

Karen Smith

From: Bernard O'Shaughnessy <[REDACTED]>
Sent: Thursday, 12 August 2021 3:13 pm
To: marketstudies; Communications and Engagement Team
Subject: Consultation Conference
Attachments: PSM1.pdf; PSM2.pdf

Kia ora Tatou Commerce Commission

I acknowledge and thank you for your email of the 11 August 2021.

Yes I do wish to attend the conference scheduled for 21/24 September 21.

A) I do not represent any one particular organisation but I am a community advocate across a range of fields: eg Local Body and Charity issues.

B) Name and Role of each attendee (including experts).

- 1) Myself: a) Bernard O'Shaughnessy - I have grocery shop experience covering 65 years.
b) I am an expert on Liquor Licensing Laws in NZ
- 2) Sarah Wu: having a perspective of how poor people can't pay their grocery bill.

C) Topics of interest for discussion

I attach 2 pages of brief notes. I now add to that. I will be referring to "Supermarkets" as "Profiteering Supermarkets" (PSM).

1) Take the Liquor out of the PSM.

Prior to the 1989 Sale and Supply of Liquor Act PSM did not sell booze (Wine and Beer).
Our society would be better off if the booze is not sold from PSM as they have 'normalised' booze.

They have also sometimes done cost price loss on some items to attract customers to their stores. I have been involved with over 20 Liquor Licensing cases both as an individual and working with community groups and have measured success in many cases. I also gained better outcomes in cases against Pak & Save/New World and Countdown.

I estimate that since gaining their booze license Pak & Save Kilbirnie have sold over \$100million dollars of booze. There is Health Ministry research that proves that within every 800 metres of an Off License being granted crime increases.

2) Reduce food prices by 10%

The data researched by the Commerce Commission (CC) shows profit of between 21.6% and 23.8% by PSM. This shows when the CC used their measurement system ROACE and a comparison in excess of their WACC (page 7)).

A reasonable profit on returns for any businessperson is ok, but 21 to 23% is just shared greed particularly when there are only two grocery shops.

So the two PSM could reduce their prices by 10% and still make a killing.

3) Pay for all food parcels given out by charities.

There has been a huge increase in food parcels given out by charities in the last decade. This means that the charities are supporting and paying for those people who are low pay or poor. The PSM should pay the charities for that cost!

4) Pay for Easy Meals.

Again there has been an increase all around NZ on easy meals. Well the PSM should pay for that.

5) Pay a 10% levy to the Govt to fund dental costs.

As 80% of food items sold by the PSM contain excess amounts of sugar the PSM should pay a 10% levy to Govt so that they can pay for dental costs in NZ, particularly for children.

6) Pay all employees a Living wage.

PSM have always sat on the sidelines of what a 'good employer' should be. It's time to pay the Living Wage and improve the working conditions of their employees, giving opportunity for advancement including recognising 'experience/length of service.' Eg I know supermarket employees have always been only on the minimum wage even though they have given 20 to 30 years of loyal service.

7) Sell food items only.

As referred to in my attached notes the PSM have and are killing off small shop owners all around NZ. Their stores cover up to 25 different types of consumer needs. By seeking the best 'location' in townships and cities the PSM cull out and kill off the small business owners.

Appalling! So by regulation the PSM must and should only sell food.

In the 1980s I worked for a local authority. My role was to visit petrol stations over the week-end to ensure that food items that could and were by law to be sold during the week, were not being sold on the week-end. Eg frozen peas, etc. How amazing one may observe but that was how it was then.

8) Provide for suppliers to PSM be provided with free mediation.

There is evidence in NZ that the PSM uses stand over methods which is a form of blackmail to drive the price of the supply of goods down, yet not pass on the gained profit to the end consumer. This must stop and free mediation services should be paid for by the PSM to ensure fair prices are paid.

9) All profit gained by PSM by bulk purchasing should be fairly passed on to customers.

The CC has seen evidence of gains being made by PSM in paying a low price to suppliers, yet not passing this gain to shoppers. Eg the price paid to Kumara growers, or apples, peas, etc are secured at a forced low price, yet not reflected in the shop price. This practise must stop.

10) PSM pay a levy to the Govt to reduce sugar in products.

80% of food items sold by the PSM contain excessive levels of sugar. These have to stop so as to encourage better health outcomes for future generations. Levy the PSM to pay for the Health costs associated with the destruction caused by sugar.

11) Promote NZ made products more.

Too much of our food products are imported. \$74million of pork imported. Potatoes/tomatoes etc. More and greater(bigger) labels should be on food to show where food comes from. I buy Coffee Latta from the PSM - it comes from Poland. I can buy canned tomatoes which come from Italy. Gherkins from India! What madness. The PSM should be supporting NZ growers in the first instance.

12) Stop advertising false special prices.

The PSM clearly both engage in false advertising of either the shelf price, sale price (which is often the same) and clearly go out of their way to confuse customers. Time to stop.

13) Have recycling collection depots be established at supermarkets.

As 70% of household waste comes from the PSM all waste should be taken back to them and the PSM should have recycling depots (at their cost) in their car parks to encourage recycling.

14) Have the CC approve each 18mths the % increase of food items.

The two PSM play the excessive profit game between themselves without a referee. The PSM are unlawful cowboys operating without rules and regulations as 21-23% profit is excessive. The case should be made each 18mths to the CC for allowed price increases. I have public service experience of the issues surrounding the wage and price freeze brought in by the National Govt. Wages were frozen, but prices (particular food) were often granted exemptions in excess, hence that situation gratefully brought that foolish policy to a close. But we do have the alarming situation continuing of low wages in NZ.

15) Allow competition access to land by PSM

There is documented evidence that shows that the PSM are involved in bad practises associated with purchasing land for particularly 'locations.' They use and abuse the provisions of the RMA, and in lobbying Councils, to force restrictions on each other, which then becomes a cost to the customer. This practice must stop.

In conclusion I look forward to attending a conference on these matters.

Yours sincerely

Bernard O'Shaughnessy
Community Advocate.

Market Study into Retail Grocery Sector.

Discussion notes: Bernard O'Shaughnessy

1) Structure of the Grocery industry at wholesale and retail levels.

The Commerce and Consumer Affairs will know all about this sector.

There is only two grocery shops in New Zealand being Progressive Enterprises and Foodstuffs. They control over 90% of the market and only a few alternative chain stores existing both inside of Auckland, and ever less outside of Auckland.

2) Nature of Competition.

The two grocery chains mainly compete against each other through seeking the best location to attract customers. But that at times means the capturing of customers to drive to or attend on those forced locations.

The seeking of prized locations also means a destruction of small townships, and shopping areas within suburban areas to the detriment of many small businesses.

I have lived and worked in Wellington's Eastern and Southern suburbs for over 50 years. (I'm 70) With the development of the supermarkets (Countdown, New World & Pak & Save) I have seen the reduction and decline of small businesses in these areas. They have been driven out by the two grocers both legally above board, yet also in spurious underhanded ways.

A 'supermarket' is made up of many shops. There are distinct areas where previous small businesses would have provided the product to customers.

The following is a list of areas within a supermarket of where a similar stand alone shop would have existed in the locality:

- | | | |
|--------------------------------------|-----------------------|-----------------------------------|
| 1. Fruit and Veg shop | 2. Flowers (Florist) | 3. Magazines/cards/lotto |
| 4. Tobacco | 5. Fish mongers | 6. Deli |
| 7. Butcher | 8. Chemist | 9. Plastics (containers) |
| 11 Electrical goods (plugs/toasters) | 12. telephone top ups | 13. Ethnic 'international' food |
| 14 Alcohol | 15. Bakers | 16. Dairies: sweets, Tobacco etc. |

These supermarkets also carry a range of other miscellaneous items that are clearly marketed to challenge other local shops such as:

- | | | |
|------------------------------|----------------------|--------------------------|
| 17. Gluten Free products | 18. organic products | 20. seeds/plants (Herbs) |
| 21. Pets (food/collars etc). | 22. Craft beer | 23. towels/face cloths |
| 24. children's toys | 25. fireworks | |

I could take members of the Commerce Commission to Newtown, Island Bay, Kilbirnie and Miramar to show the empty shops that once used to be small businesses operating in these communities providing the above products, but which were driven out by the supermarket strategies. Where a supermarket is located causes a change in the shopping habits of the public. Traffic flows are redirected or changed, which has an impact on other neighbouring shops in an area.

I have travelled and worked throughout NZ in the public service and other vocations. I can see the same destruction caused by the supermarkets in Levin, Hastings, Lower Hutt, Dunedin, Invercargill, Whangarei, Hamilton, Taupo, Gisborne, Napier, Te Kuiti, New Plymouth and the list goes on. Everywhere in NZ you can see the destruction by the supermarkets of 'small town' caring communities because of market driven exploitive practices.

In Newtown for example, a lovely caring family Asian chap owned and built up over many hard years of work a plant flower shop in Riddiford St, opposite New World. One of his 'attractive' items on sale at the entranceway was packets of seeds, and newspaper wrapped vegs and flower plants. New World started selling the same items at a much lower price than him. Within a year they put him out of business. New World then increased their prices of said items, then in later years even stopped selling these items. Same happened in Kilbirnie with the supermarkets there.

Another example was a small town grocer couldn't comply with the franchises directions of pricing methods, so after his protests, was forced into liquidation, and he lost the business.

It's hardly competition if there is only two horses in the race and no referee.

Both supermarkets take each other to court, endlessly, but the end game just shows that they each win and lose some, but at the end of the day it is the consumer and community who misses out. For example the property squabble by Countdown John St, Newtown, Wellington and the adjoining property owned by Foodstuffs cost millions, and went on over many years, which means those millions had to be absorbed by the companies into their food prices.

The two chain stores do put out the image of competing with each other (eg the endless Pak & Save ads showing how much cheaper they are compared to the other local Countdown store). But to me it really is the fact that both have pretty similar minimum and maximum prices. The variances are then fostered as being 'sale' prices or 'discounts' but they are so so similar its a joke.

Often I see sale items at the end of the aisle that are the same price as listed where the item is usually on the shelf. This is disingenuous to say the least. Both shops are guilty of false advertising. At times items are advertised, but have very few of such items on the shelf, so soon are 'sold out' yet there weren't sufficient stock in the first place. It's common practise by these big chain stores to remove 'sale items' from the shelves, being just a method of enticing customers to their store.

Both stores actually fix similar prices for the same items as high as possible, thereby the % margin or mark up is excessive.