



Competition Authority Report Finds Competition between Grocers is Limited by the Retail Planning System

The retail planning system, through a variety of mechanisms, makes it difficult for new retailers to enter the Irish grocery market, and for existing retailers to expand, according to a report published today by the Competition Authority.

"The retail planning system limits competition among grocery retailers and as a result consumers are not getting the best possible choice or value for money", according to Bill Prasifka, Chairperson of the Authority.

The report has found that the planning system has influenced the type of grocery retailers that trade in Ireland, where they locate, what they offer consumers and the prices that consumers pay. Despite growth in the number and size of grocery retail outlets in Ireland since 2001, the planning system acts as a barrier to competition in grocery retailing in three ways;

1. Restrictions on the *size* of a grocery retail outlet.
2. Restrictions on *where* a grocery retail outlet can locate.
3. The *uncertainty* regarding planning permission can raise the cost and delay the arrival of a new retail outlet.

These factors limit competition between retailers and also between grocery brands. Together they restrict consumer choice and value for money. As a result, Ireland does not have any large scale, low cost grocery retailers, as exist in other European countries; discount retailers face more stringent limitations on size than other grocery retailers; size restrictions on grocery retailers result in less shelf space and subsequently less competition between branded goods; and consumers all over the country are denied the benefits of competing grocery retailers in their local area due to prolonged planning delays.

The report identifies a number of features of the retail planning system that affect competition in the grocery sector. The Authority recognises that Government, local authorities and planners have a difficult job in balancing social, economic and environmental factors. However, the planning system as currently applied simply does not give enough weight to the competition

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factor – the element that would ensure consumers get the best value for money possible.

The recommendations made do not require a sea-change, but rather a refocusing of planning policy on competition and consumers.

NOTES TO THE EDITOR

Following the Government's decision to abolish the Groceries Order in March 2006, the Competition Authority was asked to review and monitor the structure of the grocery trade on an ongoing basis in order to see how it responds to the new legislative environment. The Competition Authority subsequently initiated the *Grocery Monitor Project* and in April 2008 published two reports on the structure and operation of the grocery sector and aggregate price trends. Today's publication is the third report in the series.

The report makes seven recommendations to promote competition in grocery retailing in Ireland requiring action by the Department of the Environment, Heritage and Local Government.

1. Remove caps on grocery retail space.
2. End the discrimination against discount retailers.
3. More flexibility within 6 year projections of floorspace requirements.
4. Include an assessment of competition in health checks of local development plans.
5. Recognise that competition from new retail centres benefits local consumers.
6. Formally survey consumers regarding attitudes and preferences.
7. Research ways to limit appeals by competitors.

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