

12 March, 2013

By Fax and by Mail

To: Subcommittee on Import and Export (General) (Amendment) Regulation 2013

Re: Submission to the Subcommittee for meeting to be held on March 13, 2013 at 10:45 a.m. in the Legislative Council Complex

Facsimile: (852) 2185 7845

Cc: Hon Vincent FANG Kang, SBS, JP

Dear Sir/Madam,

**Import and Export (General) (Amendment) Regulation 2013**

Milk Formula for infant is an essential source of food and nutrition for babies. For new born to six months old babies, they could be the ONLY source of food and nutrition. Suppliers of milk formula have a social and moral obligation to ensure supply and easy access for their customers. When milk formula suppliers have massive advertising and promotional budget, they must, without excuses, ensure consumers will have easy access to their products. If the suppliers have the resource to advertise, they must allocate sufficient resources to ensure stock availability and effective logistic from their warehouse to the hands of the consumers.

We do not have details of the milk formula shortage and the extent of the shortage around Chinese New Year. It is regretful as suppliers to hear that citizen of Hong Kong is not able to obtain milk formula of their choice. Hong Kong is a sophisticated economic entity with mature and well established logistic system. It is unacceptable that temporary shortage in certain geographic areas or certain distribution channels cannot be resolved within a couple of days. Products can get to the hands of consumers through many channels, including and not limited to internet sales, direct sales, van sales or through specially arranged retail channels. It is baffling that our Administration cannot mediate and resolve the shortage without going to the extreme of export restriction.

We oppose to the prohibition in export of powdered formula except with an export license and limiting the exemption quantity to 1.8 kg. It is not a solution to the problem. The milk formula suppliers claimed they have sufficient inventory. It is a commercial and/or logistic issue, for whatever reasons, the milk formula are not getting through to the local end consumers. Restricting the hand carried quantity only added extra workload to the Custom and Excise Department. After a while, milk formula will still be carried out or exported out of Hong Kong as long as there is a demand. This is the reality. If a person chooses to buy watch, cosmetic, food, milk formula, etc. in Hong Kong, it is completely legal and good for the Hong Kong economy. Parallel goods is legal in Hong Kong. There is no logic in allowing parallel goods into Hong Kong

and limiting them out of Hong Kong. Hong Kong is a free port that we are proud of, restricting legally sold products out of Hong Kong is detrimental to Hong Kong's economy.

It is unthinkable our Administration cannot resolve the short supply problem with a handful of milk formula suppliers and have to resort to export restriction. There are many brands of milk formula in the Hong Kong market and even more brands wanting to get into the Hong Kong market. Milk formula suppliers are only suppliers, they are in a competitive market, they are not powerful and definitely not in a monopolized business such as electrical and public transport providers.

Suppliers of milk formula must have the obligation to satisfy local demand. There is no room for negotiation in this respect. Sufficient stock and easy access to milk formula must be guaranteed or else they should not be allowed to promote their milk formula in Hong Kong. If parents outside of Hong Kong, be it parents from China, from U.S. or from Africa want to buy milk formula in Hong Kong, they should be free to do so as long as the need of local babies is fully satisfied.

We suggest the Administration to:

1. Relinquish the limitation on number of milk formula each person allow to carry out of Hong Kong
2. Consult knowledgeable suppliers and logistic providers in the FMCG business, retailers, milk formula suppliers, Government officers, academia, Consumer Council, parents and other related parties to arrive at provisions to ensure supply in satisfying local demand. Since this is a commercial issue, we suggest the Administration to hire business consultation firm and seek advises from the trades in arriving at guideline and provisions.
3. Licensing of milk formula suppliers or throughout the supply chain could be a last resort to consider if milk suppliers and retailers do not follow the provisions in ensuring supply or failing to satisfy local demand.

End of submission

Thank you for your attention.



Albert Tang  
Chairman  
Hong Kong Suppliers Association