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12/09/2011 14:13

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Subject FDGA Submission on Review of Liquor Licensing
Public Consultation

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Dear Sir/ Madam,

On behalf of the Executive Board Members of the Hong Kong Food Drink & Grocery Association, I herewith attached the letter regarding our view on some of the questions raised in the Food and Health Bureau's "Review of Liquor Licensing Public Consultation" issued in July, 2011 for your kind consideration.

With best regards

Kay Mok
Assistant to Mr. Michael H. Glover
Beer Division, Jepsen & Co. Ltd
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Fax: [Redacted]

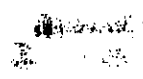
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FDGA Submission on Review of Liquor Licensing Public Consultation.pdf





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**THE HONG KONG FOOD
DRINK & GROCERY ASSOCIATION**

GPO BOX 8689, HONG KONG TEL: [REDACTED] FAX: [REDACTED]

SENT VIA EMAIL AND POST

September 12, 2011

Food Branch
Food & Health Bureau
20/F, Murray Building
Garden Road
Central, Hong Kong

Dear Sir/Madam,

The purpose of this letter is to provide the views of the Hong Kong Food, Drink and Grocery Association's views on some of the questions raised in the Food and Health Bureau's "Review of Liquor Licensing Public Consultation" issued in July, 2011.

The Hong Kong Food Drinks and Grocery Association (FDGA) is an industry issues-driven association. The FDGA was founded more than 30 years ago and is well recognised by the Industry, Government and other stakeholders. It is an independent voice for its 43 members (See Appendix 1) to address common issues.

The FDGA was established to provide a forum for companies in manufacturing, importing and distribution of branded food, drink and grocery products in Hong Kong. Members of the FDGA meet together, review and discuss industry issues and concerns, decide on action where necessary and communicate with the media, industry or Government on these issues

While the FDGA members are not liquor license holders themselves, the vast majority of our members sell their brands either directly, or indirectly, into the On-Premise market (Bars, Pubs, Restaurants, and Karaoke etc). As such, we have a strong interest to ensure that the Hong Kong On-Premise market is strong and healthy. Many of our members have business interests in Hong Kong and other markets around the world. This scope brings some alternative perspectives and best practices to the questions that you have raised.

Our general view is that the current licensing and regulatory system are effective tools. They work in the Hong Kong context and balance the economic realities of the On Premise market, with the need to regulate those establishments.

As socially responsible companies, the FDGA supports the requirement of establishments to obtain liquor licenses. We recognize it is crucial for consumers to feel safe and secure in their surroundings and we support the government's duty to enforce the regulations in all areas including fire, health and safety.



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The FDGA would like to respond to your review addressing four specific areas:

- Duration of Licenses
- Classification of Licenses
- Our views on those establishments referred to as "Upstairs Bars"
- A view on the connection between crime and alcohol

Licensee Duration (Chapter 4):

On the question of whether the duration of licenses should be extended beyond one year

The FDGA view

- We would support the changes to enable the LLB to issue licenses for more than one year to businesses with a favourable track record.

The Rationale

- Food Bureaus statistics (Table 4 & 5) highlight that the vast majority of licensees have no violations of health, fire or crime-related instances. They should be given recognition for their positive behavior.
- We believe that this would smooth out the process, make it simpler for the board and licensees, freeing up resources to better work with licensees where issues may exist.

License Classification (Chapter 6):

On the question of whether Hong Kong should adopt a licensing system creating a liquor license classification system in different categories

The FDGA View

- We would strongly support the maintenance of the current system – i.e. issuance of licenses covering all alcoholic beverages, with LLB adding restrictions (e.g. hourly) on a case by case basis.

The Rationale

- Alcohol is alcohol. Consumption of wine, spirits or beer can be done responsibly or irresponsibly, in any setting. Issuing specific licenses for different categories of alcohol, or other similar segmentation, undermine this principle.
- Regardless of the style of On-Premise establishment, most consumers are looking for the opportunity to choose from the full range of beverage alcohol categories. Any system that would restrict the consumer's choice in some fashion may harm the business interests of the licensee and eventually undermine the diversity and innovation of entertainment available in Hong Kong.



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Upstairs Bars (Chapter 2)

On the question of whether or not "Upstairs Bars" require more stringent control

The FDGA View

- The current standard licensing conditions imposed on Liquor Licenses and the authority to impose additional licensing conditions is already very effective to ensure the proper operation of the outlets, while balancing the interests between bar owners and the public.
 - The key is compliance of the current regulations, not adding additional conditions. All the relevant enforcement agencies should be encouraged to develop and initiate strategies to ensure licensees operate in compliance with the conditions. It is the matter of how to educate and control the licensees to operate in compliance with the existing liquor license conditions and how the enforcement agencies monitor the licensees on their degree of compliance.
- FDGA recognizes that upstairs bars located in residential areas, similar to other businesses in such locations, can cause concern. It is right that LLB should ensure such business activities take place in a safe context for consumers and other users of the building.
 - We see the current process allowing residents to raise concern during the application process as a good mechanism to ensure issues are addressed.
 - LLB's current statutory power to assess and apply additional restrictions on a case by case basis is the best regulatory approach. Each context is different. Applying additional mandatory limitations restricts the LLB's discretion. For example the proposals to set a universal limit on concentration of premises (2.15, b, i) or issuing a blanket ban above the first three floors when buildings are used concurrently for residential purposes (2.15, b, ii) would not take into account specifics of a building. What is appropriate for some may not be proper for others. Universal limits undermine the individual review and consultation process already applied.

The Rationale

- The existence of Upstairs Bars, has been the investor and entrepreneurial answer to the issue of the high rental rates of street-level shops
 - Upstairs Bars have become the answer for those investors with aspiration, or those people who want to establish their own businesses at a reasonable entry cost.
- Upstairs Bars have become a constructive source of growth for Hong Kong's economy through the taxes they pay, the jobs they create and the profits they make.
 - Any new rules that would create more discrimination within the liquor license policy for these establishments, would, in our view, significantly hurt the competitiveness of Upstairs Bars
- Upstairs Bars provide consumers with a more affordable entertainment alternative.
 - Freedom of choice is a key asset for Hong Kong which we need to protect. Upstairs bars provide a variety of entertainment and price points for consumers to choose from. This is an important asset for Hong Kong to maintain in support of the government's efforts to accelerate our tourism industry growth.
 - We run the risk of reducing the types/styles of On-Premise establishments available for consumers to enjoy.



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Crime vs alcohol consumption

The FDGA supports a balanced and fair regulatory approach to ensure a responsible drinking culture in all environments in Hong Kong.

In 2010, some of our members founded the Hong Kong Forum for Responsible Drinking (FReD) with the purpose of raising awareness on Responsible Drinking, with initial emphasis on the topic of Drink Driving. FReD strongly supports the government's efforts to raise awareness to the message that "If you Drink, Don't Drive".

We are also aware that there are some connections between alcohol consumption and crime. We believe that the Public Consultation review needs to present a more reasoned view on the possible linkages between crime, alcohol consumption and venue type

- A less than thorough review of the consultation may lead casual readers to the conclusion that problems only happen in Upstairs Bars.
 - The focus on the upstairs bars in this consultation paper may lead the public to link "crime" and "Upstairs Bars" together.
- While negative consumption of alcohol or other negative incidents can take place in Upstairs Bars, they can also happen in other contexts.
 - For example, while we don't subscribe to this, there have been concerns in some markets that more affordable beverage alcohol in Off-premise locations leads to greater consumption.
- We would hold the view that there are many factors that could have contributed to the increasing crime figures in upstairs bars 2010 against 2009.
 - This may be due to the higher frequency of the police's snap investigations against 2009, or this may be due to the better education from the government to the public about their own rights so that the number of complaints increased.
- We believe that more study is required to understand the data related to crime and venue location.

Some Further Thoughts

The FDGA appreciates the opportunity provided by the Consultation to provide its views on liquor licensing. While we believe the current system works well for both consumer and the Industry, we would offer the following suggestions to enhance an effective enforcement:

OUR RECOMMENDATIONS

- Similar to the Driving license system, create "Points Mechanism" for each liquor licensee which deducts points will be when irregularities are reported. The number of points deducted could depend on the seriousness of the irregularity. Points could also be re-added if there is no irregularity reported for a certain period of time. The points could affect the liquor license renewal, such as whether or not a license could be renewed for longer than one year.
- Transparent & quantifiable criterion should be developed for liquor license application & renewal. This would ensure that potential bars owners and current owners clearly know what they need to follow and comply with.



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- When the transparent & quantified criteria are finalized, actively communicate and publicize the message to all key stakeholders including licensees and the public.
- Most of the issues we are facing in upstairs bars are related to fire regulations, building and housing regulations. These should be enforced in all public premises including bars and restaurants. These should be obligatory in all public premises.

We thank you for the opportunity to share our views and we would be pleased to discuss these with you in person at your convenience

For and on behalf of,

THE HONG KONG FOOD, DRINK AND GROCERY ASSOCIATION

Michael Glover
Chairman

Cc: FDGA Executive Board



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APPENDIX 1, FDGA MEMBERSHIP LIST

Advantage Asia Pacific Ltd	Executive Committee Member
Anheuser-Busch HK Trading Co Ltd	
Anrise-IMC Ltd	Executive Committee Member
Asia Provisions Co Ltd, The	
Bacardi-Martini Asia Pacific Ltd	
Berry Bros. & Rudd HK	
Blueriver Ltd	
Brown-Forman Worldwide, L.L.C.	
Carlsberg HK Ltd	Executive Committee Member
Crown Wine Cellars Ltd	
Diageo RTD Hong Kong Ltd	
Diversified Events HK, L.L.C.	
DKSH HK Ltd	
Dynasty Fine Wines Group Ltd	
FrieslandCampina (HK) Ltd	
Golden Gate Wine Co Ltd	
Handpicked Wines (HK) Ltd	
Heineken HK Ltd	Executive Committee Member
HK Beverage Association Ltd, The	Executive Committee Member
HK Wine Merchants' Chamber of Commerce	
Inter-Islands Distribution Ltd	
Jebsen Beverage Company Limited	Chairman
Kjeldsen & Co (HK) Ltd	
Leung Yick Co Ltd	
Maxxium HK Ltd	
MC Marketing & Sales (HK) Ltd	
Moët Hennessy Diageo HK Ltd	Honorary Secretary
Molson Coors Brewing International L.L.C.	
Nestle HK Ltd	
Neukon Holdings (HK) Ltd	
Omtis Ltd	
Pernod Ricard HK Ltd	Executive Committee Member
Ponti Trading Ltd	
Remy Cointreau Asia	
SAB Miller Asia	
San Miguel Brewery HK Ltd	Executive Committee Member
Sims Trading Company Ltd	Honorary Treasurer
Sinolink Fine Wines Ltd	
Suntory Limited	



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APPENDIX 1, FDGA MEMBERSHIP LIST (CONTINUED)

Telford International Co Ltd

Tsingtao Beer (HK) Trading Co Ltd

Watson's Wine Cellar

Wing Hing Group

Total: 43 Member Companies (updated on 19 August 2011)