IAS Institute of Alcohol Studies

AN INSTITUTE OF ALCOHOL STUDIES REPORT

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CONTENTS

GLOSSARY

ALMR: Association of Licensed Multiple Retailers. Trade organisation representing managed pubs and clubs, branded restaurants and cafes.

BBPA: British Beer and Pub Association. Trade organisation representing UK brewers and pubs

Branded Food Pub: Classification from CGA's segmentation, referring to chains of dry led pubs, with common branding, menus etc across locations eg Harvester, Beefeater

Business Rates: A property tax levied on businesses

CGA Strategy: Market research firm, specialising in the 'out of home' leisure market, including pubs

Circuit Bar: Classification from CGA's segmentation, referring to wet led venues, typically aimed at younger demographics, often in town centre locations eg Wetherspoons, O'Neills, student unions

Community Local Pub: Classification from CGA's segmentation, referring to 'traditional' wet led pubs, typically catering to a male clientele, often oriented towards lager and ale.

Dry Led Pub: Classification from CGA's segmentation, referring to pubs that generate a significant proportion of sales from food, typically over 30%

Duty: Tax levied on alcohol producers, usually reflected in prices to retailers and consumers

Off-trade: Places where alcohol is sold but not consumed on the premises eg supermarkets, off-licenses

On-trade: Places where alcohol is sold for consumption on the premises eg pubs, bars, clubs, restaurants, hotels

Rural Character Pub: Classification from CGA's segmentation, referring to 'destination' pubs in rural locations

VAT: Value Added Tax. A consumption tax levied on the sale of most goods and services

Wet Led Pub: Pubs where alcohol generates the vast majority of sales

EXECUTIVE SUMMARY

Key Points

There is significant common ground between public health bodies and publicans, and scope to develop policies approved of by both groups

Many publicans are deeply concerned about harmful alcohol consumption

Both see cheap alcohol in supermarkets and off-licences as a major issue to be addressed

Minimum unit pricing is an obvious way to address these issues, and is favoured by publicans

Publicans are also willing to support other measures such as a lower drink drive limit that they do not think will have an excessive negative impact on their business

Background

Pubs are widely considered an important part of Britain's culture and heritage, a major source of employment and potentially provide a less harmful drinking environment compared to home drinking. As a result, supporting pubs is a policy objective for politicians of all parties. However, the number of UK pubs has been in decline since at least 1980, and closures (particularly of traditional community 'wet led' pubs) have accelerated over the past decade. A wide range of theories have been advanced to explain this trend:

Theory	Description	Supporting Evidence
Social & Cultural Trends	Lower demand for pubs, due to falling alcohol consumption, declining working class/rural communities, alternative leisure activities and declining popularity of beer/ale	Difficult to test directly – yet to be empirically evaluated
Macroeconomic factors	Lower affordability of alcohol due to slow disposable income growth	Falls in disposable income have reduced affordability of alcohol, which is known to reduce alcohol consumption
Off-trade competition	Pubs undercut by supermarkets and off-licences	The price differential between on- and off-trade has increased, as has the number of on-trade outlets

Alcohol duty	Lower affordability due to higher taxes on alcohol	Rose between 2008 and 2013, but cut between 2013 and 2016, even as pub closures continued. Known to reduce alcohol consumption, but may have helped pubs by slowing switching from on- to off-trade
VAT	Pubs less price competitive because of higher VAT, especially on food	Raised in 2011, increasing the price of food in pubs but not in supermarkets, as well as the price of alcohol in both
Business rates	Pre-recession benchmarks blamed for high tax burden, raising costs	Period since revaluation has coincided with accelerating pub closures. However, rates have remained flat as a proportion of turnover
Smoking ban	Smoking ban seen as discouraging smokers from going to pubs	Self-reported sales declined after the introduction of the ban, and pub closures appear to have accelerated. However, international evidence suggests smoking bans have little effect on hospitality and cross-sectional evidence less clear
Drink Drive Limit	Lower legal blood alcohol limit in Scotland may have discouraged people from using pubs if they cannot drive home afterwards	Anecdotal and small-scale survey evidence of negative impact in Scotland from 2015, but formal evaluation yet to be released
Beer Tie	'Tied' pubs believed to be charged excessive costs by pub companies in exchange for subsidised rent	Evidence that tied pubs are less profitable; however, no directly comparable closure rates of tied and untied pubs
Rising Operating Costs	High food, property, fuel and satellite TV costs	Food price spike appears to have had some impact, though surveys suggest operating costs have fallen since 2009
Industry consolidation	Successful pubs have taken market share from competitors, running them out of business	Anecdotal evidence
Sale and Conversions	High property prices lead to sales to developers converting pubs to homes and retail sites	Anecdotal evidence

Policies often proposed to help pubs, such as cutting alcohol tax, loosening licensing restrictions and relaxing the smoking ban, often run counter to evidence-based public health policies. However, publicans are rarely directly consulted in the policy process, typically represented by trade organisations that must balance their interests against those of other members, such as brewers.

We wanted to speak to publicans to better understand the opportunities and challenges they face, their policy priorities and to discover whether common ground can be found between the pub trade and public health objectives. We commissioned CGA Strategy, the leading on-trade market research provider, to survey a representative sample of 103 pub managers in February 2017.

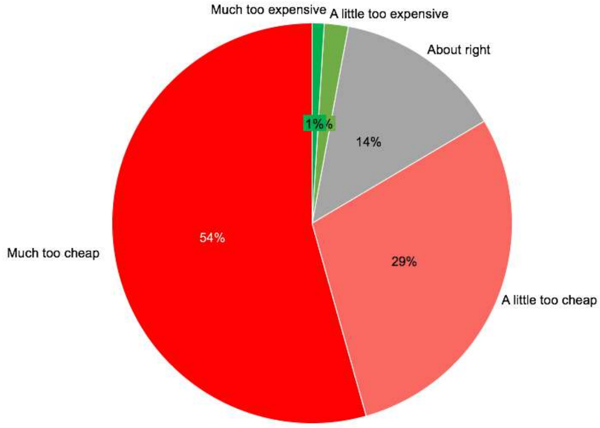
Survey Findings

- Contrary to the impression of crisis that dominates much of the debate around pubs, we found that publicans are generally optimistic about the state of the industry, with 53% predicting that this year will be better than the last.
- A common perception is that pub closures are the result of poor management and a failure to respond to market trends:

> ***"Rubbish pubs have gone, good ones remain"***

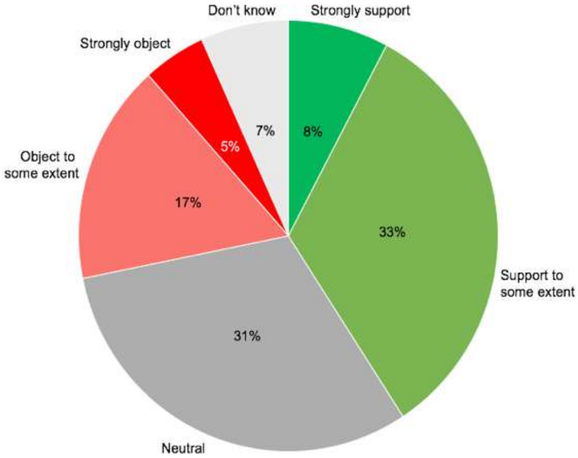
- This optimism is largely based on the opportunities provided by food sales, with 48% ranking the shift to food sales among the top three most promising developments for their businesses
- Intense competition is the other major commercial concern, with many publicans reporting improved sales following the closure of local competitors, but others fearing the negative impact of new openings (especially major chains such as Wetherspoons)
- Publicans acknowledge the negative consequences of drinking – 44% believe that the UK has an unhealthy relationship with alcohol
- In particular, cheap off-trade alcohol is seen as a grave danger, both to pubs' commercial fortunes and to the country's health:
- Supermarket competition is seen as the single greatest threat to pubs, with almost half (48%) of publicans rating it among their three biggest concerns
- 83% of publicans believe supermarket alcohol is too cheap, and 73% think increasing its price should be a priority for politicians in tackling alcohol problems

Generally speaking, how do you feel about the price of alcohol in supermarkets?

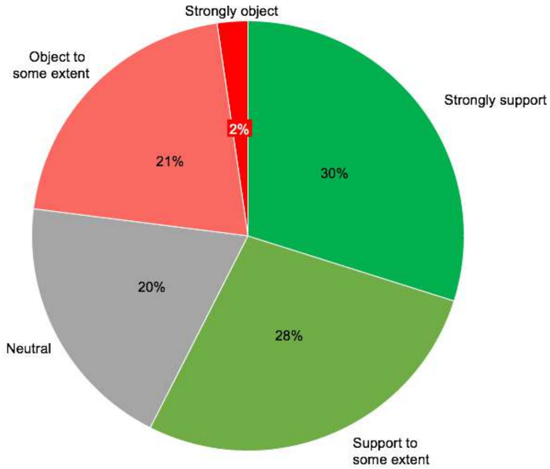


- Respondents were supportive of many policies to address alcohol-related harm
- Overall, **pub managers support minimum unit pricing** for alcohol, with 41% in favour to 22% against
- **Support for a lower drink drive limit is even stronger, with 58% of pub managers in England and Wales in favour** of following Scotland's lead on the issue

To what extent would you say you support or object to minimum unit pricing for alcohol?

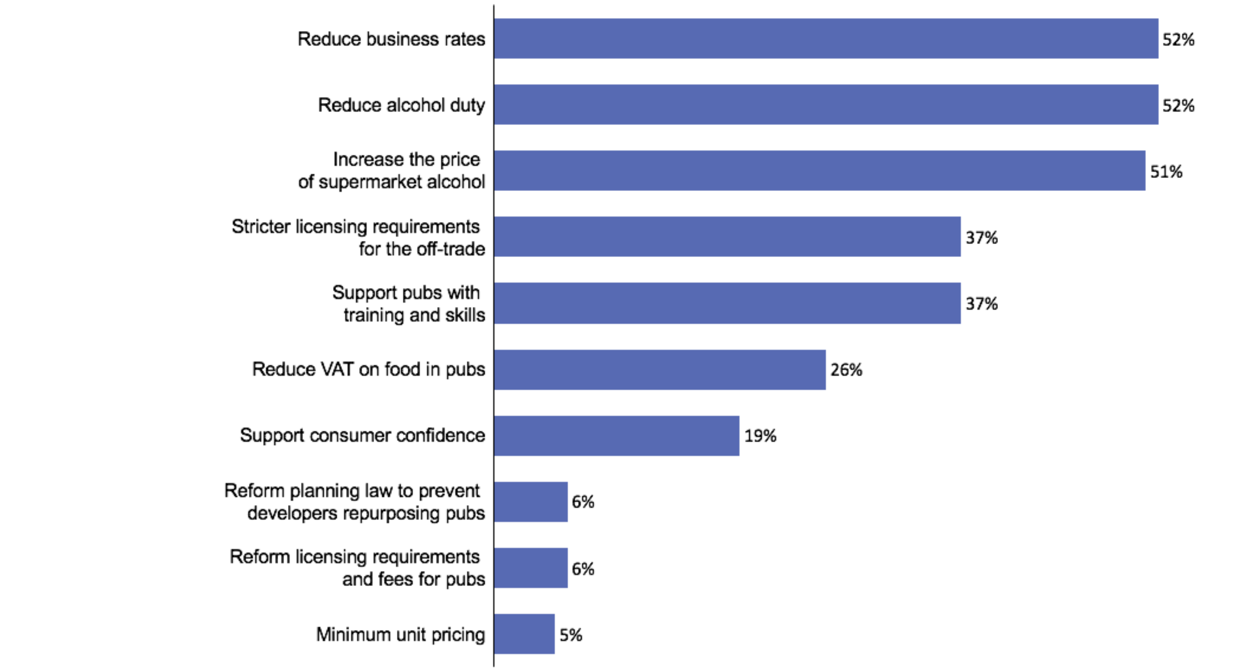


To what extent would you support or object to reduced drink drive limits being introduced in the rest of the UK? (England & Wales only)

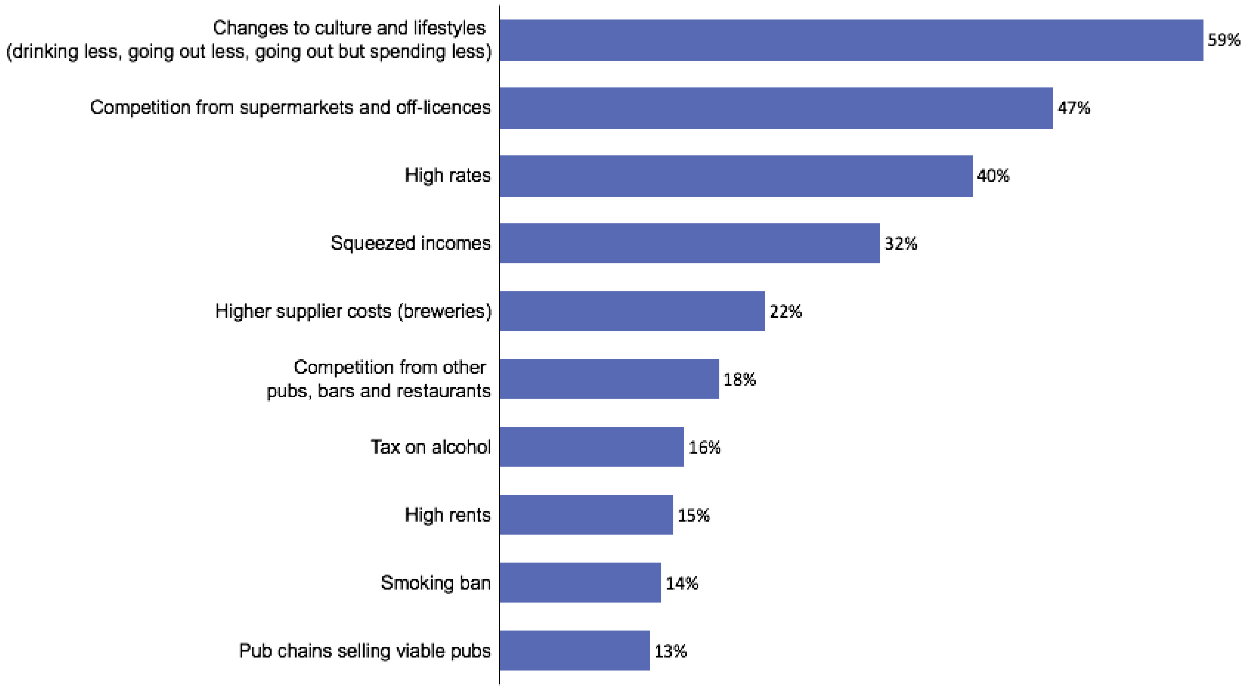


- All taxes are unpopular with publicans, but **business rates drew greater objections than alcohol duty and VAT**
  - While reducing all three were among the leading 'asks' for politicians, rates were more likely to be blamed for the pub closures, and were seen as a greater commercial threat

What are the top three things you would like politicians to do to support the pub trade? (% Ranking in Top 3)



What do you think are the main causes of pub closures in recent years? (% Ranking in Top 3)[1]

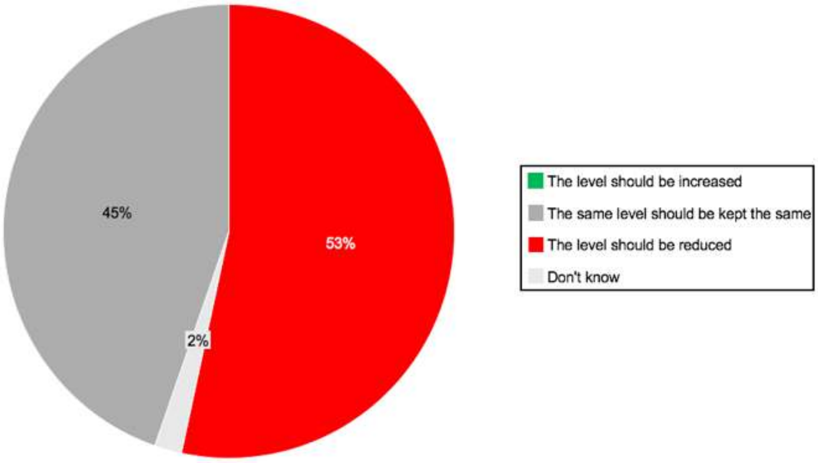


- Moreover, despite the general unpopularity of duty, **almost half of publicans are content with the current level of tax on alcohol**

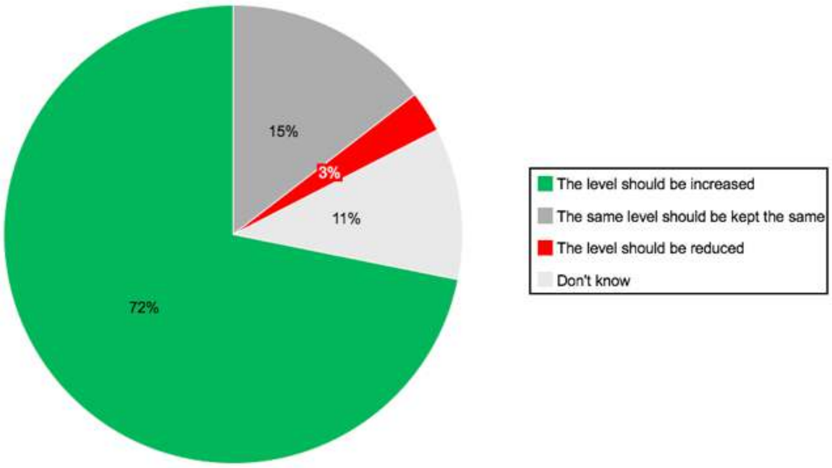
1 Top 10 ranked categories shown

- Indeed, **72% favour raising alcohol duty in supermarkets** (though this is not currently possible without raising duty in pubs)

Which of these statements best describes your view on what the government's position should be on alcohol taxes in pubs?



Which of these statements best describes your views on what the government's position should be on alcohol taxation in supermarkets?



INTRODUCTION

The British pub is an emotive subject. Across the country, millions of people regard their 'local' with a mix of affection, pride, loyalty and nostalgia. It should be no surprise, then, that pub closures arouse a passionate response. For many, pubs are an essential part of British culture, identity and heritage, which we have a duty to preserve.[2] Pubs can help sustain communities by bringing people together, especially in rural areas. They can act as a 'hub' for communication and coordination: areas with more pubs have been found to host more sporting events, youth activities and elderly organisations.[3] It is sometimes suggested the social etiquette of pubs encourages interaction with a wider array of people, creating more diverse social networks.[4] Pubs are also a major source of employment, accounting for over 400,000 jobs in the UK.[5] Indeed, the labour-intensive nature of pub work means that they generate a large number of jobs relative to their revenue.[6]

Pubs may also represent a less harmful drinking environment compared to home consumption.[7] Pub drinkers may consume less alcohol, because of higher pub prices, or because they are less likely to 'over-pour' their drinks.[8] Publicans can monitor the drinking of their customers, and (while poorly enforced) can face legal sanctions if they serve those who are already heavily intoxicated.[9] On the other hand, it is possible that drinking in pubs may increase the risk of violence by bringing together intoxicated people in a confined space. For example, one recent study found that the price of alcohol in the on-trade (pubs, clubs and bars) has a greater impact on alcohol-related violence than prices in the off-trade (supermarkets and off-licences), though in both cases cheaper alcohol increases rates of violence.[10] Then again, there is evidence to suggest that 'pre-loading' – drinking at home before going out to drink – is associated with heavier drinking and higher rates of violence.[11]

Some have concluded that the pub trade may be part of the solution. For example, having found that the majority of people arrested by Devon and Cornwall Police were drunk even before they reached their venue, Adrian Barton of Plymouth University argues "government policy needs to entice people back into the pubs and bars, especially for the crucial early evening period".[12]

2 Department for Communities and Local Government (2015), Pubs minister joins Beer Day Britain celebrations for Magna Carta Anniversary [Press Release]. Available from: <https://www.gov.uk/government/news/pubs-minister-joins-beer-day-britain-celebrations-for-magna-carta-anniversary> [Accessed 8 August 2017].

3 Mount, M. & Cabras, I. (2016), Community Cohesion and Village Pubs in Northern England: An Econometric Study, *Regional Studies* 50:7, pp1203-16.

4 Muir, R. (2012), *Pubs and Places: The Social Value of Community Pubs*. London: IPPR; Dunbar, R. (2016), *Friends on Tap: The Role of Pubs at the Heart of the Community*. St Albans: CAMRA.

5 ONS, Business Register and Employment Survey

6 Although it should be noted that this labour-intensity results in low productivity, and consequently pub jobs are amongst the lowest paying in the economy. See Bhattacharya, A. (2017), *Splitting the Bill: Alcohol's Impact on the Economy*. London: Institute of Alcohol Studies.

7 Morris, J. (2017), Pubs in 2017: diversify or demise?, *Alcohol Policy UK* (12 July) [online]. Available from: <http://www.alcoholpolicy.net/2017/07/pubs-in-2017-demise-or-diversify.html> [Accessed 8 August 2017].

8 Boniface, S., Kneale, J. & Shelton, N. (2012), Actual and Perceived Units of Alcohol in a Self-Defined 'Usual Glass' of Alcoholic Drinks in England, *Alcoholism: Clinical & Experimental Research* 37:6, pp978-83.

9 *Licensing Act 2003* (c.17). London: The Stationery Office.

10 Page, N. et al (2016), Preventing violence-related injuries in England and Wales: a panel study examining the impact of on-trade and off-trade alcohol prices, *Injury Prevention*. doi: 10.1136/injuryprev-2015-041884.

11 Boyle, A. et al (2010), *Preloading, where are the binge drinkers coming from?*. Cambridge: Cambridge University Hospitals NHS Foundation Trust; Hughes, K. et al (2008), Alcohol, nightlife and violence: the relative contributions of drinking before and during nights out to negative health and criminal justice outcomes, *Addiction* 103:1, pp60-5.

12 Ruddock, P. (2012), Government should encourage pub drinking to control alcohol violence, new research suggests, *Big*

For all these reasons, politicians of all parties and ideologies regularly express concern about the state of the pub industry, and seek policies to slow or reverse the rate of pub closures. Most notably, in 2016 the Government introduced a statutory Pubs Code, which aims to protect individual tenants from exploitation by the large pub companies that own their pubs.[13] The Department for Communities and Local Government has a dedicated minister for Community Pubs.[14] In 2015, the then incumbent Marcus Jones outlined his brief: "The Great British Pub is a national treasure which is why we are determined to protect it".[15]

Such sentiments extend far beyond the Conservative and Coalition governments. The Labour Party manifesto for the 2017 General Election promised a national review of the causes of pub closures and a taskforce to improve their sustainability.[16] Labour Mayor of London Sadiq Khan professed he was "shocked" at the rate of pub closures in London, insisting that they are "at the heart [of] the capital's culture".[17] As of May 2017, the All-Party Parliamentary Group for Pubs was chaired by a Labour MP and had Conservative and Green Party vice-chairs.[18] In 2015, UKIP announced a specific pub policy, stressing "UKIP believe that the pub is the beating heart of our communities".[19]

This political eagerness to support pubs has occasionally led to policies with a potentially negative impact on public health. Raising the price of alcohol through taxation is widely considered among the most effective ways to reduce alcohol-related harm, endorsed by the World Health Organization[20] and the Organisation for Economic Co-operation and Development.[21] Yet significant recent cuts to beer duty (which is 14% lower in real terms today than in 2012)[22] have been justified with reference to pubs. For example, in his 2016 Budget Statement, the then Chancellor George Osborne argued: "I've always been clear that I want to support responsible drinkers and our nation's pubs. 5 years ago we inherited tax plans that would have ruined that industry. Instead, the action we took in the last Parliament on beer duty saved hundreds of pubs and thousands of jobs".[23]

The interests of pubs and the objectives of public health also appear to have collided in the setting of licensing regulations. Attempts to consider health-related harms in the decisions to grant alcohol licences have been resisted by industry groups, such as the British Beer

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Hospitality (7 March). Available from <https://www.bighospitality.co.uk/Business/Government-should-encourage-pub-drinking-to-control-alcohol-violence-new-research-suggests>. [Accessed 8 August 2017].

13 Department for Business, Energy & Industrial Strategy (2017), Policy Paper: Pubs Code and adjudicator. Available from: <https://www.gov.uk/government/publications/pubs-code-and-adjudicator/pubs-code-and-adjudicator>. [Accessed 8 August 2017].

14 Though the role is formally Parliamentary Under Secretary of State at the Department for Communities and Local Government, the Government regularly uses the term 'Community Pubs minister' in its communications eg Department for Communities and Local Government (2015), op. cit.

15 Department for Communities and Local Government (2015), op. cit.

16 The Labour Party (2017), *For the Many Not the Few: The Labour Party Manifesto* 2017. Available from: <http://www.labour.org.uk/page/-/Images/manifesto-2017/Labour%20Manifesto%202017.pdf>. [Accessed 8 August 20170].

17 Townshend, G. (2017), Mayor vows to protect London pubs after more than 1,000 lost, *The Morning Advertiser* (19 April). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Mayor-vows-to-protect-London-pubs-after-more-than-1-000-lost?utm_source=newsletter_daily&utm_medium=email&utm_campaign=20-Apr-2017&c=rJ3svIf7DGWMF08TfG9CCzEzbt1GuRpK&p2=>. [Accessed 8 August 2017].

18 www.parliament.uk (2017), Register of All-Party Parliamentary Groups [as at 2 May 2017]. Available from: <https://www.publications.parliament.uk/pa/cm/cmallparty/170502/pubs.htm>. [Accessed 8 August 2017].

19 UKIP (2015), Saving the pub: A UKIP priority [online]. Available from: <http://www.ukip.org/saving_the_pub_a_ukip_priority#>. [Accessed 8 August 2017].

20 World Health Organization (2013), *Global Action Plan for the prevention and control of noncommunicable diseases 2013-2020*;

21 Sassi, F. et al (2013) The Role of Fiscal Policies in Health Promotion, *OECD Health Working Papers*, No 66, OECD Publishing.

22 Institute of Alcohol Studies (2016), *Budget 2016 analysis.* Available from: <http://www.ias.org.uk/uploads/pdf/IAS%20reports/sb10042016.pdf>. [Accessed 8 August 2017].

23 HM Treasury (2016), Budget 2016: George Osborne's speech. Available from: <https://www.gov.uk/government/speeches/budget-2016-george-osbornes-speech>. [Accessed 8 August 2017].

and Pub Association (BBPA) and the Association of Licensed Multiple Retailers (ALMR).[24] Cumulative Impact Policies, which create a presumption against granting additional licences within an area with a high concentration of existing licensed premises, can sometimes make it harder for pubs to open.[25]

Attempts to lower the drink drive limit in England, Wales and Northern Ireland, to bring it in line with most of the rest of Europe have also run into concerns about the impact of such a measure on pubs,[26] despite strong public support for the change.[27]

Even the Government's ostensibly health-focused 2012 alcohol strategy took pains to emphasise that "Well-run community pubs and other businesses form a key part of the fabric of neighbourhoods, providing employment and social venues in our local communities".[28]

What all this suggests is that supporters of evidence-based public health policy on alcohol need to engage with a distinctive set of policy issues and political considerations around pubs. This report is a first step in that direction. It seeks to understand the major trends in the pub market in recent years, and in particular to explore the causes of pub closures. Fundamentally, it aims to establish whether conflict between the promotion of public health and support for pubs is inevitable, or whether there may be ways to reconcile the two. We do this by speaking directly to the people who have most at stake in this debate, and yet who often struggle for a voice in the political conversation: ordinary publicans.

Section I provides background context, drawing on existing research and evidence to determine the scale and pace of pub closures in recent years, and to identify which types of pubs have been most affected. It then considers a range of theories as to why pubs have been closing, as well as the challenges pubs are likely to face in the months and years to come.

Section II reports the results of our survey of publicans. It describes their perceptions of the current state of the pub trade and its conditions and prospects. It identifies their key priorities, and consequently the areas where they would most like policymakers to focus their attention. It also canvasses publicans' opinions on specific policy measures that continue to be debated, including minimum unit pricing, alcohol duty, licensing reform and changing the drink drive limit.

24 Gross, O. (2016), Fears pubs could become victims of council "public health creep", *The Morning Advertiser* (18 May). Available from: <http://www.morningadvertiser.co.uk/Legal/Licensing-law/Fears-pubs-could-become-victims-of-council-public-health-creep>. [Accessed 8 August 2017]; Gilbert, H. (2016), Licensing 'should not be used for alcohol health objectives', *The Morning Advertiser* (10 November). Available from: <http://www.morningadvertiser.co.uk/Legal/Licensing-law/Licensing-should-not-be-used-for-alcohol-health-objectives>. [Accessed 8 August].

25 Snowdon, C. (2014), *Closing Time: Who's Killing the British Pub*. London: Institute of Economic Affairs; Winckworth Sherwood (2015), Pub industry group questions Brighton and Hove City Council licensing plans [online]. Available from: <http://www.wslaw.co.uk/knowledge-centre/industry-news/news-article/2131/pub-industry-group-questions-brighton-and-hove-city-council-licensing-plans>. [Accessed 8 August 2017].

26 Swinford, S. (2016), Rural pubs could close if drink drive limit is lowered, *The Telegraph* (10 February). Available from: <http://www.telegraph.co.uk/news/uknews/road-and-rail-transport/12150681/Rural-pubs-could-close-if-drink-drive-limit-is-lowered.html>. [Accessed 8 August 2017].

27 Fuller, E. & Simpson, I. (2016), Attitudes to alcohol: Findings from the 2015 British Social Attitudes survey. Available from: <http://www.bsa.natcen.ac.uk/latest-report/british-social-attitudes-33/alcohol.aspx>. [Accessed 8 August 2017].

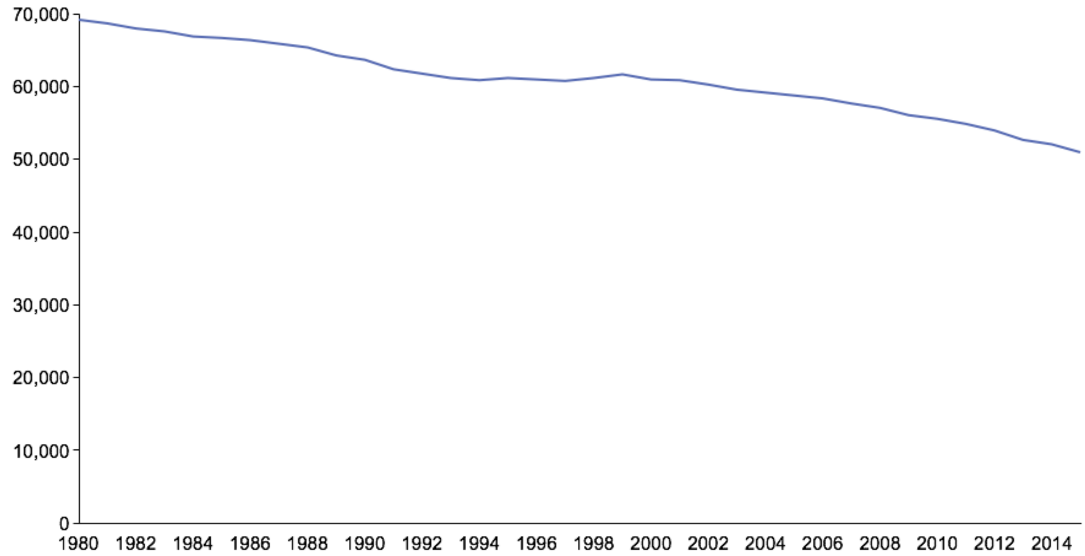
28 HM Government (2012), The Government's Alcohol Strategy. London: The Stationery Office.

SECTION I: BACKGROUND CONTEXT

How has the number of UK pubs changed in recent years?

There are around 50,000 pubs in the UK, although the precise number varies between different sources using different definitions of 'pub'.[29] Almost everybody agrees, however, that the number of pubs has been in decline for many years. Figure 1 shows the BBPA's estimate of the number of pubs in the country, which has fallen significantly since 1980.

Figure 1: Number of UK Pubs, 1980-2015[30]

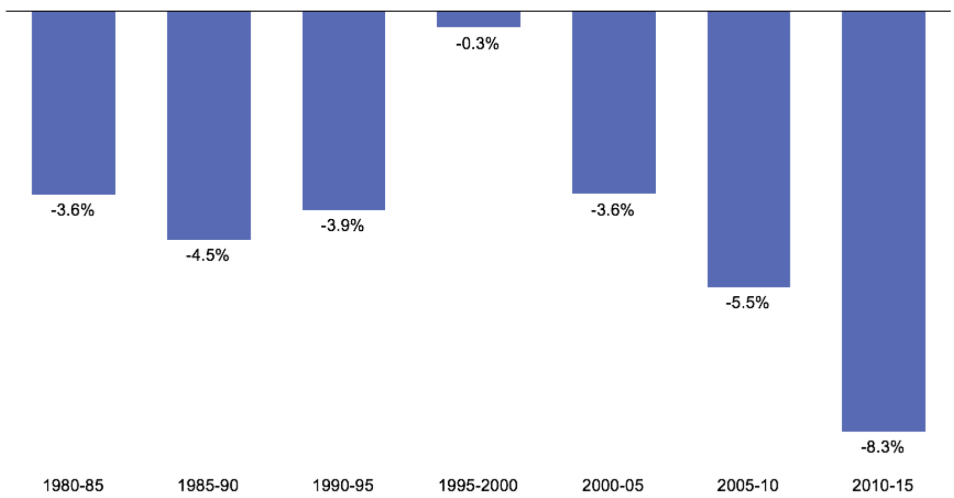


However, figure 2 shows that the rate of change appears to have accelerated in recent years, with a much bigger drop in pub numbers between 2010 and 2015 than any other five-year period since 1980.

29 British Beer & Pub Association (2016), *Statistical Handbook 2016*, Table E5; Berry, M. (2016), Pub Market Report: Optimism for on-trade growth, *The Morning Advertiser* (23 June). Available from: <http://www.morningadvertiser.co.uk/Operators/Other-operators/MCA-UK-Pub-Market-Report-2016>. [Accessed 8 August 2017].

30 British Beer & Pub Association (2016), op. cit., Table E5. The source contains no data for 1987, so this is assumed to be the average of 1986 and 1988.

Figure 2: Fall in pub numbers by five-year period[31]



The specialist on-trade market research agency CGA's data presents an even starker picture, suggesting that the combined number of pubs and bars fell by 20% between 2008 and 2016.[32] Other sources, such as CVS (20% fewer pubs between 2010 and 2016)[33] and MCA (7% decline between 2013 and 2016),[34] provide further evidence that there have been significant net closures.

At the same time, there has been a significant increase in the number of licensed off-trade premises (supermarkets and off-licences). The number of these in England and Wales rose by over 5,000 between 2008 and 2014, from 47,000 to 52,400.[35]

Which types of pub have been closing/opening?

Digging a little deeper, we can see that different types of pub have fared quite differently in recent years. One clear trend is the relative success of 'dry-led' pubs – outlets where food is a significant part of the service (sometimes defined as at least 30% of revenue), but still containing a prominent bar and perceived as a drinking establishment. According to CGA Strategy, there was a 22% increase in the number of such pubs between 2003 and 2016, though this growth occurred primarily between 2003 and 2007. CGA also suggest that this rise has been driven by branded chains (such as Harvester or Beefeater), with the number of independent food-led pubs falling in recent years, though not by as much as other types of pubs.

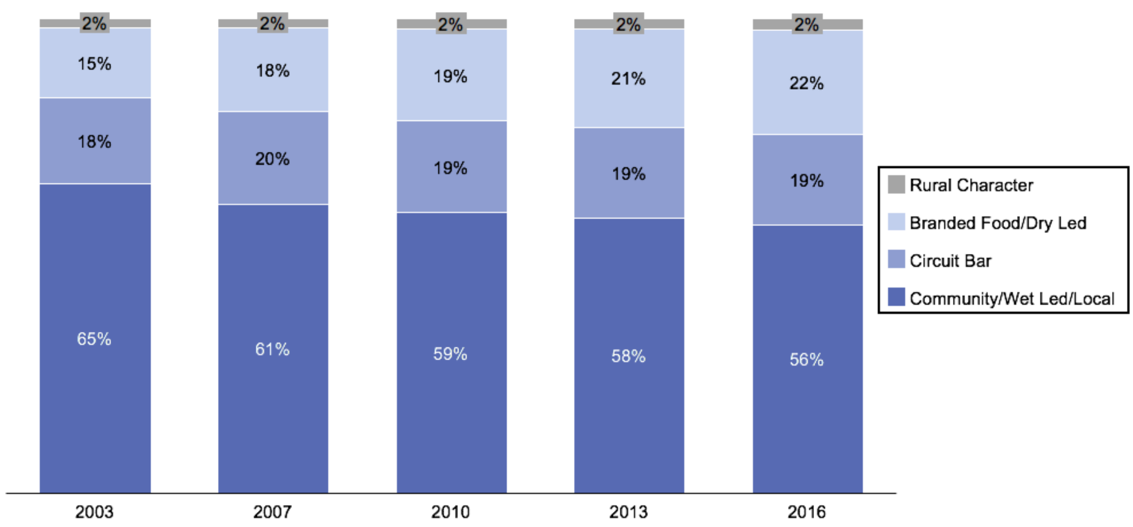
31 Ibid.
32 Unpublished analysis by Colin Angus, University of Sheffield of data from CGA Strategy. See Angus, C. et al (2017), Mapping Patterns and Trends in the Spatial Availability of Alcohol Using Low-Level Geographic Data: A Case Study in England 2003-2013, *International Journal of Environmental Research and Public Health* 14:4, doi:10.3390/ijerph14040406 for more details
33 CVS (2017), Rising business rates close four pubs per day [online]. Available from: <http://www.cvsuk.com/news-resources/blogs/rising-business-rates-close-four-pubs-day>. [Accessed 8 August 2017].
34 Berry, M. (2016), op. cit.; Willock, R.(2013), BBPA accused of 'duping' Government over pub closure figures, *The Morning Advertiser* (20 November). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Greg-Mulholland-pubs>. [Accessed 8 November 2017].
35 British Beer & Pub Association (2016), op. cit., Table E1.

The overwhelming majority of pub closures are of those categorised as 'wet-led' community locals – 'traditional' pubs, making most of their revenue from alcohol sales, typically lager and ale. CGA estimate that a quarter of these shut down between 2003 and 2016, with a steady stream of closures throughout the period.

There has also been a significant decline in the number of 'circuit bars' – wet-led bars, typically aimed at a younger clientele, and often located in central parts of town – for example O'Neill's, or student bars – which have fallen by 16% since 2003. This is despite the fact that this category includes the Wetherspoons chain, which grew from 638 to 926 outlets over the period.[36]

Figure 3 shows how the share of different types of pub has changed over time.

Figure 3: Proportion of UK pubs by type, 2003-16[37]

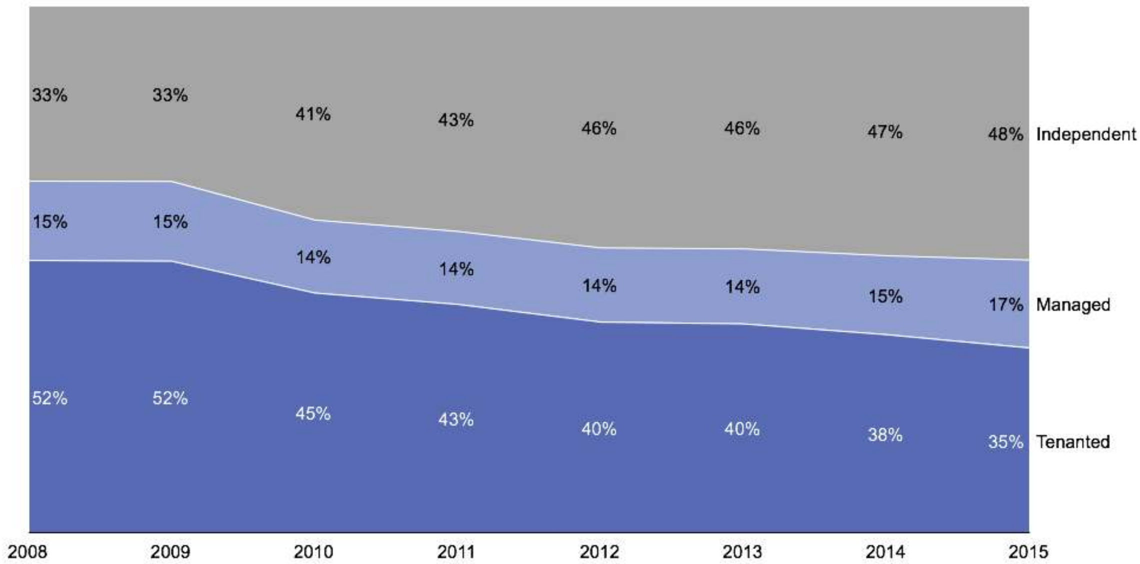


We can also compare pubs by their ownership structure. BBPA data indicates that net closures have been highest amongst tenanted pubs – that is, pubs whose managers rent their premises from a brewery or pub company. The number of tenanted pubs fell dramatically between 2008 and 2015, declining by 40%. By contrast, the number of 'managed' pubs, run directly by breweries or pub companies, and managed by an employee without a stake in the business, only decreased by 1%. The number of independent pubs actually increased over the period, rising 30%, though this may include pubs sold off by pub companies.

36 JD Wetherspoon plc (2013), *Annual report and accounts 2003*; JD Wetherspoon plc (2016), *Annual Report and Financial Statements 2016*

37 Unpublished analysis by Colin Angus, University of Sheffield of data from CGA Strategy.

Figure 4: Proportion of UK pubs by ownership structure, 2008-15[38]



Why have so many pubs been closing?

A vast array of theories have been advanced to explain why pubs are closing. This section summarises the most prominent, drawing on academic and think tank research, as well as discussions in the popular press. In-depth evaluation of these theories is beyond the scope of this report – the objective here is primarily to just lay them out, so as to describe the state of the debate prior to our survey.

III.a Social & Cultural Trends

One set of explanations ties pubs' difficulties to long-term adverse social and cultural trends. One such trend is the shift towards lower levels of drinking – per capita alcohol consumption has fallen by 14% in England and Wales since 2005.[39] Indeed, the slower rate of pub closures in the late 1990s and early 2000s fits with the increases in drinking over that period.[40]

However, this does not get us very far, for two reasons. First, there is an element of 'chicken and egg' about the relationship between spending in pubs and overall alcohol consumption – are people spending less in pubs because they are less inclined to drink alcohol, or are they drinking less because they are spending less time in pubs? Second, attributing pub closures to lower levels of drinking does not tell us very much unless we know *why* people are choosing to drink less.

38 British Beer & Pub Association (2016), op. cit., Table E5.
39 NHS Health Scotland (2017), Nielsen CGA Sales Dataset. Available from: <http://www.healthscotland.scot/publications/mesas-monitoring-report-2017>. [Accessed 8 August 2017].
40 Ibid.

There are numerous factors that may have shifted social attitudes and preferences regarding alcohol. One possibility is that there is now greater concern about health or higher awareness of the harms associated with drinking than in the past.[41] Another is that tougher enforcement of drink driving laws, accompanied by lower social acceptability of the practice, has discouraged drinking.[42]

Some have linked the change to declining working class and rural communities,[43] where the role of the pub has been undermined by the loss of industry or the development of 'dormitory villages', dominated by commuters and second homes.[44] The greater transience of modern populations, with less knowledge of and attachment to local landmarks like pubs, has also been suggested as a contributory factor.[45]

The growing array of alternative leisure activities and ways to socialise may also have squeezed out the role of pubs in people's lives.[46] People may be more likely to go to restaurants, the cinema, theatre or sporting events nowadays, perhaps because they are more affordable than for previous generations. Moreover, staying in at home, rather than going out, may have become more attractive, as a result of improvements in housing and home entertainment, as well as the advent of the internet.

Others point to changing tastes as a cause of alcohol's decline. Pubs are most closely associated with beer, yet drinking preferences have shifted towards wine.[47] Even among beer drinkers, the shift from ale and stout, which many believe tastes better from draught than from a bottle, towards lager, where there is held to be less difference in quality, may have weakened the appeal of pubs.[48]

III.b Macroeconomic Factors

No account of the decline of pubs in the UK can avoid giving a central role to the unfavourable macroeconomic context.[49] Slow growth in disposable income means that alcohol becomes less affordable, and the affordability of alcohol is one of the key determinants of the level of alcohol consumption.[50] Over the long term, alcohol affordability has risen substantially, as a

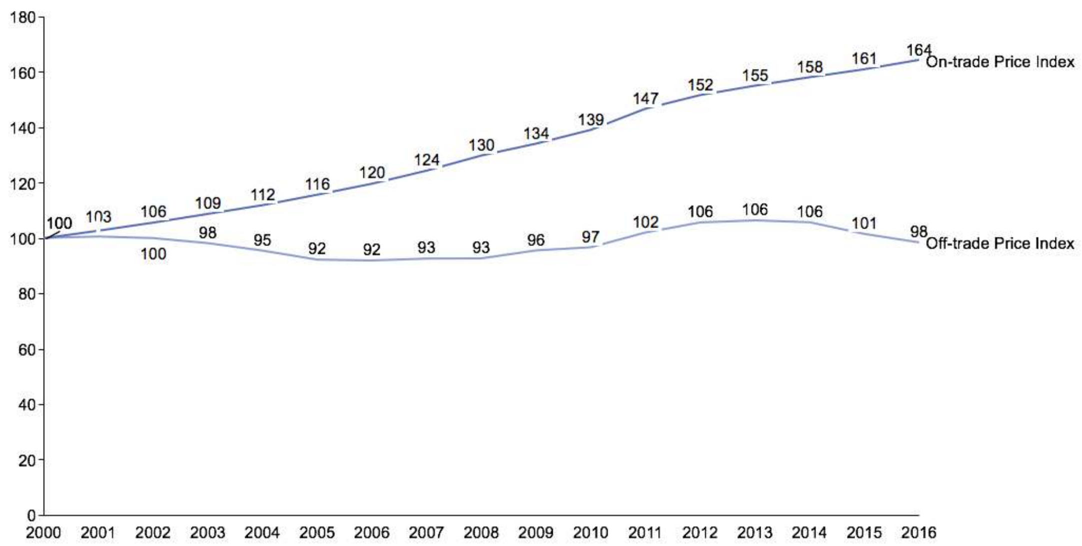
41 Muir, R., op. cit.; Doward, J. & Latimer, C. (2013), Brewers fear job losses as UK cuts back on drinking, *The Guardian* (6 October). Available from: < https://www.theguardian.com/society/2013/oct/06/uk-loses-taste-for-alcohol>. [Accessed 8 August 2017].
42 Muir, R., op. cit.
43 Bowlby, C. (2014), The decline of the pub: what can we learn from history?, *History Extra* (21 June). Available from: <http://www.historyextra.com/feature/food/decline-pub-what-can-we-learn-history>. [Accessed 8 August 2017].
44 Muir, R., op. cit.
45 Ibid.
46 Bowlby, C., op. cit.; Muir, R., op. cit.; Thompson, C. (2012), Pubs suffer as youngsters drink at home, *Financial Times* (August 10). Available from: < https://www.ft.com/content/7e7d86f8-e2fa-11e1-a78c-00144feab49a>. [Accessed 8 August 2017]; Wheeler, B. (2013), The places where the pubs are boarded up, *BBC News Magazine* (14 August). Available from: <http://www.bbc.co.uk/news/magazine-21713311>. [Accessed 8 August 2017].
47 Andrews, D. & Turner, S. (2012), Is the pub still the hub?, *International Journal of Contemporary Hospitality Management* 24:4, pp252-62; Hickman, M. (2008), The Big Question: Why are so many pubs shutting down, and is their decline bad for society?, *Independent* (6 March). Available from: <http://www.independent.co.uk/news/uk/home-news/the-big-question-why-are-so-many-pubs-shutting-down-and-is-their-decline-bad-for-society-792022.html>. [Accessed 8 August 2017]; Economist (2017), Why it is closing time for so many London pubs, *Economist* (10 July). Available from: <https://www.economist.com/blogs/graphicdetail/2017/07/daily-chart-4>. [Accessed 8 August 2017].
48 Snowdon, C., op. cit.
49 Hickman, M., op. cit.; Muir, R., op. cit., Department for Business, Innovation & Skills (2013), Pub companies and tenants consultation: Online survey responses. Available from: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/265477/Survey_Monkey_online_pubs_responses_to_the_consultation.pdf>. [Accessed 8 August 2017].; Hall, J. (2012), Pub closures rise due to beer tax, campaigners warn, *Telegraph* (1 November). Available from: <http://www.telegraph.co.uk/foodanddrink/foodanddrinknews/9646395/Pub-closures-rise-due-to-beer-tax-campaigners-warn.html>. [Accessed 8 August 2017].
50 University of Stirling, Alcohol Health Alliance & British Liver Trust (2013), *Health First: an evidence-based alcohol strategy for the UK*. Stirling: University of Stirling, p18; Wall, M. & Casswell, S. (2013) Affordability of alcohol as a key driver of alcohol demand in New Zealand: a co-integration analysis, *Addiction* 108:1, pp72-9

result of income growth and low supermarket prices – NHS Digital estimates that affordability is 44% higher today than in 1980.[51] However, between 2007 and 2009, in the wake of the recession, affordability fell by 4%, and only recovered to its 2007 level in 2016.[52] As we shall see below, this is at least partially attributable to increases in alcohol tax, but squeezed incomes also clearly played a role. As figure 1 shows, the acceleration of pub closures does coincide with the economic downturn (just as the recession of the early 1990s was associated with an increase in the rate of pub closures).

III.c Off-trade Competition

The widespread availability and cheapness of supermarket alcohol is another economic trend cited by many as an important contributory cause to pub closures.[53] The price of beer in the on-trade (pubs, bars, clubs, restaurants and hotels) rose by over 60% more than the price of beer in the off-trade (supermarkets and off-licences) between 2000 and 2016.[54]

Figure 5: On-trade and Off-trade Beer Price Index, 2000-16 (Indexed, 2000=100)[55]



At the same time, the number of off-trade outlets increased significantly. In 2003, the average English household lived within 1 km of 6.7 off-trade outlets, but by 2013 this had risen to 9.1.[56] Consequently, it is argued that pubs have simply been undercut by the off-trade, drawing away their customers.

51 NHS Digital (2017), Statistics on Alcohol, England, 2017.

52 Ibid.

53 Department for Business, Innovation & Skills, op. cit.; Muir, R., op. cit., Hickman, M., op. cit.; Daigle, T. (2017), Farewell to London pubs? They're closing at an unprecedented rate, *CBC News* (5 May). Available from: <http://www.cbc.ca/news/world/london-pubs-closing-1.4098833>. [Accessed 8 August 2017]; Hall, J., op. cit.; Wheeler, B., op. cit.

54 Bhattacharya, A. (2016), Beer duty cuts – don't believe the hype, *Institute of Alcohol Studies Blog* (27 September). Available from: <http://www.ias.org.uk/Blog/Beer-duty-cuts-dont-believe-the-hype.aspx>. [Accessed 8 August 2017].

55 Office for National Statistics (2017), Time Series: RPI: alcoholic drink: beer on sales (Jan 1987=100). Available from: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/dobi/mm23>. [Accessed 9 August 2017]; Office for National Statistics (2017), Time Series: RPI: alcoholic drink: beer off sales (Jan 1987=100). Available from: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/dobj/mm23>. [Accessed 9 August 2017].

56 Angus, C. et al (2017), op. cit.

III.d Alcohol Duty

The price competitiveness of pubs is also influenced by consumption taxes that pubs pass onto their consumers, primarily alcohol duty and value added tax (VAT). The alcohol duty escalator, introduced in 2008, ensured that the alcohol taxes rose by 2% above the rate of inflation each year, before it was scrapped for beer in 2013 and for wine, spirits and cider in 2014.[57] However, subsequent cuts to alcohol duty mean that in real terms beer duty is now 14% lower than in 2012, cider and spirits duty are 6% lower and wine duty is unchanged.[58]

It is often argued that the level of alcohol duty prices customers out of drinking in pubs.[59] It does appear to have contributed to higher prices for on-trade alcohol relative to other goods: the average price of on-trade beer rose by 2.9% above inflation between 2008 and 2013, although it continued to exceed inflation even between 2013 and 2016, when duty was being cut.[60] Higher alcohol taxes are in general associated with lower overall alcohol consumption.[61]

However, when alcohol taxes rise, the price differential between the off-trade and on-trade appears to grow more slowly.62 One reason for this may be that supermarkets are better placed to negotiate lower prices from suppliers when duty is cut, and so can lower their prices by more than pubs, whereas duty rises tend to be passed on to consumers in both the on- and off-trade. Another factor is that since prices are lower in the off-trade, tax accounts for a larger proportion of the retail price of off-trade alcohol. Consequently, an increase in duty has a proportionately greater effect on the price of products in the off-trade, if fully passed through. For example, a 10p increase in beer duty would add 10% to the price of a £1 supermarket beer, but just 3% to the price of a £3 supermarket beer.

This suggests that higher alcohol taxes have two effects. First, people drink less alcohol overall. Second, the price differential between pubs and the off-trade is narrower, so people drink a higher share of their alcohol in pubs. The first effect implies lower pub sales, the second implies higher pub sales. Thus the net effect on pubs is ambiguous.

III.e VAT

The pub industry benefited from a temporary VAT reduction from 17.5% to 15% in 2009/10, but this was increased to 20% in 2011/12, where it has remained since.[63] The negative effect on pubs of VAT, which unlike alcohol duty has to be passed on in full to consumers, is less contested – a higher rate of VAT means higher prices in pubs, and so weakens demand. Trade bodies have seen VAT on food as a particular source of disadvantage, since it is levied on food in pubs but not in supermarkets.[64] This is because food prepared for consumption on

57 Institute of Alcohol Studies, The price of alcohol. Available from: <http://www.ias.org.uk/uploads/pdf/Factsheets/FS%20price%20032017.pdf >. [Accessed 8 August 2017].

58 Institute of Alcohol Studies (2016), Budget 2016 analysis, op. cit.

59 CEBR (2015), Scrapping the beer duty escalator – benefits to consumers, pubs and brewers. London: CEBR; Snowdon, C., op. cit.; Department for Business, Innovation & Skills, op. cit; Davies, R. (2016), Pricey pints blamed as 21 British pubs a week call time at the bar, *The Guardian* (10 August). Available from: <https://www.theguardian.com/lifeandstyle/2016/aug/10/pricey-pints-blamed-as-21-british-pubs-a-week-call-time-at-the-bar>. [Accessed 8 August 2017]

60 The rate of on-trade beer inflation was taken from the RPI: alcoholic drink: beer on sales (Jan 1987=100) time series; the general rate of inflation from the RPI All Items Index: Jan 1987=100. See ONS (2017), Time series explorer. Available from: <https://www.ons.gov.uk/timeseriestool>.

61 Wagenaar, A.C., Salois, MJ. & Komro, K.A. (2009), Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies, *Addiction* 104:2, pp179-90.

62 Bhattacharya, A. (2016), op. cit.

63 Institute of Fiscal Studies, Fiscal facts: tax and benefits. Available from: <https://www.ifs.org.uk/tools_and_resources/fiscal_facts/>. [Accessed 8 August 2017].

64 Sutherland, E. (2016), Trade bodies join forces on VAR campaign, *The Morning Advertiser* (13 April). Available from: <http://www.

premises is liable for VAT, but not retail supplies of groceries or cold takeaway foods.[65] This, it has been alleged, exacerbates supermarkets' price advantage, and so reduces demand for pubs.

III.f Business Rates

Business rates – taxes levied on commercial property – have also been blamed for pub closures.[66] For most businesses, rates are calculated on the estimated rental value of their property. However, it is difficult to obtain a meaningful open market rental value for a pub, because pub rents are obscured by the beer tie (see below), and because a licence to sell alcohol adds to the value of a property.[67] Consequently, business rates for pubs are calculated based on the level of revenue a pub is expected to generate if run efficiently, based on the type of premises, the area it is in and the services it offers.[68] The level of business rates has been the source of significant controversy, particularly in recent years, and in the 2017 Budget Chancellor Phillip Hammond felt compelled to provide a specific discount on rates for most pubs. Business rates are revalued every five years, and based on trading conditions two years prior to the revaluation. The 2015 revaluation was delayed, with the consequence that prior to April 2017, pubs' business rates were calculated on the basis of rateable values from 2008.[69] Some have suggested this led to excessively high rates, failing to reflect the worsened trading conditions since the recession.[70] As a result, business rates are claimed to have put severe pressure on pub profit margins, with some managers reporting paying more in rates than in rent. It is notable that the period since revaluation has coincided with an acceleration in pub closures.[71] However, the Office for National Statistics' Annual Business Survey suggests that on average pubs and bars are paying similar levels of business rates today as in 2008: around 4% of turnover.[72]

III.g Smoking Ban

Other government policies have been implicated in reducing spending in pubs – most notably the ban on smoking in public places, introduced in Scotland in 2006 and in England, Wales and Northern Ireland in 2007. It is commonly argued that this discouraged smokers from going to pubs – because people who enjoy smoking and drinking at the same time are no longer able to do so in the pub (but can do so at home), and more generally because the ban creates a less hospitable environment for smokers, who regularly have to leave the

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morningadvertiser.co.uk/Legal/Legislation/Trade-bodies-join-forces-on-VAT-campaign>. [Accessed 8 August 2017].

65 HM Revenue & Customs (2013), VAT Notice 709/1: catering and take-away food. Available from: <https://www.gov.uk/government/publications/vat-notice-7091-catering-and-take-away-food/vat-notice-7091-catering-and-take-away-food>. [Accessed 8 August 2017].

66 You and Yours (2017), Pub closures, supermarket prices, Dog grooming parlours, *BBC Radio 4* (15 February, 12:15). Available from: <http://www.bbc.co.uk/radio/player/b08dmkgb>. [Accessed 8 August 2017], CVS, op. cit.; Hickman, M., op. cit.; Perrett, M. (2017), First pubs close due to spiralling business rates, *The Morning Advertiser* (11 July). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/First-pubs-close-due-to-spiralling-business-rates>. [Accessed 8 August 2017].; Woolfson, D. (2017), Tim Martin: pubs 'destined for further decline' without tax relief, *The Morning Advertiser* (23 February). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Tim-Martin-pubs-destined-for-further-decline-without-tax-relief?utm_source=newsletter_daily&utm_medium=email&utm_campaign=23-Feb-2017&c=rJ3svIf7DGWM%2Fgo3F86L308YXEnA%2FRwF&p2=>. [Accessed 8 August 2017].

67 Sandford, M. (2017), Business rates, *House of Commons Library Briefing Paper Number 06247*.

68 Gov.uk, Business rates. Available from: <https://www.gov.uk/introduction-to-business-rates/pubs-and-licensed-trade>.[Accessed 8 August 2017].

69 Coleman, L. (2016), Q&A on the 2017 business rates revaluation, *The Morning Advertiser* (13 October). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Business-rates-changes-2017-Q-A>. [Accessed 8 August 2017].

70 You and Yours, op. cit.

71 CVS, op. cit.

72 ONS, Annual Business Survey

premises to smoke.[73] On the other hand, it is also argued that the smoking ban creates a more pleasant atmosphere for non-smokers, who may be more likely to visit pubs that are smokefree.[74]

Initial evaluations indicate that the smoking ban did have a negative impact on self-reported sales in pubs, at least in the short run.[75] It has also been noted that the introduction of the smoking ban coincided with an acceleration of pub closures in England, Scotland and Wales.[76] This is, however, inconsistent with international evidence suggesting that smoking bans have had a limited financial impact on the hospitality industry (though it may be the case that pubs are more vulnerable than hotels or restaurants).[77] It is also notable that cross-sectional analysis found only a weak relationship between rates of smoking and pub closures in an area, a correlation that may be accounted for by confounders such as the fact that smoking rates are higher in more deprived areas.[78] The fundamental issue bedevilling any evaluation of the impact of the smoking ban is that it closely coincided with the recession (or rather the squeeze on disposable income that predated it and began in 2006), and then subsequent changes in tax policy. Isolating the impact of the policy is therefore extremely tricky.

III.h Drink Drive Limit

A more recent piece of regulation that has reportedly caused alarm in parts of the pub trade is the Scottish Government's reduction of the legal drink drive limit in December 2014 from a blood alcohol concentration of 80mg/100ml to 50mg/100ml.[79] This has led to concern that people may be less likely to drink in pubs if they feel unable to drive home afterwards – with a particular focus on rural areas with more limited public transport.[80] Anecdotal evidence and small scale surveys suggest a negative impact on pubs[81], but the results of a formal evaluation are yet to be published.

III.i Beer Tie

One of the most controversial issues in the pub trade in recent years is the 'beer tie', which was identified by 91% of pub tenants as one of their three biggest challenges in a 2013 government survey (although the sample was self-selected, covered pub tenants only, and the survey was part of a government review of the beer tie, all of which may have contributed to inflating this figure). The 'beer tie' refers to the system whereby pub companies rent their

73 Lyons, R. (2017), *Road to Ruin? The impact of the smoking ban on pubs and personal choice*. Cambridge: Forest; Andrews & Turner, op. cit.; Hickman, M., op. cit.
74 Townshend, G. (2017), 'We don't need to go back to the days of stinking like a rancid ashtray': Your reactions to pro-smoking group's call to review smoking ban, *The Morning Advertiser* (27 June). Available from: <http://www.morningadvertiser.co.uk/Legal/Health-safety/Your-reactions-to-pro-smoking-group-s-call-to-review-smoking-ban?utm_source=newsletter_daily&utm_medium=email&utm_campaign=28-Jun-2017&c=rJ3svIf7DGVrLxPCi9gFU6%2Bjlee8nxJe&p2=>. [Accessed 8 August 2017].; Muir, R., op. cit.
75 Adda, J,, Berlinski, S. & Machin, S. (2006), Short-run economic effects of the Scottish smoking ban, *International Journal of Epidemiology* 36:1, pp149-54.
76 Mellows, P. (2010), Smoke ban 'is main cause' of pub losses, *The Morning Advertiser* (3 September). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Smoke-ban-is-main-cause-of-pub-losses>. [Accessed 8 August 2017].
77 Bauld, L. (2011), The Impact of Smokefree Legislation in England: Evidence Review. Bath: University of Bath.
78 IPPR, p13
79 Scottish Government (2014), Lower Drink drive limit. Available from: <https://news.gov.scot/news/lower-drink-drive-limit-2>. [Accessed 8 Augsut 2017].
80 Valentine, C. (2016), Drink-drive limits have hurt rural pub industry, *The Scotsman* (25 July). Available from: <http://www.scotsman.com/news/opinion/colin-valentine-drink-drive-limits-have-hurt-rural-pub-industry-1-4186290>. [Accessed 8 August 2017].
81 Mellows, P (2016), How Scotland's drink-drive law has changed pubs, *The Morning Advertiser* (6 December). Available from: <http://www.morningadvertiser.co.uk/Drinks/Soft-Hot-Drinks/How-Scotland-s-drink-drive-law-has-changed-pubs>. [Accessed 8 August 2017].

premises to managers at subsidised below-market rents, on the condition that they purchase certain drinks and supplies from the pub company, typically at a significant premium to the market price. It was alleged that this system imposed excessive costs on tied pubs, which were less profitable on average than untied pubs.[82] As mentioned above, this led to the Government's introduction of a statutory Pubs Code in 2016, which seeks to ensure that tied pubs are no worse off than untied pubs. Specifically, the code ensures that tied pub tenants can have their rent regularly reviewed, and provides the option for them to release themselves of the tie and revert to market rents.[83] The higher costs associated with the beer tie system were blamed by many for pub closures.[84] On the other hand, it has also been suggested that the end of the beer tie system will encourage pub companies to close down their pubs.[85] Unfortunately, closure rates for tied and untied pubs are not publicly available, making it difficult to test the impact of the beer tie directly.[86]

III.j Rising Operating Costs

Other operating costs have also been blamed for reducing pubs' profitability, and so their viability. Pubs were affected by the global food price spike in 2007-08.[87] Property and fuel costs have been a major burden for some.[88] Rising charges for satellite TV, necessary for broadcasting major sporting events, have also increased operating costs.[89] However, in recent years operating costs appear to have declined. The Annual Business Survey estimates that purchasing costs for pubs and bars declined from 58% to 51% of turnover between 2008 and 2015 (though the first figure may have been inflated by high food prices).[90] Similarly, the ALMR's benchmarking survey shows little change in average operating costs since 2009.[91]

III.k Industry Consolidation

Another explanation for pub closures focuses on the competitive dynamics within the pub industry. The number of viable pubs depends not only on how much money the industry generates as a whole, but also how that revenue is shared between pubs. It has been suggested that more successful pubs have essentially out-competed less successful pubs, stealing their market share and running them out of business.

82 Hope, K. (2014), Q&A: Calling time on the beer tie, *BBC News* (19 November). Available from: <http://www.bbc.co.uk/news/business-30114911>. [Accessed 8 August 2017].
83 Department for Business, Energy & Industrial Strategy (2017), op. cit.
84 McVeigh, C. (2010), How the beer tie is killing our pubs, *The Guardian* (19 October). Available from: <https://www.theguardian.com/lifeandstyle/wordofmouth/2010/oct/19/beer-tie-oft-pub-trade>. [Accessed 8 August 2017]; Cunliffe, P. (2010), Beer tie blamed for pub closures, *Express* (29 August). Available from: <http://www.express.co.uk/finance/city/267864/Beer-tie-blamed-for-pub-closures>. [8 August 2017]; Thompson , C. (2011), Alarm over increase in rate of pub closures, *Financial Times* (24 November). Available from: <https://www.ft.com/content/cc94706c-16be-11e1-a45d-00144feabdc0?mhq5j=e3>. [Accessed 8 August 2017].
85 Anderson, E. & Martin, B. (2014), Pub shares plunge as pub landlords claim beer tie 'victory', *The Telegraph* (19 November). Available from: <http://www.telegraph.co.uk/finance/markets/11239970/Pub-shares-plunge-on-beer-tie-fears.html>. [Accessed 8 August 2017].
86 APPG Save The Pub Group (2013), *Pub Closures: The Truth*
87 Lutrario, J. & Harrington, J. (2008), Pubs struggle with 7.4% record food inflation, *The Morning Advertiser* (31 January). Available from: <http://www.morningadvertiser.co.uk/Pub-Food/News/Pubs-struggle-with-7.4-record-food-inflation>. [Accessed 8 August 2017].
88 Hickman, M., op. cit.
89 Andrews & Turner, op. cit.; Muir, R., op. cit.; Berry, M. (2016), Sky reveals hefty price hike ahead of new football season, *The Morning Advertiser* (14 June). Available from: <http://www.morningadvertiser.co.uk/Running-your-pub/Sport/Sky-price-increase-for-pubs-and-clubs>. [Accessed 8 August 2017].
90 ONS, Annual Business Survey
91 Nicholls, K. (2016), Benchmarking Success – Highlights of the ALMR Christie & Co Benchmarking Report 2016. Available from: <https://www.christie.com/christieMediaLibraries/christie/PDFs-Publications/Pubs/ALMR-Christie-Co-Benchmark-Report-2016.pdf?ext=.pdf>. [Accessed 8 August 2017].

Such an account is consistent with the expansion of major pub chains – most notably, Wetherspoons, which grew by 47% from 628 pubs in 2003 to 926 in 2016.[92] Anecdotally, publicans have linked the opening of a Wetherspoons pub in area to an acceleration in the closure rate of local competitors.[93] This is often attributed to the economies of scale associated with such large enterprises, which allows them to sell more cheaply at a lower margin.[94]

Conversely, some have suggested that many closures are attributable to pubs' failure to adapt to changing market circumstances.[95] The BBC's Mark Easton claims "The pubs that are closing, overwhelmingly, are those that existed to serve customers who came to drink and to smoke. Without the beguiling fug of tobacco smoke and the draw of cheap beer, such places find it much harder to survive", and that such outlets are being outcompeted by pubs with better food and ambience.[96]

Indeed, some industry insiders have long argued that such a large number of fragmented pubs as in the UK is economically unsustainable. For example, a 2013 government-commissioned London Economics report claimed that "A number of stakeholders interviewed noted that the UK is probably still operating excess pub supply of approximately 6,000 pubs, suggesting a sustainable number of pubs of approximately 45,000".[97]

III.I Sale and Conversions

Another explanation for pub closures suggests that they are influenced not only by the profitability of individual pubs, but also rises in general property prices. There is widespread anecdotal evidence that pubs in prime locations are often attractive to retailers (such as supermarkets building convenience stores), and particularly housing developers.[98] For example, one estate agent told the *Guardian* in 2015: "In north London if I am selling a pub as a development opportunity I might be able to ask £700,000-£1m for something that as a pub I would only be able to get £350,000-£450,000 for".[99] In response, the Localism Act 2011 created the opportunity for pubs to be registered as 'Assets of Community Value' (ACV), a status that requires owners to consult the community before changing a pub's use or demolishing it; which can be used by local authorities to refuse planning permission for such conversions and which guarantees the local community six months to raise funds and submit a bid for a pub.[100] However, the initiative has been criticised as too weak by those who believe it covers too few pubs, such as the former MP Greg Mulholland.[101] On

92 JD Wetherspoon plc (2013), *Annual report and accounts 2003*; JD Wetherspoon plc (2016), *Annual Report and Financial Statements 2016*

93 Thompson, C. (20110< Wetherspoon focus shifts to small towns, *Financial Times* (28 November). Available from: <http://www.ft.com/cms/s/0/67d623d6-06de-11e1-90de-00144feabdc0.html?ft_site=falcon#axzz4lNnlHAER>. [Accessed 8 August 2017].

94 Ibid.

95 eg Andrews & Turner, op. cit.

96 Easton, M. (2009), Pubs aren't dying – they are evolving, *BBC News* (31 July). Available from: <http://www.bbc.co.uk/blogs/thereporters/markeaston/2009/07/pubs_arent_dying_they_are_evol.html>. [Accessed 8 August 2017].

97 Heys, R. et al (2013), *Modelling the impact of proposed policies on pubs and the pub sector*. London: London Economics.

98 Osborne, H. & Smith, D. (2015), Pubs facing last orders as more developers move in, *The Guardian* (23 January). Available from: <https://www.theguardian.com/lifeandstyle/2015/jan/23/pubs-last-orders-developers>. [Accessed 8 August 2017]; Davies, R. (2016), Pub campaigners find new weapons in fight to save locals from developers, *The Guardian* (20 August). Available from: <https://www.theguardian.com/business/2016/aug/20/pub-closures-fight-against-developers>. [Accessed 8 August 2017]; Lamont, T. (2015), The death and life of the great British pub, *The Guardian* (13 October). Available from: <https://www.theguardian.com/lifeandstyle/2015/oct/13/the-death-and-life-of-a-great-british-pub>. [Accessed 8 August 2017]; Daigle, T., op. cit.

99 Osborne & Smith, op. cit.

100 Sandford, M. (2017), Assets of community value, *House of Commons Library Briefing Paper Number 06366*; Coleman, L. (2017), Are ACVs an asset to the pub trade?, *The Morning Advertiser* (6 February). Available from: <http://www.morningadvertiser.co.uk/Legal/Property-law/Assets-of-Community-Value-ACVs-for-pubs-Are-they-working>.

101 Coleman, L. (2017), op. cit.

the other hand, the BBPA has objected that the legislation is regularly misused and the restrictions associated with ACV status reduce some publicans' property value.[102] In 2017, the Government went further still and legislated to require developers to seek planning permission before converting or demolishing any pub.[103]

Figure 6: Summary of Explanations for Pub Closures

Theory	Description	Supporting Evidence
Social & Cultural Trends	Lower demand for pubs, due to falling alcohol consumption, declining working class/rural communities, alternative leisure activities and declining popularity of beer/ale	Difficult to test directly – yet to be empirically evaluated
Macroeconomic factors	Lower affordability of alcohol due to slow disposable income growth	Falls in disposable income have reduced affordability of alcohol, which is known to reduce alcohol consumption
Off-trade competition	Pubs undercut by supermarkets and off-licences	The price differential between on- and off-trade has increased, as has the number of on-trade outlets
Alcohol duty	Lower affordability due to higher taxes on alcohol	Rose between 2008 and 2013, but cut between 2013 and 2016, even as pub closures continued. Known to reduce alcohol consumption, but may have helped pubs by slowing switching from on- to off-trade
VAT	Pubs less price competitive because of higher VAT, especially on food	Raised in 2011, increasing the price of food in pubs but not in supermarkets, as well as the price of alcohol in both
Business rates	Pre-recession benchmarks blamed for high tax burden, raising costs	Period since revaluation has coincided with accelerating pub closures. However, rates have remained flat as a proportion of turnover
Smoking ban	Smoking ban seen as discouraging smokers from going to pubs	Self-reported sales declined after the introduction of the ban, and pub closures appear to have accelerated. However, international evidence suggests smoking bans have little effect on hospitality and cross-sectional evidence less clear

102 Ibid.
103 Edgar, L. (2017), Neighbourhood Planning Bill: Lords vote to protect pubs, *The Planner* (1 March). Available from: <https://www.theplanner.co.uk/news/neighbourhood-planning-bill-lords-vote-to-protect-pubs>.

Drink Drive Limit	Lower legal blood alcohol limit in Scotland may have discouraged people from using pubs if they cannot drive home afterwards	Anecdotal and small-scale survey evidence of negative impact in Scotland from 2015, but formal evaluation yet to be released
Beer Tie	'Tied' pubs believed to be charged excessive costs by pub companies in exchange for subsidised rent	Evidence that tied pubs are less profitable; however, no directly comparable closure rates of tied and untied pubs
Rising Operating Costs	High food, property, fuel and satellite TV costs	Food price spike appears to have had some impact, though surveys suggest operating costs have fallen since 2009
Industry consolidation	Successful pubs have taken market share from competitors, running them out of business	Anecdotal evidence
Sale and Conversions	High property prices lead to sales to developers converting pubs to homes and retail sites	Anecdotal evidence

What challenges are pubs likely to face in the future?

Of course, the challenges and the threats of the past are not necessarily a reliable guide to the issues pubs will face in the future. There are three areas of policy that have attracted particular attention in recent months. The first is Britain's exit from the European Union, which is likely to affect pubs as much as any other part of the economy. Surveys suggest that publicans were strongly in favour of 'Brexit', with leave winning a poll on the *Publican's Morning Advertiser* website by 59% to 41%.[104] The immediate decline in the value of the pound since the vote has contributed to higher wholesale prices. The ALMR's benchmarking survey reported a 5-6% increase in the cost of imports, leading to reductions in profit margins.[105] It remains to be seen whether the changes to the UK's trade terms with the EU and the rest of the world will worsen this squeeze or reduce the pressure.

Labour supply is also heavily affected by Brexit. 17% of workers in hospitality and food services are non-UK nationals, with 11% from the European Economic Area.[106] If migration is substantially restricted, this is likely to adversely affect some pubs – the ALMR's Chief Executive Kate Nicholls has described the sector as "reliant on our migrant workforce".[107]

104 Sutton, N. (2016), It's Brexit: Pub trade calls time on EU, *The Morning Advertiser* (21 June). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/It-s-Brexit-Pub-trade-calls-time-on-EU>. [Accessed 8 August 2017].

105 ALMR & CGA Peach (2016), Future Shock Issue 2. Available from: <http://www.cgapeach.co.uk/downloads/almr-future-shock-report-issue-two/>. [Accessed 8 August 2017].

106 ONS (2016), User requested data: The nationality of workers in employment in the UK by industry sector, 2015. Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/005196thenationalityofworkersinemploymentintheukbyindustrysector2015>. [Accessed 13 October 2016].

107 Gross, O. (2016), Theresa May's rejection of points-based immigration 'beneficial' for pubs, *Publican's Morning Advertiser* (13 September). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Theresa-May-s-rejection-of-points-based-immigration-beneficial-for-pubs/?utm_source=newsletter_daily&utm_medium=email&utm_campaign=13-Sep-2016&c=rJ3svIf7DGWq0227MXLvviTJnbxgweXd&p2>. [Accessed 13 October 2016].

Increases in the level of the minimum wage may also have reduced pub profitability.[108] The national living wage (NLW) was introduced in April 2016, and raised the hourly minimum wage for over 25s from £6.70 to £7.20, with a target of exceeding £9 by 2020.[109] The Labour Party have proposed an even higher minimum wage of around £10 per hour in 2020, and extending this to all workers over 18.[110] The pub sector is one of the lowest paying in the economy, with a majority of employees earning less than the NLW prior to its implementation.[111] Consequently, employment costs are likely to rise significantly as the minimum wage ratchets up.

The third major source of uncertainty is business rates. Specialist business rates surveyor CVS predicts that pubs are likely to face a large increase in their rates bill in 2018, because of high inflation and the end of the temporary discount announced in the 2017 Budget. This, they suggest, has the potential to lead to a large number of additional closures.[112]

108 ALMR & CGA Peach (2016), op. cit.
109 BBC News (2016) The new National Living Wage and you (1 April). Available from: <http://www.bbc.co.uk/news/business-33463231>. [Accessed 13 October 2016].
110 The Labour Party (2017), op. cit. http://www.labour.org.uk/page/-/Images/manifesto-2017/Labour%20Manifesto%202017.pdf
111 Bhattacharya, A. (2017), op. cit.
112 A'Court, F. (2017), Pub closures predicated as business rates 'set to soar', *The Morning Advertiser* (27 June). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Pub-closures-predicted-as-business-rates-set-to-soar>. [Accessed 8 August 2017].

SECTION II: SURVEY RESULTS

Objectives

Section I has shown that the success of the pub industry continues to be a major concern for policymakers. Yet many of the commonly proposed policy solutions appear to be in tension with public health. Proponents of an evidence-based strategy to reduce alcohol harm typically favour higher taxes on alcohol and stricter licensing regulations.[113] Public health groups invariably see the smoking ban as a success, not a problem.[114] This study seeks to understand whether support for pubs must come at the expense of public health, or whether there might be shared common ground.

Publicans' voices in the political process are typically represented by large trade associations. Yet these organisations must balance the interests of a diverse membership, presenting a single view even when the objectives of different members – for example, pubs and breweries or large pub companies and individual independent pubs – may be in conflict. For example, in 2016, a group of leading publicans wrote to the Chancellor to criticise the BBPA's "morally flawed" campaign for a duty cut, claiming: "The BBPA are lobbying hard on behalf of brewer members but the decrease they seek is not effectively passed down to those that make the investment and employ the people. Worse still, they are not saving a single pub with their actions".[115] Interviews with representatives of brewers and pub companies have found similar differences of opinion on minimum unit pricing.[116]

Consequently, it is important to go directly to ordinary publicans to get a sense of their views and experiences. A survey of publicans was undertaken to understand the main challenges, threats and opportunities that they face. In particular, the survey sought to establish publicans' policy priorities, and the extent to which they match the agenda proposed in their name. It is only on the basis of these unmediated views that we can determine the genuine extent of conflict and the scope for cooperation with public health.

Methods

CGA Strategy, the leading market research agency for the UK on-trade, were commissioned to survey publicans from across the country. In total, 103 telephone interviews were carried out over the month of February 2017. Quotas were set to achieve a broadly representative sample of pub types, locations and ownership structures. Within each stratum, pubs were randomly selected for approach from CGA's comprehensive database of UK pubs. Figure 7 compares the characteristics of the surveyed pubs to those in CGA's full database.

113 University of Stirling, Alcohol Health Alliance & British Liver Trust, op. cit.

114 The UK's Faculty of Public Health (2006), Faculty of Public Health praises smoking ban [Press Release]. Available from: <http://www.fph.org.uk/faculty_of_public_health_praises_smoking_ban>. [Accessed 8 August 2017]; Royal Society for Public Health, Smokefree Communities. Available from: <https://www.rsph.org.uk/our-work/campaigns/smokefree-communities.html>. [Accessed 8 August 2017]

115 Sutherland, E. (2016), leading operators slam 'flawed' BBPA beer duty campaign, *The Morning Advertiser* (19 February). Available from: <http://www.morningadvertiser.co.uk/Legal/Legislation/Leading-operators-slam-flawed-BBPA-beer-duty-campaign>. [Accessed 8 August 2017].

116 Holden, C., Hawkins, B. & McCambridge (2012), Cleavages and co-operation in the UK alcohol industry: A qualitative study, *BMC Public Health* 12:483.

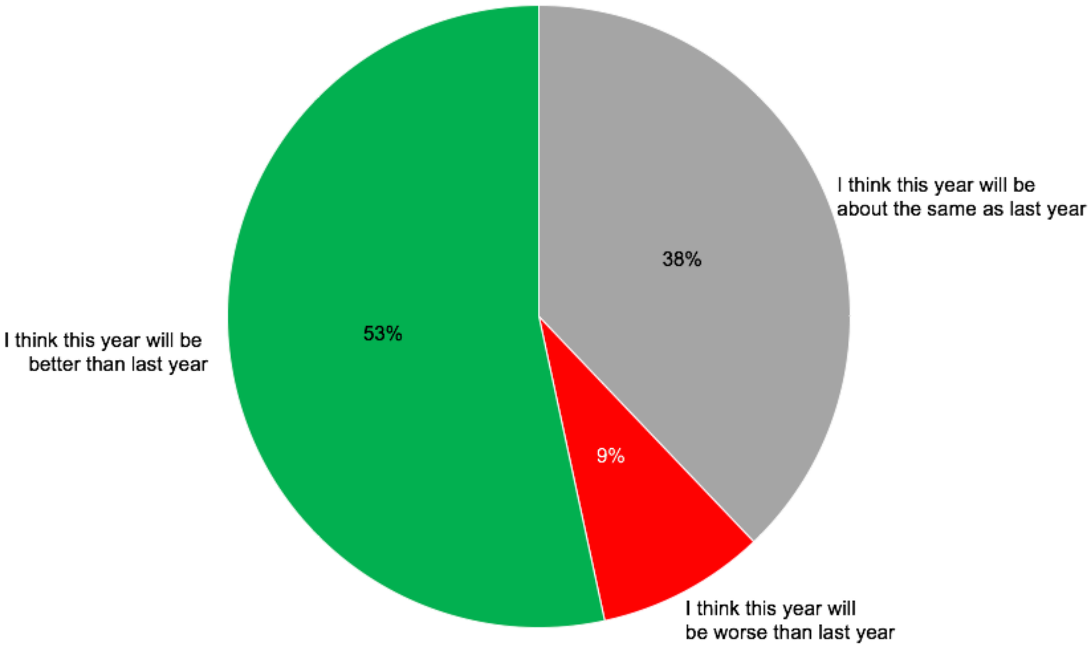
Figure 7: Survey sample compared with CGA UK Database

Pub Type	% of Sample	% of CGA Database
Local/Community/Wet Led	58%	56%
Dry Led	19%	17%
Circuit Bar	10%	19%
Branded Food-led	7%	5%
Rural Character	6%	2%
Location		
Rural	40%	34%
Suburban	35%	36%
High Street	25%	31%
Country		
England	80%	85%
Scotland	16%	9%
Wales	5%	6%

Findings

Publicans are optimistic that well-run pubs can thrive

Figure 8: How optimistic do you feel about the future for your pub, financially?



For all the doom and gloom that commonly surrounds political discussions of pubs, the picture that emerges from our survey is not of an industry wracked by crisis, in desperate need of government aid. Instead, we find publicans to be broadly optimistic about their prospects for the future, and confident that well-run pubs can not only survive, but thrive. 53% of respondents said that they expect this coming year to be better than the last, and only 9% expected things to get worse, in stark contrast to the standard narrative of decline.

This may in part be attributable to the self-confidence necessary for publicans to take on the risk of running a pub:

"I think this year will be better than last year because I am here"

Rural Character, Midlands

"What we do we do better than all the pubs in the area"

Suburban Community Local, South East

However, it is also likely to reflect genuine differences in the prospects of different pubs. The perception of many respondents was that failure has been experienced primarily by a 'tail' of poorly run pubs – evidence for the industry consolidation theory in section I. Explanations offered for pub closures were often hard-headed:

"Rubbish pubs have gone, good ones remain"

Rural Dry Led, North

"Unsuitable licencees unused to the hospitality industry that have just thought they would be happy running a pub and thought no further about the business side"

Rural Community Local, Midlands

"Pubs not modernising and not selling the 'in' products"

Rural Dry Led, South East

"Pubs not diversifying, remaining old-fashioned, wet-led, and not keeping up with more sophisticated lifestyles"

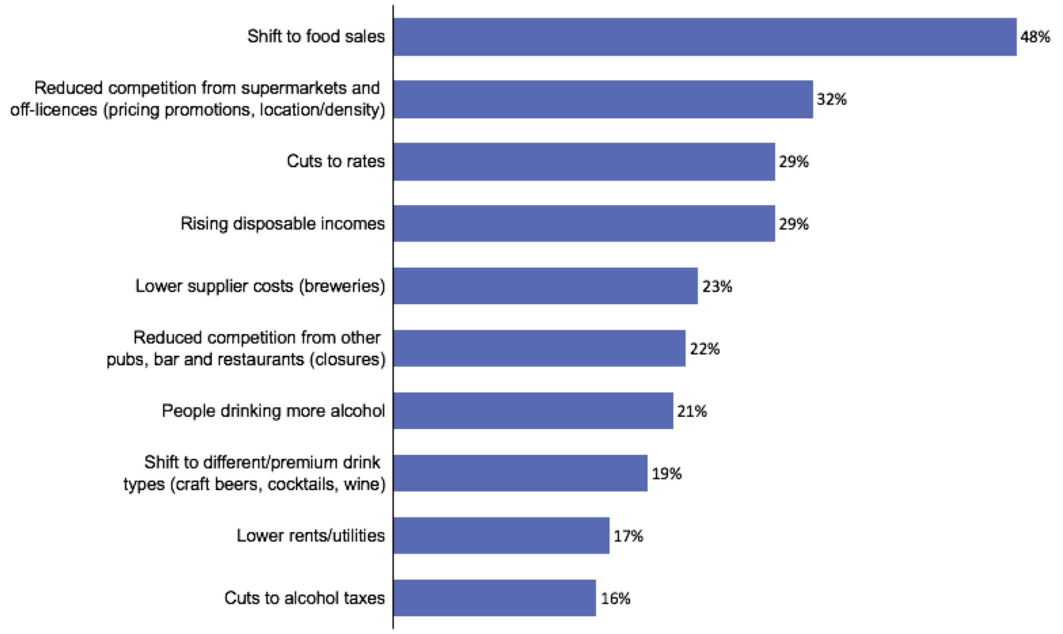
Rural Dry Led, South East

"We expect better pubs than we expected 30 years ago, better menus. 30 years ago scampi and chips in a pub made it upmarket – now, it's the opposite"

Rural Community Local, South East

This optimism is largely based on the opportunities provided by food sales and reduced competition following closures

Figure 9: What do you believe are the most PROMISING developments for the success of your pub, based both on the likelihood of them happening and the impact they would have? (% Ranking in Top 3)[117]



117 Top 10 ranked categories shown

It was clear from the survey that a large number of pubs have pinned their hopes on increasing food sales. Asked to rank the most promising developments for the future success of their pub, almost half (48%) put the shift to food sales among the top three.

> ***"We are making it more of a family pub with food"***

Suburban Community Local, Scotland

> ***"Food is flourishing in pubs, and if it's good quality like ours it will always pull in customers"***

Suburban Circuit Bar, South East

> ***"Food is the way forward"***

High Street Community Local, South East

Another factor that had a clear influence on publicans' optimism was the level of competitive intensity in their area. In particular, where local competitors have closed, publicans reported that this had improved sales:

> ***"We are surrounded by closed pubs and restaurants in this area, so our business has improved massively"***

High Street Circuit Bar, South East

> ***"We have lost a lot of competition through pub closures which helps our sales"***

Suburban Community Local, North

Conversely, the opening of new competitors was one of the most prominent sources of concern about the future:

> ***"We have had a slow start due to new competition opening up all around this area"***

High Street Circuit Bar, Midlands

> ***"Competition is always with you, but there are chains where we cannot compete on bar prices"***

High Street Circuit Bar, Midlands

The spectre of Wetherspoons entering an area and undercutting their prices was a particular fear for many respondents:

> ***"We have a Wetherspoons near us and we can't compete with their prices"***

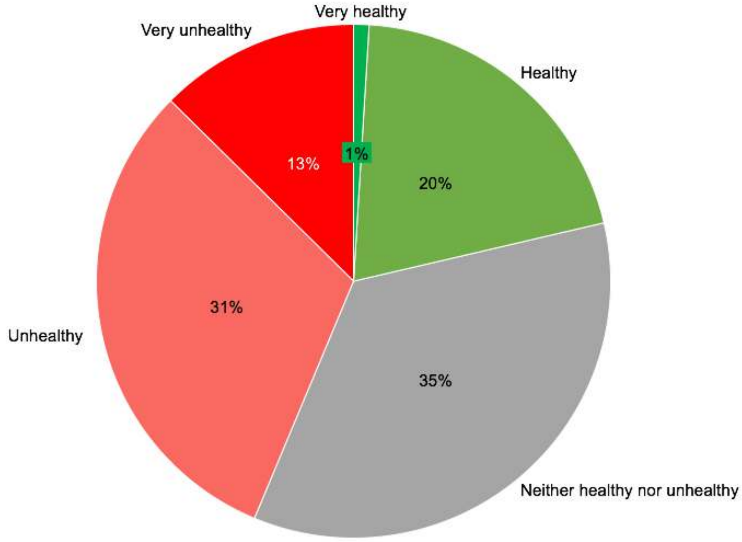
High Street Community Local, Scotland

> ***"Wetherspoons moved in two years ago which threw us a bit. We wouldn't want another similar structure moving in"***

High Street Community Local, Midlands

Publicans are concerned about the health impacts of alcohol

Figure 10: To what extent do you think the UK has a healthy relationship with alcohol?



Many respondents acknowledged the negative consequences of alcohol consumption, particularly in relation to health. Indeed, more publicans believed that the UK has an unhealthy relationship with alcohol (44%) than found current drinking practices unproblematic (21%).

> *"Most people drink more than the recommended daily allowance"*

Rural Dry Led, North

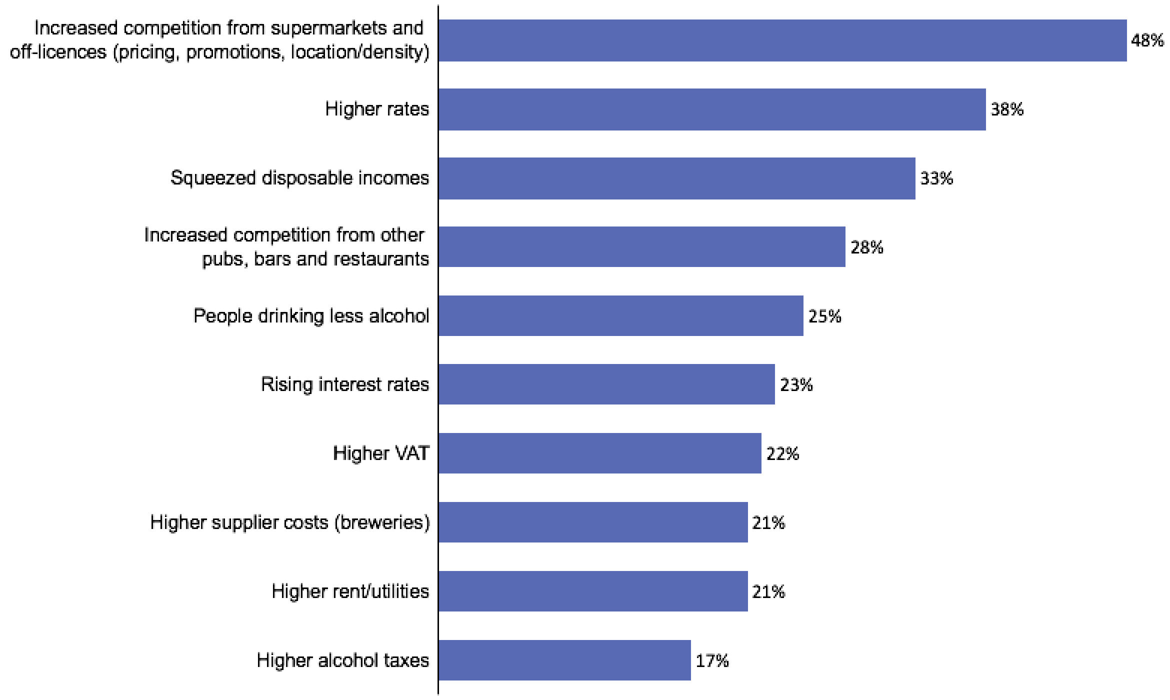
> *"It's become part of life, the normal thing to do at all social occasions. Alcohol is no longer a treat or a perk, it's standard practice - at home or out"*

Suburban Dry Led, North

For the most part, health concerns focused on 'binge' drinking. 49% of those who believe that the UK has an unhealthy or very unhealthy relationship with alcohol spontaneously mentioned the idea in their response.

Cheap off-trade alcohol is seen as a grave threat both to pubs' commercial fortunes and to public health

Figure 11: What do you believe are the most THREATENING developments for the success of your pub, based both on the likelihood of them happening and the impact they would have? (% Ranking in Top 3)[118]

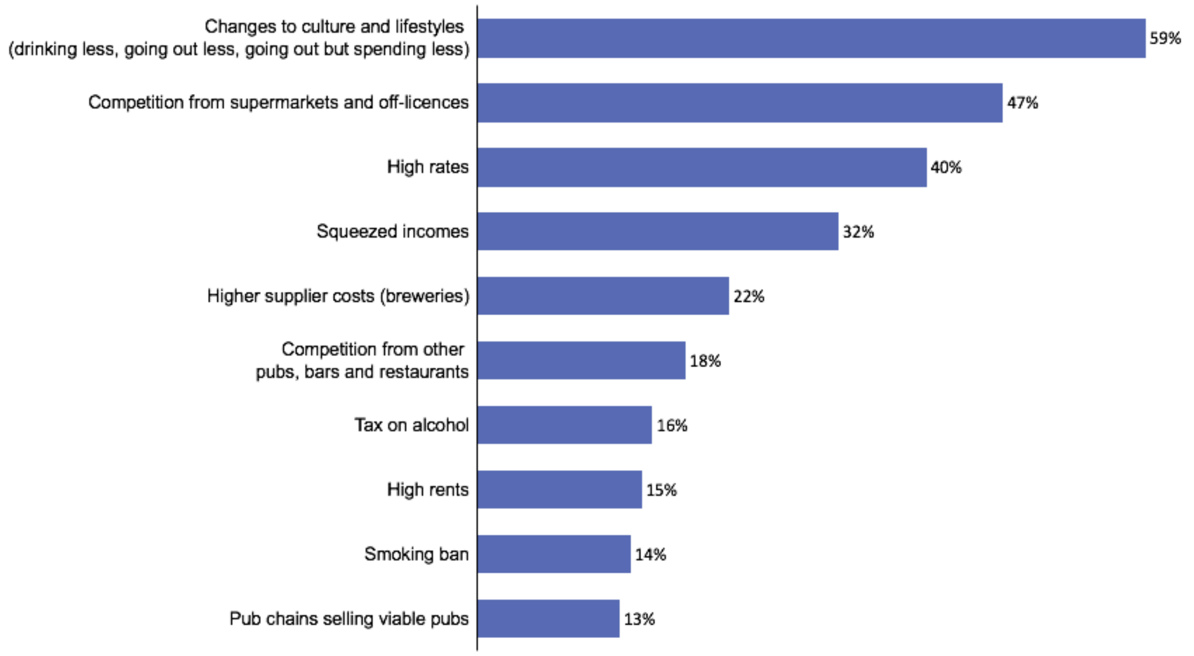


Cheap supermarket alcohol emerged very clearly as the number one danger perceived by publicans to their businesses – as figure 11 shows, 48% of respondents ranked it among the top three greatest threats they face.

Conversely, as figure 9 shows, for those that expected supermarket competition to weaken, this was one of the leading sources of optimism for publicans. Looking backwards, it is striking that supermarkets take a lot of the blame for pub closures – 47% of respondents ranked competition from supermarkets and off-licenses among the top three reasons for pub closures, second only to long term cultural change (figure 12).

118 Top 10 ranked categories shown

Figure 12: What do you think are the main causes of pub closures in recent years? (% Ranking in Top 3)[119]



"More people are staying indoors and having a drink"

Suburban Circuit Bar, Scotland

"Cheaper alcohol from off licences and supermarkets do encourage home drinking"

High Street Circuit Bar, Midlands

"It's home drinking, or starting off at home and finishing late in the pub"

Suburban Community Local, Midlands

119 Top 10 ranked categories shown

> ***"Supermarket beer four cans or bottles for £5 when I charge £3.40 a pint should not be allowed"***

Rural Community Local, South East

However, concern about supermarket and off-licence alcohol among publicans is not solely motivated by commercial self-interest. Some respondents worried about the health and social impacts of ubiquitous cheap drink:

> ***"Cheap supermarket prices does more harm than hitting the pubs. It starts the youngsters drinking and acquiring a taste too early in life"***

Suburban Dry Led, Midlands

> ***"A bottle of spirits or cans of beer should not be sold alongside cabbages and your Sunday roast. It's all wrong, especially for children to see this."***

Suburban Community Local, South East

> ***"Supermarkets offer 24-hour alcohol which is dangerous"***

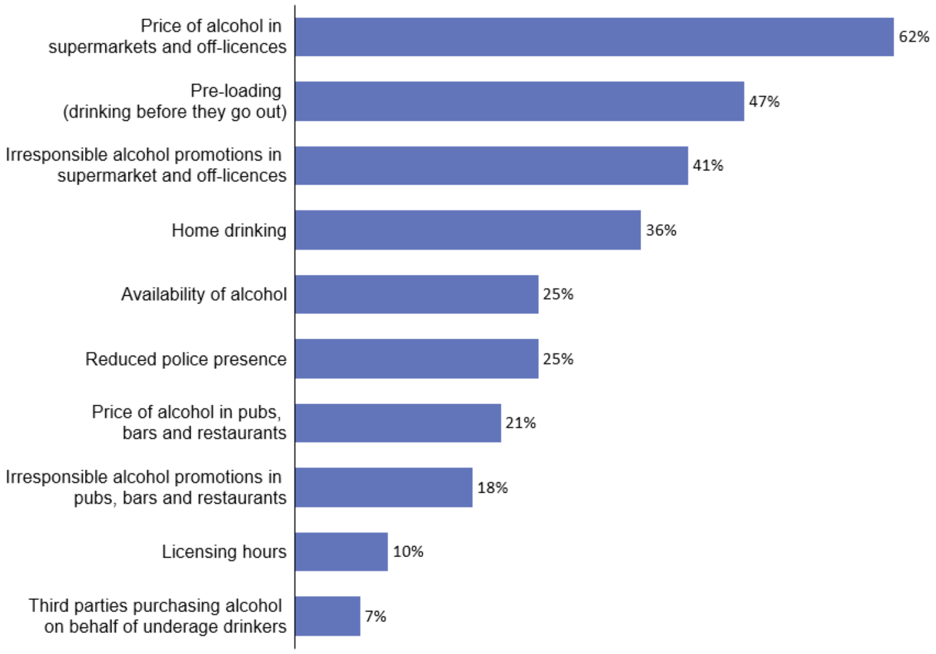
High Street Community Local, South East

> ***"It's just too easy to buy cheap alcohol and it can so easily damage health"***

Rural Dry Led, South East

The price of alcohol in supermarkets and off-licences was seen as the leading factor in alcohol-related crime and disorder, with 62% of respondents believing that it has a large or very large impact (figure 13). The off-trade was also implicated in the next two most significant factors, according to publicans – 'pre-loading' (drinking at home before going out) and irresponsible promotions.

Figure 13: In your opinion, what is the impact of each of the following factors on alcohol-related crime and disorder (% saying large impact or very large impact)



By contrast, many publicans insisted that they had a positive role to play in promoting health and safety by providing a controlled drinking environment, and monitoring the consumption and behaviour of their customers:

> ***"In a pub, I will say 'look, love, you've had enough'. At home, nobody says that"***

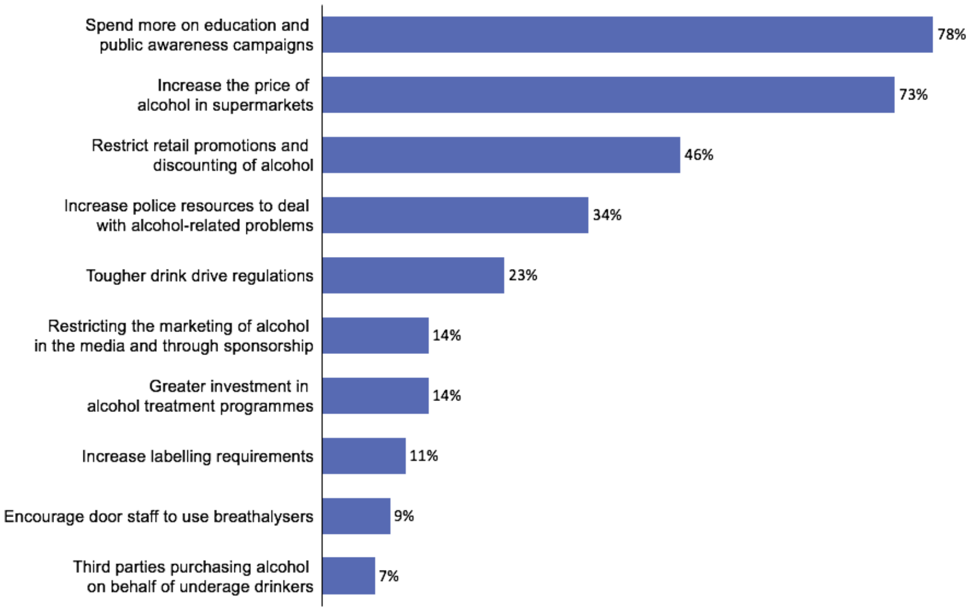
High Street Community Local, South East

> ***"If someone in my pub has had enough and doesn't realise it, I refuse to sell him more alcohol"***

Suburban Community Local, South East

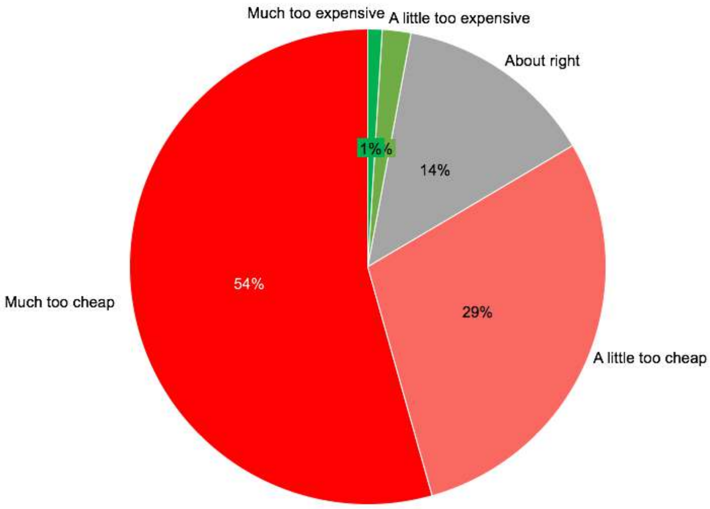
It should be no surprise, then, that raising the cost of supermarket alcohol was among publicans' top policy 'asks' for politicians, both to support the pub trade and to tackle alcohol problems. As figure 22 below shows, addressing supermarket prices was one of the three policies to help pubs most clearly favoured by respondents, along with reducing business rates and alcohol duty – 51% rated it amongst their top three. Figure 14 shows that support for raising supermarket prices on health and social grounds was even more overwhelming – 73% put it in their top three proposed policies to tackle alcohol harm, close behind spending more on education and public awareness campaigns.

Figure 14: What are the top three things you would like politicians to do to tackle alcohol problems in the UK? (% Ranking in Top 3)



The feeling that supermarket prices are too low was near universal: asked directly, 83% of publicans said that supermarket alcohol is too cheap.

Figure 15: Generally speaking, how do you feel about the price of alcohol in supermarkets?



Several respondents appealed to the government to take action:

"Alcohol is so much cheaper in supermarkets and so available and surely could be limited"

Rural Dry Led, North

"In a supermarket one pint costs £1, in my pub £3.50. This should be balanced out"

Rural Dry Led, South East

"Let supermarkets sell alcohol but only at a slightly lower price than pubs. Control it properly"

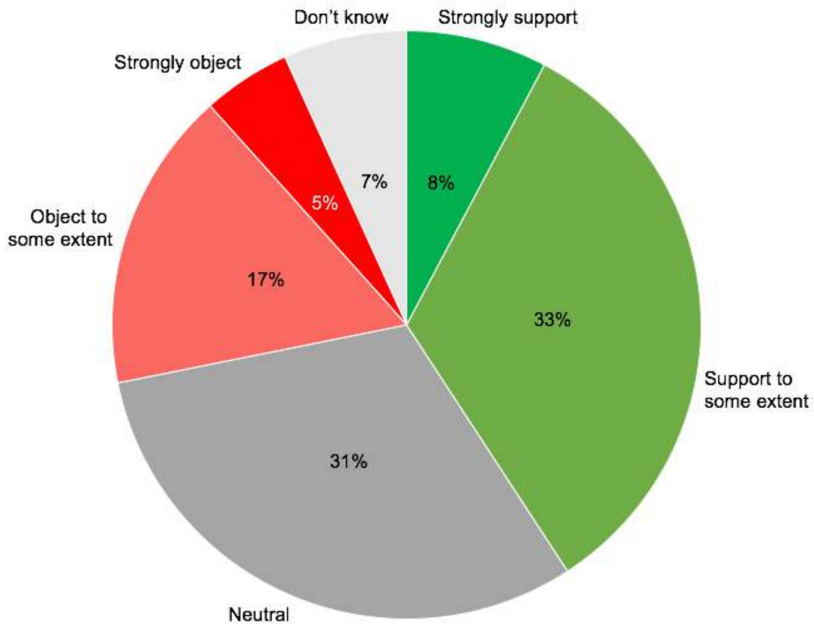
Suburban Branded Food, Wales

"Give us a level playing field over alcohol with all outlets"

Rural Dry Led, South East

Publicans are amenable to some restrictive alcohol policies that promote public health

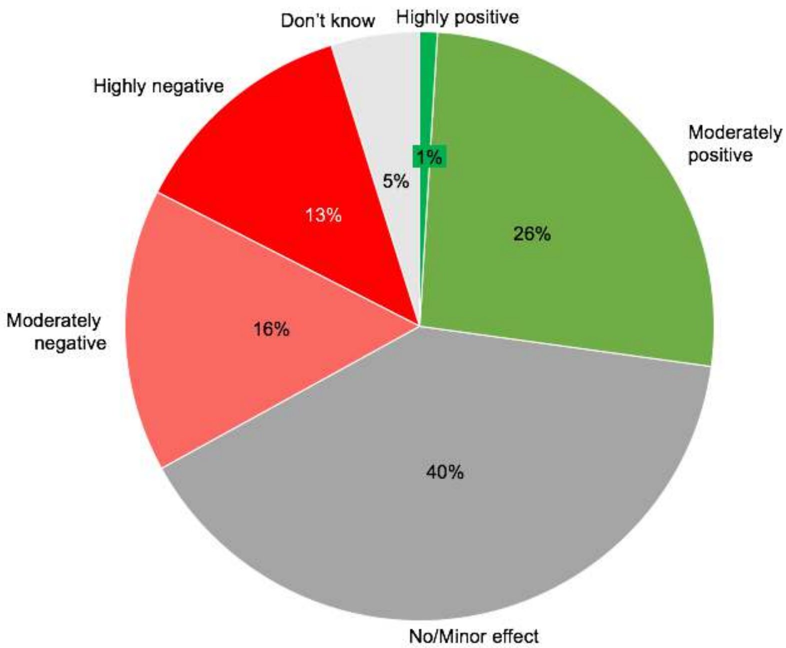
Figure 16: To what extent would you say you support or object to minimum unit pricing for alcohol?



We found that publicans were receptive to a number of proposed policies that aim to reduce alcohol-related harm. Of these, minimum unit pricing (MUP) – introducing a ‘floor price’, below which it is illegal to sell alcohol - is among the most politically controversial.[120] Yet in our survey, respondents supported MUP by a ratio of 2 to 1: 41% were in favour and 22% against. This is only slightly lower than the proportion of the general public in favour of MUP, which the Alcohol Health Alliance found to be 47% in 2016.[121] Levels of support among publicans were similar in Scotland, where the government has legislated for MUP, to England and Wales, where it has not.

This support is in spite of the fact that publicans are uncertain about the impact MUP would have on their business: slightly more respondents thought it would be negative (29%) rather than positive (26%).

Figure 17: If a minimum unit price were set at 50p per unit, what sort of effect do you think this would have on your business?



Indeed, qualitative responses suggested a certain amount of confusion about what the policy entails, which might explain the large number of respondents who were uncertain or neutral about MUP. If anything, our results may underestimate the popularity of MUP among publicans because some respondents appear to believe that MUP would only apply to pubs, and not supermarkets:

> ***“A minimum floor price must be set for supermarkets as well as pubs. To do it one way would be unfair”***

Rural Local Community, South East

120 Institute of Alcohol Studies, The price of alcohol. Available from: <http://www.ias.org.uk/uploads/pdf/Factsheets/FS%20price%20032017.pdf>. [Accessed 8 August 2017].

121 Alcohol Health Alliance Opinion Polling 2016. Conducted November 2016 on a nationally representative sample of 2,000 respondents

"Minimum pricing for alcohol must be at a sensible level and be across the board"

Suburban Local Community, South East

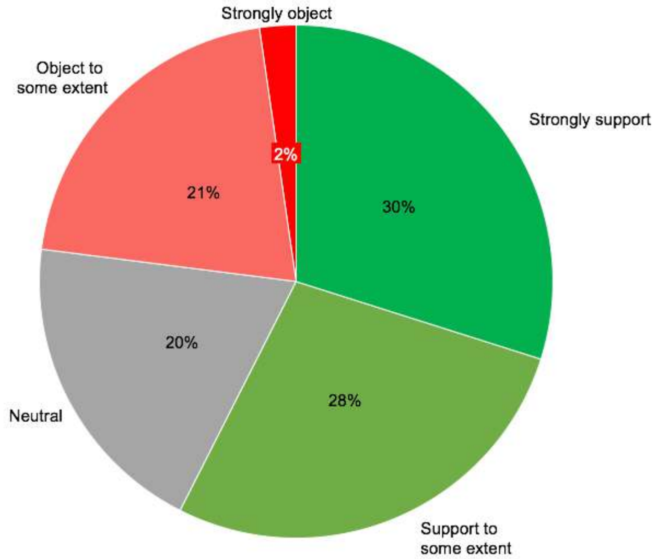
"Minimum unit pricing must be £1 at least. 50p is ridiculous"

Rural Dry Led, Midlands

In actual fact, prices in pubs would be almost entirely unaffected by a minimum unit pricing. As of 2011, only 0.6% of sales in English pubs would be subject to the regulation, whereas around half of off-trade sales would be covered by it.[122]

Section I also discussed the controversy over raising the drink drive limit, which some have blamed for pub closures in Scotland, an issue that looms over debate of the policy at Westminster.[123] Yet a majority of English and Welsh publicans in our survey were in favour of reducing the drink drive limit – 58% overall, with only 23% objecting. In the general population, the British Social Attitudes Survey found that 77% support a lower drink driving limit.[124]

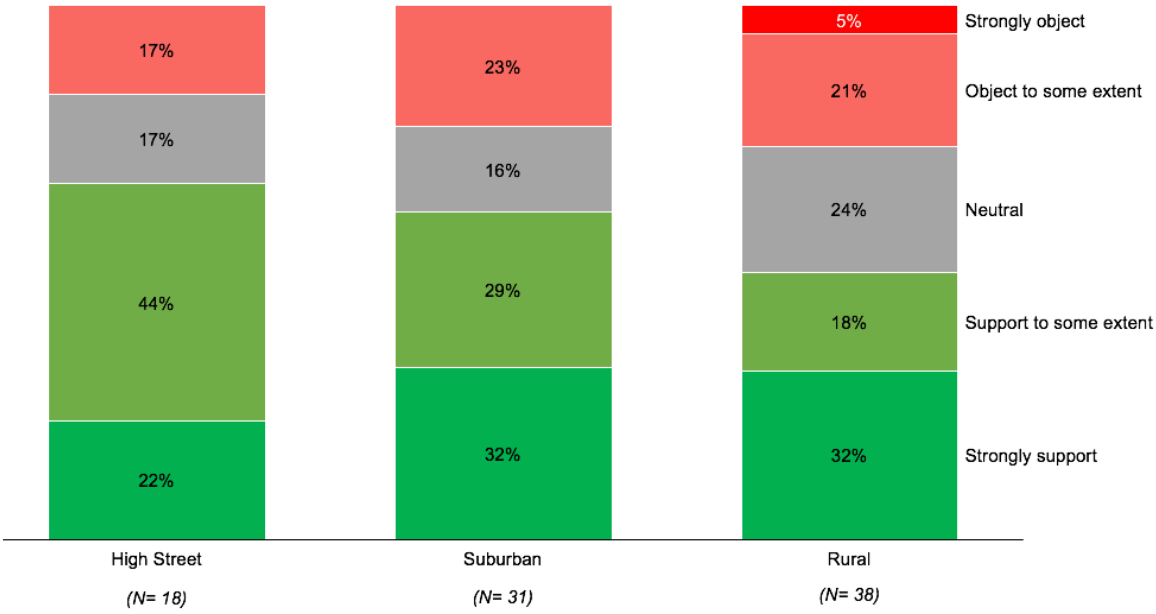
Figure 18: To what extent would you support or object to reduced drink drive limits being introduced in the rest of the UK? (England & Wales only)



Indeed, though concerns about the impact of a lower drink drive limit usually focus on rural areas, we found that a majority of rural publicans support the measure.

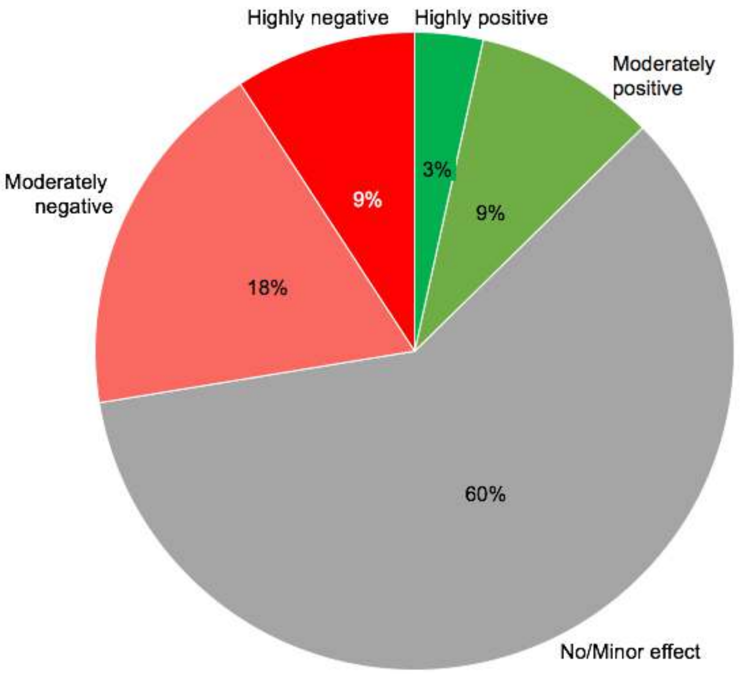
122 Meng, Y. et al (2013), Modelled income group-specific impacts of alcohol minimum unit pricing in England 2014/15: Policy appraisals using new developments to the Sheffield Alcohol Policy Model (v2.5). Sheffield: ScHARR, University of Sheffield.
123 Swinford, S., op. cit.
124 Fuller & Simpson, op. cit.

Figure 19: To what extent would you support or object to reduced drink drive limits being introduced in the rest of the UK? (England & Wales only) – by Location



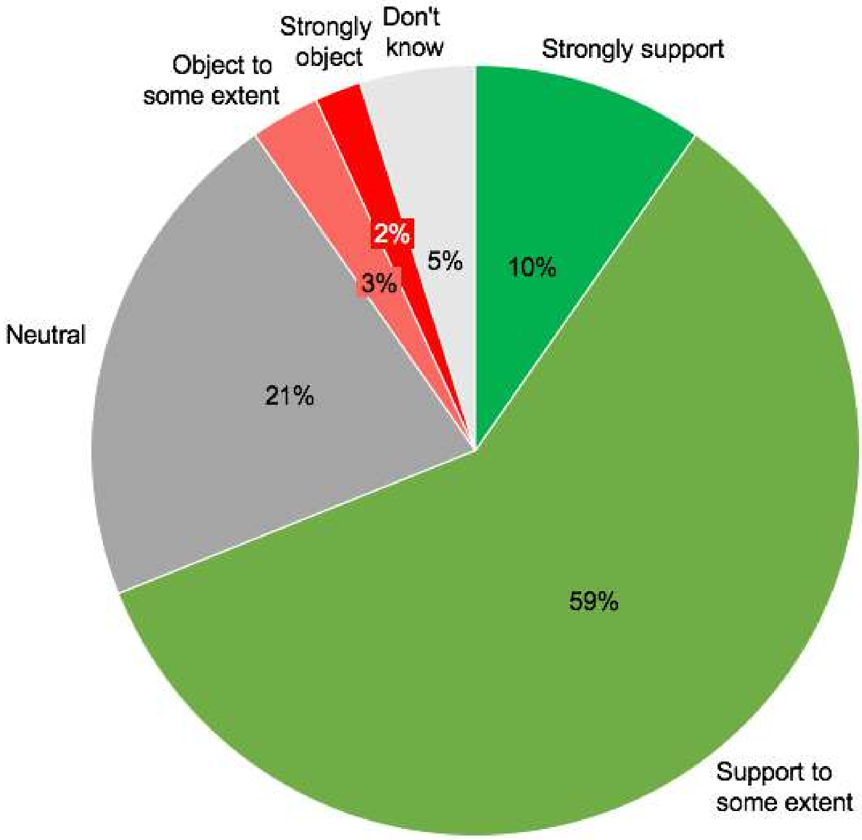
For the most part, publicans did not foresee a lower limit significantly impacting their business: 60% said that the measure would have no or just a minor effect, as figure 20 shows.

Figure 20: If the drink driving limits in England, Wales and Northern Ireland were to be reduced in line with Scotland, what effect do you think this would have on your business? (England & Wales only)



Our survey also found support for public health concerns being reflected in licensing decisions – another controversial issue. 69% of publicans were in favour of the health and wellbeing of the local area being taken into consideration as part of the licensing application process.

Figure 21: To what extent do you support or object to the health and wellbeing of the local area being taken into consideration by local authorities?

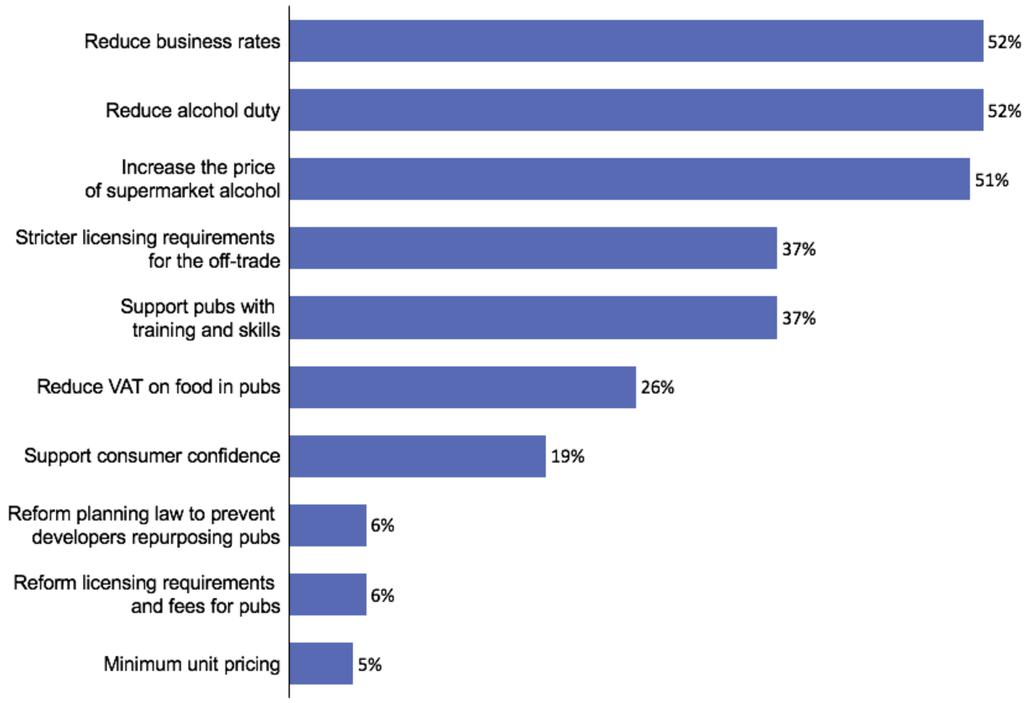


All taxes are unpopular, but business rates draw greatest objections

Taxes are rarely popular, so it is hardly unexpected that publicans had many grievances with business rates, alcohol duty and VAT. What is striking, though, is that business rates appeared to be of greater concern than the other two taxes. Figure 12 shows that business rates were the third most likely factor to be blamed for the closure of pubs, with 40% citing it among their top three. Figure 11 shows that business rate increases were seen as the second greatest threat to pubs, mentioned by 38% of respondents. In figure 9, the prospect of lower business rates was one of publicans' major sources of optimism for the future. Notice that for each of these questions, alcohol duty and VAT were far less likely to be mentioned. For example, only 16% of respondents raised taxes on alcohol as one of the top three causes of pub closures.

It should be no surprise, then, that cutting business rates is the most commonly proposed policy to support pubs, tied with reducing alcohol duty, as figure 22 shows. Over half of respondents put it in the top three actions policymakers could take to help them.

Figure 22: What are the top three things you would like politicians to do to support the pub trade? (% Ranking in Top 3)



"Business rates, if they continue to increase, will put a lot of pubs out of business"

Rural Community Local, South East

"I have just had a notification that my rates are going up. It will kill us off"

Suburban Circuit Bar, Scotland

"It costs so much to keep the premises running – rates and utilities, all so expensive. Some help in the pub running costs would be great"

Rural Dry Led, South East

It should be noted that fieldwork for the survey took place during a period of significant uncertainty and speculation over business rates, with large proposed increases under discussion.[125] This may have served to increase the salience of business rates to respondents, and so may have contributed to the high levels of concern found in our survey.

Alcohol duty is the policy area where conflict between the goals of the public health community and those of publicans is most acute. Public health groups regard raising alcohol tax as one of the most effective tools governments can use to reduce alcohol-related harm.[126] Our survey clearly shows that publicans are far less enamoured of it. As figure 22 shows, lower alcohol duty is the joint most popular policy to support pubs, in spite of some publicans' scepticism over whether pubs genuinely benefit from such cuts.

If we look more closely, however, we see that almost half of publicans (45%) are content with the current level of duty, though a slight majority of respondents would favour a cut (figure 23).

Figure 23: Which of these statements best describes your view on what the government's position should be on alcohol taxes in pubs?

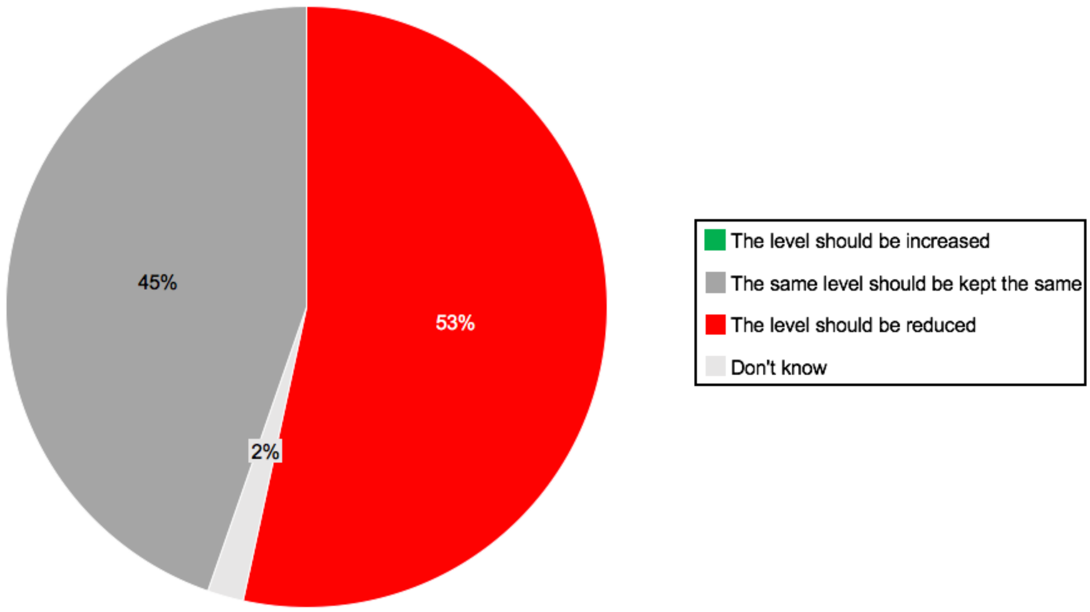


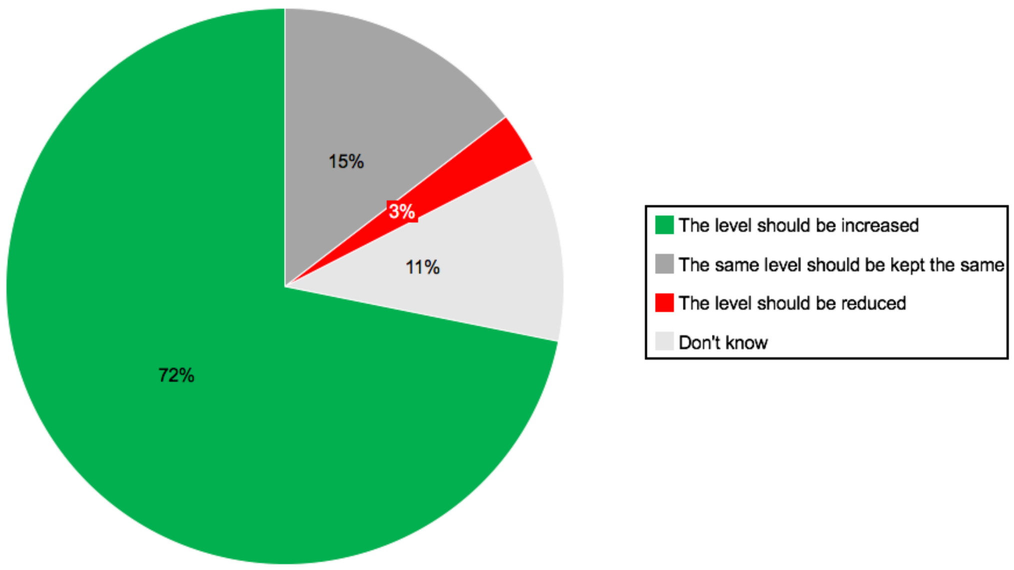
Figure 11 shows that alcohol tax is far down the list of threats perceived by publicans – in fact, it ranks tenth. Figure 12 shows that relatively few see it as a major contributor to pub closures – it places seventh, far behind cultural change, supermarket competition and business rates. What this suggests is that alcohol duty is unpopular, but it appears to be more of an unpleasant inconvenience, rather than a devastating burden.

125 Bannerman, L. (2017), Pubs under threat from massive rise in business rates, The Times (February 11). Available from: <https://www.thetimes.co.uk/article/pubs-under-threat-from-massive-rise-in-business-rates-3xltv8bm9>. [Accessed 21 August 2017].

126 Alcohol Health Alliance (2017), Our position on alcohol taxation. Available from: <http://ahauk.org/wp-content/uploads/2017/01/AHA-Budget-2017-submission.pdf>. [Accessed 21 August 2017].

Another point to reflect on when considering publicans' views on alcohol duty is their stated concern over supermarket prices. It remains the case that one of the best ways to raise the price of cheap alcohol in supermarkets (besides MUP) is to raise alcohol duty. As figure 24 shows, when asked only about supermarkets, 72% of publicans favour higher alcohol taxes. However, under the current legal framework it is not possible to tax alcohol in supermarkets but not pubs.

Figure 24: Which of these statements best describes your views on what the government's position should be on alcohol taxation in supermarkets?



"Look in depth at alcohol duty and bring all outlets into line. Give the pubs a fair playing field"

Rural Character, South East

Nevertheless, this suggests a compromise that might be amenable to pub owners: higher alcohol duty, to raise prices in supermarkets, offset by cuts to other taxes, such as rates or VAT, to help pubs. Such an arrangement may also appeal to public health as it would support pubs in selling products other than alcohol.

Many publicans remain unhappy about supplier costs

The introduction of the Pubs Code may have assuaged some publicans about their supplier costs, but the issue remains a source of concern for many. Figure 11 shows that 21% rated increased supplier costs among the top three greatest threats to their business. Figure 12 shows that supplier costs are the fifth most cited cause for pub closures. Qualitative responses confirm that many remain unhappy with their relationships with breweries and pub companies:

"PubCos are getting richer and landlords poorer year by year"

Rural Community Local, South East

"Some of the pub companies are so greedy, they want blood"

Rural Dry Led South East

"Breweries should absorb some increases without always passing them onto us"

Rural Dry Led, North

Publicans appear relatively unconcerned by Brexit and the Living Wage

For all the tumult surrounding them, Brexit and the National Living Wage were conspicuous by their absence from publicans' concerns. Only 8% put Brexit among the top three threats to their pub, while 5% saw it as one of the top three opportunities for their business. Similar proportions of respondents listed the national living wage among their leading threats (5%) as did among their leading opportunities. Only 2% said that protecting EU migrants' freedom to work in the UK or a slower increase in the minimum wage should be among the government's priorities to help pubs. This may in part be because the impact of Brexit has not yet been felt: there was some anxiety expressed about the longer term consequences of leaving the EU:

"People worry about jobs going through Brexit"

Rural Community Local, South East

"We don't know how the dreaded Brexit will affect us and nobody likes the unknown"

Suburban Circuit Bar, South East

There was, however, some more general concern about macroeconomic conditions. As figure 9 shows, the prospect of rising disposable incomes was the fourth most promising development cited by respondents. Conversely, figure 11 shows that a squeeze in disposable incomes is the third most threatening possibility considered by publicans. This is reflected in figure 22: 19% put supporting consumer confidence among the top three things that politicians could do to help their business.

"Recession again would hit hard. Eating out and drinking is a simple pleasure, but it needs to be funded, and people have to have the money"

Rural Dry Led, North

"There's a lack of financial stability for our customers. At present, there is so much uncertainty in the UK"

Rural Community Local, Midlands

CONCLUSION

This report has provided an overview of recent economic and political trends related to the pub industry. It has examined the issue of pub closures, finding that the long term decline in the number of UK pubs appears to have accelerated in recent years. It collates and lays out a number of theories that seek to explain this trend, which remains the source of ongoing debate.

We also reported the results of our survey of publicans. Contrary to the general pessimism and narrative of crisis that often surrounds political discussions of pubs, by and large publicans were confident that well-run pubs can prosper, especially in areas where closures have reduced competition. Conversely, many attributed pub closures to the failures of their managers, unable to respond to shifting consumer expectations around ambience and food.

Supermarkets and off-licences emerged as the clear villains of the piece for publicans. Being undercut by their low prices is perceived as perhaps the greatest threat to pubs' commercial viability. Yet many publicans are also concerned about the health and social effects of such cheap and widely available alcohol, encouraging home drinking, pre-loading and generally heavier consumption.

This suggests that there is clear potential for a shared policy agenda between publicans and public health advocates, primarily based around this shared concern over cheap off-trade alcohol. Minimum unit pricing is perhaps the most obvious and mutually agreeable way to address this issue: a policy that would have little effect on prices in pubs, but which would increase the price of half the drinks sold in supermarkets.

Publicans' concern about the harms associated with alcohol suggest that they may be willing to support other policies, as long as they do not excessively hurt their business. A lower drink-drive limit, which commanded the support of a clear majority of publicans – perhaps because most believe it would have only limited consequences for their pubs – demonstrates this. Majority support amongst publicans for a health and wellbeing licensing objective is also notable.

Tax may be an area where it is trickier to find consensus. Public health groups strongly support increasing alcohol duties. Publicans, by and large, hate them. Yet it is notable that duty is seen as much less of a threat than business rates, and is relatively far down the list of factors blamed for pub closures. This suggests that there may be room for compromise on taxes on pubs, whereby increases in alcohol duty are offset by cuts to rates or VAT. This would have the additional benefit of incentivising pubs to shift towards food rather than drinks sales.

The pub industry may be troubled, but it is far from defeated. There is optimism as well as fear. Politicians may be tempted to put support for the sector ahead of public health. It is not clear from our survey that this is even what publicans – many of whom have direct experience of the damage done by alcohol – want. More importantly, it is not necessary. Our survey suggests that there may be a set of policies that can both help pubs and promote public health: addressing cheap alcohol in supermarkets through MUP and alcohol duty, while supporting pubs through other taxes, such as business rates and VAT. This common ground can, and should, be built on.

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