

LCQ20: Impact of surge of mainland visitors to Hong Kong

Following is a written reply by the Secretary for Commerce and Economic Development, Mr Gregory So, to a question by Dr Hon Lam Tai-fai in the Legislative Council today (March 27):

Question:

Some members of the public have relayed to me that although the implementation of the Individual Visit Scheme (IVS) for Mainland people have brought substantial economic benefits, the local facilities cannot cope with the pressure brought about by the surge of visitors. Moreover, the Government's control measures implemented recently against export of formula products for infants and young children from Hong Kong (control measures) have been criticised as creating conflicts between the Mainland and Hong Kong. It is necessary for the Government to comprehensively review the coping capacity of Hong Kong's resources for tourism and people's livelihood, etc. In this connection, will the Government inform this Council:

(a) whether it will consider setting up an inter-departmental task force to coordinate and handle the related problems arising from IVS; if it will, of the details; if not, the reasons for that;

(b) as some members of the tourism industry have pointed out that mainland visitors have "overcrowded" Hong Kong, which shows that Hong Kong's tourism supporting facilities lag behind and fail to meet the demand, whether the Government will review comprehensively the overall coping capacity of Hong Kong's tourism and community resources on the premise that the IVS policy remains unchanged; if it will, of the details; if not, the reasons for that;

(c) whether it has assessed if the supply of hotel rooms and quality of hotel accommodation services, provision of tourism-related services, number of coach drivers and tourist guides, as well as parking spaces at scenic spots, etc. can cope with the growing number of visitors in future; if the outcome of the assessment is in the negative, of the improvement measures;

(d) as some members of the public have pointed out that the Ocean Park and the Hong Kong Disneyland have become major tourist destinations of mainland visitors, and the proportion of Hong Kong residents visiting the parks is decreasing, whether the

Government will ensure that the needs of local residents will be taken into account when additional tourism facilities are to be provided in the two theme parks, e.g. providing additional leisure facilities preferred by Hong Kong people; if it will, of the details; if not, the reasons for that;

(e) whether the authorities had assessed the responses of the mainland authorities and people before launching the control measures; if they had, of the details; if not, the reasons for that;

(f) whether the authorities had studied, in collaboration with the mainland customs, the feasibility of the control measures before implementing such measures, and whether both parties have reached a consensus on combating parallel traders; if they have reached such a consensus, of the details; if not, the reasons for that;

(g) whether the authorities have formulated indicators for assessing the effectiveness of the control measures; if they have, of the details; if not, the reasons for that;

(h) whether the Government has assessed the impact of the control measures on the business turnover of infant formula product importers, wholesalers and retailers; if it has, of the details; if not, the reasons for that;

(i) whether the Government has studied how to help importers, wholesalers and retailers increase the supply of formula products;

(j) of the supply of infant formula products in Hong Kong at present (including the number of suppliers, the import volume of different brands of infant formula products, and their respective sales volume in the recent six months); and

(k) as the Government has decided to implement new arrangements for booking Pui O Campsite during the three long holidays on the Mainland, namely the Labour Day Golden Week, the National Day Golden Week and Lunar New Year, allowing Hong Kong residents to reserve the camp bays in advance, whether the authorities will step up efforts in publicising the new arrangements to the mainland people so as to avoid conflicts between Hong Kong and mainland residents arising from "competition for the use of the Campsite"?

Reply:

President,

Since the implementation of the "Individual Visit Scheme" (IVS) in July 2003, there has been a marked increase in Mainland visitor arrivals every year, contributing to the overall Hong Kong economy. In view of the significant increase in the number of visitor arrivals, since September last year, the Government has made it clear on several occasions that, when considering the way forward of the IVS, the major premise is to take into account amply the overall capacity of Hong Kong to receive tourists, and to avoid overly affecting the living of the Hong Kong people.

Our replies to the questions raised by Dr Hon Lam Tai-fai are as follows:

(a) to (c) The Government is assessing the overall capacity of Hong Kong to receive tourists. The areas taken into account include the handling capacity of boundary control points, receiving capacity of tourist attractions and the public transport system, supply of hotel rooms, economic effects of the IVS, and its impact on the livelihood of the community, etc. All policy bureaux and government departments responsible for the above areas are involved in the assessment work. Upon completion of the assessment, the Government will commence liaison with the relevant Mainland authorities to exchange views in this aspect.

(d) The Government has been actively engaged in the expansion plans of the two major theme parks to ensure that the new facilities are attractive to both tourists and Hong Kong residents. For the Ocean Park, the Old Hong Kong opened in 2012 is exactly a new attraction tailor-made for Hong Kong people, which captures the collective memory of the older generation. The Ocean Park is also aware that its old waterpark remains the collective memory of many Hong Kong people. Therefore, the Park has decided to build a new all-weather waterpark at Tai Shue Wan.

Regarding the Hong Kong Disneyland (HKD), we have also requested HKD to take into account the needs of both visitors and local guests, particularly the young male segment, when planning for new themed areas and attractions. Toy Story Land and the planned new themed area featuring "Marvel heroes" are some of the examples.

The two theme parks have also been encouraging visits by Hong Kong residents through implementation of various measures and organisation of events and programmes.

(e) Hong Kong relies on the importation of powdered formula for infants and young children under 36 months to meet all local demands. The total amount of such import was largely steady at the level of 15 million kilograms (kg) per annum from 2006 to 2008. Since then, demand has shot up, with the amount of import reaching 44 million kg in 2012, representing an increase of 193%. During the same period, the amount of re-export was about 2 million kg per annum, and the growth in the number of births in Hong Kong was only about 16%. On the basis of these figures, we believe that over the past years, a large amount of powdered formula has been diverted consistently through parallel trading activities to satisfy the demand of Mainland parents.

The Government has been promoting the merits of breastfeeding in order to encourage its adoption by parents. Where breastfeeding is not feasible, powdered formula is the only processed foodstuff which wholly fulfils the nutritional requirements of infants during the first months of life until the introduction of complementary feeding (Note 1). For young children above six months of age, we understand that some parents may still rely heavily on powdered formula as the diet for their children under the age of 36 months. To protect the health of infants and young children under the age of 36 months, it is necessary to ensure an adequate and stable supply of powdered formula.

We noted that there was a serious shortage of certain brands of powdered formula at certain retail outlets since January this year. Since then, the Government has been closely monitoring the developments. Recently, even though major suppliers of powdered formula had enhanced their services, emphasised that they had sufficient stock in hand, and had put in place stringent measures to combat the malpractices of some retailers (Note 2), many local parents still complained that individual brands of powdered formula continued to be out of stock at the retail level and that the hotlines of certain suppliers set up to enable local parents to order powdered formula were not responding properly.

It is clear that the recent supply chain failure in relation to powdered formula is closely related to parallel trading activities. The huge demand of parallel traders often leads to serious shortage of certain brands of powdered formula at certain retail outlets.

To combat this problem, we have amended the Import and Export (General) Regulations (Cap. 60, sub. leg. A) to prohibit the export of powdered formula from Hong Kong except with a licence issued by the Director-General of Trade and Industry.

Imposing restriction on the quantity of powdered formula to be carried by persons departing from Hong Kong is a measure of last resort. We have tried to secure the understanding of all sectors, including people from the Mainland, through communications. We have all along emphasised that the measure is not directed against visitors from the Mainland or other places. Our intention is merely to ensure that infants and young children of local parents will have sufficient and steady supply of powdered formula.

In drafting the Import and Export (General)(Amendment) Regulation 2013 (Amendment Regulation), the Administration has conducted a public consultation and taken into account the possible impacts on various sectors including visitors from the Mainland and other places. Having regard to the need of those leaving Hong Kong for powdered formula for personal use, the Amendment Regulation allows each person aged 16 or above to carry not more than a total net weight of 1.8 kg of powdered formula (equivalent to about two cans) on his or her first departure from Hong Kong within a 24-hour period.

(f) The Customs and Excise Department (C&ED) and their Shenzhen counterparts have maintained close collaboration in combating parallel trading activities, and a joint operation against parallel trading of daily commodities with emphasis on powdered formula was launched on February 1, 2013.

C&ED has adopted a multi-pronged approach in preparing for the implementation of the Amendment Regulation before its commencement. On the enforcement side, C&ED has stepped up export control at all boundary control points and adopted a risk-based approach on passenger and cargo inspection. At the same time, C&ED has enhanced intelligence collection, continued to keep close contact with the Mainland Customs and conducted joint operations if necessary.

(g) The Amendment Regulation has been very effective. Since it came into effect on March 1, parallel trading activities related to powdered formula have dropped substantially, while the supply of powdered formula at retail outlets has apparently become sufficient and stable when compared with the previous market situation.

(h) In drafting the Amendment Regulation, the Administration has taken into consideration the impact of restricting the export of powdered formula on different stakeholders. The Administration is of the view that this measure would have some impact on the business of individual wholesalers, small dispensaries and

medicine/cosmetic shops with powdered formula as a key source of sales. Yet relative to the size of the total retail market in Hong Kong, the impact should not be significant in overall terms.

(i) We are of the view that the supply chain failure in relation to powdered formula has a major bearing on the serious shortage of powdered formula recently. In this connection, the Administration considers that powdered formula suppliers must step up their efforts to improve the supply chain to ensure an adequate and stable supply of powdered formula for infants and young children in Hong Kong. Among other things, they should ensure sufficient local supply, improve the stock replenishment mechanism, set up services for advance order at retail outlets and provide support to hotlines for taking purchase orders by ensuring that there is sufficient manpower to handle purchase orders arising from a surge in demand.

(j) According to the Food Safety Ordinance (Cap. 612), all importers of "infant/follow-up/growing-up formula (for babies and young children up to 36 months)" must register with the Director of Food and Environmental Hygiene. Under Section 4(3)(a) of the Food Safety Ordinance, some importers of "infant/follow-up/growing-up formula (for babies and young children up to 36 months)" are exempted from the registration requirement under Part 2 of the Ordinance. The total number of these importers is 525. The Administration does not have any figures on the import or sales volume of different brands of powdered formula.

(k) During the last Mid-Autumn Festival which fell coincidentally with the Mainland's National Day Golden Week holiday, a large number of visitors, as well as local residents, used the Pui O Campsite (the Campsite) which is under the management of the Leisure and Cultural Services Department (LCSD), resulting in overcrowding at the Campsite.

To enhance the management of the Campsite and to facilitate advanced bookings by interested parties, LCSD will try out new booking arrangements in 2013-14 for three Mainland long holidays, namely Labour Day Golden Week holiday, the National Day Golden Week and Lunar New Year. During these three long holidays, Hong Kong residents can submit applications for using camp bays one month in advance. If the number of bookings exceeds the camp bays available, the LCSD will allocate the camp bays by drawing lots. Successful applicants are required to produce his/her identity card and a valid confirmation letter for use of the campsite for verification when checking in. If camp bays are still available, local residents and visitors alike can register for use at

the Campsite office on a first-come, first-served basis.

LCSD has already publicised the new arrangements via press releases on March 11 and 26, the department's website and notices at district leisure services offices and the Campsite. The department will consider other means to inform visitors of the new arrangements if necessary. To ensure smooth operations, LCSD will enhance the management of the Campsite by deploying more staff during the three long holidays mentioned above.

Note 1: Complementary feeding is normally introduced at six months of age.

Note 2: In January 2013, major suppliers of powdered formula issued 77 warnings to these retailers and restricted supply to 27 retailers. Besides, supply to 11 retailers has been suspended.

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