

Bad news from Tesco

Superstores' hunger for control of magazine and newspaper delivery gnaws at the ankles of democracy

Last time the BBC hosted a radio phone-in on the power of the superstores, it was attacked by clones. Despite a massive spending spree, Tesco had just posted profits of £2bn, and would soon possess 30% of the grocery market: five points beyond the monopoly mark. The first caller had only four words to say, and he said them three times. "You shouldn't knock success." The phrase spread like an infection; about half those who phoned in after him repeated it. On the same grounds, we should have refrained from criticising Hitler's invasion of Poland.

Tesco, if we are to follow this guidance, is about to become doubly immune from criticism; it will soon seize a greater share of the market, and it will deny its critics a public platform. Within the next two weeks, the Office of Fair Trading will rule that the arrangement preventing Tesco and the other big stores from cornering the market for newspapers and magazines should be changed. It will then be a brave editor who allows journalists to knock them.

It is true that the way in which news is distributed at the moment is anti-competitive. More than 80% of papers and magazines are delivered to the shops by just three big distribution companies: WH Smith, John Menzies and Dawson News. Newsagents complain that the distributors are ripping them off: their charges have risen by 180% in 10 years. It looks like a classic carve-up.

But it is not quite as simple as that. The reason that the big distribution companies control so much of the market is that they have struck a deal with the news publishers

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– in return for exclusive rights to deliver papers and magazines in a particular region, they guarantee to distribute them to every shop that wants to sell them, however small it is. It is hard to see why else they would deliver a single copy of Gay Times to the shop in Llanddewi Breffi.

While this grants them power over the small shops, it also guarantees the survival of those shops, as they are able to stock any title they want, and to charge the same price as the big chains moving thousands of copies. It is largely because of this agreement that, while all the other specialist retailers have been collapsing, independent newsagents have been growing, from 45,000 in 1995 to 54,000 today; 99.94% of us now live within a five-minute drive of one.

Since 2000, Tesco has been trying to break the agreement, threatening to delist magazines that don't follow its own distribution plan. The superstores have been leaning on the Office of Fair Trading (OFT), and appear to be winning. We shouldn't be surprised by this. The OFT's principal case officer once complained that “we have to do this on a shoestring while the companies we look into have 100 times more resources than we have... [They] can provide a Rolls-Royce while we've got a Raleigh bike”. While the OFT will defend the way that newspapers are sold, the superstores will be permitted to choose their own suppliers of magazines.

As these suppliers will have no obligation to deliver to anyone else, they will leave the other distributors to deliver to the small shops, without being able to subsidise this loss-making business with quick and lucrative deliveries to the big chains. They will soon pull out, leaving the small shops with neither magazines nor newspapers. A study commissioned by the Periodical Publishers Association suggests that the OFT's ruling will wipe out up to 20,000 newsagents.

While the supermarkets' control of the meat or bread or fruit market is bad enough, their control of newspapers and magazines gnaws at the ankles of democracy. We know that their suppliers are terrified of their market power. Because the farmers and food companies have nowhere else to go, they will do whatever they are told in order not to be delisted or sentenced to “death row” – the top shelf, whose produce customers seldom notice. (I think this is because they hang their heads in shame while shopping in these places.) If Tesco says it wants blue carrots three feet in diameter, they just have to be produced. And the suppliers dare not speak out. While the superstores have trampled all over their voluntary code of conduct for dealing with farmers, three years after it was published not a single official complaint has been made. I know of a broccoli grower in Angus who was delisted after merely threatening to complain.

The same fear will come to govern the superstores' relationships with newspapers and magazines. If you doubt this, try to picture a newspaper being sold beside the

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Tesco checkout with the headline “Tesco’s bullying tactics exposed”. It is not hard to imagine a dreadful circularity developing. As Tesco’s market power increases, and its share of the news market rises, newspapers and magazines become ever more reluctant to challenge it, leaving it free to grow even bigger.

Even before the distribution arrangement is ditched, something like this is beginning to happen. Yesterday I spoke to a woman who has worked for many years in publishing, and she rattled off the names of the agricultural journalists who had been sacked for writing articles promoting local food and small shops. They weren’t directly criticising the superstores, but someone worried that they had strayed off-message. Farming magazines today look like tour brochures for The Island of Dr Moreau.

And there will, of course, be nothing to stop the superstores from imposing other specifications. In the US, Wal-Mart (which owns Asda in the UK) has told Cosmopolitan to remove cover billings about abortion. It has delisted the lad mags Maxim, FHM and Stuff, and banned an album by Sheryl Crow, which criticised Wal-Mart for selling guns. Its policies, the evangelical group Focus on the Family exults, have hit publishers “like a brick in the head”. Now AOL Time Warner, according to the New York Post, is “consulting very closely with Wal-Mart to help figure out the type of magazine the giant retailer would like to see on its racks”.

In the UK, Tesco is alleged to be doing something similar. “According to senior publishing industry sources,” the Observer reports, “Tesco has asked to see copies of covers prior to publication and asked for late changes on at least one occasion.” And this is before the OFT changes the rules.

The government says that the change is necessary to bring us into line with European law. This is not true. The Treaty of Rome states that agreements about “sources of supply” are incompatible with the common market unless they “contribute to improving the production or distribution of goods”. No other European country has opened up its market for news distribution. The competition authorities in the UK will protect monopolies that work against the public interest, and destroy monopolies that work in its favour.

The OFT will put its new ruling out to consultation. If enough people object to the news becoming Tesco's own brand, it might reconsider. I urge you to write in – but only if you don't mind knocking success