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8th June 2013

Vince Cable
Department of Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Dear Dr Cable,

Re: Consultation – Pub Companies & Tenants

I am employed by Enterprise Inns, a Company that I joined on

I have watched with increasing dismay as various Select Committees and now your Department has painted a picture of Enterprise that bears no resemblance to the organisation and industry that I care deeply about.

This clear misrepresentation caused me to submit a letter to Adrian Bailey in July 2011 as evidence to his investigation (copy attached). Having re-read this while preparing to write to you setting out my personal opinion on these issues, I stand by all the comments I made nearly 2 years ago.

Having listened to the various Select Committee evidence sessions I was shocked by the behaviour of some MPs. It was clear that some members of the Committee had no interest in the evidence presented, choosing instead to hide behind Parliamentary Privilege and engage in "sound bite politics" making absurd and unjustified claims about Enterprise and others.

Turning to the current Consultation Document issued by your department I believe this document is at best misleading and is completely bereft of evidence to suggest that Government interference is necessary.

Examining the section "Why is Government Considering Action?" I would comment as follows:-

- **Paragraph 3.1**

I have already highlighted the Select Committee failure to consider the actual evidence and the behaviour of some MPs. This brings the whole process into disrepute and I would question how much reliance should be placed on these clearly biased opinions.

14 JUN 2013

Received in
Central Draining Unit
17 JUN 2013

- **Paragraph 3.2**

In my opinion it is nonsense to suggest that “..the self-regulatory approach has not been sufficiently far-reaching. There has been a lack of necessary culture change within the industry, with no concerted long-term effort made to inform tenants of their rights..”

Having worked within the industry for , we have moved from a position where potential Publicans would make rent bids for pubs, on fully tied agreements with no discounts or product choice, and the highest bidder would win, to a situation where we disclose a vast amount of information about property condition, price lists, discounts options, tie release fees and rents. We advise prospective Publicans to take independent property, financial and legal advice and require the applicant to prepare a full business plan (approved by a qualified trade accountant) to confirm the business opportunity before we begin negotiations!

Every Enterprise Publican has received a copy of our Code of Practice and the current version and many supporting documents are always available on our website.

- **Paragraph 3.3**

Were it not so serious this would indeed be laughable! I quote from the Consultation Document, “The British Institute of Innkeepers has received over four hundred complaints on its hotline over the past three years. Some of these complaints were on other issues, but the vast majority were about pub-owning companies with large numbers of tied pubs.”

In reality in the 4 years to 2012 the BII hotline received 740 calls (not complaints), 276 were from Enterprise Publicans (not surprising, we fund their first years membership), and of those 4 (four) were recorded as grievances!

The rest of this paragraph refers to “other people” with anecdotal evidence of an “estimate” of 10 cases a week relating to the Pub Co model, where is the actual evidence? How good is the estimate? Are any of these valid cases?

I would also point out the existence of the Pubs Independent Conciliation and Arbitration Service (PICA-Service) that has been established to provide a low cost dispute resolution service. You would have expected the launch of this service to receive an avalanche of cases if you were to believe the output from the Select Committee hearings and the content of the Consultation Document. Instead just 8 cases have been brought against Enterprise, in 2 cases we were found to be in breach of our Code of Practice and paid compensation, one case was found in our favour, 2 were resolved by mediation and 3 are pending.

- **Paragraph 3.4**

This section deals with “unfair behaviour” and quotes specifically “tenants at rent review being told of large rent increases without justification” and “misleading estimates of potential sales”.

Dealing with the rent review point the process operates as follows in every case:-

- 6 months before the rent review date we send the Publican a shadow profit & loss account setting out our opinion of the rent and we invite them to provide us with their version.
- This is a starting point for negotiations, after all rent is an opinion not a calculation. If we are not able to agree we actively promote the use of PIRRS, a low cost rent review resolution service introduced by the industry, alternatively the Publican can rely on the provisions for resolving rent disputes in their Agreement.
- You should note that the vast majority of rent reviews are settled by negotiation without the need for 3rd party intervention.

With reference to misleading estimates of sales, as part of the pack of information we provide to prospective Publicans we include the actual historic volume of products purchased through our supply chain by previous Publicans. Factual information setting out real purchases and not misleading in any way.

- **Paragraph 3.5**

I have already explained the process we go through with every prospective Publican to ensure that they have properly evaluated the business opportunity. I struggle to think of any other business that puts more hurdles in front of potential customers before allowing them to enter into a business to business relationship.

With reference to the point concerning prices increases, Enterprise increases our selling prices (and discount rates) once a year and the evidence already provided setting out historic price increases clearly shows there is no abuse. I would refer you to the OFT reports 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.

In the past it is duty that has increased at a rate way in excess of inflation. As you know we have no control over Government policy relating to duty, we simply pass on in full any increase or decrease applied by the Treasury.

- **Paragraph 3.6**

This section deals with the earnings of Publicans and quotes numbers that Enterprise does not recognise. I would refer you to the press release issued by the Enterprise Chief Executive on 7th June which confirmed that we believe our Publicans, on average, earn £34,000 per year before taking account of the benefit of free living accommodation!

I would point out that the document, almost reluctantly, does include an interesting statistic that “.. 7 out of 10 Publicans would sign up again with their pub owning company.” It is inconceivable that 70% of Publicans would be happy to sign another agreement with a business that had been abusing the relationship with its Publicans in the way the Select Committee and now your department describes.

There are many other facts that you must consider to gain a real understanding of the Enterprise business, I have summarised a few below:-

- Leased and tenanted pubs provide a low cost-of-entry opportunity for aspiring entrepreneurs to take on a pub business without the need to raise the funds and take the risk of buying a freehold.

Publicans have the option to have a lower fixed rent and pay more for their beer purchases, or alternatively pay a higher fixed rent and receive significant discounts on their beer purchases.

- During the recession Enterprise has invested millions of pounds supporting our Publicans with rent reductions and additional beer discounts to protect their business.
- In the last 5 years we have invested £306 million pounds of capital expenditure on our estate and an additional £24 million pounds of maintenance expenditure.
- Enterprise cannot force anyone to sign an agreement with us, the fact that 70% would sign up again demonstrates that they are fully aware and understand what they are signing up to.
- Since 30th September 2008 Enterprise has paid over £200 million pounds in Corporation Tax, perhaps your Department would be better employed ensuring that the likes of Google and Amazon paid an appropriate amount of tax?

I hope you get a sense of my anger and frustration about the misleading and biased process that you are currently overseeing. I do not believe that Enterprise has ever claimed to be perfect and I am sure that we makes mistakes, however our business is nothing like the one described by the Select Committees or your Consultation Document.

In July 2011 I urged Adrian Bailey to "...bring some form of balance to the debate, accept that great progress has been made by the industry, and at the very least treat the evidence of our detractors with the same level of cynicism that you seem to apply to evidence from the Pub Co's", I simply ask you to do the same.

I am confident that should you take this approach you will see a very different picture of this industry and the business that I remain very proud to work for.

I look forward to receiving your response.

Yours sincerely

23rd July 2011

Mr Adrian Bailey
Business, Innovation and Skills Committee
Committee Office
House of Commons
7 Millbank
London
SW1P 3JA

Dear Mr Bailey,

I am writing in a personal capacity to express my dismay at the way that the Pub Co's, and particularly Enterprise Inns, are being portrayed during the current select committee investigation.

I should state my interest in this issue at the outset. I joined Enterprise Inns as Financial Controller, a role I held until [redacted] when I took up a new role as Project Accountant.

The picture being painted of Enterprise Inns bears no resemblance to the organisation that I have had the pleasure to work for for [redacted]. The organisation is, and always has been, professional, honest and well managed and I am immensely proud to have played a very small part in the development and success of the Company.

We are very lucky to have incredibly talented and committed publicans running most of our pubs, in the majority of cases we are able to work closely with these publicans to deliver mutual success. Our business needs our publicans to be successful.

Any small business failure is a tragedy for the individuals involved, however setting up and operating a small business is risky in any sector and unfortunately there will be failures. This does not mean that Enterprise or indeed any other Pub Co is responsible for these failures.

Small businesses are under immense pressure at the moment, the pub sector having been damaged by the credit crunch, recession, smoking ban, excessive duty increases and to cap it all the VAT increase to 20%.

Enterprise has taken unprecedented steps to support publicans during this difficult time. Our support is targeted at publicans who run their businesses well and who have appropriate controls in place.

We have provided increased discounts and rent concessions, this support is completely discretionary. There is no contractual obligation on Enterprise to take this action. We do this to support publicans who are struggling despite their very best efforts in the knowledge that as their business recovers both parties will reap the benefit.

I do not believe that Enterprise has ever claimed to be perfect, the Company is made up of around 500 people, individuals just like our publicans who come to work every day trying to do their best. Individuals make mistakes and I am sure that our employees make mistakes. Where we do make mistakes we are committed to fixing them quickly.

At your recent "evidence" session our detractors claimed that no progress has been made, this is clearly nonsense.

Since the last enquiry we have implemented fully our updated Code of Practice. I know this because the majority of my time over the last 18 months has been spend managing the project to implement new systems and controls that enable us to ensure that all our commitments are honoured.

The Code has been in place for almost a year now and as reported by the BII only a small number of very minor breaches have been recorded, despite the fact that hundreds of new agreements have been signed under the new Code.

I cannot think of any other business that puts as many hurdles in front of new customers to make sure that they fully understand the deal that is being offering before they sign up. At every opportunity we recommend applicants take appropriate advice, we require applicants to meet our training requirements and produce a full business plan approved by a suitable qualified trade accountant. We provide disclosure about the property condition as well as trading and investment history. Our view of the business in the form of a detailed profit & loss account is provided before negotiations commence.

The process is completely transparent. No one is forced to sign an agreement with Enterprise.

As a public limited company Enterprise is under constant scrutiny by shareholders, auditors and analysts, unfortunately our detractors are not scrutinised in the same way. It appears to me that your committee finds it difficult to accept evidence provided by the trade, but you accept opinion and misstatement from our detractors without any serious form of challenge.

I urge you to bring some form of balance to the debate, accept that great progress has been made by the industry, and at the very least treat the evidence of our detractors with the same level of cynicism that you seem apply to evidence from the Pub Co's.

Yours sincerely