



Economic Affairs Scrutiny Panel

Retail Policy Review

Witness: Mr. T. O'Neill, Chief Executive Officer, Sandpiper CI

Monday, 12th November 2018

Panel:

Deputy K.F. Morel of St. Lawrence (Chairman)

Deputy D. Johnson of St. Mary (Vice-Chairman)

Deputy S.M. Wickenden of St. Helier

Senator K.L. Moore

Witnesses:

Chief Executive Officer, Sandpiper CI

[11:02]

Deputy K.F. Morel of St. Lawrence (Chairman):

Thank you so much for coming along. We are undertaking a review into the retail sector. Before we start, just literally for the record, we will say our names and introduce ourselves.

Deputy S.M. Wickenden of St. Helier:

So Deputy Scott Wickenden. I am the Deputy St. Helier District No.1 and I am a member of the Economic Affairs Scrutiny Panel.

Deputy K.F. Morel:

Deputy Kirsten Morel. I am the Chair of the Economic Affairs Scrutiny Panel.

Deputy D. Johnson of St. Mary:

David Johnson, Deputy of St. Mary, Vice-Chairman of the panel.

Senator K.L. Moore:

Senator Kristina Moore. I am a member of the panel.

Chief Executive Officer, Sandpiper CI:

Thank you. Tony O'Neill, chief executive, Sandpiper CI.

Deputy K.F. Morel:

Brilliant. Thank you so much. We are trying to explore the whole subject and trying to understand the retail environment and one of the reasons we wanted to speak to you was because obviously Sandpiper are a large retailer in the Island but also because of the food retail side of the work that you are doing it is very easy to get focused I think on the High Street and we certainly will be speaking about the High Street brands that you operate as well but there is the food element which is of particular interest as well. So thank you very much for coming to talk to us.

Chief Executive Officer, Sandpiper CI:

Not at all.

Deputy K.F. Morel:

I just thought we would get started by asking you for an overview of the business and the markets you operate in: what is your business and what do the markets like that you operate in?

Chief Executive Officer, Sandpiper CI:

Okay. As I think as most people know we are the largest retailer in the Channel Islands. We operate over 80 sites I think through various brands. We have 15 franchise partners from all different sectors. We operate our own food stores. We operate our own whiteware in our stores and we turnover in excess of £200 million a year. We also have operations in Spain and Gibraltar which are not relevant to today but we operate our franchise with our franchise partners ... or selected franchise partners. We operate down in Iberia. That in a nutshell is who Sandpiper CI is. We are locally owned. We are owned by local investors. We were originally owned by a venture capitalist in the U.K. (United Kingdom) and in 2016 management, together with local backers, bought the business.

Deputy K.F. Morel:

Thank you. In terms of the food and the grocery side what kind of market share do you lead in because I know the Jersey statistics but how much of the food market do you have?

Chief Executive Officer, Sandpiper CI:

It is very difficult in Jersey, as you know, to try and ascertain market shares. There is a distinct absence of market shares but we have a reasonably large market share. I am not going to quote a figure to you because I am not exactly sure of what it is. I could hazard a guess but I would rather not do so publicly. Suffice to say we operate the Marks & Spencer. We operate Iceland and we operate Morrisons grocery stores as well as our own. I guess in total terms we are close to being the biggest food retailer but as the single largest brand I would suggest that the Co-op is probably the single largest brand in the Channel Islands.

Deputy K.F. Morel:

Who would you see as your main competitors? I know there is Co-op you mentioned and ...

Chief Executive Officer, Sandpiper CI:

Co-op. I mean M. & S. (Marks & Spencer) obviously. As in the U.K. the comparator is Waitrose and 11:05:47 (inaudible) M. & S. or Waitrose and the middle market of Iceland. Iceland is probably the value operator in the Channel Islands and the middle market we are working with Morrisons and we see Co-op as our main competitor.

Deputy K.F. Morel:

I was going to ask you to describe the food retail and grocery market as such and I was just interested in knowing whether the introduction of Tesco alliance has played much ... have you seen much effect so to be whether ...

Chief Executive Officer, Sandpiper CI:

Not really. Inevitably whenever you have a new entrant come into the marketplace there is always a challenge and of course every new entrant that comes in comes with wonderful promises about the price of food and the *J.E.P. (Jersey Evening Post)* is full of the fact that the price of food is going to come down and then the realisation dawns, whether it be when Waitrose come in or whether Tesco come in or when even Morrisons comes in, that the reality is that prices of food in the Channel Islands are more expensive. I wrote recently in the *J.E.P.* to try and explain just why the price of food is so much more expensive in the Channel islands and Jersey but of course we all live in an age where we buy British media and we see the price of food and we see it on our T.V. (television) and then we go down to our local shop and it is different. So understandably people agitate but as one example when we are spending £8 million a year just to bring stuff across from Portsmouth to St. Helier in St. Peter Port that £8 million a year has to be paid for. So the challenge is always to meet the aspiration on price with the realistic situation as far as on-costs of trading here are. I cannot, in all honesty, say that Tesco has materially made any difference to our business but of course they are new entrants and the cake is only so big so it has to be good for consumers because more competition is good for consumers.

Deputy K.F. Morel:

That is just what I was going to ask. How do you describe the current state of the food retail and grocery market? Is it healthy?

Chief Executive Officer, Sandpiper CI:

I think it is probably healthier now. We bought the old CI Traders back in 2007, for those who will remember. I think it is probably fair to say that that had something of a stranglehold on lots of different sectors and obviously what we did was to set about selling off what we called non-core areas; pubs, hotels, manufacturing plants, wholesale food, and concentrate on retail. In those days of course primarily you had the Co-op and CI Traders. Well, now you have got several more entrants. You have got Waitrose and we, of course, facilitated the entrance of Waitrose by selling our supermarkets to them and as you mentioned you have got Tesco. So I think the environment is pretty challenging and to be honest the arbiter of that I always think is you just need to look in the *J.E.P.* and look at the amount of newspaper space that is being bought to promote all of our offers because we are all busy scrambling for the same customers. The vibrancy of that competition is really driven by the fact that you see pages of adverts for the price of food so we are all spending money trying to find those customer wallets.

Deputy S.M. Wickenden:

I think what we really want to know, certainly for our review, is what do you think the greatest concerns, in terms of challenges to the markets in Jersey, are for your businesses? What is your biggest concern and challenge?

Chief Executive Officer, Sandpiper CI:

Well, do you want to talk food or non-food?

Deputy S.M. Wickenden:

I think Sandpiper as a whole would be probably more effective because it spans the breadth of retail in the Island.

Chief Executive Officer, Sandpiper CI:

Okay. I think the overarching concern is the recent introduction of the 20 per cent retail tax. The reality is we are in a very competitive environment in retail. Coincidentally, I do not know whether you saw the report by PwC (PricewaterhouseCoopers) last Friday and I brought some facts with me. They indicated that 14 shops are closing every day in the U.K. and the net 1,123 shops from the top 500 High Streets have disappeared in the first 6 months of this year. Now, that is only going to go one way because of course it is being driven by this well documented move from bricks and mortar

into alternate shopping channels. So it should not surprise us. It equally should not surprise us that the retail industry in Jersey has declined by 14 per cent since 2006 and that is going to continue. There is no reason why Jersey should be any different. In fact we have a slightly higher propensity to use alternative shopping channels by the nature of the fact that we live in a remote location with a limited retail offer. I guess for me the question is, how do government view retail? Are retail an industry to be looked after or are they an industry to be used as a cash cow. I have to say regrettably at the moment I see it as being pretty much as a cash cow. I have been here 11 years and if you look at what has happened to retail more by luck than sound judgment we have avoided the decimation of our town centre purely because we did not have the location for out of town shopping centres. No government strategy. No real thinking but it happened, thank God, and we therefore up until, I would say, probably about 18 months ago had a very vibrant town centre but inevitably as the pressure comes on particularly with alternative shopping channels that town centre is coming under more pressure. It is becoming what I would term more centric so the peripheral areas of town are starting to suffer, the back of Bath Street, La Colomberie, anything that is not in the main drag, so to speak, and roads leading off it are coming under pressure. I kind of did a report in my own mind: "Okay, well, what has government done about that so far?" How are we doing, if you like? My synopsis would be we have not had a retail strategy for years. There has been no grand plan to manage the reduction in space. No thought of the impact of attrition of alternate shopping channels. In essence, no joined up thinking and policy made on the hoof. I am sorry but that is my perspective. So retail closures continues. What do the States do about that? The States decide to introduce a 20 per cent retail tax on the very day that Mothercare and Thomas Cook ... the very day Mothercare and Thomas Cook announced they are closing and leaving the Islands for good. So the reality is, I think, that we are in a situation where retail are not looking for any protection. All competition has to be good for the consumer and what we are about is we have to be, as local retailers, making sure we give the best service at the best prices and bring on the competition, we will cope with that, but let us have a level playing field. That is what we ask for.

Deputy S.M. Wickenden:

I think a lot of what you said there kind of means I am going to fit 2 of my questions in at the same time, which is, you talk about Jersey being a remote location and it has its challenges but does it also have opportunities because we are an Island surrounded by the sea, so what do you think the Island strongest opportunities are? But because you mentioned government I am going to add into what my second question is, are you concerned about the lack of any message about retail being in the current Common Strategic Policy from the government? So there are kind of two questions.

Chief Executive Officer, Sandpiper CI:

Okay. Well, let us deal with the second one first if I may because that kind of follows the theme. I mean, am I concerned? No more concerned than I have been for years that the government has

no answer. I mean this is a big issue. There is no silver bullet, as I am sure you are all fully aware of. Therefore, it is not fine and dandy for me to say: "Well, government has not done anything for years" but in some respects what has been lacking is an attempt to try and get our arms around this situation and to understand it. In the U.K. internet shopping is accounting for 17 per cent of sales at the moment. I would think it is slightly higher here out of total sales by the nature of airfares et cetera. We are sleepwalking. This Island is sleepwalking into the process and we will deal with the consequences by default but what we have just done by introducing the retail tax is we have pushed the ball even further down the hill at a quicker pace because if somebody comes along with no consultation ... and I emphasise no consultation ... in spite of what has been said there was never one piece of single consultation and on that basis somebody comes along with no consultation and takes 20 per cent of your earnings away what is the implication of that? The implication of that is your capital investment gets slashed to pieces. You cut and run because you know you are not going to get the return on the investments that you were making before. You also have to balance your wholesale budget so when the Minister stood up and said: "And I can assure you there will be no price increases" my jaw almost fell open.

[11:15]

How on earth could that statement possibly be made? If you and your household income lose 20 per cent of that income overnight you either have to increase your income or you have to cut your cost base. So it is really simply economics. So that is the answer to the second question. What was the first question again?

Deputy S.M. Wickenden:

The first one is about remote location of the Island. So what do you think the Island's strongest opportunities are?

Chief Executive Officer, Sandpiper CI:

I think the strongest opportunities are is we have vibrant economies. We have still got a lot going for us. We have got a relatively high demographic profile. We have got customers with higher than U.K. average earnings. So there is plenty of cash in the market for us retailers to go after. So I think it is, the stage is set for us to be able to put our best foot forward notwithstanding the fact that our best foot forward needs to be on that level playing field and at the moment it is not.

Senator K.L. Moore:

Given that you have been quite aware for some time of a lack of strategy coming from government I presume that you take this on-board yourself and put a lot of effort into your own strategies. What

do you think that retailers can do as a collective to improve the circumstances with which you are trading?

Chief Executive Officer, Sandpiper CI:

I think that is a good question and I think that is quite difficult because you use the term “retailers” and “collective”. The reality is there are various tensions within retailers and collective as you would appreciate, not least because you have competitors working within the same trade bodies. You also have the fact that what is maybe good for the goose is not good for the gander. So what works for big retailers might not work for small retailers. I think that the trade bodies, inasmuch as they can do, have been doing their best to make town more of a vibrant location. Late night shopping; there is currently a debate about Sunday trading. I am somewhat agnostic on Sunday trading. I have to be because some of my shops do open and some do not so it would be slightly strange if I was to say anything else. Are we doing as much as we can? I mean the challenge really I think for any trade body is to work effectively in its lobbying of the States. I have to say that for us to have ended up with the 20 per cent retail tax being passed is a condemnation of me, as a senior retailer in the Islands, of the trade bodies and of States Members because we ended up going down that route when it, patently clearly, is an entirely wrong thing to do. So I think we retailers have to do better. The trade bodies have to do better but in the context of those tensions that are in there I think they do an okay job. I would give us, myself and them, 4 or 5 out of 10. We can do better.

Senator K.L. Moore:

In your deliberations for your own business obviously ... you mentioned you have 15 franchise partners. So you cover a large part of the mainstream High Street retailers. Have you considered, as a business, looking into the higher end parts of retail perhaps in a view to encouraging more visitors to the Island?

Chief Executive Officer, Sandpiper CI:

When you say “higher end” can you just explain?

Senator K.L. Moore:

The luxury brand market that is not represented currently in our retail sector.

Chief Executive Officer, Sandpiper CI:

I think it is quite difficult. The reality is we are an Island of 100,000 souls and when you factor in the usual arguments about labour costs and rent costs you have to have a critical mass of turnover to be able to afford to justify an investment into any brand and we do a lot of detailed research analysis of any brand that we bring into the market. My sense is that although there is a market for high end it is limited and therefore we have tended to stay away from it because I do not think the majority of

the population are going to shop there and unfortunately in this day and age you cannot just afford to be a luxury treat.

Senator K.L. Moore:

You have mentioned of course the size of our population who live here. However, we do have a significant number of tourists who visit the Island every year and there has indeed, I think from Visit Jersey, been some information that has come to light recently that suggests that people visiting the Island do make purchases that they would not ordinarily make. Does that not factor into your thinking?

Chief Executive Officer, Sandpiper CI:

To a degree it reinforces my thinking because clearly we are fully aware of what visitors are spending in our stores. For example, we take euros in all our stores so I have got a pretty good idea on a Saturday and Sunday which of our brands would work particularly well with a tourist. Equally, we have got a lot of experience with cruise ships in that we know which nationalities favour which of our brands. So I can tell you when the Germans come in they will favour one brand and the Americans will favour another brand so we have got a fairly good understanding of internal intelligence that drives our decision making. That shopping pattern would say to me that there probably is a demand for high end shopping. I think to a degree some of the department stores make some of that and of course you have got a very high end and competitive jewellery situation but I come back to my view, which is for us it is not the thing we are going to get into. It is too peripheral. We try to be mainstream. We are opening units that attract not just the top 10 or 15 per cent of the population but are attracted to a brand such as Marks & Spencer but it can operate from the lowest to the highest or whatever the terms are. That is the perfect solution for us.

The Deputy of St. Mary:

Just an add-on please from Kristina's point. I appreciate from your own point of view the high end hybrid peripheral but from your earlier comments do you accept that that is a market which the Island as a whole could go for, a high end market, with a view to attracting tourists rather than just rely solely on their local market?

Chief Executive Officer, Sandpiper CI:

Well, when you say "the Island" it has to be somebody that is keep abroad with the capital investment and the decision to do so and I come back to the point, I am not convinced there is a market. There are one or 2 individuals who have got more direct experience of high end merchandise than I have but if I look at Sandpiper in 2009 we had one franchise brand and now we have 15. We did a very major piece of work in terms of understanding which brands would work and which would not and those luxury brands did not feature on the list.

The Deputy of St. Mary:

Okay, but your research was primarily aimed at the local population or you took into account the potential tourist input as well?

Chief Executive Officer, Sandpiper CI:

To be honest the phrase I tend to use with tourism for retail is, it is cream on the cake. You cannot survive on tourists. The tourists will put a bit more cream on the cake if you like but you have to have an underlying bulk of business to drive your business on a day in day out basis and if you can attract some tourists as well then all well and good but you cannot build a business in retail just on tourism.

Senator K.L. Moore:

If we can move on and just talk about the costs of doing business and you have mentioned and talked about the £8 million that you spend on importation annually. What other costs are there associated, such as employment and premises, and how do they compare with other trading areas?

Chief Executive Officer, Sandpiper CI:

Well, if you take retail property, I think retail properties in the top 30 in High Street, according to Wakefield & Cushman, so it is high end. It is expensive. Now, I have to say in defence of local landlords we have been seeing over the past couple of years locally owned properties taking a far more pragmatic view of property prices. That is not the same when you have institutionally owned properties because institutionally owned properties are very loath to drop their rent because it means they have to lie down the carrying value of their asset which they are very loathe to do. So property prices remain high but I would say that there is certainly a more pragmatic solution being shown to that going forward which is indicative of the fact of supply and demand. There is over 100,000 square foot of space now in the Island there never was and therefore that brings an element of competition and frankly gives the leaseholder more of an opportunity to challenge the passing rents. So rents are expensive, relatively expensive in the top 13. You obviously have labour costs which again are well documented and not only are the costs expensive but there are not enough of them. So what you have going on at the moment, because the States are squeezing the life blood of the supply of labour, is we are all fighting over the same people and the implication of that is that my business will survive because my business is big enough and ugly enough to look after itself but we are paying more for colleagues now. Somebody may say that is good news and I understand that argument but we have the wherewithal to be able to pay more. Small independent local retailers probably do not have the wherewithal so one of the implications of this squeeze on people working over here is that it is inevitably driving wages up, which is kind of interesting when you think that

since 2016 the numbers of people working in retail have dropped by double figure percentages. So whichever sectors are driving up the population growth it is not retail.

Senator K.L. Moore:

Thank you. Keeping on the cost area of questioning, what level of margins does the business aim to achieve on your goods in order to cover costs and profit? Do you feel comfortable to answer that?

Chief Executive Officer, Sandpiper CI:

No.

Deputy K.F. Morel:

With that we are just trying to get a sense of, yes, purely a very average across everything. How much from the Jersey perspective because there is a view that it is all profiteering. It is all that side of things and so in that sense is there anything you can say?

Chief Executive Officer, Sandpiper CI:

The only thing I can say ... I mean I used to run a large U.K. supermarket in the U.K. so I had 1,500 shops and 70,000 employees. I would make less money out of my food shops here than I did in the U.K.

Deputy K.F. Morel:

That is interesting, thank you.

Senator K.L. Moore:

That is very helpful, thank you. It was interesting that you mentioned that following the purchase of CI Traders that one of the things that the group did was to sell off the wholesale element. So what other mechanisms do you have, given that decision, in order to drive down costs within the group?

Chief Executive Officer, Sandpiper CI:

Well, when I say we sold off the wholesale division that wholesale division was never servicing the shops. That wholesale division is entirely focused on the hospitality trade so not retail ready packs, not with the appropriate packaging et cetera, so theoretically retail and wholesale always get grouped together but they serve very different marketplaces. Our opportunity, simplistically, it sounds trite, does it not, but our opportunity is to do the best job we can in running the stores to the highest standard and make sure our staff are trained appropriately so that we gain market share at the expense of our competitors. The cake is the cake. People can only eat as much food as they can eat and our challenge, just like the challenge for our competitors, is to fill as many of those

larders as we can with our food as opposed to our competitors. That is it essentially. In doing so we have to be confident that we are optimised with our cost base such that we are not carrying extra bodies that we do not need to and we are operating large numbers of shops and there are all sorts of things that can throw us off track. For example the boats last week ... as I am sure you have read ... were an absolute nightmare so last week we ended up with 10s of thousands of pounds more waste, food waste, than we would normally because we had product coming into the Island with one night's life and of course a lot of our food is perishable and although we give over £250,000 a year away to charities free for their use, we had a lot of product last week that unfortunately we were literally taking off the boat and some of it was just being thrown straightaway or given away. You cannot legislate for those things. That is part of the fun and joy of retailing in the Islands but it happens.

Deputy K.F. Morel:

Obviously you recently bought Morrisons to the Island and, as I understand it, it is not just the brand, it is also the buying power of Morrisons at the other end. We see obviously the Co-op is a buying group in many ways. The use of buying groups, is that the main way of keeping costs of food in particular down? Is that your main lever?

Chief Executive Officer, Sandpiper CI:

It is the only way. It is the only way. In this day and age unless you have got scale you are nowhere. So you have got scale upon scale at the moment because you have got the current discussion between Sainsbury's and Asda potentially coming together to knock Tesco off the perch. The reality is that we were buying out of an entity that had £7 billion to £8 billion worth of turnover. We are now partnering with another entity, Morrisons, that has £16 billion worth of turnover. Inevitably the larger the turnover the more buying power and if you are not in those buying groups and, as you rightly say, the Co-op is exactly the same in that they are buying all their product through Manchester. If you are not in those buying groups then you cannot possibly hope to compete in this day and age unless of course you have got what we retailers call mom and pop shops. So the old corner shop that is there to sell newspapers and cigarettes but in the main there are very few of those over here because the supply chain is too complex and too expensive.

The Deputy of St. Mary:

Changing tack slightly. Can I focus on V.A.T. (Value Added Tax)? Now you have franchises where products need to be ordered from the U.K. do you remove V.A.T. from the price?

Chief Executive Officer, Sandpiper CI:

I will answer that slightly differently. It is, we do not charge V.A.T. Now, let me explain that. We have arrangements with 15 different franchise partners and those arrangements vary in terms of the

costs associated with buying those products with them, bearing in mind that none of these partners are in the charity business so they do not franchise for love.

[11:30]

We have to pay them. What we essentially have to do is to work out, as we have already referred to, we have to work out all of our costs; our cost to ship, our costs of labour, our costs of rent, our cost to pay our franchise partner, add it all into the mix and then we work out our retail selling price. Now, in certain instances we are the same as the U.K. and of course the classic example is M. & S. Everybody always say: "Why do not M. & S. take the V.A.T. off?" We arrive at our price. Now, in actual fact if I looked at it in pure performance terms I could argue that our M. & S. stores probably should be more expensive than the U.K. but if by getting to be more expensive than the U.K., not as politically dangerous as the Council of Ministers deciding to abolish *de minimis*, it also means that I have got a huge amount of labour involved in repricing and clearly one does not want to get into repricing so we take a view that it will be at U.K. retail. Now, in other one, such Apple the V.A.T., as you call it, is removed because Apple have a policy across the world of selling at a price so we follow Apple at V.A.T. prices they call and we have got varying other brands. Jack Wills is 10 per cent cheaper. Prue; we are the same as the U.K. where we do much deeper promotions than the U.K. So it really does vary but I do not think it is as simple as to say: "Well, which brands take V.A.T. off and which do not?" because basically I do not look at it like that. I look at what is my cost to operate this brand, what do I need to charge to give me the return I need? That is the price we set.

The Deputy of St. Mary:

So where a franchise sells an item which basically incorporates the V.A.T. are there cases where they also, on top of that, charge a delivery charge?

Chief Executive Officer, Sandpiper CI:

No.

The Deputy of St. Mary:

So if we became aware of that we should complain, should we?

Chief Executive Officer, Sandpiper CI:

Well, people in Jersey are certainly not slow to complain about things that we are not happy with by all means but in that particular question it is not an issue. So we do not charge, as you would term it, V.A.T. and delivery. That is not necessary in my opinion and certainly not a policy we pursue.

The Deputy of St. Mary:

Okay.

Deputy K.F. Morel:

I was going to ask about kind of moving on to strategic issues and in light of Brexit, has the removal of food warehousing in Jersey ... do you think it exposes the Island to greater risk from disrupting food supplies? You mentioned transport a week ago with the problems we had.

Chief Executive Officer, Sandpiper CI:

This has always been a complete fallacy. Let me explain why. My business took the food warehouse out in 2007. The Co-op took it out latterly and unfortunately ran into some P.R. (public relations) issues. But the whole point of a food warehouse and this talk about food shortage, you cannot warehouse fresh foods because they have very limited shelf life, as we have previously discussed. So the only things you are going to warehouse are Kellogg's cornflakes and baked beans and the rest. Of course, that all ties up working capital and the cost of property are expensive, et cetera. So we took the decision some time ago, 15 years ago or 11 years, that we would not warehouse our product. Frankly, that is perfectly fine because even if you have got a warehouse, when the boats are late or we have difficulties, and who knows what Brexit stands for at the moment, then of course the public immediately starts to panic buy. Unfortunately, I was the poor soul that also had to close the bakeries in the Island, which was hugely disappointing. But there was a time where all the retailers in the Island supported the local bakeries and then the retailers and competitors started buying from their buying groups. That meant that there was not the critical mass of product to be able to keep those bakeries going. So in both Islands we had to close both the bakeries. The reality is that this idea that if you have a warehouse you have got food security is really built upon a fallacy and a misunderstanding that you never, ever warehouse fresh foods. Fresh foods are what we call crossed out. They come in from the supplier in one door and they go out to the store in another. They do not touch any shelf in a warehouse because every time you put a fresh product on to a shelf the life of that product is ticking away in front of you, and of course the last thing we retailers want to do is to incur extra waste costs because we already lose one night shelf-life on any food product we bring in by the nature of the supply chain. We have already got fresh foods that are under a lot more pressure than in the U.K. and we run at a higher waste cost because of that. Warehousing would just solve nothing.

Senator K.L. Moore:

Would there be any interest if they were available to purchase more locally grown products?

Chief Executive Officer, Sandpiper CI:

We purchase as much as we can. We deal with 35 local suppliers across all the spectrum. In certain products; bread is a classic example, that is available day in day out, and we will take that

every day for most of our shops. But the produce is far trickier. Inevitably it is seasonal. Inevitably it becomes feast and famine. So what we try and do is we give priority to local supply but there comes a point where that has run out so you have to have alternative sources. So we try and blend locally where it is available and we support any new local supplier ... any new local food supplier we support, but the reality is, by the very nature of the temperature regime we live in, seasonal product is always going to be a driver of fresh foods in the Island. We are talking here about the challenge for fresh food retail here. That is the concern I have. While we are on the subject, it hugely concerns me that we have one company with its foot on the neck of the food supply for the Channel Islands. It staggers me that C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) have never in their wisdom decided that they should at least to make sure that that monopoly situation is not being abused because it frankly worries the life out of me, that we have one company with its foot on the neck. We know, even when the boat is delayed, that food comes under pressure immediately. As soon as people read on the Facebook, or wherever, that food deliveries are late the shops will come under a lot more pressure and for any period of sustained shortage we would be wiped out fairly quickly.

Deputy K.F. Morel:

I wanted to ask, how long, from your perspective, in your stores, could your stores last?

Chief Executive Officer, Sandpiper CI:

It is a piece of string answer. I would say typically that grocery and frozen foods would probably last 3 to 6 weeks under normal circumstances and fresh food would probably last an average of a week. That is a rough approximation. But unfortunately it is the term "under normal circumstances" because as soon as people hear that there are shortages they flock. Therefore, the reality is, in most situations, for a long period of time, 10 days, and we would be wiped out.

Deputy K.F. Morel:

While we are just talking about bringing food into the Island ... I should have done this perhaps a bit earlier ... would you be able to briefly describe the kind of journey that products take to get to our plates here in Jersey, sort of thing? What are the key factors?

Chief Executive Officer, Sandpiper CI:

Let us take Marks & Spencer as being a glossy example. We are serviced from the food warehouse that Marks & Spencer has in Thatcham in Berkshire, not far from Newbury. Just as Guernsey are, we are a shop that comes out of that depot and that depot is taking in products all day today. It will have a cut-off time, I believe, of 2.00 p.m. and that product then will be despatched to all of their shops. So M. & S. lorries will be going up the M4 and down the M5, et cetera. That will arrive for the U.K. in time for those shops to fill the shelves and open the doors the same morning. So no

night lost. Ours goes in the trunker, goes down to Portsmouth harbour, then is obviously taken off because of course the trunkers that M. & S. use are too big so they have to be double handled, cost, taken off and then put on to containers here. That then comes across overnight so that we then will pull the product off first thing or handle all the products off first thing in the morning. We will get it into stores in time for store opening tomorrow.

Deputy K.F. Morel:

Thank you. It is just useful. I think people do not always understand the supply chain. Even things, like you said, like having to change the containers, and there is a cost.

Chief Executive Officer, Sandpiper CI:

Yes, exactly.

Deputy K.F. Morel:

I thought we would move on to retail events.

Senator K.L. Moore:

Going back to more of the general retail experience, one stakeholder told us that retailers will need to think outside the box to entice consumers and customers. For example, retail theatre. You have mentioned late night shopping as part of the example, but do you have any other views on this area?

Chief Executive Officer, Sandpiper CI:

No, I think that that is absolutely right. I think as we stand at the moment, the reality is that locally I think we can always be reasonably confident that foods and coffee shops and greetings cards and those sorts of product areas are more impulse. Until Amazon introduce drones that are coming across the Channel Islands, which may be not in my lifetime, but not long after probably. So I think those product areas are relatively robust for the future. Product areas where they are to do with clothing and fashion and home are more challenging, and we have to work hard at introducing theatre. We have to make sure that we do not just become showrooms. It is a challenge to make sure that we are carrying the right stock at the right time and we are able to replenish inevitably. Good product sells very quickly and bad product does not. The trick is to know which is the good product before you buy it and not buy any of the bad product. That is the 64-million-dollar question. I think in answer to your question, I have some absolute sympathy. I think in certain instances we are not doing ourselves any favour with the amount of theatre and creativity we are using, and I think that is something that we, as retailers, have to work on. But I do not think we are facing a situation that is that different to facing all U.K. High Streets. We have to optimise what we have got, but we also have to manage decline. I say that we are definitively not managing decline, us together, this

Island, and we are probably not optimising, as retailers, exactly what we do and we still have to work at that.

Senator K.L. Moore:

It is often said that parking is a big feature and pressure on particularly the King Street shopper. Would you agree and do you think we lack in the Island the facilities that the retail sector benefits from in other places?

Chief Executive Officer, Sandpiper CI:

I will be true to form and say that no matter which way you cut it, I do it myself, it is easier to sit at home in your armchair and buy a product than it is to go walking round town, particularly when the wind is howling in, et cetera. What we need to do is to think about how we can make things more attractive. We have just discussed theatre and there are lots of other issues. But the reality is we are also penalising people to shop locally. I spoke about the High Street; certain sectors being protected. In its extreme form I can imagine that you can have in 20 years' time those select product areas being protected and every other product area being serviced by huge warehouses on the U.K. coast of England, being shipped over on a daily basis, and fulfilling customer need. If you are like Amazon, where you do not need to make a profit, then happy days because you can just go on predatory pricing and making gains at everybody else's expense. So I think the challenge is there for us but equally, I keep on coming back to the point to say we can do as much as we can and we can do better, but it is coming ... and it is a tide and we are not going to stop it. To my mind we are not together working with government to understand what measures we can take to improve the situation.

Deputy S.M. Wickenden:

If I can just jump in there. It has just come to mind, my brother, who lives in the U.K., they do their shopping pretty much by sitting on the sofa, and this is their food shopping. They sit on and they go through the internet and they have their standard list of what they buy and then look at special offers and maybe include that, and somebody comes to their house with a bunch of crates. They load it into their kitchen and the guy goes off, and it is done. If people are more comfortable with sitting at home and doing shopping, what consideration has been taken into putting that kind of food shopping into Jersey's offer?

Chief Executive Officer, Sandpiper CI:

I cannot talk for other companies, and clearly some of our competitors have that absolute functionality within their capability because they are doing it in the U.K. As far as we are concerned, we have looked at this on regular occasions. The challenge really is if you are going to do that then you have to build a complete infrastructure to support that. You have to have a live managed

website. Bear in mind that most supermarkets carry 18,000 lines; typical number of product range. Those have to be continually updated. You are then buying fleets of vans to deliver product. You are then employing people to drive those vans. You can see that if we come back to the cost of food in the Islands, were that to come in then the cost of food would go even higher. That is the downside. The reason why all of our competitors and our business have never done it is because there is a very different shopping pattern in the Islands compared to the U.K. The shopping pattern in the Islands is to shop little and often. People like to shop locally. Their average basket is a lot smaller than the U.K. So typically you go into a supermarket here on a Friday afternoon you very rarely see big queues. You go into a big supermarket in the U.K. on a Friday afternoon and they are round the block. Therefore, what is happening and what we see is our customers shop with us 4 and 5 times a week. They are buying fresh food and they are buying locally. I think that the reality is that because of the dynamics of the Island being 9 by 5, we would all of us just be simply adding cost.

[11:45]

We do offer home delivery and I can tell you we have a very limited uptake of home delivery. Very few people want their product delivered in the Islands. I do not see an economic argument for it and I do not see a customer social need for it, for the reasons I have explained.

Deputy S.M. Wickenden:

We like to touch and feel. We want to go in and pick the exact vegetables we want.

Chief Executive Officer, Sandpiper CI:

It is the social interaction. People like shopping not just for the shopping ... well, you either love it or you hate it. I love it. People love it because it is a social interaction with others.

The Deputy of St. Mary:

Going back to the general question of parking, a lot of respondents have said this is an issue for them. We had the Constable of St. Helier in only last week who reckoned it was perception that parking was a problem. In fact, this morning I parked up at Sand Street Car Park, plenty of spaces. Do you go along with the fact the perception is perhaps the dominant factor rather than the reality?

Chief Executive Officer, Sandpiper CI:

Yes, I think my point is less about the availability of spaces and more about the fact that you have to pay to use them. I do not have to pay to sit in my armchair. The reality is therefore, do we continue ... and I had this conversation with somebody at T.T.S. (Transport and Technical Services) many years ago. On the one hand we say: "We have a contract with bus companies and we cannot

change that.” “Fine, okay, you can keep your money with your bus company and you can continue to see your income tax and your G.S.T. (Good and Services Tax) going down because more business will go through the internet.” You have to make your product attractive. You are rightly challenging me about what we retailers are doing to make our product attractive but the product of attraction in this particular instance is the town centre. The reality is, if you have got a product that attracts you and you are charging people to go and visit it, and there are no free rides, then that is not an incentive, to my mind. But none of these things in themselves are a solution. For anybody to think that if you just make parking free suddenly the woes of the world will go away. It is not like that. They are all pieces in a jigsaw, which we are back to my joined-up thinking. If you get joined-up thinking then you can get to a stage where I think at least there is a cohesive strategy. That may not be to have free parking. That may not be tenable or sustainable but are there times of the week where we could incentivise people to come in to shop. It is more about the lack of thinking about the implications that is concerning me. I do not profess to know the answer on the parking but it does seem to me you are penalising people.

The Deputy of St. Mary:

Very slightly off-piste, if I may. Earlier on in this discussion you mentioned that St. Helier survived quite well compared to most U.K. towns. You cited a reason for that, because of lack of out-of-town shopping centres. So I presume from that you would regard the success of St. Helier, as an ongoing, thriving market, would depend in part on Planning not allowing out-of-town retail centres.

Chief Executive Officer, Sandpiper CI:

Without question. We dodged that bullet. It was not thought through but the reality was there were no out-of-town developments. That is why, until 2 years ago, we were not beset by empty shops and charity shops. They are here now but that is because there are different dynamics at work now compared to 5, 10 years ago when out-of-town ... of course out-of-town shopping centres were all the vogue and as, of course, we are now seeing lots of companies scrambling to get out of shopping centres. I think that was a risk and a solution for the time. The risk was we avoid it. We avoided that risk. The ballgame has changed now. The ballgame is less about out-of-town shopping centres. The ballgame is more about alternative shopping centres.

Deputy S.M. Wickenden:

You mentioned local shops and that segues into the next. Do you think that the amount of vacant shops has become an issue in St. Helier?

Chief Executive Officer, Sandpiper CI:

Is it an issue?

Deputy S.M. Wickenden:

Yes.

Chief Executive Officer, Sandpiper CI:

I take the view that it is. You are back to the view that you see ... what do we see the part of retail in the fabric in society of life here? I think a vibrant town centre is a pre-requisite for a healthy economy and a vibrant tourism industry. It is important that when people come they can have choice. We would not have opened with 15 franchise partners if there was not a demand for it. But the town is getting emptier and that is when you are into this joined-up thinking that says we need to manage the decline. We need to manage re-zoning. We need to manage the creation of more green spaces. We need to shorten the process of planning permission so that people can turn commercial into residential at a much faster pace. We need to accept that the town centre is not the town centre that it was. You could almost argue that we almost need to give up on peripheral areas. I read that Simon Crowcroft suggested a tax on empty shops. I agree with that partially. I agree with it in that I think it is absolutely right for the main streets. I think that is entirely appropriate. But not for the peripheral streets because you are trying to stop the tide of the internet, which is not going away. What was in the town centre cannot possibly be the way going forward. The demand is not there to keep those businesses that were thriving 10, 15 years ago going. So do not penalise the people on top of having lost their business and having empty shops by taxing it. But absolutely, where you have institutional landlords in the main streets that are just frankly making the place look unattractive, they need to incentivise to move the thing along.

Deputy S.M. Wickenden:

When you are choosing where to locate your new franchises and outlets how much consideration do you have on the effect of local, independent retailers that might be nearby? This is obviously quite topical at the moment with the Card Factory.

Chief Executive Officer, Sandpiper CI:

Is it? I saw one letter in the *J.E.P.* This is what is called a free-market economy. I do not force anybody to shop in our shops and I take the view that what we have done in the last 10 years is to create a more vibrant shopping experience for consumers and for tourists alike. If that demand was not there it would not open. Case in point: I brought Greggs to the Island. People did not like Greggs. **[Aside]** You loved it? I liked the sausage roll as well occasionally but the reality was it did not work so we opened 3 and we closed 3. We are not in the business of giving to people what they do not want. As far as I am concerned, I am not interested in competing with local companies. We work closely with a lot of companies. As I say, we trade with 35 local companies. The amount of spend that we take we make with third party local companies for our maintenance and our cleaning. These are millions of pounds worth of contracts. We are interested in working in a co-existence with

them but I have to do what is right for my business. I have to do what I believe the consumer demand is for each location, for each shop. We, I guess, stand or fall on the strength of our proposition, just as our competitors do.

Deputy K.F. Morel:

You briefly mentioned Sunday trading. You said you are agnostic on the idea of Sunday trading. What do you think the customers think about Sunday trading? Do you think there is a demand for all shops to be open across Sundays?

Chief Executive Officer, Sandpiper CI:

I do not know. Again I made these comments in the *J.E.P.*, the reality is of course, as we all know, that any shop up to 700 square metres can open today. Walk round the town centre and count how many shops that are under 700 square metres that could trade are not trading. It seemed to me that in this process the first thing you would do would be to find out from all of those people: "The law allows you to do it, why are you not trading?" But we have gone from giving the 700 square metres a few years ago to let us have open house for everybody. I do not know what the answer would be, and again it would be 2-faced for me to say anything other than I am agnostic. The only thing I would say is that I am trading the brands that have a demand. The brands that I have closed, which is most of my clothing brands, there is not the demand to justify 7 days. There is not the demand for me to ask staff to work extra hours at extra cost, when potentially the cake is only so big. I will keep away from the "Keep Sunday Special" issue, because that is a separate view. Equally, I understand the argument that says government needs to get out the way and let the free economy take its place. That is why I come down on the view of being agnostic.

Deputy K.F. Morel:

Do you think you would open your larger stores?

Chief Executive Officer, Sandpiper CI:

No.

Deputy K.F. Morel:

You do not think you would?

Chief Executive Officer, Sandpiper CI:

No, I do not think so. I mean we open at the peak periods, so we are open now. There is probably an argument in the summer to open on selected Sundays but there are other Sundays in the depths of February where there are cobwebs rolling down the High Street.

Deputy K.F. Morel:

We all want those Sundays gone.

Chief Executive Officer, Sandpiper CI:

But, equally, the other consideration is that I would suspect that the real beneficiaries of Sunday trading will be the garden centres and D.I.Y. (Do It Yourself) shops. Therefore, this idea that we do Sunday trading, it will regenerate the town, you could argue that it might have a negative effect because it would drag people into alternate locations out of the town.

Deputy K.F. Morel:

Just before we go on to the last one. We have not mentioned *de minimis* level very much. We brought it up in talking recently. You have obviously seen Treasury's decision not to amend it in the Budget. What were your thoughts when you saw that?

Chief Executive Officer, Sandpiper CI:

Disappointed. I understand you chaps are elected. You need votes. This is not a popular decision. Leadership means that sometimes you have to take tough decisions that are not always popular. I know that. I have to do it in my daily life. This is a decision ... I do not think in any shape or form it can be justified. It cannot be justified to penalise local companies that are employing local people that are supporting the fabric of society for people that pay nothing to this Island, in any shape or form, and just ship goods in. They are at a price advantage. That I think is indefensible. So I am disappointed.

Senator K.L. Moore:

You also mentioned consultation a number of times and a lack of it. We do have a Chamber of Commerce Retail Group and also the Jersey Retailers Association. I presume you are members of those 2 groups.

Chief Executive Officer, Sandpiper CI:

We are.

Senator K.L. Moore:

But how many times do they meet government representatives?

Chief Executive Officer, Sandpiper CI:

I sat on the Chamber myself for several years. My comments about consultation solely refer to the introduction of the 20 per cent retail tax. I think there are ongoing and positive dialogue with

government. But I wanted to correct a statement that has been made that there was consultation on that particular issue, and there was not.

The Deputy of St. Mary:

On that, it was brought in, in a Budget speech, there was not that much ... and that was in response to an ongoing public demand why these companies from outside are allowed to come in and not pay any tax. Is there an argument that, perhaps among your members, some of the local people say they are put at a disadvantage if the result is they will pay their 20 per cent tax? These companies, the bigger ones are at an advantage and the smaller ones are ... the justification was it created a level playing field for the smaller business, was it not?

Chief Executive Officer, Sandpiper CI:

Yes, I am sorry, I do not buy the justification but I also do not also understand why you would take one particular sector of the commercial make-up of the Island and say: "We will take retail. Not only will we take retail, we will whack a 20 per cent corporation tax on", which is higher than the U.K. I used to own the largest pub chain in the Island as well. We used to run that. I can tell you I made more money out of pubs than I made out of retail. So how come the powers that be have decided that: "We will leave pubs ... we will leave gambling shops alone but yet we will charge the people that supply food to the consumers. On top of the G.S.T. we will charge the people tax as well. By the way, prices will not go up." There is just a lack of joined-up thinking here and it is more about the question about where is the priority.

The Deputy of St. Mary:

On that basis, you will be appeased somewhat if the 20 per cent rate was applied to other industries as well?

Chief Executive Officer, Sandpiper CI:

I think it should be standardised and I think it should be applied across the board. Everybody who enjoys this Island should pay their share to enjoy. There is absolutely no justification for singling out one particular sector and overly-penalising a sector that irrespective of the retail tax is under huge pressure, as it is. We do not need this helping hand to fall down the hill. We are already falling ourselves. Just give us a break. We do not want any favours from you because competition is good but we do not also need you pushing us in the back.

Senator K.L. Moore:

Rather than standardising the 20 per cent, would it not be preferable, particularly in light of the *de minimis* decision, to remove the 20 per cent from the retailers and that would give you more of a level playing field?

Chief Executive Officer, Sandpiper CI:

I obviously did not make it clear. I would in no shape or form be suggesting standardising of 20 per cent. I was thinking more along the lines of the finance industry are paying at 10 per cent, and if it is deemed that it is necessary for the States finances that tax is levied then I believe it should be levied at 10 per cent.

The Deputy of St. Mary:

And also apply to other industries too possibly?

Chief Executive Officer, Sandpiper CI:

No question. I cannot see any justification for simply picking one sector. The whole premise of taxes, it has to be fair. Everybody has to be treated the same. Then we all buy into the system. How can you suddenly take one particular sector and say: "You are it. You are in for 20 per cent"? Irrespective of the economic backdrop. Even if the economic backdrop was not healthy you would still challenge the principle of unequal and unfair tax. But it just exacerbates the situation when you have a sector that is under huge pressure at the moment.

[12:00]

The Deputy of St. Mary:

I understand.

Deputy K.F. Morel:

That is fair enough. Before we wrap up is there anything that you particularly wanted to say?

Chief Executive Officer, Sandpiper CI:

I think we have pretty much covered all the points I had on my list.

Deputy K.F. Morel:

Thank you so much. Very kind of you.

Chief Executive Officer, Sandpiper CI:

Not at all.

[12:00]