

Presentation to Panel on Commerce and Industry, December 14, 2004

Dear Chairman and Legislative members,

The views of our Association had been submitted for your reviews. We support protecting the environment. However, the proposal in the Consultation Document will not achieve the objective in improving the air in any measurable amount. We have a number of meetings with ETWB and we believe ETWB must be aware of why the proposal will not work. I would like to summarize a few points here:

1. Labelling:

Simply put it, the proposal is absolutely not workable. A label stating % VOC and a warning statement "VOC cause Air pollution" is meaningless. It will only add VOC to the atmosphere by using more glue and ink in labelling and cause more pollution in throwing away existing packaging material that do not comply with the regulation. Don't forget, Hong Kong is a small market – one printing lot of a product can easily last one to two years. To comply with the labelling requirement, we must affix label or dispose the existing packaging material to print new ones.

ETWB must quantify the expected improvement by imposing labelling requirement. We asked many times for data and did not get any proper answer. The proposed regulation will cripple some of the consumer goods suppliers in Hong Kong. Has ETWB done a proper study and survey if consumer would make choices in purchase that will result in improving the air quality by having a label on the products? **We would like our legislators to clarify this point with ETWB and ask them to quantify the expected improvement today.**

We strongly feel that "Labelling" is an easy way out for the Government as many Governmental Department had done in the past two to three years.

2. How bad is VOC from Consumer products polluting the air?

The problem of VOC from consumer products contributing to pollution is not well defined by ETWB. ETWB always cited California as an example. California has done a lot of things to lower pollution in the past thirty years. VOC from consumer products is only one of the many variables. **California spent over ten years working with the related industries** in coming up with a consumer product VOC control system in steps that is suitable for them **and they don't have labelling requirement in their scheme. Our ETWB gave us a consultation period of less than two months.** After admitting that they "heard" us but continue to insist on carrying out what is proposed in Stage 1 and **threatening us to go directly to Stage 2** if we disagree with Stage 1 is wrong and

irresponsible. By the way, Stage 2 was mentioned in only 71 words under Paragraph 20 in the Consultation Documents.

Hong Kong is not California and not United States neither. On a per Capita basis, U.S.'s consumption of personal care products is 2.5 times higher than Hong Kong. We are using much less products than them. What improvement would you expect by imposing the proposed regulation?

How does ETWB arrive at the 24% of VOC from consumer products and what is the accuracy of the estimate? What is the absolute value, tons of VOC emission from each of the consumer products? We asked these questions many times and ETWB has not answer us. How about emission from alcoholic beverage, rubbing alcohol, medicated balm and plaster, all types of medical applications and many other products? How many tons are they contributing? How about carbonated drinks? Carbon Dioxide causes pollution too. Why ETWB only focus on the list in Annex A? **How does the ETWB arrive at the list in Annex A?** Have the ETWB done a proper investigation before proposing the regulation or it just copy a partial list from California? **We would like our legislators to clarify these points with ETWB today.**

3. Impact to the Trade:

Hong Kong is not California. The proposal will have great impact to the Hong Kong trade:

Price will go up:

Testing, labelling and registration will all cost money. ETWB stated that cost impact is small, while they don't even know what registration fee they will charge us. Have ETWB done a price and cost impact study on the Trade? As a responsible Government, ETWB cannot just guess the cost impact is small. **We would like our legislators to clarify these points with ETWB today.**

Consumer choice will diminish:

Some product category on the list with small sales turnover will completely disappear from the market because suppliers cannot pay for the added cost. Examples: Aerosol cooking Spray – do you even know what is it or have used it? How about Anti-static products? Do we even sell it in the humid Hong Kong or is it the result of ETWB just copy a partial list from California? These small sales turnover products will no longer be available in Hong Kong.

All products from the list will cut by 30% to 80% on product selection. There are a lot

of brands in any one product category with reasonable market size, such as air freshener, cleaner, hair styling products, fragrance. ETWB can verify this product width by paying a few tens of thousand dollars to hundreds of thousand dollars dependent on the product category to commission a professional survey firm, such as A.C. Nielsen to carry out a survey for them. The small sales turnover brands will disappear. ETWB can make his own judgment based on the survey and common sense. This will diminish consumer choices and lead to the next subject – unemployment.

Unemployment and closing down of business:

SME suppliers will be forced to close down business because the SME suppliers sell most of the small turnover brands. These SME suppliers cannot afford to pay for the registration, testing and labelling and won't even have the manpower to keep record as required in the Consultation Document. Even they can afford to pay for the added cost and transfer it to the consumer, they may not get the information needed from the manufacturers because their purchase is too small. Employee in the trade will be layoff because there will be less brand to manage in the market - Only a few big players left.

Even the big brands are against this regulation. They already told ETWB and raised their objection in writing. The big suppliers are against it because they cannot fully comply as well. Please do not overestimate the importance of Hong Kong market. The very large majority, if not all, of the global consumer goods manufacturers has move their head office out of Hong Kong and cut down staff. Some only have two to three staffs stationing here and very few has more than a couple of hundred staff left here. Confidentiality, red tapes in getting information coupled with our relatively small sales turnover to a global company – the local office cannot get information and support from head office. This is the reality that our Government may not be aware of. We are at the mercy of the overseas manufacturers on the consumer products stated in Annex A because we don't produce them in Hong Kong.

We urge our Government to spend more resource and money in defining the VOC problem from consumer goods and come out with a proposal that will lower pollution and not cripple the trade. We urge some of the Legislators that are unwilling to listen to us to really listen – Don't say that we support protecting the environment and forcing the Government to do something that they don't have the resource and manpower to do so. We are citizen of Hong Kong and we support a cleaner air as well.

Hong Kong Suppliers Association