

Rt Hon Philip Hammond  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

23<sup>rd</sup> April 2019

Dear Philip,

**Re: Beer Duty – Differential Rates**

Following on from my letter of 1<sup>st</sup> November 2018 and the subsequent reply I received, both enclosed, I am writing to, once again, request that Beer Duty is cut in the Budget later this year.

I appreciate that over the past few years the Government has acted to support the beer and the pub sectors, and I truly welcome those efforts. However, our pubs are still under threat from a range of pressures and fourteen pubs are closing for good each week<sup>1</sup>. I want to deal with this issue now, before it is too late, and believe we can do so by cutting Beer Duty.

For years, pubs have been vital community assets and their slow demise is a real tragedy. What is more, I believe that the closure of any pub, especially in rural communities, is detrimental to cross-government work on loneliness. Likewise, many of these pubs are a positive for our high streets<sup>2</sup>, and closures are counterproductive to the Government's efforts to revitalise our urban centres. And let us not forget the economic impact of the beer and pub industries, which contribute £23bn towards GDP every year and support over 900,000 jobs. Crucially, 44% of those jobs are held by 16-24-year olds<sup>3</sup>. These closures are, therefore, something that we need to address and the important role that pubs play in our communities is something that you yourself have acknowledged in the House on several occasions. Regrettably, given the rate of pub closures, I believe that this is now something that we in danger of losing, either in part or entirely.

Figures from the British Beer and Pub Association<sup>4</sup> (BBPA) would seem to back that up. In 2000, on-trade sales of beer stood at 95,328,000 barrels, and this has fallen by 47.2% to 50,364,000. And since 2010, under this Government, on-trade consumption has fallen by 19.1% from 62,230,000 barrels. While we cannot assume from these figures that fewer people are visiting pubs, this fall in sales has undoubtedly contributed to many of the closures that we have seen, with 11,000<sup>5</sup> pubs closing in the last decade. Most concerningly, Office for National Statistics analysis shows that it is small pubs that are disappearing, as the big pub chains consolidate their businesses around larger bars<sup>6</sup>, and I believe that this could eventually allow big pub chains to monopolise the on-trade marketplace.

I do recognise that some may argue that this change comes down to the consumer choosing to drink less beer. I disagree, as many consumers are still looking to buy beer from in the off-trade marketplace. According to The Drinkaware Trust<sup>7</sup>, this reflects the shifting preference of the consumer, who is now purchasing alcohol in the off-trade marketplace to consume at home. Returning to the same figures from the BBPA, used above, off-trade beer sales rose by 29.3% from 45,263,000 in 2000, to 58,511,000 in 2018. So many people still want to buy beer but are choosing off-trade products for private consumption. I strongly maintain that this is due to the disparity in cost. When you can buy a pint of beer for less than £1 in some supermarkets, it is hardly surprising that many choose this option, especially given that 56% of drinkers believe that the price of a pint of beer in a pub has become unaffordable<sup>8</sup>.

Moreover, we need to realise that there is more at risk here than those who consume alcohol privately not supporting local and small businesses. As I said earlier, pub closures may: increase loneliness, make town centre regeneration harder, and damage our economy. But, I would also argue that there is a potential public health concern here, as those who drink at home, without a responsible landlord to keep an eye on them, run the risk of consuming too much. From the reply I received from the Exchequer Secretary on 16<sup>th</sup> November 2018, it is clear that the Government also recognises the role that pubs can play in promoting responsible drinking.

As you are no doubt aware, hospital admissions for alcohol consumption remain high – 337,000 in 2016/17<sup>9</sup> – and this places a strain on precious resources. Given such, we clearly need to do more to promote responsible drinking, which, I believe, necessitates a continued role for drinking beer in on-trade establishments, with observant landlords. But if we continue to lose pubs at the current rate, and push people into drinking at home by default, that duty of care will be lost, which makes promoting responsible drinking more difficult.

I would request, therefore, that the Government do more than just support pubs, so they can start to thrive as vibrant community centres once again. However, I also appreciate the need to maintain our balanced approach to public finances and recognise that a cut in Beer Duty, across the board, may not be acceptable. As such, I would ask that the Treasury investigate creating differential Beer Duty rates that benefit pubs over supermarkets – this approach would allow for lower Beer Duty rates in pubs, offset by higher rates in off-trade retailers. This would clearly help support small business and I understand that this is something that could be examined in the context of our withdrawal from the European Union, which may occur before the next Budget. So, I would ask that this change be looked at with all seriousness. And as a minimum, I would be grateful if the Treasury could confirm whether this is something that could be done, even if it is just a theoretical position.

As an aside, I do accept that this change will impact on all off-trade retailers and would also ask that any such adjustment is narrowed onto large retailers only. For these large retailers, sales of beer only forms part of their turnover, whereas for pubs and small off-trade retailers, alcohol sales can be everything. That important point must be taken into account during any discussions of this proposal, so we do not damage small businesses.

Finally, and returning to my opening statement, I am sure that several of my colleagues will ask you to cut Beer Duty in the Budget later this year, and I would do the same. But if this is not possible, I would also ask, at the very least, that the freeze remains in place for another year, while we look at more progressive options for how to support these vital industries. And by protecting the community spirit and the responsible drinking promoted by our pubs, we will also help our ailing high streets. But once we lose these potential benefits, there is no guarantee that we can get them back!

Thank you as always for taking the time to read this letter, I look forward to your reply and would be grateful for a meeting to discuss this matter further.

With best wishes,



**Giles Watling MP**  
**Member of Parliament for Clacton**

---

<sup>1</sup> CAMRA – Save Our Pubs Campaign: <https://bit.ly/2DgMzX2>

<sup>2</sup> The Morning Advertiser – Pubs ‘contribute to a healthy high street’: <https://bit.ly/2UkZqx6>

<sup>3</sup> Long Live the Local – Why Cut the Beer Tax: <https://bit.ly/2V7nTu4>

<sup>4</sup> British Beer and Pub Association – UK Beer Market: <https://bit.ly/2IDdqzR>

<sup>5</sup> Office of National Statistics - Economies of ale: small pubs close as chains focus on big bars: <https://bit.ly/2DV3793>

<sup>6</sup> Office of National Statistics - Economies of ale: small pubs close as chains focus on big bars: <https://bit.ly/2DV3793>

<sup>7</sup> The Drinkaware Trust - Consumption: Adult drinking in the UK: <https://bit.ly/2Gs5qjR>

<sup>8</sup> The Guardian – CAMRA: more than half of UK adults struggle to afford to drink in pubs: <https://bit.ly/2ObEDt5>

<sup>9</sup> NHS Digital – Statistics on Alcohol, England, 2018 [PAS]: <https://bit.ly/2KLqlwQ>