



BRITISH INSTITUTE OF INNKEEPING



Rt. Hon. Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
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Rt. Hon. Kwasi Kwarteng MP
Secretary of State for Business, Energy and Industrial Strategy,
1 Victoria Street,
London
SW1H 0ET

Future of our nation's pubs hangs in the balance with escalating costs

23rd September 2021

Dear Chancellor & Secretary of State,

The majority of our 10,000 individual members independently operate pubs in every community of the country and are just starting their long road to recovery after 18 months of closure and severe trading restrictions. This recovery is being significantly undermined by trading revenues, which for the majority have not returned to 2019 levels, and the rapidly escalating costs of goods, services and labour alongside increasing taxation as Government support falls away.

I am writing to you ahead of the Autumn budget next month as without further trading support from Government this long awaited recovery for our pubs is in jeopardy. The recognition of the economic contribution, the scale of jobs & careers opportunities in our sector and the unique social value of pubs in the recently published Hospitality Strategy is extremely encouraging. We look forward to continuing to work closely with Government to drive solutions to the strategic challenges and opportunities identified to support the recovery and long term resilience of the sector.

We have just completed an extensive member insight survey and we wanted to share the key findings with you. The results clearly show the fragility of our member's businesses and the need for further investment to support their recovery. These are viable and vibrant small businesses that can recover, but the impact of the last 18 months combined with the trading challenges facing them now, threaten to undermine this recovery and potentially lead to business failure.

- **84% of our member's pubs' summer trading was below 2019, 54% traded below 75%**
- **72% expect to only trade at break-even moving forward**
- **Average pandemic specific debt is over £50,000 per pub after utilising cash reserves with pay back expected to be over 4 years**
- **1 in 2 operators will not invest in their business in the next twelve months through lack of funds & debt**
- **76% of pubs are having to pay higher wages to attract and retain staff with 70% of these paying at least nearly three times the rate of inflation**
- **Escalating supply costs in drinks, food and utilities - majority of increases are over 10%**

Whilst many of our member's pubs traded strongly in the late summer, this did not make up for the lost opportunity when they were heavily restricted in the earlier months. Also trading performance figures that have been attributed to our sector particularly those from card and cashless payments do not accurately reflect the underlying trading performance. Our survey shows that pre-pandemic levels of card and cashless payments were at under 50% which has now moved to 75% in 2021. Overall revenues for the majority of our members are actually significantly below 2019 levels.

Our members have consistently identified three business critical areas of ongoing investment that they will need to support their recovery;

- **Business rates; an immediate business rates holiday for England in line with the devolved nations alongside a fundamental reform of business rates levelling up the economy**
- **Extended VAT reduction; a sector specific reduced VAT rate at 5%**
- **Duty cut for draught products served in pubs; as part of a wider duty reform, an immediate reduction in duty for draught products served in pubs supporting their futures and the local brewers dependent upon them**

We greatly appreciate all of the support that has been given to our sector throughout the pandemic. The further investment in our nation's pubs will yield a rapid return and safeguard a national asset at the heart of every community.

As always, we would welcome any further engagement with you and your officials to discuss these proposals.

Yours sincerely,



Chief Executive Officer
British Institute of Innkeeping (BII)