

## **Noble's Worked Example of Behavioural Remedy**

With reference to the notice of possible remedies published on this web site on 5 January 2007 at <http://www.competition-commission.org.uk/inquiries/ref2006/stonegate/index.htm>, and in particular to the question whether divestment would be effective in addressing the substantial lessening of competition (SLC) provisionally identified by the CC in its interim report and published at the same location, the main parties have put forward for the CC's consideration a proposed behavioural remedy to the SLC, also published in the same location.

The main parties have now supplemented this proposal, with a worked example, which is shown at the **annex** below.

Interested parties are requested to provide any views on this proposal to the inquiry secretary, David Peel ([david.peel@cc.gsi.gov.uk](mailto:david.peel@cc.gsi.gov.uk) or Victoria House, Southampton Row, London, WC1B 4AD), including any practical alternative remedies they wish the CC to consider by 12 February 2007.

**Worked Example of Remedy**

1. Draw up list of Stonegate producers at the date of the undertaking specifying average weekly production volumes by egg type. Arbitrator or Monitoring Trustee validates volumes. Deans agrees not to seek to contract existing Stonegate producers.
2. Retailer A wishes to switch 4,000 cpw at Newtown depot to Packer X (2,000 cage, 1,500 free-range, 300 organic, 200 barn) and agrees terms subject to Packer X securing supply of eggs.
3. Packer X has 2,000 cpw of spare cage but needs 1,500 cpw free-range, 300 cpw organic and 200 cpw barn.
4. Packer X contacts known Stonegate producers (or advertises).
5. Packer X successfully agrees with a number of producers with the required volumes to give notice under their contracts (copied to Stonegate) and confirms this to Retailer A. In the case of large producers, notice is given in respect of specific flocks.
6. Retailer A gives Noble 3 months' notice of intention to switch 4,000 cases.
7. Packer X consolidates the producer notices and sends them to Noble to verify volumes against Retailer A's notice. Volumes appear to exceed Retailer A's requirements very slightly.
8. Noble refers it to the arbitrator.
9. Arbitrator decides within one week that the excess volumes are negligible. Notices become effective and producers are removed from the list and transferred to Packer X to coincide with start of supply to Newtown depot.
10. Noble agrees not to solicit producers who have switched for two years. If producers who have switched start supplying Stonegate again subsequently, Noble reinstates them on the list of Stonegate producers.