

Pub Companies and Tenants A Government Response

Response from

I am responding to the Consultation on a personal basis, but am aware of and wholly endorse the responses submitted by BBPA, IFBB and Consequently, my response will be relatively brief.

1. **Background:** I am a Chartered Surveyor and Fellow of the British Institute of Inn Keeping and have worked for a Brewery - – since 1978. This, perhaps, gives me a longer time perspective than those responsible for the Consultation. I work for a Brewery that operates a traditional tied tenanted estate and not a pub company, and have worked on the tenanted side of the business since I started in 1978.
2. **The Consultation:** I am disappointed that the Consultation lacks intellectual rigour. It is littered with value judgements, persuasive definitions and uncorroborated assertions, ie:
 - "Through large unjustified rent increases" – there is no evidence presented for this assertion. Indeed, evidence provided in the responses above, points to flat or declining rents.
 - "The tie gives an additional route of abuse" – where is the proof of abuse? It is certainly not in the reference to calls made to the BII hotline, erroneously referred to as complaints.
 - "Too many tenants continue to be badly treated" – the Government may "have said this previously", but I rather doubt that this statement is evidence based.
 - "There are also several other people ... who act independently and estimate they receive over 10 cases a week, that directly relate to the 'Pubco model'" – this is imprecise and anecdotal. It is also clearly incorrect, ie:

$12 \text{ (several)} \times 12 \text{ (over ten)} \times 52 = 7,488 \text{ cases of alleged abuse}$

It is extraordinary that the Government should be seeking to institute radical and catastrophic reform on the basis of "evidence", which is so clearly fallacious.

- "We are all familiar with well managed, popular pubs in our constituencies being driven to the wall by, frankly, exploitative financial practices" – I, for one, am not and the use of such emotive language is disappointing in this context.
- "The model of the tied public house has been part of the British pub industry since at least the 18th Century and for the majority of that time modern flow monitoring equipment has not been available. It is therefore clearly possible to operate a tied estate and to enforce the tie without the use of flow monitoring equipment" – this is an extraordinary statement. Would the Government wish us to revert to horse drays, discard modern till systems and abolish the sale of lager?

3. **An Historical Perspective:** When I started to work in the tenanted sector, pubs were somewhat limited in their offer. They tended to be basic establishments, with a male dominated customer base, a limited beer range (mild/bitter/keg ale) and very limited food offer (packet of crisps, with pickled eggs). Toilets were outside and families confined to a featureless "children's room".

Over the ensuing thirty-five years, pubs have evolved and adapted to social and market trends; pubs have become more differentiated and offer a wide range of facilities, whether they be cask ale shrines, house award winning restaurants, provide up market letting rooms or offer family friendly facilities and landscaped gardens. Pubs are inclusive and a major asset for society as a whole.

This change reflects the huge investment made by landlords to ensure that their licensed estates remain competitive within an increasingly competitive market. This is the reality rather than Dr Cable's statement "... through a combination of unfair practices, lack of transparency and a focus on short-termism at the expense of the long term sustainability of the sector".

4. **Parallel Rent Assessments:** The Consultation suggests a system of parallel "tied" and "free of tie" rent assessments. As a Chartered Surveyor, I would submit that this is an impossible task within the context of traditional tied tenants. Firstly, there is no reference point as there are no free of tie tenancies, where the landlord bears the property risk. The use of comparables lies at the heart of valuation methodology and this would not be available. Secondly, there would need to be a theoretical adjustment to take into account differing levels of risk and capital investment. Thirdly, there would have to be subjective judgement on the level of SCORFA benefits for individual pubs and how expenditure should be smoothed over the available life of the tenancy.

Under no circumstances would "transparency" be an output of this process. Given that the Consultation anticipates the "Adjudicator" dealing with individual rent reviews, the likely outcome would be a hugely inefficient, dysfunctional system, which would not result in the resolution of "... disputes in a short period of time".

5. **Consequences:** When a previous Government implemented the "Beer Orders" it entirely failed to consider the consequences of this legislation, which directly resulted in the loss of British national brewers. In place of Bass, Courage, Scottish & Newcastle and Whitbread, we now have Heineken, Molson Coors and Carlsberg. This legislation also created the large Pubcos, which the current Government is trying to curtail.

If the Government persists in enforcing measures, such as abolition of AWP tie, mandatory provision of guest beer and mandatory free of tie option, then I have no doubt that:

- Family/Regional Brewers will close
- Smaller community based pubs will disappear
- Investment in public houses will fall
- Jobs will be lost
- A unique British business relationship – the Tied Traditional Tenancy – will be lost forever

It most certainly will not "safeguard the long term stability and sustainability of the industry".

6. On a purely personal note, I take great exception to sweeping statements throughout the Consultation, regarding the conduct of landlord employees, with references to "abuse", "exploitative financial practices", "unfair practices", "lack of transparency", "rent increases without justification", "misleading estimates of potential sales" and "tenants continue to be badly treated". These allegations, so far as I am concerned, are without foundation and no evidence has been produced to support them.