

Chapter Eleven

Societal Impact

11.1 Introduction

We have received a cogent submission jointly on behalf of the Combat Poverty Agency, Crosscare and the Society of St Vincent de Paul (which we will refer to hereinafter as the Agencies) arguing for retention of the Groceries Orders.

We have also received a submission on behalf of the Money Advice & Budgeting Service (MABS) which is funded by the Department of Social & Family Affairs to provide a free confidential service for those, particularly those on low incomes, who are in debt, or in danger of getting into debt. MABS have expressed concerns that any change in regulation might cause the demise of the local grocery shop.

We have paid particular attention to the arguments made by these agencies which represent no vested interests but rather the less well off sections of society.

11.2 Background

Attention is drawn in the Agencies' submission to the level of consistent poverty in Ireland. 9.4% of people (c. 370,000) live on incomes below 60% of the median and also endure enforced deprivation. 22.7% of the population (903,000) are income-poor, i.e. they live on incomes below 60% of equivalised median income.

3.3% of Irish households (120,000 households) are unable to afford a meal with meat, chicken or fish every other day. Some 5.3% (199,000) of households are unable to afford a weekly roast dinner. In addition, 9.6% (398,000) have gone without a substantial meal at least once in the previous fortnight period.

Those living in low-income areas with poor service provision have difficulty in accessing and affording nutritious food for themselves and their families. This same cohort is less likely to meet the dietary guidelines issued by the Department of Health and this in turn impacts on vulnerability to ill-health and higher mortality risk.

11.3 Arguments

A number of arguments are made in support of retaining the Order:

- Major multiple supermarkets tend not to locate in low-income areas.

- Transport to multiple supermarkets in out of town sites for families on low incomes is often not feasible.
- In such circumstances, the symbol or independent retailer is catering to both the 'one-stop' and 'convenience' markets alike.
- The independent retailer may face extinction if the Groceries Order is removed thus further restricting access to shopping facilities for low income families. Such retailers need the protection afforded by the Order.
- Increased travel costs would be a consequence, putting additional pressure on congested roads.
- The Order protects consumers from predatory pricing and loss-leading tactics – practices which are particularly harmful to low-income consumers.
- Food not covered by the Order – fresh meat and vegetables – are important to healthy diet but have increased dramatically in price in recent years
- Removal of the Groceries Order will probably result in a reduction in competitiveness among Irish suppliers on domestic and export markets with implications for Ireland's trade and balance of payments.

11.4 Response to Arguments

Reasonable access to food and grocery shopping for all sections of the community is part of the social fabric of any society. Great care must be taken by policy makers and planners to ensure that access is not hindered in a way that is harmful, particularly to the more vulnerable sections of the community. Consequently, the objective of policy should be to encourage competition and make it more attractive for multiples, and indeed other symbols and independents, to locate in areas of deprivation and so to provide more choice to consumers.

The Department believes that vulnerability is not confined to those on low incomes but exists also in the case of the elderly, the disabled and those with impaired mobility. This vulnerability will likely be exacerbated in the case of those living in rural areas where the distance to an alternative shopping outlet may well be much greater than for those living in our cities.

Against that background, we can agree with many of the points made by the Agencies above. Where we do have difficulty with their submission is in regard to the likely impact of the removal of the Order and we find that we do not agree with the Agencies' reasoning in this regard.

For the purpose of debate, we do not dispute the Agencies' submission that *"...multiple operators tend not to enter many regional or other similarly undesirable areas where the catchment market in the surrounding areas is deemed insufficient to justify their entry."*

Nor do we dispute the contention that for many of those living in these areas transport to and from multiples located outside their area is often not feasible.

And we can agree with their conclusion that in such circumstances the independent and symbol operators provide both a 'one-stop' and a 'convenience' service to their customers.

Arising from this situation, the fears expressed by the Agencies are based on the premise that if the Order is removed, the continued existence of independent and symbol retailers in deprived locations will be threatened by the resulting competition.

This conclusion is not supported by any evidence submitted by the Agencies and it is not a conclusion with which we can agree.

If the smaller stores are important to the inhabitants of these areas, and the inhabitants have only limited transport access to multiple outlets outside the area, then, by the Agencies' own admission, the smaller stores are not competing with multiples in these areas. There seems little reason, therefore, to believe that these smaller stores will be less in demand in the event that the Order is removed.

The Agencies argue that the fact that consumers in deprived areas have little choice but to shop with symbols or independents limits their access to healthy foods. They say that the food consumption habits of people living in poorly resourced locations is determined by the type of food outlet available to them and that the food items stocked by the symbol or independent retailer tends to be from:

"...the top shelf of the food pyramid, namely saturated fats, sweet products, processed and convenience food. These outlets cost more to shop in, with the independents most expensive for cereals, bread, potatoes, and the symbols most expensive for meat fish and alternative (sic), and fruit and vegetables. This has an obvious impact on the ability to access and afford a healthy, nutritious diet."

These are issues of concern but we interpret the Agencies' argument as meaning that it would be a good thing if the multiples were attracted into deprived areas to offer competition to the symbols and independents and offer a bigger range of healthy foods. We agree with this proposition but we do not understand the reasoning, therefore, in making an argument against the removal of the Order on the grounds that it will encourage such competition.

We do note, however, that the argument advanced by the Agencies tends to support our conclusion, drawn elsewhere in this report, that the symbols and

independents are not even trying to compete with the multiples in many instances.

11.5 UK Experience

Concerns that many of our independent and symbol operators will be forced out of business in the event that the Groceries Order is removed, and that access to shopping facilities will be made more difficult as a result, are similar to concerns expressed about the Ghost Town Britain phenomenon being replicated in Ireland.

The Ghost Town Britain phenomenon is presumed to exist by many who have made submissions as part of the Public Consultation Process. Very little evidence has been advanced to support the theory. We have already demonstrated that such evidence as we have received is based on a wildly inaccurate and misleading interpretation of otherwise perfectly valid statistics.

The source of those statistics, the UK Countryside Agency, has indicated that in their view the presence of local shops in a community is a function of population. This too is borne out by the statistics contained in their 2000 Rural Services Survey, which shows that the availability of groceries stores increases dramatically as the population of the locality increases.

Nonetheless, we have looked at what the UK Competition Commission's 2000 Report on the grocery trade had to say about what they refer to as "food deserts."

The UK Competition Commission specifically conducted research to explore the issue of whether the multiple grocery outlets systematically avoid low-income urban areas, thus restricting access to groceries.¹

The results show that for the 100 lowest-income postal sectors in Great Britain, no instances were found where a multiple store² was more than 1.3 miles from the centre of the area. The average and population weighted average distances to such a store were 0.57 and 0.56 miles respectively.

The Commission concluded that while the study does not preclude the potential for many instances of difficult access, there is no systematic link between the locational strategies of supermarket operators and restricted access to groceries.

In a related but no less important exercise, the Commission found no evidence of high concentration of individual multiple retailers in low-income areas, and thus no indication of increased market power that could lead to greater price-setting freedom.

¹ UK Competition Commission Report on the Grocery Trade, 2000 op.cit., Paras 13.108 – 13.128

² Defined for the purposes of this exercise as a store, controlled by someone who controls a minimum of 10 similar stores, having at least 600sq. m. of retail floor space of which at least 300sq. m. is allocated to the sale of food and non-alcoholic drink

In a survey of organisations and individuals with a potential interest in the issue, the Commission found that the problem of grocery access, in physical and economic terms, reflected a much wider set of factors than the presence or absence of multiple grocery retailers. No specific geographic areas were identified in this exercise as potential food deserts.

Of course, access to healthy food is a different issue to the one addressed by the Competition Commission in the surveys referred to above. In 1999, a study limited to a particular council area of London that was classed as both low-income and ethnically diverse (but which was not named for reasons of confidentiality) found that a range of shops that stocked healthy food was within easy walking distance of the majority of the area's inhabitants.

No correlation was found between the number of healthy foods stocked and the level of economic deprivation.

Similarly, the Department of Health in the UK, in a study also conducted in 1999, found that there was generally high levels of satisfaction among inhabitants of deprived areas with access to shopping facilities.

We believe the fears of the Agencies that removal of the Groceries Order will result in restricted access to groceries for those on low incomes are unfounded.

We are of the view that as long as competition in the trade is fair, then the location of grocery outlets is more likely to be related to population numbers and demand rather than socio-economic classification of the population. We believe that this view is borne out by research conducted in the UK – where no ban on below cost selling exists.

Although we disagree with their conclusions on the Groceries Order, all of the other concerns expressed by the Agencies are valid. However, they require a much broader policy response than can be offered in the scope of this Report.

11.6 Alcohol in Society

We have received a number of submissions on the subject on alcohol consumption in Ireland.

Mature Enjoyment of Alcohol in Society Limited (MEAS) was established in 2002 by the principal producers, distributors and retailers of alcohol in Ireland to promote and support social responsibility within the drinks industry and to reduce alcohol related harm. The Society has drawn attention to the changing patterns of drinking in Ireland and underlined their support for the creation of an environment conducive to sensible drinking. Their submission deals also with issues related to the taxing and pricing of alcohol in Ireland.

The Submission concludes by expressing concern that the removal of the ban on selling alcohol products below net invoice price will have socially detrimental consequences and in particular, it will undermine the codes of practice they support for the responsible sale and marketing of such products. They submit that removal of the Order will fuel an alcohol “price war” that will send the wrong message to the public about responsible consumption.

Diageo Ireland, a member of IBEC’s Food and Drink Industries Ireland have made an independent submission to supplement that made by IBEC. Diageo advocate retention of the Groceries Order due to the serious potential social impacts of below cost selling of alcohol, contrary to Government policy.

A similar case is made by the VFI³ who say that the selling of cheap alcohol will increase the overall sales of alcohol with consequential effects for alcohol abuse and public order. Presumably, their concern is about an increase in sales through off-licenses rather than via the publicans they represent.

While we acknowledge the importance of the need to support responsible consumption of alcohol products in Ireland, we honestly believe that these submissions raise very broad issues regarding societal behaviour that go a long way beyond the scope of this report and on which, frankly, we do not at this point feel qualified to comment.

We would make the general point, however, that trends in alcohol consumption are a function of many things and of which price and pricing policy are but one. In turn, the Groceries Order impacts on a considerably wider range of issues than that of alcohol consumption – as we suggest this Report probably demonstrates.

In our view, the Groceries Order is a highly inappropriate and disproportionate mechanism by which to seek to control alcohol consumption.

Nonetheless, we must point out that the argument made by MEAS and others in this respect is based on the premise that the Groceries Order results in higher prices.

³ The Vintners’ Federation of Ireland. The organisation represents 6,000 publicans in the country outside of Dublin. The VFI have made a general submission supporting retention of the Order.