

**From:**  
**Sent:** 13 June 2013 12:44  
**To:** Enquiry Enquiry (Other Government Departments); Pubs Consultation Responses  
**Subject:** FW: BIS consultation

1086.

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**From:**  
**To:** hugh.bayley.mp@parliament.uk  
**CC:** @enterpriseinns.com; @marstons.co.uk  
**Subject:** BIS consultation  
**Date:** Wed, 12 Jun 2013 08:47:05 +0000

Dear sir

I would like to make some comments on the BIS consultation regarding the relationship between pubco's and their leaseholders.

I am a multiple operator with pubs From Enterprise and Marstons both of which operate a tied lease model.

Far from being the bad guys portrayed in the media the pubcos can make it possible to operate a successful business by offering a wide range of support such as :-

- Low set up costs and assisted purchase offers with certain pubcos.
- The 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
- Investment in the fabric of the buildings
- Help with refurbishments
- Ongoing business support

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- Whilst I agree a tied pub achieves lower GPs to those that are free of tie, 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.
- The cost of purchasing a free of tie lease or freehold can be so prohibitive as to make it impossible to raise the finance needed or be left with crippling interest repayments.

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.

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.

I have 2 tied leases that I would not have been in a position to secure the leases upon if it were not for the tied model. Both of the pubs are well regarded city centre businesses that have had investment from the pubcos as well as myself. Without the significant investment from Enterprise Inns the would probably have fallen by the wayside and would no longer be a pub.

I am happy with most of the the way the model works and as with any business I knew the terms when I signed up. any operator should do their homework and make use of good accountants and stocktakers. Lets not forget that its not in the pubcos interest to see an operator fail.

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