



Campaign for Pubs

Promote, Support and Protect Pubs

Rt. Hon Alok Sharma MP
Secretary of State
Department for Business, Energy & Industrial Strategy
3 Whitehall Place
London
SW1A 2AW

7th July 2020

Dear Alok,

URGENT - Restricted & reduced pub trade requires urgent action to reduce rents

We are writing to you on behalf of our pubs and publicans, to raise with you the serious issue that it is now clear that pubs will be operating for the foreseeable future with significantly reduced trade. Therefore it is also clear that unrealistic rents, which are the biggest threat to the continued existence of thousands of pub businesses, must be correspondingly reduced across the board.

We were delighted when you stated, very clearly and powerfully, *“Our pubs, restaurants and cafes are the lifeblood of high streets and town centres across the country and we are doing all we can to ensure they can bounce back as quickly and safely as possible”*.

In order for those words to be put into action publicans now urgently require action to stop the charging of unreasonable and unsustainable rents – and for the Government to step in and help all pub tenants by giving them all the right to a rent review.

You rightly identify pubs as being hugely important for our economy, for communities and for our national sense of identity. **So we urge you to act now to save thousands of pubs and for the Government to do the following five crucial things:**

1. Bring in a meaningful **mandatory Covid-19 rent code of conduct** including a **statutory right to a rent review** for all pub tenants.
2. **Call on all pub-owners who rent and lease pubs to offer a rent-free period for all pubs** and an extended period of protection from landlords if rent cannot be paid.
3. **Abolish all “upward-only” rent review clauses in all pub leases** so that it is possible to reduce rents in future rent reviews if trading conditions continue to make current rents unsustainable.
4. To **apply these measures to all tenants, including MRO/commercial tenants**.
5. In the case of the big six Regulated pubcos covered by the Pubs Code, the right to a **market-rent-only (MRO) lease should be available to all of their tenants and leaseholders** in place of a rent review to ensure a level playing field throughout pubs in the UK, and the original determination of the Pubs Code being 'no worse off'.

It was a relief for many pubs to be able to open again this weekend and we know that many others plan to open over the coming weeks. Under the current restrictions, some smaller and historic pubs

cannot viably trade at all and will have to remain closed. That is before you consider those pubs where profitability requires that they operate near capacity or that they stage the larger functions, such as music events, that are now prohibited. Where pubs are safely operating again in line with these trade restrictions, many customers have indicated that they do not yet feel ready to return. It is already clear from reports of takings over the weekend that trade will be considerably reduced - our publican members suggest that trade for those that could open over the weekend was down by anything between 30% and 60%. Many pubs can therefore only survive if their fixed costs are correspondingly reduced.

Clearly our concerns about trade levels are shared across the pub sector and we note that the CEO of the BBPA, Emma McClarkin, has written to the Chancellor today asking for various taxation measures to support the trade going forward and to “secure some 350,000 jobs”. There is no mention of rent however, because the BBPA represent a great many of the companies whose rents are proving so punitive to publican tenants, including the regulated pubcos. So this is a deliberate and cynical attempt for them to try to cover-up the fact that it is unreasonable rent demands, including by their members, that is the biggest threat to thousands of pubs.

The stark reality, and the one that pub licensees (as opposed to pubcos and commercial property owners) now urge you to address, is that the level of rents being demanded of pubs are wholly unrealistic and do not reflect the very different trading conditions, the lingering lack of customer confidence and the consequent new reality of publicans’ revenue.

We have called on the Chancellor to bring in measures such as a VAT cut for hospitality, ongoing furlough support and ongoing business rate relief for pubs, but *we do not think that the public purse should provide the means for the BBPA’s pubco members and other pub-owning bodies to simply carry on charging unsustainable and unreasonable rents.*

We believe it is time for property owners, including all of the BBPA membership, to step up and shoulder their fair share of the burden the pub sector faces going forwards.

The Government produced a voluntary Covid-10 rent Code of Practice, but this does not and cannot in its current form address this problem. Indeed, as we and the British Pub Confederation warned, for many pub tenants it has made the situation worse. Many pub landlords, including all but one of the regulated pubcos, are using the voluntary Code of Practice to justify charging whatever they see fit and are certainly not reducing rent to a level that reflects the reality of trading conditions. Moreover, several pub-owning companies are not even operating within the Code of Practice, even though their own two most significant trade bodies, the BBPA and UK Hospitality, both signed up to it. This is exactly what we warned would happen with a weak voluntary code.

We remain deeply concerned at the over reliance of the BEIS Dept upon the advice of the BBPA and UK Hospitality, meaning that the voice of individual licensees is still not properly heard and the critical importance of unreasonable rent demands is not understood. So we again urge the Government to clearly understand the following:

- **The British Beer and Pub Association (BBPA)** represent their members, **including the large pubcos and big breweries**. They do not represent individual publicans or pubs (despite

claiming to) and as you are aware, the interests of the large pub-owning companies are often diametrically opposed to the interests of the people who actually run pubs.

- **UK Hospitality** represent a wide range of interests across the hospitality sector, with some overlapping issues that apply to the pub sector and others that do not. They do have multiple operator pub sector members but don't speak for individual licensees and ***they have two regulated pubcos, Greene King and Star Pubs and Bars, as members.***
- The **British Institute of Innkeeping** is a charity focused on training and licensee support, rather than a trade association and ***it receives considerable funding from the regulated pubcos so cannot be seen as representing tenants of those companies.***

So it really is vital that you engage and are seen to engage with organisations that actually represent individual licensees and that do not represent the regulated pubcos, have regulated pubcos as members or receive funding from the large pubcos. We ask you to engage with the Campaign for Pubs as well as other members of the British Pub Confederation, the Confederation of organisations representing publicans, pubs and pub campaigners as opposed to pub-owning companies and consumers.

If you do care about pubs - the small businesses, not the large corporations who own and rent them to our hardworking landlords - then you need to act now or we will see many of our nation's beloved pubs closing. The impact of such closures on the communities served by those pubs, those they employ, the supply chains that rely upon them and the Exchequer for which they generate so much revenue will be quite simply catastrophic.

It is individual licensees, who are the ones who have gone to huge lengths and expense in order to ensure their pubs can operate safely, that now urgently need your support in the form of decisive Government action, to ensure that rents reflect the Government-imposed restricted operating practices and the consequent reduced levels of trade.

We look forward to hearing from you.

Yours sincerely,



Greg Mulholland
Campaign Director, Campaign for Pubs



Paul Crossman
Chair, Campaign for Pubs