

Collusion inquiry lets retail giants off the hook

By [Michael Bleby](#)

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The Competition Commission has quietly cleared SA's supermarket sector of collusion, 18 months after it began its inquiry into the sector with great anfare by cataloguing a detailed list of alleged transgressions said to be driving up the price of food.

The commission has been meeting behind the scenes with supermarkets to tell them about the outcome of the probe, but has yet to announce it itself.

Supermarket chains welcomed the outcome of the probe.

"They are quite happy there is no skulduggery among supermarkets, there is no sharing of information and that it is completely competitive," Metcash CEO Peter Dodson said.

Competition Commissioner Shan Ramburuth said on Thursday, 30 December 2010, the investigating body had not finalised its report and could not say when it would announce a response.

Questions remain

While it clears the retailers of colluding over prices, questions remained about the conditions retailers demand when signing long-term leases with property owners, such as to ensure they are the only supermarket in a mall, he said.

"The commission will decide on the basis of the report, what steps next to take," Ramburuth said.

The commission's coyness is a contrast with the trumpeting of the investigation it announced in June last year, based on complaints from suppliers, into whether supermarkets were conspiring with each other.

At the time, it identified concentrated buying power, category management, giving one supplier management of all products and prices in a category, including those of a competitor, as well as information exchange as areas of possible wrongdoing it was looking into.

Ramburuth, who said at the time that the commission followed a "pro-poor" agenda to make it relevant to South African society, on Thursday defended the probe.

Blame game

"It was a reasonable thing to look at," he said.

"Everyone in the value chain from farmer to consumer tends to blame another layer in the value chain for extracting more than they should, in the process resulting in higher prices.

"That was the context in which it made sense to look at the chain from the point of the end consumer."

But the outcome vindicates supermarkets, which have insisted on their competitiveness ever since the investigation began.

They were cautious in their responses, however.

Thorough review

"In our view the Competition Commission has done a very thorough review of the retail industry and we will continue to work very closely with them on any outstanding issues," Pick n Pay financial director Dennis Cope said.

"The Competition Commission has found the retail sector in SA competitive," Woolworths said. Shoprite said it would respond "at a later stage".

Spar and Massmart, which were also named in the original inquiry, could not be reached for comment on Thursday.

Leases still under question

It remains to be seen what recommendations, if any, the commission will make to the Competition Tribunal over leases.

Last year, the commission pointed to lengthy leases with favourable rental rates that barred potential competitors.

Dodson said even the issue of leases was not what it once was.

"That has changed in more recent years. It used to be a supermarket saying, 'Only I'm allowed in'.

"In some centres there are two, in some even more. It has had a change. I'm not sure even that's anything the commission can hang its hat on."

Probe into food prices

The investigation into grocery wholesaling and retailing came at a time of public anger over rising food prices.

Two weeks before the commission's announcement, the National Agricultural Marketing Council, a policy adviser to Agriculture Minister Tina Joemat-Pettersson, called for a probe of what it said was abuse of market power by supermarkets in their dealings with food suppliers.

Pick n Pay, Shoprite, Spar and Woolworths together had almost 95% of SA's retail food market, the council said. Pick n Pay, citing research company Nielsen's data, said the figure was about 61%.

Source: Business Day