

# STATES OF JERSEY

## Economic Affairs Panel Retail Strategy Review

WEDNESDAY, 21st FEBRUARY 2007

**Panel:**

Deputy G.P. Southern of St. Helier (Chairman)

Connétable M.K. Jackson of St. Brelade

Deputy J.A. Martin of St. Helier

Deputy K.C. Lewis of St. Saviour

**Witnesses:**

Mr. A. Smith (Managing Director, Channel Islands Co-operative Society)

Mr. J Hopley

**Deputy G.P. Southern:**

Welcome to Allan Smith, Managing Director of the Channel Islands Co-operative Society and his second-in-command, Jim Hopley. Perhaps I could start with you with expanding a little. I think we have got some hints from Deputy Breckon about the *Experian Report*. Can I ask you to talk about that as you start?

**Mr. A. Smith:**

Good evening, everyone. Just before I start if I may, Chairman, just give our credentials of why we are here. I am Allan Smith. I am Chief Executive of the Channel Islands Co-operative Society. I have 44 years experience at all levels of retailing from shop assistant to chief executive and over 33 years of that experience has been in Jersey. I have nothing to declare as far as interests. I too am a shareholder in the Co-op but that is about it. My colleague is Jim Hopley, Chief Executive Designate with over 35 years experience in retail commencing with the co-operative movement after graduating with a degree in economics. He has been in the Island over 27 years. With regard to Channel Islands Co-operative, we are a wholly-owned Channel Island company or society with over 62,000 shareholder customers in Jersey and a further 34,000 in Guernsey. Our gross turnover for the year ending January 2007 was almost £130 million and we will return to our Channel Island shareholder customers, that is the people who shop with us, almost £6 million in dividends and double dividends for the year ending January 2007; and we employ 1,000 staff between the Islands, over 670 being in Jersey; and unlike our competitor we cannot be taken over. We are a co-operative and not subject to that kind of pressure. We are retailers in food, home furnishing, travel and leisure and sport. We are more than a trading business;

we try and be a responsible member of the local community and have been a fixture in Island life since 1919. We help over 400 local organisations every year with donations and we do care about the Island; and I do not believe many people would question that sincerity. We have traded here for 80 years through depression, occupation and raging inflation. So we have a little bit of knowledge about our business and we submit our evidence on that basis. Of course, a new entrant would affect us and we say that openly, but it would not be irreversible to us. We would survive. A lot of other Jersey businesses would not. We acknowledge the duty of government to examine a critical sector of the economy such as retailing. However, we would expect such a review to reach conclusions based on up-to-date, accurate and robust data and also be aware of the possible consequences in any decisions and actions that they may take. So, commenting on the *Experian Report*, if I could answer this in the accuracy of the data, the timing and where we consulted. I will endeavour to answer those 3 elements which are intertwined in my reply. Alan was perhaps quite reserved in the way he described it. We believe the report was appalling and failed to recognise the distinctive physical, economic and social nature in Jersey. The report was based on a capacity study and a study of the wider retail issues and Professor Leigh Sparks of Stirling University produced an excellent critique on the *Experian Report* which we recommend to you. We will endeavour to explain why the report was so appalling. They endeavoured to try and size the retail market as a first step and an understandable step. The figures they used were the Household Expenditure Survey which Alan has already alluded to in 1998/1999 and by doing a very complex equation trying to upgrade them. You really wonder why they went through all that when within a few months, I would remind everybody, that the final report was only made public in February 2006 and that the report by the Family Expenditure Survey was published in July 2006, some 4 months after and, in fact, Professor Sparks in his report - and I will just read a short part here: "Whilst client budgetary considerations [and I really have to wonder about that in the States of Jersey] can affect primary data collection it would be anticipated that in a study with such potential impact and significance appropriate, accurate and up-to-date data are used." And it was not. The data that was relevant in 1998-1999 was not made for this kind of analysis. The authors of the report did not even try and cross-check it with the census and if you did cross-check it then you would find there are many anomalies. There is an under-representation of the age group 20 to 39. There is under-representation of single households. There is over-represent -- and so it goes on. Now, if the author did not know he should have done it then the author's ability has to be questioned. The report has the potential to significantly change the face of Jersey and I think it begets whoever does this eventually to make sure it is accurate. The conclusions that they draw from this report could mean a new superstore coming to Jersey of whatever size is finally decided and that would have an irreversible effect on St. Heliers, the town centre, including the markets; Parish-centred shopping facilities, which are frequently made up of small independent businesses which would be the most vulnerable if a giant superstore came to Jersey; and existing food retailers such as ourselves and C.I. Traders. It does lead you to ask some questions. Why was it commissioned at that time? Government knew that the Family Household Expenditure Survey was being compiled. Why did Experian continue with the report when they knew it was flawed with the census figures? They then

continued with the report knowing it was only best guess and yet the implications of that report had a very significant effect on Jersey, not on Experian. They went back to the UK with a fat fee. We say why did they not compare? The figures they produced for the size of the market inclusive of tourism was £210 million. The actual figure, inclusive of tourism for the Jersey Household Expenditure Survey was £154 million, an error rate of £55 million or 28 per cent. That was the first part of why we think the report is discredited. They totally misjudged the size of the market. The second piece of information which they sought to assess quite correctly was the size of the retail floor space in Jersey and they used what was known as the Gord(?) plans, which is probably one of the reasons they were taken on because they could go to the States of Jersey, say: "We have this mechanism of measuring retail space", but it is only really for property developers and property people when they are looking at a building from the outside and they are seeking to find out the internal space. It is not precise. It is only approximate. Their error in just the 5 large stores was over 10,000 square feet. That was an underestimate. If you have a look at some figures Chamber produced they would say that the convenience market was further underestimated by a further 16 per cent. Now, for the process of our report - because we have not got the facts we will only relate to the 5 largest stores which show the square footage. So we now have totally inaccurate market size, a totally inaccurate floor space size. We all know if we live in Jersey that there was a major change in consumer habits when C.I. Traders took over Safeway and, fortunately for us, we benefited significantly. Now, what that has got to do with this is that they realised that that change had taken place and yet ignored it and when they started to compare densities of different stores, such as Alan said, Safeway, which did have a very high density - it did not when they had lost the business. In fact, it went from being one of the best to being very average but that did not suit the conclusions which Experian wanted and so they ignored it. I do not think that is responsible report writing or we do not. So now we have got inaccurate market size, inaccurate floor space and inaccurate assessment of the store's turnover. They then went further and tried to benchmark the density of sales achieved by local retailers and looked at the size or their estimation of size of our stores, particularly the large stores. Besides making a fundamental error on one of our stores by saying it was not recognised as a superstore when it is by any UK standard - that is over 25,000 square feet - they then compared the largest stores in the Island which are used as a destination shop. If you go to the large Checkers at the Grand Marché, if you go there for your major shop they then compared that with the top shop in the UK instead of with destination shops in the UK. The destination shops have a higher density than the smaller supermarkets. They did not want to listen. They were told this in the first report but totally ignored it, just as they ignored comments they received on market size and on floor space. But what is even more annoying is that had the correct comparisons been made, that is had they used the Jersey Household Expenditure, had they not been in such a hurry and if you take the correct square footage of the largest stores plus the convenience stores and work out what average that is, that works out at £604 per square foot. In the UK, by their figures, small supermarkets are £655 per square foot and the average UK grocery is £681. In Jersey it is £604, say £605 - it is just over £604, it is £604.69 - and in Jersey we have to contend with much higher costs which I will come to again. But what that illustrates

is that Jersey would be very, very susceptible if a big, major store came within the Island because the densities are not even the density in the UK now, which has lots of superstores, so the shake-out will be immense. It will start with the independents, the market traders and the farmer shops. That was another calculation they got wrong and the final one was really the market expansion. Even with the figures that they proposed it was not sufficient to prove a capacity for a 100,000 square foot store, which is what they wanted. They had to say that the market would expand by, they say, a fairly minimal 5 per cent, which is £10 million and that it would not be unreasonable for a 10 per cent growth. Now I am but a simple grocer but am I going to eat 10 per cent more food because we have one more store in the Island? I would ask the audience if they are likely to eat any more food just because you have got a Tesco in the Island? We would say no because we have got some commonsense and that we do not want to be obese. But the author did not seem to have commonsense. So those, Sir, are why we believe the *Experian Report* is frankly a waste of time and money.

**Mr. J. Hopley:**

Could I perhaps just add a couple of comments to that, Mr. Chairman, if I may? I mean I think one thing Allan missed - and I can understand it, it is a very comprehensive response he has just made is this question of consultation. We were totally gob smacked, as Alan was, that this report suddenly appeared. But nobody had been and talked to anybody, the people who knew if they had come to us. We have got nothing to hide. We are a public company as is obvious. We have got many, many thousands of members. We would have given them whatever information they required, but nobody talked to us. Nobody talked to the Chamber of Commerce. As far as I know, they did not talk to anybody and it really begs the question in the context of this report, particularly when one examines what happened between the first version, Leigh Sparks exposing it for a very, very suspect document and Experian reworking it. Even though they did downgrade and correct some of the worst aberrations, they still, on much weaker data, arrived at the final conclusion and it really does beg the question: was the whole process constructed to a result that was predetermined rather than it being an objective analysis of the retail market that might guide government in terms of future policy? I cannot answer that question. I cannot prove the comment one way or the other, but I do ask the question. Was there a preconceived, predetermined response that was required and was the whole thing constructed to achieve that aim?

**Deputy G.P. Southern:**

Certainly, if I may just go on to that point that you are making, obviously there was a tremendous critique and you have just summed it up of the original *Experian Report*. Presumably then they moved some way from their original conclusions in redrafting. Would you like to move on to the redraft because that, I understand, forms the basis of the current retail strategy and just talk to us about that, what has happened?

**Mr. A. Smith:**

Yes, certainly. Seeing Constable Jackson there, before I just move on, we can get data on floor size from any Parish Hall. Jersey people know that. Had they done any consultation they would have told them that so why did they guess? Right, moving on to the second document. Chamber, Retailer and Leigh Sparks' comments forced Experian to review their first report. They corrected some but not all of their first glaring inaccuracies but failed to address even part of the more serious philosophical arguments surrounding the approach, and certainly did not have the goodwill, having been totally exposed, to consider realistically changing the major thrust of the conclusions. The major thrust of the conclusions remained unchanged. The areas we have just covered, I mean to a schoolboy you would think they would have revised them or delayed them in consultation with EDC (Economic Development Committee). You would have thought they would have done that, but they did not. Experian's sizing of the retail market, they just left knowing the Jersey Household Expenditure Survey was due very shortly - 4 months after the final report was made public. It was made public on 24th February 2006. Why did they not wait another few months? Floor space inaccuracies: they had been told they could get it from the Constable. They still did not bother. One assumes they had spent the time that had been costed on the report and felt that might have taken a bit too much time. Inaccurate assessment of the large food stores' densities: they had been told; they had seen the result. It was dated 2nd December report. It was well proven then that there had been major changes. They did not care. It would have meant rewriting huge chunks of the report and perhaps coming to different conclusions. They did not do anything. Benchmarking local stores against the UK: they had been told, not just by us, but by Professor Sparks. Now, Professor Sparks, for those who do not know, he is in charge of the retail study group of Stirling University. He is acknowledged worldwide, not just UK-wide, but worldwide, as one of the best experts on retailing. He did a critique on behalf of the Chamber. We assume that Experian had the good grace to read it, then ignored what he said as well. The one that really did perhaps illustrate the contempt for Jersey was the sales density in the Jersey food shops. Because if they had followed that through and seen that Jersey had been at £605, they must have changed the conclusions and we can only assume, as my colleague has just said, that the report was written to get a certain conclusion, because if not why did they not wait for the market size and then do the homework. They would have found out that we in Jersey have less density than the UK. So I really think and I read it: "We believe that Jersey has the capacity comfortably to support at least another 100,000 square foot net of new convenience floor space." That is their words on the second report, a totally irresponsible conclusion. We will leave it to others to show how flawed and inaccurate by comparison all the other kinds of shopping are. We will concentrate predominantly on the food side. I think I have said everything else. We believe it was more a desktop exercise rather than a real in-depth survey using all interested parties, including consumers, retailers and other interested parties.

**Deputy G.P. Southern:**

Just to put that figure in context, 100,000 square foot of floor space compared with, say, Grand Marché

in St. Helier which is 25,000?

**Mr. A. Smith:**

28,000.

**Deputy G.P. Southern:**

28,000, so 3 times the size of floor space. My understanding was that was the Experian conclusion but that figure does not exist in the current retail strategy.

**Mr. A. Smith:**

No.

**Deputy G.P. Southern:**

It has moved on from there?

**Mr. A. Smith:**

We can comment on that, Sir.

**Deputy G.P. Southern:**

Just quickly if you would like to go there to what is in the current strategy.

**Mr. J. Hopley:**

I would point out as well that if you build a store of 100,000 square feet you are also going to have to put a car park - perhaps 450 to 600 car parking spaces there. You know, you would need a field slightly bigger than the one at the airport. It would probably be the size of the actual airport by the time you have finished.

**Deputy G.P. Southern:**

Do not even mention it.

**Mr. J. Hopley:**

No, okay. [Laughter]

**Deputy G.P. Southern:**

You never know what gets picked up.

**Mr. A. Smith:**

I think the EDC then had the unenviable task of trying to draw together comments from Experian. To

their credit, they did do lots of consultation with lots of interested parties. It was a much better document, produced after significant consultation. It was produced, unfortunately, to a timescale, presumably driven by the needs of government to make decisions. It was produced in June 2006. I remind you of the date of the Jersey Household Expenditure Survey was July 2006. We think that was most unfortunate. They believed they had to work with what was in the public domain. They did do a much more balanced report and they did draw on what was good in Experian - not much - but there was some good in there; what was good from Professor Leigh Sparks; and the anecdotal information that had been supplied by interested parties. Unfortunately, they were under a time constraint and we had offered an open book of our sales, our square footage, our operating cost, the transparency that Allan was talking about - we offered that to government and we have always done that but unfortunately they did not have time to take us up on that. We understand the prime driver was to support the Government's laudable drive towards economic growth and hence receive benefits of extra competition, lower prices, improved productivity and lower inflation. All laudable, but perhaps not directly attuned to retailing, but we can understand where they came from. It accepts our stance that local retailers are not against additional competition providing it arrives on a level playing field. It develops this further by at least in part recognising that there obviously would be consequences from such an arrival from outside the Island and therefore needs to be considered and found acceptable. This leads to the logical recommendation of an incremental approach to managing change, keeping a balance between realising the perceived benefits of competition while minimising some of the associated risks of short term disruption to the local market. They advocate identifying retailers interested in entering the market and allow them to come if they can demonstrate competition and choice. They suggest new entrants should be limited on floor space to a similar scale to those currently in the Island and they suggested it would be around 50,000 square feet. We have the largest at 28 but we understand that Checkers have 22,000 with permission to double that space, so we understand where they got that figure from. If I may, I would just like to expand on that figure of 50,000 square feet and I will extract comments from the Peedle King report.

**Deputy G.P. Southern:**

By the Peedle King report you are referring to the now existing Strategy Report?

**Mr. A. Smith:**

That is right, yes. It was written by Dougie Peedle and Mike King and based on the *Experian Report*. Within the report they propose 50,000 square feet of selling space and project possible sales - these are their figures, not ours - possible sales of £75 million a year. Now, I say that is the top side but I am using their figures. However, they then say that this would give them 35 per cent of the convenience market in Jersey and that was based on the totally inaccurate *Experian Report*. If you would just think back, the *Experian Report* with tourism was 210. 75 million of 210 is 35.71. Correct. However, the market is not 210. It is 154. 75 million of 154 is 48.69 per cent. On their figures this store has the

potential of doing 50 per cent of the market. Now, I honestly believe if Dougie Peedle and Mike King - they are both intelligent guys, we get on very well with them - had waited for the latest figures from the Jersey Household Expenditure Survey they would have perhaps revised the aforesaid base estimates because if they had 35 per cent in mind it would automatically take down the size that they would be looking at. So I did want to say that. I mean can you imagine a superstore of that magnitude using their figures doing half the floor space, doing half the business in Jersey, what that would do to the existing businesses? Just think what that would do to the market; what that would do to farm shops. I mean the market, instead of being envied by almost everybody that comes to Jersey as a bustling market, would become a collection of struggling independents.

**The Connétable of St. Brelade:**

Can I take you on to employment, Allan and labour? What would your impressions be of the effect on the labour market in Jersey of a new entrant and how would they staff it?

**Mr. A. Smith:**

This is one of the biggest red herrings that developers and new retailers give to governments and planners. They say: "We are coming to the Island and in Experian we are creating 507 new jobs." Now, if we say that 2-thirds of that will be in food, for example, it comes to about 330 to 340. New jobs in food? Now, anybody working within food will tell you, and you can take this independently from whoever you wish, that economies of staffing go up according to the size of store. So it is more economic to run our Grand Marché here than our smaller stores. You only need one manager, you only need one deputy manager and so forth. Therefore, the more large stores you have in the Island the more efficient you are going to be on labour and that means employing less labour. It would cut down the number of opportunities there are for employment in retail. Now this may be what Dougie Peedle wishes because he says: "Well, those can then go into employment on revenue earning businesses", but the transfer of retail people that are really people people going into finance is quite remote and I think it is difficult to go from the checkout to a finance desk, and that is not being derogatory to my very fine staff. It is just reality. They are a different people. That is why I cannot work in finance. That is why Jim does not work in finance. We are different. So it is a red herring and that is the situation. If you just allow the market to work it through it tends to work it through.

**The Connétable of St. Brelade:**

Do you think a new entrant would draw staff from existing retailers?

**Mr. J. Hopley:**

I think our considered opinion on that, Constable Jackson, is that initially they would attempt to recruit new staff. Where exactly they would find them in a full employment economy like ours God only knows. But what you would see over time is staff turnover in retailing is quite high so a lot of their new



staff would be shaken out and then they would start picking up staff from other retailers as they went into decline. Inevitably what you are going to get here is like a downward multiplier because as you take people out of the sector there is less income to be spent and the other employment negative of a new entrant, particularly from outside of the Island, is that most of its services, most of what it does, would be provided by people based somewhere else - in the UK or France or wherever it might be. They would not use local industry. They would not use local distribution. They would not use the local plumber or the local accountant or whatever. Everything would be imported so we rat it on down through the economy over a whole raft of trades and involvement and, in fact, the King Peedle laudable attempt to suggest that if you become more efficient in retail that transfer of staff into other more productive areas, revenue earning areas and hence assisting in the drive the Island has got for growth, becomes complete nonsense because the reality is you have the complete opposite effect if you are not very, very careful.

**The Connétable of St. Brelade:**

Your present staff; are they predominantly Jersey staff or do you use some recently qualified staff?

**Mr. A. Smith:**

Yes. If we use the figures that the States use, and that is anyone over 5 years is considered local when they are producing these figures, and we have a very high percentage, 87.5 per cent of our staff are considered local and 12.5 per cent non-local. That is because we go to great lengths to train our staff. We spend going on for £700,000 a year in training in the Channel Islands. Now that is a commitment from us because we have nowhere to go. We are going to stay here in the Channel Islands whoever comes and we are committed to the Islands. We want to train our own people, to give them careers so they can come through and stay with us, and that is why we have our staff turnover at around 18 per cent and average in retailing is nearer 50, that is because we try and look after them with decent wages and retraining. But if we have got less business obviously some of those will be shaken out.

**Deputy G.P. Southern:**

That comes down to the economic growth plan which is supposed to be growing high value, high skill jobs and what you are saying there is that - and particularly if you were to suck in extra people to staff the new endeavour - that is likely to be fairly low skill and low return.

**Mr. J. Hopley:**

Yes. With respect to what --

**Deputy G.P. Southern:**

So it contradicts the --

**Mr. J. Hopley:**

Contradicts the whole thing. With respect to the employees, they have not got the academic or necessarily the inclination to go into the finance sector. They are not trained for it.

**Deputy G.P. Southern:**

Certainly I have seen evidence that says that the finance sector recruits very little flow in that direction from retail. And retail is also -- I mean if you are talking about 80 plus per cent of yours are not locally qualified that is fairly unique among retail. I do not know what the figure is off the top of my head but I think it is around 50/50, is it not?

**Mr. A. Smith:**

I really do not know, Sir, because we do not get that -- we only know what we are and we work very hard to keep it that. We have always been told we are one of the highest, if not highest, and they tend to use us as a model to other people. But I really do not know what other people do. But we are talking here about economic growth and we all agree with that. The Island wants economic growth of this 2 per cent. You then go back to basics and say: "Why do we not use new land that we are creating for economic growth rather than retailing which goes round?" We just utilise the money that is already there. I mean, for example, we know that the States are considering a superstore on the waterfront. It is public knowledge. I would have thought it would have been far more beneficial to consider industries that could bring wealth to the Island than just have retailing in that valuable space. It is the same if it is not there. If it is in a green field somewhere that we convert to a commercial enterprise for a superstore why not use that conversion for an industry that will bring wealth to the Island? So, yes, we agree with where Dougie Peedle was coming from, we are not at loggerheads there. We will try and assist wherever possible, but the argument -- we are not sure the argument is watertight.

**Deputy G.P. Southern:**

If I can sum that up; you are saying you do not see where economic growth comes from in retail per se, it is the same money circulating unless it is --

**Mr. J. Hopley:**

Our argument is the framework for managing and developing the retail sector does not prove the case. It is theoretical and there are solid comments in there but they are not able to demonstrate on their own figures that they can prove the case.

**Mr. A. Smith:**

We do not add value. The manufacturer adds value. We do not add value, we just make the money go round. We employ people, we pay income tax. So that is the only retail we --

**Deputy K.C. Lewis:**

If I can clarify the labour situation; are you saying that there will not be any new jobs created because any new retailer would pull from the existing pool?

**Mr. A. Smith:**

Yes. I mean it is irrefutable. And I really mean irrefutable, you can check it by going to any other source, that the larger the stores get the less labour they require. On day one it does not mean that the numbers in retailing will be exactly the same, they would expand. But by the end of probably 2 years, when a lot of stores have closed and stores' turnovers have contracted, the number of people they need will have gone down and you then get this flow back into vacancies at the other stores. So the end game is that there is less people in retailing unless there is genuine expansion, and in food retailing, unless the population is allowed to rise, food retailing is not going to expand significantly. In fact, quite the opposite could be made in that there are considerable efforts to try and reduce the amount of food we eat, or at least change it.

**The Connétable of St. Brelade:**

Given that what you have said previously, if there were to be land available, the waterfront, St. Peter's, would you, as directors of the Co-op, consider expansion further?

**Mr. A. Smith:**

Just as a very technical point, I am not a director. There is a director in the room there. I am a paid manager. We are a local company and directors appoint us. It would depend. We do not see us going after lots and lots of new stores because we know that there is sufficient retailing in the Island. We know there is sufficient floor space. We know that one of our competitors has struggled with the latest store. I mean, Alan illustrated it. That is the truth. So you have to be extremely careful now with any new square footage that you go into if you are going to make it pay. We would be very suspect because of the effects. Any more large stores from a local retailer would be very difficult to make economic. There is a difference between a local retailer opening a new store and the damage of a new retailer to the Island. It is different.

**Deputy G.P. Southern:**

Can you talk to us a bit about siting of a new store, or potential new store, and the impact that might have? I mean, we phrased our advert: "Do you want to see a new supermarket in St. Peter?" It may not have been technically accurate but I understand Experian did say we could place it in town or west or east, perhaps west would be the best site.

**Mr. J. Hopley:**

If I could just make one comment? By placing that advert the way you did you caused me an awful lot

of grief. Alan was not in the office and I had millions of phone calls from hundreds of people challenging it and complaining about the traffic congestion and what have you.

**Deputy G.P. Southern:**

We got loads of letters as well. We did stimulate interest. But nonetheless siting is important. How do you see that in terms of impact on the Island?

**Mr. A. Smith:**

I wonder where the site at the airport came from because I do not think Connectside(?) would see the land available so whether that site was suggested to them by anybody, I do not know. I would not be so presumptuous. But it is not a site, if you knew the Island, where you would set up a large store because you would know of the terrible traffic congestion - you have got an expert there in Constable Jackson - the extreme traffic congestion that would arise if you had a large store at St. Brelade's. So simple answer, the airport is a non-starter if we are being sensible and do not want to completely clog up St. Brelade. It is a very difficult question because there are 3 stores in the public domain at present. There is one at Bath Street, one at the waterfront and another at Ann Street, all relatively close to the town centre. Wherever it might be, if we say the Bath Street one, what would the damage do then? It would be in the worst possible situation in Bath Street because it is very close to the town centre. What you would get is a massive effect on the town centre. Alan said; superstores do not just sell food anymore. They sell a whole range of products. They would do on their own figures, in the Bath Street one, they were claiming in their submission that that store - from their figures, not ours - on their figures would do £38 million and of that £34 million would be food. Now if you look at the turnover in fresh produce, in meat and fish and delicatessen, and work that out. It is quite easy to estimate the amount of damage that that will do, the amount it will take out. Conservatively we thought it would be about £12 million - that is conservatively. Say 50 per cent came from the other retailers but 50 per cent would come from market and farm shops and from small retailers, and if you take that kind of money out it is going to have some dramatic effect. So in lots of way, being close to the town centre is not a good location for the small independents. Being out of town at least protects them to some degree but they are going to get the business from somewhere. So there is no ideal situation, no ideal location in my view, in Jersey for the next superstore if we get one because wherever we get it, it is going to cause considerable damage. As I have said by the figures produced by Peedle King, if their figures came true and it did half the Island's food turnover and you mention anywhere in Jersey being able to cope with it, being able to cope with the transport that would go there, it would be a nightmare.

**The Connétable of St. Brelade:**

Would you consider there is any marriage effect of a retailer in the town centre? Clearly we have the effects indicated in UK and France where large retailers appear on the outskirts of towns, decimating the town centres.

**Mr. A. Smith:**

There is lots of information. In fact we have got some here from Friends of the Earth that state just that. They will quote towns where they have been decimated. It will also state - and Tesco is always the one that tends to be the favourite whipping boy because it is quite ruthless - but we know of 2 cases, one which is in the Friends of the Earth report of going into Yorkshire and a small family business there called Proudfoot, had a chain of small stores in North Yorkshire, and for a period of time Tesco adjusted a 40 per cent discount. I mean he could not reduce his price by 40 per cent. We do not make anywhere near that in gross margin, nowhere near it. But Tesco just funded it, they just did not charge it to the store, they did it centrally. To them it was nothing. We can relate to another one in Wales, a town called Ruthin. Now you would think that you are pretty safe if you are selling saddlery and items for horses. You would think you are not going to get a lot of national competition and yet Tesco decided they wanted the customers that went to that business, which is a long-established business, to come into their store. So it was the only Tesco store in Britain that sold saddles and similar items, and they put him out of business. It did not mean anything to them because they would just give that store a credit for it. Now these are real things. You can easily get from independent sources where they have restricted choice by the elimination of lots of different kinds of stores because they do sell so many different products now, whether it is electrical, whether it is flowers, whether it is food, whole range, where they have restricted choice by the dominance that they have within their one store.

**Deputy G.P. Southern:**

I am tempted to say my experience from another review has suggested that of course that would not happen here. Any hint of predatory pricing would be ruthlessly jumped on by the robust nature of the powers of the JCRA. Again, I ask the question of Alan Breckon, I mean what confidence do you have in the JCRA to operate in this market effectively and what do you see is its possible role?

**Mr. A. Smith:**

I think we expect too much of the Jersey Competition Regulatory Authority. In some ways we are making an excuse for decisions that are taken without due consideration. Because we said: "Well, if we open this store and this was the situation it is then down to Jersey Competition Authority. Hey, it is not me that made the decision in the first place, we will blame somebody else for not controlling them." No, it is not their job to control a single store. That single store, whoever it is, will trade as they trade in the UK, as could have been checked by anybody, they will trade, they will do business, they will put companies out of business, unless they wanted to take over another business then there is nothing they could do. If they wanted to take over another business then perhaps they could. I do not think predatory pricing is controllable anyway. I am not sure if it is even controllable, I may be wrong, but I am not sure it is. So if they decided to sell bread at 30 pence just to put the Vienna Bakery out there is nothing you could do; that business with a lifetime in Jersey. Where the Jersey institution, we sell his bread as well,

will just go out of business. They could not care a less. Their shareholders are in the UK. They are normally large shareholders: "Oh, yes, we have got in Jersey now. We have put somebody out of business. What a shame. Next item on the agenda please."

**Mr. J. Hopley:**

I mean we use the example there a bit like Pandora's Box, once you open the box and a genie comes out you cannot expect the JCRA to cram it back in again. They have not got the power or the resources, or even a real opportunity to do it. Once the damage is done it is irreversible to a degree.

**Deputy K.C. Lewis:**

If I can go back to sites; if I may quote from your submitted evidence. You say: "A UK multiple operating a superstore of 50,000 square feet sales area is likely to generate 30,000 vehicles to the site per week." Is there anywhere in Jersey, in your opinion, that can take 30,000 vehicles per week?

**Mr. A. Smith:**

It would be with difficulty. I mean our store was about 18,000 at Grand Marché. Almost ideal in location because it is just off the ring road and therefore coped quite well but if you double that, you are talking doubling that, and it would be very difficult. Especially if we get the turnover figures that I have suggested by others - not by us but by others. Others that are suggesting the policy are suggesting these figures. That 30,000 would go out the window. If you are doing half the business in Jersey it is probably nearer 50,000 vehicles per week because the people go more than once a week. It is not just you are allowed one trip. So, I mean, ours was being conservative. I mean our figures have been superseded by the report writer's own estimate. So it would be difficult.

**Mr. J. Hopley:**

We do nothing like 50 per cent of the Island's food business at the moment and we have 70,000 store visits per week. Not 70,000 individual people because certain people might go 2 or 3 times, but 70,000 store visits per week and we do far less than 50 per cent of the Island's food business. Put that in its context and I think it epitomises what the problem would be. It would not only be the cars that are going there, it would be the HDV (heavy duty vehicle) vehicles that do the deliveries and everything else that goes with it.

**Deputy G.P. Southern:**

We started with the Consumer Council and started talking about prices. We will come back to the fundamental question of would a new supermarket operator in Jersey -- would that competition bring down prices? What are the relative costs of doing business in retail in Jersey?

**Mr. A. Smith:**

Well, I do think it is important that we examine this, so if you just bear with me a few minutes. It is tempting to compare local prices with those in the UK. Now UK prices are a result of an entire economic and social set of circumstances that do not prevail here in Jersey. I mean 3 of the major differences which have been discussed, some of them tonight, are labour costs. We can prove - and we do that by getting the 2 sets of wages - that our costs are 40 per cent higher than co-ops in the UK. Other retail stores have similar experiences, perhaps not quite as dramatic but very similar, and those are listed in Professor Sparks' report of November 2004. Personnel costs: the biggest single cost that you have by a long way - it is about 35 per cent of your cost base. Building costs: we have expanded considerably in recent years and one of the items that we have had to contend with is the huge building costs on this Island again. Again, I am not blaming the industry per se because they have to import most of the product and it is heavy and lots of freight in there, but every report that has been done by the States it has been between 40 and 50 per cent more expensive to build here than it has in the UK, which means you have got to invest 40 to 50 per cent more money in your buildings. You have to hold stocks far higher in the Island than you do in the UK because you can do just in time deliveries. We do not believe that that is sensible in Jersey so we have a major warehouse, one of the biggest warehouses in Jersey at Bellozanne, and we have about £4 million worth of stock in there and we serve the Island, our stores, from there. We would not have to do that in the UK, we could get it from a central distribution warehouse. But the biggest cost - well, not the biggest - one of the major costs is freight. All Island stores have to pay freight on delivery such as fresh foods to the Island; that is meat, green grocery, those kinds of items and some other products. The amount of freight charged on an item there is enormously dependent on the bulk and value of the product. It costs us a great deal to transport fruit and vegetables because it is very high bulk and relatively low cost. It does not cost a lot to transport an expensive piece of clothing which is relatively light, so whenever you are talking about freight cost you have to look particularly at the item concerned. With regard to processed foods like Heinz beans, soap powders, lots of other items, they are freight paid to the Island. That is somewhat different to what we find from France where when we get it from France the charges are ex-factory gate, and we get a lot of extra charges from anything we import from the Continent. The UK multiple, so for example we have a big warehouse in Bellozanne, we take containers from all the major UK manufacturers that service food and they deliver that free and we compare with the UK. We are going to have to take our extra personnel cost into account and land cost, of course, but the actual freight is negligible on those. In the UK they go to a central distribution warehouse so you get Mr. Heinz delivering to a huge distribution warehouse - half a million square feet - they will deliver by the container at the lowest cost or they can get the best buying price. They then distribute from that central distribution warehouse to all the stores. Now that works very well, it is very efficient except when you are going over to an island because then you have got the extra cost; you have got the cost of port of exit and then the most expensive piece of sea in the world I would believe, and then from the port to where the store is. Certainly Safeway and Morrisons, they try to do that on a daily basis so there were very few economies of scale as we can do with having a warehouse. Now we know through experience that the additional cost of freight is about 5 per cent of

sales. Jim is an expert on this and he has many years experience. Tesco make about 6.5 per cent profit. Freight will cost them about 5 per cent when they are distributed from the central distribution warehouse. It only makes just over one per cent. They have got 40 per cent extra costs from labour and they have got additional building costs, building costs reflect into rental costs. I think it would be naïve in the extreme to think that they are going to charge UK prices, and I repeat that. I think it is naïve in the extreme to think they are going to charge UK prices. It has never happened before. We have had Safeway here before and Safeway charged highlands and islands the most expensive price band they had to the Islands. We had Morrisons, Morrisons are a sharp operator, a good Yorkshire-owned company. I come from Lancashire so you can say if I say they are a good company they must be. But they are a well run company, Morrisons. Very sharp prices. They were not over here. We did our own price surveys and they were very similar in price. What they used to do, where it was a price mark pike they would sell it at the same price but when it was not price marked they took huge ranges of the prices up. Now that was not our opinion, we interviewed the manager. He told us. They traded above the market in certain products to try and recover some of the costs, and this is Morrisons who are very competitive normally. They did not cut dramatically the price of milk or bread, which is often the case for UK multiples, they will cut the basics. They never did and neither did Safeway. Big promotions, we did promotions of them. We have covered the 2 items that come up constantly, milk and bread, and I think we have done that tonight so I will not say anything more. It just annoys you, every time we have a price survey the media bring up: "Why is milk more expensive? Why is bread?" If you have got a brain in your head you know why. You can only assume that the media just like a headline and do not follow it through logically. There is no guarantee that any UK operator would trade any differently to the previous UK multiples. There is absolutely no guarantee. I do not believe it is possible to write into a licence that you will charge UK prices. They might try to say: "Well, you have got to remove some element of your VAT" but to say that your prices must be the same as the UK they are going to say: "Where in the UK?" I mean they flex prices according to geographical location and where they have got concentration of competition. So they flex the prices as a normal part of the business. If we charged high prices, as has been alleged in the press, and we had Rip Off Jersey, then it would follow that we would have high profits and that C.I. Traders would have high profits. If you look in the independent report from Professor Sparks you will see that we both make slightly less than Tesco. Who is ripping who off? We make about 6 per cent profit and 4 per cent of that - nearly 4 per cent - we give back in dividends so we exist on 2 per cent. That is why we have to be very careful. I mean 2 per cent has to pay for all our new stores, all the refurbishment, all our improvements to infrastructure, so we do not have a lot of room to waste money. It amused me with Alan saying it would be a wake-up call. I would like Alan to work for me. I do not think many of my managers think they need a wake-up. We do distribute back to the Island £6 million a year, that is the 4 per cent.

**Deputy G.P. Southern:**

It would be interesting; I think we might be coming back to you to examine in some detail the



breakdown of the costs of the additional consumer doing business in Jersey. I think that would be a useful area to explore. Take us on to slightly wider issues perhaps; you talked about the destination shop and you talked about convenience stores and small traders themselves, small businesses. How do you see the balance of Jersey? It is unique, it is an Island environment, how do you see the retail trade in Jersey? How is that balance doing? What do you see as occurring naturally?

**Mr. J. Hopley:**

I mean I think that can be summed up by the sort of comment, you know, what sort of shop and environment, at the end of the day, do you really want? You know, that is not a question that can be necessarily answered by statistics. Part of the attractiveness of Jersey at the moment in time is the diversity and the variety. You know, we have got in the High Street an awful lot more successful independent businesses as you can find anywhere in the UK. You go to the average UK High Street you can predict instantly what sort of shops would be there, what brands will be there, you have really got to search to find anything that is even in the slightest extent marginally different. Jersey has got that variety and has got that diversity. We have got some very attractive power centres with a different type of shopping environment that you would normally find there in the UK. You know, you go outside the major cities in the UK you have got to really look to find an occasional store that is still succeeding that is independently owned. We are developing a thriving farm shop regime in the Island and I think the critical nature of that is that, I think Alan in other submissions to you, has made the point that most of these farm shops are postering struggling agricultural businesses. If you remove the farm shops from the farmer then there is every likelihood that not only does his farm shop disappear but his farm disappears because his business will no longer be viable. We can co-exist quite happily with the farm shops. They have got their place, they have got their niche and they have got their customer base, and long may it stay that way. When you sum all this up, I mean, the big risk that is inherent, and there are people sitting in this room that would totally concur with me, one of the major problems we face with a national multiple arriving in changing the diversity and the variety of the business in the Island is they will not deal with the traditional supply base, the producers in the Island, the farmers, David Dodges of this world. That does not fit their ethos. They are very centralised, one platform fits all. Local production group disappear, I am sure they would attempt very, very quickly to drive coach and horses through Kevin's dairy or through C.I. Traders plant bakery at Rue du Pres. They would not buy local produce in any significant extent. I mean if anybody saw the programme on Tesco on Tuesday evening I think when the tame shoppers were sent into Tesco to try and find the local products and Tesco avowed they sold stacks and stacks of local products, the lady concerned really struggled to find anything produced within 50 miles of Stratford-on-Avon. In fact I do not think she found more than one product. That is not our stance. You know, we are extremely supportive of local production. We can give you rafts and rafts of information on how many local suppliers we deal with, how many local businesses we support, how many local distributors and importers we support. This is all part of a story and it all adds to the diversity and the variety of Jersey life. One of the big problems involved in some

of what has been promulgated is you totally destroy that. Now that could affect tourism, it could affect a whole variety of situations. It could have dramatic effect on the environment. Really we feel it is that sort of issue, that none of this work that has been done to date is really seriously addressed. They have looked at theoretical figures. They have got all these sizing and costings but they have not tried to work out what the net result of their intended actions might be. Nobody can tell you precisely what they could be, you can give impressions. Somebody ought to start considering that because the damage once done is irreparable.

**Mr. A. Smith:**

Can I just very quickly; just supplemental on what Jim's just said. Now what Jim did not tell you is that he goes out to meet the farmers with a colleague, goes to the farm, talks to them, agrees ahead about what we are going to buy from them, and the list of things we get are local wine, honey, preserves, fruit, vegetables, pigs, ice cream, bread and cakes, herbs, milk and yoghurt, flowers, sandwiches, salads, fish, greeting cards, calendars, books and there is a list twice as long as that with people we get services off, the plumber, the electrician. We use 250 different local people for suppliers, and the 3 questions we would ask - and this is not aimed at a competitor but it would be useful because you can do it tomorrow - is how many local products do Marks & Spencer, the UK franchise, stock? You can go and look at that. I think in Tesco, ASDA or Morrisons or Safeways, it would be similar to Marks & Spencer. I mean how many services would they buy locally? These are things we can check and we can go and check to see if what we are telling you is correct.

**Deputy K.C. Lewis:**

Sorry, I forgot to declare the fact that I do have a Co-op share number. I think half my constituency works down in the Georgetown Co-op but we will not go there. Just for a point of clarification, if I may quote your executive summary in your submitted evidence. You say: "The *Experian Report* was so flawed and inaccurate it would be total folly for the States of Jersey to base its retail strategy upon its findings and conclusions." I take it you would stand by that?

**Mr. A. Smith:**

Yes, very much so. What we would prefer to see -- the Government had a duty to make sure retailing within Jersey is efficient and well run. We would open our books to a confidential look at them by a working party. We believe that that working party should include all elements of interest, not just a secret report. We do not think anything is done well in secret. It should include consumers, the infrastructure, and that is delivery companies, distribution companies, farmers. It should include Chamber of Commerce, it should include Consumer Council. It should be everybody. It need not be that big. You think: "Oh, it is going to be enormous, it would be unwieldy." It would all bring something to the table. Now if you did it that way, in being open, and you have got confidence of people then you would get accurate information. It is there. It is not easy to get the size of the market

but you could get the size of the market. You can definitely get the size of the shops. Discuss with Constables and ask them. These are relatively simple things. You have got the Jersey Household Expenditure Survey. It was a fine bit of statistical work; use it. So we believe that *Experian* is so flawed that it should not be used. Government can ignore us and just plough on, make their own decisions, their own conclusions, destroy people's lives, destroy people's careers, destroy people's businesses and then decided to leave politics. Or they would say: "Oh, well, it is not me. It is the Jersey Competition Authority that is not doing the job." All we are saying is; every right to look at it but please base your conclusions on accurate information and then you are more likely to get accurate conclusions of what might happen.

**Deputy G.P. Southern:**

I am aware of time ticking by and I did say that on both sessions I would open the questions to the floor.

**Mr. J. Hopley:**

Can we just touch on one element that perhaps we have missed because it is quite critical, and it will be short? I mean, you asked Alan the question of whether he felt there had been a decrease in competition since the Island food industry came down from 3 to 2 operators. If you would permit me; we produce some very, very simple figures on that. These are not our figures, these are figures from the Stats Unit and they are based on the RPI. The Morrisons sale to C.I. Traders of their store at Safeway took place on 1st May 2005. So the nearest RPI data that you can find to that is the figures that we read on 15th March 2005. So if you use that as your starting point, then you take it forward from that the figures produced in December 2006, the latest figures we have, there will be a new set of data out in a couple of months' time to March but at the moment in time all we have got is from March 2005 to December 2006, 21 months. The interesting factor is that food inflation in that period of time in Jersey amounted to a ginormous 3.75 per cent over a 21 month period. Historically, as I think Alan bore reference to that, there had been significant concern to that. The Consumer Council was, in part, set up and asked to investigate many of these aberrations that were appearing in food inflation in particular between the Islands and other jurisdictions previously. But in that period of time: Jersey food inflation 3.75 per cent. The UK food inflation the same period: 3.7 per cent. So close there was no difference. Now this is in a scenario where the industry has gone from 3 competitors down to 2 competitors and what has happened, we have got very, very comfortable, we have put our prices up, we have exploited the situation - like hell we have. There is one very good reason for that - we are going to take the credit - we declared the day that Morrisons sold out to C.I. Traders, and all philosophy in dealing with that, Allan went public many times and told the public that, was that we were going to become as competitive as we could possibly do. Stay competitive all the way through it and keep C.I. Traders honest. I think the inflation factors that have come through since are a credit to how successful we have been at that. Now we did it in a variety of ways. We certainly cut pricing in some key areas where we could squeeze down a very, very tight margin, as Allan's already indicated. I will show you the scars on the back,

Alan, from getting comfortable in doing that. We also significantly ratted it up our promotional programme. I will just quote you a couple of figures. We run 2 types of promotions: price promotions where we take the price of Heinz beans, we cut it from 50p to 40p. Then we run -- a lady in the audience was referring to earlier on is multi-buys, where you buy 2 and get the second one at half price or you buy one and get one free. I will give you just a couple of figures. Price promotions, and these impact on the RPI, because when you do the RPI read as Alan does with his price surveys, you take the shelf edge price, whatever that is, that is what you read. In 2004, the year before the takeover took place, our price promotions amounted to a value of about £1.1 million in Jersey. In 2006 it had gone up to just a shade under £2 million. That is an increase of 79 per cent. You might say: "Yes, but your business went up." Yes, it did but not by an incredible 23 per cent. But in price promotions we gave away an additional 80 per cent, so the net increase was very, very significant. When it came to multi-buys, which do not even register on RPI - are not included in Alan's price surveys because they are not the price, they are the offer - we increased our multi-buy activity in 2004, just a shade over £3.5 million, to 2006 and it was just a shade under £6.5 million. £6.5 million on multi-buys, again an 80 per cent increase. £1.97 million on price promotions. So as well as everything else we are giving the customers a dividend, we are giving them a vast raft of multi-buy activity, we have sharpened our prices, we have increased our promotional packages and the outcome of it is that we have sustained food cost of living in the Islands roughly in line with the UK for the last 2 years. I must admit prior to that there was all sorts of drift. We could spend the rest of the day debating what was causing that, but I would point out that that drift occurred when we had Safeway operating in the Island and one of the big 5 UK national multiples. Who was ripping who off? When were we ripping it off? It just does not hold water. So it is a critical area, and I think, you know, we are quite happy again to pass this information over in detail to anybody who wants it at any time.

**Deputy G.P. Southern:**

Could I take a few minutes to open to questions from the floor? And, again, if people do not mind I will repeat their question only for the sake of getting it on the record approximately or as accurately as I can rather. Anybody want to ...? Peter Tabb?

**Mr. P. Tabb:**

Alan included in his address to you, Mr. Chairman, by saying that he still favoured the advent of a third supermarket because it would be a wake-up call. A question on that: he expanded on that by saying that it would attack complacency in the marketplace, can I ask Allan and Jim whether or not they are complacent?

**Deputy G.P. Southern:**

Are you complacent?

**Mr. A. Smith:**

You know me better than that, Peter.

**Mr. P. Tabb:**

I do and I hope everybody knows that.

**Mr. J. Hopley:**

I think the work we have put into this and the detail we have produced on that shows you how complacent we are.

**Mr. A. Smith:**

It is not for me to answer perhaps but I am not known for being soft and cuddly.

**Deputy G.P. Southern:**

Any other points anybody would like to raise? Okay.

**Mr. M. Rogers:**

Michael Rogers. Alan, it is your view that the *Experian Report* was written to achieve an end rather than to -- in other words it was written to fit. Would you agree that that end is to achieve growth to 2 per cent in the Island and therefore the agenda of the Economic Development Committee is to achieve growth? Therefore they wrote that agreement to do that. Would you also agree that maybe there should be other industries that they should be looking at which are not representative of the Island to achieve that growth rather than to cut up the retail industry?

**Deputy G.P. Southern:**

So, double question: was the *Experian Report* written to promote economic growth and where should that economic growth be?

**Mr. A. Smith:**

First of all, I am going to fundamentally disagree that the predetermined conclusion would achieve 2 per cent growth. I think what they wanted from the *Experian Report* was facts to support an additional superstore. That is what I think the conclusion was, not to achieve a 2 per cent growth. Should other areas be subject to it? I do not see anything wrong with government looking at individual areas but do it thoroughly with the people that are involved. This is Jersey, it is not some mindless metropolitan area where people do not talk to each other. Involve the trade associations, the infrastructure people and the people that are in that industry and look at it and see if it can be more effective. If government can cut some red tape. How can they help those industries to be more productive? I think that would be a good thing because we all want to see Jersey growing. It is not nothing something alien. We live here, we are

not going to go anywhere, and the majority of people in Jersey are not going to go anywhere. They live in Jersey because they want to live in Jersey.

**Deputy G.P. Southern:**

If I can step on to public time, briefly it occurred to me you did say that you would take on any comers who moved in to take over a rival providing there was a level playing field. What did you mean by that?

**Mr. A. Smith:**

Certainly in the early months there was an indication that if there was a new store it would not be open to existing retailers to even try to bid for that new area of land or if someone built the store. New stores would not be able to bid. We understand though that that is not the case. We understand that it could be challenged legally and they feel it could not be sustained. However, even in the later reports there is an indication that they would prefer a UK multiple to take the new site and new store. It does not seem to be outside the thinking because they have talked with -- and we do know they are talking to UK multiples. So all we want is a level playing field. To put it bluntly, if we are in competition with Tesco for a piece of land who is going to win? I am owned and controlled within the Island of Jersey. I have £65 million worth of net assets. Tesco is a worldwide organisation with billions of pounds worth of assets. Who is going to win a Dutch auction? It does not need to be favoured to them.

**Deputy G.P. Southern:**

The only difference is we do not quite know how much of theirs is banked here. **[Laughter]** Roy, did you want to come in?

**Deputy R.G. Le Hérissier of St. Saviour:**

Thank you, Allan, that was very interesting. I wonder, moving away from the Co-op, one of the things you notice on the English High Street are the presence of shops like Primark which are incredibly, as you well know, low cost clothing shops and they seem to deal with obviously a different part of some of the economy or social makeup and they co-exist with the likes of Marks & Spencer and so forth. When Channel Island Traders took over Safeways, as you well know the Chairman rued the day when he made a remark and said that Islanders were not sort of necessarily up to, sort of, shall we say, basic northern taste. Do you think that the shop -- we have said for argument that the pie remains essentially the same size, it could be segmented differently and if people have, for example, say the clothing sector, the equivalent of Primark here, it might not -- you know, there might not be the constant complaints we get that this market is still, should we say, too middle class oriented in the way it operates.

**Deputy G.P. Southern:**

So, for the record, could the market take the arrival of a Primark or its equivalent?

**Mr. A. Smith:**

I think the first question you have to ask is why are they not here now? There is nothing to stop Primark or Matalan or another low cost outlet, Peacocks for example, all operate in the budget end of the market - do a good job. I am certainly not going to criticise them. But the reason they are not here is, despite that people do not like to hear, and that it is expensive to trade in Jersey. The rentals are high, not always but frequently these operators are in low cost premises because they operate on narrow margins. They keep very low levels of stock, they react to consumer trends very quickly, they get the product made in the Middle East somewhere and they get it in within 6 or 8 weeks of it appearing on the catwalk. And they do a very good job. But they are essentially a low cost operator that need a low cost environment, and that is low cost rentals, low cost labour - dare I mention - and that does not exist. Why is it we have not got an Aldi in Jersey. Why is it we have not got a Nettle(?) in Jersey? Why is it these companies did not try to buy Benest when they were free? Simply because the Island is an expensive place to do business. So I do not have a problem with these places but Jersey has not got the socio-economic breakdown that is particularly attractive to those kind of people and then it is relatively expensive for them to operate.

**Deputy G.P. Southern:**

At which point I would like to bring the evening to a close, with thanks to you in particular for giving evidence to us tonight, and to remind those who are still interested and want to come back for more, tomorrow contains the JCRA at 4.30 p.m., Bill Brown. Mike King and Dougie Peedle - Peedle King as you refer to them - Chief Executive Officer, Economic Development and the Economic Adviser at 6.00 p.m. and then it is topped - yes, it must be - topped by Kevin Keen, President of the Chamber of Commerce at 7.30 p.m. Thank you very much again.