

**For discussion
on 15 May 2018**

Legislative Council Panel on Commerce and Industry

**Progress of the Development of Trade Single Window
and Launch of Phase 1**

Purpose

This paper reports on the latest progress of the development of the Trade Single Window (“TSW”) as a one-stop platform for the lodging of Business-to-Government (“B2G”) trade documents for trade declaration and customs clearance, and seeks Members’ support for the manpower proposals regarding directorate posts in the Single Window Project Management Office (“PMO”).

Background

2. The Government announced in February 2016 that it would establish a TSW for one-stop lodging of all the 50-plus trade documents and submissions with Government for trade declaration and customs clearance purposes. This was followed by a three-month consultation exercise from April to July 2016. During the consultation period, we briefed the Panel on our plan at the meeting on 19 April 2016. Taking into account the views collected from the consultation period and our further engagement with the trade, we have revised the implementation plan on the TSW development.

3. The TSW is a highly sophisticated project with a mega scale. The Government needs to secure passage of the relevant legislative and funding proposals, and conduct tendering exercise(s) to appoint contractor(s) for the design and development of the information technology (“IT”) system. Subject to satisfactory progress of all preparatory work, the TSW would be implemented in three phases –

- (a) **Phase 1** (2018 roll-out) – covering 13 types of trade documents whose applications 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) through the TSW by way of legislation; and
- (c) **Phase 3** (2023 the earliest) – mandating the submission of Import and Export Declarations (“TDEC”), Advance Cargo Information (“ACI”) and Cargo Report through the TSW (please also see paragraph 4 below).

4. Phases 1 and 2 would mainly cover trade documents for specific trades (e.g. licences for the import and export of specific controlled products), whereas Phase 3 would cover trade documents required or proposed to be required for all cargoes (e.g. TDEC, ACI and Cargo Report). For Phase 3, in view of the concerns raised on the Government’s previous proposal to replace the current post-shipment TDEC regime by a pre-shipment one, we have refined our proposal and would proceed as follows –

- (a) **Post-shipment TDEC** – we will maintain the existing arrangement (i.e. to be submitted within 14 days after import or export), but will also encourage traders to submit TDEC at the pre-shipment stage voluntarily;
- (b) **Unified ACI**¹ – we will unify the submission requirements of ACI for all modes of transport. Data requirements will be modelled on the Road Cargo System (“ROCARS”)²; and
- (c) **Pre-shipment Cargo Report** – we will introduce a new, standardised pre-shipment Cargo Report to rationalise the existing 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.

At the meeting on 18 April 2017, we briefed the Panel on our revised proposal and the way forward. Members supported the proposals in general.

¹ If the TDEC is submitted pre-shipment, submission of ACI can be obviated.

² 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. To take forward the TSW project, the Commerce, Industry and Tourism Branch (“CITB”) of the Commerce and Economic Development Bureau has set up a dedicated PMO since April 2016. The PMO is currently headed by a three-year supernumerary post of Administrative Officer Staff Grade C (“AOSGC”), which was created with the approval of the Finance Committee (“FC”) of the Legislative Council (“LegCo”) in June 2016.

Benefits of Introducing TSW in Hong Kong

6. It is expected that the TSW would save time and cost of the trading community, as they will no longer need to approach different government agencies individually and can lodge import and export trade documents electronically round the clock through a centralised platform. 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.

7. In addition, upon full implementation of the TSW, cargo hold-ups during clearance (because of insufficient cargo information) can be minimised, bringing a smoother and seamless cargo clearance, thus enhancing trade efficiency in the long run. Furthermore, streamlining and rationalisation of various existing submission requirements of pre-shipment and post-shipment cargo information would also save the time and cost of the trading community.

Latest Progress of Work

8. The TSW is a complex project of mega scale. We are working closely with over ten other Government agencies, including the Customs and Excise Department (“C&ED”) which will be the future TSW operator and main frontline law enforcement agency, to spearhead different components of the project. These include IT technical studies and system development, preparation of legislative amendments and, last but not least, on-going trade engagement. We are pressing full steam ahead with the development of the TSW and in particular, the launch of Phase 1 in 2018.

A. *Launch of Phase 1*

9. Phase 1 will provide a single IT platform for the trade to lodge 13 types of trade documents (see Annex A) on a voluntary basis. The Government will launch Phase 1 in 2018 (exact date to be announced when ready). Key progress of Phase 1 is highlighted as follows –

- (a) On system readiness, we have completed the relevant system design and have set up the IT system required for Phase 1. Apart from testing by the relevant Government agencies, we also invited representatives of the trades involved in the documents covered by Phase 1 to participate in the functionality tests in December 2017 and briefed stakeholders in the logistics sector in January 2018 on the overall design of Phase 1. They provided valuable feedback on the user interface and system design. Taking into account comments from these external stakeholders and future system users in the participating Government agencies, we are now further refining the Phase 1 system to improve its user-friendliness and to better meet users' needs. Upon finalising the system development work, we will proceed to the final round of tests;
- (b) On services and support to the trading community, C&ED, as the operator of the TSW, will establish the TSW Operation Office to tie in with the launch of Phase 1. Services to be provided include registration for using the TSW, system administration and other supporting services (such as service counters, customer support, 24-hour hotline service, outreach and training), etc. Apart from C&ED, other Government agencies involved in Phase 1 (as set out in Annex A), are also gearing up their preparation, including making plans on publicity and staff training and the necessary adaptations to the TSW environment for smooth operation; and
- (c) Phase 1 will enable the relevant trades to enjoy early the benefits as mentioned in paragraph 6 above (i.e. they may lodge trade documents round the clock, and re-use data and check the status of their applications more conveniently). The trade would be able to meet, with commonly used web browsers, the basic technical requirements for using the TSW system. In developing the system and the business process, we make special efforts to ensure that user-friendly functions such as streamlining

of application of licences³ and online validity checking of licences⁴ will be provided.

10. Phase 1 is a pilot phase which provides a voluntary e-option to cultivate the trade's buy-in for the TSW. While the existing fees, if any, for specific trade documents (see Annex A) will continue to apply, we will waive the fees for the use of TSW in Phase 1 to encourage the trade's take-up. To pave way for the launch of Phase 1, we will step up publicity and training for the trade, and will continue to engage them and collect feedback after launch to further enhance and improve the TSW system and service. The experience gained in Phase 1 will also provide us with useful reference for the design and development of future phases.

B. On-going Work for the Development of Phases 2 and 3

11. Apart from preparing for the imminent task of Phase 1 launch, we are also spearheading other areas of work at the same time for the ongoing development of Phases 2 and 3, notably the following –

- (a) **Trade engagement** – we have continued to engage the industry widely through various channels after the public consultation exercise conducted in April to July 2016. Six User Consultation Groups⁵ (“UCGs”) with membership covering various stakeholders in the trading and logistics sectors have been set up to liaise with the trade. We have also leveraged other existing platforms such as customer liaison groups and advisory boards of Government agencies, chambers and trade associations. Moreover, ad hoc consultation sessions have been conducted to collect the trade's comments and feedback on specific issues;

³ Articles requiring licences from two Government agencies, say, C&ED and the Department of Health (“DH”), can be submitted in one go under the TSW, e.g. controlled chemicals requiring both the Authorization to Import/Export Controlled Chemicals from C&ED and Import/Export Licence for Pharmaceutical Raw Materials from DH.

⁴ When a carrier receives a print-out of electronic licence from an importer/exporter, the carrier may verify the validity of the licence on the TSW using the licence number and the verification code shown on the print-out.

⁵ The six UCGs are (a) air cargo terminal operators, (b) sea cargo terminal operators and public cargo working area operators, (c) airlines, (d) shipping lines, (e) express couriers and forwarders, and (f) traders.

- (b) **IT system design and development** – we are conducting technical studies for Phases 2 and 3, so that we may ascertain the overall technical design and the requirements of individual IT components in more specific details for preparing funding proposals and future procurement exercises;
- (c) **Legislative exercise** – we need to formulate and draft a new enabling bill to underpin the establishment and use of the TSW, and make amendments to over 40 pieces of existing legislation (including the Import and Export Ordinance and its subsidiary legislations) to mandate the use of the TSW and implement the pre-shipment documentation regime as envisaged under paragraph 4 above. We have been working closely with the Department of Justice and the relevant Government agencies on this mega legislative exercise to prepare the legislative proposals; and
- (d) **Business process design** – when devising detailed business workflows for Phase 3, we are mindful of the need to explore possible room for streamlining procedures and minimising data requirements to enhance efficiency in application processing and cargo clearance. We have been working closely with stakeholders in the trading and logistics sector and the relevant Government agencies when designing the detailed business workflows along the directions as set out in paragraphs 6 and 7 above. Going forward, we will continue to work closely with them to thrash out the implementation details with a view to further enhancing cargo clearance and law enforcement.

Room for Expediting the TSW Project and Providing Connections with Other TSWs

12. Hong Kong has always been a free port that exercises minimal licensing control on goods entering or leaving the territory. Over the years, the Government has introduced many initiatives to ease the burden of trade control over the trading community and to speed up customs clearance. Hence, while Hong Kong has yet to implement the TSW, we remain competitive in respect of trade facilitation and customs efficiency⁶.

⁶ According to the Global Competitiveness Report published by the World Economic Forum in September 2017, Hong Kong was ranked the world's sixth-most competitive economy, and was ranked third worldwide for the indicator of "burden of customs procedures" (the higher the ranking, the lower the burden).

13. Since the TSW is a highly sophisticated project with a mega scale, the time-table set out in paragraph 3 above is already aggressive. We will, however, strive to explore room for expediting the implementation of Phases 2 and 3 of the TSW in order to allow more time for progressive adoption of the TSW by the trading community and enable them to enjoy further trade facilitation early. In respect of providing connectivity between Hong Kong's TSW and those of other jurisdictions (including the Mainland), we will closely monitor the latest development of TSWs in other jurisdictions and will liaise with the relevant authorities to study the issue at an early suitable juncture.

Extension of the Government Electronic Trading Services (“GETS”)

14. Of the 50-plus B2G documents to be covered by the future TSW, four are currently submitted through GETS⁷. The TSW is expected to take over from GETS upon its full implementation, but we need to continue the GETS model until then. As the Government's contracts with the existing Service Providers (“SPs”) will expire in end 2018, the Government launched an open tendering exercise in April 2017 with a view to appointing up to three SPs (subject to market response) for the provision of GETS from January 2019 to December 2024. Following a competitive selection process, the Government appointed Brio Electronic Commerce Limited, Global e-Trading Services Limited, and Tradelink Electronic Commerce Limited as GETS SPs for the above-said period. The appointment of these three SPs was announced on 2 February 2018. The new contracts will allow possible extension for up to three more years at the Government's option in order to ensure a smooth transition to the TSW until its full implementation.

Proposed Extension of the Project Management Office to Tie In with Implementation Timeframe

15. On 24 June 2016, the FC approved the creation of a supernumerary AOSGC (D2) post in CITB (designated as Principal Assistant Secretary (Single Window) (“PAS(SW)”)) for three years to oversee and steer the work of the PMO in taking forward the

⁷ GETS is a front-end electronic service mandatory for the trading community to submit commonly used trade documents including TDEC, Certificate of Origin, Dutiable Commodities Permit and Cargo Manifest for air and sea modes.

development of a TSW in Hong Kong. The PMO is supported by 16 non-directorate officers from multi-disciplinary teams⁸.

16. In view of the complexities and huge volume of work involved in the PMO (see paragraphs 8 to 13 above) and the need to ensure that there is dedicated manpower to steer and take forward the project until its full implementation in 2023 the earliest, we propose to extend all the existing time-limited posts⁹ in the PMO, including the supernumerary AOSGC post, for four years up to 2023.

17. In addition, as the TSW project has entered into a critical stage requiring work with wider span and greater depth on various fronts (notably the IT and policy and legislative fronts), we will strengthen the manpower support in the PMO by creating nine additional time-limited posts, including the proposed creation of a supernumerary Chief Systems Manager (“CSM”) (D1) post¹⁰, for five years up to 2023. The proposed duration of these new posts is in line with our plan to extend the existing PMO posts for another four years up to 2023.

Proposed Extension of a Supernumerary AOSGC post

18. As the head of the PMO, PAS(SW) has been providing leadership in the sophisticated coordination work among internal and external stakeholders as well as policy steer over preparation work on all fronts. In the years ahead, we need the continued efforts of PAS(SW) to provide policy guidance and monitoring on the overall development and implementation of the TSW project. To ensure smooth and timely delivery of the TSW project, we propose to extend the post of PAS(SW) for four years up to 2023 to continue overseeing and steering the work of the PMO according to the latest work schedule. The proposed job description of PAS(SW) is at **Annex B**.

⁸ The existing 16 non-directorate posts include one Senior Administrative Officer, one Senior Government Counsel, one Chief Executive Officer, one Senior Executive Officer, one Senior Superintendent of Customs and Excise, one Assistant Superintendent of Customs and Excise, one Senior Inspector of Customs and Excise, one Inspector of Customs and Excise, two Senior Systems Manager, three Systems Manager, two Assistant Clerical Officer and one Personal Secretary I posts.

⁹ The 17 posts in the PMO are time-limited for three years from 2016 up to 2019. The 16 non-directorate posts will lapse on 31 March 2019 while the supernumerary AOSGC post will lapse on 23 June 2019 if not extended.

¹⁰ The eight additional non-directorate posts to be created in 2018-19 include one Senior Government Counsel, one Administrative Officer, one Systems Manager, two Analyst/Programmer I, two Analyst/Programmer II and one Assistant Clerical Officer posts.

Proposed Creation of a Supernumerary CSM Post

19. As illustrated by the progress of work in the preceding paragraphs, the TSW project has a heavy IT content as it would serve as a one-stop electronic platform for lodging all B2G trade documents and would replace the relevant existing IT systems. Having regard to the complexity of system design and development, we see a pressing need for the creation of a CSM to inject the necessary IT expertise into the PMO to help formulate strategies on the IT direction of the TSW project. Given the scale of the TSW project and in line with other mega IT projects implemented by the Government in the past, we consider it justified to create a dedicated CSM, with sufficient experience and knowledge in system development and management and the requisite competency to handle complex issues, to spearhead the IT side of the project.

20. The proposed CSM post, designated as Chief Systems Manager (Single Window) (“CSM(SW)”), will lead the IT Unit in the PMO and provide technical steer on the planning and overseeing of various IT projects under the TSW initiative to ensure their smooth implementation. This includes overall project planning, management, co-ordination, development, testing, acceptance and implementation of the various IT systems and sub-systems. CSM(SW) will also provide advice on tender preparation, tender evaluation, and participate in contract negotiation as well as oversee the interface and data exchange of TSW system with other relevant IT and manual systems of participating Government agencies and those of industry participants. The proposed job description of CSM(SW) is at **Annex C**.

Revised Set-up of the PMO

21. From 2018-19 onwards, the number of non-directorate staff in the PMO will increase from 16 to 24. An organisation chart of the PMO showing its revised set-up after the creation of the post of CSM(SW) is at **Annex D**. Future requirement of the directorate posts beyond 2023 will be reviewed at a suitable juncture.

Alternatives Considered

22. We have critically examined the possibility of redeploying existing directorate officers within CITB to take on the tasks of PAS(SW). All other directorate officers are already fully occupied with their own

heavy portfolios which span across a wide range of areas, including important policy initiatives and legislative exercises related to Hong Kong's external commercial relations, Mainland and Hong Kong Closer Economic Partnership Arrangement, investment promotion, intellectual property protection, industry support, trade facilitation, competition policy and consumer protection, etc. It is not viable for them to take up the duties of the PAS(SW) without adversely affecting the discharge of their current duties. It is also not viable for them to take up the duties of the proposed CSM(SW) post given the technical expertise required for the system development and design work of the TSW project. It would be more effective to create a dedicated CSM post to steer the IT direction and development of the project.

Financial Implications

23. The proposed extension of the supernumerary AOSGC post and the proposed creation of the supernumerary CSM post will require an additional notional annual salary cost at mid-point of \$3,860,000. The additional full annual average staff cost, including salaries and staff on-cost, is \$5,562,000.

24. Moreover, the extension of 16 non-directorate posts and creation of eight additional non-directorate posts in the PMO will entail an additional notional annual salary cost at mid-point of \$22,049,000 and the additional full annual average staff cost, including salaries and staff on-cost, is about \$32,222,000. We have earmarked resources and included the necessary provision in the Estimates of 2018-19 to meet the staff cost and will reflect the resources required in the Estimates of subsequent years.

Way Forward

25. We are making preparations for the launch of Phase 1 in 2018, and will continue to press ahead with preparation work on all fronts to ensure that the final TSW service will achieve the policy objectives and be user-friendly. On the staffing proposals regarding the directorate posts in the PMO, subject to Members' views, we will seek the necessary approval from LegCo according to the established mechanism.

Advice Sought

26. Members are invited to note the progress of development of the TSW and to support staffing proposal regarding the directorate posts in the PMO as mentioned in paragraphs 15 to 24 above. We will keep Members posted of further development and seek resource and legislative support as we move forward.

**Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
May 2018**

**Trade Single Window
Documents under Phase 1**

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. Certificate of Non-manipulation under Free Trade Agreement Transshipment Facilitation Scheme@ 4. Certification of Non-U.S. Frozen Chicken Products Transhipped to the Mainland through Hong Kong 5. Licence for Optical Disc Mastering and Replication Equipment 6. Removal Permit for Controlled Chemicals in Transshipment@ 7. Transshipment Notification for Optical Disc Mastering and Replication Equipment
Civil Engineering and Development Department	8. Hong Kong Natural Sand Final User Certificate
	9. Sand Removal Permit
Environmental Protection Department	10. Licence for Ozone Depleting Substances@#
	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

* Some controlled chemicals also require the Import/Export Licence for Pharmaceutical Raw Materials issued by the Department of Health.

@ Documents that are fee-charging.

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

Job Description

Post Title: Principal Assistant Secretary (Single Window) [“PAS(SW)”]

Rank: Administrative Officer Staff Grade C

Responsible to: Deputy Secretary for Commerce and Economic Development (Commerce and Industry)²

Main Duties and Responsibilities –

- (1) To lead a dedicated team in the Commerce and Economic Development Bureau to oversee and coordinate the relevant work of departments under different Bureaux, in developing the Trade Single Window (“TSW”) infrastructure and in building connectivity with other systems based on international standards;
- (2) To provide strategic steer and advice on the overall implementation of the TSW and to oversee the streamlining of processes for the handling of the documents/submissions concerned and support services in future;
- (3) To formulate policies, development plans and work targets for the TSW development, the migration plan for the documents and submissions concerned and the seamless transition from the Government Electronic Trading Services to TSW in due course;
- (4) To review the legal framework and take forward legislative amendments relating to the use of TSW and the revised proposal on pre-shipment documentation;
- (5) To engage the trading and logistics sectors in the development of TSW, and to work out the framework for the information technology and related sectors to provide value-added services for TSW users;
- (6) To formulate a programme of exchange of information with other economies as allowed under future legislation in the light of international developments; and
- (7) To oversee and provide steer on the financial and contractual management for TSW development.

Proposed Job Description

Post Title: Chief Systems Manager (Single Window) [“CSM(SW)”]

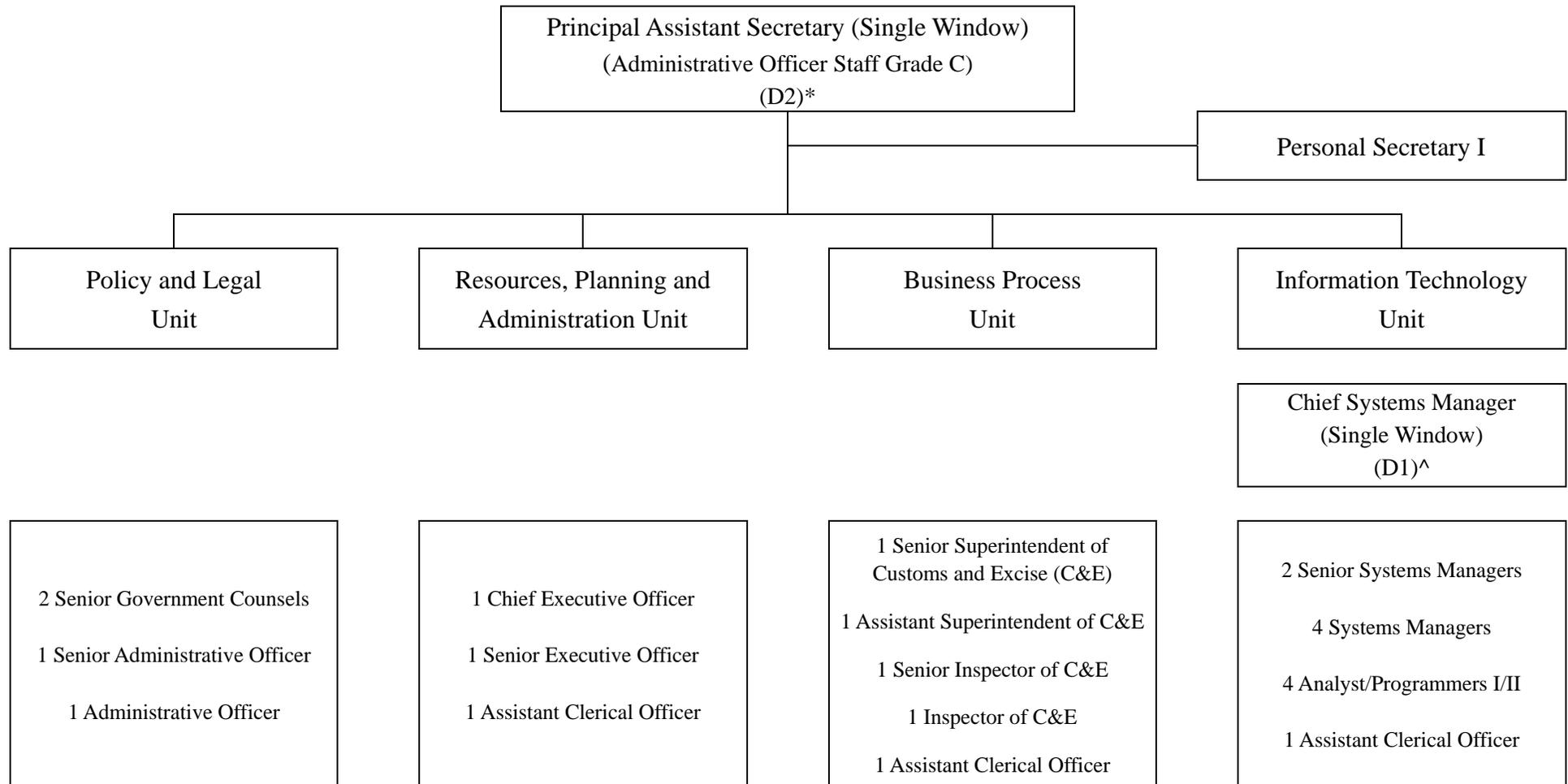
Rank: Chief Systems Manager

Responsible to: Principal Assistant Secretary (Single Window)

Main Duties and Responsibilities –

- (1) To provide technical advice on all information technology (“IT”) related matters for the smooth and timely implementation of the Trade Single Window (“TSW”) system and the Cargo Clearance Module of Customs and Excise Department;
- (2) To give directions on, and be responsible for, all the IT activities relating to the TSW system, including overall project planning, management, co-ordination, development, testing, acceptance and implementation of the various IT systems and sub-systems;
- (3) To monitor and ensure that the necessary technical measures are implemented to protect the privacy of data and system security to the desired level;
- (4) To formulate, recommend and execute strategies for the procurement of IT services and equipment at various stages of the project;
- (5) To provide advice on tender preparation, tender evaluation, and to participate in contract negotiation;
- (6) To manage the performance of the IT staff and external contractors, to ensure that the systems are delivered on time, that the system integration work is done smoothly by the various contractors, and to arbitrate or give directives, as necessary, should there be disputes among them; and
- (7) To oversee the technical aspects of interface and data exchange of TSW system with other relevant IT and manual systems of participating Government agencies and industry participants as well as TSWs in other economies.

**Proposed Organisation Chart
of the Single Window Project Management Office**



Legend:

* Directorate post to be extended

^ Directorate post to be created