

Tukurau Aotearoa / New Zealand Post Limited

**Notice seeking clearance to acquire PBT Group  
Limited's courier business assets**

To: registrar@comcom.govt.nz

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## Executive summary

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### NZ Post seeks clearance to acquire PBT's courier business assets

New Zealand Post Limited (**NZ Post**) (or any interconnected body corporate) seeks clearance to acquire PBT Group Limited's (**PBT**) existing contracts with businesses who have signed contracts to use PBT's courier services.

NZ Post is not acquiring any other assets associated with PBT's courier business or other businesses including its freight business and those businesses are not discussed further in this application.

The New Zealand courier market is highly competitive. New Zealand's courier prices are some of the lowest in the world and at levels that are close to marginal costs.

### Courier market is highly competitive with prices approaching marginal cost and low by international standards

While NZ Post is the largest provider, it is followed reasonably closely by the Freightways brands, with global provider Aramex (formerly Fastway) a clear third. Below those three there is a fringe of smaller courier providers, of which PBT's courier business – with a market share of **[Confidential]**% – is one.

The low and declining margins provide a strong incentive for all courier companies to size and shape their operations to ensure they can provide their courier services in the most efficient way possible. That trend lies at the heart of the parties' reason for undertaking this transaction.

### PBT is refocusing on its core freight and logistics businesses

Indeed, while PBT has thrown everything at making its courier business work over the last 30 years, the intense competition and low returns in the courier market has led PBT to sell its courier business so it can refocus on its core freight and logistics businesses.

The sale to NZ Post reflects a simple exit and a straight transfer of the existing business to NZ Post. **[Confidential]**. There is no premium, which reinforces the intensity of competition in the courier market.

NZ Post did not proactively approach PBT about buying its courier business and was not considering that option. However, when it became aware that the PBT courier business was on the market, NZ Post quickly appreciated that the acquisition was an opportunity to quickly add volume to its existing courier business without the need to add materially additional costs.

### NZ Post is buying PBT's courier business to add volume and improve efficiency

NZ Post has invested over \$200m in its Te Iho network transformation programme. Te Iho is a strategic, long-term physical and technology investment that involves development of an automated national parcel processing network.

Through these investments, NZ Post expects to achieve greater cost and customer experience efficiencies in the delivery of courier services, enabling it to compete even more effectively with other courier providers.

NZ Post's ability to achieve these cost efficiencies depends on the volume of parcels it carries. Adding PBT's volumes (**[Confidential]** parcels) into the NZ Post network (**[Confidential]** domestic parcels) will, therefore, improve NZ Post's cost efficiencies. As a result, far from providing NZ Post with an ability to raise prices or decrease service, NZ Post sees the acquisition as being pro-competitive and likely to lead to lower prices and better service for customers than would otherwise be the case.

**Acquisition will result in very modest market share aggregation**

That said, PBT's market share is only [Confidential]. So, while NZ Post is the largest provider, the market share aggregation is modest from a competition law perspective.

Simply put, while adding PBT's volumes are significant in terms of enabling NZ Post to realise the cost efficiency benefits of Te Iho, the market share aggregation is not indicative of an acquisition that substantially lessens competition.

PBT's low market share is also consistent with NZ Post and PBT not being each other's closest competitors.

**NZ Post and PBT are not each other's closest competitors**

While NZ Post offers premium services like nationwide overnight deliveries, point-to-point services and evening delivery in main centres, PBT does not.

Moreover, an analysis of NZ Post's internal documents shows that NZ Post does not base its competitive strategy or approach on reacting to PBT's competitive behaviour.

Rather, NZ Post's principal competitor is Freightways – the second largest courier provider in the market. Freightways is a strong and aggressive competitor with a multi-brand strategy focussed on supplying all types of courier customers. Courier customers will continue to benefit from this strong competition between Freightways and NZ Post.

**NZ Post be constrained by strong competition from Freightways and Aramex**

NZ Post will also continue to be constrained by Aramex (previously Fastway), which is part of the global Aramex Group (with a market capitalisation of over US\$1 billion), and the range of other competitors that will remain in the market.

There is nothing to prevent any of these providers expanding the volumes they carry if NZ Post sought to increase prices above, or decrease service levels below, competitive levels. All providers could scale up by contracting more courier drivers, who are readily available.

Simply put, the courier market is highly competitive and will remain so after the acquisition.

**Entry is expected if prices increased or service decreased**

For that reason, NZ Post does not expect that new entry is likely at current market prices and service levels. However, in the unlikely event that prices increased above, or service levels decreased below, competitive levels, NZ Post expects new entry would occur. Conditions of entry in these markets are benign, meaning that a new entrant could replicate PBT's current offer with minimal investment (albeit expanding to match NZ Post or Freightways would require greater investment).

The most likely entrants would be those operating in adjacent markets such as local freight companies, global logistics and parcel delivery providers, specialist delivery providers, and other providers.

**Large customers will be able to exert countervailing power in a way that benefit all customers**

It follows from there being low barriers to entry that larger customers and e-commerce providers – Amazon, The Warehouse Group, Mighty Ape, food kit suppliers – are in a position to exercise countervailing power either by bypassing courier services and self-delivering items or by sponsoring new entry or expansion.

Urgent Couriers' expansion off the back of its contract to deliver HelloFresh illustrates the ability for large customers to exercise countervailing power.

Importantly, the expansion (or entry) of a courier company to supply one customer will have flow-on benefits for all other customers, who will then have the benefit of a larger (or new) courier provider.

**Acquisition will not result in coordinated effects**

The highly competitive nature of the courier markets means the acquisition will not increase the risk of coordinated conduct. The market has a number of features that make coordination implausible. Moreover, PBT is not a rogue or disruptive competitor and there is nothing to suggest that it would become so absent the acquisition.

Finally, the acquisition will not result in a substantial lessening of competition as a result of vertical or conglomerate effects.

**Acquisition will not result in vertical or conglomerate effects**

The acquisition does not involve NZ Post adding an additional offering to its current portfolio, meaning conglomerate effects are unlikely.

Similarly, the continued constraint from Freightways and Aramex (plus the other competitors) means that vertical effects are unlikely. The acquisition will give NZ Post neither the ability nor the incentive to foreclose those competitors.

**NZ Post requests the Commission grants clearance**

For all these reasons, NZ Post submits that the Commission can be satisfied that the acquisition will not be likely to substantially lessen competition and requests that the Commission grant clearance for the acquisition.

## Confidentiality

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1. This application contains information that is confidential to one or both of NZ Post or PBT. The confidential information is either personal information, or is commercially sensitive, disclosure of which would be likely to unreasonably prejudice the commercial position of the party providing that information.
2. Confidential information in this application is contained in bolded square brackets with highlighting to reflect who the information is confidential to and is also listed in the Schedule of Confidential Information attached to this application.
  - 2.1 Information that is confidential to the parties as against third parties is highlighted in yellow (i.e., **[Confidential]**).
  - 2.2 Information that is confidential to NZ Post as against all parties (including PBT) is highlighted in grey (i.e., **[NZ Post Confidential]**).
  - 2.3 Information that is confidential to PBT as against all parties (including NZ Post) is highlighted in blue (i.e., **[PBT Confidential]**).

## The acquisition and the parties

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### The acquisition and the clearance sought

3. NZ Post (or any interconnected body corporate) seeks clearance to acquire PBT's existing contracts with businesses who have signed contracts to use PBT's courier services (the **PBT Courier Contracts**) (**[Confidential]** customer contracts)
4. NZ Post is not acquiring:
  - 4.1 any assets associated with PBT's other businesses including its freight and linehaul business; or
  - 4.2 PBT's contractual arrangements with the courier van owner-operators PBT currently contracts to provide local delivery services.
5. The Asset Purchase Agreement<sup>1</sup> is conditional on the Commission granting clearance. The purchase price is **[Confidential]**.

### NZ Post – the applicant for clearance

6. NZ Post is a well-known company that needs little introduction. NZ Post is a delivery and eCommerce logistics company with global reach, providing mail<sup>2</sup>, courier, and logistics services.
7. NZ Post is a State Owned Enterprise under the State Owned Enterprises Act 1987. In providing its services, NZ Post is obliged to meet its obligations under a Deed of Understanding with the New Zealand Government including certain Universal Service Obligations in respect of mail services.

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<sup>1</sup> Provided as Attachment A.

<sup>2</sup> NZ Post is the Designated Postal Administration representing New Zealand at the Universal Postal Union.

***NZ Post's courier business***

8. Relevant to this application, NZ Post operates a domestic small parcel courier business in competition with other domestic courier providers including the Freightways Group (under various brands), Aramex, Team Global Express (formerly Toll), and PBT.
9. In March 2022, NZ Post acquired Fliway Group New Zealand, extending its delivery business into larger items and broadening its logistics and supply chain capability. Fliway specialises in the delivery of items that are typically too big to be carried by courier networks but are still transported as individual items rather than in bulk. NZ Post does not consider that the market in which Fliway competes is relevant to this application for clearance.<sup>3</sup>

***NZ Post contact details***

10. NZ Post's contact details are:

Ground Floor, 7WQ  
7 Waterloo Quay  
Wellington, 6011

Attention: Malcolm Shaw  
Chief Governance & Sustainability Officer

**[Confidential]**

[www.nzpost.co.nz](http://www.nzpost.co.nz)

11. NZ Post requests that the Commission sends all correspondence regarding this application to Neil Anderson at A&B Competition Lawyers ([neil@abcompetitionlawyers.nz](mailto:neil@abcompetitionlawyers.nz), 027 278 9494).

**PBT Group Limited**

12. PBT operates an express freight network in New Zealand. Waterman Capital took a controlling (75%) shareholding in PBT in 2017 with the remaining 25% retained by Brendon Thomas, Chris Western, and Dave Lovegrove (or their nominees).
13. Peter Baker Transport started in 1972 as a freight business. Mr Baker began with a 1964 Bedford truck delivering products too large to be serviced by the day's postal or courier companies to specified locations around Wellington. Over time, PBT grew its freight business across the country, establishing linehaul trucking operations between New Zealand's major centres.
14. With that core linehaul service established, PBT ventured into local delivery courier services in 1994.
15. PBT continues to provide freight and logistics services throughout New Zealand today:
  - 15.1 Freight: PBT provides pallet and LTL (less than truck load) freight services throughout New Zealand with its fleet of metro trucks and a dedicated national linehaul network. PBT also provides freight services for importers and exporters with FCL (full container load) requirements.
  - 15.2 Landside freight handling and transport services, which PBT provides to international freight forwarders, enabling those customers to connect to its national linehaul and delivery network.

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<sup>3</sup> Fliway does not deliver parcels of the type that are the subject of this clearance application.

15.3 3PL storage and distribution services in Auckland, Wellington, and Christchurch.

***PBT's courier business***

16. PBT's courier business involves it providing courier services to, primarily, business customers throughout New Zealand. PBT has branches in 17 urban centres<sup>4</sup> and contracts approximately 200 courier van owner-operators to deliver its services. PBT does not operate in rural or remote areas itself; rather, PBT purchases NZ Post wholesale courier services to deliver to these rural and remote addresses.<sup>5</sup>
17. PBT's focus is on providing services to sophisticated businesses in New Zealand's major urban centres. PBT does not offer services to personal customers (C2C or C2B services).
18. PBT's focus on urban centres is reflected in the fact that ~50% of PBT's top 150 customers' head offices are based in Auckland, with the majority of the other half based in Hamilton, Wellington and Christchurch. And across all PBT courier deliveries:
- 18.1 92% of PBT's local courier deliveries – being services that start and finish in the same city/town – were made in Auckland, Hamilton, Wellington and Christchurch in August 2023.<sup>6</sup> That proportion has been consistent over the last 3-years.

Figure 1: PBT courier delivery locations

**[Confidential]**

- 18.2 84% of PBT's local courier inter-city deliveries are picked-up in Auckland, Hamilton, Wellington and Christchurch in August 2023.

<sup>4</sup> Whangarei, Auckland, Hamilton, Tauranga, Rotorua, New Plymouth, Napier, Palmerston North, Wellington, Blenheim, Nelson, Christchurch, Greymouth, Timaru, Cromwell, Dunedin, and Invercargill.

<sup>5</sup> Other courier companies also acquire NZ Post services to deliver some parcels. These arrangements are unaffected by the acquisition.

<sup>6</sup> **[Confidential].**

Figure 2: PBT pick-up locations (August 2023)

PBT ticket pickup point	Tickets Aug 2023	%
Auckland	<b>[Confidential]</b>	
Blenheim		
Christchurch		
Cromwell		
Dunedin		
Greymouth		
Hamilton		
Invercargill		
Napier		
Nelson		
New Plymouth		
Palmerston North		
Rotorua		
Tauranga		
Timaru		
Wellington		
Whangarei		
<b>Total</b>		

19. As described in paragraph 4:
- 19.1 NZ Post is acquiring PBT Courier Contracts (comprising contracts with **[Confidential]** customers);
- 19.2 PBT is retaining its freight and logistics businesses; and
- 19.3 PBT's current courier van owner-operator contracts will not be transferred to NZ Post, meaning those owner-operators and their vehicles will remain available in the market as independent contractors. As NZ Post is likely to require additional drivers, NZ Post may enter into contracts with some former PBT drivers.<sup>7</sup>

<sup>7</sup> NZ Post engages independent suppliers to provide expedited last mile delivery. Different terms and exclusivity arrangements apply, depending on the type of delivery partner, by geographic area and its geographic constraints.

- Urgent, point to point, and urban/residential metro delivery (parcels only): delivery suppliers are contracted for 3 years at a time and are exclusive to NZ Post for their delivery services, unless NZ Post agrees otherwise.

20. The effect of the acquisition is that customers will no longer be able to seek prices from PBT when looking to buy courier services in New Zealand.

***PBT's contact details***

21. PBT's contact details are:

Dave Lovegrove  
Chief Executive Officer  
**[Confidential]**

www.pbt.nz

22. PBT requests that the Commission sends all correspondence regarding this application to Matt Sumpter and George Spittle at Chapman Tripp (matt.sumpter@chapmantripp.com, 09 357 9075 / george.spittle@chapmantripp.com / 09 358 9820).

## Industry background, rationale for the acquisition, and the counterfactual

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### Industry background

23. Courier services form one part of the New Zealand's freight transport industry. The freight transport industry comprises firms who help people and businesses send goods to, or receive goods from, other people and businesses around New Zealand and encompasses the following services:
- |      |   |   |
|------|---|---|
| 23.1 | “Logistics” e.g., warehouses / depots             | Warehouses store and/or sort goods during the send-and-receive process. Warehouses might be on-site at the business sending or receiving the good in question or may be owned by a third-party service provider.  |
| 23.2 | “Linehaul” e.g., linehaul trucks                  | Linehaul providers deliver goods between two fixed points on a scheduled basis. Virtually all inter-city deliveries involve linehaul deliveries completed by trucks, planes, trains and/or coastal ships.   |
| 23.3 | “Freight” e.g., local delivery services (pellets) | Freight services deliver pelletised goods locally within the same city or town using small trucks. Freight service providers pick-up and deliver pellets to/from fixed points, like a warehouse/depot, a commercial business, port or other allocated collection point. Due to health and safety requirements, goods over 25kg are typically delivered by freight, rather than courier. |

NZ Post is not acquiring PBT's linehaul services, warehouses and freight operations. Other freight, linehaul, and logistics providers include Mainfreight, Mainstream, Team Global Express (formerly Toll), Move, Freightways and NZ Post.

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- Provincial delivery, i.e., whole-of-town delivery partners (parcels and mail): delivery suppliers are engaged on a continuing contract, with annual services schedules and are exclusive to NZ Post for their delivery services, unless NZ Post agrees otherwise.
  - Rural/remote areas (parcels and mail): delivery suppliers are engaged on a continuing contract, with annual services schedules and are non-exclusive in all respects.

- 23.4 “Courier” services
- Couriers pick up and deliver parcels to consumers and businesses. Like freight services, couriers pick-up and deliver goods to fixed points – whether that be a warehouse/depot, a specific business, a residential address, or another allocated point.
- Where a parcel needs to be sent between towns, the courier provider will typically require logistics and linehaul services, which they may self-supply or may be supplied by another provider.
- Intra-city parcel deliveries, on the other hand, only require couriers and logistics, or just courier services.
24. While all couriers organising inter-city deliveries use linehaul services, different operators use different logistics and linehaul models. Broadly, these can be categorised as either “network” or “point-to-point” couriers, albeit that the distribution can be blurry because many courier companies adopt a model that can be said to mix elements of both a “network” model and a “point to point” model.
25. “Network” couriers collect parcels from any customer (business or consumer) anywhere in New Zealand and deliver them anywhere in New Zealand. Network couriers use their own central warehouses/depots and sort parcels for specific deliveries.
26. New Zealand’s network couriers include NZ Post, Freightways, Aramex, Team Global Express (formerly Toll), PBT, and Parcel Express (all discussed further below).
27. The network nature of the service requires more capital investment and can add complexity and time to the delivery process. It also means that there are economies of scale and economies of density in providing network courier services.
28. Network couriers with larger customer bases and economies of scale can more cost-effectively pick up and deliver across wide areas and locations than smaller network rivals. That better service, in turn, leads to more customers, enabling further investment to improve the offering.
29. These network effects mean NZ Post and Freightways are the two most popular network couriers in New Zealand by a significant margin, particularly for people and businesses wishing to send parcels on an irregular basis, or to irregular locations, particularly outside the main centres.
30. In contrast, the point to point or express courier model is designed to offer faster parcel delivery services than network couriers by adopting a “point-to-point” delivery service model that largely bypasses or minimises centralised sorting. That speed-focused model does not rely, at least to the same extent, on sorting parcels into like delivery locations, but instead collects the goods from the sender and takes them more directly to the recipient, “point-to-point”.
31. Couriers whose model more closely resembles a point to point couriers typically provide services to businesses wanting to deliver products to their customers quickly or on demand or to regular customers on a regular basis.
32. Examples of couriers who utilise the point to point/express couriers include NZ Post (Express), Freightways (Sub60 and Kiwi Express), and Urgent Couriers . Providers such as Uber Parcel (and Uber Delivery) and Doordash also use a model that resembles the “point to point” or express courier business model .
33. In addition to these providers, some large online businesses have established their own delivery services. Noel Leeming, for example, has a nationwide delivery network for

delivering its large appliances to its customers.<sup>8</sup> Similarly, Mighty Ape's Jungle Express delivery service offers a same day and overnight delivery service in Auckland, Wellington, and Christchurch, 7 days a week.<sup>9</sup>

34. While the business models are different, courier customers will trade off the advantages and disadvantages of the different options. In this respect, a smaller network courier – such as PBT – is vulnerable both to larger network couriers, and couriers whose model is closer to a point to point courier.
- 34.1 On the one hand, a smaller network courier must compete with the larger network offered by the larger network operators (NZ Post, Freightways and for PBT, Aramex).
- 34.2 On the other hand, given its urban footprint, it must compete with couriers whose model is geared more towards a point-to-point model with their faster services, made available without investment needed for a full network courier offer.

### NZ Post's rationale for the acquisition

35. NZ Post has invested over \$200m in its Te Iho network transformation programme. Te Iho is a strategic, long-term investment that involves development of an automated national parcel processing network. For example:
- 35.1 in August 2022, NZ Post opened the Christchurch Processing Centre, which added new automation to its existing Southern Operations Centre, and is designed to process 17,000 parcels per hour;
- 35.2 in October 2022, NZ Post opened its new Wellington Depot, its first automated parcel processing hub in the lower North Island, designed to process up to 11,000 parcels per hour; and
- 35.3 the new Auckland Processing Centre is due to open in the first half of 2024.
36. Given these investments, NZ Post's rationale is simply that it sees the acquisition as a way to add volume to its existing courier business without materially increasing its costs. As a result, NZ Post expects to achieve greater cost and customer service efficiencies in the delivery of courier services, enabling it to compete even more effectively with Freightways, in particular, and others.

### PBT's rationale for the sale

37. PBT threw everything it could into its courier business over the last 30 years. However, PBT has decided to "de-verticalise" and focus on its core freight and logistics businesses. With those businesses being where PBT started; and where it now makes sense for PBT to return.
38. At the business-to-business focussed market segment, where PBT has found a minor place in the courier industry, PBT faces intense competition from many other small courier companies [PBT Confidential].<sup>10</sup>
39. The majority of PBT's revenue is [PBT Confidential].
40. In making the commercial decision to exit its courier business, [PBT Confidential].
41. In making this point, PBT notes NZ Post is buying the PBT Courier Contracts [Confidential]. PBT understands NZ Post can recoup that investment by servicing the PBT Courier

<sup>8</sup> <https://www.nlgcommercial.nz/services/delivery-and-installation/>  
<sup>9</sup> <https://www.mightyape.co.nz/jungle-express#choosing-jungle-express>  
<sup>10</sup> [PBT Confidential].

Contracts at little marginal cost to NZ Post's existing business given its already expansive distribution network. In this sense, the selling price reflects productive efficiency gains.

42. [Confidential].

### The counterfactual

43. NZ Post suggests that the acquisition is best assessed against a status quo counterfactual, i.e., PBT retaining its courier business (under current or new ownership). That counterfactual would:

- 43.1 capture the most competitive market scenario;
- 43.2 simplify the Commission's analysis; and
- 43.3 reflect that, as a vertically integrated freight and logistics player, PBT is a "competitive" owner of the relevant courier assets.

## Relevant market: domestic courier services

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44. NZ Post submits that the relevant market is the national market for the provision of domestic courier services (the **courier services market**). The courier services market involves the pickup and delivery of ambient parcels under 25kg in weight.

45. Alternatively, NZ Post submits that the relevant markets are the national markets for the provision of domestic courier services to business for delivery to:

- 45.1 other business customers (the **B2B courier market**) market; and
- 45.2 consumers (the **B2C courier market**).<sup>11</sup>

46. However, the decision of whether to grant clearance should not rest on the way the market is defined. As the High Court has said: "numerous judicial decisions have emphasised that market definitions are but a tool used in various competition law contexts to provide a framework for analysis of the relevant competition law concern".<sup>12</sup>

### Previous NZCC decisions

47. The Commission has considered the supply of parcel pickup and delivery services in two previous decisions. In 1997 (Decision 296) the Commission cleared NZ Post to acquire Freightways' express freight services business. The Commission assessed competition in the markets for:

- 47.1 Auckland, Wellington and Christchurch intra-city urgent parcel delivery;
- 47.2 national urgent (same day) parcel delivery;
- 47.3 local express (same day) parcel delivery;
- 47.4 national express (overnight) parcel delivery; and
- 47.5 national deferred (2-3 days) parcel delivery.<sup>13</sup>

<sup>11</sup> PBT does not operate in the consumer to consumer market (**C2C**).

<sup>12</sup> *NZME Limited v Fairfax Media Limited* [2017] NZHC 3186.

<sup>13</sup> The Commission also identified markets for national linehaul services and the market for the storage and distribution of goods on a contract basis. Neither are relevant to this application.

48. If the Commission were to adopt separate markets based on the time taken to deliver, then the overlap between NZ Post and PBT would be limited to local (same day and deferred) and national deferred services as shown in Table 1.

Table 1

Delivery timeframe as identified in Decision 296	NZ Post	PBT
Intra-city urgent	Yes	No
National urgent (same day)	Yes	No
Local express (same day)	Yes	Yes
National (overnight)	Yes	No
National deferred	Yes	Yes

49. In 2015, the Commission cleared FedEx to acquire TNT as part of a global acquisition.<sup>14</sup> However, that acquisition involved consolidation in the national market for the supply of international express air delivery services for small packages into and out of New Zealand. While the international parcel market is not relevant to this application for clearance, the Commission did comment in that decision:
- 49.1 that while the European Commission had identified the cut off for small packages as being 31.5 kg, the Commission did not “consider that it is possible, nor is it necessary, to delineate precisely a weight between small packages and freight”;<sup>15</sup> and
- 49.2 given the apparent fluidity between express and standard delivery services for international parcels, the Commission did not define separate markets for the two categories but rather recognised that there was a spectrum of urgency;<sup>16</sup> and
- 49.3 given that the merging parties and their competitors operated across New Zealand, the Commission regarded the market as national.<sup>17 18</sup>

### Market includes the pickup and delivery of ambient parcels less than 25kg in weight

50. As described above, the domestic courier services market in New Zealand involves the pickup and delivery of ambient parcels that are less than 25kg in weight.
51. Health and safety and other operational requirements mean that domestic couriers typically only pick up and deliver parcels with a weight less than 25kg (for international parcels the limit is 30kg).
52. Courier services only involve ambient parcels. The transportation of chilled or frozen goods falls outside the courier market. Delivery of these products requires specialist assets and processes. However, this exclusion does not extend to the delivery of groceries (including

<sup>14</sup> *FedEx Corporation and TNT Express N.V.* [2015] NZCC 24

<sup>15</sup> *FedEx and TNT* at [49].

<sup>16</sup> *FedEx and TNT* at [54].

<sup>17</sup> *FedEx and TNT* at [56].

<sup>18</sup> In its *FedEx and TNT*, the Commission referred to several EC Decisions, although those decisions considered cross-border deliveries in the EU.

fresh and frozen produce) given the short lead time on deliveries, or meal kits as those meal kits are packaged with ice and insulated bags, meaning they can be transported by couriers.

### Network and point to point couriers are in the same market

53. While network and point to point couriers have different business models, from a customer's perspective what they are concerned with is to ensure a parcel is delivered safely on time and at a reasonable price.
54. Naturally, different customers will have different preferences on that price-to-delivery speed spectrum. However, customers do not care how their parcel is delivered – whether by a courier company that uses a depot network or one that delivers point-to-point. This is reflected in the fact that all “network” and “point to point” couriers refer to themselves as couriers and emphasise to consumers that they will deliver parcels nationwide on time.
55. For example, PB Tech's delivery options advertising NZ Post's network and point-to-point couriers are all just “delivery” services:<sup>19</sup>

**3. Select delivery type**

- Same Day Delivery  
Same day delivery by 5pm. [Learn more](#)
- 3-hour Urgent Delivery  
Same day delivery within 3 hours. [Learn more](#)
- Evening Delivery - Tonight  
Same day delivery in the evenings, from 6pm onwards. [Learn more](#)
- Evening Delivery - Tomorrow Night  
Delivery tomorrow evening, from 6pm onwards. [Learn more](#)
- Saturday Delivery  
Select to have your order delivered on a Saturday (your order will not be delivered any other day).
- Rural Delivery  
Select if your delivery address is in a rural delivery area
- Standard Delivery  
Default shipping option in your area.

[Continue >](#)

56. Simply put, there is no distinction for market definition purposes between network couriers and point to point couriers.

### Market is New Zealand wide

57. All major courier providers operate in the same or similar urban areas across New Zealand as PBT.
58. As already described, PBT does not itself cover rural or remote areas. Indeed, PBT contracts NZ Post to service **[Confidential]** of New Zealand's addresses. Another courier provider could acquire similar wholesale services (many already do).
59. Similarly, the fact that there are some locally focused local couriers in a region does not mean that the market is not nationwide. In any event, to the extent that there are differences in the competitors in a particular region, these can be considered as part of the competition analysis.

<sup>19</sup> <https://www.pbtech.co.nz/help/article/38/same-day-delivery>

## B2B and B2C customers

60. Broadly, customers acquiring courier services are either individual consumers or businesses. Different customers take different approaches to procuring courier services and their choice of procurement process is independent of whether they are a B2B or B2C customer. Smaller customers can simply sign-up online, pay by credit card, and use a standard set of rates. Other customers will run a standard sales process where couriers present rates, or will run an RFI/RFP process, which can lead to specific service agreements.
61. Commercially, New Zealand Post distinguishes between the “B2C” (business to consumer) market and the “B2B” market (business to business), which each account for roughly half of the total market (by value). There is also a smaller “C2C” market (consumer to consumer), however, typically this category is considered as part of B2C.
62. PBT does not provide services to C2C customers. All PBT customers are businesses that sign-up to use PBT services.
63. From a courier’s perspective the key difference between B2B and B2C is that B2C deliveries tend to be more costly to deliver.<sup>20</sup> This is because deliveries to consumers tend to be 1 item per drop; in contrast, deliveries to business are more likely to include multiple items. Couriers with route density in residential areas (i.e., multiple consumer deliveries) can provide B2C services more efficiently than couriers with lower route density even if they have large B2B business customer bases (as those businesses are typically sending goods to other businesses in non-residential areas). Lower route density means that a courier will have to drive further to deliver the same number of items.
64. PBT’s services are mostly B2B (70%) with the balance B2C. NZ Post, by comparison, is mostly B2C (70%) with the balance B2B.
65. That said, given all couriers offer B2B and B2C to varying degrees, NZ Post considers that defining separate B2B and B2C customer markets would not assist in informing the competition analysis relevant to the proposed transaction.

## There are active resellers

66. All courier providers provide their services direct to customers. However, there are also active resellers which negotiate rates with courier companies and then resell or broker those courier services to customers. These providers do not provide any aspect of the courier services themselves.
67. Resellers include:
  - 67.1 aggregators such as Online Distribution, Vertical Logistics, R3pack, GoSweetSpot, Parcel Port, Trade Me, and others; and
  - 67.2 pick and pack logistics providers who typically bundle their logistics services with courier services provided by others, such as DHL Supply Chain, Schenker, Smartbox, Supply Chain Solutions, and others.
68. Aggregators effectively resell or act as booking agents for courier providers. In NZ Post’s experience, this can take the form of a wholesale arrangement, where there is a sale and resale, and situations where the provider effectively acts as a broker providing the customer with options from competing courier providers.

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<sup>20</sup> There are some other minor variations for delivery to consumers for some goods, e.g., an R18 check service for restricted goods and checks for the delivery of firearms.

69. Pick and pack logistics providers act as consolidators of volume, by bundling an end-to-end service which they can provide to business customers. These providers may use one courier provider exclusively, or maintain relationships with multiple providers.
70. In all cases, wholesale rates reflect the volumes transacted and the elements of service the reseller undertakes.
71. To the extent there is a wholesale market, the courier providers or potential courier providers are the same as in the retail market. Wholesale customers access the same courier network service providers that retail customers use.<sup>21</sup> It follows that the competition analysis should not differ between these functional levels. For that reason, NZ Post has not separately addressed the wholesale market.

## Why the acquisition will not substantially lessen competition due to unilateral effects

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### Summary

72. The acquisition will not lead to a substantial lessening of competition due to unilateral effects because:
- 72.1 PBT is not a particularly strong or aggressive competitor in the courier market. This is illustrated by its modest market share – **[Confidential]**. Therefore, the acquisition will result in only modest market share aggregation. And while adding PBT's volumes will make an important contribution towards improving NZ Post's efficiency, this level of market share aggregation is not significant from a competition perspective.
- 72.2 There is nothing to suggest that PBT's competitive significance is greater than its existing market share, or any reason to believe that PBT would become more competitively significant in the future.
- 72.3 NZ Post will continue to be constrained by the strong competition currently provided by Freightways, which is a clear leader in the B2B market and an increasingly significant force in the B2C market.
- 72.4 NZ Post will also continue to be constrained by competition from Aramex, while other smaller competitors also provide some constraint on NZ Post and face no barriers to grow to replace the level of constraint currently provided by PBT.
- 72.5 Large customers will continue to be able to exercise countervailing power to constrain NZ Post.
73. Indeed, as already described, the acquisition provides an opportunity for NZ Post to acquire more customers that it can service at marginal cost given its existing customer footprint, an outcome that is likely to increase competitive tension rather than diminish it.

### Market pricing shows the market is highly competitive

74. New Zealand domestic courier services are competitively priced, with prices close to the marginal cost of production and among the lowest worldwide.
75. **[NZ Post Confidential]**.

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<sup>21</sup> See Attachments B and C for a list of NZ Post's and PBT's wholesale customers.

Table 2:

[NZ Post Confidential]

76. [NZ Post Confidential].

Figure 3:

[NZ Post Confidential]

77. NZ Post believes that this indicative of the strong competition in the market.

### Acquisition results in only modest market share aggregation

78. As shown in Table 3 below, the New Zealand courier market is characterised by two sizable providers – NZ Post and Freightways – a smaller third competitor in Aramex, plus several other smaller providers.

79. PBT Group is the fourth largest courier company in New Zealand, with a market share of [Confidential]. As a result, the acquisition will result in an increase in NZ Post's market share of only [Confidential]. While the additional volumes NZ Post will gain as a result are significant for its ability to drive cost efficiencies in its courier business, they are not significant from a substantial lessening of competition or market power standpoint.

Table 3: NZ Post's market share estimates<sup>22</sup>

[NZ Post Confidential]

80. These shares are not out of step with international norms. NZ Post is not aware of any courier market around the world that is not (efficiently) led by one or two large network couriers. That reality is particularly true for isolated countries, like New Zealand, where firms cannot gain economies of scale by servicing customers in nearby neighbouring countries.

### NZ Post and PBT are not each other's closest competitors

81. Moreover, the market share figures in Table 3 above illustrate the marketplace reality that NZ Post and PBT are not each other's closest competitors.

82. [NZ Post Confidential].

83. PBT does not provide C2C courier services. Moreover, unlike NZ Post and Freightways, PBT cannot offer overnight nationwide delivery, weekend delivery, or rural delivery. To illustrate this point, for example, PBT's limited courier offering is reflected in the following table which shows some of the couriers who provide the delivery options that match those offered by PB Tech on its website (see paragraph 55 above) (which NZ Post believes is indicative of the position in other major urban centres):

<sup>22</sup>

[NZ Post Confidential].

Table 4: examples of couriers offering delivery options offered to customers on PB Tech's website

	NZ Post	Freightways	Aramex	Urgent Couriers	PBT	Team Global Express
3-hour Urgent Delivery (Same day delivery within 3 hours)	Yes	Yes	No	Yes	No	No
Evening Delivery – Tonight (Same day delivery, from 6pm onwards)	Yes	Yes	No	Yes	No	No
Evening Delivery – Tomorrow (Tomorrow evening, from 6pm onwards)	Yes	Yes	No	Yes	No	No
Same Day Delivery (Same day delivery by 5pm)	Yes	Yes	Yes	Yes	No	No
Standard Delivery (Default shipping option in your area)	Yes	Yes	Yes	No	Yes	Yes
Saturday Delivery (Delivery on a Saturday)	Yes	Yes	Yes	Yes	No	No
Rural Delivery (If your delivery is to a rural address)	Yes	Yes	Yes (via NZ Post)	No	Yes (via NZ Post)	Yes (via NZ Post)

84. NZ Post and PBT Group's offer is differentiated to customers, reducing the direct competition between them. That is not to say there is no competition between NZ Post and PBT. They do compete for customers and each win and lose customers from the other.
85. **[NZ Post Confidential].**

### NZ Post will be constrained by existing competitors, most notably Freightways

86. Table 3 illustrates that NZ Post will continue to be constrained by Freightways' and Aramex, plus the other courier providers (Deadline Express, Uber Connect, OnSend, Team Global Express, DHL, FedEx, Fast Horse).
87. Freightways and Aramex, in particular have strong recognition in the market and face no barriers to expansion, should NZ Post seek to increase prices above, or decrease service levels below, counterfactual levels.

#### *Freightways*

88. NZ Post sees Freightways as its main competitor. Freightways is listed on the NZX and is part of the NZX50.
89. In addition to courier services, Freightways provides business mail services (DX Mail), business and medical waste collection and destruction services, information management services, and temperature controlled transport. Freightways also offers overnight airfreight and has a national linehaul operation (via partnership with Parceline).

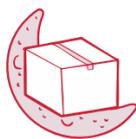
90. NZ Post estimates that Freightways has a **[NZ Post Confidential]**% share of the New Zealand courier market. In its 2023 Annual Report Freightways reported that its express package brands (i.e., domestic courier brands) had experienced a net gain in market share (recorded as 4% in its FY2023 Investor Presentation).<sup>23</sup> Freightways operates several courier brands.
- 90.1 New Zealand Couriers, which is Freightways' flagship brand and largest brand by revenue and operating earnings. Freightways positions NZ Couriers as its premium service/premium price. New Zealand Couriers has 22 branches throughout New Zealand and over 500 couriers providing overnight delivery to 99.9% of New Zealand.
- 90.2 Post Haste is Freightways' mid-market brand. Post Haste operates 20 branches throughout New Zealand, with over 240 couriers.
- 90.3 Castle Parcels is Freightways' economy next day (two day inter-island) brand. Castle Parcels has branches in Auckland, Wellington and Christchurch.
- 90.4 Now Couriers is focussed on providing same day courier services within Auckland.
- 90.5 Sub 60 provides time critical courier services within Auckland and Wellington, and same day intercity deliveries.
- 90.6 Kiwi Express also provides time critical courier services in Auckland and Wellington, as well as freight services for oversized items.
91. In addition, Freightways:
- 91.1 has established "Pass the Parcel", an online courier service provided by Post Haste targeting consumer to consumer bookings; and
- 91.2 owns 33.3% of GoSweetSpot, which is an aggregator and reseller of courier services to small and medium sized businesses.
92. Freightways is the courier provider that is most similar to NZ Post. Freightways and NZ Post both operate full scale networks enabling them to collect parcels from anyone and deliver them anywhere.
93. The intense competition between NZ Post and Freightways is evident in the parties' marketing collateral. While NZ Post disagrees with the assertions made, which are inconsistent with NZ Post's own experience and research, Freightways' website directly seeks to contrast its services with NZ Post as follows:<sup>24</sup>

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<sup>23</sup> Freightways 2023 Annual Report, p 11 and June 2023 Results Presentation, p 11.  
<sup>24</sup> <https://nzcouriers.co.nz/national-shipping/>

## Slow delivery is a poor experience for your customers

Don't keep them waiting. Give your customers one of the fastest deliveries in New Zealand.



### Delivered next day

75% New Zealand Couriers  
vs  
45% NZ Post



### Delivered within 2 days

96% New Zealand Couriers  
vs  
92% NZ Post



### Average delivery time

21 hours 59 minutes – NZC  
vs  
35 hours 53 minutes – NZ Post

Based on data from network pressure tests during the busiest e-commerce day of the year – Black Friday & Cyber Monday, November 2022.

### *Aramex*

94. Aramex is a multi-national express delivery and logistics provider listed on the Dubai Financial Market. Aramex operates in 65 countries around the world, with global revenues of NZ\$2.71b in FY22 and a market capitalisation of NZ\$1.6b.<sup>25</sup>
95. Aramex entered the New Zealand market in 2016 when it purchased Fastway Couriers. Fastway Couriers was established in Napier in 1983 and was rebranded to Aramex in 2019.
96. Aramex is an active competitor and has just secured the contract to supply Amazon's domestic courier requirements.
97. Aramex has 18 branches (franchise owned) throughout New Zealand with 280 courier drivers and a market share of **[NZ Post Confidential]**%. Aramex services "Kaitaia to Bluff" from its 18 regional depots in: Auckland; Central South Island; Christchurch; Dunedin; Hamilton; Invercargill; Masterton; Napier; Nelson; New Plymouth; Palmerston North; Rotorua; Tauranga; Whanganui; Wellington; West Coast; and Whangarei. Aramex's other clients include Rebel Sport and the Briscoes Group. Aramex is, along with NZ Post, one of Trade Me's default courier providers that can be booked within TradeMe's ecosystem.

### *Other providers*

98. There are also a range of other providers of courier services (plus international providers such as DHL and FedEx).

### *Team Global Express*

99. Team Global Express (formerly Toll) is one of Australia's leading freight, logistics and courier companies.
100. In New Zealand, TGE has an established freight, logistics and courier network in New Zealand offering "a comprehensive range of domestic and international delivery options for parcels and cartons including overnight, same day, next day intra-island and off peak" in New Zealand.<sup>26</sup>

<sup>25</sup> See <https://www.aramex.com/ae/en/investor-relations/overview>

<sup>26</sup> <https://teamglobalexp.com/new-zealand>

*Urgent Couriers*

101. Urgent Couriers provides courier services throughout New Zealand. Urgent Couriers offers same-day deliveries within New Zealand’s “golden triangle” comprising Whangarei, Auckland, Hamilton, Rotorua and Bay of Plenty.
102. Urgent Couriers also offers nationwide delivery through its linehaul and depot network connecting Auckland, Hamilton, Tauranga, Napier, Palmerston North, Wellington, Nelson, Blenheim, Christchurch, Dunedin and Invercargill.
103. Urgent Couriers was founded in 1989 and on its website, Urgent Couriers says it “leads the fast delivery market in New Zealand”.<sup>27</sup> Urgent Couriers has 500 drivers nationwide and integrates *Shopify* in its booking software, a software application specifically tailored for e-commerce businesses.
104. Urgent Couriers’ major customer is HelloFresh, for which Urgent Couriers delivers throughout New Zealand on a non-exclusive basis (NZ Post also delivers for HelloFresh). The parties understand Urgent Couriers developed its national network to service HelloFresh.
105. Smaller online businesses with frequent sales, like HyperRide, also use Urgent Couriers. Other Urgent Couriers clients include PB Tech, PlaceMakers, Woop, Auckland Council, Dentons Kensington Swan, Red Bull and Karma Drinks.<sup>28</sup>

*Parcel Express*

106. Parcel Express provides B2B focussed same day courier services throughout Auckland, next day delivery in the North Island, and two-day delivery to the South Island.<sup>29</sup>

*Deadline Express*

107. Deadline Express, which is a New Zealand owned and Auckland based courier which provides express (15 mins to 3 hours) courier services in Auckland, same day nationwide overnight and economy (2-3 day delivery) courier services.<sup>30</sup>

*Uber Connect / Uber Delivery*

108. Uber Connect and Uber Delivery, allow consumers and businesses to send parcels to recipients located in the same city.<sup>31</sup> Uber Delivery is a C2C offer where consumers can use Uber to have a single item delivered somewhere. Uber are continuing to develop its B2C service (Uber Connect) where retailers can add Uber delivery as an option in the retailers’ website shopping cart.

*Fast Horse*

109. Fast Horse Express is a courier company present in the United States, Canada, and Australia and are a recent entrant to the New Zealand market. Like Uber Connect and Uber Delivery, Fast Horse contracts drivers to enable businesses to send parcels to business and consumer recipients.<sup>32</sup>

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<sup>27</sup> <https://fast.urgent.co.nz/>

<sup>28</sup> <https://fast.urgent.co.nz/>

<sup>29</sup> <https://parcelexpress.co.nz/>

<sup>30</sup> <https://www.deadlineexpress.co.nz/>

<sup>31</sup> <https://www.uber.com/blog/uber-connect-ondemand-package-delivery/>

<sup>32</sup> <https://nz.fh.express/>

***No barriers to expansion for any existing provider***

110. There are no barriers to expansion for existing competitors. Network and point to point providers have established nationwide infrastructure and systems and could increase the number of items carried without further investment.
111. Moreover, Urgent Couriers' expansion off the back of its contract to deliver HelloFresh illustrates the ability for any other existing provider to add capacity and expand (or a new provider to enter) with a volume commitment from a large customer.
112. Indeed, if additional capacity were needed to replace the volume currently provided by PBT, then this could simply involve an existing courier company:
- 112.1 adding delivery vehicles, which would involve a modest, non-sunk, cost and would not be a barrier to expansion particularly given that PBT's current owner-operators will not be contracted to PBT post-acquisition; and
- 112.2 utilising third party linehaul and logistics providers, which would involve the courier company incurring minimal sunk cost. In fact post-acquisition, PBT as a provider of linehaul and logistics services will have a strong incentive to replace its sold courier volumes with volumes from other courier companies.

**New entry can be expected if prices increase or service levels decrease**

113. Given competitive conditions in this market as shown by margins that imply prices close to marginal costs, NZ Post does not expect new entry to occur. Rather, NZ Post expects that existing competition will continue to keep prices and service at competitive levels.
114. However, if prices rose above, or service levels fell below, competitive levels, then market entry could be expected. Conditions of entry in these markets are benign with the services provided able to be replicated by anyone with modest levels of investment. That would certainly be true for an entrant seeking to replicate PBT's market position.
115. The view that barriers to entry (and expansion) are low is consistent with the Commission's conclusions in Decision 296, where the Commission concluded:
- [107] The relative ease of entry into the parcel delivery markets and the lack of entry barriers is demonstrated by the sheer number of firms competing in the industry. It is also accepted that there are existing and potential competitors with the financial, managerial and business capacity to increase services by increasing utilisation of existing capacity or through expansion.
- [108] The low barriers to entry into the market mean that the potential competitive response of these suppliers already constrains market participants, and would continue to constrain the merged entity. The possibility of de novo entry also serves to constrain market participants and would continue to constrain the merged entity.
116. The most likely entrants would be from adjacent markets such as:
- 116.1 global logistics and parcel delivery providers such as DHL, FedEx, UPS, and TNT, which already have some domestic delivery infrastructure and so could easily pivot to providing domestic courier services;
- 116.2 local freight companies such as Mainfreight, Toll, and Owens, which are in a position to replicate the integrated freight/courier offering of PBT;
- 116.3 specialist delivery providers, such as Door Dash and Uber, whose delivery model is set up to provide point to point and B2C services already and could easily extend

their offer to encompass more general courier services – indeed, as described above, Uber is actively developing its Uber Connect and Uber Delivery offer; and

- 116.4 large e-commerce players such as Mighty Ape or Amazon, which could by-pass traditional courier delivery providers.
117. As with expansion, adding delivery vehicles would involve a modest, non-sunk, cost (with PBT's owner-operators available), while the existence of third party linehaul and logistics providers would similarly enable low-cost entry and expansion into the market.

### Large customers and resellers can exercise countervailing power

118. It follows from there being low barriers to entry that larger scale business customers are in a position to exercise countervailing power by bypassing courier services and self-delivering items or by sponsoring new entry or expansion. At the very least, these customers are often able to make a credible threat of being able to do this.
119. In this respect, Urgent Couriers' expansion off the back of its contract to deliver HelloFresh also illustrates the ability for large customers to exercise countervailing power. Importantly, the expansion (or entry) of a courier company to supply one customer will have flow-on benefits for all other customers, who will then have the benefit of a larger, or new, courier provider.
120. Some examples of customers who are in a position to bypass providers of courier services, or sponsor new entry include:
- 120.1 Warehouse Group (The Warehouse, Warehouse Stationary, 1-Day, Noel Leeming, Torpedo 7, The Market) - indeed, Noel Leeming, for example, has a nationwide delivery network for delivery of its large appliances to its customers;<sup>33</sup>
- 120.2 Trade Me;
- 120.3 My Food Bag / Hello Fresh;
- 120.4 Mighty Ape (which has started its direct same day delivery service "Jungle Express" in Auckland, Wellington, and Christchurch); and
- 120.5 Amazon, which already delivers its own packages in the United States and United Kingdom (Aramex delivers for Amazon in New Zealand currently).
121. Similarly, large aggregators or pick and pack logistics providers may also have sufficient volumes to exercise countervailing power by supporting new entry. NZ Post estimates that approximately [NZ Post Confidential]% of all its courier sales come from 3PL providers, and [NZ Post Confidential]% from aggregators. The volumes that these providers contribute mean they have significant bargaining power, giving them the ability to play off courier rivals against each other, and credibly threaten to support the entry or expansion of a new participant.

### Conclusion

122. For all the reasons explained above, the Commission can be satisfied that the acquisition will not lead to a substantial lessening of competition due to unilateral effects.

<sup>33</sup> <https://www.nlgcommercial.nz/services/delivery-and-installation/>

## Why the acquisition will not substantially lessen competition due to coordinated effects

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123. The acquisition is unlikely to increase the risk of coordinated conduct in this market.
124. While the market has two larger participants, there are several features of the market that would make coordination impossible. This was recognised by the Commission in FedEx/TNT albeit in the context of international parcel delivery when the Commission concluded that coordination was unlikely because of:
- 112.1 the highly differentiated nature of the products which would make coordination difficult to achieve;
  - 112.2 the lack of price transparency with most customers negotiating prices based on a rate card with significant discounting based on such factors as the volume of business transacted;
  - 112.3 asymmetries in the market share and cost structures which would make coordination more difficult; and
  - 112.4 the presence of fringe competitors, such as UPS and freight forwarders, which are likely to prevent or disrupt any attempted coordination.
125. As with the international market, market prices are not readily observable. Courier companies do publish rate cards; however prices are generally set by individual negotiations with customers. This makes it difficult, if not impossible, for companies to reach a coordinated outcome.
126. Similarly, the market is differentiated in terms of service levels. By itself, Freightways' multi-brand strategy would make coordination very difficult.
127. The market shows asymmetries in market share. NZ Post and Freightways are the closest in size, but there is still a reasonable gap between them. There is then a drop to Aramex, and then a number of other competitors, all of whom will have different cost bases and competitive incentives compared to NZ Post and Freightways.
128. Of course, the presence of Aramex and the large number of point to point operators would provide a very strong moderating influence on any attempt to coordinate market conduct.
129. The fact that margins have been driven towards and remained at marginal cost over a long and sustained period is consistent with this being an industry in which coordination does not occur.
130. In that context, there is nothing in the market place evidence to suggest that PBT has been – or could become – a key driver of competition, let alone a rogue or disruptive force. It is not better placed than any of the other providers in the market to become so. In any event, the removal of PBT as an independent competitor is unlikely to materially alter any residual (low) risk of coordination in this market.

## Why the acquisition will not result in vertical or conglomerate effects

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131. The acquisition is unlikely to result in a substantial lessening of competition arising from vertical or conglomerate effects.
132. The acquisition does not involve NZ Post adding an additional offering to its current portfolio, meaning conglomerate effects are unlikely.

133. And while resellers resell courier services to customers, the acquisition will give NZ Post neither the ability nor the incentive to foreclose those firms' businesses.
134. Freightways, Aramex, and other smaller providers would still remain as options for resellers. This means that NZ Post would not have the ability to foreclose resellers.
135. Nor would NZ Post have the incentive to do so. NZ Post gains benefit from resellers investing in focussing their services on customers that NZ Post would not have the means to otherwise directly target. That is, NZ Post's resellers help to increase NZ Post volumes; there is no reason to believe that the acquisition would change that incentive.

## Summary and conclusion

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136. The acquisition will not substantially lessen competition in any market.
- 136.1 The market is highly competitive, as evidenced by low prices New Zealand courier customers enjoy.
- 136.2 The acquisition results in only a modest increase in NZ Post's market share.
- 136.3 The acquisition does not involve NZ Post acquiring a close competitor or a competitor that a rogue or disruptive force in the market.
- 136.4 NZ Post will continue to face strong competition from Freightways and Aramex, together with a string of other couriers who form a strong competitive fringe.
- 136.5 None of the existing providers face any obstacles that would prevent them from expanding their sales in response to an attempt by the merged entity to raise prices or reduce quality.
- 136.6 While entry is unlikely due to the competitive nature of the market, if prices increased above competitive levels (or service levels dropped below), entry could be expected from providers in adjacent markets.
- 136.7 Large customers possess, and will be able to use, their significant countervailing power to constrain NZ Post.
137. NZ Post, therefore, requests that the Commission grant clearance for the acquisition.

## Declaration

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I, Rhonda Richardson, have supervised the preparation of this notice seeking clearance. To the best of my knowledge, I confirm that:

- all information specified by the Commission has been supplied;
- if 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 Chief Financial Officer of New Zealand Post Limited, and I am duly authorised to submit this notice.

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**Name** Rhonda Richardson

**Date:** 17 November 2023

## Schedule of confidential information

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The following information has been removed from the public version of the Application because the information is confidential to the parties and disclosure would be likely to disclose a trade secret or be likely unreasonably to prejudice the commercial position of one or both of the parties (*cfs* 9(2)(b)(i) and (ii) of the Official Information Act):

- The market share figure in:
  - The fourth paragraph on page 4;
  - the first paragraph on page 5;
  - paragraph [72.1];
  - paragraph [79] (appears twice).
- The second sentence of the seventh paragraph on page 4.
- The volume figures in the second sentence of the last paragraph on page 4.
- The number of customer contracts in paragraphs [3] and [19.1].
- The words after “purchase price is” in paragraph [5].
- Footnote 6.
- Figure 1.
- The volumes and percentages in Figure 2.
- The words in the first sentence of paragraph [41] after the words “PBT Courier Contracts”.
- Paragraph [42].
- The percentage in paragraph [58].
- The commentary in the Response column of the row [3.4] in the Schedule of required information in notice for clearance.
- Attachment A.

### Information removed to protect privacy

The names and contact details of the individuals listed in the following parts of the Application have been removed from the public version to protect the privacy of individuals relying on s 9(2)(a) of the Official Information Act.

- Contact details for Malcolm Shaw.
- Contact details for Dave Lovegrove.
- The signature on the declaration page.
- Contact details in Attachments B, C, and D.

## NZ Post confidential information

The following information has been removed from the public version of the Application because the information is confidential to NZ Post and disclosure would be likely to disclose a trade secret or be likely unreasonably to prejudice NZ Post's commercial position (*cf*s 9(2)(b)(i) and (ii) of the Official Information Act):

- Paragraph [75].
- Table 2.
- Paragraph [76].
- Figure 3.
- The revenues and percentages in Table 3.
- Paragraph [82].
- Paragraph [85].
- The percentage in paragraph [90].
- The percentage in paragraph [97].
- The percentages in the second sentence of paragraph [121].
- Attachment B.
- Attachment E.
- Attachment G.

## PBT's confidential information

The following information has been removed from the public version of the Application because the information is confidential to PBT and disclosure would be likely to disclose a trade secret or be likely unreasonably to prejudice PBT's commercial position (*cf*s 9(2)(b)(i) and (ii) of the Official Information Act):

- The words after "small courier companies" in paragraph [38].
- Footnote 10.
- All of paragraph [39] after the words "The majority of PBT's revenue is".
- All of paragraph [40] after the words "its courier business".
- Attachment C.
- Attachment F.

## Schedule of required information in notice for clearance

Notice para.	Commission request	Response
[1]	Applicant details	See paragraphs [3] and [6] to [11] of the Clearance Application.
[2]	Other party details	See paragraphs [12] to [22] of the Clearance Application.
[3.1]	Type of transaction	See paragraphs [3] to [5] of the Clearance Application.
[3.2]	Merger rationale	See paragraphs [23] to [42] of the Clearance Application.
[3.3]	How merger changes control	See paragraphs [3] to [5] of the Clearance Application.
[3.4]	Ancillary agreements	<b>[Confidential]</b>
[3.5]	Counterfactual	See paragraph [43] of the Clearance Application.
[4]	International notification	Not applicable.
[5.1]	Applicant's view on market definition	See paragraphs [44] to [71] of the Clearance Application.
[5.2]	Each merging party's total sales revenues, volumes, and capacity for the last three financial years.	See Attachments E and F.
[5.3]	Names and contact details of the merging parties' main competitors	See Attachment D.
[5.3]	Names of any trade or industry associations which either of the merging parties participate	<p>For NZ Post, domestic associations include:</p> <ul style="list-style-type: none"> <li>• Climate Leaders Coalition</li> <li>• WasteMINZ</li> <li>• Sustainable Business Network</li> <li>• Sustainable Business Council</li> <li>• NZ Marketing Association</li> <li>• Hydrogen Council</li> <li>• Transparency International New Zealand.</li> </ul> <p>PBT is not a participant in any industry or trade associations.</p>

Notice para.	Commission request	Response
[5.4]	Names and contact details of merging parties top 5 customers	See Attachments B and C.
[6]	Why the transaction will not substantially lessen competition	See the Executive Summary and paragraphs [72] to [137] of the Clearance Application.
[7]	Copies of documents bringing about the merger	See Attachment A.
[8]	Internal applicant documents seen by the Board or senior management within the last two years that relate to: <ul style="list-style-type: none"> <li>• the transaction; or</li> <li>• market conditions.</li> </ul>	See Attachment G.
[9]	Most recent annual report, audited financial statements and management accounts	A copy of NZ Post's most recent annual report can be found at <a href="http://www.nzpost.co.nz/about-us/investor-centre">www.nzpost.co.nz/about-us/investor-centre</a> . NZ Post does not have separate management accounts for its courier operations.

## Attachment A: Asset Purchase Agreement

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[Confidential]

## Attachment B: NZ Post's wholesale customers and largest courier customers

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[NZ Post Confidential]

## Attachment C: PBT's wholesale customers and largest courier customers

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[PBT Confidential]

## Attachment D: Contact details for main competitors

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Company name	Website	Contact details (where known)
Freightways (all brands)	<a href="http://www.freightways.co.nz">www.freightways.co.nz</a>	[Confidential]
Aramex	<a href="http://www.aramex.co.nz">www.aramex.co.nz</a>	[Confidential]
Team Global Express	<a href="http://www.teamglobalexp.co.nz">www.teamglobalexp.co.nz</a>	[Confidential]
Urgent Couriers	<a href="http://www.urgent.co.nz">www.urgent.co.nz</a>	[Confidential]
Parcel Express	<a href="http://www.parcelexpress.co.nz">www.parcelexpress.co.nz</a>	[Confidential]
Deadline Express	<a href="http://www.deadlineexpress.co.nz">www.deadlineexpress.co.nz</a>	[Confidential]
Uber Connect	<a href="http://www.uber.com">www.uber.com</a>	[Confidential]
Fast Horse	<a href="http://www.nz.fh.express">www.nz.fh.express</a>	Unknown

## Attachment E: NZ Post's courier revenues and volumes

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[NZ Post Confidential]

## Attachment F: PBT's revenues and volumes

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[PBT Confidential]

## Attachment G: NZ Post internal documents

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[NZ Post Confidential]