



BRITISH INSTITUTE OF INNKEEPING



The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Pubs are at the heart of every community, powering growth and accessible employment

1st February 2023

Dear Chancellor,

I am writing to you ahead of your spring budget to ask for tailored specific support for our nations pubs, to prevent further significant failure and enable their full contribution to growth, accessible skilled employment and continue their essential social role in every community. With over 1600 hospitality businesses having failed in the last three months (CGA & AlixPartners research), thousands more will fail without meaningful support.

Recent insight from our 10,000 individual members, independently operating pubs across the UK, demonstrates the exceptional challenges. **Half are at risk of failure in the next 12 months, 43% are not profitable and 1 in 3 have no cash reserves.** The pressures of soaring inflation in goods and services are clear but energy costs are specifically driving viable businesses to failure. **50% of our members have had to renew energy contracts from July to the end of 2022 at exceptional costs** into long term contracts with no genuine open market in operation. Many suppliers were unwilling to supply hospitality businesses and those that would, clearly priced in a risk-premium and escalating fixed charges. **2 in 3 of our members have seen significant increases in standing charges.**

Our members largest concern is energy cost inflation (97% of respondents). The vast majority of pubs have taken action to reduce consumption in energy intensive sites powering cellars, kitchens and large customer spaces. Many have now resorted to cutting costs in critical areas; **60% are reducing opening times, 61% are reducing staff and 1 in 3 are reducing opening days**, all at a time when they must increase turnover to generate profit.

The opportunity with thriving pubs in every community is clear. Our nations pubs provide an essential source of local employment that is truly accessible to all. The essential business skills developed in these dynamic and challenging environments can be a springboard for new or re-entrants into skilled jobs and careers in our sector and beyond. Hospitality can enable your vision of bringing back workers to the jobs market with exciting, diverse, rewarded and skilled jobs.

Our economic credentials are well proven, being at the heart of the nation's growth, as demonstrated in the recent ONS analysis. Our pub businesses are viable local small businesses supporting jobs, local suppliers & brewers and delivering tangible social value in all communities. They need tailored support to weather these short-term exceptional pressures. Your support with business rates relief for the coming year is greatly appreciated and will be essential as part of a package of support to save our nation's pubs.

Our members have been clear with the support they will need moving forward;

- Longer term structural support is needed to enable growth and investment in the form of a sector specific VAT reduction and a lower business rates multiplier recognising the community value of pubs & hospitality.
- Deliver fair and reasonable energy costs for pubs through an ability to re-contract energy deals that were secured in 2022 in a non-competitive market.
- Deliver an enhanced draught duty reduction for beer served in pubs of 20% specifically supporting pubs and local brewers. This would need to be delivered alongside an overall freeze in beer duty with the Alcohol Duty Reform delivered in full.

As a member of the Hospitality Sector Council, we have also worked closely with the team at BEIS to deliver a broader set of proposals that will reduce red tape, provide liquidity support through time to pay Government debt, enable investment, deliver national community initiatives and drive further professional development opportunities to accelerate productivity.

As always, we would welcome any further engagement with you and your officials to ensure the investment proposals above are implemented to the benefit of the individual businesses, the wider economy, and society as a whole who value the key role our pubs play in every community.

Yours sincerely,

A handwritten signature in black ink that reads "Steve Alton". The signature is written in a cursive, slightly slanted style.

Steve Alton
Chief Executive Officer
British Institute of Innkeeping (BII)