



SUBMISSION

Submission: Grocery regulation

To: Commerce Commission

grocery.regulation@Commission.govt.nz

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Contact: Dom Kalasih, CEO
la Ara Aotearoa Transporting New Zealand

[REDACTED]
[REDACTED]

Billy Clemens, Policy and Advocacy Lead
la Ara Aotearoa Transporting New Zealand

[REDACTED]
[REDACTED]

Ia Ara Aotearoa Transporting New Zealand (Transporting New Zealand) submission to the Commerce Commission on grocery regulation

1. Ia Ara Aotearoa Transporting New Zealand is a national membership association representing the road freight transport industry. Our members operate urban, rural and inter-regional commercial freight transport services throughout the country.

As the peak body established to be the authoritative voice of the road freight sector, Transporting New Zealand's purpose is to create an environment where trucking operators can drive successful, safe, sustainable businesses.

Our strategic priorities are:

- Providing one industry voice for advocacy
- Promoting the road freight transport industry
- Attracting talent and promoting workforce development
- Supporting our members and customers
- Sustainability, safety and responsible emissions reduction

New Zealand's road freight transport industry employs 33,000 people (1.2% of the total workforce), and has a gross annual turnover in the order of \$6 billion. This is part of a wider transport sector that employs 108,000 people and contributes 4.8 percent of New Zealand's GDP. Road freight transport accounts for 93% of the total tonnage of freight moved in New Zealand (MoT National Freight Demands Study 2018).

2. Transporting New Zealand appreciates the opportunity to provide feedback to the Commerce Commission (Commission) on grocery regulation, and in particular the Preliminary Issues Paper for the Commission's Wholesale Supply Inquiry (Inquiry).
3. Transporting New Zealand supports the development of stronger regulation under the Grocery Industry Competitions Act 2023 because the Commission has established¹ from the First Annual Grocery Report that:
 - a. there are some fundamental issues in the wholesale market that cannot be addressed under the regime's current settings
 - b. the wholesale regime is not working well for the broader grocery industry and is unlikely to be promoting the purpose of Part 3 of the Grocery Industry Competition Act 2023
 - c. further intervention may be necessary to achieve the intended benefits of the wholesale regime, for both the wider grocery industry and New Zealand consumers.

¹ [Commerce Commission - Wholesale Supply Inquiry](#)

4. Transporting New Zealand supports the Commission's position that, if it identifies issues that can be addressed using its powers before the Inquiry is complete, it may decide to take action.
5. Road freight is critical to New Zealand consumers successfully receiving their groceries, transporting goods between producers, distribution centres, retailers and consumers. The vast majority of groceries are delivered to and from distribution centres to grocers by road and in recent years there has been a rapid increase in home deliveries being made by grocers with small trucks. Therefore, we consider our members involved in those activities, and related ones, to be suppliers of ancillary services and grocery industry participants.
6. Transporting New Zealand is concerned that while the Commission's brief refers to the wholesale regime covering the supply of both groceries and ancillary services, when we look at the Commission's [detail](#) of that regime, the scope of the intended ancillary services is very unclear. Transporting New Zealand recommends that Commission further develop this aspect and provide examples of ancillary services (e.g. services in connection with the distribution, delivery, or storage of groceries).
7. The Commission's [explanation](#) of the wholesale regime is that it is intended to enable wholesale customers to have "reliable and cost-effective wholesale supplies of groceries" and "reasonable access to the benefits of the scale, and the efficiency, of operations of regulated grocery retailers (RGRs)."
8. Transporting New Zealand recommends that in addition to the outcomes referred to in paragraph 7 above, the Commission issues paper also considers fair pricing. This recommendation is based on our concern that anecdotally large scale and the drive for associated cost effectiveness and efficiencies can lead to perverse outcomes, in particularly a transfer of risk to other parts or even other supply chains. For example:
 - a. we are increasingly seeing an approach being taken by customers of transport providers that they offer to pay for the trip between collection and delivery only, and leave the transport operator to find a backload. While this may work on some occasions, this is an unsustainable business practice.
 - b. there is a risk when a transport customer focusses solely on the efficiency of their own task; and they do not appreciate the benefits they are currently receiving by their current freight demands being leveraged off other freight movements.

Transporting New Zealand's concerns are that if these risks are not appropriately managed, not only will the payment of freight services be adversely impacted but our supply chain resilience will also suffer.

9. Transporting New Zealand recommends that the wholesale regime's current settings in regard to the requirements for RGR's be extended to ancillary services. Furthermore, in regard to the requirements: for transparent pricing; and standard terms and conditions, Transporting New Zealand would like to offer its assistance and expertise to the Commission.
10. Transporting New Zealand sees this as a good opportunity to ensure that the risk that road transport elements of grocery distribution being dominated by lowest cost is managed. This is a good opportunity to ensure that other key attributes like safety and

sustainability are being included in road transport and that those transport providers are being fairly recompensed. We believe this is also a timely opportunity to manage risks associated with sub-contracting of road transport services

11. Transporting New Zealand looks forward to working further with the Commission to develop interventions that will achieve the intended benefits of the wholesale regime, for both the wider grocery industry and New Zealand consumers.

END