



ETHICAL INVESTMENT ADVISORY GROUP

Alcohol

C_2H_5OH



An inappropriate investment for
the Church of England

January 2005

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INTRODUCTION

In 2004, the Ethical Investment Advisory Group (EIAG) reviewed its policy on avoiding investment in breweries, distillers and distributors of alcoholic beverages, paying particular attention to any changes within these industries since the policy was last reviewed. The call for a review came from within the General Synod, the EIAG and a small number of other stakeholders.

Historically, this sector has been excluded from the range of acceptable investments for the Church of England since 1948. In 1995, the Ethical Investment Working Group (as it then was) agreed that negative factors associated with alcohol justified continued caution towards investing in the brewery and spirits sectors. However it was recognised that investment in some diversified companies should be considered. In January 1996, the House of Bishops expressed some anxiety over the proposed partial lifting of the ban, an issue the House of Bishops has not discussed since. In July 1998, the Group recognised the degree to which some companies had diversified away from brewing into family-focused restaurant and leisure businesses; it was decided that a selective easing of restriction in the brewery sector could now be considered.

The prime ethical objection to investing in the Brewery and Spirit manufacturing industries and licensed premises companies is the social damage caused by alcohol abuse, such as motoring and home accidents, hooliganism, crime and violence, broken homes, and health. However, there are some who disagree with a ban on investing in spirit manufacturers and brewers, believing the concern should be linked to alcohol abuse rather than the actual product. Alcohol itself is not seen as unacceptable within the Church of England and it forms part of many Church occasions. With this in mind, the label of hypocrisy has been ascribed by some to this exclusion.

Following an in-depth review during 2004, the Group maintained that its current stance on avoiding investment in the brewers, distillers and pub companies was entirely appropriate with the Church's thinking, particularly in light of the Nation's growing binge-drinking culture. This paper aims to provide some reflection on the discussion surrounding this issue and the reasons for the conclusions reached by the Group.

THEOLOGICAL REFLECTIONS

Both the Old and New Testament Scriptures recognise the potential for good and evil in alcohol, as in all created things. This potential for both good and evil is encapsulated in Proverbs 23.29-35, where wine "sparkles in the cup and goes down smoothly", but "bites like a serpent and stings like an adder".

Wine is a gift and blessing from God (Psalm 104.15, Daniel 10.3). Psalm 4.7 compares joy in the Lord to an abundance of grain and wine. Deuteronomy 14.26 implies that celebrating with "wine and strong drink" is a good thing. Not only was wine part of everyday life (Job 1.13), but Isaiah 25.6 includes wine in the vision of heaven for which God is preparing his creation. The symbolic significance of wine as a foretaste of the eschatological banquet recurs frequently in the New Testament, especially in John's Gospel, where Jesus turns water into wine as the first of the 'signs' of his glory (John 2.1-11). The use of wine in the Eucharist, the central act of Christian worship, also signifies participation in the heavenly feast through the blood of Christ.

The evil of drunkenness is also clearly recognised throughout the Bible. The prophets see a connection between intoxication, injustice and idolatry (Isaiah 5.11-24). Paul warns that drunkenness is incompatible with the 'walk' of faith and life in the Spirit: "Let us walk

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honestly...not in rioting and drunkenness” (Romans 13.13); “Be not drunk with wine, but be filled with the Spirit” (Ephesians 5.18)

Christians who are committed to total abstinence have sometimes interpreted biblical references to wine as meaning unfermented grape juice, but this is surely inconsistent with the recognition of both good and evil in the biblical attitude to wine.

It is self-evident that human choice plays a crucial role in the use or abuse of alcohol. This does not mean, however, that the church should be concerned only with the ethical choices of individuals. Ethical *investment* by its nature involves making judgements about institutions and industries and the influence that they have on society and on the choices which individuals face. This illustrates the importance of an awareness of structural as well as individual sin. The Church of England continues not to invest in companies whose main business is the manufacture or marketing of alcohol on the following grounds:

- these companies have an in-built self-interest not only in supplying drink but also in promoting it, and this is likely to continue;
- they contribute to, and make money from, a significant social problem which has tragic consequences for many families;
- to invest would be to create offence to many Christians who choose abstinence, and abstinence is a legitimate Christian option.

The majority of members expressed support for the present policy during the review. A senior member believed there to be no paradox between refusing to take income from the manufacture or sale of alcohol, and individual Church members enjoying alcohol as one of God’s gifts. They reflected that there was a distinction sometimes to be drawn between decisions taken by society as a whole, by individual churches, and by individual people that are not necessarily incompatible.

FINANCIAL IMPACTS OF THE BEVERAGE SECTOR

A full review of the ethical investment policy toward alcohol manufacture and sales needs to consider the financial bearing of excluding this sector to ensure that the balance is met between the Church’s fiduciary duty and wider ethical investment expectations.

The sector

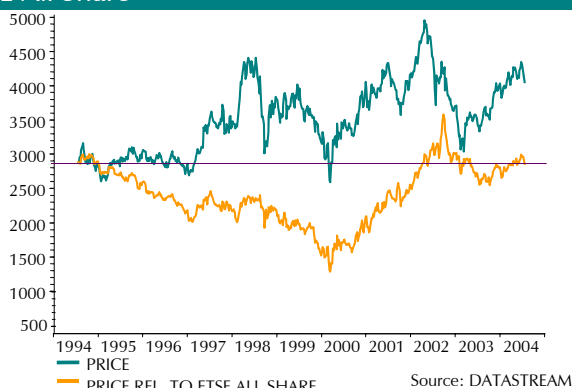
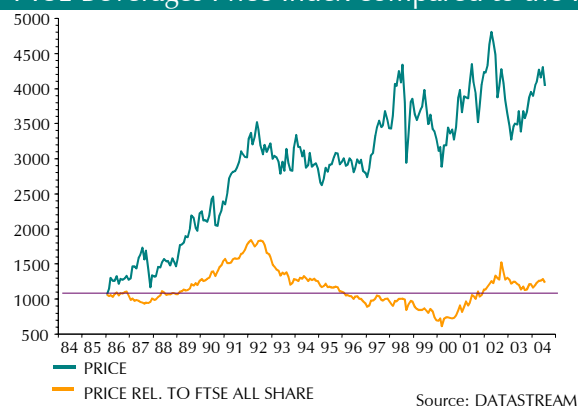
As at the end of 2004, the list of UK exclusions for alcohol consisted of 16 companies, making up 3.35% of the FTSE All Share. The largest four companies make up just under 100% of the FTSE beverage sector¹ and constitute 85% of the UK alcohol exclusions. They collectively constitute around 2.85% of the FTSE All Share.

The FTSE beverage index began in 1986 and had delivered a total return to July 2004 of 681%. (553% for the FTSE All Share). This equates to an out performance of 20% over this period. The sector outperformed, to July 2004, by 5% over a ten year period, 54% over a five year period, but under performed by 3% over two years. The impressive five year performance will impact overall as well as future performance attribution. The bursting of the telecom bubble five years ago significantly benefited the defensive alcohol sector, causing a flood of investors back into this market. From April 2000 to April 2002, as the dotcom bubble burst, alcohol companies rose

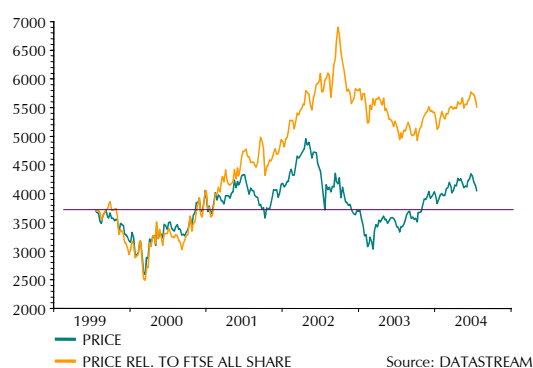
¹ The other company is AG Barr which constitutes less than 0.01%.

strongly against a declining market. While it has been argued that this was a one-off phenomenon, it will have had a significant negative impact on the Church of England's relative investment performance, as is clearly seen from the five year performance figures.

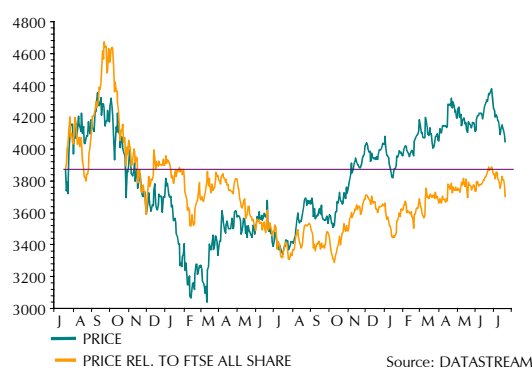
FTSE Beverages Price Index compared to the FTSE All Share



Over 20 years



Over 10 years



Over 5 years

Over 2 years

The average annual total relative performance of the FTSE beverage index was +1% p.a. since its inception, +0.5% p.a. over ten years, +9% p.a. over five years and -1.7% p.a. over two years. Interestingly, over a ten year period, the total relative capital return performance compared to the FTSE All Share for this index was zero, producing no negative or positive impact on the Church of England's investments over a decade.

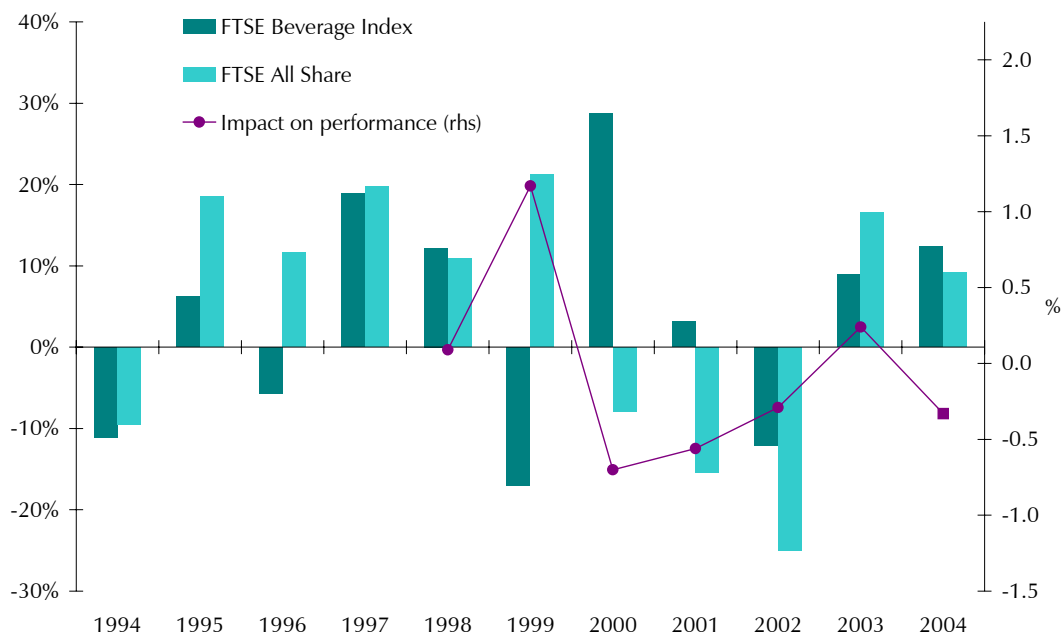
Impact on performance

Any analysis of the impact of excluding spirit manufacturers and brewers is, and can only be, illustrative, as it pre-supposes that in a full investment universe, all of the church bodies would have invested in all of the excluded companies with appropriate market weightings. There has been an impact, both positive and negative, of excluding spirit and brewery manufacturers from Church of England funds over time. The table below provides a breakdown of this impact. It must be noted that these figures are best estimates.

Impact	1998	1999	2000	2001	2002	2003	2004
Alcohol	0.09%	1.17%	-0.70%	-0.56%	-0.29%	0.24%	-0.33%
Total exclusions	-0.34%	1.42%	-1.43%	-0.85%	-1.11%	-0.06%	-0.63%

The following graph shows the annual percentage rise or fall of the FTSE beverage index and FTSE All Share, overlaid with the impact on performance. The graph shows two years when the FTSE beverage index provided a positive return, when the FTSE All Share had negative returns (2000 and 2001). There are also two years during this ten year period when this relationship was inverted: 1996 and 1999.

Percentage annual change of beverage index & FTSE All Share, and impact on performance* (rhs)



* impact figures for alcohol illustrative / best estimates

Although there are no current impact on performance figures available back as far as 1994, one can assume from this graph, that 1995, 1996 and 1997 would have had a positive impact on returns, indicating that impact on performance would have been positive and negative in an equal number of cases over the past 10 years. The degree of this impact however is variable.

Economic impacts

Although alcohol plays a key role in the growth of the leisure and tourist industries, it may have a negative impact on the economy as a whole. The Prime Minister’s Strategy Unit reported last year that costs to the economy included £1.7bn p.a. to the NHS in alcohol-related injuries and illnesses, with alcohol-related crime, assaults and disorder costing £7.3bn, with another £4.7bn spent on the human and emotional costs of alcohol-related crime. The cost to the economy of lost productivity through absenteeism and illness is estimated at up to £6.4bn (up to 17m working days are lost annually). Overall, the government suggests that the cost of alcohol abuse to the UK economy may be as high as £20bn p.a. In Europe, the social costs of alcohol are normally estimated to amount to between 1% and 3% of GDP.¹

On a positive note, the economic benefits include £7bn a year of annual tax revenue. The value of the drinks market is estimated at £30bn to the UK economy and the trade employs more than half a million people². The British Beer and Pub Association believes the alcoholic drinks sector pays £21 billion in direct and indirect taxes a year. If these figures are accurate, the economic benefits of alcohol marginally outweigh the cost of alcohol abuse, in a strictly economic sense.

HEALTH IMPACTS

Medical practitioners suggest that there are health benefits from drinking alcohol in moderation. Studies have shown that drinking modest amounts can reduce the risk of heart attacks and decrease the risk of coronary artery disease. Red wine is usually considered best for lowering elevated blood cholesterol levels, which can help reduce the formation of blood clots, lowering the risk of coronary heart disease, particularly in the over 40s. Antioxidants, which are found in red wine, protect cells from the damage that normally occurs when the body burns oxygen.

Preliminary evidence also suggests that small amounts of alcohol may help to protect against senility and Alzheimer's disease.

More extreme views also exist, such as alcohol being good for the brain. A recent study by researchers from University College London found that people who had consumed at least one glass of wine, beer or spirits in the previous week performed better in a series of mental tests than those who were abstemious.³ The effects extended to those who drink around 30 units of alcohol (about five bottles of wine) a week.

However, although alcohol can provide some health benefits, these positive effects appear to be outweighed by the negative effects of alcohol on health, in both moderation and excess. Even in smaller amounts, alcohol may slow brain activity, affecting alertness, co-ordination and reaction times, interfere with sleep and sexual function, and raise blood pressure. Binge drinking, or drinking in large quantities can have severe repercussions on health. Diseases associated with heavy drinking include lung, heart, liver and kidney disease, strokes, osteoporosis, high blood pressure, memory loss, and increased breast cancer risk in women.

These effects should also be considered in context of gender and age. Women's body chemistry and composition differ from men's, which makes them more sensitive to the effects of alcohol. As one gets older, the changes to the body slow the mechanism which breaks down alcohol, so that it takes fewer drinks to become intoxicated, and the effects last longer⁴.

Government statistics indicate that around 150,000 people a year are seen in hospitals following alcohol-related accidents and illnesses, and alcohol can be attributed to 22,000 deaths each year, although some figures as high as 40,000 p.a. are quoted. To put this in context, smoking related deaths amount to around 120,000 p.a.⁵ Accurate figures relating to alcohol are very difficult to come by, as many death certificates will cite other causes, which are often linked to alcohol, such as cancer of the throat (reportedly, nearly 50% of mouth and throat cancers are associated with heavy drinking). There were approximately 612,000 deaths in the UK in 2003⁶, with alcohol related deaths making up at least 3.6% of this figure. According to Alcohol Concern, alcohol now accounts for four times as many deaths as drugs.

Binge-drinking

The official definition of binge drinking is any drinking session that involves the consumption of at least eight units of alcohol for a man and six units for a woman. One unit is roughly half a pint of beer, one measure of spirit, or one small glass of wine. The current recommended limit in one week is 21 units of alcohol for men and 14 for women. However, even if less than this is consumed in one week, a binge-drinking session may damage health⁷.

A large volume of alcohol in a single session is linked to a significant increase in the risk of injury, such as falling over, being involved as a pedestrian in a traffic accident, or injuries resulting from a fight. There also appears to be evidence to suggest that consuming large amounts of alcohol over a short space of time is more damaging to your health than consuming the same amount over a whole week.

Recently, there has been a significant rise in the number of people drinking to excess, with this increase almost entirely owing to the increase in females drinking. There also appears to be an increasing number of younger age groups drinking on a regular basis, with almost 6m people under 25 binge-drinking every week. In the UK, binge drinking accounts for 40% of all drinking occasions for men, and 22% for women.⁸

Alcohol dependency

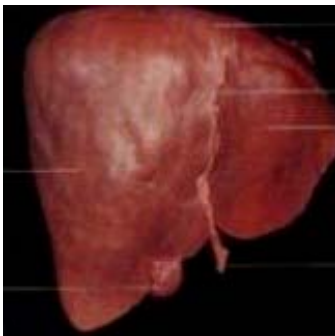
Alcoholism occurs when drinking takes priority over normal activities in life; tolerance develops so it takes longer to become drunk, and without drink, symptoms such as anxiety and tremor develop. The availability of alcohol and the social context in which it is consumed, play a role in creating dependence on alcohol. There is also belief that there is a genetic connection to alcohol dependency. The UK Government reports there have been over 30,000 hospital admissions for alcohol dependency syndrome.

Alcoholism has been linked to loss of brain cells, liver failure, irritated stomach lining and bleeding from stomach ulcers, high blood pressure (which can lead to stroke), certain types of cancer, nerve damage, heart failure, and epilepsy. Excessive drinking has also been linked to vitamin deficiency, obesity, sexual problems, infertility, muscle disease, skin problems and inflammation of the pancreas.⁹

Cirrhosis

Alcoholism, through its toxicity, is one of the common causes of cirrhosis, the permanent scarring of the liver tissue. The loss of liver cells stops the liver from functioning normally and prevents the removal of poisons from the body. Alcohol blocks the normal metabolism of protein, fats and carbohydrates.¹⁰ Alcohol cirrhosis usually develops after more than a decade of heavy drinking and the amount imbibed that harms the liver can vary from person to person. In some cases, this can be quite small, such as two to three drinks a day for a woman and three to four drinks a day for a man. The liver processes alcohol at roughly one unit an hour.

In the early stages of the disease, no symptoms may be present, however as scarred tissue replaces healthy cells, those suffering from cirrhosis experience fatigue, exhaustion, loss of appetite, nausea, weight loss and spider-like vessels that appear on the skin. Further complications include cancer, diabetes, hypertension, toxins in the blood or brain and jaundice amongst others. Damage to the liver from Cirrhosis is irreversible, although some types are treatable, such as by abstaining from alcohol, which can delay or stop symptoms.



Healthy Liver



Liver affected by cirrhosis

Only 30% of those diagnosed with this disease survive five years after diagnosis, with a worse prognosis if the disease is caused from alcohol. Doctors are now frequently seeing cases of cirrhosis of the liver among women in their 20s and 30s rather than in their 40s and 50s.

The negative health impacts consequently have a knock-on effect on wider society, and therefore indirectly on the Church.

SOCIAL IMPACTS

Alcohol may have a positive impact on society, by helping people to relax in social situations and contribute to special occasions. It may be used to show hospitality and aid in celebrations. Alcohol is enjoyed by the majority of the population, with two thirds of adults drinking at least one alcoholic drink during a week (74% of men and 59% of women).¹¹

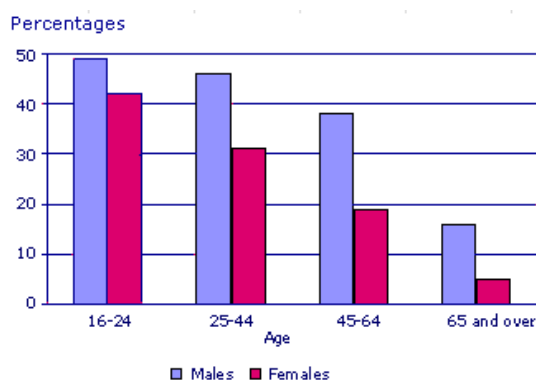
However, it has its drawbacks. For example it has been found that those who drink are more likely to have casual sex which may lead to unwanted pregnancies and sexually transmitted diseases.¹² Alcohol is also believed to be a factor in 20-30% of accidents world-wide.¹³ Social impacts on the family are extensive, with the government estimating that up to 1.3m children are negatively affected by parental alcoholic problems in the UK. Others impacts include drinking and driving associated with 11,800 accidents in Britain, which resulted in 530 deaths, in 2000.¹⁴ There are a number of trends developing that will have a negative impact on society as a whole. These are outlined in more detail below.

Drinking and alcohol related trends

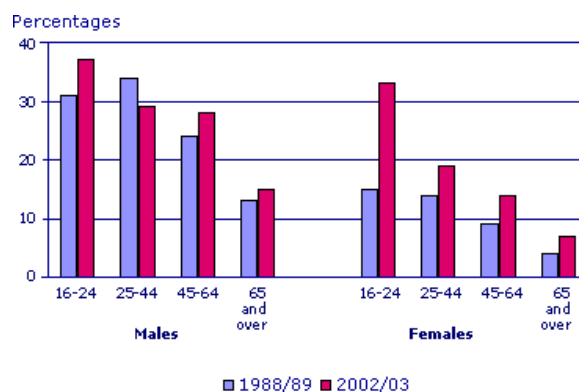
► Gender and age specific issues

The Department of Health's figures show that 3,322 children aged between 11 and 15 in England are admitted to hospital for alcohol-related problems and binge-drinking, which equates to roughly nine children a day.¹⁵ The number has doubled in less than 10 years. More than half of all 15 to 16 year olds have drunk more than five units in one session in the past month.

A BBC survey of head teachers found alcohol now appears to be a bigger problem in schools than drugs, with 42% (the largest group) of teachers agreeing with this. 15% said neither were a problem.¹⁶ Pupils aged 11 were caught drinking in 14% of schools surveyed. The newspaper reported that in another survey by the Schools Health Education Unit, 20% of children are drinking alcohol once a week at the age of ten.



Adults exceeding recommended daily benchmark of alcohol at least once during the last week in the UK in 2002/03



Adults exceeding weekly benchmarks of alcohol: by sex and age, 1988/89 and 2002/03

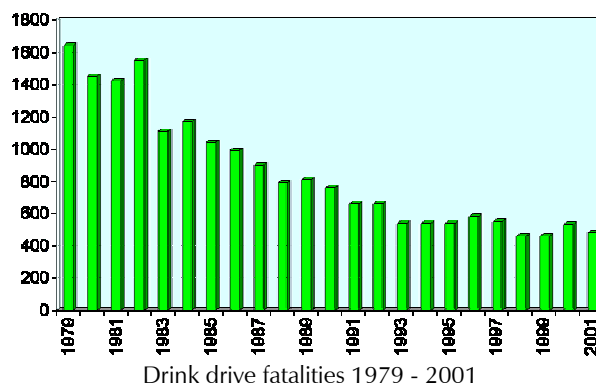
In 2000, in an average week, young women were drinking 12.6 units of alcohol (an increase of 66% since 1992) and young men 25.9 units (an increase of 25%)¹⁷. Nearly one in ten men and one in 20 women have a problem with drink in the UK.¹⁸ The Office for National Statistics has recently said that the rise in the number of people drinking to excess is almost entirely a consequence of the increase in the number of women binge-drinking. Since 1988/89, the number of women drinking more than 14 units per week (recommended weekly limit) has

increased from 10% to 17%, as opposed to a 1% increase for men drinking over 21 units. Amongst the 16 to 24 year old age group, the increase has doubled from 15% to 33% over this time period.

Women now have more disposable income to spend on recreational activities. Another factor in the increase in the number of women drinkers identified by Alcohol Concern, is the targeting of this demographic by the drinks industry through products and female-friendly bars and venues. Ian Gilmore, the chairman of the Royal College of Physicians Alcohol Committee, has predicted the voluntary nature of the strategy, in which brewers, pubs and supermarkets take part in a range of initiatives with the Government bodies and councils, would not have much positive effect.

▶ Drink-drive incidents

It is very well known that drinking and driving is dangerous. Past governments have been very effective in reducing the number of drink related accidents over the last two decades through high public awareness programmes, in part by the anti-drink driving campaigns funded by the brewing companies¹⁹.



However, the decline in the number of fatalities from drinking and driving stopped in the late 1990s and actually increased in 2000; 560 people were killed in this type of road accident in 2002, up 30 from 2001. The number of drink-drive casualties was the highest in 2002 since 1990, at 20,000.²⁰

▶ Crime, disorder and general accidents

Alcohol is blamed for a large proportion of social ills, and is often attached to violent behaviour, with at least one in five people involved in police arrests testing positive for alcohol.²¹ The Prime Minister's Strategy Unit found that there are around 1.2 million alcohol-related incidents of violence a year²², which equates to around 3,250 per day. Young heavy drinkers are more likely than light drinkers to commit minor violent offences.²³ Between 20-30% of violent offences and disorderly behaviour occur in or near licensed premises. Factors linked to an increase in the likelihood of aggression in public drinking settings have been found to include discount drinks and promotions that encourage heavy drinking, such as happy hours, and bar workers who do not practice responsible selling practices²⁴.

Alcohol-related crime places a huge burden on the police and other public services. The majority of arrests made between 10.30pm and 3.00am are for alcohol related offences. Quarterly recorded crime figures published by The Home Office in April 2004 showed an 11% rise in violent crime. The police have said that excessive drinking was largely to blame. One in six people treated in accident and emergency departments have alcohol-related injuries or concerns, rising to 80% at peak times,²⁵ placing an increasing burden on the health care sector as dealing with intoxicated offenders also requires more time and effort.²⁶

NEW TRENDS WITHIN THE INDUSTRY

The increased risk to health and society can be linked to new trends that have emerged over the past few years within the industry. These trends have emerged as a result of prices and volumes

coming under particular pressure at all levels of the UK beverages supply chain²⁷, leaving the industry to invent innovative ways to maintain sales and revenues. This section examines how alcoholic products, advertising trends, promotions and how drinks are served in bars, clubs and pubs play an influential role in determining the drinking habits of society.

Products

Other than the well known and long established spirit, wines and beers, the types of drinks now available range from alcopops, to alcoholic milkshake (such as Moo Joose), fizzy fruit mixes, topaks (easily transportable small sachets of spirits) and drinks containing herbal stimulants.

▶ Alcopops

Since the last review, alcopop's continued to increase in popularity and have proven the fastest growing sales area in the beverage sector since their introduction in 1995. Alcopops, also known as FABs (Flavoured Alcoholic Beverages) or RTDs (ready-to-drinks), have been around since the summer of 1995 and became very popular, particularly amongst the younger drinker. Growth in this market has been rapid; sales between 1995 and 1996 tripled, with Europe overall showing 21% growth in 2002.²⁸ *"The European Beer, Cider and FABs Market to 2007"* report reveals that whilst there has always been demand for sweet alcoholic drinks, the biggest change in the last five years has been innovative marketing that has made these alternatives to beer trendy. The UK FABs market was worth \$2.9bn in 2002, however 2003 was not a good year in the UK for FABs with sales of popular brands falling.

Another popular trend is to mix non-alcoholic stimulant drinks with spirits, such as the popular Vodka and Redbull, readily available in pubs and bars. Restaurants and bars also offer different drink mixes, such as alcoholic milkshakes.

The 2003 Salvation Army Alcohol Awareness Survey showed that 60% of teenage girls said their first alcoholic drink was premixed, like alcopops. Only 40% were aware that the alcohol content was higher in these drinks (around 5%), than in most beer. It is hardly surprising that these drinks appeal to a younger market as an attractive option, being well packaged, fashionable and with spirits that are mixed with many favourite childhood drinks like milk, lemonade and coca-cola.

▶ Viagra pops

In 2003, the launch of a new libido-boosting ready-to-drink product was announced, and promptly dubbed "viagra pops". A product calling itself "the world's only alcopop with herbal viagra", contains water, vodka, flavourings and a secret blend of Chinese herbs and comes in a variety of popular flavours. The Portman Group stated that the product's name was a sexual play on words and persuaded supermarkets not to stock it after a series of complaints, effectively censoring the product. The product is however available in some territories around the world, and from the web, and the maker announced in June 2004 that it would attempt to re-enter the UK market with a non-alcoholic version (in direct competition to Redbull).

▶ Maltopops

Another new launch for appeal to a younger market is a brand of "easy drinking" whisky blends. The creators wanted a product blended and branded for the young and "not for some 80 year old laird". The website recommended drinking the whisky in a manner of ways, including 50/50 with water or straight out of the freezer neat. Critics have dubbed them "maltopops".

▶ Websites

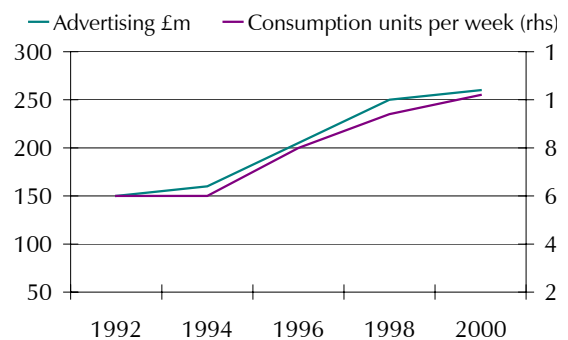
The websites for distillers, brewers, and their products are trendy, dynamic and appeal to the younger "techy" generation. One has the ability to sign up for daily emails on cocktails, play

various games, receive promotional material, listen to music etc. Most of the websites ask the visitor to declare their age, usually by one click of the button; a generally ineffective way at keeping those who are below the age of eighteen from viewing the site. Most indicate some responsible drinking message, although the majority contain no more than one line about drinking responsibly, with some offering no message at all.

Advertising

The advertising of alcohol falls under the Portman Group's Code, and therefore amounts to self-regulation. This aims to work alongside Government legislation in regulating the industry. Poster and magazine advertising falls under the voluntary agreement of the British Code of Advertising and Sales Promotions enforced by the Advertising Standards Authority. Some, such as Alcohol Concern, have expressed the view that, as the Portman Group is set up and funded by the industry, it lacks independence. Some argue that these voluntary regulations are not tough enough, with advertising agencies constantly pushing the limits and avoiding rules wherever possible.²⁹

There is a clear link between the advertising of alcohol and consumption levels. There has been a call from some of the UK's leading doctors for curbs on advertising alcohol akin to that on tobacco as a way of cutting binge drinking and alcohol-related violence and death.³⁰



Source: WARC, Jernigan, Cooke et al.

Behavioural studies have shown that advertising has an impact on young people. The above graph shows the relationship between annual advertising expenditure and weekly alcohol consumption among 11 and 15 year olds. A study in Ireland of teenagers found that the majority of those questioned chose alcohol adverts as their favourites, most teenagers believed them to be targeted at the young as they contained lively music, clubbing and dancing, and they interpreted these adverts as suggesting alcohol is a gateway to social and sexual success, contrary to the code governing advertising alcohol.³¹

The development of sophisticated market research techniques over the last decade has created marketing innovations that are more sensitive to UK cultural trends and take into account consumer requirements, in particular those of young people and women.

The news however is not all bad. Encouragingly, companies are beginning to use the "sensible drinking" message in their advertising campaigns, such as the £500,000 "Know when to stop" campaign centred around a television advert for a well known alcopop.

Promotions and serving

Estimates of the cost of promotions and marketing have been thought to be as much as three times that of advertising, currently £600 - £800m per year in the UK.³² Marketing includes developing new products, such as alcopops, new types of venues and bars, and innovative branding techniques.


Most people when they now walk into a pub are presented with an array of promotional offers. In an ever-growing market place, pubs and other drinking establishments are promoting drinking in a very competitive way. Examples of promotions include happy hour drinking, buy two glasses get the rest of the bottle free, and all you can drink offers for a set price. Trends for pubs now include serving wine in large glasses and larger than normal spirit measures.

A recent survey by YouGov for the insurance company Churchill has warned that increasingly generous pub measures threaten an unwitting surge in drink-driving, as drivers are unaware of the trend to move to larger glasses and measures of spirits³³, and are therefore less aware of how much they are consuming.

Happy hours and drink promotions have been criticised as encouraging binge-drinking. Examples of promotions included some bars charging £1 door fee with selected drinks £1 thereafter, shooter festivals with shots starting from £1, and free drinks being offered until 12.30am after a £10 door fee.³⁴

A recent BBC Panorama programme³⁵ on binge drinking reported that within one square mile of Nottingham City Centre, there are 356 licensed premises competing side by side on a daily basis. This is a product of new planning laws allowing old cinemas to become night-clubs, and cafes into bars. In the 1990s, the industry and its considerable resources hired national licensing solicitors to fight their case for licenses, arguing that clubs would be a positive contribution to law and order and to the public good. In addition, the government pressured councils in 1999 into abandoning the long established “concept of need” when reviewing applications for new licensed premises. Panorama reported that this is when the “superpubs” arrived. A former bar manager on the programme explained some of the tricks of the trade in getting customers to buy more, and to drink quicker. She trained bar staff to nod at a customer and say “large” when ordering a glass of wine, which makes it easy for the customer just to say “yes”. Another example was to offer large jugs of cocktails for the ladies with straws in it to encourage them to drink directly from the jug, which prevents them from consciously knowing how much they were drinking. However some companies are beginning to realise the consequences of this trend, and have ceased promotions that are commonly linked to a binge drinking culture.

INDUSTRY RESPONSIBILITY RECOGNISED



Our purpose is:

- to promote responsible drinking;
- to help prevent misuse of alcohol;
- to encourage responsible marketing; and
- to foster a balanced understanding of alcohol-related issues.

Portman Group

The Portman Group was set up in 1989 by the industry’s leading drinks producers, in order to promote the responsible use of alcohol.

The Group is funded by a number of leading drinks manufacturers and distributors and has over 100 additional signatories to its Code of Practice on the Naming, Packaging & Promotion of Alcoholic Drinks, which include further pub, brewing and spirit companies, as well as various supermarkets, general retailers and media companies.

In March 2003, the third edition of the code was published which covers a broad range of promotional devices, including sponsorship, sampling, web sites and press releases, and continues to provide guidance over the naming and packaging of alcoholic drinks. The published code can be found at www.portmangroup.org.uk/codeofpractice/152.asp.

The four areas of concern outlined by the Group are responsible drinking, young people, drink driving and crime and disorder. The Group also runs campaigns such as “If you do do drink, don’t do drunk” campaign, which aims to raise awareness amongst 18-24 year olds of the adverse consequences of excessive drinking.

The Group has an independent complaints panel made up of seven members who adjudicate on the complaints made under the code. If complaints are investigated and found to be in breach of the Code, the company is obligated to make whatever changes are necessary to comply with the Code. If it does not do so, it will no longer be deemed to be a Code Signatory.

Corporate Social Responsibility in the beverages sector

Relevant areas of corporate social responsibility concern include responsible drinking, legislation on packaging, recycling, marketing issues, supply chain, genetic modification, sustainable agriculture, general environment and green house gas emissions. The sector also needs to consider employee and stakeholder relationships, and health and safety of its product and people.

▶ Business in the Community

Business in the Community has carried out an environmental survey for eight years. Last year, the organisation extended this by launching a corporate responsibility survey, in which three of the four beverage companies participated. All four participated in the Environment Index.

For the Corporate Responsibility Index, addiction and responsible consumption were outlined by the companies as key areas of corporate responsibility. Issues relevant to the companies within the market place include supply chain management, responsible selling and marketing and responsible product development. Although companies scored well in questions in this area, the scores in environmental supply chain question depress the overall market place management score. Overall scores in the Business in the Environment Index were the same as in the previous year, with Allied Domecq continuing as sector leader. Water consumption and water pollution were chosen by all four companies as areas of highest impact. Only one company was able to demonstrate an improvement in reducing their global warming impact during the year.

Government legislation

Currently there appears to be a lack of joined up thinking in government strategy toward binge drinking, whilst aiming to extend licensing hours.

▶ National Harm Reduction Strategy

The Government announced its National Harm Reduction Strategy in March 2004. The Strategy looks at the positive and negative effects of alcohol, and sets out the strategy for tackling the harms and costs of alcohol misuse in England. It covers much of what has already been discussed in this paper and identifies some patterns of drinking that are likely to raise the risk of harm, particularly those of binge-drinkers and chronic drinkers. The Strategy contains measures to tackle the range of harms caused by alcohol misuse in England through better education and communication, improving health and treatment services, combating alcohol-related crime and disorder and working with the alcohol industry. The Strategy plans, at local level, to introduce new “code of good conduct” schemes for retailers, pubs and clubs. Participation in both local and national level schemes will be voluntary. The Government will view the success of the voluntary approach and additional steps may be taken, including possible legislation, should this approach appear not to be making an impact. The document can be viewed at www.strategy.gov.uk.

Penalty notices for disorder have been introduced to help the police tackle alcohol-related crime without their having to be tied up in the police station filling out forms. The scheme is being rolled out nationally in 2004. During the summer, the Police Standards Unit of the Home Office and the Association of Chief Police Officers spearheaded an enforcement campaign in towns and cities across the country to cut alcohol-fuelled violence and target underage drinking. It was

found that more than half of bars, pubs and clubs are prepared to supply under-age drinkers³⁶. Out of 646 “sting operations” against licensed premises, 51% of bars and 29% of off-licenses were found to be selling to under 18s.

► **The new Licensing Act 2003**

This Act will be fully implemented in 2005 and introduces a new licensing regime that includes a statutory objective on the prevention of crime and disorder. It also paves the way for local authorities to extend pub opening hours, with the possibility of 24-hour drinking from next year. This has been sold on the argument that this flexibility will reduce binge drinking, and therefore crime and disorder; the government is keen to imitate the continent by creating a “continental café bar culture” rather than the binge drinking culture that now dominates Britain.

The Government however has been accused of “sexing down” the Alcohol Harm Reduction Strategy” in order for it to fit in with this legislation. The final document did not include much evidence from Australia and other countries about the damaging effects of longer opening times, although this was reportedly in a draft interim report obtained by Panorama.³⁷ The alcohol industry is tainted by these accusations too, owing to an apparent powerful lobby within the industry that wants availability opened up, or at least not restricted, and is campaigning against any price rises as it will affect sales (for example a leading alcopop manufacturer trying to prevent an increase in German tax on FABs).

The “Review of Liquor Licensing and Public Disorder” published by the Scottish Executive in February 2003 raised these concerns over extended drinking hours. It states *“Although some have suggested that the 24 hour sale of alcohol may reduce alcohol-related harm, the international literature reviewed, noted that there is evidence from, for example, Australia to suggest that 24 hour licensing can increase local alcohol-related harm and adverse effects. Past increases in hours of alcohol sales in Michigan, Perth, New South Wales, Victoria, Tasmania, Brisbane, Finland and Sweden have been shown to result in increases in road deaths and injuries and/or violence.”*³⁸

A Home Office report however argues that flexible licensing hours will create a more relaxed drinking culture. It will avoid the binge-drinking in advance of closing time, as well as potential problems that may arise by a number of licensed premises sending all their patrons onto the streets at the same time.³⁹ It should be remembered that the same argument has been used before to justify abolishing compulsory closing times. The reduction in alcohol-related problems promised at the time has clearly not materialised.

One is left wondering whether the Government is creating confusion and failing in “joined up thinking” when comparing public policy intention to have all day opening hours, against its anti-binge drinking drive.

CONCLUSION

The review demonstrated that concerns surrounding the industry have not diminished; if anything there appears to be evidence that pressures exerted by drinks companies on social attitudes and government policies are increasing in today’s fierce competitive environment. It is therefore not hypocritical for the Church to regard abstinence or moderate drinking as a matter of personal conviction or choice, while at the same time refraining from making money out of the drinks industry. It can be argued that this is an important theological witness to the pervasiveness of structural sin, and a crucial element in maintaining the integrity of the Church’s call to government and society as a whole to address the evils which follow the irresponsible use of this good gift of the Creator.

IN SUMMARY

- Alcohol in moderation is not harmful, in fact it can actually be considered beneficial for one's health. However when consumed in excess it has negative repercussions for health and society as a whole.
- The beverage sector has performed extremely well over the past five and twenty year periods, although more or less in line with the FTSE All Share over ten years. Avoiding investment in alcohol will always have an impact on the Church of England's investments, both positive and negative. The negative impact has been particularly severe during the fall out of the technology bubble. This impact on investment performance may prompt questions about the fiduciary duty investment managers have with regards to the Church's investments.
- There is evidence of a growing binge-drinking culture in Britain, fuelled mainly by the increase in the number of women and young people drinking. There is also evidence of an increasing number of underage drinkers, and confirmation that some bars and off-licenses fail to ensure that underage drinkers are not served.
- Advertising has an impact on the quantity of alcohol consumed. New and innovative marketing practices, and the introduction of new products, such as alcopops, appeal to a younger market. Sophisticated techniques enable advertisers to target specific segments of the market, e.g. women and young people.
- Despite the Portman Group's efforts, there still appears to be a practice within bars and nightclubs of encouraging people to consume more, via promotions, offers and methods in serving the customer.
- Differential taxing has an effect in changing consumer behaviour, however the industry is fighting this to ensure its market place is not detrimentally impacted. The industry contributes considerably to the economy via taxes and employment. There is evidence to suggest that the Government's move to open drinking establishments for longer periods from next year may add to the binge-drinking problems, despite the argument from the Government that it should improve the current situation.
- The social problems linked to alcohol misuse are growing and the voluntary approach to adopt certain standards of business practice seems to be failing. This therefore does not support the argument that the ban on investing in alcohol is inappropriate owing to it being a social problem, rather than a product problem, particularly in light of evidence that some companies themselves do not abide by voluntary principles set out by industry and Government, or accept arguments about drinking trends being related to their products and their products' promotion.
- There is currently a national debate in progress on the implications for society of over-drinking and the Church must be sensitive to, and cognisant of, this debate as it develops.

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CCLA Investment Management Limited
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