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GREENE KING

BURY ST EDMUNDS

Darren Jones MP
House of Commons
London
SW1A 0AA

20 July 2022

Dear Mr Jones,

I am writing on behalf of Greene King following the Business, Energy and Industrial Strategy Committee's evidence session on the role of the Pubs Code Adjudicator on 12 July.

Although we were not invited to give evidence before the committee, we watched the session with interest given the significant impact the Pubs Code has for our leased and tenanted division, Greene King Pub Partners.

In light of the matters that were discussed at the evidence session, I wanted to also share our position and experience of the Pubs Code, in the hope that it is helpful for your work looking into the Code and the PCA.

As you may know, Greene King is the UK's leading brewer and pub retailer. We have brewed beer in Bury St Edmunds and sold it through our pubs for over 200 years. Today we employ almost 39,000 people and operate c. 2,600 managed and tenanted pubs, restaurants and hotels across England, Wales and Scotland. We own 886 tenanted pubs in England and Wales, which are let out on a range of leases, tenancies and franchises. The tied model has formed an integral part of our successful business and has adapted over the years to offer flexible, transparent and competitive agreements to our tenants.

Much has changed in the pub sector since the Pubs Code was introduced in 2016 and there is no doubt that some elements of the Code have benefitted the industry. Processes have been formalised and trust and relationships between Greene King and our tenants are stronger than ever.

The pandemic highlighted the real value of the tenanted relationship. Over the course of the pandemic, we provided over £44m worth of support to tenants, largely in the form of rent concessions, in addition to PPE and credits to purchase beer. Greene King's partnership and support for tenants goes well beyond what is required by the Pubs Code.

However, the Code has also added a cost and bureaucratic burden to an industry that is still to recover fully from the pandemic and which is facing rising costs across the supply chain. We believe some light-touch changes would improve the working of the Code for both pub businesses and tenants. We therefore recommend that the Government use this review to:

- **Introduce an opt-out to the MRO if agreed by both parties.** The MRO option was discussed at length during the committee but an area that was not discussed was how itcurtails entrepreneurship and investment by reducing the ability to agree long leases. A mutually agreed exemption from the MRO would reverse this and give tenants the opportunity to build their business over a long period of time.
    - Since the Code was introduced, an MRO option has only been undertaken by a very small number of tenants, and we have seen no strong demand for MRO among our own tenants. A total of 1231 MRO triggers have been available to date, with just 167 valid MRO requests made (8%). We have granted 14 MRO agreements – just 1% of the triggers available – and we have only 8 live MRO agreements in place.
    - The minimal demand is disproportionate to the impact of the MRO on the pub industry's ability to invest.
- **Add a mechanism which would lessen the burden on pub owning businesses who are supporting their tenants well and against whom there have been no or few complaints.** For example, having a tapered levy fee system for the PCA, with the levy payments lowering in recognition of the pub owning business's performance against the Code.

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- **Reduce the administrative and cost burdens associated with the Code**. The current level of red tape around the Code and PCA processes is costly, serves no purpose and has no benefits.
- **Undertake an impact assessment on the Code and MRO in particular,** to assess the impact it has had on investment and complaints and whether the industry's behaviour has changed since its introduction. As MRO did not form part of the original Small Business, Enterprise and Employment Bill, no impact assessment of MRO was undertaken. The MRO has undoubtedly altered the tied pubs market in ways that may not have been intended and the time is right to review its impact.

With pubs at the heart of communities up and down the country, the sector is well placed to help rejuvenate communities and level up through job creation and skills development. These reforms to the Code would unlock more investment in the industry and enable it to more fully contribute to the country's economic recovery.

I would be happy to discuss our position on and experiences of the Code with you in more detail, if that would be helpful. Please do not hesitate to get in touch if I can be of any assistance.

Yours sincerely,

Wayne Shurvinton
Managing Director, Pub Partners
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