

Legislative Council Panel on Commerce and Industry

Agreements with Tradelink on the provision of Government Electronic Trading Services beyond 2004

Purpose

This paper informs Members that the Government has signed agreements with Tradelink Electronic Commerce Limited (Tradelink) for the continual provision beyond 2004 of Government Electronic Trading Services (GETS) for certificates of origin (CO), production notifications (PN) and textiles notifications under the Textiles Trader Registration Scheme (TTRS).

Background

2. In December 1992, the Government granted an exclusive franchise to Tradelink for the provision of front-end Electronic Data Interchange (EDI) services¹ to the trading community for six trade-related documents, i.e., restrained textiles export licence (RTEL), CO, PN, import and export declaration (TDEC), dutiable commodities permit (DCP) and cargo manifest (excluding road mode) (EMAN). The franchise is for seven years, beginning from the start of Tradelink's commercial operation on 1 January 1997 and expiring on 31 December 2003. In 2002, the Government signed another agreement expiring on 31 December 2003 with Tradelink for the provision of electronic services for delivering textiles notifications under TTRS.

3. After consulting this Panel and the trade in 2001, we decided to continue to appoint Tradelink as a service provider on a non-exclusive basis after the expiry of its franchise in 2003, and to appoint new service providers to inject competition into the GETS market for the provision of TDEC, DCP and EMAN services which are not solely or predominantly

¹ The services include receiving data electronically, confirming the identity of the trader, validating data and where necessary, consolidating data from several sources, charging the account of the trader for relevant fees and levies, and transmitting the data to back-end computer systems of relevant Government departments. "EDI services" have been renamed "GETS" on 1 January 2004 as the electronic services after 2003 include the requirement for internet-based transactions.

related to textiles trade and affected by the abolition of global textiles quotas in January 2005.

4. Following a tender exercise, we signed an agreement with Global e-Trading Services Limited (Ge-TS) in March 2003, appointing it as an additional service provider for the provision of TDEC and DCP services from 2004. This was reported to this Panel in April 2003 (vide Paper CB(1)1410/02-03(05)). Ge-TS launched its TDEC services on 1 January 2004 and its DCP services on 18 August 2004.

5. In December 2003, we signed non-exclusive service agreements with Tradelink for the provision of TDEC, DCP and EMAN services from 1 January 2004 to 31 December 2008, and for the provision of RTEL, CO, PN, and TTRS services from 1 January 2004 to 31 December 2004. The duration of the service agreements on RTEL, CO, PN and TTRS was relatively short because these four documents are solely or predominantly related to textiles trade and the abolition of textiles quotas in January 2005 would likely have a major impact on them. The signing of these service agreements was reported to this Panel in February 2004 (vide Paper CB(1)933/03-04(05)).

Review of the Textiles Control Regime

6. Following a review of the textiles control regime, the Trade and Industry Department (TID) has decided to make modifications to the existing control regime to cater for the post-2004 era. The proposed changes were reported to this Panel in July 2004 (vide Paper CB(1)2327/03-04(01)). The required legislative changes have also been approved. In accordance with these modifications, there will be the following changes to the requirements of trade documents -

- (a) RTEL will no longer be required from January 2005 onwards;
- (b) TTRS will be required up to end 2005 with adjustments from January 2005 to the types of textiles products that should be covered by this scheme; whether TTRS will be needed after 2005 will be determined in a review to be conducted in late 2005 by TID;

- (c) PN will be required for the time being; and
- (d) CO will be required on a long-term basis since CO will likely be required by some textiles importing economies and, in any case, CO may be required for both textiles and non-textiles products.

7. The above documentation requirement changes are likely to lead to a drop in the transaction volume of TTRS, CO and PN. It will be difficult to predict the extent of the drop because that will depend on, inter alia, the safeguard measures which importing countries may impose on the textiles exports from the Mainland in the coming years.

Agreements with Tradelink

8. As we will need the continual provision of GETS for CO, PN and TTRS beyond end 2004, we conducted negotiations with Tradelink for its continual provision of the concerned services. On 9 December 2004, we signed non-exclusive service agreements with Tradelink for it to provide services for CO, PN and TTRS beyond 2004.

Services for CO and PN

9. The terms of the new agreement are essentially the same as those in the 2004 agreement for CO and PN services. Some of the key terms of the new agreement are -

- (a) the contract is for four years from 1 January 2005 to 31 December 2008, and is renewable for one or more of the services by mutual agreement between the Government and Tradelink for a period to be specified by the Government;
- (b) the Government paid Tradelink \$1 and Tradelink will deliver and operate the services throughout the contract period in accordance with the technical specifications in the agreement;
- (c) Tradelink cannot charge user fees higher than those set out in the agreement throughout the contract period in relation to

providing services at service levels specified in the agreement;

- (d) the existing pro-competition clauses will continue to apply in the new agreement (i.e. non-exclusivity; prohibition against cross-ownership among the service providers; a prevailing price freeze mechanism to deter predatory pricing; general provisions against restraint of trade; obligation to publish tariffs and to provide information to Government to ensure compliance with the provisions of the service agreement; Government may issue notice to contractor to cease certain conduct, etc.); and
- (e) Tradelink shall tender an 18-month prior notification if it does not intend to renew the service agreement upon its expiry on 31 December 2008.

10. As the long-term need for CO services and the continual need for PN services for the time being have been ascertained, it is possible to consider introducing more than one GETS service provider to provide these two services. Indeed, Ge-TS has indicated interest in providing these services and has been in discussion with us. We will maintain discussions with Ge-TS to explore the possibility of introducing additional service providers to provide the CO and PN services.

Services for TTRS

11. The service agreement with Tradelink for TTRS services has been renewed for one year to cover the period 1 January to 31 December 2005 with essentially the same terms and conditions. The current charge to users will remain unchanged.

12. At present, TTRS registrants have to pay TID an annual registration fee. The use of electronic services for submitting TTRS (e-TTRS) notifications is not legally mandatory, i.e., currently traders may opt to submit TTRS notifications electronically or in paper form. The Government at this moment has no intention to mandate the submission of TTRS notifications by electronic means because, as mentioned in paragraph 6(b) above, TID will conduct a review in 2005 to determine whether TTRS will be needed after 2005.

13. During the negotiations, Tradelink suggested that if TTRS was still required after 2005, TID should consider introducing a lower annual registration fee for e-TTRS users as compared to paper-TTRS users, in order to encourage the use of e-TTRS. In line with the general policy of promoting e-commerce, we have indicated that should we decide to retain TTRS after 2005, we will explore introducing such a differential, provided that, among other things, such a differential is justifiable from a public finance perspective (taking into account the costs to the Government in providing the services to the two categories of registrants) and approval is given by the Legislative Council regarding the legislative amendments required to give effect to such a differential.

Conclusion

14. Members are invited to take note of the conclusion of the new service agreements with Tradelink covering the services for CO, PN and TTRS.

Commerce, Industry and Technology Bureau
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