

A fair price for groceries and building supplies

What is a market study?

A market study is an in-depth and independent study into the factors affecting competition for particular goods or services, to find out how well competition is working and whether it could be improved.

A market study provides a mechanism that supports consumers, small businesses and business growth. The information collected from a market study will allow us to put in place regulatory and policy solutions that ensure consumers are paying a fair price for products, that innovation in the market is not stifled, and that access and competition to the market is fair.

Who can initiate a market study?

Market studies can be initiated by the Minister of Commerce and Consumer Affairs or self-initiated by the Commission. In either case the initiator must be satisfied that it is in the public interest to do so. The Commission will assess the public interest by reference to the purpose of the Commerce Act, which is to promote competition in markets for the long-term benefit of consumers in New Zealand.

A study is considered to be in the public interest if it promotes the purpose of the Commerce Act – to promote competition in markets for the long-term benefit of consumers within New Zealand, and the following criteria may be relevant:

- There are existing indications of competition problems in the market (such as high prices or low levels of innovation).
- The market is of strategic importance to the New Zealand economy or consumers.
- It is likely there will be viable solutions to any issues that are found.
- A formal Commerce Commission study would add value above work that could be done by other government agencies.

Why supermarkets and building supplies?

We have seen some evidence to suggest competition problems do exist in these markets.

The weekly grocery bill is a significant part of weekly expenses so we have a duty to make sure pricing is fair. The same is true for housing given it is likely the most important financial commitment a family will make.

How long will this take?

A market study usually takes around a year to complete. We would initiate a market study into supermarkets before the end of 2020 and initiate a market study for building supplies late next year.

Who determines the terms of reference for a market study?

An appropriate terms of reference for each market study will be developed by the Minister for Commerce and Consumer Affairs if we are re-elected to government.

Has there been a market study before?

Yes. On 3 December 2018 we as the government we initiated a market study into the retail market for the supply of petrol and diesel used for land transport in New Zealand. The Commerce Commission then released its final report into the retail fuel market on 5 December 2019.

The report found that that consumers were paying higher prices for petrol and diesel than could be expected in a competitive market.

The information gathered through the market study process enabled us to swiftly take action to address competition and pricing in the fuel market by:

- Making the pricing regime more transparent
- Introducing an enforceable code of conduct
- Putting in place measures to facilitate greater co-operation.
- Developing the Fuel Industry Bill with the purpose of promoting greater competition in the fuel market at the wholesale level, which is intended to result in lower prices for consumers.

What does a market study achieve?

A market study provides the in-depth information we need to ensure the market conditions are fair. As we have seen with the fuel market study we have been able to put in place a new Fuel Industry Bill and other policy directions to improve the market and work to reduce the cost of fuel.

Without having done a market study we wouldn't have had the evidence and information to come up with the policy solutions.