

Massmart welcomes Competition Appeal Court's ruling

The Competition Appeal Court on Tuesday ordered Massmart to contribute R200m to a supplier development fund over five years as a condition for the approval of its merger with US retail giant Wal-Mart.

The decision by Judge Denis Davis came after the court asked for an expert report on the way in which such a development fund could assist small-, micro- and medium-sized enterprises to become part of Wal-Mart's global and domestic supply chains.

The merged entity proposed an investment that would have seen it spend R100m over three years. Unions, objecting to the merger and wanted the merged entity to commit itself to a fund worth R500m.

Judge Davis said the purpose of the fund would be to minimise the risks to micro-, small- and medium-sized producers of South African products "caused or which may be caused" by Massmart's merger with Wal-Mart.

"In particular the fund should seek to incentivise the merged entity to purchase products from South African producers over and above the kinds of products that would in any event be so purchased."

The fund is designed to assist existing and potential South African suppliers to Massmart; who fall within and outside of Massmart's priority supply chain development.

The multi-billion rand deal received strong opposition from the unions, and three government departments, including the Department of Economic Development.

Massmart and Walmart have welcomed the decision by the Competition Appeal Court (CAC) on Tuesday, which provided clarity regarding the supplier development fund.

Clarity on the mechanics and focus of the supplier development programme is a positive endorsement of the initiative.

"In this context, we agree with the CAC that the focus of the programme on upgrading skills is a more important consideration than the quantum of monies invested," said chief executive Grant Pattison,

"The CAC's decision closes this chapter. Our immediate objectives are to continue to help South Africans save money and to identify and act on opportunities that will deliver positive economic outcomes as a result of Walmart's entry into South Africa," he said

"This will include helping to improve local manufacturing competitiveness and integrating small-scale farmers into the Massmart-Walmart supply chain by providing them with training, mentoring and technical assistance," said Pattison.

"To date, Massmart has saved South African consumers more than R250m through a series of extended promotions. The price cuts have allowed consumers to purchase a broad range of items at reduced prices over a ten-week period, a first in South Africa.

"We have also facilitated local supplier access to export their products to other Walmart markets. These include listing South African wines, panel heaters and marine products in Walmart stores in Canada and the United States," he said.

Pattison added that it is important to emphasise that notwithstanding the differences of opinion expressed during the merger approval process, the company understands that its success will be measured not only by its commercial achievements but also by its positive socio-economic impact.

"We look forward to working with the fund's advisory board to achieve an impactful supplier development programme," he said.

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