

2 February 2007

Economic Development Branch (Division A)
Economic Development and Labour Bureau
2/F., Main Wing, Central Government Offices,
Lower Albert Road,
Central,
Hong Kong

By e-mail: competition@edlb.gov.hk

Dear Sirs,

Re : Response to the proposal of competition law

We would like to express our views on the current discussions on competition law.

We operate a wholesale and retail business of wines in Hong Kong. To our knowledge, in Hong Kong we have over 125 competitors in the wholesale wine business and at least 46 companies specialized in retail wine business. In addition, most of the supermarkets, convenient stores and many local small stores are carrying wine for sale. Consumers have a variety of choices of wine in the market. We are facing serious competition in our business and we all need to compete in terms of price, quality of products and quality of services.


The market for wine is international by its very nature. We believe that customers in fact source and buy wines both internationally and regionally. There is clearly a difficulty in defining the "market" for this sector for that reason. In terms of competition existing in Hong Kong, we think that the current market is already working well. We do not see which part of our sector needs to be regulated and how the introduction of the competition law would further enhance economic efficiency and the free flow of trade.

Any retailer can set up in Hong Kong and in fact the biggest barrier to establishing and operating a wine business is the import duty imposed by the Government. This actually deters investment in this sector compared to other jurisdictions with more advantageous duty rates, such as Macau and Singapore.

The introduction of the competition law is likely to incur management time and effort to ensure compliance of the new law. The increased costs will end up being passed to consumers.


Watson's Wine Cellar

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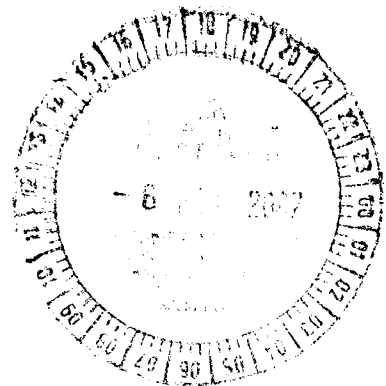
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As a conclusion, Hong Kong is enjoying the benefits of free trade and minimal regulatory interventions. We think this should be continued. This is not the right time to introduce the competition law, which in some ways, would impose constraints and reduce economic efficiency.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Paterson'.

Jeanette Paterson
General Manager
Watson's Wine Cellar



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