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**Pubs Consultation
Consumer and Competition Policy
Department of Business, Innovation and Skills
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Councillor R M Blyth
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Tel: 01706 670 109

Dictated: 10 June 2013

Dear Sir/Madam

Re: Pub Tenants and Companies: A Government Consultation

I am writing to you as the Shadow Portfolio Holder on Oldham Council to express strong support for the principal outlined in the Consultation Paper and spoken of by the Secretary of State, Dr. Vince Cable, that "a tied tenant should be no worse off than a free-of-tie tenant".

This Coalition Government's proposals that:

- A Statutory Code be established with an Independent Adjudicator empowered to enforce that code
- Tied tenants should be no worse off than free-of-tie tenants in the calculation of rents
- A mandatory free-of-tie option be enshrined for all tenants in law
- The code apply only to all companies with over 500 pubs

are very welcome and enhance the support for the pub industry already shown by this Government through:

- The abolition of the beer duty escalator, introduced by Labour, from 2014
- A reduction in the duty on beer by 1 penny a pint in this year's budget
- The creation of the 'Community Right to Buy' permitting local communities to purchase pubs coming onto the market
- The introduction of the National Planning Policy Framework with its emphasis on the adoption of pro-pub policies (Oldham Council is currently exploring this at the instigation of my colleagues and I).

The livelihoods of tied tenants are currently constantly endangered by the unscrupulous practices of Britain's largest pub-owning companies. Highly-leveraged, the debts of these securitized companies are largely held by bondholders in offshore tax havens.

To service these debts, tied tenants are squeezed by sky-high rents that often bear no relationship to the turnover and financial prospects of the business, and further obliged to pay inflated prices for tied products that they are required to purchase as a condition of operating their lease.



In 2009, an Office for Fair Trade concluded that the average tied lessee is being overcharged by around £12,000 per annum or £230 per week.

The first consequence is that costs are passed onto the customer who is obliged to pay 80 pence extra for a pint of lager and 65 pence for ale over and above price rises accounted for by taxation and inflation. To boot, real ale customers who frequent pubs owned by the larger pub-owning companies often face an unappealing choice of bland national products.


The second consequence is that 18 pubs close, on average, every week as operating a pub becomes increasingly less financially viable.

To provide succor for hard-pressed publicans, the Liberal Democrat Opposition Group on Oldham Council therefore supports the Government's proposed Option 3 – the so called 'freedom option'. This will permit tied tenants the option to buy products more competitively from the local market (usually tasty real ales from local breweries) and pay a fair market rent for the premises. With the creation of an adjudicator, lessees will also be able to challenge pub-owning companies not in compliance without incurring legal fees.

It is also credible that the Government is looking to apply this only to the largest pub-owning companies as family brewers owning less than 500 pubs are subject to very few complaints from lessees and offer a far better choice of products to real ale drinkers.

This position is also supported by the "Fair Deal for Your Local" campaign, chaired by Leeds North West Liberal Democrat MP Greg Mulholland, and the GMB Union, which represents many pub lessees.

Yours faithfully



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cc The Right Hon. Dr. Vince Cable MP and The Hon. Greg Mulholland MP

