



All-Party
Parliamentary
Beer Group

HOW BREWING AND PUBS CAN HELP DRIVE ECONOMIC GROWTH

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All-Party Parliamentary Groups are informal groups of Members of both Houses with a common interest in particular issues. The views expressed in this report are those of the Group.

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Contents

Foreword	03
Executive summary	04
I How beer and pubs contribute to the UK's economic growth	08
II What's threatening growth?	10
III The benefit of a flourishing beer and pub sector for:	12
a. Investment	
b. Innovation and entrepreneurship	
c. Exports and tourism	
d. Community and place	
e. Employment and skills	
IV What's needed?	20
a. Recognition and a cohesive approach regulation	
b. Balanced employment reforms	
c. Re-forming Extended Producer Responsibility and Packaging regulation	
d. A fairer tax burden	
V Conclusion and Recommendations	28
About the APPBG	30
About this Inquiry	31

Foreword

Chair, All Party Parliamentary Beer Group **Tonia Antoniazzi MP**

In its 30-year history, the All-Party Parliamentary Beer Group (APBPG) has reported on several issues concerning the brewing and pub sector, including business rates, licensing reform and excise. All significant challenges which place undue costs and burdens on our brewers and pubs, but not the principal issue I believe we need to confront today: recognition and understanding of the importance of this sector which forms part of the bedrock of the UK economy.



As the MP for Gower, I'm delighted to represent four breweries and 62 pubs. These are vibrant, innovative businesses, at the heart of their communities, providing 1,300 local jobs in Gower, stimulating local supply chains and attracting tourists through their fabulous hospitality and warm welcome. These businesses provide unique substance to our constituencies; making them the places where other businesses want to invest and people choose to live. Which makes it surprising that this critical ingredient for growth has been overlooked in the Industrial strategy.

In this inquiry, we set out to gain an overview of why this omission might be, how the current pressures stack up for brewers and pubs, and what might be needed to help the sector not just thrive but drive economic growth in all our local communities across the UK. As the evidence came in, it became clear that the root of the problem lies in the vast array of Government departments creating policy that affects the sector – in Westminster and our devolved Governments – and whose decisions impact upon its businesses daily.

As an APBPG we urge our colleagues to take time to understand the huge potential of the brewers and pubs in their constituencies; the rich heritage they draw on, the foundational skills they provide, the investment they catalyse, the wellbeing they support, the community they create, the sense of place that they anchor, and the incredibly precarious position they find themselves in today.

The recommendations contained in this Report provide a platform for creating the right fiscal and regulatory environment to enable the brewing and pub sector to deliver economic growth very quickly, to the benefit of local communities, policy makers and Government.

Executive Summary

The UK's modern Industrial Strategy proposes: 'A long-term plan to get Britain's future back'. It aims to 'unlock our country's potential by transforming the business environment and supporting future industries.'¹ The strategy targets eight sectors for growth; our inquiry was launched to discover what it might mean for the UK's brewing and pub sector.

Our call for evidence was answered with 26 responses from a rich mix of industry voices including individual licensees, multiple operators, small brewers, international brewers, trade associations and a range of other interested parties including community and alcohol awareness associations. Oral evidence was heard by a panel of MPs chaired by APPBG chair Tonia Antoniazzi MP. This report draws on all we read and heard, and is intended to provide our fellow Parliamentarians with an insight into the huge potential of the breweries and pubs in their constituencies in meeting economic, social and community needs, and to deliver a platform of evidenced recommendations to ensure the Government's Industrial Strategy reflects the central role of the sector in underpinning a sustainable growth economy for the UK.

Each of the 650 Parliamentary constituencies benefits directly from the active presence of the UK's 1,700 plus breweries and 45,000 pubs. On average, there are 2-3 breweries and 70 pubs per constituency. Individually, they contribute in myriad ways to the local life, employment, culture and well-being of our constituents. Collectively, they add £34.3 bn annually to the economy, supporting over one million jobs and gathering in £18bn for the Exchequer. They're

an intrinsic part of our history and heritage; they're a key component of our foundational economy: they provide first jobs, life-long careers and a proven route from welfare to work; they're catalysts for local investment with uniquely strong local and national supply chains; they're at the heart of our neighbourhoods, making them communities. They provide an astonishing £8.28 in social benefit for every £1 invested.²

Our breweries and pubs are a potential powerhouse for driving forward Government initiatives for employment, community engagement, local regeneration, health, welfare, small businesses, high streets and tourism. Skills developed cover a breadth of needs from the scientific demands of engineering, physics and chemistry in brewing to the customer service, business development and entrepreneurship of the pub trade. The sector has been an unsung force in driving the UK's post-Pandemic recovery, rapidly innovating in response to challenges through investment in skills, sustainability, digitisation, new business formats, new low/no alcohol products. Our brewers and pubs have kept social networks alive, anchoring local regeneration, supporting diverse communities, tackling loneliness.

However, the sector gets no mention in the Industrial Strategy, other than oblique reference to hospitality being a potential beneficiary of growth in the creative industries (one of the IS-8)³.

The Industrial Strategy explains: 'Many of the barriers to investment for the IS-8 are also an issue for other sectors, from planning delays to regulatory uncertainty. Unblocking them will make it quicker and easier to do business in these sectors too.'⁴ The 10 barriers the strategy identified largely chime with the representations we received. For example, the subsequent announcement of proposed new national planning and licensing guidelines, rates reform and small business strategies cover many of the challenges to growth and investment raised in evidence⁵. But when we asked our witnesses what was missing from the strategy, they were unanimous in responding with the imperative for brewing, pubs and wider hospitality to be central to strategic thinking about growth. Instead of having a seat at the table, there is concern that the sector is being side-lined, and at some cost.

'Our breweries and pubs are a potential powerhouse for driving forward Government initiatives for employment, community engagement, local regeneration, health, welfare, small businesses and high streets.'



The key challenge for our brewers and pubs is the unassessed and unaddressed cumulative taxation and regulatory burden, and associated costs, derived from the broad range of central Government and devolved administration policy impacting the sector. Business development, innovation and investment are being crowded out by the significantly increased costs of simply 'doing business' following a raft of policy changes made without meaningful consultation to assess the impact.

Pubs and hospitality are people businesses, employing one in 10 people across the economy, meaning NMW and NICs increases have hit the sector particularly hard compared to those that can make a relatively simple switch from people to technology. It is a 'bricks and mortar' business, meaning it can't move online and, compared to those businesses with flexibility to do so consequently bears an unfair burden of property tax.

It is also misunderstood, with the recent Extended Producer Responsibility legislation failing to account for already established industry recycling initiatives. The net result is pubs paying £1 in every £3, and brewers 40%, of turnover to the Exchequer.

Against the backdrop of a cost-of-living crisis, there's a limit to how far prices can rise to meet increased costs and a limit to how far the sector can continue to absorb costs it cannot pass on to customers. Profits are being eradicated, stymying future growth and viability. The consequences will be far reaching, for local communities and the wider economy alike. The UK is already perceived as an expensive tourist destination. SMEs in particular, comprising 80% of the sector, are suffering, as reflected in media headlines such as "Last pub in UK will call time in 2050 at today's closure rates"⁶.

Investors are refusing applications to finance growth. Multinationals, with the option of investing elsewhere, are examining their strategies. Recent estimates are for 111,000 jobs to have been lost from hospitality by the November budget.⁷

¹ CP 1337 June 2025.

² Pub is the Hub second evaluation survey 2025

³ The eight sectors in the industrial strategy, the IS-8: advanced manufacturing, creative industries, clean energy industries, digital and technologies, financial services, defence.

⁴ For the non-IS-8 the strategy aspires to a "new relationship between business and Government, where Government provides the strategic certainty that allows businesses to do what they do best: create wealth"

⁵ Written evidence was received from 25 individuals and organisations with one oral submission. The Parliamentary panel heard further evidence from eight witnesses – see appendix A.

⁶ The Times quoting industry current and projected closure rates; <https://www.thetimes.com/life-style/food-drink/article/pubs-britain-in-numbers-plsgvdzdzq>

⁷ UK Hospitality Sept 2025 – in the 13 months between the October 2024 and November 2025 budgets,

Despite all this, we still heard a positive message of potential. The glass is ‘half full’.

The strong sentiment emerging from our inquiry is that the sector can and will respond quickly if it is given the means to do so, contributing to sustainable growth across the economy through the key foundational skills, local investment, innovation, enterprise, personal well-being and local and national pride supported by our brewers and pubs. What’s needed to unleash this? Better understanding across Government of the breadth of opportunity provided by the sector and intent to address the overwhelming cumulative impact of policy change through early-stage, cross-departmental engagement. The rewards will be a measurable boost to the UK’s attraction as place to live, to work and invest. We summarise our main recommendations below.

Recommendations:

1. The industry is affected by a wide range of differing policy requirements across almost all Government departments. New terms of reference are needed for the Hospitality Sector Council strategy, to ensure early-stage discussion with all relevant Government departments and full integration with the growth strategy, tourism strategy, high street strategy and small business strategy.
2. Business Rates reform must be meaningful. The sector has been waiting decades to have the unfair burden it is shouldering properly addressed. The minimum needed in terms of the new RHL multipliers is a 20p reduction in the small business multiplier, and a 20p reduction on the standard multiplier, increasing the upper threshold for small business rates relief in line with inflation to avoid fiscal drag and a changed revaluations process with better transition relief to avoid sharp shocks and enable businesses to plan with some certainty.
3. Reform NICs to encourage wider employment opportunities and develop foundational skills by:
 - removing/reducing employer contributions to encourage inclusive workplaces and investment in training and life skills for ex-offenders, neuro-diverse, long term homeless, care-leavers;
 - Remove NICs for year 1 of employing someone under 25 – the sector is the biggest employer of young people and the Government should continue to incentivise this – or introduce a new employer band from £5,000 to £9,100 at 5%;
 - incentivise employment of people who have been out of the labour market for 12 months with a 12 month NICs holiday for the employer.
4. Ensure that future increases to the NMW are sustainable and affordable, and specifically the application of the Living Wage to all those aged 18 and over, which should be phased in over at least 5 years to enable the sector to absorb the additional costs and continue to support youth employment.
5. Work more closely with industry on policy and regulation at the planning stage. Learn lessons from the EPR implementation that long-term policy timelines will help businesses know what to expect before they consider investing. In terms of EPR, a solution to the double counting issue for pubs needs to be found as soon as possible and at least for year 2 – the cost to the sector is so significant it cannot wait for year 3. Similarly, continue to work with industry to ensure the Employment Bill doesn’t unduly penalise the sector for its inherent flexibility and seasonality.



6. Reform the approach to apprenticeships and investment in employment and skills, including in brewing innovation, with support for training in digital, green and supply chain skills; reinstate access to level 7 apprenticeships, allow foundation apprenticeships; increase flexibility in use of Apprenticeship Levy funds for other accredited training.
7. The sector faces real challenges in accessing finance as it is increasingly being considered a “high risk” sector. A review of the impact of the Coronavirus Business Interruption Loan Scheme (CBILS) is warranted and a more positive approach by financial institutions would help to encourage investment and unlock growth.
8. Reduce beer duty by a minimum of 5%, to boost sales and create more local jobs; increase the draught beer differential to 20% to encourage further growth and investment and help level the playing field between on sales in pubs and off sales from supermarkets. Introduce a reduced rate of VAT on sales of food and drink.
9. Extend capital allowances to include pub furniture and kitchen or cellar equipment, with double capital allowances for any project that supports Net Zero such as kitchen electrification, cellar energy reduction investment, insulation, solar panels, heat pumps; expand R&D tax relief and capital allowances to include service and process.
10. Set the definition of alcohol free beers at 0.5%, aligning with European norms, benefitting consumer clarity and encouraging further innovation and providing a catalyst for further growth and investment in this increasingly important category for public health.

I. How beer and pubs contribute to the UK's economic growth:

"The UK's beer and pub sector is a pillar of the British economy, is part of our culture and our communities; it should sit at the heart of the UK's industrial strategy and small business strategy".

Emma McClarkin, Chief Executive, BBPA, oral evidence

1. Brewing and pubs are an intrinsic and an historic part of Britain's economic, social and cultural make-up. For centuries, they've played a central role in rebuilding communities after economic downturns, providing resilient and flexible employment across urban and rural settings, fostering entrepreneurship, catalysing local investment and providing ever-innovating venues, drinks, services and destinations to locals and visitors alike. The breadth of evidence we received points to the reach and impact of the sector. We heard from one of the UK's oldest pubs (the 650-year-old Shoulder of Mutton) and oldest brewers (327-year-old Shepherd Neame) to the largest of today's UK's pub companies and multinational brewers.
2. The sector's 1,700 breweries and 45,000 pubs are active across all 650 Parliamentary constituencies; some 80% are SMEs but they also include some of the UK's largest employers. Together, they:
 - Support over 1 million jobs - more workers directly in 2022 than financial services (482,000), food manufacturing (419,000), and utilities (119,000) combined;
 - Contribute over £34.3 billion in Gross Value Added (GVA) - more than sectors singled out in the Government's growth strategy;
 - Yield £18 bn in tax annually for HM Treasury.⁸

"The foundation on which we can build"

Ojay McDonald, Association of Town and City Management, oral evidence

3. They have been an unsung force in the UK's post-pandemic recovery. Their re-opening kickstarted local supply chains, helped rebuild social networks and communities, generated the fastest sectoral growth in the economy (19% GVA) and increased employment by 12%. The preponderance of SMEs means businesses can respond quickly to changing demand. Independents and leased and tenanted pubs account for 78% of all pubs; their licensees generally live above their premises and their futures are invested in seeing their communities thrive. They have a strong multiplier effect on local economies, with uniquely strong local and national supply chains – for breweries, amounting to an additional £2 of GVA for every £1 directly stimulated by investment.⁹

4. Hospitality delivered above average growth in the 10 years before and the four years after the pandemic¹⁰ and was the biggest driver of national growth in November and December 2024. But beyond this, as Ojay McDonald, CEO, Association of Town & City Management told us:

“When you’re looking to attract future industries such as clean tech, AI, life sciences etc unless you have the foundations there, the everyday economy, it’s a challenge to attract the best and the brightest. They want great places to live, and they want great places to be in, and there are few sectors that can provide that better than the local pub. They are so important in terms of their social value that it is difficult to build a really thriving local economy and community without them being in place”.

“It’s not just about attracting new talent into the country and getting them to stay in the types of places they want to be; it’s also about being able to provide good employment for local people as well. That’s what businesses like these can do, so for me they have a fundamental role in the delivery of growth, whether it’s the London growth plan or whether it’s the industrial strategy. They provide the foundation which we can build on.”

Ojay McDonald, Association of Town and City Management, oral evidence

5. As our witnesses explained, the Industrial Strategy lacks the holistic approach to ensure this. It does not recognise the near impossibility of creating industrial centres of activity without the supporting eco-system of community needed to attract people to live, work and invest.

“Economic analysis shows that with the right policy support, the sector can grow by 6% annually, create 500,000 jobs by 2030, and play a central role in delivering socially productive, inclusive growth across the UK”.

UK Hospitality written evidence



⁸ BBPA written evidence

⁹ BBPA evidence citing The Local Impact of the UK Beer and Pub Sector, Oxford Economics 2024

¹⁰ UKH written evidence

II.

What's threatening growth?

6. The increased cost of doing business is causing an accelerating number of small brewers to shut, pubs to close and one in three businesses to operate at a loss. Only one in four independent pubs reported a profit **before** the April 2025 tax rises¹¹.
7. Inflation and operational costs have had an impact on prices, but there's a limit to the costs that can be passed on to customers in a cost-of-living crisis. As Rachael Farrington (VisitBritain) told us, *"The tourism sector has some 300,000 SMEs, and if they're not doing well then tourism won't do well. We are perceived as an expensive destination ... in comparison to our competitors and if we want to remain competitive and we want to attract people from different socio-economic backgrounds we're going to have to find a way of making ourselves a bit more competitive in that space"*.
8. Despite pockets of investment, overall levels are down from the 2010s; individual operators' evidence to the inquiry provided a forthright picture of the resilience required to continue. Mike Clist (BII) told us that 77% of BII members surveyed reported their mental health was suffering as a result; Andy Slee (SIBA) that 50% of SIBA members say their key concern is simply to "keep going" and that only 20% have made an investment in the last 12 months.¹²

Under pressure

Dawn Gunther has been running the Dove & Rainbow in Sheffield, for 18 years but is now considering her future.

"We've survived Covid, the energy crisis, and the cost of living (inflation) crisis to date, but the Autumn Budget looks to be the final straw... Unrelenting, ever-rising minimum wage costs, and the increase in business rates which both came in from the start of April, along with the substantial decline in consumer confidence since last summer, are looking as though they will finally force us to hand in our notice.

"We are fortunately small enough to be protected from the crippling increase in employers NI, but I know MANY other hospitality businesses for who this is another huge pressure, and one that current trade levels are just unable to sustain.

"This Government wants to see growth (don't we all!) but all the Budget has produced is the opposite - a flurry of small business closures and job losses in the coming months, and the resultant loss of future tax revenue. A closed pub, shop, café or other business not only adversely affects its owners, customers and local community, but also its staff, suppliers and the public purse.

"The Dove & Rainbow has a very diverse community, encompassing many LGBTQ+ and Neuro-Diverse customers, as well as students and more mainstream customers. We have a unique "community" here; the impact of losing this pub on a community who are not "locals" in the traditional sense, but consider this pub to be home, and where they feel safe, isn't worth contemplating."

¹¹ BII written evidence

¹² SIBA independent beer report and Andy Slee (SIBA) oral evidence

9. While some businesses are actively investing in expansion, innovation and sustainability, the uncertainty around costs, demand and regulation is holding others back, including those with non-UK markets to invest in. 60% reported cancelling investment due to the recent budget.¹³ Richard Gordon told us in his oral evidence that despite recording 15% year on year growth, they've had to put some employees on a four-day week providing clear illustration of witnesses' claims that: "A busy pub isn't necessarily a profitable pub".

BII's evidence listed 83% of members reducing staff hours/shifts and 63% reducing the number of employees¹⁴. Among them, Mike Clist told us of a central Manchester pub, where skilful management had taken trade from £300,000 to over £1m with profit of c £70,000. This was wiped out by the Budget.

10. Witnesses pointed to the increasing costs of doing business arising from:
- energy costs,
 - the costs of new regulatory burdens – specifically, the Budget changes to NICs costing an additional £650m this year¹⁵, compounding the National Minimum Wage increases, and EPR loading an additional £250m of costs onto brewers
 - the overall high tax rates (predominantly excise duty, VAT, business rates) faced by the sector whereby £1 in every £3 of a pub's turnover and 40% of a brewer's turnover goes to the Treasury.

11. The threat to growth was clearly explained:

- For global producers and multi-nationals, other European markets are currently more attractive for inward investment¹⁶. Duty rates in the UK are the second highest in Europe and twelve times those in Spain and Germany¹⁷. Written evidence from Beds & Bars Ltd pointed to UK business rates being 'one of the highest recurring commercial property taxes in Europe'.
- For the rest of the UK's brewers and pubs, growth potential is being derailed by problems in accessing finance. Beer, pubs and hospitality are seemingly acting as red flags for banks' loan books. According to SIBA, 37% of those applying for finance were refused loans, including many with longstanding banking relationships and sound credit records: "lenders are not minded towards our sector". In one telling example given by Andy Slee, a brewery was told it would need to re-classify out of 'hospitality' and into 'manufacturing' before they could be considered for inward investment.¹⁸ This is particularly frustrating for those looking to invest in more sustainable and energy efficient production, where many of the funds available are aimed at larger businesses.
- For a small number of businesses, including some long-established family brewers, the proposals for inheritance tax and business property relief are causing additional complexities and pause for thought on investment.¹⁹

¹³ (BBPA/CGA Jan 2025)

¹⁴ BII written evidence and Mike Clist oral evidence

¹⁵ BBPA written evidence

¹⁶ As outlined in written evidence from Budweiser Brewing Group, Asahi, and Beds and Bars

¹⁷ <https://beerandpub.com/news/new-alcohol-duty-regime-led-to-100-million-alcohol-units-being-removed-from-the-market-as-brewers-and-pubs-serve-up-lower-strength-drinks/>

¹⁸ The complexity of applying for loans is further frustrated as every lender has a slightly different set of criteria they require before they can consider a loan. These are time consuming and quite technical: SIBA asks for a standardised process to determine whether an SME is investable in or not.

¹⁹ Joseph Holt written evidence

III.

The benefit of a flourishing beer and pub sector

a) Investment

"Our business is built on growth; we're committed to it and for the past 40 years we've reinvested all our profits in our business and local communities."

Keith Bott, Titanic, oral evidence.

"We've got some great hospitality and great food and drink and some great pubs, and for us to be able to deliver that we need to invest in our businesses: running a successful operation supplying fresh food and fresh drink to a customer, attracting people into our area, you need to make yourself stand out."

Richard Gordon, multiple operator, oral evidence.

12. £2bn net capital was invested in the sector 2022²⁰. The net effect of this sum is then amplified by the intrinsic links between brewers and pubs. Pubs provide a vital route to market for brewers, and in particular for the cask ales unique to the UK:
 - for small and medium sized brewers, 95% of sales are to the on trade;
 - beer accounts for two in three of all alcoholic drinks served in pubs;
 - over 80% of beer sold in the UK is produced domestically, so the economic value generated largely stays in the UK.
13. The UK brewing and pub industry is unique in its strong emphasis on domestic and local supply chains. It has a national multiplier of three, meaning that for every £1 GVA directly stimulated, an additional £2 is supported through indirect and induced impacts.²¹

"Successful pubs mean successful breweries"

Andy Slee, SIBA, oral evidence

14. Brewing is an energy intensive business, so brewers are constantly looking to improve sustainability through investment and innovation in production, packaging and distribution²². Pubs likewise, with companies setting Net Zero targets for investment in new kitchen fit outs, equipment and upgrades to create sustainable futures for their estates²³.
15. We were given an insight into what this means for local economies, with the BBPA's written evidence demonstrating the geographic spread of investment across the regions. The local suppliers supported range from building contractors and landscapers to farmers and butchers, and from barley and hop producers to musicians and designers. Examples include the £9.5m invested by HEINEKEN UK in 2024 to reopen 62 long-term closed pubs. Asahi, Budweiser Brewing Group UK & I, Carlsberg Britvic, HEINEKEN UK and Molson Coors Beverage Company UK & I, outlined the many hundreds of millions of pounds of investment in sustainable production, distribution, packaging and logistics across the UK.

b) Innovation and entrepreneurship:

16. As a consumer facing industry, brewers and pubs are alive to the need for constant innovation to meet changing customer needs, tastes and preference. They're up against wide ranging and ever-changing competing experiences, and competitive socialising. Regional and family brewers such as Shepherd Neame, St Austell and S A Brains have been an integral part of our national heritage for centuries, but they have only remained so through constant re-investment in that heritage whilst innovating with new brands.²⁴

²⁰ BBPA written evidence

²¹ BBPA written evidence, Oxford Economics research

²² BBPA written evidence, Asahi written evidence, Carlsberg-Britvic written evidence

²³ Punch Pubs written evidence, BBPA written evidence

²⁴ BBPA, Brains and Shepherd Neame written evidence

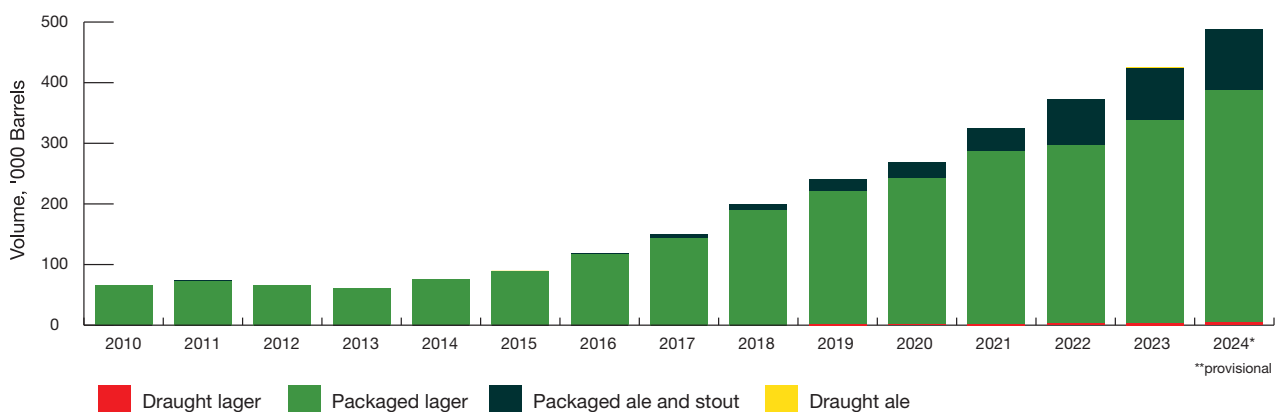
A live case study of investment:

Lincoln Green started life as an independent microbrewery in 2012, with husband and wife team Anthony and Lynette Hughes then establishing a pub company two years later. By 2020 they had opened five new pubs, creating 52 new jobs, an apprenticeship scheme within its brewery and pubs, new sales growth for local supply chains and work for building companies. This was all self-financed, without the need for borrowing - before the Covid-19 pandemic and lockdown rapidly changed business plans.

Covid loans enabled the brewery to invest in bottling, canning and keg lines and, on re-opening, Covid-finance helped to reignite plans for further pub expansion. Trading since has been harsh, with the rising costs of doing business (see paragraph 10) shelving plans for expansion and resulting in two sites becoming unviable – at a cost of 16 redundancies. Their prices have risen by 5%, higher than inflation but lower than the 10.9% required to cover increased costs. Lincoln Green estimates the Autum 2024 Budget cost an additional £120,000 – two-thirds of the entire EBITDA (earnings before interest, taxes, depreciation, and amortisation) of the business in the 2023-24 financial year.

17. The sheer number of breweries bursting into life in the last 20 years speaks volumes for the innovation inherent in the sector: from 570 in 2005 to around 1,700 today. Some of the newer entrants have since become household names, some have been acquired by other brewers, some have closed. The pandemic, lockdown and stop/start re-opening pushed many into debt (and smaller brewers are still managing an average hangover of £30,000 each of Covid debt)²⁵, but the disruption served to showcase extra-ordinary entrepreneurship - responding to unprecedented economic pressures, while maintaining critical local community support, brands moved from cask to cans, and from on-trade supply to on-line shops.
18. Innovation is driving new brands and styles of beer. The UK is a world leader in developing beers, with investment in new techniques, marketing and skills fuelling the growth in no and low alcohol beers. Written evidence from Alcohol Change UK spoke of the health benefits arising from this investment; and as Emma McClarkin told us, the move to no and low alcohol beers has removed over 100 million units of alcohol from the market.

Growth in No and Low alcohol beer, 2010 to 2024



²⁵ SIBA written evidence

III. The benefit of a flourishing beer and pub sector

19. The Annual Beer Awards, supported by the APPBG, include a Brewer of the Year Award, in recognition of the significant skills and investment of our brewers in maintaining the heritage of traditional styles, whilst reimagining recipes to create new lagers and IPAs. UK brewers have succeeded in creating a diversity in drinks widely acknowledged as being the most innovative in the world²⁶, and a greatly improved offer²⁷. Investment in skills and training is key to ensuring this foundation (see below), igniting interest through the STEM curriculum.
20. The innovative talent inherent in the sector is also evident in changing pub formats. As other social hubs have closed locally, pubs have invested heavily to provide the 'third space' away from home or the office, diversifying to attract different customers throughout the week: from home workers and mother and toddler groups to fitness classes and dementia groups. This innovation also extends to the product offering, which reflects the increasing diversity of pub usage. Now one in three visits to pubs does not involve alcohol. Punch Pubs told us had they more than doubled sales of low and no alcohol products in their last reporting year. We received several representations for the consultation on the relevant thresholds for low/no alcohol beers to be agreed in line with the European norm at 0.5%. This simple clarification would also trigger further investment and growth in the category.
21. Giving oral evidence, Keith Bott told us of new formats rolled out by Titanic:

"We've got a mixture of very traditional pubs and a number of Café bars that we have opened, all at the heart of their communities. We have always invested heavily in maintaining and improving the buildings in which we operate but this is becoming more difficult, particularly in the Café bars, where unlike the multinational coffee shops, we made a conscious decision that we would deliver everything to the table. Higher employment costs have left us no alternative than to consider the closure of a number of our award winning café bars"
22. The UK pub accommodation market is another example of successful investment and diversification within the sector which also adds value to local economies. There are approximately 6,500 pubs with rooms in the UK²⁸. The 2025 Pub Accommodation Review²⁹ surveyed 4000+ consumers and found that they would choose pubs over other accommodation (for the same price and in the same area) for the atmosphere, food, value for money, a local and authentic experience and the welcome they receive.
23. The sector has also been actively investing in digitalisation: from supporting licensees develop new social media and marketing skills to AI adoption in pubs³⁰.



²⁶ ibid

²⁷ Greene King, April 2023, 56% considered diversity improved: <https://gkbr-p-001.sitecorecontenthub.cloud/api/public/content/ec816edca8524494abf-000126d53a5bb?v=9709d546>

²⁸ 2025 Pub Accommodation Review undertaken by CGA by NIQ

²⁹ 2025 Pub Accommodation Review undertaken by CGA by NIQ

³⁰ Eg: <https://www.morningadvertiser.co.uk/Article/2025/01/13/more-pubs-and-bars-are-harnessing-the-power-of-artificial-intelligence-ai/>



c) Exports and tourism

"If you invest in tourism... you will get a return on investment in months, not decades."

Rachael Farrington, VisitBritain, oral evidence

24. Beer exports are worth over £500m pa to the British economy³¹, reaching over 100 countries. They are one of the largest exports in the food and drink sector, flying the flag for national identity and in turn, drawing tourism to and across the UK.³²
25. SA Brains' written evidence explained: **"Beer and pubs are not just economic contributors—they are cultural institutions. A pint of SA or Rev James in a Welsh pub connects generations, communities, and visitors to the heart of our national story."**
26. Rachael Farrington of VisitBritain told us: **"if you invest in tourism, you invest in the infrastructure that brings in people who invest in the businesses. You will get that return on investment in months, not decades. It's not like infrastructure investment where it takes you 20 years."**
27. Pubs are iconic tourist attractions, mentioned as a draw for two in three visitors to the UK. They are destinations in themselves, cultural institutions, an intrinsic part of our national brand, and often de-facto tourist information centres. New investments in breweries' visitor centres and tap rooms are drawing beer tourists into the UK and around the regions. 56% of BBPA member breweries now have visitor centres and identified tourism as a key area of growth. SIBA members' tap rooms and brewery tours provide a strong pull around the regions as visitors seek to get a taste of local flavour. As Andy Slee (SIBA) told us, people tend to see two marques of local identity: the local sports team and the local beers.³³ The vast majority of independent brewers' beers are sold within 40 miles of the brewery in local pubs, bars and shops.
28. Rachael Farrington outlined the social value of tourism, with new research showing 50% of people in tourism communities feel connected compared with 35% elsewhere. These benefits are widespread across the regions: 40% of the UK's pubs and 47% of its breweries are in rural constituencies, and 30% in coastal communities – driving growth in otherwise low growth areas.

³¹ BBPA written evidence

³² ibid

³³ An example of beer and destination tourism, where fiction meets reality, a pint of beer in the Prince's Head, Richmond, has become a feature for Ted3Lasso tourists on the AFC Richmond trail.

III. The benefit of a flourishing beer and pub sector

d) Community: The importance of 'place'

"Pubs aren't just places where people go to drink alcohol, they allow people to catch up with their friends, family and even strangers instead of feeling lonely and lost at home."

Mike Clist, BII, oral evidence

29. Previous inquiries by this APPG have reported on the widespread social good of brewers and pubs in their local communities; the Pandemic reminded us all of the importance of human interaction in an increasingly virtual world. Our brewers and pubs support local sports teams, are the catalysts for local festivals, music, comedy, culture and fundraising³⁴. In some places, they're the last venue for social connection following the closure of post offices, banks, libraries and other local services. In others, they are the anchor drawing visitors to destinations, footfall back to high streets, catalysing regeneration of left behind communities. The mantra 'There's a pub for everyone' suggests different styles of pub for different groups or occasions, but more than this, pubs are promoting everyday inclusion through industry initiatives such as 'Best Bar None', through employee-led inclusion groups like Greene King actively supporting diverse communities³⁵, and through employment initiatives (see box below) to recruit from marginalised groups often furthest from work.

30. Pubs make communities great places to live. They are community centres, constantly adapting to changing needs. 84% of rural pubs are free houses or individual tenancies, low in profit but high in social value. As Pub is the Hub's written evidence explained, doing a lot of simple things collectively, with social value, creates the local economic foundation: "diversified pubs are helping to create a future where rural, and other, communities are not only surviving but thriving with pubs at their heart".³⁶

31. There's huge potential in the social value of pubs for tackling wide-ranging policy ambitions. Written evidence listed wide ranging benefits including:

- Health and wellbeing, including combatting loneliness and isolation. The mental health benefits of tackling loneliness are now well documented³⁷, with growing evidence of the physiological benefits for wider health. Research by Loughborough University found 85.9% of respondents agreed 'when a pub closes the local community suffer' and 63.9% felt that their pub was one of the main places that people living in the local area can socialise³⁸; HEINEKEN UK's work with Marmalade Trust has helped tackle the stigma of loneliness head on, emphasising the role of pubs as safe, sociable community anchors that support connection and inclusion for people of all ages.
- Pubs are unique in offering places where multiple generations are happy to socialise together (and to work alongside each other); where locals and visitors can congregate for sport, music, quizzes, fundraising activities and so much more.
- The unsung value of the local Publican. As Shepherd Neame's written evidence summarised: "Licensees are some of the finest people in the land and brilliant at running local events, fundraising, local or national celebrations and so on. Communities are held together by a thread of a few volunteers who make things happen, and all too often that is the licensee."
- Sustainability: in addition to sustaining social networks through fostering these local jobs and connections, draught beers are inherently green. 69% of consumers believe that consuming a draught beer in a pub is the most sustainable way of drinking³⁹. It is stored and served in reusable containers, reused countless times, with cask beers forming the ultimate circular economy – through to sharing fermented grains with local farmers.⁴⁰

**£1 invested =
£8.28 returned in social benefit**

³⁴ PubAid research: UK pubs raise £100m pa for charity and grass roots causes

³⁵ Greene King written evidence empowering allyship and supporting diverse communities: women, LGBTQ+, black and minority

³⁶ PITH second evaluation report 2025

³⁷ Eg, Camra written evidence

³⁸ 2021 Loughborough survey;

³⁹ 2022 YouGov research for CAMRA 40 See, for example, APPBG Caskonomics Report 2021, Brewing Green: brewinggreen.org

⁴⁰ See, for example, APPBG Caskonomics Report 2021, Brewing Green: brewinggreen.org

At the heart of communities:

33% rural pubs

35% urban pubs

32% pubs in high streets or managed retail locations

(Source: PiTH written evidence and CGA)

“Industrial centres of activity will be almost impossible to create without the crucial aspects of a community that are needed to drive people to want to live and work there.”

BBPA written evidence

32. The importance of resilient, connected and thriving communities in encouraging growth gets scant mention within the Industrial Strategy⁴¹ (and where it does, it is not recognised as a driver of growth). We consider this failure to recognise the social benefit of investment to be an oversight. We point to evidence provided to our inquiry by Pub is the Hub (PiTH), highlighting the Social Value Engine’s methodology for capturing value not reflected in traditional reporting frameworks. They calculated the social return on investment from PiTH’s community services fund in 2025 amounting to £8.28: for every £1 invested £8.28 is returned in terms of social cohesion, job security, access to cultural events and local services, increased social action and more resilient communities.⁴²
33. Brewers and pubs are creating a sense of place in rural, coastal, local communities and high streets across the UK. Ojay McDonald told us how they have become the ‘pull’ to high streets in the golden period of Christmas shopping, with a day out increasingly focussed on the hospitality offer and shopping now the add on. UKHospitality’s evidence included a case study of regeneration in Folkestone’s derelict harbour and seafront area, transforming it into a hospitality and leisure destination following significant investment in the visitor economy. SIBA’s written evidence showed how opening up new breweries and taprooms in underused sites and unique spaces created jobs and brought new vibrancy to localities⁴³. For example, several breweries set up under railway arches in Bermondsey, encouraging other businesses to move to the area. The beer related development of the Bermondsey Beer Mile has now become an established attraction - far beyond its initial draw for craft ale aficionados – with diversification including new music spaces, gig venues and art and pottery workshops. Studies in the USA have shown that the presence of craft breweries and taprooms are linked to greater investment and the revitalisation of neighbourhoods; Buffalo, New York, has adopted the term “beer-orientated development”.⁴⁴

⁴¹ Page 148 of the Industrial Strategy: “Work closely with trade unions and organisations representing the unique perspectives of civil society to ensure the Strategy will bring meaningful change to workers and communities. Through our plan to Make Work Pay we will continue to support the lowest paid workers with job security and improved working conditions. As part of our strategy to align economic value with social outcomes, we will also deepen collaboration with the Impact Economy, and with businesses which have a social purpose, to unlock innovation, boost inclusive growth, and strengthen community resilience.”

⁴² PiTH second evaluation report 2025

⁴³ SIBA: 42% of independent breweries operate a shop on the brewery site and 36% have a taproom offering customers the chance to taste the beers fresh and then take some home with them

⁴⁴ SIBA written evidence

III. The benefit of a flourishing beer and pub sector

e) Employment and skills

“Hospitality employs one in ten people across the economy. The sector is the biggest source of youth employment, of part time work, and for workers without degrees.”

David Sheen, UKHospitality, oral evidence

34. Growth in the sector means more social mobility. More opportunities for young people, for students, for those with caring responsibilities and those re-entering the work force later in life, for NEETs (young people not in education, employment or training), for those seeking a route from welfare to work, for ex-offenders, for those without degrees, for those with neuro-diversity looking to find a first job. Punch Pubs estimates six to eight new jobs are created for each invested pub, and Greene King that each new investment averages eight new jobs.
35. We received compelling examples of the sector's employment initiatives, and the range of Government objectives they help meet. Our breweries tend to employ experienced, full-time workers (in 2022, 89% of brewery workforce were full time vs UK average of 75%). Apprenticeships include the Level 4, 18 month brewing apprenticeship, with Brewhouse and Kitchen, for example, aiming to have apprentices running their own brewpub within 12 months.
36. Pubs offer a launch pad for talent and social mobility, with 60% of the workforce part time, 51% aged 16-24 years old and 82% without degrees. Pubs provide entry level jobs, where workers can build functional skills in English and Maths alongside the social skills inherent in the sector⁴⁶. Some go on to long term careers in the sector – literally bar to boardroom – while others leverage the training and life skills developed in the wider economy⁴⁷. Indeed, our Inquiry Panel included one Parliamentary colleague whose first job was collecting glasses in pub. Greene King's research for the King's Coronation revealed over a third – 34% - of the population have worked in a pub at some point in their lives.
37. Pubs offer a launch pad for talent and social mobility, with 60% of the workforce part time, 51% aged 16-24 years old and 82% without degrees. Pubs provide entry level jobs, where workers can build functional skills in English and Maths alongside the social skills inherent in the sector⁴⁶. Some go on to long term careers in the sector – literally bar to boardroom – while others leverage the training and life skills developed in the wider economy⁴⁷. Indeed, our Inquiry Panel included one Parliamentary colleague whose first job was collecting glasses in pub. Greene King's research for the King's Coronation revealed over a third – 34% - of the population have worked in a pub at some point in their lives. Beds & Bars Ltd also provided a number of examples of career progression within their company, including colleagues who had originally joined the company as interns – one became a Marketing Director within 8 years, another rose to General Manager running their own site with a turnover of £9m per annum.
38. Brewers and pubs are providing flexible and empowering employment opportunities for marginalised and often higher-risk groups, including people with neuro diverse needs, army veterans and ex-offenders – groups prioritised in Government policy and otherwise a potential cost in terms of benefits or local authority intervention⁴⁸. See box below for some examples.
39. A range of wider industry initiatives include collaboration between UKH, Springboard and DWP to develop foundational skills – which could grow the sector by 6% pa, creating 500,000 jobs by 2030⁴⁹.

A third of the population have worked in a pub at some point in their lives⁴⁵

⁴⁵ Greene King research for King Charles III's coronation

⁴⁶ Greene King evidence: 11,000 people supported to achieve functional English and Maths since 2011,

⁴⁷ BII, Shepherd Neame, Fullers, Punch, Greene King & other examples provided in written evidence

⁴⁸ Marstons, Fullers, Greene King written evidence

⁴⁹ Hospitality written evidence

Employment initiatives: from first opportunities and second chances to later life fulfilment

Prison leavers: Marston's and Greene King both invest in programmes supporting prison leavers into jobs, working with the Ministry of Justice, the Scottish Prison Service, prison employment services and charity partners to offer employment that will reduce reoffending, make communities safer and give someone a second chance in life.

Since Marston's programme started in 2022, over 70 men and women have taken up employment in roles from head chef to cleaner, with retention rates far higher than among traditional recruits. It now runs its own training academy inside HMP Liverpool.

Greene King's Releasing Potential programme started in 2019, now works with more than 65 prisons across the UK, and includes four prison training kitchens. More than 300 prison leavers have gone on to take up roles within Greene King.

"Life couldn't be better. I'm currently working towards my level 3 management course to pass that and become assistant manager and hopefully in the future have my own venue"

Cameron – a Marston's graduate

Other industry initiatives offer opportunities for work to people regularly identified as being furthest from employment – and otherwise potentially a charge on local authority or central Government budgets: care leavers, neuro-diverse, early retirees. Only 5.1% of people with learning disabilities are employed, and just two in 10 adults with autism in the UK are in work.

Neuro-diverse: Fuller's points to the skills gained in taking on neuro-diverse recruits – not just for those getting their first taste of the workplace, but for their colleagues working alongside them and their managers. They've worked with the Licensed Trade Charity and LVS schools to develop best practice guidance and support for their pubs.

"Having offered placements and jobs to more than 250 people with different needs, my experience is that individuals with neuro-developmental differences are passionate about working and are fully engaged in whatever task you have asked them to do."

There is a vast amount of talent out there just waiting for an opportunity, and our industry can lead the way in providing this."

Stuart Green, The Cabbage Patch, Twickenham

Dignity and sociability of part time work: The flexibility of part time work is hugely attractive to many with caring responsibilities or looking to return to work in later life. Fuller's told us they employ five generations, from 16 year olds to an 83 year old – the latter serving breakfasts. Their oldest employee to date retired aged 103.

IV.

What's needed:

"Continued engagement and partnership between Government and industry will be essential in ensuring that businesses like ours can continue to invest with confidence in communities across the UK."

Carlsberg Britvic written evidence

a) Recognition, understanding and a cohesive approach to regulation

40. The Industrial Strategy recognises "Now more than ever, businesses are seeking out countries that can provide them with the confidence to invest and grow... the Government's priority mission is to deliver strong, secure, and sustainable economic growth to boost living standards for working people in every part of the UK."
41. To do so, it's imperative that Government understands the needs of those businesses. As Carlsberg Britvic explained in written evidence: *"Our ability to deliver sustainable infrastructure, create skilled jobs, and support regional growth is enhanced when there is a stable policy environment that supports investment and innovation. Continued engagement and partnership between Government and industry will be essential in ensuring that businesses like ours can continue to invest with confidence in communities across the UK."*
42. As Emma McClarkin told us: *"Uncertainty is 100% affecting investors' confidence. The exclusion from any industry strategy doesn't give confidence that we're recognised for the contribution we make, and that we're an important sector. There needs to be a real understanding of the cumulative cost to business across departments – they layer up, need longer consultation periods, longer implementation and more consultation with affected businesses and better overview of all the costs across the sector. Just when we've got over one thing, there's another on the horizon."*

Intervention needed

The sector is being affected by policy decisions made across multiple Government departments.

The Government-led Hospitality Sector Council, established in 2020, is widely acknowledged in all the evidence we received and heard to have played an important role during the Pandemic in helping the sector keep on top of changing lockdown and re-opening regulations and in developing the critical support and assistance. The Department for Business and Trade (DBT), Department for Culture, Media and Sport (DCMS) and Department for Environment, Food & Rural Affairs (DEFRA) have been the key departments involved. However, the sector also needs the Home Office, Department of Health, Department for Energy Security, Department for Education, and HM Treasury to really understand the cumulative impact of tax and regulation on the industry.

The Hospitality Sector Council remains a vital forum but witnesses were unanimous that its strategy needs updating and refocussing on the new challenges facing the sector and the Government's strategic priorities. A refreshed strategy to enable early-stage discussion between the sector and the full range of Government departments, whose regulatory initiatives impact it, would do much to encourage investment. For example, a recent tranche of announcements floating policy ideas – from Minimum Unit Pricing to alcohol sponsorship to drink/drive limits - does little to inspire confidence that there is a cohesive approach to understanding and evaluating brewers' and pubs' needs. And as the Portman Group explained in written evidence, there appears far greater scope to first assess the balance between legislative intervention and industry partnership.⁵⁰

⁵⁰ Portman Group's written evidence highlighted the benefits of the self-regulatory model, such as through established community alcohol partnerships, sports marketing and alcohol advertising codes of practice

43. Our witnesses know their businesses, their customers and local communities, and their evidence was explicit in the measures needed to encourage and sustain growth. We repeatedly heard that ‘the glass is half full’, that Government ‘held the levers’ and the remedies are not expensive given the generative impact of unleashed potential. But it does require Government commitment to a better understanding of the sector.

b) Balanced employment reforms

44. As a labour-intensive sector, employment is the highest single cost for brewers and pubs. Any minor tweak to employment thresholds or regulation can have a disproportionate effect on profitability, investment and growth potential.

83% of independent operators are reducing staff hours
63% are reducing staff numbers
72% are cutting back their spend with local suppliers

45. Mike Clist told us that among the independent operators comprising BII members, tough decisions had to be made because of the Budget’s changes to employer NICs and the threshold: 83% are reducing staff hours, 63% reducing staff numbers and 72% reducing spend with suppliers. “These are SMEs run by individuals passionate about their role in their local communities, taking decisions that will affect them negatively”.

“We’re a people business: in order to grow we need more people to serve more people... We’ve lost 100,000 people in hospitality in the last 12 months, we’re the sector most affected by the changes; what hurt most was the unexpected reduction in the salary threshold for NI contributions. 51% of our business is young people under 24, so this disproportionately affects them.”

Emma McClarkin, BBPA, oral evidence

46. The ONS reported on 17 July that hospitality accounts for 45% of all job losses since the budget. David Sheen told us that hospitality had shed 89,000 jobs in the nine months to July; he saw matters unlikely to improve until the NIC thresholds for part time work are changed. Ambitions for investing in well paid staff, skills and long-term careers are being skewered by the outsized, cumulative impact of policy decisions.

47. **National Minimum Wage.** The NMW has increased by 50% in the last five years and the recent age banding increase – for 18-year-olds by a relatively large amount (16%) - has meant that employers are more hesitant to employ young people with no experience. The knock-on cost of levelling wages of other staff is also taking its toll: bringing the NMW up means having to increase wages in similar proportions to avoid high staff turnover.



IV. What's needed:

48. **The Employment Bill** provisions were described as 'massive'⁵¹, and seen by all witnesses as having a profoundly negative impact on a sector where seasonal and unpredictable trading combine with a long established, heavy dependence on young and part time workers. A template for guaranteed hours may be appropriate for the wider economy, but it has very different consequences where flexibility is a genuine pre-requisite for profitable trading. Witnesses pointed to examples such as the seasonal variations in trade for a pub in Cornwall, and the impact of having to turn away a booking by a coach party because they will no longer have the flexibility to take on short term staff to accommodate the numbers. Consensus opinion is that the Bill's provisions on Day 1 rights are highly likely to make businesses more inclined to hire candidates deemed "low risk", so overturning the trend to invest in inclusive workplaces. The unintended consequences could well be a fall in employment opportunities currently available in the sector for entry level recruits, for part time workers, and for those industry schemes highlighted above that focus on getting ex-offenders, homeless people, long term unemployed and neuro-diverse recruits off benefits and into work.⁵² Whilst understanding the desire to rule out bad actors, there is genuine need and demand within the sector for zero hours contracts. Emma McClarkin told us of a pilot where zero hours were actively chosen by 25% of the staff who wanted the flexibility.

Intervention needed

Reform NICs to encourage wider employment opportunities and develop foundational skills by:

- removing/reducing employer contributions to encourage inclusive workplaces and investment in training and life skills for ex-offenders, neuro-diverse, long term homeless, care-leavers;
- Remove NICs for year 1 of employing someone under 25 – the sector is the biggest employer of young people – or introduce a new employer band from £5,000 to £9,100 at 5%;
- incentivise employment of people who have been out of the labour market for 12 months with a 12-month NICs holiday.

Ensure that future increases to the NMW are sustainable and affordable, and specifically the application of the Living Wage to all those aged 18 and over, which should be phased in over at least 5 years to enable the sector to absorb the additional costs and continue to support youth employment.

Continue to work with industry to ensure the Employment Bill doesn't unduly penalise the sector for its inherent flexibility and seasonality – for example in clarifying genuine three-month contracts; ensure a common-sense approach to Day 1 rights to encourage employers to continue to take a risk with NEETs looking for their first break and other marginalised groups.

Reform the approach to apprenticeships and investment in employment and skills in the sector. For example, in brewing innovation, with support for training in digital, green and supply chain skills; reinstate access to level 7 apprenticeships, allow foundation apprenticeships; increase flexibility in the use of Levy funds for other accredited training.

⁵¹ David Sheen oral evidence

⁵² BBPA, Fullers, Marstons, Greene King evidence



c) Extended Producer Responsibility and packaging reform

Witnesses described EPR as the poorest example of legislation that they had come across in 40 years. They shared the Government's ambitions for well-designed schemes to reduce packaging waste, increase recycling rates and build a functional circular economy for drinks containers. But EPR was universally criticised for failing to understand the way the sector operates, the moves towards more environmentally sustainable practices already underway and the poor evidence base used to drive policy. For example, pubs are currently faced with paying twice for collections as the legislation doesn't recognise the local authority glass collection schemes already invested in. Detail on final rates were **only released at the end of June, ahead of payments beginning in October**, stalling investment and absorbing management time.

BBPA estimates EPR is adding a cost of 4p per 330ml bottle, where the typical brewers' profit is 2-7p⁵³ and **£60m of costs being added across the pub sector - in the region of £2,000 a year for a large pub, £750 for a medium sized pub and up to £350 per annum for a small pub.**

Intervention needed

Longer-term policy timelines for implementation will help businesses know what to expect before they consider investing. With last-minute changes to Scottish and Welsh DRS implementations, investor confidence was heavily impacted. Consistency across the four nations is also crucial – the Welsh Government is currently proposing to keep glass as part of its DRS whereas this is not the case for the rest of the UK. EPR implementation is similarly sending warning signals, creating a recipe for reduced investment as businesses struggle to forward plan. The outcome is often that businesses feel like they are being punished rather than working collaboratively with Government to achieve the same desired goal. A solution needs to be found as soon as possible for the double-counting issue for pubs, at least by year 2 – it cannot wait for year 3.

⁵³ BBPA, SIBA, Carlsberg Britvic, Shepherd Neame, Budweiser Brewing Group UK & I, HEINEKEN UK, Punch Pubs & Co, others.

IV. What's needed:



d) Fairer tax

£1 in every £3 spent in pubs goes to the Treasury; 40% of brewers' turnover is tax.

"The role of Government is to help things that are good and raise taxes on those that aren't. But pubs pay one third of their turnover in tax, compared to online gambling companies paying less than one eighth."

Andy Slee, SIBA, oral evidence

49. Our witnesses made a point of explaining they understood the necessity of tax, including for meeting the local needs central to their communities and business, for investment in town centres, transport, high streets, safer policing for the night time economy and investment in rural economies, and for broader infrastructure. Their big criticism is that they are overpaying their share – and quite considerably so due to duty, business rates, EPR levies and VAT. And this is before any assessment of rewarding them for the 'social good' they contribute.
50. £1 in every £3 spent in pubs goes to the Treasury; 40% of brewers' turnover is tax. The following are the main components, after employment taxes, of that heavy bill.

51. **Business Rates:** the current system penalises bricks and mortar operations over their virtual counterparts and pubs more than other high street retail. Pubs' business rates are payable before a penny can be earned in a day's trading. They are inflated by the valuation system for pubs of 'fair maintainable trade', where the calculations of turnover include excise duty, and where turnover - but not necessarily profit - rises with inflationary input costs. Investment in pubs is penalised by subsequent revaluation (see the case study below) due to the ill-fitting format of improvement relief. Overall, rates are one of the sector's single biggest annual costs⁵⁴. Drawing comparisons across similar sized shops/other retail, hospitality is accountable for 3% of eligible income but is paying 11% of all business rates; pubs and bars account for 0.4% of total UK turnover but pay 2.1% of the business rates bill.⁵⁵ BBPA estimates this means a £500m overpayment - if the sector were paying at the average business rates to turnover ratio, the bill would be £130m, instead of £637million.

Rates: A live example

Fullers acquired The Admiralty, Trafalgar Square, in 2014, when the Rateable Value (RV) was £186,000 and the UBR was 47p. The rates payable were £87,000pa.

They invested £1.4m, creating 44 new jobs.

The pub was revalued with the RV increasing to £372,000 (now standing at £369,000). With the inflationary-linked increase to the UBR (54.6p), the rates bill from 1st April 2025 is £201,000 – 2.3x the original.

If prices had increased by the same rate, the price of a pint of London Pride in The Admiralty would now cost £10 (it's actually £6.40, and was £4.35).

Intervention needed

Recent commitment to reform business rates is welcome news. As an APPG, we've been calling for meaningful reform for decades⁵⁶. Pubs don't have the option of moving their business online. The key phrase, we heard repeated time and again, is "meaningful reform".

Expectations are focussed on a 20p reduction in the new RHL small business multiplier, and a 20p reduction on the standard multiplier, increasing the upper threshold for small business rates relief in line with inflation since 2017 to avoid the potential of fiscal drag pulling this lifeline for the 40% pubs benefitting from it⁵⁷, and a changed revaluations process with better transition relief to avoid sharp shocks and enable businesses to plan with some certainty. Other recommendations suggested by witnesses included: extending capital allowances to include pub furniture and kitchen or cellar equipment, with double capital allowances for any project that supports Net Zero such as kitchen electrification, cellar energy reduction investment, insulation, solar panels, heat pumps; expand R&D tax relief and capital allowances to include service and process. And we repeat a recommendation from our previous inquiries, that rating reform acknowledge the social value of pubs in their communities.

⁵⁴ Greene King written evidence

⁵⁵ UKHospitality & BBPA submissions

⁵⁶ APPBG reports on Community Pubs 2008, Releasing pubs potential 2020

⁵⁷ BBPA – almost 40% pubs in England benefit from SBBR

IV. What's needed:

52. **Beer Duty:** Witnesses testified to the positive impact of previous changes to thresholds, with differential rates for lower ABVs spurring innovation in no and low alcohol beers and draught duty relief going a small way to levelling the playing field with supermarket off-sales. The five-year freeze on beer duty from 2012, combined with small brewers relief which had been introduced in 2002, saw an increase in breweries from 1218 in 2012 to 1994 in 2016. And yet UK beer duty is around twelve times more than most European counterparts.
53. Likewise, the **draught duty relief** for beers and ciders, introduced by the August 2023 Alcohol Duty Review, has had a clear impact on pub beer sales., benefitting pubs and brewers. CAMRA's written evidence provided modelling to show:
- An increase to 20% would result in an extra 2,117 full-time equivalent jobs, contribute £70 million to the economy and an additional £24 million in wages and associated employment costs. It would see an extra 20 million pints being sold in our pubs with a 0.7% increase in draught beer sales volumes.
- A 50% Draught Relief would create an additional 8,052 full-time equivalent jobs, contribute £265 million to the economy and result in an additional £90 million in wages and associated employment costs. An additional 76 million pints would be sold in our pubs with an increase of 2.7% in draught beer sales volumes.⁵⁸
54. VAT cuts for hospitality: precedents from Ireland and Germany show how a reduced rate of VAT for hospitality can stimulate growth and revitalise town centres. There are also significant potential gains for tourism to the UK. Rachael Farrington explained that we are already seen as a high-cost destination, and if additional charges are levied in the form of a tourism tax we must consider the impact on the cumulative cost of visiting the UK. The UK has the highest VAT rate in Europe for hospitality, behind Denmark – the only other country in Europe not to recognise the benefits of a reduced rate on tourism and hospitality. Ireland has a hospitality VAT rate of 13.5%, the average European rate is 9-10%⁵⁹. The measure had widespread support from witnesses, including Alcohol Change UK recognising the benefits of a reduced VAT rate in nudging customers away from off-sales to the regulated environment of hospitality. It was identified by more than 70% of BII members as a priority. The temporary reduced rate of VAT during the pandemic showed the benefits to the economy. Subsequent economic modelling research confirms a permanent reduced rate of 12.5% on hospitality and tourism will trigger a virtuous cycle of increased consumer spending, investment in facilities and the creation of jobs leading to fiscal gains for HM Treasury within five years.⁶⁰

⁵⁸ CAMRA written evidence quoting Centre for Economics and Business Research commissioned by SIBA, CAMRA and BII

⁵⁹ For European comparisons see table in Annex A

⁶⁰ UKHospitality: The impact of reduced VAT on UK Hospitality and Tourism 2022 <https://app.sheepcrm.com/ukhospitality/digital-docs/impact-of-reduced-VAT-on-UK-hospitality-tourism-february-2022/>



Intervention needed

BBPA's written evidence included analysis from Oxford Economics, calculating that a 5% cut in beer duty versus a planned 2% RPI increase would boost sales by up to 601,000 barrels (adding 2% to the total beer market), and result in up to 12,000 more local jobs, largely in pubs.

The additional sales and subsequent boost to other tax revenues (from VAT and employment-related taxes) would significantly offset the excise cost to Government, making this a relatively low-cost measure with a compelling return on investment, especially when factoring in the wider social value of the pub sector and nudging consumers towards lower-strength products.

Increasing the Draught Duty Relief to 20% is similarly forecast to provide a positive return on investment.

A reduced rate of VAT at 12.5% for hospitality and tourism is similarly forecast to lead to fiscal gains for HM Treasury, within five years.

e) Planning and licensing reforms:

55. Richard Gordon and Ojay McDonald explained to us the limitations on flexibility caused by planning and licensing restrictions, and the particular unfairness of hours and noise limitations imposed retrospectively after neighbouring properties had been developed as housing. We were thus delighted to hear the subsequent news that the national licensing policy framework is being reviewed, and within it the Agent of Change principal firmly embedded. An outstanding request is for recognition of the importance of investment in town centres to support the night-time economy, with close partnership working with industry initiatives such as PubWatch.

V.

Conclusion and recommendations

Conclusion

56. Few sectors are foundational to the whole UK economy to the same degree as our breweries and pubs. The sector directly affects jobs, skills, investment, culture and community, enabling growth in other industries by creating vibrant places where people want to live and invest. The Industrial Strategy's focus on targeted sectoral growth should be broadened to reflect this, with the objectives of the tourism, hospitality, high street and small business strategies aligned accordingly.
57. The cumulative impact of recent regulatory initiatives is choking investment, profitability and potential. Individual regulations may have laudable intent, but poor understanding of the sector, inadequate evidence bases, insufficiently robust regulatory impact assessments, and insufficient lead times are causing disproportionate complexity and costs, particularly for the small businesses comprising 80% of the sector. A joined-up approach from Defra, DWP, Business and Trade and Treasury, informed by early-stage discussion with the Hospitality Sector Council, would do much to inspire confidence, investment and growth - and help secure a vibrant future for the breweries and pubs within our constituencies and the wider benefits we all reap from them.

Recommendations:

1. The industry is affected by a wide range of differing policy requirements across almost all Government departments. New terms of reference are needed for the Hospitality Sector Council strategy, to ensure early-stage discussion with all relevant Government departments and full integration with the growth strategy, tourism strategy, high street strategy and small business strategy.
2. Business Rates reform must be meaningful. The sector has been waiting decades to have the unfair burden it is shouldering properly addressed. The minimum needed in terms of the new RHL multipliers is a 20p reduction in the small business multiplier, and a 20p reduction on the standard multiplier, increasing the upper threshold for small business rates relief in line with inflation to avoid fiscal drag and a changed revaluations process with better transition relief to avoid sharp shocks and enable businesses to plan with some certainty.
3. Reform NICs to encourage wider employment opportunities and develop foundational skills by:
 - removing/reducing employer contributions to encourage inclusive workplaces and investment in training and life skills for ex-offenders, neuro-diverse, long term homeless, care-leavers;
 - Remove NICs for year 1 of employing someone under 25 – the sector is the biggest employer of young people and the Government should continue to incentivise this – or introduce a new employer band from £5,000 to £9,100 at 5%;
 - incentivise employment of people who have been out of the labour market for 12 months with a 12 month NICs holiday for the employer.
4. Ensure that future increases to the NMW are sustainable and affordable, and specifically the application of the Living Wage to all those aged 18 and over, which should be phased in over at least 5 years to enable the sector to absorb the additional costs and continue to support youth employment.



5. Work more closely with industry on policy and regulation at the planning stage. Learn lessons from the EPR implementation that long-term policy timelines will help businesses know what to expect before they consider investing. In terms of EPR, a solution to the double counting issue for pubs needs to be found as soon as possible and at least for year 2 – the cost to the sector is so significant it cannot wait for year 3. Similarly, **continue to work with industry to ensure the Employment Bill doesn't unduly penalise the sector for its inherent flexibility and seasonality.**
6. Reform the approach to apprenticeships and investment in employment and skills, including in brewing innovation, with support for training in digital, green and supply chain skills; reinstate access to level 7 apprenticeships, allow foundation apprenticeships; increase flexibility in use of Apprenticeship Levy funds for other accredited training.
7. The sector faces real challenges in accessing finance as it is increasingly being considered a “high risk” sector. A review of the impact of the Coronavirus Business Interruption Loan Scheme (CBILS) is warranted as a more positive approach by financial institutions would help to encourage investment and unlock growth.
8. Reduce beer duty by a minimum of 5%, to boost sales and create more local jobs; increase the draught beer differential to 20% to encourage further growth and investment and help level the playing field between on sales in pubs and off sales from supermarkets. Introduce a reduced rate of VAT on sales of food. The burden of taxation on “bricks and mortar” businesses compared to those that operate on-line is out of kilter and needs to be reviewed.
9. Extend capital allowances to include pub furniture and kitchen or cellar equipment, with double capital allowances for any project that supports Net Zero such as kitchen electrification, cellar energy reduction investment, insulation, solar panels, heat pumps; expand R&D tax relief and capital allowances to include service and process.
10. Set the definition for no-alcohol beers at 0.5%, aligning with European norms, benefitting consumer clarity and encouraging further innovation and providing a catalyst for further growth and investment in this increasingly important category for public health.

About the APPBG

The All-Party Parliamentary Beer Group (APPBG) was set up in 1993 and is one of the oldest, largest and most active All-Party Parliamentary Groups in Westminster.

It is governed by the All-Party Parliamentary Group rules. Its registered aims are:

To promote understanding of the significant contribution of brewing and pubs to the UK economy and wider society, including their economic, social, cultural and historic importance, contribution to tourism, the social responsibility exercised by the sector, and also supporting the UK's brewing and pub sectors worldwide.

The APPBG is chaired by Tonia Antoniazzi MP (Lab, Gower). This inquiry follows previous reports from the APPBG, including:

- Beer Tax 1995
- Licensing Law Reform 1999
- Community Pubs 2008
- Beer Tax Fraud 2012
- Unlocking Pubs' Potential 2020
- Caskonomics – Cask Beer's covid crisis and the impact on people, pubs and places 2021

This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of Members of both Houses with a common interest in particular issues. The views expressed in this report are those of the Group.

The research has been compiled through written evidence submitted in response to a call for evidence, and also through oral evidence sessions, co-ordinated by the Chair of the All-Party Parliamentary Beer Group and the Secretariat. It has been funded from existing funds contributed to the All-Party Parliamentary Beer Group and reported on the Register of All-Party Parliamentary Groups.

For further information about the APPBG or this inquiry please contact APPBG Hon Secretary Rita King: rita@beergroup.org.

About this inquiry

The APPBG launched this inquiry in April 2025 with the following terms of reference;

To understand:

- How beer and pubs have supported economic recovery in the past;
- Industry investment in people and skills in both brewing and pubs – specific examples of apprenticeships and career paths welcomed;
- The social, community and wellbeing value of the sector;

And to explore:

- The economic strengths and capabilities of the sector, including its ability to positively drive regeneration and investment in local areas;
- The role of the Hospitality Sector Council;
- What a pro-business environment for beer and pubs could unlock in terms of investment and economic growth across the following areas (including case studies):
 - People and Skills
 - Innovation
 - Energy and Infrastructure
 - Entrepreneurship
 - Regulatory Environment
 - Trade and Investment
- Whether the beer and pub sectors should be recognised as an integral part of the Industrial Strategy;
- What other policy levers can enable the sector to achieve its growth vision

Written evidence was received from the 26 organisations and individuals listed in Appendix A.

An oral evidence gathering session was held over Zoom on 16 July 2025. The Parliamentary panel was chaired by APPBG Chair Tonia Antoniazzi MP (Lab, Gower), alongside Jacob Collier MP (Lab, Burton and Uttoxeter); Jamie Stone MP (Lib Dem, Caithness, Sutherland and Easter Ross), Mary Glindon MP (Lab, Newcastle upon Tyne East and Wallsend).

Evidence was heard from: Emma McClarkin (Chief Executive, BBPA), Mike Clist (NED, BII), Andy Slee (Chair, SIBA), David Sheen (UK Hospitality), Keith Bott (MD, Titanic Brewery), Richard Gordon (Publican, Red Lion, Cranford & three other pubs, Punch Pubs licensee of the year), Ojay McDonald (CEO, ATCM), Rachael Farrington (VisitBritain).

This report has been approved by the officers of the APPBG: Chair Tonia Antoniazzi MP (Lab, Gower), Vice Chair Greg Smith MP (Con, Mid Buckinghamshire), Vice Chair Pete Wishart (SNP, Perth and Kinross-shire), Vice Chair Andrew Snowden (Con, Fylde)

The APPBG would like to thank all who have contributed to this inquiry.

Appendix A

Written Submissions

1.	Alcohol Change
2.	Asahi UK
3.	Budweiser Brewing Group UK & I
4.	British Beer and Pubs Association (BBPA)
5.	Beds & Bars Ltd
6.	BII
7.	CAMRA
8.	Carlsberg Britvic
9.	Conwy Pubwatch
10.	Deborah Knight
11.	Greene King
12.	HEINEKEN UK
13.	Joseph Holt
14.	Lewis Huntington
15.	Lincoln Green Brewing Company
16.	Marston's PLC
17.	Molson Coors Beverage Company UK & I
18.	Paul English
19.	Portman Group
20.	Pub is the Hub
21.	Punch Pubs & Co
22.	S A Brain
23.	SIBA
24.	Shepherd Neame
25.	UKHospitality (UKH)
26.	Oral evidence & recording: Fuller, Smith & Turner

Annex A

VAT Rates EU/EUEEA: source UKHospitality

	Accommodation	Restaurant food
Austria	10	10
Belgium	6	12
Bulgaria	9	20
Croatia	13	13
Cyprus	9	9
Czechia	12	12
Denmark	25	25
Estonia	13	22
Finland	14	14
France	10	10
Germany	7	19
Greece	13	13
Hungary	5	5
Ireland	13.5	13.5
Italy	10	10
Latvia	12	21
Lithuania	9	21
Luxembourg	3	3
Malta	7	18
Netherlands	9	9
Poland	8	8
Portugal	6	13
Romania	9	9
Slovakia	5	5
Slovenia	9.5	9.5
Spain	10	10
Sweden	12	12
Norway	12	25
Switzerland	3.8	8.1
Iceland	11	11
EU average	10	12.8
EUEEA average	9.9	13
UK	20	20



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Parliamentary
Beer Group

HOW BREWING AND PUBS CAN
HELP DRIVE ECONOMIC GROWTH