

Submission to Legco Panel on Food Safety and Environmental Hygiene – Labeling Scheme on Nutrition Information, May 10, 2005

Our interpretation on the major conclusions of the RIA Executive Summary (English Version) are:

191 SME could face closure (Page 11 of RIA Executive Summary). 5% to 10% of product variety (mainly products with low volume and/or low profit) could cease to be imported and choice of minority groups will most likely be restricted (Page 10 of RIA Executive Summary).

The label will **cost the trade \$61 million per year in Phase I**, Option 5 + 1 and **\$244 million per year in Phase II**, Option 9 + 1 (Table 1.4 of RIA Executive Summary).

The **maximum possible benefit** for Phase 1, Option 5 + 1 is **\$249 million per year** and that of Phase II, Option 9 + 1 is **1,298 million per year** (Table 1.3 of RIA Executive Summary).

We have questions to address the Government and queries about the RIA:

TO OUR GOVERNMENT

Question 1: Why you suggest implementing Phase II without consideration on the impact and success of Phase I and developments of nutrient labeling in oversea as recommended in the RIA?

The **RIA recommendation** to our Government:

“Once developments oversea have progressed, and this first phase has been successfully implemented, a more comprehensive scheme could be adopted (e.g. Option I during Phase II)” (Page 12 of RIA Executive Summary).

Our Government suggested on the contrary:

“Phase II will be implemented two years after the implementation of Phase I”. (Page 6 of LC Paper No. CB(2) 1230/04-05(05) English version).

Phase II will be the most comprehensive nutrient labeling only after U.S. and Canada. Over 90% of our foods are imported. **RIA has reservation on Phase II while our Government has no reservation. Why?**

Question 2: Are you prepared to help the **191 SME that could face closure** or other SME that could face hardship? If so, how?

Question 3: **What is your budget for educating the public** on the nutrient label? What would you do to ensure the public would properly utilize the information on the label to achieve benefits?

The success of the labeling relies on 4 major variables:

- Variable 1: Proper labeling
- Variable 2: Public will read the label
- Variable 3: Public will understand the label
- Variable 4: Public will use the information on the label to improve the health and realize the benefit claimed by the Government

The maximum possible benefit for Phase 1, Option 5 + 1 is \$249 million per year and that of Phase II, 9 + 1 is 1,298 million per year (Table 1.3 of RIA Executive Summary). These are huge benefits. **It is common sense that the realization of these huge benefits cannot be accomplished by just having a label on prepackaged foods.**

The label would cost the trade \$61 million per year in Phase I, Option 5 + 1 and \$244 million per year in Phase II, Option 9 + 1 to take care of the label, one of the four variables. **The budget by our Government is only about \$4 million per year** for enforcement and promotion of the label (Table 1.4 of RIA Executive Summary).

I believe the trade and the 191 SME have every right to ask the Government to clarify:

1. Exactly how much are you budgeting on an annual basis for Variable 2, 3 and 4?
2. **With the said budget** investing on Variable 2, 3 and 4, **what is the probability of achieving the claimed huge benefits?**

Our Legislators, as representative of the citizen of Hong Kong, has the obligation to query our Government to ensure the nutrient labeling proposal will achieve its claims and not to let it passes simply because it sounded good. **You will be responsible for the closure of 191 SME and their employees !**

Question 4: How would you monitor and evaluate the impact and merit of your proposal?

We demand that there must be a **Control and Verification System in place to monitor if the benefit claimed would actually realize throughout the 20 years** as estimated in the RIA. If the said benefit claims are not achieved, will our **Government** officers responsible for this legislation and **legislators** responsible for letting it passes **be liable**

for the damage done to the 191 SME, negative impact to consumer choices, minority groups, prepackaged food trade and the economy?

Question 5: Prepackaged foods only accounted for 25% of our food. If the benefit from labeling prepackaged foods is so great, what are you going to do about the remaining 75% of our food?

Queries about the RIA

1. **The Executive Summary presented figures in probability terms. Probability will have uncertainty.** There is no mention of uncertainty and the possibility of the expected outcomes will occur in the Executive Summary. We would like our Government to elaborate on:
 - a. The **confidence level of the outcomes will occur** on the NPV Benefits over 20 years stated in Table 1.5
 - b. The **accuracy of cost impacts** on Options I through IV in Phase I and Phase II as stated in Table 1.4
2. The Government promised us the consulting firm would interview the trade independently to collect information and opinions from the trade. **Which trade associations and companies have the consultant interviewed?**
3. Table 1.5 presented the Cost-Benefit Analysis. The NPV Benefits of **Option III (5+1) took a quantum jump to \$5,863 million from \$830 million in Option IV (3+1)**. It cannot be just by having two additional nutrients (saturated fat and Sodium) printed on labels. There must be a lot of qualitative (non-quantitative) assumption and reasoning behind it, otherwise, **one can argue just having the said two nutrients (2+0) could realize NPV benefit of \$5,033**. What are the assumptions? Can you really achieve \$5,033 million benefit with two additional nutrients information? What is the **cost needed to educate the public** on just these two nutrients to increase benefit to \$5,863 million from \$830 million?
4. It appears that Table 1.5 only presented Cost-Benefit Analysis for Phase I. **What are the combined cost and benefit of Phase I, Option 5+1 and Phase II, Option 9+1 to be completed in two years as suggested by the Government?**

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