



DERBY CITY COUNCIL

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COUNCILLOR PHILIP HICKSON JP
LEADER OF THE CONSERVATIVE GROUP

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Pubs Consultation
Consumer and Competition Policy
Department of Business, Innovation & Skills
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Your Reference

Our Reference PH/SJO

Date 31 May 2013

Contact Councillor Philip Hickson JP

Telephone

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Dear Sir

DRAFT STATUTORY CODE FOR TIED PUBLIC HOUSES - CONSULTATION

I am writing to you as an elected local politician and on behalf of the Conservative Group on Derby City Council which I lead to add to the consultation taking place regarding tied pub tenants.

The Conservative Group wholeheartedly supports Option 3 in the draft statutory code for tied pubs currently out for consultation by Department for Business, Innovations and Skills.

It is blatantly clear that the property companies that own over half of Britain's pubs charge sky high rents to tied tenants of pubs in our area which are designed to service and pay interest on massive financially engineered debts. These debts are held mainly by bondholders in offshore tax havens. They are not interested in the financial viability of these small businesses or the effect that losing such businesses can have in local communities

Interest payments on these huge debts have to be paid each week before the tenant pours a single pint and regardless of whether he/she can make ends meet or not.

To pay these sky high rents a pint of lager is on average 80p per pint higher and ale is 65p per pint higher than justified by inflation, and like for like changes in taxes since 1987.

This is pricing pubs out of the market and they have closed in droves. In Derby City and the wider County of Derbyshire this is extremely damaging to our local economy, to local communities and to our tourist trade particularly as the Peak District is a tourist destination which often begins for visitors in the City Of Derby.

The common view that shareholders in the pubcos own a pub business is wrong. In fact the shareholders don't own a pub business; they own a holding company which invests in and manages pub securitizations.

These securitizations are the driver that is closing pubs in our area. It is the same driver that drove Southern Cross care homes to the wall. There is a lesson to be learned here!

In 2009 an Office for Fair Trade report concluded that the average tied lessee is being overcharged by pubcos by around £12,000 per annum or £230 per pub per week, after higher "wet rents" and lower "dry rents" are factored into the equation (pages 62 to 64).

A wide range of bodies have campaigned for Parliament to legislate to free pubs from this menace before it destroys them all.

The Derby Conservative Group welcome the conclusion by BIS that pubcos will continue to overcharge tied tenants for rents unless they are prevented from doing so.

We are in favour of Option 3 the "freedom option". This offers tied tenants the ability to buy products from the open market and pay a fair market rent for the building.

We consider that the other two options will allow pubcos to put up rents by the backdoor by overcharging for products tenants are tied to buy from them.

I would be grateful therefore if you could arrange for these representations to be fed into the consultation process

Yours faithfully 

Councillor Philip Hickson JP
Leader of the Conservative Group

