

**Hong Kong Hotels Association's reply to the Bills Committee**

Questions :

- (a) Apparently, the reduction in duty on alcoholic beverages has not been reflected in the retail prices of the alcoholic beverages concerned
- (b) The reasons for the phenomenon at (a)
- (c) The price adjustment mechanism for the alcoholic beverages concerned and the different practices, if any, adopted in making price adjustments for wine and for beer following the reduction in duty
- (d) The anticipated benefits, if any, brought about by the proposed reduction to consumers

Answers :

The retail prices of alcoholic beverages in hotels in Hong Kong, where duty had been reduced for new imports and purchases, have been adjusted in hotels in Hong Kong to reflect the reduction in duty on alcoholic beverages.

The retail prices of alcoholic beverages in hotels in Hong Kong, from existing inventories purchased prior to the reduction in duty on alcoholic beverages, are being gradually reduced as existing inventories are depleted over a period of time.

Due to the different levels of existing inventories of alcoholic beverages at each hotel yet to be consumed, the reduction in retail prices of alcoholic beverages in hotels in Hong Kong is a gradual process and different types and labels of alcoholic beverages require different periods of consumption to achieve that.

As new imports and purchases of alcoholic beverages from importers and suppliers after the reduction in duty on alcoholic beverages, are also subject to increases in import prices and the HK\$ has depreciated against most currencies around the world, the impact of these factors has resulted in some cases, a lower reduction in retail prices of alcoholic beverages supplied to our hotels after the reduction in duty on alcoholic beverages.

The hotel industry is committed to adjusting our retail prices of alcoholic beverages in our hotels to reflect the reduction in duty of alcoholic beverages in Hong Kong. We would like to assure the Council and the Bills Committee that the benefits of the reduction in duty of alcoholic beverages in Hong Kong are already being enjoyed by consumers in Hong Kong, both locally and those visiting Hong Kong. We are confident that with reduced retail prices in alcoholic beverages in our hotels, the consumption of alcoholic beverages in our hotels will increase to produce higher duty revenue to our Government and increased business revenue to our industry.