

Rachel Reeves MP  
Chair, Business, Energy and Industrial Strategy  
Committee

From: Mr Andrea Coscelli  
Chief Executive - CMA

Direct line:

Neil Parish MP  
Chair, Environment, Food and Rural Affairs Committee Your ref: ME/6752/18

By email: [beiscom@parliament.co.uk](mailto:beiscom@parliament.co.uk) /  
[efracom@parliament.co.uk](mailto:efracom@parliament.co.uk)

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Dear Ms Reeves and Mr Parish

Thank you for your letter of 3 May 2018 to David Currie in relation to the CMA's investigation into the proposed merger between J Sainsbury plc (**Sainsbury's**) and Asda Group Ltd (**Asda**, and together with Sainsbury's, the **Parties**) (the **proposed merger**) and the designation of groceries retailers under the Groceries Supply Code of Practice (the **Code**). I am replying on David's behalf.

### **Proposed merger between J Sainsbury plc and Asda Group Ltd**

As the proposed merger involves two of the largest groceries retailers in the UK, this will clearly be a significant investigation in which the CMA will consider a range of issues, gather and analyse a significant amount of evidence, and consult with a wide variety of interested parties.

Given the size and importance of the sector, it is critical that all interested parties (including those, such as suppliers to groceries retailers, identified in your letter) have the opportunity to make their views known and present all relevant evidence to the CMA in the course of its investigation. For that reason, we will tomorrow launch a preliminary 'invitation to comment' on our website asking interested parties to submit any initial views on the impact that the proposed merger could have on competition in the UK. During its investigation, the CMA will also proactively contact companies and organisations that are active in the markets affected by the proposed merger, or have valuable insights or evidence that could assist the CMA's investigation, such as suppliers, competitors, industry bodies and consumer organisations.

Further opportunities to engage with the CMA's investigation are likely to be provided by a consumer survey (to engage directly with the customers) and by a series of hearings and roundtable meetings with interested third parties.

The CMA's primary duty is to promote competition for the benefit of consumers, a duty that extends across all markets in the UK. Our investigation will therefore cover a wide range of issues, including the impact the proposed merger will have on competition in the supply of groceries, both at the national level and within individual local areas, as well as the potential implications for competition of the merged company increasing its 'buyer power' in negotiations with suppliers. Our analysis of these issues will, of course, be driven by the evidence received during the investigation. While this evidence-gathering process has already begun, it would be inappropriate at this stage to speculate about the specific approach that will be taken to assess these issues.

Similarly, it would be inappropriate to speculate about what remedies (such as the full prohibition of the proposed merger or the divestment of certain stores) might be required. If a remedy were ultimately to be required, the CMA's general approach is to re-establish the competitive rivalry that would have existed in the absence of the merger.

On timing, as is typical in major merger investigations, the CMA is engaging with the Parties in a process of 'pre-notification' to ensure that they have provided all the information the CMA requires before a formal investigation can begin. We currently anticipate that this will happen in the coming months. Assuming that the Parties confirm their request to progress more quickly to an in-depth Phase 2 investigation (through the so-called 'fast-track' process), and that the conditions for such a fast-track are met (which the CMA will assess during its Phase 1 investigation), the CMA would expect its Phase 1 investigation to last for around two-to-three weeks, before its in-depth Phase 2 investigation would begin. A Phase 2 investigation takes up to 24 weeks.

### **Designation of groceries retailers under the Code**

Finally, you have asked for a timescale of when additional retailers not already subject to the Code will be identified and will be required to begin complying with the Code.

The CMA has committed to an annual process of assessing whether there are additional retailers that should be designated under the Groceries (Supply Chain Practices) Market Investigation Order. We have identified and written to several retailers during April and May 2018, seeking information on their turnover within the definition of groceries in the Order.

If, on the basis of the information we receive, we decide to designate additional retailers, we anticipate publishing our decision on such designation by the end of August 2018. At present, on the basis of the information we have received so far, we

would anticipate allowing up to six months between the announcement of any designation and it taking effect, to ensure that any retailer(s) to be designated have time to put in place the controls required of them under the Code.

Yours sincerely

Andrea Coscelli  
Chief Executive