

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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**Via Emails: [Alan.clark@sabmiller.com](mailto:Alan.clark@sabmiller.com); [Mark.hunter@molsoncoorsglobal.com](mailto:Mark.hunter@molsoncoorsglobal.com)  
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Mr. Alan Clark  
Chief Executive Officer  
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Mr. Mark Hunter  
Chief Executive Officer  
Molson Coors Brewing Company  
1225 17th Street, Suite #3200  
Denver, CO 80202

Mr. Gavin Hattersley  
Chief Executive Officer  
MillerCoors  
250 S. Wacker Drive  
Chicago, IL 60606

Dear Messrs. Clark, Hunter & Hattersley:

On behalf of the 1.4 million members of the International Brotherhood of Teamsters, including approximately 1,400 who produce and package MillerCoors' products, I call on MillerCoors to reverse its callous and short-sighted decision to close the Eden, North Carolina brewery. Closing the brewery will destroy hundreds of good jobs, devastate the local community, hurt consumers, and damage MillerCoors' reputation.

We are not fooled by MillerCoors' claim that the decision to close Eden was made to adjust to declining sales volumes and excess capacity. MillerCoors' breweries, including Eden, operate seven days a week, most days on a 24-hour schedule, to meet annual production quotas. MillerCoors continues to pay significant and sometimes mandatory overtime to our members to meet these quotas, and bring in seasonal temporary workers to augment production when needed.

We believe the decision to shut the Eden facility and eliminate approximately 10% of MillerCoors' U.S. production capacity is driven by Molson Coors as a strategy to cut capacity and raise prices in the U.S. market. We are further convinced that the decision to close Eden is merger-related and was timed to avoid regulatory scrutiny during the federal government's antitrust review of the proposed Anheuser-Busch InBev (ABI) and SABMiller (SAB) merger, and the related sale of SAB's stake in the MillerCoors joint venture to Molson Coors. We, therefore, believe MillerCoors' decision could negatively impact U.S. regulatory clearance of the deal or result in the Eden facility being divested to a competitor.



### **Not a Matter of Excess Capacity**

On December 8, 2015, Molson Coors' CEO Mark Hunter testified before the Senate Subcommittee on Antitrust, Competition Policy and Consumer Rights that the decision to close Eden was predicated largely on the loss of approximately 10 million barrels in sales volume since the inception of the MillerCoors' joint venture in 2008, leading to a glut of excess manufacturing capacity. However, that type of excess capacity does not exist in the MillerCoors' system. As you know, changing consumer demands have required MillerCoors to dramatically increase the total number of SKU's produced in the breweries – necessitating line change-overs and other production changes that reduce potential barrelage output. All MillerCoors' breweries (including Eden) are running at or near full production capacity today and therefore, should remain open and operational. Eliminating Eden's manufacturing capacity and attempting to transfer that barrelage to other breweries that cannot meet the demand will not right-size the business but lead to product shortages and price increases for customers.

### **Not a Matter of Efficiency**

Mr. Hunter also testified that “many of the breweries were under-utilized, not performing efficiently or effectively.” This is not the case in Eden. In fact, MillerCoors' internal operating audits of production efficiency consistently recognize Eden and its various operating lines as some of the most efficient in the MillerCoors' system as measured by machine efficiency, whole plant operating efficiency, capacity utilization, water-to-beer ratio, and estimated cost per barrel. Taking these metrics into consideration, MillerCoors named Eden “Brewery of the Year” three out of the last five years. The Eden brewery also received the distinguished Association for Manufacturing Excellence award in 2013. Eden is among the most modernized and efficient of MillerCoors' breweries.

### **Not a Matter of Location**

MillerCoors' management and Mr. Hunter have stated that the location of the Eden facility is less desirable than the MillerCoors Elkton, VA facility, which is just 180 miles away, creating significant production and distribution overlap for the company. This is flawed logic, as Eden has significantly greater production capabilities than Elkton, including alumitech cans, a multi-size keg production line, and a fully-automated warehouse complete with robotic pallet machines that stack and deliver product from the shelves to delivery trucks in receiving bay doors. For many years, the Elkton facility served as a bottle-filling stopover for Coors Light shipped from Golden, CO. Today, even after tens of millions of dollars in additional capital investment, Elkton produces only a fraction of the SKU's produced in Eden annually. Given MillerCoors' capacity constraints, the company needs to operate both Eden and Elkton to meet current and future customer demand.

### **Merger: The Only Rationale for Closure**

Absent a merger with ABI, we do not believe SABMiller would willingly close its most profitable and efficient U.S. brewery with the possibility of the dissolution of the Joint



January 19, 2016

Page 3

Venture in two years. Tensions between Molson Coors and SAB already led to the termination of joint marketing agreement between the two companies in Canada.

### **The Timing of the Decision is No Coincidence**

When questioned at the December 8<sup>th</sup> hearing by Senator Thom Tillis of North Carolina about a link between the decision to close Eden (announced September 14, 2015) and the announcement of merger discussions between ABI and SAB two days later, Mr. Hunter replied that the two incidents were purely coincidental. He said discussions among the executive board had been ongoing in 2014, and “the decision was made as we came into 2015 to close the Eden brewery.” However, MillerCoors was engaged in contract negotiations with the Teamsters union at that time for a three-year labor agreement covering the Eden brewery workers. The contract was ratified in February, 2015, and expires November 18, 2017. Never in the six months of negotiations leading up to the ratification did the company ever indicate the possibility of a closure.

### **Keep Eden Open**

It is not too late for Miller Coors to reverse course and keep the productive and profitable Eden brewery open and operational. It is in the best interest of all stakeholders for the company to meet with the Union to explore alternatives to closing Eden in September 2016, as announced by the company.

The Teamsters Union represents more than 15,000 workers in the U.S. and Canada that produce, package, and distribute beer for ABI, SABMiller, and Molson Coors. And we are united in the fight to protect Teamster jobs in Eden, North Carolina. Please contact Teamsters’ Brewery Conference Director, David Laughton, as soon as possible, to schedule a meeting to resolve these issues.

Sincerely,



James P. Hoffa  
General President

JPH/cz

cc: David Laughton, Director, Teamsters’ Brewery and Soft Drink Workers Conference  
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