



6th October 2009

Rt Hon Alistair Darling MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear Chancellor

On behalf of the UK's brewers, pub operators and beer consumers we are writing to urge you to reverse the 8% beer duty increase, introduced in last year's pre-Budget report, when VAT returns to its full rate on 1st January 2010.

Such a decision would be revenue neutral, support the community asset of the pub, help stem the stream of job losses in the sector and be widely welcomed by hard pressed consumers.

When the 8% increase was announced in the PBR (4% for spirits), we noted that your stated intent was to counter-balance the temporary reduction in the VAT rate from 17.5% to 15%, albeit this denied the pub sector the fiscal stimulus provided to the rest of the economy. When VAT reverts, pubs will feel the full impact of this "double whammy", which will do further damage to an already struggling sector.

Even before the current economic downturn, the beer and pub sector in the UK was facing unprecedented difficulties. Beer sales in pubs have fallen to their lowest levels since the Great Depression and pubs closures have accelerated to over 50 per week, with the loss of more than 20,000 jobs in the last 12 months alone.

As unemployment continues to rise sharply and pressures on family budgets intensify, a further 6p increase on the price of the average pint of beer will be the death knell for hundreds more community pubs. An inevitable consequence of pub closure is the loss of community social amenity, the erosion of social cohesion and the increase in consumption of alcoholic drinks outside the supervised, social environment of the pub. Many more responsible consumers will forego their favourite drink and the associated benefits they may gain from a relatively low-alcohol long drink. As all the evidence shows, it is moderate consumers who will cut back consumption most when prices rise.

At the time of the pre-Budget report last year, Oxford Economics forecast that this 8% duty increase, combined with the 9% increase and above-inflation increases up until 2012/13 announced in the March 2008 Budget, would lead to almost 60,000 job losses in the beer and pub sector. These jobs, once gone, will be lost forever. The Government's own statistics and over 3,500 pub closures since have borne this out. The study also demonstrated that the marginal increase in beer duty revenues would be more than offset by falls in overall tax revenues associated with beer sales, in particular the additional VAT generated by sales in pubs in contrast to the lower levels of VAT generated by sales in supermarkets and the off trade. The decision we are asking for would also have widespread public and political support. Independent polling by COMRES at the time of the last Budget showed that 70 per cent of the public and 59 per cent of MPs – including 41 per cent of backbench Labour MPs were opposed to any increase in the taxes they pay on beer.

We certainly appreciate the difficult position in terms of the public finances. However, a cut in beer duty will protect valuable jobs and community assets at a critical time and provide some much needed relief for both consumers and the industry. Furthermore, overall tax revenues from beer sales will be maintained.

Your Sincerely,

Brigid Simmonds

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Chief Executive
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