
From:
Sent: 14 June 2013 10:12
To: Pubs Consultation Responses
Subject: Consultation Response
Attachments: .terr

1073.

Dear Sir/Madam/Ms,

I am a former multiple-site pub operator with Punch Taverns. and I now run an Enterprise Inns outlet as managers for the leaseholder, we have been in the pub business for over 10 years since our first managed outlet.

Locally, most of the pubs are either managed outlets or small PubCo units which have nearly ALL been subject to churn or long-term supply management. PubCo's resort to management companies when they fail to sell or assign leases.

I have submissions today, the first is a letter in response to misleading questions raised by PubCo's to justify the tie.

I hope these documents demonstrate the misleading and in my opinion, downright illegal practices used by the PubCo to maintain sufficient revenue streams to pay their massive debts - all at the expense of the average publican. Let us not forget that small businesses such as pubs have a crucial part to play in society, not only as places of entertainment but employers as well.

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PUBCO MISLEADING STATEMENTS:

In response to the PubCo Consultation, these questions are being asked to publicans in an attempt to justify the Tied model, leaseholders are being instructed to respond to the BIS by BRMs as part of a campaign by the PubCo to justify its draconian practices. In-line are our honest responses as a former multiple operator with Punch Taverns.

a) *Were it not for the leased / tenanted model, they would not have had the opportunity to run the pub they do, as they could never have afforded to acquire a freehold pub*

Answer: Were it not for the Leased/tenanted model, I would not have been drawn into an unbalanced arrangement whereby the PubCo promised to help evolve my business. I received NO measurable support from Punch and eventually ALL support stopped and my business went into administration.

b) *Have benefited financially from their success as tenants / lessees to the extent that they have gone on to acquire a freehold (possibly from the PubCo!)*

Answer: I tried to buy the freehold on my outlet but was told the property was Not for Sale, even though the Punch Chief Executive stated in the Morning Advertiser they would listen to offers from ALL tenants.

c) *Have developed multi-site operations and have used the leasehold model to successfully build their cash flows such that they could then acquire additional sites (including freeholds) as well*

Answer: I developed a multi-site operation but was prevented from building sufficient cash-flow to maintain both businesses. Every time I increased combined turnover the rent was reviewed (upwards) cancelling out any short-term assistance promised by the BRM.

d) *Have made significant capital sums from developing a successful business and then selling their interest in the lease by assignment*

Answer: I did not make ANY capital sums from developing the business; in fact I had to supplement the rent shortfall out of my own funds. When I eventually tried to assign the lease, Punch failed to carry out the survey requested by the buyers resulting in their withdrawal from the proposed sale.

e) *Have progressed their career from pub manager, to self-employed tenant, to lessee and are now running their own business*

Answer: I did this, but by my own hard work, nothing to do with assistance which had been promised from the PubCo. I now help run a successful management company which is growing.

f) Recognise that they could not have envisaged running their own business were it not for the low cost of entry opportunity provided by the tenanted and leased business model

I am unsure where the “Low cost of entry” argument is, most leases have a Premium called “Ingoings”; mine were tens of thousands of pounds – Hardly low-cost. We then had to pay a fee for the Fixtures & Fittings (again over £15,000) and provide a 3-month rent deposit (£11,250). My total bill was around £55,000 for each outlet – all this money went to the PubCo, I didn’t receive a penny back from them on termination of the leases.

g) Recognise the value of the support and services that we provide (SCORFA), which are not available to individual, free-of-tie or freehold operators

Answer: PubCo’s claim “These services provide licensees who choose to take advantage of them with real commercial and financial advantage and have been evidenced as such by the European Competition Authorities in their assessment of SCORFA (Special Commercial or Financial Advantage) provided in their determination of the tie as an effective business model”. I do not recognise them as any commercial or financial advantage at all – In fact they are a distinct DISADVANTAGE, I am not allowed to approach the market for best rates as I am tied into a restrictive trade agreement with my PubCo. Whatever spin the PubCo’s presented to the EC Authorities is not reflected in day-to-day operation.

h) Recognise that, during periods of extremely challenging trading, they simply would not have survived were it not for the support (financial and otherwise) that we have provided

Answer: The only periods of extremely challenging trading were self-imposed by the PubCo model which outlaws free market forces and enforces the tie with fines for “Buying-out”.

i) Appreciate that the capital investment we have made in their business would not have occurred had they been “left to their own devices” under a free-of-tie model

Answer: I received no CAPEX investment in my businesses from Punch; any repairs were my liability under the Full Repairing & Insuring (FRI) lease. Under the free-of-tie model, profit margins would not be squeezed to unsustainable levels. Under free-of-tie I could have used the profits to pay me a salary and also to re-invest in the pub infrastructure.

Former Multiple Leaseholders