

The Local Works Proposal for A Supermarket Levy

1. The Local Works proposal is:

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 go directly to 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.

2. The Local Works case for this proposal

How this proposal promotes the sustainability of local communities, as defined in the Sustainable Communities Act

In order to create thriving, vibrant local communities and to promote their economic, social and environmental sustainability there must be a level playing field with regards to a fair marketplace for local retail. This proposal seeks to achieve that by placing a modest levy on large retailers.

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 precedent for this already in Northern Ireland where, in 2012, the Northern Ireland Assembly legislated 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 for doing this that the Northern Ireland executive published is the 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.”¹

¹ http://www.dfnri.gov.uk/rating-review/final_ia_-_expansion_of_the_small_business_rate_relief_scheme_-_sbrr_-_19_12_11.pdf paragraphs 36 and 37

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."²

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.

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 Appendix 1.

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:

- The report 'High Street Britain: 2015' 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 small, family owned retail businesses create more jobs, in terms of sales, than the big stores. Pound for pound, the figure was more than double. Calculations for 2004 showed that the convenience store sector, which employs over half a million people, only took £42,000 worth of turnover to create a job. Superstores, on the other hand, took on average £95,000 of sales to create a single job. That same year, Tesco, with a £29 billion turnover, employed 250,000 people while small grocery shops, with a lower turnover of £21 billion, employed double the number of people.³
- When seeking planning for a new large store, supermarkets often claim they will create new jobs. However, 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 400.⁴
- In 1998 a study showed that, on average, the opening of a supermarket results in 276 net job losses in retail in the local community⁵. A subsequent study a year later, completed on behalf of Tesco, claimed there is a net loss of 236 jobs in the local community⁶. The real figure is likely to be larger because the impact on other outlets such as newsagents, florists and clothes shops was not measured.
- 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 500,000⁷.

More evidence is contained in the *Appendix* below.

² <http://www.bbc.co.uk/news/uk-northern-ireland-18867910>

³ http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/15_02_06_highstreet.pdf

⁴ Association of Convenience Stores. 2011. Leading Supermarkets Fail to Deliver on Jobs for UK Communities

⁵ Porter and Raistrick, The impact of out of centre food superstores on local retail employment, 1998

⁶ D. Fell, The impact of out-of-town food superstores on local retail employment, 1999

⁷ Friends of the Earth 2004 report: Good Neighbours? Community Impacts of Supermarkets

Local economic activity

The presence of large retail outlets has a detrimental effect on local shops, local jobs, local businesses and local trade. This is due to the playing field in present the present retail market not being level.

- Over 50% of the turnover of independent retailers goes back into the local community, compared to just 5% from supermarkets⁸.
- 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 16.9% and Morrison 12.4%⁹. In its 2000 report the Commission stated that 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."¹⁰ Since 2000 the market share of the largest four supermarkets has significantly increased.
- From 1950 to 2000 the number of butchers in the UK decline from 40,000 to 10,000 and the number of greengrocers in the UK declined from 45,000 to 10,000¹¹.
- The Competition Commission also investigated the supermarkets' manipulation of prices and treatment of suppliers in its 200 report. They found that:
 - 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'.

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.

⁸ Federation of Small Businesses - Keep Trade Local Manifesto, 2008

⁹ <http://www.reuters.com/article/2013/02/26/horsemeat-britain-sales-idUSL6N0BQ81020130226>

¹⁰ Competition Commission report - Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom

¹¹ Competition Commission - The Supply of Groceries in the UK Market Investigation 2008

- 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 goods¹².
- 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% full¹³.
- A high portion of waste from major supermarkets' packaging is not recyclable. This is as follows: Lidl – 59%, Morrison's – 40%, Marks and Spencer – 40%, Tesco – 38% and Asda – 30%¹⁴.
- 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. The main beneficiaries are intermediaries, such as freight companies, and the major supermarkets. 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.¹⁵
- In the United Kingdom a total of 6.4 billion single-use bags were used by supermarket customers in 2010. This is a 5% increase from the previous year¹⁶. In 2011, a total of 8.0 billion carrier bags were issued in the United Kingdom. In England, there was a 7.5% rise since the same point in the previous year¹⁷.
- Examples 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 that supermarket 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;
 - One distribution depot in Warwickshire serves all Safeway stores in the country with dairy produce¹⁸.

More evidence is contained in the *Appendix* below.

¹² Sustain - The Food Miles Report

¹³ Local Government Association - War On Waste: Food Packaging Study – Wave 1

¹⁴ Ibid.

¹⁵ Sustain - The Food Miles Report

¹⁶ Waste and Resources Action Programme - New Data on Supermarket Carrier Bag Use

¹⁷ Waste and Resources Action Programme - New Figures on Carrier Bags use Released by Waste and Resources Action Programme

¹⁸ Sustain - The Food Miles Report

Immoral pricing behaviour and deception

- Consumer group Which? produced research that shows supermarkets have misled consumers with deceptive discount pricing techniques¹⁹. This is a criminal offence.
- Some Tesco Everyday Value 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 horsemeat²⁰.

More evidence is contained in the *Appendix* below.

Food waste

- Major supermarkets in this country have considerably increased their share of the fruit and vegetable market in recent years, largely at the expense of specialist greengrocer shops. In 1991 the largest supermarkets took 48% cent of fresh fruit and vegetable sales in the UK. They insist on the 'standardisation' of fruits and vegetables, which means the fruit should be blemish-free, travel and store well, and be of a uniform size and shape so that it is visually appealing on the shelf. 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 imperfections²¹.
- 17 billion portions of fruit and vegetables are wasted and left to rot each year because of the fact that supermarket offers tempt consumers to purchase in bulk²².
- 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. Globally, retailers generate 1.6 million tonnes of food waste annually in this way²³.

More evidence is contained in the *Appendix* below.

Community life

- 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 crime²⁴.
- 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 customers²⁵.

More evidence is contained in the *Appendix* below.

Planning and land use

- The Office of Fair Trading found 69 sites involving the largest four supermarkets where restrictive covenants were used. In one case, restrictions placed on the land after purchase

¹⁹ <http://www.which.co.uk/news/2012/09/customers-feel-misled-by-supermarket-prices-294858/>

²⁰ Food Standards Agency - Investigation into Horse DNA Found in Some Burgers

²¹ Sustain - The Food Miles Report

²² Institution of Mechanical Engineers - Global Food: Want Not, Waste Not

²³ Ibid.

²⁴ FWD Research 2005 - Opinion Matters: 'The call for choice, balance and diversity'

²⁵ FWD Research May 2006 - Opinion Matters

were to last for 125 years. These led to rising rents and land prices in a given area, making land prohibitively expensive for small players²⁶.

- Tesco was found to own at least 185 land sites, to be used either for developing its own stores or to prevent others from building in competition. Researchers found that Tesco's land acquisition appeared to be having a negative impact on Local Authorities' aspirations for new housing and essential facilities like doctors' surgeries²⁷.

More evidence is contained in the *Appendix* below.

Illegal immigrants and poor working conditions

- 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 just above half the minimum wage. A modern supermarket pack-house operates 364 days a year, 24 hours a day. 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 unaffordable²⁸.

More evidence is contained in the *Appendix* below.

The detrimental impact of large retailers in our area would be alleviated if we were given the power to charge a modest local rate of tax on retail outlets in our area with a ratable value of over £500,000 and if we were also given the power to spend that revenue on promoting the economic, social and environmental well-being of local communities.

This revenue could be used to promote small businesses and local shops, which the evidence above shows have a more positive impact on the sustainability of local communities than supermarkets, or towards the services that support the sustainability of local communities.

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

3. The Local Authority that is making this proposal:

[to be filled in by the Local Authority]

4. Other Local Authorities, if any, who are joint proposers of this proposal:

[to be filled in by the Local Authority]

²⁶ Office of Fair Trading report - The grocery market: The OFT's reasons for making a reference to the Competition Commission

²⁷ Ibid., quoting 'Supermarkets, Competition Commission 2003'

²⁸ House of Commons Environment, Food and Rural Affairs Committee September 2003 report - 'Gangmasters'

5. Lead contact(s) in the Local Authority for this proposal:

[to be filled in by the Local Authority]

6. Confirmation that the statutory requirement for the proposing Local Authority to consult and try to reach agreement about the proposal with persons who in the opinion of the Local Authority are representatives of interested local persons has been met and details of how it has been met:

[to be filled in by the Local Authority]

Appendix - more Local Works evidence to support the proposal

Below is more evidence of the detrimental impact of large retailers on the economic, social and environmental well-being of local communities.

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 turnover²⁹.
- In the recent past supermarkets have fallen 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 28,217³⁰.
- 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 metre 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/Wal-Mart³¹.

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 shops³².
- 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%³³.
- 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 foods³⁴.
- 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%³⁵. Because of the small cost margins that small retail outlets operate on this explains why the opening of large retail outlets results in a sharp decline in local shops and businesses.
- 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 £14³⁶.

Pollution and environmental impact

²⁹ Rhodes, C. 2012, Small Business and the UK Economy, House of Commons Library

³⁰ Craven, N. 2012. Riddle of Phantom Shop Jobs: Supermarkets Fail to Deliver 39,000 Promised Positions

³¹ new economics foundation report - The world on a plate: Queen's Market: The economic and social value of London's most ethnically diverse street market

³² Ibid.

³³ Association of Convenience Stores report - Supermarkets Should End Misleading Job Creation Claims

³⁴ new economics foundation report - Ghost Town Britain II: Death on the High Street

³⁵ Competition Commission report - The Supply of Groceries in the UK Market Investigation

³⁶ new economics foundation 2001 survey results - Local food better for rural economy than supermarket shopping

- 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 figures³⁷.
- 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 payer³⁸.
- 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 been³⁹.

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 Earth report found similar cases of Tesco breaching planning rules in Bury St Edmunds, Suffolk, Guinness in Lincolnshire, and the Wirral in Merseyside⁴⁰.
- 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."⁴¹
- In other examples shown by Friends of the Earth, 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

³⁷ Environment Investigation Agency - Chilling Facts: HFC – Free Cooling Goes Mainstream

³⁸ Sustain – The Food Miles Report 2011

³⁹ Ibid.

⁴⁰ Friends of the Earth report - Calling the shots: How supermarkets get their way in planning decisions

⁴¹ http://www.bbc.co.uk/radio4/facethefacts/transcript_20060818.shtml

Sunderland. In Glasgow's West End, by holding land Tesco was in the way of plans to develop public transport.⁴²

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."⁴³

⁴² Friends of the Earth report - Calling the shots: How supermarkets get their way in planning decisions

⁴³ <http://www.guardian.co.uk/commentisfree/2006/apr/25/tescoprofits>