

From:
Sent: 11 June 2013 15:04
To: Enquiry Enquiry (Other Government Departments)
Subject: BIS consultation

Dear Dr Vince Cable MP

I write to you not only as a constituent within the local area of Sheffield where I reside, but also an employee as a [redacted] of [redacted] years with the Pub Company, Enterprise Inns Plc. I am proud of who I am the job I do and indeed the company I work for.

You will no doubt be aware that for years the leased and tenanted model has been the subject of numerous enquiries resulting in the model being seen as perfectly acceptable – granted with some change and recommendations.

I would like if I may take a few minutes of your time to illustrate just exactly the benefits of having a pub and the ill thought consequences of the BIS proposals:

- The leased and tenanted model is a fantastic way of offering a low cost entry into running your own pub.
- For many years I have supported some fantastic publicans taking on the challenge of becoming very successful in their own business, i.e. [redacted] of the Royal Oak [redacted] of the Duke of York [redacted], [redacted] of the [redacted] and [redacted] of the Royal Oak [redacted] to name but a few.
- You will be aware of the public sector threats and private sector redundancies in our constituency and running a pub as a self-employed publican is a perfect opportunity to enjoy a good living and support the local community at the same time. Hard work yes, but this is the nature of our industry.

If the BIS proposals were successful, I believe they would:

- Completely ignore OFT reports published in 2009 and 2010, which concluded that competition in the industry is benefiting consumers and prevents the beer tie from being used to inflate pub beer prices beyond competitive levels.
- Its proposals are contrary to government policy on deregulation and a complete u- turn from statements made by BIS just twelve months ago.
- It proposes a very simplistic and unworkable rental calculation formula which may well not comply with RICS guidance and includes the establishment of an adjudicator to hear disputes, adding a further layer of cost and red tape to the industry.
- The Voluntary Industry Framework Code, embodied into our Code of Practice, is working well and provides an effective rent review procedure (PIRRS) and complaints process (Picas). I would be happy to meet and discuss this further with you.
- If endorsed, their proposals could lead to a whole raft of unintended consequences, such as pub and brewery closures, lack of investment, reduction in consumer choice, job losses, a fall in tax revenues and potentially the end of a great system which offers a low-cost, lower risk business opportunity for aspiring publicans, fully supported by our skills and resources. There would be no stimulus for the Pub Companies to support and invest.

As a _____, I have worked hard to support Publicans in _____ and more recently around _____ and the _____. I can now see signs of recovery indeed confidence returning to our Publican's business in these difficult times where the smoking ban has been followed by the recession, cheap alcohol prices in supermarkets, changing social trends and four wet summers in a row, and with the Treasury tax rise by 19% in four years to £1 in every £3 taken across the bar.

Our income per pub has fallen by 12% as we have offered rent reductions and increased discounts to help and assist our Publicans.

There is nothing more financially costly to a Pubco than the failure of a tenant. This invariably involves:

- The decline of income from a pub while the tenant is failing
- The non-receipt of tenant debt
- Often a period of pub closure once failure has happened – which means no income for the Pubco
- and in fact it's a negative 'double-whammy', because as well as a lack of income a closed pub will require security costs and other overhead whilst closed
- usually a temporary tenant is then found to re-open the pub which will involve a period of sub-optimal profit for the Pubco as the business builds itself back-up

I outline the above, not to solicit sympathy for the big Pubco, but simply to point out that Enterprise Inns needs as many of its Publicans to succeed as possible. Tenant failure has devastating financial effects for both the tenant and Enterprise Inns and that is why Enterprise Inns (and other Pubco's too) will spend £millions each year, granting financial support to struggling tenants (reducing rents and granting larger beer discounts). Such financial support, as provided by the Pubco's, is non-contractual and discretionary; it represents our proximity to our tenants' pub businesses and our desire to see them succeed. Such financial support and flexibility is rarely seen in the world of commercial lets and bank finance, whereby many more Publicans would fail. We will also invest Millions of Pounds of capital in the current financial year improving the physical condition and amenities of my pubs. Much of this investment will be directed at marginal pubs and struggling Publicans, demanding no rental increase, and is done in order to provide a better chance of sustainable Publican success. This is risky investment, and would almost certainly not be undertaken outside of the Pubco business model, as the incentive to do so wouldn't exist.

There are some fantastic pubs in our constituency that are now in real threat if these proposals go ahead. I would be grateful if you would consider my thoughts and if you would like to visit any of our Publicans to observe our commitment first hand, please let me know and I would be delighted to show you round.

Thank you for your commitment in our constituency.

Yours sincerely
Enterprise Inns plc.