

Scottish Parliament Cross Party Group on Independent Convenience Stores

Approved minute of meeting held on 24th January 2018 in Committee Room 3

1. WELCOME AND INTRODUCTIONS

The convenor welcomed attendees to the meeting and thanked Richard Lyle MSP for chairing previous meetings of the CPG. The convenor then outlined the main items of business.

2. APPROVAL OF PREVIOUS MINUTES AND ACTION POINTS

The convenor asked for the approval of the previous minutes from the 28th November 2017 meeting. These were approved.

3. ILLICIT TRADE – THE IMPACT ON BUSINESSES

The following items of business then covered:

Kenny MacAskill, Chair of the Scottish Anti Illicit Trade Group

Kenny MacAskill informed the CPG that he was Chair of the Scottish Anti Illicit Trade Group (SAITG) and explained that SAITG had a key role in bringing together public and private sectors with a clear focus and strategic aim of reducing the scale, impact and costs of illicit trade throughout Scotland. This included an amalgam of bodies such as law enforcement agencies, regulatory bodies, tobacco manufacturers and retailers both large and small.

Kenny explained that SAITG looked not just at illicit trading in tobacco and alcohol but counterfeiting issues more generally such as criminals utilising social media e.g. Facebook pop-up pages. SAITG were proactive in trying to drive the message home to the public that the illicit trade and counterfeiting were not a victimless crime and that it affected communities, society and the wider economy. He added that this message was still not resonating with the people. He emphasised that there was a need to protect 'Brand Scotland' and that as part of this it was important to protect Scotland's business profile and the public perception of it.

Andy Law, Police Scotland and Tony Robertson, HMRC – Joint presentation

Andy Law and Tony Robertson explained to the CPG the significant negative effect of the illicit trade in counterfeit products. They then spoke to their presentation. The main points were:

- Scotland's Serious Organised Crime Strategy (SOC) was aimed at the reducing harm of SOC through utilising the four D's – Deter, Detect, Divert and Disrupt
- SOC involved more than one person and included the control, planning and the use of specialist resources and involved benefit to the individuals concerned, particularly financial gain.
- To reduce demand for illicit products Police Scotland used a Demand Reduction Circle which involved taking action following the principles of Prevention, Education and Enforcement.
- Three key groups involved in protecting Scotland's communities were: 1) Scottish Anti Illicit Trade Group 2) Scottish Illicit Trade Enforcement Subgroup and 3) Scottish Prevention Hub for Emerging Risk Evaluation.

- HMRC's Fraud Investigation Service (Criminal) Scotland investigated excise duty frauds and criminal attacks on the direct and indirect tax systems. ISB dealt with excise fraud and small organised crime. Tobacco and alcohol smuggling were serious problems in relation to fraud. Cigarettes in the UK were expensive when compared to Europe and that was a main reason why the UK had a problem with the illicit trade in cigarettes.
- Another key body in tackling the illicit trade was the Scottish Prevention Hub for Emerging Risk Evaluation (SPHERE) whose aim was to evaluate and disseminate collaborative information and intelligence to affected communities, mitigating risks associated with the diversification of criminal practices and behaviours.
- Counterfeiting profits could be substantial with a £1,000 investment yielding approximately a £300,000 return for pharmaceuticals, £40,000 - £100,000 for software piracy and £43,000 for tobacco. Also counterfeit and pirated products amounted to up to 5% of imports in 2013 in the European Union, or as much as EUR 85 billion (USD 116 billion). It was also noted that one in 20 items coming into the country – as imports from the EU – were fake and that young children were being exploited as labour in the manufacture of them.
- Counterfeiting covered a large range of areas:
 - Counterfeit foods – this included things such as coffee, baby powdered milk and even a counterfeit olive oil bottling plant.
 - Counterfeit alcohol – this included a factory making counterfeit alcohol in Liverpool. HMRC reported that a certain well-known brand of vodka was the most counterfeited alcoholic product of 2015 until the bottle shape changed from standard sizing. Other items seized included super strength lager and tonic wine. It was also noted that 30 million more bottles of Bordeaux wine was sold worldwide than was actually produced. It was explained that fake alcohol killed hundreds every year.
 - Counterfeit tobacco - around half million packets of cigarettes cost approximately £100,000 to purchase from China and had a value on the UK market of £2.5 million. Also hand rolling tobacco was primarily entering the country via the fast parcel route and that packaging was sent to secondary addresses primarily distributed by Asian crime groups. It was noted that illegal immigrants were used to make products and that over £1 million a month made through selling illicit tobacco was leaving the country every month. It was explained that convenience stores should carry out due diligence when choosing a tobacco supplier or else risk damaging their reputation through inadvertently selling fake products etc.
 - Counterfeit product quality – there were safety concerns associated with other counterfeit products such as children's toys and games etc.
- Social media platforms such as Facebook were being used by illicit traders to sell their products.
- More people needed to inform the police of illicit trading so as to address the problem of counterfeiting and the economic impact that this could have on genuine retailers and communities generally.

The Convener thanked Andy and Tony for their presentation and invited comments and questions.

Murdo Fraser MSP asked about illicit trading via the internet and how intelligence was gathered to address this problem.

Andy stated that they had been very successful in tackling the problem of illicit trading over the internet. They worked very closely with the Scottish Illicit Trade Enforcement Subgroup and to date 34,000 Dot UK websites had been taken down. It was explained that illicit traders tried to get around this by using the details of customers who had inadvertently ordered illicit products from their fake websites. It was noted that 7.2% of 3,000 illicit trade Dot.UK websites were in Scotland. Police Scotland had spoken to those responsible for operation of the Dot.UK network and as a result the registration rules were changed to make it more difficult for illicit traders to use this domain name. It was mentioned that Google and PayPal also provided the police with intelligence and that one of the methods used to track down illicit traders was to follow the money trail. A lot of work was also done by the police and HMRC in communities, shops and airports.

Harris Aslam asked about how retailers would be able to verify the stock that retailers purchased from respectable wholesalers.

Andy explained that there was a website that retailers could use to check stock by typing in details from the individual product. He stated that he needed manufacturers to put more information on their websites telling customers how to identify the fake versions of products.

Ferhan Ashiq made the general point that the forthcoming withdrawal of paper £5 and £10 bank notes could present a problem for specially trained 'cash dogs' used by the police/ HMRC as it could be more difficult for these 'cash dogs' to smell and therefore track down the new polymer bank notes.

Kenny MacAskill commented on those dealing in the illicit sale of alcohol. He stated that those who suffered the most were the poor and that in turn legitimate retailers would suffer as potential customers opted to go to illegal sources.

Andy added that the police prosecuted those who sold illicit alcohol via Facebook and said that the Scottish Anti Illicit Trade Group promoted legitimate businesses and that it recognised convenience stores were at the heart of the community.

An attendee raised the question as to whether retailers saw a drop in demand for certain products at different times of the year due to the illicit trade.

Ferhan Ashiq commented that in his own experience he could sometimes see a 10-15% decline in sales in July for certain types of product.

James Hall raised the issue of spreading positive news stories in relation to tackling the illicit trade and cited Imperial Tobacco's use of the News Now website to do this.

Tony stated that HMRC press releases were an open resource for people to access so as to be aware of successful actions to address the illicit trade.

Andy added that the Scottish Anti Illicit Trade Group had its own twitter account which it used to post positive news stories about tackling the illicit trade e.g. recoveries.

Pete Cheema highlighted that ice cream vans were a very real problem in housing estates in terms of selling illicit tobacco and alcohol and felt that the police and HMRC were not targeting them.

Tony stated that HMRC had targeted ice cream vans in the east end of Glasgow a number of years ago and said that possibly the Scottish Anti Illicit Trade Group and HMRC could consider a project to try to tackle this issue.

Andy added that the warehouses where many ice creams vans were kept were not the places that the illicit products which they sold were stored. The products were often stored in houses or other central locations. He said consideration could be given to a 'day of action'.

An attendee made the point that sometimes convenience stores themselves were involved in selling fake alcohol.

Tony stated that there were serious repercussions for convenience stores if caught participating in the illicit trade and in such cases HMRC would require to go through a stores complete tax records. HMRC also conducted targeted spot checks on convenience stores using intelligence which they gathered. He added that HMRC and trading standards liaised over intelligence.

Giles Roca commented that in his view Scotland was ahead of the curve in dealing with the problem of illicit trade though England was catching up. He also asked whether further legislation was required to push on with tackling the illicit trade.

Tony stated that Scotland had different legal powers to England and did not expect any further legislative changes.

Kenny MacAskill added that legislation was kept under review. He also commented that that information on the illicit trade needed to be kept being fed into the Scottish Anti Illicit Trade Group and that global businesses needed to keep exchanging information too.

Hussain Lal highlighted that a problem retailers faced was sellers of fake goods who often hung around the vicinity of certain convenience stores and targeted their customers.

Andy Law added that this type of problem was also experienced by bingo halls where fake goods were sold to people by illicit traders mingling with customers. This problem was being addressed through local police officers being given appropriate training to help tackle these issues at source. He added that the local convenience stores being targeted needed to go to their local police officer for help.

The Convener thanked Andy and Tony for their joint presentation.

4. SUB-GROUP UPDATES

Retail Crime

- Daniel Johnson MSP informed attendees that he had published his consultation on proposals for a members' bill that would create new offences around assault and abuse of workers who were involved in the sale of age restricted items like alcohol and tobacco. It also set out a further proposal of creating a statutory aggravation when these cases do come to be sentenced which could achieve similar aims. Daniel asked all the retailers present and those who worked in the industry to respond to his consultation and to encourage as many others as they could to do so. The consultation was available at: www.notpartofthejob.com. He thanked the Scottish Grocers' Federation for their support with the consultation and also thanked Scotmid for hosting the launch event at one of their Edinburgh stores.

Economy

- Dr John Lee reported that the Scottish Grocers' Federation were currently working with the University of Stirling on a number of projects concerning the true cost of employment and the economic importance of the retail sector.

Community Engagement

- Dr John Lee informed attendees that the Scottish Grocers' Federation Health Living Team had in conjunction with, the Rev. Neil Galbraith of Glasgow The Caring City, participated in the recent St. Andrews Day celebrations which involved retailers in a healthy living day. Retailers had provided their customers with healthy food tasting sessions in store. The event had been a success and would provide a benchmark for a bigger event in 2018. John invited those present to get in touch with the SGF if they wished to get involved.

5. AOB

The convenor asked members if they had any other business. Pete Cheema, Chief Executive of the Scottish Grocers' Federation asked members to look at the advertised upcoming SGF events and to book themselves a place on them.

6. DATE AND TOPIC OF NEXT MEETING

The date of the next meeting was Tuesday 22nd May in Committee Room 3.

Appendix A – Attendance List

MSPS	
Name	
Fraser, Murdo	
Johnson, Daniel	
Lyle, Richard	
MacDonald, Gordon	

MEMBERS	
Ali, Mumtaz	Mace Stores
Ashiq, Ferhan	Shads Supermarket LLP
Aslam, Harris	Eros Retail Ltd
Cheema, Pete	Scottish Grocers' Federation
Connally, Louise	SGF – Healthy Living Programme
Edgar, Gillian	SGF – Healthy Living Programme
Gordon, Mike	Scotmid
Harper, Jim	Scotmid
Lee, John	Scottish Grocers' Federation
Leonard, Mike	United Wholesale (Scotland) Ltd
Lovie, Ian	Scotmid
McFedries, Jim	Scotmid
McGarty, Luke	Scottish Grocers' Federation
Neil, Kathryn	SGF – Healthy Living Programme
Williams, Dennis	Broadway Convenience Store

NON MEMBERS	
Attwell, Darren	Imperial Tobacco UK&I
Bell, Angela	HMRC
Clark, Lesley	Halogen Communications
Denny, Stewart	Scottish Business Resilience Centre
Fraser Maxine	Retailers Against Crime
Hall, James	Imperial Tobacco UK&I
Hazard, Niall	TLT Solicitors
Jarvie, Lorraine	Scottish Business Resilience Centre
Lal, Hussali	NFRN
Law, Andy	Police Scotland
MacAskill, Kenny	Scottish Anti-Illicit Trade Group
Nisbet, Andrew	Police Scotland
Pettigrew, David	Police Scotland
Robertson, Tony	HMRC
Roca, Giles	Tobacco Manufacturers' Association
Roper, Adrian	NFRN
Woodrow, David	NFRN