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From:
Sent: 13 June 2013 22:17
To:
Cc: cablev@parliament.uk; Pubs Consultation Responses
Subject: BIS- Government consultaion for PubCos and tenants.

I am employed as a Regional Manager for Enterprise Inns plc, the country's leading leased and tenanted PubCo and I write to you in response to the PubCo and tenants consultation by the Dept. for Business, Innovation and Skills which is considering establishing a Statutory Code and an independent adjudicator for the pub sector to govern the relationship between the large PubCos, such as Enterprise Inns (ETI) and their tenants.

Having worked in the pub industry for [redacted] and the last [redacted] with ETI, I would like to make it clear to you our ways of working with our publicans and how the tied pub model works and how it is a good thing for the industry.

It has been claimed by some tied publicans, and subsequently seized upon by the All Party Parliamentary Beer group and other misinformed MPs, that they earn as little as £15,000 per annum from their business and that it is solely the fault of pubcos such as ETI because we purportedly charge high rent and beer prices. I can assure you that this is not the case and that if individual publicans earn as little as £15,000 then it through no fault of the tied business model.

The vast majority of our leases have open market rent reviews where rents can go up as well as down and all reviews follow the RICS guidelines. Our Chief Exec, Ted Tuppen, wrote to all MPs recently highlighting results of reviews but from my own perspective I have personally conducted and resolved by mutual negotiation some 32 rent reviews over the last 5 years and not one has ended up at arbitration. We encourage publicans unhappy with their rent quotes to apply to PIRRS (pub independent rent review scheme) for low cost rent review resolution. To date only a tiny portion of reviews have been resolved this way.

The cost price of beer to the tied publican is agreed at the outset of an agreement, applicants are provided full price lists and historical volume records of the pub; they do not enter an agreement with their eyes closed. Our dealings are very transparent and we insist applicants use approved trade accountants to qualify their business plans which include profit and loss and cashflow forecasts which obviously factor in the rent and cost of goods sold.

The tied model provides a low cost entry into the pub sector so a potential publican does not need to borrow funds from banks (which don't lend to pub businesses anyway) to buy a freehold or pay a premium for a free of tie private lease. Potential publicans can realise their ambitions with ETI for just the cost of 3 months rent deposit, 1 month rent in advance plus fixture and fittings. They must also complete and pass a 5-day training course before taking on their pub business.

Once in-situ our Publicans have access to our website where they are provided with a wealth of marketing materials and business ideas, they have access several free training courses, access to regional managers for regular business reviews, a statutory building safety testing program, access to qualified accountant and auditors throughout their tenure. A freehold publican gets none of these benefits.

We already have our own perfectly serviceable Code of Practice (COP) in which is stated that a publican can approach us for financial support should their business be failing. I have several examples of where publicans have approached me for an out of cycle rent review or temporary support and I have honoured

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this where it was the right thing to do. A freehold or free of tie publican does not have this safety net, they are on their own and their mortgage lender is still going to want paying each month come what may.

It is true that over a dozen pubs close per week but figures are rarely published to say how many re-open often as more successful pub businesses than before. We have many cases across the country where if a publican is failing we can mutually agree to bring their lease to an end, we often offer financial support until we recruit a new publican and we certainly do not charge rent due for the remaining term of their lease. This may not be the case for a FOT publican.

In my opinion the financial squeeze that some publicans are feeling is as a result of other cost pressures such as business rates, utilities bills, wage costs, licensing, VAT and the enormous increases in beer duty since 2007. The has business rates valued at £34,000- what does the publican receive for that? Turnover at pubs across the country fell when the Government banned smoking, the Government has also failed to tackle the irresponsible low pricing of alcohol in supermarkets which leads to some people binge drinking and pre-loading before going out to pubs. The Government should consider reducing VAT in the hospitality sector to increase customer spend, create more jobs, to collect more income tax.

Furthermore, being brutally honest, the main reason why some publicans fail is due to their inability or unwillingness to change and adapt their ways of working, they do not keep up with customer expectations, they fall behind the competition because their business has never evolved. They do not have simple business disciplines in place such as regular accounting and stock auditing. In my area of 57 pubs the ones that have failed did not see the need for these simple business controls until it was too late. These publicans could be in any area of the hospitality sector and still fail whether it be in a café, a B&B, or restaurant. It's human nature that when things go wrong it must be someone else's fault, in this case ETI and other large pubco's

Finally, I urge you not to support the proposals for a statutory code and independent adjudicator. I know you are very busy but if you have a slot in your diary then I should be only too happy to meet to discuss the points I raise in more detail,

Yours sincerely,



Regional Manager

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