

## **Summary of hearing with Friends of the Earth on 19 September 2006**

### **About Friends of the Earth**

1. Friends of the Earth (FOE) is an environmental campaign group. It has over 200 local groups around the country and 80 groups around the world, with a total of 1 million supporters. FOE has about 160 employees both regionally based and in London. 90 per cent of its funding comes from individual supporters. Its interest in the groceries sector stems from its concerns about bio-diversity and farmed land, the impact of supermarkets on suppliers and their environmental practices and the impact of supermarkets on land use and consumers' ability to purchase sustainable products.

### **The Tescopoly website**

2. FOE told us that it was a founding member of Tescopoly, a web site designed to express the concerns of a range of organizations about the growth in Tesco's market share and its buying practices and policies, and to provide a central source of information about issues in the supply chain. Another goal of the website was to explain to concerned members of the public what action they could take. FOE noted that the alliance of organizations behind Tescopoly were concerned about all the big four multiple retailers, not just Tesco. FOE explained that the Tescopoly postcards sent to the CC were sent by concerned members of the public, not necessarily connected with FOE. FOE also explained that before the Tescopoly website was set up it worked in an alliance called 'Breaking the Armlock' comprising farmer, environmental and public interest groups concerned specifically about supply chain issues.

### **Scope of the CC inquiry**

3. FOE expressed concern that the CC inquiry did not cover non-food items, as the growth in sales of non-food items at supermarkets had the potential to have a significant effect on town centres.

### **Planning**

4. FOE told us that it wished to see town centres sustained, that this was echoed in government policy and that benefits would include social inclusion, urban regeneration and more sustainable transport. FOE considered that the success of the planning system should not be measured only from the point of view of economic performance, but should include consideration of wider policy objectives.
5. FOE noted that Planning Policy Statement 6 (PPS6) was still relatively new and its ultimate effect was not yet clear. However, FOE considered that PPS6 encouraged the provision of sites for large format stores. FOE explained that PPS6 identified larger format developments specifically for special treatment, and did not single out any other sector in a similar way. FOE told us that PPS6 encouraged local authorities to compulsorily purchase land in town centres in order to assemble sufficient land specifically for large format retailers. FOE told us that retail demand could be fulfilled in a number of ways, rather than automatically meeting such demand by giving priority to the provision of large format retailers, whether in the centre of towns or on the edge of towns.

6. FOE considered that there should be an overall presumption in planning policies that town centres should be regenerated and sustained and that sites extending the inner town centre area and edge of town sites should be considered next. FOE noted that edge of town sites often had the same problems as out of town sites in terms of distance from the retail core of the town.
7. FOE stated that certain multiple retailers had a dominant role in the planning system and that there were aspects of the planning system that, along with PPS6, gave them a privileged position.
8. FOE considered that Section 106 agreements between local authorities and developers were meant to be related to the development concerned, but in many cases were not. FOE noted that it had information from local planning authorities regarding legal agreements over the sale of land that involved restricting the use of other parcels of land, and that Tesco and local authorities had entered into such agreements on several occasions. FOE considered that the multiple retailers had the resources to pay for facilities within towns beyond the reach of smaller retailers. According to FOE, smaller retailers were unable to generate the same planning gain as larger retailers, which distorted the planning process in favour of larger retailers.
9. FOE stated that local authorities feared the costs of losing appeals against planning decisions.
10. FOE considered that certain changes to the planning system should be made, including:
  - the removal of what it saw to be the bias in PPS6 in favour of larger format retailers;
  - reforms to Section 106 agreements. FOE noted that the government's work on planning gain supplements might have a positive effect in this context;
  - careful scrutiny of planning applications requesting change in use from small scale retail premises to residential use, which was an issue particularly in district shopping centre locations;
  - needs tests to be applied to all locations, rather than just out of centre locations as required by PPS6 currently. FOE noted that this would require planning authorities to have access to resources that would enable them to assess retail need and associated competition issues, and to allow local communities control over the future of their own localities;
  - more professional planning expertise—and suitable funding for such expertise—to be available to deal strategically with complex and/or cross-boundary applications from retailers, including at a regional level; and
  - changes to the local development framework to allow continual review of land allocations to address what FOE saw as a land banking problem.
11. In relation to the land banking issue, FOE was concerned both about the size of Tesco's land bank—which, if built upon, could further increase Tesco's market share—and the fact that such a land bank prevented other retailers from building. FOE also noted that only large retailers had sufficient resources to purchase land and not use it immediately, and that large retailers could also use their resources to exert considerable influence both during the assessment of planning applications and

during the strategic planning process. FOE also noted that the issue of mezzanines was important because they had allowed supermarkets to expand in an uncontrolled manner.

## **Consumer benefits**

12. FOE told us that consideration of consumer benefits should not be limited to cheap food.
13. FOE argued that supermarkets weren't necessarily cheap particularly for healthy food and fresh produce. FOE told us that its surveys indicated that fresh produce was cheaper at greengrocers and street markets than at supermarkets. FOE considered that consumer health issues should be taken into account during the inquiry. FOE noted National Consumer Council surveys which concluded that the supermarkets were exacerbating health inequalities by failing to tackle high levels of salt and sugar in their own brand products, which were frequently on promotion. When looking at price, FOE told us that it was important to break down a typical basket of goods and consider which goods the supermarkets offered at low prices and which goods other retailers offered at lower prices than the supermarkets.
14. FOE considered that transport costs to out-of-town developments for those without cars needed to be factored into the overall cost of food. FOE noted that local shops with access by foot were particularly important to low-income consumers.
15. FOE stated that surveys indicated that consumers had concerns other than price, including environmental issues and ethical sourcing. FOE considered that the relatively small number of fair trade products offered by the supermarkets did not compensate for the vast majority of supermarket produce that was not fair trade. FOE also considered that shopping experience, in terms of product knowledge, personal service and social interaction, was better in local shops than in supermarkets.
16. FOE stated that a choice between supermarkets was not the same as a choice between independent retailers, in that the latter offered a much greater level of product choice and diversity. FOE told us that its surveys showed that greengrocers were more likely than the biggest four supermarkets to have a wider range of English apple varieties.
17. FOE considered that the perception that supermarkets were convenient (and that parking was easy) was a factor that resulted in consumers purchasing food from supermarkets rather than smaller specialist retailers, despite surveys indicating consumer preferences for British or regional food, and for buying from specialists rather than supermarkets. FOE also considered that its sourcing survey work indicated that supermarket promotions of British produce should not necessarily be taken at face value, and that there were issues around the meaning of terms such as 'local'.
18. FOE stated that its concerns about local sourcing related mainly to fresh produce and the need to link producers more closely with retailers. FOE considered that supermarkets with central distribution centres would be unlikely to change to selling mostly local fresh produce, but that smaller retailers could do a lot more about local sourcing.

19. FOE told us that there were some niche markets in which small retailers were successful, particularly if there was an opportunity to charge a premium price, for example for organic food.

### **Prices and buyer power**

20. FOE noted that it had been told that when the major supermarkets cut the price of bananas to match another supermarket's prices, the price cut was passed on directly to suppliers, and the supermarkets concerned did not lose out. FOE also identified that similar issues arose in relation to apples.
21. FOE stated that, in its experience, smaller retailers needed support in terms of marketing and developing a knowledge base in order to get more local and sustainable produce into shops, due to their lack of resources and the financial pressures on them.
22. FOE told us that it had carried out a farmer survey which indicated that supermarket buyer power, with the consequential downward pressure on the prices paid by the supermarkets to their suppliers, had reduced the ability of farmers to innovate and to comply with environmental and welfare standards.
23. FOE considered that the discount multiple retailers contributed to the downward pressure on the prices paid to farmers and growers, causing further problems for farmers and growers globally, and that the discounters tended to focus on processed foods which provided a lower return to the farmers and growers.

### **The supermarket code of practice**

24. FOE stated that its survey indicated that the code of practice wasn't making any difference or wasn't being applied. FOE also identified problems with the caveats and conditions in the code, making it difficult to prove that the code was being breached. FOE considered that suppliers were reluctant to provide evidence in relation to breaches of the code due to fear of jeopardizing their business, and due to the informational burden it placed on them.
25. FOE told us that two common issues raised in its discussions with farmers and growers were retrospective discounts and paying for promotions.
26. FOE considered that the code of practice should apply all along the supply chain, including any intermediaries between the retailers and the farmers.
27. FOE told us that the problem was not the existence of supermarkets per se, but their market share. FOE considered that supermarkets should be part of the retail mix, but that certain steps might need to be taken to address their current market share, for example divestment of stores, caps in their share of local markets, reconsideration of the role of supermarkets in operating convenience stores and steps to allow new entrants, such as regional stores sourcing locally, to become established.