

Submission to the Chancellor: Budget 2018

CAMRA, the Campaign for Real Ale

September 2018



1. About CAMRA

- 1.1. Thank you for the opportunity to provide a submission to the Chancellor ahead of the Autumn Budget.
- 1.2. CAMRA, the Campaign for Real Ale, is a UK-wide consumer group with more than 190,000 members which acts as the independent voice for real ale and real cider drinkers and pub goers. Our vision is to have quality real ale, real cider and thriving pubs in every community.

2. Executive Summary

- 2.1. The brewing and pub sector supports nearly 900,000 jobs in the UK, and contribute £22.9bn to the UK economy annually.¹ Unlike many other alcohol products, the vast majority of beer and cider consumed in the UK is produced domestically, supporting British jobs and helping the country's balance of trade. Pubs are also valued community facilities, where the responsible consumption of alcohol in a community setting has a beneficial effect on personal wellbeing.
- 2.2. For these reasons, CAMRA is calling on the Chancellor to take the following actions in the Autumn Budget:
 - Commit to no increases in Beer Duty.
 - Retain and extend the current £1,000 business rate relief for pubs in England.
- 2.3. The key points from our submission which put forward a case for the above measures are:
 - The beer and pub sector contributes £22.9 billion to the economy and supports nearly 900,000 jobs.²
 - It is estimated that a pub contributes on average £80,000 per year to the local economy.³
 - Unlike many other alcohol products, the vast majority of beer and cider consumed in the UK is produced domestically, supporting British jobs and helping the country's balance of trade.
 - Pubs are also valued community facilities, where the responsible consumption of alcohol in a community setting has a beneficial effect on personal wellbeing, and increasingly they provide a diverse range of local services to people.
 - The Government should continue to recognise the economic and community value of pubs by formulating positive tax measures which provide stability to and promote growth in the sector.
 - A 1p cut to Beer Duty then a freeze for the rest of the Parliament would:⁴
 - Result in 1.5 billion more pints of beer being sold

¹ Oxford Economics/BBPA

² Oxford Economics/BBPA

³ 'Pubs and Places' Rick Muir for the IPPR, 2012

⁴ Centre for Economics and Business Research (CEBR), 2018



- Boost spending by £331m
- Create an additional 9,000 jobs
- Increase investment in the UK brewing sector by £1.6bn
- Prevent the loss of 134 pubs
- Increases in Beer Duty have not been an effective means of increasing Government revenues historically. From 2008 to 2013, duty increased by 42.6%, but Government revenues only increased by 11.7%.⁵
- The UK pays nearly 40% of all Beer Duty in the EU but only consumes around 12% of the beer.⁶
- Four out of ten pubs saw an increase in their business rates as a result of the 2017 revaluation.
- As the transitional relief scheme tapers off, the loss of the current £1,000 pub specific relief will have a significant impact on pub profitability, compounded by the end of the Government's discretionary relief scheme for billing authorities, which a number of pubs were benefiting from.
- CAMRA maintains that the current business rates system is not fit for purpose and a full review, as promised in the 2017 Conservative Manifesto, is needed to tackle issues around sector overpayment and unfair penalisation of property based businesses, and to ensure that online business is taxed appropriately. Until such time as this full review takes place, a continuation of the rate relief scheme for pubs is an essential stopgap measure to prevent many going out of business.

3. Economic value of the beer and pub sector

3.1. The beer and pub sector contributes £22.9 billion to the economy, pays £11.1 billion in wages and £12.7 billion of taxes annually.⁷ It is estimated that each pub contributes on average £80,000 a year to the local economy.⁸

Employment

3.2. Nearly 900,000 jobs are supported across the beer and pub sector, with 43% of jobs held by young people under 25.⁹ The pub sector also employs a large number of apprentices, and the sector's high level of employment among young adults contributes to the Government's continued efforts to reduce the number of those not in employment, education or training (NEET).

3.3. Brewing is a labour intensive industry and employs just over 60% of the total workforce involved in alcohol manufacture, as evidenced below.

⁵ HMRC Alcohol Bulletin

⁶ Facts on Tap 2017

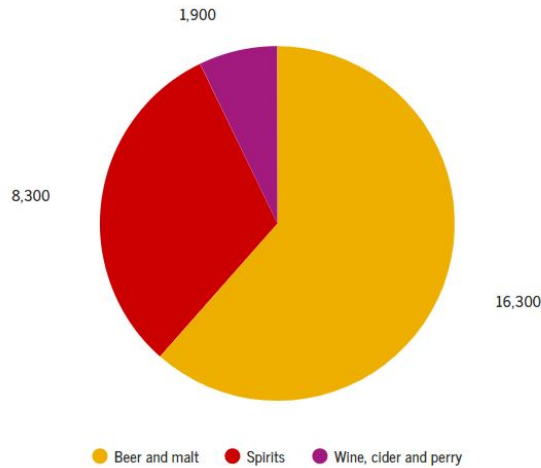
⁷ Oxford Economics/BBPA

⁸ 'Pubs and Places' Rick Muir for the IPPR, 2012

⁹ Oxford Economics/BBPA

SOURCE: BBPA Statistical Handbook 2018

Employment in alcohol manufacture



3.4. Creating jobs in brewing creates further jobs down the supply chain. A single job in brewing supports:¹⁰

- 18 jobs in pubs
- 1 job in agriculture
- 1 job in supply chain
- 1 job in retail

3.5. Therefore, action on taxation to incentivise brewing will have beneficial impacts on employment. Brewing also has a strong impact on local employment, with the Society of Independent Brewers (SIBA) members reporting in 2017 that 60% of their employees live within 5 miles of the brewery.¹¹

Tourism

3.6. Pubs are a traditionally 'British' social institution and therefore are a significant attraction for tourists. Beer, and especially real ale, are considered quintessentially British drinks, with pubs considered the traditional drinking venue in the UK. In 2015, more than 600 million visits to pubs were made by holidaymakers.¹²

3.7. The hospitality sector is the biggest contributor to tourism in the UK, accounting for around 15% of an overall £63bn turnover.¹³ It is estimated that more than 266,000 jobs in pubs are directly supported by tourism.¹⁴ Thousands of pubs also provide accommodation for tourists and research shows that customers planning a trip would rather stay in a pub (48%) than a branded hotel (27%).¹⁵

¹⁰ Facts on Tap 2017

¹¹ SIBA Beer Report 2017

¹² ONS, Tourism Intelligence Unit

¹³ ONS, Tourism Intelligence Unit

¹⁴ ONS, Tourism Intelligence Unit

¹⁵ Cask Marque Pubs With Accommodation Report 2017

4. Social and community value of pubs

- 4.1. Pubs have been found to have a beneficial effect on individual wellbeing and are important to fostering community cohesion and combating social isolation and loneliness. These factors mean the role that pubs play in community life contributes to wider Government objectives and initiatives.
- 4.2. CAMRA commissioned the 'Friends on Tap' report from Oxford University.¹⁶ The report found that people who identify as having a 'local' pub have more close friends and feel more engaged with their local community. The research shows that on average, those who have a local pub have more close friends compared to those who do not have a local pub and don't regularly visit pubs.
- 4.3. The number of social connections and close friends that people have has a large, positive impact on experiences of loneliness; therefore the sense of community which pubs provide is vital in preventing social isolation. Research by the Campaign to End Loneliness found that 52% of over 65s surveyed stated that having someone to sit with helped to ease feelings of loneliness, while 35% said that eating with someone helped.
- 4.4. The wider public also support the assertion that pubs are good for personal wellbeing. A YouGov survey carried out for CAMRA in July 2017 found that 54% of people agree that drinking alcohol in moderation in the company of others is good for wellbeing.
- 4.5. Across the UK, local pubs are doing their part to tackle loneliness and establish themselves as community hubs. In many places across the UK, with the closure of community centres and village halls, pubs have become the last accessible meeting place for the local community. Much of this work has been supported by the organisation Pub is the Hub, in partnership with local councils.
- 4.6. The benefit that pubs provide to their wider communities is now well documented. In England, of the approximately 4,000 Asset of Community Value listings obtained by local people for land and buildings, around 2,000 are pubs.¹⁷ There are now also numerous examples of pubs diversifying to meet community needs where other local services have depleted, including hosting libraries, village shops and post offices.

Case study - The Swan Inn, Craven, BD23 3DR

- 4.7. The Swan Inn has converted the room at the front of the pub into a cafe and community hub. This is being used as an IT hub allowing all villagers and visitors to use laptops and the internet. It also hosts a book exchange, and in future they plan to use it for IT training, adult learning sessions, and community-led workshops on local history and ancestry. They are also looking to start a weekly over 60s coffee morning funded by the Carleton Community Umbrella, giving local residents access to sociable events in a safe and familiar environment at no or very low cost.

¹⁶ Friends on Tap' Report, Oxford University, 2016

¹⁷ CAMRA 2017

Case study - The Grenville Arms, Nanpean, PL26 7YE

4.8. The Grenville Arms in Nanpean, Cornwall has had a marked impact upon the local rural economy - in 2012, the village of Nanpean lacked both a post office and a village shop. The local licensee of the Grenville Arms proposed using the pub as a venue for these vital services and, after seeking advice from relevant contacts, changed the pool room into a shop selling everyday items and local produce. A post office service was then added to the counter of the shop and staff and the licensee were offered training by the Post Office. This development has provided local communities with much needed services as well as reducing food miles and providing an avenue for local farms to sell their produce. It has also provided both part-time and full-time employment for local people, enabling them to stay living and working in the community, as well as offering new training opportunities for staff, allowing them to diversify their skills.

Charity contribution

4.9. Local brewers are key players in their local communities. 84% of the SIBA members regard their relationship with their community as important and their members have raised thousands for local charities, with 82% of members supporting at least one charity over the last 12 months. Of those breweries who did support charities, 45% of them opted for a local town or village charity, thereby supporting their communities.¹⁸

4.10. Many pubs also contribute the charity – PubAid found that UK pubs raise over £100m for charities every year, with each pub raising an average of £2,742.¹⁹

5. The case for cancelling the planned Beer Duty increase

5.1. CAMRA is calling on the Chancellor to commit to not increasing Beer Duty in the Budget. The currently planned rise will equate to an increase in duty of 2p per pint of beer. Duty already accounts for 49p per pint of 4.5% abv beer.

5.2. CAMRA welcomed the Chancellor's decision to freeze Beer Duty in the 2017 Autumn Budget. This was a practical step, providing stability for brewers, allowing investment across the sector and keeping a lid on price increases for consumers.

5.3. From 2008 to 2013 the Beer Duty Escalator increased duty by 2% automatically above inflation each year, and after taking other one off duty hikes into account, Beer Duty increased by a total of 42% during the operation of the Escalator.

¹⁸ <http://www.siba.co.uk/about-siba/siba-campaigns/brewers-in-the-community/>

¹⁹ <http://www.pubaid.com/>

5.4. During the Escalator:²⁰

- Beer sales in pubs fell by 42%
- 3,700 pubs closed
- 75,000 pub staff lost their jobs

5.5. Conversely, new research, commissioned by CAMRA from the Centre for Economics and Business Research has found that a 1p cut to Beer Duty then a freeze for the rest of the Parliament would:

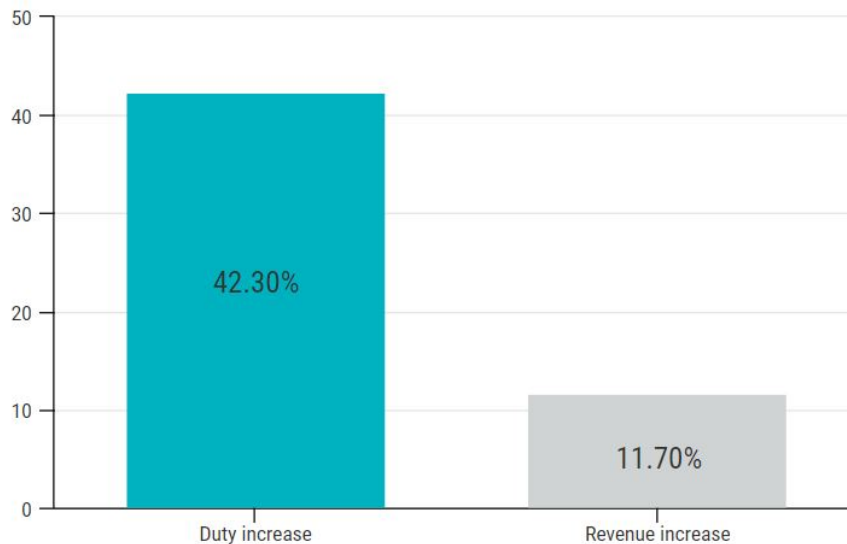
- Result in 1.5 billion more pints of beer being sold
- Boost spending by £331m
- Create an additional 9,000 jobs
- Increase investment in the brewing sector by £1.6bn
- Prevent the closure of 134 pubs

Effect of duty changes on Government revenues

5.6. Increases in Beer Duty have not been an effective means of increasing Government revenues historically, as referenced by the chart below.

SOURCE: HMRC Bulletin and BBPA Statistical Handbook 2018

Beer Duty and Government Revenue Increases 2008-2013



5.7. During the operation of the Beer Duty Escalator, duty increased by 42.3%, but Government revenues only increased by 11.7%.²¹ This is because beer production fell by just over 15.5%. Therefore a more pragmatic step to allow for confidence and investment in the industry would be to implement a long term freeze in duty to allow the benefits of stability and further investment in the beer and pub sector to be realised.

²⁰ From a bleak future to confidence and stability. The story of beer duty 2008 to 2016. BBPA, CAMRA and SIBA, 2016

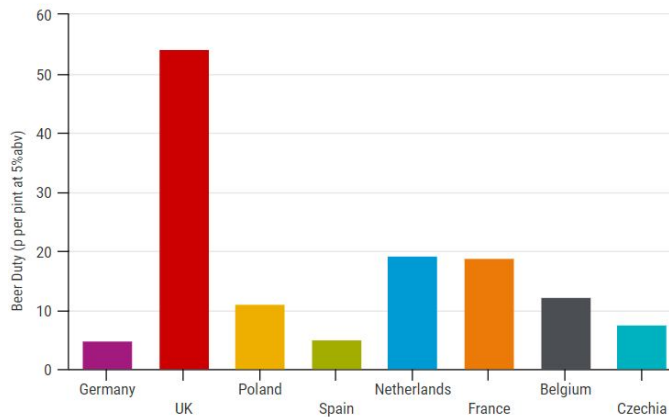
²¹ HMRC Alcohol Bulletin

Comparisons with other European countries

5.8. The UK pays nearly 40% of all Beer Duty in the EU but only consumes around 12% of the beer.²² Beer Duty in the UK is disproportionately high in comparison to other leading brewing nations in the European Union, as demonstrated by the chart below. As the UK prepares to leave the EU, a growing UK brewing industry can contribute to rising exports, helping the country's balance of trade.

Source: BBPA Statistical Handbook 2018

EU levels of Beer Duty



5.9. Polling conducted on behalf of CAMRA by YouGov found that 56% of people now think that the price of a pint in a pub is unaffordable.²³ In order to encourage drinkers to consume alcohol moderately and in a controlled environment, it is in the interests of the Government to implement measures which encourage people back to drinking in pubs rather than increasingly purchasing alcohol in the off trade. 7 out of 10 drinks sold in pubs are beer²⁴, one of the weakest forms of alcohol; therefore action on Beer Duty is an appropriate measure to support on trade sales and discourage harmful levels of alcohol consumption.

Wine Duty

5.10. Wine Duty has become the largest source of alcohol excise duty revenue, overtaking beer in 2012/2013. In the last financial year, Wine Duty raised revenue of £4,256 million compared to the £3,460 million of revenue raised from Beer Duty.²⁵ It is not necessarily the case that a cut or reduction in Beer Duty needs to be matched by a cut or reduction in Wine Duty. A differential approach between the different alcohol duties would help mitigate the cost of reducing planned duty increases. It should also be noted that, unlike beer, the vast majority of wine consumed in the UK is produced overseas. Therefore while increases in Beer Duty will have a direct negative impact on British jobs, the impact of increasing Wine Duty would be considerably smaller.

²² Facts on Tap 2017

²³ YouGov 2018

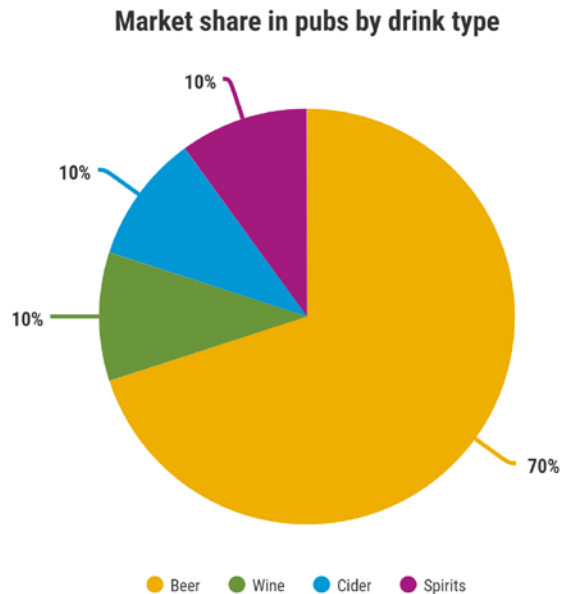
²⁴ Facts on Tap 2017

²⁵ HMRC Alcohol bulletin

5.11. In 2013 and 2014 Beer Duty was cut while Wine Duty was increased. In 2015 Beer Duty was cut and Wine Duty was frozen, and in 2016 Beer Duty was frozen while Wine Duty was increased. These four recent Budgets establish a clear precedent for a differential approach between Wine Duty and Beer Duty.

5.12. A freeze or reduction in Beer Duty would be of significantly greater benefit to the pub sector than a freeze or reduction in Wine Duty. Seven in ten alcoholic drinks sold in pubs are beer, as evidenced by the chart below.²⁶

Source: Facts on Tap 2017



5.13. More than 48% of beer sold in the UK is sold through the on-trade compared to just 20% of wine.²⁷

5.14. Experience of the Beer Duty Escalator suggests that Beer Duty is reaching the point of duty maximisation. A decision to pursue a policy of RPI inflation increases in Beer Duty would be an inefficient means of raising additional revenue as it will artificially suppress beer sales in the UK. Modelling work conducted by CEBR estimates that RPI inflation increases in Beer Duty each year until 2023 would reduce the total pints of beer sold in the UK by 1.3 billion pints compared to a duty freeze until 2023.²⁸

5.15. A long term supportive approach on the main rate of Beer Duty would also support Britain's medium sized family brewers who are too large to benefit from small breweries relief but too small to enjoy the economies of scale achieved by the global brewers.

²⁶ Facts on Tap 2017

²⁷ BBPA Statistical Handbook 2017

²⁸ Centre for Economics and Business Research

6. The case for retaining and extending pub specific business rate relief

- 6.1. Current plans for the Autumn Budget will see the £1,000 business rate relief for pubs with a Rateable Value of under £100,000 ended. CAMRA is calling on the Chancellor to cancel plans to axe the relief, and increase the value of the relief, applicable to all pubs regardless of rateable value.
- 6.2. In the 2017 business rates revaluation, 4 out of 10 pubs saw rises in their Rateable Value, resulting in significant rises in business rates bills for numerous community pubs. Many pubs which experienced the largest rises in bills saw their Rateable Value increase to above £100,000, and therefore have been unable to benefit from the £1,000 relief at all.
- 6.3. As the transitional relief scheme tapers off, the loss of the current £1,000 pub-specific relief will have a significant impact on pub profitability, compounded by the end of the Government's discretionary relief scheme for billing authorities, which a number of pubs were benefiting from.
- 6.4. Furthermore, the pub sector as a whole is unfairly taxed and, at the point of the revaluation, pubs paid 2.8% of the total business rates bill, but only accounted for 0.5% of total business turnover. This equates to a sector overpayment of around £500m.
- 6.5. The current valuation system unfairly penalises property-based businesses, an essential feature of a public house, while online businesses do not pay levels of tax that are proportionate to their market share in a world where shopping is increasingly conducted online.
- 6.6. Due to these issues, CAMRA maintains that the current business rates system is not fit for purpose and a full review is needed to tackle issues around sector overpayment, unfair penalisation of property based businesses, and to ensure that online business is taxed appropriately. A full review, as promised in the 2017 Conservative General Election Manifesto, is needed to address these concerns in the long run.
- 6.7. In this Budget, to ensure the survival of valued community pubs, and to allow for proper investment and stability for the sector, we encourage the Chancellor to echo his previous record on supporting pubs and retain pub specific rate relief in England, and extend its value, regardless of the rateable value of the pub.

Case study: Titanic Brewery, Stoke-on-Trent, ST6 1JL

- 6.8. Titanic is an independent brewery based in Burslem, Stoke on Trent, Staffordshire. The brewery has a small pub estate, all of which is in Staffordshire, Derbyshire or Cheshire. After the revaluation, Titanic saw a 37% increase in Rateable Value of its pub estate, in comparison to Amazon UK seeing the total Rateable Value of its warehouses fall by 10%.

Case study - Save St Albans Pubs Campaign

6.9. The Campaign was founded in 2017 by a group of Landlords in St Albans following the business rates revaluation. Pubs in St Albans saw an average increase in Rateable Value of more than £27,000. This equates to each pub having to sell an extra 7,000 pints of beer each year to cover the loss of profit.

7. The case for support for pubs on the grounds of community value

7.1. CAMRA welcomed the introduction of pub specific rate relief in the 2017 Spring Budget, on the grounds of the role that pubs play in communities, when the Chancellor announced:

'Recognising the valuable role that local pubs play in our communities, I will provide a £1,000 discount on business rates bills in 2017 for all pubs with a Rateable Value of less than £100,000.'

7.2. CAMRA contends that a pub is the best place for alcohol to be consumed, and that Government policy should aim to encourage people who choose to drink to do so in pubs, where both the sale and consumption is supervised in a community setting. This is in stark contrast to alcohol bought in the off trade, which is then consumed at home.

7.3. This is a sentiment echoed by the public. In 2017, CAMRA carried out polling via YouGov which found that 69% of respondents thought that pubs should be given tax relief as they provided a safe, managed space for people to drink responsibly.

7.4. Furthermore, as recommended in an IPPR Report 'Pubs and Places':

'It [the current policy framework regarding pubs] is counter-productive, particularly in terms of tackling crime and disorder: by making beer in pubs more expensive while beer in shops and supermarkets gets relatively cheaper, policy is drawing people out of the regulated and supervised drinking environment of the pub.'

7.5. The *Friends on Tap* Report from Oxford University also recommended that the Government should support pub-going through providing business rate relief to help pubs reduce their costs, and through cutting Beer Duty to keep beer affordable for consumers.

7.6. CAMRA is urging the Chancellor to continue his track record of supporting community pubs by cancelling the planned increase to Beer Duty and retaining and expanding pub-specific business rate relief in the Budget.

8. Additional policy considerations

Cider Duty

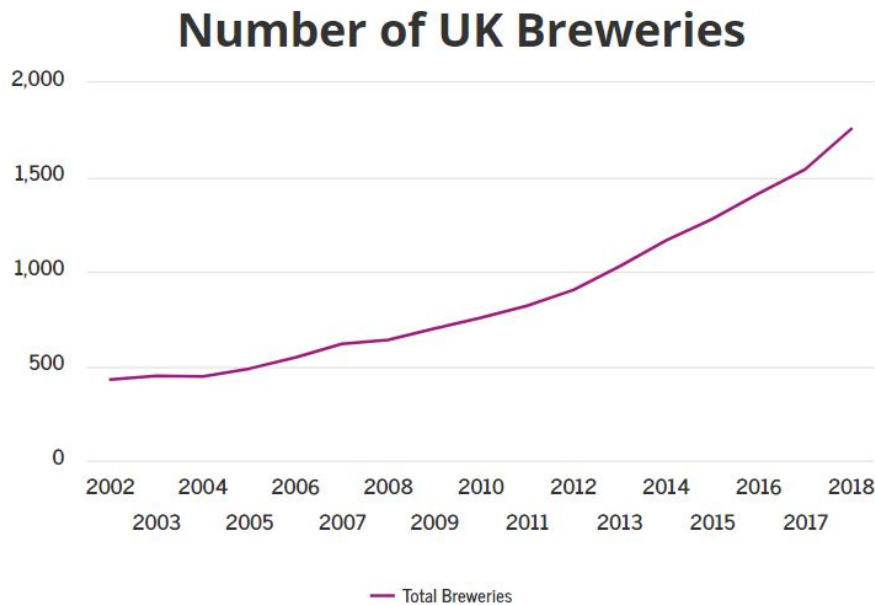
- 8.1. In the Autumn Budget 2017 the Government announced a freeze in general Cider Duty, but also an intention to introduce a new duty band for still cider between 6.9% abv and 7.5% abv. This is due to come into force in 2019 and is intended to target high strength 'white' ciders. CAMRA has previously expressed concerns that the new duty band will impact on medium sized traditional cider makers, who produce high quality, high price point products and, by admission in the 'Alcohol Structures Consultation' document, are not the intended target of the Government's proposals.
- 8.2. Nearly 90% of cider in the UK is produced at low cost by three large multinational drinks companies which benefit greatly from economies of scale and are therefore able to better absorb increases in duty than smaller producers.²⁹
- 8.3. Furthermore, traditional ciders contain high levels of juice content, excessive 'watering down' of which to reduce the alcohol content reduces the quality and traditional character of the product. Therefore, smaller producers will have no choice but to pay the higher rate of duty on their products to preserve their character, while larger producers will have the ability to reformulate and pay the lower duty rate, penalising the traditional cider makers which are not the stated target of the duty band.
- 8.4. The new duty band, for the reasons above, will result in increased prices for consumers of high quality, high price point traditional ciders and perries, which are not the intended target of the new duty band. Therefore, consideration should be given when setting the rate of duty for the band to the effects that a high rate of duty could have on the viability of real cider and perry producers, and consequently on consumer choice.
- 8.5. In the interests of fairness, CAMRA are calling for the Government to set the duty rate for the new band at the midpoint between the current duty bands for still cider and perry. This will ensure that the interests of consumers and medium sized cider producers are balanced against the policy objective of targeting cheap, high strength white ciders.

²⁹ National Association of Cider Makers

Small Breweries Relief

8.6. The small brewing sector has boomed in the years since the introduction of Small Breweries Relief in 2002, with the number of independent breweries in the UK growing from 448 in 2001 to 1,775 in 2018, as illustrated by the graph below.

SOURCE: CAMRA Good Beer Guide. Editions are published in September of the preceding year



8.7. In 2017, the Society of Independent Brewers (SIBA) found that 84% of their members rated Small Breweries' Relief as important to their business.³⁰

8.8. Financial stability is of the utmost importance to the ongoing success of the UK's independent small breweries whose products enrich consumer choice in the beer sector.

8.9. The Small Breweries' Relief scheme is important to ensure further growth and strong competition in the brewing sector, but small to medium sized breweries are still struggling to gain access to market when pitted against global brewing companies. With this in mind, CAMRA recognises that there has been debate in recent months over the structure of the relief scheme.

8.10. CAMRA maintains that there should be no reduction in the rate of relief provided to any small brewer until an industry consensus can be reached on what reforms to the scheme should look like. In addition to this, the scheme should be retained and the current threshold for claiming the relief increased to up to the 200,000HL limit currently allowed under EU law.

³⁰ SIBA Beer Report 2017

VAT

8.11. VAT accounts for 67p per £4 pint of beer, and nearly 50% of the wider tax burden on the pubs sector.³¹ In the UK, hot meals and alcohol are taxed at the standard VAT rate of 20%; however no EU regulations prevent the UK from applying a lower than standard rate of VAT to on trade food and alcohol sales.

8.12. In the off trade, the prevalence of at cost and below cost alcohol sales means that little VAT is actually paid; therefore there is a case for reducing the rate of VAT paid by pubs to encourage consumption in the regulated on trade environment, by reducing the general tax burden on pubs.

8.13. This is a common practice in other European countries, as illustrated by the table below:

Country	VAT (standard) (%)	VAT (bar and café food) (%)	VAT (bar and café alcohol) (%)	Beer Duty (pence per pint at 5%abv)
UK	20%	20%	20%	54.2p
Netherlands	21%	6%	21%	19.3p
France	20%	10%	20%	18.8p
Belgium	21%	12%	21%	12.2p
Poland	23%	8%	23%	11p
Czech Republic	21%	21%	21%	7.5p
Spain	21%	10%	10%	5.1p
Germany	19%	19%	19%	4.8p

8.14. As seen from the above table, other leading European brewing nations either have favourable rates of VAT for on trade food or alcohol sales, favourable rates of Beer Duty, or a combination of these. Considering a more favourable rate of VAT for on trade alcohol and food service will ease the tax burden specifically for on trade licensed venues, driving consumption from the off trade to the on trade, and also increase the appeal of the UK as a holiday destination to overseas tourists.

Differential rate of duty for draught beer

8.15. The Government is currently constrained by European Directives when considering reform of taxation systems; however, as the UK leaves the European Union there is an opportunity for the Government to consider options for reform which are not currently possible within EU regulations.

8.16. One option is the introduction of a reduced rate of excise duty on draught beer sold and consumed within licensed premises, a system that is currently operated in Australia. This will help incentivise consumption within the on trade where both the sale and consumption of alcohol is supervised and in a social setting. As the majority of drinks sold in pubs are beer, this is a good mechanism to encourage consumption within the on trade, whereas the majority of alcohol sold through the off trade is now foreign-produced wine.

³¹ The Beer Story: Facts on Tap 2016, BBPA, CAMRA, Hospitality Ulster and SIBA

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