

**Thirty-third Meeting of
the Business Facilitation Advisory Committee**

***Agenda Item 2: Business Impact Assessment on
Mandatory Use of Designated
Products registered under Water
Efficiency Labelling Scheme (WELS)***

Purpose

This paper briefs the members that the Water Supplies Department (“WSD”) has conducted a Business Impact Assessment (“BIA”) study and will suitably incorporate the study findings and recommendations in the development of the mandatory use of designated products registered under Water Efficiency Labelling Scheme (WELS) (“Proposal”) in Hong Kong.

Background

2. In 2008, the Government of the Hong Kong Special Administrative Region promulgated a Total Water Management (“TWM”) Strategy. Promotion of the use of water saving devices is one of the key initiatives under TWM and WSD has thus developed a voluntary WELS covering different types of plumbing fixtures and water-consuming appliances. To step up the gear in water conservation and make reference to overseas experience, WELS needs to be mandated. Mandating WELS will be implemented in stages. Stage 1, the Proposal, will mandate the use of designated products (showers for bathing, water taps and urinal flushing valves) of prescribed water efficiency requirements under WELS in all new buildings and those under renovation whenever showers for bathing, water taps and urinal flushing valves are proposed in the corresponding form WWO46 submission. Stage 2 will cover the retailing aspect of the plumbing fixtures/water-consuming appliances such that those products for sale shall be WELS registered.

3. We introduced the framework of the Proposal in the meeting with various trade unions in February 2015. The Proposal has also been discussed at the meetings of the Working Group on Water Conservation (WG) under the Advisory Committee on Water Supplies (ACWS) and the ACWS, in which both WG and ACWS welcomed and supported the Proposal in general. To assess the impact of the Proposal, WSD commissioned a BIA study in April 2016 to identify the potential impacts on the affected trades and advise on the possible mitigations to alleviate their compliance burden.

The BIA Study

4. The key objectives of the BIA study are to:
- (a) assess the business environment of local property and water consuming products business sectors, and identification of the major business stakeholder groups and segments that may be impacted by the proposed mandatory scheme;
 - (b) collate the views and concerns of the stakeholders on the proposed mandatory scheme;
 - (c) assess the potential business impacts to the stakeholders, in particular the small and medium-sized enterprises (SME) with respect to business compliance difficulties and cost; and
 - (d) recommend mitigation measures to help ease the compliance difficulties and cost of the stakeholders.
5. We conducted the BIA study through a consultant who collected views from the affected trades through face-to-face interviews with the relevant stakeholders. The BIA identified a number of areas that might require further consideration when finalizing the operational details of the Proposal. Mitigation measures have been recommended to help alleviate the compliance concerns of the affected trades. For details, please refer to the final draft Executive Summary at **Annex I**. In gist –

- (a) ***Limited choices of water consuming products (WCPs)***: We have proposed to set up a recognition mechanism to recognise registered WELS products in other jurisdictions (e.g. Australia's Water Efficiency Labelling and Standards (WELS) Scheme) so that suppliers could save the local laboratory testing procedures, and to allow installation of WELS registered flow controllers to those WCPs not fulfilling the WELS requirement of the Proposal.
- (b) ***High laboratory testing cost***: We have proposed to set up a recognition mechanism to recognise registered WELS products in other jurisdictions so that suppliers could save the local laboratory testing procedures.
- (c) ***Operational needs of commercial kitchens***: In view of commercial kitchens' operation need on high water flow WCPs, we have proposed to exclude the commercial kitchens in the Proposal. Besides, we have further proposed to exclude all kitchens in non-domestic buildings to cater for businesses of similar nature like factory canteens and food factories in various non-domestic buildings. These measures will also reduce the administrative burden of the Proposal on the trade and us.
- (d) ***Unclear condition for exemption of the Proposal***: The concern is mainly from the F&B trade. As we have made clear that all kitchens in non-domestic buildings are excluded from the Proposal, the need for seeking exemption will be significantly reduced.
- (e) ***Projects with contracts for use of WCPs signed before the launch of the Proposal***: This is a genuine concern for projects with contracts for use of WCPs (which have not been registered under WELS) signed before the launch of the Proposal but the issue is only transitional. We have proposed to exempt those projects as long as the project proponent could provide documentary proof that the contract for use of these WCPs is signed before implementation of the mandatory scheme and demonstrate that the specifications stipulated under the said

contract for the use of those designated products could not fulfill the prescribed water efficiency requirements.

- (f) ***Grace period of 12 months being too short:*** The concern might be overstated and without knowing the mitigation measures proposed. We have proposed to set up recognition mechanism for WELS products of other jurisdictions and to allow installation of WELS registered flow controllers to those WCPs not fulfilling the WELS requirement of the Proposal. These two measures would be able to allow sufficient flexibility for stakeholders to decide when to register the WCP models under WELS. Thus, the grace period should stay as 12 months.
- (g) ***WELS labels for products sold to project market:*** Since there is no functional need for WELS labels for project market WCPs, we have proposed to exempt the affixing of WELS labels to individual WCP sold to project market.

Way Forward and Advice Sought

6. We have taken the findings and recommendations of the BIA study into consideration in finalizing the Proposal and worked out the implementation details with the trades. The Proposal would be launched tentatively in early 2017.

7. Members are invited to note the contents of this paper and offer comments, if any.

**Water Supplies Department
November 2016**

1 INTRODUCTION

Water Supplies Department (WSD) has commissioned ERM-Hong Kong, Limited (hereafter referred to as “ERM” or “the Consultant”) to carry out a Business Impact Assessment (BIA) on the Proposed Mandatory Use of Designated Products registered under Water Efficiency Labelling Scheme (hereafter referred to as “the Study”) in order to assess the views and concerns of the stakeholders on the proposed mandatory WELS and advise on the possible mitigations to alleviate their compliance burden. This Executive Summary (ES) presents the key findings and recommendations of the Study.

1.1 STUDY OBJECTIVES

The objectives of the Study are to:

- (a) assess the business environment of local property and water consuming products business sectors, and identification of the major business stakeholder groups and segments that may be impacted by the proposed mandatory scheme;
- (b) collate the views and concerns of the stakeholders on the proposed mandatory scheme;
- (c) assess the potential business impacts to the stakeholders (in particular the small and medium-sized enterprises (SME) with respect to business compliance difficulties and cost; and
- (d) recommend mitigation measures to help ease the compliance difficulties and cost of the stakeholders.

2 **OUTLINE OF THE PROPOSED MANDATORY WATER EFFICIENCY LABELLING SCHEME**

This section describes the key provisions of the proposed mandatory WELS.

2.1 **OBJECTIVE AND SCOPE OF COVERAGE**

The objective of the mandatory scheme is to enhance water conservation in Hong Kong through the use of WELS water efficient devices.

The mandatory use of WELS designated products will be implemented in stages:

- (a) Stage 1 will refer to the mandatory use of designated products registered under WELS in the project market, which include all new buildings and those under renovation that require the submission of form WWO542 with plumbing proposals and subsequently form WWO46 for the Water Authority's approval. The fittings (i.e. showers for bathing, water taps and urinal flushing valves) listed on form WWO46 shall comply with the prescribed water efficiency requirements specified under WELS and have a valid general acceptance (GA) certificate ⁽¹⁾ issued by the Water Authority (WA).
- (b) Stage 2 will cover the retail/sale of the plumbing fixtures/water consuming appliances such that those products for sale shall be designated products registered under WELS.

This BIA study and the proposed mandatory scheme outlined in *Section 2.2* only cover Stage 1 of the mandatory scheme.

2.2 **THE SCOPE OF PROPOSED MANDATORY SCHEME**

The mandatory use of WELS designated products registered under WELS will cover all new buildings and those under renovation that require the submission of form WWO542 with plumbing proposals and subsequently form WWO46 for the WA's approval.

The WSD will check the fittings listed in form WWO46 against the latest registers of relevant WELS products ⁽²⁾ and the directory of pipes and fittings.

The WA will only consider and approve form WWO46 if the proposed fittings have been listed in the relevant WELS registers and met the prescribed water efficiency requirement, if applicable, as stated in *Table 2.1*.

(1) For water taps and urinal flushing valves only.

(2) The registers of all WELS products could be accessed at:
www.wsd.gov.hk/en/plumbing_and_engineering/wels/registers_of_all_wels_products/index.html

Table 2.1 *Water Efficiency Requirements of WELS Designated Products*

Type of Designated Products Registered under WELS	Prescribed Water Efficiency Requirements under WELS
Showers for bathing ^(a)	Grade 1 or 2
Water taps (for use in kitchens) ^(b)	Grade 1, 2 or 3
Water taps (for use in toilets) ^(c)	Grade 1 or 2
Urinal flushing valves ^(d)	Grade 1 or 2

Notes:

- (a) It includes showerheads installed to fixed arms/concealed pipes in the wall or ceiling, showerheads installed to pivotal arms, and hand-held showers.
- (b) It includes water taps of hot and cold water mixing (mixing) or non-mixing type installed at pantry/kitchen sinks.
- (c) It includes water taps of hot and cold water mixing (mixing) or non-mixing type installed at bathroom/toilet washing basins. However, the water taps installed at bath tub/shower, any system, machinery and devices such as irrigation system, washing machines, water dispensers, etc. which serve for bathing/operational use, are excluded.
- (d) It includes both the sensor and manual types.

2.2.1 *Exemption*

Exemption will be granted to special venues on a case-by-case basis. Individual requesting for exemption should submit an application to WSD with detailed justifications including reason(s) of exemption and possible consequence(s) if WELS designated products are installed and used. Taking hospital as an example, the applicant may claim that the water taps for the operation theatre may need to be of large flow for hygiene concern.

2.2.2 *Grace Period*

A grace period of 12 months will be allowed after the launch of the proposed mandatory scheme. The proposed mandatory scheme will be fully implemented 12 months after the launch date. The launch will be announced through official press release, whilst the trade, the Licensed Plumbers (LPs) and the Authorised Persons (APs) will be notified of the implementation of the proposed mandatory scheme via the WSD Circular Letters.

2.2.3 *Amendment on the WSD's Publications*

Upon formulation of the final implementation plan for the proposed mandatory scheme, the *Hong Kong Waterworks Standard Requirements (HKWSR) for Plumbing Installation in Buildings* and *Handbook on Plumbing Installations for Buildings (HBonPIB)* will be amended to include the proposed mandatory use of designated products registered under WELS.

Upon preliminary review, relevant chapters of HKWSR (including but not limited to Chapters 1, 2, 3, 7, 8 and 10) and relevant sections of HBonPIB (including but not limited to Sections 4 and 8) will be amended to cover the proposed mandatory scheme.

The trade, the LPs and the APs will then be notified of the amendments of the above documents via the WSD Circular Letters.

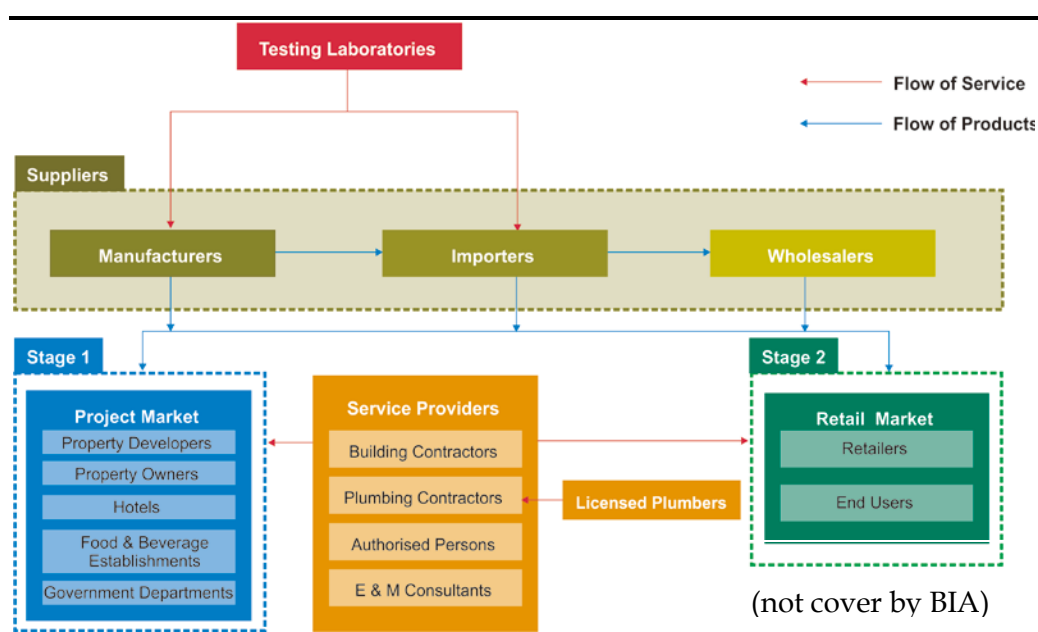
2.2.4 *Enforcement*

The WA will only consider and approve form WWO46 if the proposed fittings have been listed in the relevant WELS registers and met the prescribed water efficiency requirement, if applicable.

The business structure of the Water Consuming Product⁽¹⁾ (WCP) industry is presented in *Figure 3.1*. The industry can be broadly categorised into 5 segments as below:

- Suppliers;
- Project market;
- Retail market;
- Service providers; and
- Testing laboratories ⁽²⁾.

Figure 3.1 Structure of Water Consuming Products



The general structure of WCP industry in Hong Kong is illustrated in *Figure 3.1*. The structure includes:

- Suppliers includes manufacturers, importers and wholesalers of WCP;
- Project market refers to development of new buildings, renovation of existing buildings or premises that undergo additions and alterations (A&A) works where submission of form WWO542 with plumbing proposals, and form WWO46 to the WA are required;

(1) Showers for bathing, water taps, and urinal equipment are defined as WCP under this study.

(2) "Testing laboratories" is separated out from "Service providers" because "Testing laboratories" is for WCP suppliers only while "Service providers" are those who support WCP buyers in project or retail market.

- Retail market; refers to general household consumers, small scale renovation works and addition and alteration (A&A) works where re-plumbing works will not be carried out;
- Service providers include building contractors and plumbing contractors, LPs, electrical and mechanical (E&M) Consultants, and APs such as registered architects; and
- Testing laboratories ⁽¹⁾.

3.1 BUSINESS ENVIRONMENT OF THE WCP INDUSTRY

This section summarises the respective business environment of each segment of the WCP industry.

3.1.1 Suppliers

The segment of suppliers includes manufacturers, importers and wholesalers of WCP. There are no WCP manufacturing plants located in Hong Kong as of October 2016 and all the WCP are imported from Mainland China or other jurisdictions such as Germany and Japan. It is estimated that there are approximately 140 WCP suppliers in Hong Kong, of which about 14% (i.e. about 20 companies) are large companies and about 86% are SME.

3.1.2 Buyers

This segment refers to buyers in project market. WCP are usually purchased in bulk quantities in project market. The project market includes but not limited to the development or renovation of residential buildings, Government, institutional and community, commercial and industrial buildings, hotels, and food & beverage (F&B) establishments.

This segment include all types of WCP buyers for project use, including property developers, property owners, hotels, and F&B establishments and Government departments.

3.1.3 Service Providers

The segment of service providers includes building contractors and plumbing contractors, LPs, E&M Consultants, and APs.

3.1.4 Testing Laboratories

For the WCP suppliers who would like to register their products under WELS, they are required to test their products by the laboratories which satisfied the requirements stipulated in the scheme document of WELS. Under the current scheme document of WELS products, the WELS testing shall be carried out by one of the following three types of laboratories:

(1) "Testing laboratories" is separated out from "Service providers" because "Testing laboratories" is for WCP suppliers only while "Service providers" are those who support WCP buyers in project or retail market.

1. Laboratory accredited by HOKLAS⁽¹⁾ (or other accreditation scheme via mutual recognition agreement) for carrying out the WELS testing stipulated in the scheme document;
2. In-house laboratory fulfilling the criteria listed in the scheme document; and
3. Laboratory accredited by HOKLAS (or other accreditation scheme via MRA) for carrying out laboratory testing of plumbing fixtures and water-consuming appliances other than the tests stipulated in the scheme document, and the laboratory can demonstrate capability of carrying out the WELS testing.

Among these three types of laboratories for WELS testing, most WCP suppliers will engage type 3 laboratories for WELS testing. Based on the list of HOKLAS, as at 31 October 2016, there were only three testing laboratories in Hong Kong that achieved HOKLAS accreditation to provide testing services for “Tapwares and Valves” for obtaining the WELS registration⁽²⁾.

(1) The Hong Kong Laboratory Accreditation Scheme: <http://www.itc.gov.hk/en/quality/hkas/hoklas/about.htm>

(2) Business Compliance Cost Review for Voluntary Water Efficiency Labelling Scheme, EABFU

The Consultant carried out view-seeking exercise with the stakeholders through face-to-face (F2F) interviews. A total of 41 F2F interviews (see Table 4.1) with various stakeholders including WCP suppliers, buyers, service providers and testing laboratories were conducted to collect more detailed information on their operations and comments on the proposed mandatory scheme.

The segmentation of the F2F interviews was based on the business environment of the local WCP industry, the broad function (e.g. supplier or buyer) in the supply chain and size of the company (e.g. Large or SME) of various stakeholder groups.

Table 4.1 *Segmentation for F2F Interviews*

Stakeholder Groups	Number of Interviews	
	Large	SME
Suppliers		
• With WELS Registration Experience	3	5
• Without WELS Registration Experience	4	1
	<i>Sub-total</i>	13
Buyers ^(a)		
• Property Developers		6
• Government Departments involving property development		2
• Property Owners		4
• Hotels		4
• Food & Beverage Establishments		2
	<i>Sub-total</i>	18 ^(a)
Service Providers		
• Contractors		
○ Building Contractors		1
○ Plumbing Contractors		1
• Licensed Plumbers		2
• E&M Engineering Consultants		1
• Authorised Persons		1
	<i>Sub-total</i>	6
Testing Laboratories		
• Existing WELS testing laboratories		3
• Non-WELS testing laboratories		1
	<i>Sub-total</i>	4
	Total	41

Note:

(a) The Buyers covered both new and existing buildings. All the 18 buyers engaged had provided their comments on how the proposed scheme might impact their existing buildings. For F&B, apart from the two interviews, the Food Business and Related Services Task Force was also consulted. For hotels, the Business Liaison Group for hotels was also consulted.

In addition, focus group discussions (FGDs) were arranged to seek high level views of the stakeholders on the proposed mandatory scheme.

5 ASSESSMENT OF COMPLIANCE DIFFICULTIES

5.1 OVERVIEW

Most, if not all, stakeholders interviewed supported the intention of the Government to enhance water conservation but thought that the scheme could be streamlined to minimise their administrative and financial burden.

Both large and SME suppliers would be able to comply with the requirements of the proposed scheme except one or two SME where their WCP do not have ISO 9001 certification from the manufacturers.

The impact on large and SME suppliers would depend on the quantity of WCP models a company is supplying to the project market. For WELS registration, there is a testing cost associated with each model, ranging from HK\$2,700 to HK\$4,000. Their major concerns are availability and capacity of local testing laboratories. The buyers and service providers have concerns on whether the proposed mandatory scheme would cause delays to their construction or renovation works, and whether it would limit the choices of WCP available to the local project market.

5.2 KEY COMPLIANCE DIFFICULTIES AND RECOMMENDED MITIGATION MEASURES

In terms of business compliance difficulties, the key concerns focus mainly on the following issues:

5.2.1 *Choices of WCPs being Constrained during Transition Period*

Compliance Difficulty

Buyers were concerned that there would not be enough choice available on the register at the time of implementation of the proposed mandatory scheme; hence they would not be able to choose the types of WCP that fit their preference.

Recommendation

It is recommended the Government to adopt various measures to facilitate suppliers to register as many WCP as possible at the beginning of the mandatory scheme. The Government can consider setting up a recognition mechanism to recognise registered WELS products in other jurisdictions (e.g. Australia) so suppliers can save the local laboratory testing procedure which would speed up the registration process significantly, and allowing WELS registered flow-controllers to be used with non-WELS registered WCP to ensure there is enough product choice during the transition period.

5.2.2 ***High Laboratory Testing Cost***

Compliance Difficulty

Many suppliers had major concern on laboratory testing requirements as it will impose high cost to the suppliers. Some of the suppliers have over 1,000 models of WCP and several hundred of them may be supplied to the project market. Hence, it would impose a high initial testing cost to the suppliers.

Recommendation

It is recommended that WSD should explore various measures to reduce the burdens on suppliers such as recognition of laboratory test reports for WELS of other jurisdictions which would effectively reduce the compliance cost significantly.

5.2.3 ***Grade 1-3 WELS Water Taps could not meet the Operational Needs***

Compliance Difficulty

Many commercial kitchens in restaurants (especially Chinese restaurants) and food factories required water taps with high water flow in their daily operation that even Grade 3 WELS WCP could not satisfy their operational needs. It is not uncommon for restaurants to serve hundreds to thousands of customers every day, hence, the mandatory use of low-flow water taps would have significant adverse impact on the operation efficiency of the F&B trade.

Recommendation

There is already financial incentive for F&B trade to use water conservatively due to the sewage charge. As F&B's kitchens have genuine operational need on high water flow WCP products, it is recommended to exclude the commercial kitchens in the mandatory scheme. To cater for businesses of similar nature like factory canteens and food factories in various non-domestic buildings, it is further recommended to exclude all kitchens in non-domestic buildings. This will also reduce the administrative burden of the trade and WSD.

5.2.4 ***Causing Contract Complication to Projects with Long Construction Period***

Compliance Difficulties

Property developers and owners might have projects with very a long construction period (e.g. >5 years) and they would only submit form WWO46 at the late stage of superstructure construction works. They are concerned that some of their on-going projects might have already ordered/purchased WCP that would not fulfil the mandatory WELS requirement but when form WWO46 were to be submitted it would pass the grace period already.

Recommendation

This is a genuine concern in view of the long construction cycle and the current trade practices but the issue is only transitional. It is recommended that exemptions should be granted to projects with long construction period as long as the project proponent can provide documentary proof that a contract has been signed to purchase a certain model of WCP that is not in compliance with the WELS requirement prior to the implementation of the mandatory scheme.

5.2.5 *Condition for Exemption is Unclear*

Compliance Difficulty

Some stakeholders noted that the proposed mandatory scheme does not have a clear guideline on what type of premises can apply for exemptions. This may lead to many buyers and service providers applying for exemptions in the early stage so as to identify the exemption conditions. Such process may waste a lot of administrative effort, hence the exemption conditions should be stated clearly when the proposed mandatory scheme is implemented to avoid confusion.

Recommendation

The concern is mainly from the F&B trade. If all kitchens in non-domestic buildings are excluded from the mandatory scheme, the need for seeking exemption will be significantly reduced.

5.2.6 *Grace Period of 12 Months is Too Short*

Compliance Difficulty

Many stakeholders commented that the grace period of 12 months is too short, in particular for urinal flushing valves where the laboratory testing time is long (2 to 3 months) and most laboratories only have very few testing equipment for the testing of flushing valves. Some stakeholders suggested that the grace period should be at least 24-36 months so that the industry would have enough time to adjust and sufficient WCP could be registered under WELS during this grace period.

Recommendation

The concern might be overstated and without knowing the mitigation measures proposed. It is recommended that the Government should consider setting up recognition mechanism for WELS products of other jurisdictions and/or allow WELS registered flow-controller to be used with non-WELS WCP. These two measures would be able to allow sufficient flexibility for stakeholders to decide when to register the WCP models under WELS. The grace period should stay as one year.

5.2.7

WELS Labels for Products Sold to Project Market are not Needed

Compliance Difficulty

Some stakeholders questioned the need for WELS labels for project market WCP. The existing WELS requires WELS labels to be affixed onto the WCP or their packaging no matter they are sold to project market or retail. However, as in the proposed mandatory scheme only applies to project market, products are sold in bulk and the use of WCP involved in the submission of WWO46 would be checked as WELS compliant by WSD already.

Recommendation

Since there is no functional need for WELS labels for project market WCPs, it is recommended that WSD to exempt products being supplied to project market to have the WELS label put on the individual product.

6.1 BUSINESS COMPLIANCE COST (BCC) BEFORE MITIGATION MEASURES

WCP suppliers would incur about HK\$ 14.9M of transition cost of compliance, and HK\$ 1.37M of overall cost of compliance per year. The overall cost per year is equivalent to about 0.96% of the annual trade value of WCP.

At the company level, each large WCP supplier would have to bear an average transition cost and recurring cost of HK\$ 299,000 and HK\$ 25,700 respectively. With regards to SME suppliers, they would have to bear an average transition cost and recurring cost of HK\$ 74,000 and HK\$ 7,100 respectively.

6.2 BCC AFTER MITIGATION MEASURES

Given all the potential mitigation measures proposed above, the quantifiable measures include having a recognition mechanism for WELS testing reports in other jurisdictions and not requiring WCP products sold to project market to affix a WELS label to individual product. Regarding recognition, it is assumed that Australian test reports will be accepted and 20% of the WCP to be registered in Hong Kong do not have to engage local testing laboratories to conduct the laboratory testing as it is done in another jurisdiction that has mandatory WELS (e.g. Australia). With this mitigation measure, it is assumed that the laboratory testing cost for those WCP models registered under the Australian WELS will be zero while the administrative costs remain the same.

With regards to the mitigation measure of not requiring WCP products sold to project market to affix a WELS label to individual product, the associated administrative and printing costs of the labels are removed from the BCC after mitigation.

With mitigation measures being undertaken, it is estimated that the transition cost for the sanitary ware trade can be reduced from HK\$ 14.9M to HK\$ 9.9M, resulting in a HK\$ 5.0M in cost saving (approximately 33% reduction in transition cost).

With respect to BCC per year, it is estimated that the overall BCC can be reduced from HK\$1.37M to HK\$ 0.58M per year, resulting in about HK\$ 0.79M in cost saving (approximately 57% reduction in overall cost per year).

At the company level, for large companies, the transition and recurring BCC per supplier would be reduced by HK\$ 97,500 (-32%) and HK\$ 14,700 (-57%) respectively. With regards to SMEs, the transition and recurring BCC can be reduced by HK\$ 25,300 (-34%) and HK\$ 4,100 (-57%) respectively.

In terms of the relative impact by the value of WCP trade, the BCC per year relative to annual trade value of WCPs can be reduced from 0.96% to 0.41%, an approximately 0.55% reduction.

6.3 *ANALYSIS ON INCREASE IN COST PER WCP*

An analysis was also carried out to assess the potential increase in cost per WCP under the proposed mandatory scheme.

If no mitigation measures are considered, the cost of each individual product is anticipated to increase by 0.6% to 3.3%. It is anticipated the cost increase in WCP would be relatively moderate from 0.5% to 2.6% if the affix of WELS label to individual WCP is not required. The cost increase can be further reduced if a particular model does not require laboratory testing and affixing the WELS labels, i.e. the cost increase for each individual product is expected to increase by 0.1% to 0.8% only. However, whether the suppliers would transfer this small increase in cost to the buyers is a business decision which is outside the scope of this BIA.

CONCLUSION

This Study has carried out a comprehensive assessment of business impact resulting from the implementation of the proposed mandatory WELS on designated WCP. A list of recommendations and mitigation measures to alleviate the business compliance difficulties and cost have been recommended by the Consultant. The recommendations proposed in the sections above are based on in-depth consultation and discussion with the Government, stakeholders and industry advisors.

If all the mitigation measures are fully adopted, it is estimated that the overall cost of compliance per annum will be reduced from HK\$ 1.37M to HK\$ 0.58M per year (i.e. a reduction by HK\$ 0.79M per annum, or about 57%). All stakeholders should be able to comply with the requirements of the mandatory WELS without significant compliance difficulties.