

Business Development Manager
Shepherd Neame Brewery

I have been a BDM with Shepherd Neame for a year and I have previously worked in the Hospitality Business for · years as a tenant for Vaux, a manager, area manager and BDM for various Whitbread brands and a BDM for Enterprise Inns. I have also worked for an independent micro brewery managing a small group of pubs including a Punch lease and have been self employed as a business transfer agent specialising in the sale of leased pubs. As such I believe I have an in depth knowledge of the tied pub co model and my opinions of the business have validity in the governments consultation process.

Q1 I do not believe a statutory code will achieve the stated objective of a healthy, thriving & diverse pub sector as the government is legislating in a commercial field which has recognised healthy competition between numerous pub operators. The Government needs to take greater regard of the history of how the major pub companies came into existence through the beer orders act and be aware that Government interference in a commercial market will only allow other vested interests such as Multi National Brewers to fill the vacuum that would inevitably be left by the diminution of influence and spending power of the major pub operators.

Q2/3 & 4 N/A

Q5 The current proposals in the consultation document will make the majority of Pub Companies financially unviable as the significant reduction in income would reduce share holder return to such low levels that no further investment in the business would be forth coming. The document also takes no account of the cost of owning a freehold not least of which is the cost of the capital purchase on which all companies are bound to achieve a return on capital invested. It also takes no account of the on cost of owning freehold property in terms of maintenance and depreciation of asset if the business is not run correctly.

Q6 Self regulation of any commercial business in a free economy is a given. If the business proposition put forward by a business is commercially unviable it will inevitably fail. This is as true for Pub Companies as for tenants. The document states 70% of current tenants would re sign their agreements which suggest that 30% of tenants would not on current terms or are failing. During the most severe recession of the modern age the failure rate in pubs is no worse than for all small businesses in fact with the support tenants receive in the early part of their business from pub companies pub businesses are more likely to succeed than small businesses with no support.

Q7i all business dealings should be fair and lawful. I believe the law already covers this

Q7ii No worse off than if free of tie needs to include the fact the margin gains a tenant could make would only be achievable by accepting offers from multi nationals, small micro breweries would not offer small volume pubs significant discounts. Additionally if the profit from the tie is removed all repairing responsibilities would lie with the tenant with the result any significant repair costs would cause the business to fail.

Q8i A open market currently prevails and as in any business you can choose to move from one to another. All the pub companies are vying for the best and most successful operators and will work hard to keep their best operators.

Q8ii The parallel rent model has to include the free market rent of the building as a commercial property which is a reflection of the value of the freehold asset. If a pub business is unsustainable at the required rate of return then the Government must accept that the property needs to be de licensed and operated or developed accordingly.

Q8iii The gaming machine tie is just another income stream that contributes to the capital return on investment, should this be removed it would only lead to increased rent.

Q8iv Guest beer provision would not achieve the aims particularly of Camra. The majority by far of tenants would purchase on price inevitably from the National Brewers at a stroke reducing choice. Additionally pubs tied to brewers would buy their current best selling beer free of tie there by not increasing choice just reducing the brewer's margin and ability to invest.

Qv Flow monitoring equipment is undoubtedly accurate as it is also used in petrol stations and other industries. Why would it not be used, to say the pub business has managed for hundreds of years without it is like saying cricket and tennis managed without hawkeye. Taking unfairness out of the business is good for tenants who purchase within their agreement and are not left competing at a disadvantage to a tenant who is deliberately breaching their agreement. The same arguments could equally apply to SKY costs and the use of illegally supplied SKY.

Q9/ 10 & 11 N/A

Q12 Allow the current market forces at work to bring about the stated objectives

Q13 – 17 N/A

Finally I would like to say I find the consultation documents position that BDMs do not add value to the business extremely disrespectful to myself and my colleagues who have many years experience of helping tenants run successful businesses.