

**Consumer Council
Submission to the Bills Committee on Revenue Bill 2007**

1. The Consumer Council (CC) welcomes the opportunity to brief the Bills Committee on the results of CC's survey on the prices of selected liquor conducted between February and May this year.

CC's price survey on beer and wine

2. The Financial Secretary announced the proposal to halve duty on liquor in his budget speech to the Legislative Council on 28 February 2007. The reduction in duty took effect immediately.
3. There was speculation about the duty reduction on liquor before the delivery of the budget speech. CC regularly conducts market tracks and often has media enquiries on price adjustments concerning products and services. In order to be prepared for possible enquiries, a price survey on beer and wine was conducted.

Methodology

4. Weekly price surveys were conducted from 27 February 2007 to 17 May 2007 on 4 supermarkets or department stores which carried substantial stocks of alcohols.
5. The survey covered 29 samples of beer and wine - 10 beers, 10 red wines and 9 white wines. Since some of the samples went out of stock and one of the stores underwent renovation during the surveyed period, price information on 7 samples was incomplete. As such, price data of 22 samples (8 beers, 9 red wines and 5 white wines) came to be analysed.
6. The samples included in the survey were either popular amongst households (beer) or sold at affordable prices to average consumers (red wine and white wine). In fact, some of the samples included in the survey were promoted or recommended by salespersons at the stores when CC staff members posed as prospective customers and collected price information directly at the stores.

Survey findings

7. Comparing the 12 weeks data with that of 27 Feb 2007, retail prices of 4 beers did not show any changes. Price fluctuations recorded in 4 other beers were probably due to occasional promotion offered by the stores (Appendix).
8. Of the 9 red wines surveyed, the retail prices of
 - 3 red wines showed no price changes.

- 1 red wine recorded downward adjustment since April – decreased from \$230 to \$210 (-8.7%).
 - 2 red wines recorded upward adjustment – One of them increased from \$218 to \$228 (+4.6%) since mid April. The other one increased from \$279 to \$310 (+11.1%) in April but subsequently reduced to \$309 (+10.8% compared to the retail price recorded on 27 February 2007) in May.
 - 3 red wines fluctuated between March and May.
9. Of the 5 white wines surveyed, the retail prices of
- 1 white wine did not show price changes.
 - 1 white wine recorded downward adjustment – decreased from \$318 to \$288 (-9.4%) in May.
 - 1 white wine was continuously on promotion since March – decreased from 15.2% to 36.9% as compared with the retail price recorded on 27 February 2007.
 - 2 white wines fluctuated between March and May.

Conclusion

10. CC understands from the trade that the retail price of wine is determined by a number of factors, including product cost, duty rate, shipping cost, handling cost, profit margins, etc. It is difficult to tell how the duty reduction will be reflected from the retail prices and to what extent.
11. After the duty reduction on liquor announced by the Government at the end of February, reduction in retail prices was seen in certain wines covered in the survey. However, upward price adjustment of individual wine was also spotted during the same period. For most of the wines and beers included in the survey, there have been no significant changes in prices. As such, it is difficult to conclude whether the reduction in duty has had any direct effect on the price of the samples surveyed.
12. As liquor duty is a cost factor with impact on the selling price, the general public would reasonably expect the retail prices of wines, beers and alcohols to be adjusted in response to the duty reduction. If the benefit of the duty reduction for various reasons will not be passed on to consumers, CC considers that the reasons should be made known to consumers for their information.

Appendix - Table: CC's price survey on beer and wine

Retail prices of surveyed samples			27-Feb-07	week 1	week 2	week 3	week 4	week 5	week 6	week 7	week 8	week 9	week 10	week 11	week 12	Comparing the 12 weeks data with that of 27-Feb-07	
1			28-Feb-07	8-Mar-07	15-Mar-07	22-Mar-07	29-Mar-07	4-Apr-07	12-Apr-07	19-Apr-07	26-Apr-07	3-May-07	10-May-07	17-May-07			
1	Beer	Asahi 6x330ml	\$40	\$40	\$44	\$44	\$44	\$44	\$42	\$43	\$41.9	\$41.9	\$43	\$60	\$60	11 increases (from +4.8% to +50%)	
2		Blue Ribbon 12oz	\$3.9	\$3.9	\$4.2	\$3.9	\$3.9	3 for \$11	3 for \$11	3 for \$11	3 for \$11	3 for \$11	3 for \$11	3 for \$11	3 for \$11	1 increase (+7.7%) 8 decreases (-6%)	
3		Budweiser 330ml	\$7.9	\$7.9	\$9.8	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.9	\$7.8	\$7.8	\$7.8	1 increase (+24.1%) 3 decreases (-1.3%)	
4		Carlsberg 330ml	\$7.9	\$7.9	\$7.9	-	-	-	-	-	-	-	-	-	-	Incomplete data*	
5		Guinness 330ml	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	\$12.5	No change	
6		Heineken 330ml	\$9.9	\$9.9	\$9.9	\$9.9	-	-	-	-	-	-	-	-	-	Incomplete data*	
7		Heineken 6x330ml	\$47	\$47	\$47	\$47	-	\$47	\$46.9	\$46.9	\$46.9	\$46.9	\$46.9	\$62	\$62	5 decreases (-0.2%) 2 increases (+31.9%)	
8		San Miguel 330ml	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	No change	
9		San Miguel 330ml	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	No change	
10		TsingTao 330ml	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	No change	
11	Red Wine	Carmen Cabernet Sauvignon 75CL	\$230	\$230	-	\$230	\$230	\$230	\$210	\$210	-	-	-	\$210	\$210	Decreased 8.7% since April	
12			Chateau Serilhan 2003 75CL	\$265	\$265	\$265	\$265	\$265	\$265	\$265	\$265	\$265	-	-	-	No change	
13			Fonterutoli Mazzei Chianti Classico 2004 75CL	\$218	\$218	-	-	-	-	-	-	\$228	\$228	\$228	-	-	Increased 4.6% since mid April
14			Los Vascos Cabernet Sauvignon 75CL	\$98 or 2 for \$188	\$98 or 2 for \$188	\$98	-	\$98	\$98	\$105	\$105	\$93	\$93	\$105	\$105	\$95	4 increases (+7.1%) 3 decreases (from -3.1% to -5.1%)
15			Negro Sodisfa Roero 2001 75CL	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280	No change
16			Penfolds Koonunga Hill Cabernet Merlot 2003 75CL	\$129	\$129	\$149	\$149	\$149	\$99	-	\$120	\$120	\$120	\$132	\$120	\$120	4 increases (from 2.3% to 15.5%) 6 decreases (from -7% to -23.3%)
17			Penfolds Thomas Hyland Cabernet Sauvignon 2004 75CL	\$149	\$149	-	-	-	-	-	-	-	-	-	-	-	Incomplete data*
18			Rene Barbier Reserva 2001 75CL	\$125	\$125	\$128	\$128	\$125	\$125	\$132	\$132	\$132	\$117	\$132	\$117	\$117	6 increases (from +2.4% to +5.6%) 3 decreases (-6.4%)
19			Rosemount Estate Cabernet Merlot 2005 75CL	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	No change
20			SAGET 2004 75CL	\$279	\$279	-	-	-	-	\$310	\$310	-	-	\$309	\$309	\$309	Increased from 10.8% to 11.1% since April
21	White Wine	Carmen Sauvignon blanc 75CL	\$95	\$95	-	-	-	-	-	-	-	-	-	-	-	Incomplete data*	
22			Cloudy Bay Sauvignon blanc 2006 75CL	\$318	\$318	\$318	-	-	-	-	-	-	-	\$288	-	\$288	Decreased 9.4% since May
23			Don Victor Chardonnay 2005 75CL	\$95	\$95	\$95	\$95	-	-	-	-	-	-	-	-	-	Incomplete data*
24			Kendall-Jackson Sauvignon Blanc California 2005 75CL	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	No change
25			Mission Hill Chardonnay Reserve 2003 75CL	\$198	\$198	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$125	-	Decreased since March (from -15.2% to -36.9%)
26			Mouton Cadet 2004 Bordeaux 75CL	\$125 or 2 for \$238	\$125 or 2 for \$238	\$145	\$145	\$119	\$119	\$145	\$105	\$105	\$105	\$128	\$105	\$105	4 increases (from +2.4% to +16%). 7 decreases (from -4.8% to -16%)
27			Palliser Estate Sauvignon blanc 2005 75CL	\$178	\$178	-	-	-	-	\$198	-	-	-	-	-	-	Incomplete data*
28			Taylor's St. Andrews 2000	\$315	\$315	-	-	-	-	-	-	-	-	-	-	-	Incomplete data*
29			Wolf Blass Red Label Classic Dry White 2005 75CL	\$124	\$124	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$106	\$106	-	-	7 increases (+8.9%) 2 decreases (-14.5%)

Note: The above data were collected from Citysuper, Jusco, the Great Food Hall (Watson's Wine Cellar) and UNY.
 - samples either went out of stock/the store underwent renovation * data discontinued in the past 6 consecutive weeks or more