

From: [REDACTED]
Sent: 13 June 2013 17:41
To: ' [REDACTED] .mp@parliament.uk'
Cc: 'enquiry.enquiry@bis.gsi.gov.uk'
Subject: Letter ref BIS Committee on Pubco Regulation

Dear Mr Boles,

Please find enclosed a letter outlining some concerns I have regarding the current BIS Consultation. I feel that whilst the consultation clearly needs to take its course, I am worried by the lack of objectivity stemming from the leading protagonists and that the potential consequences appear to be not thought through from what I am reading. This may have implications for me as a constituent, but more importantly if the worst proposals are incorporated, will lead to further deterioration in the UK public house estate as opposed to what is intended.

I do hope you find this of use in the debate. I would be very willing to discuss further if you feel this appropriate.

Kind regards

13/06/2013

Mr. I MP /
House of Commons
London
SW1A 0AA

Dear /

I am writing to you as a concerned constituent and employee of Enterprise Inns PLC with regard to the BISC consultation on PubCo regulation and a statutory code.

I have worked in the food and beverage industry for over 25 years, in the UK and internationally and recently joined Enterprise having seen a great opportunity to operate over 750 Pubs within /

My experience is extensive at a senior level in both franchisor and franchised organisations and over a decade operating one of the biggest managed pub companies in the UK, but this is my first role within the leased and tenanted sector.

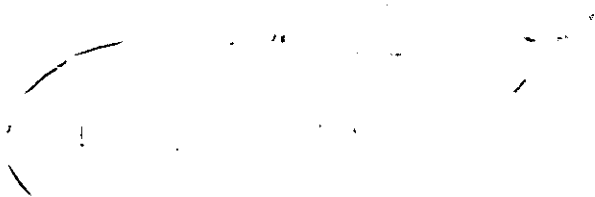
I will try to keep my observations succinct and to the point, but would be very happy to meet and discuss these in more detail and even to demonstrate the workings of the so-called 'Evil Empire' should you adopt the position of several MPs not least Messrs.' Cable & Mulholland.

- I am shocked at the naiveté of some senior MPs and their misreading of the challenges facing the pub sector.
- Social change, the smoking ban (which I support), the duty escalator (now partially rescinded), inequitable VAT treatment of prepared meals, and cheap supermarket alcohol are the main contributors to headwinds facing the industry which have seen significant closures over the past 5 years in particular.
- The positioning on leading commentators in the Committee seeks to ensure that Publicans are no worse off under a lease than and operator of a free house, a laudable aim, if it made any commercial sense. Why the government is seeking to spend parliamentary time in this when it is clear on examination of the facts that self-regulation already has significant traction in the industry is beyond me, the leased and tenanted model allows publicans to get into the market at a fraction of the cost of buying a freehold and if this model is made untenable, then some of our best entrepreneurs who have been a driving force for change in the industry will be excluded, at precisely the time when SME funding is scarce – this will not improve the UK pub estate and in fact it will deteriorate further.

- There will be raft of other unintended consequences which I do not believe the committee is giving due consideration to, and I hope that the consultation bears these out, namely:
 - Free of Tie leases are considerably more expensive then tied leases. Anyone looking at high street shop closures, inflexibility of commercial rent deals and distress in the commercial lease market should weigh this against Pub Companies which in my initial experience have leveraged an enormous amount of commercial support from rent reductions, reductions on cost of goods and use of buying power to generate reduced cost of utilities, right through to weekly rent payments, softening of credit terms at risk and cost to the business to assist cash flow and I could go on. I have not even mentioned the considerable marketing and training support made available which is extensive and either free or much cheaper than any individual operator could source alone.
 - *If the outcome of this process exposes leased operators to the full market cost of freehold rents the pub closures will definitely speed up I can assure you.*
 - The idea that it is in the Pub companies interest to churn publicans, or have distressed operators is a nonsense. Only brilliant retail skills survive the heat of the market competition today, and I have not met one new colleague who's not committed to the cause. I have so far visited around 100 pubs in the region I now manage and whilst there is business distress, it is sometimes the changes mentioned previously or the heat of competition, but since when does the Government seek to challenge established commercial agreements which are working for the vast majority because of misleading facts presented by well-meaning people and a minority of publicans who are suffering hardship. What next, will the government step in to regulate high street landlords when a retailer cannot pay the bills?
 - Consumer service and the development of the retail offer in whatever industry has always been a Darwinian evolution, and some of the emotive statements on Pub closures and change of use of premises miss this obvious point. All food and beverage operators review their portfolio of sites regularly and I have not met anyone who sees a pub closure as success – these are always painful but necessary commercial decisions. Growth in income for Enterprise Inns can only come with successful partnerships and an adversarial relationship with Publicans will only serve to detract from the business.
 - Many of my leaseholders and tenants are operating at the leading edge of Pub retailing and are adapting to the market with great success, and I am not seeing this balance in the debate. I would willingly show you around some very successful operations and also those in distress and leave you to make you own mind up as to the source of the problems. From my own experience operating Pubs I know commercially what success can look like, and some of our Pubs under trade which is a quality problem in many ways, but getting the Publicans to 'move with the times' is not always as simple as you would like – these necessary commercial changes are the lifeblood of any successful pub, and fault for failure to adapt cannot be leveled the Pub company. The saddest thing I see is that this translates into a tirade against commercial terms which Enterprise through its code of practice goes to great lengths to stress test prior to any formal agreement (no operator would get this approach from a commercial landlord), and some operators believe that the rent or the price of beer is at the heart of their problem – This is not the case in my experience.

Thank you for taking the time in your busy schedule to read this, I have tried to be as brief as possible. If the Government is serious about supporting Pubs, then the route to success and generation of youth employment as well as growth in receipts to the exchequer would be to fully abandon the duty escalator and in my view adopt the approach that many of our European competitors have on VAT. To try and regulate commercial agreements in the way that is being proposed will have enormous detrimental consequences and the opposite effect.

Sincerely

A handwritten signature in black ink, appearing to be 'J. J. J.', written in a cursive style.

CC BIS Enquiry.