

**Letter (abridged version) from: Bestway Wholesale Ltd**

**Bidfood**

**Confex UK Ltd**

**Landmark Wholesale Ltd**

**SPAR UK Ltd**

**Sugro UK Ltd**

**Today's Wholesale Services Ltd**

The Tesco-Booker Panel Members  
Competition and Markets Authority  
Victoria House,  
Southampton Row  
London  
WC1B 4AD

28 September 2017

Dear Sirs,

Opposition to the Tesco-Booker merger

We write in response to the Tesco and Booker CEOs' letter to you of 3<sup>rd</sup> August 2017 in which they claimed that Tesco's acquisition of the Booker Group will enhance competition in the UK and promote consumer interests. We are keen to refute these suggestions and to express how concerned we are about the very future of grocery wholesaling and retailing in the UK, as well as supply to the foodservices industry.

If the merger proceeds, Tesco will have incontestable power over the procurement of all grocery categories in the UK. Suppliers will find it even harder to resist Tesco's demands. Some suppliers, particularly of branded products, will fail without access to Tesco stores. Others, aware of this risk, will give in to its demands. The latter go beyond price and include requirements as to preferential delivery times, frequencies, first offer of new products, marketing contributions, rebates, etc. The need to introduce GSCOP was brought about by your predecessor's findings of existing abuse in procurement by the multiples.

Companies such as ours, that compete for these supplies, are always disadvantaged. We already pay more, not only because we cannot match Tesco's volumes but equally because of what you have termed the "waterbed" effect. This is not a theory; it is very real. In the same way, when stocks are in short supply, it is the supermarkets that are guaranteed supply and wholesalers supplying the convenience sector go short. This imbalance will get worse if the merger proceeds; Booker will be a beneficiary, rather than a victim, of this behaviour.

The transformational aspect of this deal, and the factor that so threatens competition in the sale of groceries in the UK and, indeed, the very survival of the independent retailer, is the

prospect that Booker will be able to buy its products at Tesco's prices. With these prices, it will be able to drive its competitors, be they delivered wholesalers, cash and carry or symbol operators, out of business. At the retail level, the combination of Booker's wholesale prices and Tesco's deep pockets will present independent retailers with a stark choice: Join a Booker/Tesco symbol or go out of business.

Tesco has claimed that gaining synergies from being able to supply the foodservices sector is the main driver of the deal. If this merger proceeds, we anticipate that Tesco will undermine the ability of those of us that supply this sector to compete here also. Tesco will leverage its supermarket buying power into this market by, for example, making its purchases for supermarkets conditional on good terms on foodservice supplies. The result, once again, will be that competitors will suffer poorer terms on price, delivery and availability.

Is this fair competition? We say not. This position will have been brought about by the leveraging of Tesco's dominant supermarket buying power into the wholesale, symbol and foodservice sectors.

Will the consumer benefit? Perhaps in the shorter-term prices will drop while Booker and Tesco attract new wholesale, symbol, retail and foodservice business. Over time, however, as competition is weakened and eliminated, normal economics will prevail and Tesco/Booker will raise its prices to its convenience and foodservice buyers. Once again, though, the harm goes beyond price. Consumers will experience a reduction in choice of store, product range, opening hours, etc.

In the interests of retaining healthy competition in foodservice supply and grocery wholesaling and retailing, we ask the CMA to block the Tesco/Booker merger. This merger will not just result in a substantial lessening of competition but in a complete restructuring of the wholesale and retail of groceries in the convenience and foodservice sectors, to the unquestioned detriment of consumers.

Yours faithfully,

Martin Race, Managing Director, Bestway Wholesale Ltd

Andrew Selley, Managing Director, Bidfood

Nicky White, Managing Director, Confex Ltd

John Mills, Managing Director, Landmark Wholesale Ltd

Debbie Robinson, Managing Director, SPAR UK Ltd

Philip Jenkins, Managing Director, Sugro UK Ltd

John Schofield, Managing Director, Today's Wholesale Services Ltd