

**For discussion
on 16 April 2013**

**Legislative Council
Panel on Commerce and Industry**

Review Report of the Hong Kong Council for Testing and Certification 2013

PURPOSE

This paper seeks Members' views on the recommendations made by the Hong Kong Council for Testing and Certification (HKCTC) in its Review Report submitted to the Chief Executive on 28 March 2013.

BACKGROUND

2. Testing and certification is an industry with good development potentials and a sector where Hong Kong enjoys clear advantages. In September 2009, the HKCTC was established to advise the Government on the overall strategy to support the development of the industry.

3. The HKCTC is chaired by Professor Ching Pak-chung, Pro-Vice-Chancellor of the Chinese University of Hong Kong. Members come from the testing and certification industry, business sector, relevant professional bodies, public organisations as well as Government departments.

4. In March 2010, the HKCTC proposed a three-year market-oriented development plan for the testing and certification industry. The Government accepted all the recommendations in the plan in April 2010. Since then, the Government has been working closely with the HKCTC in adopting a dual approach to support the development of the industry – making general improvements to the accreditation service and factors of production of the industry on the one hand, whilst focusing particular attention on six specific trades with good potentials in using testing and certification services on the other. The six trades are Chinese medicines, construction materials, food, jewellery, environmental protection, as well as information and communications technologies.

5. The HKCTC has completed a comprehensive review of the implementation progress of the three-year industry development plan. It has also conducted a survey to collect views from the industry on the implementation progress. On 28 March 2013, the HKCTC submitted a Report on its review to the Chief Executive. A copy of the Review Report was distributed to Members via the Legislative Council Secretariat on 28 March 2013. The softcopy of the Review Report can also be downloaded from the HKCTC's website: www.hkctc.gov.hk.

6. The Administration consulted Members on the recommendations of the three-year industry development plan on 20 April 2010. Members were further briefed on the implementation progress of the industry development plan on 17 May 2011 and 15 November 2011.

THE REVIEW REPORT

7. The Review Report has comprehensively reviewed the implementation progress of the industry development plan since April 2010 and made further recommendations to support the development of the industry for the Administration's consideration. The ensuing paragraphs provide a summary of the Review Report.

Chapter 1

8. Chapter 1 sets out the background of the review conducted by the HKCTC.

Chapter 2

9. Chapter 2 gives a brief summary of the role of the industry and statistics comparing the profile of the industry in 2009 and 2011. Highlights include –

- (a) the total business receipts of the industry increased from \$8.6 billion in 2009 to \$10.8 billion in 2011 (+25%);
- (b) the number of private independent establishments in the industry increased from 570 in 2009 to 600 in 2011 (+5.3%), all accounted for by small and medium enterprises (SMEs) engaging fewer than 50 persons;

and

- (c) the number of persons engaged by private independent establishments in the industry increased from 12 680 in 2009 to 13 110 in 2011 (+3.4%).

With the industry's extensive involvement in supporting Hong Kong's external trade, the industry has overcome a lot of challenges in the past few years to maintain a steady growth in business against the background of continuous uncertainties in the US and European markets.

Chapter 3

10. Chapter 3 reviewed the implementation progress of the HKCTC's recommendations on improvements to the accreditation system. Major progress made include –

- (a) the Hong Kong Accreditation Service (HKAS) has increased its establishment to 40, an increase of 38% since April 2010, to provide enhanced accreditation service to support the industry; and
- (b) the HKAS has expanded its scope of accreditation to meet the changing needs of the industry and the community at large (details at Annex 6 to the Review Report). The number of organisations accredited by the HKAS has increased from 202 at end-2009 to 235 at end-2012 (+16%).

11. The HKAS conducted a biennial survey to collect feedback from accredited organisations. All respondents in the last survey conducted in May 2012 were satisfied with the HKAS' accreditation service and the majority expressed "very satisfied".

Chapter 4

12. Chapter 4 reviewed the implementation progress of the HKCTC's recommendations on improvements to the factors of production of the industry, i.e. manpower, technology, capital and land.

Manpower

13. Each year, local universities train over 10 000 graduates in disciplines that

are relevant to the industry. Two universities have launched programmes dedicated to testing and certification. Moreover, the Vocational Training Council (VTC) has been offering Higher Diploma programmes with testing and certification elements and will double new student intakes for Academic Year 2013-14 as compared to Academic Year 2012-13. Compared to the size of the industry, the manpower supply should generally be sufficient. To assist the industry to compete for talent with other sectors, the Government and VTC have been organising/participating in career talks and career fairs and co-ordinating internship opportunities for students.

14. It is also important to enhance practitioners' professionalism. Major progress made include –

- (a) the HKAS, VTC and Government Laboratory organised more than 190 technical seminars, training workshops and short courses between April 2010 and December 2012;
- (b) the SME Development Fund has supported the Hong Kong Association for Testing, Inspection and Certification to launch a voluntary Professional Certification Scheme for Testing Personnel; and
- (c) the Independent Commission Against Corruption has developed a "Corruption Prevention Guide for Testing and Certification Industry" to enhance integrity management and internal control.

Technology

15. The major implementation progress include –

- (a) the Innovation and Technology Commission has been encouraging wider use of the Innovation and Technology Fund (ITF) to support research and development (R&D) on testing and certification. Since April 2010, seven R&D projects related to testing and certification were supported by the ITF with total approved funding of some \$13.8 million. For example, a project was supported to develop DNA-based methods to identify Chinese herbal medicines; and
- (b) the Product Standards Information Bureau has been promoting its information services on international standards through websites, seminars,

pamphlets and HKAS newsletters. It has also encouraged local experts to contribute to international standard setting by joining the International Organisation for Standardisation (ISO)'s Technical Committees. Participation increased from 72 experts in 43 Committees in April 2010 to 121 experts in 68 Committees in December 2012.

16. The HKCTC considers it encouraging to see successful applications for ITF projects on R&D for testing and certification, suggesting collaboration among the industry, universities and R&D Centres has started. Regarding the information services on international standards by the Product Standards Information Bureau, the HKCTC's survey found that most of the respondents (70-80% for various services) considered them helpful.

Capital

17. The major implementation progress include –

- (a) from April 2010 to December 2012, five R&D projects related to testing and certification were supported by the Small Entrepreneur Research Assistance Programme of the ITF with total approved funding of \$9.4 million; and
- (b) facilities available for shared use at the Hong Kong Productivity Council (HKPC) and the Hong Kong Science and Technology Parks Corporation have been promoted through seminars and laboratory visits, meetings with trade associations and media interviews. In 2011, the HKPC set up a new electromagnetic compatibility anechoic chamber with Government funding of \$9.9 million.

18. According to the survey conducted by the HKCTC, the vast majority (>80%) of respondents from the industry that had used the shared facilities considered the facilities helpful in saving their capital investment.

Land

19. As at end-2011, the average vacancy rate of industrial and commercial buildings was 6.7%, equivalent to about 2.6 million m². Compared to some 600 private establishments in the industry, of which the vast majority (about 95%) are SMEs, the supply of premises should generally cope with the demand. This is

agreed by the majority (60%) of the respondents in the HKCTC's survey.

20. The HKCTC was consulted by the Government on the planning and engineering studies of several new developments, including the Lok Ma Chau Loop and the Northeast New Territories New Development Areas. It advised the Government that the industry was interested in additional supply of land with testing and certification as one of the permitted land uses. However, more deliberation has to be made upon availability of detailed information like infrastructural support (e.g. transport network).

Chapter 5

21. Chapter 5 reviewed the implementation progress of the HKCTC's recommendations on specific trades, covering the mature trades, four selected trades and two emerging trades.

Mature Trades

22. Support to testing and certification services for the mature trades (i.e. textiles, clothing and footwear; toys and games; electrical products; and medical testing) has been provided through the implementation of the HKCTC's recommendations on improvements to the accreditation system and factors of production, as well as on promotion of the testing and certification industry.

Four Selected Trades

23. In 2010, the HKCTC set up dedicated Panels for four selected trades, i.e. Chinese medicines, construction materials, food and jewellery, to provide cooperation platforms for the making of focused effort in exploring testing and certification services.

Chinese Medicines

24. The focused effort made in the Chinese medicines trade include –

(a) development of two new services –

(i) authentication based on the Hong Kong Chinese Materia Medica Standards – as of February 2013, two laboratories were accredited

and one accreditation application was being processed; and

- (ii) product certification scheme for Chinese Materia Medica – the HKPC is developing the scheme, which aims to provide traders and suppliers with an effective means of attracting consumers through enhanced quality assurance;
- (b) enhancement of technical capability of testing laboratories –
- (i) an inter-laboratory comparison exercise was organised in 2012 to allow laboratories to assess their technical competence by comparing testing results with others; and
 - (ii) in response to the needs of the industry, a part-time training course on authentication by microscopic examination was organised in 2012;
- (c) arrangement of promotion and publicity activities –
- (i) participation in the annual International Conference and Exhibition of the Modernisation of Chinese Medicine and Health Products in Hong Kong since 2011;
 - (ii) arrangement of speakers for seminars on Chinese medicines to introduce testing and certification services;
 - (iii) arrangement of advertorials in selected newspapers; and
 - (iv) production and distribution of promotional pamphlets; and
- (d) sharing of information on the latest developments in Chinese medicines testing among stakeholders, e.g. an R&D project by local universities to develop quality control standards for processed Chinese Materia Medica, the provision of chemical markers of a project from both the Hong Kong University for Science and Technology and the University of Hong Kong.

Construction Materials

25. The focused effort made in the construction materials trade include –

- (a) monitoring the introduction of product certification for construction materials. Accredited product certification services for four new types of construction materials have been introduced since April 2010 and more are being explored. The Hong Kong Housing Authority has been taking the lead in requiring product certification for various types of construction materials by phases;
- (b) introduction of accreditation services for building diagnostic tests to facilitate the Government's various building inspection and assessment initiatives, e.g. the Mandatory Building Inspection Scheme;
- (c) arrangement of promotion and publicity activities such as briefings for relevant professional organisations and trade associations, seminars, dedicated webpages, promotional booth in trade fairs, pamphlets and advertorials; and
- (d) exploring the application of radio frequency identification technologies in testing laboratories.

Food

26. The focused effort made in the food trade include –

- (a) development of two new services –
 - (i) the ITF has supported the Hong Kong Polytechnic University in developing an Hazard Analysis and Critical Control Points (HACCP)-based food hygiene management system certification, which will meet the operational needs of the local catering industry. A pilot is now being conducted; and
 - (ii) the ITF has supported the Chinese University of Hong Kong in conducting R&D in authentication of selected high-value food, e.g. dried abalone and dried scallop. With the project completion in January 2013, a database is now available to support private testing laboratories with DNA sequencing equipment in providing authentication service;

- (b) provision of 19 technical seminars/workshops on food testing and certification by the HKAS to enhance technical competence;
- (c) arrangement of promotion and publicity activities such as seminars, promotional booth in trade fairs, pamphlets and advertorials; and
- (d) sharing of information on matters related to food testing and certification among stakeholders, e.g. future developments on legal standards and regulatory framework of food safety in Hong Kong, new testing requirements in the US market, R&D projects on food testing conducted by local universities.

Jewellery

27. The focused effort made in the jewellery trade include –

- (a) supporting the Gemmological Association of Hong Kong to develop standard testing methods for two types of Fei Cui, i.e. kosmochlor and omphacite. The Association has devised draft standard testing methods and is now consulting relevant stakeholders;
- (b) enhancement of technical competence through introduction of a training course on gemstone identification and analysis using advanced equipment in 2012; and
- (c) arrangement of promotion and publicity activities such as briefings for trade associations and at international conferences, promotional booth in trade fairs, pamphlets and advertorials.

28. For the four selected trades, the industry has given very positive feedback to the initiatives. In the survey conducted by the HKCTC, the vast majority (about 80% or higher) of the respondents that had provided testing and certification services in the selected trades considered the relevant initiatives of the HKCTC helpful to them.

Two Emerging Trades

29. In mid-2012, the HKCTC set up two dedicated Panels to explore business opportunities for testing and certification in two emerging trades, i.e. environmental

protection as well as information and communications technologies.

Environmental Protection

30. Future effort will focus on the following aspects –
- (a) promotion of validation and verification of greenhouse gas assertions;
 - (b) promotion of energy management system certification to the ISO 50001 standard; and
 - (c) promotion of testing and certification services for green procurement.

Information and Communications Technologies

31. Future effort will focus on the following aspects –
- (a) development of certification service for cloud computing;
 - (b) promotion of information security management system certification; and
 - (c) exploration of third-party testing services for software products.

Chapter 6

32. Chapter 6 reviewed the implementation progress of the HKCTC's recommendations on seeking wider recognition of Hong Kong's assessment results. Major progress made include –

- (a) the HKAS has continued to participate actively in the international accreditation community to raise its profile and uphold its international status. The accreditation granted by the HKAS to testing and certification organisations is recognised by over 80 accreditation bodies in about 65 economies; and
- (b) through the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), Hong Kong's testing results are accepted by the China Compulsory Certification (CCC) System for products processed in Hong Kong. Supplement IX to CEPA has further expanded the

acceptance of Hong Kong's testing results for food-related certification in Guangdong on a pilot basis starting from 2013.

Chapter 7

33. Chapter 7 reviewed the implementation progress of the HKCTC's recommendations on promotion of the testing and certification industry. Major progress made include –

- (a) extensive trade promotion through the platforms of the Hong Kong Trade Development Council (e.g. dedicated promotional booths in 15 local trade fairs and Hong Kong pavilions in 21 overseas trade fairs in Financial Year 2012-13); and
- (b) raising the profile and public awareness of the industry through various channels, e.g. advertorials in local newspapers, promotional booth in the annual InnoCarnival, briefings and meetings for professional bodies and trade associations, articles in trade publications.

34. According to the HKCTC's survey, the industry strongly agrees that the initiatives are helpful in enhancing the industry's professional image (84% of respondents) and public awareness of the industry (80% of respondents).

Chapter 8

35. Chapter 8 provides a summary of the recommendations made by the HKCTC after the comprehensive review. The Chapter also includes an analysis and recommendation on its long-term status.

WAY FORWARD

36. Experience since its setup in 2009 suggests that the HKCTC has served as a good platform in promoting collaboration among the stakeholders. Members from various sectors have been able to closely monitor and deliberate the changing circumstances faced by the industry in a timely and flexible manner. Suitable actions have also been taken to enhance the professional standards and international recognition of the industry.

37. As reflected by the HKCTC's survey, the testing and certification industry is very satisfied with the implementation progress of the three-year industry development plan as the vast majority agree that the initiatives have been helpful to the industry (e.g. over 80% of respondents considered the initiatives to assist the industry in attracting fresh graduates useful; over 90% considered the HKAS promoting wider recognition of Hong Kong's assessment results through multilateral mutual recognition arrangements helpful).

38. In view of the above, the HKCTC recommends that its current mode of operation should continue (paragraphs 8.7 to 8.13 of the Review Report). It also recommends the continuation and enhancement of the existing dual approach to support further development of the industry.

39. The Government will continue to work closely with the HKCTC to implement its recommendations as set out in the Review Report. Periodic reviews will be conducted to take into account operational experience and changing circumstances. We will provide Members with regular update on the progress of implementation.

ADVICE SOUGHT

40. Members' views on the recommendations in the Review Report are invited.