

## RESPONSE 42

01 September 2016

14:46

Subject	<b>Pub Code</b>
From	[REDACTED]
To	Pubs Consultation Responses
Sent	17 November 2015 10:37

Good morning,

Regarding the draft pub legislation I would add the following comment.

**DRAFT PUBS CODE**

The means of establishing what a pub would, in both rent for the landlord and income for the tenant, need to be assessed before the issue of the tie can even be considered. The construction of the free of tie rent reflects the prices that the tenant would pay if they were free of tie. The reason for this is that when considering the tied rent the landlord must ensure that the tenant is not in a worse financial position than if they were free of tie. The construction of the profit, rental and income as a free of tie pub is the first stage towards determining the tied rent.

The difference between the rent payable as a tied pub, as against what it would be as a free of tie pub, would be the difference between what the tenant would pay for produce in the open market as against what they have to pay to the landlord under the tied arrangement; this is commonly referred to as the wet rent. The sum of the lease rent and the wet rent would be equal to the rent that the free of tie tenant would pay

Coming full circle the MRO [market rent option] is in fact the rent that the tenant would pay were they free of tie.

The suggestion that there should be a parallel rent assessment eludes me. The assessment as free of tie operation is essential before a tied rental can be deduced in order to deduce what the tenant would earn on a free of tie basis. Thus the free of tie assessment is the first stage of any rental assessment, thus it is a prelude and not a parallel assessment.

To assume that a tied rent can be calculated without first constructing the free of tie rent [ the MRO] is mathematically impossible. The reason being that the income for a tenant on the basis of being free of tie cannot be deduced backwards.

I hope you will take tis into consideration.

Regards

[REDACTED]

