
From:
Sent: 13 June 2013 15:26
To: cablev@parliament.uk; Pubs Consultation Responses
Subject:
For information.



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From:
Sent: 11 June 2013 16:00
To:
Subject:

Firstly may I thank you very much for agreeing to meet _____ and I would be grateful if you would allow me to attend with him as I am also one of your constituents.

In advance of that meeting, following much current discussion in the trade press regarding a statutory code of practice for pub companies and the differences in earning potential between tied and free of tie publicans, I would be grateful if you would hear me out on a couple of points.

I have worked in the industry for _____. The first half of my career was spent in the tied trade department of a brewery and following the implementation of the Beer Orders, I have worked for pub companies since then. During all of that time the companies that I have worked for have been totally dependent on the success of their publicans for their own success. Consequently I am extremely saddened by the language being used by some of your fellow members of parliament, including Greg Mulholland and Vice Cable, who accuse large pub companies of exploiting their publicans and causing their businesses to fail. In my experience this could not be further from the truth.

I have worked for Enterprise Inns for _____ and have found that this company, more than any other that I have worked for, are totally committed to supporting good, hard working publicans who are experiencing financial difficulties through no fault of their own. During a period when there have been so many economic factors which have adversely affected the trading potential of pubs, like the smoking ban, cheap beer in supermarkets and a double dip recession we have given a substantial number of publicans financial support in order to help improve their profitability.

I believe that the perceived benefits from being free of tie are a complete myth and would like to illustrate this by quoting an example from one of our local publicans who tried to secure a free of tie lease before applying to us for a tied tenancy. This publican has written to BIS documenting his experiences and would be

very happy to meet you on [redacted] to explain them to you in person.

He was made redundant from his city job last year and had £35,000 available to invest in a pub business for himself and his family. He and his son had worked in the free house and were approached by the landlord offering a 10 year fully repairing lease with an upwards only rent review after 5 years. The landlord produced accounts showing turnover of around £350,000 per annum for which he wanted an annual rent of £46K and a premium of £70K inclusive of fixtures and fittings. The applicant agreed to the terms but clearly needed to arrange a loan as the total ingoing cost including the purchase of stock, 3 month's rent as deposit and 3 month's rent in advance was over £90K. He tried various banks but was refused. He then approached us to enquire about a pub which we were marketing less than two miles from the free house. The projected turnover for our pub was very similar to the free house but the rent was £26K with any future rent reviews upward or downward. There was also a reduced rent for the first 3 months to allow time for the business to rebuild [redacted] It is a tied agreement

with a discount of £61 per brewers barrel off our price list. The repairing responsibilities were substantially less than the free house and there was no premium. The total ingoing costs were less than £20K which freed up capital for the new publican to invest in an improved catering operation. We have also funded the first years accountancy costs in order that [redacted] can work closely with the publican and our panel accountant during the first year to ensure that costs are controlled and the correct gross profit margins are achieved during a challenging time for someone who hasn't run his own business before. We have just completed a complete exterior decoration of the property.

I have spoken to this publican recently who is trading above expectations and has calculated that the £20K difference in rent between the two businesses exceeds the margin benefit that he would have obtained through purchasing his stock on a free of tie basis, particularly as more than half of each pubs' turnover is food.

So in summary, the free of tie option wasn't an option for this publican. The tied option appears to have given him a more profitable business with less responsibilities and masses of support including free training courses, marketing and promotional support and regular advice through business meetings with his regional manager. If he had taken the free house he would not have received any of this type of support at all.

I look forward to meeting you or [redacted] when we can discuss these issues further and would be grateful if you would let me know if you are happy to meet this publican at the same time.

Yours, sincerely,



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