

1 Q What is your job?

2 A I am a detective inspector of police.

3 Q Did you attend an incident at Cat and Fiddle public house?

4 A I did. I was called by uniformed colleagues who were responding to a 999 call.

5 Q Describe the scene at the Cat and Fiddle when you arrived.

6 A I arrived after the emergency services and the police forensic medical examiners.

7 The bodies had been removed from the pub's function room. The room seemed to

8 have been used for a business meeting. My role was to search the scene for clues

9 that might explain the tragedy.

10 Q What did you find?

11 A There were several documents in the room. Some were laid out as letters or

12 memorandums; others were less formal. All the documents appeared to relate to

13 something called the third pump. I have catalogued, numbered and transcribed each

14 of the documents and exhibited them in my statement.

15 Q Before we go any further, what was the third pump?

16 A The Cat and Fiddle sells, or sold, a local ale called the Cat's Tail, which appeared to

17 be very popular. The pub had two pumps dispensing Tail. Some of the protagonists

18 wanted a third pump to be installed for Tail.

19 Q Who were the protagonists?

20 A The names that appear in the documents that I have reviewed are Dave, Frida and

21 Llewelyn. Llewelyn and Frida seem to have been the landlord and landlady. Dave

22 was the bar manager.

23 Q Who were the two people who were found dead after a dispute in the function room?

24 A I have no first-hand knowledge of any bodies.

25 Q Fair enough, let me rephrase that. Is your evidence compatible with the hypothesis

26 that the bodies were Llewelyn's and Frida's, and that their deaths occurred during or

27 after a meeting with Dave in the function room to discuss the third pump?

28 A Yes, it is.

29 Q Please tell us about the documents you found.

30 A Okay. I have given each document a number prefixed with A.

31 • A1 is a note from Dave to Llewelyn written on a Friday night, complaining that

32 that one of the two pumps was out of service and there had been an angry queue

33 at the bar because the remaining pump could not pull pints fast enough.

34 • A2 is a paper from Dave headed “Third pump business case”. It includes a
35 printout of a spreadsheet.

36 • A3 is a letter from Llewelyn addressed to Dave and headed “Economic pricing
37 and price signals are a prerequisite to any third pump”.

38 Q I am sorry to interrupt, what are economic pricing and price signals?

39 A Within the documents that I have reviewed, economic pricing is used as a slogan to
40 promote the author’s favourite business strategy. Alternative proposals are
41 described as lacking in price signals. It’s little more than playground abuse, really.
42 You lawyers should be quite at home with that debating technique.

43 THE COURT Please stick to answering the questions and keep your jokes for another
44 forum.

45 A I am sorry.

46 Q Please continue with the list of documents.

47 A Right. A3 was the letter from Llewelyn to Dave. A stack of background papers,
48 which I have labelled A3a, was attached to the letter itself. Then:

49 • A4 is a note from Frida to Llewelyn that appears to criticise aspects of A3.
50 • A5 is Dave’s response to A3.

51 Q Was the pub in trouble as a business?

52 A Not at all. A3a shows that profits were high and steady, boosted by the success of
53 the Cat’s Tail. There were healthy revenues from the bar, and a stream of revenue
54 from a quiz society that rented the function room for special Tail-fuelled quiz nights.

55 Q Any debts?

56 A A bank loan, which was comfortably within its covenants. In fact, Dave had asked
57 the bank whether it could advance funds for the third pump, and the answer was that
58 yes, they were prepared to invest further in this business, subject to seeing a business
59 case.

60 Q Which is why A2 was written?

61 A Probably.

62 Q Do the papers show any dispute between Dave, Llewelyn and Frida?

63 A More than one dispute.

64 Q Can you summarise the position of each party?

65 A I can only talk about what is in the documents, not what was in their mind.

66 Q Please tell us each party's position as it transpires from the documents.

67 A Dave's position was that a third pump should be installed. He has calculated that the
68 investment required for the pump, modifications to the bar, and so on, would be
69 £10,000, and that it would bring in additional profits of £2,000 a year, partly from
70 additional beer sales on very busy nights, and partly from being able to
71 accommodate quiz nights on Fridays and Saturdays. With only two pumps for Cat's
72 Tail, he was not able to guarantee a continuous supply of Tail to the quiz teams if
73 one of them failed and the public bar was nearly full, as it tended to be on those
74 days. He also said that a third pump would help him maintain an orderly house in
75 cases like the one reported in A1.

76 Q So he wanted an easy life as leader of the bar team, and it was his own private self-
77 interest driving his position?

78 A I don't know.

79 Q Is it possible that it was his own self-interest driving his proposal for a third pump?

80 A It is possible.

81 Q Thank you. Tell us about Llewelyn's position.

82 A Llewelyn was an interesting character. He had written a series of principles, strategy
83 and policy documents for the Cat and Fiddle. They are exhibited as A3a in my
84 statement. In short, his objective for the Cat and Fiddle was to create an economic,
85 efficient and co-ordinated pub, and the main pillar of its strategy was a set of key
86 performance indicators which I'll come to in a bit. He was expecting his son to take
87 day-to-day control of the business, and his plan was to retain a supervisory interest
88 and to provide financial incentives to the son based on the key performance
89 indicators. Until that happened, he was running the business as if he was subject to
90 the incentive regime himself. The underlying principle for the key performance
91 indicators was that revenue arose from incentives, innovation, and outputs, which he
92 called RIIO.

93 Q Rio de Janeiro?

94 A No, R.I.I.O. Revenue equals incentives plus innovation plus outputs.

95 THE COURT Are you having a laugh at the expense of this court, again?

96 A No, I am only describing what was in the documents exhibited at A3a.

97 THE COURT Please continue.

98 A Llewelyn was keen on minimising total expenditure. In A3, he explained that the
99 third pump would cause an additional cost of £10,000. He said that Dave should
100 have called it a cost, not an investment. He said that the cost could only be justified
101 by evidence that the value that customers placed on the third pump exceeded the
102 “cost”. He said that, to provide that evidence, it was necessary to implement a
103 system of economic pricing with forward-looking cost signals. He proposed, as a
104 first step, to apply that system when charging the people organising quiz nights for
105 the use of the function room. His plan was to increase the charge for quiz nights by
106 an amount that reflected the future cost of installing a third pump.

107 Q You’ve lost me. He wanted to charge for the third pump before he had installed it?

108 A Yes, that is correct. He had got a university professor to create an economic model
109 to calculate the function room price that would reflect the fact that if the function
110 room was used for quizzes and if there was a general increase in demand of Tail in
111 the public bar, then hosting quiz nights would reduce the number of years until a
112 third pump would have to be installed in order to be able to maintain a good supply
113 of Tail to both the quiz room and the public bar, even when one pump was out.

114 Q Tell me if I have got this right. No third pump, so no quiz nights on Fridays and
115 Saturdays. For quiz nights on other days, where the two pumps are sufficient, you
116 estimate how much additional future demand could be accommodated before a third
117 pump is needed. If there is space for a lot of additional future demand, then you do
118 not charge much for the quiz night today. If even a small amount of additional
119 future demand in the public bar would make it impossible to host the quiz night
120 without a third pump, then you do not install a third pump, but you charge the quiz
121 night today a lot of money based on how much a third pump would cost if you were
122 to get one in the future.

123 A You’ve got it.

124 Q But that does not make any sense.

125 A I am sorry, this is what is written in the documents I found.

126 Q Did Llewelyn’s letter or strategy papers explain why this was a good idea?

127 A Yes. Llewelyn’s papers say that the according to economic theory and the
128 economics professor, the charge based on future costs that the system would give to

129 quiz nights would provide a price signal that would ensure that only efficient
130 increases in demand would occur.

131 Q What defines efficient?

132 A From my reading of the papers, an increase in demand is said to be efficient if the
133 benefit to the customer is greater than the cost and investment needed from the pub.

134 Q That bit made sense; maybe we are getting somewhere. Let's see if you can
135 enlighten us as to how Llewelyn's price signal system would encourage efficient
136 demand growth.

137 A From my reading of the papers, this would occur because the price charged for quiz
138 nights reflects the future cost of accommodating quiz nights, and therefore only quiz
139 nights on days that could be accommodated at low cost or where the value to
140 customers was high would ...

141 Q But that's rubbish: one of the opportunities for efficient demand growth was to allow
142 quiz nights on Fridays and Saturdays, and those don't even get a look in!

143 A I am sorry, I cannot explain the ideas in Llewelyn's papers to the court if I keep
144 being interrupted with commonsensical remarks. What I was saying is that only quiz
145 nights on days that could be accommodated at low cost or where the value to
146 customers was high would grow, and therefore, according to Llewelyn's papers, the
147 third pump will only need to be built if demand places a high enough value on it.

148 Q Have you finished now? Okay, so what about the potential for efficient demand
149 growth from accommodating Friday and Saturday quiz nights, which do not
150 currently exist and therefore do not receive any of Llewelyn's signals?

151 A That point is not covered in the documents I found.

152 Q Maybe Llewelyn had drunk too much of the product when he came up with his
153 pricing scheme.

154 A I had the same thought. Llewelyn's position is set out in A3, which is actually a
155 hand-written letter. I commissioned a handwriting expert to look at A3. His report
156 is exhibited with my witness statement. He concluded that it was most unlikely that
157 the author could have been under the influence of drink or drugs at the time of
158 writing.

159 Q With all due respect to the dead, do you think it plausible that Llewelyn could have
160 held the position that you have described?

161 A In my experience, yes, these things happen. Before I joined the police, I worked in
162 the electricity industry and ...

163 THE COURT Is your electrician experience any more relevant than your attempts at
164 comedy?

165 Q Let's move on. Did you say that Frida criticised Llewelyn's position?

166 A Yes. She agreed with the principle that price signals based on future investment
167 costs should be given to existing customers, but she had her own economic model,
168 which seemed to work in a different way.

169 Q Do you think that it makes any more sense?

170 A My personal opinion on that question is not relevant. Let's just say that both
171 schemes are based on the same concept of charging quiz nights on the basis of the
172 future cost of a third pump before the third pump is built.

173 Q Right. What about Dave?

174 A Dave's papers argue strongly that both Llewelyn's and Frida's positions are
175 fundamentally wrong.

176 Q You say "strongly" and "fundamentally". Does this mean that Dave was in a rage?
177 Is an attack from Dave consistent with the causes of Llewelyn's and Frida's deaths?

178 A I have not examined the bodies.

179 Q Let's move to Dave's motives. The prosecution's case against Dave is that he was in
180 a rage at the refusal of the owners to invest in a third pump that would have made his
181 life easier as bar manager, and that Dave's business arguments against Llewelyn's
182 model were merely smokescreens for that true motive. The defence may try to argue
183 that Dave was not in a violent rage, that he just pointed the absurdity of their
184 positions to Llewelyn or Frida, and that they collapsed from heart attacks when they
185 realised. What I want to explore with you now is whether Dave's arguments could
186 have been mere smokescreens. What does paper A5 say?

187 A The paper is garnished with calculations and case studies, but it boils down to a few
188 points. I have numbered them A5a to A5d in my statement. They are:

189 • A5a: Charging today's quiz nights on the basis of the cost of a hypothetical
190 future third pump is overcharging, as today's quiz nights do not need or use a
191 third pump. Such overcharging would expose the Cat and Fiddle to the
192 competition law enforcement risks.

- 193 • A5b: There has been no net growth in demand in the past few years, therefore it
194 is impossible to operate either Llewelyn's or Frida's model. Llewelyn's
195 solution of using 1 per cent deemed annual demand growth was an unjustifiable
196 fudge.
- 197 • A5c: Under Llewelyn's or Frida's models, if the third pump is ever installed,
198 then the charge for the new Friday or Saturday quiz nights that it would permit
199 would be set at a low level. This is because it would take very many years
200 before a fourth pump was needed (even if steady demand growth was assumed).
201 These low charges would fail to provide a return on the investment made in the
202 third pump.
- 203 • A5d: RIIO was a grievous error ...

204 THE COURT Excuse me, did you say that Rio de Janeiro was a grievous error?

205 A No. R.I.I.O. Llewelyn's acronym. Revenue equals incentives plus innovation plus
206 outputs. Llewelyn's RIIO was a grievous error according to Dave because it focused
207 on total expenditure, without distinguishing between current expenses and
208 investment, and without making adequate allowance for growth from new
209 customers, more consumption, or indeed extra quiz nights.

210 THE COURT I am sorry for interrupting.

211 A According to Dave, Llewelyn's RIIO gave a powerful perverse incentive to the
212 manager of the pub to turn away new demand even if it would be efficient to meet it,
213 and to resist efficient growth. This was because Llewelyn's RIIO failed to recognise
214 that more investment is a good thing provided that the new demand that it allows
215 pays a fair return towards it — after the event, not before. The wise business idea of
216 earning a return on investment after making the investment was alien to Llewelyn's
217 RIIO. Llewelyn's RIIO was totally unfit to govern such an important village
218 infrastructure as the Cat and Fiddle.

219 Q Thank you for listing Dave's arguments. Now, which of them could be
220 smokescreens for his secret plan to gold-plate the bar's dispensing equipment for his
221 own benefit?

222 A All of Dave's arguments look valid to me. But I am only an inspector of police.

This is a fictional transcript. © 2014 Franck Latrémolière. All rights reserved.

Challenge

Are you a clever economist who believes in forward-looking price signals, or who approves of Ofgem's RIIO price control model?

Or do you work for Ofgem or for one of the electricity distribution network operators who approves of RIIO-ED1 or who believes that the FCP or LRIC elements of the EDCM for demand might be appropriate?

Send me the expert testimony that would help the prosecution show that any of Dave's arguments would not stand up if Frida's model was EDCM/FCP, if Llewelyn's model was EDCM/LRIC, and if Llewelyn's RIIO was Ofgem's RIIO-ED1, and I'll publish your work here instead of this notice.

Until then, I call bullshit.

Franck.

Email: f20@reckon.co.uk.