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From:
Sent: 04 June 2013 15:36
To: Pubs Consultation Responses
Subject: Pub Company and Tenant Consultation
Attachments: BIS Consultation Submission.doc; 13-718RF-pub-companies-and-tenants-a-government-consultation-response-form.doc

Dear Sir/Madam

Please find attached two documents.

One is my completed Consultation Response Form as downloaded from your website.

The other is a detailed account of my experience as an operator of pubs. I operate in both the tied and free of tie sectors, and am therefore hopefully well-placed to give an insight into the relative merits of each one.

I would be very grateful if I could have an acknowledgement that the documents have been received.

Many thanks

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Pub companies and tenants - A government consultation

Response form

The consultation will begin on 22/04/2013 and will run for 8 weeks, closing on 14/06/2013

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

This response form can be returned to:

Pubs Consultation
Consumer and Competition Policy
Department for Business, Innovation and Skills
3rd Floor, Orchard 2
1 Victoria Street
Westminster
SW1H 0ET

Email: pubs.consultation@bis.gsi.gov.uk

Please tick one box from a list of options that best describes you as a respondent. This will enable views to be presented by group type.	
Representative Organisation	
Trade Union	
Interest Group	
Small to Medium Enterprise	X
Large Enterprise	
Local Government	
Central Government	
Legal	
Academic	
Other (please describe):	

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

Consultation questions

Q1. Should there be a statutory Code? Yes

Q2. Do you agree that the Code should be binding on all companies that own more than 500 pubs? If you think this is not the correct threshold, please suggest an alternative, with any supporting evidence.

I believe the code should be binding on all companies regardless of the size of their estate. The principles of fair trading in relation to the beer tie should apply equally across the industry, and I can see no reason for small companies to be treated differently. Also there is a significant risk that the large companies may seek to break up their estates to position themselves below the threshold, and the government needs to plan for this eventuality.

Q3. Do you agree that, for companies on which the Code is binding, all of that company's non-managed pubs should be covered by the Code? Yes

Q4. How do you consider that franchises should be treated under the Code? I do not have sufficient knowledge of the franchise model to really comment. However I imagine the same principles of fair trading should apply.

Q5. What is your assessment of the likely costs and benefits of these proposals on pubs and the pubs sector? Please include supporting evidence. I believe the proposals are vital to prevent the current decline within the tied pub sector. The only cost will be to the pub companies themselves who have been profiting unfairly from a deeply flawed business model, and the investors who unwisely backed that flawed model. The potential benefits to the UK far outweigh those costs. Reform of the tie will give struggling pubs all over the country the opportunity to create local jobs and wealth, as well as creating potentially vast new amounts of tax revenue.

Q6. What are your views on the future of self-regulation within the industry? Self regulation will never work, as all experience to date has shown. The PubCos will never voluntarily abide by the principle that the tied tenant should be no worse off than the free of tie tenant, and they cannot be trusted to regulate themselves regarding fair dealing.

Q7. Do you agree that the Code should be based on the following two core and overarching principles? Yes to both

i. *Principle of Fair and Lawful Dealing*

ii. *Principle that the Tied Tenant Should be No Worse Off than the Free-of-tie Tenant*

Q8. Do you agree that the Government should include the following provisions in the Statutory Code? Yes to all

i. *Provide the tenant the right to request an open market rent review if they have not had one in five years, if the pub company significantly increases drink prices or if an event occurs outside the tenant's control.*

ii. *Increase transparency, in particular by requiring the pub company to produce parallel 'tied' and 'free-of-tie' rent assessments so that a tenant can ensure that they are no worse off.*

- iii. Abolish the gaming machine tie and mandate that no products other than drinks may be tied.**
- iv. Provide a 'guest beer' option in all tied pubs.**
- v. Provide that flow monitoring equipment may not be used to determine whether a tenant is complying with purchasing obligations, or as evidence in enforcing such obligations.**

Q9. Are there any areas where you consider the draft Statutory Code (at Annex A) should be altered? I think it is pretty comprehensive and well-informed. So no, apart from the 500 limit issue.

Q10. Do you agree that the Statutory Code should be periodically reviewed and, if appropriate amended, if there was evidence that showed that such amendments would deliver more effectively the two overarching principles? Yes

Q11. Should the Government include a mandatory free-of-tie option in the Statutory Code? Yes. Definitely.

Q12. Other than (a) a mandatory free-of-tie option or (b) mandating that higher beer prices must be compensated for by lower rents, do you have any other suggestions as to how the Government could ensure that tied tenants were no worse off than free-of-tie tenants? No, I think they are the best options – especially (a) which is very simple to implement and to understand, and will solve the problem instantly – if properly implemented and enforced. I would also point out that if, as under option (b), I was *fully* compensated for my higher tied prices by my PubCo then I would have a negative rent as they make more from the beer tie in my pub than they do in dry rent.

Q13. Should the Government appoint an independent Adjudicator to enforce the new Statutory Code? Yes

Q14. Do you agree that the Adjudicator should be able to: Yes to both

i. Arbitrate individual disputes?

ii. Carry out investigations into widespread breaches of the Code?

Q15. Do you agree that the Adjudicator should be able to impose a range of sanctions on pub companies that have breached the Code, including: Yes to all

I. Recommendations?

II. Requirements to publish information ('name and shame')

III. Financial penalties?

Q16. Do you consider the Government's proposals for reporting and review of the Adjudicator are satisfactory? Yes

Q17. Do you agree that the Adjudicator should be funded by an industry levy, with companies who breach the Code more paying a proportionately greater share of the levy? What, in your view, would be the impact of the levy on pub companies, pub

tenants, consumers and the overall industry? Yes I agree with the idea of a levy, and also with proportionate increases for those who breach the code. I think the PubCos will need the threat of financial penalties to force them to comply, though I am sure they will protest greatly about it and also seek to find creative ways to recoup any losses.

(Please see the other document attached to the email containing this form. I have made a very detailed personal submission detailing my own experience in the trade. I operate in both the tied and free of tie sectors at four pubs.)

Personal Submission to BIS Consultation
on Pub Companies and Tenants (May/June 2013)

My name is [redacted] and I am the licensee at The [redacted] public house in [redacted], and also a partner in the [redacted] and [redacted] pubs, also in [redacted].

The [redacted] is owned by Punch Taverns, and I operate it as a lessee. The other three pubs are owned and operated by my business partner and myself as freeholders.

As an operator in both the tied and free of tie sectors I am well placed to compare the benefits of each.

My experience is that there is simply NO comparison.

Background: The [redacted] since 2007

The [redacted] was already a relatively successful pub, with an established reputation as one of [redacted] top real ale venues – hence the healthy premium I paid to the outgoing lessees for the existing goodwill which they had built up. (Prior to their tenure the pub had a very different reputation – and not a good one.)

We purchased the lease in 20 [redacted] and in the [redacted] years since then we have increased the already substantial turnover by just over 50%.

We are extremely proud of this achievement, especially as it occurred against a backdrop of general catastrophe in the pub sector. We bought the pub [redacted] months after the smoking ban came in, and have lived with the duty escalator, increasing competition from supermarkets and of course the general effects of the recession. Yet year on year we have improved and grown the business through our own effort, genuine love for the pub itself and considerable personal expense.

In 20 [redacted] we won the coveted [redacted] CAMRA Pub of the Year award, in 20 [redacted] awarded us Best Overall Pub and we are permanent fixtures in CAMRA's Good Beer Guide.

We have been repeatedly told by successive Punch BRMs that we are performing exceptionally well, and that we are very firmly part of their core estate. Indeed we have often been referred to as one of their "crown jewels".

Here are a couple of quotes about us by one of our BRMs which I have directly copied and pasted from emails which I still have:

"The [redacted] is probably one of the UK's leading Cask exponents – frankly they do it brilliantly !!!!"

"Incidentally the is without probably one of the best Cask Houses Punch has and is enjoying yr on yr growth."

However, because of the totally unfair nature of the beer tie as operated by Punch Taverns, our considerable success with the business has without any doubt benefitted Punch far more than it has benefitted ourselves. We are firmly of the opinion that the situation is weighted totally unfairly in their favour, due to an imbalance of power in the relationship. In particular we are struggling to cope with excessive tied beer prices, and an unfairly high rent for the building itself. Furthermore we feel that the imposition of Brulines flow monitoring on our pub has led to great damage within the relationship.

Beer Prices

Punch clearly command huge buying power within the wholesale market, and are therefore able to achieve very substantial discounts from brewers, yet in no way do they pass on any of that benefit to ourselves. Instead they retain **all** that benefit for themselves, and then go even further by charging their lessees prices which are hugely higher than those paid by free of tie publicans.

In years at The we have consistently been paying **at least 50% more for our tied products than we would pay for the same products on the open market**. We know this from our experience with our free houses, and it can easily be demonstrated with comparable invoices.

This means that with their enormous buying power their own mark-up is probably at least 90%. For example it is absolutely reasonable to suppose that a beer bought by them for £50 would be sold on to us for £95. In this way Punch are able to collect an enormous amount of "wet rent" from their most successful lessees. However the inevitable knock on effect for our customers is higher prices on the bar while our own profits are still being squeezed to the absolute limit.

I actually have documentary evidence showing a 100% mark-up in the case of a beer we once bought through the SIBA Direct Delivery scheme. On that occasion the brewery concerned delivered both invoices to the pub with the beer – ie. their own invoice to Punch and the subsequent invoice to us (presumably this was a mistake). Admittedly this 100% mark-up will contain some margin for SIBA admin, but even so the net result was that we paid a wholly unreasonable price for that beer, and continue to do so for all SIBA beers. In fact SIBA – while a useful service to us – is the single most expensive way that we can buy beer at The , with a pricing structure which has been inflated out of all proportion. We continue to use the SIBA scheme only because, as a highly-respected cask ale outlet, we need extensive access to our local brewers, and SIBA is the only way a tied house can achieve that access. It is worth noting that under the SIBA DD scheme the beer is actually delivered direct to the pub from the local brewery with NO physical involvement from either Punch or SIBA other than simple admin, so I, like many other licensees I am sure, can see no real justification for the extortionate prices.

On a related note, another brewer we deal with was recently discussing duty increases with me. I mentioned that every year we receive a letter from Punch explaining that they have no choice but to pass on to us the full duty increase which is passed on to them by the breweries (notwithstanding the change in beer duty this year of course). He then pointed out to me that his brewery was never in fact able to pass all of the duty on to Punch, because Punch always refused to accept the full

increase, and instead negotiated the amount down, leaving the brewery to absorb the rest. Thus Punch have profited from duty increases while giving us, their lessees, a misleading impression in their letters. This is purely anecdotal, but in my opinion perfectly feasible, and I would like to hear Punch publicly challenged on the issue.

In some circumstances Punch apparently grant their lessees some degree of discount from their full prices, but we receive **no discount** whatsoever, and never have in all our time at the pub. We firmly believe that this is because any of their pubs which (like The) continue, against the current odds, to trade successfully are regarded by Punch simply as cash cows, to be milked for all they are worth through maximum rents, maximum beer prices and minimum discounts. Indeed when taking on the pub we realised that Punch had actually removed the barrelage incentive enjoyed by the previous lessees. This is known as a retrospective discount, and takes the form of a payment made back to successful lessees who exceed expectations on beer sales. This incentive was worth several thousand pounds a year to our predecessors.

Our Profits

Our profits are significantly reduced by the amount Punch extract from our business. Our “dry” rent is almost certainly already excessive at over £ 0000 (see next section), but if you add in the “wet rent” derived from their mark-up on tied products then it is highly likely that Punch’s gross profit from our pub amounts to more than a quarter of our entire turnover.

We sell around brewer’s barrels of tied product every year, and a very conservative estimate would place Punch’s profit per barrel at £160 (£40 per 9 gallon cask):

$$\times \text{£}160 = \text{£}$$

$$\text{Dry rent} = \text{£}$$

$$\text{Total} = \text{£}$$

This is almost exactly a quarter of our turnover, and as I mentioned before it is a very conservative estimate. A previous BRM indeed verbally confirmed to me that the actual figure was rather more.

Meanwhile we increasingly struggle to pass on their prices to our customers, who now frequently comment on the fact that we are becoming an expensive pub. As a result whenever we face wholesale price increases each spring we have increasingly had to accept cash margins on our retail prices rather than strict percentages. Consequently we have seen our GP drop from 45% to below % over the past five years. (This has led Punch to recently accuse us of “lack of diligence in maintaining our GP levels”, with a total refusal on their part to accept our argument that we simply cannot pass on their full increases to our already protesting customers.)

We now struggle to achieve a GP much above 40% on any of our tied products (less in some cases), whereas in the past it was widely accepted that pubs should not be expected to operate on anything much less than 60%. We achieve this in our free houses, where our retail prices are generally 10-20p less than at The , but we can only dream of such a GP level at The itself. **This is despite the fact that we have a fully maintaining, repairing and insuring lease – so the burdens we bear as a business are actually exactly the same as those borne by a free house.** We are now at the point

where a serious problem with the building could prove catastrophic to us financially, as there is not enough profit in the business to finance a major repair or to allow us to maintain a contingency fund.

Our net profit is currently around 11% of our turnover (and this forms the income for two people) but this is hugely outweighed by Punch's overall share (wet rent + dry rent) which is now at least 25%. Admittedly this is gross profit to them, but it is derived in return for virtually no input. It seems to me this in no way reflects their much quoted aspiration for a fair balance of risk and reward for both parties.

Rent

I am currently embroiled in a rent review, and I feel that during the process Punch have revealed their true colours by trying to achieve a totally unjustifiable rent increase from us at a time when across the industry the overriding trend regarding rent is downwards. This experience has seemed totally in-line with an oft-quoted problem I have heard in relation to the Pub Companies, which is that they always seek to "penalise success".

When we purchased the business we took it on the first day of a renewed lease. On the lease that ended the day before the rent was £ 000. Our starting rent was £ 000. We signed up to this rent so I suppose I cannot really complain, but it is worth noting that at that point Punch achieved a £7000 per annum increase in fixed income overnight. (Also, as previously mentioned, they removed the barrelage incentive which was worth at least another £2000 p.a.)

Since that point we have faced annual "RPI" increases so that we now pay just over £ 0000.

When our year periodic rent review approached last year Punch announced they were looking to increase the rent to £ 000. When I asked them to justify this figure they produced a shadow profit and loss account which gave their view of The level of Fair Maintainable Trade (FMT). This is the term coined by RICS for the level at which a business should be expected to trade under a Reasonably Efficient Operator (REO). From the figures they came up with they extrapolated a rent based on a 50% split of the divisible profit (ie. the net profit before rent).

There were numerous problems with their figures, not least a significant overestimation of our gross profit margin. But the most significant problem was that they put FMT at a figure higher than the pub had actually ever achieved in reality. The only inference we could draw from this was that Punch were suggesting that we are not, and never actually have been, "reasonably efficient operators" – despite our exceptional performance over the past years, as evidenced by our 50% increase in (an already very high) turnover.

It seems Punch's in-house surveyor simply estimated (in fact overestimated according the figures presented to us) a shadow turnover by extrapolating a figure from the current volume of beer supplied to us by them under the beer tie, and then tried to argue that the resultant figure represented the FMT level of the pub. There was absolutely no allowance for our own effort, financial investment or hard-earned goodwill (this is in direct contradiction to the rules RICS has in place for rent assessment), even though the fact that we have had such a successful years at the pub (over a period which has been extremely arduous for the wider pub trade) suggests that the 50% upturn in turnover is almost entirely a result of our own input. The RICS guidelines for rent

reviews explicitly state that **increases in trade due to an uplift in goodwill resulting from the effort or investment of lessees cannot be rentalised**, yet this is exactly what Punch are attempting to do in our case.

There was also no reference at all to comparable local businesses (again a RICS requirement), and when I raised that issue it was abundantly clear that they in fact had made no effort at all to look at the local competition. I even had to point out which pubs they themselves owned locally that they could perhaps have used as comparable businesses. Eventually they conceded that comparables had not been used, arguing that the number of different types of lease made it too difficult for them to reach an accurate conclusion, an explanation I found highly unsatisfactory.

When challenging their figures I asked if this meant that they were arguing that we were not in their view Reasonably Efficient Operators. They confirmed that this was their contention.

So despite the fact that we took an already strong pub through one of the most difficult periods for the industry and actually increased turnover by 50%, and despite the constant praise from Punch during our tenure, despite winning prestigious awards and despite the fact that we have never required any support from Punch at all, they suddenly decided that we were below average, and indeed inefficient operators.

When it became clear that I was not prepared to accept an increased rent Punch rapidly decided to drop that demand and instead offered us the chance to keep our current rent, but by then I had taken professional advice and it was becoming clear that we were already paying an above market rent, so I decided to exercise our right to pursue a rent reduction. This is still ongoing, a year later.

I very nearly went down the route of PIRRS, but pulled out at the last minute as I had grave doubts about its impartiality due to the close involvement of the PubCos themselves. I was also extremely unhappy about the fact that the process requires applicants to sign a confidentiality clause which could only possibly benefit the PubCos. It certainly seems the PubCos have used such confidentiality clauses liberally and consistently over the years to hide details of their practices, and especially any judgements which have gone against them. I believe that by keeping so many details in the shadows in this way, much evidence which could have been used long ago to expose unfair practices has been suppressed.

I am now pursuing the matter independently, which has turned out to be a very costly and time-consuming business. It is however, I firmly believe, my best chance of a fair result.

I have opted to use a highly-respected specialist surveyor and valuer of licensed premises, who has absolutely no ties to the PubCos. He is a very rare commodity in his professional field – and I believe this is a significant problem. Most surveyors will accept instructions from both PubCos and individual lessees, which I believe leaves them in a seriously compromised position. The RICS guidelines appear to be applied with very little consistency, but generally in a way which is generous to the PubCos who after all command the largest budgets, as well as the most significant share of power in our market.

Community and Social Costs and Benefits

The is still a viable business, but only because under our management it has become so extraordinarily busy. There are a great many other PubCo pubs which are currently limping along on their last legs as “tenancies at will”, or which are now empty and boarded up, or worst of all which have been sold off and redeveloped.

The cost of all this to the communities surrounding these pubs and to the wider economy is incalculable.

These pubs are generating no wealth for anyone, and they are employing nobody but a skeleton staff who are very often being **state-subsidised through tax credits**.

PubCos would have you believe that changes in market conditions have rendered most such pubs “non-viable”, an argument which has often been used as the basis for a planning application by them prior to sale. However our experience is that a great many of these pubs are not non-viable, they are **only non-viable under the current unregulated PubCo system**. Furthermore that system would rather see them disappear completely, than be sold into a free trade with which it knows it cannot compete (hence the scandal of restrictive covenants – now thankfully exposed as such).

Our other three pubs were all sold off by PubCos as “non-viable” and prior to our freehold purchase were all facing the very real threat of redevelopment. In the case of the I attended a planning committee meeting and spoke in opposition to Punch’s application to redevelop the pub, explaining that we had already made an offer at the asking price to buy it and continue running as a pub. Thankfully our opposition was successful and the planning application abandoned.

The is a recent purchase, and we are still turning it around, but the other two pubs have seen trade steadily rise over the past 2/3 years to the point that both are now **highly valued social and economic assets for their local communities**, exactly as any pub should be. These pubs have created jobs (we have created the equivalent of at least 10 full-time jobs in our free houses) and economic wealth where there was previously, to all intents and purposes, nothing.

The wealth generated by our freehold pubs stays in the local economy and is not siphoned off to remote investors. **These pubs now make a vastly increased contribution to the UK economy**, not just through wages but, for example, by supporting local breweries and wider UK suppliers, and through a hugely increased contribution to public funds through taxes and duty. Furthermore there is enough profit in these businesses for us to be able to invest properly in the buildings themselves and in our staff, something which is a constant battle at The .

Flow Monitoring

Recent years have seen flow monitoring technology installed by the PubCos in many of their tied pubs including The . This extremely invasive and intimidating technology appears to be universally detested by lessees (who often refer to it as “the spy in the cellar”), and it could quite reasonably be perceived as a perfect physical manifestation of the imbalance of power and lack of trust which exists under the current unregulated PubCo system.

No matter how else the PubCos might try to justify it this expensive technology exists for one reason only, and that is to police the beer tie and to deter lessees from “buying out”.

The irony is that if PubCo pricing was fair, and if the PubCos were more benevolent landlords who genuinely operated the beer tie to the benefit of both parties (as of course they claim) then there would be no need for flow monitoring in the first place. Yet the reality is that they know that their high prices make buying out extremely tempting – especially, I imagine, if the lessee is in difficulty with trade.

There is much anecdotal evidence of the misuse of this technology, and many doubts as to its accuracy and reliability. There have also been concerns voiced over the way in which the personnel involved treat pubs in response to flow monitoring information.

At The we have had two unpleasant encounters as a result of Brulines readings:

A couple of years ago a senior Brulines employee entered our pub through the back door, when the pub was closed. He did not alert us to his presence but simply began an inspection including taking photographs before being detected and challenged by our cleaner. This was all due to a mistake which they later admitted was made at their end whereby our Brulines data had been misinterpreted due to one of their office workers “unchecking a box on a spreadsheet”. We received a verbal apology from Punch, but no acknowledgement of their mistake from Brulines.

Much more recently another employee entered The during a busy teatime shift and persuaded the barmaid to let him into the cellar unaccompanied to conduct an inspection. I was alerted and left my family meal table to get to the pub to challenge this person and point out that it was entirely unreasonable for him to be in the cellar of our pub, unaccompanied and conducting an inspection which would have been impossible to verify later on. Again I received an unofficial apology from Punch for the incident, but the fact remains that such unreasonable and intimidating behaviour simply should not happen in the first place. Unfortunately I suspect in truth it is all too common.

The Prime Principle

I understand that RICS have publicly acknowledged the validity of the prime principle that **“a tied lessee should be no worse off than a free of tie lessee”**, yet the PubCos are still highly resistant to that particular concept, even though the surveyors who act for them are supposed to abide by RICS guidelines. (Incidentally, I think RICS themselves should have to answer some very tough questions about the frankly wild inconsistencies which have occurred in pub valuations in recent years, and in particular regarding inflated valuations in favour of the PubCos.)

Of course it is not surprising that the PubCos themselves refuse to accept the prime principle, as their entire business model is actually predicated on the direct opposite of that principle, so it is inevitable that they will simply refuse to even try to honour it unless their hand is forced through statutory regulation.

Consequences

There will obviously significant consequences when statutory regulation is brought in, and it is indeed debatable whether certain PubCos will be able to survive if they cannot continue with their current business model. Certainly our landlords, Punch Taverns, are already in a very precarious

position, and appear to be facing a bondholder revolt. However, in my view this is absolutely no reason for BIS to change course, or to limit the scope of the necessary reforms.

It will ultimately not be the fault of the government if these companies are unable to withstand the effects of legitimate and necessary reform. They only have themselves to blame for the greed and mismanagement that has landed them in their current situation, and their investors really should accept that they made a bad investment decision in backing such a flawed business model. If the investors feel they were miss-sold that investment then they will doubtless take appropriate action.

The PubCos may well seek to restructure their operations to find ways round the regulation. The 500 pub limit is an obvious concern as it would make sense for them to break up their estates into smaller distinct entities, and the government need to plan for that eventuality. Also Ted Tuppen has just announced that he would seriously consider converting to a property trust to deprive the government of tax in the future. This again speaks volumes about the nature of these companies, but it would be worth considering the other side of that coin. The commensurate rise in tax revenue to be derived from a fully functioning national industry would surely outweigh any churlish tax avoidance by the PubCos.

The most important thing at this point is to protect the pubs which remain, and to give them the opportunity to flourish as they should in the future. This will be to the massive benefit of the UK both economically and culturally, and will lead to the creation of local wealth and countless jobs as the financial resources of each pub will no longer be siphoned off into the financial black hole of the PubCos.

There is no reason to believe that regulation will cause more pub closures, but there is absolutely every reason to believe that there will be more closures and more hardship if the current situation is allowed to continue.

My only personal anxiety about the future is what will happen to The [redacted] if Punch do go into administration. I would like a statutory right to purchase the freehold at a market price in that event, as at present we could simply be sold off to a rival pub group or brewery who could continue to exploit the tie to their own advantage (unless of course we are granted the statutory Market Rent Only option).

Conclusion

I can state with absolute certainty from my own experience in the industry that the imbalance which exists between PubCo lessees and free of tie operators is huge, and I have experienced nothing to suggest the problem is being addressed through self regulation.

Tied beer prices can only be described as extortionate, and they are frankly unsustainable for any normal pub as they force tied lessees to operate on an impossibly low level of GP. Only an abnormally busy pub, like The [redacted], could continue trading in such circumstances.

Rents have also climbed far above fair levels under the PubCos in direct contradiction to their claims of relatively cheap rents being offered as a "countervailing benefit" of the beer tie. Our rent at The [redacted] is certainly higher than open market level, which is why we are currently embroiled in a protracted

and expensive battle to get it reduced. As for any other countervailing benefits we receive, I honestly cannot think of a single one.

It is very difficult to find a single positive aspect of the PubCo model as it currently stands, appearing as it does to be totally parasitic in nature. Having aggressively bought up a vast proportion of our national pub stock, the sole intention appeared to be the extraction of absolutely maximum profit from each site for the short term benefit of a small number of investors and directors, at a huge cultural and economic cost for wider British society. Now I frankly feel that most of our hard work at The is simply serving to prop up the debt-ridden remnants of that failed business model.

I also feel that the stance adopted by Punch in relation to our beer pricing and our rent review indicates that they are still systematically trying to extract an unfair share from the pubs run by their lessees. Rather than offering their more successful lessees any kind of incentive or reward they opt to simply profit from them even further and with absolutely no justification. For example in our own case, having already benefitted disproportionately from the upturn in our business through the huge share they take in the beer tie, they revealed themselves to simply be not content with that and chose instead to pursue an additional increase in rent.

It is clear that the PubCos have taken, and continue to take, full advantage of the huge imbalance of power which exists in the leased and tenanted sector in order to perpetuate and heighten the iniquities which exist in the market. Lessees have been deterred from challenging unfair treatment by the sheer scale of their resources, and their litigious reputations. Most of us have now been compelled to accept flow monitoring for example, the very existence of which speaks volumes about the nature of the PubCo model. They have also made full use of a very effective lobbying group in the form of the BBPA, who have consistently obscured the truth of the situation at a political level.

The PubCos continue to argue that the beer tie has benefits for both parties, but this is simply not my experience, and I very much doubt whether it is the experience of any other tied lessee either. However, the fact that they continue to use this argument makes the whole solution very simple to my mind, as they are effectively inviting their statement to be put to the test.

The introduction of a "Market Rent Only" option for all PubCo lessees would do exactly that. If the tie is truly beneficial, as the PubCos argue, then they have nothing to worry about as no lessees will take the free of tie option. In reality of course people will opt out of the tie in droves unless the PubCos genuinely reform themselves and begin to operate the tie as they should – ie. to the mutual benefit of both parties.

It is my view the introduction of the Market Rent Only option would be an extremely good thing for the UK both economically and culturally, and will give our precious remaining pubs the best possible chance of a bright future. At The it would allow us to increase staff pay, increase investment in our business, our staff and our local community and still reduce our retail prices slightly. We would have much more freedom to support local businesses, including local breweries who would get a much fairer deal from us than they currently do from the PubCos. It would also give us the funds to keep our business secure in the event of unexpected future capital expenditure.

It is a huge relief to those of us operating under the tie that an understanding of the problem seems to be dawning on the wider world, and especially that there seems to be a real cross-party political

consensus developing in opposition to the current situation. It has been extremely difficult for lessees to expose the iniquities of the tie and to mobilise any effective opposition because we are all individual traders, geographically dispersed and often economically challenged. Consequently we have felt powerless (and often fearful) in the face of the enormous organised power of these famously litigious companies and their relentless lobbyists (as epitomised by the BBPA).

It is currently interesting to see the increasingly desperate protestations and aggressive threats issued by the PubCos, and especially Ted Tuppen of Enterprise, now that there is a real possibility of reform. I trust that the government will not allow themselves to be bullied or intimidated on the issue – especially, as such tactics are par for the course for these companies and reveal their true nature.

A classic example of PubCo spin occurred towards the end of last year when Enterprise released a statement (published on 20/11/2013 in the Publican's Morning Advertiser and reiterated in the same publication on 6/12/2013) which I felt to be very misleading, suggesting as it did that their own lessees currently earn an average of £45000 per annum, and furthermore that those lessees could expect all sorts of benefits to come their way due to increased investment by EI over the next year or two.

The claim about lessee earnings was without any doubt factually incorrect (some people would doubtless go so far as to say dishonest and misleading) and could easily be shown as such with an impartial survey of their lessees. It seems far more likely that a true average would be around £15000 or less as accepted at the last BIS enquiry.

The second point about forthcoming investment was equally dubious, although one very feasible subtext would be that they were simply using an empty promise in an effort to win a further delay in government intervention.

In my view such claims should be given no further credence. These companies have had years to prove that, under self-regulation, their business model can deliver fair results for their lessees when the fact is that they have failed at every stage, as has been noted by four separate select committees.

I believe the results have been catastrophic for the UK's pub industry, and that there has been a huge economic and cultural cost for wider society. Statutory reform is desperately needed now, to limit any more damage, and the single reform which would make the largest and most positive difference would be the introduction of the Market Rent Only option.

Many thanks,