

Peer Review of Cost Benefit Analysis of options to restructure the New Zealand grocery sector

John Davies, Independent consulting economist, 1 July 2026

1. I have been asked by the Ministry of Business, Innovation and Employment (MBIE) to conduct a peer review of the above report ('the Report') and underlying analysis ('the Study'), from Sense Partners, focusing on the analytical approach that has been taken, and the assumptions that underpin the analysis.

Summary

- a. Overall, I think the study provides a sound basis for the Government's decision on policy, although it necessarily does not cover all topics of relevance to that decision. It assesses the direct effects of divestment options, using tools that are considered best-practice among competition economists, for example in the assessment of mergers. It is an impressive piece of work, given the limited time available.
- b. As with any economic modelling, a lot of assumptions and simplifications of reality are required. In general, the modelling choices and assumptions made seem to me sensible and similar to those made when competition authorities model mergers. The Study includes the factors I would expect to see in such models and identifies and discusses the most relevant gaps and limitations. Those limitations especially relate to longer-term effects: supermarkets could reposition stores and their offerings under competition and longer-term the viability of chains and individual stores needs to be considered. These are more relevant to the Government's proposed policy than they would be to a merger, but in my view they do not require extensions to the Study (because reliable models of longer-term effects do not exist); rather MBIE should consult widely with industry experts, as it has been doing.
- c. I have not reviewed the data used in detail, as I have no independent knowledge that could usefully be brought to bear. The sources and data categories used generally seem to me to be sound. However, I understand that ComCom considers that the margin data from different supermarkets may not be consistent, for reasons I find convincing having encountered similar problems elsewhere. Demerger model results are likely to be sensitive to this so it should be discussed more in the report. If time permits, an extension to allow modelling of prices, as discussed in footnote 46, would be a valuable cross-check on this and on other assumptions.
- d. The Study essentially sets off the effects of reduced prices from increased competition, against possible supply cost increases to supermarkets from divestments. Both are plausible, but I consider this a little pessimistic, in two ways. First, the Report downplays possible cost *reductions* from improved efficiency incentives under increased competition. Second, the cost increases it assesses mostly take the form of inefficiencies, rather than increased payments to suppliers, which would be welfare-neutral overall. However, I understand the Report to be exploring evidence for cost increases, and conducting sensitivities relating to 'worse case' (if not quite worst) outcomes. This seems an appropriate assessment of the risks of downsides from divestments.
- e. The Report now contains analysis of possible increased regional pricing disparities which could (but need not) result from divestments, at Appendix C. Such greater pricing flexibility increases the benefits of the policy overall, while distributing those benefits more unequally (and, in the particular modelling shown, resulting in small price increases for a small minority of consumers). Although this analysis is not fully integrated with the main modelling framework, and should be regarded as illustrative, the Report provides appropriate caveats and the results seem to me fit for purpose. Note that, unlike some other sensitivities, these are not necessarily 'worst case' outcomes but effects in this area

are very hard to predict (not least because the supermarkets could adopt the approaches modelled, 'now' even without divestment).

Background

2. The Government of New Zealand is considering restructuring one or both of the main supermarket chains to provide one or two additional national competitors, while also encouraging new entrants.
3. Sense Partners carried out a Cost Benefit Analysis ('the Study' or 'the Report') of two policy options specified by MBIE: one to split the Foodstuffs Group (after combining the groups on the two islands), the other to require Woolworths to split into two roughly equal businesses. The Study uses three quantitative models to assess effects of both options, over ten years on consumer welfare and total welfare (taking account of producers' profits – as I discuss further below) and considers sensitivities to some of the assumptions made, as well as scenarios in which significant additional entry occurs.
4. I am a competition economist, having worked in the area for about thirty years, including as Chief Economist of the UK Competition Commission and Head of Competition Policy at the OECD. I have worked in merger and market investigations of supermarkets in the UK and I am familiar with competition policy developments towards supermarkets elsewhere but I am not a supermarkets specialist. Nor am I an econometrician or specialist in quantitative models, although I have frequently used and assessed such models in my career.
5. I have read the Report, as well as earlier drafts on which I and others provided comments. I have also been provided with some underlying data, model outputs and model code. I have looked at some underlying data and outputs, particularly for details not provided in the Report, but I have not checked that data, nor any of the logic in the coding (which I have had no cause to look at).
6. I set out the findings of my review below, under five headings: data, welfare framework, supply chain costs, modelling and reporting. I concentrate on the points where I have concerns and suggestions for change, so I emphasise here my main conclusion: that I find the overall approach and findings of the Study to be convincing and agree with the approach. I have specifically expressed endorsement on some big-picture points, such as choice of models, but in matters of detail I only record those items about which I have concerns. It should be taken that I support the approach in anything I do not mention.

Data

7. I have not assessed the data used in the modelling in detail. I comment on some specific aspects of the data in the modelling sections. Overall, the data used seem to me to be consistent with academic and competition agency modelling work in this area. In particular, it is recognised that assessing supermarket competition requires analysis of specific stores in specific locations, as the Study does: taking store level data supplied by the chains to ComCom. These store level data then need to be related to local consumer, demand data. The Study defines a representative consumer for each "SA2" suburb area of New Zealand, based on demographic data. There are 2283 such areas, which leads to a very detailed national data set compared to supermarkets analysis I have seen in the UK.
8. Some gaps in the data have been filled using proxies, for example a regression using store area where store revenues were missing. I have not assessed these changes in detail but they seem sensible and fairly minor. The end result is nonetheless a more detailed, granular and evidenced data set than competition authorities often have to deal with for similar purposes.

Margin data

9. Data on margins are of critical importance in the demerger model, as they are in all merger models used in competition analysis (because they determine prices by considering how supermarket chains value the loss of sales to a rival, which depends on the existing margin). There is often dispute over

which is the 'right' margin to use, as the same data can imply different margins depending on the timeframe of analysis and how costs and revenues are allocated across different activities with a business or a group of businesses.

10. The Study uses aggregate chain-level gross margins derived from profit and loss data supplied to ComCom. I have not verified these data but I assume they correctly report the chains' own accounts. However, data produced for accounting purposes will not necessarily be the right ones for a given economic analysis.
11. Although I do not criticise Sense Partners' use of these numbers, as they were the data supplied, I would be cautious about reliance on them and I would like to see more sensitivity checks for the following reasons.
 - a. First, as a matter of principle, although 'gross margins' (as opposed to profits after depreciation and tax etc) as reported in accounting are in principle the right level to take, a detailed investigation might throw up differences in definitions between chains, the inclusion or exclusion of items inappropriate for this modelling purpose and so on and no such detailed investigation has been conducted or any adjustments made.
 - b. Second, an email exchange made available to me shows that ComCom itself has concerns about the comparability of COGS data, an important component of the margins calculation. Understand ComCom regards them as reliable only for comparison over time (so it might conclude, say, that WW's GOCS are going down or up, but cannot reliably conclude as to whether they are higher or lower than FS's COGS).
 - c. There are some specific oddities in the data, for example [REDACTED]
[REDACTED] Commercial Information [REDACTED]
[REDACTED] These are presumably correct reports of the accounts, but this does not mean these are the right numbers to use in the modelling. It is possible these numbers are determined by some cross-subsidy between brands. Even if not, comparison to the others suggests the margins presently earned by these brands seem unsustainable, in which case they should not be used in a ten-year analysis but should be assumed to revert to the mean, at least as a sensitivity.
12. Ideally, one would work with the supermarkets to check consistency and definition of these margins. However, as ComCom has not been able to resolve this, I suspect this is not possible (and I emphasise I make no criticism of Sense Partners for using the margin data supplied). However, I would recommend further sensitivity analysis. In any event, the Report needs to set out and discuss the margin data more, as results are likely to be sensitive to them and this is not reflected in the text.
13. I note that Sense Partners do have price data at SKU level and with more time could use this to obtain comparable prices between chains (footnote 46). I believe it would be worth extending the analysis to do this, (albeit I think the existing results are reliable enough for MBIE to move forward on policy) as pricing data would allow less reliance on the margin data and also a cross-check on the LA-AIDS demand assumption in the demerger model, as with pricing data alternative options can be checked using the *antitrust* model.

Welfare framework

14. The modelling framework allows the calculation of consumer welfare changes resulting from divestments, from both the demerger model and a separate 'consumer welfare' model, and also changes in 'total welfare', which is here consumer welfare plus changes in producer (supermarket and upstream supplier) profit. I agree with the overall approach of considering each of these, as each is relevant for reasons the Report explains in Section 1.3.

Supply chain costs

15. The Study devotes considerable effort to assessing supermarkets' cost changes, in particular increases in supply chain costs as a possible result of divestments. It may be useful to distinguish three kinds of possible increases in supermarkets' supply costs:
 - a. Increased payments to suppliers (increased Cost of Goods Sold, COGS) as a result of reduced supermarket buyer power;
 - b. Increased marginal/unit costs of supply (also COGS) due to reduced efficiency;
 - c. Increased fixed costs, due to reduced efficiency.
16. These three, should they arise, will have different effects on welfare and prices. The Study takes account appropriately of all three but the distinction between the three is not always presented clearly in the Report, perhaps because the cost modelling has evolved through several permutations.
17. In brief, the distinction matters because:
 - a. A reduction in buyer power can be expected to raise prices to consumers but increase payments to suppliers. It may therefore be roughly neutral in total welfare terms, at least insofar as it is New Zealand suppliers who benefit (as is likely, since importers are likely currently to be less affected by buyer power).
 - b. An increase in marginal / unit costs (COGS) can be expected to feed through to consumer prices fairly quickly.
 - c. Increases in fixed costs may increase consumer prices in the long run, although they could also be absorbed by supermarkets, especially if supermarkets are currently making above-normal margins.
18. The report reviews international evidence on cost reductions resulting from mergers, which implies cost increases from the divestments. This evidence informs the central assumptions and sensitivity checks on cost increases. Appendix D provides a cross-check on this, using an internal assessment of cost effects of a change in logistical arrangements **Commercial Information**
19. I believe this focus on cost increases is a little pessimistic. It is well-established that increased competition leads to productivity growth; a reason for the divestment policy to result in lower supply costs. However, this evidence arises mainly from long-term studies, whereas cost savings from mergers are often more immediate (and merging firms and their advisors have an interest in emphasising such effects). Consequently, it would be difficult and arbitrary to put a value on any such cost savings and no feasible modelling could assess whether they would outweigh pressures for increased costs. Accordingly, I believe the Report's approach is appropriate, and conservative in reflecting possible cost increases and sensitivities, to assess the overall benefits of the policy.
20. In its central scenario, the Study models a 1% increase in COGs, considered to represent 0.5% increase to suppliers from lost buyer power and 0.5% lost efficiency. In contrast, the 'additional' 1% increase in the high cost scenario in which COGs increase by 2% is entirely lost efficiency, so three-quarters of the 2% COGS increase is lost efficiency (page 18). I understand that the larger COGS increases modelled in the sensitivities shown on page 27-28 assume the entire cost increase is inefficiency.
21. The increasing role played by inefficiency in the 'worse case' scenarios reduces total welfare, compared to (for example) simply assuming a 50/50 split between reduced buyer power and inefficiency, as in the central case. The 'worse case' scenarios not only model higher cost but also assume that more of this higher cost is simply lost through inefficiency rather than passed to suppliers. If instead half of the COGS increase in the high cost scenario were higher prices to

suppliers, I expect the total welfare gain from the policy even in this case would be around \$1.8 bn, not so far off the central scenario's \$2.9 bn. Similarly, the conclusion stated on page 26 about the full range of COGS sensitivities, that "We have tested a wide range of assumptions and find that cost increases above 2% will cause negative net benefits from a Foodstuffs restructuring." would not be the same, if these sensitivities included some price rises for suppliers, as the central scenario does.

22. The Report does acknowledge (on page 18) that these assumptions are deliberately unfavourable, to explore the risks of the policy. Furthermore, Appendix D provides further evidence in support of at least some efficiency losses, from case studies and modelling of logistic costs that may illustrate the kinds of changes that would result from divestments. I have not reviewed the underlying data or modelling of this annex (nor am I well-placed to do so, it would be something for an industry expert to assess) but it seems to me to be plausible that what it describes would indeed increase inefficiency. The cost increases cover both COGS increases and increases in fixed costs, which the Report correctly considers as feeding through to consumer prices only in the worst case (as they may well be absorbed by reduced margins, in the face of more competition).
23. All told, although I believe the Study emphasises possible cost increases (and reasons for these to be inefficiency rather than transfers to suppliers) in more detail than countervailing decreases, I consider this to be a reasonable and conservative approach which will rightly inform decision-makers about possible downsides of the policy.

Modelling

24. The Study makes use of three main quantitative models, with additional modelling presented for sensitivities in annexes:
- The spatial model takes store and chain-level data on supermarkets and local data on households to model how the supermarket chains compete. The main purpose is to produce diversion ratios between supermarkets, which measure how any sales lost by one chain divide amongst its rivals.
 - The demerger model takes these diversion ratios, along with data on supermarket margins and assumptions about demand, to model price-setting behaviour with different ownership patterns among the chains. A smaller chain has more to gain by reducing prices, because it can attract business from more rivals (whereas pre-demerger, a large chain reducing prices would to a greater extent be attracting business from itself). The output effectively measures overall changes in prices and thus consumer welfare and (given assumptions about costs) supermarket profits and thus total welfare. This model is one option from a publicly-available tool created by economists at the US competition authority and widely used by competition authorities. Results are reported in Tables 2 and 9.
 - Separately, a household welfare model takes these results and considers the effects on consumer welfare in a more sophisticated framework. This does not provide the main results for consumer welfare reported in Tables 2 and 9 but provides the distributional and regional impacts reported in 4.2 and 4.3. I am less familiar with this modelling framework, which is not used in competition economics (and this is not a criticism – it simply goes beyond what competition economists typically require in sophistication).

The spatial model

25. The spatial model is an adaptation to New Zealand of Ellickson et al (2020) an accepted academic paper, in a highly-respected journal in the field of industrial organisation, the branch of economics most relevant to competition policy. I had not previously encountered this paper, but it is in a mainstream tradition of modelling industries, particularly those with local elements of competition,

with which I am familiar. I have reviewed the paper and I have no concern about the choice of this model and I see no reason why it should not be applied to New Zealand.

26. The model takes specific data on the location of supermarkets and demographic data about local consumers, represented by a 'representative consumer' located at the centre of each SA2 area. By looking at store level sales and relating this to chain and consumer characteristics, it seeks to identify how 'close' the rival supermarket chains offers are to one another, in consumers' eyes, represented as 'diversion ratios' in the model outputs. Two chains which have very similar offerings (by range or whose stores are often physically close to one another) would have a high diversion ratio between them, for example. Modelling using this spatial model to assess diversion ratios is a more sophisticated and comprehensive approach than most competition authorities are able to apply in a merger investigation; often the diversion ratios they use are based on extrapolating data from surveys of only a small part of the market.
27. I have not seen any sense-checking or cross-checks of the diversion ratios resulting from the models. As they are a crucial input to the demerger model, it would be reassuring to see them checked against historical data, for example by looking at whether the changing patterns of demand when new stores open or stores close are consistent with these findings.

The demerger model

28. The demerger model is a mathematical model which is 'solved' to determine optimal prices (or other competitive aspects of the offer, such as product range) after a change in ownership, splitting Foodstuffs in the first option and Woolworths too in the second. Such models are commonly used by competition authorities in merger cases (in which the change goes in the opposite direction). The Study makes use of one option – the LA-AIDS version of a suite of several models packaged together under the name 'antitrust', created and published by economists working at the US Federal Trade Commission for economists to use in merger assessment.

Use of a merger model

29. I support the Study's use of a 'merger assessment' model for assessing this demerger, as it seems to me the policy is sufficiently similar (in reverse) to a merger for this to be appropriate cases are sufficiently similar. I agree too with the caveats in the report, particularly that such merger models are quite short-term in that they consider the immediate effects of the change in market structure, and consequential price changes, not how the industry might then evolve. As the Report notes, under competitive pressures, chains might change their offerings (perhaps simplifying range, perhaps moving up or downmarket to find a niche) and also physically reposition, closing less profitable stores and entering other areas.
30. This short-term focus of merger models should be more of a concern for New Zealand's proposed policy, looking to the long term (ten years in the Study), than it is for a competition authority which typically considers a three year time horizon to assess mergers. However, this is not a criticism of the Sense Partners model and the solution is not to try to find a long-term model. The long term is fundamentally different in many ways: stores opening and closing, brands repositioning their range and other aspects of their offer to reposition themselves and so on. As part of this entry and exit, I would also expect prices to consumers eventually to adjust to reflect the capital costs incurred by the newly-divested firms (the existing model rightly does not reflect them in prices as they are not variable costs in the short term but in the long term all costs should be considered variable). Such a long-term equivalent to the demerger model does not really exist and I suspect that any attempt to model range and store repositioning over ten years would do no more than reflect whatever assumptions the model creators imposed, presumably on the basis of expert industry advice. Better simply to understand these matters qualitatively, from those advisors, I suggest.
31. As the Report notes, competition authorities do not determine their decisions solely upon the basis of such modelling; it is one input along with much qualitative information. MBIE should do the same.

Choice of LA-AIDS demand system

32. The antitrust package that Sense Partners use has about ten different options for how to model demand, from which they have chosen one called LA-AIDS. Demand modelling necessarily requires assumptions to be made. Although in principle, we would like just to measure how consumers behave, in practice, there is never enough data – or enough variation in the data – to observe how consumers will react to any given change. The choice of ‘demand system’ fills this gap.
33. Sense Partners’ choice of the LA-AIDS system was dictated by data availability: it is one of the few in the package that does not require pricing data. However, the AIDS system is well-known and accepted; it is a more sophisticated treatment than many competition authorities use in simple screening tools, in which demand is often assumed to lie upon a simple line. The AIDS system has been used in modelling grocery demand quite frequently, in academic studies. It therefore seems a reasonable assumption and in any case, results should not be too sensitive to the choice of demand system for the fairly small (~5%) price changes modelled.
34. However, as I note above when discussing margins data: if the work were extended to make use of pricing data this would also allow for testing robustness to the use of different demand systems.

Ten year time horizon

35. The model considers outcomes over ten years. As the modelling does not seek to forecast any specific changes over ten years, just steady growth, the main effect of this assumption is the period and market size over which to ‘amortize’ the one-off restructuring costs. A shorter period would reduce the assessed benefits of the policy, because these costs would be spread over a shorter period and the overall scale of the market each year will be smaller on average, so the benefits proportionately less. It might be worth exploring a sensitivity to a five year horizon; I would not consider longer than ten years, there are simply too many uncertainties for that to be useful.

Entities are assumed in the main demerger model to optimise pricing only island-wide.

36. The main demerger model considers pricing only at the island level, dividing New Zealand into just two pricing zones. Although I understand this reflects current supermarket practice, it is a simplification and obscures the important point that divestment and increased competition may itself lead to more variations in regional pricing. The limitations of this approach are well explained in Appendix B: a supermarket selling in two towns (say) newly confronted with a competitor in just one town, will be less likely to respond vigorously to that competition, if to cut its prices it must do so in both towns. Assuming island-wide pricing may therefore understate the benefits of increased competition from divestment in the areas it arises, but might also fail to pick up possible price *increases* if the effect of the divestment is to change supermarkets’ policy, so they begin to flex prices more locally (it is worth noting that they could do this *now*, if they so chose).
37. The Report presents evidence that supermarkets do not, in fact, flex prices locally to the maximum they could (or at least, to the degree that a simple economic model of profit maximisation would imply they ‘should’). There are good reasons for this, both commercial and more ‘political’ but it is sensible to consider the possible effects of island-wide pricing ceasing as a result of the divestment. The Report does this in Appendix C, which provides two models which each illustrate different ways in which island-wide pricing might break down.
38. The first, ‘Pricing By Zone’, uses the main demerger model but splits each island into two zones, in each of which supermarkets are assumed to optimise prices. Results are likely to be sensitive to the choice of where the zonal boundary is located, which the Report discusses at footnote 63. However, I am assessing the results as an illustration and these show, essentially, that with more regional pricing of this sort, prices fall by more in the Lower North Island, where Foodstuffs is strong so the divestment most increases competition but there is upward pressure on prices in other regions. As the report, rightly notes, this is not because competition decreases there, it is a consequence of a

move to more zonal pricing (which could occur now, even without the divestment policy, if supermarkets so chose).

39. The former effect outweighs the latter, so the policy overall becomes more attractive from a consumer or total welfare standpoint, although it now has distributional effects, which may be adverse for the consumers in Upper North Island. This result is to be expected: in general, more local pricing creates winners and losers, but is more efficient, so the former gain more than the latter lose.
40. The second model 'Store Specific Price Premiums' is very different: it considers possible effects from Foodstuffs adopting more cost-reflective pricing store-by-store. At present, I understand that Foodstuffs effectively cross-subsidises prices in more remote stores, by not charging them the full cost of their logistics. Post-divestment (or indeed, after any change that results in more competition), this may not be sustainable. I have not assessed any underlying data or the details of this modelling (which is not for me, as a competition economist, but would be better carried out by an industry expert) but the results seem plausible and useful.
41. The Report illustrates the effects of the two models combined at Table 24, noting that together they result in a wide range of price changes due to divestment, including possible price rises for some in Upper North Island.
42. Overall, I think the two models provide a useful extension of the main modelling. They should be considered rather illustrative, because they do not always compare like-with-like, as the Report notes (for example because zonal pricing necessarily changes the status quo, so the baseline as well as post-divestment changes). And the two models have different geographic footprints, so Table 24 adds together the effects of store-by-store cost changes with wider zonal pricing strategies, which may not be entirely consistent but seems to me a sensible illustrative approach.
43. The modelling of local price setting *could* go still further. In principle, one could model store-by-store price optimisation, as an extreme case, which is likely to show still higher price disparities post-divestment, as stores in remote regions with little competition increased prices. However, that would be an extreme scenario and I do not think the prices that emerge from such simple modelling would be realistic – supermarkets in remote locations simply do not 'gouge' consumers to the maximum extent that a simple model would usually imply. I do not recommend carrying out such modelling, but I do note that the modelling in Appendix C should not be regarded as a 'worst case' setting an upper bound of price disparities, unlike other sensitivities presented in the Report.
44. Conversely, however, the Appendix C modelling also does not account for some possible constraints on such price disparities. It seems to me very likely that island-wide pricing together with Foodstuffs' internal cross-subsidies currently make entry by new rivals unviable in remote regions. If prices rise to reflect local competition and cost conditions, entry might become more viable, improving the situation in remote regions to some extent. This is not something amenable to modelling.
45. It is of course for political decision-makers on the weight to attach to distributional issues and the analysis in Appendix C seems to me to provide them with the information needed to take that decision.

Some other assumptions in the demerger modelling

46. Like any demand model, the demerger model requires an assumption about the market elasticity of demand for groceries as opposed to the 'outside good' (all other items consumers might buy). This figure is set at 0.95 on the basis of one earlier study. The figure is flexed essentially for technical reasons to 'nudge' the model into converging, as set out on pages 64 and 65. The Report discusses this fairly and notes small sensitivity to flexing the elasticity as far as 1.1.
47. The use of an 8% discount rate seems high in international comparison, as I would not define the demerger policy as 'commercial' so would favour a social discount rate. However, I have looked at NZ Treasury Guidance and it seems to be consistent with that.

The household welfare model

48. Competition economists generally do not make use of models such as Sense Partners' Household Welfare Model, although I can see the value in calculating distributional effects by household type and regionally, for a national policy intervention of this sort. I have not really assessed the modelling, but it seems to me essentially to illustrate the consequences of the demerger analysis.
49. The distributional analysis in Section 4.2 seemed useful if unsurprising. It is well-established that poorer households spend a larger proportion of their income on groceries (and may obtain a still higher proportion of their utility from such purchases). However, this serves very effectively to confirm the value of a policy intervention that on total welfare grounds may appear rather marginal. I note that the distributional results presented in Section 4.2 (and 4.3, on regional effects), relate to the main model, assuming island-wide pricing, with the material developed in Appendix C on more local pricing presented as a sensitivity in 4.3.

Expansion of alternative formats

50. The Study has also modelled the demerger options against a backdrop of scenarios of additional entry, as reported in Appendix A to the Report. This seems a sensible extension of the modelling, as the beneficial additional effect of demerger will be reduced somewhat, if there is more competition from new entrants. Indeed, this is what the modelling finds.
51. The Study does not consider causation in the opposite direction: whether demerger would make the market less attractive for entrants. This could not be modelled in the existing framework, as the entry is an assumption, not a modelling outcome. However, MBIE could consider in its wider discussions and consultation whether this effect might arise and the Report's findings (particularly estimating the price effects of demerger) will be helpful background for that.

Reporting

52. In general, the Report presents its assumptions clearly and illustrates sensitivities to many of the key assumptions, particularly on cost changes, as well as on regional price-setting and ending cross-subsidies between Foodstuff stores. I recommend that the Report should discuss and present sensitivities to some other inputs, notably the demand system used in the demerger model and the margin data used in that model.