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From:**Sent:** 14 June 2013 16:51**To:** Pubs Consultation Responses**Subject:** Pub Companies and Tenants; A Government Consultation.

My name is

I have spent all my working life (40 years) in the pub industry first holding several management posts in major brewery companies as area and regional manager for pubs.

In the year 2000 after the company I had worked for for 17 years sold its pubs to Punch Taverns I left to set up my own small group of pubs.

I now run only one pub as lessee of the ; pub. My wife and I have run this pub ourselves since 2002 so are survivors of the toughest period to run pubs I have known.

I have seen over the last 15 years the pub industry raped and starved of investment by the pub owning companies. Tenants have been charged increasingly unsustainable rents which has resulted in them making such small profit that they can barely feed themselves let alone have anything left to reinvest in their pub the result being pubs that are of such poor decorative standard that customers are not attracted.

On the retail side the same tenants have been subjected to unreasonable wholesale price increases for their tied products which they have needed to pass on to their customers. The result, customers priced out pubs.

The Tie.

I am generally in favour of the tie because it does offer a genuine low cost entry into a business and is an essential part of the business model for small regional and family brewery businesses. However the way the tied business model has been operated over recent years by pub co's and some smaller companies has been an abuse.

A Code of Practice as introduced over the last 2 years has been helpful in redressing the balance between tenant and landlord together with the establishment of PIRRS and PICA Service and these two bodies should be retained as a part of a future statutory body.

A free of tie OPTION should be considered as part of the way forward but that option may not be suitable to many tenants especially if the benefit of the freedom from tie is taken away by higher rent.

Prices.

The way tenants are over charged by pub co's is an abuse of the tied model.

For example:

In Feb this year major brewers announced wholesale price increases of about 3.5%.

For a major pub co that could mean an increase of 3.5% on the £200 per btl they pay the brewer - £7.

That pub co then announces to their tenants the % increase they are subject to and graciously passes on only 3.5% to the tenant. But the tenant is probably paying £400 to the pub co for the same product and is subjected to a £14 increase which he may not be able to pass on to his customers because his local market place will include free of tie pubs which will only be subjected to a lower increase. Pub co £7 per btl extra profit.

Pub cos should only be allowed to pass on actual monetary increases as they receive them from their supplier.

The inflation in prices and the effects on tenant profitability can be seen in my own business detailed below;

I pay the following to ,

04/12/2013

Standard bitter (Bradfield Farmers Bitter - supplied through SIBA Direct delivery scheme) £439.20 Vat Ex per 36gall brl. I sell at £3.00 pt and achieve a GP of 39.6%. I could buy the same beer direct from the brewery for £260.00 per brl. Extra cost by buying as a tied tenant .62p per pint - 68%.

Carling Lager from . £604.08 per brl, selling at £3.45 pt making GP of 38.5%. Could buy this from local wholesaler . for £419.82. Extra cost by buying as tied tenant .70p - 44%.

Over the last 5 years because of progressive wholesale price increases together with duty increases and the effect on the local market place influenced by free of tie pubs my overall GP has fallen by 5% which means £20,000. off my bottom line this year compared to 5 years ago because I have not been able to pass on all increases through higher retail prices.

The supposed benefits of being a tied tenant which I am supposed to receive in return for paying the high price for drinks are frankly nil. Promotional material is worthless and is sometimes charged for and is usually available free of charge through the producer anyway. Business advice from an experienced Regional Manager is unreliable, inconsistent and generally of no use. The claim are partners with their tenants is laughable - they don't respect or trust the tenants and tenants can not trust in return.

Fairness,

The business relationship between tenant and pub co is completely out of balance. The pub co has the upper hand all the time and generally makes no effort to operate as a partner interested in the health of the tenants business. In my business with an annual tied barrelage of about 400 you would expect to receive an income from wholesaling beer @ £250 per brl - £100,000. Plus rent payable of £25,000 - a total of £125,000. In comparison my wife and I who despite being surrounded by branded managed pubs, free houses, and other pubs receiving discounted beer and rent run the pub to be beaten and consistently outperform the market. We may earn £30,000 between us this year. So our pub under our professional management (employing 10 local people) can earn a total profit of £155,000pa of which feel entitled to 80% of that.

How can it be fair that we continue to trade successfully during difficult times and receive no discounts when all other pubs in our catchment area who aspire to achieve what we do, do receive discounted beer prices and rent. It really is a case of those who are unable to do the job well are supported in order to keep the doors open and are effectively supported by the able publicans, I will consider if that is a case for PICA Service to resolve.

Rent.

Unfair rent reviews or general over renting cases can now be referred to PIRRS, and I hope that option will remain.

RPI indexation increases on rents are a sure way for rent to get out of balance with levels of trade in a declining market and there should be consideration given to capping the % increase as I think some landlord companies already do. It is interesting that when sell a pub property and lease it back they usually get a cap on the rent increases. So they clearly understand the damage RPI can do to business, but still insist on it being a part of their deal with their tenants.

This is my submission to the Government Consultation and all examples and facts used are correct to the best of my knowledge. practice has been highlighted in examples because that is my experience as an lessee. It is my understanding that other large pub co's and smaller regional brewers who operate leased and tenanted pubs are equally at fault to similar degrees. There are on the other hand shining examples of how the tied trade model can be operated fairly and to the benefit of both landlord and tenant.