From: Dan Mackernan [DMackernan@DavisCofferLyons.Co.Uk]
Sent: 14 June 2013 18:29
To: Pubs Consultation Responses
Subject: Pub companies and tenants - A government consultation

Dear Sirs

I have responded by the online questionnaire, but I felt that I had to make the point about distinction between pub companies and breweries.

This proposed statutory code seems to be targeting pub companies mainly - ie Punch, Enterprise and Admiral Taverns. It may affect Trust Inns, but not Wellington which is a free of tie estate.

Yet the proposed Code will also encompass Marston's, Greene King and Heineken. These are brewers who use pubs – either managed or tenanted – as a retail shop to sell their products. They are not simply the middle man. Perhaps an option would be a free of tie on bottled beers.

Allowing a free of tie option would be disastrous to these breweries and I do not think is the aim of the Code, just like the wrong outcome of the Beer Orders which set up these pub companies.

Tied pubs do offer support to their tenants. If they are free of tie there will be no support – look at Wellington. Free of tie rents do not have an option either of rent reduction. Tied tenants can also have the same range as a free of tie tenant.

Wholesale prices go up yearly, partly because of the duty escalator and tax from Government. I acknowledge that the pub co may put up the rate above this margin which I do not agree with, but an independent wholesaler would put up his prices and transfer these to a free of tie tenant.

Tenancies currently usually have reviews every three years and leases 5 yearly. This is the norm in other industries including shops and offices, so I do not see the reason to change.

There needs to be great transparency, but not only from providing comparable evidence – which is very difficult because of the range of lease types, amount of tie, discount etc but transparency needs to also come form tenants.

The calculation is simple to convert from a tied rent to a free of tie rent: all you have to do is adjust the tied wet gross profit margins to free of tie margins. Adjustments would be made for benefits however; some of the larger companies are able to use their buying power to get discounts for their tenants eg insurance, sky charges etc.

regards

Daniel Mackernan
Associate Director

D 0207 299 0688 | F 0207 299 0710 | M
Davis Coffer Lyons | 52 Portland Place | London W1B 1NH | 0207 299 0700 | www.daviscofferlyons.co.uk