

PUBLIC VERSION



FedEx Corporation / TNT Express N.V.

**NOTICE SEEKING CLEARANCE OF A BUSINESS ACQUISITION PURSUANT TO SECTION
66 OF THE COMMERCE ACT 1986**

30 July 2015

The Registrar
Business Acquisitions and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON

Pursuant to s66(1) of the Commerce Act 1986 notice is hereby given seeking **clearance** of a proposed business acquisition.

RUSSELL McVEAGH

1. EXECUTIVE SUMMARY

- 1.1 FedEx Corporation ("**FedEx**") seeks clearance to acquire all of the shares in TNT Express N.V. ("**TNT**"). This will be implemented by a wholly owned subsidiary of FedEx (FedEx Acquisition B.V.) acquiring the shares of TNT, such that TNT will become a wholly owned subsidiary of FedEx (the "**Proposed Transaction**").
- 1.2 Founded and headquartered in the United States of America, FedEx is a global provider of transportation solutions and e-commerce and business services. It offers international air delivery services through its subsidiary Federal Express Corporation ("**FedEx Express**"), which operates over 600 aircraft internationally.
- 1.3 In New Zealand, FedEx operates through a local branch of its Asian subsidiary, Federal Express Pacific, Inc. It has a ground based network in New Zealand with depots in Auckland, Wellington and Christchurch, but also uses third party providers for its ground services. It operates one flight per week into and out of Auckland and otherwise uses commercial line-haul for air transportation to/from and within New Zealand.
- 1.4 TNT is an international delivery services company that collects, transports and delivers documents, small packages and palletised freight to over 200 countries. Headquartered in The Netherlands, it has a strong European network with its international air network of 54 aircraft centred on a main hub at Liege, Belgium.
- 1.5 In New Zealand, TNT operates through a wholly owned subsidiary, TNT Express Worldwide NZ Limited. It has a ground based network in New Zealand with depots in Auckland, Wellington and Christchurch, but also uses third party providers for its ground services. TNT does not operate any aircraft to/from New Zealand, instead relying exclusively on commercial line-haul for air transportation.
- 1.6 The international air delivery industry in New Zealand is characterised by competitive dynamics that include:
- (a) A large number of market participants offering a wide range of differentiated services to cater to the wide ranging demands of customers.
 - (b) Increased demand for international small package delivery, on account of the global rise of e-commerce, and the globalisation of trade.
 - (c) Increased demand, especially for small packages, has encouraged the entry of new competitors in the small package air delivery market, such as virtual intermediaries, who organise the delivery of a small package by coordinating the services of various third parties; and New Zealand Post, which is increasingly positioning itself to compete in the growing small package air delivery market rather than the shrinking area of domestic and international letter delivery.
 - (d) Freight forwarding companies are becoming more sophisticated, and their service offerings are becoming broader and more differentiated.
 - (e) At the same time, freight capacity on commercial aircraft has increased as a greater number and proportion of wide-bodied aircraft, such as Airbus' A330 and Boeing's 777, are being utilised. This, in turn, has decreased the cost of bellyspace.
 - (f) The number of commercial flights to and from New Zealand has increased, as has the number of destinations served by those flights, expanding the number of point-to-point connections available to shippers. This has facilitated greater reliance on commercial line-haul services.

- 1.7 The international air delivery sector is comprised of a diverse range of competitors, offering a differentiated range of services, and operating differentiated business models. It is therefore possible to regard the relevant market as a single differentiated market encapsulating all forms of international air delivery services.
- 1.8 On a conservative basis, this broad differentiated product market could also be further segmented by distinguishing between international air delivery for each of freight and small packages.
- 1.9 In the case of international air delivery for small packages, although no bright-line distinction exists, the effects of the Proposed Transaction could, on a conservative basis, be assessed more narrowly in the context of the express end of that market.
- 1.10 No substantial lessening of competition will arise as a consequence of the Proposed Transaction, regardless of the approach adopted to market definition:
- (a) As regards the provision of international air freight delivery services, the Parties' shares, and FedEx's post-acquisition share, are *de minimis*, and well within the NZCC's concentration indicators.
 - (b) In international small package air delivery services, even if the Proposed Transaction is assessed in terms of the express segment (where FedEx and TNT are strongest) the merged entity will continue to face competitive constraint from the largest competitor, international delivery and logistics giant DHL, as well as from a wide range of other competitors (including another international delivery and logistics giant, UPS), each offering a diverse and differentiated range of services.
 - (c) Trade globalisation and advances in technology are enabling potential and actual competitors to offer and expand a comprehensive range of services without the need to invest in physical infrastructure. No market participants own all, or even the majority, of the infrastructure used to provide services into or out of New Zealand, as such services can be facilitated through contractual agreements with third party service providers.
 - (d) Customers are readily and easily able to switch to a wide range of competitive alternatives without incurring significant costs. In the face of that ability to switch, the merged entity is incentivised to seek to preserve volume to maximise use of its extensive global network, which will continue to drive competitive pricing.
- 1.11 Accordingly, as outlined further in this application, the Proposed Transaction is not likely to have the effect of substantially lessening competition in any market in New Zealand.

PART A: TRANSACTION DETAILS

PARTY DETAILS

2. The Applicant

2.1 This notice is given by FedEx.

2.2 Details for FedEx are:

942 South Shady Grove Road
Memphis, Tennessee
United States of America

<http://www.fedex.com/nz/>

Attention: []
Position: []
Telephone: []
Email: []

2.3 All correspondence and notices in respect of this application should be directed in the first instance to:

Russell McVeagh
Barristers & Solicitors
PO Box 8
AUCKLAND 1140

Attention: Sarah Keene / Christopher Graf
Telephone: 09 367 8133 / 09 367 8104
Email: sarah.keene@russellmcveagh.com /
christopher.graf@russellmcveagh.com

2.4 A diagram showing the organisational structure of FedEx and its subsidiaries is set out in **CONFIDENTIAL APPENDIX ONE**.

3. The other merger party

3.1 The other party is TNT.

3.2 Details for TNT are:

Taurusavenue 111
2132 LS Hoofddorp
Amsterdam 1100 KG
The Netherlands

http://www.tnt.com/express/en_nz/site/home.html

Attention: []
Position: []
Telephone: []
Email: []

3.3 All correspondence and notices in respect of this application should be directed in the first instance to:

Allen & Overy
Level 25
85 Castlereagh Street, Sydney
NSW 2000

Attention: Peter McDonald
Telephone: +612 9373 7582
Email: peter.mcdonald@allenovery.com

- 3.4 A diagram showing the organisational structure of TNT and its subsidiaries is set out in **CONFIDENTIAL APPENDIX TWO**.
- 3.5 There are no pre-existing links between FedEx and TNT (together the "**Parties**") or as between any of their respective group companies.

About the parties



- 3.6 Globally, FedEx provides a wide range of transportation solutions and e-commerce and business services, including international delivery services through its subsidiary FedEx Express. FedEx Express provides small package and freight delivery services to over 220 countries and territories through one integrated global network.
- 3.7 Founded and headquartered in the United States of America, FedEx has an especially well-developed ground network in that country. FedEx's ground network encompasses approximately 46,550 drop off locations, serviced by 47,500 vehicles and trailers. FedEx also operates approximately 673 cargo aircraft worldwide. Over 150 of those are wide-bodied long range aircraft capable of inter-continental air travel, with the remainder being smaller narrow-bodied jet and turbo-prop aircraft used on "feeder" routes in FedEx's air network.



*Two of FedEx's most commonly-used aircraft: **Left:** a medium range Boeing 757-200F; and **Right:** a wide-body McDonnell Douglas MD-11.*

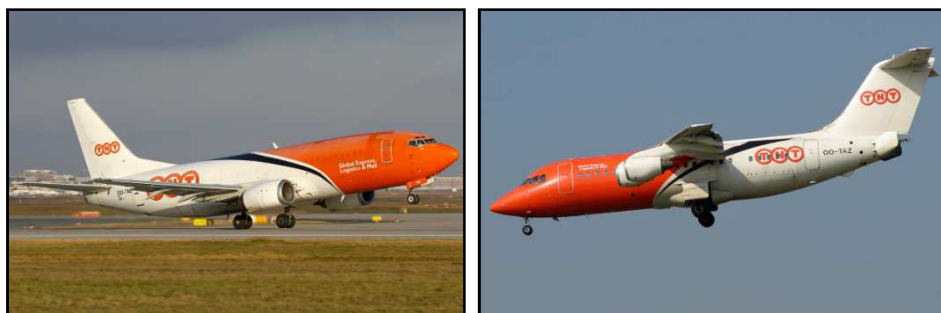
- 3.8 In New Zealand, FedEx provides inbound and outbound international delivery services. It provides these services for both small packages and freight. Through its subsidiary, FedEx Trade Networks ("**FTN**"), FedEx also provides air and ocean freight forwarding services, in particular for specialised and oversized cargo. In New Zealand, FedEx's FTN activities are very limited, and are carried out by a third party Regional Service Provider, Manton Air-Sea.
- 3.9 FedEx operates only one flight into/out of Auckland per week. This flight, operated by an MD-11, arrives in Auckland from Los Angeles via Honolulu and departs from Auckland every Sunday evening bound for Sydney and then Guangzhou, China. This flight carries approximately [] of FedEx's total inbound volume and [] of total outbound volume (the majority of FedEx's capacity on this flight is dedicated to serving non-New Zealand based customers as the majority of volumes on this flight is simply passing through the country from the U.S. to Australia and Asia).
- 3.10 [] of FedEx's inbound volumes and [] of its outbound volumes are carried via third party commercial line-haul (ie on commercial airlines). Commercial line-haul providers include [].
- 3.11 FedEx operates from two 'international gateways' in New Zealand: Auckland International Airport (FedEx's main gateway) and Christchurch International Airport (which handles a small number of inbound and outbound commercial flights). At both Auckland and Christchurch airports, FedEx employs personnel to perform customs and sorting services. Any shipment between these two gateways, or indeed between these

gateways and other cities such as Wellington, is handled by air ([]) and/or road line-haul.

- 3.12 FedEx has three Pick-up and Delivery ("PUD") stations, in Auckland, Christchurch and Wellington. []. FedEx does not offer any domestic delivery services in New Zealand.
- 3.13 FedEx also offers logistics solutions in New Zealand, by providing integrated supply chain management services. It does not, however, currently offer warehousing and so does not offer total logistics outsourcing solutions.



- 3.14 TNT is an international delivery services company that collects, transports and delivers documents, small packages and palletised freight to over 200 countries. TNT operates road and air transportation networks in Europe, the Middle East, Africa, Asia Pacific and the Americas (although, as set out at 3.18, this is not the case in New Zealand).
- 3.15 Based in The Netherlands, TNT has 63 regional offices and a global fleet of over 26,000 road vehicles. With its European headquarters, TNT has an especially well-developed European ground network, comprising 20 road hubs and over 550 depots¹ and generates more than two thirds of its revenues in the European Economic Area ("EEA").
- 3.16 TNT's international air network is centred on a central hub in Liege, Belgium. It has a relatively small fleet of 54 aircraft. Moreover, the majority of TNT's aircraft fleet is comprised of smaller narrow-bodied aircraft (namely Boeing 737 and BAe 146), suited to operating on shorter routes in its extensive European network. Given its relatively small aircraft fleet, TNT also utilises capacity on commercial airlines to destinations worldwide, allowing for service to more than 200 countries.



*Two of TNT's most commonly-used aircraft: **Left:** a short-to-medium range narrow-body Boeing 737F; and **Right:** a short-haul BAe 146F.*

- 3.17 In New Zealand TNT provides inbound and outbound international delivery services for goods ranging from documents to palletised freight. Its Special Services division provides air freight forwarding solutions for specialised services, including oversized and awkward goods and dangerous goods; however, its activities in New Zealand are very limited.²
- 3.18 TNT does not operate any aircraft to/from New Zealand. Instead, it uses a variety of third party commercial airlines to transport its shipments. Typically, the destination of the package will determine the commercial airline used. [] It does not have an airside operation loading and unloading goods in New Zealand, and so this ground work

¹ http://www.tnt.com/express/en_nz/site/home/about_us/about_tnt_express.html

² TNT's special services division does not provide ocean forwarding services in New Zealand.

is completed by whoever the airline appoints as their ground handling agent. This is not within TNT's control.

- 3.19 TNT operates a collection and delivery fleet of []. It has depot locations in Auckland, Christchurch and Wellington, and local drivers that can service Hamilton, Tauranga and Napier. For locations outside of these areas, [].
- 3.20 TNT does not offer domestic delivery services in New Zealand. Like FedEx, it also does not offer warehousing-based logistics solutions.

THE PROPOSED TRANSACTION

4. Transaction details

Outline and structure of the transaction

- 4.1 On 6 April 2015, FedEx and TNT reached a conditional agreement on a recommended all-cash offer of €8.00 per share cum dividend (except for the TNT Express final 2014 dividend of €0.08) for all issued and outstanding ordinary shares.
- 4.2 Upon completion, FedEx intends that a newly established and indirectly fully-owned subsidiary, FedEx Acquisition B.V., will acquire 100% of the shares of TNT, with the effect that TNT will become a wholly owned subsidiary of FedEx. If FedEx Corporation acquires 95% of the shares, FedEx Corporation intends to delist TNT from the Euronext Amsterdam stock exchange as soon as possible, and to initiate the statutory squeeze out proceedings to obtain 100% of the shares. If FedEx acquires less than 95% but at least 80% of the shares, FedEx Corporation intends to acquire the entire business of TNT at the same price as the offer price pursuant to an asset sale, combined with a liquidation of TNT, to deliver such consideration to the remaining TNT shareholders. The asset sale liquidation is subject to approval of TNT's extraordinary general meeting, which will be held before the end of the acceptance period of the offer.
- 4.3 The Proposed Transaction is valued at approximately €4.4 billion (NZ\$7.3 billion).
- 4.4 The Parties anticipate that the offer will be []. Completion of the Proposed Transaction is subject to a number of pre-offer conditions customary for a transaction of this kind, including approval by relevant regulators.

Rationale for the merger

- 4.5 Participants in the air freight industry are coming under greater pressure to offer a broad portfolio of international transportation solutions, as the continued growth of global e-commerce increases the demand for efficient international networks. At the same time, this increased demand from e-commerce is also driving an expectation of lower pricing, which in turn exerts pressure on margins.
- 4.6 FedEx has identified TNT as a highly complementary business, whose established European ground network in particular will greatly enhance the efficiency and reach of FedEx's own network, which has thus far focused more on the United States of America and Asia. (As the European Commission noted in *UPS / TNT Express*, FedEx is a relatively weak competitor in Europe, with a limited network in most EEA countries.³) Similarly, in the Asia Pacific region the combination will enhance competition by creating a strong second player to compete with the largest player, DHL.
- 4.7 Against this background, there are many strategic, operational, financial and cultural benefits that are likely to arise from the acquisition of TNT. In particular, the Proposed Transaction will result in:
- (a) An enhanced global network - TNT has a strong European road platform and FedEx has strength in other regions including North America and Asia.
 - (b) Access to greater portfolio of solutions for TNT customers, including global air express, freight forwarding, contract logistics and surface transportation capabilities.

³ COMP/M.6750 - *UPS / TNT Express* (30 January 2013) at [80].

- (c) The strengthening of TNT with FedEx's investment capacity, sector expertise and global scope.
- (d) Further growth opportunities for employees with the extended reach and propositions offered.

4.8 [] In the first half of 2014, TNT announced its Outlook strategy, which included the aim of shifting TNT's strategic focus towards its European road network, and less on its international air network and its domestic operations outside of Europe.

5. Copies of transaction documents

5.1 Copies of:

- (a) the Agreement for the Sale and Purchase of the Business of TNT Express N.V., as agreed between FedEx Corporation and TNT Express N.V.; and
- (b) the Merger Protocol, agreed between FedEx corporation and TNT Express N.V. and dated 6 April 2015,

are provided in **CONFIDENTIAL APPENDIX THREE**.

6. Notification of other competition agencies

6.1 In addition to New Zealand, merger control filings and approaches will or have been made in:

[]

PART B: THE INDUSTRY**7. Industry background***The overall international air freight industry*

- 7.1 The international air freight journey simply involves the transportation of goods from a specified point of origin in one country to a specified destination in another country, with part or all of that overall journey undertaken by air. The air component of the journey can involve either a dedicated cargo aircraft or, more commonly, carriage in the hold of a commercial passenger aircraft - known as bellyspace.
- 7.2 In essence, a door-to-door journey involves collecting the goods from the exporter/customer; transporting the goods to an international airport; transporting the goods by air to an international airport in the destination country (either direct or via several air journeys); clearing customs and other export/import formalities; and finally transporting those goods to their final destination.
- 7.3 The freighted goods themselves can range in size from small envelopes to large items, such as vehicles and furniture; they can range in type from frozen goods, to pharmaceuticals, to live pets; and the timeframe for delivery varies from urgent to less time sensitive (but still requiring a greater degree of speed than can be achieved by ocean or extensive surface transport).

Industry dynamics

- 7.4 Globally, the volume of freight shipped by air has increased sharply over recent decades. As the use of larger, twin aisle passenger aircraft⁴ has increased, so too has bellyspace capacity available for air cargo transportation (according to Airbus, bellyspace capacity on twin aisle aircraft has almost doubled since 1975⁵). This increased cargo capacity has, in turn, seen air freight rates decline.⁶
- 7.5 Growth has also been fuelled by the increased globalisation of trade and, most recently, due to the rise, and continued growth, of e-commerce.⁷ This has also created opportunities within the industry for entry by innovative, virtual market participants. As technology has improved, it has become increasingly possible to facilitate every step in the supply chain in a back-office capacity, through the virtual management of strategic partnerships and subcontracts. These "virtual" intermediaries do not own physical networks, and can operate out of small offices without any need for large-scale investments in physical infrastructure. While e-commerce may have provided the opportunity for entry by virtual intermediaries, the innovative technology and competitive pricing of these companies are having a broader disruptive effect on pricing across the international air delivery industry, driving an expectation of lower pricing from all market participants. Further detail on these virtual intermediaries is provided at 10.24.
- 7.6 In this way, the international air delivery industry has evolved to encompass the provision of this service across a spectrum of users, with variations in the core elements

⁴ Popular twin aisle passenger aircraft include Airbus' A340 and A330 aircraft, as well as Boeing's 747 and 777 aircraft.

⁵ Airbus, Global Market Forecast, 2014, available online at http://www.airbus.com/company/market/forecast?eID=maglisting_push&tx_maglisting_pi1%5BdocID%5D=41234 at 32.

⁶ UK, Department for Transport, "The air freight end-to-end journey: An analysis of the end-to-end journey of air freight through UK international gateways" (May 2009) at 6.

⁷ See for example: United Parcel Service press release, "E-Commerce drives UPS 2Q Shipments Up 7.2 Percent, UPS 2Q EPS Increases 7.1 Percent" (July 29 2014), available at http://www.ups.com/content/ag/en/about/news/press_releases/20140729_2Q_earnings.html; AZFreight, "ANA: E-commerce to drive growth" (13 February 2015), available at http://www.azfreight.com/news/ANA-E-commerce-to-drive-growth_5490.html.

to cater to, *inter alia*, differing size/weight of consignment and priority of delivery. This is expected to continue to be the case, with existing industry players continuing to adapt and expand their product offering to cater to a diverse range of customer demands for provision of what is, at its core, a relatively straightforward proposition.

- 7.7 Specific to New Zealand, recent increases in the number of flights, particularly to and from Asia, have also increased the amount of bellyspace capacity available, as well as increasing the number and frequency of point-to-point connections. This has made commercial line-haul more efficient and expedient.

Industry participants

- 7.8 There is a diverse range of industry participants active in the international air delivery industry in New Zealand. While their business models differ to some extent, they essentially all provide the same or a similar service. Key industry participants include:

- (a) **Air cargo airlines:** These airlines operate dedicated (typically wide-bodied) air cargo aircraft, which are used solely to transport goods by air. They tend to operate on a point-to-point basis, as opposed to hub and spoke networks. By using dedicated cargo aircraft, such as Boeing 747-8F, 767F and 777F, these carriers are able to carry a full range of cargo and easily load and unload such cargo through cargo doors, and without the tight airport turnaround times passenger aircraft operate to.

While some dedicated cargo carriers, for example, Cargolux, carry cargo only between relevant airports (typically selling space to freight forwarders, postal operators and integrators), others offer a combined ground service as an adjunct to their air capability. Examples of the latter include Qantas Freight and Emirates SkyCargo.



Left: Front image of a Boeing 747-8F, showing the freight capacity in its hold.

Right: Side image of a Boeing 747-8F being unloaded through the nose door.

- (b) **Commercial airlines (bellyspace):** Almost all commercial passenger airlines carry freight, other than passengers' luggage, in the cargo hold (or belly) of the aircraft.⁸ This cargo is called "bellyspace cargo". Bellyspace cargo can be loaded onto the plane loose (ie each item placed into the hold individually), or in pallets (ie items are consolidated into larger contained units). Commercial airlines will offer bellyspace for the transportation of freight to a range of industry participants, including freight forwarders, postal operators and integrators. Increased use of wide-bodied aircraft has seen a corresponding increase in the bellyspace capacity of commercial airlines, decreasing freight rates and making commercial airlines a more attractive commercial proposition for freight forwarders and integrators alike.

⁸ The exception to this are Low Cost Carriers ("LCCs"), which tend to operate only narrow-bodied single aircraft and whose very short airport turnaround times do not permit the loading of freight.



Above: Palletised cargo being loaded into the bellyspace of a Boeing 777-300 passenger jet.

- (c) **Freight forwarders:** Freight forwarders are sophisticated logistics companies that coordinate, by way of subcontracts and strategic partnerships, the performance of the various steps in the delivery process. Although typically non-asset based, freight forwarders have expanded their offering beyond coordination of airport-to-airport carriage to include greater international coverage, and enhanced capabilities such as door-to-door service, sophisticated tracking functionality, and other logistics services.

The freight forwarder's air journey is, for the most part, determined by the routes flown by passenger aircraft and dedicated cargo carriers. This provides very extensive international coverage. In some instances, freight forwarders book space on aircraft operated by integrators (see below), in which case their air journey will be carried out on the integrator's 'hub and spoke' global air network.

There are approximately 300 freight forwarders active in New Zealand, many of whom are large international operators such as DB Schenker and Kuehne + Nagel. Around 95% of all international air deliveries in New Zealand are handled by freight forwarders.⁹

- (d) **Integrators:** In New Zealand, integrators offer essentially the same service as freight forwarders except that in other parts of the world, their approach to delivery of those services is differentiated by the fact that they are more likely to own or control all of the assets required to complete the door-to-door international journey (particularly in respect of express parcel delivery services within Europe): the fleets of vans and aircraft, sorting facilities and aircraft hubs, all underpinned by a customised IT system. In the European context, the European Commission ("**EC**") has observed:¹⁰

The main characteristic of an integrator is that it has full operational control over the logistics of the parcel delivery from origin to destination, including air transport.

In New Zealand, however, integrators do not have ownership or full operational control over all of the transportation assets involved in the door-to-door journey. In New Zealand, integrators subcontract aspects, or all, of their ground based networks and the majority, if not all, of their air transport requirements to third parties. Therefore, in New Zealand, the way in which

⁹ New Zealand Productivity Commission, "International freight transport services inquiry", April 2012 at [44].

¹⁰ Summary of Commission Decision, Case COMP/M.6570 - UPS/TNT Express, 30 January 2013, at [11].

integrators and other market participants deliver international air freight services is essentially the same.

A further significant distinction is that (as set out in greater detail at 8.14 and 8.15), while in other parts of the world, such as Europe, integrators configure their infrastructure to provide guaranteed next day delivery times for international "express" deliveries, which is made possible by the size and proximity of European countries, New Zealand's relative geographic isolation makes such timeframes impossible irrespective of the infrastructure utilised. Therefore, it is somewhat artificial to distinguish between freight and parcel services, and between express and other services, because all such consignments travel on the same infrastructure and over considerable distances and periods of time.

- (e) **Postal service operators:** Postal service operators across the world, including New Zealand Post, provide international as well as domestic air delivery services. This has come about as incumbent postal operators, which own extensive ground networks and already have extensive cooperation agreements with their international counterparts, expand their offering either through developing air operations or through coordinating the remaining components of international air delivery, akin to a freight forwarder or integrator. As detailed at paragraph 10.19, there is a global trend of postal operators scaling up their capabilities and offerings in international small package delivery (including, for example, comprehensive and sophisticated tracking services) in the face of declining mail volumes.

New Zealand Post provides international air delivery services for small packages. It offers express and standard international delivery services for documents and small packages to over 220 countries worldwide.¹¹ Like FedEx's International Priority service, New Zealand Post's International Express service is a tracked service for express and confirmed door-to-door delivery. This service is highly price competitive with FedEx's International Priority service.

- 7.9 The chief role performed by all of these industry participants, as discussed above, is the transportation of goods by air from a specified point in one country to a specified point in another on a customer's behalf. As **Table 1 - Industry participants: international air delivery services** below illustrates, while each will have particular strengths or core areas of focus, the range of items carried and services provided (eg speed of delivery) means that they are typically capable of providing a significant proportion of the differentiated range of international air delivery services.

¹¹ <https://www.nzpost.co.nz/personal/sending-internationally>

Table 1 - Industry participants: international air delivery services

Industry Participants	Freight	Small packages	Express small packages
Air cargo airlines	●*	Sell space for carriage of small packages	Sell space for carriage of express small packages
Commercial airline bellyspace	Sell space for carriage of freight	Sell space for carriage of small packages	Sell space for carriage of express small packages
Freight forwarders	●	●	●
Integrators	●	●	●
Postal operators	●+	●	●

* Some air cargo airlines primarily sell space to other industry participants, whereas other cargo airlines sell international air delivery services direct to customers.

+ New Zealand Post offers some air freight delivery services through its global logistics offering.

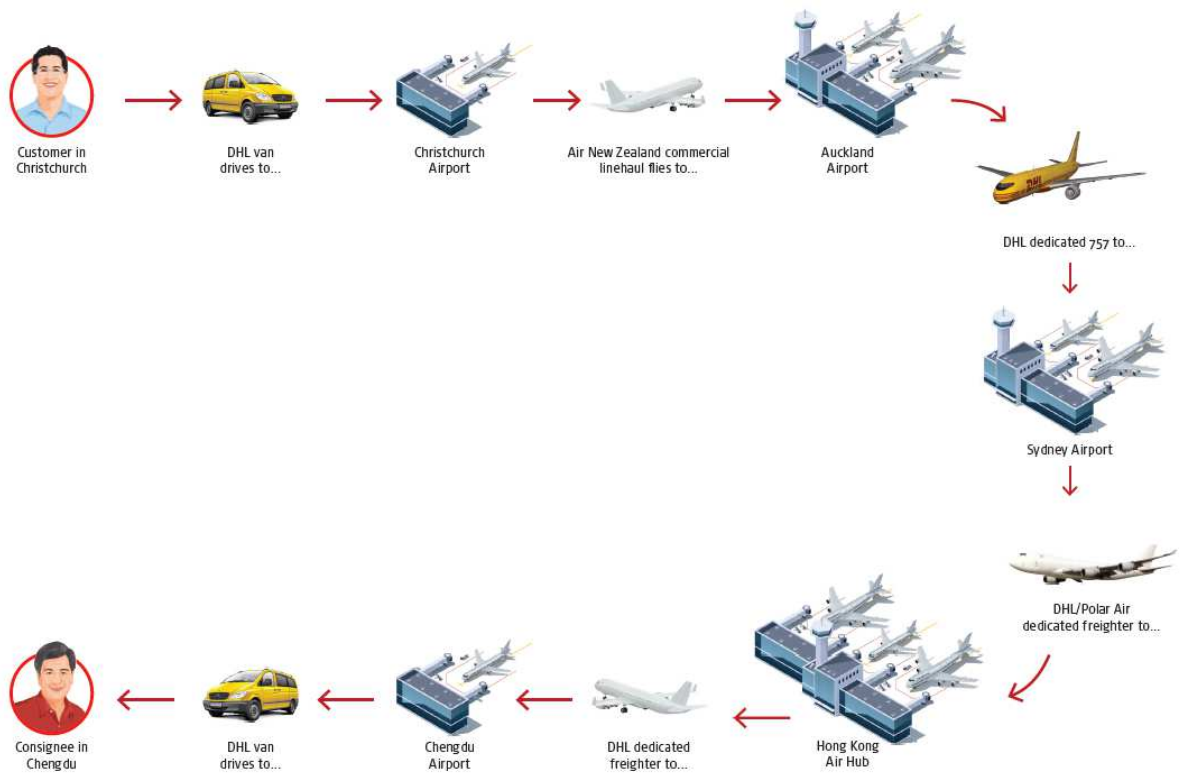
The door-to-door air journey

7.10 In this way, to the extent their business models vary (and, as above, this is limited in New Zealand), this simply means that market participants achieve similar service outcomes via different means. To illustrate, FedEx sets out below three alternative ways a delivery (either freight or a small package) could be carried from Christchurch to Chengdu. Two of these journeys are alternative ways an integrator might seek to facilitate the delivery and the other is that of a freight forwarder/NZ Post.

7.11 **Figure One** below illustrates the door-to-door journey for an integrator, such as DHL, which is seeking to maximise the use of its own air network in the journey. In FedEx's view, DHL's almost daily flights to Sydney mean it is the most likely integrator in New Zealand to pursue such a journey configuration. Even then though, at least part of the air journey is made on commercial line-haul. Utilising the DHL air network, including through its arrangements with Polar Air¹² (of which DHL owns 49%), means that four air journeys are required to complete the journey.

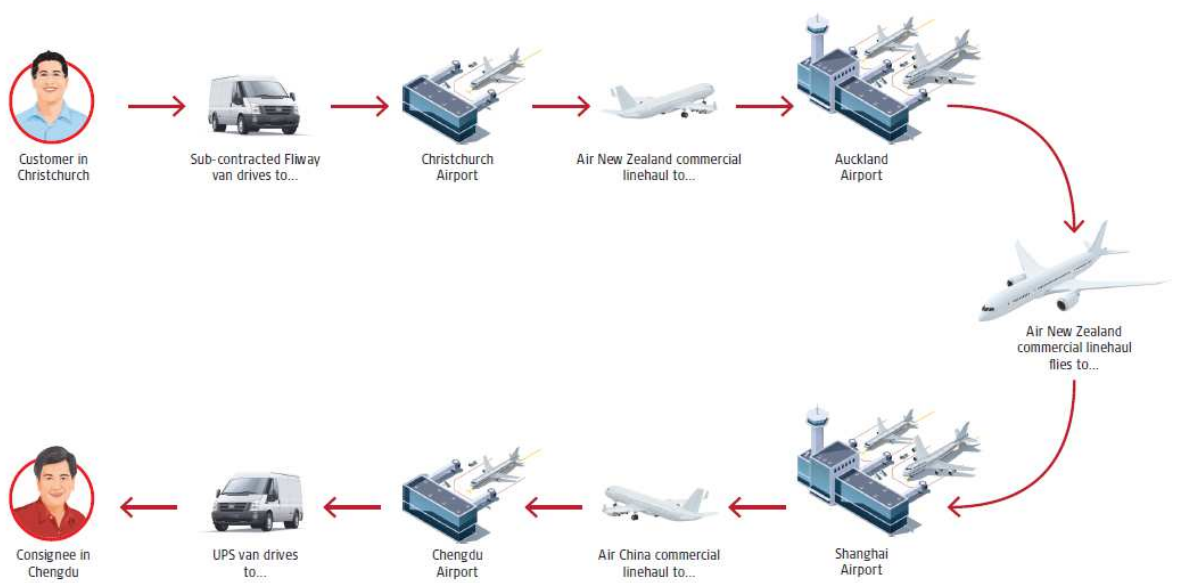
¹² Polar Air services from Sydney to Hong Kong are not daily, meaning this would only be a possible option for an express service on days where the Polar Air service was operating Sydney to Hong Kong.

Figure One: Integrator (Example A) - Christchurch to Chengdu



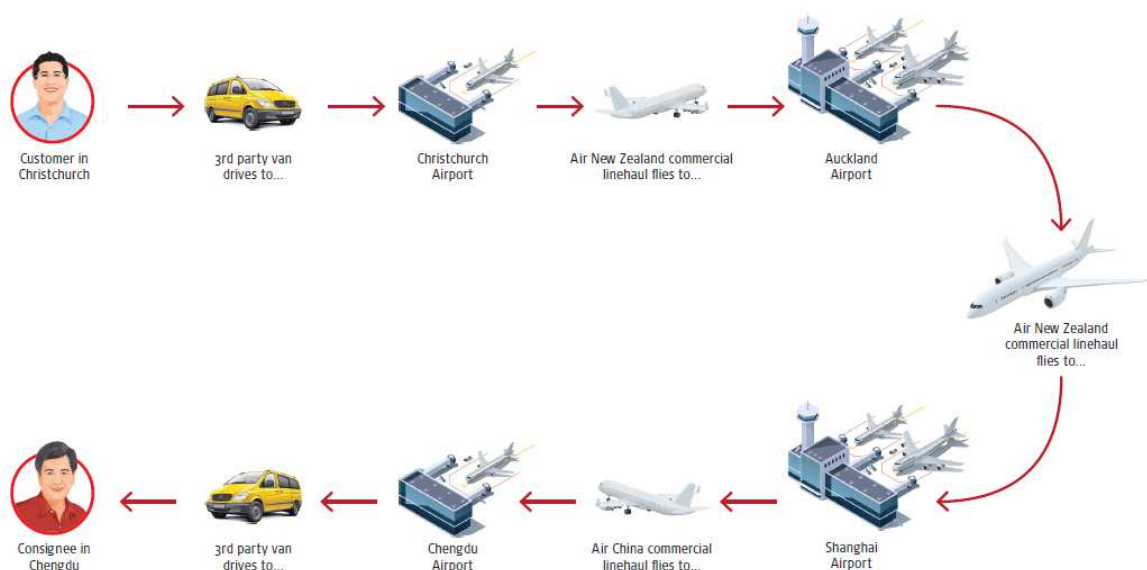
7.12 **Figure Two** illustrates an alternative means through which an integrator (UPS in the below example) could configure the same door-to-door journey to Chengdu. In contrast to the above example, here the integrator has used commercial line-haul to minimise the number of air journeys, as each air journey involves transit time which adds considerable time to the overall journey.

Figure Two: Integrator (Example B) - Christchurch to Chengdu



7.13 **Figure Three** shows the door-to-door journey that a freight forwarder would utilise, through contracting with various parties, to move the same item from Christchurch to Chengdu. Like the above example, the ground collection in Christchurch is contracted to a local driver and the air journey utilises commercial line-haul in the same way as the above integrator journey (Christchurch to Auckland/Auckland to Shanghai/Shanghai to Chengdu). The only difference to the above integrator journey is the contracted use of a local delivery agent for the ground delivery in Chengdu (whereas UPS would likely use its own ground network).

Figure Three: Freight Forwarder - Christchurch to Chengdu



7.14 As the above illustrates, international air delivery in New Zealand is characterised by a host of players, making extensive use of commercial line-haul to offer a range of differentiated services to a global range of destinations.

Customer dynamics

7.15 While international air delivery services are acquired by a wide range of customers, across a multiplicity of industries, the service offering is essentially the same across all customers. FedEx typically offers the same delivery services to all of its customers - for example, for small packages its International Priority and International Economy services.

7.16 Moreover, the way in which international air delivery services are provided is relatively homogenous across all customers. Almost all customers have accounts, which are operated online. And the widespread use of IT systems in the coordination and provision of the services means that customers book and purchase services online.

7.17 []

PART C: COMPETITIVE ASSESSMENT**8. International air delivery services**

8.1 Part B above outlines how the international air delivery industry into and out of New Zealand is diverse and comprised of a number of organisations operating differentiated business models. The relevant services encompassed are, in turn, potentially differentiated across a number of features of the overall service offering.

8.2 Accordingly, in considering market definition an approach which best isolates the key competition issues arising out of the Proposed Transaction should be adopted. In the present case, the differentiated range of services encompassed within the relevant market means it is not informative to seek to precisely define the boundaries of the market.

Domestic and international air delivery services

8.3 Consistent with previous findings of the EC,¹³ Office of Fair Trading ("**OFT**") (as it was then),¹⁴ and Australian Competition and Consumer Commission ("**ACCC**"),¹⁵ a distinction can be made between domestic and international air delivery. International delivery services require the ability to service a greater number of destinations, a more complex logistics chain, and more qualified personnel trained to handle the greater regulatory requirements, namely customs clearance, associated with the movement of goods between countries.

8.4 Focussing on international air delivery (as the Parties do not overlap in the supply of domestic delivery services in New Zealand), it is possible to consider the product dimension of the market as a single differentiated market, comprising a spectrum of inbound and outbound services¹⁶ differentiated by, *inter alia*, size/weight of the consignment and priority of delivery. This is consistent with the supply-side situation whereby almost all providers offer differentiated but overwhelmingly overlapping ranges of services from a single business model or network. Equally, on the demand-side, customers seek services for a range of consignments to be delivered to a range of international destinations, and with varying urgency.

Freight and small packages

8.5 This single differentiated product market could be further segmented as between international air freight delivery and international air delivery of small packages.

8.6 On the supply-side there are differences in the equipment required to handle and deliver freight, as opposed to small packages.¹⁷ For example, handling freight requires heavy lifting equipment such as forklifts and pallet jacks and pick-ups and deliveries will often require trucks, as the vans used for small packages will not be able to handle palletised freight.

8.7 In previous cases the EC has identified a separate product market for small package delivery services up to 31.5kg, beyond which weight the package will be considered 'freight'.¹⁸ In structuring its business and product offerings, FedEx typically uses a 68kg

¹³ COMP/M.3971 - *Deutsche Post / Exel* (24 November 2005) at [22].

¹⁴ Completed acquisition by FedEx Corporation of ANC Holdings Limited, OFT decision of 24 April 2007.

¹⁵ Australian Competition and Consumer Commission, *United Parcel Service Inc. / TNT Express N.V* (18 October 2012) available at <http://registers.accc.gov.au/content/index.phtml/itemId/1085571/fromItemId/751043>.

¹⁶ []

¹⁷ This approach was adopted in Case COMP/M.843, *PTT Post / TNT / GD Express Worldwide* (8 November 1996) at [25], and the approach is cited with approval in subsequent EC and OFT cases.

¹⁸ COMP/M.6570 - *UPS / TNT Express* (30 January 2013) at [164]. FedEx understands that this cut-off was adopted on account of health and safety considerations for the lifting of items.

(150 lbs) cut-off to separate small packages from freight.¹⁹ This approach aligns with the standard infrastructure used for the sorting of small packages, such as conveyor belts, which are able to handle packages weighing up to 70kg. In the present case, however, the precise cut-off point between small packages and freight may be left open, because [].

- 8.8 If the Commission is minded to analyse the effects of the Proposed Transaction in an air freight-only market (where the Parties' activities are, in any event, minimal), then the relevant market is likely to comprise both outbound international air freight and inbound international air freight that is paid for and arranged in New Zealand. Alternatively, owing to a lack of demand-side substitution between inbound and outbound air freight, the relevant market in New Zealand might only encompass outbound international air freight. FedEx does not consider the distinction to be material to the competitive assessment, and so can be left open in the present case.

Express and standard services

- 8.9 International air delivery services for small packages are also differentiated by speed of delivery; that is, between express delivery services and standard delivery services. For New Zealand, however, there is no clear, bright-line distinction and the varying speeds of international air delivery services can be assessed as a differentiated continuum of services offered within a single market (for example, the timeframe for "express" delivery of a small package to Australia will be very different to the timeframe for "express" delivery of that same small package to Europe, with the latter sometimes taking longer than a standard air service to other destinations).
- 8.10 If the Commission is minded to assess competitive effects in the express or standard segments of the broader small packages international air delivery market, it should be recognised that the scope of what is considered an express delivery will differ materially from other parts of the world. Among other things, New Zealand's geographical isolation means the potential for same day/next day international deliveries is very limited, essentially confined to the major cities on the east coast of Australia, eg Sydney and Melbourne at best. At the other end of the spectrum, the speed of standard delivery (eg international air mail) to destinations in many areas of the world takes a number of days or more than a week.
- 8.11 This means that the concept of "express delivery" in New Zealand differs quite markedly from that considered by, for example, the EC in the European context. The EC has previously considered express products as having a committed delivery time of next day/end of next day at the latest and standard products as having delivery times of two or more days.²⁰ However, that finding applied to intra-EEA express delivery services, which involve countries in close proximity to one another and where market participants (namely integrators) operate comprehensive hub-and-spoke air networks, which is not the case in New Zealand.
- 8.12 By contrast, in New Zealand express international air delivery encapsulates delivery that is best described as at least appreciably quicker than standard air mail type services. Within the express segment there is then a continuum of services that range from the most urgent express services, with guaranteed delivery times, to products that although still express (with delivery times of 3-5 days for more distant destinations) are marketed as less expensive alternatives. By way of example, FedEx offers "International Priority" and "International Economy" delivery services. However, even its International Economy service delivers worldwide within 5 business days.²¹ And while FedEx

¹⁹ For example, FedEx offers two Express International Services: "documents and packages up to 150 lbs" (150 lbs being 68.04 kg) and "air freight shipments of 150 lbs or more".

<http://www.fedex.com/us/fedex/shippingservices/express.html#tab2>

²⁰ COMP/M.6570 - UPS / TNT Express (30 January 2013) at [188, 198]

²¹ <http://www.fedex.com/nz/services/wwwservices.html>

markets this service as a more cost-effective option, it will still be as quick as some other market participants' so-called "express" services, which in turn are still express in the sense that they are quicker than air mail type services.

- 8.13 As noted above, the continuum of delivery speeds offered by various market participants makes it difficult to identify a meaningful cut-off between express and standard delivery options (reinforcing that, if analysed on a conservative approach, these services are just segments of a small package international air delivery market). However, the precise cut-off between these segments is not, in any event, material to the competition assessment.

Express segment includes a range of providers

- 8.14 The EC has in the past assessed small package express international air delivery as comprising the provision of such services by integrators only.²² This approach centred on integrators tending to have full operational control over the logistics of the package delivery from origin to destination, including air transport,²³ uniquely allowing them to offer unbroken custodial control from collection to delivery. By contrast, freight forwarders facilitate delivery of small packages from origin to destination by coordinating the necessary sections of the supply chain (such as road transport, air freight, handling, etc), without having operational control over those elements of the supply chain. As noted above, the specific characteristics of intra-EEA delivery, in turn, allowed the integrators to use their infrastructure to offer a guaranteed next morning / day express service proposition. It is a uniquely European analysis confined to the geographic market within the EEA (which is composed of 31 countries and almost 0.5 billion people living in close proximity to one another).
- 8.15 These differentiating factors do not exist in New Zealand, where the services and market dynamics are quite different to those considered by the EC in *UPS/TNT*. In particular, none of the integrators active in New Zealand has full operational control over the logistics of its delivery service:
- (a) FedEx operates one flight per week into New Zealand, which carries only [] of FedEx's total inbound volume and [] of total outbound volume. The remaining [] of inbound volumes and [] of outbound volumes, are shipped via commercial line-haul. Any domestic air transshipment between airports in New Zealand is also performed by commercial line-haul. Furthermore, the [] of FedEx's inbound deliveries that are destined for rural areas are [].
 - (b) TNT does not operate any flights into New Zealand, has no control over its ground operations at the airport, and [].
 - (c) UPS does not operate any flights into New Zealand. It operates through UPS Fliway, a 50/50 joint venture between UPS and Fliway.²⁴ Fliway has over 170 vans and trucks operating out of 15 sites in New Zealand, and provides door-to-door international express and standard courier and small package delivery services through its strategic partnership with UPS.
 - (d) DHL, the largest integrator in New Zealand, only operates a single narrow-bodied aircraft between Auckland and Sydney. Like FedEx and TNT, DHL does not operate any domestic air transshipment within New Zealand, instead relying on commercial line-haul.

²² COMP/M.6570 - *UPS / TNT Express*, (30 January 2013) at [159].

²³ COMP/M.6570 - *UPS / TNT Express*, (30 January 2013) at [63].

²⁴ <http://www.fliway.co.nz/services.aspx#ups>.

8.16 As the foregoing illustrates, there is no bright-line distinction between the operations of integrators, freight forwarders and other providers in New Zealand. For this reason, small package express international air delivery services are provided by a range of market participants who, in addition to the integrators, include numerous freight forwarders and New Zealand Post.

Geographic market

8.17 The relevant geographic market is national in scope. All market participants offer international air delivery services to all of New Zealand and from various overseas destinations to all of New Zealand. Such an approach is also consistent with the approach adopted by other competition authorities.^{25 26}

Functional market

8.18 The functional market will be for the supply of international air delivery services to businesses and consumers.

Summary of relevant markets

8.19 On the most conservative plausible approach to market definition, the Proposed Transaction would see competitive overlaps arise in segments within the national market for international air delivery services for small packages, namely:

- (a) the small packages express air delivery segment; and
- (b) the small packages standard air delivery segment.

8.20 There would also be minimal overlaps only in a national market for the provision of international air freight delivery services (see 9.3(a) below). Accordingly, that market is not considered in any further detail in this application.

8.21 As outlined in section 9 below, the only competitive overlap that needs to be considered in any detail is in the provision of international air delivery services for small packages. Approaching the assessment on the most conservative plausible basis, the competitive effects of the Proposed Transaction are considered in the express segment of this market (on account of that being where the Parties have the strongest presence).

9. Competitive overlaps

9.1 The Parties overlap in the broader market for the provision of international air delivery services (which includes both freight and small packages).²⁷

9.2 Assessed on that basis the Proposed Transaction will have no appreciable effect on competition. The Parties' combined market share in that broader market is only [], with FedEx having [] market share and TNT []. This is well within the Commission's concentration indicators. (Explanatory notes on the market data presented in this application for clearance are set out at **APPENDIX FOUR**).

9.3 Assessed on a narrower basis the Parties' competitive overlaps are as follows:

²⁵ See OFT: See Completed acquisition by BET UK Limited of Target Express Holdings Limited, OFT decision of 7 March 2007 Completed acquisition by FedEx Corporation of ANC Holdings Limited, OFT decision of 24 April 2007; European Commission: COMP/M.3971 - *Deutsche Post / Exel* (24 November 2005) at [25] to [34].

²⁶ Such an approach is also consistent with the High Court's decision in *Commerce Commission v Air New Zealand & Ors* (2011) 9 NZBLC 103,318.

²⁷ While FedEx's FTN division organises a very limited amount of ocean forwarding, TNT does not.

- (a) The Parties overlap in a national market for the provision of international air freight delivery services. However, their combined market share is only [], with their individual market shares less than [] (estimated at less than []).²⁸ That being the case, the overlap in this market will not be considered further in this application.
- (b) The Parties overlap in international air small package delivery services:
- (i) Assessed in the express end of that market,²⁹ where the Parties have the strongest presence, their combined shares only narrowly exceed the NZCC's concentration indicators. As outlined below in section 10, no substantial lessening of competition will arise.
- (ii) FedEx does not have any meaningful data or estimates for the standard segment on account of its very limited presence in this segment, where the vast majority of delivery will occur by international air mail services. However, FedEx is confident that the Parties' combined share will be less than their share of the overall international air delivery market ([]), and so competitive effects in this segment are not considered further.

10. Proposed Transaction will not substantially lessen competition













Existing competition

- 10.1 The Proposed Transaction will not alter the current competitive landscape, particularly on the narrowest possible segmentation, ie for small package international express air delivery. As can be seen from **Table 2 - Shares: Small package international express air delivery (sub-31.5kg)** below, post-acquisition, FedEx will remain the second largest competitor, with DHL the largest competitor by a significant margin.

²⁸ []

²⁹ Given that there is a continuum of delivery speeds across international small package air delivery services, it is not possible to determine with any precision the boundaries of the express segment. In its assessment FedEx has considered the express segment as comprising services that are similar to its International Priority and International Economy services.

Table 2 - Shares: Small package international express air delivery (sub-31.5kg)³⁰

Competitor	Segment Share (by revenue)	
	Revenue ³¹ (USD)	%
	[]	[]
	[]	[]
<i>Merged entity</i>	[]	[]
	[]	[]
	[]	[]
Others³²        	[]	[]
Total	[]	100

10.2 Post-acquisition, FedEx's share will be well below that of DHL. FedEx will continue to face competitive constraint from a number of existing competitors.

DHL

10.3 DHL will continue to be the largest competitor by a substantial margin, with [] share. And, as is presently the case, DHL will continue to impose significant competitive constraint on FedEx. DHL is the leading provider of international express air delivery services, including in the Asia region where it is the largest competitor by a significant margin for small packages.³³ Globally, it employs 280,000 people and has operations at more than 50 airports, giving it among the highest geographic coverage in the industry.

10.4 In New Zealand, DHL operates a Boeing 757 dedicated cargo aircraft five times per week between Auckland and Sydney. This capability provides DHL with a material advantage in respect of transit time to major eastern Australian cities, as its departure time is well-timed to allow onwards delivery from Sydney airport during the night for a next morning delivery to the consignee. At the same time, the need to fill a 757 aircraft on a daily basis, thereby reducing its per unit transportation cost, means that DHL is incentivised to price very aggressively to fill that capacity. DHL also makes extensive use of commercial line-haul, particularly in situations where the urgency and destination of the package makes it more efficient simply to place it on a direct commercial line-haul flight from NZ, rather than subsuming it into DHL's integrated network via Sydney (where it only has connectivity with Polar Air Services).

³⁰ As noted at 8.7, the shares of the Parties are [] if a 68kg cut-off is adopted.

³¹ Provided for Calendar Year 2014.

³² Due to the diverse range of suppliers of international air delivery services, FedEx is not able to provide meaningful estimates of the shares of individual competitors contained within the "other" category in **Table 2** above. However, as set out at **APPENDIX FOUR**, FedEx estimates New Zealand Post is the largest participant in that category of market data.

³³ Deutsche Post DHL Group, 2014 Annual Report, at 27.

- 10.5 DHL has recently announced that "*due to strong on-going demand for inbound freight, DHL Express has opted to increase its investment in the New Zealand market*" with a NZ\$15.3 million upgrade to its Auckland gateway.³⁴ This investment would involve increasing DHL's warehousing space, and increasing its parcel sorting capacity by 192%. The upgraded facility, which is expected to be fully operational later this year, will even further increase DHL's efficiency and competitiveness in New Zealand. DHL has also recently announced plans to roll out an "On Demand Delivery" model, a delivery platform for online retailers and consumers, across Oceania.³⁵ The platform will initially be launched in Australia.
- 10.6 DHL also has the most extensive ground network in New Zealand. DHL previously owned 50% of Express Couriers with New Zealand Post. Express Couriers owns the Courier Post, Pace Contract Logistics and Roadstar brands. When DHL sold its 50% share back to New Zealand Post, part of the sale involved putting in place a strategic commercial agreement, pursuant to which, the two companies support each other's express delivery operations at a global level, through DHL Express; and domestically in New Zealand, through Express Couriers.³⁶
- 10.7 DHL's freight forwarding division, DHL Global Forwarding, is also active in New Zealand.
- Freight Forwarders*
- 10.8 There are approximately 300 freight forwarders active in New Zealand. As is to be expected from such a large number of industry participants, these companies offer a spectrum of differentiated services.
- 10.9 A number of freight forwarders have invested in expertise and infrastructure to handle international express air delivery consignments and these forwarders, in particular, will act as strong competitive constraint on the merged entity. For example:
- (a) **Camerons:** Cameron Air & Seafreight was formed in 1986 and is a New Zealand-owned international forwarding company providing global transport and supply solutions. Its facilities are based at Christchurch International Airport and it has global partnership arrangements with multi-national forwarders and independent businesses in strategic regions across the globe. Combined it has an operating network of 1000 offices in 140 countries.
 - (b) **DB Schenker:** The transportation and logistics division of Deutsche Bahn AG, and one of the largest freight transportation companies in the world. It offers express and standard air delivery services, performing all requisite customs clearing for all freight services.³⁷
 - (c) **Kuehne + Nagel:** A German freight forwarder and logistics provider, with more than 1000 offices in over 100 countries. It markets itself as the second largest global air cargo forwarder, and offers a broad range of services, including "KN Express" (an urgent, door-to-door service offering delivery times of 1 - 3 days), and "KN Extend" (an economy option for standard cargo, offering cost savings in exchange for a slightly longer transit time). Kuehne + Nagel also offers specialist services such as "KN EngineChain" (specialising in the shipment of engines); "KN PharmaChain" (shipping temperature-controlled pharmaceutical products); and "KN FreshChain" (shipping perishables door-to-door).

³⁴ <http://www.scoop.co.nz/stories/BU1502/S00602/new-purpose-built-auckland-gateway-facility.htm>

³⁵ D. Kitney, "DHL Express to widen delivery options for internet shoppers," *The Australian*, 5 July 2015.

³⁶ <https://www.nzpost.co.nz/about-us/media-centre/media-release/new-zealand-post-positions-for-future>

³⁷ http://www.dbschenker.co.nz/log-au-en/Products_Services/Customs_Clearance_Channel/

- (d) **Panalpina:** One of the world's leading providers of end-to-end supply chain solutions, and one of the largest air freight companies in the world. It offers three broad kinds of international air freight service: general air freight (a low-cost option that prioritises price over flexibility), special air freight (covering the handling of temperature sensitive, high value, perishable, or dangerous goods), and express air freight (Panalpina's fastest shipping option).
- (e) **Toll:** Toll markets itself a leading provider of integrated logistics that has an Asia Pacific focus with a global reach.³⁸ It offers a comprehensive range of services, including domestic and international small package, courier and freight delivery, warehousing and storage, and supply chain management. Its international network spans more than 220 countries.³⁹ Toll operates an extensive air, sea, road and rail fleet in Asia Pacific, as well as accessing bellyspace capacity on commercial line-haul.⁴⁰ In February of this year, Japan Post announced its plans to acquire Toll (see 10.19(a) below), which should further strengthen Toll's competitive position.

- 10.10 In New Zealand, where so-called "integrators" largely lack the physical network required to provide a self-contained service, any distinctions between freight forwarders and integrators are limited. As depicted by a comparison of **Figures Two** and **Three** in Section B above, integrators in New Zealand often act like freight forwarders, sending items via commercial line-haul and subcontracting ground delivery (or a part thereof) to a third-party agent. Indeed, the increase in commercial line-haul and bellyspace capacity globally, as discussed at 10.27(b), is making utilisation of commercial line-haul a more rational proposition for integrators outside of New Zealand as well. At the same time, aided by improvements in technology, many freight forwarders are broadening their competitive offerings to provide small package international air delivery services that are fast, trackable (in the same way as services offered by the Parties), and door-to-door.
- 10.11 This is evidenced in the express air delivery capabilities offered by freight forwarders, which for the most part align with those offered by FedEx. By way of example, FedEx's International Priority service offers a two day delivery time from New Zealand to Singapore and three days with International Economy. From New Zealand to Amsterdam, FedEx's delivery time is two days for its International Priority service and four days for its International Economy service. This can be compared to DB Schenker's jetcargo first service, which matches FedEx's International Priority delivery timeframes for both Singapore and Amsterdam.⁴¹

³⁸<http://www.tollgroup.com/cs/Satellite?blobcol=urldata&blobheadname1=Content-Type&blobheadname2=Content-Disposition&blobheadvalue1=application%2Fpdf&blobheadvalue2=inline%3B+filename%3D%22Overarching+Capability+Statement.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1422872386365&ssbinary=true>

³⁹<http://www.tollgroup.com/international-delivery>

⁴⁰<http://www.tollgroup.com/fleet>

⁴¹http://www.dbschenker.com.au/log-aunen/Products_Services/Air_Freight/Core_Products_Air_Freight/DBSchenkerjetcargo.html



DB SCHENKER *jetcargo first* is an express product for consignments that can't wait.

First class service on first class carrier with transit times of 1 to 2 days from airport of origin to airport of destination.

New Zealand Post

- 10.12 New Zealand Post Group is a State Owned Enterprise with activities in various segments, including international small packages and logistics services (through ECL and its subsidiaries). FedEx considers that of the [] of the express segment comprised of non-integrators, New Zealand Post would be the largest single market participant.
- 10.13 ECL is a wholly owned subsidiary of New Zealand Post, which (through a subsidiary) has a strategic relationship with DHL. ECL has an extensive ground network in New Zealand, with approximately 913 vans, 158 trucks, 900 couriers, and 2000 staff in total.⁴² CourierPost, ECL's flagship brand, boasts New Zealand's most extensive delivery network,⁴³ with 19 branches, 13 depots, and a fleet of couriers operating through 180 urban areas and an extensive rural delivery network.⁴⁴ Pace, another ECL brand, specialises in urgent courier deliveries, including international services.⁴⁵ Airpost, operating a fleet of eight aircraft domestically, further strengthens New Zealand Post's ground network. It currently has several Fokker F27s and Metroliner turbo prop aircraft, and flies a chartered Boeing 737-200QC from Auckland to Christchurch and back four times a week.⁴⁶ New Zealand Post has recently announced it will be renewing its air fleet with three 737-400 aircraft entering into service from May 2016.
- 10.14 Like its competitors, New Zealand Post makes use of its own network, as well as strategic partnerships and subcontracts, to offer customers access to anywhere in the world.⁴⁷ For example, New Zealand Post Group has formed an alliance with Australian Post, with the two organisations:⁴⁸

position[ing] themselves as one 'Australasia' parcel destination with merchants and distributors in key markets around the world. Together we offer a complete, integrated logistics service, through which parcels dispatched in bulk are shipped to Australia, then through our agreement with Australia Post, those destined for New Zealand are sent on.

- 10.15 These arrangements enable New Zealand Post to offer a similar speed of service for small package international express air delivery. As the below screen shot demonstrates, New Zealand Post also offers similar speed of delivery for the Singapore and Amsterdam examples considered at paragraph 10.11 above.

⁴² <http://www.expresscouriers.co.nz/about-us/>

⁴³ <http://www.expresscouriers.co.nz/>

⁴⁴ <http://www.expresscouriers.co.nz/careers/who-are-we-/>

⁴⁵ <http://www.expresscouriers.co.nz/careers/who-are-we-/>

⁴⁶ <https://www.nzpost.co.nz/about-us/education-for-kids/resources-for-kids>

⁴⁷ New Zealand Post Group, *Annual Review 2014, Part 1 of 2* (2014) at [16].

⁴⁸ New Zealand Post Group, *Annual Review 2014, Part 1 of 2* (2014) at [16].



Delivery targets

Destination/ zone	International Express Courier	International Courier
Asia (Zone C)	2 - 4 working days*	4 - 6 working days China, Hong Kong, Japan, Macau, Malaysia, Philippines, South Korea, Singapore, Taiwan, Thailand and Vietnam only.
North America, UK and Europe (Zone D)	2 - 4 working days	5 - 6 working days Austria, Belgium, Canada, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Spain,

- 10.16 New Zealand Post has also invested in functionality, such as its tracking capabilities, to ensure that its overall service offering compares with those offered by, for example, FedEx.
- 10.17 In addition, New Zealand Post's international express delivery services are priced very competitively. While FedEx does not have visibility into the level of discount offered by New Zealand Post to its corporate customers, as **Table 3 - Comparison FedEx/NZ Post pricing** below indicates, a comparison of list pricing indicates that New Zealand Post's headline pricing is often considerably lower than FedEx's for equivalent services.

Table 3 - Comparison FedEx/NZ Post pricing

Destination	Package size (m)	Package weight (kg)	Service Type (FedEx/NZ Post)	FedEx Price (NZD) ⁵⁰	NZ Post Price (NZD) ⁵¹
Sydney	.1x.2x.3	0.5	Priority/Express	89.90	45.46
Singapore	.5x.5x.5	3.0	Priority/Express	777.50	683.36
Munich	.5x.5x.5	14.0	Economy/Courier	882.50	508.06

- 10.18 FedEx also notes that New Zealand Post's international delivery business has shown significant growth in recent years, with the volume of international packages and parcels processed by New Zealand Post rising by 8.9% per year.⁵² In addition, New Zealand Post has declared plans for aggressive expansion in its parcel delivery business.⁵³ New Zealand Post has suggested that it needs to reinvent itself and introduce new products, because it "*operate[s] in competitive markets where there are few barriers to entry and a large number of operators.*"⁵⁴
- 10.19 New Zealand Post's intention to expand further into international express small package air deliveries is consistent with the strategies of various other domestic post companies, who are also diversifying away from declining postal delivery services. Notably:
- (a) Japan Post announced in February 2015 a USD5.1 billion takeover of the Australian Freight and Logistics firm Toll Holdings Ltd.⁵⁵ The acquisition will

⁴⁹ <https://www.nzpost.co.nz/personal/sending-internationally/world-zones>

⁵⁰ <https://www.fedex.com/ratefinder/home?source=gh&cc=nz&language=en>

⁵¹ <https://www.nzpost.co.nz/sites/default/files/uploads/shared/standards-guides/adv544-international-services-postage-guide-including-gst.pdf>

⁵² New Zealand Post Group, *Annual Review 2014, Part 1 of 2*, (2014) at [15].

⁵³ Faced with a sharp decrease in the number of letters being sent and received by New Zealanders every year, New Zealand Post has committed to "*investment and growth in the parcel and logistics business*", New Zealand Post Group, *Annual Review 2014, Part 1 of 2*, (2014) at [4].

⁵⁴ New Zealand Post Group, *Annual Review 2014, Part 1 of 2*, (2014) at [15].

⁵⁵ <http://www.reuters.com/article/2015/02/18/us-toll-holdings-m-a-japan-post-idUSKBN0LL17520150218>

give Japan Post a reach spanning 55 countries,⁵⁶ and will make the combined entity the world's fifth largest logistics group by revenue.⁵⁷

- (b) In 2014, Singapore Post acquired 100% of the Australian-based parcel delivery company Couriers Please Holdings, in an AU\$95 million transaction.
- (c) In January 2015, Singapore Post announced it was acquiring a 90% stake in Famous Pacific Shipping (NZ) Ltd, a New Zealand-based air and sea freight forwarder and customs clearance provider.

10.20 As postal services companies such as New Zealand Post, Japan Post and Singapore Post move further into the small packages segment, they exert increasing downward price pressure on the market. [].

UPS

10.21 UPS is the largest express carrier and package delivery company in the world.⁵⁸ It has a global fleet of nearly 100,000 package cars, vans, tractors and motorcycles, 237 UPS aircraft and 412 chartered aircraft.⁵⁹ In New Zealand, like its competitors, UPS makes use of commercial line-haul and third-party ground delivery to provide a full delivery service. In addition, UPS operates eight flights per week from Sydney to its Asia regional hub in Shenzhen, ensuring that Australasian goods are subsumed into its integrated network quickly.

10.22 In New Zealand, UPS is a 50% shareholder in United Parcel Service - Fliway (NZ) Limited ("**UPS Fliway**"). UPS Fliway offers small package international express air delivery services to over 220 countries worldwide, using UPS' aircraft and worldwide network to ensure speedy and efficient delivery.⁶⁰ The remaining 50% of UPS Fliway is owned by Fliway Transport Limited. Fliway Transport Limited is part of the Fliway Group, which offers international door-to-door air and ocean freight, customs brokerage, logistics services, and domestic line-haul and courier services.⁶¹ Its New Zealand network covers the entire country, and is able to transport packages of all sizes, from single packages to full truck loads.⁶² The Fliway Group is contracted to provide certain services to UPS Fliway, including domestic transport services, customs brokerage, and the provision of premises and ancillary services.

10.23 Although UPS currently has a relatively small presence in small package international express air delivery (approximately []), as discussed below at 10.28(b), it is well placed and fully resourced to be able to readily expand its operations in New Zealand.

Virtual intermediaries

10.24 Virtual intermediaries are companies that use strategic partnerships to provide distribution services, particularly to e-commerce businesses. As they do not physically own their networks, they have lower sunk costs and are able to expand and/or shift their competitive focuses with relative ease. For example:

- (a) wnDirect is a UK-based company that provides logistics and distribution services to retailers shipping packages overseas. It offers a premium, time efficient service at a rate which is far more cost competitive than some of the

⁵⁶ <http://www.reuters.com/article/2015/02/18/us-toll-holdings-m-a-japan-post-idUSKBN0LL17520150218>

⁵⁷ <http://www.reuters.com/article/2015/02/18/us-toll-holdings-m-a-japan-post-idUSKBN0LL17520150218>

⁵⁸ <http://www.ups.com/content/nz/en/about/index.html?WT.svl=Footer>

⁵⁹ <http://www.ups.com/content/nz/en/about/facts/worldwide.html>

⁶⁰ <http://www.fliway.co.nz/services.aspx#ups>

⁶¹ <http://www.fliway.co.nz/about-us.aspx#group-structure>

⁶² <http://www.fliway.co.nz/services.aspx>

other express services available.⁶³ wnDirect partners with local carriers and final mile carriers (such as United States Postal Service and Australia Post) to deliver the item to the customer.

- (b) Australasian Mail Services is one of Australia's leading private parcel and mail delivery companies.⁶⁴ It offers various international air delivery services for parcels, letters and freight, as well as warehousing and tracking services. Its International Courier services provide a global door-to-door express air courier service for satchels and packages; and its International Express and Economy Air services provide a global door-to-door, door-to-airport, or airport-to-airport express air freight service for all types of shipments.⁶⁵
- (c) Temando is an Australian company that connects logistics resources into a single intelligent platform. It was created in response to the highly fragmented delivery infrastructure in Australia (and the wider Asia Pacific), and essentially acts as a broker of delivery services. The impact of companies like Temando on the international delivery industry continues to grow: in 2013 Temando was included in the Deloitte Technology "Fast 50", for experiencing 794% revenue growth. In 2015, Temando raised \$50 million in investment, and plans to continue to expand.⁶⁶
- (d) Pitney Bowes is a United States-based technology company that provides various services to e-commerce customers, including the facilitation of shipping and mailing services. 45 of the top 100 internet retailers in the world use Pitney Bowes' technology.⁶⁷

10.25 As noted above at 7.5, while some of these virtual intermediaries have, to date, focussed their entry and expansion on e-commerce, they are continuing to expand their capabilities. At the same time, they are having a broader disruptive effect, by creating expectations of lower pricing and more customised or bespoke offerings across the board.

10.26 In summary, post-acquisition FedEx will continue to face numerous sources of competitive constraint across the spectrum of international express air delivery services for small packages. As it does now, it will continue to face strong competition from market leader DHL, but also from a host of other market participants with differing service propositions, all of whom are established players in the New Zealand market.

Potential competition

10.27 Entry or expansion into small package international air delivery is increasingly likely on account of the following factors:

- (a) The rise of e-commerce, and the corresponding growth in demand for small package delivery services. As noted above at 10.18, this is a key factor driving New Zealand Post's continued expansion into this area.
- (b) Shipping by commercial line-haul continues to become an even more commercially attractive proposition:
 - (i) Bellyspace capacity in newer planes has grown, meaning that freight rates have declined.

⁶³ <http://wndirect.com/faq.php>

⁶⁴ <http://www.amservices.net.au/about.html#>

⁶⁵ <http://www.amservices.net.au/freight.html>

⁶⁶ <https://temando.com/about>

⁶⁷ <http://www.pitneybowes.com/us>

- (ii) The frequency of commercial flights has increased, making shipment by commercial line-haul a faster service.
 - (iii) The number of destinations offered by commercial airlines has increased, meaning that commercial line-haul offers more direct point-to-point connections.
 - (c) Entry or expansion is not reliant upon ownership of a physical network (which none of the existing market participants possess as regards their New Zealand operations):
 - (i) There are a number of logistics companies and delivery partners present in the New Zealand market, all of whom are prime candidates to provide services to a new entrant or to support expansion by an existing market participant.
 - (ii) Similarly, extensive use of commercial line-haul provides a sound basis for entry or expansion, and, even where integrators also operate their own aircraft, allows them to make use of commercial line-haul from New Zealand without the capacity risks of filling an entire aircraft. [].
 - (d) Developments in technology have led to advanced logistics systems, which are increasingly enabling bespoke end-to-end supply chains to be arranged with ease. The entry of new "virtual intermediaries" discussed at 10.24 demonstrates the extent to which these technological developments are lowering barriers to entry and expansion.
- 10.28 There are a host of companies who are well placed to scale-up and/or expand their small package international express air delivery services in the event that FedEx sought to increase price or decrease quality post acquisition. These include:
- (a) **DHL:** DHL is already the largest competitor in New Zealand, and is well positioned to expand its operations with relative ease. It already operates an aircraft to/from Auckland and has a well developed ground network.
 - (b) **UPS:** As noted above, UPS is the largest express carrier and package delivery company in the world. It has a vast international network of vehicles and aircraft, and made revenue of USD58.2 billion in 2014, USD48.2 billion of which was from its small package operations.⁶⁸ Though UPS currently has a relatively small presence in New Zealand, it is particularly well placed to scale up its activities within New Zealand should it consider it profitable. Its 50% interest in UPS Fliway, discussed at 10.22, means UPS would not face any barriers to quickly scaling its operations in New Zealand.
 - (c) **Freight forwarders:** For the most part, freight forwarders are international and well-resourced competitors, who could increase their focus on New Zealand or increase their service offerings if they considered it profitable. There is ample capacity on cargo aircraft and in the holds of commercial airliners to support such expansion. In this way expansion is relatively risk free for freight forwarders, as they do not have the sunk costs of a physical network.
 - (d) **New Zealand Post:** As noted above at 10.18, New Zealand Post is currently undergoing a strategic shift in focus from domestic postal delivery to international small packages and freight delivery. Its expansion in international delivery is thus already underway. New Zealand Post is well placed to

⁶⁸ <http://www.ups.com/content/nz/en/about/facts/worldwide.html>

continue this expansion, with its extensive network of reciprocal arrangements with overseas postal companies and its dense, established ground network.

- 10.29 Internationally, there have been examples of integrators shifting the focus of their physical networks, incurring often large sunk costs, in pursuit of efficiency and greater commercial gains. For example, in 2008 DHL relocated its entire main European hub airport operations from Brussels National Airport to Leipzig/Halle Airport in order to achieve a more efficient air network. Similarly, DHL has in the past also reconfigured its entire US air network by, for example, switching its main US airport hub from Cincinnati to Wilmington and then back to Cincinnati again.
- 10.30 Accordingly, beyond the numerous sources of competitive constraint offered by existing competition, the prospect for expansion by those competitors, both in terms of scale and range of services offered, as well as entry by new virtual providers, will act as a further constraint on FedEx post-acquisition. Any attempt by FedEx to exercise market power (which it will not in any event possess following completion of the Proposed Transaction) through price increases or quality decreases would simply serve to incentivise such expansion and/or entry.

Countervailing power of buyers

- 10.31 Given the relatively high sunk costs of its physical network and infrastructure (which for FedEx, while less substantial in New Zealand than in other countries, are still not insignificant), FedEx is incentivised to sustain or grow its volumes. And given the abundance of alternative suppliers in the market, customers are credibly able to switch suppliers. For many customers, they will also be able to flex their demand away from products that they perceive as not offering good value. For example, some volumes may be switched to less time sensitive services, or customers may bundle up individual packages to make them more attractive to competitors who prefer, and achieve better cost efficiencies in, larger/heavier consignments.

Coordinated effects

- 10.32 The risk of coordinated effects arising out of the Transaction is low. The conditions identified in *Brambles New Zealand Ltd v Commerce Commission*⁶⁹ for concluding that effective and sustainable coordinated behaviour may arise as a result of the Proposed Transaction do not exist in the market for small package international air delivery.⁷⁰
- (a) The market is complex, with a vast range of differentiated products, meaning that reaching terms of coordination would be difficult.
 - (b) There is virtually no price transparency, particularly in respect of large volume customers where prices are individually negotiated and subject to significant discounting, with the resulting price being unknown to competitors. [].
 - (c) A difference in size and cost structure between competitors militates against the possibility for any coordination. As set out above, the market is particularly diverse, with integrators, freight forwarders, New Zealand Post, and "virtual companies" all with different business models, and hugely varied degrees of physical assets. The cost structure of a company that owns its road and air network is likely to be very different to that of a company that manages the delivery supply chain by way of strategic partnerships and subcontracts.
 - (d) Even if it was possible for FedEx to attain a degree of coordination with one or several of the larger competitors in the market (which, as above, is not likely to

⁶⁹ (2003) 10 TCLR 868 (HC)

⁷⁰ New Zealand Commerce Commission, *Mergers and Acquisitions Guidelines* (July 2013) at [3.89].

be the case), any such coordination would promptly be disrupted and undermined by the large number of differentiated competitors active in the market.

- (e) Demand for "business-to-customer" small packages delivery services continues to increase, and the industry is currently being impacted by the advent of innovative new virtual intermediaries, which are easily and swiftly able to expand and/or shift their competitive focus.

10.33 Furthermore, because customers are diverse and differentiated, and volumes are spread over a very large number of small customers, there is no easily identifiable sanction that could be implemented to punish any deviation from any hypothetical coordination.

CONCLUSIONS ON COMPETITIVE ASSESSMENT

10.34 The Proposed Transaction will have no effect on competition in international air freight delivery.

10.35 The Proposed Transaction will not alter the prevailing competitive dynamics in the small package international air delivery market or, if assessed more narrowly, the express segment of that market. In terms of unilateral effects, post-acquisition FedEx will continue to face strong competition from existing competitors, as well as the threat of entry and expansion. Coordinated effects are also not liable to arise out of the Proposed Transaction.

10.36 On that basis no substantial lessening of competition will arise.

FURTHER DOCUMENTATION/INFORMATION

Copies of annual reports and most recent financial statements

10.37 See **APPENDIX FIVE**.

Names and contact details of key competitors

10.38 See **APPENDIX SIX**.

Names and contact details of key customers

10.39 See **CONFIDENTIAL APPENDIX SEVEN**.

Trade or industry associations

10.40 See **APPENDIX EIGHT**.

PART D: CONFIDENTIALITY**11. Reasons for seeking confidentiality**

- 11.1 Confidentiality is sought in respect of the information in this application that is contained in square brackets and highlighted. Confidentiality is sought for the purposes of section 9(2)(b) of the Official Information Act 1982 on the grounds that:
- (a) the information is commercially sensitive and valuable information which is confidential to the participants; and
 - (b) disclosure would be likely unreasonably to prejudice the commercial position of the participants, as the parties providing the information.
- 11.2 FedEx requests that it be notified of any request made to the Commission under the Official Information Act 1982 for release of the confidential information. FedEx also requests that the Commission seek and consider FedEx's views as to whether the information remains confidential and commercially sensitive at the time responses to such requests are being considered.
- 11.3 The foregoing applies equally in respect of any additional information provided to the Commission that is expressed to be confidential.
- 11.4 A confidential version and a public version have been provided. In the confidential version of the application, confidential information is contained in square brackets and highlighted.

PART E: DECLARATION

I, Michael Hagan, have prepared, or supervised the preparation, of this notice seeking clearance.

To the best of my knowledge, I confirm that:

- all the information specified by the Commission has been supplied;
- if the information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to me that is relevant to the consideration of this notice has been supplied; and
- all information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of the company and am duly authorised to submit this notice.

Michael Hagan, Vice President - Legal and Regulatory Affairs, Asia Pacific

Signature

Date

CONFIDENTIAL APPENDIX ONE
Corporate structure chart of FedEx

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CONFIDENTIAL APPENDIX TWO
Corporate structure chart of TNT

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CONFIDENTIAL APPENDIX THREE
Copy of Transaction Documents

APPENDIX FOUR**Explanatory notes on market data**

1. No reliable or complete externally compiled data sources are available for the New Zealand international air delivery sector. Therefore, all of the market data presented in this application for clearance are FedEx estimates for the 2014 calendar year (there have been no appreciable changes in the relevant data over the past three years).
2. These estimates have been constructed by having regard to:
 - (a) FedEx actuals;⁷¹
 - (b) TNT actuals;
 - (c) published reports; and
 - (d) other market intelligence.
3. Share data are provided on an outbound basis; that is, for the international delivery of goods from New Zealand to overseas (ie shipper-based), as FedEx does not collect data on an inbound basis for New Zealand. While the volume of international inbound small packages to New Zealand exceeds outbound volumes by a ratio of approximately 3.2:1, FedEx considers that outbound shares will be an accurate proxy for overall outbound and inbound international small package deliveries.
4. Due to the significant number of dispersed market participants in the 'other' competitors category of small package international express air delivery services, FedEx cannot estimate individual shares for the market participants in that category. FedEx estimates New Zealand Post is the largest participant in that category.
5. In some instances, certain market participants (including the Parties) will sell space to other market participants (eg integrators to freight forwarders). That being the case, FedEx cannot rule out the possibility that in some instances, where an integrator has sold space to a freight forwarder, the data may record this transaction as revenue for both parties (ie double-count it).

⁷¹ All revenues are presented in USD. Data for the over-31.5kg air cargo segment was converted to USD from Euro, at an exchange rate of 1.3285 USD to 1 Euro (being the European Central Bank's recommended USD:Euro exchange rate for 2014). Revenues are inclusive of fuel surcharges.

APPENDIX FIVE

Copies of annual report and financial statements

A copy of FedEx's 2014 annual report (containing its 2014 audited financial statements) is available online at:











http://annualreport.van.fedex.com/2014/docs/FedEx_2014_Annual_Report.pdf









A copy of TNT's 2014 annual report (containing its 2014 audited financial statements) is available online at:

<https://www.tnt.com/content/dam/corporate/pdfs/Archive/Quarterly%20reports/2015/AR2014/tnt-express-annual-report-2014.pdf>

APPENDIX SIX

Contact details for key competitors

Competitor	Contact Details
	PO Box 91614 Auckland, New Zealand Phone: (09) 307 8880 Fax: (09) 307 6660 Email: james@cargosystems.co.nz
	Cameron Air & Seafreight Ltd PO Box 14-159 Christchurch 8544 Phone: (03) 358 0800 Website: www.cameronfreight.com/
	Level 2 S102 Airport Freight Centre, Auckland International Airport, Auckland New Zealand Phone: (09) 257 0490 Website: www.cargolux.com
	33 Richard Pearse Drive Airport Oaks, Mangere Auckland Auckland New Zealand Phone: (09) 255 2800 Fax: (09) 255 2828 Email: info.nz@dbschenker.com
	PO Box 13509 Onehunga Auckland 2022 Phone: 0800 800 020 Website: http://www.dhl.co.nz/
	7 Landing Drive Mangere Auckland Airport 2150 Phone: (09) 256 0011 Email: sales@nz.dsv.com
	21 Airpark Drive Mangere Auckland 2022 Phone: 09-915 6200 Website: http://www.expeditors.com/
	Freightways House Level 2/32 Botha Road Penrose 1061 Phone: 571 9670 Email: enquire@freightways.co.nz
	Airport Oaks Auckland International Airport Aintree Avenue 30 Auckland 2022 Phone: (09) 257 2800 Fax: (09) 2574900 Website: http://www.knportal.com/locations/asia_pacific/new_z_ealand/
	PO Box 14 038 Auckland 1741

	<p>New Zealand Phone: (09) 259 5544 Fax: (09) 270 7402 Email: auckland.enquiries@mainfreight.co.nz</p>
	<p>PO Box 53004 Auckland 2150 New Zealand Phone: (09) 256 4111 Fax: (09) 256 4148 Email: enquiry.akl@mondiale.co.nz</p>
	<p>NZ Post International Private Bag 208038 Highbrook Auckland 2161 Phone: 0800 73 63 53 Website: www.nzpost.co.nz/</p>
	<p>37 Andrew Baxter Dr Mangere 2022 Phone: (09) 256 0340 Website: https://www.nittsu.com.hk/</p>
	<p>PO Box 53109 Auckland Airport Mangere Auckland 2022 Phone: (09) 275 6175 Fax: (09) 275 8325 Email: info.oceania@panalpina.com</p>
	<p>74 Richard Pearse Dr Mangere 2022 Phone: (09) 275 3223 Fax: (09) 275 5033</p>
	<p>339 Neilson Street, Onehunga, Auckland Phone: (09) 928 9500 Fax: (09) 928 1485 Website: www.tollgroup.com/tollnewzealand</p>
	<p>66 Westney Road Mangere Auckland International Airport Auckland 2022 Phone: (09) 255 4630 Fax: (09) 275-4394 Email: custsvcnczen@ups.com</p>
	<p>11 Manu Tapu Dr Auckland Airport Auckland 2022 Phone: (09) 255 1100</p>

CONFIDENTIAL APPENDIX SEVEN

Contact details for key customers referred to in the application

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APPENDIX EIGHT

Trade or industry associations

Both FedEx and TNT are members of the Conference of Asia Pacific Express Carriers ("**CAPEC**"), contact details for which are:

New Zealand:

Attention: Matt Rossiter
Position: NZ Customs Manager, Secretary of CAPEC New Zealand
Tel: +64 9 976 2910
Mob: +64 29 976 2860

Address: DHL Express New Zealand
16 Laurence Stevens Drive
Auckland Airport, 2022
PO Box 13-509
Onehunga, 1643
Auckland

Singapore:⁷²

Attention: Ms Moniek Sagita
Position: Executive Director - Asia Pacific, Conference of Asia Pacific Express Carriers (CAPEC)
Tel: +65 6248 4764
Email: information@capec.org

Address: 80 Raffles Place
Level 35 UOB Plaza 1
Singapore, 048624

⁷² CAPEC Singapore has oversight responsibilities for the CAPEC chapters in Australia and New Zealand.