

TRANSPORTATION

Economic and social development has led to a vast array of new and more complex needs in the transportation service field, which have raised public awareness of the increasing importance of this industry. The Transportation Committee looks forward to cooperating closely with the Taiwan government and domestic non-governmental organizations to develop solutions to specific transportation and traffic issues, so as to help make Taiwan more attractive and competitive as a business environment.

The Committee believes that a well-designed transportation system with a global perspective will be a key asset for the continued growth of Taiwan's economy. Our committee includes the automotive, aviation, and express cargo industries, and the recommendations for each are covered in separate sections below (unlike most Committees' position papers, the numbering of the issues therefore does not reflect their overall priority).

AUTOMOTIVE

Issue 1: Accept U.S. Self-Certification test reports for FMVSS-spec vehicles.

While Taiwan has decided to allow vehicles complying with U.S. Federal Motor Vehicle Safety Standards (FMVSS) to be imported into Taiwan from 2008 to 2012, it still does not accept U.S. "Self-Certification" test reports. Since the government's Automotive Research & Testing Center (ARTC) lacks sufficient test facilities and technical capabilities to conduct homologation tests, the result is to create barriers to the introduction of U.S. FMVSS vehicles to the Taiwan market.

Another problem is that Chinese component suppliers are unable to apply directly to the ARTC for safety certification, but must first get approval from the Mainland Affairs Council. Sourcing from China is expanding as part of the sourcing strategy adopted by manufacturers worldwide. The Committee urges the Taiwan authorities to allow Chinese suppliers to submit applications directly to eliminate the burden of additional time and cost for manufacturers and suppliers.

Issue 2: Reduce the vehicle commodity tax.

The commodity tax is a single-stage tax levied on specific commodities manufactured domestically or imported from abroad. Usually it is treated as a kind of luxury or excise tax, but in Taiwan it is still applied to motor vehicles even though automobiles are no longer considered luxury goods in this society. Per capita GDP in Taiwan now exceeds US\$15,000, and motor vehicles have become essential goods to consumers for transportation or recreational purposes.

Recently, Taiwan eliminated the commodity tax on most products, leaving it only for motor vehicles, rubber tires, non-alcoholic beverages, flat glass, electrical appliances, cement, and oil and gas. We

strongly recommend that the government consider reducing the commodity tax for motor vehicles so as to boost domestic market demand. This would be especially welcome considering the current poor sales environment. The suggested adjustment is as follows:

Category	Engine Displacement ≤2000cc	Engine Displacement >2000cc
Passenger cars	25%—>17.5%	30%—>22%
Light trucks	15%—>7.5%	15%—>7.5%

Issue 3: Implement an export/import credit rebate.

Weak domestic consumption has been having an extremely adverse impact on the business of auto manufacturers and assemblers. Taiwan’s auto industry reportedly suffered from overcapacity of more than 50% in the period 2006-2008, and it is very likely that the domestic new-car market will remain sluggish until 2010.

One way to fully utilize the excess capacity would be to support an export program that can reach an economic scale. We suggest that the government follow the examples of Australia, South Africa, and the Philippines by offering a tax incentive and helping to create a competitive cost advantage aimed at boosting exports. One possible mechanism for achieving that is an export-import complementation scheme, under which vehicle and component exporters can earn tradeable “Import Rebate Credit Certificates” (IRCCs) used to offset duties on imported vehicles and components through tax rebates or reductions.

Such a duty-drawback program might look like the following:

Year	2008	2009	2010	2011	2012
Tax rebate or reduction (NT\$ per vehicle)	12,500	12,500	10,000	7,500	5,000

Moreover, if the Taiwan government could find ways to sign Free Trade Agreements (FTA) or Regional Trade Agreements (RTA) with ASEAN, the EU, and NAFTA, or with Australia, New Zealand, and China, it would help immensely in decreasing the tariff barriers otherwise hindering the export program.

EXPRESS CARGO

Issue 4: Implement export Post-entry Manifest Declarations.

Post-entry Manifest Declaration Systems (PMDS), in which declarations do not have to be filed until after the goods have left the country, have been implemented by many developed countries for the sake of facilitating trade and increasing the competitiveness of their export products. Governments typically extend the privilege of using this quicker, more efficient declaration system to qualified, well-organized companies as a way of supporting and encouraging their high level of management quality. The adoption of this system in Taiwan would give high-performing Taiwanese companies a competitive edge in the global market, as well as motivate additional enterprises to upgrade their quality. Such countries as Hong Kong and Singapore already have similar systems and procedures in place.

Use of PMDS would bring the following benefits:

- A. Decrease the pre-work cost and time constraints for both exporters and brokers. Exporters must now prepare and tender the shipping documentation and merchandise to the warehouse at least four hours before flight departure. With PMDS, the schedule would not be so intense, and concomitant personnel costs would be lower.
- B. Upgrade the image of Taiwan Customs, decrease operational costs for Customs (since work schedules for officers could be more flexible), and reach the APEC target of “Paperless Clearance.” Customs has a risk-assessment system in place that could be used to screen the manifest data, eliminating any concern about properly fulfilling its audit function.
- C. Allow brokers to achieve efficiencies and cost savings. If shipments can be declared after export, brokers would be able to adjust their on-site staffing, and the reduced time pressure in the preparation of documents would make for fewer errors.

We suggest implementation of PMDS in phases. In the first stage, Customs would offer this privilege to strategic partners who have signed a Memorandum of Understanding (MOU), companies that have met government qualifications to be ranked as “Excellent Exporters and Importers,” bonded factories’ export shipments, and the high-value export shipments of express carriers who have signed MOUs. After careful review and evaluation, Customs would then extend the system to the remaining qualified enterprises to promote continuous economic growth in Taiwan.

Our understanding is that the Taiwan government agrees with the idea of implementing PMDS, but wishes first to achieve greater alignment with international security measurements, such as the Framework of Standards to Secure and Facilitate Global Trade (SAFE) under the World Customs Organization (WCO). The Committee welcomes specific plans or timelines that would enable PMDS to start while ensuring that security requirements are complied with.

Issue 5: Totally implement cross-board clearance.

Taiwan Customs has been implementing an auto-clearance system for many years. The system has been operating effectively, and all brokers have been connected online. Now it is time to move ahead to make a more-advanced system – cross-board clearance – available to all exporting enterprises rather than only companies located in Free Trade Zones (FTZs) as at present. The liberalization would foster Taiwan enterprises' overall export competitiveness in the world.

Cross-board clearance promotes economic growth in several ways. For brokers, it brings the convenience of being able to make customs declarations anywhere in the country from a single location, thus reducing brokers' operation costs. For shipping companies, it reduces the volume of inland transportation since goods do not have to be moved so frequently between ports or from a port to a bonded warehouse; the impact in decreasing traffic congestion would be a major social advantage. For importers and exporters, the ability to assign nearby brokers to process declarations lessens communications time and mailing costs and permits better business management. Countries like Australia, India and the United States have allowed similar clearance processes.

As the credit account within Customs could be used by brokers from different Customs offices, the system would also enable the turnover rate of funds to be enhanced. To advance the competitiveness of Taiwan trade, the Committee suggests that relevant agencies complete a thorough study of cross-board clearance, and then make this streamlined, international-standard system available as early as possible to all exporters.

Issue 6: Remove the weight limitation on express cargo clearance.

Taiwan is one of the few countries in Asia that still applies weight limitations on express consignments. Taiwan Customs' Express Handling Regulations impose a maximum shipment weight of 70 kilograms per item at the Express Handling Units in cargo terminals. The GEA (Global Express Association) and CAPEC (Conference of Asia Pacific Express Carriers) addressed this issue in 2006. Considering the increasing demand from shippers and consignees in various industries for 7/24 clearance, it is inevitable that heavy or consolidated shipments are frequently encountering clearance delays. High-tech companies, in particular, need to move such shipments as LCD panels and GPS hand-held equipment (which have high security requirements) to meet market demand; restricting the maximum weight of a shipment to 70 kilograms per piece obstructs the effort to facilitate a speedy clearance environment. The Committee suggests eliminating all size, weight, and value limitations for express consignments so as to align regulations with global practices.

Issue 7: Allow third-country national carriers to participate in charter flights between Japan and Taiwan.

Since the updating of the air agreement between Japan and Taiwan in 2005, charter flights have been permitted between the two markets, despite the already increased frequencies of scheduled flights. As of April 2008, there were 221 weekly scheduled flights flying between Taipei or Kaohsiung to seven Japanese cities. Under the agreement, only Japanese and Taiwanese national carriers are allowed to operate the charter flights, while third-country national carriers can only participate in the regularly scheduled flights. About 90% of the charter flights have been operated by Taiwanese carriers, and the number of such flights has been substantial:

- 144 during the 2008 winter school break/Chinese New Year (Jan. 17–Feb. 11).
- 532 during the summer of 2007 (June 30–July 31).
- 32 during the spring of 2007 (Apr. 5–May 30).
- 98 during the 2007 winter school break/Chinese New Year (Jan. 25–Feb. 19).

As a result of this volume, the supply of air service between the two countries has far surpassed demand, spurring heated fare wars. Third-country national carriers that have made long-term commitments and investments in Taiwan now face a situation of clearly unfair competition. We urge the Taiwan government to either limit the number of charter flights between Japan and Taiwan or to allow third-country national carriers to participate in this business.