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3 **COMPETITION AND MARKETS AUTHORITY**
4 **J SAINSBURY PLC/ASDA GROUP LTD MERGER INQUIRY**
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7 **Notes of a hearing with Consumer Council Northern Ireland, Food and Drink**
8 **Federation, National Farmers Union, National Farmers Union Scotland and**
9 **Which?**

10 **held at Competition and Markets Authority, One Lochrin Square,**
11 **92 Fountainbridge, Edinburgh**
12 **on Monday, 19 November 2018**
13

14 **PRESENT:**

15 **FOR THE COMPETITION AND MARKETS AUTHORITY**

16 Stuart McIntosh - Chairman
17

18 **FOR THE STAFF**

19 Joel Bamford - Senior Director of Mergers
20 James Hampson - Legal Adviser
21 Sheila Scobie - Director, UK Nations
22

23 **FOR CONSUMER COUNCIL NORTHERN IRELAND**

24 Nazia Ali - Financial Conduct Authority Secondment
25

26 **FOR FOOD AND DRINK FEDERATION**

27 Andrew Taylor - Aldwych Partners
28 David Thomson - Chief Executive Officer, Food and Drink
29 Federation Scotland
30 Nick Warren - Aldwych Partners
31

32 **FOR NATIONAL FARMERS UNION**

33 Philip Hambling - Head of Food and Farming
34

35 **FOR NATIONAL FARMERS UNION SCOTLAND**

36 John Armour - Policy Manager
37

38 **FOR WHICH?**

39 Rocio Concha - Chief Economist, Strategic Policy Partner
40 Thomas Docherty - Head of Public Affairs (Nations and Regions)
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43

44 Digital Transcription by Epiq Europe Ltd
45 8th Floor 165 Fleet Street London EC4A 2DY
46 Tel No: 020 7404 1400 Fax No: 020 7404 1424
47 Email: ukclient@epiglobal.co.uk
48
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1 THE CHAIRMAN: First of all, thank you very much for joining us at this hearing today.

2 I will start off with some formal things I need to remind you of at the beginning
3 of the hearing before we get into the hearing proper.

4 We are going to be taking a transcript of the hearing and, therefore, we will just
5 start with some introductions so that Ross knows who is saying what. If you
6 struggle with my softly Scottish accent, please do let me know. It has been
7 criticised over the years! Then I will take you through the hearing procedures
8 and what we are aiming to discuss in the hearing today.

9 I am Stuart McIntosh. I am the Chair of the group which has been appointed to
10 conduct this merger investigation. I, along with my colleagues at the CMA, will
11 be leading the discussion from our perspective and the questions we will be
12 aiming to discuss with you during the course of the hearing today. So, perhaps
13 I will just ask the others to introduce themselves and then I will hand over to
14 you. James?

15 Q. (Mr Hampson) I am James Hampson. I am a Legal Adviser with the CMA.

16 Q. (Mr Bamford) I am Joel Bamford. I am a Senior Director of Mergers at the CMA
17 and, on this, I am the staff lead.

18 Q. (Ms Scobie) Sheila Scobie. I am the Director, UK Nations for the CMA based
19 here in the office in Scotland but I should make clear I am not part of the project
20 team or decision-making around this particular investigation.

21 THE CHAIRMAN: Okay. Can I suggest we go along the table then around the back?

22 A. (Mr Armour) John Armour, Policy Manager at the National Farmers Union
23 Scotland. I cover food and supply chain policy and livestock policy.

24 A. (Mr Hambling) Philip Hambling, Head of Food and Farming at the National
25 Farmers Union.

26 A. (Ms Ali) Nazia Ali, Consumer Council seconded from the Financial Conduct

1 Authority.

2 A. (Ms Concha) Rocio Concha, Chief Economist at Which?.

3 A. (Mr Docherty) Thomas Docherty, Head of Public Affairs for Nations and
4 Regions at Which?.

5 A. (Mr Thomson) I am David Thomson. I am the Chief Executive of the Food and
6 Drink Federation in Scotland.

7 A. (Mr Warren) Nick Warren, Aldwych Partners, supporting Food and Drink.

8 A. (Mr Taylor) Andrew Taylor for Aldwych Partners.

9 Q. Okay. Information about the hearings and our treatment of evidence will have
10 been communicated to you in the lead-up to this hearing by our colleague, Peter
11 Baker. This explained the statutory considerations to which we must have
12 regard before making any disclosure of the information that you provide to us.
13 We also provided a broader indication as to the issues that we would like to
14 consider today and explore in further detail.

15 As I mentioned at the outset, we are having a transcript made of the hearing.
16 That will be made available to you in full within a period of a week. We would
17 be grateful if, when you get that transcript, you could check it for accuracy. If
18 there is anything material that you wish to add to or amend in respect of
19 anything that is said today, we would appreciate it if you could do that in a
20 separate letter because we would like to keep the transcript as a faithful record
21 of the session. Having said that, if Ross is not quite able to follow everything
22 we say, do feel free to correct the transcript in that regard. When you are
23 looking at the transcript, could you please also look for and flag anything which
24 you say which you consider to be particularly commercially sensitive so that we
25 can take account of that when we are considering what disclosure we are going
26 to make of what we discuss during the course of today.

1 The transcript per se will not be published by the CMA but we do intend to
2 publish a summary of the transcript for the purposes of transparency.¹ You will
3 receive a copy of that prior to publication and, again, please look at that with a
4 view to if there is anything you feel in respect that is commercially sensitive so
5 my team will be aware of that when considering what it is we shall disclose.

6 Moving on to the hearing itself, we have published our administrative timetable
7 for this merger inquiry on our website. This outlines the steps we are taking
8 with regard to the inquiry timetable. We have up until 5 March next year to
9 publish our final report which will be our decision on the merger. Our intention
10 is to publish our provisional findings in January of next year. It is at that point,
11 should we provisionally find that the merger might lead to a substantial
12 lessening of competition, we will turn to questioning potential remedies. So, we
13 will not be discussing any issues relating to remedies at today's hearing. We
14 are not at that point in the process. We will consult on that, if appropriate, later.
15 As you are aware, we published our issues statement on 16 October this year.
16 This sets out the key areas that we have identified for investigation in the course
17 of the inquiry. It does not imply that any decisions have been taken with regard
18 to any of the issues that we have identified. It is important and we should also
19 bear in mind that, to the extent that we express any views at this hearing today,
20 it is not because we have taken any decisions but, rather, it is to help facilitate
21 and promote the discussion of the issues.

22 We have been gathering information from you and other third parties through
23 questionnaires and through hearings and through inviting people to comment
24 on the merger inquiry. The aim of this hearing is to gather further evidence to
25 help us look into our minds as to whether or not the merger is likely to lead to
26 an SLC.

1 Finally, we should remind you, as we remind everybody, that it is a criminal
2 offence under section 117 of the Enterprise Act 2002 to, knowingly or
3 recklessly, provide information which is false or misleading in a material respect
4 to the CMA at any time, including at this hearing.

5 With that, are there any questions that any of you have before we move into the
6 hearing per se? Okay, well, with that, I think part of the intention is for each of
7 the group representatives here to kick off with a short statement, a commentary
8 setting out any perspectives that you wish to put over at the start of the hearing
9 before we move into the questioning from our side. So, provided that is your
10 understanding also, we would like to move to that. And again, we will do it
11 simply and start from my left, if the NFU want to kick off.

12 A. (Mr Armour) Thank you, Chair. I am aware that the people who will go after
13 me have more experience in the food sector than I do but our view is that the
14 grocery market is already dominated by a few very large operators. Yes, there
15 has been disruption and there continues to be disruption in the market but,
16 currently, eight companies have a 93 per cent, roughly, for the purposes of
17 estimating, I think, that, those figures are from March, 93 per cent share of the
18 UK market. If this merger goes ahead, then the number of operators that have
19 that bigger share of the market will reduce to seven. The merged company
20 would have a market share of around 30 per cent, according to Kantar.

21 The Groceries Code Adjudicator supplier survey found that Asda was around
22 eighth of the ten retailers in terms of code compliance. Just to cast your mind
23 back to what the Groceries Code Adjudicator found when it looked at the
24 market; in the 2016 investigation into Tesco, the Groceries Code Adjudicator
25 found that the breaches of the Groceries Supply Code affect competitiveness
26 of food suppliers. The report found that suppliers felt pressured to accept terms

1 put forward by Tesco because the businesses rely on the trade. So, while we
2 are not saying that the new company would be not compliant with the Groceries
3 Supply Code, we know that Tesco, which was the largest retailer at the time in
4 2016, was forcing terms on suppliers because of suppliers' reliance on that
5 trade.

6 We believe that there would be greater potential for unfair trading practices if
7 there was to be a company with this market share and if there is a reduction in
8 the market share at the top of the grocery retail supply chain. We have also
9 been concerned by media reports around this merger and headlines such as
10 "Sainsbury's vows to slash prices after Asda merger". This would suggest that
11 there would be a consolidation of the market share used to increase price
12 pressure further down the supply chain. In our view, that may be done by
13 utilising unfair trading practices.

14 We would like to stress to the inquiry that the farmers and growers are often
15 price takers and that any price pressures on fresh food, ultimately, are felt in
16 primary food production.

17 We are not suggesting that large grocery retail represents intentionally bad
18 actors. Indeed, retail has demonstrated commendable corporate social
19 responsibility and sell the vast majority of the food produced by Scottish
20 farmers. However, because of the retail market dominance, farmers have little
21 control on the ability to charge a premium. Yes, we can develop a brand but
22 our ability to develop that brand is very much at the whims of the retailer.

23 Ultimately, we believe that further protection must be in place to prevent abuse
24 of power impacting suppliers and producers if there is to be less competition in
25 food at the retail ...

26 Q. Thank you very much for that. I think you have touched on issues that we intend

1 to pursue in the course of the discussion, so I will not pick anything up
2 immediately, so we might just continue on.

3 A. (Mr Hambling) First of all, thank you very much for the invitation to provide
4 evidence today and for receiving input from us in the earlier stages leading up
5 to today. We are, of course, committed to examining very carefully the details
6 of the proposed merger and we consider this quite a significant development in
7 the grocery supply chain. It is fair to say that our members group almost
8 immediately expressed concern about the concentration of buying power that
9 John just highlighted earlier on.

10 We are in the middle of evaluating the potential merger implications both on
11 members and on the downstream supply chain and how the impact through the
12 value chain may resonate.

13 We are undertaking some work that will not conclude until the new year, which
14 we will be planning to package and submit to the CMA at the appropriate time.
15 However, our provisional analysis shows that we expect there to be significant
16 cost savings for the organisation, the two entities coming together. What has
17 perhaps caused significant alarm has been the headline-grabbing claim of the
18 move generating 10 per cent savings for consumers. Generally, the direct
19 suppliers and indirect suppliers feel that the scope for that reduction is not
20 obvious to them. Certainly, as price takers, as John mentioned earlier on,
21 primary producers feel that that 10 per cent is almost expected to come from
22 their own businesses.

23 The reality for us is that members fear that pressure will quickly filter down to
24 them. Our experience, certainly in previous market shops, has been exactly
25 that; that those impacts have been quickly transmitted through the supply chain
26 and additional costs and cost savings have certainly been expected to be borne

1 by those in the immediate negotiating position back up the supply chain as well.
2 This concern, of course - you will know, you will not need me to repeat
3 this - has, obviously, been shared by ministers of BEIS and Defra in the course
4 of widening the investigation and, of course, we welcome this.

5 We have formally submitted to the CMA in June this year -- put it this way, to
6 say that, whilst our primary concern has traditionally been on our members, we
7 also highlighted the potential impact that this may have on consumers as well.
8 Farmers and growers, of course, the foundation of the grocery supply chains,
9 they carry the greatest risk and we want to highlight that they run their
10 businesses against significant variables, whether that be in the weather, coded
11 prices, currency exchange as well but also short-term as in the buying in supply
12 chain strategies.

13 We do think that the consolidation of power will lead to further risk exposure,
14 compound the risk that the primary producers experience already in the
15 business. We do think that there is significant potential for that consolidation of
16 power to load further risk up the value chain. Whilst we understand this effect
17 may not be the primary consideration of your mandate, there are secondary
18 consequences that need to be fully understood. These secondary
19 consequences may affect competition, availability and innovation to the supply
20 chain that, ultimately, impacts the interests of the shopper and the consumer.

21 There are two areas to consider and I would just like to make a statement/sound
22 around the supplier perspective and that of the retailer as well. The first is that
23 businesses facing increased risk environment will reduce investment to
24 improve resilience in the balance sheet. Businesses in the farming and food
25 sector are often called out for failing to invest in product innovation and
26 productivity. It remains true that uncertainties in the trade and return on

1 investment are the biggest barriers to this. Our many members report
2 continuous squeeze of the margin of gain in the supply chain that erodes their
3 investment capability to improve quality, range and, ultimately, sustainability of
4 their businesses. Particularly in the case of own-brand suppliers when faced
5 with fewer selling options and risky trade environment, it is almost certain that
6 they will narrow their focus in the short term and seek fewer opportunities to
7 differentiate that might seek to secure range and innovation wins for a smaller
8 group of brands.

9 Likewise, it follows that, where these two brands invest in differentiation
10 themselves, it is likely that investment will be lower than when the
11 two businesses existed separately, partly because they are no longer
12 competing with themselves.

13 These factors need careful consideration to protect the range, choice, range
14 availability and competitiveness and the interests of consumers.

15 Secondly, the lack of investment, innovation and productivity in agri-food
16 businesses has long been highlighted by both retailers in open forum and they
17 have called this out publicly themselves. Although we do not necessarily have
18 sight of the detail, it is widely publicised that Sainsbury's have committed
19 significant resources to invest in agriculture in their own value chains and food
20 production in the supplier base. They have also been key to landing public
21 R&D funding into agriculture and food using their supply chain position to help
22 focus new market research in order to transfer through the supply chains as
23 well.

24 Both businesses use their reach to encourage direct suppliers to invest with a
25 view to seeking competitor advantage or brand advantage. It follows, therefore,
26 that there should be an assessment of the historic investments in this area by

1 both businesses and compare the understanding of future investment in this
2 area to protect the availability, product innovation and consumers that
3 consumers ultimately benefit.

4 I will not labour this point, of course, that the increase in market share in the
5 limited range discount operations that could add pressures to the shoppers'
6 experience of product availability and choice.

7 In summary, it remains a concern for the significant potential market disruption
8 and the dynamic and main effects that we have described represents a risk of
9 negative outcomes for consumers, shoppers and our members alike. Thank
10 you.

11 Q. Am I right in thinking that you intend to submit something to us later, after
12 Christmas?

13 A. (Mr Hambling) Yes.

14 Q. Nazia?

15 A. (Ms Ali) Perfect. Our response mainly focused on the issues that we think
16 consumers in Northern Ireland are going to face, based on whether or not the
17 merger happens. Firstly, one of the things that we wanted to highlight was just
18 how different it is, the UK versus Northern Ireland.

19 I have a slideshow here with a few powerful facts. I have brought copies with
20 me and will leave them with you before I leave. One of the things that we
21 wanted to highlight was around average income, UK versus NI. In the UK it is
22 around £23,000 whereas in NI, it is £21,000. That means that the weekly
23 discretionary income is massively different and in the UK it will be £200.01
24 whereas, in Northern Ireland, it would be £100.10. So, there is that massive
25 difference. If the merger does need to increase prices, what kind of effect does
26 this have on Northern Ireland consumers?

1 Along the point of vulnerability, according to the research that we have done,
2 around one in two people in Northern Ireland are vulnerable. A lot of the
3 vulnerable consumers tend to be the elderly ones who live in the rural areas,
4 so, the physical supply of stores is going to be massively important to these
5 kinds of consumers. In a lot of places in Northern Ireland where you live quite
6 rurally you do not actually get internet signal. So, online shopping can be very
7 difficult for these elderly consumers and, if there is a lack of stores, then their
8 getting to a store could be very difficult as well.

9 The other thing that we wanted to highlight within our response was around the
10 difference in actual markets. For example, within the UK, we have, you know,
11 Tesco, Morrisons, Sainsbury's, Lidl, whereas, in NI, they do not actually have
12 Aldi; there is no Waitrose there; there is no Morrisons there. So, how will affect
13 our consumers?

14 The last point that we wanted to highlight was around fuel tourism. A lot of
15 people cross the water to get their fuel because it is a lot cheaper. How will this
16 merger affect consumers, especially in coupled with Brexit? What is the effect
17 on the consumers?

18 Q. Thank you for that. Rocio?

19 A. (Ms Concha) Let me start by saying that we welcome the opportunity to share
20 our views about the merger. I am looking forward to assisting the panel in
21 answering your questions shortly.

22 I am not going to repeat everything that we said in our response to the issues
23 statement. I thought it may be useful to set up as the key test for whether the
24 proposed merger, may harm or benefit consumers.

25 The grocery sector is one of the most widely used consumer markets in the UK.
26 Over the last decade, consumers have benefited from relatively low prices,

1 improved quality, improved choice and standards. This, in a large part, is the
2 result of a competitive sector. Therefore, as the merger will result in a
3 combination of the second and the third largest retailers in the market, the
4 obligation should be on Asda and Sainsbury's to demonstrate why the proposed
5 merger will not have a detrimental effect on consumers both in the short and
6 the long term.

7 We fully agree with the CMA that it is important to consider the impact on all
8 consumer outcomes, price, choice and quality. Just to give you an example,
9 when we asked consumers in a recent survey whether they would buy food
10 items produced to lower quality standards that were cheaper than present,
11 71 per cent told us that they would not buy. There was no notable difference
12 for different socio-economic groups.

13 We, therefore, believe that the CMA need to gather sufficient and reliable
14 evidence on all possible impacts and not only price. I will say that an absence
15 of evidence of detriment should not be taken as evidence of no detriment. In
16 other words, in case of uncertainty, the CMA should err on the side of protecting
17 the consumer.

18 We also agree with the CMA that they need to investigate whether the merged
19 company will have increased buyer power to the extent that the merger may
20 distort competition in the grocery market or may reduce the incentive for
21 suppliers to invest, which may result in their impacts on consumers.

22 We fully agree with the two theories of harm that you describe in the issues
23 statement. In our response to the issues statement, we highlighted another
24 effect. I am not going to go into detail now but I am happy to answer any
25 questions at the end.

26 As I have already said, choice is important for consumers. Just to give you

1 another example, around 75 per cent of consumers in our recent survey told us
2 that it was very important for them that key foods such as eggs, dairy products
3 and poultry were all produced in the UK. Therefore, the CMA need to consider
4 the impact of the proposed merger on the supply chains.

5 In addition, this merger is being considered against a climate of significant
6 uncertainty with Brexit and I think that that uncertainty has been risen since we
7 sent you our response. It is important that the CMA consider what the
8 implications will be for the UK food security and potential changes to the supply
9 chains.

10 Final point, the parties have announced that the merger will deliver £500 million
11 of efficiencies. We believe that, unless the companies can fully demonstrate
12 and guarantee how and how much of those efficiencies will pass on to
13 consumers as opposed to shareholders, those efficiencies should not be taken
14 into consideration as a countervailing factor to prevent or mitigate the lessening
15 of competition by the merger.

16 Just to summarise, we think that it is very important that the CMA look at all
17 consumer outcomes, and I stress that is not only price, it is quality and choice
18 as well. In the case of uncertainty - and there is always some uncertainty when
19 you look at mergers - the CMA should err on the side of the consumer.

20 I look forward to answering your questions.

21 Q. Thank you very much. David?

22 A. (Mr Thomson) Thanks. The Food and Drink Federation is a trade association
23 for food and soft drink manufacturers. We have members of all different sizes
24 in our organisation. I should say that, while I am Chief Executive of FDF
25 Scotland, I am answering on behalf of the whole Food and Drink Federation
26 rather than specifically on the Scotland side of things.

1 I would just like to highlight three things. The first is the significant concern that
2 was expressed very early in the news of the merger from our members. This
3 will be a consolidation of market share and a consolidation -- in particular when
4 you look at the £500 million of synergies that they claim, this will take margin
5 from our members, which will have an impact on their businesses and a real
6 impact on innovation. Food production is a high-volume and low-margin
7 business, so anything that impacts that very delicate balance is of significant
8 concern to our members.

9 The second thing I would like to highlight is the fact that we question Sainsbury's
10 and Asda's logic on what they have said around supplier price reductions and
11 synergies. I am sure we will get into that in more detail. There is no way we
12 think that this will not have an impact on suppliers of all types without increasing
13 buyer power.

14 Lastly, just to say we are surveying members to support the CMA inquiry, so
15 our detailed response will follow in the next two to three weeks. The thing I
16 would like to say as part of that is we need to note that many manufacturers will
17 be very reluctant to provide individual evidence on this issue for fear that it will
18 jeopardise their supplier relationships in the future with Sainsbury's, Asda and,
19 actually, beyond that with other buyers.

20 Q. Thank you very much. Without exception, the issues you have raised are just
21 on our agenda and we have ...

22 There are a number of topics we would like to explore and we have some
23 questions which we would like to put to you and then have a discussion. We
24 might start with some of the issues to do with the supply side of the equation.
25 The reason we are doing that is, in part, that the parties have argued strongly
26 that they see some very significant synergy benefits arising from this merger

1 particularly in respect of the supply chain and particularly through price
2 harmonisation across some of its products. So, with that in mind, I think one of
3 the things that we would like to explore a bit further is to understand the context.
4 This question is probably initially for the NFU and the FDF, although if others
5 have views, that is fine and we welcome them. It is just to understand how your
6 members engage with the nature of grocery chains today and the extent to
7 which that engagement is direct or it is indirect because you are, in turn, feeding
8 into a supply chain which eventually gets to the grocer. I think it is just a factual
9 context we would like to understand a little bit better in respect of your members.
10 Who would like to kick off on that point?

11 A. (Mr Hambling) I am very happy to, Just for the avoidance of doubt, I am here
12 representing the National Farmers Union of England and Wales and my
13 colleague in name on the right-hand side is the National Farmers Union
14 Scotland.

15 Q. My apologies for not making (Overspeaking)

16 A. (Mr Hambling) We do both is the short answer. We have an account manager
17 approach, just like any food business, where we have direct contact with named
18 individuals in our organisation to only have an engagement relationship directly
19 in different levels of retail supply chain. So, our president and director general
20 will have quarterly meetings, top-to-top meetings with the CEOs and buying
21 directors generally for all the major retailers. My team, the chief advisers, for
22 example, will have direct communication and relationships with the buying and
23 agriculture and technical -- in those organisations as well. So, the answer is
24 both. We also, of course, have direct relationships with our members who are
25 also direct and indirect suppliers to the multiples as well.

26 Q. Do you have any sense as to the output of the UK farming sector which is

1 eventually finding its way onto the grocery shelves, how much of that is through
2 the direct sales relationship and how much of it is going through other suppliers
3 who are perhaps processing the foods or whatever they might be doing but,
4 eventually, providing an end product to the groceries?

5 A. (Mr Hambling) Again, the short answer is that is very complicated.

6 Q. I am sure it is!

7 A. (Mr Hambling) It is fair to say that we do have some members, particularly in
8 the horticultural sector, who will have direct relationships with them, selling
9 relationships. There will also be growers and packers who will have direct
10 arrangements, buying -- selling arrangements with those businesses. We have
11 some that will have a direct relationship through a process. They may be in a
12 buying group. In the dairy sector, for example, there will be contracts which
13 are, essentially, back-to-back-style contracts. They are dedicated, to a greater
14 or lesser extent, through that direct or back-to-back contract.

15 We also have examples where those supply chains will have the developmental
16 R&D or buying-type groups but they are not necessarily supported by direct
17 selling arrangements. That may come through processor. There are variations
18 of each of those in between.

19 Q. I am not looking for a precise estimate but, just to give us a sense as to how we
20 ought to be thinking about this, is it likely to be 50/50, 20/80 --

21 A. (Mr Hambling) By volume, value?

22 Q. Value, or whichever is easiest for you.

23 A. (Mr Hambling) I think that would take some working out, frankly. That is quite
24 a big question. If I was to hazard a guess, in the example of Sainsbury's, I
25 would hazard a guess to say maybe somewhere between 50 - 60 per cent of
26 volume for some of their primary fresh products but again, that is very --

- 1 Q. It is fairly significant in the example you have given.
- 2 A. (Mr Hambling) Yes. For some of the retailers it may be virtually not -- they may
3 have engagement but not necessarily any resource investment either in time or
4 money in that relationship. They may just have a communications channel with
5 a group of suppliers who happen to supply their primary suppliers. It is very
6 complicated but it varies by brand, generally. It is fair to say that businesses
7 like Sainsbury's, but also M&S and Waitrose, a great proportion of their product,
8 particularly in the fresh area, would come from a dedicated group of some
9 description, but again, they are layers within each of those.
- 10 I am sorry not to give you a very straight answer.
- 11 Q. No, that is exactly what -- the important thing it is, potentially, quite significant
12 but it varies somewhat depending on the sort of food we are talking about or
13 produce. And FDF members --
- 14 A. (Mr Thomson) In general, most businesses will have a relationship with a
15 supermarket director. There are a few consolidators and a few who will bring
16 together in particular smaller micro business products, but, in general, most
17 processors of even the 5 million - 6 million-plus size will have a direct
18 relationship with the buyers of the supermarket market.
- 19 Q. What could you in the group, particularly where there is a direct relationship,
20 say about the nature of that commercial relationship? Is it very transactional?
21 Is it based on long-term contracts? How does that work?
- 22 A. (Mr Thomson) Again, of course, it varies. To characterise it though, it is very
23 often transactional. Very often, there is a lot of transparency in terms of figures
24 and numbers.
- 25 Q. Does that mean there are lots of open-book-type arrangements likely to be --
- 26 A. (Mr Thomson) Yes. In fact, there is often an insistence on that by the retailer

1 in order that they can investigate the numbers of the processor. But also it can
2 be both. There are some very long-term relationships but there are others
3 which are three months, six months or seasonal relationships as well,
4 depending on the product and the company and the markets that it is in.

5 Q. Is there anything that drives the distinction between the different approaches?

6 A. (Mr Thomson) Ease for the supermarket. So, in some cases, if you are talking
7 about the difference between consolidation and direct relationship, then it is
8 about ease of the supermarket in dealing with a multitude of very small
9 suppliers. If you are talking about the different levels of contract, it can be
10 around new product development; it can be around testing the market
11 opportunities; it can be around the seasonality of produce. For longer-term, it
12 tends to be or has been developing a relationship with either the supermarket
13 or the buyer over a number of years.

14 Q. You mention there is quite a lot of open-book accounting going on in supplier
15 relationships. Is that more common than just best-price-wins-type bids?

16 A. (Mr Hambling) Again it varies. I could not actually tell you what was more
17 common or whatever but, certainly, there is a significant amount of that and that
18 is an expectation that the retailers will have.

19 Q. And among the farming community, how does that work?

20 A. (Mr Hambling) I think it is fair to say that the number of direct - by either volume
21 or value - contractual relationships with primary producers have been relatively
22 small; maybe slightly higher in the horticultural sector but again I would not
23 really be at liberty to properly give you a figure on that. It varies hugely by
24 business and sector. I am not sure if I can add more to what I said earlier on
25 to help illustrate that point.

26 Q. But in terms of things like the extent to which there is open-book accounting

1 where the direct --

2 A. (Mr Hambling) There are some examples. In dairy, the multiples run a cost of
3 production contract rule. That is done, as a rule, on average, input costs for
4 dairy farm businesses. To that extent, it is fairly open-book, but as for a group
5 of businesses, not necessarily individuals, submitting direct cost of production
6 figures in an open way but certainly aggregated cost of production figures.
7 They would be in the minority of overall relationships, I would say, but that is -- I
8 can --

9 Q. This is a question for the FDF as well. Where you are looking at new product
10 innovation, how does the relationship work there? To what extent do the
11 grocers get involved in both specifying what might be done and helping shift the
12 economics, look at the market potential and so forth?

13 A. (Mr Hambling) There are a few different approaches. We know of examples
14 where the individual retailer has a concept in mind and they go to speak to their
15 direct suppliers and indirect suppliers to look for a group concept. It is fair to
16 say also ideas, for us, go the other way directly from suppliers but also from
17 within supply chains as well. In terms of how they are managed through
18 contracts, it can vary. Sometimes, when project work is done, it is done on a
19 gentleman's agreement that they are working on a particular group concept to
20 innovate on a particular product through trusted relationships. There are also
21 examples of slightly more secure investment approaches which have been
22 done under NDA or through some kind of government arrangement through
23 Innovate UK-type projects where parties are signed up to a very formal project
24 plan and contribution schedule as well. Again, they would be probably in the
25 minority. I would say my understanding would be that the vast majority of
26 product innovations would come from the supply chain looking to seek

1 competitive advantage, obviously, supplying their customer that the retailer
2 would benefit from. Some brands, individual brands, invest more than others
3 because they want to differentiate from the pack. So, there are a number of
4 different approaches again to take into account.

5 Q. Just to make sure I am understanding you correctly, are you saying the drive
6 for innovation is also coming from the brand as opposed to the grocery sellers?

7 A. (Mr Hambling) Sorry, when I used the word "brands" I meant retail brands. I
8 would say that the vast majority of investment is almost certainly in the
9 supplying companies, but it is fair to say that the retailers themselves also
10 attribute a fair amount of resource themselves to try to look for a USP in the
11 marketplace.

12 A. (Mr Thomson) From our position, our main suppliers do incur significant costs
13 in developing new innovations and new products. That can come from a variety
14 of drivers. It can come from wanting to create new products for their brand. It
15 can come from the demands of retailers. It can actually come from wanting to
16 support government policy as well. So, there are a whole range of these various
17 drivers. But, from our perspective, absolutely, the significant cost for that sits
18 within the margins of the food business. As examples, in terms of businesses
19 who wish to deliver a product for a new retailer, for example, which may be the
20 same category of product that they already deliver, there will an enormous
21 amount of testing and trying out the new product which will have a slightly recipe
22 because the retailer needs the unique selling point. All of that cost and effort is
23 borne by the business rather than the retailer.

24 Q. (Mr Bamford) I just want to clarify around the open-book versus (Inaudible)
25 arrangements, is there a significant difference in the way of standard operating
26 practices for own label versus branded products? For example, in a more

1 open-book versus ...?

2 A. (Mr Thomson) I would expect that to be the case, yes.

3 Q. (Mr Bamford) Is there any difference in that relationship with respect to
4 innovation in terms of where that risk of the cost of investment actually sits
5 between --

6 A. (Mr Thomson) Not the risk of the cost of the investment; I would say the drivers
7 can be slightly different. The drivers may be that the customer wants something
8 and wants to specify their criteria for that, which might be a different relationship
9 to the branded.

10 Q. (Mr Bamford) Thank you.

11 THE CHAIRMAN: One topic I would like to turn to now is the potential price
12 harmonisation of supplier chain. I mentioned earlier on that one of the benefits
13 which the parties have identified from the merger is that they will be able to
14 harmonise to take advantage of the best prices available to either Asda or
15 Sainsbury's. I think we would like to understand how common it is for there to
16 be a material price variation across the grocers in the UK today from the supply
17 chain that is supplying them. What is your sense, looking at your members and
18 what they agree across their customer base, particularly these major grocers;
19 how far do the prices that they charge then vary?

20 A. (Mr Thomson) From our perspective, the point is that, quite often, that is about
21 the power in the supply chain and the relationship with the buyer. So, there is
22 an element of variation. That variation will be how important that customer is
23 to you in terms of volume that you get out; it will be around the length of the
24 relationship; and it will be with the relative power of that organisation.

25 That is often quite visible to the other retailers as well. The price point on many
26 products is exactly the same whether you go to Tesco or Sainsbury's or Asda

1 because any variation of that is both costly to the retailer and costly to the
2 business.

3 Q. Is your sense that, where there are these differences, they are well known about
4 in all industries -- inside the industry?

5 A. (Mr Thomson) I would have imagined that they will -- I do not want to speculate
6 too far but, certainly if you bring it back to individual cases, the, very often, we
7 will hear of a business, when it varies in price with another retailer, getting
8 phoned by another retailer saying, "How are you managing to do that?" and,
9 "Can you not do that?" or, "You should do that for us and, in fact, we probably
10 want it cheaper".

11 Q. You have identified a number of factors -- it happens, a number of factors which
12 are contributors. How far do things like the costs and working of the companies
13 or the nuances associated with what it is grocer A wants versus what grocer B
14 wants -- how far are those important considerations?

15 A. (Mr Thomson) They are enormously important considerations. For example, if
16 a firm currently supplies Sainsbury's and Asda with product, they may well
17 supply slightly different products, either pack sizes or slightly different recipes
18 or something along those lines. So, that harmonisation between Sainsbury's
19 and Asda might actually result in a loss of product choice as Sainsbury's or
20 Asda choose the one that fits the price point and the customer volume.

21 Q. One of the things that some people have said to us is that the list price is not
22 the whole story and that there is a wider context to do with the position of the
23 product, the retailer investment that is being made the supplier, et cetera. We
24 are trying to get to grips with understanding that. I wonder if there is anything
25 you could say about that piece?

26 A. (Mr Thomson) Yes, in particular around new products and innovative new

1 products, getting shop space at all is an important element. The price point of
2 that new product as it is introduced is an important element. Then the ongoing
3 survival on the shelf of that product is an important element. All of these could,
4 potentially, have upfront costs for the manufacturer. For example, getting the
5 product there in the first place; then, obviously we talked about the significant
6 innovation cost; but, actually, there might be a cost involved with the
7 supermarket that has an impact on that, which might be in the price that you
8 take, for example, to first introduce the product.

9 The second thing is how you decide with the supermarket the initial sale price.
10 That will be an element where both -- where the company, obviously, has to
11 pay for any differential in costs. So, the business of the retailer would have to
12 pay for that sale price in general.

13 Then, lastly, is it a success or not. It can often be dependent on the first
14 two months of sale of that product. Then there will be an ongoing and slightly
15 different relationship with the retailer in terms of do they want to keep the
16 product; has it been a success and do they want it to use up shelf space.

17 All of those are a negotiation between the retailer and the business. Quite often
18 a lot of the cost of that will sit with the business because they have room for the
19 product that they want.

20 Q. What about more mature products?

21 A. (Mr Thomson) More mature products will go on sale at several points of the
22 year. That is a decision and a negotiation between the retailer and the
23 business. Again, the businesses quite often take the costs of promotion. If you
24 want to be on an end cap, so, not in the aisle but on the bits at the side of the
25 aisle, that can quite often be a negotiation and cost to the business.

26 Q. Some industry involved in negotiating with a retailer, those that you have

1 mentioned, how does that get factored into the overall pricing of product?

2 A. (Mr Thomson) It is situational, I would argue. It is not based on this year's
3 price; it is based on this promotional period's price. So, it is part of that separate
4 specific negotiation.

5 Q. The farming community, is there more pricing ability in terms of what the major
6 retailer grocers are paying?

7 A. (Mr Hambling) It is fair to say that the vast majority, certainly the product that
8 is sold fresh or through a manufacturer or a packer in between, would be sold,
9 linked in some way to commodity prices. There is not necessarily any price
10 harmonisation to that extent. Where there are contracts in place that are
11 actually linked to a price, then I guess you could argue that there is some
12 degree of harmonisation there and some degree of transparency. But,
13 essentially, they are traded commodities between the farmer and the grocer
14 purchaser and it is not always necessarily obvious how that is linked to cost of
15 goods. That is because of any of the reasons that I mentioned earlier on but
16 also the fact that cost of goods is something that is negotiated and situational,
17 as mentioned earlier on, and, generally, trying to take into account some of the
18 fluctuations in the marketplace. So, a processor or a packer in between would
19 be making a forecast and would negotiate cost of goods based on how they
20 think the trade will proceed and perhaps also with regard to how trade has
21 passed in recent times as well.

22 So, it is highly situational, I would say. For most farmers, they are exposed to
23 that trading risk in a bigger way, of course, and they are, essentially, at mercy
24 to the volatility in the marketplace. That is, I guess, why many of our members
25 are so concerned about further consolidation because they feel that that will
26 really add to that volatility and exposure of risk in the supply chain as well.

- 1 Q. As a thought experiment, if we assume for the moment that the merger does
2 happen and that the new company pursue this policy of harmonising prices
3 across its supply chain, what do you think might happen in the UK?
- 4 A. (Mr Thomson) We are very clear that our manufacturing members would
5 expect to have their margin squeezed. We would also expect that that
6 harmonisation meant that there was less choice in products available as the
7 differentiation between the two supermarkets and the types of product they
8 might offer disappears, obviously.
- 9 Q. How would that reduction of choice come about? What is driving it?
- 10 A. (Mr Thomson) Driving it; if one accepts the argument that harmonisation will
11 happen, then that harmonisation must happen in terms of types of product that
12 are available. I think, Sainsbury's, Asda, recognise in their submission that all
13 supermarkets at the moment are consolidating ranges and actually reducing
14 choice for consumers. This harmonisation will accelerate that massively.
- 15 Q. People talk about price harmonisation. You have referenced a number of
16 factors which may explain why there are different prices for apparently the same
17 thing. Is it possible that, when looked at in detail, the apparent opportunity
18 might not be quite as significant perhaps as was first believed because there
19 are all these other things that go with the price for this grocer?
- 20 A. (Mr Thomson) I would not like to speculate on Sainsbury's or Asda's figures
21 but, certainly, there are; it is cost of supply, length of relationship, historic
22 bargaining strength, all these kinds of things are all part of the complex price
23 issue. They have said to their investors that that is what they intend to make,
24 so the question that all our members have is, "How will that affect me?"
- 25 Q. This notion is not a new concept. It has arisen in relation to other mergers in
26 the grocery sector like Tesco-Booker. It is still early days in that transaction but

1 I wonder if you have seen anything arising from that merger which provides
2 evidence that we should be thinking about in this context.

3 A. (Mr Thomson) I think, like you said, it is too early days for that, but it will not
4 have escaped the attention of anyone who reads the newspapers that there are
5 lots and lots of food businesses in a very difficult financial situation at the
6 moment. The danger that we would recognise is that, if those savings in volume
7 come out of the processors and manufacturers, then that creates even more
8 opportunity for low-margin business.

9 A. (Mr Taylor) If I could just add to that; the member survey you were doing does
10 ask questions about the impact of the Tesco-Booker party so there might be
11 something (Overspeaking).

12 A. (Mr Thomson) Yes. So, hopefully --

13 Q. That would be very helpful indeed. And on the farming side, if this pressure for
14 harmonisation actually materialises, what do you think --

15 A. (Mr Hambling) History has shown that the consolidation of first buyers, if you
16 like, in the supply chain, whether that be in the meat sector or otherwise, has
17 been pretty significant in the last few decades in the consolidation of buying
18 power as well. The options for market outlets for primary producers are
19 somewhat slim for those. That is certainly true, largely, through driving towards
20 production efficiency and processing efficiency, of course, but also attributing
21 quite widely to consolidation of buying power and the fewer number of retail
22 buyers buying from a smaller pool of primary processors.

23 A. (Mr Armour) From a Scottish perspective, there are parts of the country where
24 cost of production is eminently higher than across the country. We believe that
25 consumers want that choice and want product from those areas. But, yes, there
26 would be concern that price harmonisation would lead to consolidation on land

1 which has a lower cost base associated with it. The land that has a higher cost
2 base associated with it is the land that is naturally suited to the production that
3 is happening there. Harmonisation in prices could result in a loss of production
4 in those areas and could affect its interest.

5 Q. We are concentrating, to some extent on things like the implications of this
6 merger on price and, possibly, choice; brand harmonisation(?) typical. Can we
7 look at it from the other end of the lens in the sense of are there opportunities,
8 as you see it, that are presented by this merger that we should be aware of for
9 your members?

10 A. (Mr Thomson) I am not sure if we are asking that, necessarily, but --

11 A. (Mr Hambling) Being quite direct about it, it is true to say that none of the
12 members have reported any potential opportunities and have been really
13 outspoken in support of it.

14 A. (Mr Thomson) Yes. The only things that we are hearing directly from members
15 is concern.

16 Q. There are a few other questions we would like to pick up on the supply side,
17 and, James, you are going to do that; and then we will move on to some
18 questions regarding the consumer market.

19 Q. (Mr Hampson) I have some follow-up questions on innovation and product
20 development. I am interested in exploring a bit more how the life cycle of new
21 product development happens in the UK; how your members bring these
22 innovations to the UK market so the investment does not (?) for retailers and
23 tried in for those retailers. I guess it is how that works overall but then the
24 differences between particular retailers and particular grocers, and particularly
25 how direct suppliers might play a role.

26 A. (Mr Thomson) I will start on that. New product development starts in lots of

1 ways, as I said earlier. A retailer might have a desire for a specific product or
2 a specific recipe or a specific reformulation. A company might wish to develop
3 either private label or own-branded new -- or business-branded new products
4 and test them in the market, which is based on an analysis of trends and new
5 fads and all sorts of things that happen. Or, as government policy is dictating
6 at the moment, there might be a need to provide a healthier product or a more
7 environmentally sustainable product. So, all of these things play into what are
8 the opportunities to create new products. That is not just about a new recipe;
9 it can often be about a new pack size or format, it can be about new branding
10 or a new process of creating the product. All of those play into that innovation
11 cycle.

12 If you were to take an example of, say, a reformulated chocolate bar, either the
13 business is looking at, "We need to reformulate chocolate bars to play into the
14 health market", or it is being asked by the supermarket to do a different thing.
15 So, that company will then work out new processes, new ways of reducing
16 sugar but keeping format, new ways of maybe adding fat and reducing sugar.
17 There are all sorts of different ways that that might happen. Or they might just
18 cut the size. Or they might add things, maybe proteins or different nutrients,
19 into the programme. All of that is borne by the processor. It is not just the
20 technical element of that or any processes involved in that. There is also a
21 huge amount of consumer analysis, consumer taste testing, consumer brand
22 propositions, all of which are made to convince the supermarket that this is
23 something that they want on their shelves.

24 Q. (Mr Hampson) Where do they envision the return on investment on that? You
25 described "the supermarket". Is it normally a supermarket or is that across the
26 market?

1 A. (Mr Thomson) Again, it would depend. In some cases, it is across the market
2 as in where there might be branded product. But, actually, if an individual
3 supermarket comes to you, then you will work to their desires. Or you may, for
4 example, have a white-label product where you are agnostic about which
5 supermarket you play into and you are developing it on that basis. Quite often
6 that is because you have identified a category, where a specific supermarket is
7 not meeting what the market wants.

8 So, all of that is quite a complex thing and all that risk and all that thought feeds
9 in very much at the processor side.

10 Q. (Mr Hampson) We have heard, in a competitive market, it is not just
11 supermarkets but buyers move around a lot sometimes. Does that mean there
12 is a fairly similar culture across the grocers? Or would you say there is a
13 different buying culture?

14 A. (Mr Thomson) I would not like to, obviously, at the moment, say. The difficulty
15 with the buyer thing is, actually, it is a new relationship every six months.
16 Actually, it induces quite a lot of fear in businesses when they have to meet a
17 new buyer who then comes with their sales targets and their reduction targets
18 and they all want to make their mark on the business. That is as far as we
19 would say about different cultures.

20 THE CHAIRMAN: So, it is a tie-over on the buying side if you can provide in terms of
21 personnel?

22 A. (Mr Thomson) It can be, yes.

23 Q. (Mr Hampson) I think you mentioned on sometimes there is producer-led
24 innovation. Is that the sort of thing that happens with a particular retailer,
25 something you might tend to do?

26 A. (Mr Hambling) It does happen but, if you do not mind, I might just pick up on a

1 point that was mentioned earlier and just elaborate there because I think it is
2 important to air, which is retailers will monitor very closely their performance
3 against their competitors, obviously. A lot product innovation comes from
4 assessment of how they are performing in a particular category or even in a
5 particular product line. So, that competition is really important to help fuel that
6 investment.

7 Sorry for cutting across you there but I think that is an important point to
8 highlight, which is, of course, something that we are reflecting on today, that
9 that may be somewhat diluted by the merger.

10 To answer your question then, yes, it is probably fair to say that there is a
11 degree of innovation by primary producers looking to seek opportunity in the
12 market. I think it would probably be dwarfed significantly by the investment from
13 processors or primary suppliers to retailers. But as a proportion of the
14 investment, time and business for those individual businesses, I would argue
15 that is a significant (?) and some producers may spend half their lifetime
16 innovating in a particular niche in the marketplace and, clearly, that cannot
17 compete with multinational businesses investing in product development
18 themselves. But in terms of proportion to the individual small businesses, I
19 would say it is very significant.

20 If I may take a step back from your question that you posed earlier on and we
21 perhaps have not reflected on it sufficiently. You asked about opportunities. I
22 am not sure if you can really class it as an opportunity but it would also be fair
23 to say those who have a very close relationship with one or both of those
24 retailers may reflect on the potential risk to their business if they think that the
25 two entities going forward are not quite sustained where they are together. It
26 would be unfair not to make that point. Whether you can class that as an

1 opportunity ...

2 Q. (Mr Hampson) Following on from that, and this is all public to us, Sainsbury's
3 and Asda have told us that the combined entity was the perpetual, the farmers'
4 and growers' spend, and the best of the programme that Asda and Sainsbury's
5 already have in place in respect of their small suppliers. There is a similar quote
6 around investment and major initiatives. You have hinted that some are
7 run-of-the-mill contracts that some people might see as particularly innovative
8 or could be expanded. Is that something you see in a maturity?

9 A. (Mr Hambling) I think there could, potentially, be but I am not sure we have
10 seen any tangible commitment to say that would be a positive outcome.
11 Certainly, we know what has been done in the past and I am not sure there is
12 any real formalisation of their direction of travel for the future. I guess that is
13 one of the reasons why there are possibly more concerns there than anything
14 else. That would be something that would be, potentially -- we will have to see
15 some sort of commitment in those areas.

16 A. (Mr Armour) I think we have to be cautious about the possibility that corporate
17 social responsibility activities detrimentally impact some other actors in this
18 marketplace. So, for example, where there are initiatives for small groups of
19 farmers, it can be in their best interests but it can also negatively impact the
20 prices that have been received by farmers who are not involved in those CSR
21 exercises.

22 Q. (Mr Hampson) You mentioned there are regions of the UK which have
23 particular food cultures or food production. In your supply relationships with
24 retailers, do you think they differ across the UK and how that might go in the
25 future would, potentially, change as regard to the merger?

26 A. (Mr Armour) Certainly there are some -- the retailers put a heavy emphasis on

1 provenance for fresh food. So, they do have teams dedicated to regional
2 marketing. In Scotland, I would not say that Asda and Sainsbury's lead the way
3 on that charge but, certainly, if they combined their resources, there might be
4 opportunities for them to develop more regional brands.

5 A. (Ms Ali) Sorry to interrupt. I have to leave now. I have not actually said
6 anything to you guys but I have copies of the slides. If you have any questions,
7 please feel free to contact me.

8 A. (Ms Ali) I have some copies of the slides. Apologies from my side. If you have
9 any questions, please send me an email.

10 Q. We might do because there are some other things (Inaudible).

11 Q. (Mr Bamford) With respect to the supply arrangements, the parties have
12 publicly stated that they will keep the two brands separate. I wonder how that
13 has been responded to by your members with respect to in terms of the
14 innovation discussion that we have had so far and if they have flagged that to
15 you in any way.

16 A. (Mr Hambling) Yes, that has been flagged, which infers that -- I guess, the
17 subtext to that was that perhaps some of the investments and innovations that
18 they had, hitherto, committed to would continue. But it is only an inference.
19 That is where we go to start the (Inaudible) from.

20 A. (Mr Thomson) If it comes out of (Inaudible), I would not (Inaudible) at the
21 moment.

22 Q. (Mr Bamford) Sure. We were going to turn to the consumer relationships
23 aspect but, unfortunately, Nazia has left now. For our series of questions,
24 obviously, we will be turning to(?) Which? but also we will taking that (Several
25 inaudible words) equally.

26 As part of this merger, we have spoken to tens of thousands of customers of

1 both Sainsbury's and Asda, both face to face in stores and petrol filling stations
2 and online. We would also just like to understand the perspectives that you
3 have come to understand yourselves with respect to how customers view the
4 different brands of grocery retailers in the UK and whether there is any
5 particular positioning that you think we should be aware of.

6 A. (Ms Concha) We have had our supermarket survey, so, basically, covered all
7 supermarkets. We also did additional survey to try to understand, if there is a
8 change in quality or prices for different supermarkets, which supermarkets
9 consumers will go to. In that survey, we noticed that the Asda customers are
10 in lower socio-economic groups. I can send you all the numbers. I remember
11 that one of the questions was "If quality decreases or price increased by
12 5 - 10 per cent which other supermarkets would you do your shopping in?" and
13 there is switching between these two supermarkets. I think it included some of
14 the figures in our response to the issues statement but, again, I would be very
15 happy to share with you those numbers.

16 So, we have not done any specific analysis to understand the socioeconomic
17 type of customer that goes to Sainsbury's versus the one that goes to Asda.
18 But in our surveys, we asked general questions about their income level,
19 location, age and this sort of thing.

20 Q. (Mr Bamford) Did the respondents place a particular preference on, say, price
21 versus range versus -- between the different brands? Or are you just generally
22 across --

23 A. (Ms Concha) Again I will send you the numbers because I do not remember all
24 the detail. We actually tried to look at the issue of quality and price. There was
25 a little bit of a difference in terms of quality and price when you ask consumers
26 to try to see whether they care more about price or quality, we found that,

1 actually, when you look at the whole thing, they seem to care a little bit more
2 about quality. In the Asda case, there is more price sensitivity. So, we have --
3 just to give you -- those are the figures that we have put in our submission. But
4 when we asked if -- that is the switching bit.

5 Q. (Mr Bamford) Just to understand, it is the ...

6 A. (Ms Concha) So, we asked if they would switch if prices increased by
7 5 - 10 per cent, and 39 per cent said that they thought they would switch. We
8 said, "If the standard went down?" and 49 per cent said they would switch. So,
9 you can notice that they are more likely to switch because of standards. We
10 can give you the figures also for -- and we found that Asda customers were
11 significantly more likely - 46 per cent - than Sainsbury's
12 customers - 35 per cent - to switch if prices were to increase by 5 - 10 per cent.
13 So, basically, Asda customers seem to be more price sensitive. Price seems
14 to be a little bit more of an issue for Asda customers, which makes sense
15 (several inaudible words) consumers are more important.

16 Q. (Mr Bamford) If I turn that around, actually, just in terms of the suppliers,
17 whether that focus on quality versus price and the differences between the
18 supermarkets is something that is borne out by the focus of the supermarkets
19 when speaking to suppliers in terms of the terms that they would have(?).

20 A. (Mr Hambling) It is fair to say that it has been fairly subjectively analysed, I
21 have to say. I do not think I can really say it is a scientific survey but I guess
22 the feeling would be that Sainsbury's would not only look for and discuss areas
23 where they could provide differentiation to change the product specification or
24 production quality which could be an embedded value of that product for how it
25 might have been produced, for example. I would say both would certainly be
26 engaging on all of those areas. It is fair to say that Sainsbury's probably have

1 put more of their own investment or perhaps put more of their leverage on
2 suppliers to focus on those elements. I am not entirely sure how I would
3 quantify that for you in any way but that would be the general feeling by most
4 of our members, I would say.

5 A. (Mr Armour) We also see that from a sourcing perspective in terms of us trying
6 to advocate for retailers to buy local, in-season produce. So, on lamb, for
7 instance, we see Sainsbury's come back with a better proportion of in-season,
8 local lamb as opposed to imported lamb during peak production season.

9 Q. (Mr Bamford) And from the FDF?

10 So, just to then think about the supermarket brands in particular, the different
11 grocery retailers across the full spectrum, and try to understand in speaking to
12 customers when they talk about the way in which they interact with the different
13 brands for the purpose of shopping, essentially; so, what is termed in many
14 circles a "shopping mission". I wondered whether any of the information you
15 had had come back about whether you are Asda or Sainsbury's or you are
16 Tesco or Morrisons, right the way down to Aldi (?) Iceland and so on -- that
17 there is a difference in the type of way that people shop at those different
18 brands.

19 A. (Ms Concha) I do not think that we have any evidence or any previous evidence
20 to look at the differences – what do you mean by "shopping mission", it is that
21 you do there, you go to the café, and they you make (Inaudible); is this what
22 you mean by "shopping mission"? (Several inaudible words) what is in your
23 grocery.

24 Q. (Mr Bamford) That is okay. It does depend on who you are talking to you but
25 it could be when you are going to, for example, a classic family weekly shop
26 versus going to do a top-up shop, which is another term that is used for a small

1 shop.

2 A. (Ms Concha) Okay. So, if that is the case, yes, we saw from our surveys that
3 the majority of people do a main shop and then top up through the week.
4 57 per cent do that. 32 per cent usually buy everything they need in one main
5 shop and 10 per cent buy groceries as and when they need them. That is
6 coming from our supermarket survey 2017.

7 Q. (Mr Bamford) Is that something that you understand has changed over time?

8 A. (Ms Concha) I think that we have noticed a change in the people moving more
9 from one shop during the week to more like doing a main shop and then
10 top-ups.

11 Q. (Mr Bamford) Was there any indication that that changed; the type of
12 supermarket that they were using was different?

13 A. (Ms Concha) Not that I know but, actually, if I look at the surveys -- because I
14 probably do have it by supermarket. I, maybe, can get you some analysis on
15 that.

16 Q. (Mr Bamford) Okay.

17 A. (Mr Hambling) Just some commentary on that. I think that might vary quite
18 considerably, depending on the outlets that are available in a local area. So, of
19 course, a high street convenience store is certainly going to attract more top-up
20 shoppers. Some of that might be influenced quite heavily by just the asset
21 space that those businesses have. So, maybe there are a few different areas
22 to consider.

23 A. (Mr Thomson) Just to add, all that information will be available from commercial
24 providers like Kantar, obviously, who will have all that to hand.

25 Q. (Mr Bamford) There are a couple of other elements that we are looking at now.
26 It is not just grocery.

1 If I start with fuel, it is publicly available that the merged company will be the
2 largest retailer of fuel in the UK on volume. I wondered, from your perspective,
3 how you think customers perceive supermarket fuel versus what you might call
4 the “oil majors” suppliers of fuel and current offerings between Sainsbury's or
5 Asda in the fuel sector.

6 A. (Ms Concha) We have not looked at this.

7 Q. (Mr Bamford) Have you done any consumer research into the fuel market?

8 A. (Ms Concha) Not that I am aware of. We definitely have not done it.

9 THE CHAIRMAN: What would tend to lead you to investigate an issue? Is it because
10 members of Which? say, “I am really interested in this” and then you get a lot
11 of people saying that and then you investigate it?

12 A. (Ms Concha) It is a combination; definitely, our members, our supporters, our
13 own initiative because we think that there is an issue. So, we have done a lot
14 of work – on food for example we do a supermarkets’ survey every year
15 because that is part of our magazine. We also have done more work on food
16 this year because of Brexit because we think that it is such an important
17 consumer issue, have such an important impact. So, it depends.

18 Q. I guess people tend to contact you because they have got a concern rather than
19 they think something will work.

20 A. (Ms Concha) Yes, usually, that is the case!

21 Q. I was putting that very politely!

22 A. (Ms Concha) But we also initiate, as I said, our own investigations because we
23 see what is happening out there; and then get input from our members, our
24 supporters -- are looking also.

25 Q. Yes. One of the notable things in the fuel market is that the supermarkets
26 traditionally have been quite price competitive compared to both independents

1 and the major oil companies. That may well be one of the reasons why you
2 have not heard very much about that from your members -- conjecture on my
3 side. Sorry.

4 Q. (Mr Bamford) Actually, it has sparked something. So, it has helped me, your
5 survey -- you were talking outside about your mince pie element.

6 A. (Male Speaker) Go, Asda!

7 Q. (Mr Bamford) Those more preference-based, where you are doing a review
8 and so on, what is the engagement from your readership or your members on
9 those? Do you get feedback saying, "I always go to Aldi. They are always
10 wonderful"? Do you get that kind of interaction?

11 A. (Mr Docherty) We do, on our magazine -- sorry, just to explain the multiple very
12 briefly, we have what is called Which? members and they are the people who
13 take out a subscription to one or more of the publications. We have supporters
14 who are people who have signed up to one of our campaigning things. For
15 example, we have campaigned on nuisance calls. So, people can sign up to
16 be a supporter. They do not pay us any money. They have no voting rights.
17 They are supporters. Then we have the public at large; and, of course, we have
18 politicians and other stakeholders as well. So, it is a combination of those
19 four groups of people that we filter through to pick out the issues that we are
20 going to prioritise in any given year.

21 When we do something like our Christmas surveys of the produce, we will post
22 that into our online forums and we will get literally hundreds of people who will
23 come on and they will share their anecdotes. Using mince pies; we will put that
24 up and I am sure, undoubtedly, we will get people who will come on and talk
25 about their granny's recipe or somebody (Several inaudible words) like. Some
26 people might eat their mince pies hot; some will eat them cold. We are not sure

1 that is the most empirical evidence (Overspeaking) but, when we are looking at
2 some of the other campaigns on the more serious issues, then that is important
3 anecdotal evidence. A very simple example, away from this, leasehold is a big
4 issue in England. We put out a call to Which? members and supporters and
5 we got almost 200 people who took the time to contact us with specific case
6 studies which then feed our knowledge base. So, those can be important ways
7 for us to gather evidence.

8 Q. (Mr Bamford) Talking the supermarkets, my understanding is some of your
9 surveys do look at the quality of one supermarket versus the other.

10 A. (Ms Concha) Yes, we definitely do. If you look at our supermarket survey, we
11 look at different parameters; value for money, whether you feel that you have
12 people to help you in the shop. We have all that in the system and we rate the
13 different supermarkets.

14 Q. (Mr Bamford) So, then you come up with a ranking based on where people's
15 views are that across the different priorities?

16 A. (Ms Concha) All these priorities, yes, and we are very happy to share all that
17 information with you.

18 A. (Mr Docherty) Yes. Just trying to find it but we do, once a year, a supermarket
19 survey to rate on not just food but on non-food goods as well.

20 A. (Ms Concha) Services. Parking. All these things like -- and it is what you call
21 the shopping mission -- they are elements of supermarket shopping
22 experiences -- that they offer. We, at the moment, have our survey out for this
23 year. So, we can send you the one for last year.

24 Q. (Mr Bamford) I think I have seen one of your surveys about online shopping,
25 which had, if I recall correctly, the result that Iceland was the top online
26 supermarket supplier. What would be the breakdown to get to that result?

1 Would it be focused on your responses from people on price or on range?

2 A. (Ms Concha) A number of issues. Our survey will go into all the details;

3 whether they are on time, whether they have different time slots, that if drivers

4 are helpful, whether they deliver all the products and to check (Inaudible); so,

5 all of that. Again, I can share with you all the questions that we ask them.

6 THE CHAIRMAN: Do you get input from people who have experience of using

7 different suppliers online?

8 A. (Ms Concha) Yes, I would assume that we do.

9 Q. So, they are able to compare one against the other as opposed to I may be

10 using Sainsbury's and I put in the score but - this is all hypothetical - I may not

11 have any experience of other online grocery retailers(?) to compare one against

12 the other.

13 A. (Ms Concha) Yes. I do not know if we ask specifically the question whether

14 you have used different providers. Again, I can look into that and share --

15 Q. But then people who use Iceland (Several inaudible words).

16 A. (Ms Concha) Yes.

17 A. (Mr Armour) I suppose the thing worth knowing is that everyone who is using

18 those online platforms also are used to using other online retail platforms --

19 A. (Ms Concha) Exactly.

20 A. (Mr Armour) -- whether or not it is a retail chain, they will have used Amazon,

21 for example. So, you can still compare it to other online retailer.

22 A. (Ms Concha) So, yes, according to our survey, there are a very small

23 percentage of people that will buy all their food online, for example, so they will

24 be going to other retailers to do their shopping.

25 A. (Mr Docherty) If that is helpful, we can send you our releases with our studies

26 about individual shops and how we grade them, if that is helpful.

1 A. (Ms Concha) Also, because, when we don't include in our article on
2 supermarkets everything that we ask -- so, we can send you the list of
3 questions; and, if you want to see those sorts of different questions, we will
4 send you all the results.

5 Q. (Mr Bamford) Sorry for my ignorance on this but, in terms of who responds to
6 that survey, is that a survey of your members?

7 A. (Ms Concha) No, these are UK consumers.

8 Q. (Mr Bamford) Is it based on national --

9 A. (Ms Concha) The one that we did up to this year was a survey of the whole
10 population, so was representative -- this year, we are going to only cover our
11 members.

12 THE CHAIRMAN: So, previously, when you did it, how many people would respond
13 to the survey, typically?

14 A. (Ms Concha) How many people? I feel around 6,000 was the number, was the
15 base. Yes. So, for 2017, the base was 6,800.

16 Q. Okay.

17 Q. (Mr Bamford) Just sticking to online, we see there are different models online.
18 You have the supermarkets who either have a fulfilment centre or use their
19 stores; and then you have some individual suppliers, Ocado or, within the South
20 East, AmazonFresh where they introduce much more of a depot. I wondered
21 whether, from your supplier members, there was a difference in the way that
22 they interact with your traditional physical grocer shop for --

23 A. (Mr Thomson) I do not know is the answer. I think the point though - you
24 mentioned a couple of others - is, as far as I am aware, the only three with real
25 national reach for fresh produce are Sainsbury's, Asda and Tesco. It might be
26 different in the South East of England but, certainly across the whole of the UK,

1 as far as I understand, the most extensive coverage is Tesco, Sainsbury's and
2 Asda. So, obviously, that does have a potential revenue(?).

3 A. (Mr Hambling) I would say that the extremes(?) for the primary producer would
4 not necessarily vary because, no matter how the orders are fulfilled, whether
5 they have been through a dark store or a distribution centre, they still usually
6 go through a primary processor somewhere or along with the manufacturer or
7 someone in between. So, they would not necessarily notice that difference. I
8 do not know for sure but the exception may be AmazonFresh because of the
9 way that they operate their model, but I am not close enough to (Inaudible); I
10 am just aware that they seem to have more -- I am not sure what the
11 terminology is but, essentially, individual businesses are selling through the
12 medium of Amazon as opposed to selling to the retailer to sell their product, so
13 they -- through a branded or own-brand supplier in between, they may well be
14 selling it online on the Amazon platform, as I understand it.

15 A. (Mr Armour) I am not sure it pertains to Sainsbury's and Asda but, our concern,
16 we firmly believe that Scottish beef is a different product to beef and say
17 (Overspeaking) and so --

18 A. (Male Speaker) It is certainly higher cost!

19 A. (Male Speaker) You said that!

20 A. (Mr Armour) Something that is lost online, we find, is that consumers do not
21 have the choice about provenance as much. So, that is where we would be
22 concerned. We have advocated retailers like Asda to put in options on origin
23 of product when they are buying fresh but that is not well explained on most
24 retailers online platforms.

25 A. (Male Speaker) I would second that.

26 Q. (Mr Bamford) So, as I said, I was moving from groceries to fuel and online.

1 One further one is that both Sainsbury's and Asda have a proportion of their
2 larger stores which have what they class as general merchandise. That could
3 be toys, it could be electricals, it could be clothing, which would be more wider
4 spread -- as on just groceries -- whether, when you have done surveys or
5 investigations in other product markets, the supermarkets have been brought
6 up as a potential or as a current strong competitor in those particular areas.

7 A. (Mr Docherty) Yes.

8 Q. (Mr Bamford) If we took those three, toys, electricals - electricals, being the
9 smaller type - and clothing, whether there is anything(?) within those three.

10 A. (Mr Docherty) Yes. I say that because, in our state of the high street articles
11 earlier this year, in some of the categories they feature. If I cannot pull it up on
12 my phone just now, can I forward you the ...?

13 Q. (Mr Bamford) Yes, certainly. So, when you say they feature, they feature as a
14 competitor to other non-supermarket retailers?

15 A. (Mr Docherty) Yes.

16 Q. (Mr Bamford) Did that state of the high street also look at or have any outcomes
17 with relation to the interaction between supermarkets and other retailers or
18 online providers of that non-grocery merchandise?

19 A. (Mr Docherty) I would need to check.

20 A. (Ms Concha) What do you mean?

21 Q. (Mr Bamford) For example, if we took small electricals, you have the
22 supermarkets, you have other electrical stores, physical stores and then online
23 providers; and whether, in response to your survey, your members, they
24 consider all of them to, essentially, be directly competing with each other. For
25 example, you purchase your electric toothbrush -- (Inaudible) electricals, but a
26 toothbrush through Sainsbury's, through Dixons or somebody like that or

1 through Amazon, all level.

2 A. (Ms Concha) To get to that, you will need to ask specific questions to the
3 consumer, whether they would move to all these different retailers. I am not
4 sure if we have a specific question like that to really see whether they are
5 competitors -- but we will check. We can share all those results, obviously.

6 A. (Mr Docherty) On a product review, a lot of our product reviews would be either
7 available from -- or own brands on GM site, particularly on kettles, toasters and
8 microwaves. Is that what you meant?

9 Q. (Mr Bamford) Yes, that is one -- so, when you say "own brand", you mean a
10 supermarket own brand?

11 The final question from me in respect of the consumer side is whether there are
12 any particular groups of customers which the proposed merger -- this is having
13 a particularly different impact on (Several inaudible words)

14 A. (Ms Concha) (Inaudible)

15 Q. (Mr Bamford) -- certainly put that forward, but I wondered whether any of the
16 information that you have seen has highlighted any particular groups of
17 customers.

18 A. (Ms Concha) No, we have not investigated -- we have defined vulnerability
19 here or investigated whether it will have a particular -- a higher impact. We
20 know, from our surveys, the social grade of the people that are using different
21 supermarkets. So, we think that supermarkets, in the case of pricing, they -- we
22 know that where people live will really affect that. But we have not really done
23 analysis on that.

24 A. (Mr Thomson) This is not from an FDF perspective but just from a Scotland
25 perspective. Listening to what Nazia said about the difference in the proportion
26 in the retail market, I would suggest there is probably a difference in the

1 proportion of visibility in lieu(?) of specific ranks(?) in the retail market here. So,
2 if Waitrose is a lot less, for example, Tesco is significantly worse. So, I think
3 probably there will be some kind of figure like that that shows that Sainsbury's,
4 Asda also punches above its UK average weight in Scotland but that is just
5 listening to what she had to say.

6 A. (Mr Armour) It might be worth looking into -- Scotland's unique in that it has got
7 the most remote parts, the Western Isles and the far north west, which will be
8 communities that will be reliant on one supermarket; the next one is an hour
9 and a half away. So, Sainsbury's and Asda, if their price commitment as
10 compared to other retailers changes, then all those communities are
11 detrimented by the fact that their retailer has higher prices compared to their
12 counterparts in areas where they can choose, so you have 4 or 5 supermarkets.

13 A. (Mr Hambling) Yes. We would not have access to the data to be able to
14 interrogate it but it would seem reasonable to question the level of investment
15 in certain price points and categories that would be on top of it over consumers
16 who -- the appropriate inspection, but we would not have any intelligence on
17 that.

18 THE CHAIRMAN: There is a question you raised which I would like to just explore a
19 little bit further. In the public statements, certainly within Asda, they have made
20 quite a lot of the impact of only in the middle in particular in the UK market and
21 that one of the reasons for the merger, in their explanation, is to help reposition
22 your economics so that they can be more competitive with limited companies.
23 I have really two questions in relation to that; firstly, from a customer
24 perspective, whether what you have received back from your members and
25 others you have surveyed tends to concur with that perspective in terms of the
26 importance of the impact of those two companies. Secondly, from a supplier

1 perspective, is there anything which you notice to be very different about the
2 way in which those companies engage with their suppliers which means that
3 their economics are quite different from the more traditional supply chains?

4 So, first with customers, is there anything you have picked up?

5 A. (Ms Concha) So, obviously, the discounters have a smaller range of products
6 but it is true that they have improved their retail offer for consumers and we see
7 that in our survey. Whether they are competing even for -- given the discipline
8 that you need for these supermarkets to improve prices and retail offer, we do
9 not have any evidence to show that. Definitely, you can see how these
10 discounters have improved and how people are ranking them, basically, higher.

11 Q. What about from the supply perspective? To some degrees, I cannot
12 remember if it is Aldi or Lidl, they are both of the spend(?) which are sourcing
13 domestically as opposed to internationally and they have a smaller range. I
14 think, in relation to individual SKUs, that helps them provide a throughput in
15 relation to that. So, I was wondering how that affected, in the experience of
16 your members -- in working with those organisations compared to working with
17 the large, traditional supermarkets. There is a stronger emphasis on general
18 brand.

19 A. (Mr Thomson) Yes. That is what I was going to reflect; a stronger emphasis
20 on own brand. Just as demanding in getting the right recipe and the right price
21 point; in fact, sometimes more so. The price point is quite often, potentially,
22 lower and that margin is squeezed there as well. I think, probably, in that
23 statistic from Which? about changes in shopping habit, that may be driven by
24 the positioning of those stores and the types of product they have. So, a top-up
25 thing can quite often happen there. And, actually, the element of consolidation
26 and range reduction by the larger supermarkets may be a corollary of

1 competition ...

2 Q. From the perspective of your members, do they see something different in
3 working with those supermarkets as compared to the others?

4 A. (Mr Hambling) Anecdotally again, feeding in commentary from others more
5 than ourselves really, is that it is understood that the cost structure of the
6 discount brands is somewhat lower and the cost to serve of those brands would
7 be lower as well for manufacturers and suppliers.

8 Q. Why is that?

9 A. (Mr Hambling) I think, partly because of range and partly because, although
10 the dynamics are probably changing in more recent times, certainly there is a
11 reputation for a more straightforward pricing negotiation exercise based on
12 fewer detailed requirements, particularly on how the produce is produced as
13 opposed to what the specification actually is. There is a general feeling that it
14 is easier in the market risked(?) by the discount businesses.

15 Again, quantifying that is not within my gift or within our gift in any way but that
16 would be the general sense of it by the providers for these. And, of course, the
17 sourcing commitments that they have made, one would speculate that, in many
18 cases, may be easier to do to gain a competitive advantage in the marketplace
19 based on the fact that, if you do have a lower cost structure, then it is easy to
20 do, to compete with someone who has a higher cost structure and making more
21 seemingly costly investment.

22 Q. What about things like the end-to-end supply chain? Do you find that you are
23 (Inaudible) forward to that, so it is a bit more clear or just getting simpler or is it
24 not much difference?

25 A. (Mr Hambling) Again, possibly not a sizeably robust statement but it is fair to
26 say that the discounters, more latterly, are much more interested in end-to-end

1 than perhaps they have been before. Again I am not able to quantify that but
2 that would be the general sense of it.

3 Q. I think we have probably got to the end of the specific questions which we had.
4 We have a few minutes left. If there are any comments or observations that
5 you would like to make, we would be very open to hearing them before we
6 close.

7 A. (Mr Thomson) Can I -- well, not ask because you will not be able to answer,
8 but I suppose the bit that I have not really highlighted is Sainsbury's, Asda's
9 claim that it does not have buyer power in relation to the businesses it buys
10 from - because that is one of the points that they put forward in their
11 statement - that is just not credible.

12 (Male Speaker) Do not think about this

13 A. (Mr Thomson) It is not credible. I do not know if you guys would agree but it
14 certainly does not feel like that to our members. There is a reason there is a
15 Groceries Code Adjudicator and that is because of buyer power in
16 supermarkets like Sainsbury's and Asda, and both supermarkets have to pay
17 attention to that. That kind of statement is, clearly --

18 Q. One of the issues we are looking at is whether the merger will give rise to a
19 change or an increase in buying power. That does not necessarily mean that
20 they would -- buyer power raised; it is more looking at that change and what the
21 implications of that change might be. Given our statutory responsibilities, we
22 are, essentially, concerned about the impact of that ultimately on competition
23 and customers and shops.

24 A. (Mr Thomson) And the obvious thing is whether that changed to a 30 per cent
25 or whatever, and losing that 30 per cent as a manufacturer is a much different
26 proposition to losing maybe 15 per cent in terms of your viability as a business.

1 A. (Ms Concha) We have discussed quite a lot these efficiencies the parties are
2 saying they are going to deliver and you have told us what (Several inaudible
3 words) right or not. From our point of view, we would be quite worried if the
4 CMA looked at these efficiencies as a countervailing factor if you find that the
5 merger would lessen competition because there is no guarantee that the
6 efficiencies will go to consumers. We can see them going to shareholders.

7 Q. Would you say that, regardless of the source of the efficiencies?

8 A. (Ms Concha) I do not know what the source of the efficiencies would be. If you
9 found in your investigation into this merger that there would be a lessening of
10 competition because of the merger, that, obviously, will have a negative impact
11 on consumers in the market on one of the outcomes, on all of the outcomes,
12 price, choice and quality. If those efficiencies do not translate into a benefit to
13 consumers - and you can guarantee that this might the case because the
14 companies can say that but then they really do something different - then
15 consumers will get a bad deal. For us, for a market as important as this, that
16 will not be right.

17 Q. Final points from you? The last word for the NFU in Scotland!

18 A. (Mr Armour) From a primary producer point of view, we always like to point out
19 that this is not about our two companies; it is about more than
20 10,000 agricultural holdings in Scotland, over 100,000 agricultural holdings in
21 the UK, and these are all small and medium-sized enterprises, all of which
22 represent consumers in their own right as well as producers and suppliers. Any
23 negative price impact on them, will be felt in our communities.

24 Q. Okay. I think you have all summated. Thank you very much. It has been a
25 very helpful discussion. Thank you for the patience you have shown and
26 diligently responding to our questions. That is very helpful indeed.

1 As I said in my introduction, we will share the transcript with you. Please do
2 look at that and, any minor corrections you make, if you could put them in a
3 separate letter, that will be fine. We look forward to seeing your submissions.
4 Obviously, if we have any follow-up questions post this hearing, we will get back
5 to you as well. Thank you again.

6 A. (Mr Docherty) It would be helpful just to get, afterwards, a list of what you
7 wanted from us. I think I have got down a list but it would be helpful to know
8 what information.

9 Q. Right, sure.

10 A. (Mr Docherty) Thank you.

11 Q. Thank you very much.

Key to punctuation used in transcript

--	Double dashes are used at the end of a line to indicate that the person's speech was cut off by someone else speaking
...	Ellipsis is used at the end of a line to indicate that the person tailed off their speech and didn't finish the sentence.
- xx xx xx -	A pair of single dashes are used to separate strong interruptions from the rest of the sentence e.g. An honest politician – if such a creature exists – would never agree to such a plan. These are unlike commas, which only separate off a weak interruption.
-	Single dashes are used when the strong interruption comes at the end of the sentence, e.g. There was no other way – or was there?

ENDNOTES

ⁱ On reflection, the CMA has decided to publish a copy of the transcript of this hearing, instead of a summary.