

Inquiry into the impact of Covid-19 on pubs and people

Parliamentary Inquiry - call for evidence
All Party Parliamentary Pub Group

Introduction

HEINEKEN thanks the All-Party Parliamentary Pub Group for launching this important consultation into the impact of Covid on pubs and the people that run them, as well as what pubs will need to be able to thrive after the crisis. In our submission we outline how our pubs have been impacted, the impact our pubs have made on their local communities, and what future support is needed for pubs to thrive.

Headquartered in Edinburgh, HEINEKEN is the UK's leading pub, cider and beer business. We own around 2,500 pubs as part of our Star Pubs & Bars business and employ around 2,300 people directly – with many thousands of people employed indirectly. Our portfolio of brands includes many lager brands such as Amstel, Birra Moretti, Foster's, Heineken®, Desperados, Kronenbourg1664. We also produce leading cider brands such as Strongbow, Bulmers, and Old Mout.

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

Pubs, and the wider hospitality sector, have been disproportionately impacted by business restrictions put in place during the pandemic– despite evidence showing that there is limited transmission of Covid in hospitality settings.

As a pub company, we are doing – and will continue to do – as much as we can to help our licensees through this crisis. In addition to all the Government's support and grants to help cover rent, salaries and other fixed costs, Star Pubs & Bars has provided rent concessions to all our Leased and Tenanted pubs. Since March 2020 we have now injected over £62 million into our pub estate in the form of rent concessions, directly benefitting licensees' businesses. We outline this in further detail below.

As a business, we take the mental health and wellbeing of both our colleagues and licensees very seriously. It is without a doubt that the economic pressures and uncertainty faced by our licensees and their team resulted in an anxious and apprehensive environment for all. We are aware of these challenges faced by our pubs, especially those who have been furloughed during the last year, with many becoming increasingly concerned as the Government delayed their full reopening. This is why we are long supporters of the Licensed Trade Charity and the Drinks Trust. The Licensed Trade Charity was established in 1793, and since then they have been assisting pubs, bar and brewery people when they are in need of help. HEINEKEN work closely with the Licensed Trade Charity and we raise awareness of the support they offer to our licensees.

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 we envisage the future of pubs and the communities around them?

Where there is a pub, there is a community. The pandemic has highlighted the importance of pubs at a local level, many of whom have gone above and beyond to help and support their communities. In Appendix A, we have provided examples of what a handful of our pubs have done in their local area to help those at a local level.

At HEINEKEN, we strongly believe pubs play an important role at the heart of communities. For the last five years, HEINEKEN's annual [Brewing Good Cheer](#) campaign has sought to shine a light on pubs and their unique ability to bring people together and in doing so, help to tackle loneliness. We wanted to further investigate how pubs can increase social connectivity and alleviate loneliness and, in collaboration with the Campaign to End Loneliness, commissioned Loughborough University to research this.

The resulting [Open Arms report](#) recognises the essential role that pubs play in positively connecting individuals, groups and communities – highlighting that even a conversation with a member of pub staff lasting seconds or minutes can help reduce feelings of loneliness. The research showed that 85.9% of survey respondents agreed and strongly agreed with the statement 'When a pub closes the local community suffer'.

Pubs are the hubs of communities up and down the land. The core essence of a pub – its raison d'être – is to convene the public under one roof and serve as a convenient and safe place for people to meet, converse and connect. They are continually innovating and reinventing themselves, organising activities or events that appeal to a wide range of the community. They also often work with and support local charities. The research also highlights the key social role and skills of pub staff and publicans in helping to make sure pubs are inclusive, open and welcoming.

Given the last twelve months, now more than ever, the findings of the Open Arms report demonstrate pubs are much more than places to go for a drink. In fact, focus group participants frequently mentioned they didn't drink at all, and going to pub was much more about meeting others and socialising.

The National Context: What are our 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?

As we highlighted above, the pandemic has significantly hit the pub trade as a whole.

Throughout this crisis we have been able to support our pubs precisely because of the leased & tenanted partnership we have with our pubs. When the pandemic forced pubs to close, we went considerably further than most other landlords and offered significant rent reductions. Since last March, we've invested over £62 million in rent reductions. A timeline of all our support is as follows:

- **18 March 2020:** Suspended the collection of rent, trade debt and all associated charges. This was an urgent and immediate step to support licensees with their cash flow.
- **23 March:** Confirmed we would, at no cost to the licensee, replace or credit for any unopened kegs that went beyond their use by date during the pandemic. This undertaking was designed to provide further reassurance and was of significant financial benefit to our licensees.
- **8 April:** Provided rent reductions to all our leased and tenanted pubs on substantive agreements. During the initial closure period, we announced over 2,000 of our pubs would get at least 50% off their rent until the end of June 2020 (i.e. reduced and cancelled rent, in addition to the deferment announced in March). Two thirds of licensees received a rent reduction of 50% to 75%, whilst one third received a reduction of 75% or more. We maintained our commitment to suspend the collection of rent - so licensees did not have to pay us any of this reduced rent whilst they remained closed.
- **28 April:** Launched the [Pub Collective website](#) for all HEINEKEN UK customers which includes all the latest government advice, support and how to access it. It also guides pubs on how to hibernate their business and how to prepare for reopening. It includes free learning resources and inspirational case studies from pubs who are adapting their offer during these extraordinary times.
- **8th June:** Confirmed an extension of rent reductions at the same level as previously announced throughout July and August. So rent reductions continued to apply even as pubs reopened.
- **June:** Announced a [further support package](#) which included health & safety guidance to easy to deliver food menus, and £250,000 worth of safety and social distancing point of sale material, with a free pack available to every licensee.
- **12th August:** With most pubs open and benefiting from ongoing Government support, Star Pubs & Bars announced a tapering of its rent relief in September and October with 50%, 75% and 90% plus rent reductions reducing down to 40%, 55% and 70% rent reductions in September and then 30%, 35% and 50% in October.
- **September:** Confirmed we would provide further rent support to pubs on an individual basis in line with the specific challenges they faced at the time.
- **September:** Funded British Institute of Innkeeping memberships for our core leased and tenanted estate to give licensees access to additional services, professional impartial advice and sales building support.
- **8th October:** Announced leased & tenanted pubs would be given a 30%, 35% or 50% rent reduction.
- **15th October:** Increased rent concessions for leased & tenanted pubs in England with a new structure of discounts aligned to the Government's tier system of Covid restrictions. Tier 3 (Very High Alert) areas paid no rent whatsoever and those in Tier 2 (High Alert) regions received a 90% rent reduction. In Scotland and Wales, similar levels of reductions were applied according to local lockdown restrictions.
- **5 November:** Zeroed rent for all pubs on core leased & tenanted from 5th November until 2nd December, the period during which hospitality businesses were required to close in England. Pubs received the concession regardless of whether or not they chose to operate a takeaway service. To be clear this was a 100% rent concession.
- **2 December:** Invested £5m on tiered rent concessions in England, Scotland and Wales.
- **7 January 2021:** Invested a further £4m in rent concessions in England, Scotland and Wales during January. For the third national lockdown our pubs on L&T agreements only had to pay 10% rent – with a 90% reduction given.
- **14 March:** Invested a further £19 million in lockdown rent concessions to 21 June bringing the company's total investment in rent support since March 2020 to £62 million.

The fact that pubs weren't trading for an extended period has a damaging impact throughout our sector – both on individual pubs and companies like Star Pubs & Bars (part of HEINEKEN UK). Clearly this pandemic is having a huge financial impact on our own business - but in the leased and tenanted model is all about partnership. We want to see all of our pubs open and trading once again. Not all pubs will have received such support measures from their commercial landlords, and we believe this crisis will show the true nature of the leased & tenanted partnership.

Looking to the future, it is vital that there is long-term support for the sector. Without the right support, pubs will be forced to close, and investment will be halted. As highlighted above, pubs are vital to the health and wellbeing of communities, as well as the economy. During the pandemic, the Government has invested in the hospitality sector, which has been greatly welcomed. Furthermore, the recent Budget announcement has also been a welcome relief for the sector. However, the cautious approach to reopening the hospitality sector, and the ongoing restrictions, means a large majority of our business is still struggling.

In order to support the sector and drive growth after the pandemic, we recommend the following measures:

- **The removal of all mandatory trading restrictions on 21st June.** The current restrictions are damaging to the sector: around 50-60% of our pubs could not open on 12th April, when pubs were allowed to serve outdoor only. On 17th May, 90-95% of our pubs opened. A small proportion of our pubs will still not be able to open until restrictions are lifted as they have insufficient space to allow social distancing inside.
- **Make the lower rate of VAT for food and soft drink sales on-trade permanent and extend it to ALL drinks.** The cut in VAT from 20% to 5% (increasing to 12.5% in October 2021) for on-trade food and soft drinks has been a relief for many. This change should be made permanent, in order for the sector to recover. This is particularly true for wet-led pubs, who did not enjoy this during 2020 summer reopening.
- **A significant cut in beer and cider duty.** The policy will directly affect our business, along with pubs, jobs, and communities.
- **Fundamental review of business rates.** The reform of the business rates system will help achieve a level playing-field, reducing disproportionate and unfair burdens faced by pubs. Whilst the 12-month partial extension of the Business Rates Holiday is welcomed (extended to 100% for the full year in Wales and Scotland), the pandemic has been worsened by the significantly high business rates and beer duty.

Appendix A

The Snowgoose, Farnborough

The Snowgoose, managed by Kate Hayden and Paul Warriner, started helping those in the community before the lockdown was announced. The pub gave their fresh food to NHS workers struggling to buy basics during the panic buying, care packages to those self-isolating, and started a foodbank for self-employed residents struggling with no immediate income. During the lockdown, the pub was turned into a shop that sold produce from the local baker, butcher and newsagent, and has now become the ongoing 'NHS Essentials' service for key workers. Kate and Paul are also planning a COVID-19K run, with all funds being donated to the local hospital, and fittingly, will end at the pub.

The King's Arms, Bexleyheath

The King's Arms, managed by Pete Marshall, started helping those in the community before the lockdown was announced. Pete and his team delivered 30 free Mother's Day meals to customers with isolating mothers, and 30 roast dinners to frontline staff at the local hospital. From then on, the team cooked and delivered 50 roast dinners every Sunday to hospital staff, totalling over 700 during the first lockdown. Pete also wanted to keep the community spirit alive and moved his weekly online quiz online. In a special version of the quiz, the pub raised £1,250 for the NHS.

The Mill, Stokesley

The Mill, managed by Alex Cook, realised that at the start of the pandemic that many elderly residents had no outside space to enjoy or safely socialise. Alex has turned a disused area of the pub land into a community garden, with separate entrances and exits for added safety. The pub also delivered 1,000 frozen dishes during the first fortnight of the lockdown to the vulnerable. From then on, it delivered food to 500 people a week. To show his appreciation to the NHS, Alex also produced charity t-shirts with all profits going to Teesside Hospice.

The White Hart, Wadworth

Running The White Hart, the only pub in a village of mainly senior citizens, Rita Cox was determined to keep spirits up and continue to provide for the community during the lockdown. The small team at The White Hart cooked and delivered 400 hot meals a week to vulnerable residents. Rita was approached by the council to fill the gap of a 'meals on wheels' service, but had to decline due to the team being on furlough. Instead, a takeaway service was created. Now, with her full team back behind her, Rita is looking at ways to continue to deliver to elderly and vulnerable customers.

The Star Inn, Ashton Under Hill

The Star Inn, managed by Vicky Lawson, has transformed her pub into the local village shop, which enabled many elderly and shielding people unable to shop online to get food. During the peak of the first wave, the pub was producing 350 meat, veg and grocery boxes and 340 meals a week, with no delivery charges. The shop is a breakeven venture but, with some still cautious about going out, Vicky is retaining it for the foreseeable future.