

UK Pub Market Super Complaint

A Fair Share for the Consumer

Memorandum to the Office of Fair Trading



**CAMPAIGN
FOR
REAL ALE**

**CAMRA, The Campaign for Real Ale
July 2009**

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Section One – Executive Summary and Introduction

1.0 Executive Summary

- 1.1 CAMRA contends that restricted and distorted competition in the UK pub market, due to the operation of the “beer tie” and other exclusive purchasing obligations, has artificially inflated the price of beer sold in pubs. RPI All Items inflation between 1990 and 2007 was 63% compared to an on-trade beer price inflation rate of 105%¹. Pub beer prices have risen even faster than prices in the whole on-trade sector. Between 1990 and 2007, the average pub price for a pint of bitter increased by 110% and the average pub price for a pint of lager increased by 114%². The cost to consumers of above-inflation increases in on-trade beer prices between 1990 and 2007³ is in the region of £2.5 billion (2,500 million) annually⁴.
- 1.2 There are 57,000 pubs in the UK, of which 54% are leased or tenanted by either a brewing or a non-brewing pub-owning company⁵ and in almost all cases subject to the imposition of a “beer tie” and other exclusive purchasing obligations. Excluding those companies which “tie” fewer than 500 pubs, this figure falls to 41%⁶. This network of lease and tenancy agreements is of considerable detriment to the consumer causing inflated pub beer prices, reduced beer choice, the loss of valued community pubs through permanent closures, reduced customer service and reduced expenditure on refurbishment and renovations. Additionally, small brewers are severely restricted from gaining greater market access due to market foreclosure.
- 1.3 The cumulative impact of the “beer tie” and other exclusive purchasing obligations imposed on “tied” pub businesses are:
- Preventing access, and particularly independent access, of brewers to a substantial part of the UK pub market
 - Preventing access, and particularly independent access, of suppliers of technical services and technical service equipment to a substantial part of the UK pub market
 - Hindering access for suppliers of other goods and services, for which exclusive purchasing obligations are in place, to the UK pub market
 - Hindering access of wholesalers to the UK pub market

¹ National Statistics – Focus on Consumer Price Indices – May 2009

² National Statistics – Focus on Consumer Price Indices – May 2009

³ The end year 2007 is chosen so as to exclude the impact of above-inflation beer duty rises in 2008 and 2009

⁴ CAMRA analysis is detailed in Appendix 1

⁵ The British Beer and Pub Association (BBPA) – Written Evidence to the Business and Enterprise Committee: Evidence - Ev 184

⁶ Calculated from figures published in The Morning Advertiser newspaper – Tenanted Pub Special – 2nd July 2009

The operation of the “beer tie” and other exclusive purchasing obligations mean that the types of businesses listed above are denied independent access to up to 54% of the UK’s pubs and this severely prevents, restricts and distorts competition by establishing a substantial barrier to market entry. The limited ability of companies to gain access to “tied” pub businesses via a tying company is no substitute for independent access which allows companies to negotiate deals with each individual “tied” pub business. CAMRA therefore concludes that the network of “beer tie” and other exclusive purchasing obligation agreements between pub-owning companies and “tied” pub businesses falls within the EC Treaty Article 81(1) prohibition of agreements which prevent, restrict or distort competition.

- 1.4 The operation of the “beer tie” and other exclusive purchasing obligations by non-brewing pub-owning companies is delivering clear benefit for the tying company but the consumer does not receive anywhere approaching a “fair share of the resulting benefit”. CAMRA therefore believes that the companies concerned are unable to rely on Article 81(3) of the EC Treaty which allows some agreements which prevent, restrict or distort competition provided that there is a countervailing benefit through improving “the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit”⁷.
- 1.5 The local nature of the UK pub market and the issues detailed below mean that there is substantial consumer detriment despite the fact that no single company controls more than 15% of the UK’s pubs:
- The use of a methodology to calculate rents which specifically excludes the “reward available to the supplier of tied products”
 - The use of a hypothetical “fair maintainable trade” principle in assessing rents which is easily misrepresented and abused
 - Pressure placed on brewers to increase their wholesale beer prices so that pub companies can maximise profits on “tied” beer sales while at the same time increasing wholesale costs to competitors
 - Barriers to market entry for small brewers
 - The “beer tie” and other exclusive purchasing obligations are implicit non compete obligations which allow tying companies to increase prices above market levels thereby forcing up consumer prices and increasing the rate of pub business failures

CAMRA believes these practices are serious market failures which create the wrong incentives for market participants and need to be addressed urgently.

⁷ European Union consolidated version of the treaty on European Union

2.0 Introduction

- 2.1 CAMRA, the Campaign for Real Ale, is an independent consumer organisation which campaigns for real ale, pubs and consumer rights. Membership is open to all individuals and our membership is over 100,000. CAMRA is financed through membership subscriptions, sales of products such as books and clothing, from the proceeds of beer festivals and other fundraising activities. CAMRA was established in 1971.
- 2.2 Historically the “beer tie” was used exclusively by brewers to guarantee a market for their own products. Brewers relied on the continued viability of their “tied” pub estates to maintain or increase their beer sales and therefore did not seek to overly exploit or abuse the “beer tie” model to the detriment of “tied” pub businesses and consumers.
- 2.3 In an attempt to increase competition, the 1989 Beer Orders, required brewers to release from tie half of the number of pubs which they owned above 2,000. The result was emergence of non-brewing pub-owning companies who saw the combination of rents and the income from “beer tie” and other exclusive purchasing arrangements as a very lucrative business opportunity. The “beer tie” model and method of pub rent calculation have been exploited over the last twenty years to the detriment of consumers and society as a whole and reform is urgently needed. There is significant scope to deliver substantial consumer benefit through the elimination of anti-competitive behaviour in the UK pub market.

Section Two – Competition and Market Overview

3.0 Consumer Detriment

- 3.1 The cost to consumers of above-inflation increases in on-trade beer prices between 1990 and 2007⁸ are in the region of £2.5 billion (£2,500 million) annually⁹. Industry representatives would likely dispute the claim that anti-competitive practices have inflated pub beer prices and counter that above-inflation rises in beer prices can be fully accounted for by other factors including the minimum wage and increased taxation, regulatory and raw material costs. CAMRA would dispute this assertion. Between 1990 and 1997, beer duty generally increased in line with inflation. Any higher costs associated with the minimum wage should have been countered by increased labour efficiency since 1990. The 2005 liberalisation of the licensing system in England and Wales eased restrictions on pubs. The raw material costs only account for a small proportion of the final sale price of beer in pubs. Increased energy costs have been partially mitigated by successful strategies to increase energy efficiency in the brewing process and in pubs. CAMRA therefore concludes there is significant scope to deliver substantial consumer benefit through the elimination of anti-competitive behaviour in the pubs sector and reform of the “beer tie” to ensure that, as stated in EU law, consumers receive a “fair share of the benefit”. While CAMRA concedes that effects of the beer tie are not the sole factor leading to above inflation price increases, we conclude that they are a major factor.
- 3.2 Pub-owning companies are able to generate excessive profits because they are protected from competition in the supply of “tied” products to their leased and tenanted estates as competitors are denied access. Consumers are therefore forced to pay higher prices in leased and tenanted pubs as a direct result of “tied” pub businesses being unable to purchase beer and other “tied” products at a competitive price.
- 3.3 As a consequence of the situation outlined in 8.0 there is a lack of price competition in the whole UK pub market as the 30,800 “tied” pub businesses are restrained from competing with free-of-tie and managed pubs on the basis of price. As a result, free-of-tie and managed pubs are able to charge higher prices than they would if faced with greater competition.
- 3.4 Consumers are denied greater choice in beers as a result of the barriers to market access faced by small brewers.
- 3.5 Consumers suffer a loss of amenity as a result of the use of restrictive covenants¹⁰ to prevent closed pubs reopening.

⁸ The end year 2007 is chosen so as to exclude the impact of above inflation beer duty rises in 2008 and 2009

⁹ CAMRA analysis is detailed in Appendix 1

¹⁰ Restrictive covenants can be imposed when a pub is sold to prevent a future purchaser operating the premises as a pub.

- 3.6 Consumers suffer from reduced levels of customer service. Restricted profits mean “tied” pub businesses are unable to employ sufficient staff necessary to deliver high standards of customer service and invest sufficiently in property maintenance and refurbishment. The Association of Licensed Multiple Retailers (ALMR) Benchmarking Survey 2009¹¹ helps illustrate the restricted funds available to “tied” pub businesses for staffing and premises maintenance. The ALMR Benchmarking Survey 2009 notes that rent calculations are often based on the assumption that pub operating costs are around 32% of turnover. This figure contrasts with the results of the Benchmarking Survey which indicates that actual operating costs faced by managed pubs are 52%. The 52% figure includes an allowance of 6.4% for a manager’s salary which, if excluded, reduces the actual operating cost to 45.6%. The fact that rents are often based on the assumption that typical operating costs are 32%, when in reality they are 45.6%, has the clear result of reducing available funds for staffing, premises maintenance and refurbishment.

4.0 Fair Share of the Benefit for the Consumer (EC Treaty Article 81(3))

- 4.1 Article 81(3) of the EC Treaty allows some agreements which prevent, restrict or distort competition provided that there is a countervailing benefit through improving “the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit”.¹² This is the legal basis for the EU Commission regulation that provides a block exemption for vertical agreements. The regulation clearly states that the “regulation should not exempt vertical agreements containing restrictions which are not indispensable to the attainment of the positive effects mentioned”.¹³ The OFT has the ability to exclude certain cases from benefiting from the (Land Agreements Exclusion and Revocation) Order 2004 and the EU block exemption.¹⁴
- 4.2 CAMRA contends that the operation of the “beer tie” and other exclusive purchasing obligations by brewing and non-brewing pub-owning companies is delivering clear benefit for the tying company but that the consumer does not receive anywhere approaching a “fair share of the resulting benefit”. CAMRA urges the OFT to respond to CAMRA’s super complaint by conducting a market study to examine in detail the operation of the “beer tie” and other exclusive purchasing obligations in the UK pub market to quantify the impact on consumers in terms of pricing, choice and amenity.
- 4.3 In relation to the “beer tie”, CAMRA’s principal concerns relate to those companies who impose a “beer tie” on 500 or more pubs (around 1% for the

¹¹ ALMR – ALMR Benchmarking Survey – Phase 3 – (ALMR, April 2009)

¹² European Union consolidated version of the treaty on European Union

¹³ COMMISSION REGULATION (EC) No 2790/1999 of 22 December 1999 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices

¹⁴ OFT - Vertical Agreements Understanding Competition Law (December 2004)

UK pub market). This reflects the following view of EU competition law based on Court of Justice case law:

“According to one view, there are two low market share thresholds in EC competition law. First there is a “very low” market share threshold (below 1 per cent) where firms have absolute freedom to enter into whatever agreements they please and then there is a “quite low” market share threshold established in the Notice (above 1% and up to the thresholds in the Notice) where firms have some freedom but cannot implement agreements that are egregiously unlawful.”¹⁵

In addition CAMRA notes that:

- The EC beer *de minimis* notice provides an exemption for small brewers (defined as brewing less than 200,000 hectolitres per year)¹⁶.
- The EC Notice on agreements of minor importance states that “Individual suppliers or distributors with a market share not exceeding 5% are in general not considered to contribute significantly to a cumulative foreclosure effect”¹⁷.
- The use of tying arrangements are crucial to the ability of smaller brewers to gain access to the UK pub market that is otherwise dominated by global brewing companies

4.4 CAMRA suggests that the OFT adopts the principle of ensuring that a “tied” pub business is no worse off than a “free-of-tie” pub leasehold business as a suitable proxy for ensuring the operation of the “beer tie” delivers a fair share of the benefit to consumers. Any disadvantage imposed on a “tied” pub leasehold business is passed onto consumers. In 2004 the Trade and Industry Select Committee concluded that under “EU competition law, contracts containing an exclusive purchasing obligation, such as the beer tie, have only ever been permitted if they provide such ‘countervailing benefits’” and that “tied” pub businesses should be no worse off than “free-of-tie” pub businesses.¹⁸

¹⁵ Giorgio Monti - EC competition law (CUP, 2007) p.154

¹⁶ EC Greene King Letter 12-11-98

¹⁷ Commission Notice on agreements of minor importance which do not appreciably restrict competition under Article 81(1) of the Treaty establishing the European Community (*de minimis*) (2001/C 368/07)

¹⁸ Trade and Industry Select Committee – Pub Companies – Second Report 2004 -2005 – 133

5.0 OFT's 2003 Response to the Federation of Small Businesses

- 5.1 In 2003, the OFT rejected a complaint from the Federation of Small Businesses on the subject of the "beer tie". The OFT provided a detailed explanation of the reasons behind the decision to reject this complaint¹⁹. CAMRA will address the following issues:
- The view expressed that there is an increased blurring between pubs and other on-trade outlets
 - Discounts available to "tied pub businesses"
 - The view that it is impossible to strike the right balance in every circumstance between rents, beer prices, incomes and profits
 - The EU block exemption and the (Land Agreements Exclusion and Revocation) Order 2004
 - Application of European Community Law
- 5.2 The view that there is "increased blurring in the distinction between pubs and other types of on-trade outlet"²⁰ is no longer valid due to changes in planning law in England. Prior to 2005, pubs were placed in the same "use class" as restaurants and cafes. Changes in 2005, however, saw a new "use class" introduced specifically for public houses, wine bars and other drinking establishments (but not nightclubs)²¹. This is a radical change which introduces a clear distinction between "drinking establishments" and restaurants and cafes.
- 5.3 The OFT commented that "tied" pub businesses are able to earn discounts on the list price of drinks. As detailed in 8.10 and 8.11, since 2004, pub-owning companies have managed to increase the discounts they earn but have failed to pass this onto "tied" pub businesses. The inequity of the way in which discounts are shared has grown substantially and led the House of Commons Business and Enterprise Select Committee to conclude "that little (or even none) of these increased discounts have been passed through the supply chain to the benefit of the consumer"²².
- 5.4 This complaint argues that the current operation of the "beer tie" and other exclusive purchasing obligations in the UK pub market have created a situation where there is a presumption against delivering the correct balance between rents, beer prices, incomes and profits for "tied" pub businesses.
- 5.5 The EU block exemption for vertical agreements expires in May 2010 and, in addition, the (Land Agreements Exclusion and Revocation) Order 2004 will shortly be subject to a public consultation. Issues highlighted by an OFT

¹⁹ Memorandum by the Office of Fair Trading to Select Committee on-trade and Industry

²⁰ *ibid*

²¹ The Town and Country Planning (Use Classes) (Amendment) (England) Order 2005 No.84

²² Business and Enterprise Committee Report – Pub Companies - 170

market study may have some relevance to these reviews and help inform the decisions of the European Commission and UK Government.

- 5.6 The 2003 European Commission Modernisation Regulation²³, which came into force in 2004, means, for the first time, the OFT is required to apply and enforce Articles 81 and 82 of the EC Treaty. Neither the EU Vertical Restraints Exemption or the (Land Agreements Exclusion and Revocation) Order 2004 prevent the OFT from applying EU or UK competition law to the “beer tie”. CAMRA highlights the view of the Business and Enterprise Committee that “exemption under the Vertical Restraints Exemption and the exclusion under the 2004 Order may be withdrawn if the competition authority thinks it appropriate to do so”²⁴.
- 5.7 CAMRA concurs with the view of the European Commission in 1998 that “tied pub leases of the small and regional UK brewers fall outside the reach of European competition rules”²⁵. CAMRA, however, disagrees with the OFT’s view that Article 81 “will not apply to agreements between pub companies and their tied tenants where the pub-owning companies (be they brewers or pub companies) buy their drinks from a number of sources”²⁶. Whether a tying company sources from a range of suppliers is an examination of the upstream market whereas this complaint deals with both the upstream and the downstream market. Article 81 (1) clearly applies to the relationship between pub-owning companies (brewing and non-brewing) and “tied” pub businesses because the effect of the “beer tie” and other exclusive purchasing agreements is to prevent “tied” pub businesses accessing wider choice and negotiating substantially better deals with other wholesalers, brewers, suppliers of products subject to exclusive purchasing obligations and suppliers of technical services and technical services equipment.
- 5.8 While the “beer tie” is the most notable form of exclusive purchasing obligation imposed on pubs it is also common for “tied” pub business to be tied on wine, spirits, games machines and insurance products.

²³ EC Regulation 1/2003

²⁴ Business and Enterprise Committee Report – Pub Companies - 182

²⁵ European Commission Press Notice - The tied pub leases of the small and regional UK brewers fall outside the reach of European competition rules - IP/98/967 06/11/19

²⁶ Memorandum by the Office of Fair Trading to Select Committee on-trade and Industry

6.0 Market Definition

- 6.1 The subject of this super complaint is the UK pub market and we therefore urge the OFT to recognise that the public house market is a separate market from other on-trade premises. In previous examinations of the UK pub market “the sale of beer” has been regarded as the key economic activity in question. CAMRA disagrees with this assessment and believes that the key economic activity is provision of food and/or drink combined with a unique social experience which wholly differs from that offered by other licensed premises. The fact that the price of alcohol in pubs is substantially higher than the price of alcohol purchased in the off-trade reflects the provision of services beyond simply the supply of beer.
- 6.2 The UK Standard Industrial Classification of Economic Activities (SIC) clearly recognises the operation of public houses and bars as a distinct economic activity. The public houses and bars classification is detailed below:

“56.30/2 Public houses and bars

This subclass includes the preparation and serving of beverages for immediate consumption on the premises by:

- bars
- taverns
- cocktail lounges
- discotheques licensed to sell alcohol (with beverage serving predominant)
- beer parlours

This class excludes:

- reselling packaged/prepared beverages, see 47
- retail sale of beverages through vending machines, see 47.99
- operation of discotheques and dance floors without beverage serving, see 93.29²⁷

Public houses and bars are classified under the group “beverage serving activities”. The only other sub-class in this group is “licensed clubs”. The UK Standard Industrial Classification of Economic Activities (SIC) stems from European regulation and the European Commission were actively consulted on the formulation of the classifications.

- 6.3 On the demand side, there is no obvious substitute for the pub for the majority of customers who simply wish to enjoy an alcoholic drink in a safe, informal and social environment. On the supply side, licensing laws, planning laws, and the unique requirements of the pub²⁸ mean that it is very difficult, risky and costly to convert an existing property to a pub or build a new pub.

²⁷ National Statistics - UK Standard Industrial Classification of Economic Activities 2007 (SIC 2007)

²⁸ Pubs generally require larger premises than other commercial uses to be viable and also require a cellar

- 6.4 The widespread use of restrictive covenants to prevent pubs remaining as pubs once sold, limits supply side competition. Competitors are frustrated in gaining access to market because they are prevented from reopening closed pubs which are the subject of restrictive covenants that prohibit future pub use.
- 6.5 The characteristics of pubs and the facilities they offer mean that they are wholly different from other on-licensed premises such as hotels, restaurants, nightclubs and private members clubs. The defining feature of a pub is that the customer may purchase a beer for consumption on the premises without any obligation to also buy a meal; stay overnight; pay a membership, or pay an entry fee. According to the British Beer and Pub Association (BBPA), there are 57,000 pubs in the UK. CAMRA endorses the view of the Business and Enterprise Committee that pubs “form a distinct segment of the on-licence market” and are “readily distinguishable from restaurants, fast food outlets, social clubs etc”²⁹. The sale of alcohol in hotels, restaurants, nightclubs and private members clubs does not restrain pub beer prices as they cater to entirely separate markets.³⁰
- 6.6 The Valuation Office Agency has produced a separate valuation guide for pub valuations for the purpose of assessing business rates.³¹ The rationale behind a separate ratings system for pubs is explained by Stephen Crocker in evidence to the European Commission which argues that normal valuation methods cannot be used in the UK pub market because of its unique nature.³²
- 6.7 The Institute for Public Policy Research’s recent Pubs and Places³³ report provides a detailed analysis of the UK pub market and highlights factors which support the case for treating UK pubs as a distinct market. The findings of this report highlight the unique value of pubs and show why it is simply not possible to substitute going for a drink in a pub to going to a nightclub or going for a meal in a restaurant. In summary the report found that pubs:
- Are perceived as the most important social institution for promoting interaction between people of different backgrounds
 - Embody a unique set of cultural values
 - Enrich local civic life by hosting meetings and charity events
 - Have two intrinsically linked functions which are the sale of alcoholic drinks and the provision of a place for social interaction, especially meeting new people
- 6.8 The Society of Independent Brewers (SIBA) estimates that, collectively, their members sell less than 2% of their beer to on licences other than pubs³⁴. This demonstrates that, for small brewers and new market entrants, the UK pub

²⁹ Business and Enterprise Committee Report – Pub Companies - 172

³⁰ ALMR – ALMR Benchmarking Survey – Phase 3 – (ALMR, April 2009)

³¹ VOA – Valuation of Public Houses – Approved Guide

³² This document does not appear to be publicly available.

³³ Ippr – Pubs and Places (ippr, 2009) – can be viewed at www.camra.org.uk/ippr

³⁴ Conversation with Keith Bott, President of Society of Independent Brewers, 18th June 2009

market is the relevant market which needs to be assessed with a view to market foreclosure the supply of beer into the on-trade.

- 6.9 CGA Strategy, a market intelligence company for the on-trade sector, provide a breakdown of pub trading styles that defines just 10,000 of the UK's pubs as "food led"³⁵. The definition of "food led" being that the sale of food is significant to overall sales and that food sales are the primary focus. Restaurants are only substitutable for food led pubs for consumers who wish to consume meals. A restaurant cannot be a substitute for a customer who wishes simply to enjoy a drink and either sit where they choose or stand at the bar and interact with other customers. The Association of Multiple Retailers Benchmarking Survey 2009 indicates that food accounts for only 6% of income across community pubs and even across food led pubs only accounts for 39.8% of income.³⁶
- 6.10 If concern about the blurring between food led pubs and restaurants is not overcome by the points in 6.9, CAMRA suggests the OFT looks at a narrower market definition. The OFT could choose to identify the relevant market as community pubs which serve an identifiable local market. This narrower definition would exclude destination pubs (food led pubs and town centre pubs) and include the 40,000 Community/Local pubs category identified by CGA Strategy³⁷.
- 6.11 In merger cases, including the Greene King/Laurel merger in 2004, the OFT have "taken pubs as the appropriate frame of reference against which to assess the competitive effects of this merger"³⁸. There have been no developments since 2004 which justify a change in stance by the OFT.

7.0 Geographic Scope

- 7.1 Competition between pubs takes place at a local level. Customers are generally willing to travel only short distances when deciding where to drink. Local levels of competition are therefore absolutely critical to the setting of pub rents and pub beer prices.
- 7.2 In merger cases, the OFT has required parties to divest themselves of pubs which increase a market share of 25% or more in Petty Sessional Divisions. As Petty Sessional Divisions no longer exist, an appropriate alternative to Petty Sessional Divisions, as suggested by parties to the Enterprise/Unique merger³⁹, would be Local Authority areas as suggested by parties to the Enterprise/ Unique merger. Alternatively, isochrones could be used to more accurately assess local competition between pubs.

³⁵ <http://www.cgastrategy.co.uk/products/drinksplaces.shtml>

³⁶ ALMR – ALMR Benchmarking Survey – Phase 3 – (ALMR, April 2009)

³⁷ <http://www.cgastrategy.co.uk/products/drinksplaces.shtml>

³⁸ OFT - The OFT's decision on reference under section 22 given on 9 August 2004

³⁹ OFT - The OFT's decision on reference under section 22 given on 9 August 2004

- 7.3 When investigating supermarkets, the OFT and Competition Commission used isochrones to work out how many supermarkets a shopper has within a radius measured in miles and/or minutes. Where competition concerns are identified through an analysis of Local Authority areas, market concentration in those areas should then be analysed in greater detail through use of isochrones.

Section Three – The “Beer Tie”

8.0 Tied Beer Prices

- 8.1 Around 54% of pubs in the UK are tied for the supply of beer. The lessees of these pubs are unable to negotiate the price of beer supplied to them and as a result pay a considerable premium above the price they would pay if they were free-of-tie. The Fair Pint Campaign estimates that the “price differential can be over 70p a pint for the most popular larger brands”⁴⁰. This premium is partly absorbed by the lessee who accepts a lower profit margin and partly passed onto consumers in the form of higher prices.
- 8.2 Many companies with “tied” pub estates appear content to maximise profits by taking an excessive margin on tied beer sales and other tied products rather than accepting a reduced margin in an attempt to grow profits through a higher volume of sales. A possible motivation for this approach is that the basis of rent calculation means pub-owning companies who operate tied lease agreements retain the entirety of the profit generated by high margins on their tied beer sales but only gain from a proportion of the additional profits generated by higher public house turnover.
- 8.3 There is a view within the beer and pub industry that there are too many pubs in the UK. On repeated occasions it has been suggested to CAMRA that there are either 10,000 or 15,000 too many pubs and that these pubs need to permanently close in order to ensure the remaining pubs are viable. Nick Bish, Association of Licensed Multiple Retailers’ (ALMR) Chief Executive, told the Business and Enterprise Committee that he had “been hearing that there are 10,000 too many pubs and that the market is going to adjust”⁴¹. The widespread acceptance and advocacy of pub closures, means that there is logic in companies seeking to boost profits through excessive margins rather than seeking to increase sales volumes. CAMRA’s view is that one of the key reasons 10,000 or 15,000 pubs are at risk of permanent closure is the extreme pressure placed on “tied” pub businesses through excessive rents and inflated prices for beer and other tied products.
- 8.4 Morgan Stanley estimates that a lessee may typically be charged a wholesale price of £1.10 per pint of lager, compared to 80p charged to a free trader and 60p to a licensee of a managed pub. The Association of Licensed Multiple Retailers (ALMR) told the Business and Enterprise Committee Inquiry that Morgan Stanley’s figures are out of date and submitted the following updated figures which show a greater gap between “tied” and “free-of-tie” prices:

⁴⁰ Fair Pint Campaign – Time for action: Time for change: Calling time on the tie.
<http://www.fairpint.org.uk/lobbyday.html>

⁴¹ Oral evidence to Business and Enterprise Committee – 9th December 2009 – Business and Enterprise Committee – Pub Companies - Evidence. Ev 22

Barrelage Discounts⁴²

	ALMR estimates (per barrel)
List Price	£450 - £480
Pubco discount	£210 - £250
Individual free-of-tie discount	£140 - £150

The ALMR figures, which were current as of February 2009, are for premium lager and equate to around 50p a pint of discount that a “tied” pub business is forced to forego when paying the list price. The list price and discount for real ale is around £100 lower. The differential between the Morgan Stanley figures which are suggested to be out of date and the ALMR’s updated figures reflects CAMRA’s understanding that the scale of discounts that “tied” pub businesses are forced to forego have increased over time.

- 8.5 CAMRA acknowledges that many “tied” pub businesses receive a discount on the list price. Nonetheless, the conclusions of the Business and Enterprise Committee Inquiry⁴³ make it absolutely clear that some “tied” pub businesses receive no discount at all and that the level of discounts that are offered to the majority fall way short of the discounts that would be available free-of-tie.
- 8.6 An analyst report from Credit Suisse published in May 2009 confirms CAMRA’s view that pub operating companies are taking an increasing share of the revenue generated by “tied” pub businesses⁴⁴.
- 8.7 Higher wholesale prices appear to be partially passed onto consumers in higher prices. Data from CAMRA’s Annual Prices Survey 2009, below, indicates that the beer prices charged by “tied” pub business are higher than the prices charged in managed or free houses.

CAMRA Prices Survey 2009

Real Ale - average price of a pint		Lager – average price of a pint	
Tenanted pub (tied)	£2.67	Tenanted pub (tied)	£2.88
Free house pub	£2.60	Free houses	£2.78
Managed pub	£2.44	Managed	£2.70

The Business and Enterprise Committee Pub Companies report cites two sources which support CAMRA’s view that prices in “tied” pub markets are higher than those in free houses and managed pubs⁴⁵.

- 8.8 The unfair operation of the “beer tie” not only leads to higher prices within leased pubs but also leads to higher prices throughout the UK pub market by reducing price competition. This is because the price of beer and other items

⁴² Business and Enterprise Committee Report – Pub Companies – 80

⁴³ Business and Enterprise Committee Report – Pub Companies – 81

⁴⁴ Credit Suisse – UK Pubs – Paying the right price for risk – May 2009

⁴⁵ Business and Enterprise Committee Report – Pub Companies – 86

sold in pubs is largely determined by the prices charged by competing pubs in the same locality. CGA Strategy provides a “Pubs Pricing Guide” designed to provide “pricing information to landlord and operator alike” on the local market⁴⁶. They also produce a pricing and distribution survey based on a representative sample of 5,500 pubs⁴⁷.

8.9 The following are methods by which “tied” pub businesses can be encouraged to increase their customer prices:

- The method of rent calculation provides a powerful disincentive to increasing volume of sales through lower prices. Pub rents calculations can be based on the higher volume a pub sells as a result of lower prices but impose a gross profit calculation that assumes much higher prices
- The provision of pricing data supplied by CGA Strategy

8.10 There are few restraints to prevent pub-owning companies earning excessive profits from the sale of tied products, primarily beer and cider. The price of beer in pubs has increased faster than brewery beer prices over at least a ten year period. Between April 1998 and April 2008 the UK producer price index (including excise duty rises) for beer increased by 31.8%⁴⁸, whereas the retail price index for beer on sales increased by 39.4%. CAMRA contends that the growing gap in wholesale beer prices and pub beer prices is a result of companies exploiting tied agreements to artificially increase profits. This is supported by pricing figures provided by The Fair Pint Campaign to the Business and Enterprise Select Committee⁴⁹.

8.11 CAMRA is concerned that the operation of the “beer tie” is inflating the wholesale price of beer. To quote the Business and Enterprise Select Committee:

“The OFT also said in 2004 that “big pub companies [...] are continuing to lead the way in driving down the wholesale price of beer”. However, we believe there is little pressure from pubcos to resist increases in beer list prices (upon which the consumer retail price is based) because pubcos discounts actually increase pro rata with brewery list price increases.”⁵⁰

CAMRA has been told by the Society of Independent Brewers that pub beer prices are being driven by “inflationary pressure based on wet rent expectations” because brewers are incentivised to increase their wholesale prices so that they can achieve discount targets presented by pub companies.⁵¹

⁴⁶ www.cgastrategy.co.uk

⁴⁷ www.cgastrategy.co.uk

⁴⁸ British Beer and Pub Association – Statistical Handbook 2008

⁴⁹ The Fair Pint Campaign – Written Evidence to the Business and Enterprise Committee - Business and Enterprise Committee - Ev233

⁵⁰ Business and Enterprise Committee Report – Pub Companies - 171

⁵¹ Conversation with Keith Bott, President of Society of Independent Brewers, 18th June 2009

- 8.12 Pressure on brewers to increase wholesale beer prices so that pub companies can achieve discount targets has led to price discrimination in the wholesale beer market and means that wholesale beer prices to the “free-of-tie” sector are higher than they would otherwise be.
- 8.13 The cost of Technical Services Equipment (TSE) and Technical Services (TS) are usually bundled with the price of a barrel of beer. CAMRA agrees with the Competition Commission’s view that “bundled pricing may lead to potential distortions in all three markets—the supply of TSE, TS and beer”⁵². Price bundling has led to a situation where the prices charged for TSE and TS are not reflective of the costs incurred in servicing either specific brands or specific premises. SIBA have indicated to CAMRA that a charge of around £5 per barrel is made to small real ale brewers by pub-owning companies for TS and TSE costs despite the fact that the actual TS and TSE costs for real ale are maybe only half this amount.

9.0 Tied Pub Rents

- 9.1 The vast majority of pub rents are assessed according to guidelines set out by the Royal Institution of Chartered Surveyors’ Trade Related Valuation Group. This method of setting rents differ from the method used for establishing rent for other commercial premises and the following aspects are leading to considerable consumer detriment:
- The use of a methodology which specifically excludes the “reward available to the supplier of tied products”
 - The use of a hypothetical “fair maintainable trade” principle which is easily abused
- 9.2 The Royal Institution of Chartered Surveyors’ rental valuation guidelines make it clear that the “reward available to the supplier of tied products” should not be reflected in rental calculations⁵³. The failure of rental calculation to take into account the substantial discounts foregone by “tied” pub businesses is a key factor in leading CAMRA to conclude that the “beer tie” is currently non-compliant with the exemption provided by the EC Treaty Article 81(3).
- 9.3 Analysis from Morgan Stanley shows pub rents have increased faster than pub sales and faster than inflation⁵⁴. Falling beer sales and a shift to consumption of beer at home are two reasons why pub rents should be falling not increasing.

⁵² Competition Commission - Serviced Dispense Equipment Limited and the Technical Services function of Coors Brewers Limited: A report on the proposed acquisition by Serviced Dispense Equipment Limited of the Technical Services Function of Coors Brewers Limited - 11.03.05

⁵³ RICS - Valuation Information Paper 2 (Revised 2007) The Capital and Rental Valuation of Restaurants, Bars, Public Houses and Nightclubs in England, Wales and Scotland

⁵⁴ Morgan Stanley Research – Leisure and Hotels, Leased Pubcos: Avoid – September 2008

- 9.4 Existing rent dispute resolution methods are prohibitively expensive for the vast majority of pub businesses. The British Beer and Pub Association outline the cost of the two methods of formal dispute resolution offered in most leases. Arbitration by a surveyor is estimated to cost between £24,000 and £30,000 while a surveyor's expert determination will cost between £5,000 and £10,000. Under arbitration the independent pub business could potentially be liable for the entire cost and under expert determination the cost is usually split 50:50. According to the British Beer and Pub Association only 18 rent reviews went to arbitration between 2004 and 2008⁵⁵. The prohibitive cost of challenging an unfair rent proposal has had an inflationary impact on pub rents as some "tied" pub businesses may choose to agree excessive rent proposals simply because they cannot afford arbitration or expert determination.
- 9.5 The weak negotiating position of "tied" pub businesses is exacerbated by an absence of training being undertaken before a new entrant signs a lease. According to the British Institute of Innkeepers (BII) in excess of 80% of individuals signing up to leases with certain companies don't attend pre-entry training courses despite being forced to pay for them.⁵⁶
- 9.6 The Association of Multiple Licensed Retailers' (ALMR) Benchmarking Survey 2009 does not identify a significant difference between tied and free-of-tie rents. The ALMR state that "there is little meaningful variance in rent according to type of landlord or whether the lease is free of tie"⁵⁷.

10.0 Market Foreclosure to Small brewers

- 10.1 The existence of tied lease agreements excludes small brewers, new entrants and brewers from other EU states from selling direct to just over 50% of UK pubs. They are also excluded from selling direct to a further 16% of pubs which are managed. In theory this leaves a third of the UK pub market which can be sold to direct. In reality, access to free-of-tie pubs is constrained due to the absence of a thriving network of independent wholesalers and independent suppliers of technical services and technical services equipment. The wholesalers, technical services and technical services equipment markets are dominated by companies with links either to the global brewers or the big pub companies.
- 10.2 The Publican Beer Report, November 2007, found that while two thirds of licensees are aware of demand for local beers only a third actually stock one. According to SIBA, small brewers, sales have grown at a rate of 10% per annum since 2004, albeit from a very low starting point⁵⁸. This remarkable growth reflects surging consumer demand for local food and drink and small

⁵⁵ The British Beer and Pub Association (BBPA) – Written Evidence to the Business and Enterprise Committee: Evidence - Ev 190

⁵⁶ Evidence supplied in email to CAMRA from BII Chief Executive Neil Robertson

⁵⁷ ALMR – ALMR Benchmarking Survey – Phase 3 – (ALMR, April 2009) p. 10

⁵⁸ Business and Enterprise Committee: Evidence Ev256

brewer's efforts to secure access to pubs via their own Direct Delivery Scheme. Small brewers continue to grow due to sheer determination and hard work and in spite of a pub market which is substantially foreclosed to them. The Direct Delivery Scheme is not currently the solution to market foreclosure as the extent of the scheme is within the gift of the large pub companies and is no substitute for independently negotiated access to "tied" pub businesses.

- 10.3 Small brewers face a multitude of problems in gaining access to market. These include minimum order quantities; requirements to deliver to distant depots; demands for unrealistic discounts on list prices; and high prices for technical services. Furthermore, the excessive profits earned through the "beer tie" contribute to market foreclosure by creating an incentive for large pub-owning companies to maintain high volumes on the products of the global brewers on which they earn the greatest margins.
- 10.4 CAMRA is concerned that while SIBA's Direct Delivery Scheme allows small brewers some access into an otherwise foreclosed market, the extent of the scheme could be easily capped in the following ways:
- By limiting the number of "tied" pub businesses which are granted the approval necessary to participate in the scheme
 - By using discriminatory pricing to discourage "tied" pub businesses ordering Direct Delivery Scheme beers
- 10.5 Furthermore participation of pub-owning companies in the SIBA Direct Delivery Scheme is entirely voluntary and not all companies participate. The SIBA Direct Delivery Scheme, while a positive development, is no substitute for independent market access. SIBA's Local Brewing Industry Report 2009 highlights that only 8.5% of small brewers conduct more than 20% of their beer sales through the SIBA Direct Delivery Scheme.⁵⁹
- 10.6 The opportunities for independent drinks wholesale companies remain restricted by the involvement of the large pub-owning companies and global brewers in distribution and wholesales. Independent wholesalers are limited to a small sector of the market and, even here, are at severe disadvantage due to their lack of purchasing power.
- 10.7 The absence of a competitive independent drinks wholesale and distribution sector reinforces market foreclosure to smaller brewers and restricts competition between brewers.

⁵⁹ SIBA – Local Brewing Industry Report 2009

11.0 Beer Tie Remedies

11.1 To encourage tying companies to be more competitive on the beer prices they charge to “tied” pub businesses and to address market foreclosure to small brewers, CAMRA proposes the following remedy:

- Companies that tie 500 or more (around 1%) of the UK’s pubs should be required to allow those pub businesses which they “tie” to purchase one draught real ale and one bottled real ale outside of the tie (a guest beer right) without financial penalty.

The logic in restricting the guest beer to real ale is that extending a guest beer right to global lager brands would have the unintended impact of further foreclosing the market to smaller brewers. If there is a concern about restricting a guest beer right to a single beer style an alternative would be to limit a guest beer right to beers produced by brewers producing fewer than 200,000 hectolitres a year.

11.2 The method of rent calculation for “tied pubs” should be changed to take into account the potential profit which “tied” pub businesses forego because they are unable to buy free-of-tie:

- The Royal Institution of Chartered Surveyors (RICS) should be instructed to amend their rental valuation guidelines for pubs so that the “reward available to the supplier of tied products” is taken into account when rents are assessed.
- Every pub lease agreement which includes exclusive purchasing obligations should be altered to state that calculation of rent must take into account the profit which is lost to the “tied” pub business because they are not able to purchase “tied” goods on the open market.

Rents of all “tied pubs” should be recalculated so that the rent charged can be adjusted to reflect the cost of the “beer tie” to the lessee and to ensure that a “tied” pub business is no worse off than a “free-of-tie” pub business. To ensure that pub-owning companies complete this process quickly and fairly they should be required to commit to a moratorium on price increases for “tied products” for each pub until that pub’s new rent is agreed.

11.3 A rent dispute system that is affordable to “tied” pub businesses must be established. The British Institute of Innkeepers are seeking to set up their own Independent Expert Determination Scheme which aims to provide a cheaper and fairer system of establishing rent levels. This scheme should be subsidised by the pub owning companies and access to this subsidised scheme should be an entitlement for all “tied” pub businesses.

- 11.4 Both the British Beer and Pub Association's Code of Practice on Tied Tenancies and Leases and individual companies' Codes of Practice should be strengthened and given legal standing through inclusion in all existing and all new lease agreements. Where a company's complaints procedure has been exhausted a mechanism should exist to refer disputes to an independent ombudsman, funded by the industry, who would be required to determine the issue in a set time period and publish the outcome.
- 11.5 To strengthen the negotiating position of "tied" pub businesses, a lease should be deemed unenforceable unless the person signing the lease has undertaken a training course which clearly sets out the possible consequences of signing that agreement.
- 11.6 The OFT should commence a public information campaign on the costs and benefits of pub-owning company "tied" lease agreements

Section Four – Rents in the UK Pub Market

12.0 “Fair Maintainable Trade” Rent Calculation

12.1 The Royal Institution for Chartered Surveyors explain that pub rental valuations are based on:

“the fair maintainable trade, whereby the fair maintainable operating profit reflects the hypothetical reasonably efficient operator’s direct costs of running the business, and the provision of the trade furnishings and equipment, stock and working capital. The resultant sum (the divisible balance) is apportioned between landlord and tenant to reflect the risks and desirability of owning the property and operating the business.”⁶⁰

12.2 This hypothetical basis of calculating pub rents makes it possible for costs to be underestimated and for the fair maintainable trade achievable by a “reasonably efficient operator” to be overestimated. The Business and Enterprise Committee commissioned research which found that “44% of the lessees questioned had not seen any form of breakdown of their rent calculations”.⁶¹ This gives rise to a significant risk that the current system of agreeing pub rents is not fit for purpose and is allowing companies in to exploit the weak negotiating position of individual “tied” pub businesses.

12.3 The Fair Pint Campaign has suggested to CAMRA that were a study to add up the combined value of the “fair maintainable trade” implicit in rent calculations throughout the UK, the combined amount would considerably exceed levels of trade that are actually achieved. There are, perhaps, two explanations for such an outcome. The first explanation is that the quality of UK pub licensees is on average below that of a reasonably competent operator which suggests a problem in accurately defining the standard of a reasonably competent operator. The second explanation is that pub companies have been excessively optimistic in assessing hypothetical levels of fair maintainable trade.

12.4 Given the subjective nature of rent calculations, it is imperative that before rental figures are proposed to “tied” pub businesses there is full and transparent disclosure of all the assumptions on which the rent figure is proposed. CAMRA agrees with the Business and Enterprise Committee that without transparency the rental valuation system is “open to abuse” by being “open to manipulation by the pubcos”.⁶²

⁶⁰ RICS - Valuation Information Paper 2 (Revised 2007). The Capital and Rental Valuation of Restaurants, Bars, Public Houses and Nightclubs in England, Wales and Scotland

⁶¹ Business and Enterprise Committee – Pub Companies - 43

⁶² Business and Enterprise Committee – Pub Companies - 46 & 47

13.0 “Fair Maintainable Trade” Rent Calculation Remedies

- 13.1 A national database of pub rents should be publicly available so that “tied” pub businesses are able to quote comparables to strengthen their position in rental negotiations.
- 13.2 An end to upward only rent agreements.
- 13.3 Provision for RPI rent increases to be put on hold in specific cases where the level of trade has fallen.
- 13.4 Pub businesses should be provided with a detailed breakdown of how their rent is calculated so that they can challenge any overestimation of the “fair maintainable trade” and any underestimation of business overheads.

Section Five – Restrictive Covenants

14.0 Restrictive covenants

- 14.1 Restrictive covenants can be used by a seller of a pub to prevent the purchaser from operating the premises as a pub. The impact of this is to reduce competition within a locality thereby allowing higher consumer prices in remaining pubs and maintenance of market foreclosure to small brewers and other suppliers to pubs operating in that locality.
- 14.2 In a locality where there are few if any free-of-tie pubs, then a restrictive covenant can be used as an absolute barrier to market entry to small brewers and other suppliers of tied products. It is in the interest of pub-owning companies to keep independent operators out, so that their “tied” pub businesses can maintain high prices, which are necessary to pay high “tied” rents and beer prices.
- 14.3 Restrictive covenants are used to dispose of pubs, regardless of a pub’s importance to the community or potential viability, with the express aim of concentrating business into a reduced number of outlets, thereby enabling pub-owning companies to extract the maximum profit possible per pub.
- 14.4 The disposal of a pub in a small town in England helps illustrate the anti competitive nature of restrictive covenants and the barrier to market they represent to small brewers. The pub in question was sold at auction in the last year with a restrictive covenant. CAMRA estimates that in this town only 3 pubs out of a total of 20 are truly free-of-tie.

15.0 Restrictive Covenants Remedies

- 15.1 The imposition of restrictive covenants should cease with immediate effect and pub companies should undertake not to enforce existing covenants.

Section Six – Availability of “Free-of-tie” Pubs

16.0 Availability of “Free-of-Tie” Pubs

- 16.1 The key motivation behind taking on a “tied” lease is the pub itself rather than the attractiveness of the “tied” model. According to the Business and Enterprise Committee survey, 60% of “tied” pub businesses cited the “specific pub” as the reason for signing a tied lease⁶³. It seems reasonable to assume that one of the main reasons prospective pub businesses entertain signing “tied” leases is because of the lack of availability of good pubs on a freehold or Free-of-Tie basis in a chosen locality.
- 16.2 An examination of leases offered for sale on the websites of selling agents Christies and Fleurets clearly shows there is a lack of availability of free-of-tie leases compared to tied leases. An analysis of leases for sale in the final week of June 2009 shows that Fleurets were offering for sale 44 tied leaseholds in the North West compared to only 6 free-of-tie leaseholds. In Central England, Christies were offering for sale 32 tied leaseholds compared to 11 free-of-tie leaseholds.
- 16.3 The planning and licensing system mean that there are huge barriers to an individual or company who wishes to build a new pub or to convert an existing premise to a pub. In England, changes to the planning system mean that planning permission is now needed to convert almost all premises to a pub. In Scotland pubs are in a *sui generis* use class which means planning permission is required to convert any premises into a pub.
- 16.4 Reforms of licensing law in England, Wales and Scotland have given much greater power to residents and a range of statutory authorities to oppose and frustrate those wishing to secure a Premises Licence to allow a new premises to sell alcohol. Some Local Authorities in England and Wales have adopted saturation policies that provide a presumption against allowing a new Premises Licence application.
- 16.5 The unique requirements of a pub, such as economies of size and need for a cellar, limit the number of premises that are suitable for conversion to pubs. The process of building new pubs is inevitably a high risk approach for an individual or small company. The widespread use of restrictive covenants to prevent closed pubs reopening further reduces the freehold pub opportunities available to potential purchasers.

⁶³ Business and Enterprise Committee – Pub Companies - 111

17.0 Availability of “Free-of-Tie” Pubs Remedies

- 17.1 When issuing new leases of five years or longer the large pub-owning companies should be required to provide a “free-of-tie” option.
- 17.2 Where a pub-owning company decides to sell a pub they must first offer it for sale to the existing lessee.

Section Seven - Conclusion

18.0 Conclusion

18.1 CAMRA's preferred "super complaint" outcome would be a market study conducted by the OFT into:

- The "beer tie" and other "exclusive purchasing obligations".
- The principle of "fair maintainable trade" in rent calculations.
- The use of restrictive covenants to restrict the availability of free-of-tie pubs.

18.2 CAMRA foresees three possible routes to enacting the remedies listed in order of preference below:

- The mediation process started by the Association of Multiple Licensed Retailers (ALMR) could result in brewing and non-brewing pub-owning companies who operate the "beer tie" and other exclusive purchasing obligations agreeing to a package of reforms. The OFT could make this package of reforms legally binding through a series of undertakings in lieu of reference to the Competition Commission. The mediation process is scheduled, if successful, for final settlement in early October 2009.
- Should the mediation process fail the OFT could negotiate a series of undertakings in lieu of reference to the Competition Commission
- Should mediation fail and should it prove impossible to negotiate an acceptable series of legally binding undertakings then the operation of the beer tie, use of exclusive purchasing obligations, pub rent calculation and use of restrictive covenants in the UK pub market must be referred to the Competition Commission for a "market investigation".

Appendix 1

Beer on sales beer average annual indices⁶⁴:

1990 – 127.4

2007 – 261

RPI – All items – average annual indices⁶⁵:

1990 – 126.1

2007 – 206.6

Beer on sales inflation 1990 – 2007:

$$\frac{261 - 127.4}{127.4} = 1.048 * 100 = 105\%$$

RPI – All items inflation 1990 – 2007

$$\frac{206 - 126.1}{126.1} = 0.633 * 100 = 63\%$$

2007 average price per pub pint - £2.46⁶⁶

We do not have an average price per pub pint in 1990. To calculate the 1990 average price per pub pint we have removed the 105% beer on sales inflation which gives the 1990 average price per pub pint as 120 pence.

$$\frac{246}{205} = 1.20 * 100 = 120$$

If the average price per pub pint increased in line with inflation the 2007 price would be 196 pence.

$$120 * 1.63 = 196$$

The cost of an average pint has increased by 50p above the rate of inflation between 1990 and 2007.

⁶⁴ National Statistics – Focus on Consumer Prices – May 2009

⁶⁵ National Statistics – Focus on Consumer Prices – May 2009

⁶⁶ Oxford Economics – Impact of 2008 Budget and Pre Budget Report – Dec 2008

$$2.46 - 196 = 50$$

In 2007 17,831,000 barrels of beer were sold in the UK on-trade (288 pints per barrel).

$$288 * 0.5 = \text{£}144$$

$$\text{£}144 * 17,831,000 = 2567664000$$

Total consumer detriment in 2007 due to above inflation rise in on-trade beer prices from 1990 equates to £2.5 billion (2,500 million)

Average pub price of bitter⁶⁷:

1990 – 110p

2007 – 231p

Average pub price of lager⁶⁸:

1990 – 123p

2007 – 263p

Pub pint of bitter price inflation 1990 – 2007:

$$\frac{231 - 110}{110} = 1.1 * 100 = 110\%$$

Pub pint of lager price inflation 1990 – 2007

$$\frac{263 - 123}{123} = 1.14 * 100 = 114\%$$

⁶⁷ British Beer and Pub Association – Statistical Handbook 2008

⁶⁸ British Beer and Pub Association – Statistical Handbook 2008