

Written evidence - British Beer and Pub Association (PTC0035)

The British and Beer and Pub Association (BBPA) welcomes the opportunity to submit evidence to the House of Lords inquiry into the long-term impact of the pandemic on towns and cities. A healthy beer and pub sector is vital for the prosperity of the UK and our high streets. 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 15 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. Pubs and brewers play an integral role in making our towns, cities, and high streets the special and exciting places they are, supporting the economy as well as providing people with a sense of community. It is important to recognise just how severely the sector has been affected and why it is crucial they are provided with the necessary support to help build a strong recovery for all.

SUPPORT PUBS AND BREWERS TO SUPPORT TOWNS AND CITIES

We are bitterly disappointed that the Government was unable to stick to the commitment of removing all restrictions on the 21st June. It is no understatement to say that brewers and pubs had been looking to that date as the point at which their recovery could begin. Now, however, the sector has to endure yet another setback in the toughest of periods. We understand the Government's reasons for pursuing this course of action and that public health remains the priority, but that does not change the fact that the industry will be suffering acutely for another extended period and therefore towns and cities too.

It is of absolutely paramount importance that this is the last such extension to these measures. The recovery of our towns and cities is being held back. This delay will cost pubs £400m for this initial period alone and there will inevitably be an additional cooling effect on consumer confidence, which was already incredibly fragile. As a consequence of this delay, it is clear that the Government must look again at support for business, particularly for hospitality businesses, in order to ensure an equal recovery for our towns and cities.

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

In providing support for the beer and pub sector, the Government is in turn supporting its towns and cities. 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.

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.

The Localis report also highlighted that areas with 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 as we move into the recovery of our high streets. It is clear when considering how to support our towns and cities that pubs have an important role to play both economically and as central hubs from which the spokes of recovery will radiate.

LEVELS OF SUPPORT

In order to provide the beer and pub sector with a platform that will help rebuild our towns and cities we are urging the Government to delay the reintroduction of partial business rates payments by at least three months, and ideally to March 2022, to allow pubs to recover the additional losses incurred in the period of the extension to 19th July. We are also urging the Government to carry out a fundamental reform of the business rates system. It is key to achieving a level playing field with many other business sectors, including online ones.

Relative to their share of business turnover, before the pandemic, pubs were over-paying in business rates to the tune of £570 million. This is simply not feasible moving forwards. Covid-19 has 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. Not only have those digital businesses continued to trade throughout lockdown, but it has also accelerated consumer trends towards online purchasing. The overall suite of taxes needs to be rebalanced to reflect a modern economy. Even before Covid-19, Amazon paid a mere £13.4m in corporation tax last year on turnover of £14.6 billion – this cannot represent their fair share. Whilst we appreciate the measures taken to support businesses to date, now is the time to keep moving in the right direction and reform the business rates system as a whole.

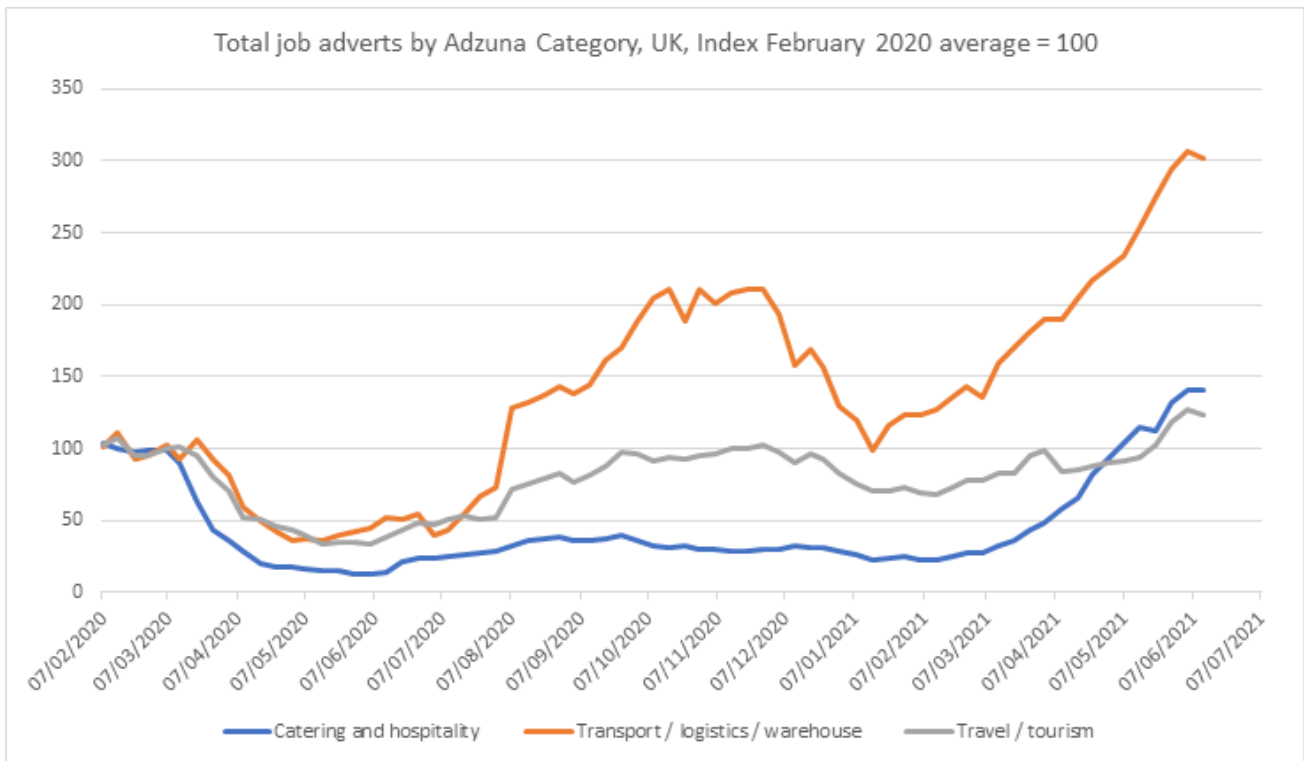
In addition to this the temporary VAT rate of 5% should be extended, as well as the ability to defer loan repayments which are a further drag on business outgoings at this point. It is important to remember that there are a large number of pubs – around 2300 – that are still unable to open at all due to a lack of usable outside space and insufficient inside space to make social distancing work. Given this additional delay to reopening and the impact it will have on the recovery for the sector, we believe the Government should also put in place a grant scheme specifically for these businesses.

We believe Government should also now place a two-year moratorium on any new regulation that would add unnecessary costs to the pub and brewing sector and inhibit their recovery. The new proposals for calorie labelling on pub menus, limiting promotion of pub menus on websites and social media under obesity plans and any mandatory labelling of alcoholic drinks, particularly with the lower risk drinking guidelines, as well as the implementation of a deposit return scheme in Scotland must be delayed. The challenges already faced by businesses due to the pandemic, as well as the regulatory changes from EU Exit have both impacted trade. It is crucial the challenges pubs are facing are not compounded at this time.

Without additional means of support the beer and pub sector and our communities will continue suffer on both an economic and social level. The recovery gets harder with every day these restrictions remain in place. What is needed now is a categorical assertion from Government that this extension will be the last, and a clear plan for how towns and cities can rebuild from the difficulties they have faced.

THE CHANGING NATURE OF EMPLOYMENT AND STAFF SHORTAGES

Although the beer and pub sector is firmly in their reopening phase and not the recovery phase – even more so following the decision to delay the lifting of all restrictions – many pubs and brewers are facing immediate serious staff shortage issues. The pandemic has been the most challenging period the sector has ever faced and had certainly changed the nature of employment throughout the period and beyond. With hundreds of thousands of pub and brewery staff placed on furlough for the extended periods of closure they've faced, an almost inevitable disconnect has developed for businesses and their staff. Pubs and brewers are a people business; without their staff they are nothing and they are without question their greatest asset. However, the circumstances of the pandemic have left the sector facing serious labour and skills shortages which is illustrated in the table below. In some instances, pubs are being closed entirely during the week and limiting the hours of service because they cannot find the staff they need. To compound this, the shortage is extending to businesses in the supply chain too, from drivers in distribution and even laundry services.



There are a combination of factors adding to this situation. First are the staffing requirements needed to operate our sector with the social distancing requirements. These have created the need to employ more staff or risk burnout amongst the staff we do have. We urge the Government to remove restrictions to relieve the pressure on retained staff but to also alleviate the need for extra staff and costs for businesses. Secondly, there is not the usual flow of graduates or college leavers coming through to fill the positions we have available. There needs to be a way to restart the pipeline of people coming into the sector, and support needs to be provided in the short term whilst there is a wait for this to take effect. Thirdly there is also the vacuum left by EU nationals who have returned to Europe and not subsequently come back to the UK. The pandemic has accelerated a shortage we foresaw for the sector post Brexit. It leaves a small pool of hospitality staff for the sector to recruit in and therefore exacerbates the shortage.

Additionally, there is a lack of confidence in a return to hospitality. Due to the pandemic and the impact on the hospitality sector the sector is facing a confidence issue with many people fearing their jobs in hospitality do not provide long term security. The ability for the sector to get back to trading as normal will inject confidence in the sector and into employees worried about entering into a career in hospitality. The sector is also experiencing a specific skills shortage of chefs in kitchens which needs to be addressed for the long term to ensure pubs can make the same offer to consumers and maintain the quality of services. The labour shortage is really beginning to surface and will hold businesses back in these crucial months ahead of reopening and recovery.

Whilst furlough has been a great safety net throughout this crisis perhaps now believe the Government need to review elements of its application, particularly the double jobs

element. The Government could also look to the Apprenticeships Levy and extend the expiry period so businesses can still make use of it or allow businesses to funnel some of the levy funds into staff training to plug some of the skills gaps the sector are experiencing. Additionally, the BBPA have long called on the Government to expand the Youth Mobility Scheme to cover more nations, thereby making it easier for overseas staff to travel here for work. This would go some way, in the longer-term, to addressing the crisis currently facing our sector. We would also prefer to see a flexible approach to immigration, and a review of the shortage occupation list.

With regards to the staff shortage extending into the supply chain, we have been made increasingly aware in recent weeks of the impact driver shortages is having on the beer distribution network and the threat that this poses to the movement of beer to retailers across the country as well as supply of beer, food and other goods and services to pubs. We are conscious that this is an ongoing and serious issue that continues to impact not only on our sector but also other industries that rely on haulage services.

The Road Haulage Association have written to the Government with a plan outlining steps to tackle the issue, including asking the Government to add lorry drivers to the shortage occupation list which would allow EU and other foreign drivers to fill some rota gaps (we are aware there is also a shortage of drivers in the EU also), urging the Government to immediately establish a taskforce with representation from all the relevant areas of Government and industry to help drive change at the pace, as well as to re-establish the DEFRA Food Resilience Industry Forum. We have signed this letter and urge the Government to take the necessary action before the issue grows further. Whilst we are aware this issue has been caused not only by the pandemic and other factors including Britain's departure from the EU and the average age of drivers have a role to play, the pandemic has certainly perpetuated the issue. It is therefore vital that the matter is addressed swiftly to ensure further disruption is avoided when the hospitality sector opens more broadly and at a larger capacity.

It goes without saying that our sector also needs to see a rapid return to full capacity and confidence in order that we can really begin to attract people – both customers and staff – back to what is demonstrably a safe place to work and socialise and reach commercial viability. A failure to do so runs the risk of damaging the beer and pub sector and in turn the employment and economic opportunities it provides to towns and cities throughout the UK. It is of paramount importance that the Government sticks to its commitment this time around and removes all restrictions on 19th July.

6 July 2021