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Pub Consultation
 Consumer & Competition Policy
 Department for Business, Innovation & Skills
 3rd Floor, Orchard 2
 1 Victoria Street
 London
 SW1H 0ET

Punch_240513_asj

03 June 2013

Dear Sir

RE: Government Consultation: Pub Companies & Tenants

We are writing to comment on the consultation document: Pub Companies & Tenants.

Design Management Partnership Ltd are a firm of Architects, Interior Designers & Project Managers who have worked consistently in the pub & leisure field over a period of twenty years. We have experience working for both the managed house companies such as Mitchells & Butlers & Greene King & also the pub operating companies such as Punch Taverns Ltd & Enterprise Inns.

We have over this period witnessed the demise of the pub business; this was first triggered with the regulation of the number of pubs any one brew operating company could own & then exacerbated disastrously through the smoking ban legislation, to a point where the pub business, both managed & tenanted has been in serious decline.

For any pub business to survive it is our view that the industry needs as much flexibility & minimal regulation to encourage & create the right environment to allow the pub owning companies & their tenants good flexible growth potential.

Having worked closely with Punch Taverns Ltd over this period we have seen major changes in the relationship between the landlord & tenant which has ensured that the tenant is supported & given the best opportunity to grow their business in what at present are very challenging social & economic times.

If a mandatory free of tie code was forced on the industry we can see no incentive for companies such as Punch Taverns or Enterprise Inns to invest in the upgrading of their building stock & helping to financially develop their tenants business. Punch Taverns do operate a free of tie cost model if the tenant wishes to go down that route, but this then requires the tenant to pay the full value of the commercial rent.

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This type of operating/cost model is not new, but should be transparent enough for both landlord & tenant to realise that to fund enhancements to the business, the tenant has to be prepared to accept an increase in either rent or beer prices or a combination of both. On the landlords side it is important the tenant is provided with help & support to grow their business.

Our experience is that Punch Taverns have over the last five years invested significantly across their whole estate for the benefit of their tenants & shareholders. In the run up to the World Cup in 2010 Punch Taverns invested significantly in hundreds of their pubs across the country in a project called Investment for Growth, which involved small, fast track refurbishment projects giving the pub an uplift in appearance with no impact on the tenants rent to try & give them the best opportunity to grow the business over what was anticipated as a busy summer. More recently we have seen Punch Taverns employing marketing managers to advise their tenants on how to best market their operations & also providing professional stock takers & financial advisers to ensure business plans are achievable.

The pub business is facing challenging times from the smoking ban, the availability of discounted alcohol from the large super market chains, along with a regular uplift in the beer duty & significant increases in fixed utilities costs. This is compounded by an on going economic climate where people are less likely to go to the pub.

In our view any legislation which tries to enforce more rules & regulations regarding free of tie on pub operating companies will reduce investment opportunities & add to the demise of the pub business.

Yours sincerely

ANDREW SKINNER
Director

Cc
Jenny Willot MP

