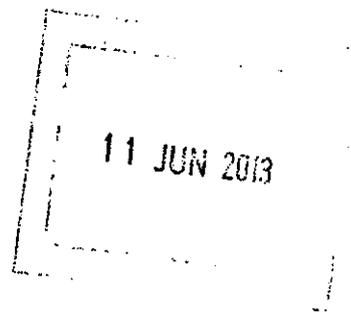


Pub

ADSDESIGN

Right Hon Dr Vince Cable
Secretary of State for Business, Innovation and Skills
Department of Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET



5th June 2013

Dear Sir,

Government Consultation Pub Companies and Tenants 2013

Please allow me to introduce myself; I am a Project Director representing ADS Design and Brand Development Limited, an Interior Design and Architectural Company working in the Leisure Industry.

With a deep heritage founded in the development of pub businesses ADS Design has a 20 year history and employs 12 people in delivering design innovation to a variety of leisure clients including many of the well-known pub companies. Indeed, some while ago, the natural progression of our business was to work in partnership with one of our clients (Punch Taverns) in the design and development of a leasehold pub business ourselves.. Whilst the challenges and opportunities of the design world have now led us in other directions our experience, I believe, well equips us to make comment with regard to both working for and with major pub chain operators.

Our continued experience in working generally within the leasehold pub sector has demonstrated to us the significant focus that pub companies now have on both lessee selection and the support given to them in developing and maintaining their business. The days of only being interested in rent are well gone. We have seen a rigorous approach in the selection and assistance in developing both business and the practical skills needed to operate in the very challenging environment that pubs deliver. The very last thing that pub companies need are failed businesses and, whilst clearly they have their own shareholders to satisfy, the best interests of pub companies are genuinely served by thriving pubs and certainly not boarded up failed businesses that have resulted from lessee exploitation. The very nature of leasehold pubs allows ambitious individuals to enter the sector without the huge capital backing that would be required to secure freehold opportunities. We have witnessed first-hand the variety of business arrangements that pub companies now offer individuals. This can range from experienced operators whose needs are maybe limited to an on-going relationship or the support of capital development, to newcomers to the industry with limited experience and capital who need assistance in both setting up a business and then managing it.

Clearly, pub companies are in business to make money themselves and any negotiations with potential "partners", as they are now referred to, will be robust and challenging. The question of the "tie" is part of this negotiation process and, from our own experience, was a matter that we jointly debated in establishing a maintainable rent that would be supplemented by the wholesale margin that the tie generated for our Landlord. Ultimately the decision was ours; the extent of the tie being finalised to best suit our business model and of course the option of not formalizing our agreement was always open, as it is to any lessee or tenant. It is always tempting to think of pubs as an institution rather than a business. Individuals always have the option of investing their energies in other directions if they are not happy with the terms they are ultimately offered by their Landlord. Indeed they can take the bold step of buying a free from tie freehold property if and when they are able or inclined to do so.

The removal or increased restriction of the tie would simply take away a vital negotiation tool and leave a rather black and white rent negotiation that, in our opinion, would lead to more failed businesses and certainly reduced opportunities for companies, such as ourselves, who rely on the on-going investment that pub companies make in supporting their "partners".

Yours faithfully,

Adrian Bawdon
Project Director