



TIME FOR ACTION, TIME FOR CHANGE:

The pubco model is broken. Fair Pint believes that action needs to be taken to ensure that the exposed weaknesses of the pubco model doesn't cause long lasting the destruction of the UK pub sector.

Pubs are closing at a rate of circa 40 per week and the rate of closures will continue to accelerate unless action is taken. If the Government are serious about securing the future of pubs and the social benefits they deliver - they need to start taking urgent action to rebalance the relationship between pubcos and their tenants.

FAIR PINT IS CALLING TIME ON THE TIE AND CALLING ON THE GOVERNMENT TO TAKE ACTION. WE WANT:

Freedom from the Tie

- Fair Pint is calling for the tie to be removed. We believe, however, that there are benefits from a Competition Commission investigation into the effect of tied arrangements on the market. The pubco model is as clear subversion of the aims of the 1989 Beer Orders. We hope that a Competition Commission inquiry will provide an opportunity for the development of proposals about reform of the sector which will avoid similar unforeseen consequences.
- Calling for the Competition Commission to investigate the effect of the tie on the sector does not prevent the Government taking action now to ensure that the damage being caused to the sector by the tie is stemmed.
- Pubcos argue that the tie provides a number of benefits which balance out the higher cost of beer. The Business and Enterprise Committee argued that that if this was the case tenants would choose to stick with the tie if they were given the option. The Business and Enterprise Committee suggested that pubcos should offer their tenants the option of running their pubs on a free of tie basis. **Fair Pint is calling on the Government to create a statutory code of practice that will enable tenants to opt out of the tie when leases are granted, reviewed or renewed.**

Fair Pricing

- The Business and Enterprise Committee made it clear that the tie reduces tied pubs' profitability and makes beer in tied pubs more expensive for the consumer. Fair Pint believes that a statutory code of practice would help to ensure that pubcos are transparent about pricing. Pubcos need to be open about the discounts they receive from brewers and the proportion of that discount which is passed on to tenants. **Fair Pint is calling for greater transparency.**

Fair Rents

- The fact that the rent review system is balanced in the interests of pubcos rather than tenants means that most tenants face high rents as well as higher prices for beer and other supplies. Pub tenants end up simply having to accept any increases in rents and beer prices or risk losing their pubs and - as many tenants live in their pubs - their home as well. Something which looked like an acceptable deal when agreed can quickly become unfair when rents and beer prices are relentlessly increased. Fair Pint believe that the Department



for Business Enterprise and Regulatory Reform needs to take immediate action in response to the Business and Enterprise Committee's recommendation that **the fairness of rents and how they are calculated between pubcos and their tenants needs to be reviewed.**

- The Business and Enterprise Committee reported that the current system of calculating rents was a product of history and custom. The fact that there is a lack of transparency in rent calculations means that the system is open to manipulation by pubcos. Fair Pint are calling for action to ensure that there is full transparency about the way that rents are calculated and that this should become part of a statutory code of conduct.
- Tenants are often left with no option but to accept the pubcos' view about the levels of rent they are charged because they do not have the resources to challenge their landlords. The Committee recommended that a low cost but totally impartial arbitration system should be established. Fair Pint believe that the Government ought to take action to ensure that such a system is established as a matter of urgency.
- There is concern that the conduct of rent reviews in the pub sector is not following recognised law. Fair Pint is calling on Government to ensure that any reform the rent review system and guidance followed by RICS members are subject to proper legal scrutiny to ensure that the law is applied.

Fair Measurement

- Pubcos enforce the tie through a measuring system supplied from a company called Brulines. The Committee made it clear that in their view pubcos should not rely on Brulines equipment to enforce claims against publicans accused of buying outside of the tie, because their accuracy was doubtful. **Fair Pint believe there is an urgent need for the Government to take action to ensure that measuring equipment used to enforce the tie are regulated under the Weights and Measures Act 1985 so that tenants can be certain of their accuracy.**

Freedom from the AWP Tie

- Most pubcos operate a tie for fruit machines (so called amusements with profits) in 2004 the Trade and Industry Select Committee recommended that the tie ought to be abolished because they were unconvinced that any benefits from the tie could justify pubcos taking over 50% of the profits, the Business and Enterprise Committee's report states the Committee feels that this conclusion remains valid. **Fair Pint believes that action should be taken to outlaw AWP ties.**

Freedom from Restrictive Covenants

- When tied pubs have been forced to close, pubcos often sell them off for development as houses or frequently as supermarkets. The pubcos argue that the pub is unviable and therefore a change of use is necessary. Many of these pubs would be viable if they were operated on a free of tie basis, but as the Business and Enterprise Committee report pointed out, pubcos tend to sell their property with a restrictive covenant meaning that the property cannot be used as a pub in the future. This reduces competition in the market by reducing the number of properties that can be run as pubs. **Fair Pint call on the Government to take steps to make such restrictive covenants illegal.**