

# Congress of the United States

Washington, DC 20515

April 25, 2000

The Honorable Robert Pitofsky  
Chairman, Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

Dear Chairman Pitofsky:

The Committee on Small Business (Committee) held a hearing on September 14, 1999, on the subject of slotting allowances, which are fees paid by manufacturers of consumer products to retailers for the privilege of placing and keeping their products on the retailers' shelves. The small business witnesses testified about the anti-competitive nature of these fees and the harm they inflict on small enterprises and consumers.

We are concerned that these fees have become a mechanism by which dominant manufacturers can drive their competition out of the market simply by paying retailer's for control of shelf space. Additionally, these fees permit retailers to demand increasingly significant payments up-front which is harmful to both small manufacturers and small competing retailers. Witness after witness testified that the practice of charging slotting fees causes higher consumer prices while limiting consumer choice. Similarly, many small business owners who were interviewed by Committee staff spoke of marketplace abuses with dubious legality. We are concerned that additional efforts are needed to monitor the grocery marketplace.

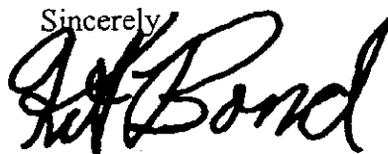
Accordingly, we respectfully request that the Federal Trade Commission (FTC) continue to take an active role in seeking information from the small business community. Many in the small business community who have been negatively affected by slotting allowances are reluctant to seek assistance from the FTC because their fear of retaliation is apparently overwhelming.

Since our hearing, the FTC has begun to take steps to address the concerns raised by the Committee and the small business community, for this we are grateful. Additionally, the FTC, at the Committee's request has started to study potential competition problems and will be hosting a public workshop on May 31<sup>st</sup> and June 1<sup>st</sup>. We strongly support the on-going efforts of the FTC to study the issue, and we hope that the effort will result in meaningful guidance to retail grocery industry.

Thank you for your assistance with our efforts to learn more about the negative impact of slotting allowances on small businesses and consumers. If you have any questions, please do not hesitate to call either of us or have your staff contact Paul Conlon, with Senator Bond, at 202/224- or Damon Dozier, with Senator Kerry, at 202/224-



John F. Kerry  
Ranking Member

Sincerely,  
  
Christopher S. Bond  
Chairman