

TIED PUBS (SCOTLAND) BILL AT STAGE 2

TENNENT CALEDONIAN BREWERIES (TCB)

TCB POSITION ON THRESHOLD

We do not support the provision in the Tied Pub (Scotland Bill) that the Scottish Code be applied to all tied pubs in Scotland.

Tennent's support of a Pub Code across GB has been consistent since 2014.

Our support of tied pub legislation in Scotland is based on the threshold that has existed in the rest of GB since 2016. e.g. Scottish legislation must apply only to PUBCOs with 500 or more pubs throughout GB and the Market Rent Only Option should only apply to those PUBCOs.

We believe that the evidence is clear on the requirement for Holyrood to safeguard jobs and investment by introducing legislation that offers PUBCO tenants in Scotland the same level of protection as their counterparts in the rest of the GB. A 500 threshold protects the concept of a GB wide single market and is an option that has already been tested in the rest of GB.

If a lower threshold were applied you could end up with a situation where, in the same market, that size of pub group is penalised for being Scottish. A lower threshold would undermine the success of smaller local Scottish tied pub operators and put at risk their commitment to staff and communities and support of local Scottish brands and producers.

Our constant position has been that threshold should be that Scottish Pub Code must only apply to pub-owning companies who have more than 500 pubs across GB.

An additional consideration is that if there is no threshold – this would further increase cost / complexity on a significant number of small independent businesses who are already bearing a huge burden given hospitality restrictions / lockdown during COVID and will most likely, be most impacted following.

TCB POSITION ON GUEST BEERS

The public are often frustrated when unable to get the beer of their choice in their local pub.

We believe that it is right that tenants can stock at least one guest beer, not only for businesses such as ourselves, but for other brewers and also for tenants keen to offer the best pub environment and, more importantly, for the general public who demand and deserve choice.

We also hope that the bill's aim to increase the availability of guest beers will mean that all brewers will be able to sell more to PUBCO outlets.

TENNENT CALEDONIAN BREWERIES

TCB POSITION ON MRO

A Market Rent Only option should be available to Scottish tenants as pub-owning companies (with 500 or more tied outlets across GB) need the threat of tenants going free-of-tie before they will offer their tenants a fair tied deal. The market rent only option also helps address the imbalance in bargaining power as a free of tie offer will allow tenants to make a more straightforward comparison between the tied and free of tie business model. Giving tenants an additional choice means they are in a stronger bargaining position and pub companies will have to work harder if they want the tenant to choose to remain tied.

The main benefit of the market rent only offer is to ensure fair treatment of tenants in line with the principle that tied tenants should be no worse off than free of tie tenants. This will be achieved by enhancing tenants' bargaining power and ensuring any dispute is resolved in a fair way. Under this option a tied tenant that thinks they will be better off being free of tie can choose to be free of tie. The existence of the option also gives the tenant more bargaining power where pub owning companies want to keep tenants tied. This should allow them to get better deals even where they don't exercise the option.

A Market Rent Only option will also help improve consumer choice and benefit smaller brewers who will be offered more routes to market as tied licensees will no longer have stocking requirements imposed and be able to purchase beer at market cost. This will increase the variety of beer on offer to consumers, and allow licensees to stock locally produced, high quality beers.

The legislation regarding a Market Rent Only option (MRO) is designed to help and protect the tenant by giving them access to market pricing and a broader range of products.

Through the provision of the MRO Option, tenants could reduce the costs of drinks, goods and services considerably as they will be able to purchase them on the open market.

Due to decreased rent and goods costs for tied tenants under a Code and with caps on increases in tied goods and services and provision of the MRO Option, tied tenants will be able to pass on cost savings to consumers