

CHRISTOPHER S. BONO, MISSOURI, CHAIRMAN

CONRAD R. BURNS, MONTANA  
PAUL COVERDELL, GEORGIA  
ROBERT F. BENNETT, UTAH  
OLYMPIA J. SNOWE, MAINE  
MICHAEL ENZI, WYOMING  
PETER G. FITZGERALD, ILLINOIS  
MIKE CRAPO, IDAHO  
GEORGE V. VOINOVICH, OHIO  
SPENCER ABRAHAM, MICHIGAN

JOHN F. KERRY, MASSACHUSETTS  
CARL LEVIN, MICHIGAN  
TOM HARKIN, IOWA  
JOSEPH I. LIEBERMAN, CONNECTICUT  
PAUL D. WELLSTONE, MINNESOTA  
MAX CLELAND, GEORGIA  
MARY LANDRIEU, LOUISIANA  
JOHN EDWARDS, NORTH CAROLINA

## United States Senate

COMMITTEE ON SMALL BUSINESS  
WASHINGTON, DC 20510-6350

EMILIA DI SANTO, STAFF DIRECTOR  
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR

October 20, 1999

By Fax: 703-697-9080

The Honorable William Cohen  
Secretary of Defense  
The Pentagon, Room 3E880  
Arlington, VA 20301-1000

Dear Mr. Secretary:

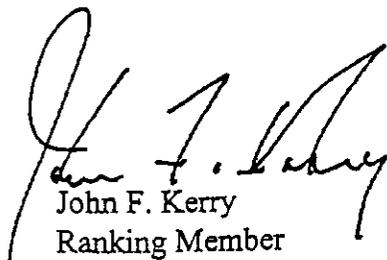
The Committee on Small Business (Committee) recently held a hearing on the subject of slotting allowances in the retail industry. Slotting allowances are fees paid by manufacturers to retailers for the privilege of placing products on grocery store shelves. The small business witnesses testified to the anti-competitive nature of these fees and to the harm that is suffered by small businesses and ultimately the consumer.

The Committee is concerned that these fees have become a mechanism by which dominant manufacturers can drive out or severely limit their competition simply by controlling which products, if any, are in direct competition with them on the grocery store shelves. Witness after witness testified that this practice causes higher prices while limiting consumer choice.

The Committee is concerned that slotting fees and/or similar fees may exist within the Commissary & PX systems. During the course of our research into slotting allowances and other related practices, small businesses expressed concern about the difficulty they experienced in gaining access to the Commissary & PX shelves. Similarly, a military family association expressed concern about limited product varieties and the volume of products from non-US companies that were being sold in U.S.-based Commissaries and PXs.

The Committee requests that DOD provide the Committee staff with a detailed briefing on these issues. Similarly, the Committee is interested in learning more about efforts undertaken by the Department of Defense to provide small manufacturers with greater access to Commissary & PX shelves. Just two years ago, Congress reaffirmed its support for increasing government contracting with small businesses and increased the small business prime contracting goal from 20% to 23% of total Federal contract dollars. *In light of the Committee's ongoing interest in opportunities for small businesses who wish to contract with the Federal government, would you provide the Committee with statistics on the volume of existing shelf space being stocked by small business products in the DoD Commissary & PX systems.*

Thank you for your help in obtaining information about slotting fees and other related practices within the DoD Commissary and PX systems. Should you have any questions or comments, please do not hesitate to call me or have your staff contact Paul Conlon, Committee Research Analyst, at 202/224-5175 or Damon Dozier, Legislative Assistant for Sen. Kerry, at 202/224-



John F. Kerry  
Ranking Member

Sincerely,



Christopher S. Bond  
Chairman

cc:

Maj. Gen. Richard E. Beale, Director Defense Commissary Agency