

Address to the Legislative Council

Richard Lee

Chairman, Radio Associations of Hong Kong

Honourable Chairman. Honourable Members of Legislative Council:

On behalf of the Radio Association of Hong Kong and the Hong Kong & Kowloon Electrical Appliances Merchants Association, I would like to express our gratitude at being invited by the Legislative Council to attend today's meeting and of having the opportunity to offer our opinion on the implementation and observance of the Electrical Products (Safety) Regulations which came into effect on May 29th.

My name is Richard Man Fai Lee and I am the current Chairman of the Radio Association of Hong Kong. The other members of our delegation today are Mr. C. M. Lo, Vice-Chairman of the Association, and Mr. T. L. Li and Mr. P.S. Wong, who are the Vice-Chairmen of the Hong Kong & Kowloon Electrical Appliances Merchants Association.

The Radio Association of Hong Kong is 53 years old and has more than 1,000 members. Among them are more than 200 corporate members, mainly representing manufacturers, distributors and retailers in the audio-visual electrical appliance industry.

The Hong Kong & Kowloon Electrical Appliances Merchants Association is 30 years old and represents approximately 60,000 persons of the industry. Its aim is to promote and develop Hong Kong's household electrical appliances market for electrical appliance manufacturers, agents and retailers as well as to contribute to the education sector and society.

The Electrical Products (Safety) Regulations came into effect on May 29th 1997. First of all, both associations, and the industry as a whole, want to express our support for the use of legal regulations to ensure that electrical products are safe and that consumers' interests are protected. However, due to some practical problems in implementation and the complexity of situation, we have had to explain to the government the difficulties we face in implementing the regulations.

In March this year, the Radio Association of Hong Kong and the Hong Kong & Kowloon Electrical Appliances Merchants Association wrote to the Economic Services Bureau explaining the difficulties the industry and the associations face in observing the Electrical Products (Safety) Regulations. It should be noted that currently, the electrical products retail industry has been severely hit by the effects of the Asian financial turmoil, the economic downturn, weak consumer sentiment and the drastic drop in tourism. Unsold stocks have piled up. So we believe the public and the government will understand the concerns of the retail sector about the implementation of the Electrical Products (Safety) Regulations and the ensuing cost implications of this measure at this time.

In our discussions with the government, both associations have repeatedly pointed out that the majority of electrical products sold in Hong Kong already comply with international safety standards. In order to observe the Electrical Products (Safety) Regulations in Hong Kong, we need to re-align or add further steps during the manufacturing process. This will certainly raise costs and these costs will eventually be passed on to consumers, to the further detriment of the retail industry in Hong Kong. After several meetings with the Electrical & Mechanical Services Department, the department said that it understood the industry's concerns.

We would like to take this opportunity to express our appreciation for the prompt response of the Electrical & Mechanical Services Department. Mr. Phillipson, the Director of the Department, immediately arranged a meeting with representatives of the associations on March, 1998 to learn about the difficulties the industry faces. This meeting proved a good foundation for further communications. Under the full support of Mr. C.T. Leung, the Deputy Director of the Department, we are glad to report that both the Electrical & Mechanical Services Department and the associations have agreed to hold a "Co-ordination Group Meeting" every month so as to quickly resolve problems arising over the implementation of the Regulations. We have held four such "Co-ordination Group Meetings" so far and these have progressed smoothly, and expected to hold monthly meeting continuously so as to enhance the implementation of the Regulation smoothly and suggestions to improve the situation are expected.

We would also like to express our thanks to the Honorable Mrs. Selina Chow. She has listened to our concerns and offered valuable advice. We have also held meetings with the Consumer Council, the Social Welfare Department, China Light & Power Company Limited and Hong Kong Electricity Company Limited and invited their representatives to participate in our working groups. This working group is

responsible for launching public promotional and educational programs on the safe use of electrical products and the new Regulations. In particular, this group offers support for single, elderly people, and the physically and mentally handicapped.

These activities represent the progress that the associations, related government departments, and concerned corporations and groups have undertaken to assist with the smooth implementation of the Regulations. We believe it is a classic example of good communications between the government and business entities and associations. This has also boosted our confidence in the government and the fairness in the way it operates.

However, there are still several concerns. We hope to resolve these smoothly after further discussions with the Electrical & Mechanical Services Department. The concerns are:

1. Certificates of Safety Compliance

From November 29th, the requirements for Certificates of Safety Compliance will be enforced. From that date, all consumer electrical appliances sold in Hong Kong are required to have a Certificate of Safety Compliance. After discussions with the Electrical & Mechanical Services Department, we have reached a consensus on the format of the certificate. But please understand that due to the enormous quantity of electrical products being sold and stocked in Hong Kong, we believe that, in the initial stages, some may not be able to provide all the necessary information in full and without certain omissions due to unavailability of data. This will most likely happen to older models about which it will be difficult to collect information dating back a long time ago. We hope the Electrical & Mechanical Services Department will understand such difficulties. We would like to emphasize that most of the electrical appliance sold in Hong Kong is safe.

We propose that at the early stage when the Regulations are implemented, the government shall, in a period of transition, strive to assist and instruct us in issuing this type of certificates. We hope that, when certain importers who have endeavored but still failed to obtain the required information, the Electrical and Mechanical Services Department may find some ways to solve their problem so that they need not suffer from the dilemma of overstocking but not being able to sell such merchandise under the Regulations.

2.Penalties

A breach of the Electrical Products (Safety) Regulations is a criminal offence. The maximum penalty is a HK\$500,000 fine and imprisonment for two years. Members of the industry are deeply concerned about the Regulations, in particular that an unintended or careless breach may lead to heavy penalties. We hope that the government will use its discretion and enforce the Regulations in a reasonable manner.

We propose that in the transitional period, the Electrical and Mechanical Services Department shall only prosecute merchants who have breached the Regulations many times and issue warnings to merchants who have contravened the Regulations for accidental reasons or negligence.

3.Promotions to Public

We hope that when the Electrical & Mechanical Services Department promotes these Regulations, it will avoid creating misunderstanding among the public. Take the Certificate of Safety Compliance as an example. Consumers may think that every individual electrical product will have its own certificate. This is not required under the Regulations. The Regulations only require the manufacturer or importer to issue a certificate before selling a product type and that consumers have the right to inspect the certificate. We are currently holding discussions with the Electrical & Mechanical Services Department on promoting this message so as to avoid any misunderstanding.

We propose that before designing promotional advertisement and advocating to the public of these Regulations, the Government shall solicit our opinion, so that we shall be able to coordinate with government promotion efforts and bring out the best results. In so doing, we can also prevent consumers from misinterpreting the Regulations and causing the industry to suffer as a consequence; particularly at the level of retailing.

4.Parallel Shipments

Due to a lack of regulations or ordinances restricting parallel imports, the market is flooded with such products. In Hong Kong, parallel shipments of popular brands and models are no different from the products sold by authorised distributors. However, we cannot identify the origins of such parallel imports or their authenticity. Serial numbers on most parallel imports are erased or changed. If

parallel imports breach the new Regulations, who should bear the legal liability and who is responsible for investigating the origin of the products?

We propose that the Government shall make use of these Regulations and coordinate with official agents and importers to prevent the Hong Kong market from being overwhelmed by illegally imported goods and to safeguard the safety and interest of consumers. This is particularly true when the issue of maintenance is concerned: illegally imported electrical appliances are not entitled to direct service support from manufacturers, which might cause potential danger to end-users.

5. Shrinkage in the Hong Kong market

We are afraid that the enforcement of these Regulations will, to a certain extent, increase costs and delay the launch of new products in Hong Kong or result in new products not being launched in Hong Kong. This would limit consumer choice and hurt Hong Kong's reputation as a shopping centre. We would suggest that Hong Kong accepts as much as possible safety regulations already adopted by major countries in international markets.

The Government shall encourage manufacturers and importers to launch electrical appliances of the latest model and of the highest quality in Hong Kong as soon as possible, so that Hong Kong shall become the only place in Asia where the largest variety of the newest appliances can be found with the best support services readily available at competitive prices.

We also propose that the Government shall tender support to the local electrical appliance industry, and undertake to make plans for and carry out the promotion of Hong Kong as the main market in Asia for purchasing electrical appliances.

All kinds of industries are suffering severely from the effects of the Asian financial turmoil. The Government has adopted various measures to rescue the financial and investment sector, the stock market as well as the property market. We hope the government will consider the difficulties that retailers and wholesalers face. High rentals and various unfavourable factors increase costs for the retail industry. We hope that the government can provide the industry with financial and administrative support. We hope that the government can help the retail industry rebound as soon as possible.

Finally, we would like to thank you for your time, your understanding and support. If necessary, both associations will request for another meeting and update the progress to you.

Lastly, on behalf of the Radio Association of Hong Kong and Hong Kong & Kowloon Electrical Appliances Merchants Association, we would like to reiterate that we are supportive of the spirit with which these Regulations are established, but reserve our rights in amending these Regulations if any flaw is detected in the course of execution.

We, again, would like to extend our gratitude to the Electrical and Mechanical Services Department for striving to communicate with us. We believe that we will certainly be able to coordinate with each other in order to bring the spirit of these Regulations into full play, so that consumers may ultimately be benefited.

If the Honorable Legislative Council Members have any queries or responses, we would be delighted to answer them or further explain the difficulties faced by the two associations.

Thank you very much.

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