

ALMR Press Notice

Association of Licensed Multiple Retailers

PLANNING GAIN SUPPLEMENT

27 February

ALMR this week made a joint submission to the Treasury's consultation on Planning Gain Supplement (PGS) in partnership with the Tourism Alliance.

The Barker Report originally suggested PGS as a means of clawing back some of the profits generated by councils granting planning permission to housing developers. However, the Treasury has been considering introducing PGS across the board to all commercial development. This is totally unacceptable and will merely result in overly complicated legislation and unintended, negative impacts on the pub industry.

1. Disincentives to Businesses to Invest

Residential development is a high value, high turnover sector. Once the development starts it is in the best interests of the developer to build and on-sell the houses as quickly as possible. As such, the payment of PGS can be quickly and easily factored into the cost of a development. This is completely different from the pub industry where development is undertaken as part of a long-term investment process. The benefits that are generated from investment only accrue slowly over time. This means that PGS will be a sunk cost that businesses will simply have to bear, with little prospect of being able to recoup in the short-term.

Furthermore, unlike housing developers, pubs make a long-term commitment to the community in terms of investment and employment. On top of that, they continue to pay business rates on the property which increase in line with the added value that the development has generated. They are, therefore, already being taxed for establishing and developing their business.

Because of the inability of most businesses to quickly recoup this cost, the imposition of this tax will prove a disincentive for the establishment of lower margin businesses.

2. Impact on Growth and Expansion

Pubs in small villages are becoming increasingly dependent upon weekend trade from urban areas to compensate for lower rural populations. Many small pubs seek to make small-scale changes to their facilities to enhance their appeal to customers and to cope with the important weekend trade. However, faced with such a tax, many pubs will lose the incentive to improve their facilities, which, in turn, will erode the viability of small villages.

These pubs currently fact tight margins with increasing employment law burdens, health and safety obligations and the pending smoking ban. Indeed, the smoking ban is likely to lead many pubs having to diversify and improve their outside facilities simply to survive. Thus, many community pubs just do not have the money available to soak up PGS and would be caught between having to redevelop and not being able to afford to do so.

Nick Bish, Chief Executive remarked: *"we are concerned that Government is intending to apply a solution that was devised to resolve the issue of ongoing costs associated with the development of new housing to broader commercial development. Taking a targeted response to a specific problem and turning into a broad-brush approach is bound to result in complexity and unintended impacts on other areas of economic activity. The consideration of PGS should therefore be limited to the redressing the problem it was originally intended to resolve."*

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Notes to editors:

- 1) The Barker Review was set up on 9 April 2003 by the Chancellor of the Exchequer and the Deputy Prime Minister to conduct a review of issues underlying the lack of supply and responsiveness of housing in the UK. Barker was charged to consider the role of competition, capacity, technology and finance of the housebuilding industry; and the interaction of these factors with the planning system and the Government's sustainable development objectives.
- 2) *ALMR* is dedicated to representing the interests of pub operators. Currently 89 companies are in membership, between them operating around 30,000 outlets or just under half the UK pub estate. Members include major pub companies such as Punch, and Enterprise, retail pub chains such as Regent Inns and Laurel and the retail estate of regional brewers. However, over two-thirds of our membership is derived from small independent companies operating 50 pubs or less under their own branding. Together with the regional brewer estates, these are predominantly community pubs operating in suburban and rural locations.
- 3) The Tourism Alliance was established in 2001 with the support of the Secretary of State for Culture, Media and Sport as the voice of the UK tourism industry. It comprises almost 50 tourism industry associations that together represent almost 200,000 business of all sizes throughout the UK. The Tourism Alliance's mandate is to work with Government on issues relevant to the growth and development of tourism and its contribution to the economy and we are therefore responding to this consultation in that capacity.