



News Release

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TESCO FACES SLOUGH SELL-OFF TO COMPETITOR

The Competition Commission (CC) has decided that Tesco will be required to sell the site it acquired when it bought a former Co-op store in Slough.

In its final report, which is published today at www.competition-commission.org.uk, the CC has concluded that the acquisition of the Co-op store on Uxbridge Road, which took place in 2003, reduced competition and choice in the market for grocery retailing in Slough. This confirms the CC's provisional findings published in September. (See News Release: www.competition-commission.org.uk/press_rel/2007/sep/pdf/56-07.pdf.)

The CC's preferred solution is for another grocery retailer to buy the former Co-op site and develop a large enough store to compete effectively with the other large grocery stores in Slough, and especially with the large Tesco store at nearby Brunel Way. As a fallback, the CC would allow a retailer to move into a smaller unit—or combination of units—on the current redevelopment if the first option, which would require planning permission, takes too long or if planning permission is not granted.

Since the original acquisition, Tesco has demolished the Co-op store and started work on a new four-unit retail development on the site. In its report, the CC notes that a competing grocery retailer would face a number of drawbacks operating from the Tesco redevelopment, which would affect its ability to compete in Slough and in particular with Tesco's Brunel Way store.

A divestment trustee will be appointed to oversee the process and will report to the CC, who will assess bids on a number of criteria before giving its approval. This will ensure that the sales process is carried out objectively and that Tesco is not required to accept any offer that is unreasonable.

Peter Freeman, Inquiry Group Chairman and CC Chairman, said:

Our aim, as the best solution to protect competition and to help consumers in Slough, is to see a large store on the former Co-op site fully equipped to compete with Tesco's existing store on Brunel Way. Tesco's own internal assessments and the evidence of both stores' performance shows that, under another owner, the Co-op store would have been the main competition to the Tesco store at Brunel Way.

We are also concerned about further delay to a situation which has dragged on for longer than anyone would wish. As such, we are also including a fallback solution which would see another grocery retailer operating from the former Co-op site under the current redevelopment.

Tesco originally bought the Co-op store nearly four years ago and so the circumstances surrounding this case are highly unusual. Our priority is to find a practical and effective solution to this complicated situation without undue delay.

The Office of Fair Trading (OFT) first decided to refer the acquisition to the CC in February 2004, but suspended action while it sought to agree a remedy with Tesco in place of the reference. This arrangement would have seen a competing grocery retailer move on to the Co-op site, once Tesco had finished work to extend its existing store on nearby Brunel Way. When this did not prove possible, the OFT made the reference on 19 April 2007.

During the inquiry, the CC ordered Tesco to suspend work on the ongoing retail redevelopment on the former Co-op site. Although the planned redevelopment includes a unit earmarked for grocery retail, following the discussions with the OFT, concerns were expressed that it might not prove a suitable or desirable site for a competing grocery retailer.

Notes for editors

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. The CC had been asked to decide whether the acquisition has resulted, or may be expected to result, in a substantial lessening of competition in any market for the retail supply of groceries in the Slough area.
3. The inquiry is separate from the CC's existing market investigation into the supply of groceries by retailers in the UK, and has a separate timescale and remit. There is, however, some overlap in the matters covered by the two inquiries—the CC published its provisional findings in the market investigation last month.
4. The Enterprise Act 2002 empowers the OFT to refer to the CC completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.
5. The CC has a 24-week period in which it is required to publish its report, which may be extended by no more than eight weeks if it considers that there are special reasons why the report cannot be published within that period.
6. Further information on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its website at: www.competition-commission.org.uk.
7. Enquiries should be directed to Rory Taylor on 020 7271 0242 (email rory.taylor@cc.gsi.gov.uk).