Mr Tim J Oyler/Mr Damien Kelly
Groceries Investigation
Competition Commission
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Victoria House
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LONDON
WC1B 4AD

Our ref: Fil/With/TPP/Comp Comm Submission covering letter 06
22nd August 2006

Dear Mr Oyler/Mr Kelly

RE: THE SUPPLY OF GROCERIES BY RETAILERS IN THE UK - MAIN SUBMISSION AND QUESTIONNAIRE BY PROUDFOOT

Prior to this main submission, certain points have been raised and answered in early June, with our response to Annex B and C and subsequently some contained in the Main Party Questionnaire attached to this letter of Main Submission.

EQUAL BUYING OPPORTUNITIES

Competition and efficiency in the retail grocery market in the UK is vibrant but on a knife edge, and the industry over the last four decades has turned on its head. No longer is England a nation of shop-keepers, that accolade would probably have to go to the protective nation of France. The native French valuing above all their propensity to consume good food and drink, being particular about their choice of baker, butcher, purveyor of provisions, wine seller etc. A way of life; little and large side by side.

But the vitality of competition in the grocery industry in the UK could become less and become short lived, **as the power of buying and selling food rests in the hands of too few**. It simply is not wise to have the food distribution industry dominated by four operators. These operators have become so big. The biggest UK retailer has much more market penetration than Walmart in the US and still looks upon the independent retail sector as a bad housekeeper, who is easy to beat and cares little, if at all, whether the independent sector survives, or is further reduced to a fraction of its size, barricading itself behind the permanent one liner "The customers vote with their feet".

Well that adage may no doubt be true, but it can always to helped along by offering cash strapped Councils huge planning gains, worth hundreds of thousands and even millions of pounds. Planning gains so tempting that companies can control a catchment area, but most of all, it can be helped along by securing such a strong position in the market place that there is no longer a level playing field for Equal Buying Opportunities, as the suppliers reduce their prices to the big and raise them to the smaller independent company.

It is not necessarily a question of being able to out compete your competitors, but at this size, when a company has almost become a national institution, it could be a question of trying to improve and increase competition to the advantage of the British public, where ever they live.

If the largest retailer in the UK is so pro-competition, why do they not support Equal Buying Opportunities, instead of greedily protecting their buying price advantage?

It's like cowboys and Indians, both have rights, but to protect their native land the Indians had bows and arrows and the cowboys had guns.

Why cannot they support the idea for the independent buying groups, such as NISA and the larger independent, of buying at the same price they do, so long as this is done in environmentally efficient amounts.

If suppliers sold to the independent retail sector of the market, in the same way they have been disciplined to do to the national multiples, this in itself would provide more competitive prices, better stores, better trained staff and more competition in stores run by independents across the UK in both urban and rural catchments. **It would be this sector of the market which could keep the national multiple chains honest.**

No longer should the suppliers have one arm tied behind their back. They should have one price structure, so that the independent sector can compete more fiercely with the national multiples.

There should be no hidden discounts or incentives. Legislation to secure Equal Buying Opportunities is fundamentally the most important device that could slow down the domination of this market and allow new market entry and competition to blossom.

Good independents are a competitive group of individuals with a strong desire to improve, but the opportunity has been, and is being, taken from them as there is no level playing field in the UK.

I would implore the Committee to consider a permanent solution as rapidly as possible and deny preferential buying terms/discounts from suppliers, therefore providing a level playing field for true competition and increasing the competitive edge of convenience stores throughout the UK.

PRICE STUDY

We hope that the Competition Commission is provided with the opportunity to be able to compare the net cost prices of at least the top 1000 branded or own label selling products and we hope that a comparison of these prices can be made with the prices that NISA Today's pay for the same or similar products, to reveal the true net cost price of products. The national multiples will have to adopt a 100% overt view to the declaration of the invoiced price and any other method of receiving margins/monies from suppliers, i.e. advertising moneys, annual rebates, annual subscriptions, display incentives and "Hello" money etc. Possibly this exercise could be checked by asking the suppliers to confidentially and unilaterally, not in conjunction with any retailer, provide the Competition Commission with their equation, qualifying what net net cost prices the large retailers and NISA etc. pay.

A year ago our Operations Director, Mr Matthew Wood, checked approximately 250 prices of branded lines sold by Tesco. 64 of these products were being sold below, and in some cases substantially below our cost price and more lines were being sold by Tesco just above our cost price.

We sent this information to NISA for their Buying Office to analyse. At the same time we would politely encourage the Competition Commission to design an effective retail price survey which extends across the retail sector, not just between the national multiples.

NATIONAL SECURITY

I believe the Government should consider national security within this debate.

As we know, Tesco take £1.00 in every £8.00, or possibly even £7.00 spent in any form of retailing in the UK. As they spread like wildfire throughout the convenience sector, then many thousands of stores will close, within groups like Spar, Nisa and Budgens. If the majority of food distribution across the UK is controlled by one company, it would make a terrorist attack throughout the food chain easy;

(a) A terrorist would only have a few depots to destroy.
(b) Contaminate the food chain easier.
(c) Have one computer system to tamper with and when it is repaired, tamper with it again until the breakdown of food distribution had occurred.

In security terms, allowing a few companies to dominate food distribution is putting all our eggs in one basket. It is in the nation's interest that several, or dozens of major food distribution systems, which do not rely upon each other, are allowed to operate.

Yours sincerely

Ian A Proudfoot
Joint Managing Director

***** NISA National Independent Supermarket Association.