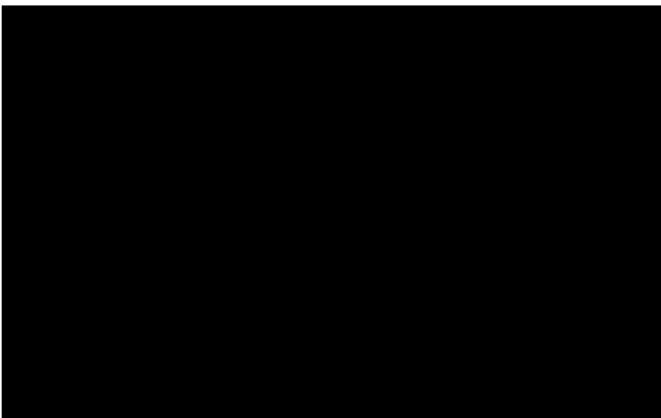


Home Office Consultation Response

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

Response from Carlsberg UK Limited



Introduction

Carlsberg UK Limited (**Carlsberg UK**) is the UK subsidiary of Carlsberg Breweries A/S, one of the major global brewers. Carlsberg UK produces and distributes a number of premium quality beers and lagers including Carlsberg, Carlsberg Export, San Miguel, Staropramen, {Holsten,} Somersby cider and Tetley's bitter. The company, based in Northampton, brews on site and distributes through a network of 11 further UK locations. In total, Carlsberg UK employs around 2,000 people in the United Kingdom.

Carlsberg UK is totally committed to working with all stakeholders to tackle alcohol related harm and has previously [set out/gone on record as stating] where we believe further action is required. This includes our work with The Portman Group, who have demonstrated world-class self-regulation and we are also a major supporter of the work of the Drinkaware Trust. In addition, Carlsberg UK has been a key contributor to the Public Health Responsibility Deal and is currently co-chair of the education work-stream.

Carlsberg UK believes interventions like education and encouraging greater personal responsibility will always have far greater impact than total-population measures that fail to target those individuals who misuse alcohol. We believe that initiatives that seek to engage with business, rather than restrict, are those which result in the most positive outputs. In addition, we believe that all initiatives should be evidence based and focused on constructive collaboration between the trade, government and other stakeholders.

Carlsberg UK also believes in a number of key principles when tackling alcohol related harm;

- Any proposed interventions must be evidenced-based and have absolute, objective measures on their impact to tackle alcohol related harm.
- Measures should not be about total consumption levels, but about targeted interventions to tackle explicit harms caused. This is a core strand of the E.U. alcohol strategy.

We support a ban on selling alcohol below the cost of duty + VAT, as these are mandatory taxes, and we believe in a tax system and policy measures that seek to encourage consumers to consume lower-alcohol drinks, by providing greater consumer choice. Along with targeted interventions, local community partnerships, and greater education and awareness, this is our preferred approach to

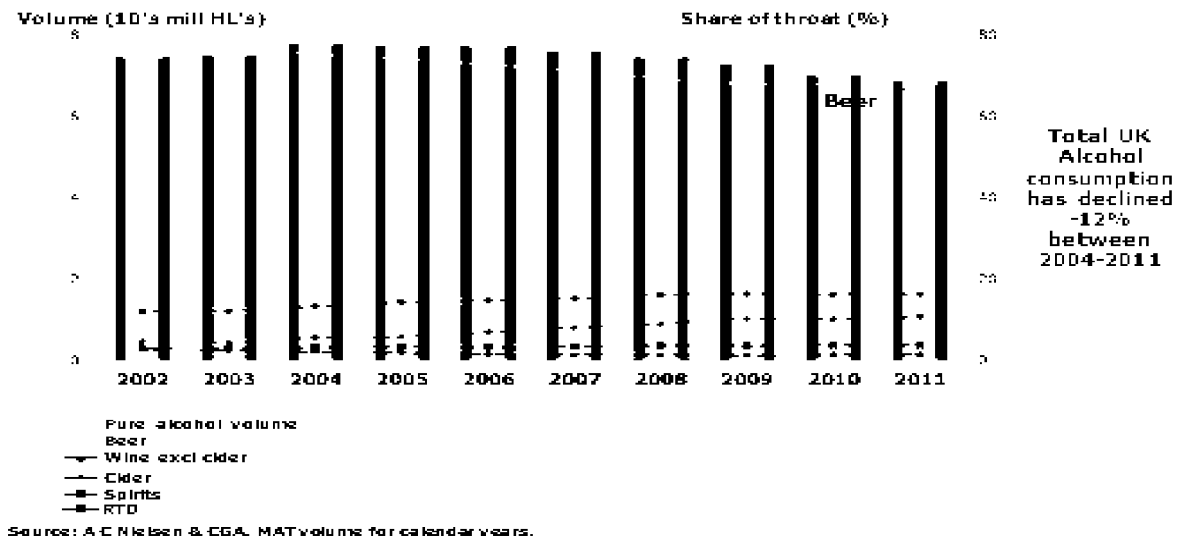
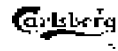
fostering a culture of responsible drinking in the UK. We believe much progress has been made and would welcome renewed dialogue with Government on these types of initiative.

Fundamentally, we do not believe that Minimum Unit Pricing (MUP) has any role in tackling alcohol-related harm, but we do believe that alcohol should be priced in a way that is socially responsible. Minimum Unit Pricing would unfairly penalise the sensible majority of people who drink responsibly and in moderation. In relation to a ban on multi-pack discounts in the off-trade, the proposals fail to recognize that there is a fundamental difference between a purchaser in the off-trade who may simply be looking for a bulk-purchase deal and the consumer who may well be an entirely different individual. We believe that the current evidence-base is insufficient to proceed with the proposals at this time and that further research is required.

With regard to alcohol, entertainment licensing and related regulation, we are supportive of Government's commitment to cut red tape for business and welcome proposals within the consultation to look at some of these areas, but, as a producer, not a retailer, we feel others are in a more informed and knowledgeable position to comment in detail. We would, however, urge Government to resist introducing new changes and regulations to licensing laws, and instead promote awareness and the enforcement of current legislation.

It must be noted that the consultation has been based on the very false assumption that overall consumption is increasing. ***Overall alcohol consumption has fallen 12% since 2004.***

UK Alcohol consumption



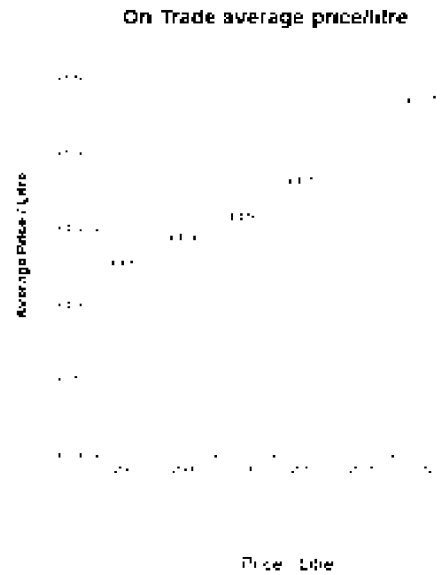
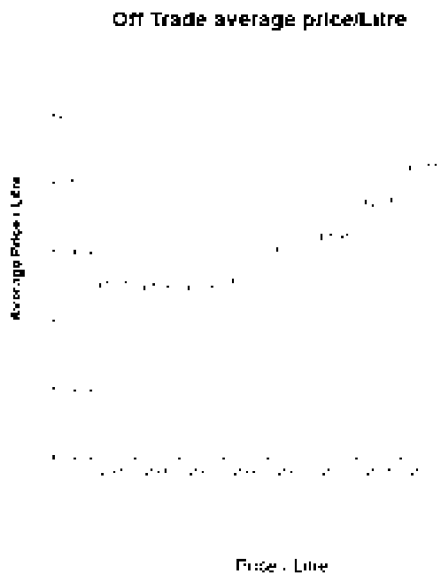
Alcohol related crime has fallen by 23% since 2003 – The same is true of alcohol related crime, thus demonstrating the effectiveness of both enforcement of the Licensing Act and the success of voluntary partnership schemes such as pub-watches, Best Bar None, Business Improvement Districts and Purple Flag, all of which Carlsberg UK will continue to support.

The consultation also assumes that alcohol is cheap. But the UK has among the highest rates of alcohol duty and, therefore, among the highest prices in Europe. Last year's Budget delivered a further 5.2% increase in alcohol duty, through the alcohol duty escalator. This represented a cumulative tax increase of over 40% on beer since 2008 and this is set to continue with the escalator in place for a further 2 years.

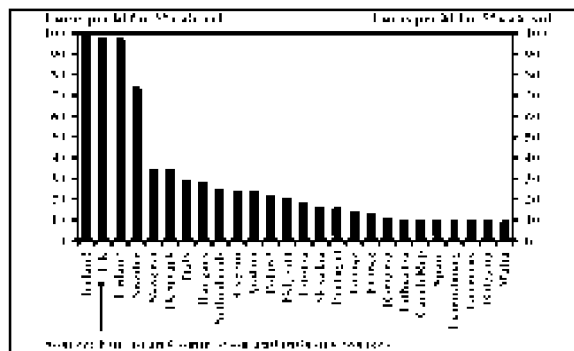
In 2011, the UK alcohol industry paid £9.7bn in duty, up from £8.4bn in 2008. While the strategy claims that alcohol is increasingly more affordable, this fails to take into account the impact stagnant wages and above inflation duty rises have had over the past 4 years.



Beer Price development over time



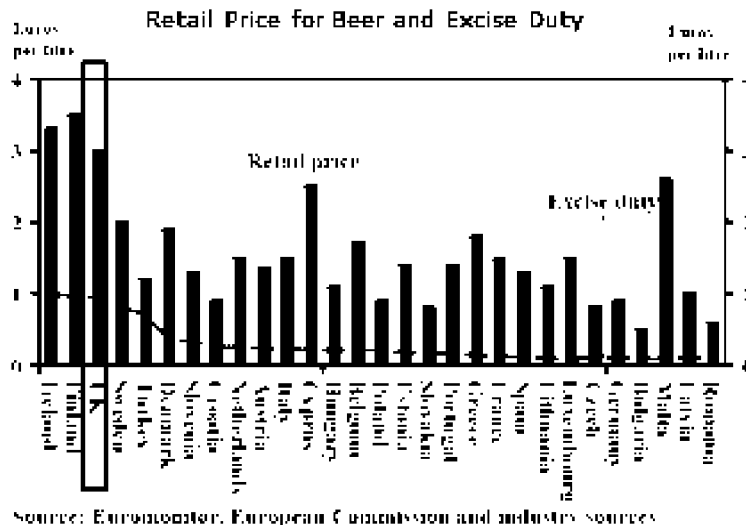
UK taxation compared to other EU countries



- The UK has one of the highest Duty rates in Europe
- Tax is 61% of the price a consumer pays in Off Trade, 36% in On Trade
- Excise duty has increased +43% since 2008, VAT has also increased from 17.5% to 20%



Beer pricing compared to other EU countries



Source: Eurostat, European Commission and industry sources

The UK is the 5th most expensive place to buy Alcohol in the world!

The Alcohol Strategy highlights the cost of alcohol as a key concern and highlights examples of what it claims is alcohol being so heavily discounted; “it is now possible to buy a can of lager for as little as 20p or a two litre bottle of cider for £1.69.” In each case the unit cost of the alcohol is around 10p. In reality, beer selling at 10p per unit represents just 0.1% of the beer market, and cider selling at 10p a unit accounts for just 0.2% of the entire cider market. To suggest that it is this range of products that is contributing significantly to alcohol related crime and ASB is simply not supported by any evidence. Only 0.1% of all alcohol is sold at 10p per unit or less, just 5% of all alcohol is sold below 25p per unit and just 7% at 30p or below.

Finally, these policies are likely to increase any issues with illicit alcohol as consumers look for cheaper alternatives. The W.H.O. is targeting this, and the prevention of fraud is at odds with the current proposals.

A minimum unit price for alcohol

Consultation Question 1:

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

Yes

☐

No

☒

Don't Know

☐

If you think another level would be preferable, please set out your views on why this might be in the box below (keeping your views to a maximum of 200 words).

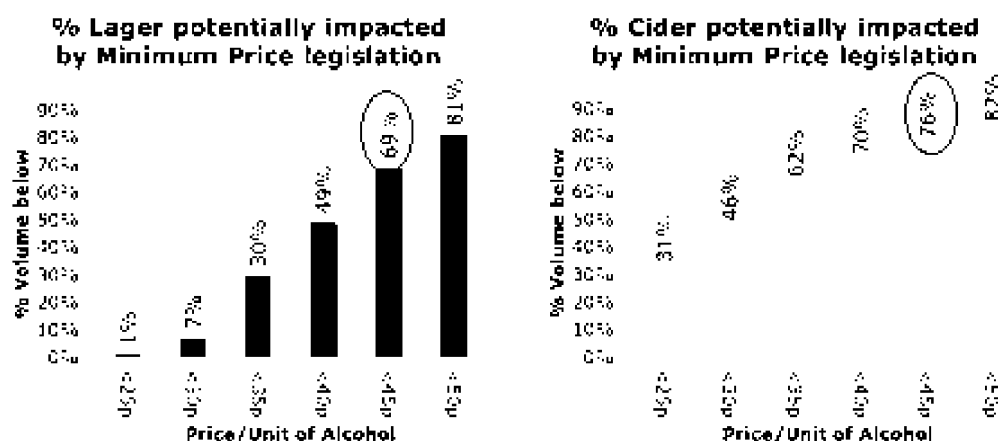
We do not feel that MUP is a necessary or proportionate measure by which to achieve Government's objectives. For the reasons given below, we believe Government should rely upon other policy tools by which to achieve its objectives given that such tools are less intrusive than MUP and will not adversely affect the majority who enjoy alcohol responsibly.

- Reducing alcohol related harm through a minimum unit price has never been successfully implemented anywhere else in the world. The evidence used to support the policy is simply a projection based on modelling that is now over 5 years out of date. The University of Sheffield model was carried out 5 years ago and has been heavily criticised, with the Adam Smith institute recently concluding "that predictions based on the Sheffield Alcohol Policy Model are entirely speculative".
- Any proposed benefits calculated from the Sheffield study suggest that a minimum unit price of 50p would reduce alcohol consumption by 6.9%. Yet between 2006 and 2010 alcohol consumption dropped by nearly double that at the rate of around 12% without Minimum Unit Pricing being in place.
- We remain committed to supporting the development of interventions that do not significantly impact the majority of responsible consumers and those on low incomes. MUP should not distort responsible and fair competition.
- Oxford Economics estimate that around 57% of off-trade beer is currently sold below 45p per unit and, therefore, MUP set at this level would significantly impact on responsible consumers and important local businesses.
- More explicit retail data confirms that around 70% of lager and cider sales will be affected.

Proportion of Lager/Cider that would be affected by Minimum unit Pricing



Lager...



Source: Average of Tesco and Morrison's MAT to 28/4/12

- Proponents of Minimum Unit Pricing suggest that it will be effective as they believe there is a simple link between the price of alcohol, consumption and harm. However, this is simply not backed up by evidence. Italy has high prices but very low consumption levels whilst Scotland and England have the same prices but vastly different consumption levels. Therefore there is no concrete evidence from other markets on which these policies could be based.
- There remains no evidence that MUP would tackle alcohol related harm. It may impact the consumption of the general population but, without definitive evidence, Carlsberg UK remains unconvinced that it will have any impact where it is needed.
- The quantified benefits presented in support of a reduction in health harms that MUP at 45p will realise are speculative and may, in any case, not materialise if the majority of hazardous and harmful drinkers continue to consume at similar levels.
- If the flawed Sheffield model is to be taken into account, its analysis shows that, overall, heavier drinkers are the least responsive to price changes. They are less likely to reduce their overall alcohol consumption if there is a general alcohol price rise.

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



If yes, then please specify these in the box below (keeping your views to a maximum of 200 words).

Carlsberg UK believes that further evaluation is required in the areas below before any concrete action can be taken in relation to a proposal the impact of which remains uncertain and unsupported by concrete evidence.

- The only model Government has to assess the potential impact is the 'Sheffield' model. It is important that the predicted outputs are tested against the experience of the last 8 years, when overall alcohol consumption has fallen by 12%. This key fact is being ignored - this change has happened without MUP.
- The majority of studies (including Sheffield's at an overall alcohol level) indicate that moderate consumers are more price-sensitive and, therefore, more likely to reduce their consumption from price rises than heavy drinkers who are unlikely to change their habits.
- The regressive nature of MUP should also be evaluated. Recent studies by CEBR¹ highlight that the poorest households will be hit hardest (whilst levels of hazardous and harmful drinking are greater among higher income households).
- The wider economic impact of the increase in inflation caused by MUP needs to be considered. The measure would cost consumers over £1 billion at a time when household incomes are falling in real terms.
- Recent studies show that responsible drinkers generally do not support paying more for their drinks because of the harm caused by others.
- MUP has the potential to introduce more illicit trade, illegal activity and fraud. As Government is currently assessing how to tackle excise duty fraud, the introduction of policies which could exacerbate this problem appears inconsistent.
- A proper examination of whether there is any benefit to pubs, as suggested by Government, is needed. For example, the Treasury's own model and Oxford Economics do not find any likely increase in on-trade beer sales from an increase in off-trade prices.

¹ CEBR Minimum Unit Pricing: Impacts on consumer spending and distributional consequences December 2012

- Given that alcohol consumption is already falling, and that pubs continue to close at a rate of 13 per week, employment in the UK alcohol industry is already in serious decline and policies such as MUP and the continuing duty escalator will only exaggerate this situation.
- The recent opinion from the European Commission expresses concerns that a 50p MUP in Scotland would be a barrier to entry for new products and discriminate against imports. It appears premature to introduce policies which are currently under scrutiny in another E.U. country and may well be found to be illegal. MUP that is capable of having an adverse effect on the marketing of imported products because it prevents the lower cost price of imported products being reflected in the retail selling price certainly risks legal challenge.
- Determining a level of MUP that is effective whilst not impacting disproportionately upon consumers will require complex economic calibration. The cost and difficulty in identifying and justifying any price point means MUP is not workable.
- MUP is limited to off-trade sales and so will impact upon sales of alcohol to be consumed at home – rather than on trade. The logic of this appears to be that binge drinkers may reduce drinking at home (or pre-loading) before going out, drinking more and engaging in alcohol related crime. However, the causal link is, at best, indirect. There is limited evidence that MUP applied to off-trade sales will reduce “pre loading”.

Consultation Question 3:

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

| | |
|--|-------------------------------------|
| Do nothing – the minimum unit price should not be adjusted. | <input checked="" type="checkbox"/> |
| The minimum unit price should be automatically updated in line with inflation each year. | <input type="checkbox"/> |
| The minimum unit price should be reviewed after a set period. | <input type="checkbox"/> |
| Don't know. | <input type="checkbox"/> |

- Should MUP be introduced, the whole policy must be reviewed (not just the level of the minimum unit price), objectively and independently to understand its effectiveness and to determine whether it should continue.
- Should MUP be introduced at a given price, it is absolutely vital that its effectiveness be subject to a formal, objective and transparent review, within a given time-frame, and be measured against the aim of tackling alcohol misuse and reducing the consumption levels of harmful drinkers, rather than macro-consumption levels, which are already falling.

- Also, should MUP be introduced, it is vital that any proposed increase be agreed via both a consultation with Government and through a formal parliamentary process.

Consultation Question 4:

The aim of minimum unit pricing is to reduce the consumption of harmful¹³ and hazardous¹⁴ drinkers, while minimising the impact on responsible¹⁵ 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?
(Please select one option):

| | | | | | |
|-----|-------------------------------------|----|--------------------------|------------|--------------------------|
| Yes | <input checked="" type="checkbox"/> | No | <input type="checkbox"/> | Don't Know | <input type="checkbox"/> |
|-----|-------------------------------------|----|--------------------------|------------|--------------------------|

If Yes please specify in the box below (keeping your views to a maximum of 100 words).

By its very nature of raising the prices of cheaper products, MUP will particularly impact low income households.

The CEBR study concluded that *"a minimum price of 45 pence has a significantly larger impact on expenditure , even in absolute terms, on the poorest 20% of households – it would be a highly regressive measure....MUP would do relatively little to address hazardous and harmful alcohol consumption among higher income groups."*

In addition, as this approach is one that takes into account a 'whole-population', it will impact all consumers, including responsible ones, and not simply those referred to in the policy's stated objective.

Many people connected with the complete value chain will be impacted if MUP, as seems likely, simply amplifies the current downward trend on total alcohol consumption levels. Everybody from framers, to brewers, to those connected with distribution, to commercial executives, to pub operators and to pub workers will be further impacted.

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

Consultation Question 5:

Do you think there should be a ban on multi-buy promotions involving alcohol in the off-trade?
(Please select one option):

Yes ☐ No ☒ Don't Know ☐

We firmly believe all retailers should act in a responsible manner and not encourage irresponsible consumption through their activities. However, as recognised in the Impact Assessment itself, there is currently insufficient evidence that a ban on multi-buy promotions would achieve this. For example, there is no evidence that the ban in Scotland, introduced in October 2011, has led to any discernible reduction in hazardous and harmful drinking.

The off trade purchaser, is not always the consumer, and the relationship between purchasing and consumption in the off-trade is complex.

As with Minimum Unit Pricing, the proposed ban on multi buys is a blunt instrument, which will affect the majority of responsible consumers. It is not targeted at alcohol misuse and it will have a disproportionate impact on consumers on a tight budget.

In addition, this proposal is likely to impact competitively on normal promotional activity, which will penalize all consumers including those purchasers who simply want to take advantage of competitively priced promotional deals.

Consultation Question 6:

Are there any further offers which should be included in a ban on multi-buy promotions?
(Please select one option):

Yes ☐ No ☒ Don't Know ☐

If yes, please specify in the box below (keeping your views to a maximum of 100 words).

We would also highlight that drinks sold in single-serve containers (such as beer) would be particularly impacted by such measures, as these are more likely to be retailed in multi-packs. This type of marketing is an important tool for producers and retailers and encourages consumers to try different beers from the 1000+ breweries operating in the UK as well as new beers regularly sourced from all over the world. Again, there is no evidence that this form of marketing particularly contributes to alcohol-related harm. Indeed, overall beer sales in the off-trade have been declining in recent years.

A better option would be to consider increasing the remit of The Portman Group code beyond that of producers to help to ensure that alcohol is not promoted in the off-trade in a manner that encourages irresponsible consumption.

Consultation Question 7:

Should other factors or evidence be considered when considering a ban on multi-buy promotions?
(Please select one option):

Yes ☒ No ☐ Don't Know ☐

If yes, please specify in the box below (keeping your views to a maximum of 200 words).

Yes – the key evidence that should be considered is the impact of a similar policy in Scotland. That policy has failed to have an impact on sales let alone alcohol related harm. The cost of that policy has also been considerable to business and these costs must be fully considered when the Home Office is making its final decision.

Further evidence that should be considered includes evidence of people's buying habits and types of promotion. Major supermarkets chains are now revising their pricing strategies across their product ranges to focus on lower costs for individual products, rather than multi-buy promotions. This proves that there is a business case for focusing on single product discounts. It would, therefore, be counter-productive to the aims of Home Office if forcing retailers to switch to these discounts ended up benefitting them with higher sales.

In addition, research should be carried out to produce evidence that alcohol-related harm would reduce without disproportionately impacting responsible consumers. Also there is a risk, and there is anecdotal evidence of this in Scotland, that there may be some unintended consequences such as lower single unit prices or encouraging a move towards the sale of multi-packs only and the de-listing of single containers, which would remove the ability of consumers to choose smaller pack sizes.

Any potential ban simply goes against the premise in many consumer goods categories that purchasers are rewarded for buying in quantity with some form of discount. Again, this is a purchasing behaviour, not consumption, but should this policy be introduced, it could then be questioned as to why the same principle has not been applied to high-sugar content goods or high-fat items.

As multipacks are likely to rise in price as a result, and given this may result in smaller packs being removed from sale, this proposed policy would have both a significant inflationary impact AND may not achieve its intended objective of consumers purchasing less – it is most likely to result in purchasers buying more.

Consultation Question 8:

The aim of a 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 that there are any other groups that could be particularly affected by a ban on multi-buy promotions? (Please select one option):

Yes ☒ No ☐ Don't Know ☐

If yes please specify in the box below (keeping your views to a maximum of 100 words).

This measure goes against the basic business principle that mass production of goods is cheaper than smaller batch production. As the ban prevents the efficiency benefits of larger production being passed on to the consumer, it makes it more profitable for retail organisations to sell larger packages of alcohol. Perversely, this could incentivise them to more heavily promote larger packs, or simply allow them to reduce the price of smaller packs.

Reviewing the mandatory licensing conditions

Consultation Question 9:

Do you think each of the mandatory licensing conditions is effective in promoting the licensing objectives (crime prevention / public safety / public nuisance / prevention of harm to children - see glossary)?

Please state Yes / No / Don't know in each box:

| | | Prevention of crime and disorder | Public safety | Prevention of public nuisance | Protection of harm from children |
|----|---|----------------------------------|---------------|-------------------------------|----------------------------------|
| A. | Irresponsible promotions (see condition i above) | Yes | Yes | Yes | Yes |
| B. | Dispensing alcohol directly into the mouth (see condition ii above) | Yes | Yes | Yes | Yes |
| C. | Mandatory provision of free tap water (see condition iii above) | Yes | Yes | Yes | Yes |
| D. | Age verification policy (see condition iv above) | Yes | Yes | Yes | Yes |
| E. | Mandatory provision of small measures (see condition v above) | Yes | Yes | Yes | Yes |

NOTE - We point out that the fourth licensing objective listed here is incorrect – ‘protection of harm from children’ should read ‘protection of children from harm’

Overall comments:

- The problems caused by alcohol related harm have been declining for a number of years. Violent incidents, where the victim was perceived to be under the influence of alcohol, have reduced from 1.2 million incidents in 2003 to 928,000 in 2011.
- Carlsberg UK believes that, in principle, that statutory regulation should only be used as a last resort, with self-regulation, or failing that co-regulation, being preferable alternatives where practicable and appropriate.
- Carlsberg UK believes that some of these cultural changes can be attributed to successful partnership initiatives such as Pubwatch, Best Bar None, Purple Flag and Business Improvement Districts. These have created a safer drinking environment. Carlsberg UK is also a major supporter of the Drinkaware Trust, whose campaigns with young people and parents have made an impact on behaviour. This has been particularly true of the ‘Why Let Good Times Go Bad’

campaign, which has targeted young adults and has seen claimed behaviour of changes to drinking habits increase substantially since its inception four years ago.

- The balance of looking to tackle irresponsible consumption, as well as promoting responsible consumption through smaller glass sizes and free tap water, has worked well and is not too onerous for licensees.
- Carlsberg UK would support the continued application of the current conditions and believes in taking an evidence based approach to whether the conditions should be reviewed or added to. Generally, compliance with the mandatory conditions is high and there is little evidence that further burdens would improve premises' capacity to better meet the licensing objectives.
- Carlsberg UK welcomes the Government's commitment to reduce government imposed regulation wherever possible and sees the Mandatory Code review as a prime opportunity to explore an effective and flexible co-regulatory solution with committed industry partners.

Consultation Question 10:

Do you think that the mandatory licensing conditions do enough to target irresponsible promotions in pubs and clubs? (Please select one option):

Yes ☒ No ☐ Don't Know ☐

If no, please state what more could be done in the box below (keeping your views to a maximum of 100 words).

Yes, but more clarity is needed, with examples of what may constitute irresponsible promotions, to aid licensing authorities. Carlsberg UK is a member of The Portman Group and its Code has a substantial effect in ensuring promotional activity is responsible. The remit and consistency of this Code could be considered, as it currently only covers producers. Guidance, however, should be provided to allow for flexibility.

Consultation Question 11:

Are there other issues related to the licensing objectives (prevention of crime and disorder / public safety / prevention of public nuisance / protection of children from harm - see glossary) which could be tackled through a mandatory licensing condition? (Please select one option):

Yes ☐ No ☐ Don't Know ☒

If yes, please specify in the box below (keeping your views to a maximum of 200 words).

- As a producer of alcohol, retailers will have a more informed view in this area.

Consultation Question 12:

Do you think the current approach, with five mandatory licensing conditions applying to the on-trade and only one of those to the off-trade, is appropriate? (Please select one option):

Yes

☐

No

☐

Don't Know



If no, please explain why you think the current approach is not the best approach in the box below (keeping your views to a maximum of 100 words).

- Currently, the only mandatory condition that applies to the off-trade is that concerning age-verification for home-deliveries. The other conditions are so on-trade specific that it is difficult to see how they could ever practically apply to the off-trade and it is unclear from the evidence presented what such conditions would look like or, indeed, if they are necessary.
- The approach should not simply be amended to equalise the two sectors as they are fundamentally different – the off-trade is for purchasing and the on-trade is for consumption. Mandatory licensing conditions should therefore be different.

Health as a licensing objective for cumulative impact policies

Consultation Question 13:

What sources of evidence on alcohol-related health harm could be used to support the introduction of a cumulative impact policy (CIP) if it were possible for a CIP to include consideration of health?

Please specify in the box below, keeping your views to a maximum of 200 words.

- If alcohol-related health harm is introduced as a consideration for CIPs, the same criteria should apply, in that the evidence of health harms must be proven to be linked to the amount of licensed premises in a specific area. Currently, this evidence does not exist and, therefore, if introduced could have significant impact on small shops and the high street without any tangible health benefits.

Consultation Question 14:

Do you think any aspects of the current cumulative impact policy process would need to be amended to allow consideration of data on alcohol-related health harms? (Please select one option):

Yes



No



Don't Know



If yes, please specify which aspects in the box below, keeping your views to a maximum of 200 words.

Guidance should be amended to ensure that any evidence used to demonstrate alcohol-related health harms must be specifically linked to licensed premises within the proposed CIP area.

Consultation Question 15:

What impact do you think allowing consideration of data on alcohol-related health harms when introducing a cumulative impact policy would have if it were used in your local area? Please specify in the box below, keeping your views to a maximum of 200 words. Please provide evidence to support your response.

Not applicable

Summary

The remaining questions of the consultation relate to proposals around removing regulatory burdens. Whilst in isolation Carlsberg UK would support the intent of such proposals, it is difficult to separate them from MUP, bans on multi-buy promotions, health as a licensing objective and the mandatory code. Operators are in a stronger and more informed position to quote on the challenges in this area. Simply there will be a cost and compliance burden, and the Home Office should review this thoroughly.

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