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From:**Sent:** 10 June 2013 22:05**To:** Pubs Consultation Responses**Subject:** A Review of the Impact of Pub Companies on the Industry

Dear Sir/Madam

I am writing as Managing Director of a small company with pubs all leased from Enterprise Inns. Although we have a reasonable working relationship with Enterprise I believe the tied pub model is very harmful for the industry for the following reasons.

1. Enterprise are in complete control of the owner-tenant relationship. Their model ensures that almost all profit goes to them and very little is left for the tenant. Our own example is of a company turning over in excess of £1. 'm pa and generating a net profit of just £20-£30k pa. We pay rent and other service costs to Enterprise of £1 ' K and can estimate loss of discount through tie fees of between £150k - £200k with no investment required from them and giving them a profit of many times ours. Furthermore, if our circumstances improve, the rent will be sure to increase on the next review.
2. Holding leases in different areas has shown us that most decisions are purely arbitrary. There is no real strategy to negotiations except to get as much as possible from the tenant. Rent reviews are based upon the estimated ability of a 'competent operator'. This is a fictitious character entirely defined by Enterprise and takes no account of our real experience – including on one site another Enterprise pub directly across the road. Rent reviews are also conducted with no regard whatsoever paid to 'wet rent' (ie income from the tie). This is just wrong and leads to disproportionately high 'dry' rents.
3. There can be no doubt that the tie is responsible for inflated beer prices inevitably leading to pub closures. Tied tenants pay far more than their free of tie competitors and cannot pass on the extra cost to consumers who can just go elsewhere. This causes a lack of cash flow leading to little investment and often closure. It also restricts employment opportunities. Free of tie pubs tend to up their prices to just below tied pubs. Lots of profit and good luck to them.
4. Enterprise claim that their model allows low cost entry into the business. This is not true as significant investment from the tenant is required to take on a lease, but with such small returns any investment can never be recouped. This is no way to attract the professional operators desperately needed to save this struggling business sector. For their part I see Enterprise trapped in their debt and desperately seeking to survive at huge cost to their tenants. There will be many small victims – maybe even us – who will pass largely unnoticed, but everyone will miss their local pub.

Because I am in yet another negotiation with Enterprise on I would be grateful if you would not release my name or those of our pubs, but please feel free to use the contents as you wish. I am available at any time should you need more information.

Yours faithfully