

House of Commons



Rt. Hon. Vince Cable MP
Secretary of State
Department for Business, Innovation and Skills
1 Victoria Street
Westminster
SW1H 0ET

14th June 2013

Dear Vince,

Pub companies and tenants consultation

In my capacity as the Member of Parliament for Bromley & Chislehurst, I should like to comment on how we can best ensure that tied licensees are no worse off than others who are free of tie. As a former Pubs Minister, I am well acquainted with this particular area of policy, and the following observations draw upon the two years I spent working with the pubs industry.

The Government statutory code proposes a formulaic approach, but in my view this fails to address any issue but rent on a specific day. The tied model offers terms to a pub owning company that, if abused, can financially ruin a licensee in a very short space of time. We have seen countless examples of how this undermines the viability of certain community pubs, allowing the larger pubcos to justify disposing of their freehold interest in the land.

In light of this, I feel that a so-called Market Rent Only option (a free of tie option, with an open market rent review) offers the only mechanism that can transform the fortunes of thousands of landlords across the country. It is a commonsense, market-based solution that has been recommended by successive BIS Select Committees, and I would urge your Department to amend the draft Statutory Code (Annex A) accordingly.

A free of tie option would be entirely voluntary, but it would give struggling licensees a far stronger position when negotiating terms with the major pubcos. If, for example, the agreement does not adequately compensate a licensee for the disadvantages of being tied, then they may sever the tied purchasing obligations and, instead, choose a market rent only agreement with no commitments to purchase products from their pub owning company. In other words, a fair and reasonable set of tied agreement terms will be the salvation of the tied model and ensure its future, whereas abuse of those terms will see its demise.

The pubcos have been given every opportunity to effectively self regulate, but they have shown remarkably little enthusiasm to do this. In light of this, and given the serious threat that the tied model can pose to struggling licensees, it is entirely reasonable that the Government now intervenes.

If you or your officials would like to discuss these comments in more detail, please don't hesitate to contact my office so we can arrange a meeting.

Best wishes,

Bob Neill MP