

14 December 2002

Clerk to the Bills Committee
Dutiable Commodities Amendment (2002)
Legislative Council Secretariat
3rd Floor, Citibank Tower
3 Garden Road
Hong Kong

Dear Sir/Madam,

On behalf of the Crown Worldwide Group, I would like to express my support for this first assembly of the Bills Committee on the Dutiable Commodities Amendment (2002).

The Crown Worldwide Group recently approached the HKSAR Government with an innovative proposal to utilise the Deep Water Bay Drive (ex-British military ammunition storage) bunkers. These historically important, but essentially redundant structures were first proposed by Government in 2000 to form part of a “wine distribution centre network” to position Hong Kong as the wine distribution centre of Asia.

The above-mentioned proposal did not materialise for various reasons, and following a period of two years during which no alternative uses were proposed, the Crown Worldwide Group successfully motivated for the creation of a private wine club and ancillary cellars (ref: TPB/A/H17/97).

The Crown Wine Cellars development will ultimately benefit the HKSAR in numerous related areas including: Preservation of an historically important structure; beautification of the surrounding area; promotion of special interest tourism; increased consumption of wine and by implication, tax revenue; and the creation of Asia’s first high-tech

professional wine storage facility which will be accessible to persons from all walks of life.

Currently, the HKSAR has an approximate per capita consumption of 1.8 litres of wine per annum. This is estimated to be the lowest wine consumption of any developed country or territory in the world. The CWC will cooperate with local wine distributors to accelerate the development of wine knowledge and consumption in the territory.

The project proponent aims to encourage its clients to accumulate collections of wine within the HKSAR, irrespective of the wine's relative value. This will take the form of a two-pronged approach to firstly, provide an opportunity for persons of limited financial means to cellar both duty-paid and bonded wine, and secondly, to provide the opportunity for serious wine collectors and investors to return their wine collections to the HKSAR under a bonded system.

Currently, the only bonded facilities available in the HKSAR are warehouses that store wines in less than ideal conditions and which utilise the relatively inefficient Closed Bond System. The CBS involves the permanent positioning of a custom's official on-site, and the movement of a minimum volume of goods at any one time. As a result, virtually no private wine collections are kept in Hong Kong.

It is for this reason that the proposed Open Bond System is crucial to the viability of the Crown Wine Cellars initiative, and integral to the wine industry as a whole. Moreover, the adoption of an OBS system will facilitate the following:

- Storage of small volumes of privately owned wine which could then be removed from bond on an individual bottle basis;
- Efficient electronic monitoring and payment of duties without the necessity of a custom's official on-site;
- Provide member's with the choice of only having to release those wines that they require for consumption on any given day;
- Provide member's with the choice of only having to pay the required duties at the time of consumption, thus avoiding prohibitive up-front payments upon the arrival of wine stocks in the HKSAR;

- Provide member's with the option to re-export whatever wine they did not take out of bond, thus encouraging the collection and trade of wine by individuals;
- Provide a direct, positive impact on international auction houses such as Sotheby's and Christie's to take the HKSAR seriously as an international wine-trading centre.

Your consideration of the above-mentioned issues, and your possible adoption of the Open Bond System, is greatly appreciated by the project proponent. Should there be any way in which the Crown Worldwide Group could further assist the process by way of representation or information, please do not hesitate to contact me.

Yours sincerely,

Gregory L De'eb
General Manager
Crown Wine Division