

DÁIL ÉIREANN

AN COMHCHOISTE UM POIST, FIONTAIR AGUS NUÁLAÍOCHT

JOINT COMMITTEE ON JOBS, ENTERPRISE AND INNOVATION

Dé Máirt, 22 Deireadh Fómhair 2013

Tuesday, 22 October 2013

The Joint Committee met at 1.30 p.m.

MEMBERS PRESENT:

Deputy Dara Calleary,	Senator Feargal Quinn.
Deputy Áine Collins,	
Deputy Michael Conaghan,	
Deputy Seán Kyne,	
Deputy Anthony Lawlor,	
Deputy John Lyons,	
Deputy Jonathan O'Brien,	

In attendance: Deputy Peadar Tóibín.

DEPUTY DAMIEN ENGLISH IN THE CHAIR.

BUSINESS OF JOINT COMMITTEE

Business of Joint Committee

Chairman: Apologies have been received from Senator Mary White.

I welcome Deputy Mick Wallace as a new member and thank Deputy Tom Fleming for his contribution during the time he was a member of the committee. Neither Deputy is present, but I shall record my sentiments. I confirm that Deputy Mick Wallace is joining the committee.

Deputy Anthony Lawlor: He will add a bit of colour to it.

Chairman: Exactly. We will now go into private session to deal with some housekeeping matters.

The joint committee went into private session at 1.40 p.m. and resumed in public session at 2.10 p.m.

Scrutiny of EU Legislative Proposals

Chairman: Let us deal with proposals under Schedule A and Schedule B. There is one EU proposal listed under Schedule A and 11 proposals listed under Schedule B for decision. Therefore, I propose that we deal with Schedule B first.

The proposals listed under Schedule B are as follows: COM (2013) 227, COM (2013) 309, COM (2013) 444, COM (2013) 477, COM (2013) 564, COM (2013) 569, COM (2013) 573, COM (2013) 575, COM (2013) 583, COM (2013) 604 and COM (2013) 652. It is proposed that they do not warrant further scrutiny. Is that agreed? Agreed.

The proposal listed under Schedule A is COM (2013) 471 which calls for a directive on the harmonisation of the laws of the member states on making pressure equipment available on the market. As this is a proposal to align existing EU legislation which is supported by Ireland, it is proposed that the proposal does not warrant further scrutiny. Is that agreed? Agreed.

Business Closures and Job Losses: Discussion with National Off-Licence Association

Chairman: The next item on the agenda is a discussion with the National Off-Licence Association on the significant number of business closures and job losses in the sector and proposed solutions to address the losses.

Senator Feargal Quinn: May I declare an interest? As the young man Mr. Jim McCabe is a nephew of mine, I ask the Chairman to go easy on him.

Chairman: I welcome Ms Evelyn Jones, chairperson, Mr. Jim McCabe, spokesperson, and Mr. Andrew Kinsella, from the National Off-Licence Association, Mr. Terry Pennington, commercial director UK and Ireland at Santa Rita Estates, and Ms Christine Smith, financial controller at Mackenway Distributors, to discuss the significant business closures and job losses in the sector and proposed solutions to address these losses.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by ab-

solute privilege in respect of their evidence to the committee. If witnesses are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. I remind members of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. I invite Ms Evelyn Jones to make a presentation to the committee on the significant business closures and job losses in the sector and any proposed solutions.

Ms Evelyn Jones: I thank the Chairman and members of the committee for the invitation to appear before the committee to brief it on the issues facing independent off-licences in Ireland. My name is Evelyn Jones. I am the chairperson and owner of an off-licence. I am accompanied by my colleague Jim McCabe, national spokesperson for the National Off-Licence Association, NOffLA, who is also the owner of an off-licence; Mr. Terry Pennington, commercial director UK and Ireland at Santa Rita Estates, who has kindly flown back from Chile for the meeting; Mr. Andrew Kinsella, formerly the owner of Bin No. 9 off-licence, which ceased trading in 2012, and Ms Christine Smith, financial controller at Mackenway Distributors, a wholesale group. The reason for such a diverse panel is to show members of the committee the co-dependence among the various sectors of the alcohol trade and how the closure of an off-licence can have a negative impact on the business of others in the supply chain.

The producer - in this case, Mr. Pennington's firm - makes wines in Chile and Argentina. In terms of costs involved in the production of wine, these include maintenance of the winery and vineyards, the vineyard workers, the winemakers, the wine itself, the bottles, corks, labels and boxes and the merchant costs for transporting it from South America to Ireland. The wholesaler, represented here by Ms Smith, takes delivery of the wine and pays for its storage until it is sold to restaurants, off-licences, pubs and hotels. The wholesaler employs warehouse, sales, delivery and accountancy staff. It is also the wholesaler who pays the duty to customs and excise and, by necessity, this is highly regulated. The off-licence employs store, sales and accountancy staff and is permitted in law to be open for 78.5 hours per week. It is the final link in the chain between the consumer and the vineyard in South America. The cost of all the jobs outlined must be met by sales revenue. All of the costs I have just outlined must be covered by alcohol sales. If that bottle of wine is retailed at €10, including VAT, then only €4.96 is left after taxes to cover all of the named costs incurred from the vine to the consumer.

The National Off-Licence Association, which was established in 1991, represents independent specialist off-licences across Ireland. The association has 315 members in 26 counties. They are owner-operated, located in the heart of their communities and employ the highest standards of expertise and excellence when retailing alcohol. Alcohol is the principal product that NOffLA members retail. Failure to adhere to licensing laws can lead to prosecution and revocation of a licence, which would mean a loss of livelihood and jobs. It is therefore in our members' best interests to retail alcohol in the strictest manner. It is mandatory for our members to be fully trained in how to retail alcohol responsibly. NOffLA has developed and implemented the responsible trading certificate, RTC, and to date has trained more than 750 alcohol retailers.

Onerous excise and legal responsibilities aside, off-licences are similar to other small retail businesses in Ireland. Like all other SMEs, independent off-licences are suffering from rising

direct costs. In the past, many small businesses had control over direct costs. If sales fell, a decision would be taken to reduce costs. However, it is extremely difficult to keep a business going with rising costs. Today, even though sales may have fallen by as much as 50%, costs are rising steadily. Rates have increased by 20%, electricity costs have increased by 15%, water rates are up 100% as they are a recent charge, gas costs have increased by 22%, and the licence fee has doubled - that is, increased by 100%.

While it can be argued that today is a good time to start a business as rents are lower, measures must be taken to help existing small businesses that are caught in long, expensive leases. We recognise that from a legal perspective, the implementation of a retrospective ban on upward-only rent reviews in existing lease contracts prior to 28 February 2010 will prove a huge constitutional challenge, with implications for property rights. Another impact is that rates in many cases will be based on a market rent set prior to 28 February 2010. A credit for the rent differential for a lessee caught in an upward-only-rent-review lease against his or her rates bill would be very constructive.

Also, as with most other SMEs in Ireland, the impact of the severe lack of access to credit is critical for independent off-licences, as are the high trading costs for independent off-licences. We urge the committee to do what it can in this area. Declining sales means reduced profit. Without profit off-licences simply cannot pay core bills such as rates, insurance, electricity, employers' PRSI and wages. The only core cost that a business can cut without being legally penalised or affecting the customer is jobs. The staff member is let go and the retailer pays redundancy, which places a further strain on the business. The State then has to pay unemployment benefit and has lost tax revenue from the employee, as well as the employer's tax.

While I agree that supports are being offered for job creation, what is being done to protect existing jobs? In the past eight months 12 off-licences have closed, costing 60 jobs. These figures do not make headlines, yet if we were to announce the creation of 60 jobs, that would certainly make headline news. The committee must recognise the benefits of job retention as well as job creation. A graduated tax credit orientated around employee retention rates and length of employment which could be off set against employer's PRSI would be helpful.

Independent off-licences contribute millions of euro to the economy in employment rates and taxation. Unfortunately, this contribution, like the sector itself, is diminishing. In total there are 5,300 people employed in the industry. This figure stood at 8,300 in 2008. Since 2008, 544 off-licences have closed or lapsed. Based on the current rate of closures, we expect a further 20 to 25 businesses to cease trading in 2014. Independent off-licences are particularly vulnerable in the retail sector as they are losing market share to multiple retailers, whose profits, in many cases, exit Ireland. The lack of a level playing field has led to large declines in sales volumes, significant job losses and business closures. Even though sales in the off-trade are continuing to grow, accounting for almost 60% of all alcohol sales, the majority of this is confined to the multiple discounters and symbol groups in the sector, who hold 78.2% of this share. These are the retailers that are benefiting from the shift to home consumption.

The independent off-licence sector held 21.8% of the market share in 2012, a decline of 6.7% on the previous year. NOffLA estimates that this figure will decrease significantly. This is evidenced by the fact that overall off-licence sales volumes declined in quarter 1 and quarter 2 of 2013, and much of this decline was seen in the independent off-licence sector. In a survey conducted of NOffLA's members in May 2013, we found that 54% reported that turnover had decreased by between 10% and 30% in 2012, 46% stated that they expected their overall turnover in 2013 to be down, and 78% gave deep discounting and high taxes as the top two reasons

for the decline in business.

Regulation of the drinks industry is the remit of the State. The State issues licences for the importation and wholesale and retail sale of alcohol in return for a licence fee. The State has a duty of care to regulate the industry adequately. Lack of regulation allows alcohol to be sold at discounted and below-cost prices which has had a negative impact on consumption patterns. This practice occurs in supermarkets, convenience stores and petrol stations where premium alcohol brands are used as loss leaders to sell other dearer non-alcoholic products and to increase their percentage market share within their own market segment.

These sales tactics, which include below-cost selling, deep discounting and aggressive and irresponsible alcohol sales techniques, including the self service of alcohol, are completely legal. The reason they have reached such extreme levels is a direct result of the repeal of the groceries order on alcohol in 2006 and the failure of the State to anticipate the impact of its removal.

The groceries order which was under the remit of the then Department of Enterprise, Trade and Employment was a vital piece of legislation for the alcohol sector as its main benefit was to prevent alcohol being sold below cost. It stipulated that the lowest price at which a retailer could sell goods was calculated based on the invoice price for those goods, and discounts, rebates or other deductions that were not on that invoice could not be used to lower the price of those goods.

In 2006, then Minister for Enterprise Trade and Employment, Deputy Martin, decided to repeal the groceries order. NOffLA engaged with the Minister and highlighted that its repeal, as far as alcohol was concerned, would result in below-cost alcohol on the Irish market. Regrettably, NOffLA's predictions have come true and major multiple retailers have consistently been engaged in a blood-bath battle to see who can sell alcohol at the cheapest price.

Since its removal, the following has occurred. Deep discounting and below-cost selling is being used to attract customers to drive footfall, the result of which is the ridiculous situation where a can of beer is now cheaper than a bottle of water. Alcohol is being retailed in an extremely irresponsible way. Sensational below-cost price promotion is undermining duty and VAT taxation as a policy instrument in controlling alcohol abuse - the Revenue is subsidising 23% of the net cost of the promotion in the form of lost VAT revenue and the Exchequer loses out by on average €21 million per annum because of this practice.

The following are other issues as a result of the groceries order's repeal. The level of investment in the independent off-licence sector has decreased due to reduced profitability. Manufacturers and wholesalers are being squeezed by large multiples to supply product at discounted prices. Brand equity and quality is being affected as it is only brands with high consumer recognition that are of interest to these players.

Minimum pricing is often mooted as an alternative to a ban on below-cost selling but it will not eradicate deep discounting, aggressive alcohol sales techniques or below-cost selling itself. A minimum price will only target the cheapest, unbranded alcohol. The large operators are not interested in promoting little known brands. They are interested in big brands that will drive footfall and gain market share.

It is our understanding that the groceries order can be reinstated by ministerial order by the Minister for Jobs, Enterprise and Innovation, but we would ask the committee to look into this

matter for us further. Reintroducing a ban on below-cost selling would stop the sale of alcohol products below cost; save jobs and prevent business closures; eliminate deals promoting heavily discounted branded alcohol, such as, buy two 20-packs of premium branded beer for €25; yield additional VAT to the Exchequer; and prevent the cynical use of alcohol as an enticement to purchase other grocery products.

On high-tax economy, independent off-licences are also being affected by the high rates of alcohol taxes in Ireland. Our rates of excise are 576% higher than the EU average for wine, 280% higher than the EU average for beer and 230% higher than the EU average for spirits. As a result of these taxes, alcohol prices in Ireland are now 62% higher than the EU average.

Budget 2013 introduced substantive increases in the alcohol taxation. Excise duty of beer and cider rose by 22%, spirits rose by 18% and wine rose by 41%. As a result of these increases, taxes on wine became the highest in the EU, taxes on cider became the second highest, taxes on spirits became the third highest and taxes on beer the fourth highest. In a recent survey, 75% of NOffLA members stated that they were experiencing serious volume decline in sales in 2013 due to higher excises.

Budget 2014 also introduced significant excise duty increases and this has dealt another blow to the sector. For example, the 2013 and 2014 excise increases represent a 61% increase in duty on wine over an 11-month period. Prior to budget 2013, the excise duty on 1,000 cases of wine was €23,600. Following budget 2013, the excise duty on such product rose to €33,357 and as of the budget of Tuesday last, this has now risen to €38,237. An extra €14,000 in extra cash must be found per month per 1,000 cases sold. The Revenue Commissioners take the duty from bank accounts on the third last working day of each month. The impact on cash flow for wholesalers has been devastating. The wholesaler must pay Revenue and this, in turn, has resulted in a tightening of credit terms that can be afforded to retailers and in bad debts. An extension of credit by Revenue for duty payments would be a major help.

Another issue is the black economy. Greater enforcement in this area is required due to these significant excise duties as, obviously, there is a benefit to be accrued in engaging in smuggling.

On cross-Border shopping, consumers will return to purchasing alcohol in Northern Ireland because there is now a significant difference between excise in Northern Ireland and the Republic of Ireland. This, coupled with a UK VAT rate of only 20% compared with our 23% rate, leads to significant savings for the consumer purchasing alcohol in Northern Ireland. Four years ago, Ireland lost over €500 million in cross-Border shopping. This practice led to significant job losses across all retail sectors and the Border counties were particularly hard hit here.

A survey conducted on 8 October 2013, shows that a basket of alcohol products in Northern Ireland was already 34% or €56.80 cheaper than the equivalent in the Republic of Ireland. The basket retailed in the Republic for €223.12, while the same basket could be purchased for €166.33 in Northern Ireland - a saving of €56.80. That was prior to the budget of Tuesday last in which there were more excise increases. There is a tabulation of the items surveyed in the statement.

Consumers, particularly ahead of the Christmas period, will begin shopping in the North of Ireland again, given the substantial savings that can be made. It is for this reason that we ask the committee to call on the Minister for Finance, Deputy Noonan, to reverse the excise increases this side of Christmas before the damage is done.

In a time of immense economic difficulties, NOffLA wishes to be a constructive partner to Government. We have engaged with various Departments because the issues that impact the sector sit with a variety of Departments, namely Health, Justice and Equality, and Finance as well as, of course, the Department of Jobs, Enterprise and Innovation. In the past decade, our sector has been gravely impacted upon because of the disjointed decisions that have been taken in the various Departments without examining their impact as a whole on the other aspects of our business. This approach does not enable us to plan and invest in our businesses in the long term.

To support the survival of the independent off-licence sector, we come before the committee today to ask for its help in the following areas: make it illegal for alcohol to be sold below cost; reward employers for continuing to employ existing staff - a graduated tax credit orientated around employee retention rates and length of employment which could be offset against employer's PRSI would be helpful here; help retailers to cope with the rising direct costs of business - a credit for the rent differential for the lessee caught in an upward-only rent review lease against his or her rates bill would be constructive; an extension of credit terms for excise payments would be helpful; and restore the equilibrium of prices between the North and South of Ireland - we ask the committee to call on the Minister for Finance to reverse the excise increases before Christmas.

The elimination of below-cost selling also offers an alternative revenue-raising option to policy makers that is realistic and achievable, and this is under careful consideration in the UK. These policies will ensure that the viability of the indigenous off-licence sector is sustained, protecting much needed jobs and businesses, and that alcohol is retailed in the most responsible manner possible. The recommendations I have outlined will benefit not only the independent off-licence sector but also the Exchequer.

I thank the committee for allowing me to present this statement on behalf of the independent off-licence owners of this country.

Deputy Dara Calleary: I thank Ms Jones for her presentation on behalf of the delegation, which has given us a great deal of information. At present we are doing much work on the independent retail sector in general and its future, and this information will feed into that work. We will probably engage with her on the matter again. I have long believed there is an imbalance between independent retailers and large multiples, and this information further proves this. The difference in this case is that we are dealing with a drug. The call made by Ms Jones at the end for more cohesion and co-ordination in policy responses is well put. If any other agency or group had had 544 closures in three years that would have made headline news. It is clear that there is an issue. Is the association purely made up of independent retailers, or are any of the multiple supermarkets or off-licences members of NOffLA?

Ms Evelyn Jones: We represent independent off-licences.

Deputy Dara Calleary: Perhaps Mr. Pennington may be able to answer this question. Is there any model of a healthy independent off-licence sector operating alongside the multiples? What are the differences in terms of taxation? I may have another question on taxation.

Mr. Terry Pennington: I will try to answer the question in context, as a wine producer. At Santa Rita Estates we are very focused on investing from the vineyard to the bottle, but we also invest heavily from the bottle to the consumer, thereby investing in the market. In terms of the wine market specifically but also in terms of retailing, our business is very focused on what we

term to be sustainable, which for us means three things. It is about environmental consciousness, it is about social responsibility - both of which include ensuring products have indications of provenance, something ever more sought by Irish consumers - and it is about economic viability. To answer the question, for us, economic viability is about making choices. In Ireland, traditionally we have had a very strong independent sector that gives consumers diversity, offers education and, above all, creates competition in the channel. I would argue that up to a few years ago this was a fairly good model. However, within Europe we are facing the same pressures. For us it is about choices with regard to investment and where we put the money. In countries that are developing it is very important for us to support smaller businesses. To give some sort of perspective, we employ people directly and indirectly in this country, and in 2013 we will have invested more than €1 million in marketing that is not price-related. I believe there is a commitment from producers to support the different channels. If we work with only one segment of the market it will become purely a pricing proposition; members have seen the consequences of that. Even in a model such as this we recognise that duties will stay in some capacity, so it is about making that a platform where different segments can survive.

In reality, we have seen consolidation in markets such as the United Kingdom. To give some rough statistics, 92% of the take-home market for wine is controlled by nine players. The independent sector has almost disappeared, and this trend is becoming almost irreversible. There are some seeds in other categories - some small independent trades such as craft butchers and so forth - but, as producers, we need those categories in order to survive in this market. They need the platform to trade.

Deputy Dara Calleary: I put this question to all the delegates, including Ms Smith, in their capacity as wholesalers as well as producers. Do they supply to the big multiples?

Mr. Terry Pennington: I will quickly allow Ms Smith to speak so that I do not take over. Yes, we supply all channels. The route to market we use is an importer - sadly, not Ms Smith but somebody very similar - an indigenous Irish business which takes the cases and redistributes them into the market, to restaurants, hotels, bars, specialist wine shops and big retailers.

Deputy Dara Calleary: Has there been great pressure from the big retailers?

Mr. Terry Pennington: The environment in Ireland today means there is a constant push, first, from consumers, who seek value for money. The Irish shopper is looking for value. Our concern is that the more we push the price agenda the less control we have over the provenance of the product. We are directing people. If I may take our best-selling product, which is sold in the shops owned by Ms Jones and Mr. McCabe, as well as by major retailers and in restaurants, around 15% of today's price for that product is for the actual wine in the bottle in a retail shop. The State takes more than 45% and the balance goes towards distribution and everything else. Of what is in the bottle - I speak of a premium product that costs €11 - 15% goes towards the work we do, from the vineyards to the winery.

Deputy Anthony Lawlor: I have a question on that point. Surely it all depends on the price of the bottle of wine. The duty price is fixed in this country. If it is increased by 50 cent on the bottle the same price applies whether the bottle costs €20 or €5.

Mr. Terry Pennington: The Deputy is absolutely correct. Let us take a specific product and do the exercise. It is a fixed-duty rate irrespective of the price of the bottle of wine. If I take an average price point in the market, in 2013 it is approximately €7.50 for a take-home-outlet bottle of wine. Even if I talk about a bottle costing €11 - one of mine, which I know intimately

- 15% of the price of that product goes towards what we put in the bottle. The other 85% goes on taxes, freight, distribution and profit margins for others.

Chairman: Does Ms Smith wish to answer Deputy Calleary's question?

Deputy Dara Calleary: Does Ms Smith's company also supply the multiples?

Ms Christine Smith: We supply all the channels.

Deputy Dara Calleary: Has the company been subject to pressure from them in terms of what they call marketing support? I ask the same of Mr. Pennington, although he may not wish to comment, which is understandable. There may not be this pressure from the independent sector.

Ms Christine Smith: I would say there are different kinds of pressure. The pressure to which I think the Deputy is referring - namely, that from the larger operators - does exist. I would look more at the pressure we were put under last year following the budget for 2013, published on 5 December. We were put under pressure to source cheaper products because the average price of a bottle of wine, as Mr. Pennington noted, is €7.50. We were hard pushed in this regard to find product we could sell to the retailer that could be on the shelf selling at €7.50, because we have certain quality values in our company. The pressure did not come so much from the direction mentioned in the Deputy's question; it was about finding a product that has good enough quality which we are happy to sell, so it arose from the pressure of the tax.

The excise duty is crippling everybody and we are in the middle of it. We are the people who actually have to pay it initially, who finance it. That is quite challenging, as members can imagine if they consider that every 1,000 cases of wine we sold this time last year cost us €23,600 in excise duty. What we remove from bond in month one we pay for just before the end of month two, when the Revenue Commissioners takes it by direct debit through the bank. There is no way out of that. In order to sell a product we need to know we will have the money in two months' time to be able to continue withdrawing from bond. In order to do that we have had to tighten the credit terms we impose on the independent off-licence sector. We do not have a choice about it because we are stuck in the middle. It is not about making extra profit but about sustaining our own businesses.

Deputy Dara Calleary: I will return to Mr. Pennington and Ms Jones. In terms of levelling the playing field, one of the aspects we have been looking at is the notion that the big multiples, which have massive floor space and everything that comes with that, should be subject to a higher excise rate than the smaller operator. It would be done on the basis of space. The aim would be to level the commercial playing field, but there would also be a public health focus. Is that something the delegates would consider? What suggestions would they make in terms of taxation treatment?

Ms Evelyn Jones: I have looked at this quite carefully. Up to about three years ago our licence renewal cost €750 per annum - that is, €250 each for beer, spirits and wine licences. The idea has been mooted that somehow the licence fee could be related to turnover or floor space. I have analysed the matter and tried to come up with a licence fee that reflects the volumes sold by the larger multiples. To be honest, I found it very difficult, based on the volumes that they achieve, to come up with any meaningful fee that would have an impact on the way they sell alcohol.

Mr. Jim McCabe: All of our products tell a story. With the increase in excise and the prac-

tices that go with it, everyone is now engaged in a race to the bottom. We would like to think that we are more artisan in what we do. Supermarkets may have larger spaces but our smaller shops have a greater variety of products. However, we are now losing that aspect, especially in the wine business and even in the craft beer business. About a year and half ago we pushed very hard for local craft beers but then the multiples hopped on the promotion immediately. Before we knew it they had big spreads in newspapers advertising craft beers. Of course we can always try to be innovative and up-front, but the multiples catch up and surpass us, and that makes our business very difficult.

The race to the bottom is getting worse due to the tax system and below-cost selling. We struggle to provide a €7.50 bottle of wine in our shops for various reasons. The number one reason is quality and the second reason is that we would not make any money.

Ms Evelyn Jones: There is excise duty of €5.04 on a €10 bottle of wine. As members can imagine, it is difficult for us to provide a bottle of wine for €7.50. If consumers demand a bottle of wine costing no more than €7.50, for example - and they do - the quality of wine will decrease. The tax is the same and the distribution costs are the same, so the quality of the product will decrease. It is reminiscent of what happened with beef burgers recently.

Mr. Andrew Kinsella: I wish to draw a slight distinction between the attendees. I am no longer a member of the National Off-Licence Association for the simple reason that I went out of business last year after ten years of trading. I had a fully licensed wine shop on the south side of the city. Luckily, I had a very loyal group of consumers who supported me for a long time because they appreciated and valued my service, the quality of wines and even the role that I played in the local community. Earlier, we mentioned SMEs in general and their value. My business reached the point at which even my good customers acknowledged that even though my wines were great and they loved coming to my shop and really wanted to shop with me, there was a gap between the prices they saw in the Sunday newspapers and the prices of my products. It meant there was no point in my selling a bottle of wine at €7.50 and waiting for a customer to enter my shop to make €1 if I was lucky. The price gap became too wide. Nobody in the independent trade expects to sell his or her products as cheaply as the supermarkets do, because they will always be cheaper. People are willing to pay a premium, but not when their disposable incomes are lower. There is only so far they can be pushed on price in such circumstances, and the same applies to all markets. I do not know of any other sector in which there is legislation that puts SMEs at such a disadvantage.

Deputy Jonathan O'Brien: I presume below-cost selling was a huge factor in Mr. Kinsella's decision to cease trading.

Mr. Andrew Kinsella: Clearly. Including myself, I employed around six people on a full-time and part-time basis. Between 2007 and 2012 my business was down between 35% and 40% but I managed to get some movement on my fixed upward-only lease from my landlord. Rates were the only cost that increased; Dún Laoghaire-Rathdown County Council increased my rates by 10%. Even if the figure had increased by €1,000 I would have had to sell €5,000 worth of wine in order to recoup that sum. I have reached the point at which I wonder whether anything will change.

I may no longer be a member of the industry, but between 3,500 and 5,000 people still work in the industry in small businesses. People have suggested that I lodge an appeal with the county council seeking a reduction in my rates bill, but it would cost me money to do so. When rates keep increasing, one must decide at some point whether it is worthwhile to continue in business.

Unfortunately, instead of being a collector of VAT and a payer of taxes - both PRSI for staff and income tax - I ended up being unemployed. As a small business person I received no income because I had no rights in that regard. I could not draw any welfare payment. I found myself unemployed for the first time in 25 years. There has been one small benefit. I managed to secure a place on a Springboard course, which proved successful, because I am glad to say that I am back in employment. However, instead of contributing to the Exchequer I ended up, for the first time in 25 years, drawing from it to the value of a course that may have cost between €5,000 and €6,000. I came here today because I do not want to see other members of the association in the same situation. The following applies also to other sectors but particularly the drinks industry. It seems to me that a particular disadvantage has been built into the legislation that affects small business.

Deputy Jonathan O'Brien: Was it that a large multiple moved in close to Mr. Kinsella's business?

Mr. Andrew Kinsella: Absolutely. My business was located in Clonskeagh. For a period, there were three or four multiples situated within one or two miles of my business. Market share means everything to multiples. Even in a tight market one can see that more multiples have outlets that are decreasing in size. In the meantime, multiples are locating on Morehampton Road. I used to attract people from Ranelagh, for example, to my shop. Over the past four to six years, four or five new multiples have been established in Ranelagh. The competition is to do with market share, so the low-hanging fruit are the independent retailers, in my view.

Deputy Jonathan O'Brien: I wish to ask Ms Smith a question. She said that changes in the industry have led to credit terms being tightened for the independent sector. Does the same apply to multiples? Is the independent sector more vulnerable due to its smaller market share? Is there an additional pressure on independent retailers with regard to credit? Have credit terms tightened across the board? Does it vary with the type of business?

Ms Christine Smith: The independent sector, by its nature, has been more flexible over the years. Perhaps we have been more flexible with such businesses and let credit out when we could afford to do so. The way the multiples work is that terms are agreed at a certain time and a business gets its cheque, whether it is from one shop or another - perhaps I must leave them nameless-----

Chairman: Yes.

Ms Christine Smith: -----but I can picture one cheque that arrives on the first of every month and another one that leaves on the 23rd of every month, regardless of the circumstances. We are not in control of that. The payments were negotiated at the start of the business relationship between our firm and the key buyer in the multiple.

Deputy Áine Collins: I welcome everyone here. I wish to raise a few issues. First, rates are a concern for every small business in the country. We have discussed this matter a lot. The challenge is that if we increase it by 1% it is of little benefit to a small business, so we must work out what percentage works best. A lot of work has been done on the matter and consideration has also been given to profit margins, turnover and other challenges. The commission that sets the rates has examined the matter for the past year and is due to report very soon. I empathise with the delegation and know that rates are a huge problem throughout the country, especially for small businesses.

The second issue I wish to raise is that of below-cost selling. Is the delegation aware of what the Minister for Finance said recently about below-cost selling? A case with regard to below-cost selling in Scotland was taken to the European Court. The Attorney General has said that legislation cannot be introduced due to the case pending. If legislation were introduced now we could not implement it until a decision is reached on the court case in Europe. If the decision is favourable, the Minister has said that he would have no problem changing the provision in order to prevent below-cost selling. I would like to hear the views of the delegation on the matter.

Ms Evelyn Jones: What the Deputy is referring to is minimum pricing, with minimum prices set by the Government. What we are referring to is the ban on below-cost selling encapsulated in the Groceries Order, which was repealed in 2006. They are two different things. A minimum price will target alcohol at the very cheapest end of the market, including non-branded alcohol. Such alcohol is of no interest to the large operators in our market. They are interested in premium branded alcohol that they can discount in order to attract footfall into their operations to sell other grocery products, petrol or whatever. They are two different issues.

Deputy Dara Calleary: Are they not selling the stuff at the bottom of the market?

Ms Evelyn Jones: If one reads the newspapers, magazines and brochures from the large multiples, it is clear that they cherrypick premium alcohol products to drive footfall to attract people in to sell other products. They are not selling Vladivostok Vodka because nobody has ever heard of it; rather, they are selling premium branded vodka.

Deputy Dara Calleary: Therefore, the notion of minimum pricing would have no impact on revenue.

Ms Evelyn Jones: I will tell the committee what minimum pricing will do. It will take people out of Aldi and Lidl and put them into the major supermarket chains because it is only in the discounters that one finds alcohol at the price points being mentioned.

Mr. Andrew Kinsella: To follow on briefly Ms Jones's point, it had reached a point for many of the small independents where the cheapest place in which to buy branded premium spirits at Christmas time was the multiples. Economically, in any sector that does not fit. I do not understand why, if one wants to buy premium alcohol products, one is only doing so below-cost because one cannot purchase them through the normal channels at these prices.

Senator Feargal Quinn: I started in business in the 1960s. In those days there was the concept of resale price maintenance. The objective was to protect the trader, whether big or small, and the customer lost out. I am beginning to hear sounds from the group to the effect that it wants to go back to protecting itself against the interests of the customer, which I think from the point of view of the economy I think would be a huge mistake. Some of the figures provided are very interesting. The prices between Northern Ireland and the Republic are dramatic and such a gap cannot be in the interests of the Minister for Finance because we must be losing out to a considerable extent on that basis. Lower prices are wanted by the consumer. I am in favour of below-cost selling and I am an enthusiast, whether for alcohol or whatever else. I recall selling Zip firelighters below cost. Another time it applied to bread and there were howls from the bakeries. When it applied to milk, there were howls from the dairies. It appears that whenever someone is selling at a low price, the only people who do not howl are consumers. We live in a market economy, in which I am a great believer. This morning I attended a lecture in Dublin Castle given by a representative from the Competition Authority. He talked about

the various efforts being made by different groups which were illegal where, even by accident, one colluded to ensure the price of one product increased. I suggest one is almost in danger of doing something like this when one argues for a ban on below-cost selling. I am not showing sympathy to the delegates. I actually believe sympathy has to lie with the consumer. If the consumer wants lower prices, he or she will go to a particular outlet. If he or she gets a better service - I know from Mr. McCabe's business that one gets a considerably better service there than in the supermarkets - on that basis he or she has to make the decision as to whether he or she wants lower prices or a better service. The successful retailer will be the one who manages to get the balance right. I am not sympathetic to the movement to increase prices because as soon as alcohol prices go up to a fixed level, the same will apply to bread, milk and everything else. I am perhaps acting as the only voice for consumers as I have not heard any other voice representing them.

Chairman: We might hear more yet.

Ms Evelyn Jones: The first thing I would say is alcohol is not like bread or firelighters. Second, responsibility for the retail of alcohol in Ireland is vested within the remit of the State. The State has a responsibility to implement strategies that allow alcohol to be retailed in a responsible manner. The problem lies with the State; we are the collateral damage in respect of its failure to regulate the retail of alcohol adequately since 1990 when the system of regulation was dismantled bit by bit. We are where we are today because of its actions regarding the retail of alcohol.

Deputy Peadar Tóibín: May I come in briefly on that point? Senator Feargal Quinn's view would be correct if we were operating in a perfect competition environment where there were thousands of sellers-----

Chairman: No, Deputy.

Deputy Peadar Tóibín: I want to ask a question on this point.

Chairman: The Deputy did not say it was on the same point.

Deputy Peadar Tóibín: It is on exactly the same point as that made by Senator Feargal Quinn. We are operating in a non-monopoly environment where the large multiples are not necessarily offering lower prices but certain items as loss leaders and profit-taking on other items. Certainly consumers are better off in general on price, perhaps on one at one moment in time, but in general they are worse off because there are fewer suppliers offering fewer price options. Therefore, in the non-monopoly environment towards which we are moving, the consumer becomes the price taker.

Chairman: I will take a comment from Senator Dara Calleary on the same point.

Deputy Dara Calleary: I always bow to the Senator's far superior knowledge, but in this case surely the consumer is worse off, given that 544 outlets have closed in two years. It is bread or milk, but alcohol is the drug.

Chairman: The Deputy's question is not for debate now.

Deputy Dara Calleary: It is very important that other views are stated. The consumer could not be better off, given that 544 competitive outlets have been removed and we will end up-----

Chairman: I will take that question at the end. To be fair, I have to take questions from other Members first. Does Deputy Jonathan O'Brien have a question?

Deputy Jonathan O'Brien: No.

Mr. Terry Pennington: I wish to pick up on Senator Feargal Quinn's comment on competition. As a view from somebody who is resident here but operating outside the State on a global basis, the consumer has a second level of competition or competitive pricing in Northern Ireland, given the new regime of excise duties that has been introduced. Certainly it is advantageous from our perspective to trade more with Northern Ireland and to have consumers go and buy our products there. Today one can buy one of our products at about 20% cheaper, if we apply the new duty rates in the Republic of Ireland in Northern Ireland; therefore, the consumer can go and benefit. My choice for the 1,000 families who work in the company with which I work, that we have to support and make sustainable is whether we continue to invest in the Republic of Ireland or whether that investment can be spent better elsewhere. Our sincere hope is that we will spend it in this market in supporting responsible retailing. Competition is good. I agree fully with the Senator on that point, but I fear we are pushing consumers out of the State. Not one cent spent on a bottle of wine or beer in Northern Ireland will be brought into this country.

Chairman: We can have a general discussion at the end after everyone has put his or her questions.

Deputy Anthony Lawlor: On below-cost selling, what percentage of the VAT rebate goes to the large multiples?

Ms Evelyn Jones: It is 23% on the loss.

Deputy Anthony Lawlor: On the loss.

Ms Evelyn Jones: If something is sold for €2 which was bought for, say, €10, it would be €8 at 23% which would be deductible from the sales VAT due.

Deputy Anthony Lawlor: That is an issue at which we could look.

Chairman: If one bought it at €10 and sold it for €2.

Deputy Anthony Lawlor: That is an issue at which we could look from a legal perspective. They should pay the VAT on the amount for which they purchased the product rather than the amount at which they sold it. If they are going to have a loss leader, the State should not be at a loss.

Ms Evelyn Jones: The VAT laws are European. Their basis and foundation is laid down in European law. The idea is value-added tax, that the tax paid at the start of the supply chain, if it diminishes along the supply chain, can be recouped. The only way of preventing the retailer from recouping 23% of the loss is by implementing a ban on below-cost selling. That is the only way one can stop the VAT from being reclaimed legally.

Deputy Anthony Lawlor: Ms Jones has already stated that is not as successful.

Ms Evelyn Jones: I stated that minimum pricing is not successful. A ban on below-cost selling or preventing retailers from selling alcohol at below what it costs them will prevent the State having to pay 23% of that loss.

Deputy Anthony Lawlor: The State is subsidising the big multiples-----

Mr. Andrew Kinsella: That is correct.

Deputy Anthony Lawlor: The State and the taxpayer are subsidising them. That is a point that should be highlighted. It is not coming across as a message.

Ms Evelyn Jones: We have put several parliamentary questions forward regarding the issue of VAT and every time the Minister responds correctly stating that VAT laws are European, it is a value-added tax and if something is sold below cost along the supply chain, the person is entitled to recoup the VAT. In terms of VAT laws, that is correct. As to whether it is correct ethically, that is another matter. The only way it can be prevented is by introducing a ban on selling alcohol below what one purchased it for.

Deputy Seán Kyne: I welcome the group here today. As a Deputy elected in 2011, I would not be so familiar with the debate on the groceries order at the time. It is a matter on which the committee might hold a discussion to see what was the rationale at the time and whether it can be considered or what are the ins and outs of that area. Without giving any personal view on it, I support the call for a debate on that.

As somebody who is not particularly a connoisseur of alcohol, certainly not of wine as I do not drink wine, it makes sense for me to go into a multiple, small petrol station or small shop to buy the drink that I want and buy whatever else I want. There is that difference, as somebody who knows what he wants. It is different if one is a connoisseur of wine who checks out the various brands. I understand that. It is merely my personal view that there is the extra service or convenience and the extra products provided not only by multiples but by the small service stations where one can get what one wants and get the few extras. That is merely one point of view.

I suppose the pubs would have their own legitimate concerns. No more than NOffLA, they would argue that it is NOffLA and the multiples that are impacting on them and closing down the rural pubs, although in that regard there are other issues, such as the smoking ban and, more important, the drink driving issues. NOffLA is here blaming the multiples as having the impact on its businesses. Quite clearly, there is an issue overall.

On NOffLA's concern about higher taxes, the role of Government and legislators is to look at the other aspects of this, such as the health aspects. I have not met any politician who has stated anything other than that we want to reduce the level of irresponsible consumption of alcohol. The issue here relates to the multiples promoting more irresponsible sales of alcohol. The pubs might say the independent retailers, if they offer lower prices than the pubs, promote the irresponsible consumption of alcohol and then the pubs would be the good guys which charge higher prices and provide whatever else, such as food.

Ms Evelyn Jones: I reiterate that the regulation of the drinks sector is the remit of the State. We operate within the market in which we are allowed to operate and even the largest multiple in Ireland operates within that law. It is a question of whether the committee thinks that those standards that prevail currently are adequate and responsible and how it expects to address the issues of, for want of a better term, "alcohol over-consumption" when that is permitted.

Mr. Andrew Kinsella: Clearly, we are a different sector from the pub business but we have it in common with publicans, at least, when I was in the sector, that many of them are still small independent businesses.

On Senator Quinn's point, arguably, the move to the off-trade in the beginning was down to lower prices and the move to lower prices further down the scale is down to the multiples. Much of it is price driven. Clearly, there is a social and health aspect. I guess it is a multifaceted problem. However, they all are connected. The only point we are making is that there is not legislation in place which supports those large businesses to the same extent across other sectors and other categories, and its impact probably hits harder. It hits pubs but hits us harder.

Mr. Jim McCabe: If we were sitting here as independent artisan butchers or bakers, I could understand the argument about below-cost selling. We are not. We are here as sellers of alcohol. It goes back to Deputy Kyne's point. We are in a regulated business. Alcohol is our business but, unfortunately, we are in a situation where all those outside alternatives are affecting our business. If alcohol was regulated better, then we might find a supermarket selling its bread or whatever at really low prices. Unfortunately, the supermarkets are subsidising by using alcohol to get consumers in.

We work with health bodies and the Department. Commentators say it is amazing to see the off-licence sector sitting beside Alcohol Action Ireland, but we both have the same aims at the end of the day. We are meant to be responsible retailers. We are meant to do certain things because of Government regulation and all we are trying to do is that. The difference between us and, say, the butcher is that we are under this regulation. It is not fair to keep alcohol, bread and whatever side by side and speak side by side as well.

Ms Christine Smith: I will respond on two points. First, I understand from the point Senator Quinn made that he felt we were perhaps losing sight of the good of the consumer by wanting to reduce prices. As somebody in business, I would say that the consumer is our eventual customer and we want to keep the consumer happy. It is not in our interests to not please the consumer.

Personally, if I might speak of my family business, we all are passionate about what we do. As a wholesaler, I am in the middle of the chain, but we deal with people somewhat like the company that Mr. Terry Pennington is with, Santa Rita Estates in Chile. Also, we deal with many smaller family producers in France, Spain and Italy which all believe very much in the skills they bring and the expertise they have developed over the years.

I note the encouragement given in the supermarkets to artisan food producers, whether cheese makers, artisan bread makers or those adding value to fish and selling it in a different way. Such artisans are being encouraged, particularly in Ireland, by the multiples. There is one multiple in particular that really has a policy of helping Irish indigenous businesses. If this was not alcohol - the fact that the product with which we deal can be misused and can be abused and it is the misuse and the abuse that leads to the social problems, the medical problems and the health forum - and if it was not misused or abused in the first place, one is dealing with what is a product of agriculture which is part of Ireland's produce base. Wine is a different product. We do not produce it here, but in France the wine business is an important part of the agriculture sector. Those with whom we deal are all passionate about what they do. It is an honest business making a good product. We buy it from them, bring it in and sell it on to the retailers and restaurant owners and it is the consumer who benefits from that, perhaps from the quality of our selection or whatever. I cannot take sitting down the suggestion that we are losing sight of what the consumer wants. We want to look after the consumer. In regard to what Deputy Kyne said, perhaps I might draw attention to something all members are very familiar with, namely, that NOffLA has worked very hard over a number of years to come up with a programme for responsible selling of alcohol. One does not get that from the multiples. NOffLA does its very

best. Given that the industry is regulated by the Government - I would argue not sufficiently regulated - NOffLA definitely plays its part in the responsible sale of alcohol through the training it encourages staff to take, ensuring that in every off-licence that is a member there are a certain number of people who have done the training and are accredited. We should not lose sight of that. We are all here as responsible people. Alcohol gets a bad name because of abuse and misuse. None of us is here to promote crazy consumption to excess; we are here to talk about a business that is our livelihood.

Deputy Peadar Tóibín: I have a number of points. Alcohol is estimated to cost the State some €3.5 billion a year, which works out at about €3,300 per taxpayer. We are dealing, therefore, with a significantly costly and possibly dangerous product and for that reason its treatment is significantly different from that of any other product in the market. That is why off-licences came about, with a special licence to sell the product. All of a sudden there has been a proliferation which extends to fuel stations and multiples. It is my view that alcohol should be removed from those two spaces.

I refer to the market structure in Ireland in respect of multiples and groceries. In 1977 there were 14,000 groceries but in 2007 there were only 7,000, so there has been a vast reduction in the number of grocery competitors in recent years. The type of competition occurring at present is reducing the number of competitors. Tesco and most of the international players take a higher profit in Ireland than they do in other markets because they charge a higher margin on most of their products than they do in other markets, facilitated by loss leaders. This is not of benefit to the consumer in the long run.

I have been saying until I am blue in the face, at this committee and in other places, that unless we create a level playing field with the North of Ireland we are always going to have this problem, with leakages from one part of Ireland to the other. As an island, we need to sit down together when we prepare our budgets. The North is looking for fiscal powers to be able to deal with excise duties, VAT, etc. We see this in other markets - for example, in the area of fuel, with the money spent in tackling fuel laundering. As an organisation, has NOffLA ever considered sitting down with both jurisdictions and asking them to focus together on levelling the playing field for retailers so that we do not have this scenario? At present what is happening is a swing in one direction in regard to currency and tax, which means a boom town on one side of the Border, but there are also swings the other way and boom towns on the other side. That is not a sustainable pattern of growth or development.

There is also the issue of rates. Rates should be profit-based. It is ridiculous that a business person who is making a loss or is barely surviving is charged exactly the same per square foot as Tesco, which is making massive money in this country.

Ms Evelyn Jones: If I may, I will comment on the notion of North-South co-operation. I travelled to Belfast on 2 September for a meeting of the public health commission based on a joint report on alcohol policy that was commissioned on a North-South basis. It was at the invitation of the pubs of Ulster. The publicans showed up, as did the off-licences, the Alcohol Beverage Federation of Ireland and its equivalent in the North, and the Department of Health in the North. Nobody showed up from the Department of Health in the South, however - there was not a sausage. This shows a lack of respect for the people who are trying to retail alcohol in a responsible manner. Surely somebody from the Department of Health could have shown up for that meeting. We are finding there is a negative profile of the alcohol industry, but we do not make the rules; we play by them. Pillorying the sector is not fair. Regulating the drinks industry is in the remit of the State, and it should do so. We welcome regulation and have no

fear of it.

The second question was about rates. Mr. McCabe will say some words on that issue.

Mr. Jim McCabe: I cover two areas, one of which is Dún Laoghaire-Rathdown. The Deputy is right. Although all of us have suffered over the years, the rates have gone up in Dún Laoghaire-Rathdown, in some instances by 20%. Like the Deputy, I cannot understand why this is the case, although I know the background, which is related to rents. I have two tenants and am also a tenant, but because I am a retailer I can talk to my two tenants and be rational. We can look ahead and work together. I have talked to them about the future and we can work as a team. However, because my landlord in my other establishment is bankrolled - in the sense of being owned by the bank - there is no discussion. Some effort must be made here. I realise it is a constitutional issue and there are problems with legislation, but in a landlord-tenant situation where the tenant can show improvements have not been made and things have not gone well during a particular period, both landlord and tenant can and should work together. However, when there is pressure at the back of it all, from a bank or an institution, it is very difficult because then there is also pressure on the landlord. It is very difficult to have movement in that area. Looking ahead, the landlord-tenant situation should be similar to a business in which people work together for the future. That is not happening, and it should be examined.

Deputy Peadar Tóibín: The vast majority of the delegates' fellow members are very good at reducing the abuse of alcohol by underage drinkers. I know this from the off-licences in my county. However, there are some that sell alcohol to underage drinkers. It is not my desire to put any further financial pressure on the delegates, and I realise that most underage alcohol consumption comes about through outlets other than the ones represented here, but one idea that could be mooted in this regard is for alcohol products to be stamped at the point of sale with an indelible mark that shows the date, time and location of sale. There could be a video camera over the register. Then, if a young person were found with a bottle or a can, a garda could easily tell that it had been sold in X or Y off-licence at such and such a time and see who was behind the register at that time. If an adult bought the product and gave it to a child outside, his or her identity could be discovered. I realise the desire of the delegates is not to seek extra costs, but what would be their view on the use of such creative measures which could help to stamp out underage drinking?

Ms Evelyn Jones: It would obviously have a cost. We maintain there is already far too much legislation which is not being enforced. If one is under 18 years it is an offence to purchase alcohol - prosecute. It is an offence to purchase alcohol for somebody who is aged under 18 - prosecute. It is an offence to be drunk in public - prosecute. It is an offence to be drunk in a retail premises - prosecute. There are all these laws in place - we are coming down with them - yet nobody is enforcing them.

Deputy Áine Collins: I wish to return to the point about minimum pricing versus below-cost selling. I have an article from Alcohol Action Ireland which points out that if we were to introduce below-cost selling for alcohol the law would be extremely complicated. There are issues with regard to transport, VAT and duty, so what would be the actual below-cost price? There would be similar issues. The article highly recommends the minimum pricing model as the way forward, stating it would benefit moderate drinkers, restrict harm to social health, be good for business, decrease workplace absenteeism and bring about significant savings to the State from alcohol-related health and crime costs. The article also stated that small retailers and off-licences would be put on a level playing field with larger multiple retailers and larger retailers could not simply absorb the price increases, as can happen with other pricing policies.

Is Ms Jones saying that is not the case?

Ms Evelyn Jones: I am saying that is not the case. The only way to proceed would be if one were to implement a minimum price that was so high as to impact upon premium branded product. We support minimum pricing. We have nothing against it, but it must be recognised that it will not address branding and discounting by the multiples. They are not interested in cheap alcohol.

Deputy Áine Collins: There is obviously an extensive margin on premium branded alcohol.

Ms Evelyn Jones: No. It is the same as having a Gucci bag which costs €500 but one can go to one's local supermarket and buy it for €100. It is premium branded product. It is not one's basic product that is manufactured at a low price that attracts consumers to purchase other more expensive grocery product. The impact of minimum pricing will not work. It will put people out of Aldi and Lidl and into the more mainstream supermarkets. They will be delighted with minimum pricing.

Chairman: To clarify, is the minimum price for all alcohol? Is it the case that there is not a different price for each good, whereas with the groceries order there was a different price for each product?

Ms Evelyn Jones: To say it is complicated is disingenuous. We know the reality of retailing this product. The industry managed to do it from 1987 to 2006. It is a question of whether one wants to control alcohol and how one goes about it.

Deputy Áine Collins: The proposal has come from Alcohol Action Ireland.

Ms Evelyn Jones: I am very familiar with Alcohol Action Ireland. I communicated with Fiona Ryan on the difference between below-cost selling and minimum pricing. It is easy to get confused by the two concepts but if one is talking about the very cheapest alcohol then one should bring in minimum pricing, while if one is talking about the cherry-picking of branded alcohol to be sold as volume deals to drive footfall into multiples, which is currently the case, one will have to look at below-cost selling.

Deputy Áine Collins: When one is talking about selling branded alcohol in volume deals if there is a minimum price per unit of alcohol or a bottle of vodka, for example, then that will have an impact on the volume sales of those products as well.

Ms Evelyn Jones: No, the minimum price will be low.

Deputy Áine Collins: I wish to tease out the issue if that is okay? If I buy a bottle of Smirnoff vodka and there is a minimum price for such a bottle, whether I buy it in Aldi, Lidl or Tesco, it cannot be sold below that price.

Chairman: The minimum price will not be based on a premium brand. The groceries order can affect brands.

Ms Evelyn Jones: All vodka will be, let us say, €12 and if a bottle of Smirnoff costs €13.99 reduced from €22.99, one will take note of it. That is the type of advertising one can expect.

Deputy Áine Collins: Can minimum pricing be linked to branded products.

Ms Evelyn Jones: No. Minimum pricing will be a floor price set by the Government and no alcohol can be sold below that cost.

Deputy Dara Calleary: In terms of levelling the pitch, would it be possible to restrict advertising, especially such price-led advertising?

Ms Evelyn Jones: Price promotion could be a way to look at the impact of advertising. If one is not comfortable with the fact that alcohol is used as a driver for footfall to sell other products then one would have to look at how it is promoted and priced. In terms of pricing, one has a choice between below-cost selling or minimum pricing and the other issue is how it is promoted in the media and in the booklets we get through our doors once a week. They are options that could be examined.

Mr. Andrew Kinsella: I wish to add to that. I am not in this sector anymore but I read the Sunday newspapers and I do not believe for a second that any reasonable adult does not take certain messages from the full-page advertisements in newspapers. Only by legislation and restriction in the advertising code are they restricted to one third of a full-size page. People can make their own judgment on that. To me, that is an indication of some of the intent of what large business tries to do.

To cap it all off, there is a small little logo at the bottom which says, “Please drink our products responsibly”. That has been the sop that big business has managed to negotiate with the people who control the sector in Ireland and whose responsibility it is to negotiate.

Mr. Jim McCabe: We are not here to say one should bring in this or that. In a way we are pointing out what would happen if one did bring it in. All we are saying is that minimum pricing is not the big answer we are looking for and neither is below-cost selling because at the end of the day people can get around below-cost selling. It is a start and what will happen with below-cost selling, for example, is that retailers cannot reclaim the VAT. At least that is something that will benefit the Government. They can probably still get a way around selling their product very cheaply in order to get around below-cost selling. At least we are taking steps to resolve the health problems as outlined by Alcohol Action Ireland. We are trying to be responsible and help in some way towards better controlling the alcohol sector.

Ms Christine Smith: In terms of regulation and their enforcement, one area that has not been raised at any length is the black market, which is something that exists. It is something that we have come across in different ways. I can see it at consumer level and a commercial level. I have seen a product for which we have exclusivity in this country on a supermarket shelf. I know that we did not supply the supermarket with the product so one could ask how it got it. When one does a bit of detective work one discovers that it has not been duty paid in Ireland. One knows that when one speaks to the manager of the wine department who says how much he paid for it and one knows one cannot compete. When one is selling such and such a product one goes in with one’s portfolio and the manager responds that he can buy it for €65 while my price is €90 and that it would be nuts for him to buy it from me. On examining the bottle one discovers that the capsule is a *capsules représentatives des droits*, CRD, capsule from France, which is an indication that the duty has been paid in France. Once it has been paid in France it is in free circulation and there is nothing about going from bond to bond or duty suspended so it is not something that has ever had duty paid in Ireland but it is coming in and is being sold. It is being sold by a company purporting to be a bona fide wine importer but it is the black market.

One also hears that people in vans are quite willing to sell one stuff. They are selling to

restaurants and the off-trade. They are selling to anyone who will buy it. It might cost them €2.50 at point of origin and the cheapest they will sell it for is €36. There is no way we could do that as it would not even cover the duty.

Chairman: I was about to mention that point. We are currently in the middle of two reports. One is specifically on the black market effects on retail. We will deal with such issues in the report which I hope will be finished soon. We have another report ongoing on the retail sector in general. We could probably deal with the issues raised in today's meeting in the context of that report. We will link back with the witnesses in the coming months on the issue. We will make recommendations and we will revert to the witnesses on them also.

Deputy Dara Calleary: I will get Ms Smith's details as that is an issue we have not considered. Everyone talks about cigarettes but the sale of bottles of wine on the black market is not discussed. We will definitely get back to her on the point.

Chairman: I thank the witnesses for attending. The discussion was worthwhile. I also thank my colleagues for their contributions.

The joint committee adjourned at 3.30 p.m. until 1.30 p.m. on Thursday, 19 November 2013.