

The Rt Hon. Greg Clark MP  
Secretary of State for Business, Energy & Industrial  
Strategy  
1 Victoria Street  
London  
SW1H 0ET

From: Mr Andrea Coscelli  
*Chief Executive*

Direct line:

Your ref: ME/6752/18

Our ref: MP000459

By email: [mpst.clark@beis.gov.uk](mailto:mpst.clark@beis.gov.uk)/  
[enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)

18 May 2018

Dear Secretary of State,

Thank you for your letter of 16 May 2018 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**).

The CMA's primary duty is to promote competition for the benefit of consumers, a duty that extends across all markets in the UK. To this end, we expect our investigation to 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. The impact that a merger could have on competition in the supply chain was, of course, considered in some detail as part of the Competition Commission's 2003 investigation into the acquisition of Safeway, the last major UK merger investigation involving supermarket groups (that concluded that Asda, Sainsbury's and Tesco should not be allowed to acquire Safeway). While the sector has evolved since then, we expect to consider this issue again as part of our review of the proposed merger.

As you note, we have today issued 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. We share your view that it is critical that all interested parties (including those, such as suppliers to groceries retailers,

identified in your letter) are able to stay informed about the CMA's investigation, and we are also keen to ensure that they have the opportunity to make their views known and present all relevant evidence to the CMA during our investigation.

The preliminary invitation to comment marks only the start of this process. 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. This will include not only suppliers, but also parties such as competitors, industry bodies and consumer organisations. Further opportunities for third parties to engage with the CMA's investigation are likely to be provided through a series of hearings and roundtable meetings with interested third parties around the UK, which we expect to take place later in the year, and a consumer survey, which will engage directly with customers.

Our analysis of the competition issues raised by the proposed merger will, of course, ultimately be driven by the evidence gathered during the investigation, a process that remains at a relatively early stage. We nevertheless hope that the initial thoughts set out above are helpful in explaining our intended approach in carrying out our statutory duties.

Yours sincerely

Andrea Coscelli  
Chief Executive