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香港下亞厘畢道  
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FINANCIAL SERVICES AND THE  
TREASURY BUREAU  
(The Treasury Branch)  
Central Government Offices,  
Lower Albert Road,  
Hong Kong

傳真號碼 Fax No. : 2530 5921  
電話號碼 Tel. No. : 2810 2370  
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Ms Yue Tin-po  
Clerk to Panel on Commerce and Industry  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong

Dear Ms Yue,

**Panel on Commerce and Industry**  
**Passing on of duty savings to consumers by wine/beer trades**

Thank you for your letter of 21 September 2007 to the Secretary for Financial Services and the Treasury. An update on the captioned matter is set out at the ensuing paragraphs.

Wine Products

During the scrutiny of the Revenue Bill 2007 by the Bills Committee in May this year, the Hong Kong Wine and Spirits Industry Coalition (HKWSIC) presented to the Committee the relevant wine price information and informed the Committee that most of the wine importers had reduced their prices with effective from 1 April to pass on their duty savings. As reported by the Chairman of the Bills Committee to the full Council, Members of the Committee agreed that the wine trade had by and large lowered the prices of wine products to reflect the duty reduction.

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In our recent liaison with HKWSIC, the Coalition assured that they would continue to maintain the momentum of passing on the duty savings to consumers by proactively working with the trade to have the prices of wine products reduced. The three major member companies of HKWSIC had submitted their latest wholesale price lists (effective from August, September and October 2007 respectively) to the Administration for comparison with their April ones. It is found that out of a total of 763 wine products, the prices of 754 products remained unchanged. The price of one product further dropped by 2.3 %, and those of eight products increased by 7% to 11.6%.

At the retail level, the Consumer Council has been keeping track of the retail prices of 19 wine products sold at selected outlets since late February this year. However, as at 31 August this year, only six out of the original 19 products could still be found at the same outlets. Among these six products, the prices of four remained the same as they were in April and those of the other two dropped by a further 8.6% and 11.7% respectively.

Separately, in our submission to the Bills Committee for the Revenue Bill 2007 in May this year, we reported that according to the price comparison conducted by the Customs and Excise Department on 10 most popular (in terms of quantity of import) brands of wine products, their prices at major supermarkets or department stores had all been reduced after the Budget (Annex A to CB(1)1697/06-07(01)). The Department's price survey on the same group of products in late September found that only eight products were still available. Among them, the prices of five products dropped by a further 1% to 44.6%, those of two products remained the same, and that of one product increased slightly by 0.85%.

### Beer Products

When the Bills Committee discussed the Revenue Bill 2007 in May this year, Members were concerned about whether beer importers had duly passed on all duty savings to consumers. In response to the Committee's concern, the Beer Coalition decided to issue new price lists with effect from 1 June to directly reflect all duty savings. The Administration had verified those new price lists and confirmed that the price adjustments made by beer importers were consistent with the extent of duty savings they enjoyed. The Consumer Council's retail price survey conducted in early June this year also revealed that the retail prices of beer

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products at major outlets were lowered correspondingly after the beer importers' new price lists came into effect.

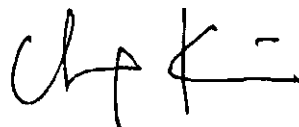
In our recent liaison with the Beer Coalition, they reassured their commitment to passing on the duty savings to consumers and pledged that they would continue to encourage wholesalers and retailers (including supermarkets, grocery stores, bars and restaurants) to do so. Members of the Coalition have also confirmed that they have not increased the wholesale prices of their products since June. A comparison of the Consumer Council's retail price surveys on beer products conducted on 1 June and 31 August this year shows that of the seven products that could be found on both dates, the prices of three remained the same and those of the other four dropped by a further 3.8% to 14.3%.

### Conclusion

The duty on alcoholic beverages products is only one of the cost components of their retail prices. The other factors affecting the retail prices of these products include exchange rates, cost of labour, rents and profit margins. Therefore, the retail prices of individual alcoholic beverage products may fluctuate from time to time for reasons unrelated to duty.

As there are a huge number of different brands and types of alcoholic beverage products, it would be difficult, if not impossible, for the Government or the Consumer Council to keep track of the retail price of each and every one of them. However, we consider that the joint effect of market forces and the monitoring by the Administration, the legislature, the media and consumers will help ensure that the duty savings would be duly reflected in product prices.

Yours sincerely,



( Kenneth Cheng )

for Secretary for Financial Services and the Treasury