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From: Brian Simpson [briansimpson.labour@virgin.net]
Sent: 24 May 2013 13:00
To: Pubs Consultation Responses
Subject: Tied Pubs consultation

Dear Secretary of State,

I am writing to you on behalf of tied pub tenants. I fully support Option 3 in the draft statutory code for tied pubs currently out for consultation by Department for Business, Innovations and Skills.

The property companies that own over half of Britain's pubs charge sky high rents to tied tenants of pubs in your area to pay interest on massive financially engineered debts. These debts are held mainly by bondholders in offshore tax havens.

Interest payments on these huge debts have to be paid each week before the tenant pours a pint and regardless of whether s/he 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.

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 infernal machine that is closing pubs in my constituency (North West of England). It is the same infernal machine that drove Southern Cross care homes again within my constituency to the wall.

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).

I know that unions such as the GMB and others have campaigned for Parliament to legislate to free pubs from this infernal machine before it destroys them all.

I welcome the conclusion by BIS that pubcos will overcharge tied tenants for rents unless they are prevented from doing so.

I am totally 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.

I too, like the GMB, 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.

"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

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one involving an unrealistically high free of tie rent."

I urge you to be in favour of free and open markets. This will enable the pub tenant to free to buy products at open market prices and a pay fair market rent for pub or stay tied to the pubco if that is better.

Yours sincerely,

Brian Simpson MEP for the North West of England.

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