

BBPA Briefing

Roadmap to Recovery Summary



The COVID pandemic has been the biggest crisis ever to hit the beer and pub industry. As we endure a further period of prolonged closure of the pub sector across the UK we urgently need the Government to establish a survival and recovery plan, with a clear date for when our sector can expect to reopen.

Without such a roadmap, the pub and brewing sector, and the 900,000 jobs it provides will be a very different proposition. Thousands of individual pub businesses will fail as debt levels become unsustainable, cash runs out and new investment runs dry. Many of these pubs will not re-open and crucial local jobs disappear for good. This will be a tragedy for the health and wellbeing of those communities that pubs support throughout the UK.

While grateful for previous support, due to the levels of debt built up in the last 11 months the sector will not be able to bear additional business rates, VAT, beer duty and employment costs, even if all ongoing trading restrictions end in the Spring. Even during the current lockdown, the sector is facing ongoing costs of upwards of £100m every month.

The sector has invested £500m in making our venues COVID-secure premises and demonstrated in the summer of 2020 that it could manage a return to safe socialising. There was no spike in infections corresponding to the reopening of pubs, this instead came later with other parts of the economy reopening/restarting. Announcements on continued economic support are needed as soon as possible. This will enable the sector to drive the recovery and the stimulus set out below will provide significant payback in terms of jobs, investment, community wellbeing and tax revenues.

We urge the Government to commit to the re-opening of all pubs in line with the wider economy once vulnerable groups have received the vaccine. All current mandatory trading restrictions must be immediately reviewed and gradually removed as pubs reopen.

Key support measures needed:

- Extension of the business rates holiday for pubs for the financial year 2021/22.
- An extension of the 5% VAT hospitality rate for a further 12 months and expanded to cover alcoholic drinks, reviewed at a future date with a view to a permanent reduction.
- A 5% cut in the beer duty rate in the March 3rd Budget.
- Grants and employment support (CJRS/JRB) extended if trading restrictions remain post-April.
- A brewer compensation grant fund for stock write-offs due to the pandemic and resulting lockdowns.
- Positive and proactive communication to boost consumers returning to hospitality venues and consideration of further demand stimulus if confidence remains fragile in the summer.

Roadmap and timings

As evidenced in Annex B, pubs and the wider hospitality sector are linked to just a tiny fraction of infections. With the hygiene and social distancing mitigations in place, and the vaccination roll out, there is no justification for the additional restrictions or longer closure period for pubs compared to any other parts of the leisure and non-essential retail sector. This discrimination must end after this latest lockdown. Our roadmap sets a path that combines the necessary immediate support plus the continuing economic stimulus needed throughout 2021, alongside the proposed easing of those restrictions. However, it is recognised that in the coming months, the timing for the removal of individual restrictions may need to be flexible and be subject to the scaling up and speed of the vaccination programme. Key to reopening is business viability and regular review of the necessity of restrictions.

- **Early March:** Spring Budget. Opportunity for Govt to confirm support on business rates and beer duty, extend VAT reduction and employment/grant support
- **March/April:** Assuming the successful vaccination of vulnerable groups, pubs reopen alongside 'non-essential' shops, with "substantial meal" and single household only requirements removed. The remaining Covid-secure measures put in place since July 2020 remain in effect.
- **End March:** Sunset clause for existing Tiers/lockdown regulations.
- **April-May:** Evidence-based restrictions review, transition to more sustainable trading, including:
 - Household mixing permitted, curfew removed, music and entertainment restrictions in pubs removed.
 - Requirement for table service removed, bar service returns and capacity restrictions reviewed.
 - Revert to Covid-secure industry best practice.

Annex A

Contribution of pub and brewing sector to the UK

- Pubs and brewing support **900,000 jobs in towns and communities throughout the UK** and contribute £23 billion to the UK economy (pre-Covid).
- The Ernst & Young ITEM Club's November 2020 forecast expects the **hospitality sector will have declined by 44% in the year**, significantly more than any other sector.
- **One-in-fourteen young adults currently in employment, work in the beer and pub sector** and the sector generates nearly **£13 billion in tax revenues** for the Exchequer. **Around 43% of the beer and pub workforce is under 25**, compared with 12% in the overall economy.
- Already, **one pound in every three spent in the pub, goes to the Exchequer**. Planned increases in tax and regulatory costs will add hundreds of millions of pounds to pub costs in the coming years. **Combined with increased debt incurred from the pandemic, this is not sustainable.**
- **Local pubs provide the single largest community outreach service in the country and are pivotal to tackling loneliness and social isolation**, which is a problem that will only have been exacerbated by the pandemic.
- The brewing and pub sector **invests £2 billion per year in its breweries and pubs**.
- **Over 80% of beer sold is produced in the UK with a largely domestic supply chain**. The beer industry supports **7,000 jobs in agriculture, 332,000 jobs in hospitality, and 54,000 jobs in creative industries**.¹ It is, however, **the most highly taxed business sector in the UK**.
- Brewing is a manufacturing success story **across the UK's regions, and pubs are of course present throughout the country**; backing our sector means backing the whole of the UK and vital domestic and world-renowned industry.

YouGov polling on consumer views on social distancing

(2,268 UK Adults Oct/Nov20)

Only 1 in 7 adults find it difficult to socially distance in hospitality settings. Indeed, adults in the UK find it much more difficult to socially distance in supermarkets and retail outlets (51%), shopping centres (29%) and on public transport (27%) compared to in hospitality settings (14%), which was also lower than in other people's homes (16%).

¹ The Economic Impact of the Beer and Brewing sector: Oxford Economics, December 2020

Annex B

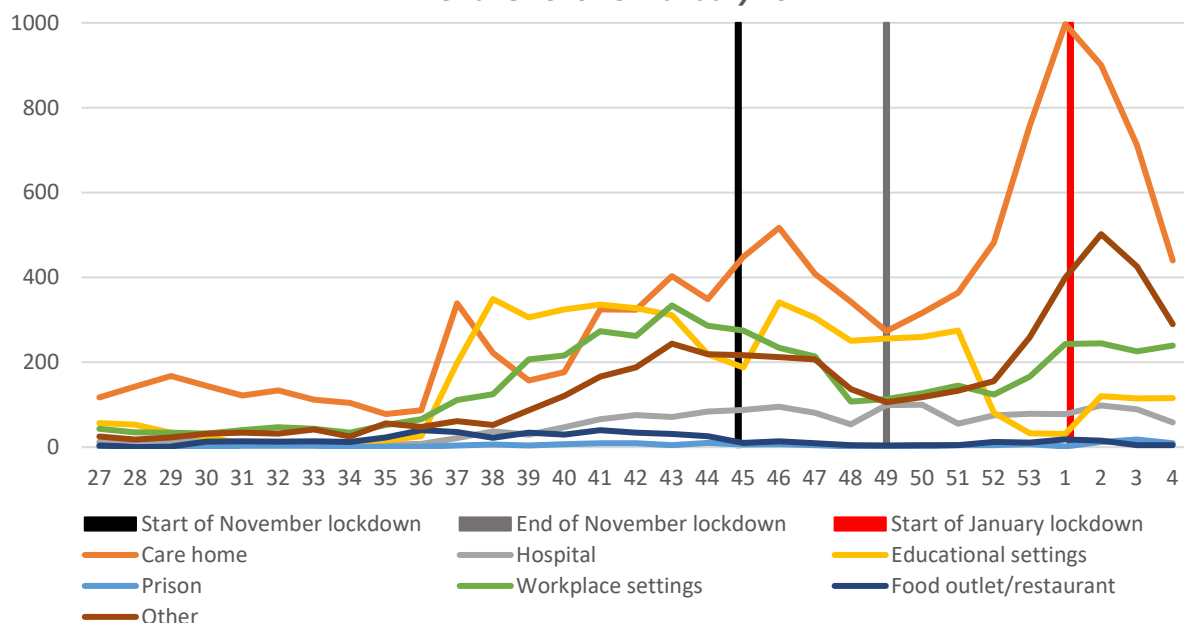
A low risk of Covid transmission

On 27 November 2020 the Cabinet Office published a [policy paper](#) setting out, in their words, the 'four types of evidence currently available to understand where transmission is occurring (in hospitality)...each has limitations, but they are consistent in supporting the view that hospitality venues are a significant risk for transmission.' Each of the four types of evidence links to wider SAGE papers where the conclusions have been drawn from. This short paper has been used to justify the layering of restrictions placed on hospitality in England pre-Lockdown.

In our view, the four pieces of evidence and the resultant conclusions made in the policy paper **do not justify the additional restrictions currently in place for hospitality businesses even before the roll-out of the current vaccine programme.** The reasons for this can be summarised as:

- The paper and conclusions are based on a view that hospitality businesses are operating under 'pre-pandemic' conditions, and, crucially, does not take into account the many legislative restrictions as well as the risk-assessed and stringent Covid-secure measures introduced since July 2020 that successfully mitigate against the risks the paper identifies.
- The paper draws assumptions from a small, unrepresentative selection of hospitality businesses overseas. Examples cited are limited in scope, primarily from South East Asia, early in the pandemic, and from venues before any significant mitigations introduced (if at all) – unlike in England post-July 2020 and currently. They are therefore totally incomparable with the situation in England in Autumn 2020.
- the paper does not take into account published PHE and industry statistics showing hospitality has a much lower risk of transmission than other areas of economy/education/healthcare. **Indeed under 3% of infections have were linked to hospitality venues**

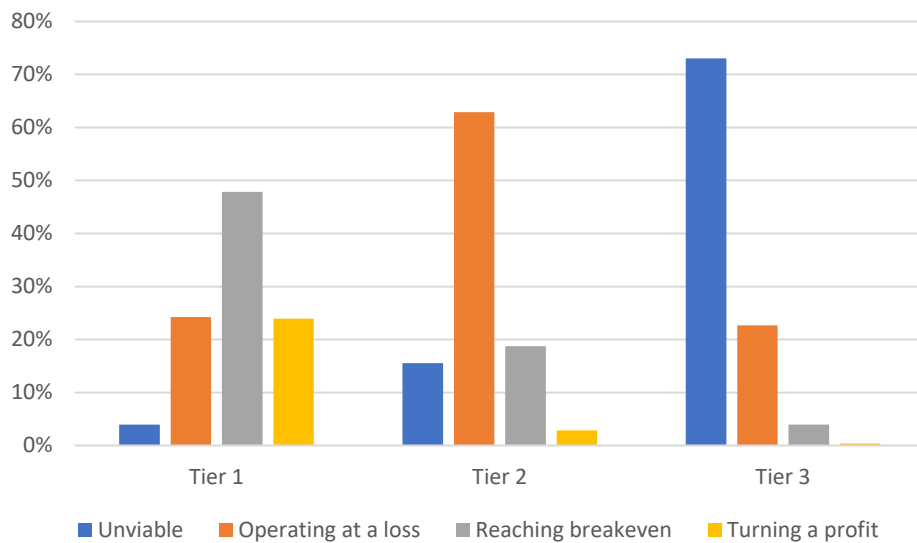
Number of acute respiratory incidents by institution, UK
29 June 2020 - 31 January 2021



Annex C

The devastating impact of the pre-lockdown tier system

A different approach to reopening the economy is necessary in order to adequately support the sector. The below graph shows data taken from a joint BBPA, UKH and BII member survey from November 2020 shows just how devastating an impact the tiering system can have on our members.



	Tier 1	Tier 2	Tier 3
Unviable	4%	16%	73%
Operating at a loss	24%	63%	23%
Reaching breakeven	48%	19%	4%
Turning a profit	24%	3%	0%

October Tiers

- Tier 1: Covid-secure guideline/social distancing, table service only, curfew, face coverings, Test & Trace, rule of six.
- Tier 2: + single household inside.
- Tier 3: + alcohol only with substantial meal and single household outside.

- The 'substantial' meal requirement on its own meant that two-thirds of pubs were either unable to open at all or could not operate viably.
- Overall beer sales in pubs/on-trade were 56% lower in 2020 (£7.8 billion in lost sales alone).