

The effects a further increase in excise duty on alcohol products will have on our business and the UK on-trade.

As an independent wine merchant specialising in the supply of wines to the on-trade we are deeply concerned and alarmed at the rate at which excise duty has, and continues to be applied on wines. Excise duty on alcohol is calculated as a fixed amount based on 1 litre of pure alcohol. Therefore in order to establish the amount of duty payable on an alcoholic product one must calculate the percentage of alcohol present.

As of 2011 Budget, the duty on a 750ml bottle of wine with an alcohol percentage of between 5 and 15% by volume is currently £1.81. Value Added Tax is then applied. As duty is applied using this method, an entry level bottle of wine (£4 -£5) carries the same basic excise duty as a more expensive wine, say £10 or £20.

Wine sales in the UK are now dominated by the major supermarkets (over 80%); they differ from the independent sector in that wine sales are not their only source of revenue. It is inconceivable that supermarkets should now be prevented from selling alcohol products, but to permit them to display wines, beers, spirits etc alongside household goods, groceries and everyday essentials, allows them to use alcohol as a very powerful tool to attract more customers to their retail outlets. Their average sales value on wine is a little over £4 for a 750ml bottle.

Since 2006, duty on a 750ml bottle of still wine has increased by more than 55p (44%), yet the supermarket price point has barely moved and 3 for £10 promotions deals are still regularly seen; their suppliers are pressured to absorb these increases each time an excise increase has been made, or cut price promotions have been used and offset against other products, to avoid price increases.

The independent sector can not afford to absorb these duty increases, over the past 10 years duty has increased by 62%, putting huge pressure on cash flow, even with a duty deferment account payment of excise is usually made by a wholesaler long before the wine is sold; unlike VAT which is applied at point of sale, therefore independent retailers and wholesalers are unable to compete at entry level for sales. This leaves the largest wine sales market for the big players.

Some consider that returning the retail sale of alcohol to premises and businesses that are concerned solely with the sale of licensed drinks would facilitate far easier regulation and prevent lost leader deals. It is inconceivable that major supermarkets would relinquish their hold in this sector, but a suggestion to move all alcoholic drinks to a separate location, away from the main grocery stores should have grounds for consideration.

Whilst many independent merchants are happy to leave this sector to the major retailers and concentrate on higher value wine sales, it must be said that the past and current governments' policy to increase excise duty on alcohol not only has little or no effect on prices in the major outlets, but also fails to combat the UK binge drinking culture; for example, most under 21 year olds destined for a night out buy the cheapest available wines, and other alcoholic beverages (mostly spirits) from supermarkets and consume very large quantities of it over a short period, prior to going out in order to avoid higher prices in licensed on-sales establishments: They even have a name for it, "pre-loading".

Excessive consumption of alcohol is found in all sectors of society and clearly needs addressing, antisocial behaviour in our towns and cities has escalated to an alarming level and fuelled governments to continue increasing excise duty on alcohol year on year. The major effect of this has been felt within the on-sales sector, especially bars, restaurants and public houses. An increase of just 10 pence per 75cl bottle of wine at source will result in an increase of 40p and often more at point of sale. Traders are experiencing a reduction in trade as customers are tempted away from their establishments in favour of alternative social gatherings, sourcing their alcohol from supermarkets, where little or no increases have been applied.

The hospitality industry in this country is under considerable pressure, weighed down by red tape, high labour charges and the effect of recent changes within the licensing law and the smoking ban. As each annual duty increase is applied every business feels the pain, in an attempt to attract more business and retain existing custom, profit margins are being squeezed. In desperation not to lose custom to the supermarkets many businesses are tempted to source cheaper products offering reduced value for customers, often using more price driven suppliers providing poor service and inconsistency, in most cases both these routes result in business failure.

Every failed business has an effect on all affiliated businesses and the local community, leading to job losses with inevitable increases in welfare benefit payments, lost PAYE, and employer's contributions, reduction in tax revenue via business taxes and business rates.

Bars and pubs have felt the brunt of these measures and are still closing at an alarming rate, despite being well documented and reported by numerous media publications over the past 3 – 4 years nothing has been done to address this. For those who enjoy a drink and for those who do not, the local pub is the life blood of many communities, yet in their blind panic to reduce alcohol misuse the past and present governments are taxing this sector out of existence with no consideration to the importance of these vital social centres.

Prior to the 1980's wine purchases in the UK were considered a luxury and only regularly consumed by the wealthy few; those countries in which wine was not commonly home grown duty rates were traditionally higher as there was no requirement to protect home production. Wine is now far more accessible and with cheaper global travel and more efficient international movement of commodities it is evident that the UK governments' duty rate policies are outdated and encourage both legal and illegal importation via easy to access neighbouring countries.

Duty rates in neighbouring wine producing countries is considerably lower than the UK, in France for example duty on wine is less than 5 euro cents (4p) per bottle, a major attraction to any individual wishing to bring back wines for personal consumption and more than tempting for any unscrupulous trader. It is commonly known within the wine trade (and beyond) that a regular traffic of articulated lorries and vans pass through UK borders carrying vast quantities of wines, which find their way to retail outlets, bars, hotels and restaurants, duty unpaid; difficult to prove without hard evidence and rigorously denied by the authorities. Year on year duty increases only encourage more illegal importation, resulting in further loss of UK tax revenue.

By increasing the price of wines and alcohol related products may well deter some individuals from making a purchase but using the duty element as the tool to accomplish this is highly ineffective and has a devastating effect on our business, and associated business sectors crucial to the future of the UK economy.

In the interest of protecting the future of the UK independent wine trade and associated independent businesses, I call on all wholesale, retail, on-trade and off-trade sectors to petition the current government to halt the progress of the alcohol duty escalator.

<http://epetitions.direct.gov.uk/petitions/29645>

Martin Platts

Proprietor/Partner

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