

Vince Cable, MP
 BIS Committee, Pubs Consultation
 Consumer and Competition Policy
 Department of Business, Innovation and Skills
 3rd Floor, Orchard 2
 1 Victoria Street
 Westminster
 LONDON SW1H 0ET

June 12th 2013

Dear Mr Cable,

I am writing to you in my capacity as Publican for Enterprise Inns (ETI) in response to the call for comments for the proposed statutory code of regulation. Please note that this is formed on personal experiences working at Enterprise Inns and is purely my opinion based on what I have seen and heard since my employment with ETI.

Prior to working with Enterprise Inns I was a Development Surveyor with no prior experience of the pub industry, and totally oblivious to the Code of Practice and other pub regulation, so it has come as a great surprise to me, after seeing the tangible benefits that ETI and other Pub Companies are able to provide, to see that there is a growing storm of perceived discontent and maltreatment to the Publicans that operate on a tied basis.

You may 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 the benefits of having a pub and the unintended 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. If this was operated as a free house the potential Publicans would need to find circa £200-300k to purchase the freehold, stock and other essential elements for trading.
- For the limited amount of time that I have worked for ETI I have already spent circa £2.9m on capital expenditure in improving the pub division. This has included numerous repairs, refurbishments, Health & Safety projects that would have been Publican's responsibility if ETI weren't prepared to invest such significant sums in to their real estate.
- It is also very important to note that significant amounts of this spend has been on pubs that we don't have a contractual commitment to complete the work i.e. these were Publican responsibility and we have used our discretion to invest in their property. This benefit can't be overstated, as a free of tie Publican wouldn't receive any property repairs from ETI: it would always be their responsibility, and as I'm sure you can imagine, property repairs can be very expensive and potentially cost prohibitive for a lot of the Publicans.
- As an example for the above it is not unusual for a disturbed asbestos removal project to be circa £10k or a new fire alarm (FA), emergency lighting (EL) and

general fire protection project to also be circa £10k. As these can be frequently combined and neither of these can be ignored, for either H&S reasons or statutory reasons (as you will probably know the Fire Service can force closure of a pub if there is a need for FA & EL), this would be a considerable issue for the cashflow of a free of tie pub: for a tied Publican, ETI would either complete the works as it is our responsibility, or possibly provide a discretionary capital expenditure project to help the Publican through a very difficult period for their cashflow. This is just a single example and there are many other possibilities.

- As a Surveyor I will always focus on the property benefits, but this is by no means all that ETI provides to our Publicans. There is also a huge amount of rent concessions and larger beer discounts, both of which are discretionary, that we provide to further help the tied Publican: if times get tough for a free of tie operator they will not have this room to manoeuvre and will have very limited options to resolve their issues.

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).
- 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 either in property repairs or the ongoing wide-ranging business support for the Publicans.

I really hope that the comments and examples listed above go some way to showing that ETI is genuinely trying to look after the Publicans that occupy our pubs. It is evidenced above that a failing pub is a disaster for both Publican and ETI, and we will continue to refine and improve our solutions to Publican minimise potential failures, but these benefits can only happen within the tied business model.

A move towards free of tie business models, whilst on face value seeming to be a more attractive financial solution for Publicans, assuming that they have got the available capital to spend on the pub, will in time prove to be an ill-considered knee jerk reaction to an issue that has had, and will continue to receive, serious consideration and resolutions from ETI.

Yours sincerely

Divisional Property Manager