

## 13.2 COSTS AND RESOURCES 2

131. Current licensing systems should be self-financing and cover issuing and enforcement costs. The liquor licence fee is set at £30.00. Because most of the current costs fall to them as court costs, the Lord Chancellor's Department has responsibility for setting the fees. However, the real costs of licensing, inspection and enforcement are difficult to establish. It is likely that the costs are not being recovered at current fee rates. This means that even if the proposed streamlined and simplified system reduces costs, it may prove necessary to increase the fees from their present level.

### *What industry is paying now*

132. Total costs for compliance with the existing liquor licence laws over ten years<sup>8</sup> for an average business involving only one set of premises can be estimated to be between £15,000 and £70,000 at current prices. The disparity between the two figures depends largely on whether applications for licences, or variations of the conditions attached to them, are the subject of disputes or not. For a major operator owning 300 pubs, the figures would be £4.5 million to £21 million. Such enormous potential variations can only make planning and investment decisions extremely difficult.

133. Public entertainment licence fees are set by local authorities and vary enormously. Fees are between £50 and £20,000, depending on the venue or the scale of the event. Ignoring costs of complying with conditions, we estimate that for the average nightclub style business involving only one set of premises over ten years the cost of compliance with the requirements of public entertainment licensing would be anything between £3,500 and £200,000, when legal costs are included. **2**

134. For a business providing both liquor and entertainment the combined costs over ten years could therefore be anything between £18,000 and £270,000 at current prices.

### *What industry might pay in future*

135. To cover the necessary cost of a training course and licence fees, the total cost of a personal licence to an individual would be between **£180** and **£2 5** (all falling in the first year of validity of each ten year period, and assuming no subsequent breaches of licensing law). The premises licence could cover any combination of permissions for liquor, public entertainment, children, theatre and cinema, and non-alcoholic refreshment at night. We estimate that fees would range between **£100** and **£500** falling into bands agreed centrally. As the licence would be valid for the life of the business, we believe that to maintain a revenue stream, an annual charge with a maximum set centrally, would need to be made by the licensing authority to cover inspection and enforcement. We estimate that similarly banded charges should be no more than **£50 to £150** to cover, for example, additional fire, police and trading standards inspection and enforcement (not the whole cost of local police and fire cover for which these businesses will already be paying in part through central and local taxation). An exceptional charge may occasionally have to be made to cover

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<sup>8</sup> The period of ten years has been chosen for comparison purposes because this is the period for which a personal licence would be issued.

one off large scale events attracting huge crowds. Under the new system proposed, legal costs are likely to be between **nothing** (uncontested) and **£5,000** (contested). We stress that there should be less scope for dispute, fewer applications to vary conditions and hours, and significantly fewer hearings. For the purpose of comparison with the existing arrangements, we therefore estimate that for an average business the cost of obtaining both a personal and a premises licence over a ten-year period would be between **£700** and **£7,000** at current prices. The majority of these costs would fall in the first year of operation. But we believe that most premises would fall at the lower end of these estimates.

136. There are currently 156,000 premises licensed to sell and supply alcohol and 23,000 registered clubs. Potentially 179,000 premises licences and club premises certificates and 156,000 personal licence holders would therefore be required to meet the current need. We estimate that 8000 new applications of various kinds might be made each year. Some would fail and some businesses would cease to trade. In respect of venues concerned with selling and serving alcohol alone, this would produce around 220,000 premises licences and club premises certificates and 200,000 personal licences in existence at the end of a ten year period. In estimating the likely cost we have assumed that a high proportion of premises will fall at the lower end of the range described above. We therefore broadly estimate that the cost of compliance for the hospitality, tourism, refreshment and leisure sector would be around **£600 million over ten years**. The figure would comprise £500 million generally falling in a transitional period of perhaps three years and £10 million for new applications recurring annually producing £100 million. These figures could be expected to reduce in subsequent periods of ten years because of the absence of a renewal requirement for premises licences. **2**

**2**

137. In addition, the industry will face new training costs in respect of around 1 million employees with a high staff turnover. Our proposals place greater burdens on them to prevent crime and disorder, and underage purchase and consumption of alcohol. This will create a further need to raise professional standards among all staff, and not just licence holders. Because of the importance we attach to training, we estimate that training costs should be estimated at around **£1.5 billion over ten 2 years. 2**

138. Based on our existing knowledge of the industry, this compares with an estimated cost to industry of maintaining the existing licensing systems over a similar period of about **£4 billion over ten years**, with these costs spread relatively evenly over the period.

139. This suggests savings in the order of **£1.9 billion over the first ten years in 2 operation or £190 million annually**. Spread across over 200,000 businesses, these, we recognise, are modest savings. Most of the savings will not accrue until after an initial period of transition, and we note that a very great proportion of the savings for industry would represent income lost to the legal profession after the transitional period ends. But we note cautiously that it is impossible to say what use will be made of the sanctions and punishments available to the courts and the licensing authority. These will at least be costs which industry has the power to control through good management and a socially responsible approach.

*The full impact*

140. An assessment of the impact of the regulatory changes contained in this White Paper, so far as we are able to gauge at this stage, is at Appendix 4.