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Date: 13<sup>th</sup> June 2013

Dr Vince Cable MP  
Secretary of State Department of Business Innovation and Skills  
1 Victoria Street  
London  
SW1H 0ET

By Post and e-mail

Dear Dr Cable,

**Re: Pub Companies and Tenants – A Government Consultation**

I am currently an employee of Enterprise Inns Plc. working within the Property Department as a Partnership Contracts Manager. Prior to this I was employed by [redacted] and as such I have gained over 10 years' experience in the operation of the Tenanted and Leased Pubs by Pub Companies. I was therefore more than a little surprised at the description of the operation by Enterprise Inns and other Leased and tenanted pub companies, set out in your foreword to the consultation document.

The use of terms such as "*exploitative financial practices driving publicans to the wall*" and "*Tenants being exploited*" do not match my personal experience at either Enterprise Inns or any other pub companies. I have read through the Consultation document looking for evidence to support these claims, I can only assume it is based on the feedback from the BII complaints hotline. If indeed this is the case I am not surprised that the bulk of calls refer to Enterprise Inns and Punch Taverns, as we operate majority of the Leased and Tenanted pubs in the UK. Marsdon and Greene King operate a mixture of Tenanted and Managed sites. I think it would have been helpful if a little more information on the background to your statements had been provided to substantiate your comments. Are you aware how many of the complaints were subsequently substantiated?

My concern is the proposals as set out in the Consultation document if fully implemented would not be reduce the rate of pub closure but increase the decline in Pub numbers in the UK may have the opposite effect.

If the intention is to make tied tenant no worse off than the free of tie tenant I think the document fails to address the fundamental advantage of the tied model over the free of tie model, in that it is in the interest of both the Pub Company and the publican to increase profitability through volume. As a company I genuinely believe we support our publicans as it is in our best interest that they are successful. The Short term approach you seem to suggest we operate under, could only lead to closed sites and therefore a decline in volume and profitability.

As an example of the support we provide to our tied tenants, we have a Property budget of £60 million pounds this financial year which we have and will continue to invest into the Property Estate to support our publicans. In my current role as I am currently managing a National Redecorations Program which commenced in September 2013, the intention being to decorate 1000 sites by October 2013. We are not only decorating sites where responsibility lies with enterprise inns but also sites on Leases where responsibility lies with the publican. We undertake these works to support our publicans by driving up sales and thereby increasing the profitability and sustainability of their businesses. If the estate was free of tie and purely driven by rent I doubt we would be undertaking this investment, particularly in the Leased Estate where rent would be calculated by fair maintainable trade for a site in good condition with an average operator.

In the example given above we are providing employment to the construction industry, at the time of writing this letter there are 89 "gangs" of decorators on site, this is at a time when the construction industry is struggling this is providing employment to 400 site operatives. This is just one work stream, as a company we contribute £50 million per annum to the construction industry. I believe a move to free of tie or the removal of any means of policing the tie by removal of flo-monitoring equipment and increased and in my opinion unnecessary statutory regulation would greatly reduce or remove financial support to our publicans and the construction industry.

In my opinion the danger of moving to rent only agreements or making it unprofitable to operate a tied Pub Company, would lead pub companies to look upon themselves not as pub companies but Property Companies and rather than look at open market Pub rents look at open market property rents. They may well come to the conclusion that the Dog & Duck PH may well generate a better return as a "Starbucks" coffee shop who of course, unlike Enterprise Inns or our Publicans don't pay there full UK taxes.

I would ask that you consider the effect of the proposed changes which may well have the unintended effect of increasing pub closure and impacting on the already struggling construction industry.

Yours sincerely  
Enterprise Inns plc

cc.

MP

Enterprise Inns Plc.