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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

October 4, 2000

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

For more than a year, the Committee on Small Business has been examining the subject of slotting allowances, which are up-front fees paid by manufacturers to retailers for the privilege of placing or maintaining products on retailer shelves. The Committee is concerned that these fees can be a mechanism by which dominant manufacturers can drive out or severely limit competition by controlling which products appear on retail shelves. Committee staff has had preliminary discussions with representatives of the Department of Defense (DOD) regarding whether DOD's commissaries and exchanges charge slotting fees or engage in other practices that may effectively limit the ability of small businesses to place their products with these retailers. These preliminary discussions raised several issues about the obstacles small businesses may face in gaining access to the commissary and exchange systems.

Accordingly, the Committee requests that the General Accounting Office conduct a study on the practices of the DOD's commissaries and exchanges to determine what barriers exist to small businesses that seek to market their products in such locations. In particular, the study should provide information on: (1) whether manufacturers pay slotting or similar fees to place or maintain products in commissaries or exchanges; (2) the extent to which manufacturers pay promotional fees to exchanges or commissaries and whether such payments effectively curtail the placement of products by small manufacturers; (3) the extent to which contracts between manufacturers and the commissaries and exchanges contain provisions that may tend to impede or exclude small manufacturers from placing their products with these retailers; (4) whether the commissaries and exchanges assign management of product categories to large manufacturers and whether this practice tends to impede small manufacturers from placing their products with these retailers; (5) any programs the commissaries and exchanges have established to increase the small business products they offer; and (6) any other obstacles that small businesses may face in offering their products through the DOD's commissary and exchange systems.

The Honorable David Walker
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Thank you for your assistance in this matter. If you have any questions, please contact me or have your staff contact David Bohley, Committee Banking Counsel, or Paul Conlon, Committee Research Analyst, at (202) 224-5175.

Sincerely,


Christopher S. Bond