

Thursday 6th June 2013

Dear Sir,

Re: Government Consultation Pub Companies and Tenants April 2013

My business owns and operates leasehold pubs in London and our plans for growth will mean expanding to pubs over the next two years. ; are good neighbourhood pubs offering great food & wines together with a range of excellent beers and each pub is tailored to meet the needs of the local community it serves.

I wanted to record my thoughts on the current structure and business model in this part of the leisure sector in the event that they may be of use to the Consultation group. The main topics are as follows:

Tied Beer Supply & Lease Rental levels

Whilst it is true that the lowest gross margin products on sale in any of leasehold pubs are tied lager and ale, this is not a point of great concern. Like many others, has concentrated on developing an excellent food offering and extensive wine list (both of which our customers really want) thus ensuring that average gross margins across all sales can be maintained at an acceptable level. In all other areas of retail, lessees would pay a base rent and a turnover rent as the norm – in tied pub leases the beer supply tie is simply a (part) turnover rent by another name.

It is also worthwhile contemplating that whilst the “holy grail” of free of tie beer supply may be helpful to some, it is far from certain that it will lead to cheaper beer for retailers as the beer manufacturers and distributors will then face dealing with many thousands of new customers all wanting cheaper prices. In all likelihood, the increase in sales and customer service costs and importantly credit risk faced by the beer suppliers are likely to lead to higher prices than many retailers currently envisage.

Access to Finance/Funding

Many single site or small multi site pub operators face severe difficulties in securing access to finance via the banks, ironically particularly so at the present time when the banking sector view pubs as high risk. In our experience at [redacted], the Pub Companies have proved to be an invaluable source of capital where it has been needed to help support the growth of our business. Specifically, this has taken the form of significant capital investments to improve and refurbish tired and unattractive pubs where the PubCo knows it has secured a suitable operator to run the site post refurb. [redacted] has benefitted from two such investment funding schemes to date and has been able to build an estate which would not have been possible under it's own steam.

It is also the case that, although it can be painfully bureaucratic, the business rigour applied to the process of gaining access to such funding has been helpful in ensuring that [redacted] own business plans for these sites were comprehensive and robust from the outset.

Although my experience in the industry over the last 7 years is relatively recent, I have seen a noticeable trend towards pragmatism and business common sense from the PubCo's during this time. This is best seen in the form of training and education (business, marketing, employment, health & safety) which is made available to the lessees, flexible packages for selective tie release being offered to lessees and pooled purchasing deals negotiated centrally for many products or services a lessee would purchase in the normal course of business and increased flexibility on some of the terms in the lease itself. These are all positive development which provide support to lessees who wish to build stronger and more enduring businesses.

I do hope these opinions are of some value to the Consultation Group and should any further clarification be required then please do not hesitate to contact me by email at [redacted].

Yours sincerely,