

From:
Sent: 03 May 2013 20:45
To: Pubs Consultation Responses
Subject: save our pubs

435.

I wish to comment on this review.

I am long retired banker but used to specialise into lending into a few industries including the pub trade. As I only lent to those operations that I felt would succeed I had to know quite a lot about the trade and the more establishments I visited the more I learned and the more best practice I could pass on.

I also travel extensively in rural and quite remote areas and know as such just how welcome and valued remote village hosteleries are, not just to people passing through but as centres of the local community.

I despair when I see how the industry is being decimated. I think the government has a lot to answer for in this regard. The apparent health problems some people experience by overindulgence is not being balanced against the social cohesion of having such outlets and the stress relieving benefits of a few drinks in a social environment.

Successive governments have hit the pub trade and respectable drinkers as a way of stopping binge drinking but that happens in city centre bars often with those causing the mayhem fueled up in advance by cheap off sales.

Even on a revenue basis the ever increasing tax levied on alcohol is counterproductive. The law of diminishing returns kicks in...those who carry on drinking drink less and many don't go out as often and the net result is despite higher rates of taxation the take actually goes down. That is not to even go into the issue of bringing booze in from the continent.

There are steps that the government could take to encourage responsible drinking in pubs. Surely it is better that younger people learn to drink amongst their elders within their communities.

The first and most obvious step would be to remove VAT from on sales. That would at least give pubs a 20% edge on the supermarkets and offies.

The other major step would be to make the market genuinely competitive and to ban one sided contracts.

We have been through the phase of greedy breweries who wanted two bites of the cherry and put managers into their pubs. No real reward structure equals little product care and the obvious results.

Most breweries have sold the bulk of their houses to pubcos. As they have contracts with specific breweries that has not opened up the guest ale business. More than that, these all appear to be run by accountants with very little understanding of the pub trade. Pubco struggling? Put the rent up – prices increase – less people go in and everybody is a loser!

All traditional pub tenancies are a joke. If you run a good business you are punished by an increased rent. No other business would penalise success.

Given a few days I could name 100 pubs that have closed within 30 miles of where I live and that is a real concern. Loss of choice is bad enough in the suburbs but when that pub is the only social centre of a small community it is a disaster.

Large pubcos take more than is sustainable from publicans profits who end up struggling to make a fair living. Unfortunately for many years there has been a queue of uniformed amateurs who like a drink willing to take over pubs and many people who want to retire to run a pub. It is a hard business and they fail fairly quickly but pubcos did survive at the expense of these failures. Even that get-out-of-jail-card is drying up and in desperation pubcos are doing what they know best – increasing rents even further.

To stop this overcharging, all pubco licensees should be offered an normal tenancy where they pay a fixed agreed rent for a period which can only increase in line with the property market at fixed review dates. As they then own and run the business as such they can then choose to buy product from where they like to suit the demands of their customers.

It is difficult without detailed statistics but rule of thumb I calculate that if this happened and VAT was waived the average publican would be some £11000 per year better off even allowing for him passing on a good slice of the VAT savings but as a result getting back only 10% of lost trade.

We already have a system in place as regards other properties for rent reviews and arbitration so it would not involve setting up any new regulatory authority

The Smaller brewery companies that still maintain their own houses are by and large are fairly competitive anyway but, if putting managers in rather than offering tenancies, they would find the new competition keeps them on their toes. They will not survive unless they can compete so I would make any legislative framework only apply to owners of over 100 pubs.

This is of course not the whole answer to the problem but would go a long way to making this a fairer environment for licensees and should lead to better pubs for the community.

03/12/2013

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