1.0 Overview of Mitchells and Butlers

1.1 The Mitchells & Butlers name has a long and distinguished history in licensed retailing since 1894 and is strongly associated with the creation of the British pub we know today.

1.2 We are the largest managed pub company in the UK, running 2,000 pubs and employing 44,000 people across the UK. In Scotland we have 100 pubs employing around 2,000 staff.

1.3 The structure of the pub market is highly fragmented. Of the c.60,000 fully licence premises in the UK, there are c. 6,000 managed pubs and 30,000 pubs leased from pub companies.

1.4 We manage all our pubs (as oppose to leasing them out like the pubcos) and our typical pub employs over 20 people.

1.5 We serve 120 million meals per year and are the on-trade’s largest caterer. Our food volumes have grown by 85% in the past six years. Food is now the primary reason for our customers visiting a Mitchells & Butlers pub. Food related activity accounts for around two thirds of our turnover.

1.6 Over three quarters of our estate is based in residential areas (77%) with the remainder based on the high street and in city centres (23%).

1.7 Each of our pubs across the country serves around 15,000 different people each year. We contribute £426 million to the exchequer each year which is over 20% of our annual turnover of £2bn.

1.8 We are a highly responsible operator. We have always followed any voluntary code introduced. Challenge 21 is embedded in the company culture; we currently refuse to serve alcohol to 80,000 people with no proof of age and 20,000 on the grounds that they have had too much to drink. We are a major funder of Drinkaware and sit on the steering group.

1.9 We have established an industry leading promotional code. Tap water in available free of charge in all our pubs. We have participated in the Food Standards Agency trial to include calories on menus. We participate in Best Bar None and Pubwatch across the country.
Mitchells & Butlers are committed to the reduction in the harm that excess alcohol consumption has. As such, the positions expressed in this paper represent Mitchells & Butlers current position at this current time. They are subjected to change resulting from further discussion and debate on how best to address issues relating to alcohol abuse.

In response to the key items in the Bill, Mitchell’s & Butlers makes the following points:

2.0 Restrictions on irresponsible promotional activity

2.1 The mandatory code has enshrined in legislation the requirement that the on trade should not have any irresponsible advertising to increase the consumption of alcohol in an inappropriate manner. This move is welcomed by Mitchells & Butlers and we support the proposals contained in the Bill to ban on-trade drinks promotions that encourage people to buy larger measures. This proposal is consistent with our current policy and activity.

2.2 Promotions such as BOGOF or 3 for 2 encourage increased purchase and may result in increased alcohol consumption and are widely disallowed in the on-trade. This should be enforced across the on-trade.

2.3 By definition, pubs and bars exercise a duty of care over the consumption of alcohol, and can therefore prevent abuse while customers are on their premises. The off-trade does not have a similar responsibility for the supervision of alcohol and should therefore have at least the same restrictions on irresponsible promotions, if not greater, as they have no oversight over consumption.

2.4 A move to at least align the restrictions on off-trade alcohol promotions with the on-trade are therefore welcomed by Mitchells & Butlers and, indeed, will bring much of the off-trade in line with our existing activities.

3.0 Pricing and promotional strategies

3.1 Mitchell’s & Butlers agree that there is a relationship between price and consumption.

3.2 Studies have shown that pricing does have an effect on drinking habits, with increases in pricing resulting in reductions in consumption and a bigger switch between channels or products. For example, the higher the price in the on trade and the cheaper the price in the off-trade, the more customers switch
from the on-trade to the off-trade. The more the price of one product goes up, the more customers convert into the cheapest form of alcohol delivery. This can be clearly evidenced by the volume changes and price changes in the on trade and off trade over the last 20 years.

3.3 We believe that minimum pricing will reduce consumption, to the extent that prices in the cheapest area of the market are increased. We are uncertain to the extent that this reduction will occur.

3.4 Supermarkets and the off-trade have historically used alcohol as a promotional tool to attract customers to their store. They have done so predominantly through attractive pricing on bulk purchases of alcohol to maximize the profit on the overall shopping basket with a cross-subsidy from other areas of grocery.

3.5 While minimum pricing will reduce the ability of the off trade to attract consumers through bulk discounting we believe that specific measures that restrict volume discounts could have an equally significant, if not greater, effect on alcohol consumption.

3.6 For example the enforcement of the same price per product for a single purchase as for a bulk purchase will stop a significant number of irresponsible alcohol offers, especially if single product purchase must be available.

3.7 Furthermore the placing of alcohol sales within the stores (at entrances, aisle ends and other prominent store locations) appears to amplify the footfall driving attractiveness of alcohol. This would not appear to be sensible for a product that can only be bought by over 18 year olds or with voluntary code agreements like the sale of chocolates which are now not sold at the checkout counter. It would perhaps be more effective for alcohol sales to be restricted to a single area of the supermarket and not at prominent locations in store.

3.8 With no financial incentive to buy more consumers will purchase only what they require and with advertising restrictions on price would not be encouraged to purchase over and above their normal purchasing requirements. These actions together will have a significant impact on bulk purchases and could be greater that the impact of minimum pricing alone.

3.9 As many customers will switch to the cheapest form of alcohol, it is imperative that any price is effectively calculated between the different forms of alcohol.
3.10 Whilst we acknowledge that it is a reserved matter, we would encourage a review of the duty regime in the UK to create a more linear relationship between the different types of alcohol, reflecting increased duty for higher levels of alcohol concentration.

4.0 Locations of off-sale drink promotions

4.1 Whilst this proposal would not affect the activity of any of Mitchells & Butlers’ licensed premises, we support it as a measure that prevents supermarkets from providing the economic incentive to use alcohol as a loss leader and encourage increased purchase, which we believe would encourage increased consumption.

5.0 Age verification

5.1 We encourage the Police and Licensing authorities to fully enforce existing laws designed to prevent underage drinking. We presently operate a ‘Challenge 21’ policy in an attempt to ensure that we avoid selling alcohol to under 18’s.

5.2 If it became law to verify the age of individuals who appear 21 years old, we would be forced to operate a ‘Challenge 25’ policy. We feel it is better that the law focuses on the ensuring the drinker is over 18 rather than that a 21 year old legal drinker is verified for age.

5.3 Government should be clear about the requirement and the consequences of failure, but not about the method of adherence. The government, via the police and licensing authorities, should target irresponsible retailers who flout the law.

5.4 We believe that the fine for serving under 18’s should be increased to provide a greater incentive to refuse under-age purchasers. At the moment we believe that the vast majority of the trade act very responsibly in restricting availability, but we remain concerned that the minority abuse their licence and their responsibility. We would like to see the police and the licensing authorities to have greater powers in this regard.

6.0 Off-sales to under 21’s

6.1 Raising the purchase age for alcohol has little effect while the legal consumption age in the home remains at 5 years old. 45% of 15 year olds drink alcohol every week, even though the current age of purchase is 18.
6.2 We therefore feel that this proposal will not achieve the stated aims, and it would be more appropriate to target individual retailers who flout the law, and would propose that in addition the fines are increased.

6.3 Underage drinking is a significant problem in the UK. Hospital admissions for alcohol for under 16’s are second only to cannabis admissions; There is a massive availability of alcohol, and it seems that even when the off-trade improves prevention of under 18’s access to alcohol, the alcohol is simply obtained through secondary means.

6.4 The fine for serving under 18’s is a maximum of £1000. This means that, over time, an unscrupulous retailer could make significantly more profit than the fine they might receive.

6.5 Underage drinking is a problem but we believe that with initiatives such as challenge 21 we are addressing the issue and as an industry continue to improve.

6.6 The drinking age is another area where the on-trade is more tightly regulated than the off-trade, with far more restrictions on the drinking age in the on-trade and a relatively liberal environment in the off trade.

7.0 Variation of single or groups of licences

7.1 We are opposed to this measure as we feel it may lead to responsible licensees being subjected to license restrictions by association. Any measures should be targeted at individual premises and we would encourage the police and licensing authorities to fully enforce the law.

7.2 Licensing laws should be thoroughly and rigorously enforced by:

- providing the police, trading standards, and the licensing authorities with enough resources to ensure compliance

- increasing the penalties for non-compliance

- making it easier to close down premises who deliberately flout the law

- looking at new ways to restrict the access individuals who have a history of violence, disorder to town centres either in the evening or at weekends

7.3 Mitchells and Butlers would prefer improvement in the enforcement of existing legislation and their associated powers
to tackle the minority of businesses which fail to act in a responsible manner.

7.4 Proposals to apply local conditions to more than one business where businesses should be treated on an individual basis.

7.5 Having a licence conveys a significant amount of responsibility on the retailer. The concept of premises and personal licences has been introduced and is working well. Conditions on a licence are an important part of managing the local area and dealing with issues. We would encourage their use where there is a particular issue to be managed.

7.6 We would prefer to continue to work with the central & local government, enforcement authorities and fellow operators to improve the enforcement of existing legislation and their associated powers to tackle the minority of businesses which fail to act in a responsible manner.

7.7 We are particularly concerned at the proposal to apply local conditions to more than one business. We firmly advocate that businesses should be treated on an individual basis, and where an area is suffering from alcohol related issues then conditions are still applied individually.

8.0 Social responsibility levy

8.1 We are opposed to proposals to levy an additional charge on licence holders to pay for supervision in response to problems caused by alcohol abuse in specific areas.

8.2 If premises are behaving irresponsibly then the Law should deal with those premises effectively, rather than simply imposing further costs.

8.3 Furthermore the on-trade already pay 39% of the price of a pint of beer in taxes and Mitchells & Butlers pays some £426m to the exchequer annually. Any further charges would be excessive.

8.4 Mitchells and Butlers is also a significant contributor to Drinkaware, the charity supported by the industry which aims to help give the facts to drinkers and focuses around the key sectors of harmful, under age, and binge drinkers.

8.5 The pub pays taxes in a variety of forms:

- VAT is levied on all product sales in a pub, including food
- Duty is paid on all alcohol and a duty escalator is in place
- Employment taxes are levied on staff costs
- Business rates are charged on the premises
– Corporation tax is paid on the profits

9.0 Conclusion

9.1 There are clauses in this bill which finally start to redress the imbalance between the on and off trade.

9.2 The on trade remains responsible for both the purchase and consumption of alcohol, while the off trade only remains responsible for purchase.

9.3 As such the government should ensure that the on-trade is not penalised for this additional responsibility. We support many of the measures in this bill and would welcome the opportunity to provide further written or oral evidence to the Committee on any area that requires further discussion or debate.

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