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Hong Kong Toys Council

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Hon Wu Chi-wai, MH
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Dear Mr Wu,

Panel on Commerce and Industry
Development of Hong Kong's testing and certification industry

Thank you for your letter dated 16 January 2018 in regard to Panel on Commerce and Industry Meeting - Development of Hong Kong's testing and certification industry.

Hong Kong Toys Council would like to provide the written submission as enclosed for your consideration. Thank you for your attention and we look forward to your response.

If you have any enquiry on the submission, please feel free to contact Ms Doris Ip at 2732 3104 or doris.ip@fhki.org.hk.

Yours sincerely,

Emily Cheung
Chairman
Hong Kong Toys Council

Encl.



Submission on “Development of Hong Kong's testing and certification industry” by Hong Kong Toys Council

In 2008, the HKSAR Government identified Hong Kong's testing and certification industry as one of the Six Industries where Hong Kong enjoys clear advantages and has great potential for further development. The Hong Kong Council for Testing and Certification (HKCTC) was then established in 2009 to enhance the professional standards and recognition of the Hong Kong's testing and certification industry in the global market place.

Despite such attempt, Hong Kong's testing and certification industry has been facing significant challenges locally and from overseas throughout these years.

Challenges

Similar to product design, engineering and logistics, the testing and certification industry works closely with manufacturing. As Hong Kong developed into a knowledge-based and service-oriented economy, manufacturing in Hong Kong began to shrink with many companies moving north or to various Asian countries due to escalating costs of production and the absence of a full-scale support program from the HKSAR government. During the last twenty years, Hong Kong's testing and certification industry had to adapt to the changes by following the manufacturing community and steering its focus on to off-shore manufacturing bases, including Hong Kong factories in China requiring technical support to engage in the export trade in the region. However, such reliance on off-shore manufacturing is increasingly becoming unviable for Hong Kong's testing and certification industry due to the following reasons:

- On-site technical support can hardly be provided for mainland and overseas manufacturing bases where QA/QC technical expertise is relatively weak, and expert advice is much in need during the design and product development stages especially when there are new standard updates or compliance issues both before and after product testing;
- Service quality in terms of on-time delivery and communication is not up to customers' expectation due to the extra time and efforts in delivering samples across the border and the high incidence of miscommunication with Hong Kong laboratories, with a tendency to get worse where there is a tight production schedule;
- Competition from international testing houses which have already set up operations in many parts of China and Asia to provide service at a cost much lower than the Hong Kong testing



industry;

- Other factors including cultural difference, language barrier, time-zone difference, etc. are unfavorable to providing off-shore services from Hong Kong.

For the above reasons, Hong Kong's testing and certification industry is increasingly having a hard time in dealing with off-shore manufacturers on export-trade services.

Trade Barriers

The gradual decline of manufacturing activities in the US and EU saw the surge of economic growth in China, various Asian economies and other developing countries. The demand for testing and certification from these countries for their local markets began to rise rapidly. However, there were increasing concerns as regards the product safety for local consumption and queries on the integrity of test certificates issued by off-shore laboratories including Hong Kong's. As more and more local standards and certification schemes emerged in different Asian countries including Malaysia, Indonesia, Vietnam, Korea, the Gulf region, and India, Hong Kong's testing and certification industry faced a whole host of difficulties including many trade barriers set up by these countries. These countries have added new toys testing requirement contrary to the international standard of ISO-8124, EU EN71, and CPSIA/ASTM963, to act as trade barrier. HKCTC should coordinate with CEDB as these regulations are against the spirit of free trade, AESAN, and Greater Bay Area spirit. In this connection, Hong Kong's testing and certification industry faced rejection due to excuses such as "only local authorised testing laboratory and certification body will be accepted", "not a designated laboratory" or "not having a local representative office". Hong Kong's testing and certification industry has received no favorable treatment from these Asian countries despite the fact that Hong Kong is a member of ILAC, with established mutual recognition agreements with these countries in place and MOUs entered into between accredited laboratories of respective accreditation bodies.

CEPA

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) signed in 2003 has opened the door for the enhancement of economic and trade exchanges and cooperation between the mainland and the HKSAR. For the Hong Kong toys testing industry, CEPA Supplement VII and Supplement VIII on further liberalisation of trade in services in the Mainland for Hong Kong were signed in 2010 and 2014 respectively - a breakthrough in strengthening cooperation in product testing services. Hong Kong's testing industry is allowed to undertake testing of products for the China Compulsory Certification (CCC) System on a pilot-basis for selected products listed in the CCC catalogue and processed in Hong Kong (i.e. the



processing facilities are located in Hong Kong). Nevertheless, since there is not much production and processing facilities remaining in Hong Kong, the trend is that more and more production plants continue to leave Hong Kong as labor and property costs rise inexorably. For instance, there is now practically zero production for the toys industry in Hong Kong. Despite CEPA, the country of origin requirement under the CCC authorised scope has seriously limited the extension of CCC service from Hong Kong laboratories within the Hong Kong area. As a result the CCC status of qualified Hong Kong testing laboratories is not giving much benefit in real terms. In other words, CEPA has given the Hong Kong testing industry no more than false hope and, therefore, many Hong Kong product testing laboratories have chosen not to take part in the Hong Kong CCC service. It is high time the HKSAR government and HKCTC acted on behalf of the Hong Kong testing and certification industry to secure for it the same status as other CCC laboratories and certification bodies in China.

Standardisation Activities

In regard to the standardisation activities in Hong Kong, there has been inadequate participation and input from the HKSAR government or HKCTC in international standardisation bodies such as ISO, EN and ASTM. Hong Kong's testing and certification industry mostly relies on secondary information from overseas partners, expert consultants, seminars and conferences, or internet for service and technology updates. As a consequence, the Hong Kong testing and certification industry is always poorly informed. Indeed, being left out of the latest information on international standards and regulations development is hindering Hong Kong's testing and certification industry in becoming a testing and certification hub in the region.

Conclusion

In conclusion, support from the HKSAR government and HKCTC for the Hong Kong testing and certification industry is grossly inadequate. Participation in international standards organisations and liaison with our trade partners for recognition of test certificates from Hong Kong's testing and certification industry are very necessary and equally important is the promotion of marks such as "Tested in Hong Kong" and "Certified in Hong Kong" to buyers and manufacturers. It is also suggested HKCTC to coordinate with the Government and increase resources to support the Hong Kong Customs and Excise Department to enforce the rules in Hong Kong and to uphold the spirit of AESAN free trade.