

# Sacre brew! Beer tax has French seething

*Levy, which leaves wine unscathed, creates fears of lost sales, jobs*

By FRANCOIS DE BEAUPUY

BLOOMBERG NEWS

**PARIS** — Stephane Bogaert, the head of French microbrewery Brasserie Saint-Germain, is crying foul.

The French government last week enacted a law that adds \$628 million in new taxes on beer, while leaving wine unscathed.

"The government doesn't want to touch wine and Champagne producers because they are much too powerful," Bogaert said in an interview at his small brewery in Aix-Noulette in northern France, which employs eight people and has \$1.9 million of revenue.

With beer levies rising 160 percent to bring in the extra receipts, the \$2.6 billion industry is bracing for shrinking sales, investments and jobs. Danish brewer Carlsberg, which owns France's biggest beer brand Kronenbourg, says it may have to cut jobs in the country. The French Brewers' Association says it is encouraging lawmakers to take the bill voted Monday to France's highest court to protest against the unequal treatment.

"There's a breach of equality taxwise," Pascal Chevremont, the Paris-based general secretary of the association, said in a phone interview, adding that the burden should be shared by wine and Champagne makers.

The beer tax is part of the \$31.5 billion in additional revenue French President Francois Hollande's government is trying to raise to meet a pledge to cut the budget deficit to 3 percent of gross domestic product in 2013 from 4.5 percent forecast for this year. The government also cited health considerations when it announced the beer-tax increase.

Taxes from wine and Champagne makers amount to about \$154.9 million, while for brewers it's being raised to more than \$1.3 billion, Chevremont says.

That's even though beer accounts for only 16 percent of the booze consumed in France, a quarter of the 59 percent for wine, and has lower alcohol content, he said.

The wine industry, from grape growers and wine makers to distributors, employs 250,000 people in France. That compares with about 75,000 for beer, from barley growers to sellers of the brew.

Breweries based in France produced 16.5 million hectoliters of beers in 2011, according to the Brewers' association. In



French beer sellers are up in arms after the nation's government enacted a law that adds \$628 million in new taxes on beer. With beer levies rising 160 percent to bring in the extra receipts, the \$2.6 billion industry is bracing for shrinking sales, investments and jobs.

COURTESY PHOTO

contrast, France produced 51.1 million hectoliters of wine in 2011, according to Insee, France's national statistics office, making the country the world's biggest producer.

Over the last 30 years, beer consumption in France has fallen by 30 percent, according to the association. For wine, the average consumption fell by more than half from 1975 to 2010, a report at the Vititech wine and spirits trade show in Bordeaux said this month, according to Decanter.com.

Still, the new taxes come just as beer sales were picking up for microbreweries like Bogaert's.

"One of the few rays of light for the

French beer sector during the economic crisis was the growth in microbreweries," said Pierre-Olivier Bergeron, secretary general of the Brussels-based Federation of Brewers of Europe.

The 22 percent sales growth at Bogaert's brewery prompted it to invest a lot of money, Bogaert said.

"But we're not so confident for the future because of the taxes, and we think the growth won't be the same next year," he said. "We will probably not invest as much money over the next few years and maybe not hire as many people as we wanted to."

While last year the brewer paid taxes of \$59,000, for the same output it will next year pay \$181,000, he said.

The new tax may boost beer prices by 20 percent, curb consumption and investment and lead to job losses and possible bankruptcies, the Brewers' Association estimates.

Some expect worse.

"With the tax expected to lead to a 25 to 40 cent increase in the price of a small beer, this will further accelerate the existing trend from café to home consumption, which has already contributed to the closure of 12,000 establishments since 2007," Bergeron said.

The market "will probably decline by 15 percent" in the first three months next year, when the tax kicks in, Gerard Lalo, the association's president, said in Paris. "This is not acceptable."

Carlsberg will have to cut jobs in France because of the tax, Danish newspaper Borsen reported on Nov. 14, citing an interview with Chief Executive Officer Joergen Buhl Rasmussen.

"We are very disappointed with this decision," said Ben Morton, a spokesman for Carlsberg, in an e-mailed response to questions Wednesday. "We do not yet know how this proposed tax increase will affect the brewing industry in France. Once we know more, we will adapt accordingly."

The tax may have an impact on earnings of Carlsberg and Heineken NV, David Belau and Patrick Wood, analysts at Morgan Stanley, wrote in an Oct. 2 report.

"At the group level, the downside on earnings would likely range from 1 percent to 5 percent for Carlsberg, and 1 percent to 3 percent for Heineken NV, depending on demand elasticity," they said. "We believe events such as this highlight the risks that continue to exist in Europe."

The new tax is also creating a diplomatic row as Belgium, which exports beer to France, may challenge the law before European Courts, claiming market distortion, Chevremont said.

"This is a matter of concern as 32 percent of Belgian beer exports go to France," Belgian Prime Minister Elio di Rupo said at a Nov. 27 press conference in Paris, following a meeting with Hollande.

The French president shrugged off concerns, saying France's tax rate is far from the highest in Europe.

"Despite this increase in the beer excise," France ranks 10th among European Union countries, he said. "French consumption will remain at a good level."

The government may fall short of its target for taxes from beer as sales fall on higher prices, the brewers' association said. Beer makers say they are aware that the French government needs to reduce its budget deficit.

"It's just that we're taxed in a disproportionate way relative to wine and Champagne," Chevremont said.

## ► STUTZ: Penn National makes bid

CONTINUED FROM PAGE 1E

which has a site in Palmer.

The focus is now on MGM Resorts and Penn National.

Springfield could select one proposal to send to the Massachusetts Gaming Commission, or forward both concepts. Additional details on each project are expected to be released after Jan. 1.

Kevin Kennedy, Springfield's economic director, told The Associated Press that Ameristar's exit means city leaders have to evaluate just two plans.

"I see no reason to change the process," Kennedy said.

The companies are sure to come under intense scrutiny.

MGM Resorts operates 10 of the Strip's best-known properties, including Bellagio, The Mirage, MGM Grand, Mandalay Bay and the CityCenter complex.

However, through the first three quarters of 2012, MGM Resorts has reported a combined net loss of \$530 million. In fairness, much of the loss has been noncash. Last week, the company announced plans to refinance \$4 billion of its more than \$13.4 billion in long-term debt.

Penn National, which owns M Resort, operates 29 casinos and racetracks in 19 states and Canada. It is best known for its Hollywood-branded casinos.

Last month, Wyomissing, Pa.-based Penn National said it plans to split into two separate publicly traded companies, an operating business and a real estate investment trust.

Both MGM and Penn have made inroads in Springfield. MGM promises to refurbish a city playground near its casino site and to use the gaming facility to bring additional business to two municipal golf courses.

Penn's Schippers told MassLive.com the company would help bring a large retailer or other potential uses to the now-abandoned 16-acre Ameristar site if the city was interested in the company's help.

Last week's appointment of Bill Hornbuckle as president of MGM Resorts — making him essentially No. 2 in the gaming conglomerate's hierarchy — is part of the company's expansion plans. Hornbuckle has led the push into Massachusetts.

What MGM and Penn need to avoid is another Maryland, where Question 7 passed by a 52 percent to 48 percent vote. MGM Resorts, which supported the gaming expansion measure, is

expected to be awarded a license to build a casino in suburban Maryland.

Penn National opposed the measure because the company believed it should be awarded the gaming license. Also, a new casino in Maryland would take customers from the company's West Virginia casino.

Penn spent \$42 million on the No on Question 7 effort. The campaign included ads highly critical of the casino industry, although Penn officials have since said none of the company's money went toward anti-gaming messages.

On Thanksgiving Day, Washington Post columnist Robert McCartney named Penn National his "Turkey of the Year" for its "hypocritical" efforts in the campaign.

Springfield doesn't want any Maryland-type issues.

Howard Stutz's Inside Gaming column appears Sundays. He can be reached at hstutz@reviewjournal.com or 702-477-3871. He blogs at lrj.com/blogs/stutz. Follow @howardstutz on Twitter.

INVESTORS ONLY! OCCUPIED BANK-OWNED REO HOME AUCTION

2000+ BANK-OWNED REO HOMES 15+ IN NEVADA!

BIDDING ENDS DECEMBER 8-9 & 15-16

HOMES IN VARYING STAGES OF EVICTION BROKER CO-OP!

View THOUSANDS at [www.auction.com/occupied](http://www.auction.com/occupied). Starting bids as low as \$100!

INVESTORS ONLY! No trespassing. Do not disturb occupants, if any. All properties are cash only.

ENTER THE SEARCH CODE IN THE SEARCH BAR TO VIEW PROPERTY DETAILS, PHOTOS, MAPS AND MORE AT AUCTION.COM

BROKERS AND OWNERS, SELL YOUR COMMERCIAL OR RESIDENTIAL PROPERTY. Brokers retain your commission. No auction listing fees. Call 888-774-3852 or visit [www.auction.com/real](http://www.auction.com/real)

WWW.AUCTION.COM  
THE NATION'S LEADING ONLINE REAL ESTATE MARKETPLACE.

auCTION.com

Equal Housing Opportunity. Auction.com, LLC and its affiliates maintain a firm commitment to the providing of professional services to any person, regardless of race, color, religion, sex, handicap, familial status, or national origin. The Company shall not knowingly be a party to any plan or agreement to discriminate against a person or persons on the basis of these or any similar prejudices or practices. This is not an offer for extension of credit or a commitment to lend. All loans must satisfy underwriting guidelines. Subject to auction terms and conditions. Auction.com, LLC, 1 Mauchly, Irvine, CA 92618 (800) 499-6199. NV Auction.com RE Brkr B.1000803. CORP. 12REBAC312-01-107516-1

preview  
LAS VEGAS WHAT'S NEXT

What's next for Downtown Las Vegas?  
Find out from Tony Hsieh,  
CEO of Zappos.com

Preview Las Vegas  
January 24, 2013  
7:00 a.m. - 1:00 p.m.

Thomas & Mack Center  
Cox Pavilion

\$60 for Members  
\$80 for Non-Members

For tickets and more  
information, visit  
[PreviewLasVegas.com](http://PreviewLasVegas.com)  
or call 702.641.5822.

Las Vegas Chamber  
of Commerce

PLATINUM SPONSORS



GOLD SPONSORS

Bank of Nevada • The Glenn Group • The Howard Hughes Corporation  
Miracle Mile Shops at Planet Hollywood • Nevada Drug Card  
Nevada Public Radio • Nevada State Bank • Republic Services  
Sky High Marketing • Southwest Gas • Sunrise Health Systems  
SuperPawn • Vegas PBS

AS OF 12.5.12