



PUBS & BARS – A SMALL BUSINESS BRIEFING BUDGET 2009

Who We Are

The Association of Licensed Multiple Retailers is the only national trade body solely dedicated to representing the interests of pub and bar operators. In particular, we represent SMEs within the pub industry. Our membership is derived from small, independent companies – the majority with an estate of fewer than 50 pubs. Between them they operate over 10,000 pubs or a fifth of the pub estate in England and Wales; these are predominantly community pubs operating in suburban or rural locations.

A Challenging Environment

It is precisely these small businesses which are facing an unprecedented crisis – closing in every increasing numbers as their profit margins come under ever increasing pressure. With an average turnover of just £5,000 per week, they are particularly sensitive to any increase in costs. Government imposed red tape and commercial pressures have combined to create a lethal cocktail which has seen 40 pubs a week close in the past year alone – with over 16,000 jobs lost to the economy as a result.

Budget 2009

The Chancellor's Budget offered nothing to help these small businesses weather the current economic downturn; in fact it increased the pressure on margins. The Budget imposed above inflation increases in alcohol duties (2%). This may only be a 1p per pint increase in duty, but it will translate directly into an increased price to the consumer making community pubs more uncompetitive against off-trade prices.

This year's effective rate of increase will be more substantial as the Budget made permanent last Autumn's one-off increase in duty to compensate for the reduction in VAT. At the time, Ministers argued that this was essential to keep alcohol prices "broadly the same". Pubs and bars were the only industry not to benefit from the cut in VAT as a result. There are at present no plans to reverse the duty increase when the VAT rate changes again. So the 2% increase comes on top of Autumn's 8% increase in prices.

Save our Pubs

Without targeted help and support many more pubs and bars will close, depriving local communities of their economic and social heart. Retailers do not pay duty, so we are not simply calling for changes to the duty regime to be made. Prior to the Budget, the ALMR put forward a series of recommendations to support this vital industry. It is not too late for some to be acted upon.

When the Finance Bill is debated by MPs, we would urge the following points to be taken into account:

- **Clarification of excise duty policy** – traditionally index-linked increases apply RPI as at the September prior to the Budget. This year's increase applies RPI as forecast at the September after the Budget. Clarification as to whether this is a one-off or a permanent change in methodology would be welcome to enable businesses to plan
- **Re-align the VAT and duty regimes** – in order to avoid hitting pubs and customers with a double whammy of tax increases it is vital that excise duty is cut when the VAT rate is increased later this year. This will keep alcohol prices "broadly the same" and avoid imposing a second price rise
- **Delay the increase in VAT** – Changing the VAT rate last year cost the trade £37million in administrative costs and till reprogramming. 31st December is the worst possible date on which to change the VAT rate; it is the busiest night of the year for pubs and bars. The VAT increase should be delayed by at least a month to minimise disruption.



Red Tape Costs

Publicans do not want a government hand-out, but equally they cannot cope with increasing compliance costs and regulatory burdens. What they need are imaginative solutions from government, landlords and banks to give them a hand up.

We recognise that, in the current economic climate, Ministers have little room to manoeuvre and that tax cuts are not an option. Businesses are facing exactly the same dilemma. At the present point in time, any additional increase in business costs will prove unsustainable for some operators. We would therefore recommend a moratorium on new legislation which imposes a direct cost on business.

The proposed new **national mandatory code of practice on alcohol retailing** is a prime example of unsustainable cost increases as a result of legislation. The Government's own partial regulatory impact assessment acknowledges that it may result in job losses and small business closures, but it underestimates the true cost of the proposals. The *ALMR* believes that the real cost of complying with the national mandatory conditions alone will be £900 per outlet – a total bill for the industry of £56.7million in the first year alone. These costs will apply to **all** premises – the tiny irresponsible minority and the overwhelmingly responsible, law abiding majority. The fact that the majority of conditions are directed at the on rather than the off trade suggests that it will further increase the price differential between the two and do nothing to deliver the Government's public health agenda.

Conclusion

A package of measures of this nature will help small businesses in the sector survive and thrive. Without it, the situation is terminal. Closed pubs pay no taxes and the average community pub generates over £85,000 for the Exchequer per annum. If we continue to lose outlets at current rates then we all lose – the government, the businesses, the employees and the public.