

Business and Trade Committee

Oral evidence: Food and fuel prices: follow-up session with the CMA and Asda, HC 1595

Wednesday 19 July 2023

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Members present: Darren Jones (Chair); Alan Brown; Jonathan Gullis; Jane Hunt; Ian Lavery; Anthony Mangnall; Andy McDonald; Charlotte Nichols; Mark Pawsey.

Questions 107-283

Witnesses

[II](#): Mohsin Issa, Co-owner, Asda, and Hayley Tatum, Chief People and Corporate Affairs Officer, Asda.

Examination of witnesses

Witnesses: Mohsin Issa and Hayley Tatum.

Chair: Before we start this panel, I need to declare my interest as a member of the GMB. Are there any other declarations of interests from colleagues?

Charlotte Nichols: I am also a member of the trade union GMB.

Ian Lavery: I am a former member of the GMB.

Andy McDonald: I am a former member of the GMB.

Jane Hunt: And I shop at Asda.

Q145 **Chair:** I also do my monthly shop at Asda, if we need to declare those interests. I am very grateful for your services.

This is a follow-up session to our previous hearing on food and fuel price inflation. As you know, via the correspondence that we have published, we asked if you would come back and answer some of our questions, predominantly relating to some discrepancies between what the Competition and Markets Authority told us about fuel pricing and some other things on the record. The whole purpose of that session was to understand if Asda and the other supermarkets were doing everything they could to keep prices down and not unfairly profit during the cost of living crisis, which is something that Asda said it was working very hard to do.

Mr Issa, I saw from the accounts for Asda—I understand that the company is called Bellis Finco plc, not Asda—that it was loss-making: it was reported to be making a loss of £62 million. Why is Asda loss-making?

Mohsin Issa: Thank you, Chair. Before we get started, could I just say that I am pleased to be with you today? I know that this Committee had several follow-up questions after the last session, and I look forward to clearing those up today. The issues we are discussing are hugely important to your constituents and our customers and colleagues, and never more so than at a time when cost of living pressures are so significant. At Asda we are very proud of being a price leader, so I am happy to give you more detail on the business today.

Q146 **Chair:** Thank you. To repeat my question, why was Asda loss-making to the tune of £62 million?

Mohsin Issa: At EBITDA level, it makes margin, but at net profit level, it makes a loss.

Q147 **Chair:** And it was such a loss that I think you were able to claim a £12 million repayment from HMRC in tax credits. That is right, isn't it?



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Mohsin Issa: To my best recollection, it was about £2 million—that was a deferred tax payment—and then subsequently we paid circa £74 million in capital gains tax.

Q148 **Chair:** Okay, fine. I just noted the difference between loss before tax and loss after tax from £74 million to £62 million. You had a bit of a tax credit, but there were some other things in there as well, okay.

When I looked at the operating costs for Asda—the amount you are allowed to take away from the revenue you make before tax calculations—I saw that they were around £24 billion, but when I looked at the breakdown of those operating costs, there seemed to be a gap of about £1.7 billion. Have I missed something? Where has that £1.7 billion gone, do you think?

Mohsin Issa: I am not privy to those details, unfortunately.

Q149 **Chair:** You're not, okay. Let me try to explain a bit further. Bellis Finco plc, which is the company that owns Asda, is itself owned by Bellis Acquisition Company plc, Bellis Acquisition Company 2 Ltd and Bellis Acquisition Company 3 Ltd. Have I got that structure right?

Mohsin Issa: I am not really into the detail of the actual structures, but it sounds right.

Q150 **Chair:** When I looked at the accounts for Bellis Acquisition Company plc, the ultimate owner of Asda, there seemed to be a dividend of £1.7 billion, which looked pretty much like the £1.7 billion I could not find in the operating costs in the Asda accounts. Is there any connection between the two?

Mohsin Issa: The £1.7 billion—I can't recollect what that relates to. I do know that there was a sale of some warehouse assets that totalled £1.7 billion.

Q151 **Chair:** Bellis Acquisition Company 2 Ltd and Bellis Acquisition Company 3 Ltd are both based in the low-tax jurisdiction of Jersey, which meant that I could not get the accounts. Why would you base those companies in a low-tax jurisdiction?

Mohsin Issa: It is the structure that we do on acquisitions.

Q152 **Chair:** And you put it in a low-tax jurisdiction for what reason?

Mohsin Issa: That is what our advisers recommend we do.

Q153 **Chair:** Okay. Look, I am not an accountant, Mr Issa—neither are you, by the sounds of it—but when I looked at the accounts, it looked as if Asda was put into a loss-making position, was able to take money back from the taxpayer and paid out a dividend at the top of the company in a low-tax jurisdiction. It seems to me that money is being taken out of the business while it takes money back from the taxpayer and then does not have available income to reduce the cost of your petrol or your food prices or to pay wages properly to your staff. Do you agree with that assessment?



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Mohsin Issa: I can confirm there's no dividends been taken out of Asda.

Q154 **Chair:** Well, at Bellis Acquisition Company level, there was. There was £1.7 billion noted as dividend.

Mohsin Issa: There's been no dividends taken out to shareholders.

Q155 **Chair:** I think you might need to write to me, Mr Issa, with the detailed answers to those questions. Are you happy to do that for me?

Mohsin Issa: Yes.

Q156 **Chair:** Thank you. I do not know if you heard the testimony from the Competition and Markets Authority, but essentially they were not very happy with the way that you and your colleagues engaged with their inquiry into petrol prices, and they said that if they could have charged you more than £60,000 because of your behaviour, they would have done. Do you have any reflections on that?

Mohsin Issa: I think that is unfair, personally, because we complied with all regulatory requests.

Chair: You have nothing further to add?

Ian Lavery: Chair, can I just say that personally I am not very happy at all with the responses from Mr Issa, who is the co-owner of Asda? You have asked him some fairly simple questions, and unfortunately Mr Issa says he is not in a position to answer. He is a co-owner of Asda.

Q157 **Chair:** I do struggle, Mr Issa, with the point that Ian Lavery makes. I think you have been struggling to appoint a CEO and a chief financial officer. Why have you not been able to appoint those people so that they can come and answer our questions properly?

Mohsin Issa: We have appointed a chief financial officer recently.

Q158 **Chair:** Why are they not here?

Mohsin Issa: I was asked to come, as CEO.

Q159 **Chair:** There was a discussion, via my Clerks, about whether the chief financial officer could come, and, in the end, they didn't come. You don't know anything about that?

Mohsin Issa: I don't.

Q160 **Chair:** Okay. Just to build on that point—and then I will move on, because I am conscious of time—the Competition and Markets Authority told us beforehand that one of the reasons it was cross with Asda was that the people you had sent to answer its questions could not answer them. But, when you got involved, Mr Issa, you were able to provide the information that it needed at the last minute. It seems to me that, when it came to the Competition and Markets Authority, you were able to find the answers and provide them when your staff weren't, but today you are telling me that you cannot answer any of the questions that I have put to you. What is the problem there?



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Mohsin Issa: You have been asking me accountancy and structuring questions, which I don't have the detail to.

Chair: Okay. Well, I will look forward to your written response and correspondence afterwards.

Q161 **Anthony Mangnall:** Coming back to fuel pricing strategy, and the same question that Mr Brown asked the CMA, on 27 June Mr Comerford told us that Asda's "fuel pricing strategy policy has not changed over many years". Is that an accurate statement?

Mohsin Issa: Absolutely.

Q162 **Anthony Mangnall:** So what changes, if any, to Asda's fuel pricing strategy have been implemented since you took over the supermarket in 2021?

Mohsin Issa: Asda's pricing strategy has not changed. We remain the price leader in fuel.

Q163 **Anthony Mangnall:** On fuel, the CMA found that Asda's position "has been less consistent since the beginning of 2022." It found that between January 2019 and December 2021, Asda was the cheapest supermarket for petrol in 89% of weeks during the period. In addition, Asda had the cheapest diesel prices in 94% of the weeks over that time. But between January 2022 and May 2022, that had declined to 76% for petrol and 70% for diesel. Why the change?

Mohsin Issa: The strategy did not change. Our strategy remains consistent. We are the price leader on fuel, and the CMA report confirmed that.

Q164 **Anthony Mangnall:** I am just asking about that decline between those two periods. What is the significant difference in those percentages? What has caused that?

Mohsin Issa: Market volatility. When you look at fuel pricing, it is a very dynamic sort of space. There are lots of inputs in terms of effects, movements, oil pricing, fuel pricing, logistics, terminal on-costs, refining margins, etc.

Q165 **Anthony Mangnall:** Just to be clear, then, if you were to rank yourself against your competitors in the supermarket area, they would have a similar percentage decline to what you have had in that period?

Mohsin Issa: I would say that, for us, our strategy did not change and we remain the price leader.

Q166 **Anthony Mangnall:** If it was all external factors, it would be different from other supermarkets—they wouldn't see the same level of decrease?

Mohsin Issa: I couldn't comment on the other supermarkets.

Anthony Mangnall: I might jump back in, if I may, in a bit. Thank you, Chair.



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Q167 Alan Brown: Your answers about no change of fuel strategy are completely at odds with the evidence that we have heard from the Competition and Markets Authority. It says that by a remarkable coincidence, after you took over, Asda decided to double its targeted profit margin on fuel in 2022, then decided to increase it further in 2023. The CMA found that the targeted profit margin per litre of fuel is three times higher now than in 2019. Are its findings correct, yes or no?

Mohsin Issa: What I will say is during that period, our strategy did not change in terms of fuel pricing. Margin is an output of strategy. We more than invested that margin into food, where we—

Q168 Alan Brown: I said yes or no. Are the findings correct that Asda deliberately decided to target higher margins per sale of fuel?

Mohsin Issa: We don't see this as a fuel business on its own. It is not. We see this as a holistic—

Q169 Alan Brown: Was it a conscious decision to increase margins on fuel, with a trebling of the margin from 2019 to 2023?

Mohsin Issa: Our margins went down from 2.7% to 1.7%. We took a profit cut of 24%, so we did not—

Q170 Alan Brown: Did you target an increased margin per litre sale of fuel?

Mohsin Issa: We see this as a holistic business.

Q171 Alan Brown: I know Asda's argument is that it is one big business, but the whole point is: did you target increased margins on fuel? You can argue that you were using it to subsidise other parts of the business, but did you target increased margins on fuel?

Mohsin Issa: Our strategy did not change. I control the pricing in Asda, and that is what we did. Our strategy was to be the price leader.

Q172 Alan Brown: I will go again. A yes or no answer: did Asda deliberately target increased margins on fuel sales?

Mohsin Issa: We don't see this as a fuel business, so you can't—

Q173 Alan Brown: I know, but it is yes or no. Did Asda plan to increase margins on fuel at point of sale?

Mohsin Issa: We set our strategy, and then it is for the market to price.

Q174 Chair: Mr Issa, you are required to answer the question. If Mr Brown asked you whether you increased the profit margin on burgers, you would be able to answer the question, I am sure. He is asking you whether you intentionally increased the margin on petrol—yes or no?

Mohsin Issa: We set our strategy. The margin is an output of our strategy.

Chair: I understand that, but—

Q175 Alan Brown: Yes or no: did you plan to increase the margin on the sale of



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petrol?

Mohsin Issa: As I said, we see it as a holistic business.

Q176 **Alan Brown:** I only want a one-word answer—yes or no.

Mohsin Issa: It is not a one-word answer question, is it? If it was a fuel business, I could answer yes or no.

Q177 **Chair:** Mr Issa, you have just said to the Committee, “I control the prices.” Mr Brown is asking you what your decision was. You are in control of the prices of petrol. Did you put the margin up? It is a simple question.

Mohsin Issa: I set the strategy—

Q178 **Chair:** You have just told us you set the prices. Did you increase the price?

Mohsin Issa: We put the price on—

Q179 **Chair:** The margin—the price that you charge. Did you increase the margin?

Mohsin Issa: We set the strategy to be the price leader.

Q180 **Chair:** I am not asking you about the strategy; I am asking you about the margin. Did you increase the margin?

Mohsin Issa: The margin is the output of the strategy, sir.

Q181 **Chair:** Fine. I don’t care whether it is an input or an output. I am asking you whether you increased the margin.

Mohsin Issa: I do not control the margin. I control the strategy as the input.

Q182 **Chair:** Who controls the margin?

Mohsin Issa: The market.

Q183 **Chair:** How?

Mohsin Issa: We set our price—

Q184 **Chair:** You set the price, and what we are asking you is whether you intentionally set the price so that you would increase your margin.

Mohsin Issa: We set the price, and then others have an opportunity to undercut us.

Chair: Okay. Alan, sorry—I interrupted.

Alan Brown: I still didn’t get that yes or no.

Chair: I fear we may need to give up, unfortunately.

Q185 **Alan Brown:** Okay. On 27 June, the Committee asked Mr Comerford whether the CMA’s finding from May that “at least one supermarket has significantly increased its internal forward-looking margin” applied to Asda.



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At the time, would Mr Comerford have been aware of the internal plans within Asda to increase the margins on fuel?

Mohsin Issa: The strategy remains unchanged.

Q186 **Alan Brown:** Would he have been aware of the strategy, in terms of increased margins?

Mohsin Issa: The strategy was to be the price leader, and that remains the strategy. That is unchanged.

Q187 **Alan Brown:** Earlier on, I questioned the CMA. The CMA found that Asda was feathering prices and using the volatility of fuel prices associated with the Ukraine war as a way to slow down price reductions when wholesale fuel prices were dropping. I put it to the CMA that Asda was gouging its customers in doing so. The CMA said that it wasn't gouging, but Asda saw it as an opportunity. Did Asda see it as an opportunity to create increased margins on the back of the volatility associated with the Ukraine war?

Mohsin Issa: Absolutely not.

Q188 **Alan Brown:** So is the CMA wrong? Asda wasn't feathering and slowing down price reductions?

Mohsin Issa: We buy fuel on a three-week lag with variable inputs along the way. Where we can, we pass on the decreases to customers.

Q189 **Alan Brown:** The CMA said that this particularly applied to diesel. Is it a remarkable coincidence that at my local Asda, following the CMA report, diesel suddenly dropped in price below unleaded petrol? It was the first time that that had happened in a very long time. Was it just coincidental that that happened when the CMA published its report?

Mohsin Issa: We pass on decreases as quickly as we can to customers.

Q190 **Alan Brown:** Did diesel prices fall quicker after the CMA published its report saying that Asda had been feathering and taking opportunities where there was less competition?

Mohsin Issa: Absolutely in line with strategy.

Q191 **Alan Brown:** So it was just a coincidence that diesel started falling again at Asda.

Mohsin Issa: I would say so.

Q192 **Chair:** Can I just check, Mr Issa, what you mean when you say "strategy"? Can you help me understand what you mean by that?

Mohsin Issa: Our strategy is to be the price leader on fuel.

Q193 **Chair:** So that means to be cheaper than everyone else. That is the strategy.

Mohsin Issa: Yes.

Q194 **Chair:** So then presumably you make a decision about how much cheaper you want to be compared with everybody else, as part of that strategy.



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Mohsin Issa: We set our pricing on the strategy that we have in terms of the information the market is at. We put the price at whatever the price is. The competition has the ability to react to that, in which case we would react to that again.

Q195 **Chair:** Okay. I understand that when Walmart owned Asda, it had the same strategy—it wanted to be a price leader, cheaper than every other supermarket—and it set the strategy at being 1p per litre cheaper than its competitors. That is how it delivered the strategy. My understanding from a whistleblower is that since you have bought Asda, Mr Issa, you have changed that from 1p cheaper per litre than competitors to 0.1p per litre cheaper than competitors. Is that right?

Mohsin Issa: The strategy remains unchanged.

Q196 **Chair:** Answer my question. When Walmart owned Asda, it set the price at 1p cheaper per litre, compared with competitors. When you bought Asda, Mr Issa, did you change that?

Mohsin Issa: No, the strategy remains unchanged.

Q197 **Chair:** Did you change that number from 1p per litre cheaper than other supermarkets to a lower price?

Mohsin Issa: The strategy remains unchanged.

Q198 **Chair:** I am going to ask you one last time and remind you that you are required to answer my question honestly in this setting. Did you change it from, under Walmart, 1p cheaper per litre than competitors to 0.1p per litre cheaper than competitors?

Mohsin Issa: No, I did not.

Chair: No, you did not. Okay.

Q199 **Anthony Mangnall:** You are not answering the point around internal margins. How do you explain the CMA's point about fuel prices across Asda estates being more varied than ever before? Across all your sites where you sell fuel, the fuel price itself is very varied. How does that work within your strategy?

Mohsin Issa: How pricing works depends on which terminal that fuel is pulled out of and the logistics costs and service costs of a particular site, so there is always variation and fluctuation around pricing by site.

Q200 **Anthony Mangnall:** To be clear, there is no strategy to increase prices or keep prices at a higher level in more affluent areas and reduce them in other areas, or vice versa? You have not done that?

Mohsin Issa: No. My strategy is to be the price leader.

Q201 **Jane Hunt:** Just to follow on from that, Mr Issa, you said a moment ago, "Where we can, we pass on the decreases to customers." Where can't you pass on those decreases? Under what circumstances do you decide, "No, I'm not going to pass on that decrease that we received"?



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Mohsin Issa: We do so regularly. Wherever we can, we will do.

Q202 **Jane Hunt:** But you said “where we can”, which implies that sometimes you can’t or sometimes you don’t. In what circumstances would you not pass on a decrease?

Mohsin Issa: We always do pass on a decrease.

Q203 **Jane Hunt:** You said “where we can” earlier. Is that incorrect?

Mohsin Issa: Yes. I would say we always do pass on decreases.

Q204 **Jane Hunt:** So, for example, when the Government dropped the price per litre by 5p, you did that immediately, did you?

Mohsin Issa: Immediately, yes.

Q205 **Jane Hunt:** Okay, thank you. On 27 June, Mr Comerford told us that Asda had “fully engaged” with the CMA on “everything”, that Asda had “had those conversations” and the CMA had “all” the documentation. Mr Comerford did not tell us that Asda had been fined £60,000 for failing to comply with two notices issued by the CMA in relation to its market study. Why did Mr Comerford not inform us? What happened there?

Mohsin Issa: The CMA asked a specific question around data that we did not have in the business. Our systems are out of Walmart in the US and we asked them repeatedly around getting this information, and hence why that information was not available.

Q206 **Jane Hunt:** I understand that that happened, because I asked the CMA about that earlier. But you had been fined £60,000 because you had not provided information, and yet Mr Comerford told this Committee that Asda had provided all the information. Why was that?

Mohsin Issa: Asda has provided all the information that it has to the CMA.

Q207 **Jane Hunt:** But it hadn’t provided all the information that the CMA had requested. I think the CMA said that three questions were not responded to at all.

Anthony Mangnall: Two out of three.

Jane Hunt: Two out of three.

Mohsin Issa: It was one particular question that was answered and answered correctly. Myself and Mr Comerford went to a subsequent CMA meeting and confirmed that the question was answered correctly.

Q208 **Jane Hunt:** So why did Mr Comerford tell us that everything had been answered when it had not?

Mohsin Issa: It had been answered.

Q209 **Jane Hunt:** Okay. I am going to give up on that point. Do you now track all the information that the CMA requested, so that should they ask you in the future, you would be able to provide it?



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Mohsin Issa: The historic information that they asked for does not exist in the systems that we have today. However, we are in the process of upgrading all our systems. Once that system implementation is completed, we will have that information.

Q210 **Jane Hunt:** Okay. When you were asked for interview, you sent somebody along, first of all, who wasn't equipped with the information, even though they had been given the agenda and the questions that were going to be asked, and therefore they weren't able to answer them, and yet later on, two more senior leaders came and were able to answer on that occasion. Why didn't you send the two more senior leaders the first time around?

Mohsin Issa: Given the conversation we had with the CMA at the time and the agenda items, if you gave me the same conversation and the same agenda items I would send the same individual.

Q211 **Jane Hunt:** Right. So you sent somebody along who wasn't able to answer the questions you already knew, but you would do it again.

Mohsin Issa: No, he did answer the questions. It was one particular question that myself and Mr Comerford went over seven days after that meeting and answered the question, and it was the same answer that the vice-president gave.

Jane Hunt: Okay. Thank you.

Q212 **Chair:** There seems to be a bit of a recurring problem, where the CMA feels like you are not answering their questions and—I think I can say this on behalf of the Committee—we probably feel like you are not answering our questions. Why do you think that problem exists? What's the problem here?

Mohsin Issa: We complied with the CMA—[*Interruption.*]

Ian Lavery: You've been fined £60,000.

Q213 **Chair:** My colleagues are muttering, but they are saying that you were fined for not complying. By the very nature of that, you did not comply, and you are also not answering our questions fully today.

Mohsin Issa: The information that they asked for simply does not exist in our business today and we did not know that at the time. That is why we chased Walmart up for that information. The IT systems are based in the US, from legacy systems.

Chair: Okay. Well that is a legitimate point, so thank you for making it.

Q214 **Jonathan Gullis:** Mr Issa, apologies for my delay; I was in the Chamber presenting a petition on behalf of my constituents, which is why I have come in late.

Ms Hunt has made perfectly the points that I wanted to make, much to my annoyance. I asked question 24 of our session with supermarkets, including Mr Comerford from Asda, about the idea that at least one of



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them had targeted a margin in 2023 three times higher than it was in 2019. I asked whether Asda was that one supermarket and we were told, "No," from what I remember of the minutes. It has now transpired that that is actually the case. Why were we told the wrong information? Parliamentarians asked that question in good faith and were given false information.

Mohsin Issa: All I can say is I am here to answer your questions, sir. With due respect, I can talk about my track record of the ownership that we have had. Our strategy has not changed. If you look at the key investments that we have made, we have invested £40 million in "dropped and locked", we have put £2 million into "kids eat for £1", we have invested £70 million in Just Essentials, we have invested £200 million back to customers in their Cashpots, in our rewards—

Q215 **Jonathan Gullis:** Mr Issa—apologies—these are lovely statistics for you guys. We are talking about fuel specifically. The 5p cut was introduced, along with the freeze on increases in fuel from inflation. The CMA themselves have said that Asda and Morrisons were forecasting profit margins that led to Sainsbury's and Tesco following suit, which meant that people were being ripped off at the pump, when there were places like Northern Ireland, where an effective pump-watch scheme is in place, where at some points fuel was 10p per litre cheaper than it was in England.

You can imagine the real anger that constituents are feeling, at a time of cost of living when they are already facing a squeeze at the till from the supermarkets. I accept that the supermarkets themselves have had to face that, but constituents are then hit with a double-whammy at the pump, despite Government intervention to the tune of billions of pounds of taxpayers' money. They have not felt the reward of that. It was only when the CMA named and shamed, essentially, that suddenly supermarkets magically managed to find a way of taking 6p per litre off their costs. Why is it that it took the CMA to name and shame for Asda to take action?

Mohsin Issa: What I can say is that our strategy remained unchanged. We more than invested the margin we made out of that back into food. I can only say that, from a profit perspective, our profit margin went from 2.7% down to 1.7%.

Q216 **Jonathan Gullis:** Do you drive a gas-guzzling car, Mr Issa? A fuel-driven car? A nice car? A Range Rover?

Mohsin Issa: Yes, I do.

Jonathan Gullis: Diesel?

Mohsin Issa: No.

Jonathan Gullis: Is it electric or petrol?

Mohsin Issa: Petrol.

Q217 **Jonathan Gullis:** Obviously you are a wealthy individual—congratulations



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to you. I don't bemoan people making money, but I represent a constituency where average earnings are £100 less per week than in other parts of the country. When my constituents sought to fill up their cars, they found that, because the Competition and Markets Authority had named and shamed you—and others, but Asda and Morrisons were leaders in this—there had suddenly, overnight, been a 6p drop, which is more than the Government's 5p cut. Do you understand why customers think you have been taking them for a ride?

Mohsin Issa: I do understand where these customers are coming from. I grew up in the same environment that these customers are facing. I am absolutely in touch with these customers. That is why I chose to deliver incremental pay awards. I invested £200 million in Cashpots back to these customers where they need it most, as well as in "dropped and locked" and lowering the prices of food. Absolutely, I do understand their plight. I have been there. I grew up in a two up, two down house, sir, and I go there every week to visit my family and friends. My mum still lives in that same neighbourhood. I do understand the plight of these customers.

Jonathan Gullis: I think people will swallow that quite bitterly. I accept, Mr Issa, that you come from a background where you can empathise and understand the people that all of us on this Committee represent, but when they see the private jets and gas-guzzling cars, and when they see the money not being passed on in savings to consumers at the pump, they are rightly going to be angry, and I was very angry to be misled in the Committee.

Chair: We will have to leave that as a comment and not a question. Charlotte Nichols has a very quick supplementary and then we must move on.

Q218 **Charlotte Nichols:** Mr Issa, you keep saying that the strategy has not changed, yet when we had the CMA here earlier, they were very clear that there has been a significant change in your strategy. How can you keep saying over and over again in your answers to people something that the CMA has told us is not true?

Mohsin Issa: I can confirm that our strategy has not changed. The CMA report confirms that we are the price leader on fuel. Where we enter a market, the price of fuel in that whole market comes down on the back of Asda entering the market.

Q219 **Charlotte Nichols:** So you are saying that the CMA misled this Committee in stating that there had been two significant changes to your pricing strategy.

Mohsin Issa: I can tell you that our strategy has not changed on fuel pricing.

Q220 **Ian Lavery:** There are obvious concerns about the merger between Asda and EG, which we discussed with the first panel. The GMB union has warned that, with the rise in interest rates, Asda's debt could become unsustainable after the deal with EG goes through. I am wondering



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whether the acquisition of EG's UK and Ireland businesses could negatively affect Asda's financial sustainability.

Mohsin Issa: The EG acquisition is a strategic acquisition. It gives us access to the convenience market, which is £40 billion—the fastest growing of the food sector—and it also gives us access to the £60 billion food and beverage market, which is growing at double digits. It also gives us the ability to deliver a differentiated model from the other big four grocers, having food service and being able to deliver multiple missions in one convenient destination.

Q221 **Ian Lavery:** So you think it will affect Asda's financial sustainability positively, rather than negatively.

Mohsin Issa: Yes. It is a strategic acquisition, and it will enhance Asda's proposition.

Q222 **Ian Lavery:** Very interesting. Asda plans to fund the deal in part by £1.1 billion of property-related transactions, which include selling and leasing back some of Asda's supermarkets. Is that accurate? If it is, how many of your stores will this potentially apply to?

Mohsin Issa: If you look at the context of the deal, it is correct that £1.1 billion will be financed. However, there is £1.2 billion of incremental freehold assets coming into the deal, so net, Asda will be in an enhanced position.

Q223 **Ian Lavery:** It might be in an enhanced position, but I am wondering how many supermarket stores Asda might sell and lease back as a result of the merger.

Mohsin Issa: There are some stores that will be sold and leased back, and there are some that will go on a ground rent basis.

Q224 **Ian Lavery:** Any idea of figures?

Mohsin Issa: Tens.

Q225 **Ian Lavery:** Tens of what?

Mohsin Issa: Tens—about 50 or 60.

Q226 **Ian Lavery:** Sorry, I am not being rude, but I don't know what you mean by tens or fifties.

Mohsin Issa: Between 50 and 60 stores.

Q227 **Ian Lavery:** Between 50 and 60 stores will be sold and leased back?

Mohsin Issa: I think there are 25 stores that will get sold and leased back. I am not sure of the exact number, but there will be about 50 stores that will have a ground rent attached to them.

Q228 **Ian Lavery:** The *Financial Times* estimated that Asda took on £3.7 billion of what they class as "junk-rated" debt as part of your buy-out of the company in 2021. How will your acquisition of EG's UK and Ireland businesses affect the amount of debt on Asda's balance sheet?



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Mohsin Issa: Asda is a highly cash-generative business. When we look at the cash it generates and the debt payments that it has, it is more than manageable.

Q229 **Ian Lavery:** You haven't got any concerns whatsoever with regard to that.

Mohsin Issa: None whatsoever.

Q230 **Ian Lavery:** Lots of other people obviously have—you will have seen that in the press—but in your position you have no difficulties.

Mohsin Issa: No.

Q231 **Ian Lavery:** The EG Group plans to use the proceeds of the deal to repay some of its debts. Will Asda need to come to EG Group's rescue later down the line if it struggles to pay its remaining debts?

Mohsin Issa: This is a strategic acquisition from Asda to buy the EG convenience business. There is no plan on anything else between Asda and EG.

Q232 **Ian Lavery:** So you don't think you will need to come and bail the EG Group out at all.

Mohsin Issa: No.

Q233 **Ian Lavery:** It has been reported, I think by Sky News, that your brother and TDR Capital are planning to use Asda as a "cash cow" to pay off your debts. How would you respond to that?

Mohsin Issa: It is speculation.

Q234 **Ian Lavery:** It is speculation, but how would you respond to it? That is not really a good enough answer. Is there any truth in the matter? Can you see it happening? Is it on the cards?

Mohsin Issa: No, Asda is its own entity. It has its own board. It has a purpose to serve customers, and that is what it is focused on.

Q235 **Ian Lavery:** Why would people suggest, then, that your brother and others are planning to use the Asda purchase—acquisition—as a "cash cow" to pay off your debts? Why would people say it if it is just not true?

Mohsin Issa: I couldn't comment on that.

Q236 **Ian Lavery:** You couldn't comment, all right. Can you confirm how much debt the EG Group currently has, when that debt needs to be repaid, and how far Asda's acquisition of the EG UK and Ireland business contributes to paying off those debts? There are three separate questions there.

Mohsin Issa: I don't know what EG's exact debt is today.

Q237 **Ian Lavery:** So you have no idea of how much debt the EG Group currently has, even though you have just merged, or you are in the process of merging.



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Mohsin Issa: It is not a merger. Asda is acquiring EG's convenience and food service business.

Q238 **Ian Lavery:** But you haven't got any idea, in your position, what debt it has, when it needs to be repaid, or how far Asda's acquisition is paying off or ready to contribute to paying off those debts.

Mohsin Issa: I am here to represent Asda. I genuinely do not know what—

Q239 **Ian Lavery:** Surely, simple financial due diligence would give the answer to these very simple questions. If you were merging with a company and they had a debt—

Mohsin Issa: We are not merging; it is an acquisition.

Ian Lavery: —you would ask, in your position, how much they are in debt, when they will have to pay it back and how they will pay it, before you joined or merged with them. These are very simple, straightforward questions, Mr Issa.

Mohsin Issa: It is not a merger, sir. Asda is acquiring EG's convenience and food service business for £2.27 billion.

Q240 **Ian Lavery:** And you don't class that as a merger.

Mohsin Issa: It is not a merger; it is an acquisition. It is an Asda acquisition.

Q241 **Ian Lavery:** Well, would you not normally ask these questions before you acquired a company? If I wanted to buy a company and I thought it had a huge burden of debt, I would want to know how much, how and when it could be paid back, and how that might affect the company I had just acquired. Are you honestly saying you haven't got any idea?

Mohsin Issa: I am here to represent Asda. Asda is doing—

Ian Lavery: I know who you are here to represent, but you are not doing a very good job, I'm afraid.

Mohsin Issa: Asda is acquiring the EG convenience and food service business for £2.27 billion. How they choose to spend that money, I don't know.

Ian Lavery: I give up.

Q242 **Andy McDonald:** Good afternoon, Mr Issa. Can I turn your attention to the people who work for you and help you to be successful? On 28 June, Mr Comerford wrote to us to clarify that Asda's "last resort position", as he described it, was that, if it could not reach an agreement, it may seek to "dismiss and re-engage colleagues on new terms and conditions". Is that correct?

Mohsin Issa: This is a live consultation and I can't—

Andy McDonald: No, no. I didn't ask you that. I am asking you about Mr



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Comerford writing to us and giving us that clarification that the dismissing or re-engaging of any Asda employee on new terms and conditions will only apply as a “last resort”. Is that the position—yes or no?

Mohsin Issa: Our position is to get to an amicable agreement with our negotiation.

Q243 **Andy McDonald:** Is what is colloquially known as “fire and rehire” a last resort for you as an option?

Mohsin Issa: Our mission—our team is tasked to reach an amicable solution. Maybe Ms Tatum can give you an insight into where we are with that.

Q244 **Andy McDonald:** Well, perhaps Ms Tatum can answer. Have you communicated that dismissal and re-engagement is an option as a last resort—yes or no?

Hayley Tatum: We have communicated with our colleagues that we plan to reconsider the current 60p-an-hour premium that a small group of our colleagues currently receive. We went into consultation with those colleagues in February of this year. At the same time, we explained future pay rises, across this year, that we plan to make, that would exceed the premium payments that these colleagues currently receive.

Q245 **Andy McDonald:** I was not asking you to get into the dispute. I was asking you whether dismissal and re-engagement on different terms is there as part of the strategy—Mr Issa likes the word “strategy”. Is that part of the option available to you as a company, and have you communicated that to people?

Hayley Tatum: All options that are available to us legally—we opened the consultation by explaining all options to our colleagues, so they are fully understanding, with the transparency of—

Q246 **Andy McDonald:** No, no; I am not going to let you talk this out. I am afraid that is the tactic that is being deployed. I am simply asking you straightforwardly: is that part of your armoury—to dismiss people and re-engage them on less favourable terms? I am trying to get a yes or a no from either Mr Issa or you. Yes or no?

Hayley Tatum: I am not playing any tactics with you. I am sorry if you think—

Andy McDonald: Just tell me yes or no.

Hayley Tatum: We are working through this with our GMB partners, some of whom will be in this room today. They can clarify that we are in meetings—

Q247 **Andy McDonald:** You see, that’s the point. It is in the current consultation document, is it not?

Hayley Tatum: All options are in the consultation document.



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Q248 Andy McDonald: Is that option? It is like drawing teeth talking to this company. Why will you not answer a very straightforward question and then we can make progress?

Hayley Tatum: I am happy to make progress. As a last resort, as we get through our consultations with our colleagues, we will determine what action is the right outcome. We have not made any decision at all. This is a live consultation, as Mr Issa and Mr Comerford said. The last meeting was last week. The next one is this week; it is still ahead of us, on Friday. We cannot confirm what we will or won't do because we don't—

Q249 Andy McDonald: I am not asking you to do that. The point is that you have set off on this journey saying that this is available to you as a last resort and I cannot get from you an admission that that has been your position. You have not made that clear to this Committee, and it is very frustrating.

Hayley Tatum: I am sorry if I am coming across as frustrating. I apologise.

Q250 Andy McDonald: Were you part of the Contract 6 consultation?

Hayley Tatum: I was.

Q251 Andy McDonald: That was in 2019. Asda used fire and rehire there, didn't they?

Hayley Tatum: What we did in 2019—

Q252 Andy McDonald: Did you use fire and rehire?

Hayley Tatum: We entered into consultation with 118,000 colleagues. At the end—

Q253 Andy McDonald: Did you use fire and rehire?

Hayley Tatum: I am just going to answer your question, sir. At the end of the consultation process, which took many months across 2019, in November 2019, we lost 205 colleagues as a result of that consultation through that process of dismiss and re-engage.

Ian Lavery: Fire and rehire.

Q254 Andy McDonald: So you did engage in fire and rehire. Thank you for that.

Mr Issa, I will turn to you. Have there been any internal discussions, within either TDR or Asda, at board or senior management level regarding future plans that may involve the use of fire and rehire?

Mohsin Issa: No.

Q255 Andy McDonald: That hasn't happened?

Mohsin Issa: No.

Q256 Andy McDonald: Are you aware of any discussions taking place regarding future workforce strategy that would include fire and rehire as part of the



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consultation process?

Mohsin Issa: No.

Q257 **Andy McDonald:** So you are not doing that. Has Asda got any plans for any significant restructuring among the workforce?

Mohsin Issa: We are in a dynamic business. Today, our costs are ever under scrutiny. We have to be competitive. As we said, we have significantly invested in customer proposition—

Q258 **Andy McDonald:** No, no; that wasn't what I was asking you. I can understand the rationale behind it, Mr Issa, but I am just asking you if there are any plans for any significant restructuring among the workforce.

Mohsin Issa: As any company of our scale and size would do, we are constantly evaluating our options around our operating model, for sure.

Q259 **Andy McDonald:** On the last occasion, I asked Mr Comerford whether Asda was going to recognise GMB as a trade union for negotiation purposes. He said he would take that away and that he wanted to co-operate. I was asking about recognition specifically. How far have you got with that? Are they a recognised trade union?

Hayley Tatum: They are a recognised trade union in our business. They currently have a collective bargaining arrangement on pay in our logistics business. In our retail business, they work with us on a partnership agreement. They have not used the established process at the moment to come forward and ask for recognition. Obviously, that requires them to demonstrate they have enough membership and are therefore representing our workforce. When I met with Gary Smith of GMB in November last year, I asked for the membership numbers to demonstrate that they were representing our workforce. I do not have that data; that has never been received.

Q260 **Andy McDonald:** But you would be accepting that approach favourably for recognition?

Hayley Tatum: If they come forward through the process, through the Central Arbitration Committee, yes, of course.

Q261 **Charlotte Nichols:** You have just said that you would be willing to recognise GMB through the established process with the Central Arbitration Committee. So you would not engage in a voluntary trade union recognition agreement with them; you would go through the statutory CAC process.

Hayley Tatum: We would, because we currently already have agreements with other unions in our business, so it is important that we ensure that we make sure that we are working with the unions that have the representation among our workforce. We currently have collective pay agreements in retail with USDAW.

Charlotte Nichols: That's 16 stores in Northern Ireland.



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Hayley Tatum: And the Co-op acquisition sites that we already have and, of course, the numbers of individuals with the EG business that already are union members. With all that in mind, it is important that we can see which unions have the necessary membership to ensure that we give the recognition to the appropriate union.

Q262 **Charlotte Nichols:** But you wouldn't do that on a voluntary basis; you would only do it through the statutory CAC process.

Hayley Tatum: We would do it with the information that demonstrates the required membership, so yes, we would go through the required process.

Q263 **Andy McDonald:** As I understand it, there are the 16 stores in Northern Ireland, but you have over 600 stores in total in the United Kingdom. Is that right?

Hayley Tatum: That's right, yes.

Q264 **Andy McDonald:** As a proportion, that is a very small minority of the stores where there is trade union recognition for retail.

Hayley Tatum: We cannot see the membership in those 600 stores here in England, Scotland and Wales.

Q265 **Mark Pawsey:** The Chairman will have a final question, but I want to ask you one, Mr Issa. I have listened to your answers to my colleagues on fuel pricing and employment practices. What impression do you think the financial press, your suppliers and the colleagues within your business will have made of your representation before this Committee this afternoon?

Mohsin Issa: What I will say is that we have record interaction with colleagues. We work very actively. Respectively, we have done 8% and 10% pay rewards, so from a colleague perspective—

Q266 **Mark Pawsey:** Thinking specifically about your performance before the Committee this afternoon, Mr Issa, what impression will the financial press, your suppliers and your workforce have gained about the management of Asda?

Mohsin Issa: I think they can only take the actions that we conduct on a daily basis, not this Committee. We have an active working relationship with our suppliers, as we do with our colleagues.

Q267 **Chair:** I have question of clarification. Forgive me if I misheard, but I think you said, Mr Issa, that you were not planning on using fire and rehire in the current negotiation with Asda employees. Is that right? Did you say that? Ms Tatum, do you want to come in?

Hayley Tatum: What we said is all options are on the table, we have not made any decisions, and we are working through a smooth transition agreement with our union reps. We don't—

Chair: But—



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Hayley Tatum: Sorry, sir. We don't know whether we will end up in a fire and rehire position. It is a last resort. It is the last thing that any of us would want to entertain. The numbers I gave you from 2019 demonstrate that we go out of our way to find the route through to protect employment. If I may—

Q268 **Andy McDonald:** No, if it is in the consultation document at the outset, it cannot be a last resort. You have set that out as an option right from the off. What do you think it does to industrial relations to put before a trade union, "Right, if this doesn't work, we have fire and rehire. We say it's a last resort. It's there if you don't do our bidding"? How is that good industrial relations practice?

Hayley Tatum: I have worked with the GMB for the 12 years that I have been with Asda and we have forged a strong relationship together. We don't always agree, naturally—we don't agree with all of our union partners from time to time—but we work hard together to create job security and to do the right thing for our colleagues. We are joined on that outcome.

Looking at what we did in 2019, as you raised it, sir, at the beginning of the consultation in April, we outlined exactly the same process as you are referring to for the middle-band pay consultation we are currently in. We did exactly the same. By November, the GMB gave an agreement and a recommendation to their members on what to accept. We worked hard with the GMB to have a joint agreement, and that is our intention this time as well.

Q269 **Chair:** Mr McDonald has made the point before me, but we had this issue with British Gas previously where if you tell your employees that you will fire and rehire them if they do not agree to what you are proposing, even though you say you hope you don't get to that position, it is an obvious threat to employees that they are going to lose their job if they don't do what you are asking of them. That is obvious, isn't it?

Hayley Tatum: If I may, just to be really clear, this smaller group of colleagues we are in consultation with currently are receiving a premium payment that no other colleagues in our business currently receive. We have an imbalance and an unfairness on payments in our organisation today, and we want to make sure that we correct that balance. It is a legacy payment; it is not something that they have—

Q270 **Chair:** My question is not about the legacy payment, Ms Tatum; my question is about the use of fire and rehire. It doesn't really matter to me what the substance of the issue is. You are threatening your staff with fire and rehire, aren't you?

Hayley Tatum: We are talking to our staff—our colleagues—about a potential change. What I can refer to, if I may, is that we conduct engagement surveys at random through our organisation. We conducted one in May. Our performance on our engagement has gone up across retail stores by 11 points year on year. It is outstripping and ahead of the competitor set—



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Q271 Chair: That is fine, Ms Tatum, but my question is whether you are threatening them with fire and rehire. It is a very simple question, and you do not seem to want to answer it. I have a copy here of the middle pay band proposal business case from your business, and it says very clearly that you will “serve notice to any remaining colleagues on their existing terms and conditions and offer to re-engage them immediately on the new terms and conditions...Those colleagues would not receive any compensatory payment” for this action. This is a threat of fire and rehire that you are putting in front of your workforce. It is here. You have to say that you are, because it is here.

Hayley Tatum: As are the other options on that page.

Q272 Chair: But you are using fire and rehire, aren’t you, Ms Tatum?

Hayley Tatum: All options are—

Q273 Chair: All I want is for you to answer my question. You are threatening fire and rehire, aren’t you?

Hayley Tatum: It is not a threat. It is—

Andy McDonald: It’s in the document!

Hayley Tatum: I’m sorry, it’s not a threat. There are all other options in that document as well, and we are consulting. We have had—

Q274 Andy McDonald: It is really unacceptable to say that it is not a threat when the Chair has actually shown you the document—your document—in which you say that that is on the table. Do you not understand that that is just an illogical position for you to adopt?

Hayley Tatum: I’m sorry, it is not a threat, and this is not an illogical position. I am trying to outline transparently to colleagues different options. We are engaging with those colleagues. We are asking for ideas and suggestions on how we could avoid that place—

Chair: We understand all of that, Ms Tatum. The question is really about the threat of fire and rehire, but we have only got a few minutes left and Mr Lavery wants to come in.

Q275 Ian Lavery: Just very briefly. Ms Tatum, I mentioned fire and rehire, and you used different words and terminology. What was it that you used?

Hayley Tatum: Dismiss and re-engage.

Q276 Ian Lavery: Dismiss and re-engage. Is that—

Hayley Tatum: I don’t want us to split hairs on what the terminology is.

Q277 Ian Lavery: I don’t want to split hairs either, because that simply means fire and rehire. You are obviously a bit of an expert on fire and rehire, or “dismiss and rehire”; as Mr McDonald said, you were part of the Contract 6 consultations. You were certainly part of that—you said you were, anyway—so you are a bit of an expert on this and understand exactly how it works. Can I ask you a really simple question? If people say that they



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are not prepared to accept what the company is saying and they are not prepared to accept the final offer, as a last resort, would they lose their jobs?

Hayley Tatum: We're not in that place yet.

Ian Lavery: Pardon me, sorry?

Hayley Tatum: We are not in that place yet. We are not having—

Q278 **Ian Lavery:** I'm not saying you are. When you were leading the negotiations last time, people lost their jobs.

Hayley Tatum: Two hundred and five people chose not to re-engage.

Q279 **Ian Lavery:** Two hundred and five people lost their jobs—what a threat that must be, by the way. You are saying that we're not at that place now, but we weren't at that place weeks before this happened to the 200-odd people who lost their jobs. If people refuse to accept a reduction in pay—because that is what it is; it is a reduction in pay—will they lose their jobs?

Hayley Tatum: Can I just put you right on one thing? It is not a reduction in pay.

Charlotte Nichols: Sorry, taking 60p off people is not a reduction in pay?

Ian Lavery: Regardless, you have taken 60p—

Hayley Tatum: It is not a reduction in pay. It is bringing their contracts to be consistent with other contracts in our organisation.

Q280 **Ian Lavery:** Why do you not increase the rest of the workforce to the level that they are at, instead of decreasing them? Anyway, will you answer my question, please?

Hayley Tatum: If we conclude our consultation at a collective level and then an individual level—everybody has to have individual conversations; this is not a collective agreement. Once we have got through every single individual, those individuals will have—could have—the opportunity to consider their future in the business. If we enter that—

Ian Lavery: What does that actually mean? They have the opportunity of considering their future in the business? What on earth—

Q281 **Chair:** Order. I am afraid that we are going around in circles, and may I say that the witnesses are probably wasting the Committee's time? Let me finish by asking this, on fire and rehire. Why are you willing to say "dismiss and re-engage" but not "fire and rehire"? They mean exactly the same thing.

Hayley Tatum: As I said, I'm sorry that I am using different terms. I don't mean to be—

Q282 **Chair:** But why?

Hayley Tatum: I am using the terms that the professional—



Q283 **Chair:** ACAS refers to it as fire and rehire.

Hayley Tatum: The Chartered Institute of Personnel and Development call it dismiss and re-engage. I follow their policy in terms of making sure that through our consultation, because it is an option—not the only option—we make sure that all of those processes and policies are followed.

Chair: I understand. Just for future reference, the dictionary definition of “fire” is “to dismiss”, and the dictionary definition of “hire” is “to engage”, so you can be confident in saying, Ms Tatum, that Asda is using fire and rehire tactics.

Might I say that this has been quite an extraordinary session, but not in the way that I hoped it would be? We have heard today that prices are up at Asda, tax is down, pay is down and money is being taken through a very complicated set of business structures into offshore companies, and you have not answered any of our questions. I am just very sorry that we have spent an hour going around in circles and you have not been complying with the questions from this Committee. It is not in order, and actually I think you have suffered to the detriment of the brand of Asda, your customers and your suppliers. I am just sorry that we are in this position. We have, however, agreed to follow up on a number of issues in correspondence, and we will do so. If we need to call you again to answer further questions, we reserve the right to do so. I call the session to an end.