

Business, Enterprise and Industrial Strategy Committee

Oral evidence: Pubs Code, HC 1082

Tuesday 26 June 2018

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Watch the meeting

Members present: Rachel Reeves (Chair); Stephen Kerr; Peter Kyle; Sir Patrick McLoughlin; Mark Pawsey; Anna Turley.

Questions 1 - 83

Witnesses

I: Paul Newby, Pubs Code Adjudicator; Fiona Dickie, Deputy Pubs Code Adjudicator.

Examination of Witnesses

Witnesses: Paul Newby and Fiona Dickie.

Q1 **Chair:** Thank you very much, Paul Newby and Fiona Dickie, for coming to give evidence today to our Select Committee. We are looking at the work of the Pubs Code Adjudicator. As you know, this Select Committee has a keen interest in the work that you do, having had a role, in our previous incarnation, in setting you up in the first place. We are pleased to take evidence from you this morning. Paul, one of your objectives is to reshape the culture of the industry. Why is that one of your objectives and how well are you doing in making that change?

Paul Newby: The key core principles of the code are about fair and lawful dealing between pub companies and their tenants, and the fact that tied tenants should be no worse off than if they were free of tie. In enacting the code, if we can call it that for short, the Government were convinced that there was unfairness in the industry and that the playing field needed levelling to take away that unfairness, so that is the fundamental aim.

What does that mean? To me it means that there should be a fair cutting of the profit cake that exists between the landlord pub company and the tied pub tenant, and that that should be reflected in how they do business together. That is in their dealings between each other and fundamentally, in respect of market-rent-only, about there being an effective choice for the tenant between the tied option and the free-of-tie option. Our work has clearly focused on bringing about the will of Parliament in respect of those fundamental building blocks of the code.

Q2 **Chair:** How would you assess your performance and the extent to which you have managed to change the culture?

Paul Newby: I have spoken about this before. I have been in office for over two years now and the code has been around for just under two years, from 21 July 2016. You have heard before that we had very little set-up time. The interest and the level of engagement overwhelmed us a bit, so we have had to do set-up and implementation of the code at the same time. I have accepted before that, in a different world, with hindsight, more could have been achieved.

Six months ago, after our verification exercise, I reported that we were focusing on three things. One was the dealings between pub companies and their tenants. That is in the way that they present information to them about their tied rent deals, how they deal with them in MRO and, importantly, how they react to the support they get from their business development managers. I also talked about the criticisms that have been made about the pace of our arbitrations process, and the time and



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expense, and we talked about clarification of the code itself, particularly around MRO.

In respect of the first point, we have published the first part of our regulatory compliance handbook about our expectations of pub companies in their dealings. Secondly, we have set about improving our arbitrations process, with streamlining, tighter timetabling and more intervention where the arbitrator can influence the pace of the arbitrations process.

Q3 Chair: You are talking about what happens when people come to you. I am asking about what the relationship is like. Do you think that the relationship between tenants and the pub companies is any different from what it was two years ago? You are there now to try to make a difference—we will come on to some of the detail of that—but do you think the culture of the industry is any different from what it was two years ago?

Paul Newby: There has been some change. We are still getting reports of practices that are not acceptable, but we have set out what behaviour we expect of pub companies. Yes, there are signs of some change, but there is more work for us to do.

Q4 Chair: Since you have been in role, Paul Newby, can you give us an update on the number of market-rent-only agreements you have agreed to date?

Paul Newby: In terms of our regulatory action, we have recently been asking for more detailed information from the pub companies. We are currently in our compliance reporting period, so we do not yet have all the data from the first period of compliance reporting under the code, which is to 31 March, to be reported by 31 July 2018. We have, however, been gathering the data and have asked the pub companies to supplement that data recently.

Q5 Chair: Is it in the tens? Is it in the hundreds? Is it in the thousands?

Paul Newby: The conversion rates of MRO agreements are still very low, from a low base. In the verification exercise last year, conversion rates were showing at only around 2%. Currently, the returns for the different pub-owning businesses are showing different figures, but they are no more than around 10%.

Q6 Chair: How many MROs are there in total?

Fiona Dickie: I can give some more specific details about that. That is obviously information that was of interest to us, so we have required it of the pub-owning businesses. Importantly, we are also requiring them to publish monthly statistics on the MRO processes, notices for responses and agreements. The picture is not uniform across the different pub-owning businesses. By way of example, for Star there were 43 full responses issued to date. Ten of those have converted into MRO



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agreements. That is around 23%. That is the highest conversion rate. The lowest conversion rates are, for example, Ei. There have been 349 full responses issued with 15 market-rent-only agreements to date. I can provide you with statistics for the other pub-owning businesses, if you like, or in writing after today.

Q7 **Chair:** For the other big three, maybe just tell us how many MROs they have agreed.

Fiona Dickie: Marston's has agreed three MRO tenancies out of 41 MRO notices. Punch, out of 78 full responses, has issued three MRO agreements. I will give you all of them. Greene King had 109 MRO notices and 79 full responses with five MRO agreements. Admiral had 11 MRO notices and full responses with one MRO agreement.

Q8 **Chair:** There have been 37 MRO agreements, then.

Fiona Dickie: Assuming your maths is correct, yes.

Q9 **Chair:** That is a very small number, is it not? That is one of the things that tenants have said that they want.

Fiona Dickie: It is a very small number and we now need to understand what that means. That is a step that we are taking. On one side, you have evidence from some of the pub-owning businesses that are saying that this is an indication that tenants do not want to go free of tie and are happy renegotiating their tied deal. On the other hand, you have voices on the tenant side saying that this is the outcome of unfair behaviour from the pub-owning businesses, a reluctance to negotiate and a refusal to grant deeds of variation.

What we are doing now is focusing on the actual experiences of all the tenants who have received a full response to date, and we are requiring the pub-owning businesses to send out a questionnaire to all of them individually, so that they can return it to us confidentially. Henceforth, we will send out such a questionnaire at that stage, so we can get a very close perception of what the reality is and whether this is tenant satisfaction or not.

Q10 **Chair:** It does not sound like it, does it, because the conversion rate from notices to MROs approved seems very low?

Fiona Dickie: Obviously that figure causes us concern, but the right thing for us to do as a regulator is to find out exactly the truth of what that statistic means. We are going to do that by going to the horse's mouth.

Q11 **Chair:** Can I ask you one other factual question? Of those 37 MROs that have been agreed, how many have your office been involved with directly?

Fiona Dickie: I am unable to tell you because we do not know. We do not have access to settlements. If parties have referred for arbitration



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but have subsequently settled and if the pub-owning business has required a non-disclosure agreement in the terms of that settlement, we are not able to identify whether that settlement has involved an MRO tenancy or not.

Q12 **Chair:** There are so few MROs that have been agreed. Presumably the Pubs Code Adjudicator can name those 37 pubs and know whether you have been involved with them at all.

Fiona Dickie: We cannot, no. We do not have that data available. One of the matters we have raised in recent correspondence with the Minister, with an eye on the statutory review, is improving our powers to require information of the pub-owning businesses, because our inability to gain insight into the outcome of negotiations and cases referred to us for arbitration restricts us from providing the sort of information you are requiring now.

Q13 **Chair:** What was the view of the Minister when you asked that question?

Fiona Dickie: This was in correspondence to him last week, in anticipation of this Select Committee today, so we have not received a response.

Q14 **Chair:** Did you ask for the information before today?

Fiona Dickie: This was in response to a request from the Minister for suggestions from us on how our powers might be strengthened. This is one of the matters we identified for consideration and something that we would also invite this Committee to consider.

Q15 **Chair:** Given you were coming to give evidence to our Committee today and you wrote to the Minister on this last week, do you not think it might have been advisable to send a copy of that letter to this Committee?

Paul Newby: Did we not? I apologise if we did not. We will make sure you get one.

Chair: Yes, and perhaps we could see the reply.

Paul Newby: Yes, we are happy for you to see that.

Q16 **Mark Pawsey:** Before I ask my question, I will declare an interest. I was Parliamentary Private Secretary to the Minister at the time the role was created and I have since met some of the pub-owning companies. Mr Newby, you have described your role as being a regulator and an arbitrator. Does that prevent you giving advice to businesses? How can somebody accurately perform both roles?

Paul Newby: It is an interesting role in that respect. It is not unique but it is unusual to have this dual role. We believe fundamentally that the two roles are manageable together but that care needs to be exercised. We can act as a regulator. We can issue advice and information about what we think is the proper interpretation of the code, and we can take that advice into account in our arbitration function. However, it is



extremely important in arbitrating that we keep an open mind about the outcome and that we establish some very clear lines between those roles, so that the users of our service and of the code can be assured that we are properly observing the separation of them.

- Q17 **Mark Pawsey:** Is it always clear, both to pub companies and to tenants, which hat you are wearing when you are liaising with them? Do they know whether you are acting as a regulator or an arbitrator? Is that immediately apparent?

Paul Newby: When we meet them as a regulator, it is common for us to say, "We cannot discuss any matters relating to particular arbitration cases". We talk in the generality as a regulator, and we preserve that boundary to make sure that we act properly and lawfully in the capacity that we have as arbitrators.

- Q18 **Mark Pawsey:** When you are providing advice, is it equally clear that you are simply giving advice rather than regulating?

Paul Newby: Advice comes in various forms. There are more than 40 information products on our website, doing a range of different things. Some contain information that has arisen from cases we have dealt with and how that informs our thinking about the code. Our recent MRO advice note issued on 2 March is a good example of that, and it is clear that that is issued as Section 60 regulatory advice to inform stakeholders about the views we have of matters generally and MRO matters. It is advice that is there to assist the stakeholders, but it does not bind us and it means that we can keep an open mind in relation to specific cases.

- Q19 **Mark Pawsey:** Do you think that the fact that your office performs these two roles has led to any frustration or confusion among both tenants and pub companies?

Paul Newby: It presents challenges and those have come out in the processes. It may be something that should be considered as part of the review of the code, to make sure that it is functioning properly. We have introduced a governance approach, which means we have paid close attention to separating the two roles to make it work as well as it can. It is unusual for a regulator that wants to enforce their powers as much as possible to have this dual role.

- Q20 **Mark Pawsey:** Would there be some merit in separating the two functions within your office and perhaps having two individuals, one whose role would be as arbitrator and another whose role would be as regulator. Would that be an improvement, in your view?

Paul Newby: Would it be an improvement? That is a discussion to be had.

- Q21 **Mark Pawsey:** What do you think?

Paul Newby: This is a complex and new bit of law, which is being challenged quite heavily on both sides. In its formative period, one of



our main tasks has been to have greater clarity around what the law means. Having the ability to have sight of both of those things, in our view, is quite important to achieving what the code intends overall. To remove the law-making would initially have made things more difficult and complex.

Q22 **Mark Pawsey:** Why would it have done that?

Paul Newby: We are able to use the information we get directly from our activity as arbitrators in the right way to inform how we go forward as regulators, without breaching confidentiality.

Q23 **Mark Pawsey:** You have gained some early experience, so is now the time to have this separation?

Paul Newby: It is something that should be considered. We are still at a point when the law is far from settled and we are still being challenged. We have issued our advice note. That is not accepted and the advice note itself is the subject of legal challenge at the moment. A key part of our role is to get to a point where there is clarity around what this code actually means in legal terms, so that parties can move forward more confidently with much better information about what their rights are.

Q24 **Sir Patrick McLoughlin:** Can we just get some clarification? You say that some of the items you are dealing with at the moment are being legally challenged. How many are being legally challenged and what is all this costing?

Fiona Dickie: Two pub-owning businesses have issued judicial review proceedings in respect of the statutory advice note on MROs that was issued in early March. We can tell you a little about that, though not much, obviously.

Q25 **Sir Patrick McLoughlin:** How far are they down the JR route?

Fiona Dickie: They have issued proceedings, so it is just at the issuing stage. As far as appeals in relation to arbitration are concerned, unfortunately, owing to confidentiality, we are unable to disclose information to you about that. There have been appeals. One of the issues that concerns us is our ability to put into the public domain information about those appeals, and the PCA is seeking to enable such information to be put into the public domain through legal proceedings and will continue to do so in the High Court and in the Court of Appeal.

Q26 **Sir Patrick McLoughlin:** How much of your time is spent on dealing with these legal proceedings overall—the JR from the pub companies or the others that you cannot tell us about?

Fiona Dickie: It feels to us that there is resistance from certain pub-owning businesses at every step in relation to the market-rent-only provisions. That absorbs a very significant amount of our time. They represent a fundamental threat to their business model and they are fully



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prepared to test it and commit significant resources to testing it in many ways.

Q27 Peter Kyle: Both sides in arbitration are complaining about the length of time it takes to get arbitration sorted. What is the principal cause of delay?

Paul Newby: As I was saying before, it has been necessary to do set-up. Some of the delay to start with was because the office was small and had a lot of cases to deal with. Six months ago when we talked about the feedback on that and what we were doing about it, we looked at implementing tighter timetabling, more ongoing engagement in case management and the use of oral hearings to speed up the process.

Q28 Peter Kyle: Did you underestimate the demand?

Paul Newby: I suppose the answer to that is yes, in terms of how the office was originally set up. As I have said, I have spent time growing the office and putting in more capacity. The office is considerably larger than it was when we started. I am very pleased, as it was my decision to ask for a deputy to be appointed, quite early on. Unfortunately, the public appointments process took a bit of time.

Q29 Peter Kyle: It took a while before you asked for extra resources though. Do you regret not asking for extra resources earlier?

Paul Newby: In hindsight, I probably do, yes, if you want me to be totally honest.

Peter Kyle: I do want you to be totally honest.

Paul Newby: None of us knew where this car was going when it started. It is easy to speak with hindsight but, yes, it has been a very challenging task in terms of the level of engagement, and the way that it has happened was not forecast.

Q30 Peter Kyle: Thank you, and I appreciate your honesty. Fiona, we are turning to you now anyway, but what improvements in arbitration did you seek when you first arrived?

Fiona Dickie: I come from a unique perspective in that I come from a judicial background, and so I was able to see ways in which I could add value to the arbitration process. That was in terms of ensuring that the arbitrator is pace-setting in the arbitration process. Remember, arbitration is usually a consensual process and it is usually up to the parties to set their own pace. That was not working, so I was able to assist with giving insight into dealing with failures to comply with the directions of the arbitrator and how we might handle those. I was able to look at how we might use our case management powers more effectively, for example achieving consensual consolidation of a number of cases with common issues. That has been done.

Q31 Peter Kyle: In terms of the people using the service, specifically in what



way is their experience different since you arrived?

Fiona Dickie: They will now have much more bespoke case management services. In many cases, they will have personal contact with the arbitrator, both myself and Mr Newby, by way of telephone case management conferences. At those, we will be able to discuss and identify key issues, resolution of which will perhaps break a deadlock between the parties. We will identify what evidence can best be produced and in what form, in order to bring a speedier resolution. Their experience will be different in that way.

Q32 **Peter Kyle:** That is very helpful, thank you. We heard from Swan Hospitality, which had to wait 18 months. Is that sort of thing not going to happen anymore?

Fiona Dickie: There is a significant caseload and neither of us has a magic wand. The number of cases that have been outstanding for more than six months is coming down and it is not going to go up. We are only going to make more progress, not less. However, that is in spite of an uptick in referrals, which may be understood to be in light of the statutory advice note or improved perceptions of the ability of parties to get value from the arbitration process. The vat is still being filled up with new referrals.

What we need to achieve, particularly in regard to the MRO, is a reduction in referrals because cases are being settled. Cases will only be settled when parties are motivated on both sides to negotiate, and that will happen only when some of these fundamental stumbling blocks to the negotiation process are overcome.

Q33 **Peter Kyle:** Finally from me on a slightly different tack, you have come from outside the pub sector, which gives you a unique vantage point. Having come from that background, what is your view of the relationship between pub-owning companies and their tenants?

Fiona Dickie: That is an interesting question, because I do not have much perception of the history of that.

Peter Kyle: I am not asking for the history; I am asking for your reflections now, coming from outside and looking from the vantage point that you have now.

Fiona Dickie: What I can say is that the PCA and I would not be well advised to reach a conclusion on that based on anecdote and hearsay. We hear particular loud voices on the part of tenants, and we want to understand whether they are representative of tenants' views or not.

Q34 **Peter Kyle:** You are saying "we"; I am asking you for your personal view. Paul has already set the tone by being incredibly honest and we are asking you to be the same, with a personal reflection on what your observations are, personally, coming into this sector afresh.



Fiona Dickie: It would be disingenuous of me not to observe that there are significant levels of contention and disagreement in the industry. We can look separately at the MRO and non-MRO. There are signs that the non-MRO provisions of the code are improving relations. With regard to the MRO, there is deadlock over some key issues and that is creating a great deal of tension.

Q35 **Anna Turley:** Just following on from Peter's earlier questions, the delay and the length of time in the process carry significant costs for the individuals and the organisations involved. Some of the cases we have seen are looking at around the £20,000 mark in legal fees. Do you accept the arguments that some tenants have made to us in evidence that they settle early on marginally better terms than they had already, simply because they cannot afford to go through the lengthy process of transferring and all the time and expense that that brings with it?

Fiona Dickie: Those comments make sense in the context of the dispute resolution process that we have, which is why we need to achieve a reduction of referrals, because the negotiation process is effective. The MRO is essentially a negotiated process. These are businesspeople on each side, talking about lease terms and rent. Out in the open market, those matters are concerns that parties, properly motivated to negotiate, will agree without the need for third-party dispute resolution and significant costs. That is why we must focus all our regulatory energy and resources into unlocking that negotiation process.

I would just stand back a little with reference to comments made by yourself and Mr Kyle on delay. I think that is a very generalised perception of what is happening in case management at the PCA. There are many factors that affect the length of time an arbitration may take. We are particularly very keen to allow parties that are both willing to negotiate time to do that. It is not unusual for parties to want to take months to do that. When one characterises a case as having been with us for a long time and being subject to delay, I am not sure it is always the case.

Mark Brown, company solicitor at Admiral Taverns, in response to our request for the MRO data that we asked them to produce recently and which I have reported to the Chair today, said to me, "From a personal perspective, it was interesting to review how long even consensual negotiations had taken, be they for a tied renewal or a new MRO agreement. Although we usually reach agreement at an early juncture, it perhaps gives some comfort to the PCA processes that even consensual negotiations can, for any number of good reasons, take six to nine months to come to fruition".

Q36 **Anna Turley:** That is interesting. I take that point, but do you think the process is fair and balanced? Quite often you are talking about an individual against a large company, and there is a difference in ability to pay, in terms of fees in the process. Would you see early settlement as a success? I take from your evidence so far that you suggest it is a good



thing if people are settling early and negotiating—or do you think it is actually that people are giving in and there is a lack of confidence in the process?

Fiona Dickie: You focus on a very key and important distinction. When negotiations happen freely and early they are a success. When they happen late because of cost and time pressures, they are a failure. We are putting significant resources into oiling the wheels of early negotiation.

Q37 **Anna Turley:** Do you know they are a success, or is it just that somebody has given in because they do not want to go through the lengthy process? There is a difference here.

Paul Newby: That is part of information gathering, which is ongoing in this whole process. We have published our tenant survey, which has told us some information. We are currently in our compliance reporting process and we have already referred to asking for additional information to see what is going on and additional information-gathering powers. When arbitration cases end up being agreed in some way, we are unsighted on that. We ask for information about the settlement, but we very often do not get it and we have no power to force disclosure to understand what lies behind that. Is that a happy settlement? Is the tenant getting a better tied deal that is a fair split of that profit cake that I talked about at the beginning? That is ongoing in terms of our understanding of what is going on behind that.

A key part of this, following on from some of Fiona's remarks, is there being fewer referrals, not more. A key part of that is levelling the playing field. Yes, of course we understand the difficult position of those tenants with not just the cost but the time involved and the unpleasantness of all this in that relationship. A key part is levelling the playing field for others to see what is in the arbitration awards, where we have made some of these important decisions. Our effort at the moment is focusing on persuading the pub companies that there be a waiver of the confidentiality requirement, so that you do not have this unfortunate position where a pub company has already had a decision on a particular set of circumstances and knows how that decision went, to the extent it went against it, and is dealing with a tenant in a new case who does not know that. That is plainly not right and we are very much focused on the confidentiality waiver at the moment.

In one sense, I am pleased to say that we have persuaded a majority of pub companies to go down this route of waiver, to a degree at least. There is some conditionality to that, but we are making progress and we have the Minister's support on that, for which we are grateful. If we are not successful in persuading and using the regulatory powers that exist to do that, I feel this may well be another thing that should be considered as part of the statutory review process. This is a different kind of arbitration from private arbitration, and there is clearly a significant public interest in people having wider knowledge of the decisions that we



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are making to help them settle their disputes more quickly and even to stop them having a dispute in the first place.

Q38 Anna Turley: My last question refers to that. Are you satisfied by the level of awareness among tenants? I think 72% of tenants are aware of the Pubs Code and 63% of tenants are aware of their right to request an MRO. Are you happy with those levels of awareness or do you have targets to extend them?

Paul Newby: No, the survey reveals some interesting things. In one sense, the fact that 72% were aware there is a code could be said to be a good thing. It closely reflected another big industry survey called the Tenant Track survey, where a similar number was 73%, so it gave us some assurance that it looked right. On the more detailed knowledge of the code and rights, results do not look anywhere near as good as that, and there is a significant job to be done on this. It is one we are very conscious of.

The tenant body is a large one; it is currently about 10,500 individual tenants. They are not well represented as a body. There are some tenant organisations, but there is no organisation like the BBPA that speaks for the interests of the pub-owning businesses. We would very much like there to be much better representation for tenants, and we are talking to the industry about that.

In the meantime, we have our own programme of engagements and trying to get tenants to take more notice of what we are saying. There is a lot of information on our website. Every tenant who has a rent review type of event, where there may be a rent assessment proposal, gets a copy of the PCA leaflet alerting them to their rights and where to go to look for information, but the survey showed that it is a case of taking the horse to water and making it drink. Getting people to sit up, take notice and look at that is the significant challenge.

Q39 Peter Kyle: Anna and I are playing a double act this morning, so it is back to me again. Why have tenants and pub companies been so critical of your reluctance to clarify how you are interpreting the code and putting it into practice?

Paul Newby: The law is complex. It has made it a real challenge for us. Six months ago, when we talked about the outcome of the verification exercise, one of the three things that I was talking about earlier was that we committed to providing greater clarity, particularly around MRO. MRO is the thing upon which we have received the most proposals by far, as opposed to non-MRO behavioural matters. We said that we would provide more clarity and advice on that issue, in the first quarter of the year, and we did that. We published our MRO advice on 2 March, with the intention of people understanding exactly what our position is on this key issue.

Q40 Peter Kyle: I just want to go a bit deeper into that. You say the law is



complex. Is it your view—and perhaps, Fiona, you might come in there with your legal background—that the code is poorly drafted or perhaps even the legislation itself is poorly drafted? Is that what is behind this?

Paul Newby: Our MRO advice note answers the question about new agreement and a variation of the so-called vehicle for MRO. The law does not say that it has to be a new lease. Equally, it does not say that it has to be a deed of variation, but we do not see that that is the point. The point is that, whatever the MRO vehicle is, it should deliver a fair deal. The terms individually and taken together should be reasonable. The pub company, in making its response in the way it does, should have good reason for making that proposal that is compliant with the terms of the code and should avoid unreasonable terms that makes the tenant worse off, in accordance with the key core principles.

Q41 **Peter Kyle:** Did you have a view on this or on whether the legislation offers the clarity that you need to implement it?

Fiona Dickie: The legislation says quite a lot, so that is quite a general question. If you are talking about the MRO, the court is the proper place for clarification on matters of statutory interpretation. It is not unusual for new legislation to require interpretation by the courts. It is unfortunate that we have not had clarification from the courts at this time. Each award that is issued to a pub-owning business in relation to the MRO vehicle permits it the right to seek permission from the High Court to appeal, and we await ultimate clarification from the High Court on those issues.

As far as the code in general is concerned, I cannot give you a very simple answer. It is a very complicated piece of legislation. Are there drafting errors? Yes, there are. Do we have a view on particular challenges and tweaks that could be made? Yes, we do and that will be part of our contribution to the statutory review.

Q42 **Peter Kyle:** Yes or no—is the drafting of legislation what is preventing you from offering clarity in policy making for yourselves?

Fiona Dickie: Do you mean within the MRO?

Peter Kyle: Yes, and in general terms as well.

Fiona Dickie: Within the MRO, Parliament could have made express the vehicle that it required. Our view is that Parliament did not do that because it did not want to prescribe on the matter, and that itself is the meaning of the legislation. We consider that all the signs of parliamentary intent are there, but other people take a different view on what that intention is.

Q43 **Peter Kyle:** You mention the High Court and the case law that could ensue from it. If we turn to arbitration, is one of the weaknesses of the arbitration system that it is all confidential? There is no learning or what could be termed case law that could come out of arbitration.



Fiona Dickie: It is our No. 1 issue for furtherance of the objectives of the code. Confidentiality in statutory arbitrations under the Pubs Code is wrong on every level. If I issue an award in respect of an arbitration in which I find a pub-owning business has behaved badly to a tenant and that a particular turn or circumstance of that case is not compliant, or any other code breach, notwithstanding that that finding is limited to the particular facts of the case, I see no reason why the industry would not benefit from knowing that. The reasons given as to why certain pub-owning businesses have refused the request conveyed by us from the Minister to waive confidentiality are poor. They do not hold water. They are, in my view, motivated by self-interest.

I specifically highlight the two pub-owning businesses showing most intransigence on this issue, Ei and Greene King. On the other end of the spectrum, Admiral and Star have shown the most willingness to follow us down this path to waive confidentiality. One of the reasons put forward by pub-owning businesses such as Ei is, for example, that it would not be useful for the industry to know about the outcome of these awards. That shows a paternalistic attitude. Pub-owning businesses that know the outcome of these awards are purporting to decide on behalf of their tenants whether it is in their interest to know. The interpretation of those decisions should be for the tenants and their advisers, rather than for the pub-owning business to control the access to information.

Q44 **Peter Kyle:** Thank you, and I know the whole Committee will appreciate your forthright answer in that regard. Paul Newby, when it comes to standard leases, why are you not able to assess whether they adhere to the code or are code-compliant in advance? This has been put to us in one of the submissions that we received.

Paul Newby: There is no standard lease out there. Terms vary from lease to lease. Parliament itself, as Fiona mentioned, chose not to prescribe here. Parliament, as it has done in the residential market with short-term tenancies, for example, could have said what a market-rent-only lease looks like. The legislation left it to parties to negotiate things that suit them. The way that this has unfolded has given pub companies an opportunity to use that to their advantage. Fiona mentioned earlier about us feeling that there is resistance at every step, and this is an example of it.

Fiona Dickie: I might add that, absent from that submission on that point, is any indication of what that pub-owning business has done to satisfy itself that its own standard lease terms are compliant. That is a question that I would invite you to consider. The other point I would make is that we must have regard to the law of unintended consequences. If the industry expectation is that the PCA will be the ultimate oracle on all things compliant, that may create disincentives to negotiate, and what we want is a negotiated process, we have to bear all these things in mind.

Q45 **Chair:** Fiona, can I just come back to this point? What is needed to



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make those decisions public? You said Ei says it is not useful for people to know the outcomes of the negotiations and you have said that this is a big impediment. What is needed to make those decisions public?

Fiona Dickie: The consent of both parties is needed. We do not expect to get agreement from any pub-owning business to waive confidentiality without the agreement of all of them to do that. Our mission at the moment is to continue to persuade the most recalcitrant to get on board with agreement across the board. If that agreement cannot be reached, it will be something for the statutory review. It may be something for the statutory review in any event. It may be that Parliament considers that agreement to waive confidentiality is only a sticking plaster until it can look at the matter in more detail, but that may come in tandem with considering the appropriate forms of dispute resolution more generally. Not all Pubs Code disputes fit well within an arbitration model and there may be an argument for broadening the different modes of dispute resolution.

Q46 **Chair:** Are you suggesting, Fiona Dickie, that the code should be amended to require publication if you cannot persuade them to do it collectively?

Fiona Dickie: Yes. There is no doubt in my mind that there are no reasons why Pubs Code arbitrations should be conducted in private, unless there is commercial sensitivity, which of course can be accommodated. For example, in talking about the MRO, these are business leases. You can go and buy one. When you are talking about the terms of business leases on renewal, determined by the county court, those proceedings are not private, and we see no reason why these proceedings should be private.

Paul Newby: Chair, I would just add that we have been doing all we can to bring pressure to bear on this issue. As I mentioned, the Minister is very supportive of moving this forward. The impact that this can make is our No. 1 concern, so we will be reporting back before recess to the Minister on the progress we have made. It is still our hope and aim that we can persuade but, if we cannot, as we have said, it should become the subject of serious consideration for the review.

Q47 **Stephen Kerr:** You did a survey of the verifications last summer and you wrote to us about that. It was an independent survey; do you accept and endorse the findings of that survey?

Paul Newby: Can I be clear? We carried out something called our MRO verification exercise in the middle of last year, from which flowed a number of issues. That was an exercise carried out by us. We had a tenant survey that was commissioned in the second half and undertaken last autumn by an independent surveying company, the results of which were published in January.

Q48 **Stephen Kerr:** Let us talk about the survey of tenants. Do you accept the findings of that survey?



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Paul Newby: Yes, it was commissioned and carried out independently.

Q49 **Stephen Kerr:** What did it say, in essence?

Paul Newby: We talked about the headlines earlier, but it said that 72% of the tenants surveyed were aware of the code. In respect of other matters to do with their rights, awareness was much lower.

Q50 **Stephen Kerr:** Did they not also give feedback on the attitudes and experience they have had with the POBs?

Paul Newby: They did, and the survey talked a lot about the importance and relevance of the relationship with business development managers, what tenants felt was good and what they felt was bad about that. As a result of the verification exercise, we had already issued the first part of our regulatory compliance handbook, which very much speaks about our expectations of the pub companies' business development managers in that relationship. That was absolutely echoed in the results of the tenant survey and reinforced our view that that was right. Since then, I have been involved in a series of meetings with whole BDM communities within these pub businesses, saying what the PCA expects of them in their dealings with their tenants. Those are ongoing.

Q51 **Stephen Kerr:** In relation to MROs, did the survey not say that tenants felt that the POBs were creating barriers and frustrating their attempts to secure fair MROs?

Paul Newby: It did.

Q52 **Stephen Kerr:** What kinds of things were they getting up to? What kinds of tactics do they use?

Paul Newby: In the very early stages, when a tenant decides it wants to seek MRO, it serves a notice and there is a response. Is there proper engagement? Is the pub company doing all that it can to engage in effective negotiations at that stage to try to avoid a dispute?

Q53 **Stephen Kerr:** The survey said that the experience of the tenants was that the pub companies followed the letter but not necessarily the spirit. Is that correct?

Paul Newby: Yes. We talk about letter, but in a different way. The way that MRO is being presented by some of the companies at least, in the initial covering letter, gives a very negative view of the deal to go MRO. As we have said, it is clearly intended to put up barriers and provide resistance at each step.

Q54 **Stephen Kerr:** It makes it very expensive.

Paul Newby: It becomes expensive if the tenant chooses to fight because they do not feel they are getting that effective choice.

Q55 **Stephen Kerr:** What about the unreasonable or novel use of dilapidations, for example? That was highlighted, was it not?



Paul Newby: It was, and some of those practices, as a result of work that we have done and discussions that we have had, have been moderated so that their impact has been lessened.

Q56 **Stephen Kerr:** Is that through your intervention?

Paul Newby: Yes, we have talked directly about that not being used as a big barrier. The issue of terminal dilapidations before MRO can be agreed has been ameliorated, but it is far from perfect. The subject of dilapidations will be something we will be looking at very much more closely, because it is not just about MRO; the whole issue of dilapidations is inherent in the landlord and tenant relationship. It is an end-to-end matter, of which MRO is only a part. In my experience as a chartered surveyor, the two things that tenants fall out about all the time, relatively speaking, are rent and repairs.

Q57 **Stephen Kerr:** Some of the costs associated with some of these repairs are quite eye-watering, are they not? Things like £1,600 for two door handles is an example that was quoted in the report.

Paul Newby: It is not just that. In the MRO context, we have been asking questions about what has been done before in this relationship. "You have been landlord and tenant for several years. Why has this subject only raised its head now?"

Q58 **Stephen Kerr:** What have you done to secure better engagement from the pub companies for the tenants? What steps have you taken generally?

Paul Newby: Regulatory engagement can force behaviour change. A couple of examples are over the use of Calderbank letters in negotiations, which was reported to us for being used in an abusive manner. We engaged with a pub company in particular using this approach and we persuaded it to stop. To date, there have been no more complaints about that process that we are aware of. We have engaged on specific aspects of things.

Q59 **Stephen Kerr:** You have just alluded to something there. Some of these things very much border on unfair business practices, do they not?

Paul Newby: This is an interesting point. Our primary focus is on enforcement of the code. The great majority of things that come to us can be dealt with under the code, whether they are breaches that are dealt with in arbitration or other matters that require regulatory intervention. "Unfair business practice" is misunderstood sometimes. The unfair business practice is about matters that do not engage enforcement under the code. Unfair business practice is not about enforcement of matters; it is about effectiveness if the code is not dealing with other things.

Q60 **Stephen Kerr:** You do have powers. You have powers under Section 71A of the Small Business, Enterprise and Employment Act 2015 to



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report evidence and examples of this unfair business practice to the Secretary of State, but you have never done that. Have you ever come close to reporting some of the things that we see in evidence of the way that the pub-owning companies have operated and chosen to interact and engage with the tenants? Have you ever seen anything that came close?

Paul Newby: The straight answer to that is not at the moment. We are focusing our efforts on enforcement, upon settling the law through arbitration and upon dealing with other matters through the enforcement powers that we have, whether they are soft enforcement powers or not.

Q61 **Stephen Kerr:** How close have you ever come to reporting?

Paul Newby: We have not yet.

Q62 **Stephen Kerr:** You have never come close to reporting. Have you ever come close to investigating a pub-owning company, because you have powers to conduct an investigation?

Paul Newby: We have, but there is a high hurdle to investigation, which we have not reached yet. We are gathering a lot of information, as we have said, and we will consider investigation if it is appropriate, but it is extremely important that our focus remains on clarifying and settling what the law means in relation to what may be persistent breaches.

Q63 **Stephen Kerr:** If you ever launched an investigation—you say you have not come close so far—but if you ever did, would you have the resources to conduct such an investigation within your office?

Paul Newby: We would have to consider what the investigation comprised and, if we felt we need outside assistance, we would engage it. That is the approach that I believe has been taken by other regulators in a similar position to us, but Fiona might want to come in here.

Fiona Dickie: Can I offer some clarity? You may have misheard what Mr Newby said. You were asking him specifically whether he had come close to reporting unfair business practices and he said no. He did not make that comment in relation to investigations. That is a separate power. An unfair business practice and a code breach are mutually exclusive, so investigations are one of our statutory powers and it is correct to say they have not been exercised, at this stage.

Coming back to where you began about the information that we gathered from the survey, it told us that there are areas of concern, but it also told us that we need to drill down on the actual evidence on a case-by-case basis. Any regulatory step we take has to be based on rational grounds. It has to be evidenced.

Q64 **Stephen Kerr:** Does that mean you are not satisfied with the evidence from the survey?

Fiona Dickie: It means that we are taking active steps to understand the individual tenant experience within the MRO. I refer back to the



questionnaire that we are requiring POBs to send to every tied pub tenant who has ever received a full response. They will have an opportunity to report to us their particular experience of POB behaviour. We also require monthly reporting of the MRO statistics. Those two things, going forward, will give us an effective ability to track change and progress, and take regulatory action where we do not see it.

Q65 Stephen Kerr: I have one last question. Rather damningly, the Forum of Private Business described you as “impotent”. Tenants allege that you have no powers to enforce the decisions you take and you are largely ignored by the pub companies. What is your response to that?

Paul Newby: I do not accept that. We are being very active in creating greater awareness of this code, enforcing it through what we are doing in arbitration and using our other powers. I do not think that not having had an investigation should be levelled at us as a criticism while we are expending so much of our effort on getting greater clarity about what the code means through our arbitration work.

Fiona Dickie: In the context of arbitrations, I can confirm that the law as it currently stands enables a pub-owning business to comply with an award in a particular case, but not to apply it in any similar cases. We think that is unsatisfactory and that waiving confidentiality would shed a light on that. Where we see that, we then have to take off our arbitrator’s hat, step back and consider the rational exercise of our regulatory powers. We are in that space.

Q66 Stephen Kerr: Do you need greater enforcement powers?

Fiona Dickie: We do not at this stage. I referred earlier in this evidence session to our wish for more evidence-gathering powers. That would make life easier for us. This is a challenge; it is a monumental challenge. We have a dedicated, talented, hardworking team, which is growing. We are better resourced. We have five new starters coming into post at the moment to arrive at a full complement of around 20 in the PCA team. We are absolutely committed to driving this change, but we do not underestimate the challenge that it is.

Paul Newby: May I add one more point to that, Mr Kerr? The great majority of arbitration referrals we have received are about MRO, how MRO is effected and how a tenant gets an effective choice. We have had a much lower number of arbitration referrals in relation to wider behavioural matters and, therefore, our focus has to be on clarifying how tenants get that effective MRO choice. The answer to that lies in the work that we have been putting into arbitration particularly.

Q67 Sir Patrick McLoughlin: Can I ask a couple of questions of Mr Newby? A little while ago when you were answering the Chairman, you referred to “practices that are not acceptable”. I wrote it down. What are those practices? What did you have in mind when you said that line?



Paul Newby: Any part of the relationship in the way that pub companies, and particularly their business development managers, deal with their tenants on a daily basis must be code-compliant, and there are particular code requirements around reporting meetings that take place, what happens in those meetings and records of discussions that take place about, for example, dilapidations. If those things are not being done properly, they are not acceptable practices.

Q68 **Sir Patrick McLoughlin:** What has been done to stop them?

Paul Newby: We have issued our regulatory compliance handbook, which I spoke about earlier, which sets out our expectations in three ways. There is how the pub company will deal with its tenant in relation to a tied rent review, the presentation of a rent assessment proposal, the information that accompanies that and how the parties deal with each other in that respect. There is the issue I spoke about earlier about how the interaction takes place if a tenant chooses to look at the MRO option to achieve an effective choice, and how the pub company will ensure that effective negotiations take place. There is the third area of the general relationship and the importance of that relationship, because tenants themselves identified the importance of getting the business development manager right, and how those important frontline representatives of the pub companies go about their business in a code-compliant way.

Q69 **Sir Patrick McLoughlin:** How would you regard the healthy state of the pub-tenanted market at the moment?

Paul Newby: That is quite a difficult question to answer in terms of the market as a whole. We see the contentious part, people who bring referrals to us because of alleged code breaches. There have so far been 239 referrals that we have accepted during the life of the code. There are 10,500 tenants. There are a lot of interactions going on with rent reviews that do not result in a referral, on which we are unsighted as to the degree of contentment that a tenant has in those dealings.

We are gathering information. We undertook our first survey and we intend to repeat the survey annually. We talked about hindsight earlier, and it would have been great to have had a day one survey so that we could start making earlier comparisons with changes in the industry. We did not have that luxury, but we have done our first survey and we will do those surveys again. We will evolve that survey to make sure we are asking the right questions, so that we can test the level of contentment and whether the dial is moving in the right direction, in terms of the relationship working in a fair and lawful way, but ultimately also in terms of a fair share of that profit cake that I spoke about at the beginning.

Q70 **Mark Pawsey:** I want to deal with deed of variation versus a new lease when a tenant is looking to exercise an MRO. The pub-operating businesses say there is a wholly separate and different relationship between the two parties, which therefore requires a new lease. The tenants often say that this would be more cheaply and easily dealt with



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by a variation on the existing lease, particularly on the grounds of cost. Could you give the Committee some guidance and help us by telling us the difference in cost between the two routes? How much would it cost a tenant if they were offered a deed of variation and how much would it cost in legal costs for a tenant to create a new lease? What is the difference?

Paul Newby: There is no single answer to that question.

Mark Pawsey: What is it broadly?

Paul Newby: We need to break it down a bit. Take one of the costs that might have a significant effect here, stamp duty land tax on a new lease. That may or may not apply depending on the terms of the new lease that are being agreed: how long it is, what the level of rent is and what level of exemption may apply to the tax in that particular set of circumstances, so it is a very case-specific issue.

Q71 **Mark Pawsey:** I wonder, Mr Newby, if you might give us an indication of the range in that case. Is there justification in the tenants' argument that, if they were to be offered a new lease rather than a deed of variation, it is going to cost them a whole load of extra expenditure? What is the range of cost?

Paul Newby: My brief answer is that, in certain circumstances, that is correct.

Q72 **Mark Pawsey:** Are we talking tens of thousands of pounds?

Paul Newby: In some cases, it can be a great deal of money. Very often one of the biggest factors can be dilapidations and how fair a claim there is for them.

Mark Pawsey: That is a separate issue. I just want to understand the legal costs. You are saying it could cost a tenant £10,000 to enter into a new lease, rather than arranging for a deed of variation, so a variation to the existing lease.

Paul Newby: In the most general terms, and I will ask Fiona to come in on this in a minute, the evidence we have seen generally in arbitration cases is that the answer to that question varies depending on how easy it is to vary an existing lease. An existing lease may be a very recent agreement requiring relatively few variations, although the pub companies seek to argue that that is not the case, but that is a slightly different issue. There may be older leases where much more radical surgery is required and costs could be greater. There is no single answer, I am afraid. In some cases, there is most definitely support for the tenant's view that a deed of variation could be done more cheaply.

Q73 **Mark Pawsey:** You seem to have accepted that in your advice note of March 2018. You implied a presumption in favour of a deed of variation, so why is that not happening?



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Paul Newby: No, we have not. What we said in our MRO advice note is that the law does not say it has to be a new lease.

Mark Pawsey: That is the interpretation that is being provided at the moment—

Paul Newby: Neither does it say that it has to be a deed of variation. It allows some choice over what that vehicle might be. Not every tenant wants a deed of variation. Some tenants will want a new lease on the right terms. In the case of a tenant who wants a lease that is longer than the remaining term of the agreement, whether you call it a deed of variation or not, by operation of the law, it has to be a new lease.

Q74 **Mark Pawsey:** If you accept there have been very few MRO agreements—I think 37 or so the Chairman referred to earlier—is one of the reasons for there being so few, and one of the reasons that tenants are dropping out, the substantial costs of entering into a new lease, rather than arranging for a deed of variation?

Paul Newby: Yes, and I will perhaps let Fiona come in and make a few comments about that.

Fiona Dickie: I will make a few comments. One is that we will be able to answer that question when we have asked the specific tenants who have been through that process and we are going to do that, so they can tell us if that is the reason they dropped out. In general, I have to support what Mr Newby says on a high level. Legal costs are incredibly fact-specific and the position of the pub-owning business also has to be borne in mind. It may find cost savings in taking a high-level approach to new leases, as opposed to dealing with deeds of variation on a case-by-case basis. There are arguments and cost issues on both sides, and what we have done is to look at those in the context of individual arbitrations and the evidence that parties have put before us, and it is fact-specific.

Q75 **Mark Pawsey:** As someone with a legal background, do you accept the argument that there is a fundamental difference between the existing agreements and an MRO lease? Does there need to be a fresh and separate agreement between the parties?

Fiona Dickie: No, I do not accept that at all. I stand by what we have said in the statutory advice, which does not lean one way or the other. It says there is a choice and that that choice must be exercised fairly. The pub-owning business must have good reasons for their choice. They have to balance the reasonableness to the tenant and the reasonableness to themselves of the choice they are making, including all the costs associated with it.

Q76 **Mark Pawsey:** I now want to move on to some of the improvements you might like to see, as we reach a conclusion. You have told us that arbitration should no longer be confidential and that you want clarity about the interpretation of the code but, specifically, should the 14-day



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period for decisions on the MRO offer and the 21-day period for decisions on whether to seek an MRO be extended? Are those time limits too short?

Paul Newby: The straight answer to that is yes; that is our feeling. The time periods do not leave much time for negotiation, and undoubtedly some tenants are making protected referrals because of the way that the time limits work in opening and closing the window. We would certainly be looking at that as one of the issues to be considered in the review.

Q77 **Mark Pawsey:** Should the threshold of owning 500 pubs for the code to apply be reduced, in your view?

Paul Newby: That is a question that we have not considered in any detail, nor have we been asked until just now. I can only answer by saying that clearly we exist to serve the needs of the current set of stakeholders. However, in more general terms, the amount of noise that I hear about unhappiness in sub-500 companies is not great. There are some companies that anecdotally have very good reputations as smaller regional brewers, but there are other types of pub companies that are different. Any judgment on that would have to be evidence based and we do not exist to police that part of the market.

Mark Pawsey: For the moment you would argue that your area of responsibility is big enough.

Paul Newby: It has to be evidence based. I am not aware of a groundswell of evidence that suggests there is a need to change that limit.

Q78 **Mark Pawsey:** We have heard from you in evidence some changes that you would like to see. Do you think they should be brought in before next year's statutory review or are you happy for them to be rolled into the review? In which case, what other cases would you like to see? Are there any you have not already told us about?

Paul Newby: First, it must be clear that it is the Secretary of State's review, as clearly provided for in the legislation. We will be a major participant in that review but, until that happens, we have to get on with the code that we have and that takes up our time. I want to be clear about that.

Having said that, there are some broad headlines. We have talked about most of them at one time or another. They are about the time limits and being able to consider other forms of dispute resolution mechanism. It is clear to us that arbitration does not suit every type of Pubs Code dispute. There are some types of dispute where a quicker form of adjudication might be more suited, particularly behavioural matters, with a much shorter, sharper form. Quite often it is a question of a "he said, she said" dispute.

Q79 **Mark Pawsey:** What time limit would you see as sensible for



circumstances such as that?

Paul Newby: It depends on how complicated the case is.

- Q80 **Mark Pawsey:** What we are getting is that everything is separate and different. People are looking for some certainty and I get a sense that people would like to see a standard agreement that would simplify things. Rather than everything being separate and individual, a broader opinion would be helpful.

Paul Newby: I think of short, sharp adjudication on limited grounds.

- Q81 **Mark Pawsey:** Would it be within a couple of months or something like that?

Paul Newby: Yes; why not? It depends on the circumstances, but the point is it is something that is distinctive from arbitration and its evidential process, which is suited to some kinds of dispute that are complex, need legal argument and may involve issues of disclosure and other things that happen in arbitration, which, as you know, are not necessarily needed in cases where a complaint is about a business development manager's behaviour. Did that happen or did it not? If it did, what is the appropriate redress in a more perfunctory way? That was the second point.

You asked about code changes. The big ones for us are about wider information-gathering powers, in particular seeing behind what is being agreed in the market and in arbitrations in particular. I would re-emphasise that we ask for the information about what parties have agreed. They choose not to tell us. We have no powers to find that out. We have no powers to say, "Is that a tied-rent settlement? Is that a tied-rent settlement that has happened on fair terms, or is it", as Mr Kyle said, "a tenant who just accepts that they will get a slightly better deal but, other than that, does not have the will to fight?" We need to understand and have better powers in that respect.

Finally, our No. 1 point is about confidentiality and lifting the cloak, so that the decisions that are being made can be available to the wider market, both of pub companies and, importantly, of tenants. Commercial arbitration is intentionally a private process and there are good legal reasons for that, but that is when parties choose arbitration. In this case, they are given arbitration under the law. It is a statutory provision and we believe the considerations and public interest issues are very different.

- Q82 **Chair:** The Pubs Code Adjudicator was set up to try to improve the culture in the industry and to create more of a level playing field between the tenants and the pub companies. Both of you, Paul and Fiona, have been very critical today of some of the pub companies and the way in which they are challenging the code through judicial review, as Sir Patrick has raised, and also through refusing to waive the non-disclosure agreements. Do you have the powers to achieve what Parliament



intended when it set up the code or do we need to revisit the legislation to achieve that cultural change and the levelling of the playing field that Parliament wanted to see when this legislation was enacted?

Fiona Dickie: I will make one point before passing on to Paul. By way of clarification, it would be right to characterise my view of some pub-owning businesses' positions on confidentiality as criticism. It would not be right to characterise my view of their legal challenges to the interpretation of the code as criticism. They are entitled to clarity and to seek that clarity through the courts. We would like that to be done and through the proper channel. We would like that to be done through appeals in relation to arbitration awards and we hope to achieve that clarity in a reasonable timeframe. We will be having a different conversation with you about whether our powers are sufficient once we are on the other side of that and that clarity exists. It will always be a cloud over the effectiveness of the code, until such time as that is achieved.

Paul Newby: Broadly that is right. I will not repeat all that. We are on a journey. Part of that journey is fundamentally about tenants being aware of their rights and using them. It is about clarifying and settling the law further, and we will find out, in due course when we go through the next part of this journey, whether our powers are sufficient or not. We must continue our work. There is much to be done to bring about the change that is needed and to effect what Parliament intended from this legislation.

Q83 **Chair:** Thank you, both. Can I finally clarify when you will be doing that, when you will be making that assessment of the powers you have and whether they are sufficient to achieve what was set out?

Paul Newby: It depends to some extent on our continuing experience of information-gathering, whether we feel that people are taking the decisions in arbitration, and the lifting of that confidentiality cloak is having the right effect. There is no reason that we cannot consider that in conjunction with the statutory review. We are saying that it remains a bit early for us to be absolutely clear about whether we have all the arms in our armament that we might want.

Chair: Thank you very much, both of you, for coming to give evidence today. I look forward to hearing more from you in the future on these important issues.