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Proposed Labelling Scheme on Nutrition Information

(by Mr Jeff Shaw)

Introduction

I am Jeff Shaw representing the Hong Kong Retail Management Association (HKRMA). The HKRMA was founded in 1983 and is the major retail association in Hong Kong. For the past 20 years, we have played a vital role with a long term mission to promote the retail industry. Today, our membership represents over 500 major retail chains covering more than 5,000 retail outlets and employing two-thirds of the total retail workforce in Hong Kong. Member organizations are engaged in various types of retail businesses ranging from department stores to supermarkets, convenience stores, drug stores, food, fashion and accessories, specialty stores and industry related service organizations.

On behalf of the Association, we thank you for the opportunity to speak here on the Proposed Labelling Scheme on Nutrition Information.

In principle, the Hong Kong Retail Management Association supports a labelling guideline that helps consumers make informed decisions about the food that they purchase, with the goal of improving health standards of Hong Kong's citizens through better nutritional choices.

Our comments on the proposals set out in the Nutritional Labelling Consultation Paper are made in light of the following important facts:

- There is *no world-wide nutritional labelling scheme in place* and many of Hong Kong's key trading partners have different regulatory regimes (mandatory labelling in USA and voluntary labelling in EU, for example);
- There are about 30,000 prepackaged food items in Hong Kong, of which **90%** (*27,000 items*) are imported from thousands of manufacturers in over 50 countries;
- Approximately **80%** of prepackaged food items sold in Hong Kong, amounting to **24,000 product items**, are sold in packaging that is not designed for Hong Kong;

- Approximately 1.5 billion units of prepackaged food are sold each year and the cost of re-labelling or applying stickers would *cost consumers hundreds of millions of dollars annually*;
- Hong Kong, with a population of less than 7 million people, is a *small volume* market for overseas manufacturers; and
- In terms of unit volume (number of packages sold), we estimate that 10% of prepackaged food items sold in Hong Kong represent 75% of total volume (*High Volume Items*), and 90% of prepackaged food items in Hong Kong represent 25% of total volume (*Low Volume Items*).

1. General Comments

A. Regulation Impact Assessment

We believe that the Government should commission such an independent Regulation Impact Assessment and then re-issue a Consultation Paper once the results of such study have been reviewed and assessed.

The RIA should also include:

- the costs of re-labelling on a one-off basis for High Volume Items (a high proportion of which are manufactured in Hong Kong); and
- the ongoing cost of testing, re-labelling & stickering for Low Volume Items (which represent **90%** of the prepackaged food products on sale in Hong Kong, and most of which are imported into Hong Kong, which is a low *volume market* for overseas manufacturers).

We contend that it is ill-conceived for the Government to jump to conclusions on mandatory nutritional labelling based on a survey in 2002 of 1004 food items available for sale in Hong Kong.

As an aside, we note that in 1994, the Food and Drug Administration estimated that the Nutritional Labeling and Education Act (which introduced mandatory nutritional labelling in US) would cost industry **US\$1.4 billion to US\$2.3 billion** and the Government **US\$163 million** over the subsequent 20 years period.

B. Hong Kong

Hong Kong imports **90%** of its food from many different parts of the world. A high proportion of the grocery products sold in Hong Kong originate from countries such as the China and the EU where nutritional labelling is not mandatory. It is important that Hong Kong's nutritional labelling laws are consistent with its major trading partners. If Hong Kong has stricter or different nutritional labelling laws from its trading partners, this would lead to:

- Restricted choice of products in Hong Kong (overseas manufacturers would not be willing to export products to Hong Kong because additional costs would outweigh the benefits in such a small and competitive market); and
- An increase in the price of products (resulting from the compliance costs of re-labelling etc).

For these reasons, and until there is an international consensus on nutritional labelling, we believe that there should not be mandatory nutritional labelling in Hong Kong on all prepackaged food items.

C. Nutritional Labelling in Other Countries

Attachment 1 is a table showing the nutritional guidelines in other countries that illustrates many different approaches that countries have taken with regard to nutritional labelling.

We believe that information and claims that motivate consumers to make healthier food decisions should be encouraged. Covering up or prohibiting claims that are legal in other countries prevent access to helpful information and/or better food choices. It would be ironic if legislation was composed which prevent “Low Fat” products from reaching the Hong Kong consumer because the on-pack claims made in the producer country made the food label illegal in Hong Kong.

D. Effects of Mandatory Labelling

The main effects of the introduction of mandatory labelling would be on Low Volume Items.

Low Volume Items

Low Volume Items make up approximately **90%** of the items sold in Hong Kong. It is inconceivable that these items would be repackaged specifically for Hong Kong and overseas manufacturers would either choose not to sell to Hong Kong (thereby reducing choice) or the importer/retailer would be forced to re-label the products on arrival in Hong Kong (thereby increasing cost).

Each batch of imported products will need to be manually opened, each package pulled out, a label will need to be attached to a specific part of the product, and then the products will need to be re-packaged. This may not be practical and is ***significantly more expensive*** than applying a generic “best before” date label. We estimate that the cost of stickering would add approximately ***HK\$0.50*** to the cost of each product requiring re-labelling.

An annual cost of HK\$250 million is estimated for applying stickers alone, creating 1% total take home food inflation (all food including wet markets, independents and chains) and a 5% increase for items which require the stickers.

In addition, for imported products where the manufacturer was not prepared to specifically re-label for Hong Kong and where the labelling laws in the country of manufacture were less strict than in Hong Kong (such as China, EU, Australia, Malaysia, Japan and Taiwan), it would mean that the importer/retailer would need to carry out nutritional testing before such products could be imported and sold in Hong Kong. We estimate that this would apply to **80%** of the pre-packaged food sold in Hong Kong.

The costs of carrying out such testing and re-labelling need to be accurately quantified in the Regulation Impact Assessment, but we believe that it would add significantly to the cost of grocery products sold in Hong Kong and also mean that less variety of products would be sold in Hong Kong

It would be ironic if the cost of introducing the proposed mandatory nutritional labelling had the effect of reducing the number of “good” products that are currently being sold in Hong Kong.

Niche retailers

Hong Kong is well known for the variety of food products that are on sale and has a number of niche food retailers that predominantly only sell specialty foods (all of which are Low Volume Items) from small manufacturers. It is questionable whether these niche retailers would survive the introduction of mandatory nutritional labelling, and at the very least, it would make them less competitive with larger operators that have the resources to carry out nutritional testing and re-labelling.

Again, it would be ironic if the introduction of the proposed mandatory nutritional labelling scheme led to a number of specialty retailers, a lot of whom sell “good” food, going out of business.

E. Co-ordinated Approach

Legislation cannot by itself improve public health. For example, mandatory nutritional labelling was introduced in USA in 1994 yet it still has one of the highest levels of diet related diseases in the World.

Accordingly, we urge the Government to prepare a co-ordinated programme to encourage consumers to eat better and live more healthy lifestyles. Nutritional labelling is confusing by its nature and education is imperative to ensure that all consumers grasp the basics of nutrition.

2. Recommendations

We recommend the following:

- The Government should carry out a Regulation Impact Assessment as a matter of urgency and re-submit a consultation paper once the results have been reviewed and assessed.

- In Phase I, nutrition labelling should only be required for prepackaged food products with nutrient related claims. Imported food should only need to comply with the legal requirements on nutrient related claims in the country of manufacture. Prepackaged food without nutrient related claims may provide nutrition labelling on a voluntary basis as long as the label contains details of *energy, protein, carbohydrates, and fat*. There should be a 2 year-grace period for Phase 1.
- In Phase II, subject to the exemptions listed in Schedule IV of the Consultation Paper, all pre-packaged food that is manufactured in Hong Kong or is in the following key high volume staple food categories should be nutritionally labelled with the core nutrients recommended by Codex (*energy value, protein, carbohydrates, and fat*) and with the amount of any other nutrient for which a nutrition claim is made:

Rice, noodles, oil (corn, peanut, canola and cooking), soya based seasoning sauces and fresh milk.

Imported food that is not in the key staple categories should only need to comply with the legal requirements on nutrient related claims in the country of manufacture. Prepackaged food without nutrient related claims may provide nutrition labelling on a voluntary basis as long as the label contains details of *energy, protein, carbohydrates, and fat*. Phase II should be implemented 3 years after Phase 1.

We believe that these recommendations are achievable and practical and will result in approximately **50%** of unit volume being covered by mandatory labelling without significant burden to the consumer in terms of reduced product choice and increased cost.

Thank You

Jeff Shaw
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Government Regulations Sub-Committee
Hong Kong Retail Management Association
(key spokesman representing HKRMA on the subject of Nutritional Labelling)

Comparison of nutritional labelling requirement of different countries

Country	Mandatory/Voluntary	Parameters	Expressed format	Compositional Requirements of 'low-fat' food
USA	mandatory	14 components: total calories, calories from fat, total fat, saturated fat, cholesterol, sodium, total carbohydrate, dietary fibre, sugars, protein, vitamin A, vitamin C, calcium and iron (trans fat will be added from 2006)	per serving of food (with serving size and no. of servings)	<= 3g per reference amount (and per 50g if reference amount is small)
Canada	voluntary at the moment, mandatory from Dec 2005. For small manufactures, mandatory from Dec 2007.	14 components: calories, fat, saturated fat, trans fat, cholesterol, sodium, carbohydrate, fibre, sugars, protein, vitamin A, vitamin C, calcium and iron	per serving of food (with household measure & % daily value)	<= 3 g fat per serving (the quantity of food can reasonably be consumed by one person at a single eating occasion) and <=15% fat on dry basis
European Union	voluntary (unless a nutrition claim is made)	4 components: energy, protein, carbohydrate and fat. 4 other components (if any of these four nutrients is involved in a claim): sugars, saturated fat, dietary fibre and sodium.	per 100g (or per 100ml) or per serving as quantified on the label or per portion provided that the number of portions contained in the package is stated.	none at this stage
Australia & New Zealand	mandatory	7 components: energy, protein, carbohydrate, fat, saturated fat, sugars and sodium. (nutrient for which a nutrition claim is made should be declared)	both per serving and per 100g (or per 100ml)	<=3g total fat per 100g of food, or 1.5g total fat per 100g of liquid food. (with exception for certain food, e.g. 'low fat table spread': <=300g/kg total fat)
Singapore	voluntary (unless a nutrition claim is made)	4 components: energy, protein, fat and carbohydrate. (and any nutrient for which a claim is made)	per 100g (or per 100 ml) and/or per serving	<=3g per 100g (solids), <=1.5g per 100ml (liquids)
Japan	mandatory	5 components: energy, protein, fat, carbohydrate and sodium (and any nutrient involved in claims)	per 100 g (or per 100ml) or per serving	unknown
Malaysia	mandatory for (cereal, bread products, milk products, flour confection, canned meat, canned fish, canned vegetables and fruit, fruit juices, salad dressing, mayonnaise and soft drinks) Also mandatory for foods that are fortified, enriched/supplemented and with nutrition claims.	4 componets: energy, protein, carbohydrate and fat (and nutrient for which a claim is made)	both per serving and per 100g (or per 100ml)	<=3g per 100g (solids), <=1.5g per 100ml (liquids)
Taiwan	voluntary (unless a nutrition claim is made)	5 components: energy, protein, fat, carbohydrate (including dietary fibre), sodium and any nutrient involved in claims	per 100g/100ml or per serving in g/ml (no. of serving per pack should be declared)	<=3g per 100g (solid or semi-solid food), <=1.5g per 100ml (liquid)
Codex	voluntary (unless a nutrition claim is made)	4 components: energy, protein, available carbohydrate (i.e. carbohydrate excluding dietary fibre), fat, any nutrient for which a nutrient claim is made and any other nutrient considered to be relevant for maintaining a good nutritional status, as required by national legislation.	per 100g or per 100ml or per package if the package contains only a single portion., or per serving as quantified on the label or per portion provided that the number of portions contained in the package is stated.	<=3g per 100g (solids), <=1.5g per 100ml (liquids)