



Campaign for Pubs

Promote, Support and Protect Pubs

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

20th February 2021

Dear Chancellor,

Open Letter to Rishi Sunak: The Need for More Support and a Real Rescue Plan for UK Pubs

I am writing to you in my dual capacity as Chair of the Campaign for Pubs and as the licensee of three community pubs in York to impress upon you the absolutely desperate situation now faced by thousands of pubs and publicans across the nation.

I have just watched, with absolute dismay, your online chat with Gordon Ramsay which has led me to the conclusion that you are either in such a political bubble that you actually do not realise how bad things are for our hospitality businesses, or more worryingly still (and in truth more likely) that you do understand the extent of the catastrophe that is unfolding for pubs and hospitality everywhere, but simply do not intend to take the further measures that are clearly necessary to stop it. That is why I have opted to make this an open letter.

You will doubtless have been unable to avoid seeing the many calls for help from across the entire hospitality industry over the past months, especially those questioning why the support package for closed and restricted businesses under the tier system this winter has fallen so very obviously short of what is actually required. The message has been conveyed loud and clear through every news media source, as operators and campaigners have spelled out exactly why the current support package is inadequate for businesses to even cover the fixed costs of being closed, let alone provide any actual income for thousands of individuals and families that are affected.

As we are now well into the reality of another lengthy full national lockdown you will know that many in the hospitality business community are now facing real financial distress and hardship, which begs the following obvious question: why are you and your colleagues in the Government ignoring the plight of our industry, and indeed actively choosing to contradict and dismiss all pleas for more help?

It has been frankly insulting for pub and hospitality operators to have to watch Government representatives repeatedly misrepresent the reality when questioned by the media, for example by quite cynically implying on several occasions that all closed businesses were receiving £3000 every 28 days in the run up to lockdown, or that in the latest round of lockdown grants all businesses received £9000.

Even if that were true, it would still be an inadequate sum for almost all businesses, but the fact is, as you will of course know, these were just the figures that sounded best to the public, and that is only those in the largest premises which are receiving those amounts (the very same businesses indeed which missed out on any grant support at all during the first lockdown). For smaller premises however, the figures were just £2000 or even a paltry £1300 per 28 days prior to lockdown, or £6000 and £4000 since this lockdown began. These figures are frankly unjustifiably tiny by any objective assessment, and the sums involved will certainly do virtually nothing to help the vast majority of pubs, given the extended turmoil into which they have been plunged by the chaotic and frequently last minute policy choices of this Government.

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Similarly insulting was the Prime Minister's hastily announced £1000 Christmas "bonus" for wet-led pubs. We understand as an industry that such figures may play well with the public – especially when rolled up into an impressive sounding £40million "total package" - but with your insight into the industry, which will doubtless include a grasp of the real running costs of a hospitality business, you will be fully aware that £1000, which of course equates to little over £30 per day, is frankly a derisory amount to be proposed as supposed compensation for trade lost during what would usually be the busiest month of the year for most of our businesses.

When the shortcomings of these amounts have been presented to your Government colleagues, they have invariably attempted to deflect attention elsewhere, churning out a clearly pre-scripted response either in interview situations or in written responses to their constituents. The aforementioned £3000 or £9000 figures are always quoted first (and often exclusively), after which reference is then consistently made to the availability of furlough grants, business rates holidays, tax deferrals, the VAT cut on food and the government backed loans.

These same issues were revisited in typically superficial and partial fashion during your chat with Gordon Ramsay, with no qualification to acknowledge the reality for most businesses. I am afraid this is why those actually working in the industry have apparently universally decried the interview as nothing more than a slick, empty and misleading PR stunt.

The business rates break is of course welcome and appreciated, especially given that many of us simply cannot currently conduct any business at all in our rateable premises, and have barely been able to do so since March. Indeed, we need to see the duration of the break extended for another year at least in order to help with the recovery, as we continue to face a hugely uncertain future. Furthermore the entire rates system itself needs an urgent overhaul going forward – especially for pubs, which are assessed under a quite unique and very unfair turnover-related system.

The 5% VAT rate is also very welcome to help with current margins, but is of course only of help to pubs that serve food and does nothing at all to help the small-business wet-led community pubs (including the three I run) that are currently probably in the most precarious situation. Indeed the resulting VAT differential actually places wet-led pubs at an even greater competitive disadvantage.

Furlough grants are of course hugely valuable to our employees, and we are very pleased that they have been able to benefit from them, but they do absolutely nothing to protect the business that provides the job they are supposedly preserving. Indeed you will be fully aware that the business-owner still has to find the funds to cover accruing Employer's NI, pension payments and holiday pay. In most cases these payments alone will take a large chunk of any actual grant funding the business might receive.

As regards tax deferrals and loans, both of these are just ultimately kicking a can of increasingly troubling debt ever further down the road. Given the constantly shifting ongoing situation, most businesses are now having serious doubts as to whether they will ever have a chance to return to a full trading situation before they are permanently sunk by this accruing debt burden.

This is especially the case for those businesses that are still confronted by a huge elephant in the room, and one which the Government has shamefully, and it seems sadly wilfully, failed to tackle. Indeed in your chat with Gordon Ramsay you raised this issue, only for it to be quickly swept under the carpet as a relatively minor issue.

The elephant in question is the issue of property costs, something which it was abundantly clear for all to see from the very outset was going to be an enormous issue for all businesses that stood to be gravely impacted by the pandemic, and one which was always going to be frankly insurmountable in many cases, without real and meaningful intervention by the Government. Sadly that intervention has been so inadequate as to constitute a massive and chronic failure, one which actually makes the Government appear at the very least negligent, and even, in the harshest assessment, seemingly complicit with the most cynical property owning interests.

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I will confine my comments here to the pub sector, partly because the issue of property ownership throws up some very specific issues for pubs, especially tied, and former tied pubs, but I am sure many other commercial businesses will recognise some broadly similar issues in whichever sector they happen to be working.

Part of the problem seems to have been the Government's insistence on only consulting with representatives of large business interests since the start of the pandemic. A freedom of information request by the Pubs Advisory Service revealed the extent to which Government had failed to consult with any genuine representatives of the small business community, instead meeting almost exclusively with representatives of large companies and multiple operators, something which has unsurprisingly led to policies (such as the VAT cut and your own Eat Out to Help Out scheme) which very broadly favour large chains and pub-owning property companies (as well as multinational fast food chains).

The Campaign for Pubs stands ready to consult with Government, to help redress the current imbalance which has tipped policy in favour of big business and to help Government maximise the survival prospects of thousands of smaller independent entrepreneurial businesses which will be key to the survival of our irreplaceable pub industry. We are concerned with the real needs of grass roots small businesses, run by those that actually understand the day-to-day public-facing reality of operating a hospitality business, and which currently feel left behind by Government policy.

This includes the great many pub operators who have currently fallen into the 3 million people who have so far been scandalously excluded from any income support at all since the pandemic began, either due to being small company directors or recently self-employed business owners.

You are of course well aware of the challenges these smaller businesses already faced, because you yourself canvassed those in your constituency of Richmond back in 2017 and subsequently produced a report on the worrying findings of your survey. You for example found that those operating pubs under the tied leased model were having an especially hard time, as indeed has always been the case in our industry. These issues will be amplified enormously as we come out of the pandemic crisis.

Beyond the immediate issue of Covid one of our key objectives at the Campaign for Pubs is to campaign for a fairer, more independent and sustainable future for our pubs. We believe the Government needs to act now to help reform the pub industry, tackling the kind of problems you yourself discovered, including the ingrained problems of persistent anti-competitive behaviour and corporate abuse that have long afflicted our precious UK pubs, and which have actually exacerbated certain problems during the pandemic, so that it is in a much healthier shape to recover from this current crisis.

As regards the extremely pressing problem of mounting property costs and arrears, the Government produced a response to the issue of these costs over the summer in the form of a Code of Practice on commercial rents. However in so doing the Government totally ignored repeated warnings that any such Code must be made mandatory and binding. As a result, we ended up with a voluntary Code which was supposed to form the basis of rent negotiations, but which could actually be totally ignored by landlords if that was their choice. Unsurprisingly this is exactly what happened in a huge number of cases.

Through our campaigning circles at Campaign for Pubs we have heard of countless cases of pub tenants who have been completely unable to engage their landlords in any form of meaningful negotiation, with the result that they have faced demands for full rent throughout the entire period of the Covid crisis. I personally know this to be true because I am actually one such tenant. One of the pubs I operate is a leasehold business rented from the pub operating arm of one of the largest and wealthiest brewing companies in the world, and the only concession they have made in my case is an offer to defer my rent with full payment expected at a later date (yet another enormous "debt-can" to be kicked down the road of course).

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The company I rent from is one of the “big six” that were regulated under the Pubs Code, and in time-honoured fashion these companies have all acted with remarkable consistency on the matter of rent in a way which frankly should be of great concern to the competition regulators (as is the case with so much of their other collective behaviour). This is despite the fact that their own representative body, the British Beer and Pub Association, is one of the official signatories to the Code of Practice, as indeed is another body of whom several large pub companies are members, namely UK Hospitality.

In my own case, what has specifically marked me out for this special prejudicial treatment by my pub-owning company, along with other pub tenants in the same situation, is the fact that I have exercised my right to go free-of-tie, and so I am no longer compelled to buy my drinks at an inflated price from my landlord company. All such tenants of the major pub companies appear to be still now facing full rent and have been denied any of the substantial concessions which the same companies have (quite rightly) extended to tenants who remain tied (and whose pubs of course therefore constitute a highly profitable, guaranteed post-pandemic route-to-market for their own over-priced tied wholesale products).

I could go on at length about the issue of the beer tie, and the continued efforts of pub companies to prevent their tenants from exercising their right to break this anti-competitive, protectionist practice (especially now that those tenants actually appear to have a trigger to do so under the Tier system). Indeed I could ask why a supposedly free-market political party would be so wedded to such an anti-competitive protectionist market intervention as the beer tie. However that is probably a matter for a separate letter, and is a question perhaps best left hanging for now.

The reason I mention it here though is to demonstrate how utterly and predictably futile it was for the Government to produce a voluntary Code of Practice for commercial rents. In the pub sector we are well used to voluntary codes being brazenly disregarded, and this one was never destined to be an exception. The large property-owning companies in our sector have a frankly abysmal record when it comes to fair treatment of tenants, indeed they were roundly and collectively condemned on that front by no fewer than four business Select Committees before finally having statutory regulation imposed on them under the Pubs Code as voted for in Nov 2014.

Any impartial observer might note how the voluntary nature of the current Covid commercial rent Code acts in favour of the same companies that continue to profit greatly from the beer tie itself, by allowing them to selectively weaponise rent against any tenants that have had the temerity to extract themselves from their tied grasp.

Sadly however, misbehaviour on rents is not just the preserve of these large powerful companies. The same has been true of a great many smaller pub-owning bodies, sadly including numerous individual pub owners, who are resolutely refusing to entertain any rent concessions and some of whom are even going so far as to aggressively pursue evictions in open contempt of the of the Government moratorium on legal action.

All tenants are grateful that the moratorium was extended, but are now in grave fear of the prospect of it finishing at the end of March. I urge you to announce as soon as possible that this will not be the case. The moratorium must be extended to prevent a tsunami of business closures, as is being predicted throughout the industry at present.

Then there is the issue of those small businesses that are still having to meet mortgage payments on pubs that they may have bought outright. Although it sounds as though most lenders have been more understanding than many landlords in the rental sector, there have still been cases where mortgage paying publicans have reported serious problems. As with rents, much of this has to do with the publican being the vastly less powerful party within their contractual arrangement, and is therefore a problem that probably requires further examination and some form of intervention from Government.

In short, the voluntary nature of the Code of Practice on commercial rents has created a wild west situation where increasingly desperate and destitute publicans are being hounded out of their business

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and home prematurely. Many more are absolutely dreading the lifting of the moratorium because they simply no longer have the means or energy to fight the injustice being meted out upon them, or can see no way in which they will ever be able to manage the huge arrears that are constantly accruing. Eventually this problem will become overwhelming and truly catastrophic, as more and more small and medium sized businesses buckle under the strain of these intolerable pressures.

My specific question is, does the Government have any real intention of acting to curb these excessive demands in order to prevent what is clearly now going to be a national catastrophe of pub closures and losses? Indeed the further question which is now being asked by a great many in the pub trade, is does the Government even care, or (and it feels incredible and very disturbing to actually have to seriously ask this question) is the looming decimation of our small business community pubs even in some way something which this Government desires? If so why?

If the Government is merely relying on the belief that hospitality will always bounce back then it must think again, because that will simply not be the case for thousands of our most valuable pubs. Once the small business that actually operates a pub fails the (often beautiful and important) building that is then left vacant simply becomes another very vulnerable property whose fate is left in the hands of freeholder. If, as is often the case, that freeholder struggles to attract a new tenant or simply has no interest in the pub continuing to operate, that pub will become a disposal site overnight, meaning that it will very often be lost forever to redevelopment, as have more than a quarter of our pubs since the year 2000, most of which were pub company disposal sites prior to their loss.

Most of the large pub companies are in truth of course merely property vehicles, now increasingly owned by private equity (often offshore) backers intent on sweating their asset for maximum profit yield at any cost. Such owners simply cannot be relied upon or trusted to preserve the pubs buildings in their ownership, indeed for the past twenty years the large pub-owning companies have been the worst culprits for the disposal and destruction of the pubs entrusted to them, but sadly even privately-owned pubs are similarly at risk due to currently inadequate protection in planning law. I know the Government will point to certain points of planning and localism legislation that communities can try to use to save such pubs, but the reality is that the sheer effort and sums required are simply unrealistic and insurmountable for most communities, especially when faced with a determined, relentless and purely rapacious developer (which are the very hands into which most pubs mysteriously seem to fall).

The pubs most at risk of this kind of loss are not the big managed chains pubs of course, but smaller individual pubs that are operated by small businesses, with fewer resources and less access to additional backing. I would stress that these are the very pubs that are also often of most value to their communities, as well as being the ones most keenly sought out by visitors and tourists due to their authentic character and charming individuality.

It is probably worth stressing this latter point at this precise moment in our national history, given our extremely recent departure from the EU, which almost certainly means that everything that is most distinctive and beloved about our country and culture has taken on an even greater value to our economy. Tourists do not come here to sit in bland identikit chain pubs selling generic mass-produced drinks. They delight in the idiosyncratic and the local, which is precisely what is generally offered by smaller pubs run by individuals or very small businesses. If those businesses close and their premises are lost then any new businesses which replace them will have to do so in adapted or new-build premises. Such replacement premises will not be perfectly purpose-built for the job, distinctively equipped or generously fitted out on a spacious key plot at the heart of their community, with years of tradition in their fabric. They will be pale imitations offering a fraction of the experience, utility or indeed potential of a genuine traditional pub, and all of us in the UK will be impoverished as a result.

Our pubs are now very much in your hands. We are a heavily regulated sector and thus one which is easy for Government to control. Recently the Government has felt the need to exercise that control by restricting and closing our businesses, creating the need for significant state support. Yet in normal times times, as you know, we make an enormous positive contribution to the economy, and notably to the

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Exchequer, as of course do our many independent local suppliers who are also desperately struggling now. We also of course add enormously to the welfare of our communities, providing healthy social cohesion and combatting the rising scourge of isolation, a service that we naturally provide not only at no cost to the public purse but whilst actively contributing huge amounts to it.

While most publicans of course understand and support the ongoing effort to control the virus they are now desperate to see a real shift in the attitude of this Government, so it becomes clear exactly how we will be allowed to return to a less restricted and more viable form of trade as soon as is safely possible. Many sadly now feel deeply aggrieved by what they have seen as the blatant scapegoating of our sector since the autumn. They want the Government to instead acknowledge that well-run Covid-secure pubs and hospitality businesses actually represent a key part of the potential solution to the financial and social devastation wreaked by the virus, given that they offer a regulated, purpose-built environment for controlled socialising which is much safer than the unregulated alternatives we have seen reported.

We are all hoping that the clarity we need will be forthcoming in the Prime Minister's "Roadmap" announcement on Monday. In the meantime however all pubs NEED more support. You have the power to take meaningful action to protect us, even at this late stage in the day. Many businesses are clinging on by their fingernails now, hoping and praying for greater support from your Government for as long as it is needed.

As Chancellor you will appreciate that such support can only represent a good investment at this stage. The nation is waiting with bated breath to get back to support their favourite local pubs and other hospitality venues as soon as it is safe, and to be able to support their favourite local suppliers in the process. Publicans are equally desperate to welcome them back, to get their tills ringing and to start making their enormous customary contribution to the financial and social wellbeing of their communities, the wider economy and the Exchequer.

Do you really want to be remembered as the Chancellor, or even as part of the Government that allowed all of that to be needlessly lost? Do you want to be remembered as having conducted an utterly inconsequential chat with a celebrity while ignoring an unfolding catastrophe in our sector? As the UK Chancellor that indulged in a spot of PR fiddling while our hospitality sector burned?

It would be a terrible legacy, and one which would never be forgotten by the public, to have pointlessly sacrificed the many thousands of small businesses, both those that operate the pubs themselves week in week out at the heart of their community, as well as many more in each supply chain, that are collectively the real powerhouse driving onward the great and unique British institution that is the public house.

Yours sincerely,



Paul Crossman
Chair, Campaign for Pubs