

Pubs Consultation
 Consumer and Competition Policy
 Dept for Business, Innovation and Skills
 3rd floor, Orchard 2
 1 Victoria Street
 WESTMINSTER
 SW1H 0ET

8th June 2013

Dear Sirs

I am writing to express my concern at the way the pubs consultation appears to be being dominated by the verifications vested interest groups without damaging the good relationship between pub companies and licensees, whilst the voice of the non-political, hard working publican is being drowned out and ignored. As an employee of Admiral Taverns - one of the pub companies being portrayed as damaging the UK pub trade - and having worked in and around pubs for nearly 40 years, I would like to attempt to give some balance by offering my views backed up with facts, not rhetoric.

The consultation asks if a statutory code be introduced to govern the pub company / tenant relationship, replacing the current voluntary code and independent adjudicators PICA and PIRRS for rent disputes. The consultation suggests this is a heavy even of unbalanced requires government action. At Admiral Taverns we have never had a rent referred to PIRRS or to legal settlement. We have never had any other licensee complaint referred to PICA. ~~It~~ I believe this is a result of our fair rents and strong relationships with our licensees. We operate lower rent schemes in a similar way to many regional breweries where we undertake most of the property repair obligations, ~~and~~ thus reducing the risk to the tenant. Not having any referrals to PIRRS or PICA under the current voluntary code suggests that we have nothing to fear from the introduction of a statutory code, provided it is fair and built upon the principles within the existing voluntary code.

Introducing a statutory code will inevitably be costly and will lead to added bureaucracy as civil servants with little or no experience of the pub industry will be responsible for applying the new code. This extra cost, added bureaucracy and inevitable confusion and frustration that will ensue will do nothing to benefit an already hard pressed publican. The

current self-regulatory code is backed up by PIRRS and PIRAS, both of which are staffed by independent industry experts who hold pub companies accountable and take action where appropriate. The governing body that oversees both PIRRS and PIRAS has a majority representation of licensee representative bodies such as the BII and FLVA. So if self-regulation, overseen by licensee representative bodies is demonstrating it's worth on a regular basis, why is this not given more time to be developed? It seems the consultation is set up to create a statutory framework that will lead to increased cost, red tape, bureaucracy and frustration without making any positive steps from the existing self-governing system.

The consultation proposes an exemption for those pub companies with less than 500 pubs on the basis that these businesses are less able to cope with added bureaucracy and that they have historically had less complaints and referrals against them. Recognising that statutory regulation will result in added red tape is a welcome admission but the logic that smaller companies get less complaints is staggeringly obvious. By the simple principle of proportionality having fewer pubs should lead to fewer referrals. What this arbitrary threshold of 500 pubs does not recognise is the quality of the relationship the pub company has with its licensees, regardless of the number of pubs involved.

Admiral Taverns is a classic example. We have over 1000 pubs and so under the proposal would be subject to a statutory code; and yet we have not had a single complaint referred to PIRAS or PIRRS and in a recent (January 2013) survey undertaken by HIM ~~etc~~ - an independent professional market research company - of ~~over~~ a sample of over 200 of our pubs, 3 out of 4 licensees said they would recommend someone like a brewery with Admiral. With this level of endorsement why would we need to be subject to a statutory code?

The consultation asks if a statutory code should be based upon a fundamental principle of fair and lawful dealing. We agree, we work this way now, there is no need to have this in a statutory code, it is a basic prerequisite of all we do. The code also asks if a fixed deposit should be no more of than a fixed fee license. The fee should not be fixed, it is always to offer a lower fixed cost and encourages the pub company to invest and support licensees so that they can grow their business and the benefits can be fairly shared. ~~At Admiral~~ At Admiral we achieve this by having experienced people on the ground who are able to be flexible on a number of areas

including beer discounts, capital expenditure, rent concessions, etc. We can offer this flexibility because of our experience and being in touch with the needs of our licensees. If a stockbroker was introduced I doubt a civil servant with no prior knowledge of the pub industry and how the pub company / licensee relationship works would be as adept at being able to apply flexibility. I feel to see how a civil servant applying an arbitrary mathematical formula can be a better solution than an experienced pub company person being able to apply a host of flexible alternatives to support a licensee's particular business.

The consultation asks if tenants should have the right to go free of the estate review or agreement change. I believe the government is aware of the unintended consequences this proposal could result in. The BPA has worked with a group of independent economists to see what should this option be taken by many licensees the result would be to destroy the buying power of the pub companies and leave many thousands of pubs as unviable from the owner's perspective. This would result in pub sales and we know that typically 50% of pubs sold cease to trade and are bought by developers for alternative use. The result would be the loss of many thousands of pubs.

For those viable pubs left, pub companies are likely to move from being free of the estate which would see increased fixed costs. Independent pub companies would be free of the, though without the consolidated purchasing strength of pub companies they would end up paying more for their beers with the bulk of the value being transferred to the leading national brewers. Free of the benefits of the estate, the consequences of this proposal would be the loss of thousands of pubs. The tie is a way for pub companies to offer low fixed costs with the tenant being able to enjoy the fruits of developing their business. It is worth noting that the Office of Fair Trading and the European Commission have both reviewed the tie and declared it fair and lawful. Attempting to remove it would cause huge damage and is unnecessary.

Admiral Tonnens is a fair and highly regulated pub business. Independent research shows that we are liked and trusted by the majority of our licensees and it is a fact that we have had no requests to either PICS or PICAS.


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we have fair rents across our estate - on average 8.6% of licensee turnover - well below the levels of many other pub companies. Our model includes a flexible tie that makes many pubs that would otherwise be unviable a viable opportunity for success. We believe in partnership that motivates licensees to give their business and share in the success. We support our licensees, £7m annually in capital investment, the tie allows us to do this. Our best pricing is fair. The recent duty decision was passed on to our licensees in full and our annual price increases are sub inflation and below the levels suppliers and brewers suggest.

In short, the proposed statutory regulation is unwelcomed and unnecessary. It should not apply to Admiral Towns and the unintended consequences of such proposals will be damaging to pubs across the country.

Self-regulation is working. RCAs and RRs are making judgements that are being applied and adhered to by all parties. Statutory regulation is not needed within Admiral Towns and I urge you to study the facts, ignore the rhetoric and vocal vested-interest minority groups. The consequences of a poorly thought-through outcome will be damaging to everyone in the pub trade.

Yours sincerely



Admiral Towns Ltd