

6<sup>th</sup> June 2013

Re: Government Consultation Pub Companies & Tenants April 2013

Dear Vince Cable,

We have been following with interest the subject of the beer tie in the national news and trade press. We are Punch Taverns tenants at our pub ' ', and have been since ' ' and most recently took on another pub ' ' although we have been tenants with Punch since ' '. I would like to take this opportunity to explain our overall view of being a tenant with Punch Taverns.

Running your own business is tough and takes a lot of time and dedication and having a young family especially running a pub at times has been very testing! But, being a tenant with Punch despite the bad press they receive at times has made life easier for us. We are described by Punch as being partners and overall we do feel as if we are partners working together. Punch do help us to make more money but in turn we also help them to make money also and that was the agreement we signed in the beginning knowing that a beer tie was in place.

We were in a position where we could not have afforded a free house or a free of tie lease, but having been in the trade for a few years we decided after much deliberation that we did want our own pub business and after meeting other pub companies felt more comfortable dealing with Punch. Our entry into the trade was made easier with clear, concise correspondence with what we had to do and on the day of change our business relationship manager (BRM) was present. The deposit was paid, the stock was bought, the papers were signed and the keys handed over. We were given a date for the 10 day introduction to the trade course and we opened the doors. Our BRM at the time kept in touch with us and arranged regular meetings to make sure we were managing and offer support and advice.

The 10 day introduction course was in parts very useful, but personally feel that some more hands on experience as part of the course would be beneficial for some ingoing Punch partners. Some of the people who attended the course had no or very little experience, and although they had demonstrated good business acumen the practical side of running a pub cannot be taught from watching videos. The course however from what I understand overall in the industry is more comprehensive and longer than some courses offered by some other pub companies. A more hands on approach to learning about the business and how pubs run and work might ensure that Punch get the right tenants for their pubs instead of people 'playing landlord'.

Over the past ' ' of being with Punch we have had rather a large turnover of business relationship managers and some not so good. But, overall I can say we have had a very positive

experience dealing with our BRM's especially the ones who have come from a pub management back ground and had that hands on experience of running a pub. We feel it can be quite difficult taking advice from someone who doesn't understand what being up until 2am on a Saturday working and then being up to clean your pub on a Sunday morning, cashing up, paperwork, organising staff is like! Generally a lot of the BRM's are able to come and offer good advice, ideas and talk about services that are available to us such as course (often offered for free at a cost to Punch), print and design services (often a service subsidised by a BRM from a Punch budget), and also speak to you frankly about how they see your business and whether you may be able to make improvements yourself or whether they might be able to make improvements by way of an investment.

We had an investment in . . . . . I mainly funded by Punch, we only had to invest in the fixture and fittings (this is standard across most pub companies), but Punch did offer for us to put the fixture and fittings value on an interest free payback scheme, so we didn't have a lump sum to take out of the business. This proved very useful and ensured we maintained a good cash flow in our business and enabled us to use some money for other things. Admittedly we were very critical of the design company Punch decided to use as we felt that the designer didn't listen to how we wanted our pub to be but after a complaint to our BRM we were left to pick most things and the end result was fantastic. There is no chance that we would have been able to achieve the end result in such a short space of time as we were only closed for one week and this is mainly due to the money that Punch invested into our pub despite as part of our agreement us being responsible for the interior for the building. However on the flip side of this Punch are responsible for the exterior of the pub and overall the contractors and they use are unreliable and slow to respond to actually fixing any issues that there may be with their building. I understand that there is not an unlimited pot of money to repair buildings but keeping on top of the small things in turn helps control the big things and whether it is possible or not using more locally sourced contractors to complete work as we have found for any internal repairs that we have had to undertake has been more cost effective.

Over the past few years Punch started to organise a 'Roadshow'. It is a dedicated Roadshow for Punch partners with a huge variety of suppliers in attendance. On entry to the Roadshow you are given information on where the suppliers are accompanied with an 'offers brochure'. Many of the offers were good and give the opportunity to spread out the deliveries of such stock over the course of a few weeks. It also gives you an opportunity to spend time with smaller suppliers that can't possibly make it out to all Punch sites and see what they offer and also see any exciting new products that might be up and coming. Also the Roadshow that you attend nearest to you is relevant to which ever depot your stock is delivered from as some areas product availability differs. Overall we feel a lot of time and effort on Punches part goes into the series of Roadshow they offer throughout the UK, and it is completely free for you to attend and in the past we have even received an incentive for attending. Something you definitely don't get with some Pub companies and a free house.

We at the . . . . . are on a partial tie, so we are free to use other suppliers for our wines and spirits. At the . . . . . we have to observe a full tie. Overall we understood from taking on the agreement that we would need to observe and adhere to the ties imposed on us and Punch provided pricing lists for us to complete our business plan and financial forecast. We would all like

better value for money on products and services we receive and overall do not feel that being tied to Punch has a negative impact on our business, or that the beer tie would be the overall factor for the failure of a pub.

Since the beer escalator was introduced in 2008 by the last government we have seen our pints of Carling go from £2.50 (we have priced so we maintain a 50%GP overall on our draught beers) when we first opened our first pub in 2006 to now £3.20 a pint, and in fairness to Punch we negotiated on our rent and it was lowered in 2010 at ' we are on a stepped rent until the business is more established. The increase in price of the products we buy from Punch have mainly been increased to encompass the duty increase and brewers price increase and not so they can make a bigger margin. Obviously the price we pay from Punch is not as competitive as if we were to purchase directly from the brand owner or a wholesaler, but if we were allowed to buy off tie the money Punch made from providing us with the stock, they as a business may not be able to provide us with some of the services aforementioned in this email.

There are many other factors contributing to the failure of many pubs. One we believe is the structure of how business rates are calculated for the licenced trade and the relief some business' get because their rateable value is below £15,000 or because of their location. A remote rural pub could be thriving with a healthy turnover but because of its location be entitled to a rural rates relief.

Another issue we perceive is Supermarkets being able to sell products for less than we can buy them for at the wholesaler or Punch. This doesn't restrict us at t we are free of tie on Wines and Spirits but at ' we are tied on all products. Also with supermarkets being able to sell alcohol cheaply with means that there is a lot of 'pre-loading' before some people even leave their homes. They buy their cheap alcohol from the supermarket and drink at home until 10pm, leaving their homes already having a substantial amount of alcohol and come to our pubs and either don't drink a lot in our premises because they can't handle anymore or get refused because they are too drunk. In some cases a drunk pre-loaded customer might cause problems where the police or ambulance are required and makes the pub appear that they have been very irresponsible. Although I know the government cannot control people drinking at home, enforcing supermarkets to be more responsible retailing alcohol, reviewing the beer escalator, looking at business rate and the way they are calculated all would certainly help pubs in general. I think it would be unfair to say that the failure of so many pubs was solely down to the beer tie.

Looking forward to hearing news of a fair resolve in this matter for all parties concerned.

Yours Sincerely,