

The results of the Sunday trading ban for shopping centres and the entire industry

05 December 2016

The Report was prepared in cooperation with the Polish Council of Shopping Centres

Note – this translation is non PwC official.



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Aim and description of the study

The aim of the study is to analyse the impact of the Sunday trading ban on shopping centres (SC) operating in Poland and their employees. Additionally, the effect of this ban on the entire retail industry and an overview of the international situation was estimated.

The study includes a detailed analysis of the impact of imposing the Sunday trading ban as proposed by the National Section of Trade Workers of NSZZ Solidarność on different types of retail activities in shopping centres, especially: generic retail, clothing, footwear and accessories stores, electronics and household appliances stores, and DIY stores, which generate more than of total turnover at SCs. The detailed analysis also includes the impact of the introduced changes on other types of business activity taking place in shopping centres, with a particular focus on food serving services as well as security and cleaning services.

The assessment of the impact of proposed solutions for the entire retail sector in Poland has been made on the basis of the results of shopping centres and the Central Statistical Office (GUS) data concerning the structure of retail in Poland, previous PwC's analyses of the subject, and other such studies in other countries.

Apart from the estimates of the effects of proposed changes on the situation of the sector in Poland, the report presents a comprehensive overview of restrictions on retail trade on Sunday in different European countries and the analysis of the direction of those changes in the recent years. The report also presents a detailed description of the case of Hungary, which is a country where the Sunday trading ban was imposed in the years 2015–2016, only to be revoked after a wave of public protests.

Furthermore, the study shows that excluding small, owner-managed retail venues and food-serving venues from the ban will not protect them from the necessity to close on Sundays in case they are located within a shopping centre. As a result, they will be in a much worse position than their counterparts located outside shopping centres.



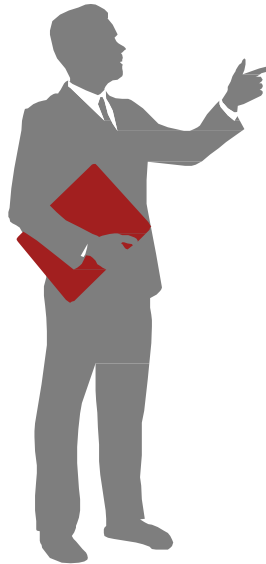
1

Why will all venues in shopping centres except of cinemas be closed as a result of the Sunday trading ban?

As the costs grow, opening shopping centres on Sundays for a small group of tenants becomes pointless from the economic point of view

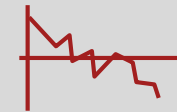
Analysis of the profitability of opening large-area retail schemes on Sundays

The Sunday trading ban will result in closing entire large retail projects on Sundays. Even though some tenants would not be covered by the statutory ban, financial factors will make running business on that day unprofitable. In order to justify that, an analysis of potential costs of opening on Sunday only some venues within a shopping centre has been conducted. These costs consist of fees related to operation of facilities which are normally covered by all tenants, whereas on Sundays they would have to be paid only by those who decide to open stores on that day. This effect and its results have been described in details on the following pages. Moreover, it is worth noting that due to the majority of stores closing on Sundays, potential turnover of those that decide to open their stores will also decrease. This is a result of a network and cluster effect reduction (due to a limited offer on Sunday, some people will abstain from visiting retail projects, although they would visit them if the complete tenant-mix was available).



Only those retail venues that are owner-managed can be opened on Sundays. Therefore, the influence of the network and cluster effects will be minimised.

RESULT:
A decrease in real property revenue



The operating costs of a facility on that particular day will be borne only by the stores that remain open on Sunday. They will not be spread evenly over all tenants, but will encumber only those that actually operate on that day.

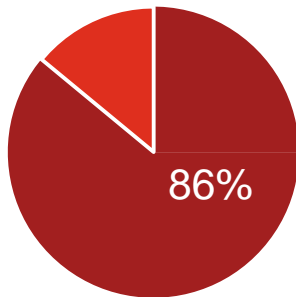
RESULT:
An increase in unit operating costs of a facility



86% of tenants in retail schemes are Polish LLCs (spółka z o.o.) or JSCs (spółka akcyjna)

The scheme of the conducted research

Retail tenants in Poland



■ LLCs and JSCs

■ Other companies



- In order to estimate the share of stores that are capable of being owner-managed and can be opened on Sunday despite the trading ban, a representative sample of commercial properties was analysed in terms of the legal structure of their tenants. The sample consisted of 75 projects with an aggregate leasable space of 1.9 million sqm.



- We assumed that the Sunday trading ban will apply to premises leased to limited liability companies and joint-stock companies. They comprise 86% of the floorspace of venues in the analysed sample.

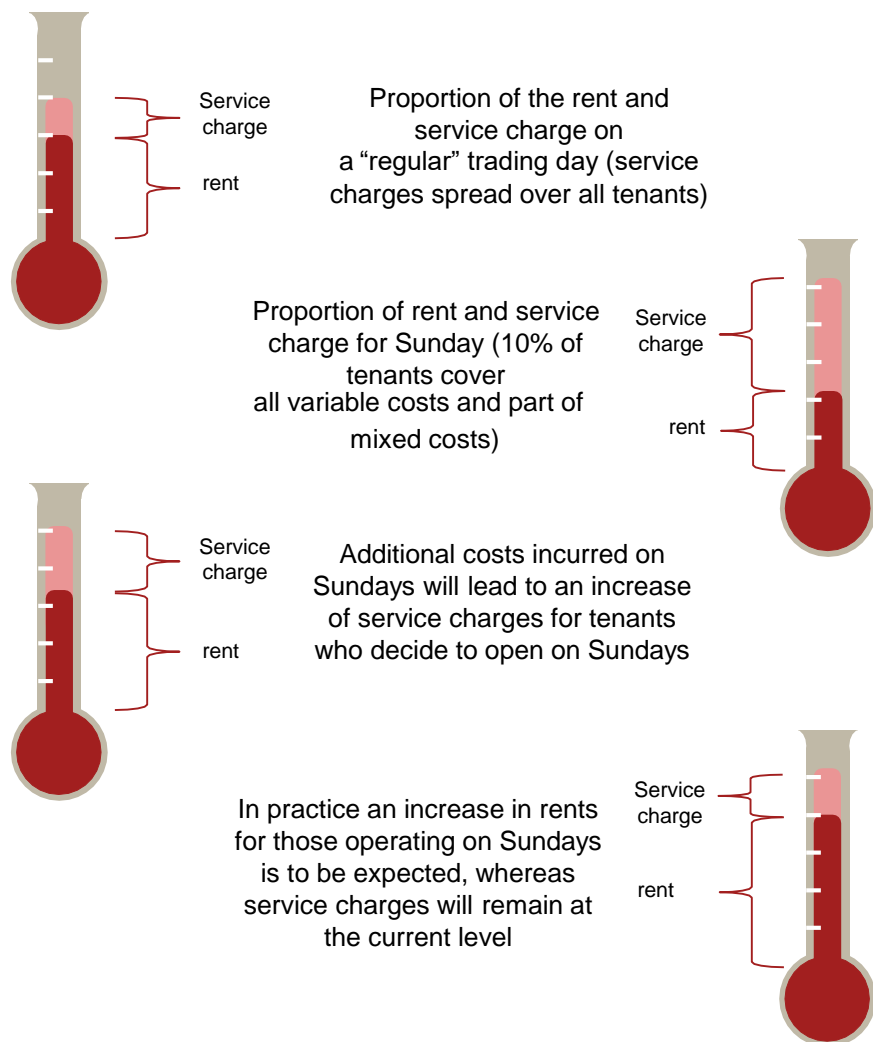


- The remaining 14% of retail space is leased to companies with a different legal structure. This does not automatically mean that all of venues of these companies will be open on non-shopping Sundays. Some of them may be simply too large to be single-handedly run by their owners.

10%

- Given the above, it is to be assumed that the top limit of retail venues that can potentially be opened on Sunday despite the ban is 10%.

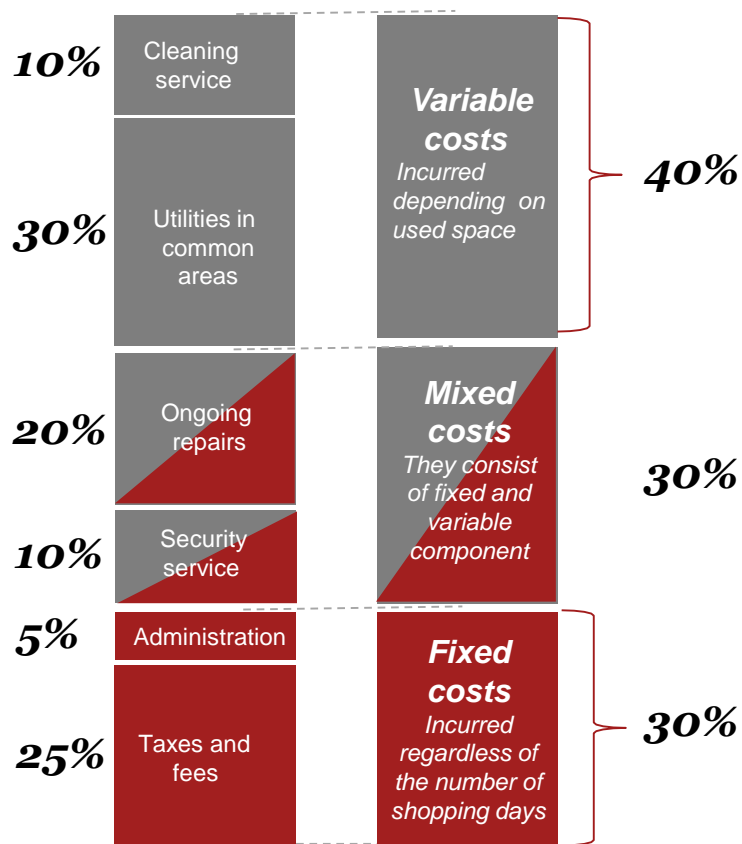
The increase in costs is likely to translate into higher rents for premises open on Sunday



- I.e. a tenant that does not fall under the provisions of the planned act and decides to trade on Sunday will be forced to pay higher fees.
- The service charge for operating on Sunday will be a few times higher than on a regular day.
- Given the share of Sundays in the number of weekdays, the expected increase of service charges is 68%.
- In practice it is the rent for tenants planning to operate on Sundays that is more likely to increase. Such rise took place during the one-year period when the Sunday trading ban was in force in Hungary. The few stores trading on that day had to pay higher rent for leased space than tenants of similar premises that did not operate on Sunday.
- Given the rent increase and anticipated lower sales rate on Sundays, it is to be expected that tenants will not decide to trade on Sunday. High fees will discourage those considering running the store on their own. Shopping centres and other retail projects will remain closed.
- Example: according to a survey by PMR (2014) 25% representatives of the clothing and footwear industry declared that high costs of retail space rental were the greatest hindrance to the development of the market.
- Example: during the period when the Sunday trading ban was in force in Hungary, the rents for tenants that had announced they wanted to open stores on Sundays were increased, which discouraged them from trading on that day

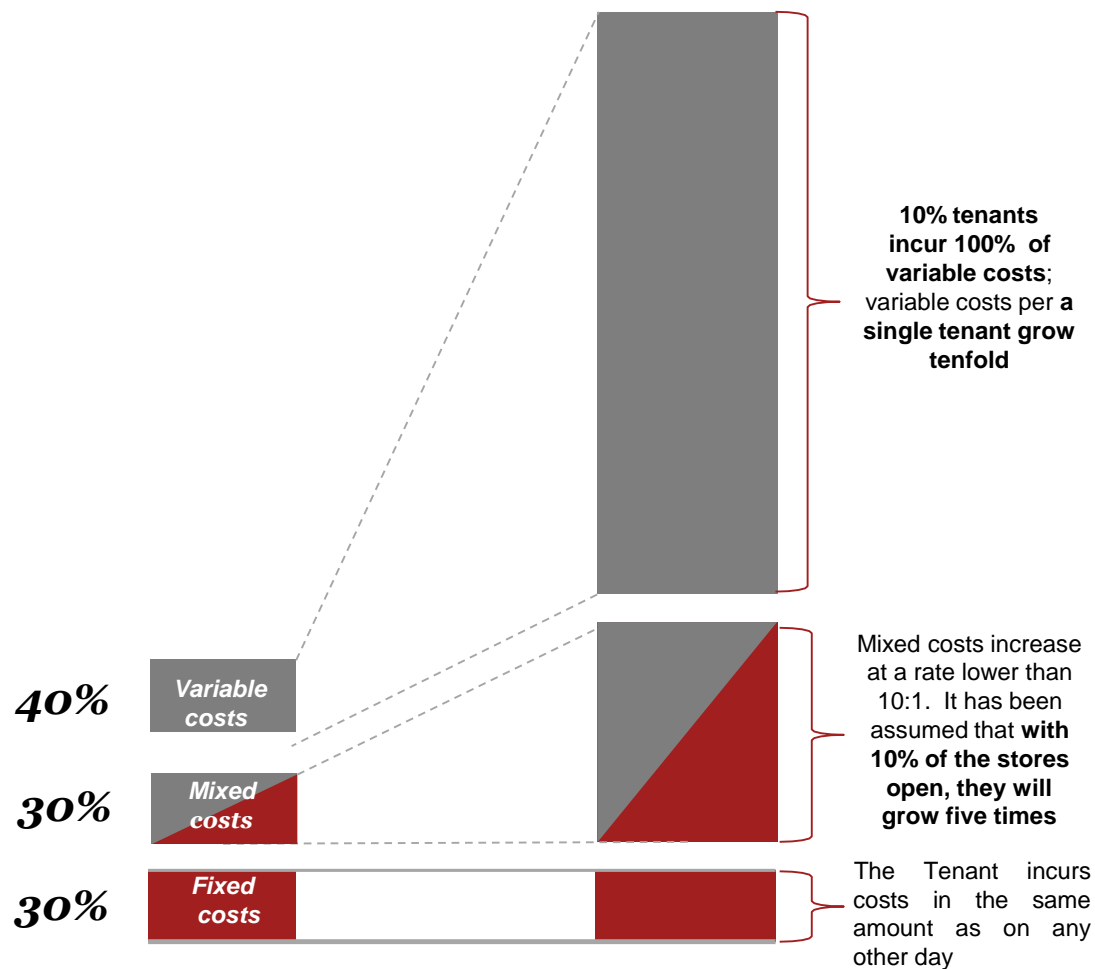
Ongoing costs of retail facilities maintenance, both fixed and variable, are borne by tenants

Cost of building maintenance incurred by tenants in the form of the service charge



- In the case of retail properties, maintenance fees are borne in full by tenants, who pay bills for utilities as per consumption **and are also charged with ongoing costs of building maintenance (service charges)** proportionally to their share in leased space.
- In prime properties service charges are around EUR 5–6/sqm.
- Service charges include costs such as: cleaning of the common area and bills for utilities consumed in that area; ongoing repairs in the building; building security; administrative cost, taxes and costs related to the property.
- Typical share of different types of costs in total service charge was presented in the graph (left).
- The above-mentioned costs can be divided into **three categories**: **variable** (incurred only when the building is operating), **fixed** (incurred regardless of the time the building operates) and **mixed** (incurred partially in a fixed form and partially in a variable form).
- Fixed costs include administrative costs, fees and taxes.
- Variable costs include fees for cleaning service and utilities in common areas.
- Mixed costs include repair costs and security fees. On non-shopping days these costs are incurred but not in full.

Costs per a tenant on Sunday will increase nearly six times, thus rendering opening retail unprofitable for everyone



- Variable costs and part of mixed costs are not incurred on days when retail projects are closed. In a situation when only some stores are open, these costs are borne only by these particular stores and not all tenants.
- As established above, it will be possible to open no more than 10% of stores in retail schemes on Sundays.
- That means that variable costs and part of mixed costs incurred on Sundays will be spread over ten times less tenants.
- The cost of operating on Sunday per a tenant was presented in the graph.
- Variable costs will be spread over ten times less tenants.
- It has been assumed that mixed costs grow at a smaller rate (5:1). Fixed costs remain at a previous level.
- For some retailers that decide to trade on Sundays, the aggregate cost of the service charge would increase by 580%.

A photograph of a person's hands reaching into a grocery store produce section. The person is wearing a black long-sleeved shirt. They are selecting items from a display of fresh produce, which includes a basket of purple and white onions, a bunch of yellow carrots, and a black plastic container of mushrooms. A white plastic shopping bag is held in the person's other hand. The background is slightly blurred, showing more produce and store shelving.

2

The effects of Sunday trading ban on retail

Retail in Poland and the position of shopping centres



PLN **690 billion**
of retail turnover in 2015



2/3 of total turnover in
stores with an area of more
than 400 sqm



retail generated **PLN 95 billion** of added value, which is
5.3% of the GDP



400,000 people
employed in shopping
centres



More than **PLN 120 billion**
of turnover in shopping centres

- According to GUS, retail in Poland is worth more than PLN 690 billion of turnover in 2015, distributed across 360,000 stores. The total sales area of the Polish retail sector is more than 36 million sqm. The sector employs more than 1.2 people.
- Two thirds of turnover is recorded in stores with an area of more than 4,000 sqm.
- Added value generated by retail is worth more than PLN 95 billion. This can be compared to 5.3% of Poland's GDP.
- As of the end of 2015, in Poland there were 448 shopping centres of various generations with a total area of more than 11,000,000 sqm. Inside, there are around 40,000 retailers, which employ around 400,000 people including support personnel.
- According to ICSC (International Council of Shopping Centres) data, it has been estimated that the turnover generated by shopping centres exceeds PLN 120 billion.

It has been estimated that a decrease in retail sales will total at least PLN 9.6 billion, while the decrease in employment will amount to at least 36,000 people.

	Turnover reduction (PLN billions)	Labour demand decrease
All analysed industries	9 616	36 375
including:		
Stores in Shopping Centres	3 251	11 279
Services in Shopping Centres	1 255	4 509
Cleaning and security services in Shopping Centres	94	3 419
Stores outside Shopping Centres	4 834	9 952
Services outside Shopping Centres	-	-
Retail		
Cleaning and security services outside SCs	180	7 216
Direct losses of the State Treasury (in PLN millions)		1,862.82
VAT		1,487.66
PIT		85.92
Social security contributions		289.24

- The following detailed estimates of the impact of Sunday trading ban on selected industries operating in shopping centres allowed to extrapolate results for the entire retail.
- It was estimated that the total decrease of turnover in analysed sectors, both in shopping centres and outside, will amount to at least PLN 9.6 billion, whereas the employment reduction will touch at least 36,000 people.
- In the view of previous analyses, our estimates based on some restrictive assumptions on the level of the shift of Sunday shopping to other days of the week (compulsive sales only), have to be assumed as minimal values of expected results.
- The previous analyses* of the effects of liberalisation or strengthening restrictions for trading on Sundays indicated employment level changes of around 4–5%, which in the case of Poland would mean an employment reduction by 50,000–55,000 people. On the other hand, earlier (2015) analyses by PwC based on a different methodology (top-down instead of bottom-up) and assumptions concerning the turnover and employment reduction rate in accordance only with declarations of the industry representatives reached up to as many as 60,000–85,000 people; these numbers shall be considered the upper limit of potential reduction.
- Direct losses of the State Treasury related to introducing the Sunday trading ban were estimated at at least PLN 1.8 billion.

*Source: Genakos Ch. Danchev S. "Evaluating the Impact of Sunday Trading Deregulation" CEP Discussion Paper No 1336, London, March 2015



3

*The results of imposing the ban
for shopping centres*

As a result of introducing the Sunday trading ban, turnover of shopping centres will be reduced by around 4%, which is PLN 4–5 billion whereas employment will be reduced by 19,000–20,000 people

	Estimated turnover decrease (in PLN billions)	Employment reduction (in thous. of people)
In shopping centres in general	4.60	19.21
including:		
Non-specialised Retail	0.38	0.79
Clothing	1.35	6.37
Electronics	0.21	0.22
DIY	0.21	0.23
Restaurants	0.45	1.84
Cleaning services	0.05	1.59
Security services	0.05	1.83
Remaining retail and services	1.91	6.34
Direct losses of the State Treasury (in PLN millions)		880
VAT		695.4
PIT		42.4
Social security contributions		141.2

- Our estimates described in detail below indicate that as a result of imposing the Sunday shopping ban, turnover of retailers in shopping centres will drop by PLN 4.6 billion. This is around 4%. It will result in a decrease in labour demand equal to an employment reduction by 19,000–20,000 people.
- The highest share in the general decrease in turnover and labour demand will go to the clothing sector, whose turnover will drop by PLN 1.3 billion, and employment by 6,000–7,000 people.
- Turnover and labour demand reduction in other types of retail and services (which were not analysed in detail) located in shopping centres (e.g. hairdressers, cosmetic parlours, jewellers, children care centres, opticians, etc.) is respectively PLN 1.9 billion and 6,000–7,000 people. The estimates for these sectors were prepared assuming that 1/3 of them are services points (which lose more), whereas 2/3 are trading venues.
- Direct losses of the state treasury generated by shopping centres, following the potential Sunday trading ban amount to around PLN 890 million, of which the majority, PLN 695 million, is in the form of unpaid VAT tax.

Turnover of non-specialised retailers located in shopping centres will drop by PLN 376 million

Turnover	PLN 27 billion
Share of Sundays	8%
Estimated turnover reduction	PLN 376 million
Estimated labour demand reduction (people)	800



Trade in non-specialised stores

- Large area retail in non-specialised stores, namely popular super- and hypermarkets does not have a possibility to circumvent the planned Sunday trading ban, which means they would be closed on that day.
- According to our estimates based on a sample of 50 shopping centres from different parts of Poland, supermarkets cover slightly more than 20% of GLA of a building on average; that proportion is subject to changes depending e.g. on the generation of the shopping centre.
- Given the entire estimated size of the non-specialised retail market worth around PLN 240 billion, the part falling for large area shopping centres is worth around 11%, which is PLN 27 billion.
- Average sales on Sundays is lower than on other days of the week and oscillates around 8% of weekly turnover.
- The majority of sales will spread over the remaining days of the week; however the share generated by compulsive shopping will be lost. In the case of food, according to preliminary studies, it is around 14%, whereas in the case of sweets and soft drinks it is assumed they might constitute as much as a half of Sunday's turnover.
- In total, the decrease in turnover of non-specialised stores in shopping centres may amount to 1.4%, which is around PLN 376 million and nearly 800 employees less.

Turnover of clothing stores located in shopping centres will drop by PLN 1,352 million, while 6,374 people may lose their jobs

Turnover	PLN 15.7 billion
Share of Sundays	20%
Estimated turnover reduction	PLN 1,352 million
Estimated labour demand reduction (people)	6,374

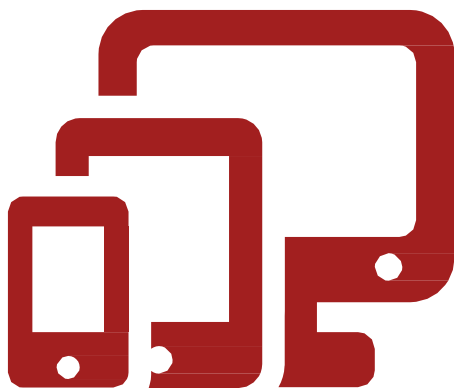


Fashion

- The clothing and footwear market in Poland is estimated to be worth between PLN 30 billion (GUS) and PLN 35 billion (PMR)
- According to a PMR research of 2014, 60% of Poles buy their clothes in brands stores in shopping centres. 26% declare to buy these products in non-brand boutiques and 19% say they find them on market squares and online. The share of Sundays in the turnover of stores operating in shopping centres is about 20%.
- It is estimated that the turnover generated by stores in shopping centres constitute a half of the market.
- The fashion market is subject to the strongest compulsive shopping effect in the market, which can generate up to 40% of purchases. To a large extent, this is a result of frequent promotion events and sales.
- The possibilities of organising sales are greater in retail chains (with franchise or own stores), which means that the effect of transferring part of Sunday' turnover to stores which are not subject to the trading ban will be minor.
- It is estimated that following the introduction of the ban, the clothing trade turnover in shopping centres will be reduced by 8.6%, which is around PLN 1.35 billion.
- The decrease in sales and transferring turnover to other days and store formats may result in an 8.6% employment reduction, which in the case of clothing and footwear stores means around 6,400 people.

Turnover of electronics and home appliance stores in shopping centres will drop by PLN 207 million

Turnover	PLN 8.3 billion
Share of Sundays	20%
Estimated turnover reduction	PLN 207 million
Estimated labour demand reduction (people)	222



Consumer electronics

- Businesses running sales of electronics and household appliances are characterised with extensive supply chains and high costs of sales organisation. Due to high operating costs, they are not run personally by their owners, but operate as Polish limited liability or joint-stock companies.
- For that reason, if the ban is imposed, it will be impossible to trade electronics and household appliances on Sundays.
- According to PMR's estimated, the value of the Polish electronics market is around PLN 22.3 billion.
- A research by PwC conducted on a sample of 320 stores indicates that slightly more than half of trade in the electronics and household appliances segment takes place in shopping centres. Therefore, the size of the electronics and household appliances market in shopping centres has been estimated at PLN 8 billion.
- The Sundays' share in the turnover of the segment is around 20%.
- The majority of Sunday sales will spread over the remaining days of the week; however the share generated by compulsive shopping will be lost. It has been assumed that in this segment it does not exceed 10%.
- Given the above, the total decrease in the electronics and household appliances sales in shopping centres was estimated at around 2.5%, which is over PLN 200 million and 220 employees less.

Turnover in DIY stores in shopping centres will drop by PLN 210 million

Turnover	PLN 10.5 billion
Share of Sundays	20%
Estimated turnover reduction	PLN 210 million
Estimated labour demand reduction (people)	225

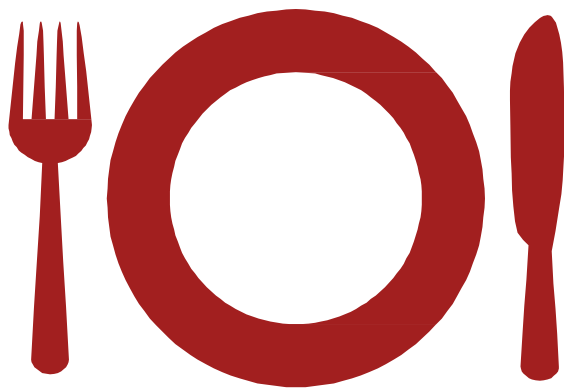


Do-It-Yourself

- Similarly to the consumer electronics segment, the majority of DIY stores operating in shopping centres are large-area commercial law companies, which are unable to omit the ban.
- According to our estimates, the value of the Polish DIY market is PLN 19 billion.
- A research by PwC conducted on a sample of 70 stores indicates that at least 55% of trade in the DIY segment takes place in shopping centres. The value of the DIY segment in shopping centres is not lower than PLN 10.5 billion.
- The Sundays' share in the turnover of the segment is around 20%.
- Compulsive shopping in this market is unlikely to exceed 10%. Therefore, the sales decrease may amount to around PLN 210 billion and result in a labour demand reduction translating into nearly 230 employees.
- Despite relatively small changes in turnover, it is worth stressing that the majority of sales will shift to Saturdays, which may result in a decreased shopping comfort and deteriorated work conditions for employees.

Turnover of food serving venues located in shopping centres will drop by PLN 451 million, while 1,837 people may lose their jobs

Turnover	PLN 3 billion
Share of Sundays	15%
Estimated turnover reduction	PLN 451 million
Estimated labour demand reduction (people)	1,837



Food serving venues

- The restaurant market in Poland in 2015 was valued at around PLN 25 billion (PMR).
- According to Colliers Poland, the share of food serving venues operating in shopping centres is around 12% of the market.
- Fast food restaurants dominate among these venues, with an average customer spending a dozen or so zlotys per visit.
- Food serving venues operating in shopping centres basically have not possibility to transfer sales to other days of the week. Meals in shopping centres usually go hand in hand with other shopping; therefore, only a slight part of the turnover may move to restaurants located outside shopping centres, which will not be subject to the ban.
- Among the analysed restaurant chains, Sunday' turnover in venues operating in shopping centres total 15% on average (they oscillate between 10% and 18%); following the introduction of the trading ban, sales on that day may drop by around PLN 450 million.
- This will go in line with an employment reduction at a level of 9%, which is around 1,800 people.

Turnover in shopping centre support services will decrease by PLN 94,38 million, while 3,418 people may lose their jobs

	Cleaning services	Security services
Turnover	PLN 328 million	PLN 398 million
Share of Sundays	12%	14%
Estimated turnover decrease	PLN 46.82 million	PLN 47.56 million
Estimated labour demand decrease	1,589	1,829



Support services

- The security market in Poland may be estimated at around PLN 8 billion. The number of security employees is between 114,000 (GUS) to 300,000 (industry estimates).
- Shopping centres and stores therein, according to our estimates, comprise around 5% of the market and 15,000 security employees.
- Due to the popularity of civil law contracts, when discussing the impact of the ban on the labour market we can talk about lost earnings rather than about lost jobs.
- We estimate that the demand for security employees labour will decrease by 12% as a result of the ban, as there will always be personnel needed to guard the building. It can be said that this equals to work of 1,800 employees.
- The shopping centre cleaning companies market operate according to similar principles. We estimate the value of this market to be PLN 300–400 million and around 11,000 people.
- Closing shopping centres on Sunday will render services provided by these companies redundant; therefore, the turnover decrease will amount to 14%; the reduction rate of employees needed to clean shopping centres will be similar. That would mean an employment reduction by 1,600 people.

Stores from other industries, services points and event companies may lose a total of nearly PLN 2 billion in turnover and reduce their labour demand by more than 6,000 people

Turnover	PLN 60 billion
Share of Sundays	15%
Estimated turnover reduction	PLN 1,910 million
Estimated labour demand reduction (people)	6,340



Other services in shopping centres

- Service points operating in shopping centres have a relatively small share in the retail space of merely 1.5–3%, but a quite high share in turnover of almost 9%.
- We estimate that there are around 19,000 people employed in such points in shopping centres.
- Services and trading points that have not been subject to a detailed analysis generate less than a half of shopping centres' turnover and employ up to 180,000 people.
- Services points located in shopping centres are more sensitive to decreased demand resulting from the trading ban, as their customers often visit them while doing some other shopping. Even companies that organise entertainment and charity events in shopping centres will be particularly affected by closing of the latter on Sundays.
- It is estimated that the turnover decrease in the case of services and remaining retail categories will amount to nearly PLN 2 billion. At the same time, the labour demand decrease will total nearly 6,500 people, of which nearly 40% may affect those employed in the services sector.

The Sunday trading ban also means serious complications for the transport and logistics industry



Logistics and transport

- The Sunday trading ban reaches beyond providing services or sales of goods and applies also to other business activities related to retail.
- It will have numerous consequences hampering the activity of the entire transport and logistics industry.
- The road transport sector has faced a serious shortage of around 20% of drivers for a long time. One working day less for one of the most important industries that make use of transport services will result in a cumulation of deliveries on other days and problems with finding drivers.
- On other days of the week, especially on Monday mornings, the heavy goods vehicle traffic may rise considerably, thus increasing the number and arduousness of traffic jams in the rush hours.
- In their opinion on the Act, Forum Przewoźników Ekspresowych, which groups delivery companies, indicated that in practice it is impossible to ensure compliance with the prohibition of providing other services rendered to retail-related entities due to e.g. secrecy of correspondence: it will be difficult to assess which package is subject to the ban and which is not.



4

*What is there to be learnt
from the Hungarian example?*

Sunday trading restrictions in Hungary

– short timeline



2010-2014



2015



2016

The idea to impose restrictions on Sunday trading

The reason why the idea to restrict Sunday trading appeared in the public debate was to ensure safety of employees and balance their mental and physical health. The initiators of the idea also mentioned protection of the family, being the most important pillar of the society.

Introducing regulations

On 15 March 2015, the Act defining which shops shall be closed on Sundays entered into force. There were many exception to the Act; they applied to family-run stores with an area lower than 200m², chemists', stores at international airports, railway station and bus stops, petrol stations, market squares, restaurants and others.

Repeal of regulations

After social surveys which indicated that the majority had been dissatisfied with the introduced changes, the Act was repealed. The most frequently mentioned reasons were:

- Forcing all the market participants to change their habits by way of an administrative act;
- Diversified economic position of the market participants;
- Various effects of restrictions on shop employees, depending on their place of employment;
- Complexity of the Act and the scope it covered, including e-commerce.

For and against introducing the regulations

What were the factors that determined the introduction of the Sunday trading restrictions?

The idea to ban trading on Sunday was introduced for the first time in 2011 by KDNP (Christian Democratic People's Party) - the coalition partner of ruling party FIDESZ. It was mostly connected to the protection of the family being the most important entity in the Hungarian society. Family protection should be therefore related to ensuring a possibility of spending free time on Sunday together. The ban was to protect employees' mental and physical health. However, the idea had its adversaries both in 2011 and 2014. The main opponents of the idea were:



The Ministry of Economy

The Ministry opposed the idea of introducing regulations because of possible negative effects they would have on the economy. These concerns were backed up with a study ordered by the Ministry in 2011. Its most important conclusions were as follows:

- 54% of 800 respondents arguing against the introduction of the ban,
- 18.5% of "major shopping" takes place on Sunday,
- 69% of Sunday shopping takes place in international chains.



The Hungarian Socialist Party

The Hungarian Socialist Party (MSZP) is the largest opposition party in that government term. The party opposed introducing any restrictions on Sunday trading and made some major efforts to prevent the Act from entering into force. The MSZP was the party that initiated a referendum on this matter.



The Movement for a Better Hungary

Jobbik is a right-wing opposition party, which brought up the issue of Sunday trading ban in the election of 2010. The reasons behind were very similar to those of imposing restrictions in 2015. The restrictions were not supported by Jobbik, which explained they were "extreme" and "unreal". As soon as the regulations became effective, one of the Jobbik' MPs declared that the Act on Sunday Trading Ban had failed.



Politics Can Be Different!

The Hungarian opposition party LMP did not oppose the regulations; however, it supported its coming into force only partially for the following reasons:

- The party believed that those employed in retail may find themselves at an even greater disadvantage,
- They criticised the fact that the draft of the Act was not backed up by a proper Impact Assessment,
- They believed that there was no dialogue with retail organisations.

The shape of the Act

What the detailed contents of the Act that became effective in 2015 were

The Act imposing restrictions on Sunday trading allowed stores to operate only on 4 Sundays in a year from 6:00 to 22:00; however, it contained a number of entities exempted from its application:

- 1) Pharmacies
- 2) Shops located at international airports
- 3) Shops at railway stations and bus stops
- 4) Retail in correctional facilities and prisons
- 5) Retail in healthcare facilities
- 6) Retail in market squares and local farmer stalls
- 7) Retail at fairs and exhibitions
- 8) During the opening hours of petrol stations
- 9) Retail in military facilities
- 10) Tourist services of non-commercial nature
- 11) Retail in hotels and hospitality-related facilities
- 12) Support services related to retail activities
- 13) Services in food and beverage premises
- 14) Shops located within UNESCO world heritage sites; here, it is worth mentioning that, especially in the capital, there are many stores (Aldi, Lidl, Spar, etc.) located in the city centre, which is in the above-mentioned list; therefore, that exemption from the Act was revoked on 9 May 2015.
- 15) Activities related to cultural activity in baths and spa facilities
- 16) Deliveries of goods to vending machines

Apart from the above-mentioned exemptions, the aim of the Act was to avoid disturbing retail activities of small family-managed companies. Stores with an area no greater than 200 sqm can be open outside the regular shop closing time on Sunday provided that it is run personally by the owner or a family member.

Support for keeping shops open on Sunday in Hungary (March 2015)

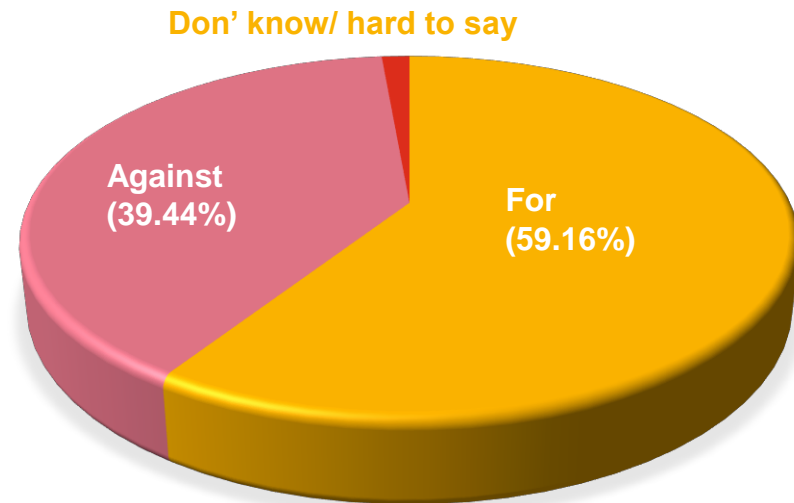


Figure 1

Source: PwC Hungary based on TARKI results

Online stores were exempted from the scope of the Act. Therefore, companies involved in retail moved their activities online, thus expanding that market. The Ministry of Economy, however, believed that delivery of goods ordered online shall be subject to the Act; therefore, this activity was prohibited.

Other activities related to retail, such as logistics and transport were not covered by the scope of the Act.

Comparison of major differences between the Hungarian Act and the draft of the Polish Act

Scope of a solution	Poland	Hungary	The country with more restrictive regulations
Exemptions based on the nature of activities	<ul style="list-style-type: none"> • Petrol station that meet specified conditions • Retailers operating at railway stations and airports that meet specified conditions <ul style="list-style-type: none"> • Bakeries • Florists 	<ul style="list-style-type: none"> • Any petrol stations • All retailers operating at railway stations and airports <ul style="list-style-type: none"> • Farmer stalls and fairs • Deliveries of goods to vending machines 	Poland
Exemptions based on the form of activities	Shopping venues operated only by the owner himself	Shopping venues with an area no greater than 200 sqm, operated by the owner or their family	Poland
Sundays exempted from the ban	The Sunday shopping ban, restrictions on trading on Christmas Eve and Holy Saturday	4 Sundays in total exempted from the ban	Hard to say
Regulations concerning support services	Work in warehouses and logistic centres is prohibited	Work allowed in retail support services	Poland
Regulations on franchise chains	Operating in the form of franchise stores is prohibited	No regulations	Poland
Penal liability	A penalty of limitation of liberty up to 2 years	Trading ban for a determined time	Poland

The Polish draft of the Act can be considered to be more restrictive compared to solutions that used to be in force in Hungary.

Results of introduced changes

What was the result of introducing restrictions on Sunday trading

One of the first studies of the results of the Sunday trading ban indicated that during the first month, sales increased slightly during the first month after the introduction of the ban. Most likely, however, it was related to a natural tendency to do bigger shopping at the time of Easter.

As a result of increased turnover on Thursday and Friday by respectively 24% and 21%, many chains decided to extend opening hours between Monday and Saturday.

The ban had a mixed effect on employees' salaries; they could no longer expect 50% bonus for working on Sundays, whereas the overtime bonus was only 30%. On the other hand, remuneration for working on Sundays that were exempted from the ban increased twofold.

Less than 10% of stores in shopping centres could be open, which rendered opening them unprofitable from the economic points of view. More than a half of them were closed. This prevented minor shops located therein to operate on Sunday.

Changing support for keeping shops open on Sunday in Hungary

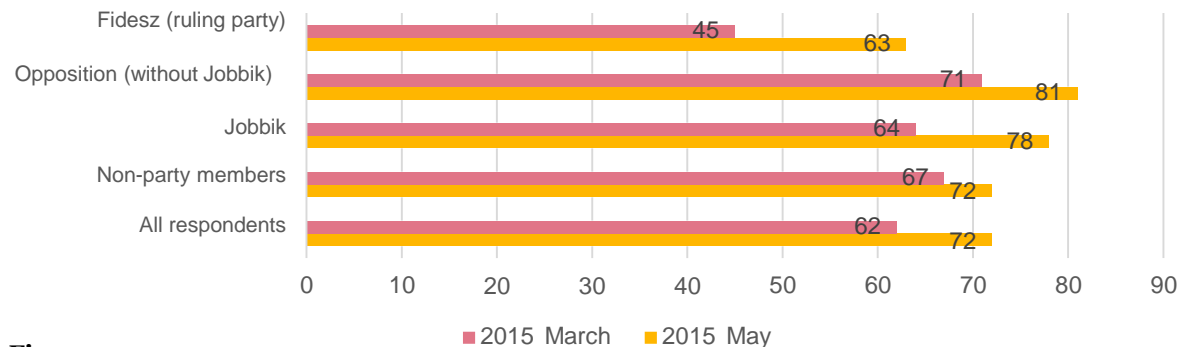


Figure 2

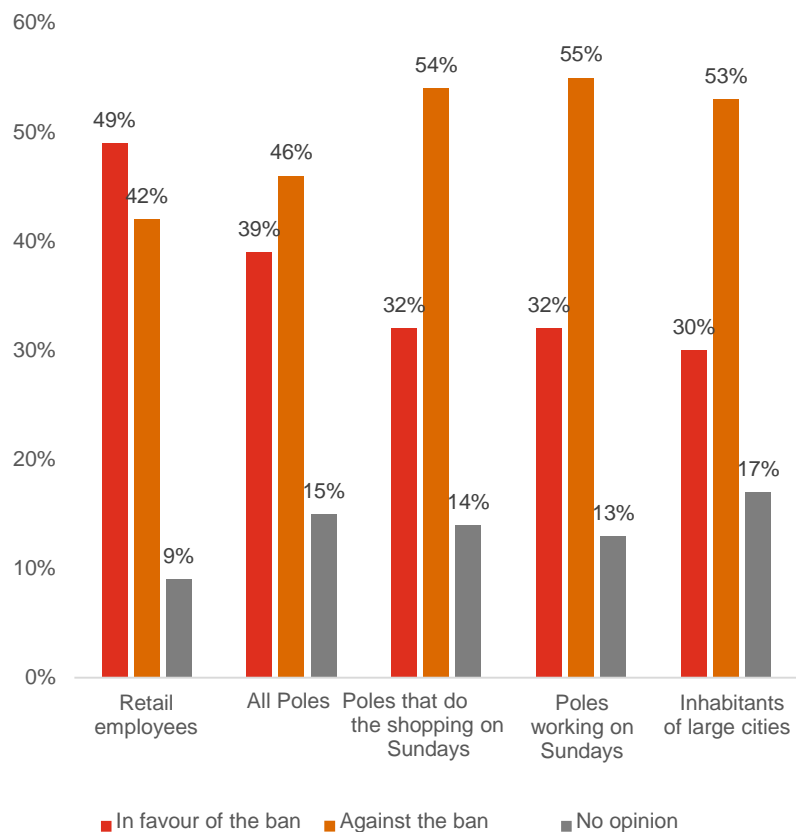
Source: PwC Hungary's own analysis based on "Medián" results

The main challenge, however, was the attitude of the society to the introduced change. According to a survey conducted on a representative sample in 2015, more than 68% of people were dissatisfied and did not agree with changes in regulations. One fourth of the respondents stated that restrictions had made even the most basic shopping and buying durable household appliances much more difficult. The survey also indicated that 22% of the respondents regularly do their food shopping on Sunday, while 12% buy clothing, electronics and furniture on that day. Less than a half of the surveyed admitted that it would be possible for them to change their shopping habits.

Apart from the study by IPSOS, similar results were archived by two leading research institutions: Median and Tarki, which indicated that respectively 62% and 59.2% of the respondents were against the to implemented.

39% of Poles are in favour of the ban. It is an equal share of population as in Hungary prior to the introduction of restrictions...

Support for the Sunday trading ban in different social groups in Poland



Source: TNS survey for Lewiatan, October 2016

•According to a TNS survey for Polish Confederation Lewiatan conducted in October 2016, the Sunday trading ban is supported by 39% of Poles, which is practically exactly the same as the share of Hungarians who had been in favour before it was introduced.

•The ban is mostly supported by those employed in retail (49%), although even in that group votes spread evenly. The same survey also indicates that 48% of retail employees that are against the ban would be willing to change their opinion provided that working on Sunday was voluntary, 45% could support it if the remuneration was increased, and yet 38% if work time was shortened. In all these instances the share of those willing to change their mind is slightly higher among those that actually work on Sundays.

•At the same time, the biggest support for the ban was recorded among those that do not work (50%). Among other groups divided by their professional activity, the support does not exceed 43%. It is definitely the lowest among those that run their own business and students: respectively 34% and 35%.

•The ban is also unpopular among Poles living in large cities (with a population exceeding 500,000 inhabitants): in that group 32% of respondents support the ban.

•On the other hand, the groups where the majority strongly oppose the ban are those that work on Sundays (not only retail employees) and those that declare that they do their shopping on that day. Their share is respectively 55% and 54%

Summary of the case of Hungary

A broad view on the history of the introduction and repeal of the Sunday trading ban



The solutions imposed in Hungary were less restrictive than the analysed draft of the Act. Despite that, they were abandoned as they turned out to be too strict.



They lacked a proper Impact Assessment and a deeper understanding of the problem, as reported by the Hungarian Ministry of Economy, which resulted in repeal of the Act.



The arguments in favour of the Hungarian example referring to increased turnover after the introduction of the regulations were the result of nearing Easter and natural business cycle and not of the impact of the regulations.



The restrictive formula of the regulations and forcing consumers to change their shopping habits resulted in a strong social dissatisfaction, confirmed by 3 leading research centres in Hungary.



Both the right- and left-wing opposition raised numerous doubts: the right-wing parties claimed that it was impossible to support so restrictive proposals, whereas the left-wing argued that there was a major risk that the situation of those employed in retail would actually deteriorate.



Some economic objectives, such as supporting small businesses, were achieved. However, small, independent retailers operating in shopping centres also suffered losses.



5

International comparative analysis

France



Current legal regulations on Sunday trading:

Restrictions with a list of more than 500 exemptions

The year of most recent changes:

2015

Direction of changes:

Liberalisation

General characteristics:

France is a country where trading on Sunday is formally prohibited. However, there are more than 500 exceptions to that rule. Sunday trading is accepted e.g. in the majority of towns and cities which were defined as tourist areas. In practice, despite the binding ban, Sunday trading is a commonly accepted practice.



Recent changes:

In mid-2016, changes in the law were introduced, that allowed supermarkets, furniture and interior design stores, and gardening stores to operate on Sunday until the afternoon. However, the employees have to agree to work on Sunday and are offered higher remuneration.



Characteristics:

More than 500 towns and cities in France, which were defined as tourist areas, are exempted from the ban. Stores in these areas can be open all day; e.g. shopping centres and large-area stores in Paris are open every Sunday. On special, previously defined in yet another exemption, holiday Sundays, ever more stores can be open.



Political and social environment:

Throughout 7 years, the regulations of 2009 undergone a liberalisation process, which reflected the changing attitude of the French society. The process continued despite the objections of trade unions. Retail employees in France, however, have to voluntarily agree to work on Sundays and are guaranteed a higher remuneration on that day. The voices in the public debate calling for a completely deregulation of Sunday trading are increasingly popular.



Conclusions:

The French believe Sunday to be a special day which should be subject to special legal protection, and the effective law reflects it. As a result of numerous exemptions, the Sunday trading ban is of a very limited nature. Inhabitants of cities have practically unlimited access to shops, also on Sundays. The law de-facto applies mostly to smaller towns.

Spain



Current legal regulations on Sunday trading:

Continuing liberalisation with certain restrictions

The year recent changes were introduced: 2013

Direction of changes:

Liberalisation

General characteristics:

Sunday trading restriction in Spain date back to the 90s. They are the result of the pressure exerted by small store owners. In 2000 first changes to liberalise these restrictions were introduced, and the process continues up to this day. Currently, the decision whether to allow for Sunday trading rests with local authorities.



Recent changes:

In 2013, an updated list of tourist zones, which shall be exempted from the provisions of the Act on Sunday trading. The majority of hypermarkets and large-area stores can be open on Sunday in these areas. The zones include Madrid, a number of agglomerations around the Madrid Metropolitan Area, Andalusia, Valencia, Zaragoza, Palma de Mallorca, a major part of Catalonia and a major part of Murcia. In 2012, Spanish Parliament adopted an Act allowing to extend the operating time of shops both on Sunday and on other days of the week.



Characteristics:

As a result of changes in the law, few restrictions applying to Sunday trading remained in force. Small retail shops are open around 46 hours a week on average, which contradicts a widespread argument that liberalisation of Sunday trading regulations may impact smaller shops and force them to maintain long opening hours. All shops have to be closed on 13 days of defined state holidays. Shops with an area under 300 sqm, grocery stores, shops located in railway stations, sea ports, airports, tax-free shops, bakeries, florists, gardening stores and shops in tourist areas are not subject to any restrictions. Other stores, that do not fall into these categories, can be open on 10 Sundays during a year, which are determined by the local authorities.



Political and social environment:

Despite the influence of trade unions and associations of small shop owners, which led to tightening of the law in the 90s, few of these restrictions remained until today. Heated debates in the parliament participated by trade unions and industry organisation fail to stop the continuing liberalisation of the law.

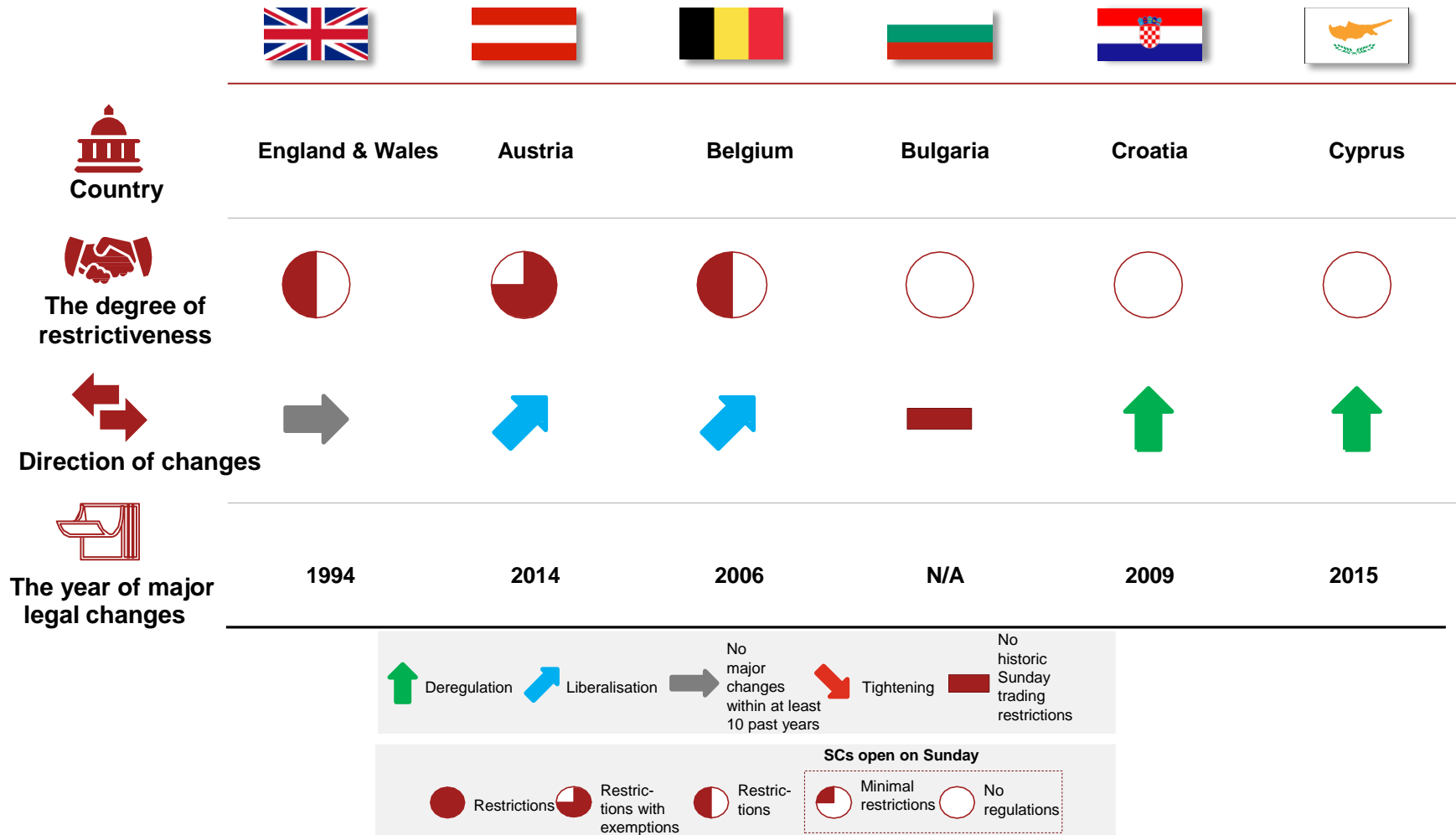


Conclusions:

Economic arguments related to benefits of opening shops on Sunday are often quoted on the public debate, while small shop owners indicate the negative economic and social impact resulting from disturbed proportions of work time to free time. These arguments failed to be proven and currently Spain is referred to as an illustration of the fact that liberalisation of the law on Sunday trading not necessarily has to lead to longer opening hours of small shops and thus negatively impact the proportion of work time to free time for employees.

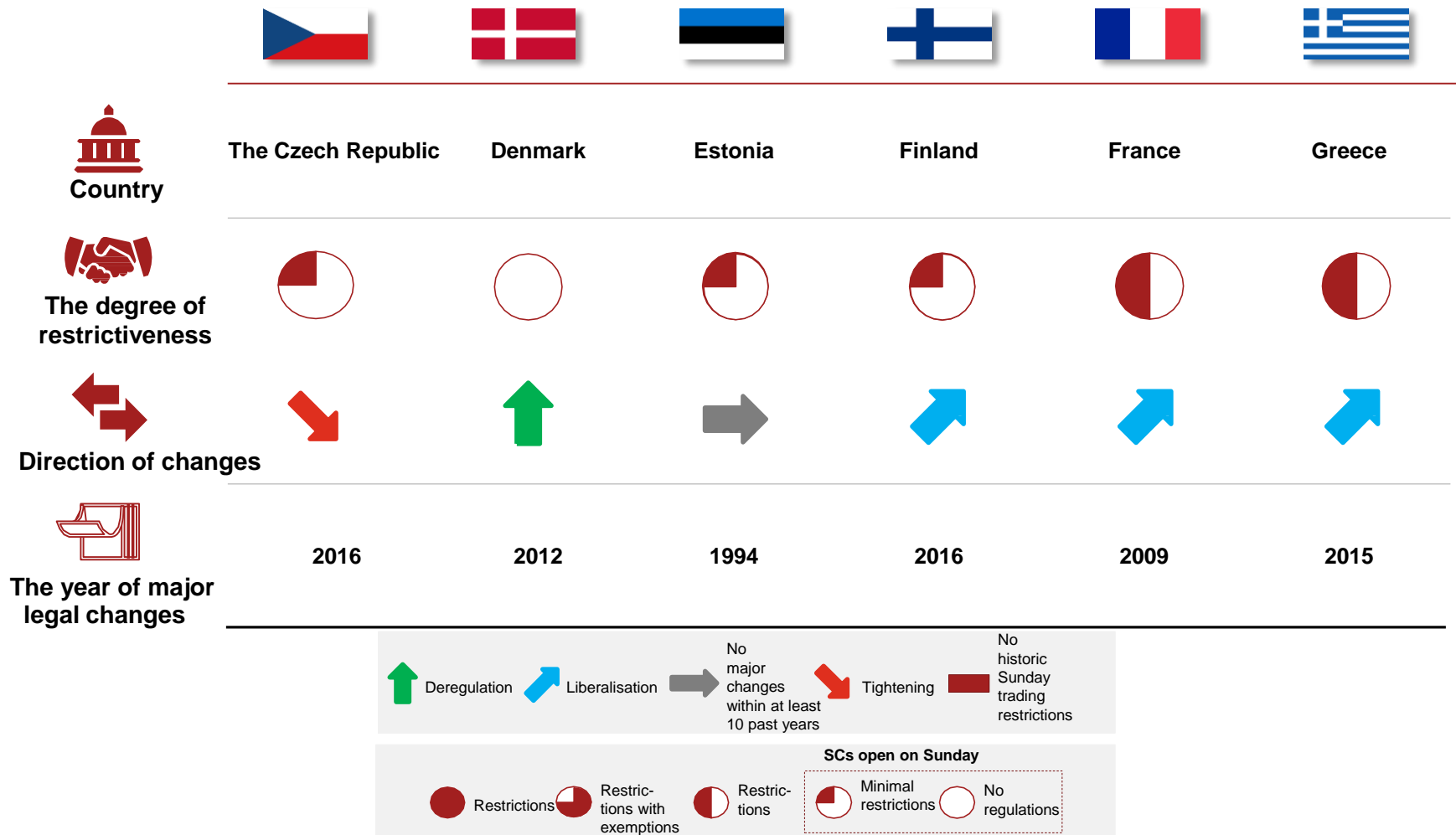
Sunday trading regulations (1/5)

International comparative analysis



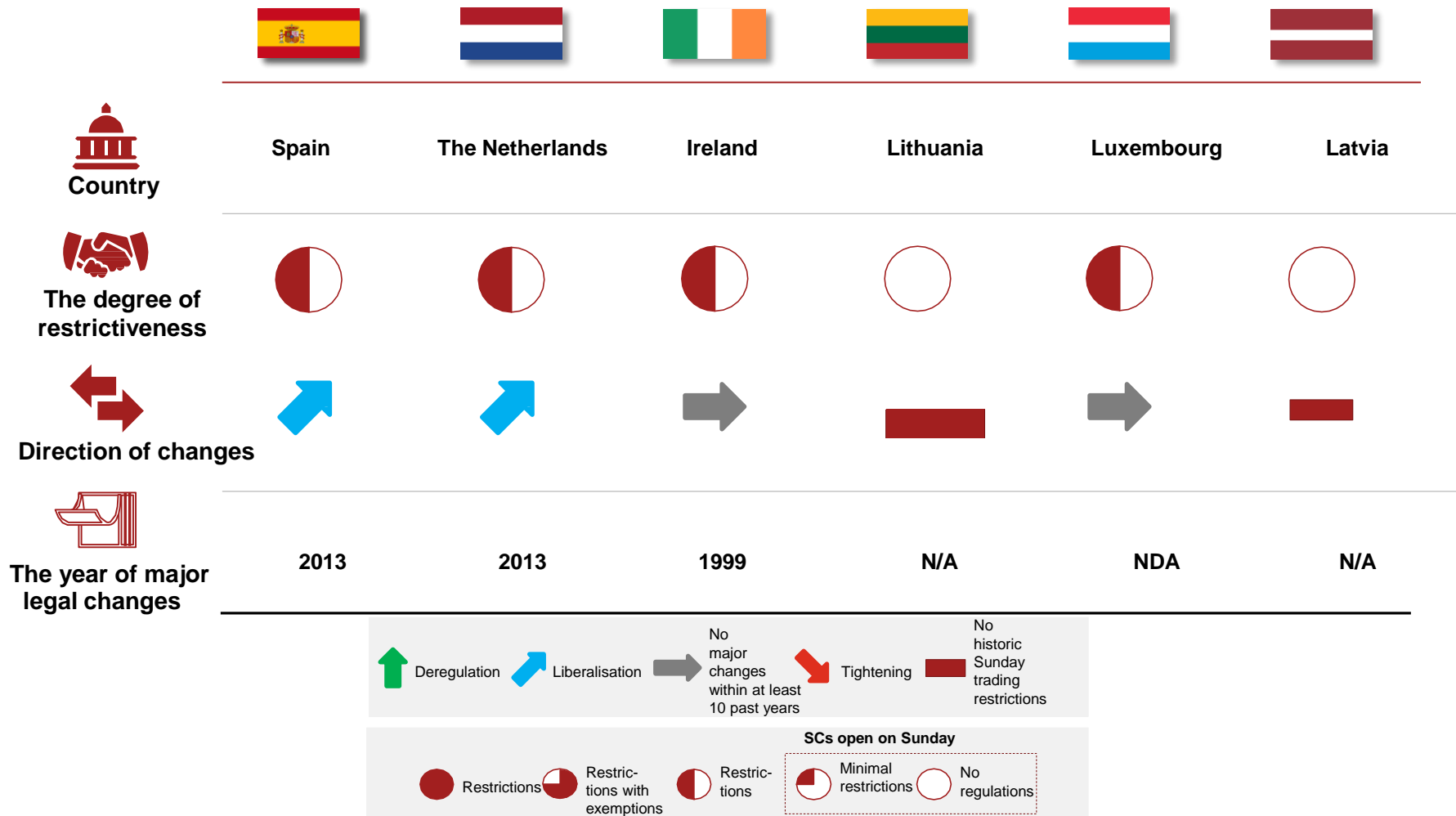
Sunday trading regulations (2/5)

International comparative analysis



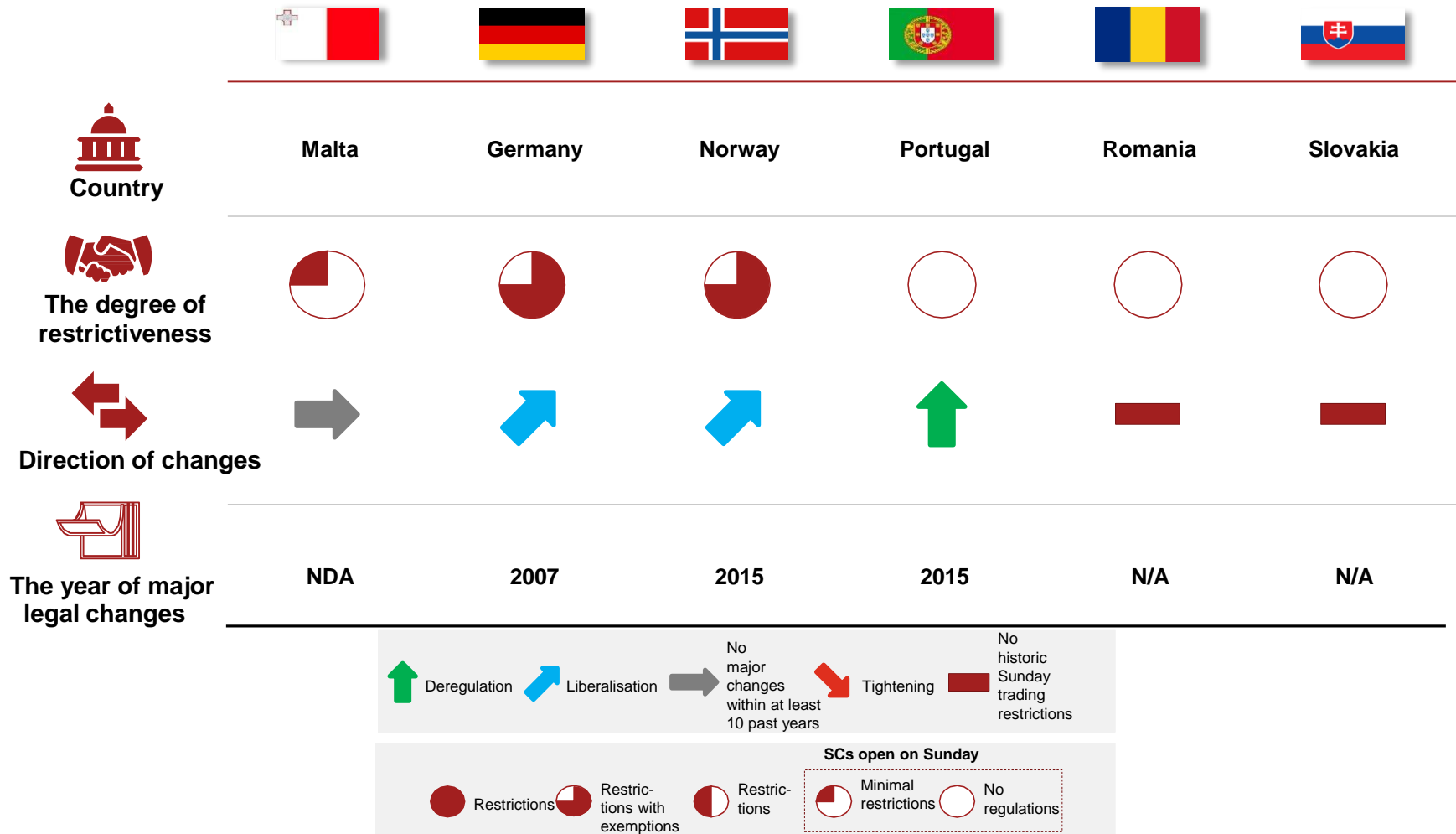
Sunday trading regulations (3/5)

International comparative analysis



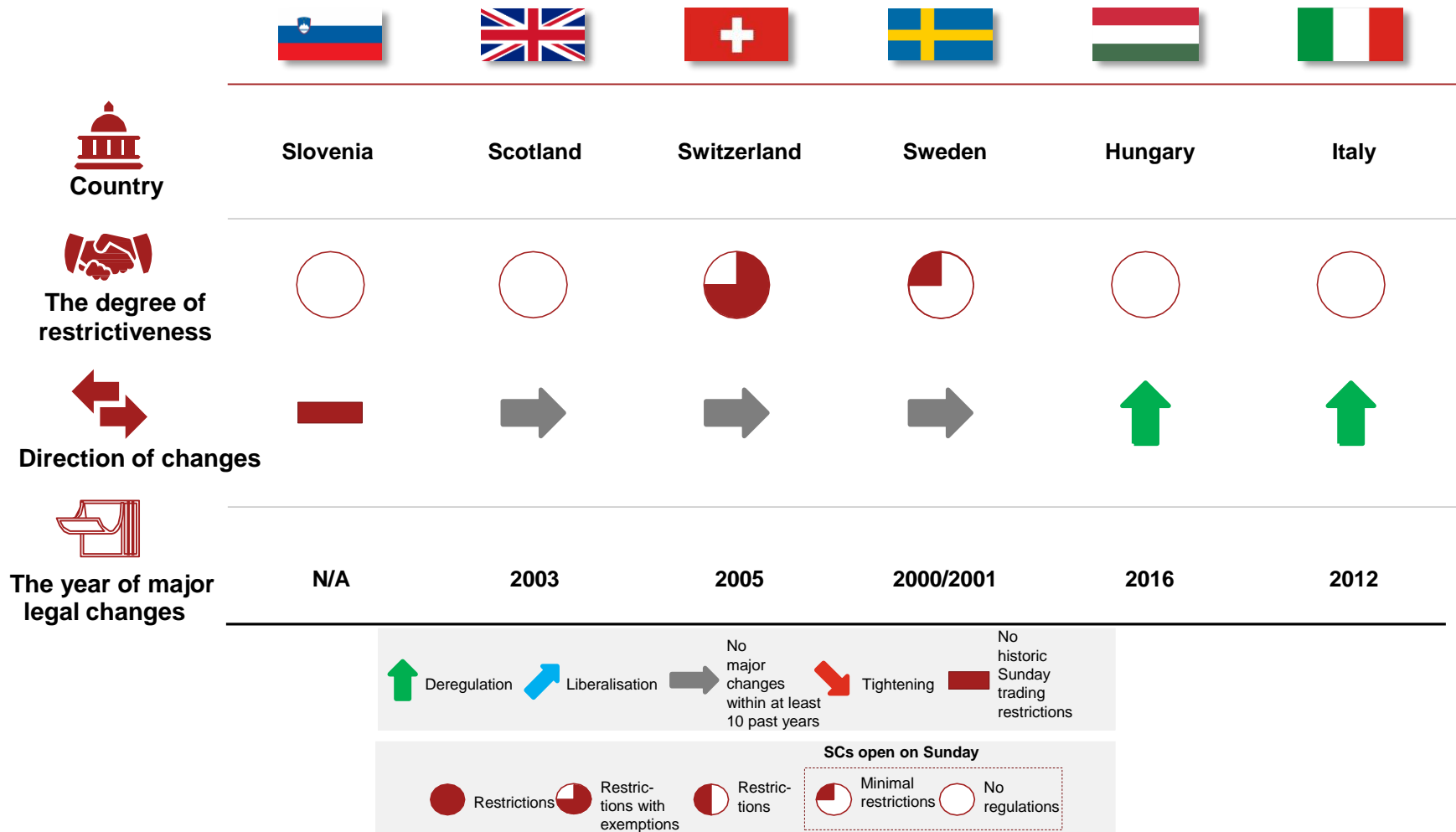
Sunday trading regulations (4/5)

International comparative analysis



Sunday trading regulations (5/5)

International comparative analysis



Summary of the international comparative analysis

General characteristics:

Having analysed 30 European countries, it is possible to observe a tendency to liberalise the law regarding the Sunday trading ban. The newest members of the European Union rarely adopted any regulations in this matter in the past. Mature European economies often imposed such bans, however, in time the ban was gradually lifted, allowing for greater freedom to trade.



13 of 30 analysed countries have no restrictions concerning Sunday trading.



5 of 30 countries adopted minimal restrictions on sales of alcohol and trading on holidays



4 of the 13 above-mentioned countries are mature European economies, which have liberated Sunday trading completely



15 countries witnessed a continuous process of deregulation of law and limiting restrictions on Sunday trading throughout the past 10 years



The Czech Republic is the only analysed country, which introduced restrictions; instead of full liberalisation, a ban on labour on 11 selected holidays was introduced



6 of CEE countries have deregulated laws with respect to Sunday trading and have not attempted to tighten them so far



*Thank you
for reading.*

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