

Feb 6th 2013

Consultation on delivering the Government's policies to cut alcohol fuelled crime and anti-social behaviour

Company Name or Organisation (if applicable):

- **MOLSON COORS (UK) Ltd**

Which of the following best describes you or the professional interest you represent?

- **Business involved in the production of alcohol**
- **2300 employees**
- **Breweries in Yorkshire, East Midlands, South East and Cornwall**

Introduction

Molson Coors is the largest brewer in the UK with c.2,300 UK employees and 350 years of brewing experience. We produce a diverse, highly regarded portfolio of beer brands, including the UK's bestselling lager, Carling, which is brewed with 100% British barley from farms in over 40 UK counties.

Summary

Respect for alcohol is one of the main principles running through our organisation. We believe that beer and other forms of alcohol should be enjoyed responsibly and bought on the basis of brand preference and taste, not solely on price.

We are founder members of The Portman Group and members of the UK Public Health Responsibility Deal (co-chair of the Low Alcohol & Smaller Servings workgroup) and the Scottish Government Alcohol Industry Partnership, as well as supporters of Drinkaware, Best Bar None and Community Alcohol Partnerships.

We are committed to working together with Government, industry partners and the public health community to support a holistic policy approach that tackles alcohol abuse and rebuilds respect for alcohol without interfering with responsible enjoyment. As such, we welcome the opportunity to respond to the key questions outlined in the Government's Alcohol Strategy, specifically minimum unit pricing and alcohol multi-buy promotions.

As a general principle, we believe that pricing should be a matter for market forces. However, we recognise that excessively low prices over extended periods of time – i.e. where products are regularly sold below cost – do not build respect for alcohol or our brands and, under these circumstances, a regulated pricing framework is appropriate.

Equally, it is important to recognise that not all prices are problem prices and policy solutions must be proportionate. As such, we have been consistent in supporting a UK-wide ban on below cost selling that specifically targets problem prices without interfering with above-cost prices, which would affect the rights of responsible drinkers or damage responsible businesses. We believe much progress has been made and we would welcome renewed dialogue with Government on a workable ban on below-cost selling.

A minimum unit price for alcohol

5.8 The Government wants to ensure that the chosen minimum unit price level is targeted and proportionate, whilst achieving a significant reduction of harm.

Consultation Question 1:

Do you agree that this MUP level would achieve these aims? (Please select one option):

Yes		No		Don't Know	✓
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In pursuing targeted, proportionate policy, it is important that the government recognises a number of key facts and trends:

1. The vast majority of alcohol in the UK is already sold sensibly, above-cost
2. Alcohol sales and consumption are falling in the UK
3. The vast majority of people (78%) drink within Government guidelines
4. Levels of binge drinking at the lowest recorded levels amongst young people
5. Combined, Duty and VAT have risen 23% in the past 3 years

In addition, the Public Health Responsibility Deal is proving an effective framework for drinks producers and retailers to work in partnership with the Government, parents and employers, to help reduce alcohol harms.

Against this context, and recognising that alcohol abuse remains an issue in the UK, we want to work with Government to build respect for alcohol and address problem prices in a targeted and proportionate way, that is without punishing responsible drinking or denying shoppers the right to expect a competitive marketplace with brands at good value.

Driven by rises in Duty+VAT, which, combined, have increased 23% between 2009 and 2012, it is important to recognise that problem prices – those where a minority of products are sold below cost - have largely been addressed in the UK.

The table below shows a 45p per unit minimum price, on the other hand, would have affected more than 40% of all beer sold in the GB off-trade in 2012 and approximately 57% of all beer volume in the Multiple Grocers.

Percentage volume of off trade beer sales affected by 30p, 40p, 45p and 50p minimum prices 2012

30p	40p	45p	50p
4%	26%	43%	61%

Therefore, we consider the proposed minimum pricing level of 45p per unit to be significantly out of proportion with Government's "targeted, proportionate policy" commitment. Furthermore, we believe a 45p level would disproportionately penalize British-made, lower strength, higher taxed products like beer, reduce consumer choice and will risk further incentivising illicit trade in alcohol.

Molson Coors continues to recognise the opportunity to implement a targeted and proportionate UK-wide ban on 'below-cost-selling' that addresses problem prices without distorting responsible above-cost-sales. We believe much progress has been made and would welcome renewed dialogue with Government on a workable ban on below-cost selling. A pragmatic, simple methodology to achieve this is outlined in our response to Q2.

Consultation Question 2:

Should other factors or evidence be considered when setting a minimum unit price for alcohol? (Please select one option):

Yes	✓	No		Don't Know	
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In determining the right level at which to set a minimum price, we would urge policy makers to take account of the need to address problem prices and protect the rights of responsible adults to enjoy a drink with friends and sustain a responsible, British brewing industry that delivers secure jobs.

A more proportionate, targeted solution than a 45p minimum unit price would be to implement a ban on below cost selling – determined by average cost of production plus VAT & Duty - as a means of tackling any remaining problem prices. We believe much progress has been made and would welcome renewed dialogue with Government on a workable ban on below-cost selling.

A ban on below cost selling has the advantages of addressing key policy issues, being enforceable and provides a realistic policy solution that is easier to oversee and administer. In this scenario, cost would be calculated, confidentially, by industry trade bodies based on average fixed and variable costs of production and distribution and associated costs of bringing goods to market.

We do not accept that there will necessarily be a “windfall” generated by minimum pricing. Pubs and clubs already sell alcohol well above the 45p minimum price levels. Additionally, the UK has one of the most competitive retail markets in the world and a well-documented shrinking market for beer. As such, we would not anticipate significant change in wholesale prices simply because of the introduction of minimum retail pricing.

In balancing the policy levers at its disposal, the Government should urgently consider the inequalities inherent in the UK excise duty system and the exacerbating impact of minimum pricing. Indeed, before any policy that regulates a pricing floor is implemented, substitute drinks, such as beer and cider, should compete on a level duty playing field without the crippling margin erosion created by a 50%-70% duty disadvantage.

5.9 The Government wishes to maintain the effectiveness of minimum unit pricing and is therefore proposing to adjust the minimum unit price level over time.

Consultation Question 3:How do you think the level of minimum unit price set by the Government should be adjusted over time? (Please select)

Do nothing – the minimum unit price should not be adjusted	
The minimum unit price should be automatically updated in line with inflation each year	
The minimum unit price should be reviewed after a set period	✓
Don't know	

Molson Coors would be opposed to automatic uprating in the minimum unit price for alcohol linked to either CPI or indeed RPI, preferring annual monitoring, to understand the market impact and relationship with excise combined with a formal tri-annual review of the minimum unit price.

In relation to tracking the behaviour of harmful and hazardous drinking in the UK, such a review should also consider the impact on moderate drinkers, lower income groups, the illicit trade, and industry.

In addition, we believe there must be a “sunset clause” included in any legislation given that the measure is untested and untried and must be subject to meaningful scrutiny following its introduction.

Q4. The aim of minimum unit pricing is to reduce the consumption of harmful and hazardous drinkers, while minimising the impact on responsible drinkers. Do you think that there are any other people, organisations or groups that could be particularly affected by a minimum unit price for alcohol?

Yes	✓	No		Don't Know	
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At the 45p per unit level proposed, minimum pricing would have impacted significantly more than half of all beer sold in GB supermarkets last year. This is excessive policy, out of proportion with the government's stated aim to implement targeted, proportionate solutions and will impact on the responsible shopping and consumption of alcohol as well as further threatening the livelihoods of those involved in the responsible production and sale of alcohol in the UK.

Around 90% of the beer sold in the UK is produced in the UK - supporting circa 1 million jobs in supplying, brewing and selling beer. Over 1/3 of UK farmers' barley crop is bought by UK brewers. Excessive policy that artificially reduces beer volumes and producer value will impact investment, jobs and consumer choice across the total beer supply chain (from grain to glass) which is already enduring significant year-on-year declines in beer sales: GB off-trade beer volume down 4%, GB on-trade beer volume down 5% (12 months to December 2012).

In relation to lead-in times for the introduction of minimum unit pricing, we would suggest that there will be a resource requirement for producers and off-sales retailers to facilitate the introduction of any minimum price for alcohol. Typically, contractual arrangements between producers and retailers extend between 1 to 2 years. It would therefore be sensible to ensure a lead-in time of at least 12 to 18 months. We would encourage the Government to work closely with the alcohol industry to ensure that lead-in times are appropriate.

A ban on multi-buy promotions in the off-trade

Q5. Do you think there should be a ban on multi-buy promotions involving alcohol in the off-trade?

Yes		No	✓	Don't Know	
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Q6. Are there any further offers which should be included in a ban on multi-buy promotions?

Yes		No	✓	Don't Know	
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Q7. Should other factors or evidence be considered when considering a ban on multi-buy promotions?

Yes	✓	No		Don't Know	
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A ban on multi-buy promotions is unnecessary given the Government's commitment to introduce minimum unit pricing. Minimum unit pricing will provide a price floor for all alcohol products, which will have the effect of automatically prohibiting heavily discounted or 'loss-leading' multi-buy promotions.

It will also result in a series of unintended consequences. The consultation document explains that a case of 24 cans of beer could not be sold for less than the cost of buying those 24 cans individually. The logic of such a position is that stores and producers will cease to stock individual cans or smaller packs and so pack size will increase. This would be counter-productive to the objective.

Normalising lower ABV consumption is a key plank of the Responsibility Deal. New lower strength products need the support and flexibility to grow. Countries where the low-mid strength category has had an impact have benefited from complementary government initiatives not further restrictions. Banning multi buy deals which are featuring lower than average strength drinks would be a major obstacle in attracting consumers to try new, unfamiliar lower strength drinks for the first time.

As stated in both the impact assessment in Scotland and by the UK Health Select Committee review, analysis of a multi-buy ban has shown no change in weekly trends of off-trade alcohol sales.¹ We therefore believe the Government, before implementing a ban, would need to present evidence linking the promotions banned with alcohol misuse and why it believes this will have a different impact for England and Wales than it has so far had in Scotland.

Q8. The aim of the ban on multi-buy promotions is to stop promotions that encourage people to buy more than they otherwise would, helping people to be aware of how much they drink, and to tackle irresponsible alcohol sales. Do you think there are any other groups that could be particularly affected by a ban on multi-buy promotions?

Yes	✓	No		Don't Know	
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A ban on multi-buy promotions is not a targeted solution as it affects all those who shop. It will have disproportionate impact on consumers on a tight budget in difficult times and is not targeted at either irresponsible consumption or retailing. It would be unfair to penalise the majority of responsible consumers who are currently able to take advantage of a temporary offer which allows them to save money while still consuming alcohol in small quantities over a long period of time.

¹ http://www.healthscotland.com/uploads/documents/18906Preliminarydescriptiveanalysis_impactquantityJune%202012.pdf