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From: press.office@gmb.org.uk
Sent: 11 June 2013 16:55
To: Pubs Consultation Responses
Cc:
Subject: GMB formal response to consultation on draft statutory code for tied pubs

GMB, the union for tied pub tenants, want BIS and MPs to support option 3 which will give tied pub tenants the ability to buy products from the open market and pay a fair market rent for the building.

We are asking union members to speak to the tenants in their local pubs to get them to lobby their MPs to go for option 3.

The property companies that own over half of Britain's pubs charge sky high rents to tied tenants of these pubs to pay interest on massive financially engineered debts. These debts are held mainly by bondholders in offshore tax havens.

Interest payments on these huge debts have to be paid each week before the tenant pours a pint and regardless of whether s/he can make ends meet or not.

To pay these sky high rents a pint of lager is on average 80p per pint higher and ale is 65p per pint higher than justified by inflation and like for like changes in taxes since 1987. This is pricing pubs out of the market and they have closed in droves.

The common view that shareholders in the pubcos own a pub business is wrong. In fact the shareholders don't own a pub business; they own a holding company which invests in and manages incomes from pubs- these are called pub securitizations.

These securitizations are the infernal machine that is closing pubs across the country. It is the same infernal machine that drove Southern Cross care homes to the wall.

In 2009 an Office for Fair Trade report concluded that the average tied lessee is being overcharged by pubcos by around £12,000 per annum or £230 per pub per week, after higher "wet rents" and lower "dry rents" are factored into the equation.

GMB and others have campaigned for many years for Parliament to legislate to free pubs from this infernal machine before it destroys them all.

In April 2013 your Department for Business, Innovations and Skills published a draft statutory code for tied pubs for consultation which

closes in a few days in June.

GMB welcomed the conclusion by BIS that pubcos will overcharge tied tenants for rents unless they are prevented from doing so.

GMB is in favour of Option 3 the "freedom option". This offers tied tenants the ability to buy products from the open market and pay a fair market rent for the building.

GMB consider that the other two options will allow pubcos to put up rents by the backdoor by overcharging for products tenants are tied to buy from them.

The blatant stonewalling by BBPA in their evidence to the BIS Committee hearing on 11th June denying that there are any serious problems in the pub trade shows what our members are up against.

Just this week a tied pub tenant was evicted with his partner and two small children because he could not pay rent amounting to 40% of his turnover.

GMB representatives at the round table meeting on Thursday 13th June at BIS will ensure that Government is clear on our position.

The other two options keep BBPA in the frame. Their stonewalling shows that they do not recognise the problem much less offer a solution.

GMB favours what the consultation document says on option 3:

"Option 3: Mandatory free of tie option with open market rent review

All pub owning companies with over 500 pubs would have to offer a free of tie option with open market rent review. This would apply at the next rent review point for current leases and for all new leases. Each licensee would be able to choose to be either tied or free of tie. This is in addition to the statutory code and adjudicator from option 2.

The rent in the free of tie offer would have to be based on Royal Institute of Chartered Surveyors guidance. This would ensure that there was a genuine free of tie option rather than one involving an unrealistically high free of tie rent."

This is likely to be our one chance to save local pubs.

GMB will be asking local MP's to support the free of tie option 3 when the matter comes before Parliament later this year. GMB will ask members to make their voice heard loud and clear in favour of a free and open market.

This will enable the pub tenant to be free to buy products at open market prices and to a pay fair market rent for their pub or stay tied to the pubco if that is better.

Paul Kenny GMB General Secretary

11th June 2013

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