

CHRISTOPHER S. BOND, 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

EMILIA DISANTO, STAFF DIRECTOR
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR

United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

October 20, 1999

By Fax: 202-512-5507

The Honorable David Walker
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Walker:

The Committee on Small Business (Committee) held a hearing on September 14, 1999 on the subject of slotting allowances, which are up front fees paid by manufacturers to retailers for the privilege of placing products on grocery store and other retailers' 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.

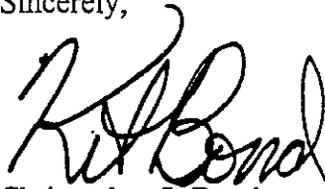
The Committee is concerned that these fees have become a mechanism by which dominant manufacturers can drive out or severely limit their competition simply by controlling which products, if any, are in direct competition with them on retail store shelves. Witness after witness testified that this practice causes higher prices while limiting consumer choice. Similarly, many small businesses who were interviewed by Committee staff spoke of marketplace abuses of dubious legality, and the Committee is alarmed by testimony that laws are openly broken because there is little or no effort to investigate or monitor these activities.

Accordingly, the Committee requests that the General Accounting Office (GAO) conduct a study of the use of slotting fees and other related fees in the retail grocery industry. The study should provide information on (1) the types of slotting fees being used; (2) the amounts manufacturers pay for various types of slotting fees; (3) how manufacturers and retailers account for the payment and receipt of these fees; (4) whether the fees are uniform in application; (5) the process by which retailers demand the fees (e.g. off-invoice); and (6) the existence of these fees in other retail environments such as home improvement outlets, book stores, movie theater chains and other related industries.

We have advised the Food Marketing Institute (FMI) and the Grocery Manufacturers of America (GMA), the two primary associations representing the retail industry, that the Committee is requesting this review. These associations have assured us of their co-operation in this review.

Thank you for your assistance in this matter. As your study proceeds, please keep my office advised of your progress on a regular basis. If you have any questions, please do not hesitate to call me or have your staff contact Paul Cooksey, Committee Chief Counsel, at 202/224- or Paul Conlon, Committee Research Analyst, at 202/224-5175.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond". The signature is written in a cursive, slightly slanted style.

Christopher S. Bond
Chairman

cc:

Lawrence J. Dyckman
Judy England-Joseph