

Fourth Meeting of the EEC Subgroup on Business Facilitation

Agenda Item 5 : Progress Report of Retail Task Force

Purpose

This paper briefs Members on the work progress of the Retail Task Force.

Overview

2. The Task Force held three regular meetings and conducted two focus group discussions with trade representatives in the past quarter. Two of the meetings and the focus group discussions centered on the two retail categories of food/catering and supermarket and convenience store. In response to the trade's concern over the proposed regulation of volatile organic compounds (VOCs), the third meeting of the Task Force in December 2004 invited representatives of cosmetics, household consumer products sectors, general retailers and the Environment, Transport and Works Bureau (ETWB) to an open discussion on the subject.

Proposed Regulation of VOCs

3. The proposed regulation involves mandatory registration and labelling of VOC products initially and the setting up of VOC limits on certain products at a later stage. The trades are aware of the need to minimize air pollution but they have serious reservation about the proposed regulation as summarized below –

- a) The trades are not clear about the basis of the reduction targets for sources of air pollutants.
- b) The consultation was restrictive. There was no information disseminated to the community about the expected consequences of the proposed scheme.
- c) Different categories of consumer products have varying degrees of VOC emissions. The proposed measures are broadbrush and do not cater for emission characteristics of different products.

- d) Labelling is not an effective means to change the consumer behaviour on products with VOC.
- e) Traders also challenge the effectiveness of labelling and mandatory registration in minimizing air pollution.
- f) Labelling of consumer products is not practised elsewhere. The local market is too small to influence manufacturers in producing consumer products that comply with Hong Kong's unique regulatory requirements.
- g) In the absence of support from product manufacturers, trades in Hong Kong will need to invest in order to cope with the labelling requirements. This will in turn reduce items carried by trades and limit the choice of consumers. The proposal has not taken into account the business environment of the retail trades. The compliance costs so required will drive 60% or more of the SMEs in the cosmetics and perfumery sector out of business.
- h) Besides labelling consumer products with VOC content, there appears to be more effective alternatives in controlling the emission of VOC.

4. After the meeting with trades and representatives of ETWB, the Convener of the Task Force wrote to the Secretary for the Environment, Transport and Works to request the conduct of a Regulatory Impact Assessment. The Bureau agreed to work further with the trades, through meetings and working groups and to revisit the need for, and the scope of, a regulatory impact assessment after that process. The Task Force will closely monitor the development in this regard.

Views of Trades in Food/Catering and Supermarket/Convenience Store Categories

5. The two categories have many common licensing requirements. At the focus group meetings, trade representatives of the two categories also expressed similar concerns which are summarized below –

- a) Long lead time to ascertain structural suitability of premises. There is no single point of contact that a potential applicant could seek advice on the suitability of premises for business. Business operators could miss the lease or pay nugatory rent for the premises.

- b) Recent stepping-up of control over unauthorized building works. This would reduce the supply of suitable premises for business in the long run.
- c) Long lead time taken by the Fire Services Department to conduct on-site inspection. If repeated inspections are needed, the premises will be kept idle for a long time before business operation could commence.
- d) Problems with setting up shops in Housing Authority estates. More problems arise if the management of an estate has been outsourced.
- e) Utilities connection not always possible. Utilities are restrained from digging up roads within one year after excavation, thus holding up the commencement of operation of a business establishment if it requires utilities connection during the “ban” period.
- f) Need to comply with regulations of several disciplines which may be conflicting at times.
- g) Inconsistent interpretation of licensing requirements by different officers.
- h) Inconsistent requirements and practices for shops in urban areas and the New Territories (NT). Licence fees for shops in the NT are also higher than those in the urban area.
- i) Duplicate or outdated licensing requirements.
- j) Validity period of 6-month for a provisional licence being too short to cater for cases that require a much longer processing time.
- k) Absence of a performance pledge for processing layout change. Business operators could not plan and monitor progress in this respect.
- l) Absence of a standard practice in the communication with chain stores operated by the same operator.

- m) Insufficient consultation with the trade in introducing regulatory requirement.
6. In addition, the trades have proposed the following –
- a) Centralizing the staff of various disciplines under a single licensing office with authority to approve application, and to give minor concessions to requirements laid down in regulations.
 - b) Simplifying the number of food licences for supermarkets. Consideration could be given to group existing food licences under two broad categories – raw and ready-to-eat food.

Views of Trades in Other Retail Categories

7. In drawing up the initial work programme, the Task Force also considered the general business environment of other retail categories. It was generally felt that there were no major problems with the regulatory control on motor vehicles and parts, electronic and electrical appliances/telecommunications, fashion and accessories and watches and jewelleryes.

Way Forward

8. The Task Force is reviewing the Government's response and the views of trades to map out the follow-up actions required.