

Industry Profile of Testing and Certification Services in Hong Kong



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Outline of Presentation

- Background
- Survey Objectives
- Constraints
- Survey Findings





Background

- HKCTC was tasked to formulate a three-year market oriented development plan by March 2010.
- Information on the profile of the testing and certification services in HK was required as one of the input to the development plan.
- Such information was not readily available and HKCTC sought assistance from the Census and Statistics Department (C&SD).
- C&SD conducted an ad hoc survey during Dec 2009 – Jan 2010.





Survey Objectives

- To collect statistical data for understanding:
 - Business performance
 - Manpower situation
 - Some operating characteristics





Survey Objectives

- Survey reference periods
 - 2008
 - 2009 (crude estimates)
- Comparison of performance between the 2 years





Constraints

- Tight survey schedule
- No well-defined coverage
- Objective accounting data not yet available for 2009
- Through voluntary survey only (Ordinance restrictions)
- No sampling frame





Consultation

- Visit the following parties:
 - Hong Kong Council for Testing and Certification
 - Prominent participants in the industry
 - Innovation and Technology Commission
 - A client of the testing and certification services





Consultation

- Coverage of the industry
 - Category A- Private independent establishments mainly engaging in testing, inspection and certification activities and medical and X-Ray laboratories





Consultation

- Coverage of the industry

- From the manpower perspective:

- Category B - In-house laboratories in large manufacturers and exporters

- Category C - Laboratories in Government departments/public organisations





Consultation

- Other useful information
 - Trade practices in the industry
 - High credibility of the industry
 - High profit margin
 - High value added per person engaged





Consultation

■ Actions taken

■ CAT A and CAT C Establishments

- Special sampling frame updating in the Oct to Nov 2009
- Ensure only active and relevant establishments are covered in the survey

■ CAT B Establishments

- Screening exercise to identify the large manufacturers and exporters with in-house laboratories





Limitations of the Survey Results

- Crude estimates for 2009
- Broad level figures only





Response Rates

- CAT A – 82%
- CAT B – 88%
- CAT C – 73%





Summary of Key Survey Findings

	Number of Establishments	Number of Persons Engaged [^]		Job Vacancies [^]		Business Receipts (HK\$ million)		Value Added (HK\$ million)
	2009	2008	2009	2008	2009	2008	2009*	2008 [#]
Category A	570	12 710	12 120	300	270	7,836	Around 8,000	4,000 to 5,000
Category B	70	850	890	10	10	NA	NA	NA
Category C	50	2 610	2 680	70	40	NA	NA	NA
Total:	690	16170	15700	380	330	NA	NA	NA

Notes:

NA – Not available

[^]Refer to the position of 31.12.2008 and 30.11.2009 respectively.

*Since the survey was conducted before the end of accounting period for 2009, the establishments were asked to provide the best estimates pertaining to business receipts for 2009. Therefore, the figure was very crude and should be interpreted with caution.

[#] Estimated based on a crude method in view of data limitations.

Figures may not add up to total owing to rounding.

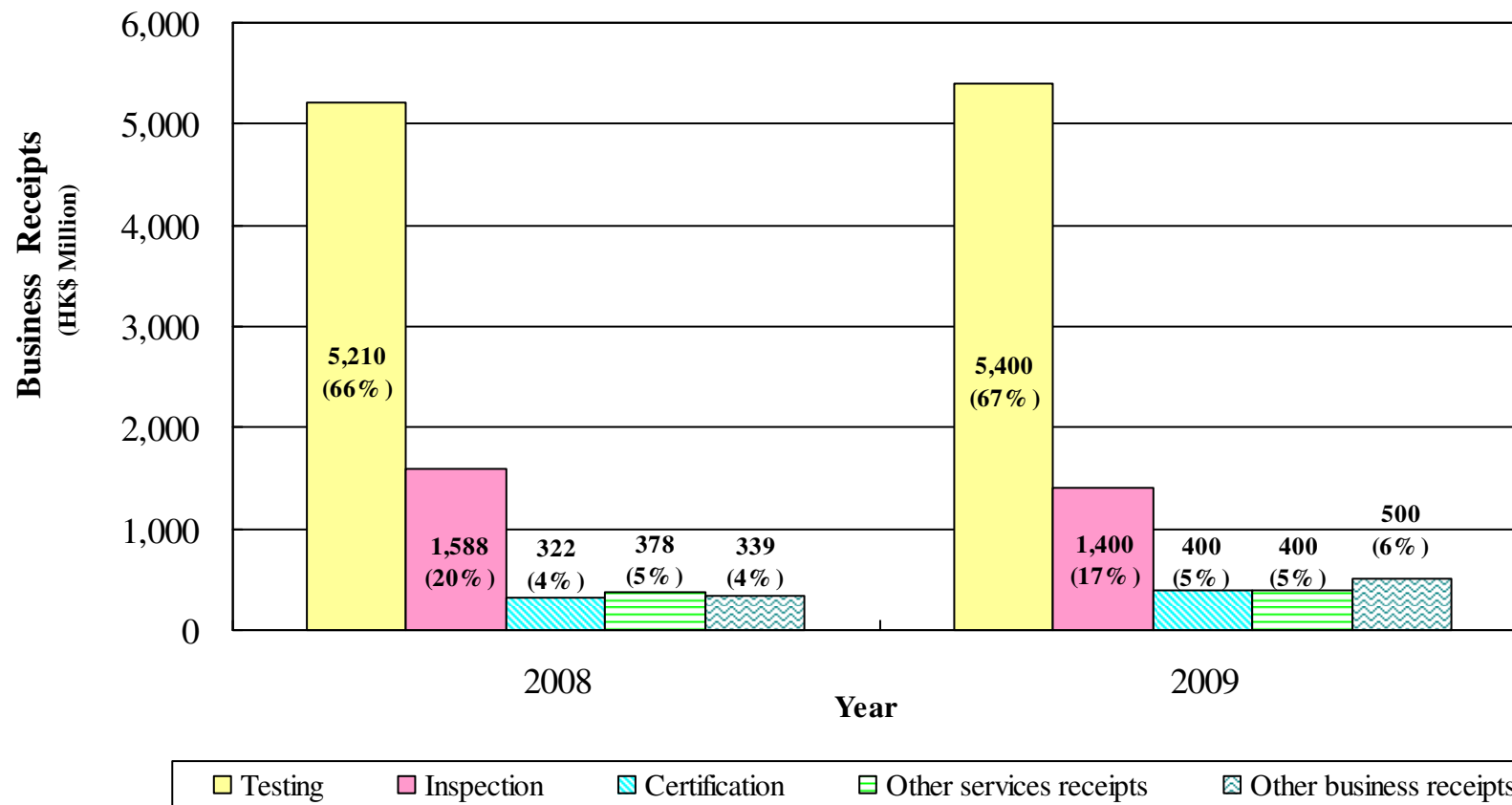




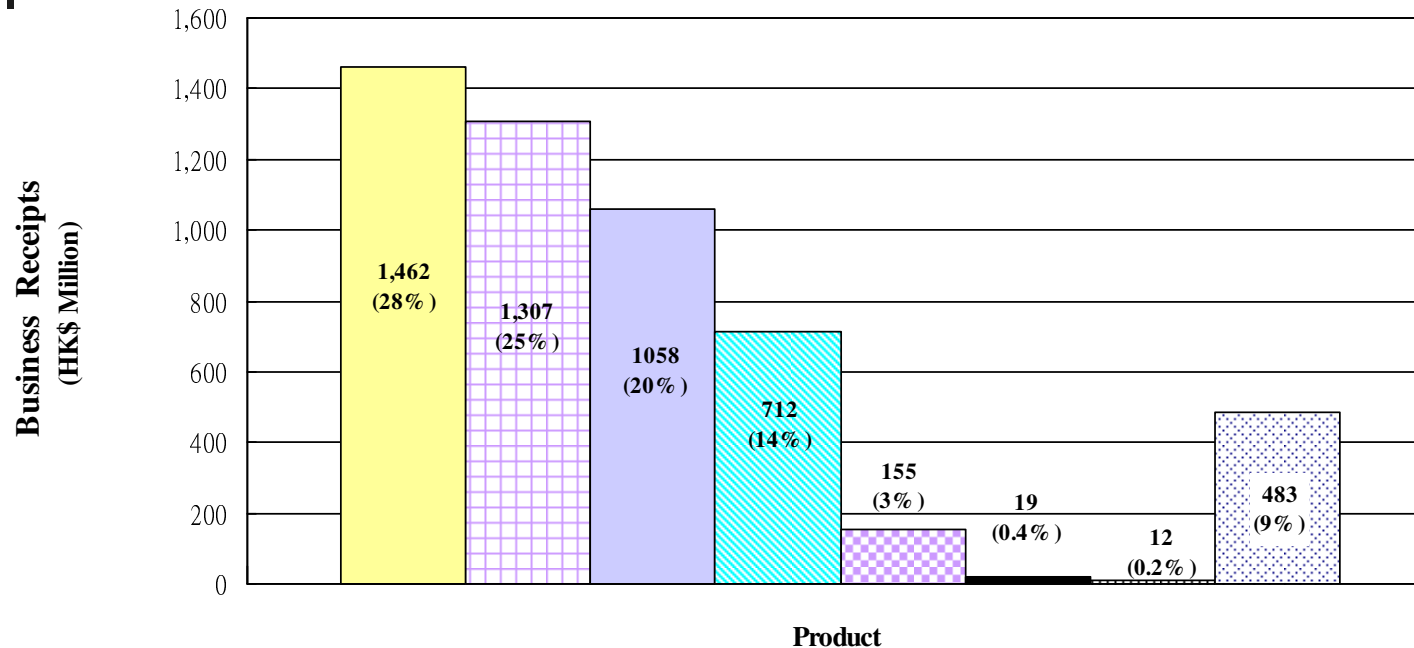
Business Receipts of Category A Establishments

- 280 establishments with business receipts generated from rendering testing services
 - some 270 establishments from inspection services
 - 30 from certification services
- * Some establishments providing more than one type of services

Business Receipts of Category A Establishments



Business Receipts of Category A Establishments from Rendering Testing Services by Product/Services Tested, 2008



- Textile yarn, fabrics, made-up articles and related products, articles of apparel, clothing accessories and footwear
- Toys and Games
- Medical and biological testing
- Electrical machinery, apparatus and appliances, electrical parts thereof, telecommunications equipment, wire and cable
- Foodstuff
- Chinese Medicine
- Pearls, precious, semi-precious stones, jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials
- Others (e.g. construction material, indoor air quality, etc.)

Figures in bracket denote the % share of total business receipts from rendering testing services





Business Receipts of Category A Establishments from rendering Testing Services – Reference

- Tightening of regulations in overseas markets in 2009
- Exports of the mainland China in 2009: -16%
- Exports of HK in 2009: -12.6%





Merchandise Trade of Hong Kong –Reference

TRADE BY PRINCIPAL COMMODITY GROUP, 2007-2009

	(HKD MN.)		
RE-EXPORTS	2007	2008	2009
ELECTRONIC PRODUCTS	1,301,435	1,398,037	1,297,651
TEXTILES AND CLOTHING	286,771	287,611	247,880
TOYS AND DOLLS	90,892	102,243	91,821
PLASTIC PRODUCTS	72,198	72,323	58,445
WATCHES AND CLOCKS	49,465	54,759	43,391
JEWELLERY, GOLDSMITHS' AND SILVERSMITHS' WARE	34,048	37,064	30,084
MANUFACTURES OF METALS	29,804	29,557	22,108
ELECTRICAL APPLIANCES	22,908	22,819	19,083
PRINTED MATTER	16,380	17,742	14,711
TOTAL OF ABOVE 9 GROUPS	1,780,334	1,880,797	1,702,236
AS % OF ALL RE-EXPORTS	69%	69%	71%





Merchandise Trade of Hong Kong –Reference

Ranking of Selected Economies in the World Merchandise Trade

Economies	Ranking	
	2009	2008
USA	1	1
The mainland of China	2	3
Germany	3	2
Japan	4	4
France	5	5
Netherlands	6	6
United Kingdom	7	8
Italy	8	7
Belgium	9	9
Korea	10	11
Hong Kong *	11	13

Note: * Include domestic exports and re-exports.





Ratio of Total Exports of Goods to GDP (at current market price)

	2007
Hong Kong	1.67
The mainland of China	0.36
Indonesia	0.27
Japan	0.15
Korea	0.36
Malaysia	0.95
Philippines	0.35
Singapore	1.82
Taiwan	0.64
Thailand	0.61
U.K.	0.16
U.S.A	0.08



Certification Services provided by Category A Establishments

- Most frequently reported as the top three services in terms of business receipts:
 - OHSAS 18001 (Occupational Health and Safety)
 - ISO 9001 (Quality Management)
 - ISO 14001 (Environmental Management)





Gross Surplus/Business Receipt Ratio of Category A Establishments

- Business Receipts include service receipts, receipts from sales of goods, commissions, rental, interest and other income
- $\text{Gross Surplus} = \text{Business receipts} - \text{compensation of employees and operating expenses}$
- Broadly measure the business performance



Gross Surplus/Business Receipt Ratio of Category A Establishments

(Reference year 2008)

Testing and Certification Services	22.4 %
Other selected sectors:	
Manufacturing	8.6%
Retail	7.4%
Restaurants	8.8%
Business Services	16.5%
<i>Accounting, auditing and bookkeeping services</i>	27.0%
<i>Legal services</i>	32.7%
Financing (except banking)	57.4%





Value added of Category A Establishments

- Measure direct economic contribution (Value of output minus value of goods and services used in production)
- Value added per person engaged – around \$0.35 million
- Contribute \$4 to 5 billion of Hong Kong's Gross Domestic Product

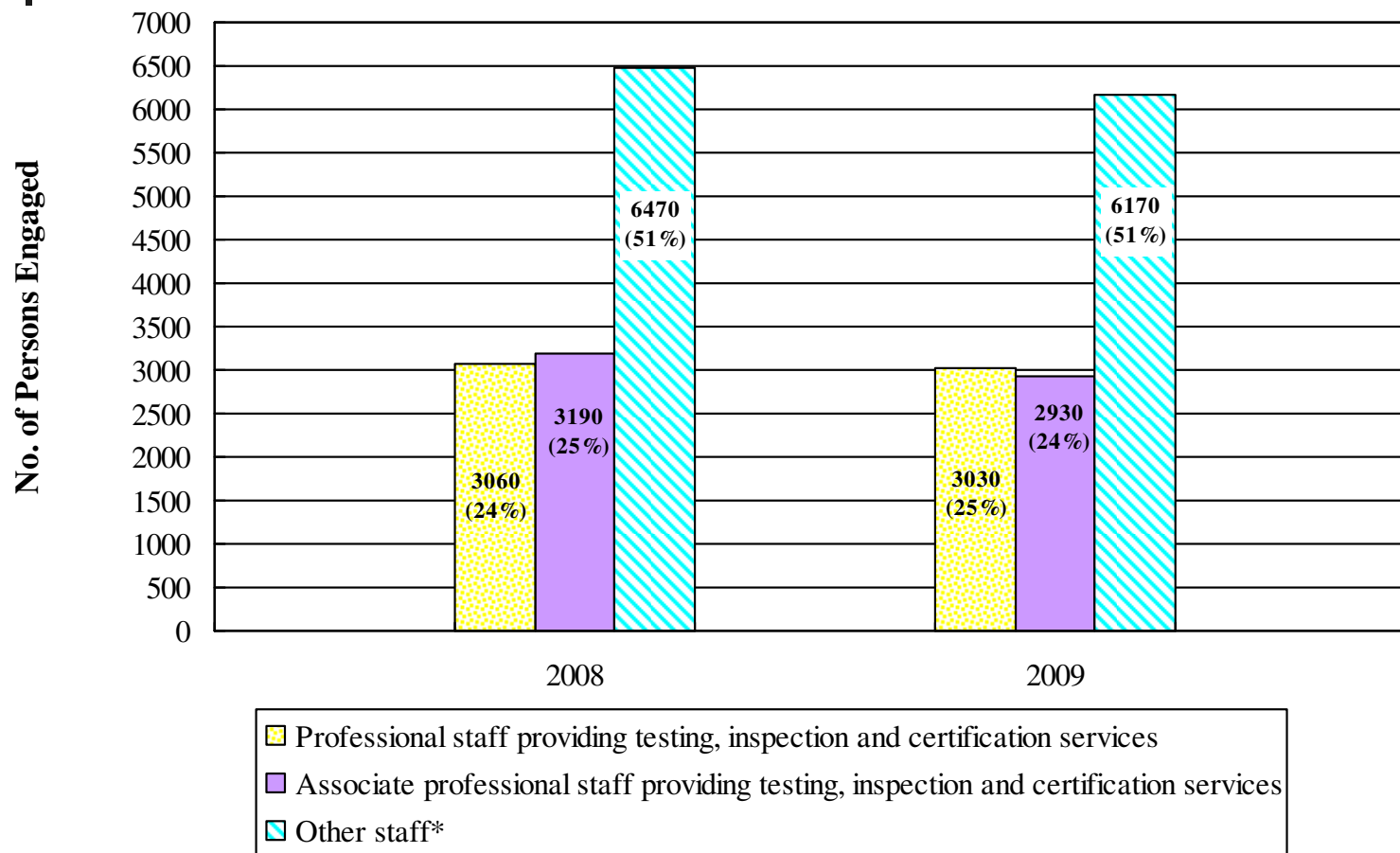


Value added per PE for the Four Key Industries and their component industries

Industries	Value added per PE (HK\$Mn)
Financial Services	1.22
- <i>Banking</i>	1.71
- <i>Insurance</i>	0.52
- <i>Other financial services</i>	0.99
Tourism	0.22
- <i>Inbound</i>	0.22
- <i>Outbound</i>	0.22
Trading and Logistics	0.49
- <i>Trading</i>	0.55
- <i>Logistics</i>	0.30
Professional Services and Other Producer Services	0.44
- <i>Professional services</i>	0.40
- <i>Other producer services</i>	0.46



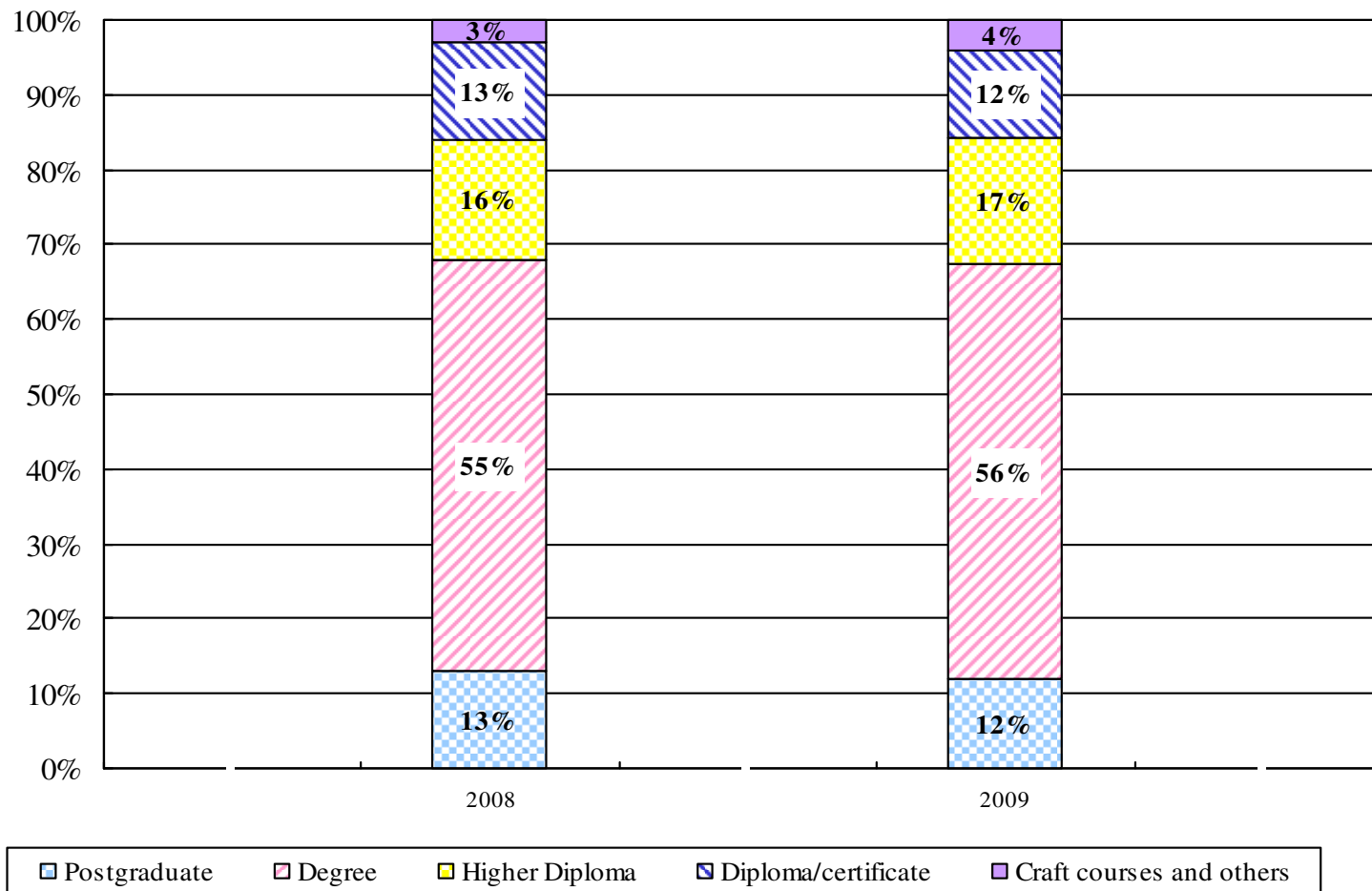
No. of persons engaged in Category A establishments by occupation, 2008 and 2009



*Including managers and administrators; other professional and associate professional staff and sales workers.



Proportion of professional staff whose major job duty was to carry out testing and certification services by educational attainment, 2008-2009



Vacancy Rates of Category A Establishments

	Nov 2008	Dec 2009
Number of Vacancy	300	270
<i>-Professionals whose major duty is to carry out testing, inspection and certification services</i>	50	60
<i>-Associate professionals whose major duty is to carry out testing, inspection and certification services</i>	80	50
Vacancy Rate	2.3%	2.2%

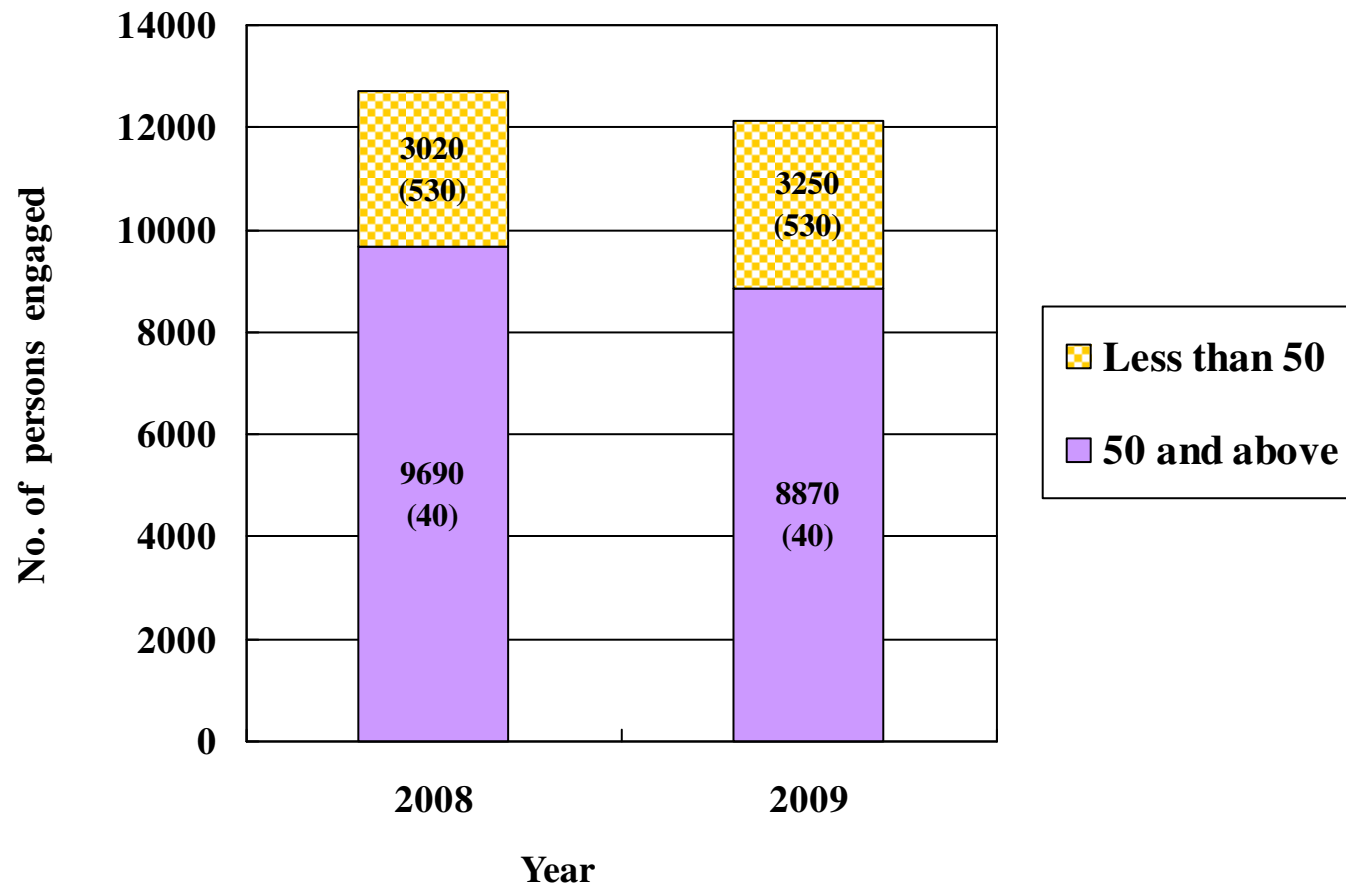


Vacancy Rates at Major Industry Level

Major Industry	Vacancy Rate (as at end December)		
	2007	2008	2009
Manufacturing	1.2%	0.8%	0.9%
Import/Export Trade and Wholesale	1.4%	0.7%	0.8%
Retail	1.8%	1.5%	1.9%
Transportation, Storage, Postal and Courier Services	1.2%	0.6%	0.9%
Accommodation and Food Services	2.2%	2.3%	1.9%
Information and Communications	2.1%	0.9%	1.6%
Financing and Insurance	2.5%	1.3%	1.5%
Real Estate	2.7%	1.9%	1.5%
Professional and Business Services	2.2%	1.5%	1.3%
Social and Personal Services	2.7%	1.8%	1.8%



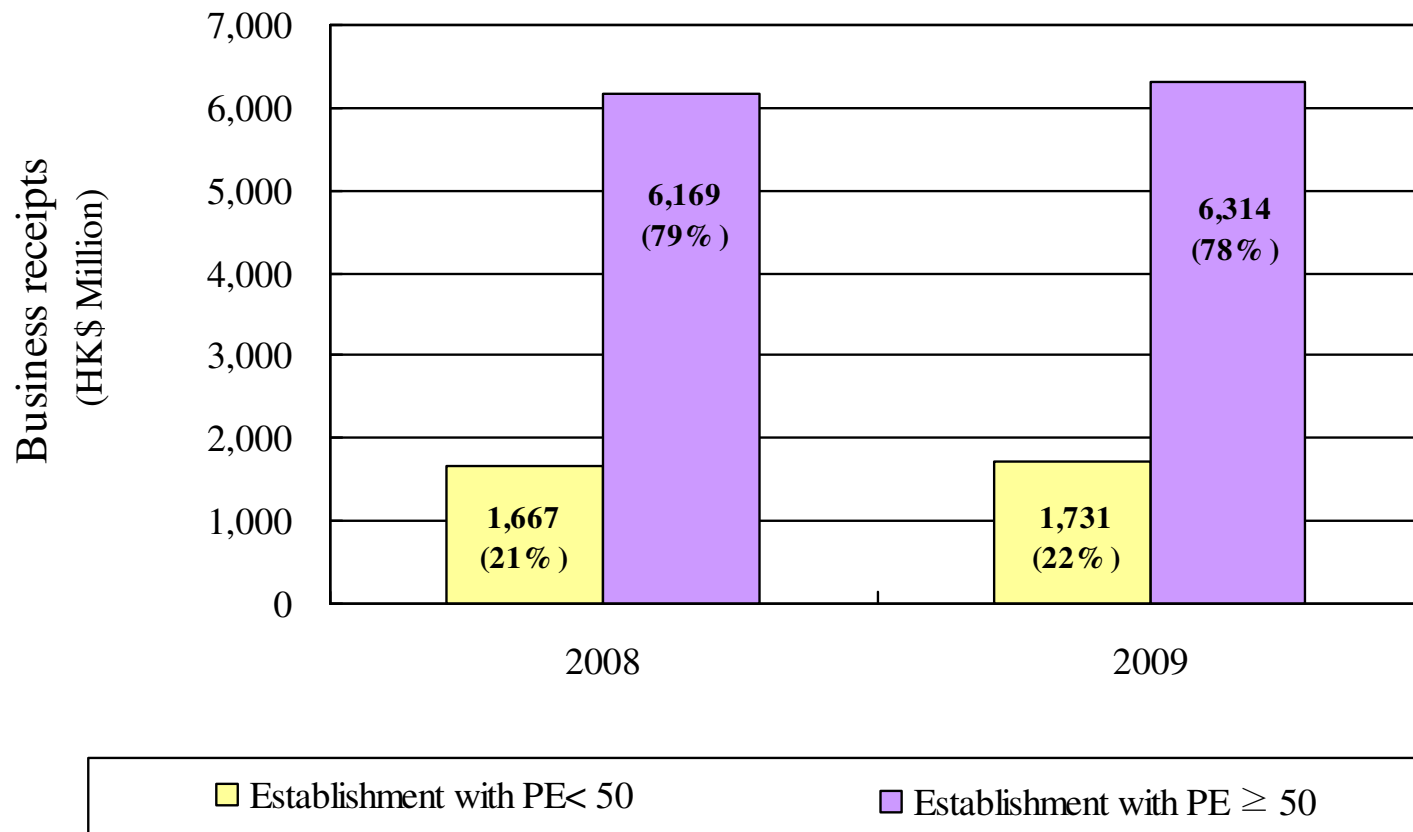
No. of persons engaged in Category A establishments, 2008 - 2009



Note: Figures in brackets denote the no. of establishments



Business Receipts of Category A Establishments



Note: Figures in brackets denote the % share of total business receipts





Category A Establishments

- Vast majority are SMEs engaging less than 50 persons
 - 94% of the establishments
 - 30% of total persons engaged
 - 20% of total business receipts
- Some 20 establishments engaging 100 persons or above accounted for 60% of persons engaged and 70% of total business receipts



Manpower Characteristics of Establishments in Categories B and C by occupation, 2008 -2009

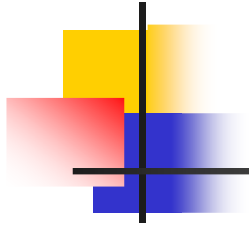
	Category B	Category C
Persons engaged :	Around 900 in both 2008 and 2009	Around 2 600 in both 2008 an 2009
Vacancies :	Around 10 in both 2008 and 2009	Around 70 in 2008 and 40 in 2009

Category B and Category C

	2008	2009
Professional staff providing testing, inspection and certification services	21%	21%
Associate professional staff providing testing, inspection and certification services	67%	67%
Other staff*	12%	12%
Overall	100%.	100%

* Including administrators and other staff.





THANK YOU