

Dear Glenda Jackson MP,  
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 11<sup>th</sup> 2013

To the above incl. my MP – Glenda Jackson

I am a [redacted] for Enterprise Inns plc, responsible for approximately [redacted] pubs and Publicans. I have been in this role since [redacted]. For the years [redacted], I had been in similar roles for Punch Taverns plc. I have therefore worked for the two largest leased and tenanted Pubcos which are regularly publicly targeted for abusing its tenants. I write this letter in a personal capacity and it does not reflect the views of, nor is it sanctioned by, my employer.

Rather than repeat the positives of the business model as a low-cost business opportunity for mostly modestly-funded entrepreneurs, I thought I would outline a side of the Pubco business model that I am close to on a daily basis and I feel is rarely represented or understood in the public domain.

I have found both of the above large Pubcos to be highly professional, and are regularly bestowed with Human Resource and training awards; Enterprise Inns currently hold 'Investors in People' recognition. Clearly both companies are highly leveraged and there seems to be some arguments put forward that this encourages the large Pubcos to be commercially aggressive with its tenants – in fact it's quite the opposite.

There is nothing more financially costly to a Pubco than the failure of a tenant. This invariably involves:

- the decline of income from a pub while the tenant is failing
- the non-receipt of tenant debt
- often a period of pub closure once failure has happened – which means no income for the Pubco
- and in fact it's a negative 'double-whammy', because as well as a lack of income a closed pub will require security costs and other overhead whilst closed

- usually a temporary tenant is then found to re-open the pub which will involve a period of sub-optimal profit for the Pubco as the business builds itself back-up
- to hopefully the final destination of a substantive tenancy or lease agreement being granted to the right tenant operating the pub to its optimum with full income accruing to both tenant and Pubco

I outline the above, not to solicit sympathy for the big Pubco, but simply to point out that Enterprise Inns needs as many of its Publicans to succeed as possible. Tenant failure has devastating financial effects for both the tenant and Enterprise Inns and that is why Enterprise Inns (and Punch) will spend £millions each year, , granting financial support to struggling tenants (reducing rents and granting larger beer discounts). Such financial support, as provided by the Pubcos, is non-contractual and discretionary; it represents our proximity to our tenants' pub businesses and our desire to see them succeed. Such financial support and flexibility is rarely seen in the world of commercial lets and bank finance, whereby many more Publicans would fail. I will also invest c. £21M of capital in the current financial year improving the physical condition and amenities of my pubs. Much of this investment will be directed at marginal pubs and struggling Publicans, demanding no rental increase, and is done in order to provide a better chance of sustainable Publican success. This is risky investment, and would almost certainly not be undertaken outside of the Pubco business model, as the incentive to do so wouldn't exist.

In addition, I would simply add that I have worked on the Pubco side of the leased and tenanted business model for the past years. The big Pubcos have made mistakes in the past and will occasionally continue to do so, albeit I believe on a very small scale. Because in 2013, the leased and tenanted Pubco business model is subject to the following key factors:

Firstly, the economy and Pub market is now in decline, and there are often none or few new Publicans willing to risk their precious capital (albeit a modest requirement) to battle in the jighly and unfairly competitive world of supermarket tax and pricing, and in the overly competitive pub world of declining consumer demand and rising costs and taxes.

Secondly, Pubcos now have significant Codes of Practice and an industry framework to abide by. I can speak from first-hand experience that these codes are taken with the utmost seriousness by both Punch and Enterprise, with much cost and time having been put into their development, communication, training, implementation and continuing monitoring.

The first reason above, means that it is generally financially advantageous for Pubcos to treat their agreement-abiding tenants with more consideration (as the cost of losing an incumbent tenant is generally so high. However, the second factor above represents a permanent change and commitment to reasonable dealings at all times with tenants. The Pubcos are committed not only to the letter of their Codes but more importantly their spirit – which in and of itself becomes a competitive advantage to a smart Pubco in a free market. Allied to the tenant-friendly and appropriate established frameworks of PIRRS and PIICAs, tenants also now have cheap and easily accessible forums to bring any rent or general Pubco dispute which have not been resolved between the parties themselves.

So Pubcos now, through a mixture of financial self-interest and the Codes of Practice and dispute resolution bodies they have signed up to, are committed to fair-dealings with their tenants. In

Enterprise, with almost 6,000 Publicans to deal with, of course there are a few disputes with tenants and on the odd occasion, we won't have acted correctly – there can be many employees, contractors and sub-contractors who may 'touch' a tenant, and it is the case that sometimes someone representing Enterprise will have done something wrong. In the current environment, I believe Enterprise rarely treats its tenants unfairly, and in the process of dispute investigation, if found to have done so, we do not hide but seek to make immediate amends. In 2013, there is no culture of tenant-bullying, or of hiding from any of our mistakes, as the bulk of my letter above tries to emphasise – it's neither in our financial nor political interest.

Finally, to mistreat tenants is not morally acceptable either in Enterprise Inns. Enterprise Inns' employees from top to bottom are no different to any body of people, be they politicians, Publicans or the general public. Moreover, our moral compass has been formally and publicly calibrated by the introduction in the past few years of our Code of Practice promises around fairness – to which we are completely committed. I have worked with or at times argued against the BII, FLVA, ALMR, GMB, Fair Pint, Justice for Licensees, and Mr. Mulholland MP, and I challenge any of the above to evidence when and where I have acted inappropriately. I invite any reader of this letter, be they a politician or whomever, to come out in trade with me and meet Enterprise Publicans and discuss their relationship with Enterprise Inns.

I am proud of who I am, the job I do, the company I work for. Statutory regulation in the Pubco model is populist meddling by those who probably mean well but who invariably do not understand the business they wish to regulate. It is unsupported by balanced evidence and argument, and is weakened by a crassly biased consultation document which simplistically characterises the Pubcos as evil and is notably devoid of open and non-leading questions. Such regulation will be disproportionate, prove to be extremely costly for a marketplace that cannot bear the burden and will bring little benefit to anybody. Unfortunately it will certainly mean less investment and more pub and Publican failures across the English and Welsh landscape.

Yours sincerely,