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STEPHEN DOUGHTY MP

HOUSE OF COMMONS, LONDON SW1A 0AA

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Pubs Consultation
Consumer and Competition Policy
Department for Business, Innovation and Skills
3rd Floor, Orchard 2
1 Victoria Street
London, SW1H 0ET

Thursday 13th June 2013

To whom it may concern,

Please accept this as a formal submission to the open consultation on Pub companies and tenants.

Background

As a member of CAMRA and supporter of the 'Fair Deal For Your Local' campaign, I clearly recognise the widespread concern there is among 'pubco' lessees and campaign groups about the very serious problems that are currently affecting the 'pubco' industry.

We all want to see a thriving and diverse pubs sector, but many pub landlords, owners and breweries are struggling in the current economic climate, especially in light of changing social preferences such as cheaper supermarket offers exacerbated by the UK Government's decision in January 2011 to increase VAT to 20%, which in turn increased the price of a pint in pubs by around 5p and is equivalent to a 12% increase in duty.

Indeed, figures from CAMRA worryingly show that pub closures have now risen to 18 per week and I also appreciate that some 'pubco' lessees are in a particularly difficult position because of the contracts they are tied to by pub companies.

Self-Regulation

This is a very serious issue and it is clear that there needs to be reform of the 'pubco' industry so that the relationship between pub companies and lessees is more balanced, fair and less open to exploitation.

The House of Commons Business, Innovation and Skills (BIS) Select Committee has looked at this issue very closely over a number of years. I share their frustration that the 'pubco' industry has failed to take repeated opportunities to introduce and make work meaningful self-regulation which has

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From time to time, Stephen would like to update you on what he is doing in the constituency. If you do not wish to receive correspondence at a future date, write to Stephen Doughty MP, Mount Stuart House, Mount Stuart Square, Cardiff Bay CF10 5FQ.



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been tried since 2004. I therefore believe that the Government has the responsibility and mandate to introduce statutory legislation to regulate the relationship between pub companies and tenants.

Statutory Code of Practice

The previous Labour Government had plans back in 2010 to consult on a statutory code and I also supported a motion in the House of Commons in January 2012 which called for a review of the self regulation of 'pubcos' and for a statutory code to be considered. It is disappointing, therefore, that it has taken so long for the Government to act on this issue. However, despite these unnecessary delays, I welcome the Government's consultation.

I believe that the best way of achieving a thriving and diverse pubs sector is by the introduction a statutory code of practice for 'pubcos' to be enforced by a powerful Adjudicator; with both arbitration and investigation functions; with teeth to act where bad practise is observed. So that companies which are found by the Adjudicator to be exploiting their tenants are forced to make significant and speedy improvements or face penalties.

My preference

Option 3: Mandatory free of tie option with open market rent review

"All pub owning companies with over 500 pubs would have to offer a free of tie option with open market rent review. This would apply at the next rent review point for current leases and for all new leases. Each licensee would be able to choose to be either tied or free of tie. This is in addition to the statutory code and adjudicator from option 2.

"The rent in the free of tie offer would have to be based on Royal Institute of Chartered Surveyors guidance. This would ensure that there was a genuine free of tie option rather than one involving an unrealistically high free of tie rent."

A non-tied option for publicans was one of the changes which the Business, Innovation and Skills Select Committee called for. This offers tied tenants the ability to buy products from the open market and pay a fair market rent for the building. This option matches the policy we have been proposing for some time, and which we supported at our opposition day debate in January 2013.

This would certainly be a clear step forward and I hope that the results of the Government's consultation will lead to landlords having the freedom to sell whatever product they choose, to get their rent independently reviewed and the establishment of a truly independent Adjudicator. It is also vital that this leads to wider reform of the industry.

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I believe that options 1 and 2 would allow 'pubcos' to put up rents by the backdoor by overcharging for products tenants are tied to buy from them. This would not be a step forward and would not deliver the progress that is required.

Please accept this submission in support of Option 3.

Yours sincerely,

Stephen Doughty MP

Labour and Co-operative Member of Parliament for Cardiff South and Penarth

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