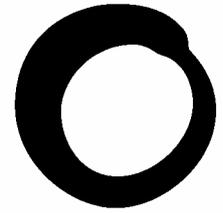


June 2005



**Friends of
the Earth**

Briefing

The Tesco Takeover

Over the last year, Tesco has increased its visibility both on the high street and in the media. With its acquisition of convenience store chains and Safeway stores, and plans to open 111 new stores in 2005/6, Tesco will soon have nearly 2000 stores in the UK¹.

Its worldwide reach is growing rapidly with over 200 new stores planned outside the UK, from Japan to Poland. There are even industry rumours of an entry into the US. Tesco is rapidly heading for a 30 per cent share of the UK grocery retail market while most other UK supermarket chains trail behind.

But the Tesco bonanza comes at a price for farmers, workers, town centres and the environment...

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Race to the bottom: Tesco's mission to deliver "unbeatable value" for shoppers has pushed down prices so far that some UK farmers are on the brink of bankruptcy. And research among its suppliers overseas reveals that some pay workers wages which keep them in poverty and have only minimal health and safety protection in place.

High-street takeover: As Tesco buys up convenience stores, currently opening a new Express store every working day, and sells ever more types of non-food produce, from kettles to financial services, existing retailers, local food and the very character of Britain's high streets are under attack.

Environmental Damage: Our environment is paying the price of Tesco's success. Its stores are energy-intensive eyesores. Its food is flown from all over the world and trucked around the UK, contributing to climate change². And the company's demand for ingredients like palm oil is turning natural forests into wildlife deserts.

So why does Tesco's market-leading position rest on unfair and unethical trading practices and leave a trail of environmental and social mayhem?

Friends of the Earth believes that Tesco has become too big and that its activities and growth must be controlled. This briefing reviews the impact of Tesco and gives a voice to those affected by its operations. It reveals a broad picture of social and environmental injustice. The Government must no longer use the fact that some low food prices keep inflation down as a reason for not acting - the ultimate costs to society are too high. Only regulation can tackle the significant and growing problems which result from a handful of supermarkets having too much market power.

Corporate Social Responsibility – Tesco style

Tesco, and its influential chief executive Sir Terry Leahy, makes much of its social responsibility saying: "*We recognise our impacts on society, on the economy, and on the environment... Corporate responsibility is not an additional burden or a distraction from serving our customers; it is an essential part of sustaining ourselves as a responsible company*"³. But two independent rankings of top companies in 2004 named Tesco as one of the worst offenders on social and environmental issues and heavily criticised its Corporate Social Responsibility (CSR) report for being incomplete and inadequately verified⁴.

In its glossy 2003/4 CSR review and subsequent public and industry meetings during 2004-2005, Tesco robustly denied any criticisms levelled against it. Yet the public backlash against Tesco and store developments is growing, and recent company reviews are less than complimentary. In *Management Today's* 2003 poll for the most admired company, Tesco was voted number one by corporate leaders, but the following year it had tumbled to fourth place as a result of its low performance on community and environmental responsibility. In 2004 Ethical Consumer Information Systems named it one of the worst offenders in a new ethical ranking of Britain's top companies.⁵ Work by the UK's leading development groups, ActionAid and Oxfam, have highlighted severe problems for workers in farms and plantations which supply Tesco⁶.

This backlash may be contributing to Tesco's efforts to improve its CSR profile. It has offered to meet with public interest and campaign groups that it has previously ignored, and even appointed a former editor of *The Sun*, David Yelland, to provide it with 'strategic advice'.⁷ It has introduced an in-house scheme to allow suppliers to complain anonymously

about their treatment by Tesco. But CSR has so far failed to deliver significant and serious changes in the way companies operate.

Demands for legislation such as the Liberal Democrats' Small Shops Protection Bill and a legally binding Code of Conduct are growing as it becomes increasingly apparent that current corporate structures, which oblige directors to put profit margins over the environment and society as a whole, prevent any truly effective action from most companies. Wider initiatives, such as the CORE coalition (an alliance of public interest groups), are looking to address this issue at a more structural level by introducing corporate accountability clauses into company law.⁸

Tesco and suppliers

"Tesco has driven down the price of meat, vegetables, everything, because they have such a huge share of the market. It's a monopoly position...they can simply go and find someone else who will supply them at the price they want". Michael Hart, chair of Small and Family Farms Alliance,

In its CSR review, Tesco highlights the fact that it is in its interest to work in *"ever closer partnership"* with suppliers. It says it is using its strength in the market place *"to deliver unbeatable value"*. But from the point of view of the most vulnerable link in the chain, the farmers and workers, this amounts to forcing them to push down prices. This has huge consequences, not just for suppliers and farmers but also for farm labourers, the environment and animal welfare.⁹

UK

'Supermarkets have to realise they and their customers need a sustainable UK-based supply chain, and that it is not in their interests to squeeze suppliers to the point of elimination'.¹⁰
Environment Secretary Margaret Beckett, January 2005

With an almost 30% share of the grocery retail market, Tesco undoubtedly has power and can use it to push down the prices it pays to its suppliers. The UK Competition Commission report on supermarkets (2000) observed that the bigger a retailer is, the better able it is to extract lower prices from suppliers. The Commission found that Tesco consistently paid suppliers 4% below the industry average¹¹. Tesco and the other big supermarkets have suppliers over a barrel - they either accept the supermarkets' prices and terms or they lose their trade. Whilst Tesco promotes an image of a relationship of equals, Mark Giles, a commercial fruit grower from Worcestershire, observes that relations are more akin to the *"master-servant relationship"*¹² than a partnership of equals.

In early 2005 the Financial Mail on Sunday initiated a campaign on 'supermarket bullies', inviting farmers to speak out about how supermarkets had treated them. Reporting on its progress in February, the newspaper said *"we have been inundated with tales of big retailers' sharp practices against small farmers, family bakers and major food processors. And [we] received overwhelming support for making the voluntary code of conduct...under review by the Office of Fair Trading, legally binding. Such is the climate of fear among suppliers that most who responded insisted on anonymity"*.¹³

We have heard numerous cases of poor treatment of suppliers by Tesco, but all of those we spoke to asked to remain anonymous for fear of losing contracts. One supplier said *"I would*

like to give you this info but cannot risk being seen to be a troublemaker for fear of losing valuable supermarket customers". NFU president Tim Bennett, talking about the relationship between big supermarkets and their suppliers, said *"There are examples of a better relationship – such as Marks & Spencer and Waitrose. Asda are tough on prices but stick to agreements. There are differences out there"*. Tesco is conspicuously absent from the list.

In a move that seems designed to head off more regulation, Tesco has now introduced a scheme by which aggrieved Tesco suppliers will be able to complain anonymously to the retailer about poor treatment.

Five years ago the Competition Commission examined anonymous complaints from farmers. In its report are cited 30 ways in which supermarkets exploited their power over suppliers¹⁴. These included 'requests' for 'over-riders' and retrospective discounts, 'requests' for promotion expenses, making changes to contractual arrangements without adequate notice, late payment of invoices and unreasonably transferring risks from the supermarket to the supplier. No sanctions were imposed on the supermarkets, but a proposal was put forward to set up a code of practice between the supermarkets and their suppliers.

Tesco is a voluntary signatory to the Department of Trade and Industry (DTI) supplier Code of Practice. In a review of what is essentially a voluntary and weak code of practice in 2004, the Office of Fair Trading (OFT) found a *"widespread belief among suppliers that the code is not working effectively"*. 80-85% of respondents claimed the Code has failed to bring about any change in supermarkets' behaviour and some respondents believed matters had worsened. There have in fact been no complaints under the code at all. Suppliers, both large and small, were concerned at being de-listed by the supermarkets or being required to trade with them on worse terms if they made complaints¹⁵.

An audit of compliance with the code was published by the OFT in March 2005. Unsurprisingly this failed to identify any significant code breaches, probably due to the small sample size (5% of suppliers), fear of complaining and also because it is not that hard to comply with a weak code which the big four supermarkets effectively wrote themselves.

Farmers, through organisations such as Farmers For Action and FARM, have found themselves having to take direct action to get their plight noticed and acted upon by the supermarkets. In September 2004, FARM launched its Just Milk campaign targeting Tesco. They said that Tesco should take the lead in addressing poverty milk prices, using its market power to ensure dairy farmers receive a fair share of retail price and publicly acknowledging that a sustainable dairy industry depends on a high number and diversity of farmers¹⁶. In response, Tesco attempted to mislead campaigners by claiming its profit margin on milk was just 3p, although it was unclear whether this was per pint or per litre. According to the Milk Development Council's statistics for 2003, the average margin on milk for retailers was 12.92p per litre¹⁷. After months of campaigning, Tesco have finally acknowledged the problem and increased prices for cheese in May 2005. But it remains to be seen whether they will maintain this price, and whether they will keep their promise to ensure the price rise actually reaches farmers¹⁸.

Backing UK and local farmers

Surveys by Friends of the Earth have shown that at the height of the UK apple season, more than half of Tesco's apples are imported¹⁹, and that supermarkets reject perfectly good

British fruit for no good reason²⁰. Tesco says it has 7,000 regional (i.e. Welsh, Scottish, Irish and English) lines on sale in the UK and it has many promotions related to regional produce. Yet this is less than 20% of the total 40,000 or so Tesco lines, and many of these 'regional' products are sold throughout the UK, so in many cases refers simply to British produce. Many people choose locally grown produce because of the associated environmental and social benefits, benefits that do not necessarily accrue from Tesco's 'local sourcing' policy

Overseas suppliers

In its 2003/4 CSR review, Tesco directly challenges criticism of the way it treats its overseas suppliers, stating, as with UK suppliers, that it is in its interests to work in 'partnership' with overseas suppliers. Tesco also summarily dismisses claims made by Oxfam in their report 'Trading away our rights' (2004), that it used 'strong-arm' tactics in its dealings with South African suppliers of fruit and wine.

Tesco makes much of its 'commitment to fair trade'. Along with Ethical Trading, it is referred to in most sections of their 2004 CSR review. Tesco was a founder member of the Ethical Trading Initiative (ETI) in 1998 which is an attempt by businesses, trade unions and NGOs to draw up a voluntary code of practice (the ETI base code) for companies' dealings with overseas suppliers. This should ensure that, for example, wages should always be enough to meet basic needs and to provide some valuable income, and that International Labour Organisation standards are met, for example recognising workers' rights to free association and collective bargaining.

The ETI is limited in effect and, crucially, the onus for compliance with the Code lies with the suppliers rather than the supermarkets. 'Third World' suppliers are represented as the 'problem' while the code does nothing to address the unjust trading relationship between a powerful supermarket which wants the supply chain to service its needs at a price it dictates, and a supplier which, to meet those needs, compromises its commitment to ethical practice.

Even within the Ethical Trading Initiative, Tesco has illustrated bad practice. In one instance Tesco demanded payments from suppliers of £278 per year for each supplying site to cover the costs of its compliance with the Ethical Trading Initiative. Such a demand, according to one supplier, hits smaller businesses hardest since they are more likely to have a number of sites²¹. *"We wanted that [compliance with the Ethical Trading Initiative] to be at no extra cost to Tesco"* claimed the head of the ethical trading programme²².

Research by Oxfam and its partners in South Africa reveals how Tesco loads many of the costs and risks of its fresh-produce business onto farmers, who are passing them on to workers – especially women – in the form of temporary and sporadic employment without basic rights. According to Oxfam, pressures on South African fruit and wine suppliers include being paid below the cost of production and having to pay for promotions. The impact of this behaviour - less permanent labour and more temporary and contract labour - fall hardest on women farm workers. They become 'seasonal' workers, although they are often on contracts to work 8-11 months a year, working 11 hours a day, and losing the benefits of permanent employment²³.

Recently, ActionAid investigated conditions for South African fruit workers in its report 'Rotten Fruit'. This detailed how Tesco is pushing down prices below cost of production, forcing suppliers to rely on cheap seasonal labour, paying poverty wages, and exposing

workers, particularly women, to unacceptable working and living conditions²⁴.

Tesco makes about £1m a week from banana sales, yet all is not well in the plantations that supply them. Between January 2002 and January 2004, Tesco cut the retail price of loose conventional bananas by over 30%²⁵. In order to preserve its own margins in a banana retail price war with the other major multiples, it cut the prices paid to British importers by the same amount. The knock-on effect on plantation workers in Latin America is that they are now receiving well below the 'living wage' to which the ETI commits Tesco for all its supply chains. In another violation of the ETI, workers who join trade unions on some plantations which supply Tesco are systematically harassed²⁶.

'No company can continue to pretend to be promoting ethical trade along its supply chains when it slashes supplier prices to the point where growers who pay a living wage, treat their workforce with respect and make environmental improvements are cut out of the market.' Banana Link²⁷

The El Ceibo group, Tesco's single largest supplier of loose conventional bananas, owns nine large banana plantations in Costa Rica. The group has a well-established record of anti-union activity, and ever since it took over the two main plantations supplying Tesco at the end of the 1990's (El Ceibo I and II), it has aimed to eradicate the local agricultural and plantation workers' union SITRAP and to punish its members²⁸.

In the CSR review section on 'Managing our Supply Chain', Tesco talks about various mechanisms to improve ethical trade. Yet as the ActionAid, Oxfam and Banana Link investigations reveal, Tesco does not have sufficient investigations of their supply chains to improve ethical trade²⁹.

Fair trade in store

'Ethics are increasingly marketed as consumer choice rather than a corporate standard; fairness and justice in trading, for example, is niched as fair-trade-labelled speciality products and not main-streamed into business practice, where many would argue it should be.' Race to the Top final report 2005³⁰

Tesco has the largest range of fair trade goods in the country. Yet they sell only 91 fair trade product lines - a tiny amount in the context of the 40,000-odd product lines they sell. This means that only 0.2% of Tesco's lines are Fairtrade accredited. In November 2004 no more than 4.5% of Tesco's sales of bananas were fairly traded. Fair Trade appears to be little more than a niche market for Tesco.

There is also evidence that supermarkets have exploited customers' good will by overcharging for fair trade products³¹. John McCabe, a retail pricing expert with consultants Connect Global said *"the supermarkets know that people do not go for the cheapest product when buying fair trade because they think the extra money is helping someone in the developing world."* He accused Tesco, along with Sainsbury's and Asda, of excessive mark-ups on top of the extra that they pay suppliers.

Tesco's fair trade roses from Kenya are clearly a source of pride for the company, and prominent in the CSR review as an illustration of how the company is committed to taking *"this big step to help small producers in developing countries"*. Felicity Lawrence, in *The Guardian* in March 2005 writes that neither of the two fair trade flower suppliers, Finlay and

Oserian, could be considered 'small'. Both are multinational producers, with 4,500 and 2,500 workers respectively. The 'communities' supposedly behind the fair trade partnership, insofar as they exist at all, are not the villages or co-operatives as many shoppers paying the fair-trade premium expect, but large clusters of migrants in company-owned shanty housing, sucked into the area by work in these horticultural companies³².

Workers on these fair trade farms acknowledge that labour conditions have improved, though this is in part to do with a campaign that brought in the ETI to strengthen labour rights across the whole flower sector in Kenya. There remain serious issues, notably compulsory overtime, particularly around periods of peak demand in the West (e.g. Valentine's Day). These highlight the tension between the fair trade ethos and the current supermarket sourcing practices that often leave it to the last minute to confirm the volume of orders, making it difficult for supplying companies to plan effectively.

The invisible parts of the supply chain

The worst abuses of workers' rights in the UK are often against those doing contract labour as farm gangworkers, contract cleaners and home workers. Homeworkers mainly assemble and package retail items sold by the major UK chains in their own homes. The work is often fiddly, labour intensive and skilled (e.g. making Christmas crackers). Many work unsociable hours packing goods for overnight despatch to supermarkets, often working for well under the minimum wage. This invisible workforce consists of nearly all women and often from ethnic minorities³³.

The UK has around a million homeworkers and The National Group on Homeworking believes that homeworkers could work under good terms and conditions if retailers like Tesco had a commitment to safeguarding homeworkers' livelihoods, monitoring their supply chains effectively, and ensuring that the cost of compliance is reflected in their purchasing practices.

It is unclear how many undocumented agricultural labourers are working in the UK, but estimates vary between 100,000 and 2 million³⁴. Around 50 per cent are controlled by 'gangmasters', who operate like informal employment agencies, and who until very recently were not required to register or be licensed in any way. The supermarkets all indirectly employ such labourers along with packers and canners.

Working conditions for many of these labourers have been reported as akin to 'debt bonded labour' by Felicity Lawrence in *The Guardian*³⁵. Their working conditions and pay are reportedly sub-standard, and in practice their rights to union representation are also often curtailed. The supermarkets say that they do not benefit from the exploitation of migrant workers by gangmasters, because they pay them the going rate. Nevertheless, they have created a climate that thrives on 'flexible' working conditions which amount to insecure ones, through their ever changing specifications, seasonal and product demand. In 2003 the House of Commons Environment, Food and Rural Affairs Committee, in its enquiry into Gangmasters, scrutinised the role of major supermarkets, especially the pressure placed on all suppliers which means staying legitimate has to take its place alongside meeting demand. It noted: "*Intense price competition and the short time scales between orders from the supermarkets and deliveries to them put great pressure on suppliers who have little opportunity or incentive to check the legality of the labour which helps them meet these orders.*"³⁶

The new Gangmasters Licencing Act will hopefully remove the opportunity for supermarkets to exploit low labour standards indirectly like this. Yet the continued downward pressure on prices, exacerbated by the regular 'price wars' fought by the top stores, makes hard graft for legislation to protect workers such as home workers, and gang labourers.

Homeworkers, gangworkers and other service providers like cleaners are crucial to the operations of supermarkets. Tesco makes no mention in its CSR review of its relationship with these unseen workers, who are often the most vulnerable to exploitation.

Tesco workers

Working in Tesco stores can be a low-pay option too, and conditions are often demanding and physically challenging. Tesco is even trialling a scheme to stop workers' sick pay on the first three days taken off. As it stands, statutory sick pay only kicks in after the first three days when the company can claim about 80% back from the Government. According to Rakesh Patel of union law firm Thompson's, *"If a company does not pay anything for the first three days, that will probably be why"*³⁷. Tesco has claimed that workers have called for the scheme because they are tired of covering for sick colleagues, but Asda has also cut sick pay. There is no mention of the trials in the CSR review.

In the February 2005 edition of *The Ecologist*, Kevin Harrison, a former lorry driver for Tesco, recounted the cost of driving Tesco's cheap food across Europe³⁸. He said, *"Every time I loaded [Tesco frozen chicken] at the producer in central Europe, the truck was overloaded. My truck was soon five tonnes over its 40-tonne [gross weight]...a normal load was 20 tonnes, so effectively Tesco got one free load every four loads that were carried"*. Overloading lorries not only damages road surfaces, at a cost to the taxpayer, but also compromises braking capabilities.

Tesco claims to create more jobs but the figures do not add up. In 2004, UK small grocery shops had a turnover of around £21 billion and employed more than 500,000³⁹ whilst Tesco, with a £29bn turnover, employed just 250,000 people⁴⁰. As retail sales grow, retail jobs have not grown so fast.

When Tesco announce annual worker 'bonuses' they fail to mention this is related to earnings. As one ex employee put it *"[it] was kind of a running joke ,customers would come in to stores about this time every year and congratulate the staff on our wind fall...[but] it is directly related to the amount of money the member of staff will earn working for Tesco ,so the rich get richer and the average checkout girl gets a big sack of peanuts"*⁴¹.

Tesco and communities

"A Tesco store increases choice and doesn't mean that local businesses will suffer" Tesco and Market towns' leaflet

"Beverley didn't need Tesco, it was already a prosperous town. Tesco came to plunder not regenerate. They came to take money out of the economy of an already thriving and wealthy market town". Richard Wilson, retired lecturer, Beverley

More than 13,000 specialist stores, including butchers, bakers, fishmongers and newsagents, closed between 1997 and 2002, leaving many communities without accessible shops and services⁴². Recent statistics reported by the Association of Convenience stores

show that the loss of independent shops has accelerated to alarming rates with nearly 2000 closing over the last year alone⁴³. Further loss of choice and services are inevitable unless retail diversity is protected in the high street.

With its enormous share of the grocery retailing market, Tesco can secure low prices and exclusive deals with their suppliers. Their buyer power is considered to be distorting competition to a worrying degree⁴⁴. Londis, the national cornershop brand, has admitted that it is cheaper to buy brands from Tesco and resell them than to get them from its wholesalers,⁴⁵ and Musgrave, which owns Budgens, claims that Tesco buys from wholesalers 11.5 per cent cheaper than independent retailers. With its low wholesale prices, the widespread perception that it is a cheap supermarket, its size, range and other amenities such as cafes and car parks, most other local retailers find it almost impossible to compete on what is not a 'level playing' field.

A good case for Tesco?

Tesco argues that they act as a *“magnet for market towns, keeping people shopping locally”*. They cite a study by independent planning consultants of its new store in Beverley, North Yorkshire, where the, as yet unavailable, study found that two thirds of Tesco's customers also visit other stores in the town centre. Yet two years after Tesco opened the 6,500m² supermarket on the edge of Beverley town centre, with an additional in-store bakery, cafe, pharmacy, housewares and electrical goods as well as the usual food and drink aisles, against significant local opposition, four small retailers – a health food shop, toyshop, a kitchen goods shop and a card shop - have already closed down.

Addressing Tesco's claim that their edge-of-town stores act as 'magnets' for other local shops, Rab Smith, from Dumfries Retailers Association, where Tesco opened a store in August 2004, argues that while local stores may still attract customers for the more specialist products that Tesco does not sell, Tesco sell all the 'best sellers' cheaply. These 'best sellers' are vital to small retailers as they provide substantial and reliable sales. As one record shop owner in Dumfries puts it *“The new Tesco in Dumfries now sells chart music cheaper than me, so people now only come to me for the rare stuff and the staple 35% of my income from the chart music, has disappeared”*.

“Tesco has hit the town really badly. My turnover went down 50% the day it opened. The local Co-op is now a funeral parlour, the baker's has become a Chinese takeaway restaurant and the butcher has had to go into wholesaling to survive. But I am determined to keep going”. Nigel Dowdney, runs Stalham Shopper⁴⁶

Threat of a Tesco

“Why do the planners want to fix something that isn't broken? We are a thriving rural economy...It seems that the only people who will benefit from Tesco coming to Castle Douglas is Tesco, who want to reorganise retailing in Dumfries and Galloway for their own convenience rather than anyone else's”. Alistair Livingston, local campaigner

Five years ago, Castle Douglas decided to market itself as a 'Food Town', a concept set up to celebrate and reaffirm the town's vibrant local economy with around 80 independent shops providing a wide range of products including many food shops selling local produce, including some with their own farms and fishing boats. It also has a large Co-op, but unlike

nearby Dumfries, no Tesco. Castle Douglas is the main driver of the local rural economy. Tesco applied to build a store and petrol station on the edge of town, pulling out all the stops to persuade the local population that it would be good for Castle Douglas, yet 1200 locals signed a petition against the store. Local retailers also feared that Tesco will affect their seasonal trade. Local resident Marion Doherty commented, *“People say that we will still get the customers, but we are pretty sure we won't get the tourists in the summer. They will see Tesco first thing as they come into the town and not bother to come down. Tourists coming to stay in the caravans and chalets only want to come in once for a weekly shop”*.

Yet in April 2005 the county Planning and Environment Committee gave final planning permission for the Castle Douglas Tesco. The three councillors who voted against the approval were Dumfries Councillors who already had experience of the Tesco Dumfries and recognised the damage that the store could do to Castle Douglas' much loved Food Town status.

“People who say that it isn't going to affect the food town are being complacent – you can't re-establish a family butcher once it's gone. The Food Town is about supporting something that already exists and is worth celebrating”. Jimmy Craig, Ballards the Butchers, Castle Douglas

Is Tesco cheaper than other stores?

Local retailers also suffer because there is a perception that Tesco is cheap. When Tesco Express opened opposite Fitz's General Store and a parade of five shops in Moreton on the Wirral, its owners, the Fitzpatricks, saw their sales plummet despite the fact that the Tesco Express, with its convenience store prices, was actually more expensive than their store on fruit and vegetables and even so-called 'loss leaders' like bread and milk⁴⁷.

There is little evidence to suggest that Tesco is cheaper across the range than local stores. Detailed investigations by both the *Sunday Times* and ITV's *Tonight with Trevor McDonald* revealed a picture of ambiguous pricing where customers are often seeing strong messages about 'price slashing' and discounts whilst the actual prices of most produce in the store are being maintained or rising⁴⁸.

Tesco has also engaged in a form of price flexing, using non specific promotional vouchers to compete in local markets. The Association of Convenience Stores recently highlighted three local instances of Tesco using large discount vouchers (ranging from £8 off for £20 spent to £10 off for £30 spent). Local shops cannot hope to be able to offer such discounts. Such activities, threatening local competitors so effectively, should be banned as anti-competitive⁴⁹.

More power than councillors

“They are too big and powerful for us. If we try and deny them, they will appeal, and we cannot afford to fight a planning appeal and lose. If they got costs it could bankrupt us”. John Sweeney, leader of North Norfolk District Council⁵⁰

On paper, there are grounds for local authorities to refuse permission for a new supermarket, but more often than not Tesco succeeds. In the case of Sheringham, North Norfolk, Tesco has taken eight years to win approval against a determined campaign. In

many cases, Tesco prepares the ground, purchases land, makes agreements with council officials and gains local support well before it seeks planning permission which is then hard to refuse.

Often local regeneration is seen as a way in. Tesco's 'Regeneration Partnerships' claim to work with other 'stakeholders' to go into 'less attractive areas' for the supermarket chain and create jobs amongst the long-term unemployed. Yet dependency on one store which may have destroyed any other options does not necessarily provide sustained employment nor broad training opportunities⁵¹.

"These guys are professionals and are in for the long haul. They have plenty of experience from around the country in winning planning permission – from PR campaigns in the local press to planning experts and expensive lawyers. What can we, a bunch of amateurs, do to stop them?" A local resident in Shaftesbury, a Dorset market town which saw a campaign against a Tesco development⁵².

In reality, communities often find themselves losing out when a store moves in...

- In Hodge Hill, Birmingham, the city council is currently proposing to sell off part of a playing field to Tesco⁵³.
- There is a significant threat to post offices since Tesco acquired the T&S convenience store chain, as the new Tesco Express format often means closing 'in-store' post offices leaving local communities without easy access to a post office. This has hit the elderly and infirm the hardest. From Swindon to Sittingborne, Taunton to Witney, in-house post offices have been closed by Tesco. In Hampton recently, despite strong reassurances in the past, Tesco has announced the closure of the post office it houses in its store.
- As a result of Tesco taking over two convenience store chains, residents living near these shops are having to get used to multiple, noisy, polluting 'Just-in-Time' deliveries. In Kew, residents near a local store converted to a Tesco Express hear deliveries from 6am to 11pm, which also block streets and cause local pollution⁵⁴. Libby Mitchell, a local resident, stated that *"The noise is constant and the traffic has changed completely"*⁵⁵.

The New Economics Foundation recently published their 'clone town' Britain survey, which describes the process of decline in diversity and choice for shoppers once big chain stores get hold of a high street⁵⁶. With Tesco plans to open more than 100 new stores in 2005 alone, the potential for 'clone town' spread is high.

Tesco and the environment

Climate change gases

Tesco makes much of its commitment to reduce its CO₂ emissions, although these efforts are small, just 2 per cent reduction in 2003-2004 despite the financial incentives and Government grants received, and the supposed cost efficiencies. Tesco claims it has reached a 35 per cent reduction between 1997 and 2005, but it failed to achieve its target of 4.2 per cent for 2003 because of unexpectedly high sales growth, a dilemma which one can only imagine they hope will continue⁵⁷.

In the 118 stores (6 per cent of their total, and not including warehouses) involved in the emissions trading scheme, expansion in sales space has cancelled out any carbon credits

obtained from increasing energy efficiency. Studies suggest that Tesco use nearly double the energy (4.3 GJ/m²/yr) of the industry average (2.4 GJ/m²/yr) in sales space alone⁵⁸. They have also reduced spending on energy efficiency schemes from £6 million in 2004 to £3.7 million in 2005.

It is hard to see how Tesco will achieve the reductions that it aspires to. Despite some energy efficiency increases in the freight fleet Tesco run, as sales have grown then absolute transport use with resulting pollution, congestion and road use must also be growing at a similar rate of around 6.3%. When stores open they generate more traffic. Roughly one in ten car journeys are to buy food⁵⁹, and the CO₂ emissions generated by shopper miles may equal those generated by the food freight within the UK⁶⁰. In many of the case studies we have seen where a new Tesco has moved in, such as Beverley and Hove, Tesco has provided ample car parking and claims to have generated new trade to the area. There is no evidence to support this claim as yet. In a recently rejected application in Unthank, Norfolk, it was the threat of congestion and accidents that swayed the council against the Tesco store⁶¹. Not increasing energy use in new stores in countries such as Poland, Hungary, Thailand and South Korea will be a challenge where local stores are generally much smaller, use local suppliers and do not have car based shoppers.

Tesco transports millions of tonnes of food and non-food products around the world by sea, road and air freight, and supports industrial agriculture which is highly fossil-fuel intensive. One study estimates that the contribution of the UK food chain to climate change is a massive 22 per cent of total UK greenhouse gas emissions⁶². The lorries of seven of the biggest UK supermarket chains travel 408 million miles a year, of which Tesco's lorry miles are a significant proportion⁶³. In addition, research suggests that 20 per cent of vehicle-kilometres are run empty. Whilst laden, on average only about 70 per cent of vehicle deck areas were used which means in reality only 56 per cent of the journeys carry food⁶⁴.

People can significantly reduce their greenhouse gas emissions by switching to eating locally produced (within 20km radius), fresh and in-season products⁶⁵. However, evidence from Friends of the Earth illustrates that the supermarket is not best place to source these products⁶⁶. Even locally-made products will have travelled across the country to a distribution centre and back before reaching the supermarket shelves.

The large, shed-like buildings used to house supermarkets are extremely energy inefficient - the most inefficient in the retail/light industrial sector⁶⁷. In general, the emissions from supermarkets compare very badly to those of other food businesses: it would take more than thirty corner shops and greengrocers in a town to match the CO₂ emissions from a single average size superstore⁶⁸.

Packaging and waste

Tesco says it has reduced packaging waste in its internal systems and introduced degradable bags "*in many of our stores*", but it still generates a huge amount of packaging waste which ends up in landfill sites via its customers' bins. The six biggest supermarkets in the UK distribute 15 billion plastic bags, destined for landfill⁶⁹.

Grocery packaging makes up roughly a quarter of all household waste⁷⁰, much of it plastic of which only about 7 per cent is recycled in this country. Yet Tesco says nothing about reducing packaging sold to consumers. Details of the food waste from Tesco stores is not

easy to find, but one source suggests that a single store may spend £10,000 a week getting rid of food waste⁷¹.

Pesticides and organic food

Tesco sources its products according to its 'own-brand' Nature's Choice set of standards for its suppliers. Tesco says it works with suppliers to keep pesticide use to the minimum required, yet it refused to sign a Friends of the Earth pledge to take action to deal with risky chemicals. In fact it didn't even bother to reply to a questionnaire on this issue. Friends of the Earth's analysis of government data on Tesco from 1998 to 2002 showed that Tesco had made no overall reduction in pesticide residues in its food⁷².

While Tesco claims to be sourcing many of its organic products in Britain, a recent survey by The Soil Association showed it imports half its organic pork and over half its organic beef. UK-reared organic pork has to reach higher animal welfare standards than in other countries, which sometimes makes it more expensive⁷³.

In addition, one study has exposed how UK supermarket chains overprice organic goods⁷⁴. A basket of vegetables bought in a selection of farm shops were found to be 63 per cent more expensive in Tesco.

GM foods still in store

Whilst over the last six years the major UK supermarkets have caved into consumer pressure to remove GM ingredients from their own-brand products, the one area where they have been resistant is in continuing to sell dairy and meat products from animals fed on GM cattle feed (maize and soya). Tesco specifically persists in selling dairy, lamb, beef and pork from animals fed on GM cattle feed, blaming the farmers *"who tell us that to extend the range of meat we sell from animals fed on non-GM at this time would put immense pressure on them"*. Farmers cannot move on this issue because Tesco pays them so little for their product, so they are forced to feed their cattle on low-cost high-protein imported GM soya and maize⁷⁵.

Tesco and deforestation

Palm oil is a vegetable oil found in over 1,000 products sold by Tesco, from cooking oil to lipsticks. It's an invisible ingredient but the impacts of its production are anything but. Palm oil plantations are now the biggest cause of rainforest clearance in Indonesia and Malaysia and millions of hectares of rainforest are set to be converted into new palm oil plantations, threatening some of the most wildlife rich forests in the world. The orang-utan and the Sumatran tiger are two of the species at risk. In Indonesia, palm oil is also the most conflict-ridden economic sector and has been linked to numerous cases of human rights abuses, including murder and torture. Palm oil is also the most polluting rural industry in Southeast Asia⁷⁶.

As the UK's biggest and most profitable retailer, Tesco should take action to trace the palm oil in its products and ensure it comes from independently verified sustainable sources⁷⁷. In February 2005 we asked them to agree minimum standards, trace palm oil and join a roundtable on sustainability in palm oil. They have refused to do any of these things.

Conclusion

Tesco's rhetoric throughout its own CSR report and in its general literature is that 'no-one tries harder for our customers'. For Tesco, what the consumer wants, or is perceived to want, is what Tesco will provide, and this strategy has been key to its business success since customer needs are, in reality, merely a means to an end. Behind the customer lies the shareholder whose needs must ultimately take priority.

This briefing has attempted to show that by scratching below the surface of Tesco's PR, it is easy to find numerous voices raising a myriad of genuine concerns which seem to be ignored and dismissed by Tesco. These are not just small concerns, but big concerns about the future of our society and environment. Tesco is not merely responding to customer demands, but is clearly and actively 'shaping' society: from moving into high streets or edge-of-town sites where it is not necessarily wanted, to organising its supply chain to service its needs, rather than the wider needs of the environment, suppliers and society as a whole. Its 2005 Annual Report also celebrates the expansion of Tesco worldwide, and how it is successfully adapting its model of operations to become the market leader in several countries. The UK Tesco takeover experience is set to be felt elsewhere.

Many civil society groups that have worked with Tesco on voluntary initiatives over the last few years agree with Friends of the Earth that regulation is the only way to tame the supermarket sector. We need:

- More robust planning policies to protect town centres and high street shops including a cap on retail floorspace.
- A much stricter code of practice to ensure that suppliers in the UK and overseas and along the whole chain are treated fairly, and which covers sustainability, labour and health standards.
- A supermarket watchdog to ensure that the grocery market is operating in the interests of consumers, farmers and small retailers.
- An immediate investigation into the Tesco monopoly position and a moratorium on Tesco taking over any more shops including convenience store chains.
- Enlargement of competition policy to address impacts on suppliers (not just consumers) to prevent misuse of buyer power.
- A market study by competition authorities to examine the wider effects on society of the over-concentrated retail sector with a view to presenting policies to address market share.
- Corporate accountability legislation which makes companies accountable for their effects on communities and the environment worldwide.
- To revisit the case for international commodity agreements for products such as palm oil and bananas to ensure fair play and sustainable production and trade.
- Development of codes on buyers' activities for international supply chains.

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