Market participant response to the CMA's invitation to comment on remedies

1. Divesting the Belfast Bakery will not resolve the structural issues in the Northern Ireland plant bread market. The market has overcapacity, in a market with declining demand. Divestment will not deliver capacity-related savings or synergies. As a result, pressure for further consolidation or plant closures will quickly re-emerge.

2. Despite divestment of the NI business, an SLC is likely to arise again, as the underlying imbalance between supply and demand remains unresolved.

3. There are three other NI plant bread suppliers in Irwin's, Brennans and Gallagher's, all operating with excess capacity. A more competitive outcome would result from redistributing volumes among these suppliers. Each has strong capabilities, wide range, good distribution, strong branding, good financial strength, some local production and a willingness to lower unit costs by taking on more volume.

4. For own label plant bread post a merger Hovis would potentially be in a monopoly supply situation. However, private label purchasing is driven by large grocery multiples operating in GB at scale, where substantially lower mainland production costs can offset the additional cost of distributing to NI. Most GB private label bread is already supplied by third-party GB bakeries, such as Fine Lady Bakery, Jacksons, Robert, rather than the merging parties. Customers also have the option to import some products from GB if there is under-supply in NI.

5. Divestment to an Island of Ireland supplier creates other competition issues. The Parties have considerable influence with the GMs due to much larger trading relationships in GB, seen through shelf allocation, group annual trading plans, GB planograms and more. Much of the commercial arrangements with GM's can be expected to be done in GB. These relationships should not be allowed to create a monopoly and prevent other suppliers from competing and growing.

   A voluntary set of Trading Rules undertaken by the GMs and overseen by the GCA would address this issue.

6. While AB Belfast may look financially healthier than other group assets, its contribution to shared group overheads is likely low. A standalone buyer of the divestment NI business would struggle to sustain this cost structure.

7. The Interim Report's finding of an SLC in hotplate goods post-merger should be re-examined. Irwin's has substantial capacity and capability to replace one of the merging parties. Additional suppliers also exist, including Genesis and Gallagher's. Both use travelling hotplates. Irwin's also has scope to add further capacity if needed.

8. The proposed divestment includes licensed use of Sunblest and Kingsmill brands. [Market participant] would not accept a licensing model. Retaining the Ormo brand significantly undermines a new entrant's prospects, particularly in hotplate goods, where Ormo is the premium brand. Sunblest competes mainly in lower-priced outlets and achieves lower retail prices.

9. The Kingsmill plant bread pricing in NI currently aligns closely with GB pricing. An island-of-Ireland buyer could not sustain this due to higher local cost structures

10. The CMA favours the smallest and simplest effective remedy.

11. The simplest and most durable remedy is the closure of either the AB or Hovis production of plant bread in NI. This will restore balance between supply and demand.
    Hotplate demand can be absorbed by other suppliers, with non-NI production transferred to GB or remaining Belfast capacity as appropriate.

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