

LCQ19: Development of wine-related businesses

Following is a written reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, to a question by the Hon Miriam Lau at the Legislative Council meeting today (December 9):

Question:

The Financial Secretary has stated that Hong Kong has the prospect to replace London as the world's second largest wine auction centre after New York, and the authorities will strive to fortify Hong Kong's position as a regional hub for wine trading and distribution. In this connection, will the Government inform this Council:

(a) whether it has assessed the business opportunities and economic benefits for the wine-related businesses brought by Government's exemption of wine duty last year; which industries will benefit from the growth in the trading volume of wine, and the expected number of job opportunities to be created annually;

(b) whether it has compared the existing supporting facilities and the relevant government policies in facilitating wine auctions in New York and London with those in Hong Kong; if it has, in what aspects New York and London are better than Hong Kong; if it has not, whether the authorities will consider making such a comparison to provide reference when formulating policies conducive to establishing Hong Kong as a wine trading and distribution hub; and

(c) given that some wine traders have pointed out that Hong Kong lacks wine storage facilities, logistics services and talents, what solutions the authorities have in place; what short-term, medium-term and long-term measures the authorities will adopt to assist the development of the relevant industries and enhance Hong Kong's position as a regional hub for wine trading and distribution?

Reply:

President,

(a) The market has responded positively to the wine duty exemption and the various supportive measures that have since been rolled out. Businesses related to wine trading, distribution and auctions have grown. On trading, the value of wine imports has increased significantly. It reached \$2.86 billion in 2008, representing an increase of

80% over 2007. In the first nine months of 2009, the imports continued to grow by another 41% year-on-year, amounting to \$2.71 billion. Many wine-related companies have set up or expanded their businesses in Hong Kong covering areas including trading, storage, retailing and so on. The new policy has also brought benefits to related economic activities such as tourism, catering and hospitality, exhibitions as well as brand promotion.

The above vibrant economic activities have brought to Hong Kong direct economic benefits, as well as added job opportunities. The new jobs are mainly in the areas of trading, storage, logistics and so on, ranging from professional sommeliers to frontline staff. While we do not have concrete figures at this stage, we are considering to carry out a more comprehensive survey on this.

(b) A total of 14 wine auctions have been held in Hong Kong since January 2009, with the aggregate sales amounting to some \$496 million. In terms of total sales value, the industry is forecasting that Hong Kong should surpass London in 2009 to become the second largest wine auction centre in the world, just after New York.

The surge in wine auctions or for that matter wine-related businesses across the board is largely attributable to the following two factors:

(i) growing market demand. According to the consultancy study commissioned by the Hong Kong Trade Development Council (TDC) in 2007, the industry forecast that Asia (particularly Mainland China) would be the principal driver of global wine sales in the next decade and beyond.

(ii) Hong Kong's favourable business environment, including our zero wine duty policy and the Government's supportive measures to facilitate wine-related businesses. We have seasoned professionals proficient in Chinese and English, who are armed with years of experience in wine trading as well as conducting business in the Mainland market. Hong Kong is also well-positioned geographically as an international gateway to the Mainland; and

(c) We have been in close dialogue with the industry and the relevant training institutions in exploring possible supportive measures in areas including wine storage facilities, logistics services and manpower training.

On warehousing, many companies have responded to market demand by setting up storage facilities in industrial buildings. The supply of industrial building units is such that we believe that there should be

adequate provisions to meet overall demand. To boost users' confidence, the Government is assisting the industry to develop, in partnership with the Hong Kong Quality Assurance Agency, a certification scheme whereby wine storage facilities meeting certain required standards would be accredited. The scheme is expected to be launched before the end of the year. It will first cover wine storage facilities, with possible extension to other logistics facilities such as vehicles later.

On demands for manpower training, the Government has been actively promoting liaison between the industry and training institutions in examining how best to meet such needs. We have also encouraged partnership between local and overseas training institutions through the signing of co-operation agreements with our trading partners. A good number of institutions have rolled out new courses/modules to enhance wine-related training at various levels, including programmes for managers, sommeliers and frontline catering staff.

On top of the above supportive measures, we have been working on the following fronts to enhance the further development of Hong Kong as a regional hub for wine trading and distribution:

(i) waiving the administrative controls hitherto prescribed to track the movement of wine as a dutiable commodity. As an added facilitation measure, the Customs and Excise Department (C&ED) may conduct customs inspection of wines at a warehouse of the trader's choice;

(ii) harmonising the promotional and publicity strategies of TDC, Invest Hong Kong and Hong Kong Tourism Board. Apart from building on existing events, new initiatives are launched. Our first Wine and Dine Festival (held in October 2009) and the second Hong Kong International Wine and Spirits Fair (in November 2009) were both very well received;

(iii) signing co-operation agreements with various wine-producing countries/regions for joint promotion of wine-related businesses, such as wine trading, investment and tourism;

(iv) enhancing C&ED's enforcement capability to combat wine counterfeits through the setting up of a specialised investigation team, forming an alliance with the industry, and strengthening liaison with overseas enforcement agents to enable timely exchange of intelligence; and

(v) entering into an agreement with the General Administration of Customs to provide facilitation measures for wines exported from Hong Kong to the Mainland. We are also exploring with the General Administration of Quality Supervision, Inspection and Quarantine of the Mainland the feasibility of introducing further facilitation measures, thereby fortifying Hong Kong's position as a regional wine distribution hub.

Ends/Wednesday, December 9, 2009