

CROWN INN

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**Best Cask Beer Pub (West Midlands & Wales)
Best Beer Pub (G.B. Pub Awards – National Finalist)**

Date: 8/8/2020

To: Rt. Hon. Rishi Sunak,
Chancellor of the Exchequer,
11, Downing Street,
LONDON
SW1A 2AA

Dear Mr. Sunak

ONGOING ALCOHOL-SUBSIDY TO SUPERMARKETS

In these straightened times, I find it baffling that the Government is continuing its hidden subsidy to supermarkets to sell alcohol at a loss. Alcohol is a licensed drug, like tobacco and medicines, yet it seems acceptable that alcohol can be used as a loss-leader, whereas a decision to sell cigarettes at a loss would be met, rightly, with abhorrence.

You will no doubt be aware of supermarket advertisements such as those for cases of beer and cider at £10 or less and bottles of spirits at a similar amount. These include V.A.T., Duty and V.A.T. on that Duty. Taking into account the costs of

1. growing the raw materials;
2. harvesting those materials;
3. transporting them for processing into alcohol;
4. carrying out that process;
5. packing them into bottles or cans;
6. wrapping those cans and bottles in plastic and / or cardboard;
7. transporting the finished product to warehouses;
8. distributing it to local supermarkets;
9. stacking the shelves and other selling costs;
10. the use of the alcohol sales to collect valuable points or, through discount vouchers, to obtain cheap fuel or other goodies,

it can be seen that, somewhere in the supply chain or at the final point of sale, the price paid by the consumer is unlikely to meet the true costs involved.

Methods popularly used by supermarkets to obtain a Government subsidy on their losses include

1. setting off the V.A.T. element of the loss against their total V.A.T. contributions;
2. setting off the remaining loss against Corporation Tax;
3. cross subsidising losses on V.A.T.-able alcohol sales against food / non V.A.T.-able sales, undermining their long-standing position that they only sell alcohol “as part of a basket of other products”. Thus, they cross-subsidise alcohol purchases against other products, in the same way big “tech” companies choose to register sales in low-tax countries.

These subsidies are before the publicly-funded disposal of the cans and bottles, the cardboard trays or boxes in which the bottles sit, the metal bottle caps and the plastic shrink-wrap which encases them all. Those costs are borne by the public purse, either through local authority waste collection, or through other environmental costs, as the state of beaches, parks and other public areas have shown clearly.

In addition, the home consumption of large quantities of un-supervised subsidised alcohol is particularly prevalent this year, as the regulated pubs and bars have been closed for many months and are taking time to re-capture their trade from the subsidised supermarkets. This home-consumption goes against three of the Government's urgent health messages: -

1. It is well-documented that alcohol consumption has greatly increased for many people while the venues for supervised alcohol-consumption have been closed;
2. Excessive home-consumption of alcohol often goes hand-in-hand with excessive consumption of food, working against the Prime Minister's own wish for a healthier society; and, most importantly;
3. The consumption of alcohol at house parties or similar gatherings can take place without the good public health practices of most pubs and bars to combat the Covid-19 virus.

To help tackle these problems, I ask you to consider the following measures in your forthcoming budget: -

1. Make a change to conditions attached to Licenses for Off-Trade venues making it illegal to sell alcohol (or any other licensed drug) at less than full cost price;
2. Use V.A.T. regulations to make such Licensed outlets account for their sales of alcohol (and any other licensed drug) separately, removing the ability to hide any losses in cross-subsidies;
3. Enable the Groceries Code Adjudicator to examine sales of alcohol and to enforce a ban on sales at less than full cost price;
4. Consult Cabinet colleagues to look at the un-restricted proliferation of licences for Off-Trade alcohol sales and at the costs of dealing with the waste from bottles and cans, etc.

In conclusion, although at first glance the ongoing subsidy to supermarkets may appear a trivial item with all the problems the country is facing at this time, tackling the issue will not only make a contribution to the Exchequer but will also help tackle the nation's health and environmental problems. Needless to say, it would also give a shot-in-the-arm to the beleaguered hospitality industry at about the same time as your excellent furlough scheme comes to an end, enabling you to show continued support to our business community.

I would be delighted to hear your thoughts on the issues I have raised.

Yours sincerely,

John Ellis, D.M.S., F.B.I.I.

c.c. Mrs. Lucy Allen, M.P. for Telford