

Response from Menzies Distribution Solutions Limited to the CMA's invitation to comment on remedies

Dear Sirs,

I am writing for on behalf of Menzies Distribution Solutions Limited ('MDS') in response to your Invitation to Comment on Remedies relating to the completed acquisition by GXO Logistics, Inc of Wincanton PLC, and specifically to comment on GXO's 3PL Sponsorship Remedy Proposal. MDS is a full load transport and warehousing provider in the UK with revenues of £230 million. MDS does not currently supply dedicated warehousing to national supermarket chains.

Effectiveness of GXO's 3PL Sponsorship Remedy Proposal in remedying, mitigating or preventing the SLC

We do not feel that GXO's 3PL Sponsorship Remedy Proposal, if implemented, would have the effect of remedying, mitigating or preventing the SLC for the following reasons:

1. The only effective way to properly train another warehousing services provider to take over dedicated warehousing services for Grocers given the nuances in their industry (as identified by the CMA) is for such provider to run the contract and learn on the job. Off-the-job training while the incumbent providers continue to service the contract for 2 years will not provide the results the Grocers are looking for, which is having a 3PL as a credible provider of dedicated warehousing contract services.
2. The remedy proposal suggests "Grocers are sophisticated customers who are able to monitor the implementation of the 3PL Sponsorship Proposal as part of business-as-usual monitoring". Given the amount of learning a 3PL would need to reach the required standard, for any training and monitoring to be effective it would need to be intensive and far more than on a business-as-usual basis. In fact, there is no certainty that the 3PL will ever be able to attain the ability to run the Grocers' dedicated warehousing operation to the Grocers' required level.
3. As a result, it is highly likely the SLC issues identified now will still exist in 2 years' time after the expiry of the period of the Proposal; resolving the SLC issues would essentially be deferred in exchange for a payment to Grocers.
4. There is no way to predict what the landscape will be in 2 years. The warehousing sector is under considerable pressure with numerous providers struggling financially. If the issue has to be revisited in 2 years, or before,

because training the 3PL to the standard required has been unsuccessful, there may well be even less competition in the market, heightening the SLC. Indeed, the chosen 3PL may not survive the next 2 years.

5. There is no guarantee that Grocery customers will transfer the contracts to another 3PL over the course of the next 2 years, thus not increasing competition which is the aim of this process.

Kind regards,

Richard

RICHARD MORSON

CEO | Menzies Distribution Solutions