站
16. 東莞跨境電商中心園區
17. 長安車檢場
18. 啟盈國際快件監管中心
19. 鳳崗車檢場
20. 寮步車檢場

## 珠海市

21. 斗門海關所轄斗門廣豐跨境電商產業園

## 深圳市

22. 筲崗海關（中外運平湖監管場所）
23. 深圳機場海關（機場物流園）
24. 郵局海關（UPS 亞太區深圳轉運中心）
25. 郵局海關（深圳國際快件運營中心）
26. 郵局海關（深圳郵件處理中心）
27. 蛇口海關（前海灣保稅港區）
28. 鹽田綜保區海關（沙頭角片區）
29. 鹽田綜保區海關（鹽田片區）

## 惠州市

30. 惠州海關（惠州快件中心）

## 肇慶市

31. 大旺車檢場

## 廣州市

32. 沙灣車場
33. 狀元谷跨境電商中心
34. 南沙保稅港區物流區
35. 南沙新港
36. 從化車檢場
37. 番禺蓮花山港
38. 開發區車檢場
39. 新銀河跨境電商產業園
40. 滘心碼頭
41. 廣州郵局海關流花大院快件監管現場
42. 廣州機場
43. 廣州機場聯邦快遞亞太轉運中心

## 大灣區外的清關點：

汕頭市

44. 汕頭郵政速遞跨境電商監管中心

河源市

45. 河源車檢場

茂名市

46. 茂名市外星人跨境電商監管中心（茂名電白）

清遠市

47. 清遠車檢場

湛江市

48. 湛江市跨境電商公共產業中心（嶺北）

49. 湛江進出境快件監管中心（麻章）

50. 湛江進出境快件監管中心遂溪分中心（嶺北）

51. 粵西跨境電商國際快件監管中心（吳川）

韶關市

52. 韶關車檢場

**Accreditation Criteria adopted for the Hong Kong AEO Programme**

**General Criteria**

1. Customs Compliance
2. Maintenance of Commercial Records
3. Financial Soundness Security Criteria

**Security Criteria**

4. Premises Security and Access Control
5. Personnel Security
6. Cargo Security
7. Conveyance Security
8. Business Partner Security
9. Security Education and Training
10. Information Exchange, Access and Confidentiality
11. Crisis Management and Incident Recovery
12. Measurement, Analysis and Improvement

**Hong Kong AEO Logo**

