

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

Response from SABMiller

Executive summary

We believe that:

- **Minimum unit pricing would not reduce drinking among UK drinkers who drink harmfully or hazardously and would have a negative impact on low income moderate drinkers and on the UK pub sector.**
- **Tackling harmful and hazardous drinking can only be managed effectively through targeted information and education programmes which deal with the specific regions and groups where problems have been noted.**

1. SABMiller, one of the world's largest brewers and the largest UK-based drinks company, cares about the harmful effects of irresponsible alcohol consumption on individuals and society, and fully supports the UK Government's broad objective within its 2012 Alcohol Strategy to tackle alcohol misuse, specifically binge-drinking and anti-social behaviour.
2. We are supportive of a number of the policies in the strategy, such as the review of the mandatory licensing code, but we are opposed to the proposed policies of minimum unit pricing (MUP) and the ban on multi-buys.
3. Our opposition is based on research and analysis we have commissioned from independent and well-respected consultancies, including the Centre for Business and Economic Research (Cebr), London Economics and YouGov, which has helped us to develop a breadth of knowledge of the public health and economic implications of the proposed policy.
4. In addition, our UK subsidiary, Miller Brands, has undertaken an extensive commercial analysis of the likely impact of MUP on the market and on our business, as well as the impact to date of the multi-buy ban in Scotland. This analysis has been a further factor in forming our position.
5. The analyses and research we have commissioned has found that:
 - **The greatest proportion of hazardous and harmful drinkers is among the top 20% of earners, who buy their alcohol at prices above MUP - and so will be untouched by the proposal.** The Cebr found that a minimum unit alcohol price of 40p or 45p has a negligible impact on hazardous and harmful drinking levels among the richest 20% of households in England & Wales.
 - **MUP will reduce overall alcohol consumption, but it will NOT significantly change the drinking habits of the heaviest drinkers¹.** The majority of peer-reviewed studies on price sensitivity among drinkers, funded by public health bodies and academics from the US and

¹ London Economics (2012), "Differential price responsiveness among drinker types", March, London

UK² reach similar conclusions – the people who are most likely to change their consumption habits significantly as a result of pricing are those who drink moderate or minimal amounts of alcohol. The heaviest drinkers are more likely to reduce their alcohol consumption by much less than those who drink moderate or minimal amounts of alcohol.

- **MUP will impact the expenditure of lower-income families and individuals at a time when they can least afford it³.** Drinkers in Yorkshire, Wales and the East Midlands will be most affected by a 45p MUP, whilst the average London drinker will be unaffected. Across the UK, the poorest two income deciles will pay nearly half of the total increase in annual expenditure as a result of the introduction of a 45 p MUP, while the richest two income deciles will pay just 1% of the difference
 - **Finally, MUP will have some potentially counter-productive consequences** - eg
 - a negative impact on the pub industry⁴
 - low income consumers will have less choice as own label and economy ranges become redundant
 - longer promotional sales, albeit with lower discounts
6. We note that there have been significant questions raised over the modeling and research undertaken by the Sheffield Alcohol Research Group based at the University of Sheffield^{5, 6}. This brings the methodologies and assumptions used in the Government's impact assessment into question. We address these concerns in Consultation Question 35.
7. Finally, this consultation takes place against a backdrop of a well-documented decline in alcohol consumption in the UK, where alcohol consumption, particularly among young adults has fallen by 20 per cent in the past five years. As this trend continues, we believe the measurement of the impact of MUP and any similar price controls may be extremely hard to measure.

In short our position is:

8. Minimum unit pricing would not recognise any behavioral differences in groups of drinkers, and is based on an assumption that all drinkers will modify their alcohol consumption in response to price triggers. This will penalise the overwhelming majority of adults who enjoy drinking alcohol, and who do so in a legal and socially-acceptable way, neither causing harm to themselves nor to others.

² including research undertaken by the University of Sheffield, upon which the government's impact assessment is based

³ CEBR (2012) *"Minimum Unit Pricing: Impacts on consumer spending and distributional consequences"*, December, London

⁴ YouGov (2012), Minimum Pricing Omnibus Research
http://www.sabmiller.com/files/pdf/YouGov_minimum_pricing_toplevel_summary.pdf

⁵ Cebr (2012), *"A critique of the Home Office Impact Assessment of the Government's proposed 45p MUP for alcohol"*, December, London

⁶ Adam Smith Institute, Duffy J, Snowdon C (2012), *"The minimal evidence for Minimum Pricing: The fatal flaws in the Sheffield Alcohol Policy Model"* October, London

9. We are concerned that in proposing minimum pricing, the Government is overlooking the specific attitudes and behaviors that cause a minority of drinkers to engage in the cultural problem of irresponsible or illegal drinking in the first place.

About SABMiller

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SABMiller is the UK's largest listed drinks company with brewing interests in 75 countries across six continents. It is headquartered in London, listed at number 8 within the FTSE 100 index and owns over 200 beer brands.

Miller Brands, SABMiller's UK subsidiary, imports eleven products for the UK market, including Peroni Nastro Azzuro and Pilsner Urquell and will pay £100m in beer duty in 2012/13.

Through our participation in the Public Health Responsibility Deal (PHRD) and the Scottish Government's Alcohol Industry Partnership, we are fully committed to working co-operatively and in partnership with key stakeholders to tackle the problems of alcohol abuse throughout the UK.

SABMiller has signed up to PHRD pledges on alcohol labeling; responsible advertising and marketing; continued support for the DrinkAware Trust; and ongoing involvement in community actions to tackle alcohol-related harm, particularly in our own community – Woking, Surrey – where we are actively involved in the Surrey Alcohol Responsibility Initiative (SARI).

We firmly believe that alcohol consumption is for adults, and is a matter for individual judgment and accountability. That is why we support policies that aggressively target and, where necessary, penalise individuals who engage in irresponsible or illegal drinking, and licensees who sell alcohol irresponsibly and illegally.

Since 2009, in partnership with the British Institute of Innkeepers, SABMiller has established the SABMiller Scholars' Programme⁷ which has provided training and a nationally recognized qualification for over 3000 people working in UK licensed premises, or selling alcohol in shops and off-licences. Key objectives are to eradicate sales of alcohol to people under 18 or who are drunk.

We have also worked in partnership with the think-tank Demos to better understand the role of parents in helping to create a future generation of responsible drinkers. Two reports, "*Under the Influence*"⁸ and "*Feeling the Effects*"⁹ provide substantial evidence of the long-term impact of parenting styles and drinking behaviour on children, concluding that effective parenting is the best way to deal with Britain's binge-drinking culture.

⁷ <http://biiab.bii.org/documents/933>

⁸ <http://www.demos.co.uk/projects/under-the-influence-> [published 2011 - 09 - 16]

⁹ <http://www.demos.co.uk/publications/feelingtheeffects> [published 2012 - 12 - 07]

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

☐

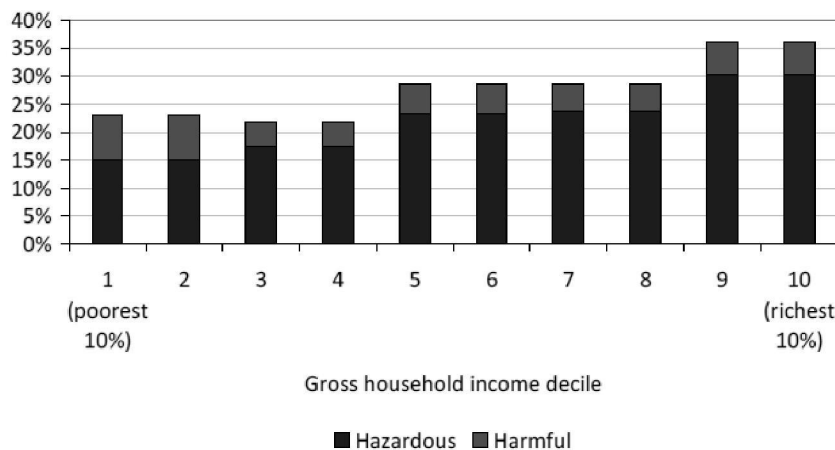
If you think another level would be preferable, please set out your views on why this might be in the box below (keeping your views to a maximum of 200 words).

We do not think any level of MUP will achieve the government's stated aim of reducing alcohol-related harm. This is because it does not target harmful and hazardous drinkers.

MUP is a policy that will have the greatest impact on low-income drinkers. It would only achieve the government's aims if all problem drinkers were on low-incomes and drank cheap alcohol. This is not the case.

In fact, the highest proportion of problem drinkers are to be found in the two highest income deciles in England and Wales¹⁰

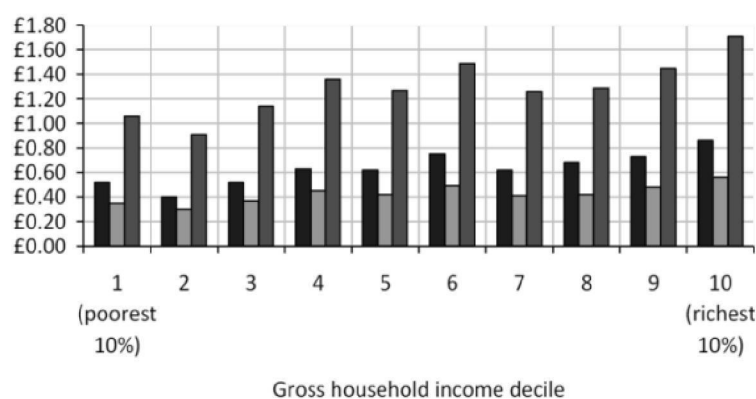
Figure 8: Estimated % of adults classified as hazardous or harmful drinkers in England & Wales, by gross household income decile



¹⁰ CEBR, *Minimum Alcohol Pricing and the Squeeze on Low-Income Households*, March 2012

And most of these pay on average more than 45 pence per unit¹¹.

Figure 9 – Average expenditure per unit of alcohol in England & Wales, by gross household income decile



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Source: Family Expenditure Survey, General Lifestyle Survey, Cebir analysis

Furthermore, heavier drinkers are least sensitive to price changes. Most studies (*including Meier et al 2008, Sheffield Alcohol Research Group*¹²) conclude that heavy drinkers' alcohol consumption is less responsive to price changes than moderate drinkers.

Table 1: Summary of conclusions from studies which use individual-level data to directly compare the aggregate price sensitivity of different drinker types		
Heavy drinkers are less price sensitive	Heavy drinkers are not less price sensitive	Inconclusive
Manning et al (1995)	Dave and Saffer (2007)(only older drinkers)	Cook et al (2011)
Ayyagari et al (2009)		Herzfeld et al (2011)
An and Sturm (2011)		
Meier et al (2008)		
Ipsos (2009)		

Source: London Economics, *Differential price responsiveness among drinker types*, March 2012

¹¹ CEBR, *Minimum Alcohol Pricing and the Squeeze on Low-Income Households*, March 2012

¹² <http://www.shef.ac.uk/scharr/sections/ph/research/alpol/research/indreview>

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Consultation Question 2:

Should other factors or evidence be considered when setting 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"/>
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If yes, then please specify these in the box below (keeping your views to a maximum of 200 words).

Our internal commercial analysis along with research conducted by YouGov¹³ has identified the following unintended consequences which should be considered

1. Minimum pricing will likely have a negative impact on the pub industry.

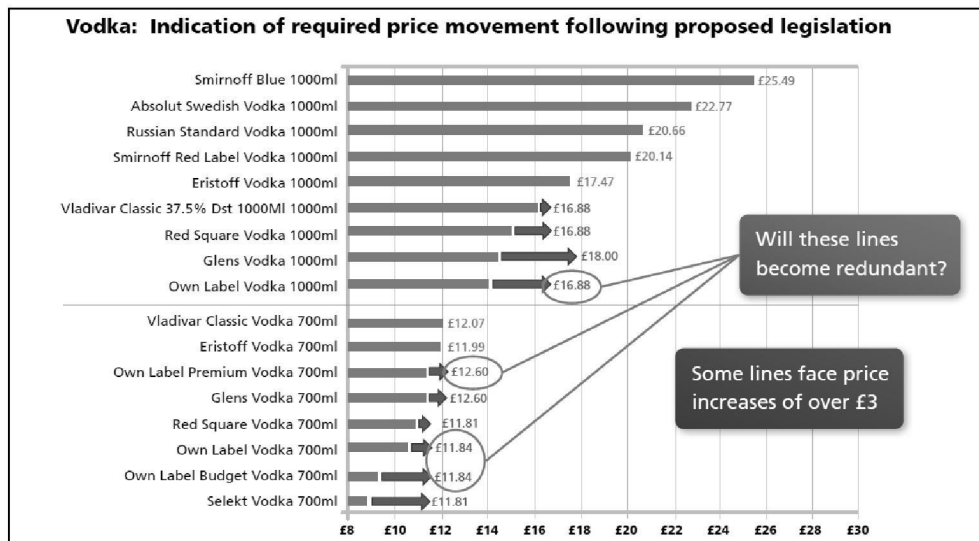
On average, 18 pubs a week are closing¹⁴. Although the price differential between drinks in supermarkets and pubs will narrow under MUP, drinking at home will still remain cheaper. Less than 1% of people surveyed in a January 2013 YouGov poll said they would drink less at home and more in the pub as a result of minimum pricing. Overall, 39% said they would drink less in the pub. If drinking at home becomes more expensive as a result of MUP, people will have less to spend in the pub.

¹³ YouGov (2012), Minimum Pricing Omnibus Research
http://www.sabmiller.com/files/pdf/YouGov_minimum_pricing_toplevel_summary.pdf

¹⁴ Campaign for Real Ale, 01/02/13

2. Low-income responsible consumers will have less choice and will pay more as own label and economy ranges disappear under MUP

- Brands at the bottom end of the price ladder are likely to disappear as consumers are forced to pay more. Some economy lines potentially face price increases of over £3. This will impact low-income consumers considerably. Buying own label or economy ranges should not automatically categorise someone as a problem drinker.



- 3. Premium products may be discounted as a result of the increased revenue retailers receive from cheaper brands.** For example, premium beer brands such as Peroni, San Miguel, Corona and Tiger – which currently retail at over £0.60 per unit may be discounted as a result of the increased revenue derived from beers at the lower end of the price ladder. This makes these products less competitive and devalues the investment producers have made into building them into premium brands.
- 4. Short, deep discounts will be replaced by longer promotions,** effectively resulting in products being sold at the minimum price level throughout the year.

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 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 checked="" type="checkbox"/>
Don't know.	<input type="checkbox"/>

We do not believe MUP should be introduced. However, should the government decide to do so, it should agree to review its impact on harmful and hazardous drinking after a set period. [The Scottish Government has agreed to a review after five years]. If it is found to be an ineffective policy it should be revoked.

The review should be conducted in an open and transparent way by an independent external body with the objectives and methodology being made public, subject to discussion and consultation with all key stakeholders, including the alcohol industry. The focus of the review should not be on overall reductions in alcohol consumption, but on the impact that MUP has had on reductions in harmful and hazardous drinking.

The key question is how the impact of MUP on harmful and hazardous drinking will be measured in a market which is already characterised by a 20% decline in alcohol consumption over the past five years?

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

Cebr analysis¹⁵ demonstrates clearly that MUP will have a significant impact on responsible drinkers – particularly those in low-income groups.

Their analysis shows that a 45p Minimum Unit Price for alcohol will:

- cost all consumers **£659 million** more each year.
- mean the poorest 20% of people pay an additional **£318m** each year while the richest 20% will only pay **£7m** - the richest 10% will pay nothing in addition from this policy.
- hit under-30s households hardest.
- mean that working parents will face an increase in alcohol expenditure of **£162m**.
- disproportionately impact different regions so that people in Yorkshire and Humber will see an increase in alcohol expenditure of **£109m** compared to London at **£42m**.

¹⁵ Cebr, *MUP: Impacts on consumer spending and distributional consequences*, December 2012

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	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	Don't Know	<input type="checkbox"/>
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Consultation Question 6:

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

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	Don't Know	<input type="checkbox"/>
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If yes, please specify in the box below (keeping your views to a maximum of 100 words).

Consultation Question 7:

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

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Don't Know	<input type="checkbox"/>
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If yes, please specify in the box below (keeping your views to a maximum of 200 words).

More consideration should be given to this proposal. An internal commercial analysis by Miller Brands (2012) conducted using Kantar Worldpanel Shopper data, has shown that the ban in Scotland has:

- Not led to any material reduction in either beer volumes, the number of retailer promotions or alcohol consumption generally
- Has contributed to an *increase* in beer volumes purchased by heavy shoppers through increased frequency of purchase (+10% vs the previous year)
- Has contributed to an *increase* in the overall number of light beer shoppers and therefore volume of beer purchased (+6% vs. the previous year in a declining market)

There is no evidence to date that the ban has caused any shift in social attitudes or consumer behaviour.

We request the Government to look further into the following:

- Evidence that a ban on multi-buys would reduce alcohol-related harm without disproportionately impacting responsible consumers
- Any distributional impacts of the measure on low income households

- The effects of the interaction of such a policy with the implementation of a minimum price for alcohol

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	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Don't Know	<input type="checkbox"/>
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If yes please specify in the box below (keeping your views to a maximum of 100 words).

Groups that merit particular consideration include:

- Consumers in lower income deciles versus those on higher incomes

Consultation Question 35:

Do you have any comments on the methodologies or assumptions used in the impact assessments? If so, please detail them, referencing clearly the impact assessment and page to which you refer.

Yes



No



Don't Know



If yes, please specify in the box below, referencing clearly the impact assessment and page to which you refer (keeping your views to a maximum of 400 words).

Minimum Unit Pricing Impact Assessment

Our primary concern with the methodology used in the Government's Impact Assessment (IA) for the proposed MUP policy is its reliance upon the Sheffield Alcohol Policy Model (SAPM). Neither the revisions to the model nor the results produced by this revised model have been made visible, making it impossible to properly review the IA.

In our view, however, on the basis of the evidence we have set out above in Questions 1 to 4, the Impact Assessment's assertion that the "*heaviest consumers (those drinking regularly more than twice the NHS guidelines) reduce their consumption most in response to a MUP focused on raising the price of the cheapest drinks*" (p6.) is, **highly questionable**.

The analysis undertaken by London Economics on our behalf indicates that the five systematic reviews of the evidence on the sensitivity to price of heavy drinkers between 1995 and 2009¹⁶ (including Sheffield University, Meier et al 2008) all conclude that heavy drinkers are least responsive to overall price changes.

Cebr¹⁷ reviewed the evidence regarding aggregate alcohol elasticities, concluding that:

- the total demand for alcohol is relatively inelastic to general increases in its price;
- heavy drinkers are generally less responsive to price changes than moderate drinkers in terms of their overall consumption;
- while heavy drinkers' are more responsive to price changes for specific alcohol products, this only reflects their willingness to switch between products to maintain overall alcohol intake.

But the Sheffield team states that this evidence is "for reference only and not included in the [SAPM] model." Furthermore, statistical analysis by Cebr confirms that the Sheffield team has adopted assumptions for heavy drinkers' overall responsiveness to price changes that **only draws on the evidence relating to their product-specific elasticities**. For the same reasons, the Sheffield model significantly underestimates the responsiveness of moderate drinkers to price changes.

¹⁶ Refer point 6, page 1 & table 1, page 5

¹⁷ Cebr (2009), "Minimum Alcohol Pricing – A Targeted Measure?", June, London and Cebr, "A critique of the Home Office's Impact Assessment of the Government's proposed 45p MUP for alcohol", December 2012.

SABMiller response to the Government's policies to cut alcohol-fuelled crime and anti-social behaviour – February 2013

Cebr argues that the resulting modeling inaccuracies have led the Sheffield team to overestimate the potential impact of minimum pricing on the consumption levels of hazardous and harmful drinkers by a factor of two or more.

In summary, therefore, SABMiller believes that the evidence that a minimum unit price will lead to a reduction in alcohol related harm while not impacting on responsible drinkers is highly questionable and that any attempts by the Impact Assessment to assess total costs and benefits of the policy are therefore inevitably flawed.

We urge the government to undertake further analysis of this measure before it is implemented and disproportionately penalises those who drink responsibly on lower incomes.

Friday, 1st February 2013

For further information and follow up please contact:



UK GOVERNMENT RELATIONS MANAGER

SABMILLER

