



ACS Submission: PRS Retail Tariff Simplification

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to PRS for Music’s consultation on their simplification of the PRS retail tariff. ACS is a trade association, representing the 50,095 convenience stores trading at the heart of the communities across the UK, which employ 390,000 people (see annex A for more details). Convenience stores generally occupy a small store premises – usually smaller than 280 square metres or 3,000 square feet. Our members include the Co-Op, One Stop, Costcutter Supermarkets, Spar UK and thousands of independent retailers.

The new PRS retail tariff will hit small shops the hardest. The smallest bands (0-300 sq. m.) could all see a cost increase under the new tariff. While the smallest band (0-100 sq.m.) will have lower rates under the new tariff, any business which had a reduced rate for having a small audible area with single TV or single radio will experience a £51.50 cost increase to their rate each year. The new retail tariff structure unfairly targets small shops and provides cost reductions to larger stores.

As demonstrated in the table below, the majority of the smallest stores are owned by independent retailers. 50% of independent retailers will operate in locations up to 999sq. ft. compared to 24% of multiples who trade in smaller format.

	0-999 sq. ft.	1,000 – 1,999 sq. ft.	2,000 – 3,000 sq. ft.
Multiples	24%	40%	36%
Independents	50%	43%	7%
Average	43%	42%	15%

Source: ACS Local Shop Report 2016

The majority of multiple retailers’ stores are between 1,000-1,999 sq. ft., and 2,000-3,000 sq.ft.. This means multiple retailers will see these stores’ bills increase by £18.70 and £44.70 respectively (see Annex B). The new retail tariff has significant implications for the convenience sector, as costs are likely increase considerable for retailers of all sizes. This could result in stores paying additional costs to PRS, placing more financial burdens on their business, or it could see stores seeking different music licensing solutions, or even taking the decision not to play any music in-store.

In order to mitigate the cost increases that will be experienced by the smallest stores in the convenience sector from the new retail tariff, we recommend that PRS consider:

- Reinstating the reduced rate for stores with a small audible area with single TV or single radio.
- Splitting lower bands out further. Currently, there are 5 bands between 0-500 sq. m, which will be condensed into 3. Maintaining five bands would minimise the impact of increasing smaller stores up to a higher average within a wider band
- Graduate bands more strongly. This would address in discrepancies within the band structure. For example, stores between 201 and 500m are set to see a fee increase almost double than what will be experienced by stores between 500 and 1250 sq m.

We would be interested to hear your views as to whether a new tariff is required for the Retail sector?

While we welcome simplification of the retail tariff, the proposed simplified tariff loads the costs onto the smallest stores. The definition of a small businesses by size has long been establishing in law, for example in the Sunday Trading Act and in the Tobacco Display Ban regulations. As such, we are confused to why convenience stores would see a fee increase when larger stores will see a decrease (see Annex B), for example, a store between 3,501 - 4,000 sq. m. will see a £119.10 saving to their bill.

The ACS Local Shop Report does not lend itself to translate data from ft. to m., as such, for the purposes of this submission, we have made our estimations of the impact to the convenience sector by pairing up ACS data to the bands, for example, 0-100 sq. m. 0-999 sq. ft. to instead of 0-1076 sq. ft.

Estimated cost of the proposed tariff to the convenience sector

	Up to 100m (0-999 sq. ft.)	100-200m (1000-1999 sq. ft.)	201-300m (2000-3000 sq. ft.)	Total cost
Multiples	-£70,732.03	£98,414.36	£211,722.44	£239,404.77
Indies	-£413,705.60	£297,018.46	£115,579.00	-£1,108.14
Net cost	-£484,437.63	£395,432.82	£327,301.45	£238,296.63

Source: ACS Local Shop Report 2016.

As the table shows above, the new PRS tariff will impact the convenience sector considerably. Multiple stores will see an estimated cost increase of £239,404.77. However, the table also shows that independent stores are set to gain by £1,108.14. While the PRS consultation sets out that the smallest stores (up to 100 sq. m.) are set to gain from the tariff simplification, the consultation’s proposals would scrap the discount for retailers with a small audible area with a single TV or radio. The cost of which PRS have yet to quantify.

It is important to note that while the table above shows the considerable financial impact that the new retail tariff will have on the convenience sector, the table does not take into account the number of convenience stores that are currently on the reduced rate for stores with a small audible area (less than 100 sq. m) with single TV or single radio. While we do not have exact figures on the number of retailers on this discount, we expect that the total cost will increase considerably when factoring in the rate increases from those businesses which receive the discount. We have provided calculations later on in the submission.

In addition, we are concerned about the inclusion of staff training films within the new retail tariff. A number of convenience stores that do not play chargeable music would be required to obtain a PRS licence if they played staff training films in-store. We call for clarity on the inclusion of staff training films within the PRS tariff.

What are your views with regards to whether Shopping Malls and Centres should be included under the umbrella of the new Retail tariff?

We are not opposed to the principle that Shopping Malls and Centres be included under the umbrella of the new Retail Tariff. However, we do not agree that the inclusion of more larger stores should be at the expense of small stores.

Throughout the PRS consultation, it appears that the inclusion of larger retail stores in the tariff simplifications has provided cost savings for larger stores and smaller stores have lost out. As the examples demonstrate in the PRS consultation, a 2,000 sq. m. shopping mall will see a £63.14 reduction under the new PRS tariff while an even larger 17,000 sq. m. department store will see a £240.63 reduction in their bill under the new tariff.

In comparison, a 90 sq. m. convenience store, with a single radio device discount, will see costs increase by £51.50. Moreover, stores in the smaller band sizes will experience additional costs under the new tariff. Under the new tariff, stores between 101-150 sq. m. will lose £18.70, stores between 151-200 sq. m. will lose £18.70, and stores between 201-300 sq. m. will lose £44.70 (see Annex B).

What are your views with regards to the removal of a charge per device for shopping malls, food courts and in-store café/restaurants?

We do not believe that the new PRS retail tariff background music charge should be “device-neutral”. Despite, PRS claiming that it will enable licensees to perform music in public by whatever device they wish to use (and via however many devices they may wish to use), there will be significant cost increase for businesses under 100 sq. m. which have the discount for having a small audible area with single TV or single radio.

As detailed above, businesses on the reduced tariff will have to pay an additional £51.50 each year under the new tariff. Removing this discount will harm the smallest retailers; ACS’ Local Shop Report 2016 found that 43% of all conveniences stores were in locations between 0-999sq. ft.¹.

If we estimate that on average, 30% of multiple stores under 100sqm, and 70% of independent stores under 100sqm will receive a single unit discount, there will be considerable cost increases for the convenience sector – see below:

Estimated cost of the proposed tariff to the convenience sector – Considering the removal of single unit discount

	Up to 100sqm (0-999 sq. ft.)	100 to 200sqm (1000-2000 sq. ft.)	201-300sqm (2000-3000 sq. ft.)	Total cost
Multiples	-£726.27	£98,414.36	£211,722.44	£309,410.54
Indies	£541,695.77	£297,018.46	£115,579.00	£954,293.23
Net Cost	£540,969.50	£395,432.82	£327,301.45	£1,263,703.77

¹ ACS Local Shop Report 2016/

The cost to the convenience sector increases dramatically when taking into account the cost increases that businesses currently receiving a discount could face. Therefore, PRS should reconsider reinstating the reduced tariff as it will hurt the smallest independent businesses, placing further administrative burdens on them, which in turn reduces their profitability.

Are you content for background music usage to be charged by on the number of square meters in bands?

We agree that background music usage should be charged by the number of square metres in bands. We believe in principle that reducing the numbers of bands for simplification is appropriate, however, we do not believe premises in lower bands should see an increase in their tariff when they are consolidated.

If PRS is to continue with a graduated banding structure, we recommend that they either:

- **Ensure that lower bands are split out further.** Currently, there are 5 bands between 0-500 sq. m, which will be condensed into 3. Maintaining five bands would minimise the impact of increasing smaller stores up to a higher average within a wider band.
- **Graduate bands more strongly.** The only band to have a real reduction in fees is the 0-100 sq m band (-£22.40 per licence). Whereas other convenience stores are set to see a hefty increase. Stores between 201 and 500m will see a fee increase almost double that than experienced by stores between 500 and 1250 sq m. Graduating bands more strongly will address such discrepancies.
- **Reduce fees for stores below 300 sq. m.** If PRS kept the proposed bands for the new retail tariff, it would be fairer if they reduced the fees for stores below 300 sq. m. and made up the difference by increasing the fees in higher bands. For example, reduce the cost saving for the 3,501 - 4,000 sq. m. band (currently at £191.10).

For more information on this submission, please contact Julie Byers, ACS Public Affairs Executive at Julie.Byers@acs.org.uk or call 01252 515001.

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 50,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.



Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.

WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents 22,870 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions. These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents 15,060 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits. Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents 12,165 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls, Conviviality Retail and others. Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2016, the total value of sales in the convenience sector was £37.5bn. The average spend in a typical convenience store transaction is £6.13.



There are 50,095 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 390,000 people. 21% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 22% take no holiday throughout the year. 74% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors. 84% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2015 and May 2016, the convenience sector invested over £600m in stores. The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1200 independent and symbol retailers which is combined with responses from multiple businesses representing 3,970 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2200 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 5,765 stores. The Local Shop Report also draws on data from him! research and consulting, IGD, Nielsen and William Reed Business Media.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

ANNEX B

Audible Area		Background and demonstration music		
Sq Meters	Sq foot	Were paying	Will pay	Cost/saving
Up to 100	0-1076	£160.40	£138	£22.40
101-150	1087-1615	£234.30	£253	-£18.70
151-200	1625-2153	£234.30	£253	-£18.70
201-300	2164-3229	£308.30	£353	-£44.70
301-500	3240-5382	£382.00	£353	£29.00
501-750	5393-8073	£456.00	£523	-£67.00
751-1,000	8084-10764	£529.80	£523	£6.80
1,001 - 1,250	10775-13455	£603.80	£523	£80.80
1,251 - 1,500	13466-16146	£677.60	£753	-£75.40
1,501 - 1,750	16157-18837	£751.60	£753	-£1.40
1,751 - 2,000	18848-21528	£825.50	£753	£72.50
2,001 - 2,500	21539-26910	£899.40	£1,002	-£102.60
2,501 - 3,000	26921-32292	£973.40	£1,002	-£28.60
3,001 - 3,500	3203-37674	£1,047.20	£1,002	£45.20
3,501 - 4,000	37684-43056	£1,121.10	£1,002	£119.10
4,001 - 4,500	43066-48438	£1,195.00	£1,322	-£127.00
4501 - 5000	48448-53820	£1,268.90	£1,322	-£53.10
5001 - 6000	53830-64583	£1,342.80	£1,322	£20.80
6001 - 7000	64594-75347	£1,416.60	£1,322	£94.60
7,001 - 8,000	75358-86111	£1,490.50	£1,652	-£161.50
8,001 - 9,000	86122-96875	£1,564.30	£1,652	-£87.70
9,001 - 10,000	96886-107639	£1,638.30	£1,652	-£13.70