

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](mailto:competition@edlb.gov.hk)

Dear Sirs,

We are writing in response to the public consultation on the Competition Policy in Hong Kong issued in Nov, 2006:

## 1. Competition Law

Hong Kong has a well-deserved reputation as a free and competitive economy and we appreciate the importance of maintaining Hong Kong's competitiveness. At the same time, however, we believe it is important to emphasize that a competition law provides no panacea. Indeed, some of the problems often referred to in Hong Kong as competition policy problems are in fact challenges intrinsic to Hong Kong being a small city economy.

The Hong Kong retail market is extremely competitive. Looking at the health and beauty sectors there are a number of retailers in the market which sell a wide range of cosmetics, toiletries, medicines and health products. These include:

- Health & beauty chains
- Discount toiletries chains
- Specialist cosmetics boutiques
- Department stores
- Supermarkets
- Pharmacies

The markets already function at a highly competitive level and it is difficult for us to understand the reasons for introducing a competition law to regulate such a competitive market. We understand that the aims of competition laws are to ensure economic efficiency and free flow of trade providing benefits to consumers. Since there is no barrier to entry in HK for the retail industry, there would not be any real need for a competition law.

Given the number of retailers in this sector we believe that the definition of the market is important if any competition law is to be introduced, otherwise the competition law is intrinsically valueless. It is very complex to draft laws which are effective in this area.

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**2. Application of proposed Anti-Competitive behaviour in Retail Industry**

The anti-competitive behaviour proposed do not appear to be relevant for the retail market.

In any event, in order to prevent any possible anti-competitive behaviour, the Hong Kong Retail Management Association already has a voluntary code of practice applying to all its retail members.

The addition of yet more laws would only further complicate the retail industry and add burden and business costs to an already high retail cost structure in Hong Kong. Such direct and indirect costs (including management time spent in dealing with the issues) will ultimately be passed onto the customer.

**3. Conclusions**

The HK retail industry is already highly competitive and the market is functioning very well. There is no market distortion which would lead to unfair trade in the retail industry in HK. To try to draft effective laws to regulate this already competitive sector would not appear to be fruitful.

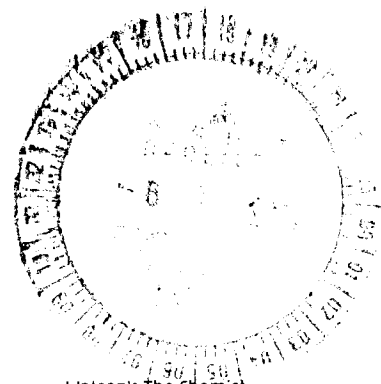
Given the self-regulation of the industry by the HKRMA, there is no need to introduce any industry specific rules for the retail industry. This follows the experience in other jurisdictions.

HK consumers are already benefiting from better choices, low prices and improved services. Watson's does not believe the introduction of competition laws and regulations would benefit the consumer in the retail market. In fact, the regulation of an already well-functioning market would make it bureaucratic, inefficient and costly, ultimately causing harm to the consumer.

Yours faithfully,



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