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Now that SIBA has launched its campaign for reform of SBR in the November Budget and is calling for industry support, members have asked a number of questions either directly or via social media. Here we attempt here to answer those questions.

In this paper we refer to the 'Coalition'. This is the Small Brewers' Duty Reform Coalition made up of a number of brewers. It is a separate organisation to SIBA, although it does include some SIBA members. Government is only likely to act if there is broad agreement amongst key stakeholders within the industry.

We will update this paper as required.

If you would like to comment on the contents or have other questions, please send these to james.calder@siba.co.uk or mike.benner@siba.co.uk

I want to decide for myself who's policy is the right way to go. Where can I see the detail?

You can find details of the Coalition's proposals at <https://reformsbr.com>

SIBA's policy documents are online here: <http://www.siba.co.uk/about-siba/siba-campaigns/the-futue-of-small-breweries-relief/>

It seems like SIBA's policy helps larger members, and does nothing for the majority of its membership who are very small?

SIBA's SBR policy, first and foremost and above all else protects the **maximum relief available** to all brewers below 5,000hl. Brewers at the moment cannot receive more than 50% duty relief under EU law. Following Brexit, we will look again at our proposals within what is possible, but we are monitoring the negotiations closely. In an ideal world all brewers would love to see their tax burden reduced.

During discussions the Coalition demanded that SIBA drop its 'red line' on 50% relief at 5,000hl which would have resulted in lower relief for many members. We do not accept that there is any convincing evidence to justify that. The Coalition now accuses SIBA of failing to compromise.

That's absolutely right – SIBA will not compromise on 50% relief at 5,000 hl. SIBA is protecting the interests of the majority of its members and 50% relief at 5,000hl is a core principle for SIBA.

In cash terms for the smallest brewers and the majority of SIBA membership this would mean:

| HL | SIBA | Coalition |
|------|------------------|-----------|
| 1000 | Relief protected | £0 |
| 2000 | Relief protected | -£3,000 |

| | | |
|------|------------------|----------|
| 3000 | Relief protected | -£9,000 |
| 4000 | Relief protected | -£19,000 |
| 5000 | Relief protected | -£33,000 |

SIBA's policy does seek to extend SBR up to larger (but still small) breweries. It's worth bearing in mind the actual percentages of relief larger (small) brewers would receive are very small overall, as the table below shows. **The smallest brewers would still see the biggest benefit from SBR.**

| HL | Current | SIBA | Coalition |
|---------|---------|-------|-----------|
| 1,000 | 50% | 50% | 50% |
| 5,000 | 50% | 50% | 58% |
| 10,000 | 75% | 67.5% | 68% |
| 60,000 | 100% | 96% | 95% |
| 100,000 | 100% | 98% | 98% |
| 150,000 | 100% | 99% | 99% |
| 200,000 | 100% | 100% | 100% |

Brewers at 10,000hl would see a 7.5 % difference in their overall rate, paying 67.5% of the full duty rate. A brewer at 60,000hl would pay 96% of the full rate, only 4% difference to the current. Once you get higher, the percentages get even smaller – 2% at 100,000hl and 1% at 150,00hl.

Small brewer's relief under SIBA's policy would still benefit smaller members the most, but the scheme would be extended to benefit more breweries overall in smaller increments while still reducing the overall tax burden for the independent craft sector.

Most SIBA members are below 1000hl and the coalition policy would not do anything to take relief away from brewers below that. So why shouldn't I support them?

The Coalition's policy removes relief sharply for all brewers above 1,000hl and under 6,000hl. That's 37% of SIBA's membership. SIBA's policy protects the maximum relief available for all small brewers below 5,000hl – which is 88% of SIBA's membership. Under SIBA's policy, **no brewer is any worse off**. Under the Coalition policy, many small brewery businesses would likely be put out of business if their policy were to become Government policy.

The Coalition argue that graduation of relief should begin at 1,000hl. The impact of this would be clear. It would not make relief fairer; it would make brewers below 5,000hl but above 1,000hl much less competitive, shut them down and shift that market share further up the chain to bigger brewers.

I'm a brewer at 3,000hl. My competitor down the road is at 10,000hl. Under SIBA's policy I'm going to be no better off, but he/she's going to be better off under SIBA's policy. They'll use that money to undercut me. How can that be right?

There is strong evidence that the diseconomies of scale curves do not match the relief curves. We know that there is a significant 'cliff edge' after 5,000hl where growing through that barrier is incredibly difficult. The tax system should act as an incentive to

growth. At the moment it acts as a cliff to scale and a disincentive. SIBA's policy makes the distribution of relief fairer, allowing those businesses that want to grow, to grow.

There isn't any strong evidence that the majority of brewers use any of their duty relief to undercut their competitors. Some do, yes, but the vast majority do not. From SIBA's surveys we know brewers use duty savings to re-invest in their businesses, hire more people and expand production. But that should be encouraged, not discouraged. Government recognise there is an issue between 5,000hl and 10,000hl and we think we have the solution that is fair to all brewers.

SBR is 'small brewers relief'. The clue is in the title. So why is SIBA supporting an extension of the scheme up to 200k hl?

SIBA supports an extension up to 200k hl to spread the benefits of SBR more widely across relatively small brewers. We have to remember that 88% of the beer consumed in the UK is made by four global brewers. All SIBA members should be looking to expand their ranges and access to market by cutting into that 88%. That's where the growth for our sector will come from. That's how consumers will be able to enjoy superior beer.

As the table above shows, small brewers still receive the biggest benefit from SBR. The percentages of duty relief larger SIBA members would receive are very small in percentage terms and in cash terms relative to that businesses' turnover.

The extension to 200,000hl is also supported by CAMRA.

Government want industry to come up with a solution that all can get behind. It looks like that has failed. Why can't you get back around the table?

Industry discussions between SIBA, CAMRA and the Coalition have been productive and there are more areas of agreement than disagreement. On M&A between small brewers, export calculation, industry led review – we agree. We do not agree with the Coalition on the level of reform above and below 5,000hl. It is unlikely parties will agree on that point, but CAMRA is equally opposed to reducing the current levels.

The majority of the independent beer industry (now including CAMRA and a number of coalition members) are behind SIBA, so we are in a strong position to go to Government and ask for reform as a united front.

SIBA remain open to discussions and approaches from industry groups. But for now, we will press on with SIBA's policies for reform seeking support from brewers, publicans, craft beer lovers and industry groups. This is so we, SIBA, who helped create SBR can lead the way to reform SBR positively.

What can I do to help?

Securing reform relies on Government recognising there is the widest possible agreement in industry. They won't act if the independent beer industry is divided or if there is risk of a political backlash.

Sign up on the SIBA website to show you support our SBR policy and share the links on your social media feeds.

SIGN TO SHOW YOUR SUPPORT HERE: <https://t.co/YBUqmtJSuU>

This will help spread the word and ensure we have the widest possible industry backing to call on.

Seems like we have a very binary choice. SIBA's option or Coalition. Could there be a third way?

Yes, there could. But given the progress of the negotiations, we now know where industry groups stand. SIBA is open to further discussion. But at this point, without concessions from other parties we don't see this would achieve much.

SIBA will stick to its principles to protect the interests of the smallest brewers, help smooth the curve between 5,000hl and 10,000hl and extend the scheme upwards to benefit more brewers.

There are accusations that the debate around SBR will continue to distract from other issues out there. Headline rate of duty, business rates on pubs and the threat of the temperance movement, access to market. New taxes or deposit schemes on bottles, minimum unit pricing? SBR reform is a red herring and a distraction, isn't it?

It is true that SBR has taken up a lot of time and energy over the last 18 months. But it is right that it should! SIBA has in fact been defending SBR since 2002, not just for the last 18 months. It's the most important issue to SIBA members. SIBA remains committed to campaigning on all these important issues alongside SBR reform with SIBA's internal team and policy committee making representations and meeting people in Government every week.

Rest assured, SBR reform may be the priority but SIBA's team is keeping on top of all the issues on members behalf.

Why weren't members consulted on SIBA's new policy?

SIBA members were consulted on SIBA's SBR policy. It's been raised at regional meetings around the country over the last 18 months and SIBA's board sent the first version of the policy to all members in November 2017, asking for feedback.

Why doesn't SIBA agree with a Treasury-led review or call for evidence?

A Treasury led review takes the responsibility out of industry and hands it to Treasury. We're in regular dialogue with the officials in Treasury, and in other Government departments. We know our industry best, and we know what works.

We know it is extremely unlikely that the Treasury would commit resources at this time to issue a review on SBR. We believe trying to secure the widest support for our proposals presents the best opportunity to secure reform in a reasonable time period.

The Government won't commit to an extra £9.2m of cost as proposed in SIBA's model, will they?

It is true that in the current political climate, with an £11bn black hole to fill in NHS spending promises, any extra money from Treasury (including a cut or a freeze in the headline rate of duty) for our sector is a big ask.

But Government recognise SBR needs reform. We've been told by Ministers that if you have a strong case to make, then make it. We have a strong case for reform based on real brewery numbers and a deep understanding of our industry.

In Treasury terms, £9.2m is a tiny amount of total managed revenue. Helping our sector in this way provides Government with a great 'good news story' in the next Budget. It's also the case that the model proposed by the Coalition predicts broadly similar costs.

Surely the Government want agreement from all stakeholders to do anything?

Government have told us they would like 'the widest possible agreement'. Government are pragmatic and know that 100% can't be happy with every Government policy. Especially now! With genuine political interest we are in a unique place as an industry to guide government policy on the issue.

SIBA is asking members, coalition members, publicans and consumers to sign up to support SIBA's policies.

Sign up here: <https://t.co/YBUqmtJSuU>

Why hasn't SIBA taken a lead on this issue before now?

SIBA has been leading discussions with Government officials and Ministers throughout the process.

The Coalition should be congratulated for helping to bring the importance of SBR to Britain's brewers to the political fore, and the need for reform.

Won't SIBA's model create even more market distortions?

Any Government policy change creates temporary distortions, especially tax changes. But we have strong evidence from real brewery data to show us that SIBA's SBR policy will create a more long term, sustainable marketplace that treats all brewers more fairly.

Who are the members of the Coalition?

We don't know who the current members are. We know of a number of influential brewers have withdrawn support from the Coalition, but the Coalition's leadership, despite us asking have not revealed who is backing them. We think the Coalition should come clean and say who backs them, rather than operating in the shadows.

So who supports SIBA's policy?

We think the majority of small brewers support SIBA's policy. A number of coalition members have also pledged their support. We'll be in a position to publish a list of supporters in the coming weeks as part of SIBA's campaign plan.

It's why we're asking all brewers, publicans, pubcos and consumers to back SIBA's policy for reform.

CAMRA has also voiced its support for SIBA's position, which is aligned with their policy views. As a consumer group, CAMRA is a powerful ally on this and many other issues.

There is some disagreement with the SIBA position from members on social media.

In a nutshell, why should I support SIBA's policy?

SIBA's policy protects the maximum relief available to 88% of brewing members. It reforms the cliff edge to growth at 5,000hl and extends the scheme to benefit more independent brewers.

Coalition says the SIBA position of supporting 50% relief to 5000hl is unfair on brewers below 1000hl. Why are they wrong?

SIBA's policy is based on real brewing financial information, from real brewers. The coalition's model is based largely on hypotheticals. Because of this, we know that the economies of scale the coalition are claiming for brewers as they grow are simply wrong.

50% relief for all brewers up to 5000 hl is the safety net of the beer world all brewers at that level rely on.

There is no political, economic or moral case for the withdrawal of relief for any brewer below 5,000hl and SIBA's policy is based on this principle.

Won't the Coalition proposals result in more sustainable prices? Won't the coalition's proposals be better for cask ale?

We don't think it is realistic to assume that brewers, faced with an increase in their duty bill would be able to pass this on through higher prices. In such a crowded and competitive market we don't think that would happen and therefore they could be forced out of business.

We agree that sustainability in these tough times is key, but to reduce relief for some brewers as a means of achieving that would be a blunt and ineffective tool.

What about access to market? What is SIBA doing?

SIBA remains committed to working on both commercial and political solutions to help access to market.

SBR was originally introduced for three reasons. To compensate for diseconomies of scale, to create more diversity AND to compensate for lack of access to market.

SIBA's BeerFlex is creating commercial opportunities for SIBA members in largely foreclosed markets. SIBA's new political project on access to market will be launching soon and will help put pressure to address many challenges faced by British Independent brewers.

I would like to talk to someone about SIBA's policy, who do I contact?

Please contact James Calder, Head of Public Affairs and Communications or Mike Benner, Chief Executive.