PUBS QUIZZED

WHAT PUBLICANS THINK ABOUT POLICY, PUBLIC HEALTH & THE CHANGING TRADE

INSTITUTE OF ALCOHOL STUDIES

AN INSTITUTE OF ALCOHOL STUDIES REPORT

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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:

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

### Pubs Quizzed: What Publicans Think About Policy, Public Health and the Changing Trade

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Alcohol duty</strong></td>
<td>Lower affordability due to higher taxes on alcohol</td>
<td>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</td>
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<td><strong>VAT</strong></td>
<td>Pubs less price competitive because of higher VAT, especially on food</td>
<td>Raised in 2011, increasing the price of food in pubs but not in supermarkets, as well as the price of alcohol in both</td>
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<td><strong>Business rates</strong></td>
<td>Pre-recession benchmarks blamed for high tax burden, raising costs</td>
<td>Period since revaluation has coincided with accelerating pub closures. However, rates have remained flat as a proportion of turnover</td>
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<td><strong>Smoking ban</strong></td>
<td>Smoking ban seen as discouraging smokers from going to pubs</td>
<td>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</td>
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<td><strong>Drink Drive Limit</strong></td>
<td>Lower legal blood alcohol limit in Scotland may have discouraged people from using pubs if they cannot drive home afterwards</td>
<td>Anecdotal and small-scale survey evidence of negative impact in Scotland from 2015, but formal evaluation yet to be released</td>
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<tr>
<td><strong>Beer Tie</strong></td>
<td>‘Tied’ pubs believed to be charged excessive costs by pub companies in exchange for subsidised rent</td>
<td>Evidence that tied pubs are less profitable; however, no directly comparable closure rates of tied and untied pubs</td>
</tr>
<tr>
<td><strong>Rising Operating Costs</strong></td>
<td>High food, property, fuel and satellite TV costs</td>
<td>Food price spike appears to have had some impact, though surveys suggest operating costs have fallen since 2009</td>
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<td><strong>Industry consolidation</strong></td>
<td>Successful pubs have taken market share from competitors, running them out of business</td>
<td>Anecdotal evidence</td>
</tr>
<tr>
<td><strong>Sale and Conversions</strong></td>
<td>High property prices lead to sales to developers converting pubs to homes and retail sites</td>
<td>Anecdotal evidence</td>
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</table>
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)

- Reduce business rates: 52%
- Reduce alcohol duty: 52%
- Increase the price of supermarket alcohol: 51%
- Stricter licensing requirements for the off-trade: 37%
- Support pubs with training and skills: 37%
- Reduce VAT on food in pubs: 26%
- Support consumer confidence: 19%
- Reform planning law to prevent developers repurposing pubs: 6%
- Reform licensing requirements and fees for pubs: 6%
- Minimum unit pricing: 5%

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

- Changes to culture and lifestyles (drinking less, going out less, going out but spending less): 59%
- Competition from supermarkets and off-licences: 47%
- High rates: 40%
- Squeezed incomes: 32%
- Higher supplier costs (breweries): 22%
- Competition from other pubs, bars and restaurants: 18%
- Tax on alcohol: 16%
- High rents: 15%
- Smoking ban: 14%
- Pub chains selling viable pubs: 13%

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?**

- 83% The level should be increased
- 15% The level should be reduced
- 2% The same level should be kept the same
- 0% Don’t know

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

- 72% The level should be increased
- 15% The same level should be kept the same
- 5% The level should be reduced
- 11% Don’t know