Proposed merger of Asda and Sainsbury’s

On behalf of my Committee may I congratulate you on your recent appointment as Chair of the Competition and Markets Authority. We are confident that you will apply rigorous scrutiny to this role and I look forward to working with you in future.

I am writing to you to highlight my Committee’s work on the proposed merger between Asda and Sainsbury’s. On 20 June we held an evidence session with the chief executives of both businesses. We have enclosed the transcript of the evidence session for your information. In that session we were particularly keen to explore further:

- The effect of this proposed merger on the food supply chain, particularly smaller-scale farmers and producers;
- The degree to which a concentration of buying power brought about by a merger of Asda and Sainsbury’s would increase the pressure on suppliers to accept unfavourable supply arrangements and reduce suppliers’ ability to speak out or protest against poor practices and non-adherence to the Groceries Code;
- How the new company would deliver the promised savings of c. ten per cent on the products customers buy regularly and the degree to which these savings would simply be passed down the line to the smaller suppliers at the bottom of the supply chain;
- The market share which the new company would expect to command and the definition of “retail market” against which Asda and Sainsbury’s seem to be making their public pronouncements.

We trust that the evidence we gathered on 20 June will assist the CMA in its work and help inform the Authority’s conclusions. The CMA has already confirmed that it will
proactively seek the views of suppliers. We would be grateful for regular updates on this process and the wider investigation into this proposed merger.

Our intention would be to publish these updates on our website. We have copied this letter to Rachel Reeves, Chair of the Business, Energy and Industrial Strategy Committee.

Neil Parish MP
Chairman of the Committee