

Power to place a levy on large retail outlets

SUMMARY

- 1.1 This report proposes that Derby City Council submit a proposal under the Sustainable Communities Act for primary legislation to give local authorities the power to introduce a levy of 8.5% of the rateable value on large retail outlets in their area.
- 1.2 The report covers the salient issues arising from this proposal.

RECOMMENDATION

- 2.1 To approve a joint submission with other supportive councils for a bill to levy additional business rates on large retail outlets.
- 2.2 That the Leader writes to other local authorities requesting support for a joint submission.
- 2.3 To further request support from the Local Government Association, SIGOMA and the Key Cities Group to assist in lobbying Central Government for the change.

REASONS FOR RECOMMENDATION

- 3.1 To secure additional funding to support Council services and investment in the city.



SUPPORTING INFORMATION

4.1 The proposal is:

“That the Secretary of State:

a. give local authorities the power to introduce a local levy of 8.5% of the rate on large supermarkets or large retail outlets in their area with an annual rateable value not less than £500,000;

and

b. requires that the revenue from this levy be retained by the local authority in order to improve local communities in their areas by promoting local economic activity, local services and facilities, social and community wellbeing and environmental protection.”

4.2 It is currently understood that this power would require primary legislation. It would require a sponsor ie. Derby City Council and this would be submitted under the Sustainable Communities Act 2007. This power already exists in Northern Ireland (with a levy of 8.5%) and more recently Scotland (with a levy of 9.3%).

4.3 For the purposes of this power it is proposed that a large retail hereditament is one which:

a. has a rateable net annual value not less than £500,000;

and

b. is occupied and used primarily for retail sales.

‘Retail sales’ – In relation to a hereditament, means sales of goods to members of the public who visit the hereditament to buy goods for consumption or use elsewhere for purposes unconnected with a trade or business.

‘Sales of goods’ – in relation to a hereditament, does not include sales of:

a. meals or refreshments prepared to order for immediate consumption elsewhere;

or

b. vehicles.

4.4 A rough calculation of our current retail outlets falling within the above definition would indicate a potential additional income to the Council (based on an 8.5% levy) of some £0.75m based on rates paid currently. Rising to a potential £1.64m if the levy is applied to current rateable value.

- 4.5 It is impossible to quantify at this stage the cost of sponsoring and taking a bill through to royal ascent and particularly to what extent those costs will fall on Derby City Council as sponsoring body. It is worth noting that if Government fails to pick up the legislation under the Sustainable Communities Act and the Council wants to lobby for it, which could of course bring it into conflict with the supermarkets and other large retail outlets, then those costs could be significant.
- 4.6 The Council has had representations from a lobbying organisation called 'Local Works' who have offered to assist with gaining support from other councils and third sector organisations for the proposal on our behalf (the proposal must be submitted by a Council under the Sustainable Communities Act). To date they claim 63 councils (of all party leadership) have expressed interest in this proposal. Enfield Borough Council have also decided to support the proposal and have offered to help gain the support of other London Borough Councils and Weymouth and Portland Borough Council have also resolved to support the proposal. For Cabinet members' information a draft copy of this proposal is attached at Appendix 2.

This report has been approved by the following officers:

Legal officer	Janie Berry
Financial officer	Martyn Marples
Human Resources officer	N/A
Estates/Property officer	N/A
Service Director(s)	N/A
Other(s)	N/A

For more information contact:	Roger Kershaw 01332 643552 roger.kershaw@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 - Sustainable Communities Act Proposal The power to put a levy on large supermarkets

IMPLICATIONS

Financial and Value for Money

- 1.1 There would be a potential increase in direct council funding of £0.75m at current rates. This would be reinvested in the local community.

Legal

- 2.1 There are two forms of Bills which can ultimately become an Act of Parliament
 - Public Bill – issued by the Government in the House of Commons or House of Lords
 - Private Members Bill – issued by a backbench MP or Lord in either the House of Commons or House of Lords

Private Members Bill:

Only a very small minority of private members bills become law. Many backbench MP's are lobbied to participate in the ballot with a view to introducing Bills. Whilst many of those proposed never become law, they do tend to generate a great deal of public interest and can be an active tool in which to influence central government law-making.

There are three ways of introducing a private members bill

- The Ballot – given priority debating time
- Ten Minute Rule – members are restricted to 10 minutes in which to convey their idea
- Presentation – formal introduction of a title of a bill but no debate

There are no provisions within English Law which allow for a private individual (member of the public) or Local or National Agency or Industry to introduce Bills for consideration unless a lobbyist is instructed to seek the support and representation by an MP or Lord.

The Sustainable Communities Act 2007

The Sustainable Communities Act 2007 affords Local Authorities to put forward proposals which can be considered as potential areas for new legislation. These proposals are put forward following local community consultation and engagement. "Local Works" is an established body authorised by the Sustainable Communities Act to collate approved proposals and act as a lobby group on behalf of Local Authorities.

It is impossible to quantify the costs incurred of taking a Bill through to Royal Assent.

However the costs incurred by a Local Authority in consulting with the community panels in accordance with the Sustainable Communities Act should be limited to the costs of case preparation and collation of material and staff time.

Personnel

3.1 None.

Equalities Impact

4.1 None.

Health and Safety

5.1 None.

Environmental Sustainability

6.1 None.

Property and Asset Management

7.1 None

Risk Management

8.1 None.

Corporate objectives and priorities for change

- 9.1
- A thriving sustainable economy.
 - A strong community.
 - Good quality services that meet local needs.

Sustainable Communities Act Proposal The power to put a levy on large supermarkets

Overview

This document is a suggested proposal for local authorities to submit to government under the Sustainable Communities Act.

The proposal is for government to give local authorities the power to introduce a levy of 8.5% of the rateable value on large retail outlets in their area with a rateable annual value not less than £500,000 and for the revenue to be retained by the local authorities in order to be used to help improve their local communities.

Section 2 contains the rationale and evidence for this proposal.

Instructions

1. Please visit the Barrier Busting website - <https://barrierbusting.communities.gov.uk/form> and complete the form to submit this proposal to the government. The sections below have the same headings as the sections on the form.
2. In Section 2 add
 - a) any evidence you have of the detrimental impact to the local economy, local communities or the environment of large retail outlets that exist in the authority area
 - b) information on how the revenue from the levy would specifically help local economic activity, local services and facilities, social and community wellbeing or environmental protection.
3. Section 4 must include an explanation of how the council has met its duty under the Sustainable Communities Act to "consult and try to reach agreement about the proposal with persons who in the opinion of the authority are representatives of interested local persons" (Sustainable Communities Act Regulations 2012).
4. It is essential to ensure you select "yes" in section 6 to show that this is Sustainable Communities Act proposal.
5. Please post a hard copy of the proposal to: Sabitha Kumar, Zone 5/A4, DCLG, Eland House, Bressenden Place, London SW1E 5DU.
6. Important: When the council has submitted this proposal, please inform Local Works by emailing their National Co-ordinator, Steve Shaw on steve@localworks.org.

1. We need to understand broadly what your issue is about. Please could you select any of the following that are relevant: [Required] #

(Please select 'Funding' and 'Legislation'.)

2. Describe what the problem is. [Required]

The problem is the damaging impact that large supermarket outlets have on local communities and the environment and the unfair advantage that large supermarkets have over local independent shops. These lead to large supermarkets having a detrimental impact on local economic activity including local trade and local employment levels. The very

substantial social, economic and environmental costs of large supermarkets – which are extensively detailed below – are met not by these supermarkets themselves, but are “externalised” and have to be met by customers, taxpayers, local businesses, communities and people.

As a local authority we do not have adequate means to attempt to redress this detrimental impact.

In order to create thriving, vibrant local communities and to promote their economic, social and environmental sustainability there must be a level playing field between larger and smaller retail providers in the local retail marketplace. The proposed government action in our answer to question 5 below seeks to help move towards this by giving the local authority the power to place a levy on large retailer outlets.

The revenue from this rate will be used to assist smaller local businesses, for example independent shops, and the local services that support the flourishing of these smaller businesses, for example local bus services.

There is already precedent in UK legislation for dealing with this problem. In 2012 legislation passed by the Northern Ireland and Scottish parliaments that placed a levy on large retail outlets came into force.

- Northern Ireland -

In Northern Ireland the legislation passed in 2012 was for a new local rate of 8.5% to be applied to all retail outlets with a rateable value of over £500,000. The rationale that the Northern Ireland executive published for doing this is equally valid in supporting this proposal and we include it here as supporting evidence. That rationale was as follows,

“In the case of small businesses, the rationale for this intervention relates largely to the impact of rates on small businesses, particularly given the current economic climate. That is, rates bills tend to be a larger proportion of overall costs for small businesses than for businesses of a bigger scale. This can act as a barrier to the formation and growth of such firms, a situation which needs to be considered, given the importance of small business within the economy (in the UK as a whole, small businesses make up around 99% of all enterprises, and there is evidence to suggest that such enterprises are even more important in Northern Ireland)

“During the economic downturn, small businesses have tended to suffer more than those large businesses that would be affected by the large retail levy. Extending the SBRR scheme and funding the expansion of that scheme through a levy on large retailers is intended to rebalance the non-domestic rating system to ensure that some of the largest businesses (for whom rates are generally a smaller percentage of their sales turnover) provide assistance to smaller businesses through to economic recovery.”

(paragraphs 36 and 37, Final Integrated Impact Assessment: Extension of the Small Business Rate Relief Scheme, Department of Finance and Personnel, Northern Ireland Government 2011)

In July 2012, Northern Ireland Finance Minister, Sammy Wilson, who had led on introducing the relevant legislation, gave this response to arguments that had been made against the scheme,

"They said it would do two things, they said first of all it would impact on investment and secondly it would impact on jobs. As far as investment is concerned rather than see investment leaving Northern Ireland some of the big stores are actually going full steam ahead with new investment...As far as employment is concerned there has been no measurable impact in employment in the big stores at all."
(Sammy Wilson, North Ireland Finance Minister, BBC News, 17 July 2012)

At that time Mr Wilson also stated that more than 8,000 small and medium sized businesses in Northern Ireland had already benefited from the scheme and that it was his government's intention to increase this number.

A levy of this size would be a very modest cost to large retailers, as is further explained below, however it would have a very significant benefit for our local communities. This can already be seen in Northern Ireland, where their government stated in June 2013 that the effects of the levy there were that:

"Currently about half of businesses in Northern Ireland obtain a 20% reduction [in their business rates] as a result of the money raised from the levy and some additional funding that has been made available by the Executive. If anything, the levy has helped to improve the regeneration of town centres because of course it has reduced the overheads of small businesses in town centres and indeed some of the money has been used to actually encourage businesses to take up the use of empty properties." (statement from Finance Minister Sammy Wilson, 10 June 2013)

- Scotland -

The Scottish Parliament legislated in 2012 to introduce a levy that is higher and more wide-ranging to that suggested in this proposal. It is for an additional 9.3% to the rate and applies to all supermarket outlets with a rateable value of at least £300,000.

Their rationale for doing this was that large supermarkets have a negative impact on public health because they are the largest suppliers of tobacco and alcohol and therefore large supermarkets should pay towards the public services needed to deal with the associated costs to society. Scottish Finance Secretary, John Swinney, said that, "The total combined economic cost to Scotland of alcohol and tobacco misuse is estimated to be £4.66 billion a year." (answer to Scottish Parliamentary Question, 15 November 2011)

The levy is being used to help fund public services provided by Scottish local authorities and the NHS. John Swinney also said, "The money raised by the supplement will help fund the decisive shift to preventative spending proposed in the Draft Budget. The various delivery partners, including local authorities, NHS and the Scottish Government will develop the detail of what this will entail." (answer to Scottish Parliamentary Question, 15 November 2011)

Of particular importance and relevance was the statement made by the British Retail Consortium (that represents all the major supermarket chains affected) that it would be "almost impossible" for the cost of the levy to be passed on to customers. (Andrew Opie, Director of Food and Sustainability at the British Retail Consortium, BBC Radio interview, 22 September 2011)

John Swinney responded to this saying,

"I welcome the confirmation from the Retail Consortium that it would be 'almost impossible' to pass on the levy to consumers. The total sum accounts for less than 0.1% of supermarket income but will make a difference to public spending. The real change to supermarket prices is the UK Government's VAT increase which has seen

over £1 billion taken in from Scotland's supermarkets and passed on directly to customers – that's 35 times more than the health levy proposes." (SNP press release, 22 September 2011)

The relatively small cost of the levy on large supermarkets alluded to by Mr Swinney above is discussed in further below.

- How this power would help -

If we used the power to apply the levy, the revenue generated could be used to promote smaller businesses and local shops, which the evidence below shows have a more positive impact on the sustainability of local communities than large retailers, or towards the services that support the sustainability of local communities.

The levy would also help to level the playing field in the local retail market, which the above shows is currently skewed significantly in favour of large supermarkets over independent local shops, by virtue of advantages they have over suppliers, available land for development, the ability to vary pricing and parking. Parking is particularly of note with regards to this proposal given that large out-of-town retail outlets are not subject to the same non-domestic rates as in-town sites.

We could for example, use the revenue to give rate relief to smaller businesses in our area, just as has been done in Northern Ireland. Recent evidence revealed that one in six shops lies empty. (Understanding High Street Performance, Department for Business, Innovation and Skills/Genecon and Partners, 2011) Meanwhile the Federation of Small Businesses has stated that high business rates are "crush small businesses and killing the high street". (press release, Federation of Small Businesses, 12 July 2013). Rate relief for smaller businesses would help stimulate local jobs and trade. Indeed, almost nine in ten (88%) unemployed people that are actively looking for work and find a job in the private sector will join, or start up, a small business (Back to work: the role of small businesses in employment and enterprise, Federation of Small Businesses, 2012)

The revenue could also be used to improve important local services to help vulnerable local people, for example local public transport. In 2011 the transport grant to local authorities was cut by 28% and in the 2011/12 financial year the operators grant was cut by 20%. This led to 40% of local authorities saying there will be ongoing reductions to local bus services. (press release, Campaign for Better Transport, 12 December 2012) Recent evidence from Age UK shows that lack of public transport, lack of nearby shops and services and lack of access to health and social care are major obstacles faced by the elderly. (press release, Age UK, 22 July 2013)

- Concerns regarding the effect of the levy -

Perhaps most importantly, this is about a new power. This proposal is for local authorities to be given the power to introduce the a local levy. Because retail outlets operate in local areas and supply groceries to local people it should be the locally elected local democratic body - the local authority - that decides what to do about the detrimental impact that large retail outlets may be having. This proposal would give us a tool we could use to help our local areas. Any concerns over the impact that using this power could have on the local area would be considered by us as the local authority before doing so.

That said, it is worth explaining that concern over the cost of this levy being passed on by large retailers to customers and it having a detrimental impact on inward investment would seem unfounded. Inward investment from large retail has increased in Northern Ireland since the levy came into force. Also, responding to the Scottish legislation for the levy there, the

British Retail Consortium (that represents all the major supermarket chains) stated unequivocally that it would not pass the costs on to customers and that to do so would be 'almost impossible' (see reference above).

Furthermore large retailers have significant costs that regularly fluctuate. Examples of these costs are fuel prices and exchange rates, which are of particular relevance given the huge amount of foreign produce large retailers import (see evidence on this below). It is part of a large retailer's business model to ensure these various, regular cost fluctuations do not result in constant up-and-down price fluctuations for customers.

The cost of the levy will be extremely small for large retailers whilst the annual revenue that it would generate would have a significant beneficial impact on our local area. To put this into context the levy will be less than 30 times smaller than the cost of the recent rise in VAT introduced by the UK government. The largest four supermarkets each post operating profits in excess of half a billion pounds a year, Tesco's are in excess of one billion (see evidence below). Also, research has shown that 95% of all the money spent in any large supermarket leaves the local economy for good, compared to just 50% from local independent retailers; this levy is a modest attempt to ensure some more of that money re-circulates within and continues to contribute to local jobs and local trade.

- Why large retailers should be targeted -

The levy we are proposing would be a very modest sum to the largest retailers. The levy that Scotland legislated for, which is larger than what we are proposing here, was had a cost impact on those retailers of 35 times less than the 2.5% increase in VAT made by the UK government in January 2011.

The evidence (detailed below) of the significant detrimental impact that large retail outlets have on local employment, local trade, local communities and the environment is overwhelming.

When money re-circulates in a local economy it benefits local employment, local trade, local business and local community wellbeing more than when it does not. This was shown by new economics foundation in the theoretical section of its 2002 report, Plugging the Leaks.

Yet 95% of all the money spent in a large retail outlet leaves the local economy. The power we are asking for would ensure that more of that money re-circulates in the local economy.

Meanwhile the four largest retailers have posted the following profits: Tesco - £2.47 billion, Sainsbury's - £712 million and Morrison - £935 million (as stated in their 2012 annual reports) with Asda posting a 2011 operating profit £855 million.

- The Evidence -

There is overwhelming evidence that large retail outlets have a net detrimental effect on the sustainability of local communities, as defined by the Sustainable Communities Act 2007, i.e. they have a detrimental impact on the economic, social and environmental well-being of local communities in our area.

What follows is a highlight of this evidence. More extensive evidence is contained in the Appendix below.

- Employment and local jobs -

Whilst popular opinion is often that large retail outlets increase employment, the evidence shows the exact opposite is true. Large retail outlets have a detrimental impact on local employment:

Smaller retailers create far more jobs than large ones: a 2012 study of local food retail by the Campaign to Protect Rural England revealed that, for the same amount of turnover, smaller independent local food outlets create three times the number of jobs than national grocery chains. (From Field to Fork: The Value of England's Local Food Web, The Campaign to Protect Rural England, 2012)

In 2011, Tesco and Sainsbury's expanded their floor space by 2,750,000 square feet, while the number of people they employed fell by over 400. (Leading Supermarkets Fail to Deliver on Jobs for UK Communities, Association of Convenience Stores, 2011)

The report 'High Street Britain: 2015' published by the All-Party Parliamentary Small Shops Group found that over 3 million people were employed in retail, accounting for one in nine of all jobs. It showed that money spent in small, family owned retail businesses created over twice as many jobs than the large stores. It also showed that to create a job required £42,000 of sales in small convenience stores but in superstores it required £95,000 of sales. (High Street Britain: 2015, All-Party Parliamentary Small Shops Group, 2006)

The 'High Street Britain: 2015' report also showed that Tesco, the largest supermarket chain with a £29 billion turnover, employed 250,000 people while small grocery shops employed double that number of people whilst having a lower turnover of £21 billion.

In 2004, the largest supermarket chains controlled over 80% of the grocery market and employed 770,000 people whilst small grocery shops, which made up less than the remaining 20% of the market, employed 500,000. (Community Impacts of Supermarkets, Friends of the Earth, 2004)

In 1998 a study showed that, on average, the opening of a supermarket results in 276 net job losses in retail in the local community (The impact of out of centre food superstores on local retail employment, Porter and Raistrick, 1998).

A subsequent study a year later, completed on behalf of Tesco, claimed there is a net loss of 236 jobs in the local community. The real figure is likely to be larger because the impact on other outlets such as newsagents, florists and clothes shops was not measured. (The impact of out-of-town food superstores on local retail employment, D. Fell, 1999)

- Local economic activity -

The presence of large retail outlets has a detrimental effect on local shops, local jobs, local businesses and local trade and shows that the current retail market is structured unfairly in favour of large outlets.

95% of all the money spent in a large supermarket leaves the local economy. Meanwhile over 50% of the turnover of independent retailers goes back into the local community (Keep Trade Local Manifesto, Federation of Small Businesses, 2008).

Since 1980 over 80% of independent high street shops have closed, including local butchers, fishmongers, greengrocers and bakeries. Meanwhile, the number of very large stores (2,320 square meters or more) located out-of-town increased from just 300 in 1980 to 1,500 in 2007 (Competition Commission report, 2008).

There is a devastating lack of choice for local people buying groceries because large supermarkets now control around 97% of the grocery market (Kantar Worldpanel grocery market figures, 2011).

The Competition Commission has set the threshold for supermarkets to be able to wield potentially abusive 'buying power' at 8% of the grocery market. The largest four supermarkets currently control 77.2% of the grocery market: Tesco - 30.1%, Asda 17.8%, Sainsbury's 16.9% and Morrison 12.4%. The report also stated that large supermarkets have sufficient buyer power to "adversely affect the competitiveness of some of their suppliers and distort competition in the supplier market – and in some cases in the retail market – for the supply of groceries." Since the report was published the concentration of large supermarkets has increased. (Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, Competition Commission, 2000)

In 2010 the pub closure rate was 1,300 with 13,000 jobs lost. A major factor for this was cheap alcohol sold in supermarkets. (Last orders: Twenty-five pubs 'are closing every week', Daily Mail Online, 16 March 2011)

Between 2006 and 2011, 2,000 independent bookshops closed. By 2011 supermarkets accounted for 20% of all book sales. (Supermarkets have been blighting our land and lives for too long, Henry Porter, The Observer, 26 February 2012)

The Competition Commission found the following evidence of manipulation of prices and mistreatment of suppliers:

Supermarkets 'frequently purchased products below costs'. This was seen to undermine smaller stores that were often relied upon by 'the elderly and less mobile'. This, they said, 'operates against the public interest'.

Supermarkets used 'price fixing' – 'the practice of varying prices in different geographical locations in the light of local competitive conditions, such variation not being related to costs'. This, the Commission concluded, 'operates against the public interest' because customers end up paying more than they should.

Supermarkets, in spite of persistent claims of being 'hotly competitive', in fact 'adopted pricing structures and regimes that, by focusing competition on a relative small proportion of their product lines, restrict active competition on the majority of productive lines'. In practice this means that they tempt people in by offering a few popular products cheaply (the cost of the offer typically being met by the supplier, not the supermarket), but once inside, other items are for sale at top prices. 'Perfectly informed' consumers are supposed to switch between sellers item by item. However, in a supermarket, comparison shopping that can be done in a real market is not possible. The Commission concluded that 'this distorts competition in the retail supply of groceries'. (Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, Competition Commission, 2000)

More evidence is contained in the Appendix below.

- Pollution and environmental impact -

Large retail outlets have a very significant impact on pollution levels and the environment. The evidence here speaks for itself.

In 2012 Channel 4 News reported that Britain's supermarkets generate 300,000 tonnes of waste every year. Sainsbury's was the only one of the big 4 to publish food waste figures telling Channel 4 that it generated about 44,000 tonnes of food waste in 2011. Tesco and

Asda refused to say why they would not publish waste figures with Morrison suggesting that such information was “commercially sensitive”. (Why The Supermarket Secrecy on Food Waste?, Channel 4 News, April 8th 2012)

Greenhouse gases used in supermarket fridges and freezers pose as great a threat to the environment as plastic bags, according to a study by campaigning group the Environmental Investigation Agency. Supermarket hydrofluorocarbon emissions (i.e. the emissions created by fridges and freezers) were on a par with the production of 5.6 billion plastic bags, according to the agency’s figures. (Chilling Facts: HFC – Free Cooling Goes Mainstream, Environment Investigation Agency, 2012)

Lorries that supply supermarkets often travel at less than half their capacity in order to supply food at short notice and more journeys are made to transport the same amount of goods. (The Food Miles Report, Sustain, 2011)

Supermarkets produce high volumes of non-recyclable rubbish, all of which must be disposed of in a landfill. Supermarkets significantly over-package items and often packaging is only 50% full. (War On Waste: Food Packaging Study – Wave 1, Local Government Association, 2007)

A high portion of waste from major supermarkets’ packaging is not recyclable. This is as follows: Lidl – 59%, Morrison – 40%, Marks and Spencer – 40%, Tesco – 38% and Asda – 30%. (War On Waste: Food Packaging Study – Wave 1, Local Government Association, 2007)

The growth of large supermarkets has seen an exponential growth in transportation and resulting pollution. While the amount of food being transported within and around the UK by road freight has remained largely static since 1978 – from 290 million tonnes to 300 million tonnes in 1993 – the distance foods are being transported increased by 50%, from 24 billion tonne-km in 1978 to 36 billion tonne-km in 1993. Road freight uses four times the amount of energy per tonne-kilometre as rail. However, only 6% of goods in the UK are transported by rail, whilst road freight carries 81% of goods and has been forecast to increase dramatically. (The Food Miles Report, Sustain, 2011)

Per square foot large supermarket buildings emit three times more carbon dioxide than greengrocers and it would take more than sixty greengrocers to match the carbon dioxide emissions from a single average superstore. Friends of the Earth calculated that the lorries of the nine supermarket chains involved in their survey travel a total of 670 million miles per year, equivalent to nearly four return trips to the moon every day. (Checking Out The Environment? Environmental Impacts of Supermarkets, Friends of the Earth, 2005)

In 2012 the overall number of supermarket carrier bags issued by supermarkets was 8.5 billion. 8.1 billion of these were single use plastic bags, a two percent increase on 2011 (Waste and Resources Action Programme press release, 17 July 2013)

As supermarkets have spread and local shops have closed, people have had to travel further to do their shopping, particularly to out-of-town sites. Indeed, between 1991 and 2003, the average shopper travelled an extra 100 miles per year (Department for Transport). Car use for shopping results in costs to society of more than £3.5 billion per year, from traffic emissions, noise, congestion and accidents (report for DEFRA by AEA Technology, 2005).

Evidence of the extreme inefficiency of large retailers’ distribution systems:

In a field not far from Evesham, Worcestershire, organic crops are grown, some of which will be sold through two large supermarkets on the outskirts of the town. The distance is about

one mile. However, before those crops reach those supermarkets they will go first to a vegetable co-op in Herefordshire, then to a pack-house in Dyfed, Wales, from there to two separate distribution depots, one just south of Manchester. Finally from there will they be delivered to Evesham;

Bananas sold by Geest, a fruit and vegetable distributor, are imported through Southampton, taken by road to Lancashire for ripening, sent back by road to a Somerset warehouse and then distributed all over Britain;

Tomatoes sold in Dewhurst shops are brought by road from Pilling, Lancashire, to Lancaster, then by road to Blackpool, then to Yorkshire to a distribution depot before being sent by road, to all the shops in Britain owned by the supermarket chain. (The Food Miles Report, Sustain, 2011)

Most of the year, English apples are available, but only 25% of apples consumed in the UK are grown here. In fact, 90% of apples sold in our supermarkets are grown in France. The largest retailers have centralised distribution, meaning there is an enormous distance between producer, packager, distributor and ultimate retail outlet. In order to supply food at short notice delivery lorries are often half-empty. (The Food Miles Report, Sustain, 2011)

More evidence is contained in the Appendix below.

- Planning and land use -

In Stockport, Tesco built one of its largest-format stores of 120,000 square feet. However it only had planning permission for a smaller store. Stockport Borough Council had insisted on a smaller size 'in the interests of road safety' and 'to protect the vitality and viability of existing centres'. After building had already begun, Tesco retrospectively applied to amend its planning permission, hoping that the council would see the oversized store as irreversible and merely accept it. A Friends of the Earth report found similar cases of Tesco breaching planning rules in Bury St Edmunds, Suffolk, Guinness in Lincolnshire, and the Wirral in Merseyside. (Calling the shots: How supermarkets get their way in planning decisions, Friends of the Earth, 2006)

In 2010, Tesco was forced to admit it used a local property company as cover to buy a shopping centre that was then allowed to fall into near dereliction to make way for a "Tesco Town" development. (New "Tesco town" row as secret land deal revealed, Scotsman, 1 September 2010)

More evidence is contained in the Appendix below.

- Immoral pricing behaviour and deception -

In 2012 consumer group Which? produced research that shows supermarkets have misled consumers with deceptive discount pricing techniques. This is a criminal offence. (Which? press release, 6 September 2012)

In January 2013 Tesco beef burgers were found to be 29% horsemeat. Other retailers, such as Asda and Lidl, were also found to have horsemeat in beef burgers; with more than one-third of all beef burgers tested containing horsemeat. (Investigation into Horse DNA Found in Some Burgers, Food Standards Agency, 2013)

A poll for The Grocer revealed that nearly three quarters of consumers do not trust supermarkets to tell the truth about the use of technology to genetically modify food.

(Consumers don't trust supermarkets on GM food poll finds, Ian Quinn, The Grocer, 12 April 2013)

In 2007, the Competition Commission "identified ten grocery retailers that engage in below-cost selling" and that this practice may "contribute to the exit of smaller grocery retailers and specialist stores." The Competition Commission also found that price flexing practices were practised "by Budgens, the Co-ops, Netto, Sainsbury's, Somerfield and Tesco," whereby they vary prices in particular markets in order to exploit its local market share for additional profit or its national market share to weaken local competitors. (Groceries Market Investigation, Competition Commission, 2007)

More evidence is contained in the Appendix below.

- Food waste -

Major UK supermarkets have considerably increased their share of the fruit and vegetable market in recent years, largely at the expense of specialist greengrocer shops. They insist on the 'standardisation' of fruits and vegetables, e.g. be blemish-free, travel and store well and be of a uniform size and shape. To produce such items, intensive farming techniques need to be adopted, growing a limited number of crop varieties, and using large amounts of pesticides and other agrochemicals to keep the fruit free from imperfections. (The Food Miles Report, Sustain, 2011)

A staggering 17 billion portions of fruit and vegetables are wasted and left to rot each year because of the fact that supermarkets do not consider them as 'uniform'. (Global Food: Want Not, Waste Not, Institution of Mechanical Engineers, 2013)

Major supermarkets, in meeting consumer expectations, will often reject entire crops of perfectly edible fruit and vegetables at the farm because they do not meet exacting marketing standards for their physical characteristics, such as size and appearance. For example, up to 30% of the UK's vegetable crop is never harvested as a result of such practices. (Global Food: Want Not, Waste Not, Institution of Mechanical Engineers, 2013)

More evidence is contained in the Appendix below.

- Community life -

In 2012, an LGA/ComRes poll found that the public's preference for supermarkets is a myth: Nearly 8 in 10 residents across the country want to see a diverse range of local shops – such as butchers, clothes shops and post offices – on their high streets. (Myths over preference for supermarkets busted as residents favour local shops, GovToday, 2 March 2012)

80% of local independent store owners are involved in their community in some way, with 71% collecting for a local or national charity and 25% providing sponsorship for local schools and sports teams. (The Voice of Local Shops Survey, Association of Convenience Stores, 2013)

A national survey in 2012 revealed that smaller local shops are seen as social hubs. 53% of those surveyed said that they often bumped into friends or neighbours at their local shop, 41% said that they knew people who worked in local shops and smaller local shops, places to eat or drink and other local businesses are valued even more than, public services, community facilities or parks and open spaces. (Local Services, Happy Places, Association of Convenience Stores, 2012)

Over half of local shopkeepers say that customers come into their shops for conversation and local news as much as to buy things. The average local shopkeeper will know seven out of every ten of their customers. (Opinion Matters, FWD Research, 2006)

Nearly three-quarters of people identify local shopkeepers and traders as the 'heart and soul' of community. Middle-aged people see the threat to their local areas presented by the major supermarkets as second only to that of crime. (Opinion Matters: 'The call for choice, balance and diversity', FWD Research, 2005)

More evidence is contained in the Appendix below.

- Illegal immigrants and poor working conditions -

Not one of the four largest supermarkets pay their staff the Living Wage, despite collectively employing nearly 900,000 people (Tesco, Asda, Sainsbury's and Morrison). Collectively they are the largest employer block in the country and second across both private and public sectors only to the NHS. Whilst not a statutory requirement like the minimum wage, the living wage has been accepted by local and central government as the realistic base rate that any business must pay if its employees are not to fall into in-work poverty. (Face The Difference: The Impact of Low Pay in National Supermarket Chains, Fair Pay Network Report, 2012; Work Doesn't pay for multi-part-time employees, Sophie Robinson-Tillett and Chris Menon, The Guardian, 13 April 2013)

Whilst not paying their staff the Living Wage, in 2012 Tesco made a trading profit of £2.47 billion, Sainsbury's pre-tax profit were £712 million and Morrison £935 million and in 2011 Asda posted an operating profit £855 million. (Official Company Financial Reports) Furthermore, in 2012 Sainsbury's chief executive Justin King's remuneration package was £3.2m; Tesco's Philip Clarke was £6.9m and Morrison chief executive was around £4 million. (Face The Difference The Impact of Low Pay in National Supermarket Chains, Fair Pay Network Report, 2012)

This situation is not new: in 2003, a House of Commons committee reported on conditions among migrant labourers. Workers were sleeping ten to a room and living in buildings with no toilets, kitchens or washing facilities. People working in pack-houses producing supermarket ready-prepared food were being paid half the minimum wage. The committee accused the supermarkets of taking a 'see no evil' approach and in effect encouraging illegal labour by driving prices to suppliers down to the point where legal workforces were unaffordable. ('Gangmasters', House of Commons Environment, Food and Rural Affairs Committee, 2003)

More evidence is contained in the Appendix below.

- Codes of Conduct in the Supply Chain -

Grocers with a turnover of £1bn or more, such as Tesco, Sainsbury's, Asda or Morrison, are already supposed to be bound by rules designed to protect suppliers from payment delays or retrospective changes to terms and conditions. But the Office of Fair Trading has come across stories of supermarket demanding sudden £1m payments from suppliers, imposing heavy fines when food is wasted through no fault of the supplier and "accidentally" paying less than agreed for a product and never making up the difference. One chain even fines suppliers £85 every time it receives a customer complaint relating to their product, even if the supplier is not at fault. Suppliers end up overproducing because they don't want to get penalised for non-delivery, but can then end up saddled with unwanted food, which drives up overall costs. (Supermarkets watchdog gets ready to 'sort out the bullies', The Guardian, 31 March 2013)

- Appendix -

- Employment and local jobs -

In the retail industry small businesses account for 47% of employment and 34.4% of turnover whilst large retailers account for 40% of employment and 51.2% of turnover. (Small Business and the UK Economy, C. Rhodes, House of Commons Library 2012)

In the recent past supermarkets have fallen a long way short of their employment pledges. Tesco, Asda and Sainsbury's pledged to create 67,000 new jobs between 2008 and 2010; between them they created 28,217. (Riddle of Phantom Shop Jobs: Supermarkets Fail to Deliver 39,000 Promised Positions, N. Craven, 2012)

A case study in the market town of Fakenham, Norfolk showed that when an out of town supermarket opened there was a 33% increase in retail vacancies in the town and local convenience stores lost 64% of their local trade. (Federation of Small Businesses, Are big supermarkets putting small shops out of business? This Is Lincolnshire, 28 Feb, 2013)

A study of a market in London (The Queen's Market) showed that, compared to a mainstream supermarket store, the market creates more and better jobs. It employs 581 people, over 300 of whom live in the immediate area. For every square meter of space that the market occupies it creates more than twice the number of jobs compared to a typical food superstore such as Tesco or Asda. (The World on a Plate: Queen's Market: The economic and social value of London's most ethnically diverse street market, New Economics Foundation, 2006)

- Local economic activity -

Queen's Market (mentioned above) also directly generates over £11 million for the local economy in a year, and by attracting extra custom it creates an extra £1.8 million worth of spending for other local businesses surrounding the market. In stark contrast to this is the evidence above showing that large supermarkets take business away from small shops. (The World on a Plate: Queen's Market: The economic and social value of London's most ethnically diverse street market, New Economics Foundation, 2006)

A study of London street markets in 2010 found that they make a significant contribution to the vitality of London's town centres. It is estimated that customers at markets spend £752 million per year at other shops in town centres. This represents a significant multiplier effect, with market customers spending on average £1.75 in other shops in the town centre for every £1 they spend in the market. (London Retail Street Markets, London Development Agency, 2010)

In Stalham, despite Tesco's assertions that no ill effects had been felt from the opening of its new store in the area, a pedestrian flow analysis, mimicking an earlier council study, revealed that this had reduced in every area studied and in some by as much as 87%. (Association of Convenience Stores report - Supermarkets Should End Misleading Job Creation Claims, 2010)

The majority of food on supermarket shelves does not come from Britain. For example, data from Sainsbury's reveals that only a third of the company's sales by value – £6 billion out of £18 billion – were of British foods. (new economics foundation report - Ghost Town Britain II: Death on the High Street, 2003)

The opening of large retail outlet results in a sharp decline in local shops and businesses because of the small cost margins that small retail outlets operate on. The introduction of a large retail outlet greater than 4,000 square meters (i.e. very large) results in the revenue of smaller outlets (280-1,400 sq m) within 15 minutes drive falling by 16% (Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, Competition Commission, 2000).

A study of a Cornish vegetable box scheme based near Truro compared it to shopping in a supermarket. It tracked what was spent and where, and then what happened when that money was spent again. It showed that every £10 spent with a local food initiative like the box scheme was worth £25 to the local area, but the same amount spent in a supermarket was only worth £14. (Local food better for rural economy than supermarket shopping, new economics foundation, 2001)

- Pollution and environmental impact -

The largest UK supermarkets are all members of the Freight Transport Association, one of the most influential wings of the British Roads Federation (BRF). The BRF lobbies the government on road building and spending, of which the major retailers, with their highly centralised, road-based distribution networks are major beneficiaries. Meanwhile the cost is born by the domestic tax payer. (The Food Miles Report, Sustain, 2011)

Supermarkets require farmers and growers supplying them to concentrate on appearance, uniformity and qualities related to travel and storage, especially long shelf life, in production. This is leading to biodiversity in food production decreasing because of agricultural specialisation and the demand for standardised produce. New techniques of genetic engineering are employed by seed companies to produce the requisite characteristics, frequently to the detriment of factors such as taste and nutritional value. These varieties will then be mono-cropped in fields or plantations – with the result that large tracts of land in Europe and further afield are turned over to single varieties. Local crop varieties adapted to the regional climate and conditions are no longer cultivated, being replaced by a few commercial varieties. The reduction of agricultural biodiversity makes crops more vulnerable to pests and diseases which thrive in these unnatural conditions. Increased applications of agrochemicals are needed to fend off these pests and diseases, which in turn become resistant quickly to new insecticides and herbicides, setting the farmer on a chemical treadmill. Reduced biodiversity poses a serious threat to food security as the genetic basis of crops is now narrower and more fragile than it has ever been. (The Food Miles Report, Sustain, 2011)

- Planning and land use -

In Morton on the Wirral, Tesco was in breach of seven planning conditions and was fined for five of them. However according to Chris Blakeley, the Conservative Councillor for the ward, the fines were too small to make a difference. “They were fined for breach of five conditions, costs to the council; the total bill to Tesco’s was £1,843”, he told the BBC, calling the punishments ‘daft’. He also said “Tesco’s know that even if the council take them to court the fine they’re going to get, the slap on the wrist, is going to be worth absolutely nothing to them; it’s peanuts, it’s pennies.” (transcript, BBC Radio 4, 29 July 2005)

In other examples, it is what Tesco *do not* do that can be harmful. By sitting on large amounts of land they block other kinds of development that could benefit local communities. In Rye, East Sussex, the local council ran into problems with its plan to build housing and premises for a doctor’s surgery. In St Albans, Hertfordshire, Tesco sat on land that Councillors wanted to develop for housing. There were similar problems in Sunderland. In Glasgow’s West End, by holding land Tesco was in the way of plans to develop public

transport. (Calling the shots: How supermarkets get their way in planning decisions, Friends of the Earth, 2006)

- Illegal immigrants and poor working conditions -

When Tesco announced its record annual profits in April 2006, the investigative journalist Felicity Lawrence pointed out that the two things were connected saying, "The supermarket sector, with its just-in-time ordering that requires casual labour to be turned on and off like a tap, and its pack-house industries, has been one of the most prolific creators of demand for trafficked labour. No, supermarkets don't employ abused migrants directly, the dozens I have interviewed who have been packing food for Tesco have been employed by subcontractors to contractors to Tesco. But its profit margins have undoubtedly been built on a system that only functions thanks to underpaid illegal workers." (Tesco the superweed, Guardian, 25 April 2006)

- A note regarding the evidence -

All of the evidence above is relevant as it covers a time period of continued expansion, concentration and profit and revenue increase by large retail outlets. Furthermore, sources such as the Competition Commission's investigations and the All-Party Parliamentary Small Shops Group's High Street Britain: 2015 report are the most recent inquiries of their depth and scope.

[Add in here:

- a) any evidence you have of the detrimental impact to the local economy, local communities or the environment of large retail outlets that exist in the authority area
- b) information on how the revenue from the levy would specifically help local economic activity, local services and facilities, social and community wellbeing or environmental protection.]

3. Describe clearly/briefly (in one line) what you see is the barrier that you want us to remove. [Required] #

The barrier is that we do not have adequate powers to address the problems described above and thereby promote sustainable communities as defined in the Sustainable Communities Act. We therefore want the government to remove this barrier by giving local authorities the powers described in our answer to question 5 below.

4. Describe what you have done so far to resolve your issue/ barrier (for example, who have you consulted with and what response have you received)? [Required]

This barrier cannot be resolved by ourselves. Councils are not entitled to charge such a levy on supermarkets. Legislation from government is required in order for this to happen.

[Insert here information explaining how the Council has met its duty under the Sustainable Communities Act to "consult and try to reach agreement about the proposal with persons who in the opinion of the authority are representatives of interested local persons" (see Sustainable Communities Act Regulations 2012).]

5. What do you think could be done to resolve the barrier? [Required]

The proposed government action:

That the Secretary of State

- a) gives Local Authorities the power to introduce a local levy of 8.5% of the rate on large retail outlets in their area with a rateable annual value not less than £500,000; and
- b) requires that the revenue from this levy be retained by the Local Authority in order to be used to improve local communities in their areas by promoting local economic activity, local services and facilities, social and community wellbeing and environmental protection.

6. You

Are you a local authority promoting a request from your community under the Sustainable Communities Act 2007 (see LGA website: SCA for more information)?
[Required] #

(Please select **Yes**)

7. Who do you represent? [Required] #

(Please select **Local Authority**)

8. Your name

(Please provide the name of the relevant contact at the council)

9. Your email address: [Required]

(Please provide the address of the relevant contact at the council)

10. Your telephone number:

(Please provide the telephone number of the relevant contact at the council)

11. Your address/organisation details (please provide at least one of the following):

(Please provide the council's name)

Produced by:
Local Works

Contact:
Steve Shaw
National Co-ordinator
steve@localworks.org
020 7239 9053 or 07788 646 933