Preface

Chivas Brothers Limited is the Scotch whisky and premium gin business of Pernod Ricard, the world’s co-leader in wine and spirits. Chivas Brothers operates a number of distilling, maturation and bottling facilities in Scotland, including 13 malt distilleries and one grain distillery. We also operate two blending facilities, three bottling halls and eight warehousing complexes across Scotland.

Pernod Ricard UK is the UK sales and marketing company of Pernod Ricard which is responsible for our commercial activities in Scotland.

In the interests of simplicity, references to the positions of these two companies will be represented as Pernod Ricard.

As a company, Pernod Ricard has a strong global corporate ethos on promoting and marketing our products in a socially responsible manner. In pursuing the friendly enjoyment of our brands, we also recognise our obligation, as a marketer of alcoholic beverages, to encourage the responsible consumption of all alcoholic drinks and our brands, in particular. This commitment is shared in our many production facilities and offices throughout Scotland, as well as in our sales and marketing teams in Pernod Ricard UK.

Pernod Ricard is a member of the Scottish Government – Alcohol Industry Partnership (SGAIP) and a long-time member of the Portman Group. Working within the SGAIP, Chivas Brothers Limited participates in Scotland’s Alcohol Awareness Week throughout our offices and production facilities in Scotland. Over the past several years Pernod Ricard UK and Chivas Brothers have enhanced their “Accept Responsibility” campaign which encourages responsible consumption of alcoholic beverages.

Our company is also an early supporter of the Drinkaware Trust and we have played our part in the Campaign for Smarter Drinking.

Pernod Ricard appreciates the opportunity to submit our views to the Health and Sport Committee and we hope that our comments are helpful and informative, and we stand ready to discuss these issues further with you.

Preliminary Comments

Pernod Ricard welcomes the work of the Scottish Government in seeking to address the societal issues of excessive drinking and alcohol misuse in Scotland. It is essential to identify the problem and to seek solutions to challenge social attitudes to inappropriate and abusive drinking. Changing
drinking behaviours is a serious goal and will require the dedication and perseverance of all stakeholders.

Where we would take issue with the general approach of the Scottish Government is in how to address the issue of alcohol-related harm. It is clear that the cornerstone of the preferred policy is to adopt a total population approach to reduce all consumption of alcoholic beverages in Scotland. This gives us concern since such a policy, in its application, does not distinguish sensible drinking from excessive and harmful drinking. In effect, the proposed policy is to demonise all alcohol consumption. As a producer of wine and spirits, we find this approach very troubling.

The Scottish Government has accepted that the consumption of alcoholic drinks is not “bad in itself”, and notes that the sensible enjoyment of alcohol “…is the mark of a mature society at ease with itself.” In light of this, Pernod Ricard would have expected the Scottish Government to build on the prevalent responsible consumption of alcohol in Scotland and to target those groups which have a propensity to abuse alcohol. By pursuing a total population approach, the presumed emphasis will be to discourage all consumption of alcohol across Scotland.

Such a policy may depress total consumption of alcohol in Scotland. Whether it will directly address and decrease the alcohol-related harm described in the Consultation Document is highly presumptive. Experience in other markets which pursue total population policies does not offer great assurance that such a policy will have the intended effects.

Further, a policy that is based on discouraging and de-normalising alcohol consumption would be a blunt instrument. It is premised on Government setting the conditions under which alcohol will be available and in what manner one can drink. The Scottish Government appears to dismiss the importance of individual responsibility in making drinking decisions and the value of making informed drinking choices. Ultimately, it is the individual who makes the personal decision to drink responsibly or irresponsibly. This emphasis on personal responsibility is the core message of our on-going social responsibility campaign, “Accept Responsibility.”

Promotions

On the topic of price promotions, Pernod Ricard, as a responsible producer of wines and spirits, is greatly concerned by the number of price promotions offering various brands at what appear to be quite low prices.

The Government is quite right to question these promotions. However, the Government’s proposal to end all price promotions appears to be a precipitate response. We believe that there is room for periodic price promotions to benefit consumers.
Pernod Ricard would prefer to work in partnership with the Scottish Government and other interested stakeholders to draw up mutually agreed rules on acceptable promotions.

Pernod Ricard thoroughly understands the reasoning behind the proposal to end free alcohol promotions that exist as “buy one get one free” deals in retail shops and supermarkets. However, the premise of the reasoning is that all such discount promotions are, by definition, enticing consumers into immediate consumption. There is no evidence to support this assumption.

Many consumers may take advantage of such a discount promotion to purchase their favourite brand at a bargain price. Such a purchase would then defer an additional purchase to a much later date.

Further, while many of these promotions are initiated by retailers, there are instances where producers and retailers work together to offer certain brands to consumers at a discounted price at certain times of the year.

A complete prohibition on such discount promotions may unduly penalise responsible drinkers as well as irresponsible drinkers. Pernod Ricard would urge the Government to seek consensus with all stakeholders to agree new rules on retailer promotions that would avoid a complete ban on all discount promotions.

With regards to the proposal to prevent the sale of alcohol as a loss-leader, Pernod Ricard, as the producer of premium products, would give support to this proposal. However, we have concerns on how such practices would be defined, as well as how such a law would be enforced.

We would want to continue to work with the Scottish Government to ensure that whisky-related tourism is not inadvertently captured within any controls on promotional activity that would impact on the valuable services provided by our award-winning distillery visitor centres.

**Minimum Pricing**

Pernod Ricard cannot support the Government’s proposal for the introduction of the minimum pricing formula and, thereby, Ministerial intervention in the pricing of alcoholic beverages. For Pernod Ricard, this is a matter of corporate policy and principle. Government manipulation of market pricing is the hallmark of a Government monopoly or a controlled market economy. As one of the largest exporters of Scotch whisky, we seek to remove such market access barriers in our export markets. We could not condone the establishment of such a mechanism in our home market. The signal this would send to other markets would imperil our exports of Scotch whisky and other alcoholic beverages and this could impact on the future growth of the whisky business and its dependent suppliers in Scotland.

The Scottish Government’s own research shows that minimum pricing will fail to make a significant impact in combating abusive alcohol consumption. The
Sheffield Report shows that heavy drinkers will be little affected economically (less than the cost of one pint of beer a week) and that they will be the least likely to change their drinking patterns. It is, therefore, a reasonable presumption, according to the Sheffield report, that the proportion of hazardous and harmful consumers will remain unchanged. The full effect of minimum pricing will be borne by moderate consumers reducing their purchase in Scotland.

Such a scheme would also lead to an increase in cross-border shopping and a rise in internet shopping by consumers seeking more favourable alcohol prices and, thereby, harm the retail of alcohol in Scotland while doing nothing to reduce excessive consumption.

Pernod Ricard UK would also point out that the Sheffield Report contains a number of flaws. To name just two: the report suggests that moderate weekly alcohol consumption is 5.6 units. Yet, under the UK Government’s sensible guidelines, 3-4 units a day are recommended for men and 2-3 units a day for women.

We believe that the Sheffield model is seriously underestimating the negative impact that the recommendations will have on moderate drinkers.

Secondly, the Sheffield model does not utilise specific Scottish data but merely makes assumptions about the possible impact on Scotland. There is no analysis, for instance, on the indirect impact that minimum pricing will have on illicit sales, cross-border trade, criminal activity and the international implications for Scotch whisky exports.

We note that the Scottish Government continues to assert that such a pricing mechanism can be created and administered under current UK and EU competition policy. Yet, the Government is not sufficiently confident of its legal basis to share it with anyone. We await this analysis before commenting further.

Age Restrictions on Sales of Alcohol

Pernod Ricard cannot agree with the increased age for alcohol purchases in off-sales outlets. The first objection must be on the principle of equity. What policy objective could possibly be served by considering an 18 year old mature enough to purchase alcohol in an on-premise establishment, but not mature enough to purchase an alcoholic beverage in an off-premise establishment? Furthermore, such a policy would only further exacerbate the burdens of policing and enforcement on our law enforcement officers and local licensing officials.

We would strongly encourage the Scottish Government to seek stricter enforcement of the current laws on underage sales and sales to intoxicated persons rather creating yet another sub-set population that would require additional supervision.
There is no evidence from the Scottish Government that convinces us that raising the off-sales purchase age to 21 will have any impact on alcohol misuse and, indeed, may simply demonise and alienate the people who the industry and government need to engage with fully to communicate the responsible drinking message.

**Social Responsibility Fee**

Pernod Ricard opposes the imposition of a Social Responsibility Fee. This is for several reasons. First and foremost, we do not believe that the Government has provided adequate justification for such a social responsibility fee, let alone how such a fee would be administered.

Further, it is not at all clear how the proceeds from the fee would be used to improve social behaviour. There has been no information on how such a fee structure would interact with the actions of local authorities and police forces.

In addition, concerns have been raised that, in theory, such a fee could apply to Distillery Visitor Centres or production and storage facilities where staff are allowed to purchase discounted stock. Would fees be applied in terms of the rateable value of the properties? This would mean distilleries and maturation sites would be paying greater fees than smaller shops selling considerably more alcohol.

Such a “Social Responsibility Fee” imposed on local drinking venues could reinforce a message that excessive drinking behaviour is not the responsibility of an individual drinker, but rather on the proprietor/license holder of a local drinking establishment. It would appear to be an attempt to stigmatise all drinking establishments.

It is quite possible that the Scottish Government is fairly clear on what its policy objectives are in proposing these potential restrictions on licensed premises. However, the lack of detailed explanation is causing confusion within the industry.

**Promotional Materials**

On the subject of promotional materials in licensed premises, there are more questions than answers. It would appear that the implications of these proposals on distillery visitor centres have not been considered.

For instance, is the provision of brochures about the local whisky trail a promotion to encourage consumption off premises?

Further, distillery signage and visitor centre signs could all be deemed to promote a particular brand of whisky or other beverage. A sign advertising tours or tastings could similarly be construed as a promotion of the spirit produced in that particular distillery.
Displays of historic representations of the whisky making process in the window of a distillery visitor centre could also be seen as an endorsement of a product and an enticement to purchase.

Therefore more clarity is required on the proposals to end promotional material visible outside licensed premises.

**Conclusion**

Despite our deep reservations about a number of elements of the Scottish Government’s proposals, Pernod Ricard stands ready to engage with the Government to contribute to the crafting of effective alcohol policies.

Jack Gemmell
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Chivas Brothers Ltd
20 January 2010