

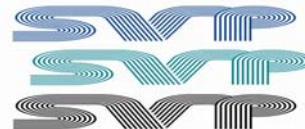
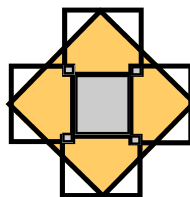
**SUBMISSION TO THE MINISTER FOR ENTERPRISE
TRADE AND EMPLOYMENT**

On

‘REPEALING THE GROCERIES ORDER’

By

**Combat Poverty Agency
Crosscare
Society of St Vincent de Paul**



29th July 2005

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1. Introduction

- 1.1. The Combat Poverty Agency, Crosscare and the Society of St Vincent de Paul welcome this opportunity to contribute collectively to this consultation process on the proposed repeal of the Groceries Order.
- 1.2. We have already presented our collective view to the Joint Oireachtas Committee on Enterprise and Small Business, and our views are cited in their report. We are disappointed that our plea to retain the ban on the lifting of the Groceries Order was not heard by the recent *Report of the Consumer Strategy Group* and so welcome this opportunity to re-state our objection to the repeal of this ban. This submission sets out the case for the retention of the Groceries Order using evidence from recent research to corroborate our proposition.

2. Context and History

- 2.1. The Combat Poverty Agency, Crosscare and the Society of St Vincent de Paul have been working together towards the elimination of food poverty for over a year now since the launch of the recent *Food Poverty and Policy* report in May 2004, which was jointly funded by the three agencies. We formed a consortium to channel the energy and momentum following the launch of this ground-breaking report and have worked together since to combat food poverty and prioritise accessibility and affordability of healthy food for all.
- 2.2. All three agencies through their various programmes and activities are acutely aware of the reality of food poverty. The Society of St Vincent de Paul provides direct help to disadvantaged people experiencing difficulties making ends meet; the Combat Poverty Agency has a statutory research and advisory role to Government on poverty alleviation and policy; and Crosscare provides direct food provision through its food centres and the Dublin Food Bank.
- 2.3. The three Agencies have a collective shared vision on issues pertaining to food poverty. In this regard, we feel that the equity implications of the proposed repeal of the Groceries Order, which are often overlooked or, at the very least, underplayed, require very careful consideration. This succinct submission focuses on these equity or distributional concerns.

3. Social Exclusion and Poor Nutrition

- 3.1. Consistent poverty figures tell us that 9.4% of people in Ireland (some 374,000 people) live on incomes below 60% of the median and also endure enforced deprivation. In addition, 22.7% of the population are income-poor (i.e. they live on incomes below 60% of equivalised median income); this represents some 903,000 people.
- 3.2. Three of the eight commonly used deprivation indicators used in national statistics on poverty pertain to food poverty. Recently published (2003) statistics from the Central Statistics Office (CSO) indicate that 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% of households (199,000 households) are unable to afford a weekly roast dinner. In addition, 9.6% of households (398,000 households) have gone without a substantial meal at least once in the previous fortnight period.

- 3.3. We know from our collective work that consuming and sharing food, a basic human activity taken for granted by most of Irish society, is problematic for those on low incomes living in areas with poor service provision and adequate shopping facilities. For those people, accessing and affording nutritious food for themselves and their families is generally not a reality.

4. Health Inequalities and Diet

- 4.1. The stark social gradient in health inequality statistics is very clear and well-established, with people in lower socio economic groups and lower household incomes suffering more ill health and a higher mortality risk.
- 4.2. There are clear links between health status and diet, and research tells us that in Ireland people in the lower income deciles eat less fruit and vegetables, more processed foods and consume more saturated fats. This same cohort is less likely to meet the dietary guidelines issued by the Department of Health and Children even though they spend more on food as a proportion of their income.¹
- 4.3. Recent Combat Poverty-funded research also demonstrated that a lone parent would have to spend 80% of their social welfare payment to meet the recommended dietary guidelines set out by health experts.²

5. Food-Purchasing Patterns and Infrastructural Deficits

- 5.1. While planning issues are not central to this consultation process, it is appropriate to point out that infrastructural deficits impact disproportionately on poorer people who rely on often inadequate public transport. We write this submission to signal our belief that repealing the Groceries Order will have, at best, very little impact on the food-purchasing patterns and, by extension, the food-consumption habits, of disadvantaged people living in poorly resourced locations where the type of food outlet available determines the availability and cost of food.
- 5.2. It has been observed in several domestic studies of the groceries market in Ireland that the larger multiples 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 entry³. In such areas, the 'symbol' category and independent retailer category cater for both 'one stop' and 'convenience' shoppers alike. This is problematic and undesirable on distributional grounds for a number of reasons.
- 5.3. For households in areas that are considered undesirable to enter by larger multiples, transport to and from supermarket/multiples – often located in out-of-town sites with poor or no public transport – is often not feasible. They are forced by their circumstances to shop close to their homes, usually in the aforementioned 'symbol' category of retail outlets or the garage forecourt type of outlet where healthy food is more expensive and less available. The alternative, if there is one, is to shop at the local independent retailer (or corner shop), but this option will become less common if the Groceries Order is repealed, as it is

¹ Friel, S. and Conlon, C. (2004). *Food Poverty and Policy*. Combat Poverty Agency, Crosscare and Society of St Vincent de Paul: Dublin.

² Friel, S., Walsh, O. and McCarthy, D. (2004). *The Financial Cost of Healthy Eating in Ireland*. Combat Poverty Agency Research Working Paper 04/01: Dublin.

³ See, for instance, Walsh, P.P. and Whelan, C. (1999). 'A rationale for repealing the 1987 groceries order', *Economic and Social Review*, 30(1): 71-90.

generally agreed that such outlets will become less competitive and may face extinction in the long-run. The loss of competitiveness that would most likely arise among independent shop-owners following the repeal of the Groceries Order could have very detrimental effects as regards accessibility of food for households in poorer and/or rural areas which larger multiples may find less desirable to enter. Thus, the Groceries Order will not be welfare-improving to wider society if it leads to a reduction in the (already restricted) options currently available for households in low-income and low-density areas.

- 5.4. For this group the logistics of managing children both in and out of a buggy with a large amount of shopping is challenging. Sometimes these families get taxis to and from their nearest shopping centre for a big shop which adds considerable expense to an already limited budget.
- 5.5. Research (*ob cit.*) has found that although the 'symbols' and independent trader outlets do not stock an extensive range of fresh fruit, vegetables, low-fat products, fresh meat or fish and wholemeal alternatives, they do however stock all items from the top shelf of the food pyramid, namely saturated fats, sweet products, processed and convenience foods. 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, and fruit and vegetables. This has an obvious impact on the ability to access and afford a healthy, nutritious diet.
- 5.6. The same research found that the cheapest places to shop are foreign outlets and large multiples, but that low-income groups by and large do not regularly shop there. Although large multiples' low-cost own-brand lines are cheaper, sometimes by up to 15%, large quantities may be needed to avail of the lower prices – not always feasible for a family with no transport on a strict weekly budget. There are also issues of wastage, storage and transport problems due to the weight and bulk.

6. Macroeconomic Considerations

- 6.1. There are a variety of other considerations to consider. These include, *inter alia*, the fact that the Groceries Order protects consumers, to some extent, from 'predatory pricing' by larger multiples. As has been noted in previous submissions to the Consumer Strategy Group, foodstuffs not covered by the Groceries Order, such as fresh meat, fish and fruit, have risen quite dramatically in price, particularly over the past decade. The three agencies believe that an extension of the Groceries Order to cover these items is worth consideration.
- 6.2. A key negative effect of the repeal of the Order would be the increased travel costs that would arise from the likely closure of smaller, independent grocery outlets. The increased reliance on car usage will place additional pressures on the already-stretched national roads infrastructure, causing increased congestion, and will further exacerbate issues of access for those who do not own private transport. The current practice of large multiples locating at nodes close to the M50 motorway in Dublin is completely at odds with the original purpose of the ring-road motorway around the city, and merely adds to the extremely congested state of the road.
- 6.3. It is often stated that independent retailers and multiples operate in different markets and, because of this, the adverse effects on independent retailers should not be given too much credence. However, this argument fundamentally ignores the fact that the groceries market, like many, is an imperfect one with strong

equity concerns. Often smaller independent retailers are the only viable option for households living in low-density and/or low-income areas with poor public transport links that are not seen as economically desirable locations for entering the market. Such retailers need to be protected as they contribute to the social capital in deprived and/or rural areas. Economics literature has for decades shown that the more social capital there is, the more productive the economy will be.⁴

- 6.4. Finally, a reduction in competitiveness among Irish suppliers in the domestic market – which seems like a probable adverse macroeconomic impact of the repeal of the Order – will lead to reduced competitiveness on the export market. This may have implications for Ireland's visible trade and balance of payments position.

7. Conclusions and Recommendations

- 7.1. The Groceries Order was implemented in 1987 on the principle that loss-leading practises in multi-product retail pricing distort competition and exploit consumers in the short-run, while driving a more concentrated structure and reducing welfare in the long-run. Such practises are particularly deleterious for low-income consumers who have additional difficulties in terms of affordability and accessibility of quality foodstuffs.
- 7.2. Our three agencies remain of the view that due to the pattern of consumption in lower income and disadvantaged groups and the type of retail outlet available to them, that repealing the Groceries Order will have, at best, very little impact on their purchasing power or the range of products they can buy, and may well cause a negative impact by worsening the inequalities that already exist in the groceries market owing to issues of access and availability of low-cost nutritional foodstuffs in low-density and low-income areas.
- 7.3. Unless the critical infrastructural issue such as inadequate poor transport servicing disadvantaged areas – whether urban or rural – is addressed, households in poorer sections of the community and/or situated in more rural areas will continue to be denied access to healthy, affordable food. This key structural barrier alongside poor planning and amenities in disadvantaged areas must be tackled speedily to allow those most in need of healthy food to access it.
- 7.4. The Groceries Order should be maintained until research and analysis has been undertaken on how best to prevent below-cost selling without having adverse distributional consequences and worsening inequalities, thereby increasing the levels of food poverty among vulnerable households. Formal economic evaluation techniques, such as Cost-Benefit Analysis, should be considered, and the wider social costs of the Groceries Order need to be shadow-priced and included in such an evaluation to give an accurate representation of the trade-off that the repeal of the Groceries Order represents.
- 7.5. The Combat Poverty Agency, Crosscare and the Society of St Vincent de Paul share the views of the Joint Oireachtas Committee on Enterprise and Small Business, RGDATA, the Chamber of Commerce and the Irish Farmers Association that, *on balance*, the Groceries Order will not be welfare-improving for wider society in Ireland.

⁴ See, for instance, Putnam, R.D. (2000). *Bowling Alone: The Collapse and Revival of American Community*, Simon & Schuster: New York.

- 7.6. We are of the belief that some consideration should be given to widening the list of items currently not included in the Groceries Order, such as fresh meat, fish and fruit.
- 7.7. The current inequity in ability to purchase nutritious affordable food must be addressed and steps taken to ensure that social welfare rates are adequate enough to allow families to purchase low-cost healthy food.
- 7.8. Changes in policy must be evidence-based. The Combat Poverty Agency, Crosscare and the Society of St Vincent de Paul are not convinced that the proposed repeal of the Groceries Order is based on balanced, objective evidence that indicates a demonstrable welfare gain to wider society. It is argued, instead, that inequalities will be widened, with low-income consumers failing to reap most of the potential price reductions that such a policy may yield in the groceries market because of an inability to access outlets that can afford to pass on such benefits to consumers.

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