

Drinks coalition warns that rival cities, such as Singapore or Shanghai, could cash in on boom

# Wine auctions may not resume unless duty cut

Dennis Eng

Hong Kong may lose out to Macau, Shanghai, Beijing or Singapore as the region's fine-wine hub if alcohol duties are not scrapped soon, the Hong Kong Wine & Spirits Industry Coalition said.

With the mainland market for imported wines projected to grow from just over 2 million cases to about 50 million by 2017, it said Hong Kong needed to act now if it was to capitalise on this opportunity.

The mainland is the world's 10th largest wine market and is expected to be the eighth largest by 2012.

"Hong Kong can really have an advantage if the duty is zero," said Liberal Party legislator Tommy Cheung Yu-yan, who represents the catering sector.

Lan Kwai Fong entrepreneur Allan Zeman said he believed that if Hong Kong stood still, regional rivals

would capitalise on the booming trade in wine on the mainland.

There were rumours Macau would do away with its 15 per cent wine duty next year given the strong growth in gaming revenue, said Gregory Deeb, managing director of Crown Wine Cellars. Macau is increasingly becoming the destination of choice to consume and store wine for Hong Kong drinkers because of its relatively competitive duties.

The coalition is urging Financial Secretary John Tsang Chun-wah to abolish wine duty Mr Tsang is expected to report a budget surplus of more than HK\$100 billion in his maiden budget speech on February 27.

Mr Cheung said he believed there was sufficient support in Legco for lowering wine duty. Thirty-one votes are needed for a tax cut to pass, and which the Liberal Party has 10. Mr Cheung is confident of securing the remaining 21 votes.

### Profitable tippie

With 20 per cent annual growth in China, merchants, auctions and storage could by 2012 generate sales, in HK dollars, of almost

# \$10<sub>b</sub>

The call to scrap duty is in contrast to the stance of the Hong Kong Beer Coalition, which wants beer taxes to remain unchanged in light of the controversy over whether all the tax savings were being passed on to consumers through lower prices.

However, the wine and spirits coalition said average wine prices went down by about 15 per cent after last year's tax cut. Reducing the duty fur-

ther would also put Hong Kong in a position to gain a lot of more auctions, exhibitions and storage facilities moved here, it said.

Mr Deeb said the lucrative wine auction business could return to Hong Kong after 10 years, but only if the government scrapped the 40 per cent wine duty. The last time Hong Kong held a wine auction was in 1998.

Two auctioneers, including Bonhams of London, which has an office in Hong Kong, were in advanced discussions on hold fine-wine auctions in the city, Mr Deeb said.

"The issue is really the potential of wine duties going to zero and the potential growth of the international fine wine auction business here," he said. "I believe if taxes remain high, they will cancel the auctions."

Fine-wine auctions worldwide last year took in about US\$300 million. Buyers in Hong Kong accounted for 20 per cent to 25 per cent of that.