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Tēnā koe Tex

### **Commerce Commission**

Thank you for the ongoing discussions in relation to the Commerce Commission's Market Study into the New Zealand Grocery industry.

As discussed, we have been watching the Commerce Commission's Market Study with interest as we have a strong desire to look at how we might engage and participate proactively in the future.

We would like to participate in a fair and equitable process to reset the food distribution business in Aotearoa and want to work constructively with industry incumbents to build a better offering for Māori and all New Zealanders.

We see there being three (3) classes of supermarket owner / operators in Aotearoa:

1. Cooperatives where store owners participate in parent operating profits generated from supply chain etc. These entities are capturing super profits and our observation is that they are generally responsible for land-banking which ultimately prevents sustained competition (for example New World and Pak n Sav);
2. Corporate entities – where there is a fully integrated operating system across the supply chain and store ownership. All profits (which are considerable) are the benefit of the controlling corporate entity. Parent ownership is often off-shore (for example Countdown / Woolworths); and
3. Franchisees - These are generally smaller to medium owner / operators who serve focussed communities (for example Freshchoice and Supervalu supermarkets). These owners do not participate in the parent operating profits (i.e. those generated from supply chain etc), and are required to pay franchisee fees. In this case it is generally the Franchisor who is making large profits.

In our view it is important that the Commerce Commission recognises the distinction between the three classes, and focuses on the large-scale cooperative and integrated corporate entities that are making super-profits, and who are primarily responsible for the lack of competition. This is particularly important when considering structural separation and the associated impacts to stock supply, business valuations, entry/exit options, and systems and processes.

We agree with the Commerce Commission findings that the industry needs competition and that there is an opportunity for a third large-scale operator. We think structurally this operator would be more suited to a blended cooperative/franchisee model where the store operators have the benefit of greater commercial transparency and associated outcomes, while preserving the necessary independence for owner / operators.

In addition to the proposed cooperative/franchisee structure we think Iwi/Māori should and must play a major role. We say this as:

- Māori food security and outcomes are vitally important to the wellbeing of Māori and the broader community;
- Iwi are directly connected and accountable to their communities and focused on delivering solutions that produce strong social, cultural and environmental outcomes;
- Iwi are long term intergenerational investors who focus on financial and non-financial outcomes;
- Iwi/Māori are natural leaders in sustainability initiatives and promoting leading environmental practices - kaitiakitanga outcomes. We see opportunity to improve the environmental performance, pricing, service and quality of the industry;
- Collectively – Iwi/Māori can provide scaled investment with broadened diversification;
- Iwi participation will encourage Māori employment opportunities and other social outcomes which will benefit all communities; and
- It provides a collaborative opportunity to blend Iwi customary and regulatory advantages with outcomes that benefit the whole population.

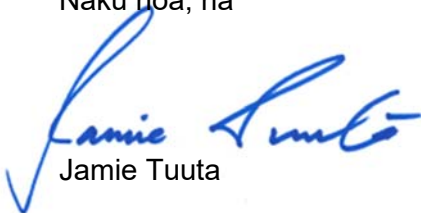
Māori values will be at the forefront of our participation which will see Māori ownership, employees, executives and customers. We see such values aligned to both financial and non financial outcomes that are associated with a supermarket chain. We see the following aspects as being important:

- New Zealand controlled and owned;
- Māori/Iwi ownership at a parent and operator level;
- Protecting interests of small-medium sized supermarket owners
- Accessing world class technology through global partnership;
- Leveraging franchise and owned stores; and
- Affordable access to food security

We believe iwi are strongly placed to participate in the development and establishment of a third participant in order that the best outcomes for Māori and the community more generally are delivered.

We are watching this matter with interest, and should investment opportunities be available in this industry, it is something we would consider looking at in more detail.

Nāku noa, nā



Jamie Tuuta