

Swinson

Pubs



Brownill Vickers

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3rd June 2013
Our Ref: LS

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

Received in
Central Drafting Unit

18 JUN 2013

Dear Dr Cable

Re: Consultation over Public House Tied Tenancies

I write with regard to your investigation into the tied tenancy public house system. I am a Chartered Surveyor and partner in the practice of Brownill Vickers who are valuers, surveyors and agents in all aspects of commercial property, but have a particularly strong link with the licensed trade. Indeed Brownill Vickers have been valuing and marketing public houses since 1884.

Brownill Vickers act for a broad range of clients including banks, receivers and administrators, breweries, pub companies as well as many private individuals. Clients include Punch Taverns, Admiral Inns and Enterprise Inns. We currently employ a workforce of 11 people.

In my opinion, and having observed and worked closely with many tied public houses over the last 15 years or so, the last thing the pub or brewing industry presently needs is further investigation by the government, who I would doubt have a full understanding of the tied system.

There are many reasons why businesses and public houses in particular are failing. I list below what I believe to be the most pertinent reasons.

- (a) High rates bills are stifling.
- (b) The spike in utility bills, which are significant for most public houses where light and heat are on perhaps 12-14 hours a day.
- (c) The smoking ban and general government drive to increase health of the individual, which, whilst welcome, does have an affect on the licensed trade.
- (d) Complete lack of government support for the licensed trade, dating back in my opinion 20 years. Various governments have always kicked the licensed trade on health grounds, anti-social behaviour and the like. There are few MP's who I actually see promote the licensed trade with even a simple message. The licensed trade at this time, like most businesses, is over regulated and certainly over taxed.

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- (e) The lifting of VAT to 20% allied to duty has snuffed out much of the trade as it has become so acute over the last ten years how much cheaper it is to buy alcohol at supermarkets than at any pub.
- (f) Changing habits; In some of the older industrialised areas people used to go to the pub several nights a week. Such visits are becoming rarer possibly due to the diminishing disposable income available to a large proportion of these patrons where the recession has hit hardest.

The list above is not definitive, but there should be no doubt that public houses and social clubs have been closing since I began work at Brownill Vickers. In Sheffield when I started work there were about 700 pubs and something in the order of 120 clubs of different types. These numbers are now significantly down and numbers are likely to reduce further. One of my fellow Partners attended the tenanted pub company summit last year (I believe you are due to speak at this year's event). I understand it was mentioned last year that for a pub to be viable, not subject to drive out trade etc, it needs a resident population of 3,500-5,000. On that basis there are many villages and towns across the country that are 'overpubbed'.

In my opinion the licensed trade market, in particular the tied market, has been correcting itself over the past 3-4 years out of necessity. Rents have fallen (as they have in other sectors of the property market) and the level of discount the tied landlord shares with the tenant has increased. The tied tenant within the last 18-24 months has had right of recourse to cheap arbitration via PIRRS (Professional Independent Rent Review) and non-rent issues via PECAS. These systems are starting to work well. Thus the Government interest in this sector seems extraordinarily late. The British Institute of Innkeeping and the FLVA do not support any fundamental change to the tied system. Tenants do not enter into these agreements under duress, but generally because the entry costs are significantly less than other options.

If the government really wanted to help the licensed trade it would do well to tackle the supermarkets and alcohol discounters. In my opinion, at this point in time, business rates and VAT are the biggest hindrance to public houses, not the tied system.

Kind regards

Yours sincerely

BROWNILL VICKERS

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