

From:

Sent: 05 June 2013 14:20

To: Pubs Consultation Responses

Subject: submissions to the consultation on a pub industry statutory code and adjudicator

Dear Sir/madam

I am writing to you as a licensee and multiple operator for over twenty five years to express my opinions re the consultation on a pub industry statutory code and adjudicator. I recently attended a small group meeting which I found very informative which discussed the pros and cons of the tied pubco model. I have managed several pubs that have been tied and as a multiple operator have overseen in the region of 100 pubs most of which had some form of pubco tie. I have operated tenancy at wills, tenancys and leaseholds and have worked with most of the pubcos such as Punch, Enterprise, Greene King and Fullers to name a few. I am also a qualified stock-taker and accountant by experience who specialises in the licensed trade and offers several clients advise on their pubs profitability. Before I express my views on government intervention I would like to point out that there are far more serious market forces effecting the industry such as

- supermarkets selling alcohol at irresponsible prices which has affected the on trade and most definitely the off trade.
- the smoking ban which killed the community local pub market and seriously affected the gaming machine industry.
- although now abolished, the duty accelerator certainly hurt the margins within the pub sector especially tied tenants.

I have followed, with interest, the industries code of practise from version one to the much more effective version six in place today. I do agree with the majority of leaseholders, that some regional managers may have let their employers down in the past and I am sure some still do but I am confident that the pubcos take any breach very seriously. I am currently representing myself with a rent review with Enterprise and was advised by them to consider PIRRS, which without the code of practise would of been an upwards only rent review. This is a very generous step in the right direction to assist those of us who have owned our leases for over ten years and are now facing unrealistic rent levels. PIRRS have put some very tight deadlines and pubco restrictive rules to make the process fair and although I have noticed some areas requiring improvement (see comments below), I think the system is a much welcomed tool in achieving a satisfactory outcome. I also believe that the guidelines of the Royal Institute of Chartered Surveyors (RICS) is used as a benchmark for the open market valuation process by PIRRS and the pubcos and I understand that this too has recently been updated.

05/12/2013

My concern with government intervention is that there will be yet another body involved in the trade which is already saturated with professional bodies involvement and can be extremely confusing for us, the tenants. I also believe that the industry has made huge steps in the right direction and would continue to do so to improve the profitability of their leaseholders and tenants. With the steps already made I am sure that the pubcos profits would have fallen while the tenants have started to increase as this is surely simple economics. If I had a crystal ball I believe that the governments involvement, although instigated with best intentions, would simply force the pubcos to repackage their leases and tenancy offers such as free of tie agreements with bigger rents. I think with some government persuasion the current code of practise could continue to improve without the need of a newly formed government body. I have listed below some improvements/suggestions which I think would help at rent review time which is when the profitability of a businesses is best analysed

- at rent review stage could all existing leaseholders be offered an exit or a switch to a tenancy to enable them to off load an out of date lease?
- clearer guidelines are required as to what is a reasonably efficient operator and fair maintainable trade as I don't believe the RICS guidelines are objective enough.
- should RPI not be used in the pub trade sector as it doesn't work in a declining trade. (ie rent goes up but trade declines building a wider bridge between rent and profitability)
- consider using qualified stock-takers to provide the achievable GP% of a site as this KPI affects the bottom line when shifting by one percentage point alone.

Finally I would like to point out some positive comments on the pubcos and their tied model.

- low set up costs and assisted purchase offers with certain pubcos.
- backing of large pubcos with marketing and promotion skills and websites.
- subsidised training.
- huge buying power for all costs including utility management
- assistance with rateable valuations
- some pubcos offer a mystery guest report to assist with identifying weaknesses.
- yes a tied pub achieves lower GPs to those that are free of tie but this will be taken into account at rent review so the bottom line will give the same end result whether tied or not tied. it makes much more sense to argue a lower rent which is fixed and leave the variable costs such as the GP to the tenant to control.

regards