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LICENSE TO TRADE

**A report by Cllr Gareth Epps and
Reading Liberal Democrats into the
views of Reading publicans
August 2009**



Introduction

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It's recognised that the pub is one of the pillars of the community. A good pub is not just a place for the consumption of alcohol; it is a meeting place for all, potentially a place to have a meal, a place for communities to base sports teams around, and much more.

In recent years, many communities in Reading have lost their community pub. Residents in Whitley have seen a succession of pubs lost, for a variety of reasons. Now Newtown residents face the loss of their community pub, the Jolly Anglers. Other parts of town were created as Temperance areas - so the network of community pubs is patchy.

Publicans had been warning me of the threats to their business posed by the major 'pubcos' - really property management companies. In particular, the name of Enterprise Inns came up. Like many of the companies created by the Beer Orders in 1988, Enterprise is a company founded on debt - billions of pounds of it. Along with other pubcos, it has come under increasing fire for business practices such as upward-only rent reviews, a disciplinarian method of enforcing the tie and the despicable practice of imposing restrictive covenants on closing pubs - preventing them reopening as a pub, for reasons not even connected with restraint of trade.

With the saving of the Horse & Jockey on Castle Street as a community pub - despite the disgraceful efforts of a local Labour councillor to close it - there is some hope. There are some tremendous successes of community pubs across Reading. But with the smoking ban, repeated Government beer duty rises, and many other pressures, it is clear the publican's lot is not a happy one.

At the same time, though, the survey was an opportunity to explore the effects of the Licensing Act, five years on. The reform of licensing hours was long overdue, and the somewhat greater flexibility has been largely successful in spite of a media hue and cry (at least, outside our town centres). However, there are areas of significant concern. Where licensees have struggled to keep pubs under control, Reading Borough Council has struggled with the license review process. New licensees have (by a combination of buck-passing from council and pubco alike) no obvious place to turn when it comes to advice for - for example - deeping drugs out of their premises.

This report details the findings of my report and suggests some next steps if we in Reading East are to protect our community pubs. My thanks to all those publicans who have helped by responding to me.

Cheers!



Cllr Gareth Epps

Liberal Democrat Parliamentary campaigner for Reading East

Note on photographs on front page:-

Main: Chalk board outside the Jolly Anglers the last night it was open, 16 June 2009. Taken by Gareth Epps.

Bottom row (left to right):

The last night of the Jolly Anglers. Taken by Gareth Epps.

Greg Mulholland MP (Chair of the All-Party Save the Pub Group) with Gareth Epps outside the County Arms, August 2009.

Gareth and Sharon Bowles MEP discuss pub closures with Reading CAMRA at Reading Beer Festival, May 2009.

Gareth and local campaigner Chris Burden outside the Red Cow in Caversham, which has now happily reopened. February 2009.

The Survey

The survey was put together and sent out in May-June 2009. Questions were co-devised with a local pubco tenant lessee. The survey treated all answers as confidential; some surveys were returned anonymously (the form welcomed this).

Over 80% of the replies were from pub lessees. (This reflects the pubco issue as the biggest concern facing publicans at present)

Publicans were also invited to meet Greg Mulholland MP (Liberal Democrat MP for Leeds NW and Chair of the All-Party Parliamentary Beer Group) in a closed, 'Chatham House Rules' meeting on 4 August, when Greg came to lend his support to the campaign to reopen Newtown's Jolly Anglers. Some publicans have also given feedback verbally and via email.

You and Your Pub

Three-quarters of those responding said they were not earning more than £15,000 per year. However, 50% said they would still be running a pub in 5 years' time (some conditionally). One correspondent reports working (as a couple) 80- and 45-hour weeks, for a joint income of below £15,000.

'Rent' is the single biggest worry for those publicans expressing a view in this column. Running costs are clearly also a concern.

Some of the comments to this section:-

- "Overheads too high to make a living"
- "Supermarkets selling loss-leaders"
- "Unless we get help to make things better, we won't be able to afford to keep going"
- "The smoking ban caused us to lose 50% of our trade immediately, some of the legislation is alright but there is no say in how we run our business, and the costs have gone too high to manage."

The Licensing Act

We asked whether the new Licensing Act has, on balance, been good or bad for the trade. Over half of those responding (63%) think it was bad. This may reflect the balance of respondees being not town centre bars but local community pubs - which have not benefited from extra licensing hours to a meaningful extent.

Those who applied for extended opening hours got the hours they applied for - but it is clear that many did not apply for a significant extension.

A narrow majority of responses favoured Town Centre pubs and clubs paying for extra police to deal with problems caused by local late night drinking. If introduced, it is clear the burden should not be borne by those whose premises do not open late, or who are zoned with the central zone but are located in a residential area.

Beer Costs and Tax

Questions in this section were in two parts: one concerning pubcos and wholesale prices; the other tax. One correspondent reported that they were charged 40-50% more for draught beers than their competitors. Another reports the difference is over 50%. Pubcos are enforcing the tie actively through cellar monitoring equipment in all leased pubs responding to the survey.

All respondents but one confirm that Government tax increases have harmed their trade.

Drugs in Pubs

Most pubs - fortunately - have not had problems with drugs on the premises. However, most would welcome training for them and their staff in identifying drug taking and dealing on the premises, and on what to do if it took place.

Cllr Gareth Epps has enquired of the Council and Police who confirm that such training is not available through them. One Reading Borough Council contact suggested that the 'brewery' is responsible for such training (in spite of breweries having not had largescale pub ownership for some 20 years!). One of the details of the Licensing Act is that such training cannot be advised.

Some respondents refer to other problems with violence in the Town Centre; these are the only comments suggesting an inadequate police response.

Miscellaneous Issues

There is clear and overwhelming criticism of supermarkets selling alcohol as a loss-leader. Potential answers include legislating to prevent them selling alcohol as a loss-leader, additional taxation and restricting licenses to those who do sell cheap. 'Alcohol should not be sold at cost' is a summary view.

While there is support for a reduction in the drink-driving limit from 80 to 50mg, most of those surveyed do not subsidise the cost of soft drinks to designated drivers.

Any further points?

Respondents referred to subjects such as:-

- The smoking ban: there is significant support for having a smoking room.
- The recession: one publican reports a sharp and otherwise unexplained drop in food sales
- Strong objection by real ale pubs to the blanket imposition of polycarbonate 'glasses'.
- "One size fits all" seems to be the Government line. They know nothing about the industry but insist on micro-managing it, with ill thought-out consequences. Look at the 'Beer Orders'."
- "[Ref the smoking ban] We should be able to choose who, when, why we allow in our pubs as long as its not violent or drug abuse."
- "[Ref supermarkets] The biggest problem for pubs/clubs. Creates binge underage drinking and stops people going out. Must be stopped if we are to survive."
- "[Ref the Beer Orders] Their presumably unforeseen result was to make matters far worse for pubs and publicans."

Conclusions and next steps

The 'pubcos' such as Enterprise Inns and Punch Taverns own many of Reading's community pubs. Nationally a debate has raged increasingly since the unanimous recommendation of the Business & Enterprise Select Committee in May that the Government takes urgent action to curb some of the worst excesses of the pubco business model (distorted as it is, because of the pubcos' needs to make massive debt repayments of tens of millions of pounds a week).

This survey gives first-hand evidence of the effects of the pubco model on Reading's publicans - primarily those running community pubs or 'traditional' town centre pubs, and not the town centre bars or similar establishments.

Often on low incomes, their hands are tied behind their back by the Government and by the tie in its current form. (The Reading figure of 75% earning less than £15,000 per year is in line with the figures published by the Fair Pint campaign.) The survey adds weight to the urgent need for reform of the pubco model and the tie, which is a massive burden on businesses and clearly anti-competitive.

It is clear that pubcos are charging over the odds for beer. It is being said that supermarkets are able to sell beer for retail prices lower than publicans can buy wholesale. The survey confirms this, with an average figure of 50% **higher** costs for draught beer from the pubcos than the costs would be if bought free of tie. This is an appalling, uncompetitive practice and needs urgent reform.

There is real concern regarding rent reviews. It is clear publicans regard them as a penalty for running a successful business. I have heard of publicans being bankrupted by upwards-only rent rise policies. They fail to help pubs thrive and are self-defeating. Upwards-only rent reviews must go.

As a whole, therefore, the tie needs genuine reform. Wholesale beer prices should not be kept artificially high, and I hope the Office of Fair Trading will take action on this in response to CAMRA's super-complaint. The OFT has a duty to outlaw the anti-competitive and self-defeating practices above.

There is also an urgent need to challenge the selling by supermarkets of alcohol as a loss-leader. Most publicans see this as irresponsible, leading to unsupervised drinking and often encouraging binge drinking. The idea of minimum pricing per unit is one ultimate sanction to deter an industry which is much less regulated than the pub trade; there are, however, other sanctions, such as allowing local authorities to take licensing sanctions against any supermarket that is found to be promoting irresponsible drinking. I personally support it and hope my party comes to the same conclusion.

As an active member of the campaign to reopen the Jolly Anglers, it will not surprise you to know that I remain totally committed that the use of restrictive covenants to shut pubs then prevent them reopening is a scandal and must be made illegal. I do not understand why the Government have wasted time with a consultation exercise and not just gone on and done it!

Finally, a personal view. While it is not suitable for every pub, I remain convinced that a uniform smoking ban was an unnecessary restriction. While it has helped in health terms (not least for myself as a recent ex-smoker), I want to see licensed smoking areas where neither staff nor customers wanting a smoke-free drink have to put up with smoke. That means some indoor smoking areas where feasible. Why not?

Gareth Epps, Reading, August 2009