

**Wright John (CCP)**

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**From:** Patrick Browne  
**Sent:** 14 June 2013 16:42  
**To:** Pubs Consultation Responses  
**Subject:** SBPA Response - 'Pub companies and tenants - A government consultation'  
**Attachments:** Response to BIS Consultation 140613 Final.doc

Please find attached the Response from my Association to the above consultation.

We are content for our response to be made public.

Regards

Patrick Browne  
Chief Executive  
Scottish Beer and Pub Association

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FROM THE OFFICE OF THE CHIEF EXECUTIVE

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14<sup>th</sup> June 2013

Dear Sir/Madam

**Response - 'Pub companies and tenants - A government consultation'**

The Scottish Beer and Pub Association (SBPA) welcomes the opportunity to respond to this consultation.

The SBPA is a trade association which was founded in 1906. Our members operate 900 of the 5,000 licensed public houses in Scotland. Amongst our members are a number of pub companies which operate tenanted/leased pub estates and other companies which operate managed pub estates. SBPA also represents most of the country's major brewers and drinks companies. Our members promote the responsible sale of alcohol and management in all of their licensed premises, helping to make Scotland a safe and enjoyable place to visit and socialise in.

As a sector, Scotland's beer and pub industry makes a major contribution to the economy of Scotland (Oxford Economics figures):

- 72,708 jobs depend on the beer and pub sector (52,000 directly)
- There are 55 breweries in Scotland
- £934 million is paid in wages in the sector
- Brewing and pubs are worth £1.509 billion to the Scottish economy (Gross Value added)
- Scotland's beer and pub sector contributes £809 million in tax revenues

**In responding, the Association would wish to endorse and fully support the detailed consultation response which has been made by the British Beer and Pub Association (BBPA) to this process.**

As an Association and industry we are totally committed to fair, transparent and lawful dealing with tenants and lessees and all other business partners and against any abuse of the tied pub model. We are committed to self-regulation and an independent complaints panel for rents or any other aspect of the Industry Framework or individual company codes.

We are also convinced that the tied pub model provides a material and significant net benefit to tenants/lessees, with a low cost entry to running your own business and commitment and investment from companies supporting a vibrant pub sector through an unprecedented and difficult economic climate .../

The tie offers entrepreneurs a low-cost, low-risk way of running their own pub with a wide range of support services. The model ensures both the pub company and the licensee have a mutual interest in the on-going success of the business.

We believe that self-regulation remains the appropriate way to ensure that all parties are protected from any potential abuse of the tied model and that the business potential, level of support and respective obligations are fully transparent and offer a fair deal for all parties.

We do not believe that a Statutory Code underpinned by a newly formed regulator is a necessary or appropriate way forward. The impact assessment is wholly unsatisfactory. The additional regulatory burden adds very significant costs to the pub sector and potentially has hugely damaging consequences in terms of additional pub closures, business failure and reduced consumer choice.

The current rate of pub closures stands at 26 per week across the UK, with a disproportionately higher closure rate in Scotland of six pubs per week (CAMRA figures). Historically the UK-wide trend shows that free of tie pubs are more likely to close than tied pubs, as recognised by the impact assessment. The recent duty reduction on beer was a hugely welcome step which was rightly applauded. However, failure to recognise the resilience and advantages of the tied pub model in difficult economic times such as these and the consequences of many of the proposals in relation to the Statutory Code is in danger of undermining this boost and are clearly counter to the Government's own deregulatory and growth agenda.

**Given those factors we would repeat our endorsement and support for the detailed consultation response which has been made by the British Beer and Pub Association (BBPA) to this process.**

### **The Scottish Position**

As an Association representing the industry in Scotland, we note that no account appears to have been taken of the different legislative, legal and business environment applying in Scotland which we understand means that the issue of the tie and the relationship between pub tenants and pub companies is devolved to the Scottish Parliament. This we would suggest gives the Scottish Parliament and Government an important opportunity to more fully assess the longer-term impact of the self-regulatory approach, through the latest Voluntary Code, in advance of any legislation which seeks to address any Scotland specific concerns.

### **Consultation Evidence**

We share the concerns outlined in the BBPA response about inaccuracies and assertions from the evidence-base and impact assessment which have a bearing on the consultation. For example, we note the reference in the consultation document to the number of "complaints" to the BII (400 in three years). These calls were in fact calls to an industry helpline. Further information supplied to us by BII-Scotland indicates that only 11 of these calls were made from Scottish numbers, less than three percent of the total number of calls over that three year period, equivalent to an average of just over three calls each year.

### **Pub Company Ownership**

We approximate that there are currently 630 pubs out of the estimated 5,000 pubs in Scotland which are owned by the three tenanted pub companies that would be directly affected by the proposals on which BIS is consulting. This is a significantly lower number and proportion of the industry than the proposed measures across the rest of the UK, suggesting that these measures would be a wholly disproportionate response to the scale of any issue which exists in Scotland.

Despite the more limited number of tenanted pubs in Scotland owned by these pub companies we would suggest there is a clear recognition by stakeholders of the valuable role of pub companies corporately in driving forward industry standards in Scotland through investment in pub estates, staff training and support, and legislative compliance .../

As an Association we are concerned that any legislative solution on these matters would impose a very costly, disproportionate and unnecessary burden on the sector in Scotland. This would further undermine the industry's competitiveness and ultimately lead to even more pub closures further weakening Scotland's economic and community fabric.

In conclusion, we believe that self-regulation remains the appropriate way to ensure that all parties are protected from any potential abuse of the tied model and that the business potential, level of support and respective obligations are fully transparent and offer a fair deal for all parties.

We look forward to your Department's response on these matters, and indeed to those of the Scottish Government and Scottish Parliament.

Yours sincerely

Patrick Browne  
Chief Executive