

APPG for Beer inquiry – Unlocking Pubs’ Potential
Response from Greene King
May 2019

Introduction

Greene King is the UK’s leading brewer and pub retailer. We have brewed beer in Bury St. Edmunds, Suffolk and sold it through our pubs for over 200 years. Today we employ over 38,000 people and operate c. 2,800 pubs, restaurants and hotels across England, Wales and Scotland. Our leading managed brands include Greene King local pubs, Hungry Horse, Farmhouse Inns and Chef & Brewer.

We also brew quality ale brands from our Bury St. Edmunds and Dunbar breweries, and are the UK’s leading cask ale and premium ale brewer with brands such as Greene King IPA, Old Speckled Hen, Abbot Ale and Belhaven Best.

We are delighted to be responding to this inquiry, and hope that it results in policy ideas which can make the most of the benefits which pubs have to offer, and ensure that this vital British industry can flourish.

Summary

In this submission we would like to cover the following areas, based on the scope of the inquiry as set out by the APPG.

- **Pubs are a force for good.** We’re proud to be part of an industry which contributes significantly to the UK, in ways from our economic contribution and work to improve the natural environment, to the skills and training we provide to our workforce and the support we offer to vulnerable individuals.
- **The competitive environment.** Pubs are operating in a challenging environment, with challenges arising in multiple areas including taxation, regulation, and Brexit uncertainty. We have laid out some of the key headwinds which we as a business (and those businesses like ours) are currently facing.
- **Policy ideas to incentivise investment and innovation.** We have considered where improvements to existing policy may improve the current operating environment for pubs.

I. Pubs are a force for good

There are several ways in which pubs not only contribute to, but enhance communities across the UK. Below we have laid out several examples of this across numerous policy areas.

Economic contribution

- The beer and pubs sector is an example of a great British success story. Beer and pubs are incredibly valuable assets to the UK, generating £23.1 billion overall for the economy, contributing £12.6 billion in tax to the HM Treasury and providing almost 900,000 jobs¹.
- At a time when the UK faces concerns over the long-term future of its manufacturing base, brewing continues to spur growth across the country. Every single job in brewing indirectly generates 17 jobs across the UK beer supply and distribution chain².

Supporting Enterprise and SMEs

- While not always recognised, pubs are a driver of enterprise, particularly through the tied model.
- The tied model offers landlords an easy and stable way to set up and run a pub, with continuous support from pub companies such as Greene King.
- We view our pub tenants very much as entrepreneurs – with their success inextricably linked to our own. And we pride ourselves in providing business development support to help them thrive, including management advice, brand and outlet promotion support and marketing as well rating advice, licensing and legal support.
- Today, we are recognised as a leading company in tied pubs. A key part of establishing this reputation has been our continued, significant level of investment in our tied estate and the value provided to tied tenants. We estimate that we will have invested in excess of £20 million in our tied estate for 2016 and 2017 through transformational schemes.

Skills and training

- Pubs are an unheralded driver of skills and social mobility. In the case of Greene King, we are the largest provider of apprenticeships in the hospitality sector, having supported over 11,000 team members through our award-winning apprenticeship programme, which has been running since 2011.
- We work hard to ensure that our apprenticeships are high quality and we are delighted to have won numerous awards, including a National Apprenticeship Service Top 100 Employer award for three years running.
- In our recent 'Stepping Up Report', Greene King committed to do more to support social mobility across the UK. These commitments included:
 - Supporting a total of 20,000 apprentices by 2022, and plans to extend Greene King's work with the Prince's Trust
 - The announcement of a new ambition to improve internal progression within the business, including targets on increasing the number of internal pub general manager appointments and supporting more general managers to progress through to senior management positions with regional responsibility.

¹ [Oxford Economics report for the BBPA, January 2017](#)

² Ibid.

- The extension of Greene King's partnership with The Prince's Trust for a fourth year, with a target to increase the number of people being offered a permanent role after successful completion of our joint 'Get Into Hospitality' programme to 75%.

Supporting vulnerable groups

- In addition to providing valuable employment opportunities, pubs are uniquely placed to support those from the more vulnerable groups in society.
- At Greene King, we recognise the importance of supporting more young people from disadvantaged backgrounds into training and employment. That's why we have worked with the Prince's Trust to develop our 'Get Into Hospitality' programme. Over 160 young people have now gained this qualification ahead of going on to work for a pub company or participating in the Greene King Apprenticeship Programme.
- In January 2019, we announced a new ex-offender employment programme, called 'Releasing Potential'. This programme will employ 50 ex-offenders in its first year, in partnership with charity Only A Pavement Away, which also provides employment opportunities to people who are homeless and to military veterans.
- We have run successful pilots with Only A Pavement Away in the North West and London and are currently in the process of making job offers and trial shifts. We have a target of 50 in the first year.

Championing diversity

- Our Stepping Up report also committed to becoming the first hospitality company to sign up to Business in the Community's Race at Work charter
- To build an inclusive and accepting workplace for everyone, in 2018 we introduced new networking groups. These include the LGBT network which is open to team members from across the business and is a forum where they can share ideas, offer support and provide input on topics that can be fed back to the business.
- We are striving to build a business which is fair and equal and we are committed to working towards closing the gender pay gap.
- We have made good progress with our pub general manager roles, with 40% now being held by women and we are working to make further progress to increase the number of women in more senior roles through improved flexible working and clear development plans.
- We recognise that we have more to do to increase the number of women in more senior roles. One of the things we are doing is creating a network to help women in the business to flourish and develop into more senior positions and ensure we are as effective as we can be with assisting women's career development.

Environment and sustainability

- Greene King is the first pub company to pledge to send zero waste to landfill by 2020. We currently divert 98.6% of our waste away from landfill.
- We have recently announced a partnership with the food waste app Too Good to Go, which will see all Greene King Pubs and Carveries, and Farmhouse Inns signed up, coinciding with the launch of our spring/summer menus. Too Good To Go enables customers to search for unsold meals at local businesses including pubs, bakeries, and cafes, allowing them to buy the food at a reduced price, typically half price or less. This includes Greene King carveries, complete with meat, roast potatoes, veg and gravy in a recyclable takeaway container, which is priced from only £3.29.

- Since the trial began last year, over 1,000 carveries have been saved from being wasted, a significant number in an industry where supply and demand is hard to determine on a day-to-day basis.
- We are encouraged by the Government’s planned ‘Step Up to the Plate’ campaign, and hope to work closely with Defra to develop solutions to reducing food waste in the hospitality industry.
- Our work doesn’t stop there, with our recycling strategy under regular review, and a decision in August 2018 to switch to compostable PLA straws across our 1,750 pubs, taking 30 million non-recyclable, non-compostable straws out of use per year. Working with our waste management partner, SWRnewstar, Greene King has developed a “closed loop solution” whereby all straws are segregated by the pub, taken back through its supply chain and composed in a commercial facility.
- We are concerned by current Defra proposals which would include compostable materials in a plastic straws ban. We are urging them to include an exemption for products which can be disposed of through a closed-loop system, such as the one currently in place at Greene King.

2. The competitive environment

The pub industry is not without its challenges, however. We have identified several policy areas where this is particularly pertinent.

Business rates

- Although the hospitality industry generates 5% of GDP, it pays 25% of all rates – this is unsustainable
- According to the British Beer and Pubs Association, 3,788 pubs could be at risk of closure without an extension to sector relief, including around business rates.
- Business rate revaluation under the current system saw extortionate rises for the pub industry and has penalised investment and growth.
- Our tenants are facing crippling rate rises – the 10 highest increases across our estate are detailed below.

Pub Name	Location	Increase
Feathers	Rickmansworth	378%
Imperial Hotel	Stroud	375%
Dog & Partridge	Stoke-on-Trent	369%
Horse & Groom	London	368%
Star & Garter	Warwick	352%

Highlands Inn	Uckfield	326%
Crown & Anchor	Eastbourne	324%
Wheatsheaf	West Wickham	297%
Navigation Inn	Milton Keynes	270%
Anthology	Wilmslow	259%

Beer duty

- The success of the UK beer industry has been achieved despite the discrepancy which currently exists between a duty regime for wine and spirits in comparison to beer. This discrepancy has developed in part because the UK has been restricted by the duty regime set by the EU, which was developed to promote the interests of European wine producers. This has led to a system where the duty placed on higher strength drinks such as wine, spirits and cider are dictated by a banding classification, rather than rising directly in line with product strength.
- This variation in the system has created a situation where the duty on beer is significantly more onerous than the duty placed on other products.
- Today the duty burden within the UK falls predominantly on beer drinkers. In comparison to the 18.4p of beer duty per unit for a 5% ABV beer, the amount of duty paid for an equal strength cider is 7.8p and for a 14% wine, the level is only marginally higher at 19.8p, despite being almost triple the strength.
- This sees UK customers pay 54p of duty per pint of beer, while drinkers in Germany and Spain are paying only 5p of duty per pint.
- We were delighted that beer duty was frozen at the last Budget, thanks to concerted cross-industry lobbying. However, the threat of an increase still remains; increasing beer duty brings a very real threat of irreparably damaging the struggling British pub and brewing sector.

Small Brewers' Relief

- At a time when the UK faces concerns over the long-term future of its manufacturing base, brewing continues to spur growth across the country. Every single job in brewing indirectly generates 17 jobs across the UK beer supply and distribution chain. It is therefore right that HM Treasury should be assessing the impact of Small Brewers' Relief (SBR) on British brewers and ensuring that it delivers on its intended purpose of ensuring the industry can continue to flourish.
- We support the intention behind the SBR policy, namely to address the difficulties faced by small start-up breweries in bringing their goods to market and competing with larger, well-established breweries.

- However, we are concerned that some of the potential measures listed in the HMT's survey – specifically those which increase the upper threshold for eligibility above 60,000HL – will not achieve this purpose but will instead provide well-established breweries with an unfair competitive advantage compared with the smaller companies which the policy is intended to support.
- A fairer approach to the policy would be to introduce a sunset clause element to the relief which is time-limited.
- Doing this would give all breweries the opportunity to invest in their businesses and expand operations whilst avoiding introducing an unfair advantage to the well-established and larger family brewers.
- This would ensure that only the best small brewers continue to compete in the UK beer market, thereby reducing the amount of poor quality beer flooding onto the market and so protecting the reputation and long-term success of the entire industry.
- The length of the clause is best determined by government following consultation with the industry, and we are happy to meet with Treasury officials to discuss this further.

Our workforce post Brexit

- The hospitality industry is highly reliant on EU nationals. Around 9% of Greene King's workforce is made up of EU workers nationally, although this proportion is much higher in cities. Certain roles such as kitchen staff and chefs are particularly reliant on EU nationals.
- After Brexit, all EU workers will be subject to work visa restrictions which require those looking to maintain or seek employment in the UK to make a Tier 2 application. This comes as a major concern for the hospitality sector after it was declared that EU citizens will have to earn at least £30,000 a year and have at least £1,000 in savings in order to be eligible for a Tier 2 work visa.
- This means that many EU nationals who could fill UK hospitality vacancies may be discouraged from travelling here in the first place, for fear of not meeting the entry criteria.

Statutory Code

- Greene King is one of the six pub-owning businesses covered by the Statutory Pubs Code and Adjudicator due to the size of our tenanted estate. As of 1 March 2018, Greene King (through its various group companies) owned 965 tenanted pubs in England and Wales which are let out on a range of leases, tenancies and franchises. This represents approximately 10% of the tenanted tied pubs in England and Wales.
- We have been working closely with Paul Newby, the Pubs Code Adjudicator, and his team since the Code and Adjudicator were established. And we are committed to continuing to work with all parties to ensure that the Code can be as great a success as possible for tenants and pub owning businesses.
- The statutory review of the code which was launched last month is an opportunity to make improvements to the Code. However, we need time and stability, not changes. We've invested heavily in our pub partners, and constant change to legislation is not in their interests or the interests of the industry.

Public health

- At Greene King we take our responsibilities towards public health seriously and have a number of voluntary initiatives underway to promote healthier options to customers.

- We recognise that there are a number of contributing factors to obesity and take our responsibilities extremely seriously. But our target market is casual diners who eat out on special occasions and we question whether introducing additional rules on the pubs sector would have any impact on reducing obesity levels
- High quality food is the lifeblood of the pubs industry, and it is alarming that government is considering action that could restrict choice and creativity in our menus – particularly at a time when, as an industry, we are already having to navigate large swathes of costly regulatory intervention, alongside extremely challenging economic headwinds.
- If government does press ahead with introducing calorie labelling for out-of-home (OOH) businesses, it must take into account the complex structure of pub operating companies such as Greene King. Our brands and individual pubs differ considerably with regular menu rotation, bespoke products and local supply chains. Attempting to introduce catch-all reforms on premises that do not have a blanket, standardised kitchen and food offering would be extremely challenging and costly, while delivering little to address the overarching issue of obesity.

3. Policy ideas to incentivise investment and innovation

We have identified three key policy areas where policy changes could boost the UK pubs industry.

Social mobility

In our Stepping Up Report, we called on government to undertake the following measures to ensure that social mobility in the hospitality industry and beyond can flourish.

- Greater support in promoting hospitality as a profession within national careers guidance, and ensure the sector has access to the people and skills needed to grow.
- Encouraging the Social Mobility Commission to work with business to identify a metric for companies to declare levels of social mobility.
- Championing apprenticeships and ensure T-levels complement and enhance existing technical education programmes.
- Recognising that social mobility is a cross-government priority, by appointing a Cabinet Office Minister with specific responsibility for Social Mobility.
- We want to be able to provide more apprenticeships, which will require changes to the current structure of the apprenticeship levy.
- Greene King is co-investing in apprenticeships having already spent our levy funds, with exciting plans to expand the offer into new areas of the business. We recommend government finds a mechanism that enables employers to negotiate on how the 0-5% employer's contribution is settled. This should be expanded to include either financial or 'in kind' contributions, whilst ensuring there is no impact on the quality of training or learners' experience.

Business rates

The following measures have the potential to improve the situation which pubs are currently facing with regard to business rates.

- Introduce an online revenue tax to freeze business rate increases.
- Introduce an enhanced hospitality rate relief over the next two years ahead of the next revaluation. This will help to deliver government's pledge to level the playing field between 'bricks and mortar' and 'clicks and mortar' entrepreneurs ahead of root and branch reform.
- Re-introduce hospitality capital allowances and introduce business rates moratorium for businesses after refurbishment to incentivise regeneration and investment.

Beer Duty

- As well as generating Treasury revenue, the duty system can play a crucial role in encouraging specific, responsible behaviours. Irresponsible alcohol consumption places an economic and social burden on the UK, which is in turn shouldered by UK taxpayers.
- The system should be used as a policy lever to encourage customers to increasingly choose lower strength alcoholic products and consume these in a responsible environment.
- A wholesale review of the current alcohol duty system is imperative in order to level the playing field between beer and other types of alcohol such as wine and cider.