



**Pernod Ricard UK**  
*Créateurs de convivialité*

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15<sup>th</sup> December 2017

## Public Health (Minimum Price for Alcohol) (Wales) Bill Consultation

Dear Ms Evans,

I write to you from Pernod Ricard, a wine and spirits business which employs 18,500 people globally, and over 2,000 in the UK through Pernod Ricard UK, and our sister companies, Chivas Brothers Ltd and Pernod Ricard Global Travel Retail. We export circa. £1 billion of Scotch whisky and British gin annually to almost 160 countries, and are the world's second-largest wine and spirits company.

Given the size and importance to us of the UK market, we welcome the opportunity to respond to the Welsh Government's consultation on Minimum Unit Pricing (MUP).

### Level of the MUP

We note that the Welsh Government intends to specify a level of MUP in secondary legislation, and that Sheffield University are currently producing modelling which will be available in 2018 on the potential impact.

Given the Welsh Government intends to target "low cost and high alcohol content products", we strongly believe the level of MUP should not be in excess of 50p a unit, and that this level should be fixed for the duration of the initial legislation (six years), pending full review of its impact. 50p per unit is sufficient to target the use and abuse of cheap alcohol, given modelling for the Scottish Government shows that 51% of alcohol products in shops and supermarkets are presently sold at a price beneath this.

As the Supreme Court Judgement on MUP notes, "the system will be experimental", "will involve a market distortion", and a "significant factor" in the proposals being "proportionate" was the inclusion of a "sunset" clause.

Indeed, the Welsh Government's Explanatory Memorandum also states "the actual impacts of an MUP in Wales will only be known by implementing the policy", and acknowledges the concerns of the Institute of Economic Affairs that it could have some negative health consequences, for instance if people on low incomes maintain their level of alcohol consumption, but spend less on healthy food and heating.

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Given a MUP of 50p will already affect around half of products on the market, and the legislation is experimental, we believe a MUP beyond 50p would be disproportionate – and therefore go against the spirit of the Supreme Court’s Judgement.

Furthermore, it is important to note that alcohol-related trends have been moving in the right direction in Wales for quite some time, for instance with:

- The percentage of adults binge drinking falling from 28% in 2008, to 24% in 2015.
- A 25% fall in the number of referrals in Wales for alcohol misuse in the last 5 years, to 9,480 in 2016-17.
- 16% of adults abstaining from alcohol entirely in 2016-17.
- The percentage of adults exceeding 3-4 units in their heaviest drinking day declining 11% since 2008.

Whilst further work is needed to bring down alcohol-related harm, this long-term progress is important in determining the proportionality of the level of MUP.

## Unintended consequences & potential barriers

### Staff sales & employee benefits

As a producer, we are very clear with all of our employees about the need to drink in moderation. We communicate the CMO guidelines very clearly, and also provide a range of materials and events to promote responsible consumption. We do not have, and would not tolerate, levels of harmful drinking in our organization. Therefore, we would like to see an exemption for staff sales, to ensure this benefit can continue for Pernod Ricard’s 2,000 UK employees.

### Charitable fundraising

Likewise, we also raise a significant sum, in the region of £40-£50,000 annually, for charities such as The Benevolent. Much of this is through sales of surplus or discontinued stock in charitable sales. A requirement to sell these products at near full retail price would significantly impact on these fundraising efforts, and the charities recipient of this support. For this reason, we do believe there should be an exemption from the legislation for charitable sales and fundraising activities.

### Online sales

Our understanding is the MUP would apply at the point of sale, i.e. the warehouse from which the product is delivered. Therefore, an online sale could take place from a distribution warehouse in England, and be delivered to an address in Wales, for a price beneath the MUP. This could competitively disadvantage some retailers without an online presence (e.g. small convenience shops), or those with a distribution warehouse based within Wales. It could also result in different consumers within Wales paying a different price depending on where their products are distributed from.

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## Cross border sales & the illicit trade

There is a risk of consumers crossing the border into England to purchase alcohol, which may competitively disadvantage retailers located in Wales close to the border. There is also a risk of MUP driving the illicit trade. Clearly, the higher the MUP, and the greater the price differential between Wales and England on many products (and not just cheap, high strength products) the greater the risk on both fronts; cross border and illicit sales.

## Retailers

We believe the Welsh and Scottish Governments should adopt the same level of MUP, in order to minimise the disruption to the pricing plans of national retailers. Should major supermarkets have to adopt different pricing structures in Scotland, England and Wales, they may incur additional costs, and these costs could be passed on to consumers and/or their suppliers.

## Wholesalers

Some wholesalers will sell product to both the trade, and the general public. In such instances, a mechanism will need to be established to ensure that trade sales do not suffer. MUP is a consumer-facing policy, and it is the final price consumers pay which is relevant. If, through wholesalers, many off-licenses and convenience stores are required to pay an MUP, this will increase further the final price consumers pay – and would therefore be disproportionate.

## **Financial implications**

Pernod Ricard is a premium wine and spirits producer, and therefore the vast majority of our products already retail at a price above 50p per unit. We would expect the financial implications for us as a business to be less material therefore than for producers and retailers at the cheaper end of the market.

In terms of the implications for UK public finances, whilst we note the Welsh Government estimates a reduction of £5.8 million a year in duty and VAT, we believe this is far from certain and should form part of the monitoring and evaluation process. Whilst there could be a drop off in sales, there could also be a benefit from price inflation and therefore to tax receipts.

Regardless, the alcohol industry plays a key role in the UK's economy, and this should not be overlooked. Taxation on a typical bottle of Scotch whisky currently stands at 80% of the price; the wine and spirits industry employs over 550,000 people across the UK, and sales of wines and spirits alone contribute £17.7 billion to UK public finances. We do not believe the Welsh Government should seek to introduce any further taxation burdens on the industry.

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We remain keen to work with the Welsh Government – and other industry partners – to ensure that trends around responsible alcohol consumption continue to move in the right direction. As part of this, we work extensively with organizations such as Drinkaware, the Portman Group, and Best Bar None, to educate consumers about responsible drinking.

To this end, should you require any more information please do not hesitate to get in touch. We firmly believe that partnership working is the best approach.

Yours sincerely,

Laurent Pillet  
**Managing Director**  
**Pernod Ricard UK**

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