

**Aberdeen City Licensing Board
Consultation on off-sales licensing in Aberdeen**

Aldi Stores Limited, Holly Lane, Atherstone, Warwickshire, United Kingdom, CV9 2SQ

Aldi are grateful for the opportunity to respond to the Aberdeen City Licensing Board's consultation on its proposal to establish an interim overprovision policy for off-sales premises. The Board is to be praised for its engagement with stakeholders in the development of its policy especially given licensing's very real impact on all members of the community from the citizens of Aberdeen to retailers and leisure operators.

Background:

We wish to give the Board some background about Aldi and our mode of operation given that Aldi currently two premises licences in your jurisdiction (please see undernote). Aldi is of the view that it may be helpful for the Board to understand the wider value and benefit of responsible well run retail premises both within the Board's area and across the Scottish economy as a whole. Unfortunately, it has been our experience that in some areas an overly simplistic view has been endorsed, namely, all off-sales premises have a negative effect. It is our respectful opinion that this is simply not the case.

Since opening the doors of our first store in 1913, we have established ourselves as one of the most reputable retailers in the world, as evidenced by being awarded many accolades such as being Which? Best Supermarket of the Year Award 2009, 2012, 2013 and 2015; Grocer Gold 2017 Employer of the Year; Netmums Best Supermarket of the Year 2017; Good Housekeeping Food Award 2017; Fresh Awards Multiple Retailer of the Year 2017.¹ Furthermore, Aldi has once again been named by Which? as Britain's favorite supermarket in 2018.²

Our aim remains to provide our customers with good quality products at a fair price.

Aldi has 762 stores in the UK and we believe that these stores make a positive contribution to local communities, complementing existing retailers and providing a range of benefits in the local area.

Aldi in Scotland:

In Scotland, Aldi currently operates 78 stores and we wish to expand that portfolio to have over 100 stores throughout the country by 2020. Through all of these stores, we showcase the best food and drink that Scotland has to offer.

We stock more than 350 every day Scottish products and work with over 80 Scottish core suppliers. 22 % of our sales in Scotland come from products sourced from these suppliers. All of Aldi's fresh (everyday) meat is either Scottish or British sourced. Where possible, we source Scottish fruit and vegetables and we work sustainably to build long term relationships and share expansion plans with growers. By doing so Aldi supports Scottish farmers, producers and manufacturers, and helps grow the value of Scotland's food and drink industry. We currently work with various suppliers in the Aberdeen area and these suppliers cover a range of different products from fresh and frozen meat and game, both seasonally and as a core product, to ready meals and preserved foods. We are responsible for £244 million in gross value added contribution ("GVA") to the gross domestic product ("GDP") from working with Scottish suppliers and we contribute £169 million in GVA to the GDP through selling Scottish products in our UK

¹ <https://www.aldi.co.uk/awards>

² <https://www.standard.co.uk/news/uk/aldi-crowned-uks-favourite-supermarket-after-knocking-waitrose-off-top-spot-a3764301.html>

and Irish stores.

We are a major contributor to the Scottish Economy. In 2016 we contributed over £380m to the Scottish economy by way of our retailer operations (£127m); £75m through sales of Scottish sourced products in Scottish stores; £169m through selling Scottish products in Aldi's UK and Irish stores; £9m taxes on product. Our total tax contribution was £27.4m.

In 2017, we employed 2400 people in Scotland (an increase from 242 employees in 2005). We support 9000 jobs - for every one Aldi job, 3.75 jobs are supported in the wider Scottish economy.

Limited range:

Aldi's trading philosophy is based on simplicity and maximum efficiency at every stage of the business, from supplier to customer, enabling us to sell high quality products from a limited range of exclusive own labels at competitive prices.

A key part of this approach is our "limited range" approach to the stocking of goods. We restrict the range to about 1,700 core products which allows us to create operational efficiencies that creates savings to be passed to customers.

This limited range is reflected in our alcohol range. We do not operate multiple aisles of alcohol, instead it is a relatively small area for the size of store that we typically operate.

This is evidenced by the fact that in many of our stores, we have a "seasonal" component to the alcohol display that is online between 24 November to 9 January each year. This extra space is designed to accommodate Christmas lines, including Port, Glühwein etc. we do not need this space most of the year only applying for what we need without "banking" space and we feel demonstrates our responsible approach to retailing.

Aldi in the Community:

We see ourselves as very much a part of local community. As a responsible business we want to make a positive contribution to the community by applying our skills and resources beyond just our stores. To this end we support charities and also operate our own schemes that make a positive impact on the community.

Aldi are proud to operate the Scottish Sport Fund, a Scotland-wide community-based sport programme to make it easier for children to take part in sports within their local communities by giving clubs the chance to secure up to £500 of funding.³

As Official Supermarket Sponsors of Team GB, the Scottish Sport Fund will be a lasting legacy of Aldi's commitment to help young people take part in physical activity within their local communities..⁴

The Aldi Scottish Sport Fund is open to any sporting organization in Scotland with a local, community focus and with Sport at the heart of what they do. As Aldi is growing in Scotland, our goal is to increase the positive impact we have on the local communities that have supported us. We want to help as many sports clubs as possible, so each club has the opportunity to apply for a £500 share of the total fund. In 2016, we donated £40,000 to clubs from every corner of Scotland, before increasing our budget to £50,000 for 2017. We are pleased to announce that the Aldi Scottish Sport Fund will be returning in 2018 for its third year and we expect to support 100 clubs across Scotland to invest in facilities or to help fund transport and

³ <https://www.aldi.co.uk/scottishsportfund>

⁴ <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11953908/>

expenses to make local sports projects possible. We hope to continue for many years to come.

Since 2012 we have donated food to vulnerable people through our work with FareShare, a registered charity that redistributes surplus food to local charities throughout the UK. This includes care shelters, women's refuges and children's breakfast clubs. Between June 2015 and June 2016, we donated the equivalent of over 216,000 meals and we also provide food to smaller charities.

From January to August 2017 we donated 50,000 meals in Scotland, with an expected 2017 total of around 100,000 meals.

We have also provided food to other smaller community charities in Scotland through programs such as 'Community Café' which donates resources to community cookery classes and 'Supermarket Sweep' which donates cash to local community foodbanks. We donate any fresh produce which is not fit for human consumption to 5 Sisters Zoo and have donated over £37,000 worth of fruit and vegetables which would otherwise have gone to waste in 2017.

Aldi also has a partnership with the RSPB to help promote the importance of safeguarding the environment. We currently charge 5p for single use carrier bags. Some of the profits generated from Aldi's single use carrier bag sales are donated to the RSPB and we are proud to support both education and wildlife. Aldi and the RSPB are working together to give children the opportunity for hands-on learning experiences and ability to connect with nature by implementing various initiatives and running competitions. We have donated £775,000 from the sale of carrier bags and the RSPB's Connecting Children with Nature project has allowed over 50,000 children to enjoy more than 25,000 hours of fun, exciting and educational nature experiences in 15 cities across Britain. The funding is expected to reach over £2m in 2018.⁵

We've also committed to removing confectionary and sugary drinks from till points, checkout aisles and areas around checkouts. As part of our "Healthier Tills" policy, we stock healthier options including dried fruit, nuts, juices and water around our checkouts.

Employment opportunities:

Each Aldi store directly employs around 30 members of staff and where possible these positions will be filled by people from the local area. These jobs range from store staff to management positions. In 2017, we set a new market leading rate of pay for employees in the UK of at least £8.85. per hour (£10.20 in London), significantly more than the Government's Living Wage.

Aldi also has an industry leading Apprenticeship Programme and apprentice scheme – a 1 year contract following NVQ and a 2 year management trainee scheme. In November 2017 we were ranked the 14th overall best employer on Rate My Apprenticeship.co.uk with no other supermarket ranking within the top 30. The programme was launched in the UK in 2011, with over 1000 apprentices taking part since then, making us one of the largest retail programmes within the UK. With apprentice hourly rates starting at £6.00 per hour and rising to £8.90 per hour, it is a very attractive career option for younger people.

In Scotland we currently have 88 apprentices, with 10% in our Northern region, 36% in East and 53% in the west. In October 2017, 17 apprentices graduated from our three-year programme. 15 went into a management position and two secured an Assistant Store Manager contract.

Alcohol:

⁵ <https://www.rspb.org.uk/our-work/rspb-news/news/401237-rspb-partner-with-supermarket-aldi-to-connect-more-than-half-a-million-children-with-nature>

Aldi is a socially responsible retailer and we take our obligations to uphold the licensing objectives, in particular promoting public health, very seriously. Our staff training in relation to alcohol sales, goes beyond legal minimum in terms of content and regularity; we abide by Portman Group's Code of Practice on naming, packaging and promotion of alcoholic drinks. We provide a wide variety of lower strength alcohol drinks and we do not sell alcopops or caffeinated tonic wines in any of our stores. Additionally, we do not stock high strength ciders or beers (above 7.5% ABV) within our core range and we are members of the Retail of Alcohol Standards Group which maintains the "Challenge 25" scheme.

We are very strong supporters of local Scottish brewers with an incredible 42 products on sale as part of our core and seasonal ranges. In addition, we have three festivals per year, which are supported by Scottish Food and Drink allowing us to showcase a wider range of Scottish beers and ales. We actively display the unit information, Drinkaware website and pregnancy warnings when advertising alcohol on our company website.

Supporting new communities:

Aldi notes that in recent years Aberdeen City has seen a high number of new build housing starts and completions.⁶ We further note that there is an overarching plan with the involvement of the City Council to support the building of 2,000 homes by 2022. It is important that these new communities have the amenities to support them such as supermarkets. We would respectfully submit that the close proximity of a supermarket will add to the attractiveness of a housing estate and help ensure its viability. It strikes Aldi that potential house buyers may shy away from an area that lacks local amenities. A retailer, such as an Aldi, may act as an "anchor" tenant that will attract local and national businesses to open around it thereby bringing additional investment and employment.

Response to questions posed in Board's consultation

Aldi is of the view that the questions posed at points 1 and 2 are very much matters for the Board to determine having considered the relevant material. Hopefully the answers submitted below for the Board's consideration are useful.

3. If the Licensing Board determine there is overprovision, do you think there should be any exceptions to this policy under the following licensing objectives...

Aldi would respectfully submit that there should be an exception to this policy with reference to the licensing objective of protecting and improving public health. Aldi respectfully submits that consideration should be given to the regeneration and other benefits that a licensed premises could bring to an area in the context of the Licensing Objective of Protecting and Improving Public Health. As noted within this submission, a new Aldi store will create approximately 30 jobs, as well as directly related construction and ancillary jobs, in the local area. These jobs include market leading terms and conditions as well as quality training.

In bringing the employment benefits to the Board's attention, Aldi notes that the Waddell and Burton report, *"Is work good for your health and well-being?"* recognises the "strong association between worklessness and poor health" as well as there being "strong evidence that unemployment is generally harmful to health".⁷

It may interest the Board that setting out an exception to an overprovision policy based on the licensing objective of protecting and improving public health is not entirely novel. West Dunbartonshire Licensing Board have had an almost Board wide overprovision policy however the policy does set out matters that the Board may consider as potential grounds to rebut the

⁶ <http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildAllSector>

⁷ <https://www.gov.uk/government/publications/is-work-good-for-your-health-and-well-being>

presumption against grant, namely, job creation.⁸ This acknowledgement, within the body of the policy, of matters which may find favour with the licensing board is a comfort to applicants and provides encouragement for potential inward investment. It is important to note that this approach by the West Dunbartonshire Licensing Board has been approved by the court in the case of *Martin McColl Limited v West Dunbartonshire Licensing Board*.

Aldi are of the view that the development of, for example, a derelict site can be beneficial to the local community. The built environment has been found to affect a range of behaviours that can have an influence on health and improvements to physical characteristics of a neighbourhood can have a positive impact on health.

4. Do you have any other comments on off-sales overprovision?

Aldi appreciates that the Board will be an early stage with the development of an updated overprovision policy. We thought it would be useful to provide the Board with some context as to the possible impact of an overprovision policy on Aldi from the retailer and, hopefully, the customer's perspective. For the avoidance of doubt, Aldi is supportive of the Government's efforts to combat alcohol misuse. Aldi consider themselves to be a responsible retailer and have a real emphasis on due diligence (e.g. 32 CCTV cameras, staff training over and above the statutory minimum, upskilling of staff through personal licence training and a risk assessed security presence) and we therefore hope that the Board interpret our comments in that context.

However, Aldi are concerned that the expansion of the Board's overprovision policy may possibly restrict its expansion and operation in Aberdeen. Aldi has identified the Aberdeen city area for potential expansion and is actively assessing the viability of new sites. The abovementioned residential development, in Aberdeen and surrounds, being a significant factor in our thinking. The effect of designating an area as one of overprovision will thereby introduce a presumption against grant which will be a material factor for us when determining whether to invest in Aberdeen. Given that planning permission is a pre-requisite for making a licence application, this requires Aldi to make a substantial investment prior to knowing whether they will secure a liquor licence. That investment can run to tens of thousands of pounds. As well as the impact on the potential of opening new stores; overprovision may adversely impact on investment for refurbishments of existing stores whereby new fixture and fittings may increase the alcohol display area thereby also activating overprovision.

Although alcohol is very much ancillary to our overall offer, our business model is predicated on being able to offer customers a full range of products. The commercial disadvantage that would be experienced by a new supermarket, unable to offer alcohol as part of a "full basket shop", cannot be underestimated. The availability of alcohol in an existing competitor store gives a prospective customer a reason to choose to shop there. The convenience element of being able to buy the "full basket" from a competitor, provides unfair commercial advantage. A new store would not therefore be viable with a restricted range.

Our position is that unlike other new entrants into the market, many of our new stores are planned for areas that would benefit from a provider of high quality fresh produce at a competitive price. Kantar World Panel stats show that across every demographic, fresh fruit and veg is the main component of the shopping basket with fresh meat following close behind it. When looking at total alcohol sales: beer accounts for 2%, spirits 2% and wine 6-7% and about 18% of the total spend.

While we appreciate that the Licensing Board considers each case on its own individual merits, the presumption against grant makes justifying initial investment for potential new stores very difficult. While Aldi appreciates that the grant of a premises licence is always within the gift of the licensing board, it cannot routinely commit extensive funds to negotiating the acquisition of

⁸ http://www.west-dunbarton.gov.uk/media/3181389/licensing_policy_statement_november_2013_2016.pdf

a site, applying for planning permission and thereafter seeking a licence in an area of overprovision, i.e. where there is a presumption against grant.

As noted above substantial investment (contracts, planning permission etc) must be made by a prospective applicant prior to lodging a licence application. Accordingly if there was a decision by the Board to designate overprovision it would be desirable if the Licensing Board narrated in their policy the positive factors that they would take into account when determining whether to overturn the presumption against grant. We would submit that this is lawful given the recent amendments to section 7 of the 2005 Act so that licensing boards "*may have regard to such other matters as the Board thinks fit...*".

We would also suggest that the Licensing Board bear in mind the technological and retail advances that have taken place since overprovision was introduced. A customer can now order alcohol to be delivered to their home via their computer or phone. This alcohol can be dispatched from anywhere in the world completely unaffected by a finding of overprovision with a geographic area. Such operations do not bring the same benefits to the local area as a retail store. Board-wide overprovision would penalise retail stores and alcohol would remain available.

Aldi notes that the Board on considering an application will – quite properly – assess overprovision on an application by application basis. This assessment involves the Board, having heard submissions from the applicant, identifying the relevant locality. The Board will then have regard to the number and capacities of the premises within the relevant locality. We respectfully suggest that this approach is set out in the revised Policy along with the factors and type of issues the Board will take account of when determining whether overprovision exists.

Conclusion:

Aldi hopes that this consultation response provides some context to its operation and highlights the benefits that retailers, such as Aldi, can bring to Aberdeen through the creation of jobs and accessibility to affordable fruit and vegetables. In short, such benefits brought about by responsible retailers may contribute towards reducing wider health inequalities in the long term.

UNDERNOTE REFERRED TO:-

1. Unit 9-10 Beach Boulevard Retail Park, Links Road, Aberdeen, AB24 5EZ (AC0136)
2. Forresterhill Road, Cornhill, AB16 5HL (AC0335)