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Rt. Hon Vince Cable MP
Department for Business Innovations and Skills
1 Victoria Street
London
SW1H 0ET
23rd November 2012

Dear Dr Cable

SELF REGULATION PROGRESS OF THE PUB INDUSTRY

Introduction

I understand that a letter was sent to the Chairman of PICAS Mr Rodger Vickers on 7th November and industry bodies were invited to respond to the Government's request for information regarding the progress of industry self-regulation.

Whilst I am not writing on behalf of a particular organisation, I feel it would be appropriate to contribute my own views on the progress of self-regulation and validity of the Industry Framework Code and subsequent company codes.

When the BIS select committee published its report in 2010, I and many tied tenants believed the Government now had the evidence it needed to intervene in the tied industry and redress the balance of power between landlord and tenant. Key to the committee recommendations was the 'acid' test of whether tied agreements were mutually beneficial. The BIS committee agreed with the previous Business and Enterprise select committee that with only way to judge the fairness of tied agreements was to offer all tied tenants a choice of being free of tie accompanied by an open market rent review based on RICS guidance either at the applicable rent review or lease renewal. Unfortunately this recommendation has not been applied either through a legislative process or self-regulation.

Since the publication, two years have been spent by the BBPA, Pubcos and Pubco funded industry bodies BII and FLVA avoiding this fundamental issue. Somewhere in the many hours discussing transparency and cuddly colourful brochures for code of practice everyone seems to have forgotten that actually the industry's problems are purely financial and specifically the distribution of profit produced by pubs.

I am sure many if not all tied tenants would agree that all we want is to take a fair share of the profit generated by our pubs in return for the amount of work and money that is invested in our businesses.

[REDACTED]

Here in [REDACTED] tied pubs are failing at an alarm rate, I believe this is due to the inequitable relationship that exists between Pubcos and their tenants. In the last twelve months, at least ten pubs within the vicinity of our own have changed hands ('churned') due to business failure. These pubs and thousands like them are not included in closure statistics, these figures are kept well away from the eyes of Government by Pubcos. Tragically these failures are not only small businesses going to the wall but individuals and families losing their livelihoods and homes.

[REDACTED]

[REDACTED]

[REDACTED]

My own MP [REDACTED] has also written to Ministers calling for action to be taken to redress the balance of power in the tied pub sector in light of the successive Select Committee reports presenting clear evidence that the Pubcos are incapable or unwilling to regulate themselves.

Are the Codes Working?

The purpose of the IFC is to improve the relation between tied tenants and Pubcos. However without addressing the fundamental financial issues this can never be achieved and the codes are nothing more than window dressing aiming at diverting attention from achieving genuine progress and change.

I must be clear; the many times revised codes of practice do nothing to improve our relationship with our Pubco [REDACTED]. Much of the content of the current COP was present in previous versions dating back to 2006 when we became a tied tenant.

In reality much of the code of practice is inconsequential if you have an equitable relationship between the Pubcos and their tenants. A pub like any business's primary goal is to be profitable. However our own experience has shown us, using the current business model the Pubco takes a huge slice of what profit that is generated by the pub and give nothing in return. In fact the split in our case is that around 85% goes to [REDACTED]

Conclusion

For eight years this Industry has attempted to demonstrate it has the ability and will to regulate itself and each time this self-regulation is reviewed it has been shown to be a failure and detrimental to tied tenants. It is now time for this Government to intervene and redress the imbalance of power, not through more talks of transparency but through legislative changes to the contractual agreements operated by Pubcos that have allowed them to abuse their position of power resulting in thousands of small business failures.

Yours Truly

[REDACTED]

[REDACTED]