

Dear Chancellor,

As members of the British Beer and Pub Association, which represents 90% of the beer brewed in the United Kingdom and nearly half of the nation's pubs, it's essential we give you a full picture of the cumulative challenges the industry is facing ahead of the Budget.

During the election, and since becoming Chancellor, you have made clear that the Government's top economic priority is to boost growth. We wholeheartedly support you in this and we are committed to working with you to achieve this vital aim. British brewing and pubs are amongst the longest established businesses in the UK, are renowned worldwide and continue to evolve with new entrants, innovative ideas and products.

During the general election, you rightly campaigned on the need for a five-point plan to support Britain's pubs. We agree that meaningful policy change is needed, and we are prepared and eager to work with you to deliver your commitment.

New economic figures published this month reinforce the scale of the contribution we make. The report from Oxford Economics shows that the British beer and pub sector generates £34.4 billion GVA to the UK economy, and a tax contribution to the Exchequer of £18 billion and supports more than one million jobs across every part of the United Kingdom. All these three key metrics have increased compared to the period immediately pre-Covid.

Beyond this economic generation, the sector also delivers a wider cultural and community value, providing a unique hub for social cohesion, connectivity and wellbeing. A recent report by Localis showed that 73% of people polled believed their pub combatted loneliness, while eight out of 10 felt pubs were important in bringing people together. Pubs are where birthdays are celebrated, deaths commemorated, and they play host to everything in-between. There can be no meaningful plan to stimulate local growth and wellbeing during this Parliament without supporting the pubs at the heart of those communities.

While this is worth celebrating and points to the underlying strength and resilience of our industry, it is impossible to ignore the precarious position in which many businesses in our industry continue to find themselves. The alarming reality is, since 2010, a fifth of our nation's pubs have been forced to close and UK beer volumes have fallen by around 10%. In the past fortnight alone a new report by Altus Group showed that 50 pubs in England and Wales closed every month during the first half of 2024.

This comes when there is a cost-of-doing-business crisis impacting the whole sector, with many pubs looking with concern to spring 2025, when they could see their costs go up drastically through a combination of an increased national living wage, removal of business rates relief, and a rise in beer duty.

This Budget will be your first opportunity to examine the taxes which directly affect the short- and long-term viability of brewers and pubs. The beer and pub sector is already one of the most highly taxed sectors in the economy, with £1 in every £3 spent in a pub going direct to the Exchequer along with over 40% of turnover for UK brewers.

Understanding the economics of a pint highlights just how perilous the situation is. The average UK price of a pint is £4.80. £1.52 of this cost is paid in tax; other expenses including wages, energy, and utilities cost a further £3.16. This leaves just 12p per pint as margin for publicans to earn their living. This is an historic low and the industry simply cannot afford other costs, let alone tax increases. Put plainly, for thousands of pubs and brewers across the country there is nothing left to give.

Business Rates

Furthermore, pubs are disproportionately taxed, paying up to five times higher business rates relative to their turnover.

The current 75% business rates relief in England, worth an average of £12,000 per eligible pub has for many been the only thing stopping them from shutting their doors and calling last orders for good. We support your commitment to carry out wholesale reform of the business rates regime and have put forward solutions in our recent submission but, until that vital reform is implemented, it is critical that the current business rates relief for pubs is maintained to avoid many more having to close.

Beer Duty

Turning to duty, despite recent freezes, the UK rate of tax remains almost three times the average European rate, notably 12 times that of Spain and Germany. We ask you to not only consider freezing beer duty beyond February, but to cut duty and set out a roadmap to bringing the UK duty rate down to the European average across this parliament.

The urgency to secure these two policy changes has become existential given the recent raft of regulatory proposals which run the risk of fundamentally undermining our business model and will dearly cost our communities.

Cumulative Impact

The projected Extended Producer Responsibility fees for recycling packing materials, particularly glass bottles, will lead to eye-watering extra costs for brewers. This proposal, which will be retrospectively applied, is the equivalent of a 7-14% beer duty increase on these products. A ban on smoking in outside areas risks driving customers from pubs that have spent millions investing in outdoor spaces. Significantly above inflation increases to the National Living Wage and disproportionate restrictions to employment flexibility will lead to significant staffing difficulties. This won't just affect employers; it will affect those who need flexibility to work, which is why we need a clear plan from Government about how this will be mitigated. An expected spike in business energy costs this autumn and winter will pile even more pressure on pubs and brewers struggling with exorbitant bills at present.

Each of these government-imposed proposals cannot be viewed as standalone policies; together they will impose unprecedented additional financial and operational burdens. This raft of tax burdens and proposals, combined with volatility, unpredictability and lack of clarity could deter investment and stifle growth. The cost of this will be borne by brewers and pubs initially, but the sector margins illustrated above mean that ultimately it is the customer who will have to foot the bill. The cumulative impact must be considered so that pro-growth policies are developed and implemented.

Our industry faces a cost of doing business crisis. We know ministers are aware of our challenges; we have highlighted them clearly in our representations to government and it is why the five-point plan for pubs was devised on the campaign trail. If that plan is not delivered, we will see pubs close and the end of the affordable pint. When a pub struggles to survive, it cannot continue to be the beating heart of a community, keep employing staff, or contribute to economic growth.

We, as BBPA members, range from large global investors to small pub chains but we all share a commitment to support the Government in growing the UK economy.

A successful and thriving beer and pub sector will drive investment in local and national economic growth in every corner of the country and remain a home from home, as it has done for hundreds of years.

Yours sincerely,

Emma McClarkin OBE Chief Executive, British Beer and Pub Association

Nick Mackenzie CEO, Greene King, Chairman, BBPA

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