



Northern Ireland  
Assembly

Committee for Enterprise, Trade and  
Investment

# OFFICIAL REPORT (Hansard)

Fuel Pricing: Briefing by Sainsbury's

24 October 2013

# NORTHERN IRELAND ASSEMBLY

## Committee for Enterprise, Trade and Investment

### Fuel Pricing: Briefing by Sainsbury's

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**Members present for all or part of the proceedings:**

Mr Patsy McGlone (Chairperson)  
Mr Phil Flanagan (Deputy Chairperson)  
Mr Steven Agnew  
Mr Sammy Douglas  
Mr Gordon Dunne  
Mr Fearghal McKinney  
Ms Maeve McLaughlin  
Mrs Sandra Overend

**Witnesses:**

Mr Chris Biggs	Sainsbury's
Ms Kate Botting	Sainsbury's
Mr Richard Crampton	Sainsbury's
Mr Damien Drumm	Sainsbury's

**The Chairperson:** With us today we have Richard Crampton, head of petrol and kiosk; Chris Biggs, petrol buyer; Kate Botting, competition lawyer for the company; and Damien Drumm, public affairs policy adviser. You are all very welcome. Thanks very much for being with us. As you have probably gathered from Hansard, we have had some of your colleagues and competitors from other industries and the independent sector with us as well.

The format is that you have up to 10 minutes to make a presentation, then we have a question-and-answer session with members. Thank you very much for being with us. Whichever one of you is fronting, please continue.

**Mr Richard Crampton (Sainsbury's):** Thank you very much for inviting us. Is it good afternoon or good morning now? It is somewhere in between the two.

**The Chairperson:** We will not worry too much about that as long as we get the price down.  
*[Laughter.]*

**Mr Crampton:** You have already introduced us. My name is Richard Crampton. You have already introduced my colleagues, but I thought that I might elaborate a little bit on how we intend to help this to proceed. When we get into questions, Chris will probably take any specific questions on local pricing or pricing in general, because he looks after the day-to-day spot pricing and buying of fuel. Any more general questions on Northern Ireland or Sainsbury's as a whole will be taken by either Damien or Kate. I will pick up everything in between, I guess.

We have already provided some written evidence, which we are happy to expand on. I have got only three or four minutes' worth of presentation, so the way I thought I would elaborate on that is to touch a little bit on Sainsbury's in Northern Ireland. Then I have got three topics that I want to cover after that, and that is it. So, first off, Sainsbury's opened its first site in Northern Ireland in Ballymena in 1996 and now have 13 supermarkets. We have around 3,000 colleagues employed in those supermarkets. We have eight petrol filling stations, and hopefully the ninth will be opened in Bangor just before Christmas. We are very proud of our commitment to Northern Ireland, not only to the communities that we serve but the good that we do in the economy.

There are three topics I thought I would cover or touch on: fuel pricing, or our pricing policy, to be more specific; the issue of national uniform best price; and a little bit about the Northern Irish market and supermarkets.

First, I want to provide a bit of clarity about Sainsbury's fuel pricing policy. Sainsbury's pricing policy is to price-match to our nearest local competitor. We do that regardless of fascia — whether it is an independent, an oil major or another supermarket — or location. We apply exactly the same policy across our estate, whether it is in Sussex or Belfast, so we do the same thing everywhere. We do that because we believe that our customers buy fuel locally and are extremely price-sensitive. We want to make sure that we offer the best value in the local area and community that we serve.

My second point is the point that the Consumer Council raised, about a national uniform best price. As I have just said, we price locally because we believe that our customers buy fuel locally. We are a bit concerned about that as a suggestion. Our concern is that that may render some of our sites uncompetitive. The reason we say that is that the price may actually go up rather than down, which would clearly have an effect on demand and the number of customers wishing to visit our sites. That leads to the question of whether our sites would remain commercially viable. We are quite concerned about that. Our core concern is to make sure that we continue to give good value to our customers in our local community. That is what we always hold dear. Lastly in that section, the recent Office of Fair Trading (OFT) report concluded that supermarkets' local pricing policies delivered a really good deal for their customers and customers in the local community. It did not see a particular issue with that.

Lastly, I thought that I would touch on the role of supermarkets, with a particular reference to Northern Ireland. Supermarket outlet share is somewhere around 7%. The volume share, as in number of litres sold, is somewhere between 25% and 30% — so, in the high twenties. We think that supermarkets offer a lower price than the independents and the oil majors I am sure you have already seen, and also lower price variations between sites — as in the higher or lower price. I realise that there has been some discussion in the Committee about the health of the independent market. Fuel is a difficult market; there is no getting away from that. However, we believe that the independent market is not in quite the dire straits that have been painted. The OFT report states quite clearly that it saw a significant slowdown in any form of decline for independents. Probably a much more relevant report is the Experian Catalist report, which showed a net increase in independent fuel retailers in Northern Ireland in 2011 and 2012. If you have not seen that report, we are happy to share it with you. We have it, so it is not a problem if you have not got it.

To wrap up, our key point that we would like to get across really is that local pricing, which we have done for a very long time, allows our customers access to great value fuel in their local environments and communities. As I have mentioned, the OFT has stated that it believes that supermarkets can offer a great deal for customers and do good in their communities in terms of the value that they can offer. We are concerned about uniform pricing, as we believe that it would dampen competition, as I have just described. Last, but by no means least, the independents and the oil majors account for not only the majority of the sales but the majority of the sites in Northern Ireland. Not only do they offer a higher price, but also their price variance is much greater than you see across the supermarket estate. We would be quite happy to take any questions or comments that you have.

**The Chairperson:** OK. Just picking up, did I hear you say that uniform pricing would dampen competition?

**Mr Crampton:** Yes.

**The Chairperson:** Justifiably, someone who is living in Belfast and who travelled down the road to see their mum wherever it might be — say, in Ballymena — would anticipate being treated the same at each of your outlets. On that, we have some material in front of us from the Consumer Council. It shows that, for example, in the week commencing 29 July 2013 the charge for petrol in one of your

outlets in Coleraine was 130.9p per litre, and it was 136.9p per litre in Lisburn, which is a difference of 6p. Again, in the week commencing 29 July, Sainsbury's was charging 135.9p per litre for diesel in Coleraine and 140.9p per litre in Dungannon, which is a difference of 5p per litre. As you can appreciate, that is quite significant if you are going to fill up your car, particularly in the times that are in it. Have you ever thought of uniformity of pricing? In other words, have you ever thought about giving the same treatment to all your customers, not only here but in Britain?

**Mr Crampton:** I will probably answer that question in two parts. I will probably ask Chris to pick up the specific issue of the fuel prices. In general, the reason why we are concerned about a uniform pricing policy in a much more general state rather than in those particular sites is that, where you have the highest concentration of customers, that is where you have the highest concentration of competition from petrol filling station retailers, whether they are supermarkets or whoever it may be. So, in general, you end up with a lower price in those areas. We are obviously reacting to the prices around us, rather than driving them. Our concern is that if there is a uniform price across Northern Ireland, the equilibrium of pricing would force pricing up in the most densely populated areas and therefore dampen competition. That is our overarching concern.

**The Chairperson:** It would force it up?

**Mr Crampton:** Yes.

**The Chairperson:** Really? One of your main competitors — well, not probably a competitor; it maybe has more stores here than you — has uniformity of forcing across GB and Northern Ireland. In fact, it makes that a very strong point, so much so that it advertises it on its website. I do not see anything about fuel pricing on your website, probably because there is such disparity depending on where you are. Do you not appreciate that Northern Ireland is a relatively small place geographically, and that many people come to Belfast to work and travel home in the evenings? Therefore, that competitive edge that you have mentioned is really — well, it may work if you are from Scotland and work in London or something like that.

**Mr Crampton:** Just stepping back a second, at the moment, as I said at the beginning, we apply the same fuel pricing approach or policy across every single site in our estate, wherever that may be. Whether it is in Scotland, Northern Ireland, Sussex or London, it is the same approach.

**The Chairperson:** It is the same approach, but it is not the same price.

**Mr Crampton:** Yes. Same approach, but not same price. It competes in its local environment, but we do not discriminate about where that may be across the estate. We have looked at that, and we are extremely concerned that if that was applied across all retailers, it would have a detrimental effect on pricing in the most densely populated areas and consumers would actually be put at a disadvantage.

**The Chairperson:** Really?

**Mr Crampton:** Yes.

**Mr McKinney:** I want to come in on that point. I think that we are looking at two different things. You are talking about uniform pricing across companies. I think what you are talking about is uniform pricing within your company.

**The Chairperson:** No, he is talking about a uniform approach within a set location in his company, not uniformity of price right across. That is the problem. One of your main competitors makes much of the fact that customers get uniformity of price no matter where they are. It is the same price anywhere in GB or the North. However, what you are saying is that whatever you have within your five-mile radius is the price you will fix and the price you will go for.

**Mr Crampton:** I am not going to comment on what the radius is in an open forum. What I will say is, as I said before, that people buy fuel locally, and the prices vary across lots of different retailers. Our concern is that if you choose one point, that point may be competitive in some locations but will not be competitive in others. It is important for us that we remain competitive in every single one of our locations.

**The Chairperson:** Does that apply to any of your other products? For example, do you test the market round about for the price of milk or a loaf or whatever it might be? I am intrigued by your approach on petrol. Does that apply to any other products?

**Mr Damien Drumm (Sainsbury's):** I will take that question. No, for other products there is a national price set.

**The Chairperson:** What? There is a national price set?

**Mr Drumm:** There is the same price across all our estate for the other products. Grocery products are a very different market compared with petrol. We tend to find that our customers will go to their nearest town or store and do a weekly shop. That is how they treat the purchase of those products, whereas they tend to buy petrol and diesel locally from the petrol station down the road.

**The Chairperson:** Can you just — what was your logic there again?

**Mr Drumm:** The point is that petrol and groceries are very different products. Customers will purchase their grocery products as part of a weekly shop. They will tend to go to a destination or a town or store to do the weekly shop, whereas they will tend to buy petrol locally. That is how customers buy petrol. It is very price-sensitive. They will buy it locally to where they live or where they commute to.

**The Chairperson:** I am not sure what distinction you are trying to make between where you buy your groceries and where you buy your petrol. Is your whole incentive not to buy them both in one location? I do not get where your logic is trying to take us. Sorry about that; I am just not hearing it very clearly.

**Mr Drumm:** Perhaps I am not explaining it clearly. The way that we observe customers purchasing their products is that they will tend to do a weekly shop of perhaps £100 or £50. They tend to do a big shop at one of our stores, so they go to a destination, really, to buy those products, whereas petrol is a very different commodity; they will tend to buy that locally to where they are working, where they are commuting to or where they are living, because it is so price-sensitive. They act in different ways for —

**The Chairperson:** Is the logic of what your colleague was trying to tell me not that you look at that local market and try to become the most competitive in it for petrol or diesel?

**Mr Crampton:** True; or match it.

**The Chairperson:** Essentially, that is tied in with my original point: you do it for petrol and fuel, but you do not do it for the other competitive things, which are milk, bread or the promotions that we see in other places. I am trying to get to the logic of your company. I know that you are only here to elaborate on the policy that is decided by headquarters, but it seems not to be a consistent one.

**Mr Crampton:** The big difference is that the other products are not priced locally in the market. Fuel and diesel are locally priced products. The majority of fuel and petrol retailers price locally. We follow the pricing of the market and try to match the best local price that we can. It is very different. Food and groceries are not priced in that manner.

**The Chairperson:** It depends on what town you visit. I am not going to labour the point, but you can visit towns in which there are offers here and there on whatever it could be.

**Mr Crampton:** Not within our competitive set.

**The Chairperson:** That is OK. I was just trying to get where your logic was coming from.

**Mr Crampton:** In the grocery competitive set, people set one price that affects —

**The Chairperson:** I will put one other question to you, and we will then open it up to other members. Is petrol or diesel a loss leader for you, or are you making a profit from it? It was put to us by the

independent people that some of the big multis were using it as a loss leader to attract customers in to buy other products, such as groceries and the like.

**Mr Chris Biggs (Sainsbury's):** Absolutely, for us, fuel is a profitable business. It has to stand alone in its own right. We make a profit on fuel.

**The Chairperson:** Mr Douglas has to leave, so, if other members are happy enough, we will take Sammy first.

**Mr Douglas:** Thank you for your presentation. Some people from the independent retailers came to see us a couple of weeks ago. Mr Madderson said:

*"supermarkets are, we believe, irresponsible in taking a product that is governed by national security and selling it below cost."*

Would you comment on that, please?

**Mr Biggs:** On selling it below cost?

**Mr Douglas:** Yes. They are saying that the product is governed by national security. If you have not got fuel, the security of the nation is at risk.

**Mr Biggs:** OK. I would refer back to the OFT report, which highlighted the fact that supermarkets make a margin of between 2p and 3-5p a litre. If I relate that directly back to Sainsbury's, as I said earlier, we are a business that has to stand alone in our own right. Therefore, fuel cannot make a loss, and we do not make a loss. It is a business of high volumes but low margins.

**Mr Douglas:** OK. Do you believe that illegal fuel laundering is continuing in Northern Ireland, and is it a big problem for you?

**Mr Drumm:** I do not doubt that it is probably going on. By its nature, I do not know how much of it is going on, but it is a concern for the Government and for us because it affects our economies of scale and the market.

**Mr Douglas:** Have you ever had any contact with the security services or got some sort of report that would allow you to analyse the impact that it would have on your business?

**Mr Drumm:** I am not aware of what engagement we have had with them on that issue. We can look into that and follow it up with the Committee.

**Mr Dunne:** You are all very welcome. This is an issue in which we are all very interested. Would it be true to say that you are playing games with consumers in relation to fuel costs? I understand that you use a voucher system; is that right? Why do you use the voucher system? What is the idea of it?

**Mr Biggs:** We sell less than 5% of our total volume of fuel on promotion. The feedback that we often get from customers is that they really appreciate the support that they get in helping them to manage their budgets because fuel is such a large part of their budgets.

**Mr Dunne:** There is some evidence that if a customer spends £50, he gets 5p off a litre. How often does the customer get that? Is that always on offer?

**Mr Biggs:** No, that is a national promotion that we run. In the year to date, we have run that promotion three times.

**Mr Dunne:** Would that have anything to do with influencing the footfall in your stores? Is that a factor in why you run it?

**Mr Biggs:** For us, it is about giving great value to our customers. We want our customers to live well for less. As I said, we know that fuel is such a big part of their budgets, and we like to support them and help them to manage those budgets.

**Mr Dunne:** Why not consistently discount the fuel rather than play around with vouchers?

**Mr Biggs:** In terms of promotions —

**Mr Dunne:** Like some of your competitors, as the Chairperson said, who set the price and run with it. They do not do vouchers.

**Mr Crampton:** Lots of our competitors do vouchers. It is very common.

**Mr Dunne:** Not all of them.

**Mr Crampton:** It is very common in the marketplace.

**Mr Dunne:** I put it to you that Asda is a pain for the other supermarkets in Northern Ireland, because it seems to have the base price for fuel and everyone else follows suit. Is that fair?

**Mr Crampton:** Sorry, say that again?

**Mr Dunne:** Asda sets the price standard in Northern Ireland and the rest of you follow suit. That is what I see. Is that a fair statement? You run along with vouchers to entice people as and when it suits you. Would that be fair?

**Mr Crampton:** As I said at the beginning, we match whatever the cheapest local competitor is. It bears no —

**Mr Dunne:** It is Asda.

**Mr Crampton:** It is not always Asda. It depends on who the closest local competitor is. It can vary all the way across the estate. There are some very strong and competitive independents here as well.

**Mr Dunne:** The independents put a very strong case to us, and you are very much aware of it, that fuel is being sold in the supermarkets as a loss leader. Have Sainsbury's supermarkets ever sold fuel as a loss leader?

**Mr Crampton:** As we said, fuel is a high-volume low-margin business, and that is true right across every fuel retailer, I guess. Our fuel business has to be profitable and stand on its own two feet, and it does, with those caveats. We measure the profitability of our fuel business not only at gross levels in terms of what we bought it for and what we sold it for, but also all the way down to the cost of the filling station, the people who work there, the capital and all the other things you would expect on a business profit and loss (P&L), and the fuel P&L is profitable. Fuel margins on a day-to-day basis will definitely vary, because it is a volatile market. The cost price moves regularly and the retail price moves regularly. Week to week, day to day, it is volatile. So we measure our margins, and we pay particular attention to our margins on a quarterly, half-yearly and annual basis. When you look back over the past five years, you will see that it barely moved. It has been pretty much the same every quarter, every half and every year. It is in the boundaries of the data that has been reported in the OFT that Chris mentioned — between 2p and 3.5p — and it never changes. It was always the same. It is just day-to-day and week-to-week fluctuation. That is how we manage it.

**Mr Dunne:** When the Petrol Retailers Association gave evidence, Mr Madderson claimed that Sainsbury's chief executive Justin King said that Sainsbury's had sold fuel below cost. Is that the case? Has that been the case? In May 2011, I understand.

**Mr Drumm:** I understand the comments that have been made, and I believe that our CEO has been misquoted. Therefore, I welcome the opportunity to, hopefully, clarify that. I have sent a copy of the transcript to the Clerk and, hopefully, you have had a chance to —

**Mr Dunne:** I have it in front of me, thank you.

**Mr Drumm:** To reiterate, the key point is that, contrary to some of the comments that were made, we did not price below cost for six months in order to gain a market share. We aim to make a profit on

every product that we sell. There is no strategy to price below cost. As Richard said, our fuel business is profitable in its own right.

**Mr Dunne:** In May 2011, did you sell fuel at a loss as detailed in your e-mail? It says here in your e-mail that:

*"Our competitive fuel pricing, with associated low margins, combined with the fuel promotion, meant that at that time Sainsbury's were making a loss on fuel".*

Is that correct?

**Mr Crampton:** To go back to what I just said, fuel margins are enormously volatile from day to day.

**Mr Dunne:** Sorry. At May 2011, did Sainsbury's sell fuel at a loss? It says so in the e-mail, Damien.

**Mr Drumm:** During that particular promotion, because of the low margins and because we were running a promotion for a very limited period, some of our stores could, potentially, have been selling it at a loss.

**Mr Dunne:** I am glad that you have clarified that. So it is the case that supermarkets are playing games with the public in relation to cost. They are trying influence footfall in the stores, and, at times, they sell fuel at a loss. Is that correct?

**Mr Crampton:** I would not agree, no. I would say that supermarkets, as stated in the OFT report, are here to do good in the community, and we firmly believe that. We make sure that we offer great value products for the local community. Therefore, I refute that. As I said around —

**Mr Dunne:** Sorry; the evidence here is that Sainsbury's was making a loss on fuel in May 2011. Is that correct or incorrect? Tell the truth. Is it correct?

**Mr Crampton:** I am telling the truth.

**The Chairperson:** All that were are trying to establish is for you to corroborate that that is a factual statement. It came via you, Mr Drumm.

**Mr Drumm:** Yes.

**The Chairperson:** That is all that we want to know.

**Mr Drumm:** Yes. I am happy to, hopefully, try to clarify it. At that particular point in time, because of the combination of the low margins that there were on the fuel that we sell and the particular promotion that we were running at the time, we may have been making a loss on some of the petrol outlets.

**The Chairperson:** You said "may": were you, or were you not? The e-mail says that you were making a loss. Just to clarify: you are giving evidence to a statutory Committee here, and we are trying to establish the veracity and the factual nature of evidence that has been supplied to us. It is not a "may", and it is not a "maybe". Was it or was it not, please?

**Mr Drumm:** I said "may" because some of our petrol stations that operate across the UK may have been selling at a higher price because they are priced locally. Some of them may have been making a profit. However, on the whole, during that promotion, which went for a couple of weeks, we were making a loss, yes. I hope that that answers the question.

**The Chairperson:** That has established that.

**Mr Dunne:** I appreciate your honesty, Damien. The independents have a case, and I fear for the independents. In Northern Ireland, a number of the independents have taken on the supermarkets. I am not sure how they did it. In my constituency, a number of supermarkets have filling stations that have been rebuilt, and there has been considerable investment by the independents. We welcome that, but they are living off what they sell in their mini supermarkets, and I am not sure how they do



that against you. They are living off selling discounted items and convenience. Is it fair that you use that system to influence your footfall and undermine the independents? Is that a fair way to operate business?

**Mr Crampton:** What exactly do you mean by the "system"?

**Mr Dunne:** The system with vouchers and so on. Is that a fair way of doing business in a community that you are so concerned about?

**Mr Crampton:** As Chris said, our vouchering, such as the national promotions that you are describing — spend x and get x pence off a litre — makes up less than 5% of our volume. It is not an enormous part of our business. The majority of our fuel goes through the policy on local pricing that I detailed at the beginning of the hearing.

**Mr Dunne:** Do you have any sympathy for the independents that have invested in new forecourts? Do you have any sympathy when you think about the good of the greater community and not just the good of the multinationals that came to Northern Ireland since the Troubles ceased? Do you have any sympathy for the independents that were here during the Troubles?

**Mr Crampton:** It is important that there is a healthy economy to operate in, and, as I said, there is no policy to particularly target one brand or outlet. It is completely agnostic in that respect. We have a pricing policy that we follow in every location regardless of where it is in the estate and regardless of what competition is around us. We do not treat different competitors or communities differently. We approach them in the same way and react to what is around us.

**Mr Dunne:** But you price fuel accordingly, as you said earlier.

**Mr Crampton:** We react to exactly what is around us; that is right.

**Mr Dunne:** I have one other question on the quality of fuel. What assurance can you give to the general public in Northern Ireland that the quality of fuel from the multinational supermarkets is of a high standard and is equivalent to what people buy from the independents?

**Mr Biggs:** I can absolutely reassure this Committee that all our fuel, whether diesel or petrol, will meet British and European standards. We believe that our method of storing the fuel underground is better than the industry standard method. For example, we dewater our tanks every six months, but we believe that the industry norm is every 12 months. We ensure that the quality of our fuel is to the highest standard.

**The Chairperson:** How many outlets do you have in Northern Ireland and how many of them sell fuel?

**Mr Crampton:** We have 13 supermarkets at the moment, eight of which have petrol filling stations attached, and there will hopefully be a ninth in Bangor just before Christmas.

**The Chairperson:** I am not at your stores very often as there are none anywhere near me. Are the promotions — buy £50 of groceries and get money off fuel — realisable at any of your stores that sell fuel? I presume so.

**Mr Biggs:** Yes.

**The Chairperson:** So, conceivably, you could be in a store that does not sell fuel. I am just trying to square this with your point about buying fuel locally. By virtue of your own practice, if you give a voucher to someone in a store which does not sell fuel, they may have bought over 50 quid's worth of groceries and yet, the nature of it is that they have to travel 20 or 30 miles to redeem that voucher. I am questioning the consistency of the position that you articulated earlier. I am not expecting a response from you. It is the practical reality of the consistency of the position that you outlined earlier around people's buying practices. It seems to stand people's buying practices on their head, with respect to the case that you outlined earlier.

**Mr Crampton:** We apply all promotions nationally, food, fuel and everything. Look at petrol. Different stores have different product ranges as well. A promotion that is run nationally is not necessarily about what in every store, because some stores are bigger than others, so they have different product ranges.

**The Chairperson:** I appreciate that. Thank you very much.

**Mr McKinney:** Is every litre of fuel that you sell sold at a profit?

**Mr Crampton:** I think that goes back to the question that Gordon asked. It is a very similar question. At a high level, all our fuel businesses have to make a profit. At a day-to-day level it may be different. We will often look at quarterly, half yearly and annually as the key moments to see a trajectory. On a day-to-day level, the fuel market is very volatile. So the cost price and the retail prices do not always move at the same time. There can be times when the cost price moves above the retail price, or the retail price is not in line with the cost price. So, on a day-to-day level, it is volatile in that manner. It also varies from site to site; that is the other element.

**Mr McKinney:** Let me just repeat the question: is every litre of fuel that you sell sold at a profit? In other words, if I am in Enniskillen and you are undercutting me as a store in Enniskillen or whatever, are you selling below cost in that location?

**Mr Crampton:** Can I just be clear on the first point: our pricing policy is to price-match what is in our local environment, not to undercut, which is a slightly different approach. Undercutting is not our approach at all. The fact is that there are many fuel margins: the local pricing element, the regional price and the cost price. So, at any moment, you could have a litre of fuel on a particular day — and it is a day-to-day thing — on a particular site, that will be making more or less of a profit. It can vary.

**Mr McKinney:** Yes, but if you are matching a store, and that store is undercutting, you could be undercutting too and selling at a loss.

**Mr Crampton:** Absolutely. Equally, we do not know what their cost price is.

**Mr McKinney:** Yes, but today, not in 2011, you have the potential to be selling your product at a loss, just because of market forces in local areas.

**Mr Crampton:** Possibly, I do not know. If this is specifically about today, I would not know.

**Mr McKinney:** I mean today, tomorrow or yesterday.

**Mr Crampton:** Hypothetically, perhaps. I mean that it is uncommon, otherwise we would not have a profitable fuel business that works throughout the year and stands on its own two feet with a full profit and loss account (P&L) of labour, capital and so on. It would not work if that were a common scenario.

**Mr McKinney:** Of course, but it is an extension of the point that my colleague has asked about. There is a possibility, where there is potential undercutting going on elsewhere, that you are selling at a loss and as a loss leader, by virtue of the market that you are operating in.

**Mr Crampton:** We are following what is in the local market.

**Mr McKinney:** And if somewhere up the road is getting more expensive, the customer up the road subsidises the customer down the road, because you are operating within specific geographical areas of two —

**Mr Crampton:** And the pricing varies geographically. Absolutely it does, and it changes daily.

**Mr McKinney:** So it is ducks and drakes with the public, in fuel pricing.

**Mr Crampton:** I am sorry; I did not understand your last comment.

**Mr McKinney:** What I am saying is that you are playing ducks and drakes. It is a local expression that people here will understand.

**The Chairperson:** Think carefully on that one. *[Laughter.]*

**Mr Flanagan:** It is not a Fermanagh expression.

**Ms Maeve McLaughlin:** Not everyone will understand it.

**Mr Crampton:** As I said at the beginning, we have had the same pricing policy for a very long time, which is local pricing and enterprise matching in our local area. So, if you have a very aggressive competitor in your local area, you price-match that competitor, and if you have a less aggressive one, you price-match him. However, in general, they are open sites in areas where there is a dense population and, therefore, there is competition. In general, you end up with a healthy competitive fuel market which offers good value, because we do not operate sites in areas that do not have a lot of people or where there is no competition.

**Mr McKinney:** Yes, but that is you operating with another major local competitor. In a general sense, we are talking here about the impact that that is also having on independents. The market that is prevailing in particular areas is adversely affecting independents. You are saying that the potential exists for that to happen aggressively because the market exists. You are agreeing with me.

**Mr Crampton:** I would not say that it is intentional. I would say that it is —

**Mr McKinney:** You are agreeing with me.

**Mr Crampton:** —consequential, if they are within a radius of an area where there is intense competition, yes. I would not say that it is intentional by any stretch —

**Mr McKinney:** Yes, but consequently. You are saying that the market is allowing that adverse effect to happen.

**Mr Crampton:** Yes. It is completely dependent on location, but yes.

**Mr Flanagan:** I am hugely confused here. In fact, when anybody sells anything, at some stage you are always selling it at a loss, because there is a break-even point, and before you reach that you are selling it at a loss. So, you have accepted that everybody sells something at a loss, at some stage. Do you think that there is anything wrong with your pricing strategy engaging you in selling petrol, diesel or other fuel at a loss? That is certainly the view that we got from independent retailers. What is your opinion of that?

**Mr Crampton:** Whether we think that there is something wrong with selling things at a loss?

**Mr Flanagan:** Yes.

**Mr Crampton:** I assure you 100% that at no moment is that ever our intention, because it is not the business that we are in. However, as we have gone through as a result of being questioned here, we price locally. To price and compete in a local environment creates volatility in our margin from day to day and week to week, but it is never, by any stretch, an intention; no.

**Mr Flanagan:** Aye, but if you are matching the price at which somebody else is selling, and you are selling at a loss, do you think that there is anything wrong with that ethically, morally or from what independent retailers described as "national security" point of view?

**Mr Crampton:** Do you want to have a go at that, Damien?

**Mr Flanagan:** I am genuinely not trying to catch you out — *[Laughter.]* Do you agree with the comments that he made?

**The Chairperson:** You picked the wrong seat, Damien.

**Mr Drumm:** I did, yes.

**Mr Flanagan:** Perhaps I am talking too fast for you.

**Mr Drumm:** I am from Fermanagh, so I can certainly follow you.

**The Chairperson:** Ducks and drakes?

**Mr Crampton:** I did not follow, I'm afraid.

**Mr Flanagan:** I did not either. It is definitely not a Fermanagh thing. Gordon does not know what it is either.

**Mr Drumm:** I think that, as Richard said, it is not something that we could sustain for a long time. Across our whole estate, we have 286 petrol filling stations. Were we to be making a loss, we would quickly go out of business. So, it is not something that we could sustain.

**Mr Crampton:** I guess that an easier way to answer this is to state that our approach is that we want to make sure that we offer customers in a local area the best value that we possibly can. That is how we put our best foot forward. The intention, the endgame, is nothing to do with the competitive set around us; it is about making sure that we have great value for our customers. We believe that the best way to do that is to locally price fuel because it is a locally priced commodity.

**Mr Flanagan:** Fuel is a locally priced commodity?

**Mr Crampton:** That is right, yes.

**Mr Flanagan:** I do not even want to get into that. Is your pricing strategy at all based on trying to get rid of competition in local areas so that you can set your price at whatever level you want?

**Mr Crampton:** Definitely not.

**Mr Dunne:** That is it.

**Mr Flanagan:** It is good to get that clarification.

**Mr Agnew:** Thank you for the information, so far. I am looking for a bit of clarity around the voucher system. I understand you to have said that the petrol stores have to be profit-making. Is that each individual petrol store or is that across the company?

**Mr Crampton:** Individual and as a whole, yes.

**Mr Agnew:** The voucher system works by giving discount on petrol if you spend £50 on groceries; is that right?

**Mr Crampton:** Yes, and as Chris said, we have run three this year.

**Mr Agnew:** It is just that a lot of the narrative has been around petrol stations having to be stand-alone profitable. Is there a certain amount of cross-subsidy between grocery and petrol? Because you are, to some extent, incentivising people to buy groceries to get discount on petrol, so they are not completely stand-alone. I understand that they are owned overall by Sainsbury's, which is an individual company, but I am trying to get a sense of just how stand-alone they are. It seems that, if you are using a promotion in your store to get people to buy your petrol, they are not completely stand-alone. If I am managing the petrol station, I have to make it profitable, but I could be told to give discounts to people who buy groceries across the road. Is the grocery store subsidising the petrol station, or is the petrol station subsidising the grocery store?

**Mr Crampton:** To be honest, we do not analyse it in that way. It is as straightforward as I said before, which is that the petrol business has to stand on its own two feet. It is volatile from day to day and week to week, but we really concentrate on the quarter-, half- and full-year periods. If you look at the

past five years, it is unbelievable; it never moves. It is always the same when you look at it in the round over a stretched-out period of time. It is that straightforward. You are right: it is 1p a litre, so you add that to what Sainsbury's is paying at one moment in time. However, it is stand-alone in its own right as a business unit.

**Mr Agnew:** So, essentially, the petrol station does not get compensated for the supermarket promotion. I am thinking of the manager of the petrol station, who could be told to give discount on fuel to people who shop across the road. As an overall company, it maybe does not make sense to think that, but, if I am the petrol station manager being told that I have to make a profit, you have just made my life harder. I was trying to ascertain whether the money is moved in any way to compensate the petrol station and to ensure that the company is being fair to the petrol station manager.

**Mr Crampton:** They are run as separate business units all the way through the business. It adds up to one number at the end of each year, as I am sure that you can imagine. To be clear, pricing is set at a local level. We do that every day. The petrol station manager will look at volume of customers and health and safety.

**The Chairperson:** That concludes our session today. Thank you very much indeed for being so forthright in your evidence to us. Needless to say, you were articulating the company views; there is nothing personal in it. I appreciate you being with us. Safe home on your journey back.

**Mr Crampton:** Thank you.