The Economic Contribution of the Drinks Industry

Commissioned by the Drinks Industry Group of Ireland

DRINKS INDUSTRY GROUP OF IRELAND

Anthony Foley - July 2008

Published in 2008 by:
Drinks Industry Group of Ireland,
Anglesea House, Anglesea Road,
Ballsbridge, Dublin 4

The Economic Contribution of the Drinks Industry

Commissioned by the
Drinks Industry Group of Ireland
July 2008

by Anthony Foley
Dublin City University Business School

DRINKS INDUSTRY GROUP OF IRELAND

Alcohol Beverage Federation of Ireland • Beverage Council of Ireland
Irish Hotels Federation • Licensed Vintners Association • National Off Licence Association
Restaurants Association of Ireland • Vintners Federation of Ireland

Contents

Contents

Executive Summary

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Chapter 5

Chapter 6

Chapter 7

Executive Summary

Objective

The objective of this report is to identify the economic contribution of the drinks industry to the Irish economy. It updates the 1999 and 2004 DIGI reports which dealt with the same issue. The report seeks to inform policymakers and the public of the substantial economic contribution made by the industry in the production and distribution of beverages
It is also intended as a starting point for those seeking more in-depth up to date information on the drinks industry and identifies the main data sources. The drinks industry is defined to include the manufacture, wholesale distribution and retail distribution of both alcoholic and non-alcoholic beverages.

The report examines output, consumption, employment and skills, the impact on the balance of payments and foreign exchange, taxation contribution and other issues. It broadly follows the structure of the 2004 (Foley) DIGI report on the economic role of the industry.

Main Economic Changes

The main economic changes in the industry over the past several years are the continuing growth in the off-licence share at the expense of the on-licence share, the growth in the share of wine in total consumption at the expense of domestically produced products, the growth in the import share of consumption of domestically produced products such as beer, spirits and cider, relative stability of per capita and per adult alcohol consumption at levels below the peak levels of 2001 and decline in the alcohol share of personal consumption.

All of these factors have a negative impact on the scale of the economic contribution generated by the drinks industry. The industry continues to generate substantial employment and economic activity such as direct employment of 61600 full-time job equivalents.The negative changes are a continuation of longer-term trends. However, total consumption of alcohol increased by 10.8% in volume between 2000 and 2007 but the production of domestically produced alcohol declined by 21.8% and the volume of imported alcoholic beverages grew by 90%. The share of market sales held by the employment and tax revenue intensive on-licence sector declined from 72% to 64% between 2000 and 2006 , There are also concerns for the sustainability of many small rural public houses due to the changed economic and regulatory environment.

Structure of the Industry

The retail segment is comprised of many very small enterprises. Relatively small numbers of licensed premises have levels of turnover in excess of €1.25M. Pubs outside Dublin have much lower turnovers than pubs in Dublin. Large numbers of non-Dublin pubs have very low turnover levels. 36% of Dublin pubs and only 1.3% of non-Dublin pubs had turnovers of €1.25M or more in 2003. 59.7% of non-Dublin pubs had an annual turnover of less than €200,000. The retail side is characterised by, primarily, small owner managed enterprises.

The retail sector is characterised by small size. The average number of full time staff in public houses was 3.7 in 2003, based on DIGI data. The CSO's 2005 Annual Services Inquiry reports an average full time bar staff employee's level of 4.3; including all staff the average size is 7.2. The Failte Ireland survey reports an average pub size including part-timers of 7.7 in 2006; the full-time average size was 3.9 persons.

The manufacturing segment was composed of 34 enterprises in 2006 and 27 enterprises and 30 local units in 2005. The sector includes very large companies such as Diageo and Irish Distillers. Average size of local unit in drinks is higher than in manufacturing as a whole, 136 persons in drinks compared to 48 in manufacturing as a whole. Earnings, productivity and value added ratios are also relatively high. Wages and salaries per person is €57,296 in the drinks industry compared to €35935 in manufacturing as a whole. Drinks net output is 67% of gross output compared to 63% for all manufacturing. Gross value added per person engaged in drinks is €360K compared to the manufacturing level of €179K and is surpassed by only chemicals.

In the manufacturing sector administrative and technical staff account for 17.1% of employment. The drinks industry share is higher, at 21.1%. Drinks manufacturing jobs are characterised by higher earnings, higher skills and relatively high productivity. Drinks manufacturing provided 4.1% of manufacturing value added in 2006 and 2.1% of manufacturing employment. In 1995 it provided 8.1% of manufacturing gross value added, 2.4% of turnover and 3.3% of wages and salaries.

Economic Contribution and Role

The main indicators of economic role are output and employment. Associated with these are sub indicators such as type of employment, skills levels and earnings

levels, linkage patterns of the output, regional spread of economic activity and foreign exchange contribution of the output that is exported (adjusted for import content of production). Other economic benefits include the exchequer contribution from the direct and indirect taxes associated with the production and consumption of beverages. Ultimately the economic benefits of output and employment from manufacturing depend on the domestic and overseas consumption of domestically produced beverages. Therefore, it is desirable to identify consumption levels and trends. The economic benefits associated with retailing and distribution continue to exist even if consumption is satisfied by imported beverages.

Data

The study uses official statistics such as CSO production, employment and trade data and revenue commissioners material on output, consumption and taxation. In addition DIGI has published data on certain aspects which are not available from official sources such as details of the retail sector. International data on alcohol consumption are from the OECD Database. Except for DIGI research in some significant respects, the main approach is to use official data sources.

Consumption

Beverages are a large but declining component of personal consumption. The voluntary purchase of beverages indicates the utility that consumers derive from the product. In the current consumer price index non alcoholic beverages such as soft drinks and juices account for 1.04% of the total and alcohol accounts for 9.98%. Off-licence alcoholic beverages are 3.10% of the total and on-licence consumption of alcoholic and soft drinks is 9.10 (0.39 soft drinks and 8.7 alcohol). Overall, alcohol accounts for 9.98% in the current CPI compared to 11.90% in the 2001 based CPI.

The CSO National Accounts data on personal consumption also illustrate the importance of drinks consumption. Alcoholic beverages consumption was valued at €6.6M in 2006, or 8.0% of total personal consumption. Non-alcoholic beverages were estimated to be €569M or 0.6%. Overall beverages consumption was 9.7% of total consumption in 2000. The alcohol share of personal consumption, measured in money terms has declined from 9.7% in 2000 to 8.0% in 2006. Even with the decline in share the current level of alcohol consumption is €6.6B. Off licence share grew from 28% in 2000 to 36% in 2006

Alcohol consumption measured as per person and per adult peaked in 2001, declined a little in 2002 and declined significantly in 2003. Thereafter average consumption has broadly remained the same with very small annual changes. The current level of per adult consumption of 13.494LPA places Ireland very close to the top of the international league table of alcohol consumption.

It is notable that the current Irish levels of per capita consumption(10.75LPA) have previously been exceeded by other countries which currently have lower levels. France was at 15 to 17 LPA in the 1960s and 1970s before declining to its current 10.3; Germany was around 11 LPA in the late 1970s and early 1980s; Italy was above 13 LPA in the late 1960s / early 1970s; Portugal consumed over 12 LPA in the early 1990s and Spain peaked at 14.2 LPA per capita in 1975.

The growth of alcohol consumption has been dominated by wine. Non wine consumption declined between 2001 and 2007 by 3.1% while wine consumption grew by 66.9%. Total consumption grew by 6.9%.

Employment

There are many different and conflicting sources of drinks related employment data. These include Fáilte Ireland, the Annual Services Inquiry, the Census of Population and the Census of Industrial Production. The 2006 Census of Population reports a total of 15727 bar staff, which increased from its 13553 level in 2002. The 2006 CIP enterprise section records a manufacturing employment level of 4468 persons which is lower than previous years(6146 persons in 2000). The DIGI 2004 Survey of Licensed Premises records 48K full-time staff and 52K part-time and casual staff while the 2006 Failte Ireland survey of public houses reports 36175 full-time persons and 87998 including part-timers and seasonal workers. The employment contribution of the industry is dominated by the on-licence retail sector.

Employment associated with the drinks industry arises from

- direct employment in the manufacture, distribution and retail segments
- indirect employment from the providers of inputs to the sectors not included elsewhere e.g. fittings and refurbishment in premises, musicians, food suppliers and general services
- the additional employment impact of the expenditure arising from the incomes from the above employment.

The drinks industry provides opportunities for a variety of working systems from fulltime to casual.

The linkage employment is significant in that in 2005 pubs and other bars bought €803M worth of goods and services apart from materials bought for direct resale. The manufacturing sector bought €1.1B worth of materials and services. Allowing for off-licence and wholesale distribution employment there is an extra 4500 jobs. Overall the drinks industry is directly and indirectly responsible for 61600 fulltime job equivalents and provides employment for 105K persons.

Balance of Payments and Foreign Exchange

Drinks exports were 25% of sales of manufacturers in 2005 as reported in the CIP. The 2006 trade statistics report beverages exports of €1297M, with a trade surplus of €571M. Because of the growing level of international competition, the larger non-national demand in Ireland and the markets desire for new brands the industry has lost market share in Ireland but still maintains large shares of the 2007 domestic market; 63.7% of the beer market; 56.2% of the spirits market and 86.3% of the cider market. Of course, the growing wine market is externally sourced.

The net foreign exchange earnings of drinks exports are relatively high because of the high domestic content of both service and materials inputs. In the absence of domestic production of beer, spirits and cider it is likely that consumption levels would be relatively unchanged and would have to be sourced through imports from other economies. Consequently, the existence of the domestic producers prevents a large level of drinks imports.

Taxation and Other Aspects

Alcohol is a very highly taxed product in Ireland compared to other EU economies. Excise amounted to €1078.2M in 2006. This form of taxation is applied to very few industries. When VAT is included the revenue flow was €2151M per annum in 2006 and €2264M in 2007. As of 2007 Ireland had the highest wine tax in the EU and the second highest spirits and beer tax. The excise size gap between Ireland and many other EU economies is very wide.

Significant economic benefits flow from the drinks industry in terms of support for tourism, developing a high quality profile for Ireland and regional development. It also provides a resource for community infrastructure, especially in rural areas. In terms of profile several of Irelands leading international brands are drinks products, Baileys Cream Liquer, Guiness and Jameson.

Conclusions

The purpose of this report is to identify the economic role of the drinks industry in Ireland. The intention is to facilitate those who require such an assessment and to inform and advise policy makers on the role of the industry so as to contribute to more appropriate and informed policy making for the industry.

The report's analysis has shown the drinks industry to be a substantial national economic asset. It directly provides almost 62K full time job equivalents. The drinks manufacturing industry has a high service employment multiplier. The drinks industry sources most of its raw materials inputs within Ireland and has very high purchases from other Irish sectors.

The manufacturing industry is characterised by high skills, high levels of productivity and high earnings per person employed.

Alcohol has a very strong balance of payments surplus. The relative foreign exchange earning capacity is higher than official trade data indicate because of the low import content of the sectors production.

The industry is a very substantial contributor to the exchequer in terms of excise and VAT, generating a total tax revenue of €2.151B. In addition the industry generates income tax, profits tax and PRSI contributions.

Many of the high profile international brands that have emerged from Ireland have been from the drinks industry. The industry contributes to tourism and regional development. It also plays a significant role in social infrastructure.

The public house sector also plays an important role in providing food to foreign tourists. It is the most frequently used food service outlet by visitors. 58% used pubs compared to 34% for budget restaurants, 31% for hotels and 28% for high quality restaurants. The largest fee charging tourist attraction in the country is the Guinness Storehouse.

Overall the empirical data shows that the drinks industry makes a substantial economic contribution providing high quality manufacturing employment, large numbers of jobs in retailing and other desirable economic characteristics.

Chapter 1

Introduction

1.1 Introduction and Objective

This chapter outlines the objective of the report, identifies the structure of the report and describes the data sources for the analysis.

The purpose of this report is to identify the economic role of the drinks industry. It updates the 1999 and the 2004 DIGI reports which dealt with the same issue. The report seeks to inform policymakers and the public of the substantial economic contribution made by the industry. It is also intended as a starting point for those seeking more in-depth up to date information on the drinks industry and on the main data sources. The drinks industry is defined to include the manufacture, wholesale distribution and retail distribution of both alcoholic and non-alcoholic beverages.

The report examines production, consumption, employment, earnings, skills, the impact on the balance of payments and foreign exchange, taxation contribution and other issues. It broadly follows the structure of the 1999 and 2004 (Foley) DIGI reports on the economic role of the industry. It also updates information available in Foley(2005) on the tourism role of the industry.

1.2 Economic Benefits

The generally used main indicators of economic role are output and employment. Associated with these are sub indicators such as type of employment, skills levels and earnings levels, linkage and purchasing patterns of the output, regional spread of economic activity and the international trade role of drink. Other economic benefits include the exchequer contribution from the direct and indirect taxes associated with the production and consumption of beverages and its contribution to tourism. Ultimately the economic benefits of output and employment depend on the domestic and overseas consumption of domestically produced beverages and the domestic consumption of imported beverages. Therefore, it is desirable to identify consumption levels and trends.

Most economic production generates costs as well as benefits. Direct costs include the negative environmental impact through for example use of energy in production and distribution. There are also negative indirect effects from various goods such as the adverse health impact of abuse of alcohol or the obesity aspects of certain food consumption patterns

Food production, for example, directly has negative environmental impacts through the manufacturing and distribution processes and also through the primary production of food involving both the “natural” emissions from animal waste and the discretionary use of fertiliser. Indirectly there are health concerns relating to obesity, and relating to the salt content of foods. Alcohol is a behaviour altering substance with both direct health impact on the consumer if abused and the indirect effects of inappropriate behaviour if abused. The Strategic Task Force on Alcohol (2004) has considered the economic costs associated with the abuse of alcohol. As noted above, this report relates to the economic role or economic benefits associated with the production and consumption of alcohol. A discussion and measurement of the economic costs of alcohol abuse is found in the Strategic Task Force on Alcohol(STFA) (2004) and Byrne(2004) and a critique of this measurement and approach can be found in Foley(2006).

The STFA estimated that the economic costs of alcohol abuse was €2.65B in 2003. However, Foley(2006) argued that within its own methodology this was an over estimate and that a more likely figure was €1.7B. While recognising the difficulties arising from the exercise Foley also raised questions about the methodology such as the distinction between “associated with” and “ caused by” as regards the alcohol impact on road accidents and crime, social benefits of alcohol such as health effects of moderate consumption and social cohesion, private versus social costs and the possibility that reduced abusive alcohol consumption may be replaced by other abuses.

The report deals with the economic benefits associated with the drinks industry such as the employment and output associated with production and distribution. The absence of a drinks industry does not necessarily mean an equivalent direct decline in economic activity and employment. Labour and other factors could be reallocated to alternative activities. The consumer expenditure could be switched to other products and services, including both domestic and imported products. However, this argument can be made for all sources of economic activity. There is also the possibility that expenditure would not be switched completely to other activities and that economic activity would decline. Also, it is possible that some consumption could switch to undesirable products such as illegal drugs in the absence of alcohol consumption. In essence, therefore, the report identifies the economic activity and economic benefits directly and indirectly associated with the production and consumption of alcohol and non-alcoholic beverages.

1.3 Methodology and Data

The report mainly uses official statistics such as CSO production, employment and trade data and Revenue Commissioners data on output, consumption and taxation. In addition DIGI has published data on aspects of the retail sector which are not available from official sources. Unfortunately the latest DIGI comprehensive retail data refer to 2003. These will be updated during 2008. The main source for international data on alcohol consumption in the past has been the World Drink Trends but publication of this ceased in 2005. Currently, the most up to date data source for international alcohol consumption data is the OECD Database. Except for DIGI research, Failte Ireland material and market research in some limited respects, the main approach is to use official data sources.

The main data sources are;

Census of Industrial Production(CIP) (CSO): The latest comprehensive data is for 2005. There are limited preliminary data available for 2006. The CIP has information on drinks manufacturing. The level of sub sector disaggregation presented has changed from year to year in some cases and in 2004 some of the data was presented only for drinks and tobacco combined. This approach was reversed in the 2005 CIP. Data is available for both enterprises and local production units. An individual enterprise may have more than one local production units.

Annual Services Inquiry(ASI) (CSO): The latest data is for 2005. It gives information on various indicators for the NACE sector, bars.

Expenditure on Beverages (CSO): The latest data refer to 2006. It gives information on constant and current price expenditure on beverages. The main data on this indicator is published in the national accounts statistics and more detailed data is available from the CSO.

Revenue Commissioners: The Revenue Commissioners publish data on volume of alcohol consumption in their annual Statistics Reports. The latest report refers to 2006 but 2007 data has been made available by the Revenue Commissioners. This source also provides data on taxation and number of licences.

In addition there are official data on bar sales and international trade from the government agencies, some of which is available up to 2007. Failte Ireland publishes a Business and Employment Survey which provides employment data for the public house sector. The latest available is 2006. Employment data is also available from the Census of Population.

1.4 Definition of the Drinks Industry

A broad definition of the drinks industry is used in the report. The manufacture, wholesale, on-licence retail and off-licence retail sectors are included. The most comprehensive data is available for the manufacturing sector. Substantial data is available for the on- licensed sector. There is limited empirical data on the off-licence retail sector and very sparse material is available on the wholesale sector. The varying availability of the data is reflected in the coverage of the different sectors in the report.

1.5 Structure of the Report

Chapter 2 presents a brief summary of the overall structure of the drinks industry and examines manufacturing and retail output. Chapter 3 deals with consumption of beverages. Chapter 4 identifies the employment and labour force aspects, including skills, earnings and productivity. Chapter 5 examines the international trade aspects, Chapter 6 deals with exchequer benefits and other economic benefits such as linkages, purchases and contribution to tourism. Each of chapters 3, 4 and 5 identify data and measurement issues arising from the different sources of statistics.

Chapter 2

Structure of the Industry and Production

2.1 Introduction

A brief outline of the industry's structure is presented in this chapter. In addition production levels and trends are identified. The main focus is on manufacturing and on the retail segment. Manufacturing data is derived from the Census of Industrial Production. Material for the retail segment is obtained mainly from CSO data sources and to a limited extent from the DIGI survey on the retail trade. As will be seen retailing is comprised of several thousand small establishments and accounts for 57K full time job equivalents compared to 4.5K jobs in manufacturing. The average size of drinks manufacturing unit is relatively large compared to total manufacturing.

Table 2.2.1
Main Structural Features of the Drinks Manufacturing Industry 2005

	Beverages	Cider & Soft Drinks	Total Manufacturing	Other Beverages
Number of enterprises	27	13	4256	14
Number of local Units	30	13	4494	17
Gross output per local unit €M	54.9	21.9	22.9	80.1
Net output per local unit €M	36.6	14.9	14.4	53.2
Persons engaged per local unit	136	94	48	168
Annual wages and salaries per employee €	53781	34441	34342	62024
Annual wages per industrial worker €	42783	30319	28470	54159
Gross output per person engaged €	403214	232471	471597	476287
Net output per person engaged €	268819	158687	296349	315952
Wages and salaries as a % of net output	20.0	21.6	11.5	19.6
Net Output as % of Gross output	66.7	68.3	62.8	66.3

2.2 Manufacturing; Structure & Production

The manufacture of beverages is covered by NACE group 159. There are eight categories in this group, 1591, distilling; 1592, ethyl alcohol; 1593, wines; 1594, cider; 1595, non-distilled fermented; 1596, beer; 1597, malt; and 1598, soft drinks and mineral waters. Data is not available for all the individual categories because of confidentiality reasons and some of the categories are not of relevance in Irish production. The manufacturing data is now presented for only two sub-sectors (1591,1596,1597) and (1594 and 1598). Up to 1995 in the CIP data on four categories was provided. The two categories are; cider and soft drinks in one category and all the rest in the other. In 2006 there were 36 enterprises in the drinks manufacturing sector In 2005 there were 27 enterprises involved in the manufacture of beverages. 13 were in cider and soft drinks and 14 were in the other category. Total manufacturing turnover in 2006 was €2.89B or 2.4% of total manufacturing turnover. The industry created €1.609B gross value added which was 4.1% of total manufacturing value added and paid out €256M in wages and salaries.

The 27 enterprises in 2005 are comprised of 30 local production units of which 13 are in cider and soft drinks and 17 are in the other category.

The main structural features are shown in table 2.2.1.

The data are given for the drinks industry, its two CIP categories for which statistics are available and for manufacturing as a whole for comparison purposes. In addition to the indicators which are given here there is much more material is available from the Census of Industrial Production.

The drinks industry has a larger scale than manufacturing as a whole.
Gross output and net output per local unit or per production establishment is substantially higher in the drinks industry than in manufacturing as a whole. The net output per unit in drinks is more than two and a half times that of total manufacturing. The average size of local unit is 136 persons in drinks and 48 people in total manufacturing. Wages and salaries per employee is almost €54K per annum in the drinks industry compared to €34K in total manufacturing. Similar gaps arise in respect of average earnings per industrial worker, €43K in drinks and €28K in manufacturing as a whole

The relatively high value added nature of the drinks industry is illustrated by net output being 66.7% of gross output compared to 62.8 for manufacturing as a whole.

Productivity levels, measured by net output per person engaged is a little lower in drinks than in manufacturing as a whole. €268.8K compared to €296.3K. However, when productivity is measured by gross value added The drinks industry is much higher than manufacturing as a whole and higher than most other sectors. This is examined in Chapter 4.

The earnings and productivity data are further examined in chapter 4.

There are substantial differences between the two drinks sub categories. Earnings are lower in cider and soft drinks(€34K) than in the other drinks category(€63K). Productivity is much lower in soft drinks and cider than in the other category.

The average size of the 17 local units in the other drinks category of 168 persons masks the fact that this drinks category includes very large enterprises such as Diageo and Irish Distillers. The same is true of the average size of 94 persons in cider and soft drinks in the context of Bulmers.

There are several different measures of output in manufacturing. As used above there are gross and net output. The enterprises section of the CIP uses other measures such as turnover and gross value added. Gross value added(GVA) is the concept used for EU wide comparisons. The recent trends in various performance indicators are shown in the table below. The material is from the enterprises section of the CIP. For ease of comparison wages and salaries are also included but this aspect is examined further in chapter 4. It should be noted that the enterprises employment and wages and salaries totals are different to the local units data. The period covered is 2000 to 2006(for the available preliminary data) and 2005. 2004 data are not available due to the inclusion of tobacco with drinks.

Table 2.2.2
Production and Other Trends in Drinks 2000-2006

year	Enterprisess	Local units	Turnover €M	GVA €M	Purchases €M	Employment Persons (In enterprises)	Wages and salaries €M
2000	34	64	3086.4	1790.9	1306.9	6146	227.0
2001	34	64	2846.1	1575.6	1281.7	5952	245.6
2002	34	63	3408.6	1968.4	1444.6	5876	253.8
2003	33	54	3483.8	2172.3	1333.5	5223	250.0
2004	na	47	na	na	na	na	na
2005	27	30	3114.1	1741.3	1397.6	4542	240.5
2006	36	na	2890.0	1609.0	na	4468	256.0

Notable trends are the continuing decline in employment from 6146 persons in 2000 to 4468 persons in 2006 and the decline in the number of local production units from 64 in 2000 and 2001 to 30 in 2005. Employment is still substantial at almost 4500 persons but is lower than in the past. Contrary to the public perception of a continually growing alcohol industry production as measured by GVA is lower in 2006 than all of the previous years except 2001. Peak GVA was €2172M in 2003 and is at €1609M in 2006. Turnover reflects a similar pattern. These data refer to domestic production. A major determinant of long term consumption growth in Ireland has been wine which is, of course, imported and not included in domestic production figures.

Measured production in the drinks industry is influenced by patterns of outsourcing. If outsourcing increases the production attributed to the drinks manufacturing is reduced as it is allocated to the supplying sectors. While there is a general trend of increasing outsourcing this activity does not explain the decline in GVA. Purchasing level has varied over the period but overall has not increased greatly between 2000 and 2005 (a 6.9% increase). All of the above data are in current prices. As prices have increased over the period the volume or quantity changes are less than the value changes.

Over the full period GVA declined by 10.2% but as employment declined by 27.3% there has been a substantial increase in labour productivity. The wages and salaries bill has increased between 2000 and 2006 but much of this increase occurred in 2001. However, there was also a large increase in 2006. It should be noted that the 2006 data are preliminary and are based on incomplete returns to the 2006 CIP. If we stop the comparison at 2005 the picture remains much the same except that the decline in GVA is less, the 2005 turnover is slightly ahead of the 2000 level and the wages bill is lower than the previous three years. Overall, however, the position remains one of no growth over the full period although some individual years did experience growth in GVA.

The shares of drinks manufacturing in total manufacturing for various indicators are shown in Table 2.2.3

Table 2.2.3
Share of Drinks in Total Manufacturing 2000-2006

	Turnover	Gross Value Added	Wages and Salaries	Persons engaged
2000	3.1	5.1	3.5	2.4
2006	2.4	4.1	3.3	2.1

The drinks share has declined on all four indicators between 2000 and 2006. At present the drinks shares are turnover, 2.4%, gross value added 4.1%, wages and salaries 3.3% and employment 2.1%.

2.3 Retail & Wholesale Structure and Production

There are several sources of data for the drinks retail industry. The Revenue Commissioners collect data on the number and type of licence for alcohol retailing. The Failte Ireland Business and Employment Survey collects data on the number of public houses and their employment. The CSOs ASI contains data on a range of economic variables for the bar sector including earnings, employment, turnover and gross value added. The DIGI Survey of Licensed Premises contains the most detailed breakdown of size structure. Unfortunately the DIGI survey relates to 2003 and its findings were reported in the 2004 Economic Role report. It is intended to update this data in 2008. In the absence of more up to date data it is still useful to identify the size structure from the 2003 data. An update of the economic position of the public house sector is desirable because of the major changes in their operating environment since 2003.

The Revenue Commissioners data on number of licences is shown below. The very large number of outlets is immediately apparent. There are 9555 full on licences and 1170 full off licences. The number of off licences increased substantially in recent years from 808 in 2002. The number of wine off licences is also very large and has grown greatly in recent years, from 2023 in 2002 to 3485 in 2006.

Table 2.3.1
Alcohol Retail Outlets 2002 -2006

	Full publican licences	Full off licences	Wine off licences
2002	9896	808	2023
2003	9731	785	2392
2004	9964	983	2790
2005	9237	1070	3026
2006	9555	1170	3485

Source: Revenue Commissioners

According to the 2004 DIGI survey the distribution of the full licences was 72.9% public houses and 27.1% were other types of licensed retail outlet. These included hotels and sports clubs.

The very large number of retail establishments is a notable feature of the on- licence sector. In terms of number of participants the retail segment is very competitive. The fact that there are so many retail outlets in the drinks industry would suggest that the average size of establishment is quite small. This is confirmed by the data in Table 2.3.2 which is from the DIGI retail survey.

Table 2.3.2
Percentage of Premises Sales and Employment in each Turnover Band

Net Value of Sales	Percentage of Premises	Percentage of Total Sales	Percentage of Employment
Under €30K	11.0	0.9	5.1
€30,000 – under €60K	15.5	1.8	11.2
€60K – under €200K	27.7	9.4	16.4
€200,000 – under €400K	19.8	15.5	15.1
€400K – under €650K	11.4	15.7	15.2
€650K – under €1M	6.4	13.8	12.2
€1 – under €1.25M	3.2	9.4	7.8
€1.25M – under €2.5M	3.3	16.1	9.2
€2.5M – under €4M	1.0	8.8	3.0
€4M or more	0.7	8.6	4.8
Total	100.0	100.0	100.0

Source: DIGI Survey of Licensed Premises in Ireland 2004

Very large numbers of retail outlets in drink have small turnover levels. The data show that only 5% of premises had sales of €1.25M or over in 2003. Only 1.7% had sales levels in excess of €2.5M in 2003. Unfortunately, up to date information from this source is not available. The retail segment is characterised by a large number of small outlets and is very much a small firm industry.

At the lower end of the scale almost 54% of establishments have annual sales of under €200K per annum.

Dublin has a higher proportion of public houses in the higher turnover category than the rest of the country. The Dublin, non-Dublin breakdown is shown below in Table 2.3.3.

Table 2.3.3
Net Value of Sales in Public Houses in the Last Twelve Months 2003

	Dublin %	Non-Dublin %	Total %
Under €30K	0.0	11.8	10.4
€30,000 – under €60K	0.0	15.3	13.4
€60K – under €200K	1.8	32.6	29.0
€200,000 – under €400K	18.6	21.7	21.3
€400K – under €650K	13.9	10.1	10.5
€650K – under €1M	13.2	5.8	6.7
€1 – under €1.25M	16.6	1.5	3.3
€1.25M – under €2.5M	24.0	0.4	3.2
€2.5M – under €4M	9.1	0.4	1.4
€4M or more	2.9	0.5	0.8
Total	100.0	100.0	100.0

Source: DIGI 2004

36% of Dublin pubs have a turnover of, or, in excess of €1.25M compared to 1.3% in the rest of the country. Almost 60% of non-Dublin public houses have a turnover of under €200K compared to 1.8% in Dublin.

The ownership structure is a family dominated one. 95% of pubs are independently or family owned and operated. Only 5% are part of a chain. The drinks sector is a substantial source of entrepreneurial resources.

Data on the wholesale and cash and carry segment of the industry is limited. However the 2004 DIGI survey provides an insight into its role. The main suppliers of each category of drink is shown below.

The dominant source of supply, excluding draught beer, is wholesalers. General "cash and carry" can also be regarded as a "non specialist" wholesaler. Packaged beer is mainly sourced at wholesalers (68.4%), while draught beer comes directly from the manufacturer or importer (74.8%). Spirits and wine are supplied primarily by wholesalers and cider and perry comes mainly from wholesalers (64.6%). Soft drinks are mostly supplied by wholesalers (77.4%).

Table 2.3.4
Main Supplier of Stocks for each Category of Drink to Licensed Premises % 2003

Drink Category	Cash & Carry	Wholesaler	Manufacturer/ Importer	Not Applicable	Total
Beer (Packaged)	8.2	68.4	20.1	3.3	100.0
Beer (Draught)	0.6	21.9	74.8	2.7	100.0
Spirits	25.8	57.1	15.2	1.9	100.0
Wine	19.5	70.9	8.8	0.8	100.0
Cider/Perry	9.1	64.6	22.6	3.7	100.0
Soft Drinks	11.3	77.4	10.1	1.2	100.0

Source: DIGI 2004

The ASI collects data on the number of bars as defined by the NACE economic classification. The number reported in this source is very much lower than the Revenue Commissioners data for full publican licences. The latest data refer to 2005. The 2005 ASI records a total of 5784 bars with a combined turnover of €3648.7M which gives an average of €631K per bar. Average employment including part-timers according to the ASI is 7.2 persons which further illustrates the small firm nature of the on-licence retail sector. Average full-time staff per public house is 4.3 and average part-time staff is 2.9 according to the ASI .Using Failte Ireland statistics the average pub size including seasonal and part-timers is 9.5 ; using only full-timers the average size is 3.9. The DIGI average full-time staff is 3.7 persons and including part-timers the average is 7.7. While there are differences in average size depending on the source of information all three sources confirm the small average size of licensed premises.

The average size of bars/public houses from the different sources is shown in Table 2.3.5

Table 2.3.5
Average Size of Public Houses: Persons Employed

	Full-Time	Part-Time	Total Staff
ASI 2005	4.3	2.9	7.2
Failte Ireland 2006	3.9	5.6	9.5
DIGI 2003	3.7	4.0	7.7

Source: Derived from various sources

Non-alcoholic beverages were 7.9% of the drinks market in 2005, based on expenditure.

The relatively dispersed nature of the retail drinks industry is further illustrated when compared with other retail outlets. The 2005 CSO Services Inquiry contains the data for this comparison. The number of enterprises in the "bars" category is the highest of the retail categories, except for the catch-all category of "other retail" indicating the relatively high degree of actual or potential competition.

Table 2.3.6
Number of Retail Enterprises 2005

Motor Trades	5341
Non-specialised stores	3291
Specialised food & beverages	1964
Pharmaceuticals, Medical, Cosmetics	989
Other retail including clothes, hardware, books, electrical, furniture	9003
Repairs	762
Bars	5784

Source CSO

The "bars" category of retail sales generated €1055M gross value added in 2005. This is equivalent to 2.3% of all ASI services gross value added. Bars accounted for 3.7% of ASI full time retail services employees and 8.9% of part-time employees. Non-alcoholic beverages were 7.9% of the drinks market in 2005, based on expenditure

The off-licence sector is also characterised by small size and large numbers of enterprises. There are over 1170 stand alone off-licences and 3485 wine licences. In addition full pub licences can operate an off-licence facility. Research by Foley (2000) showed that average full time employment per off-licence was 3.7 persons. In recent years the role of the multiple sector and the convenience store sector in off licence sales has increased.

2.4 Summary of Structure and Production

The retail segment is compromised of very many small enterprises. Relatively small numbers of licensed premises have what would be regarded as high levels of turnover. Pubs outside Dublin have much lower turnovers than pubs in Dublin. Large numbers of non-Dublin pubs have very low turnover levels. The manufacturing segment is comprised of 34 production establishments and 27 enterprises. Average size is higher than in manufacturing as a whole and earnings, productivity and value added ratios are also relatively high. Apart from draught beer, wholesalers are the main source of supply for licenced premises. There are 9.5K on-licensed premises and 1170 off-licences. The off-licence segment accounts for about 36% of the alcohol market as measured by expenditure. This understates its volume share as price per alcohol unit in off-licences is lower than in on-licenses. These consumption aspects are examined in chapter 3. There are very many "bars". There are more outlets in the bars category than the other retail segments reported in the Services Inquiry except for the "catch all" category of "other" retail. The retail sector provides the economy with a large pool of entrepreneurial resources.

Chapter 3

Consumption of Alcohol and Non Alcoholic Beverages

3.1 Introduction

Consumption of beverages by consumers is the foundation for the economic benefits of employment, income and wealth creation which are associated with the drinks industry. This chapter examines the main features of consumption; international comparisons and trends in alcohol consumption; consumer expenditure, product mix and the on and off-licence sectors of the retail category. The next section reviews the various measurement issues which arise in alcohol consumption. The important but simple chain of casuality is that consumer demand generates a desire for consumption which encourages production (both manufacture and distribution) which leads to employment, income and other economic benefits. Abuse of alcohol consumption is associated with economic costs as discussed in the introduction. As with almost all economic activity, production, and even moderate consumption, generate economic "bads".

Consumption does not directly lead to Irish manufacturing employment and economic output. The consumption can be satisfied by imports as well as domestic production. As will be shown below much of the consumption growth has been generated by wine which is imported. In addition, as outlined in Chapter 5, a growing share of beer, cider and spirits consumption is imported. Increasingly there is a divorce between overall consumption trends in alcohol and manufacturing performance because of imports.

3.2 Data Sources

As alcohol consumption is an important policy issue it is desirable that empirical measurement of consumption should be solidly based. For example, up to WDT 2002, the Irish data calculated by WDT was an overestimate due to including cider consumption at wine strength; this was corrected in WDT 2003.

The Economist "World in Figures" presented misleading expenditure data on Irish alcohol consumption relative to other countries. The 2004 edition identified Irish alcohol consumption at $1,335.5 per head. This was the highest in the world and exceeded the combined levels of Finland, Norway and Denmark (ranked 3,4,5 in the "league" tables). In Ireland, on-licence sales are allocated to "alcohol" in the national accounts but in many European countries only off-licence sales are allocated to alcohol and pub sales are allocated to categories such as recreation, entertainment or restaurants. Consequently expenditure measures based on national accounts data can be misleading.

There are other issues which affect the measurement of alcohol consumption and there are different methods of calculation. It can be measured in terms of quantity of beverage, quantity of alcohol content, expenditure in monetary terms, inclusive or exclusive of tax, in per capita or in per adult terms. It may or may not allow for the impact of out of state legal and illegal sourcing and calculation may or may not allow for the impact of tourism on consumption. Conversion of beverage levels to alcohol content in some cases requires the use of average alcohol content ratios which may be less than perfect.

Trends in alcohol consumption are influenced both by increased levels of consumption for a given category and by demographic changes without increased consumption in specific age/gender groups and by changes in tourism levels. For example, an increase in the share of a high consuming population cohort wil increase average consumption levels without any increase in each cohorts consumption levels.

There are many difficulties associated with meaningful measurement of alcohol consumption. The more usual and robust method is to measure pure alcohol consumption per person or per adult. The main source of this data in Ireland is the statistics collected by the Revenue Commissioners. As excise is to be paid on the product complete records are kept of ex bond movements. However many European countries do not charge excise on wine. Therefore the issues of under reporting and inaccuracy of measurement arises.

The volume of alcohol contained in beverages is a better measure of trends or international comparisons than monetary indicators such as sales or expenditure. Depending on tax content and price levels sales data can give wrong impressions of relative alcohol consumption. Ireland is a very high tax location and there is also evidence of relatively high labour and other operating costs compared to other EU economies (Forfás 2002 and NCC 2007). Therefore, Ireland could have the same volume of alcohol consumption as another country which has lower taxes and lower operating costs but on a sales/expenditure indicator Ireland would have a higher alcohol sales/expenditure per capita level than the lower tax economy.

Excise on beer is charged per litre of pure alcohol. Therefore the Revenue Commissioners collect and publish data on pure alcohol content of total beer consumption. The same is true of spirits. Excise on wine is changed depending on the range of the alcohol strength of the wine. Consequently the wine data refers to litres of beverages. This must be converted by an

average alcohol content to get the quantity of pure alcohol. The international conversion rate is usually 12%. However, the WHO has used 14% for wine and 4.5% for beer. This 12% conversion rate may overstate or understate the true alcohol content. Revenue cider data is published on the same basis as wine. The conversion factor for cider that is often used internationally is 4.2%.. Internationally a 4% beer rate is often used.

If the average alcohol content of wine consumed in Ireland is above 12% and if the alcohol content of cider is above the conversion rate used, the Irish data would understate the real alcohol consumption. If the actual contents are below the above conversion factors the Irish data overstate the real consumption. Based on trends in the market it seems more appropriate to base future wine beverage to alcohol conversion on a 12.5% content. This reflects the increased share of higher alcohol content wines in consumption.

DIGI has traditionally used a 5% alcohol level for cider alcohol consumption levels. The dominant brand in Ireland is 4.5% but other ciders have between 5% and 6%. A 4.5% level would understate actual alcohol consumption. The likely actual level is around 4.8%.

The above considerations relate to recorded or known consumption levels. The data lose much of their meaning if there is large unrecorded consumption. Both legal (personal) and illegal out of state sourcing can arise. People also consume alcohol while abroad on holidays and this quantity is not included in the national estimate of average consumption. In the same way foreign holidaymakers in Ireland consume some of the alcohol attributed to Irish residents in estimating national consumption levels.

International practice is to treat the 15 years and over population as the adult population even though the legal minimum age for purchasing alcohol is 18 years. The report also presents revised estimates for 2003, 2004 and 2005 to those which have already entered the public domain to take account of the recently published CSO revision of population estimates for these years. In addition two measures for 2006 are presented to take account of the CSO decision to publish population estimates for 2007 based on the "usually resident" criterion instead of the previously used "de facto" population. The two measures allow the linking of the per capita and per adult consumption series through the two calculations for 2006.

Per capita and per adult consumption indicators are especially important for policy purposes. The measures are derived from population levels and volume of alcohol consumption. It is desirable to clarify the sources and nature of each.
The difference between the 2006 "de facto" and "usually resident" populations is small. Usually resident population in 2006 was 99.8% of the de facto population. However, changes in annual per capita consumption have been very small in some recent years and inexact measures of population can present an incorrect picture of actual per capita and per adult consumption changes and directions of change.

The CSO Annual Population and Migration Estimates for 2007 were published in December 2007. These estimates presented new totals and age distributions for 2003 to 2005 to allow for the 2006 Census of Population final population which was a little higher than the preliminary total which had already been used to estimate 2003 to 2005 in the 2006 Annual Population and Migration Estimates (published in September 2006). The 2002 population is unaffected by this as it was based on the 2002 Census Of Population. The current and previous estimates of population for 2002 to 2007 are summarised in Table 1. Column 1 refers to the CSO estimates published in September 2006 and these include the preliminary 2006 Census total. Column 2 refers to the CSO estimates published in December 2007 and include the final 2006 Census total. The new definition of usually resident are included for 2006 and 2007. Column 3 refers to previous DIGI population estimates for 2003 to 2005, published in the DIGI Statistical Handbook in June 2007 to adjust for the higher final 2006 Census total pending the CSO revisions. As can be seen the DIGI estimates are very close to the eventual finalised CSO estimates.

Table 3.2.1
Different population estimates for 2001 to 2007

	CSO Estimates		DIGI Estimates
	Published Sept 2006	Published Estimates Dec 2007	Published June 2007
2001	3847.2	3847.2 (not included in 2007 estimates)	3847.2
2002	3917.21	3917.2[1]	3917.21
2003	3978.9	3979.9	3979.9
2004	4043.8	4045.2	4045.8
2005	4130.7	4133.8	4134.0
2006 (de facto)	4234.9[2]	4239.8[3]	4239.82
2006 (usually resident)		4232.9	
2007(usually resident)		4339.0	

[1] 2002 CP [2] Preliminary 2006 CP [3] Final 2006 CP

The data in column 2 are used to calculate the per capita consumption indicators in this paper. The adult population figures used in the calculation of the per adult consumption indicators are derived from the column 2 total populations and are published in the same sources. It is clearly important to use the correct population changes in deriving changes in per capita consumption. If the 2007 and 2006 populations on the usually resident definition are compared, there is an increase of 2.51%. If the 2007 usually resident population is wrongly compared with the 2006 de facto population the increase is 2.34% and implies a higher per capita consumption increase that using the correct population change.

It is notable that official timely data on the level, distribution and pattern of consumption is relatively poor given the policy concern with the consequences of alcohol misuse.

3.3 International Comparisons of Consumption

The analysis uses the" litres of pure alcohol"(LPA) measure of consumption.

The latest (OECD Database) international comparisons are shown below. The sample of countries is the highest per capita consumers from the last WDT in 2004. The Irish levels are from the OECD source. The OECD data for Ireland for 2000 and 2005 are slightly different from Irish estimates based on Revenue Commissioner data. For the sample of countries in the international comparisons we use the WDT high consumers for 2001 as published in the 2004 DIGI economic role report. The data are the latest OECD Database information which refers to 2003, 2004 or 2005 depending on country.

Table 3.3.1
International Comparisons of Consumption (Top 11 countries from WDT 2004) 2003-2005

	Consumption Per Adult LPA 2000 (OECD Database) (OECD Database)	Consumption Per Adult LPA 2003, 2004 or 2005
Luxembourg	15.4	15.5
Hungary	12.0	13.2
Czech Republic	11.8	12.0
Ireland	14.2	13.5
Portugal	12.9	11.4
France	14.0	13.0
Spain	11.5	11.7
Germany	10.5	10.0
Denmark	11.5	11.3
Austria	11.1	11.1
UK	11.4	11.3

Source: WDT 2004 and OECD Database 2007

The OECD estimate of 14.2LPA per adult puts Ireland into second place in 2000 behind Luxembourg and close to France. In 2003/05 Ireland retained the same position. Between the two periods Irish per adult consumption declined as did five other countries. However, per adult consumption increased in Luxembourg. Hungary, Czech Republic and Spain. Consumption was unchanged in Austria.

Irelands recent(since the mid 1990s) and current high league position on alcohol consumption is a departure from its pre 1990S long term position.
The 1996 National Alcohol Policy reported that Ireland ranked 11th in 1993 in the EU based on per capita alcohol volumes of consumption. It also noted that unlike most other EU economies alcohol consumption was increasing in Ireland. It referred to the fact that using alcohol per adult would increase Ireland from 11th to 8th in the country "league." Nonetheless Ireland was ranked a relatively low 11th or 8th (of 15 countries) in 1993.

The 1993 ESRI report also concluded that alcohol consumption was low in Ireland "Clearly, intake of alcohol per head (in Ireland) is relatively low and ranks among the lowest in Europe…" (page 33). As noted above that situation no longer is the case.

While Ireland is near the top of the international league table for alcohol consumption, its current level is below the maximum levels experienced previously in countries which are now below the Irish level

Table 3.3.2
Maximum Levels of Per Capita Consumption: Various Countries

	Highest LPA per capita	Period
Portugal	14.3	1971
Belgium	10.8	1982/3
France	16.0 to 18.0	1962-76
Spain	14.0	1978
Germany	11.7	1976
Italy	13.9	1973
Ireland	11.3(2001)	2001/2
Austria	12.2	197.3

The seven countries listed above all have current consumption levels below the Irish level, but six of these had consumption levels above 11.3LPA, the Irish maximum per capita, at various times in the past. Excluding Belgium, the maximum consumption levels ranged between 11.7LPA to 18.0LPA.

3.4 Trends in Consumption

The consumption trends examination is divided into two periods, the long term trend up to 2001 using a 12% wine alcohol volume and the period 2001 to 2007 using a 12.5% wine alcohol volume which is a more accurate current estimate of the alcohol content of wine consumption. 2001 is the common year to provide a link between the two wine estimates. It is also the year of peak consumption and is therefore a good reference point. As already noted the current(2007) population definition is different to previous measures and the 2003 to 2005 population levels have recently been revised. Consequently. Previously published estimates of average alcohol consumption have had to be revised and greater caution than usual is needed in using the population data.

Alcohol consumption per person has (in volume terms) grown greatly over the late 1990's. Between 1990 and 1995 per capita consumption grew by 8.3%. In the 1995/2000 period the increase was 28.3%. These are based on the Revenue Commissioners data.

Part of this increase was due to an increased share of adults in the population. Adult consumption up to 1995 grew by 4.1%. In the second five years growth per adult was 24.1%.

In 2001 alcohol consumption per capita and per adult were at their peaks.. Both declined in later years. The annual details for 1990 to 2001 are shown below.

It is clear that the rapid growth was in the mid to end 1990's. When the individual annual performances are identified it can be seen that per adult growth decelerated from 1999 and was negative after 2001. The per capita consumption followed the same pattern. The rapid consumption growth coincided with the excellent economic growth and employment performance, rapidly rising incomes, an increasingly liberal society and greatly enhanced gender equality and increased female labour force participation.

Table 3.4.1
Annual Growth in Per Adult Consumption and Per Capita Consumption % 1990-2001

	Per Adult %	Level	Per Capita %	Level
1990	n.a.	10.90	n.a.	7.93
1991	0.4	10.94	1.1	8.02
1992	2.7	11.23	3.4	8.29
1993	-2.7	10.93	-2.1	8.12
1994	0.9	11.03	1.8	8.27
1995	2.9	11.35	3.7	8.59
1996	6.3	12.06	7.1	9.20
1997	5.4	12.71	6.3	9.78
1998	2.5	13.03	3.3	10.10
1999	4.8	13.66	5.2	10.63
2000	3.1	14.09	3.7	11.02
2001	2.1	14.38	2.5	11.30

Source: Derived from Revenue Commissioners and CSO

The total volume growth between 1990 and 1995 was 11.2%. In the 1995-2000 period the growth was 35.0%. Between 2000 and 2007 total volume grew by a much lower rate of l0.8%. The 2000 to 2005 growth was 5.2%.

The data used to calculate the per capita and per adult consumptions for the 2001 to 2007 period are shown in Table 3.4.2.

Table 3.4. 2
Total and adult population, total alcohol consumption and per capita and per adult consumption 2001-2007

	Population 000s	Adult Pop 000s	Alcohol Consumption MLPA	Per Capita Alcohol. Consumption LPA.	Per Adult Alcohol. Consumption LPA
2001	3847.2	3019.7	43.604	11.334	14.440
2002	3917.2	3089.8	44.300	11.309	14.337
2003	3979.9	3145.2	42.350	10.641	13.465
2004	4045.2	3201.4	43.527	10.760	13.596
2005	4133.8	3280.4	44.302	10.717	13.505
2006	4239.8	3375.4	45.451	10.720	13.465
2006	4232.9 (usually resident)	3367.9 (usually resident)	45.451	10.738	13.495
2007	4339.0 (usually resident)	3455.2 (usually resident)	46.625	10.746	13.494

Source. Population from CSO Population and Migration Estimates and Census of Population. Alcohol consumption up to 2006 from Revenue Commissioners Statistics Reports and 2007 alcohol data is supplied by Revenue and is provisional.

While the general trend between 2001 and 2007 is one of decline or stability it has not been a uniform process. Per capita and per adult consumption increased slightly in 2004.

Based on the above methodology and data the total volume of alcohol increased by 2.58% in 2007 compared with 2006. Population grew by 2.51% and adult population grew by 2.59%. Therefore, per capita consumption increased slightly in 2007 and per adult declined by a very small amount. Per capita consumption grew by a small amount, 0.07% from 10.738 litres of pure alcohol(LPA) to 10.746 LPA. On the more usual convention of using two decimal places to present the consumption figures the per capita consumption was 10.74LPA in 2006 and 10.75LPA in 2007, an increase of 0.09%. Overall the 2007 average consumption continues the relative stability of recent years and remains well below the peak levels of 2001 and 2002. The 2007 figure is not directly comparable with the 2001 (and pre 2007 levels) because of the change in population definition. The 2006 "de facto" population average consumption is 10.720LPA. The 2006 "usually resident" population average consumption is 10.738LPA. If the 2007 usually resident population measure of 10.752LPA is adjusted by the ratio of the two 2006 measures an estimate of 2007 de facto population consumption is 10.728LPA which is 5.3% below the 2001 level.

The per adult consumption decreased by a small 0.01% from 13.495 LPA to 13.494LPA between 2006 and 2007. When average consumption is measured to two decimal places there is a decline from 13.50 to 13.49 between 2006 and 2007. The highest per adult consumption recorded was in 2001 with a level of 14.44LPA. When the 2007 usually resident average consumption is converted to a de facto population estimate the 2007 figure is 13.464LPA which is 6.8% below the 2001 peak.

3.5 Consumer Expenditure on Beverages

Alcohol in a substantial part of consumer expenditure but its share has been declining. In the consumer price index the combined on and off-licence alcohol expenditure has a current weighting of 9.98% of the total index compared to 11.90% in the Dec 2001 weighting. This is comprised of 2.87% off-licence and 7.11% on-licence. Both of these figures have declined since 2001. Soft drinks and juices account for 1.04% giving a total beverages (excluding milk, tea, coffee) weighting of 11.02% of the current CPI compared to 13.32% in 2001.

Table 3.5.1
Beverages % Weighting of Drinks in Consumer Price Index

	Dec 2001	Dec 2006
Soft Drinks & Juices (off lic. sales)	1.03	0.70
Alcohol (off lic. sales)	3.19	2.87
Soft drinks (on lic. Sales)	0.39	0.34
Alcohol (on lic. Sales)	8.71	7.11
Total Alcohol	11.90	9.98
Total Soft Drinks	1.42	1.04
Total Beverages	13.32	11.02

Source: CPI, CSO

National accounts data from the CSO also show the importance of beverage expenditure in total consumer expenditure. The alcohol share of personal consumption has declined in recent years. It was 10.9% in 1997 compared to 9.7% in 2000 and 8.0% in 2006.

Table 3.5.2
Personal Expenditure on Alcohol & Non-Alcoholic Beverage

	€M Alcohol	Alcohol as % of total expenditure	Total Expenditure	Non Alcohol €M	Non alcohol as % of total expenditure
2000	4996	9.7	51474	451	0.9
2006	6628	8.0	82483	569	0.6
% increase	32.7		60.2	26.2	

Source CSO, National Accounts

While alcohol expenditure rose by 32.7% between 2000 and 2006 overall personal expenditure on consumption rose by 60.2%. The alcohol share of total consumption declined from 9.7% to 8.0%. Non-alcoholic beverages share declined from 0.9% to 0.6%. Overall beverages share declined from 10.6% to 8.7% between 2000 and 2006. At present, however, almost €9 of every €100 consumption expenditure goes on beverages. Almost €7.2B was spent on beverages in 2006.

A further illustration of the size of alcohol expenditure can be obtained from the Services Inquiry. Off-licence data are not available but bar turnover (excluding VAT) was €3649M in 2006.

The growth rates of different consumption sectors over the 2000/06 period are shown below.

Table 3.5.3
Growth of Alcohol Consumption Relative to Other Sectors 2000-2006

Consumption sector	Average annual % increase 2000/06
ALCOHOL	4.8
FOOD	2.6
TOBACCO	1.0
CLOTHING	2.4
HOUSING	9.8
FUEL and POWER	9.3
HOUSEHOLD EQUIPMENT	7.5
TRANSPORT AND COMMUNICATION	8.9
MISCELLANEOUS GOODS and SERVICES	11.1
ENTERTAINMENT	8.6
EXPENDITURE OUTSIDE the STATE	13.6
TOTAL	8.2

Expenditure on beverages (mainly alcohol) is a substantial share of the CPI, personal consumption and retail turnover. Its shares of the CPI weighting and of personal consumption have declined over the past several years.

3.6 Product Categories

The product breakdown for alcohol, based on value of expenditure is shown below for 2000 and 2006.

Table 3.6.1
Alcohol Product Shares 2000-2006(expenditure)

		Total	Beer	Spirits	Wine & Cider
2000	€M	4996	2962	1105	929
	%	100	59.3	22.1	18.6
2006	€M	6640	3446	1533	1661
	%	100	51.9	23.8	25.0

Source: CSO National Accounts

Beer had 59.3% of the market (in value terms) in 2000. This had declined to 51.9% in 2006. The spirits share increased slightly and the wine/cider share increased greatly. A breakdown of the wine/cider expenditure combination is not available. One of the economic implications of the changing product pattern is that wine is an imported product without a domestic production capability. Beer, cider and spirits have domestic production capabilities. Wine also tends to be a much more of a home and restaurant consumed product than a public house/bar product although it is a growing element of sales in many pubs.. The 2000-2006 trend continues a longer term trend of wine share increases.

An alternative measure of product mix is available from the volume data produced by the revenue commissioners

Table 3.6.2
Volume Levels & Shares by product 2001/07

		Beer	Spirits	Wine	Cider	Total	Total excluding wine
2001	LPA (M)	23.935	9.312	6.224	4.133	43.604	37.380
	% of total	54.9	21.4	14.3	9.5	100	85.7
2007	LPA (M)	22.895	9.275	10.390	4.064	46.625	36.235
	% of total	49.1	19.9	22.3	8.7	100	77.7

Source: Derived from Revenue Commissioners data

Beer share dropped from 54.9% to 49.1% over the 2001 to 2007 period. Spirits share also declined over the period as did cider. The wine share increased. The wine share grew from 14.3% to 22.3%. It is notable that the total alcohol consumption volume excluding wine declined between 2001 and 2007. It is also notable that all three of the products which are capable of being produced in Ireland declined in volume in this period although there were fluctuations within the period and some of the declines are small. The reason for identifying the non-wine performance is that wine is imported and is generally not capable of being produced in Ireland. Therefore its increasing share has different economic implications than would derive from increases in the other three product categories.

3.7 Off and On Licence

The details of the on and off licensed segments are shown below for 2006.

Table 3.7.1
On and Off Licence Share 2006 (Expenditure)

	Beer	Spirits	Wine & Cider	Total
On €M	2954	904	415	4274
%	85.7	59.0	25.0	64.4
Off €M	492	629	1246	2366
%	14.3	41.0	75.0	35.6
Total	3466	1533	1661	6640

Source: Derived from National Accounts Data

The off-licensed market is 35.6% of the total alcohol market measured in money terms. Only 14.3% of beer is sourced within this segment. 41% of spirits expenditure is sold through off-licences. 75% of the combined wine and cider segments is sold through off-licences.

The off-licence share of the alcohol market in monetary terms has grown from 19.1% in 1991 to 27.5 % in 2000 and 35.6% in 2006.

The off-licence share measured by expenditure understates the volume of alcohol consumption sourced from off-licences. This is because the unit of alcohol price is lower in off-licences than in bars. The gap between spirits and wine (which are the main off-licence products) off and on prices is wider than in beer prices. The average alcohol off-licence prices could be about a quarter of the on-licence alcohol price. This significantly boosts the off-licence volume share above the 36% value share. Clearly, the relative shares of on and off licensed categories have implications for the employment and tax revenue intensity of alcohol consumption.

3.8 Summary of Consumption

Irelands alcohol consumption is at or near the top of the EU alcohol consumption league. However, many countries which currently have lower per capita consumption levels than Ireland had higher levels in the past. There are many difficulties in measuring consumption but even when these are taken into account Ireland is a relatively high consumer. Per capita consumption rose rapidly in the 1990s and peaked in 2001. It declined slightly in 2002 and declined again in 2003 and has been broadly stable at that level since. Beverages account for 11.02% of the CPI and 8.6% of personal consumption expenditure. Beer accounts for 49% of the market and has a declining share. Wine's share has increased greatly and cider's share has also increased. CSO data show off-licences to have 35.6% of the market based on expenditure. This understates the off-licence share in volume terms. Three drinks categories are produced in Ireland, beer, spirits and cider and wine is imported. Between 2001 and 2007 total non-wine alcohol consumption declined and wine accounted for all the growth. Given the concern with alcohol consumption it is surprising that official data on the level and pattern of alcohol consumption is so limited.

Chapter 4

Employment

4.1 Introduction

This chapter deals with the employment aspects of the drinks industry. It identifies the level and type of employment provided by the industry. Skills aspects and productivity levels are examined and absolute and relative earnings are also identified.

Data on the manufacturing segment is comprehensive but data on the licensed premises element is more limited. The Census of Industrial Production (CIP) and other CSO data series deal with the manufacturing segment but the only official recent sources of retail sector employment are the services Inquiry and the Census of Population. Unofficial retail sector data is available from the DIGI survey and the Failte Ireland survey. Overall however there is sufficient information to give an accurate measure of the employment supported by the drinks industry.

4.2 Employment

Direct employment is provided in the manufacture and distribution of beverages. Indirect employment is provided within Ireland through the purchases by the manufacturing and distribution segments from other firms. For example refurbishment of public houses provides employment in the construction and furniture sectors. The drinks manufacturing segment has a high level of domestically sourced raw materials which supports employment in primary agricultural production.

Employment creation also arises through the spending power of the incomes generated by the economic activity caused by the production and distribution of drinks industry products.

The overall employment impact of the drinks industry extends beyond its direct employment. It has a substantial employment multiplier impact. There is interdependence with other sectors in that drinks production arises only because of purchasing by individuals. This purchasing is possible mainly because of incomes generated by other sources of economic activity in the Irish and international economies. Therefore other sectors could argue that they support employment in the drinks industry.

A distinction should be made between employment associated directly and indirectly with the drinks industry and any concept of causality, or "stand alone" nature of the industry's employment.

On the assumption of the continuation of the same demand to consume alcohol in the absence of an Irish drinks manufacturing industry the market will be supplied by imports. This would remove the direct employment in manufacturing and the indirect employment generated by the manufacturer's purchases of Irish services and raw materials. The retail and wholesale distribution employment would be sustained even with all consumption satisfied by imported products. There would be a deterioration in the balance of payments caused by increased imports and lost exports.

This chapter focuses on direct employment. Linkage and purchases induced employment is discussed in Chapter 6.

The principal employment contribution arises from the retail distribution segment. As shown in previous DIGI reports the employment in manufacturing of drink has declined over the long-term as restructuring, improvements in productivity, outsourcing and technological change have occurred. This has been repeated throughout the manufacturing base. Long term employment growth in manufacturing has tended to arise from new sectors, rather than the growth of long established sectors and enterprises.

Manufacturing employment is examined first. The CIP is the main sources of data on manufacturing employment. The previously published more up to date quarterly enquiries by the CSO are no longer published.

There are some issues in interpreting the employment performance from the CIP. As noted there are two definitions of unit of production, local production units and enterprises. Between 2000 and 2002 both sources reported broadly the same employment levels as shown in Table 4.2.1. In 2003 the two sources of manufacturing employment diverged with the enterprises total 7.7% above the local units total, 5223 persons compared to 4851 persons. The gap continued and widened in 2005 4542 persons compared to 4084 persons, a gap of 18.6%. There was no enterprises employment data for beverages as a group in 2004 due to tobacco being included. As also shown in the table the difference between the two sources on the beer/spirits and cider/soft drinks classifications are not consistent over the period. The beverages gap in the two sources in 2003 was due to the beer/spirits category with 3007 persons compared to 3380 persons. Cider/soft drinks was almost the same in the two sources. In 2005, however, beer/spirits were almost the same in the two sources (2860 persons compared to 2901 persons) and cider/soft drinks accounted for the gap, 1641 persons compared to 1224 persons.

These somewhat unlikely patterns emerging from the CIP merit further examination and this is being pursued with the CSO. Both sources point to a declining level of employment in the manufacture of drinks.

Table 4.2.1
Differences in Employment Totals in the Local Units and Enterprises Parts of the CIP 2000-2006 persons

	All Drinks		Cider and Soft Drinks		Beer and Spirits	
	local units	enterprises	local units	enterprises	local units	enterprises
2000	6133	6146	2216	2216	3917	3930
2001	5963	5952	2333	2334	3620	3617
2002	5871	5876	2476	2478	3395	3398
2003	4851	5223	1844	1843	3007	3380
2004	4585	na	1818	na	2767	3102
2005	4084	4542	1224	1641	2860	2901
2006	na	4468	na	na	na	na

The latest CIP covers 2005 with preliminary data for 2006. . There were 5871 persons engaged in the manufacture of beverages in 2002 according to the local units classification of the CIP. According to the enterprise classification there were 5876 persons engaged. Over the longer term manufacturing employment declined from over 8000 persons in 1980 to 4741 in 1990. It fluctuated between then and 1998 (4732 persons). Thereafter it increased to 6146 persons in 2000 but as already noted it declined each year from 2000 to 2006. The rate of decline in drinks manufacturing employment was 27.3% between 2000 and 2006.

Peak employment in drinks manufacturing in the past decade was 6146 persons in 2000 and prior to that 8088 persons in 1980.

Over the 2000-2006 period total consumption of alcohol increased by 8.0% which would not seem to indicate a substantial decline in employment even allowing for productivity gains. However, the consumption increase is not a good guide to manufacturing employment performance because all of the increase was in wine between 2000 and 2006. Non-wine consumption declined and as shown in Chapter 5 the domestically produced part of non-wine consumption declined substantially.

The 4468 persons in 2006 amounted to 2.1 % of total manufacturing employment.

Employment in retail distribution is now examined. There are four separate sources. The Census of Population (CP), the Annual Services Inquiry, the DIGI survey and Failte Ireland. The CP material refers to 2006, DIGI to 2003, ASI to 2005 and Fáilte Ireland to 2006. The DIGI and Fáilte Ireland survey provide broadly compatible data except that DIGI refers to all licensed premises and Failte Ireland refers to public houses. Bar activities in hotels are covered in separate hotel data by Failte Ireland but both of these diverge from the CP data. As the DIGI data refers to 2003 and the other sources are more up to date the emphasis is on these later sources. The main features of the data are summarised below.

Table 4.2.2
Employment in Retail Distribution of Beverages

		Persons
1.	Census of Population 2006 Occupation volume • Bar Staff - 15727 • Publicans, innkeepers, club managers – 8518	24245
2.	Fáilte Ireland 2006 Employment in Licensed Premises- Public Houses Full time 36175 Part time 36175 Seasonal 15647	87998
3.	Services Inquiry 2005: Bars Persons Engaged • Full time employees – 17235 • Part time employees – 16657 • Other – 7513	41405
4.	DIGI Survey 2003- All Licensed Premises • Full time – 47885 • Part time – 42606 • Casual – 9729	100,220

Source: As noted in table

As seen in the above table there are substantial differences in the estimates of employment. Some of these differences arise because of population coverage, survey responses, time period, definitions used in the collection of the data and sources of data. For example a student working part-time in a public house would probably answer the CP questions as being a student while her/his employer would include the student as a part-time employee. However these technical differences do not explain all the differences. For example the 2003 DIGI survey records 33,000 full time employees. The Annual Services Inquiry has only 19K full time employees in public houses for the same year, 2003 and 17235 in 2005. The DIGI survey covers hotels, clubs and off-licences and the ASI deals with bars. The coverage of the DIGI survey is more comprehensive and so a higher level of employment would be expected.

The Failte Ireland employment total refers to public houses. In addition to this people are employed in bars in hotels as discussed below.

The range of employment is from 100K in 2003 (DIGI) to 23K in 2002 (CP). The latter is definitely an understatement of actual employment in public houses as it excludes many other bar/public houses occupants such as providing food, office staff, cleaning and security.

The retail segment provides a variety of employment types in terms of full-time, part-time and casual positions. This is evident from three of the sources. There is a substantial part time element in the employment data in the Failte Ireland survey, the DIGI survey and in the Annual Services Inquiry.

The detailed employment breakdown from the DIGI survey is shown below.

Table 4.2.3
Employment in Fully Licensed Premises (Public Houses and Other) 2003

Employment Category	Full-time	Part-time	Casual	Total
Proprietors	12656	3233	1113	17002
Assisting Relatives	2227	2823	1444	6494
Employees	33002	36550	7172	76724
Total	47885	42606	9729	100220

Part-time in the DIGI survey is defined as working between 5 – 21 hours. Casual is defined as less than 5 hours. Assuming four part-time jobs are equivalent to one full time and that ten casual jobs make up a full time the full time equivalents are (part-time) 14059 and casual 973. This would give a full time retail equivalent of 59510 in retail of alcohol. This total covers both public houses and other licensed premises. The DIGI source identifies public house employment as 31261 full-timers, 27336 part-timers and 6532 casual staff. This is equivalent to 39401 full-time jobs. As shown below this total is less than the Failte Ireland source.

The most up to date source on retail employment is Failte Ireland. On the assumption that four part-time jobs are equivalent to one full time job and that five seasonal jobs are equivalent to a full time job the Failte Ireland full time equivalent total is 48348. The details of the Failte Ireland public house employment are shown below.

Table 4.2.4
Type of Employment in Public Houses 2006

Full-Time	Part-Time	Seasonal	Total Persons	Total Full Time Equivalents
36175	36175	15647	87998	48348

Source: Failte Ireland Tourism Business and Employment Survey 2006

In addition to the public houses there is employment in other licensed premises. The Failte Ireland survey reports 6414 bar staff in hotels or 13% of the full time and part time categories. On the assumption that 5% of managers and supervisors and 2% of clerical/administrative staff are associated with drinks retailing in hotels the total of drinks staff in hotels is 6878 or 13.9%. Applying this to the three types of employment there are 4527 full-timers, 2332 part-timers and 893 casual staff; a total of 5289 full-time equivalents. This generates an alcohol retail total of 95450 persons or 53637 full-time job equivalents in 2006.

Details of the employment types and trends from the ASI are shown below in Table 4.2.5.

Table 4.2.5
Type of Employment in Bars

	Persons	Full time employees	Part time employees	Full-time equivalents of part-timers	Non employees	
2000	34835	12047	13129	3323	9659	25029
2001	42120	19124	13421	3355	9575	32054
2002	42193	16144	15685	3921	10364	30429
2003	45335	17904	17876	4469	9555	31928
2004	44104	18180	19286	4822	6638	29640
2005	41405	17235	16657	4164	7513	28912

Some of the yearly changes appear unlikely, for example the decline of almost 3K in non employees in 2004 and the 7K increase in full time employees in 2001. The broad trend from 2003 is decline in employment from 31.9K in 2003 to 28.9K in 2005. The retail employment in drinks is still very large, despite the likely decline in recent years. Failte Ireland sources report a decline of 1.1% in public house persons engaged between 2005 and 2006. This would support the broad trend evident from the ASI source.

The off-licence sector also generates employment. Part of off-licence jobs are made by on-licence outlets. The on-licence employment estimates include this part of off-licence employment. The stand alone off-licences were estimated to employ about 2600 persons in 1999. This related to 543 enterprises. The number of off licences has increased to 1170 in 2006 and sales volume has also increased by 62% according to CSO estimates. Staff numbers will not have increased by the same proportion as outlets because some outlets will have lost market share to new arrivals and because of productivity gains. Allowing for productivity gains of 50% of the sales volume growth it would seem reasonable to expect current off licence employment to be about 30% higher than the 1999 level or 3380 persons persons. In addition there are very many wine off-licences but the employment contribution would be quite small.

The wholesale sector generates a relatively small number compared to the totals referred to above. Overall the off-licence and wholesale sectors employ about 3500 full time job equivalents.

The employment summary is as follows in direct full-time job equivalents in 2006

- manufacturing(CIP enterprises) 4468
- public houses (Failte Ireland) 48348
- hotels(bar activities)(FI) 5289
- off-licence and wholesale 3500
- Total 61605

There are 61605 full-time job equivalents in the direct production and distribution of alcohol and other beverages. As many people work on a part-time basis , the number of people deriving some employment is 105K.

4.3 Skills Levels

The quantity of jobs is not the only indicator of the labour market contribution of an industry. The skill level of the jobs is also important. This section examines the skills levels of both the manufacturing and retail sectors. As with several other indicators more extensive details are available for the manufacturing segment.

There are several different indicators of skills levels. These include qualifications of the work force, the relative proportions of industrial and non-industrial staff and as used in Foley (1991) the relative role of administrative and technical staff. The manufacturing segment is examined first. The drinks or beverages sector is compared to total manufacturing.

The skills mix of the beverages industry, its two CIP segments and manufacturing as a whole are shown below

Table 4.3.1
Skills Mix in Manufacturing Beverages and Total Manufacturing 2005

	Beverages		Brewing & Distilling		Soft Drinks & Cider		Total Manufacturing	
	Persons	%	Persons	%	Persons	%	Persons	%
Industrial Workers	1687	41.4	882	30.8	805	66.0	143910	66.7
Clerical	1530	37.5	1305	45.6	225	18.5	35150	16.3
Administrative & Technical	862	21.1	673	23.5	189	15.5	36837	17.1
Employees	4079	100.0	2860	100.0	1219	100.0	215897	100.0

Source: CIP

As noted above, one useful indicator of skills intensity is the share of administrative and technical staff in total employees. In beverages the share is 21.1% compared with 17.1% in manufacturing. The 2002 beverages administrative/technical skills ratio was 20.7%, representing a slightly improved situation. Within beverages, the brewing and distilling "high skills" share (23.5%) is much higher than the soft drinks and cider grouping (15.5%).

Within manufacturing as a whole 66.7% of employees are industrial workers compared to only 41.4% in beverages. Clerical staff constitute a much higher beverages share of 37.5% compared with manufacturings 16.3% share. This probably reflects the greater "total business" concept and role in the drinks industry compared to manufacturing as a whole. The drinks industry includes a substantial marketing, distribution and back office function in servicing its market.

Table 4.3.2
Skills Trends in Beverages 2000-2005

	2000		2005	
	Persons	%	Persons	%
Industrial Workers	2810	45.9	1687	41.4
Clerical	2151	35.1	1530	37.5
Administrative & Technical	1164	19.0	862	21.1
Employees	6125		4079	

Source: CIP

All three skills categories experienced declines in employment between 2000 and 2006. The clerical jobs share increased from 35.1% to 37.5%, but with an absolute decline from 2151 jobs to 1530 jobs. The administrative/technical share also increased while the industrial workers share declined.

The only skills data available for the retail sector is from the Failte Ireland survey. As shown in Table 4.2.4 managers account for 10% of the total year round staff and supervisors are 6% of the total Bar staff are the dominant category with 38% followed by waiters/waitresses with 16%. Unskilled operatives account for 15% of the total staff.

Table 4.2.4:
Skills Mix of Public House Employment 2006 (year round staff)

	Persons	%
MANAGER	7099	10
SUPERVISOR	3998	6
CLERICAL/ADMIN	2080	3
CHEFS/COOKS	7445	10
WAITERS/WAITRESSES	11649	16
BAR STAFF	27160	38
SALES/ MARKETING	622	1
UNSKILLED OPERATIVES	10751	15
OTHER	1547	2
TOTAL	72351	100

4.4 Earnings

Earnings are an additional indicator of the type of employment. Detailed manufacturing earnings data is available from the CIP. The focus is on wages and salaries per employee. For beverages as a whole the 2006 level was €57296. The same indicator in manufacturing as a whole was €35935. Beverages earnings was 59% above the average manufacturing level in 2006. The comparable figure in 2000 was 47%. The gap has widened over the period. Beverages earnings grew by 55.1% compared to total manufacturings 42.7%.

Table 4.4.1
Earnings per Person Engaged (€)

	2000	2006	% change
Beverages	36932	57296	55.1
Manufacturing	25174	35935	42.7
Beverages as % of manufacturing	147	159	

Source: CIP

Wages and salaries in beverages is substantially higher than in manufacturing as a whole. Beverages is 59% above manufacturing average earnings in 2006 compared to a gap of 47% in 2000. Beverages earnings are higher and grew faster than manufacturing earnings between 2000 and 2006.

The beverages earnings per person related to other industrial sectors below. NACE two digit industries or combinations of industries are used except for food. The drinks industry has the highest wages and salaries per employee of the nine listed sectors. The closest average earnings to beverages is chemicals but beverages is 28% above this sector..

Table 4.4.2
Wages & Salaries in Different Industries 2006

Sector	NACE	€
Beverages	159	57296
Food	15 1– 158	33022
Textiles	17 – 18	24096
Paper & printing & publishing	21 – 22	43058
Chemicals	24	44746
Non-metallic minerals	26	34706
Machinery & Equipment	29	32808
Electrical & Optical	30.33	35411
Transport	34 – 35	36430
Manufacturing		35935

Source: CIP

The 2005 Services Inquiry contains information on earnings in the bar trade. There are difficulties in interpreting the data because of the role of part-timers. As we have seen in the employment section there is a high proportion of part-time staff in bar employment. The role of proprietors also complicates the situation in identifying bar wages and salaries. It is not clear from the available data to what extent proprietors would include their earnings with wages & salaries or include them as profit. Equally, it is not known what is the average time worked by part-timers. Because of these difficulties interpretation of the data should be cautious. We follow the approach used in the estimates of full-time equivalent jobs. The wages and salaries is presented as average earnings per full-time employee equivalent.

Table 4.4.3
Retail Services Earnings 2005

	Wages/ Salaries Per Full Time equivalent employee 2002 €K	Wages/Salaries Per Full Time Equivalent Employee2005 €K	Wages/Salaries Per Full Time Equivalent Employee % increase 02-05
Bar Services	20.4	25.8	26.5
Wholesale and Retail	27.5	32.7	18.9
All Services (in ASI)	28.4	33.4	17.6

Source: Annual Services Inquiry, CSO

The average earnings per full time equivalent employee in bars are below both wholesale and retail services and total services.. The gap between wholesale/retail and bar earnings was 26.7% in 2005 compared to 34.8% in 2002 . Despite the data limitations it seems reasonable to conclude from the 2005 Services Inquiry that average employee earnings in the bar sector are below retail services as a whole. This was also the conclusion from the 2004 DIGI economic role report.

4.5 Productivity

Productivity, or output per worker, is a key determinant of competitiveness and living standards. Details on gross value added per person engaged in manufacturing are shown below for 2006 for a range of sectors.

Table 4.5.1
Gross Value Added Per Person Engaged 2006

Sector	NACE sector	€K
Drink	159	360.1
Food	15-16	142.9
Clothing	17-18	37.3
Wood & Wood Products	20	56.0
Paper	21	58.3
Publishing	22	288.0
Chemicals	24	538.2
Non-metallic minerals	26	94.3
Basic Metals	27-28	53.1
Machinery & Equipment	29	71.1
Computers	30	208.9
Electrical	31	167.3
Radio/TV	32	291.9
Medical Equipment	33	111.3
Transport	34-35	56.7
Manufacturing		178.7

Source: CIP, CSO

The drinks industry is characterised by relatively high productivity levels as measured by gross value added per head. Because of the large presence of multinational branch plants in the economy there is the possibility of profit switching transfer pricing (Foley 1999) which suggests that interpretation of overall sectoral and some industry data on output per head is problematic.

The drinks productivity, measured as GVA per head, is well above the overall manufacturing level; €360.1K relative to €178.7K. In addition the drinks productivity level is the highest of all the listed sectors with the exception of chemicals.

Services productivity is now briefly examined. The source is the Services Inquiry and the indicator is gross value added per full time person equivalent. Non employees are included as full time staff. The labour measure is different to the one used to calculate average services earnings. That was based on employees and this measure is based on total persons engaged.

Table 4.5.2
Gross Value Added Per Full Time Equivalent 2005

	€K
Wholesale and Retail Services	66.9
Bar Services	36.5
All Services(in the ASI)	76.4

The services productivity data reflect the same data problems as the earnings statistics. Bearing this in mind the bars gross value added per full time equivalent person engaged is the lowest of the services sectors. It is €36.5K GVA compared to €66.9K in wholesale and retail and €76.4K in all services covered by the ASI. This is the same conclusion as the 2004 DIGI Economic Role report.

4.6 Summary of Employment

There are various and conflicting sources of drinks related employment data. It is still possible to get a good overall impression of the employment role. There are almost 4500 jobs in drinks manufacturing. The DIGI on licensed survey estimated 100K full and part time job equivalents. The Failte Ireland survey estimated almost 88K persons employed in public houses in 2006. In addition there is drinks retailing employment in hotels. Off-licences and wholesalers generate about 4500 full time job equivalents. Drinks manufacturing jobs are high skill, high productivity and well paid relative to other sectors. The bar trade according to official data is relatively low paid and has low productivity on average. Individual wage rates within the bar trade such as managers, senior bar persons and chefs are well above the averages for the sector but the high proportion of lower paid occupations such as waiters/waitresses and unskilled operatives bring down the average.

The industry has a good regional spread of employment with 34% of public house staff located in the BMW region and 51% in the Southern and Eastern region. 15% are in Dublin. While small pubs have long had a precarious existence especially in sparsely populated rural areas the changes over the past few years in business environment and the regulatory environment have substantially disimproved their position. As in the past it is the capital value of the licence which has encouraged many to remain in business allied with lifestyle factors. It is likely that the rate of exit will increase in the future,
Overall, the drinks industry directly generates 61600 full time job equivalents and provides full or part time employment for 105K persons. The employment contribution is very large but it is declining in both manufacturing and on licence retailing.

Chapter 5

Balance of Payments and Foreign Exchange

5.1 Introduction

Drinks exports are worth €1.3B. While this represents a relatively small 1.5% of total Irish exports it is larger than dairy exports and is equivalent to over half of beef exports. The balance of payments impact of the drinks industry is also measured through the balance between imports and exports of drinks, the proportion of domestic consumption which is sourced from domestic production and the role of imports in domestic production. On all of these indicators, as shown below, the drinks industry ranks quite well and makes a good contribution to the generation of foreign exchange. This is a particularly important issue as the Irish economy is a very open economy with a high dependence on imports in both production and consumption across a wide range of products and sectors.

5.2 Imports and Exports of Beverages

Data are presented below in Table 5.2.1s on beverage exports and imports

Table 5.2.1
Exports and Imports of Beverages

	Exports €M	Imports €M	Balance €M	Exports ÷ Imports
2000	854.4	446.7	407.7	1.91
2001	871.0	596.3	274.7	1.46
2002	894.0	643.7	250.3	1.39
2003	1012.7	598.8	413.9	1.69
2004	949.0	637.9	311.1	1.49
2005	1013,6	703.2	310.4	1.44
2006	1297.0	725.8	571.2	1.79
2007 jan-nov	1260.4	763.4	497.0	1.65
% change 2000 to 2006	51.8	62.5		

Source: Trade Statistics

The drinks industry runs a substantial balance of payments surplus between imports and exports of beverages. Over the last eight years there has been an annual export surplus over imports of between €250.3M and €571.2M. This is a continuation of a long-term trend of exports of beverages exceeding imports of beverages. The ratio of exports to imports fluctuated over the period being considered, from a high of 1.91 in 2000 to 1.44 in 2005. The latest full year (2006) ratio is 1.79 and the ratio for the first eleven months of 2007 is 1.65.

Between 2000 and 2006 drinks exports grew by 51.8% while imports grew by 62.5%. On the latest full year data exports were €1297.0M and imports were €725.8M, a surplus of €571.2M.

Drinks imports and exports are dominated by alcohol. Alcohol accounts for over 90% of drinks exports. There is a deficit in non-alcohol trade, non alcoholic imports exceed exports while alcohol has a larger trade surplus than drinks as a whole.

While drinks exports are a large absolute amount, over €1.25B, they are a small but recently increasing share of total exports.

Table 5.2.2
Drinks as a share of total exports 2000-2007

2000	1.02
2001	0.94
2002	0.95
2003	1.23
2004	1.12
2005	1.17
2006	1.46
2007 jan to nov	1.52

Source: Trade Statistics

The drinks share of total exports declined from 1.02% in 2000 to 0.95% in 2002. Overall exports declined greatly in 2003 and this contributed to the drinks share increasing to 1.23, its highest share since 1997. The share declined in 2004 but has increased each year since then and is currently around 1.5% of total exports.

High technology exports dominate the Irish trade performance. Medical and pharmaceutical products accounted for €14.8B (in 2006), and computer equipment provided €14.0B of the total. Both of these account for 32% of the total.

However, drinks exports are significant relative to other non-technology exports and the non-computing, non-pharmaceutical sectors.

Table 5.2.3
Drinks Exports Relative to Other Sectors 2006

	€M	Drinks relative to sector %
Drinks	1297.0	100
Meat	2403.2	54
Dairy	1180.4	110
Fish	337.2	385
Textiles Clothing	203.0	639
General Industrial Machinery	1199.9	108

Source: Derived from Trade Statistics

Drinks exports are equivalent to 54% of meat exports, exceed dairy exports, are over 3.8 times fish exports, are over six times textiles exports and are greater than industrial machinery exports. Relative to the total it is small but relative to specific (non-technology) sectors drinks exports are significant.

It must also be recognised that, in the absence of domestic production the still likely significant demand for alcohol would have to be supplied by higher levels of imports.

As shown below alcohol provides 92% of the drinks exports. Within alcohol beer and cider each amount for about €270M or 21%. Whiskey is at 10% in 2006 and other spirits and others is at 40%.

Table 5.2.4
Composition of Beverages Exports €M

	2006
Non alcohol	106.6
Alcohol	1190.4
Cider/perry	268.3
Beer	275.5
Whiskey	129.6
Other spirits and other	515.2

5.3 Domestic Market and Role of Imports

The share of domestic consumption that is sourced from imports is another indicator of the balance of payments performance in retaining the domestic market against imports. The overall economy has become substantially more trade and import orientated over time.

Based on figures supplied by the Revenue Commissioners and presented below, the Irish manufacturing drinks industry continues to supply a large share of the domestic market for beverages products produced in Ireland but the role of imports has significantly increased over the past several years. In addition, as demand for wine has greatly increased, imports have grown accordingly as the product is not produced domestically.

The 2007 import and domestic shares of the total retained for home consumption are shown below.

Table 5.3.1
Domestic and Import Share of Irish Alcohol Market 2007

	Domestic Sourced %	Imports %	Total %
Beer	63.7	36.3	100
Spirits	56.2	43.8	100
Cider	86.3	13.7	100

Source: Revenue Commissioners

Clearly wine is exclusively sourced from abroad. Beer is primarily supplied by domestic production (64%) and beer imports account for 36%. Domestic cider production has a dominant share (86%) compared to the import share of 14%. In spirits the market is more evenly split with domestic producers supplying 56% of the market against a 44% import share.

Spirits has always had a significant import share. In 1980 a third of the spirits market was supplied by imports. It has gradually risen to the current 44% share. In recent years the import share of beer has grown substantially especially in 2007 according to the Revenue Commissioners data.

Back in 1980 beer imports accounted for only 1% of the market but this rose quickly to over 10% by 1990 (10.8%). It increased slightly to 11.3% in 2000 and accelerated to 24% in 2006 and 36% in 2007.

Cider displays the reverse long term import situation to beer. Imports were negligible in 1980. Imports had reached 38% of the market in 1993 but declined to 7.8% in 2000 from which it has grown to 13.6% in 2007. The long-term and recent trends are shown below.

Table 5.3.2
Import Share of Alcohol Market % 1980-2007

	Beer %	Spirits %	Cider %
1980	1.0	33.7	0.3
1990	10.8	36.0	29.4
1995	10.1	37.7	17.1
2000	11.3	41.9	7.8
2001	11.5	41.4	7.7
2005	21.2	42.7	10.4
2006	24.3	43.7	12.4
2007	36.3	43.8	13.7

Source: Revenue Commissioners

As shown above the import penetration of the Irish consumption level has grown substantially over the past several years. There are several determinants of this change. Off licences carry a wider range of brands than on licence premises and the off licence share of alcohol consumption has increased. The large share of non-nationals in the labour force has driven demand for imported brands and consumers generally continue to seek out alternative products and tastes.

From the perspective of domestic drinks manufacturing the import trend is a concern. Wine which is completely imported is a large and rapidly growing share of consumption. The import shares of the categories produced in Ireland, beer, spirits and cider are increasing. The domestic and import shares of domestic consumption are shown in Table 5.3.3.

Table 5.3.3
Domestic Production and Imports Shares of Irish Alcohol Consumption 200-2007

	Domestic Production MLPA	Imports	Total Consumption MLPA	Imports Share %
2000	29.809	12.290	42.099	29.2
2006	26.080	19.371	45.451	42.6
2007	23.305	23.320	46.625	50.0
% change 00/07	-21.8	89.7	10.8	
% change 06/07	-8.9	20.4	2.6	

Whether consumption is sourced from imports or domestic production the employment and economic benefits of retail and wholesale distribution still arise. The impact of higher imports is on the manufacturing sector. Between 2000 and 2007 the import volume increased from 12.290MLPA to 23.320MLPA, an increase of 89.7%. Domestic production declined by 21.8%. In 2007 compared with 2006 imports grew by 20.4% and domestic production declined by 8.9%. Between 2000 and 2007 the import share of the Irish market increased from 29.2% to 50%. 2007 is the first year where imports provided more than 50%(marginally, 50.02%) of the market for alcohol in Ireland. The weak performance of drinks manufacturing employment is readily understood in the context of the growing import share.

5.4 Net Foreign Exchange Receipts

The previous sections have examined the value of exports of the drinks industry. The concept used was the selling value of exports. Exports have an element of imported inputs included in their value. Exports which have a substantial element of imported components clearly generate lower net foreign exchange receipts than exports with a lower dependence on imports. The drinks industry's gross exports values understate its contribution to net foreign exchange receipts. The drinks industry has a high domestic content in its value. Unfortunately data on import content at the drinks industry level are no longer published. Very dated historical data showed that each €1 of drinks exports generated around 60c in net foreign exchange earnings compared to 50c for total manufactured exports, and about 30c for branch plants of multinationals. The multinational manufacturing figure for 2006 is 17%, the overall manufacturing figure is 27% and the overall food drink and tobacco figure is 60%. The current drinks figure should be at least 40%. These measures are based on the Forfás Annual Survey of Business Economic Impact. A euro worth of drinks exports generates more than twice as much net foreign exchange receipts than one euro worth of inward investment multinational exports. Consequently, the €1.297B of drinks exports is worth about €2.6B of inward investment multinational exports in terms of actual foreign exchange receipts.

5.5 Summary of Balance of Payments and Foreign Exchange

Drinks exports oft €1297M in 2006 greatly exceeded imports of €725.8M. Drinks exports account for about 1.5% of total exports. However, excluding high technology exports, drinks exports compare favourably with other export categories. Drinks exports exceed dairy exports. Drinks exports have a higher domestic content than overall exports. Imports provide 36.2% of the beer market, 44.1% of spirits and 13.7% of cider. Alternatively, domestic producers supply 64% of the beer market, 56% of the spirits market and 86% of the cider market. In recent years the import shares of product categories produced in Ireland (beer, cider and spirits) have increased, notably in beer. Wine imports have grown at a very high rate The overall import share of domestic alcohol consumption has increased greatly from 29.2% in 2000 to 50.1% in 2007. Domestic production for home consumption declined greatly over the same period.

Chapter 6

Taxation, Level and Revenue and Other Aspects

6.1 Introduction

This chapter examines the taxation role of beverages. The taxation revenue is a contribution to the Exchequer and therefore a benefit. It is not an additional economic benefit to the production and consumption estimates as it is already included in these. It is a diversion of resources from producers and consumers to government. However, it is treated here as one of the positive impacts of the drinks industry as the exchequer requires revenue to supply services. Tax revenue depends on the rate of tax and the volume of activity in consumption and production. Producers in the industry pay the usual profits, income and pay roll taxes. As with most expenditure, beverages have VAT levied on them. In addition alcohol is charged excise tax which is levied on relatively few sectors or activities. The chapter briefly outlines the comparative international position of Irish alcohol excise and the level and trend of receipts

The chapter also examines the linkages role of beverages and other aspects of the economic role such as the positive impact on tourism. Two previous DIGI reports examined the purchasing and tourism impact of the drinks industry in 2006 and 2007 and this report briefly updates some of their findings.

6.2 Taxation Level and Revenue

- Irish alcohol taxation is very high by EU standards. The evidence shows that
- Beer excise is the second highest in the EU despite the recent 2008 increase in UK excise
- Wine excise in Ireland is the highest in the EU27
- Seven of the EU15 and eight of the new Members have no excise on wines
- Ireland's beer tax is ten times that of Germany and seven times that of France
- Ireland's spirit excise is the second highest in the EU27
- Ireland's cider tax is the second highest in the EU27

Generally EU countries support their indigenous drinks producers, such as beer in Germany and wine in several countries. Fifteen EU economies do not charge excise on wine. Ireland does the opposite and imposes the second highest spirits and cider excise, and the highest beer excise. In recent years there have been two major excise increases and both of these were targeted at indigenous categories of spirits and cider. A distinction should be made between the high income EU15 and the much lower income fourteen recent Accession countries where one might expect lower absolute excise levels.

The high alcohol excise position of the Irish economy relative to the EU15 is shown in Table 6.2.1. A summary of the position relative to the 27 members is shown in Table 6.2.2. The only countries comparable to Ireland are the UK and the Nordic countries. The data refer to 2007 and follow the EU Commission convention in its Excise Tables of using exchange rates at a given period (Oct 2006) except for the UK where the recent budget increases are included and are calculated at current exchange rates.

Table 6.2.1
EU15 Alcohol Tax Rates (Excise) (Euro per HLPA), 2008 (April)

Spirits		Wine	
Sweden	5454	**Ireland**	**2482**
Ireland	**3925**	UK(2008)	2219
Finland	3250	Finland	2118
UK(2008)	2683	Sweden	1806
Denmark	2012	Denmark	749
Belgium	1752	Netherlands	623
Netherlands	1504	Belgium	428
France	1450	France	31
Germany	1303	Spain	0
Greece	1135	Portugal	0
Luxembourg	1041	Luxembourg	0
Austria	1000	Italy	0
Portugal	937	Greece	0
Spain	830	Germany	0
Italy	800	Austria	0

	Beer		Cider
Finland	2140	Finland	2452
Ireland	**1987**	**Ireland**	**1982**
UK(2008)	1880	Sweden	1981
Sweden	1806	Austria	1714
Denmark	683	Denmark	1438
Italy	588	UK(2008)	879(2008)
Austria	520	Netherlands	807
Netherlands	502	Belgium	354
Belgium	428	France	81
Portugal	338	Spain	0
Greece	283	Portugal	0
France	260	Luxembourg	0
Spain	199	Italy	0
Luxembourg	198	Greece	0
Germany	197	Germany	0

Source: CEPS, Summary of EU Member States, Brussels (Rates as of April 2008)(cider refers to 2006 except for UK which refers to 2008) Exchange rates as of 2007 Oct as per EU requirements except for UK which is May 2008.

Irelands very high alcohol taxation penalises both the industry and consumers of whom the majority are responsible users. From an economic activity perspective it is not desirable to continue with this high tax approach for reasons of long-term competitiveness and equity to consumers. As all the Accession countries have relatively low alcohol tax rates (excluding a high spirits tax in Malta) their inclusion does not change the Irish ranking.(Table 6.2.2)

Table 6.2.2
Ireland's High Alcohol Taxation in the EU

Category	Position
Wine	Highest in EU27
Beer	Second highest in EU27
Spirits	Second highest in EU27
Cider	Second highest in EU27

The very high Irish alcohol taxation levels compared with EU15 and with EU27 are more starkly illustrated when comparing the levels between the different economies instead of the ranking. For example:

- Ireland's beer tax is almost four times the level of Austria and ten times the level of Germany;
- Ireland's wine tax is almost six times the level of Belgium's and almost three times the level of Denmark;
- Ireland's spirits tax is almost three times the level of France and five times the level of Italy
- Ireland's cider tax is over twice the UK's

Ireland is fundamentally out of step with current EU levels of excise. It is useful to compare Irelands spirits rate with the popular holiday destination countries such as Spain and Portugal. The Irish spirits rate is 4.7 time the Spanish rate and 4.2 times that of Portugal. This explains why Irish spirits is cheaper in those countries than in Ireland. Neither Spain or Portugal have a wine excise. This encourages out of state sourcing even allowing for the security restrictions on hand luggage and baggage charges.

The relative Irish position was worsened by the arrival of the new 12 EU members in that they all have lower excise levels than Ireland. The only high excise rate in the twelve new Members is Malta's spirits tax of €2329. All the others have spirits rates of under €1200. Eight of the twelve including Malta have no wine excise. All twelve have beer excise levels of less than €700 compared to Ireland's level of €1987.

The role of alcohol taxation in overall government tax receipts has declined over the long-term. In 1977 VAT and excise receipts from alcohol were 14.5% of total receipts. By 1990 this had dropped to 9.8%. The decline in share continued up to 1999 when it was 6.4%. In 2002 it was 6.3%. In 2006 the share had dropped to 4.7%. The decline in share reflects the fact that, while absolute alcohol receipts grew, overall tax receipts grew by more.

Alcohol receipts as a share of all excise decreased from 38.4% in 1977 to 20.8% in 2002 and 18.9% in 2006. Over the 1990s the alcohol excise share declined from a quarter to a fifth. Between 2000 and 2002 there was a slight increase in share but it has since declined.

The VAT situation is somewhat different. Between 1977 and 1987 the alcohol share of total VAT receipts grew from 11.8% to 16.5%. Thereafter it declined to 10.1% in 2002. BY 2006 the VAT share had declined to 8.0%. Over the 1990s the alcohol share of government revenues, excise receipts and VAT receipts declined. In 2002 there was a slight increase in the VAT share. In 2006 the alcohol tax receipts were €1078.2M in excise and €1073.0M in vat receipts , a total of €2151.2M. Provisional 2007 receipts were €2263.6M.

Table 6.2.3
Long and Medium Term: Alcohol Tax Receipts as a % of total tax receipts

	Alcohol Excise as % of all excise	Alcohol VAT as % of all VAT	Alcohol Receipts as % of all receipts
1977	38.4	11.8	14.5
1990	25.9	15.7	9.8
1995	24.2	13.0	8.1
2000	19.9	12.9	6.8
2001	19.3	10.1	5.8
2002	20.8	10.1	6.3
2006	18.9	8.0	4.7

Source: Revenue Commissioners

Over the long term the overall alcohol tax burden has moved significantly towards VAT with a lower but still large emphasis on excise. This is not surprising as the VAT receipts are based on ad valorem share of the monetary value of sales which is itself boosted by both real volume growth and monetary/price changes.

In 1977 VAT was 18.2% of total alcohol tax receipts and excise was 81.8%. By 2002 the VAT share was 46.6% compared to 53.4% in excise. Over the more recent 1990/02 period the VAT share has continued to rise but at a slower pace as the main restructuring had occurred earlier in the period.

Table 6.2.4
Excise / VAT shares of Alcohol Taxation

	Excise	VAT	Alcohol Taxation
1977	81.8	18.2	100
1990	58.5	41.5	100
1996	57.7	42.3	100
2002	53.4	46.6	100
2006	50.1	49.9	100

Source: Revenue Commissioners

The excise share of alcohol taxation declined from 58.5% in 1990 to 57.7% in 1996 , to 53.4% in 2002 and 50.1% in 2006.

Table 6.2.5
Tax Impact on Price of Alcohol: Various Products 2007

	On-Licence		Off-Licence	
	Beer (Pint)	Spirits (Half-glass)	Whiskey (Bottle)	Wine (Bottle)
Price (€)	3.90	3.55	24.45	10.00
Excise (€)	.47	0.56	10.99	2.05
VAT (€)	.69	0.62	4.24	1.74
Total Tax (€)	1.16	1.18	15.23	3.79
Cost of Production Distribution and Margin (€)	2.74	2.37	9.22	6.21
Tax as % of Price	29.7	33.2	62.3	37.9

Source: Revenue Commissioners and DIGI.

The exchequer receives €1.16 from every pint or 29.7% of the price; €1.18 or 33.2% of a half-glass of spirits; an enormous €15.24 or 62.3% from an off-licence bottle of whiskey and 37.9% from a €10 bottle of wine.

If Ireland operated the zero wine policy of many EU economies the €10 bottle of wine would sell at €7.52, a reduction of almost 25% (the excise and the VAT savings on the excise). The Irish excise rate keeps prices high. Application of the German beer excise rate would reduce excise on a pint to 5 cent instead of 47 cent, reducing the price by 14%. Application of the French spirits excise rate to Ireland would reduce excise to 20 cent from 56 cent giving a price per half glass of €3.11, a reduction of 12%.

In addition to the excise and VAT receipts the drinks industry generates income tax, profit tax and PRSI receipts which together are about €300M.

6.3 Linkages

The drinks industry generates or supports additional economic activity through its linkages to other sectors. It uses the output of agriculture such as malted barley, sugar, milk and apples in the production of beverages. The retail segment also uses the output of other sectors such as building, catering, maintenance and furniture. The various data sources give indications of the scale of linkages. Generally, however, there is limited detail on whether the input is domestically sourced or imported. For example, retail outlets buy beverages from suppliers. The bulk of cider would be domestically produced but all wine would be imported. Users of sugar, for example, would have sourced it domestically in the past but now would source it from imports.

The CIP industrial enterprises section contains details of the production, inputs and gross value added for the drinks manufacturing sector.

Table 6.3.1
Purchases by Drinks Industry 2005

	€M
Materials (for processing) and Fuel	543.9
Industrial Services	57.2
Non-Industrial Services	534.4
Purchases (excl. goods for resale)	1135.4
Production	2869.4
Intermediate consumption	1128.1
Gross Value Added	1741.3

The drinks industry bought €543.9M of materials and fuel (fuel was €36M), €57.2M of industrial services and €534.4M of other services. Its total purchases for further processing were €1135.4M. Each €100 of production in drinks manufacturing generates €40 of purchases from other sectors.

According to the Annual Services Inquiry the bar trade purchased €1.4B of goods for direct resale in 2001. The bulk of these were beverages. As we have already seen large proportions of beer and cider and over half of the spirits would be from domestic producers. The wine would be imported. A relatively small part of bar sales is wine. The bulk of the materials purchases would be domestic. However, we should be aware of double counting because these activities are already captured in the drinks manufacturing sector. Other goods and services purchases were €548.3M in 2001.

Unfortunately the ASI no longer publishes a breakdown between purchases for direct resale and other purchases of goods and services. We use the methodology discussed in the DIGI Inputs Purchases report to identify the scale of non beverages purchases. This involved the use of additional survey and historical data on the distribution of purchases between items for direct resale and other purchases. The 2005 ASI has a 71% purchases relative to turnover share. Based on historical performance this is assumed to be 49% alcohol, 5% food and related inputs and 17% other goods and services.

The 2005 ASI reports a bars turnover of €3648.7M. The national accounts data for 2005 reports an on licence personal expenditure on alcohol of €4144.3M. Excluding VAT this is €3425.0. Adding 10% to this for a food sales element would bring the total to €3767.5M which is surprisingly close to the ASI total because it is clear that the number of bars and staff identified by the ASI are less than the likely real levels. Consequently we use the ASI turnover total to estimate the non alcohol purchases.

Table 6.3.2
Bar Sector Purchases 2005 €M

Turnover	3648.7
Total purchases(71%)	2590.6
Purchases of alcohol and other drinks (49%)	1787.9
Purchases of food and related to food(5%)	182.4
Purchases of other goods and services(17%)	620.3
Total purchases excluding beverages	802.7

The relevant linkages expenditures are for purchases of goods and services, (excluding goods for resale), industrial and non-industrial services purchases in manufacturing and materials for processing. The totals are manufacturing €1135.4M and bars €802.7M. These two add to €1938.1M. Making a small allowance for the off licence and wholesale operators would increase this to around €2B.

6.4 Other Aspects of Economic Role

The DIGI report "The Contribution of the Drinks Industry to Tourism" (2005) identified the major contribution made by the drinks industry to tourism. The main areas of contribution are identified below and are updated where data are available.

- The over 9K public houses and their wide geographic spread makes a positive contribution to the tourists experience in Ireland Its extensive network ensures it is the most widely experienced aspect of the hospitality industry; the public houses are an unrivalled network of physical facilities, excellent hospitality, enjoyable experiences and tourism services; these tourism related services are provided without government support and despite a severe taxation burden.

- The drinks industry is the single largest commercial sponsor of festivals, contributing about 27% of total commercial sponsorship compared to 10% by financial services. Fáilte Ireland research identified finance as the most important strategic issue facing the festival sector; festivals supported include arts, comedy, film and music.

- Sports events directly bring visitors and generate domestic tourism. Indirectly international events can raise the profile of Ireland and encourage tourism.

- As is the practice internationally the Irish drinks industry supports sports. In horse racing it is the largest source of sponsorship. In 2006 it provided 21.5% of sponsorship compared to 1.9% by financial institutions. The drinks share of 21.5% is well ahead of the second largest share of 13.3%. Sports sponsorship includes horse racing, golf, soccer, rugby and hurling.

Source of sponsorship	% of horse race sponsorship 2006
Drinks industry	21.5
bookmakers	13.3
construction	11.4
Stud farms	11.2
Bloodstock sales	8.9
individuals	4.2
hotels	4.0
media	3.4
Financial institutions	1.9

- The Guinness Storehouse and Old Jameson Distillery are significant fee charging tourist attractions. The Guinness Storehouse is the largest fee charging tourist attraction in the country and attracted 858.5K visitors in 2006, well ahead of Dublin Zoo which was in second place. The Old Jameson Distillery attracted 220K visitors and was in fourteenth place.

Top 10 fee charging visitor attractions 2006	Visitors 2006 K
GUINNESS STOREHOUSE	858.5
DUBLIN ZOO	754.2
BOOK OF KELLS	548.7
BLARNEY CASTLE	395.5
NATIONAL AQUATIC CENTRE	368.2
ST PATRICKS	335.0
BUNRATTY	330.8
WATERFORD CRYSTAL	310.0
FOTA WILDLIFE PARK	299.1
ROCK OF CASHEL	244.5

- Drinks industry products support the positive aspects of the profile of Ireland. Guinness, Baileys and Jameson are intrinsically linked with Ireland in international consciousness and have a strong international profile with sales in over 100 countries.

The culture and history aspects of Ireland are important tourist attractions. The drinks industry is itself part of this feature. Several breweries and distilleries have long traditions and have been operating since the eighteenth century. Many pubs have also been in existence for very long periods. This all adds to the historical ambiance of the tourism experience.

The public house sector also plays an important role in providing food to foreign tourists. It is the most frequently used food service outlet by visitors. 58% used pubs compared to 34% for budget restaurants, 31% for hotels and 28% for high quality restaurants.

The social role of the licensed trade in Ireland is substantial but generally not remarked upon. The local pub functions as a centre of community entertainment and interaction and often as a quasi social centre in local communities especially rural communities.

6.5 Summary of Taxation and Other Aspects

This chapter identified the high level of taxation revenue which flows to the exchequer from the drinks industry. Excise amounts to €1078.2M. This form of taxation is applied to very few industries. When VAT of €1073M is included the revenue flow is €2151.2M.

Irelands alcohol excise tax is among the highest in the EU. Linkages related expenditure by the drinks industry on purchases is €2B.. The retail on-licensed premises are an important part of the social infrastructure especially in rural areas.

The drinks industry contributes substantially to tourism. The Guinness Storehouse is the largest fee charging visitor attraction in the country with 858.5K visitors in 2006, well ahead of Dublin Zoo in second place. It is by far the largest sponsor of horse racing providing 21.5% of the total in 2006. Public houses are the most used food service outlet by visitors to Ireland.

Chapter 7

Conclusions

A summary of the economic role and characteristics of the drinks industry is shown below.

Manufacturing of drinks
- €2.9B turnover in 2006; 2.4% of total manufacturing
- €1.6B gross value added; 4.1% of total manufacturing
- €256M paid out in wages and salaries in 2006
- 36 enterprises
- 21% of employees in high skill category compared to 17% in total manufacturing
- Average wages and salaries of €57K, 59% above average manufacturing level
- High levels of productivity
- €544M spent on materials for further processing(much of it on agricultural products) and energy
- €534M spent on services inputs
- Total purchases of €1.1B
- Major boost to Irish international image through brands such as Baileys, Guinness and Irish Whiskey
- 4468 jobs are provided….decline in jobs from 6146 in 2000
- Share of domestic market is declining from 71% in 2000 to 50% in 2007
- Absolute quantity of domestic production consumed in Ireland declining

Distribution
- 9500 on licensed outlets
- 1,170 full off-licences
- Full time or part time jobs for 100K people
- 57000 full time job equivalents in on and off-licences and distribution
- According to CSO personal expenditure on beverages of €7.2B
- Growing off licence share; 36% of market value and just above 50% of volume in 2006
- Purchases of goods and services, excluding beverages of €803M
- Most pubs outside Dublin have low annual sales
- Pubs are used by largest number of overseas visitors for food
- Average earnings and productivity are lower than services as a whole
- Indications of declining level of retail employment in recent years
- Concerns about longer term viability of smaller and rural pubs

Trade
- €1297M in drinks exports in 2006
- €571M drinks trade surplus in 2006
- Drinks exports more than dairy in 2006 trade statistics
- 64% of domestic beer market supplied by domestic producers
- 86% of cider market supplied by domestic producers
- 56% of spirits market supplied by domestic producers

Linkage
- €2B of purchased inputs by manufacturing, retail and wholesale excluding double counting of alcohol purchases
- Big wages and salaries input to aggregate demand

Taxation
- Very high tax by EU standards
- €2151M in VAT and excise receipts in 2006 and (provisional figures) €2264M in 2007
- Wine highest excise in EU
- Beer second highest excise in EU
- Spirits 2nd highest in EU
- Cider 2nd highest in EU

Consumption
- Per capita and per adult consumption peaked in 2001 and declined in 2002 and 2003, Thereafter it has remained stable below the 2001 peak
- High by international standards but lower than the historic peak of many lower consumption countries
- Off-licence sector has 36% of expenditure on alcohol
- Growth driven by wine…non- wine consumption has declined by 3.1% between 2001 and 2007…wine volume increased by 66.9%

Tourism
- An important element of the tourism product of Ireland
- Guinness Storehouse is largest fee charging visitor attraction in Ireland
- Drinks industry is largest sponsor of horse racing

The purpose of this report is to provide an assessment of the economic role of the drinks industry in Ireland. The intention is to facilitate those who require such an assessment and to advise policy makers on the role of the industry so as to generate appropriate policy making for the industry.

As shown by the data the drinks industry in manufacturing has high skills, high levels of productivity and high earnings per person employed.

The industry operates a strong balance of payments surplus. This foreign exchange earning capacity is even higher than official trade data indicates because of the low content of the sectors production.

The industry is a very substantial contributor to the exchequer in terms of the excise and VAT generated and income tax payments, profits tax and PRSI.

Some of the few high profile international brands which have emerged from Ireland have been from the drinks industry. It contributes to tourism and regional development. It also plays a significant role in social infrastructure. Overall it plays a major role in consumption, production, employment and trade.

Despite the current large economic contribution of the drinks industry there are some serious concerns for the maintenance of ongoing economic contribution.The declining share of domestic consumption supplied by domestic production is a concern. Imports have risen substantially according to revenue commissioner data. There is evidence of likely decline in retail employment and there are concerns for the viability of many small rural public houses in the changed economic and regulatory environment.

References

Byrne Sean. Update on estimates of the cost of alcohol related problems in Ireland. Unpublished paper. On behalf of the STFA. 2004.

Excise Tables. EU Commission. Various years.

European Spirits Association. Taxation Summary. Various years.

Foley Anthony. The Economic Role of the Drinks Industry. DIGI. 2004.

Foley Anthony. Survey of Licensed Premises in Ireland. DIGI. 2004.

Foley Anthony. The Drinks Industry and Tourism in Ireland. DIGI. 2005.

Foley Anthony. The Economic Cost of Alcohol Abuse. An assessment of the estimates in the Strategic Task Force on Alcohol. DIGI. 2006.

Strategic Task Force on Alcohol. Second Report. Department of Health and Children 2004.

The Economic Contribution
of the Drinks Industry

A Report Commissioned by the Drinks Industry Group of Ireland

DRINKS INDUSTRY GROUP OF IRELAND