

**Twelfth Meeting of
the Business Facilitation Advisory Committee**

Agenda Item 4(a) : Report on the work of the Retail Task Force

Purpose

This paper reports on the work of the Retail Task Force (RTF) since the last Business Facilitation Advisory Committee (BFAC) meeting on 16 July 2009.

Work progress of the RTF

Regulatory review of the beauty products/cosmetics/medicine categories

2. The Department of Health (DH) reported that it would continue to expedite the processing of applications for registration/re-registration of pharmaceutical products and strive to further shorten the current two-month lead time. Since the number of applications for change of registered particulars had doubled in previous months, DH would strive to approve these applications within six months and consider setting a performance pledge in due course. DH would also continue organising monthly consultation sessions to facilitate pre-registration product classification.

3. The RTF generally appreciates DH's efforts and implementation of various improvement/relaxation measures to facilitate the trade. But in view of the rapid change in the market, the RTF has urged DH to expedite the processing of applications for change of registered particulars to better meet the needs of the trade and consumers. To enable applicants to get confirmation whether they have to provide additional information in support of their applications and obtain the necessary registration approval more quickly, DH has also been requested to continue exploring ways to further shorten the two-month lead time for registration/re-registration of pharmaceutical products. The RTF believes that it would facilitate the trade if DH could set a different performance pledge of less than five months for registration of non-poison pharmaceutical products such as beauty products and health supplements.

4. DH has undertaken to make every effort to improve the overall timeliness of the registration approval process and continue to explore further room for improvement.

Concerns of the proprietary Chinese medicine (pCm) trade

5. DH reported that steady progress was made in pCm registration. Continuous efforts were made to facilitate the trade's better understanding of the pCm registration requirements, including the requirements of product quality documents, pCm package inserts and labels through briefing sessions, meetings, issue of guidelines, etc. A draft implementation plan for commencement of section 119 of the Chinese Medicine Ordinance (CMO) had been worked out and the trade would be consulted later.

6. As gathered from DH's previous contacts with the trade, the trade had a general consensus that section 119 should commence as soon as possible. To comply with the regulatory requirements, the trade had requested that sufficient grace period be allowed for change of the labels and packaging of pCm products before implementation of section 119. The trade did not envisage major difficulties in implementation. The RTF has urged DH to continue active dialogue with the trade to thrash out the implementation details and allow sufficient grace period for the trade to meet the necessary requirements before implementation of section 119.

Nutrition labelling scheme

7. The relevant Amendment Regulation was enacted on 28 May 2008 and will come into operation on 1 July 2010. To facilitate the trade to understand and comply with the new requirements, the Centre for Food Safety (CFS) has implemented a series of measures (including guidance notes and frequently asked questions, basic and advanced trade workshops, telephone enquiry service, nutrition label calculator and laboratory support) since May 2008.

8. In response to the trade's requests to process small volume exemption (SVE) applications early, the CFS has advanced the date of accepting SVE applications to 1 September 2009 and provided a relevant guide to facilitate traders' completion of application forms. The CFS has also undertaken to process applications as quickly as possible. For applications submitted before 31 October 2009, the applicants will be

informed of the results before 18 December 2009 if all necessary information is submitted.

9. The trade welcomes the Administration's undertaking to provide more flexibility in enforcement and operation of the SVE scheme, in particular the 60 days' allowance for the trade to continue selling products in case of revocation of the exemption when the sales volume exceeds 30 000. However, the trade is still concerned about their readiness to comply with the requirements in time because some major implementation issues such as insufficient laboratory capacity and inconsistent laboratory testing results remain unresolved. The trade has asked the CFS to be as flexible as possible in implementation. Specifically, the trade has requested the CFS to allow three months for the trade to clear stock of products with irregular food labels, and consider the feasibility of sharing the Government's testing results with the trade so that the trade could use the Government data to rectify irregular food labels as appropriate.

10. The RTF has urged the CFS to continue to work with the trade to thrash out the implementation details and explore possible ways to accommodate the trade's concerns. Given that the nutrition labelling scheme is found to be far more complicated than the allergen labelling scheme and that potential backlashes and market confusion should be avoided as far as possible, the RTF Convenor also wrote to the Secretary for Food and Health on 8 October 2009, appealing for an extension of the grace period of the nutrition labelling scheme for one year, i.e. effective date deferred to 1 July 2011 and for prompt and favourable consideration of the trade's concerns and requests. The CFS has undertaken to follow up as appropriate and report further progress to the RTF and BFAC.

Environmental levy scheme on plastic shopping bags

11. Through the concerted efforts of the retail trade, the Administration and the public, the implementation of the first phase of the levy scheme is generally satisfactory with improvement since its inception on 7 July 2009. The Environmental Protection Department (EPD) has facilitated the registered retailers to prepare their first quarterly return due for submission on or before 30 October 2009. No major non-compliance has been identified so far and the EPD will continue to liaise with the management of the registered retailers to promote and facilitate compliance. EPD has also reactivated the relevant Working Group to serve as a forum for exchanging views on implementation of the levy scheme with the relevant trade

representatives and scheme participants. As committed to the Legislative Council, the Administration would conduct a comprehensive review of the levy scheme after its implementation so as to evaluate its effectiveness in addressing the indiscriminate use of plastic shopping bags in Hong Kong and to consider if and how the scheme could be extended to other retailers.

12. In general, the trade supports the Government's environmental policy objectives, but maintains their view that voluntary measures complemented by public education will be the most effective in waste reduction. To maintain a level playing field, they believe that the levy should apply to all retail outlets and urge the Administration to promptly conduct a thorough and holistic review on the effectiveness of the scheme. They have urged the Administration to review the objectives of the scheme, clearly define "indiscriminate use" of plastic shopping bags, define the review criteria, set a clear benchmark for measuring reduction, provide a detailed roadmap for the scheme, and set out a timetable for implementation of the next phases after the review. They have also requested the Administration to rationalise existing procedures and requirements in the light of operational experience to reduce the affected retailers' compliance costs and devise less cumbersome procedures for smaller retail outlets upon extension of the scheme. The RTF Convenor wrote to the Secretary for the Environment on 8 October 2009, conveying the trade's concerns and suggestions.

13. The Administration has undertaken to continue dialogue with the trade and other relevant stakeholders and take into account the trade's concerns and other relevant factors in the review.

Government's response to the trade's concern about Red Bull products

14. In mid-2009, retailers were advised by the Administration to stop selling Red Bull products as a matter of precaution since some of the samples from Austria and the United Kingdom were found to contain traces of cocaine. A trade representative raised his concern about the adverse business impact and uncertainty faced by the retail trade arising from the Red Bull incident. The RTF has referred the trade's concerns to the Administration for consideration. The Administration has subsequently clarified the matter with the trade. The normal trade of Red Bull products has resumed.

Proposed second phase of the mandatory energy efficiency labelling scheme

15. The Administration plans to include washing machines and dehumidifiers in the proposed second phase of the mandatory energy efficiency labelling scheme. The Administration aims to submit the relevant legislative amendments to the Legislative Council by the end of this year. The Administration consulted the Legislative Council Panel on Environmental Affairs of the proposal on 15 July 2009 and had its general support.

16. A trade representative has approached the RTF Convenor to express his concerns about the Administration's proposed technical testing standard for dehumidifiers. The RTF has made enquiries with the Administration and clarified the matter with the trade representative. The trade representative showed his understanding.

Way forward

17. Members are invited to note the work progress of the RTF. The RTF will monitor the development of the issues.

Economic Analysis and Business Facilitation Unit,
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