



# HONG KONG RETAIL MANAGEMENT ASSOCIATION

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## Panel on Commerce and Industry Meeting on 14 December 2004

### **“The Proposal to Require Mandatory Registration and Labelling of the Contents of Volatile Organic Compounds in Specified Products”**

On behalf of the Hong Kong Retail Management Association, we thank you for this opportunity to speak on the proposed scheme to require Mandatory Registration and Labelling of the Contents of Volatile Organic Compounds in Specified Products (VOC).

The Hong Kong Retail Management Association (HKRMA) supports in principal the intention of the Government to improve the environment and the air quality of the Pearl River Delta region. However, the current proposed legislation poses serious implications to various trades and in particular our area concerning consumer products. We do question the rationale behind identifying this as one of the major source of the problem and the practicalities of enforcing the legislation on such products which covers a lot of daily general consumables.

We believe that in order to fully assess the impact the proposed legislation has on various trades, the government and general consumers, a Regulation Impact Assessment (RIA) must be carried out. Here below are some of our key concerns:

1. We wish to understand how the Government came up with the 24% in identifying consumer products as a source and its share in VOC emission in Hong Kong and, the number of consumer products that falls within this scope.
2. We wish to understand what is considered as a safe level of VOC which may vary from product to product. Perhaps the Government could provide some guidelines on such as well as the standards required for testing VOC in consumer products.
3. There are currently only 2 qualified labs in Hong Kong that could test these products. The test for each product requires substantial time and considerable costs as well as special equipment to enable such testing. These factors should be considered as part of the implementation time frame and the cost implication to various trades and consumers.
4. Hong Kong is a very small market in the international community where little manufacturing of retail consumer products are done locally. A vast majority of our products are imported from overseas markets and due to the comparatively small volume, manufacturers will not change their packaging according to Hong Kong's local needs and labelling requirements. Therefore, in order to comply with the proposed legislation, importers and retailers will have to customize stickers to label on affected consumer products, thus incurring significant labour and material costs. The registration process and the requirement of a registration number being imprinted on the label for individual products further adds to the cost of compliance. This will restrict the use of generic labels which will be even more costly. Hence, the total labelling costs to the Hong Kong community should be carefully assessed in the RIA to fully understand the implications to the trades

and the consumer. The Government should take note that labelling requirements that are ahead of and/or different than those of most global source markets will have a direct impact on labelling costs for Hong Kong. Consumers will have to ultimately bear the inflated consumer price as a result.

5. Different labelling requirements by different bureaus will also pose difficulty in compliance especially when a lot of consumer products in question are very small in size. Labels on products should therefore be viewed as an absolute so that we do not confuse the customer with mixed messages and hence a level of consistency needs to be applied across Bureaus imposing labelling requirements.
6. Discouraging the use of certain consumer products that are important for human health is also misleading when alternatives are not available and contradicts the protection of public health and safety. For example, insect repellents are required to help protect against Dengue fever and Japanese encephalitis while toilet cleaners are a must to upkeep hygiene and to help protect against SARS.
7. There will also be a serious implication on consumers' choice as the small volumes Hong Kong imports on certain items will make it not viable to import and hence these products may disappear from our retail shelf.
8. In essence, with the proposed legislation, the Government is introducing a new trade barrier which will affect in particular a lot of SMEs and actually decrease competition rather than promote competition to allow consumers to benefit from a wide assortment of products at reasonable prices.
9. We therefore do not agree when the Government noted in the consultation paper that the cost implication to the prices of products concerned is expected to be small.
10. We also do not agree with the suggested transitional grace period of 6 months which is far too short in light of our nature as an import driven market. A sufficient grace period should be extended to allow manufacturers and importers enough time to clear their existing stock and adjust their supply chain.

To conclude, we strongly believe that the current proposed legislation, as is, is not practical and cannot be implemented. We cannot see how labelling of consumer products could help solve the problem. We hope the Government could withdraw the consultation document and address all concerns before introducing another round of new consultation.

**Jeff Shaw**

**Chairman**

**Government Regulations Sub-Committee**

**Hong Kong Retail Management Association**

The Hong Kong Retail Management Association (HKRMA) was founded in 1983 and is the major association representing Hong Kong's retail industry. For the past 20 years, the Association has played a vital role with a long term mission to promote the retail industry, to present a unified voice and lobby on issues that affect all retailers. The Association facilitates the exchange of information on issues common to the industry and aims to raise the status and professionalism of retailing through education and training.

The Association's current 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 business ranging from department stores to supermarkets, convenience stores, drug stores, food, fashion and accessories, specialty stores as well as suppliers, wholesalers and industry related service organizations.