MONOPOLY WATCH NZ
market structure matters

**Statement of unresolved issues – Food Stuffs Merger Application**
August 2024

Monopoly Watch believes that the merger should be granted and that its in the public interest to proceed, with 2 conditions imposed on the merging companies.

1) Condition that the Foodstuffs organisation delivered structurally separated accounting systems and on the 31st March annually Foodstuff delivers separate accounts for its distribution centres to the Commerce Commission, in an exactly similar formal to which Chorus delivered accounts for its network relative to Telecom (SPARK ) to the Commission in the late 2000s .

2) Condition that 4 Square franchise holders can buy from other distribution centres (and use Woolworths where its better pricing) . I.e. they can't be in "collusive Cartel agreement to only by from one wholesaler who restricts competition "

Fabulously Foodstuffs have the same employees from Telecom NZ, and knowledge of how these accounts can be generated easily .

*We urge the commission to understand the real reason for this merger in more detail and investigate what is the exact problem that the board is trying to fix .*

The problem is that Pak n Save franchisees, who control Food stuffs ( by board votes ) , want to exit and sell their business and there is a substantial internal transfer of pricing and scale which benefits Pak N save franchisees over the 4 Square numbers, ( the accounts analysis will prove this ) . The merger deal enables them to change their org structure.

By allowing the merger and encouraging private equity to buy out the Pak n save business, the Commission has solved one of Pak N Save problems , in allowing old time investors and retirement age people to head off in their yachts and jets to St Tropez or Greener Pastures if they can't get a landing slot or Marina Berth . It also helps a more equitable business structure for the 4 Square owners, who actually serve the public in remote locations .

The Market study and ongoing Commission work into Grocery created a big side effect in that no large Pak n Save franchise owners have been able to sell at full value as the current level of profitability is now projected to fall as investors discount for inevitable regulatory action. This is because potential new investors already discount for the valuation impact of a break-up of the cosy structure. By allowing new investors to come you solve one of the structural problems of a new industry structure.

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