

British Beer and Pub Association Response to the APPG on Pubs inquiry into the impact of COVID-19 crisis on pubs and the people that run them

The British Beer and Pub Association (BBPA) welcomes the opportunity to respond to the APPG on Pubs inquiry into the impact of the COVID-19 crisis on pubs and the people who run them. A healthy beer and pub sector is vital for the prosperity of the UK. Pubs are at the heart of many communities, as well as contributing hugely to local economies. Pubs and brewing support 900,000 jobs across the UK, contributing £23 billion to the UK economy. Before the pandemic hit, one-in-fourteen young adults were employed to work in our sector, which generates nearly £13 billion in tax revenues for the Exchequer.

The Covid-19 pandemic has been the biggest crisis ever to hit the beer and pub industry and the impacts will be long lasting. The prolonged closure of the pub sector across the UK for the majority of the last 14 months means that publicans, the pub businesses that support them and the brewers that are reliant on them remain in a very precarious position. According to CGA¹, over 2,000 have already closed for good and many previously profitable brewing businesses have been lost. This has resulted in tens of thousands of local jobs disappearing and communities left without a critical asset that binds them together. For the remainder of the sector debt levels have spiralled and the future uncertain. Just considering beer sales in pubs and the wider on-trade, these have fallen by almost 70% in the last 12 months, wiping out more than by more than £9.6bn of sales value.

The impact on pubs: How have people who run and work in pubs been impacted? Have pub closures affected their mental health and wellbeing?

Undoubtedly the pandemic has had an immense impact on those who run and work in pubs. Both economically and personally. The financial strain of being unable to operate normally (and in for many months unable to operate at all) for over a year has become too great for many to handle, with data from CGA showing that in 2020 an average of five pubs closed a day.

The economic pressures and uncertainties faced by landlords, owners and employees alike will likely have caused a difficult and anxious situation for all. They were forced to close and for large periods remained in the dark about what levels of support they would receive. The impact on publicans and employees was also increased due to the Government's decision to consistently delay their full reopening beyond that of other economic activities, such as non-essential retail. This happened despite a consistent commitment since the beginning of the pandemic to operate in a safe manner for customers and staff, and developing Covid-secure workplaces and guidance that enabled pubs to operate safely. This unfair implication that pubs are less safe than other venues, despite there being no clear evidence base for this has certainly not helped matters. Particularly as a recent SAGE report concluded the risk of transmission in hospitality venues is "relatively low".

Pub businesses are certainly aware of the mental health challenges and ongoing wellbeing of their staff, particularly those who have been furloughed for a considerable time over the last year with uncertainty about their future and indeed anxieties in returning to work. Pub businesses are doing everything they can to support their employees at this time.

Pub companies who operate leased and tenanted pubs, have recognised what a hugely challenging period it has been for publicans and provided them with significant amounts of financial and other support which in turn aimed to reassure anxieties caused by the uncertainty of their situation. Leased and tenanted pubs across the country received an estimated £285m of financial support from their pub companies. This has been in the form of rent reductions and other charges waived, which when combined with other support offered equates

¹ <https://cgastrategy.com/market-recovery-monitor-january-2021/>

to an average of £27,000 per tied pub (compared to an estimated average annual rent of £26,000). The pandemic has demonstrated the strength of this unique partnership model and ensure these businesses are in a much stronger position to survive through this period and return to growth.

Indeed, when it came to the reopening on 12th April around 60% of tied pubs were in a position to reopen, in stark contrast to a figure of less than 40% of independent pubs and just 23% of licensed hospitality venues overall. It is important that the Government does not put in place any further heavy-handed legislation that cuts across our sector, undermines this collaboration and that would hamper these pubs at such a delicate moment.

The community impact: How has the need to close pubs impacted communities at a local level? What services do pubs usually provide, and what is the impact of their loss? How do you envisage the future of pubs and the communities around them?

A report published this March from respected local Government think tank Localis, entitled '[The Power of Pubs – protecting social infrastructure and laying the groundwork for levelling up](#)', critiqued the first 12 months of the pandemic and examined the consequences for the pub and brewing sector. The authors of the report concluded that, put simply, where there's a pub, there's a community. And in considering how we renew the nation economically and socially from the scarring of Covid-19, the pub is a central hub in countless cities, towns and villages from which the spokes of recovery will radiate.

The report, which examines in detail the more obvious economic impact of the pandemic on pubs, stressed that their closure has also had a wider impact on community cohesion up and down the country. Pubs form a vital part of social infrastructure and are anchors that tie the community together. This is particularly true for rural towns and villages. As one of the biggest contributors to the UK economy, the sector has a vital role to play in the recovery and levelling up journey of the country as well as in maintaining community cohesion and social resilience well beyond the pandemic.

Localis argue it is vital that the lockdown roadmap is not allowed to slip back further for pubs, and that the commitment to end all trading restrictions by 21 June must be delivered to return all pubs to viable trading. Without such assurances and medium-term support to help place the pub sector at the foundations of a strong recovery, local economies and community resilience in left-behind parts of the country – including 'blue wall' former industrial heartlands, rural and coastal areas – would be particularly hit.

Additionally, the authors highlight research showing that a lack of places to meet, whether they be community centres, pubs, or villages is a significant determinant to social and economic outcomes for deprived communities. Areas of deprivation that lack these community assets have higher levels of poverty, unemployment, and poor health than others, leading to them being 'left behind'. Working to avoid the further closure of community assets in left behind areas and ensuring that these areas directly benefit from the levelling up agenda must be a priority moving into recovery.

The national context: What are your views of the impact of the pandemic on the pub trade as a whole? Are there key systemic pressures currently faced by all pubs? How could the sector best be supported to make a strong recovery?

If the necessary steps are taken to support the sector's recovery from the pandemic, there is no reason why pubs and brewers will not thrive again and be a key engine for driving growth, innovation, rewarding careers, and social cohesion. However, without the right support the pub and brewing sector and the 900,000 jobs it provides will be a very different proposition. Debt levels will become unsustainable, cash will run out and new investment will dry up. Thousands more pubs will close permanently, undermining the foundation of local

economies, ambitions to level up the UK and result in a tragedy for the health and wellbeing of communities, as well as for our city centres and high streets.

The Government has invested in the hospitality sector throughout the current crisis, and this has been hugely welcome. Indeed, the measures announced in the recent Budget have given renewed confidence and hope to businesses that there is a future. However, our sector has borne a disproportionate amount of regulatory and financial pain compared to others and continues to do so. The cautious approach to reopening and these ongoing restrictions on our sector, mean the vast majority of pub businesses will continue to operate at a loss and build further debt for some time yet. Brewing volumes will remain depressed. The months ahead are critical.

In order to support the sector to make a sustainable recovery and drive growth in the post-COVID era, we recommend implementing the following key measures:

- **The removal of all mandatory trading restrictions on 21st June, reverting to industry guidance on hygiene and safety good practice.** – The current restrictions continue to harm our sector, with BBPA research showing that 29,000 pubs – 60% of all pubs in the UK – remained closed after 12 April, when they were allowed to serve outdoors only. We believe around 96% will have reopened as Step Three began in the week commencing 17th May, but around 4% of pubs (or over 2000) are still not viable until all restrictions are lifted and people return to work in city and town centres in greater numbers.
- **A two-year moratorium on new legislation that would slow or inhibit sector growth.** – Now more than ever, an aligned and streamlined approach to the legislative framework and policy development, that is sympathetic to the need for business recovery, is vital. The introduction of legislation such as calorie labelling on pub menus and deposit return schemes will only cause additional challenges for the sector at this pivotal time when the focus should be on recovery, and how the sector can support the Government to build back better.
- **Make permanent planning and licensing deregulation measures to support reopening and expand outdoor spaces.** – Following this crisis, we believe there is a unique opportunity to reset parts of the regulatory landscape and reduce red tape that has previously inhibited growth and effective operation of the brewing and hospitality sector. Indeed, the vast majority of local authorities now actively support the diversification of hospitality businesses, including use of their outdoor space. Specifically, those temporary aspects of planning and licensing to support reopening, expanding outside space and takeaway services should be made permanent.
- **Urgent reform of the business rates regime to reduce disproportionate and unfair burden faced by pubs.** – A fundamental reform of the system is key to achieve a level playing field with many other business sectors. Whilst we welcome the 12-month partial extension of the Business Rates holiday (which extended to 100% for the full year in Wales and Scotland), on the whole Covid-19 has still worsened the crippling high burden of business rates and beer duty and this is perhaps most acutely seen when compared to digital firms' tax liabilities.
- **Make permanent the lower rate of VAT for food and soft drink sales in pubs and extend to ALL drinks.** – The cut in VAT from 20% to 5% for on-trade food and soft drinks sold (increasing to 12.5% in October 2021) has been a lifeline for many and should be made permanent to aid long term recovery, generate jobs and drive growth. However, for wet-led pubs re-opening in the summer of 2020 with partial trade, higher overheads, and mounting debt, this was a benefit they could not enjoy, particularly as restrictions tightened meaning trade levels falling further and with losses mounting fast. That is why we are calling for this lower VAT rate to also be extended to cover all drinks including beer.
- **A significant cut in the beer duty rate over the remainder of the Parliament.** – This policy will directly benefit every brewer, help protect the Great British Pub and the communities, jobs, and livelihoods

that depend on it. Beer duty represents over 90% of a brewer's direct tax and brewing is the most highly taxed business sector in the UK.

- **Collaboration between Industry and Government to ensure the qualifications, skills, and career pathways are in place to support a skilled and motivated pub and brewing workforce for the next decade.** – Realigning and rebuilding the sector workforce is key to enable the sector to help drive the recovery. Of the total pub workforce, over forty percent are young adults under the age of 25. Pubs and breweries are spread across the country and with the right funding support, the sector can play an important role in the Government's levelling up agenda, introducing jobs and skills to all corners of the UK.

With these measures in place, the pub and brewing sector can be a major driver for growth, generating tens of thousands of new jobs quickly and in every part of the UK underpinning local economies and fostering community cohesion. The sector has a key role to play in the Government's ambitions for levelling up the economy, boosting productivity and skills, providing apprenticeships and a rewarding career path for young adults, and is committed to delivering on the Government's net zero carbon ambitions and delivering a green economy.

The [Localis report](#) mentioned previously, supports our recommendations above and determined that failure to support pubs' return from lockdown risks imperilling the government's levelling up agenda for economic and social renewal.

If there is any delay in the roadmap or indeed restrictions remain after the 21st June, Government needs to urgently reconsider the tailoring off of financial support and to extending repayment periods for the debt built up over this period. Critically, pubs in England are due to start paying business rates again from 1st July and the rates relief for managed pub businesses is also capped at £2 million². Pubs in Wales and Scotland will continue with 100% relief until 31st March 2022 with no cap on relief. This is already an extremely unfair situation and must be urgently reviewed if any restrictions remain beyond 21st June.

² Pubs in England will receive 66% rates relief from 1st July, instead of 100% relief, but the total relief is capped at £2 million meaning businesses with a large number of managed pubs, or with larger pubs in higher values areas, will be paying full rates on much of their pub estate from this point.