



Dr Vince Cable MP  
 Secretary of State for Business, Innovation  
 and Skills,  
 Dept for Business, Innovation and Skills,  
 1 Victoria Street, London  
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 10<sup>th</sup> June 2013

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Dear Dr Cable,

**Re: Government consultation into Pub Companies and tenants April 2013**

I am writing to you on behalf of myself and all of my colleagues at Dartmoor Brewery, to express our grave concerns at the possible implications of the proposals outlined in the above consultation document.

Dartmoor Brewery is a small, but growing business, based in Princetown within the Dartmoor National Park. We are the highest brewery in the country and provide valuable employment and investment in what remains a very rural and economically challenged part of the country. The brewery was established at the back of the Prince of Wales pub Princetown in 1994 and initially serviced the immediate locality with our award winning cask ales. In 2007 we relocated to a purpose built modern brewery facility on land purchased from the Duchy of Cornwall, but still within the village of Princetown. The increased size of the brewery enabled us to distribute our beers more widely across Devon and Cornwall and the business continued to grow steadily in line with the increasing demand for cask ale in pubs.

In 2012 we began to trade with the national pub companies (Punch, Admiral and Enterprise Inns) as they represented the most cost efficient way for us to extend the availability of our beers, and meet consumer demand across the wider South West peninsula. Today our beers are stocked and enjoyed by consumers in Punch, Admiral and Enterprise pubs throughout the South West region and beyond, extending from Bristol in the West to Brighton in the south. As a result of this trading relationship with the larger pub companies we are now brewing 9000 barrels per annum and are currently contemplating further investment and expansion. I.e. we are a success story, growing sustainably and we have the potential for further growth and provision of employment.

Our recent success has been highlighted by the use of Dartmoor brewery as small business case study by Lloyds bank, and being featured in their national advertising.

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As outlined above we have been working closely with Punch, Admiral and Enterprise for [redacted] and our sales team work with their area managers and licensees on a daily basis conducting visits to their pubs in order to sell in our beers. As a result we believe that we are well placed to provide an informed and independent assessment of the working relationship between pub companies and their licensees. Our real day to day experiences do not reflect the general assumptions and assertions made in the consultation document and it is clear to us that there is an increasingly supportive and engaged relationship between the pub companies and the vast majority of their licensees.

Of course in any landlord tenant relationship there will be circumstances when the relationship breaks down and of course all licensees would like to pay less rent and pay less for their beer. However our experience is that most licensees understand and recognise the fairness of their contract and the opportunity it has provided them in terms of running their pub for relatively low levels of capital investment. They also understand the balance between fixed costs (rent) and variable costs (beer pricing) and appreciate the tangible support that they receive from their pub company.

In addition we also see that the introduction of the voluntary code is helping to create greater clarity and consistency when disagreements do arise. In short we are concerned that the views that have informed the consultation process are not fully representative of the 100's of satisfied licensees who we work with and support day to day. Of course these licensees are too busy running their businesses to engage in the political debate and this leaves a void for the vocal and self-interested minority to spread what we regard as an inaccurate assessment of the current relationship between pub companies and their licensees.

More specifically some of the proposals contained within the consultation document would present significant risks to us, as a growing and ambitious business that is keen to invest further and create additional employment opportunities in the village of Princetown. Currently around [redacted] % of our sales are with the larger national pub companies and [redacted]

In the event that the tie is abolished or a free of tie cask option is enforced the beneficiaries will almost certainly be the smaller micro- brewery operators who currently benefit from the maximum beer duty reduction under the progressive beer duty scheme (PBD). This would be at our expense and would force us to contract our business rather than invest and expand, as the micro-brewers would under-cut our pricing using their preferential duty rates.

It would also seem perverse that our largest and dominant competitor in the South West [redacted] would be allowed to continue to operate a tied estate throughout Devon and Cornwall whilst our sales through the tied model are put at risk.

We are not a large business, we have an annual turnover of £ [redacted] million, but we are a business with a history of sustainable growth and a strong commitment to the future. This is not always the case with micro-brewers many of whom see a lucrative investment opportunity in the short term by operating at the lowest level of duty banding within the PBD scheme. As a result of their size they do not create employment or provide significant supply chain benefits locally.

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In summary the cask ale market is currently dynamic and highly competitive with a positive mix of established brewers and new entrants, both of whom have the opportunity to develop and grow their businesses. Government intervention in the proposed way would without question change this positive position and penalise medium sized businesses such as ours. It would almost certainly curtail our plans for further development and prevent us from offering additional employment opportunities, which are much needed in Princetown and the surrounding area. The increased fragmentation of supply which would arise would also hit duty revenues hard with the beneficiaries being the smallest brewers operating under the lowest duty band and as outlined above often contributing little in the way of employment or wider local benefits.

In closing we would urge you to ensure that all potential consequences of any statutory intervention are fully understood. Unfortunately the history of the pub and brewing sector has shown that what may start out as well intentioned government intervention leads to market distortion and unforeseen repercussions. It is our strong view (based on our real day to day experience) that the relationships between the larger pub companies and their licensees are rapidly improving aided by the introduction of the industry framework code and regulated via an industry voluntary agreement.

We do not believe that there is any significant or robust evidence to counter this reality as we see it and we remain extremely concerned at the prospects for our business should the proposals within the consultation document be implemented. We would welcome the opportunity to discuss the content of this letter with any of your officials and look forward to receiving a response to the points we have made.

Yours Sincerely

Tim McCord  
National Sales Director