

## KATE NICHOLLS

My role today is to highlight that a cut in beer duty is not the whole story – essential, yes but not the sole panacea to all the industry's ills. You see, retailers don't pay duty, producers do. The real story is the crippling cost of red tape and over regulation.

A few statistics to put what I am about to say into context:

- 299 pub specific laws adopted since 1997
- 46% of these relate to employment
- 1 in 5 publicans fear becoming uncompetitive as a result of red tape, they spend 8 hours a week dealing with it and ¾ have employed extra resources just to cope with it.
- The average cost of running the average pub is now 52% of turnover

It is this lethal cocktail of ever increasing levels of duty and red tape which have led to the haemorrhage of pubs in recent years - and it is about to get much, much worse thanks to the proposed code of practice on alcohol retailing included in the Policing and Crime Bill.

As drafted, the national mandatory conditions would apply to **all** pub retailers – the tiny irresponsible minority and the overwhelmingly responsible, law abiding majority - and more than half of the proposals carry an additional operating cost.

*ALMR* research suggests that complying with the mandatory conditions alone would impose a cost of between £415 and 725 per outlet per annum. The RIA recognises that the code may result in “*job losses and the closure of small businesses*” that's on top of the 2,000 pubs and 16,000 jobs we lost last year alone – but implies that this is a price worth paying. It isn't and cannot be in the future. It implies that some industries and jobs are more important than others.

### **What can and should be done:**

- firstly we need a moratorium on new business costs such as the code. All it will do is make the pub more expensive and encourage people to drink at home away from a supervised and well regulated environment.
- secondly, we need to tackle beer price differentials between the on and off trade, in particular below cost selling
- Finally, I started my presentation by saying that retailers don't pay duty, but they do pay VAT. Ours was the only industry not to benefit from the 2 and a half per cent cut in VAT last year because duty was increased by a compensatory amount. We have yet to hear whether the duty will be reduced when the VAT rate goes back up later this year – I hope that it does otherwise we face a duty increase by stealth

Unless we tackle all these issues then the rate of pub closures and decline in pub openings can only accelerate. If I could just leave you with one final thought, the average community pub generates over £85,000 per annum in the way of taxes – almost 60% of turnover. Closed pubs pay no taxes. If we continue to lose outlets at current rates then we all lose – the government, the businesses, the employees and the public.