Thank you for giving Molson Coors Brewing Company (UK) Limited an opportunity to comment on the Alcohol (Minimum Pricing) (Scotland) Bill.

Molson Coors is the largest brewer in the UK with 2,300 UK employees and 350 years of brewing experience. We produce a diverse, highly regarded portfolio of beer brands, including the UK’s best selling lager, Carling, which is brewed with 100% British barley.

General Comments

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

We are members of the Scottish Government Alcohol Industry Partnership and are committed to working together with the Scottish Government, industry partners and the public health community to tackle the abuse of alcohol in our society and to promote the responsible consumption of our products.

Alcohol abuse is a complex issue which ultimately requires fundamental cultural change. This is not an area for which there is a “quick fix” and we believe we need to build respect for alcohol in a variety of ways, including education, policy measures and ensuring alcohol is reasonably priced.

Generally, we agree that pricing should be a matter for market forces. However, when market failure leads to persistent below cost selling, driving a culture of irresponsible drinking, government intervention may be needed.

We believe minimum pricing could play an important role as part of a holistic Scottish, and indeed UK-wide, policy in addressing harmful consumption and rebuilding respect for alcohol.

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, community building industry that delivers secure jobs.

Q1. The advantages and disadvantages of establishing a minimum alcohol sales price based on a unit of alcohol

Molson Coors believes minimum pricing, set at a level that targets ‘problem prices’ (ie those sold below duty+VAT+cost) and does not seek to raise otherwise responsible prices, represents a sensible proxy for a responsible pricing ‘floor’.
Unlike duty, the introduction of a minimum price has advantages in avoiding anomalies that currently exist within the UK duty system. Furthermore, a minimum price cannot be absorbed by retailers to keep alcoholic drinks prices artificially low.

For the beer category, Molson Coors estimates the price difference between England and Scotland following the implementation of a 45p per unit minimum price could be over 50% (and even greater the higher the unit price) and we are concerned that this differential will stimulate cross-border trading issues between Scotland and England. By way of illustration, ABFI, the Irish drinks trade body, estimates the size of the cross border drinks trade between Northern Ireland and the Republic of Ireland to be around €400 Million per annum.

Q2. The level at which such a proposed minimum price should be set and the justification for that level

Minimum pricing should be set at a level that targets problem prices, enables retailers to continue to compete responsibly on price and avoids driving ‘problem prices’ underground. A minimum price that puts up responsible prices will distort fair competition, punish responsible behaviour and incentivise cross-border trading issues. We believe that VAT+Duty+Cost represents a sensible, proportionate proxy for a responsible pricing ‘floor’ and we would support a UK–wide ban on below cost selling that takes proper account of the cost of production.

Based on our in house modelling for the beer category using 2011 numbers (source: EPOS via Nielsen):

- 25p minimum price would affect less than 1% of beer sold in the Off Trade.

There is a considerable increase in impact at 50p and 70p unit price.

- 72% of all Beer Volume in the Off Trade is affected at 50p. This is broken down as 80% of all Beer Volume in the Multiple Grocers and 54% in the Convenience Sector.
- Over 95% of all Beer Volume is affected at 70p.

For other categories, using Nielsen data, a minimum price of 50p per unit would affect 63% of wine and 74% of all spirits sold based on current prices.

The detail of how any minimum pricing proposals will work and be adjusted following their introduction is also unclear. We would therefore suggest that

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1 Using the example of two typical promotional beer offers for mainstream 4% ABV lager brands in supermarkets in England & Wales stores, one of 4 packs of beer for £25, another of 3 packs for £22. This equates to 30p and 28p per unit price respectively. Therefore the suggested 45p/unit minimum price would represent a 50% increase on the £25 offer and a 60% increase on the £22 offer.
any minimum pricing proposals would need to be introduced on the basis of clear evidence which should be subject to independent scrutiny.

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 – around 71,000 of these are in Scotland\(^2\). Over 1/3 of the UK barley crop is bought by UK brewers and UK brewers are industry leaders on environmental issues, investing in energy reduction (energy usage per pint down 45% since 1976; water usage down 40% and CO2 emissions down 40%).

A minimum price policy that reduces responsible beer volumes and producer value is certain to impact investment and jobs across the total beer supply chain (from grain to glass) which is already enduring significant year-on-year declines in beer sales.

The overall impact of any minimum price also depends what other legislation is introduced at the same time. For example, any additional margin created by minimum pricing is dependent on the level above ‘tax+cost’ set by government and subject to consideration of how any parallel policy measures, such as the proposed increase in business rates for large retailers of alcohol, will impact on such margin. We cannot speak for retailers in determining how any increase in retail prices would be allocated.

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, community building industry that delivers secure jobs.

We hope this information is of use to the Committee as it considers the Bill at Stage 1. Please do not hesitate to contact us should you require any further information.

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Molson Coors Brewing Company (UK) Limited
12 December 2011