

Chapter Ten

Ghost Town Britain

10.1 Introduction

“In the UK 42% of towns and villages have no grocery store and price differentials exist between rural and metropolitan areas. This phenomenon of ‘Ghost Town Britain’ affects core urban as well as rural areas.”

“In 2000, the Countryside Agencies (sic) said that seven out of ten English villages have been left without a shop.”

- Musgrave Group

“Seven out of ten villages in the UK have no local shops”

- ADM Londis

“The Ghost Town Britain report makes very stark reading in that 7 out of 10 villages in the UK have no local shop and consumers have to travel long distances to buy groceries.”

- BWG Group Ltd

“In Britain....42% of villages have no local food shop.”

- IBEC

“In the UK, where there is no legislation similar to the Groceries Order, seven out of ten villages have no local shops and consumers have to travel significant distances to do their shopping.”

- RGDATA

In the UK, where there is no legislation similar to the Groceries Order... 7 out of 10 villages have no local shops, consumers have less choice about where to shop and many have to travel significant distances to do their shopping.”

- ICOS Ltd¹

“...comparisons between the retail landscape in Ireland and the UK made by industry lobby groups are misleading.² Population density, population patterns and town and country planning are radically different in the two countries. A better comparison is Northern Ireland which has a similar

¹ Irish Co-operative Organisation Society Limited.

² This is a reference to an article on behalf of Food & Drink Industry Ireland (IBEC) in the Irish Times, 1 April 2005.

population density, population patterns and retail landscape. A significant difference is that Northern Ireland does not have a law similar to the Groceries Order and consumers flock across the border to take advantage of lower prices. The absence of a Groceries Order has not damaged the Northern Ireland retail landscape.”

- The Competition Authority

10.2 Background

The authority for these figures is the “*Ghost Town Britain*” Report (see BWG Group above).

“*Ghost Town Britain*” and “*Ghost Town Britain II*” are two reports published, in December 2002 and December 2003 respectively, in the UK, by the New Economics Foundation (NEF). NEF is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES) that claims to have “*forced issues such as international debt onto the agenda of the G7/G8 summit meetings.*” It describes itself as “*an independent think-and-do tank that inspires and demonstrates real economic well being.*”

As far as we can establish, the NEF has not conducted any research of its own in this area but rather they have relied upon the results of a survey conducted by the Countryside Agency,³ a British Government agency responsible for the promotion of sustainable development in the English countryside.

NEF’s 2002 Report states as follows:

“The Countryside Agency claims that 7 out of 10 English villages have been left without a shop.”⁴

The Musgrave submission also attributes this claim to the Agency (see above).

Our research has revealed that the Countryside Agency has never claimed any such thing.

In 2000, the Countryside Agency had replaced the Rural Development Commission (RDC), which had been in existence in the UK since 1909. The RDC had conducted surveys of services in rural England (not the UK) in 1991, 1994 and 1997. Its successor, the Countryside Agency also conducted a similar survey in 2000.

³ The Countryside Agency operates under the aegis of the Department of the Environment and Rural Affairs.

⁴ “*Ghost Town Britain*” by the New Economics Foundation, Published December 2002

We have examined these reports in some detail. What we have discovered shows the figures as presented to us to be wildly inaccurate and to be a serious misrepresentation of the findings of both the Rural Development Commission and the Countryside Agency.

In particular, it is important to stress that the work undertaken by these agencies was not, nor was it ever intended to be, a survey of towns or villages in either the UK or England.

Rather it was a survey of small rural parishes in England only. Let us begin by examining what that means.

10.3 Definition of Rural

Our research suggests that the definitions of “urban” and “rural” are complex and are based on population, population density, land use and so on. The method of parish selection used by the Countryside Agency is to choose those parishes with a population of less than 10,000 and to take these to represent ‘rural areas’.

The 2000 Survey is based on responses from 6,102 such parishes with a total population of just under 7 million, or about 14% of the total population of England. The average population of parishes surveyed is 1,135.

This makes it close to 100% representative of its target group, because the Countryside Agency’s parish-level definition of “rural” constitutes a broad definition and is reckoned to cover approximately 15 percent of the resident population of England.⁵

It is apparent that many of these rural parishes are very small, maybe no more than a handful of people, and many would not even encompass a village, let alone a town.

Therefore, before we even looked at the results of the survey, it was clear to us that any attempt to conclude that 7 out of 10 towns and villages in the UK do not have a local shop would be absurd.

The figure, which at outset appeared to us to be self-evidently wrong, has simply no basis in fact.

⁵ A Review of Urban and Rural Area Definitions Project Report, commissioned by the Office of the Deputy Prime Minister and undertaken by a consortium consisting of the South East Regional Research Laboratory (SERRL) at Birkbeck College, the School of Town and Regional Planning at Sheffield University and Geowise Ltd of Edinburgh.

10.4 1997 Report by the Rural Development Commission

We will begin with the Report of the 1997 survey by the Rural Development Commission.⁶

This survey was an examination of services available in 9,677⁷ rural parishes in England. It found that in 1997, 42% of such parishes had no permanent shop of any kind.⁸ This figure is however an average of all parishes. The survey found, not surprisingly, that parishes with small populations were particularly likely to be without a shop. In fact 92% of the smallest parishes – those with a population of less than 100 - had no shop.

The figure was very different for larger parishes. Only 22% of those with a population of more than 500 were without a shop and 4% of those with a population of more than 1,000 were without a shop.

And in the case of parishes with a population in excess of 3,000, the total number without a shop was 1%.

Furthermore, the survey found that there had been little or no change in the period since the first such survey in 1991 which had found that 41% of all parishes surveyed did not have a shop. This suggests that whatever decline took place in the level of such rural services during the 1980s, it had been largely halted by 1991.

Also, the survey included no information on cause and effect and it made no attempt to explain the reason for any decline – although such a decline can only be presumed to have taken place as no similar survey was carried out prior to 1991 so no trends prior to this date are discernable.

In any event, it would be a major leap of faith to draw any conclusion as to the impact of below cost selling on the provision of local services in rural parishes in England.

The survey found, for example, that 56% of parishes surveyed did not have a petrol station or garage; 91% did not have a bank or building society; 43% did not have a post office; 75% had no bus service; 49% had no school of any kind; 93% did not have a public nursery; 83% did not have a GP; 91% did not have a dentist; and 79% did not have a pharmacy.

On that basis, the survey is certainly indicative of demographic characteristics that have nothing whatsoever to do with below cost selling.

The survey did not cover Scotland, Wales or Northern Ireland.

⁶ The Rural Development Commission 1997 Survey of Rural Services, Published 1998, ISBN 1 869964 62 4 (consulted on-line at the UK National Archives – www.ndad.nationalarchives.gov.uk).

⁷ of which number, 7,789 responded.

⁸ The survey presents the figures in three separate categories – parishes without a general store, without a food-only shop and parishes without a shop of any kind.

10.5 2000 Survey by the Countryside Agency

As in 1997, this Report⁹ concentrated on rural England and did not cover other parts of the United Kingdom. The results are again based on a survey of 9,677 rural parishes with a response rate of 67%. The Agency itself says that the results are complex and need to be interpreted carefully. We found that to be absolutely so.

Difficulties arose in the first instance because the survey presents two sets of figures entirely independently of one another – one in respect of parishes without a general store¹⁰ and one in respect of parishes without a small village shop.¹¹ However, unlike its 1997 counterpart, the survey does not tell us how many parishes have no store at all.

For example, the headline results show that 71% of all rural parishes do not have a general store. This is consistent with the 1997 findings that 70% of parishes did not have a general store (suggesting, in fact, little change in the situation since 1991). The 2000 survey also finds that 71% (the figure is a coincidence) of parishes do not have a small village shop.

However, we were unable to ascertain directly from the way in which the figures are presented how many parishes have neither a general store nor a village shop.

The raw data on which these results are based is available¹² and we have analysed it with the assistance of the Countryside Agency. As a result, we can conclude that the proportion of all parishes responding to the survey which do not have a general store or a village shop (as defined) is 54.6%. Many of these parishes may have a farm shop or mobile shop and these are not included in this figure.

As in the case of the 1997 survey, the figures change considerably for parishes with a population above 3,000. In this case, 22% have no general store and 48% have no village shop.

Based on the raw data, we conclude that the number of such parishes that have neither a general store nor a village shop is 9.5%.

That is a total of 57 Parishes.

And again, many of these parishes may have a farm shop or mobile shop that are not included in this figure.

⁹ "Rural Services in 2000" published by the Countryside Agency, 2001, ISBN 0 86170 657 9

¹⁰ Defined as a shop selling a range of household items including food.

¹¹ Defined as a shop selling mainly foodstuffs.

¹² www.countryside.gov.uk

10.6 Other Findings

Other findings outlined in the survey are, we suggest, relevant to our debate.

For example, the number of parishes with a general store is 29%. This is identical to the figure revealed by the 1991 survey and suggests a consistency in the figures over the period of the surveys.

Almost 87% of rural households in England live within 4km of a petrol station – most of which have a convenience store attached.

79% of rural households live within 4km of a supermarket.

This does not suggest that most consumers in the UK *“have to travel long distances to buy groceries.”*

Although we have seen no similar data for Ireland, we believe that these figures suggest that for many rural inhabitants in England, access to groceries is easier than it is here.

The survey also draws attention to the fact that mobile provision through milkmen and other deliveries is very important in many areas, although not included in the results of their survey.

Once again, the survey is indicative of broad demographic characteristics as it highlights the level of other core services available in rural communities. 46% of parishes had no post office; 81% of parishes have no petrol station; 78.4% of rural households live within 4km of a bank or building society; 25% of all parishes have no pub; and 48% of all parishes have no school.

Although the report concludes that the decline of essential local services in England had slowed down, no other trends were easily discernable and no causal links were suggested.

The relevance of these findings to a debate on below cost selling are not immediately obvious.

10.7 Ghost Town Britain I

The Ghost Town Britain report,¹³ published in 2002, bemoans the decline of small independent food outlets (including corner stores, specialist retailers and newsagents).

¹³ “The Threat from Economic Globalisation to Livelihoods, Liberty and Local Economic Freedom”
Published by the New Economics Foundation, London, December 2002. ISBN 1 899407 62 6.

It describes supermarkets as the main driver of the shift in shopping habits as a result of the construction of out-of-town superstores. It outlines the consequences of these developments for town centres, local employment, and local producers and describes the decline of the small independent retailers as being the result of “inappropriate planning and policy measures.” The Report pays particular attention to planning regulations and claims that:

“Milk rounds, corner shops and bakers have had to close following the use by supermarkets of below cost ‘loss-leaders’, such as bread and milk.”

No evidence to support the claim is provided.

The Report is also critical of a Court decision in 2001 which resulted in the failure to reinstate resale price maintenance on over-the-counter medicines.

The Report also highlights the decline of rural pubs, post offices, and banks.

The Report recommends a variety of measures to reverse the trends it sees as undesirable. Such measures include the introduction of legislation to outlaw predatory pricing strategies, particularly selling food at a lower price than it was bought and also the practice of *“large chains setting up temporarily in a town to drive out small local competitors.”*

10.8 Ghost Town Britain II

This was a follow up to the 2002 report and was published in December 2003.¹⁴

It is similar in tone and content. It calls for a variety of measures to be put in place to halt the decline into Ghost Town Britain. The measures identified include planning restrictions to curb the development of large out-of-town superstores and the introduction of a mandatory code of conduct to govern relationships between supermarkets and their suppliers (something the UK Competition Commission has done following their 2000 Report into the grocery trade.) No mention is made of below cost selling. Some of the recommendations would be considered anti-competitive, including their call for a halt to the deregulation of the pharmacy sector in the UK.

The Report does suggest that below cost selling is not the issue.

“An argument frequently made in support of supermarkets is that they offer the best deal for price-sensitive consumers, particularly those from less well-off households. But does the evidence over the past few years support this? An episode of the BBC1 programme Panorama, broadcast in November 1998, suggested otherwise. It revealed that

¹⁴ “Death on the High Street” Published by the New Economics Foundation, London, December 2003. ISBN 1899407650.

meat prices in a supermarket at Grantham were 10-30 per cent higher than in the town's butchers; vegetables at the same supermarket were 40 per cent more expensive than on the high street.

The next year, in March 1999, The Guardian reported that the high street butcher in the market town of Hexham, Huddlestons, was charging £1.89 and 99p per pound for lamb chops and steak mince respectively; at a nearby Safeway store the prices were £2.79 and £2.99 per pound. Three years later, in October 2002, Friends of the Earth surveyed 151 supermarkets, 58 greengrocers and 29 markets. The results revealed that the average price for a kilo of cox's apples was just £1.02 at market stalls or £1.07 at greengrocers, but cost £1.27 at Morrisons and Asda-WalMart, and at Sainsbury's would cost as much as £1.44.

Hillary Shaw from the University of Leeds speculates that it is the large profit margins sought by the supermarkets – rather than major cost reductions or lower wholesale prices at the shops – that underlies these relative price differentials.”

Later the Report states:

“Another development that threatens independent high-street retailers is the growing number of convenience-store format chains in town centres.”

And, finally, the Report concludes:

“Ghost towns are not a uniquely British phenomena (sic). From the city of Buffalo in the United States to cities and villages across Europe, the forces of economic globalisation are hollowing out communities. These were not the intended effects of economic policy, but they are real consequences that we and our policy makers now have to deal with.”

It is not our function in the course of this Report to comment or draw conclusions in regard to findings of “Ghost Town Britain” except in so far as they might relate to the contribution made by below cost selling or predatory pricing to the demise of local, independent retailers in the UK.

In fact, we find no evidence within either “Ghost Town Britain I” or “Ghost Town Britain II” to suggest any element of unfair competition is driving the alleged decline of local communities in Britain.

10.9 Clone Town Britain

This Report,¹⁵ published earlier this year, is a follow up to the Ghost Town Britain series and purports to quantify another related phenomenon – the notion that high streets throughout England are becoming populated exclusively by branches of international chain stores making them largely indistinguishable from one another:

“A home town is a place that retains its individual character and is instantly recognisable...A clone town is a place that has had the individuality of its high street shops replaced by a monochrome strip of global and national chains that means its retail heart could easily be mistaken for dozens of other bland town centres across the country.”

According to the Report, of 103 towns surveyed, 42 (41%) were ‘clone towns’.

The report is really a commentary on economic globalisation and we do not see it as our function to comment on that debate. We draw attention to the report only because of the similarity between the 41% ‘clone town’ figure and the figure quoted in a number of submissions made to us alleging 42% of towns in the UK have no local shop.

Clearly, the clone town Britain survey would not support a claim that “...in the UK 42% of towns and villages have no grocery store.”

10.10 Northern Ireland

We have not identified any research in regard to Northern Ireland similar to that carried out by the Countryside Agency in England.

The Competition Authority in their submission have argued that comparisons between Ireland and the UK are misleading and that comparisons with Northern Ireland would be more reliable on account of similar population density, population patterns and retail landscape.

We approached the NI Department of Enterprise, Trade & Investment (DETI) who, in response, drew our attention to a report by the Rural Development Council¹⁶. This report states that

“Our experience of working with the rural retail sector would indicate higher costs associated with insurance and electricity than UK counterparts and this coupled with rates and the introduction of larger multiple stores to Northern Ireland are impacting on the sustainability of the local shop.”

¹⁵ “The Survey Results on the Bland State of the Nation”, Published by the New Economics Foundation, London, 2005, ISBN 1 899407 98 7.

¹⁶ The RDC is sponsored by the NI Department of Agriculture and Rural Development. Their report entitled “RDC Response to the DFP Review of Rates Policy Paper and Consultation” can be found via <http://www.rdc.org.uk/publications/news.asp>

However, there is no suggestion of any adverse impact from below cost selling.

DETI also drew our attention to the UK Competition Commission Report (which we have referred to in detail in Chapter Seven). They have not however identified any particular competition concerns beyond those identified in this Report.

DETI also drew our attention to a consultation process undertaken in March 2005 by the Office of Fair Trading (OFT) in the UK in regard to the operation of the Statutory Code of Practice for the large UK multiples which was introduced on the recommendation of the Competition Commission following their 2000 Report.

The OFT concluded as follows (emphasis added):¹⁷

“The central consideration is whether there is evidence that consumers are being denied the appropriate levels of price, quality and choice in grocery retailing as a result of developments in competition and structural changes to the market such that intervention by the OFT is called for.

*Since the publication of the Competition Commission’s 2000 report, **consumers have benefited from competition in grocery retailing which has secured lower food prices overall and a greater choice of product lines in supermarkets** with no evidence of reduction in the quality of the produce available.*

Inevitably, competition brings about change. That has manifested itself in the increased competitive pressure faced by smaller retailers as the large supermarkets have diversified into convenience retailing; and in changes in the respective market shares of the major supermarkets. It is not for the competition authorities to deny any players in a market opportunities for organic growth where they arise out of a perceived need and ability to meet consumer demand. We do, however, consider merger proposals very carefully and have acted and will act where these might give rise to a substantial lessening of competition.

***We have received no firm evidence to show that below-cost selling and price flexing¹⁸ are affecting competition adversely.** The opinion has been expressed to us that price-flexing has decreased since 2000, driven no doubt by the increasing importance of the internet (which, by its nature, reflects national rather than regional prices) as a source of price data.*

There is no evidence that, as a result of supermarkets’ entry into the convenience store sector, there has been any consumer detriment.

¹⁷ www.offt.gov.uk

¹⁸ Charging different prices in different areas for the same groceries

We are not aware that any of the other practices which the CC's 2000 report identified as adversely affecting competition are continuing or of the emergence of any new practices with such an effect."

The DETI have told us that they have no reason to believe but that Northern Ireland consumers are benefiting just as much as those in the rest of the UK.

Consequently, we see no reason to believe that below cost selling is having an adverse impact on competition or on the retail landscape in Northern Ireland, where of course, no prohibition on the practice exists.

10.11 Other Submissions

The following is a further sample of submissions we have received in this regard.

"In the UK where 4 retailers own over 80% of the market, 7 out of 10 small towns do not have a local shop."

- Chairman, MACE Retail Council

"Four British retailers now control a huge 80% of the market. On top of this 70% of towns and villages have no local shops at all!"

- Pat Redden, Spar, Corbally

"Our village culture needs to be protected. 80% of the UK market is controlled by 4 large retailers and 7 out of 10 villages have no local shops. Consumers have less choice and think about the hassle for the people of this country if they had to commute further for groceries because the local shop is closed..."

- Value Centre, Wholesale Cash & Carry

"I am extremely worried that the abolition of the Groceries Order would bring an end to my business and countless others like mine. Meaning that small towns of Ireland would be without local shops – much like the UK situation."

- Figo Service Station (Centra), Co Donegal

"(in the UK) 70% of towns and villages have no local shops at all! Will this mean that my business will evaporate if the Order were to be abolished?"

- Bergin's Spar, Clonmel

"Without the Groceries Order, there will be significant social and community effects, as many towns and villages will have no shops. This is clearly evident in the UK where there is no Groceries Order. Four major multiples hold 80% of the total market. Seven out of ten villages have no local shop. Residents in these areas, many old and infirm, must travel long distances to buy essential food products."

- Mace Marketing Services (Ireland) Ltd

10.12 Conclusion

We conclude that figures suggesting that 7 out of 10 towns and villages in the UK have no shop are hopelessly wrong and have no basis in fact. The statistic is a serious and manifest misrepresentation of the facts.

The repeated use of the statistic in submissions received is suggestive of a concerted campaign to place the figure of 70% in the public mind with a view to generating unwarranted concerns in regard to the possible impact of the removal of the Groceries Order.

Almost 87% of rural households in England live within 4km of a petrol station – most of which have a convenience store attached.

79% of rural households in England live within 4km of a supermarket.

The Ghost Town Britain II Report published in 2003 actually argues that prices of fresh meat and vegetables in edge-of-town supermarkets are often *higher* than in local independently owned retail outlets.