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Statement of Issues

Kegstar New Zealand Limited/Konvoy New Zealand Limited

25 September 2025

Introduction

1. On 25 July 2025, the Commerce Commission (Commission) registered an application (the Application) from Kegstar New Zealand Limited (Kegstar) seeking clearance for it to acquire the kegs, beacons attached to those kegs or held in inventory, and the New Zealand keg records from Konvoy New Zealand Limited (Konvoy) pursuant to an asset sale agreement (the Proposed Acquisition).[1]

2. As required by the Commerce Act 1986[2] (the Act), we assess mergers and acquisitions using the substantial lessening of competition test, which we describe further below.

3. To grant clearance for the Proposed Acquisition, we must be satisfied that it will not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand.

4. This Statement of Issues (SoI) sets out the competition issues on which we are not currently satisfied following our initial investigation. This is so Kegstar and Konvoy (together, the Parties) and other interested parties can provide us with submissions relating to those issues.

5. In reaching the preliminary views set out in this SoI, we have considered information provided so far by the Parties and other industry participants. We have not yet made any final decisions on the issues outlined below (or any other issues) and our views may change, and new competition concerns may arise, as the investigation continues.

The issues we are continuing to investigate

6. Based on the evidence collected to date, we are concerned that the Proposed Acquisition would substantially lessen competition in the relevant markets in New Zealand. We are continuing to investigate the competitive effects of the Proposed Acquisition.

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[1] A public version of the Application is available on our website at: http://www.comcom.govt.nz/businesscompetition/mergers-and-acquisitions/clearances/clearances-register/.

[2] Commerce Act 1986, s66(3).

7. Our preliminary view is that the markets which best isolate the potential competition issues that might arise from the Proposed Acquisition are national markets for the supply of:

   7.1 pay-per-fill (PPF) services to small, medium and large brewers with their own pubs;

   7.2 PPF services to small, medium and large brewers without their own pubs; and

   7.3 PPF services to microbrewers and brewpubs.[3]

8. We have defined separate customer markets because our current view is that the merged entity could identify and price discriminate against customer groups which have differing abilities to switch to competitive alternatives outside of PPF services (such as self-supply). In this sense, the Proposed Acquisition could therefore impact different customer groups differently.

9. The ability of different customer groups to self-supply is also relevant to our assessment of countervailing power, as customers that can credibly self-supply, or threaten to self-supply, may have some degree of countervailing power that could constrain the merged entity. However, we consider that the outcome of our assessment would not change depending on whether self-supply is taken into account as part of market definition or countervailing power. What is important is that in our view, the Proposed Acquisition could affect customer groups differently, or to differing degrees, depending on their ability to self-supply.

10. The Parties overlap in the supply of PPF services, and are the only suppliers of these services in New Zealand. A provider of PPF services operates a shared pool of kegs, and is responsible for the ownership, management and reverse logistics of kegs for their customers, who are typically brewers. A brewer generally pays for these services on a 'per fill' basis (ie, every time it fills a keg).

11. We are continuing to explore the possible competitive effects of the Proposed Acquisition in the relevant national markets for the supply of PPF services. At this stage, our concerns relate to potential unilateral effects in these relevant markets.

12. Our investigation has focused on assessing the closeness of competition between Kegstar and Konvoy, and the degree of constraint that alternative options to the provision of PPF services, the potential for new entry into the market and the countervailing power of customers would be likely to impose on the merged entity.

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[3] When assessing the size of a brewer we have followed the standard set out by the Brewers Guild which tranches customers based on their annual volume produced. The Brewers Guild has the following categories: large (greater than 2 million litres per annum), medium (200,001 to 2 million litres per annum), small (50,001 to 200,000 litres per annum) and micro (up to 50,000 litres per annum). Brewers Guild, *"NZ Beer Awards Entry Guide 2025"*, accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf.

13. We are concerned that the Proposed Acquisition would substantially lessen competition in the relevant national markets for the supply of PPF services due to potential unilateral effects.

13.1 Kegstar and Konvoy are the only two PPF service providers in New Zealand.

13.2 Kegstar and Konvoy are each other's closest competitor, and the Proposed Acquisition would remove the existing vigorous competition (on price, service, quality and national footprint) between them to supply PPF services to customers. As a result, Kegstar may be able to profitably increase PPF prices charged to brewers above the level that would prevail without the acquisition, or decrease the quality of service below the level that would prevail absent the acquisition.

13.3 We are not currently satisfied that there are viable alternative options to the supply of PPF services that would be sufficient to constrain an exercise in market power by the merged entity.

13.3.1 The Parties do not appear to compete with anyone else. Although Kegstar submits that the Parties compete with providers of keg leasing and keg financing services and third party logistics providers,[4] market feedback suggests that this is not the case. Further, we consider that it is unlikely that keg leasing and keg financing providers, or third party logistics providers, would expand into PPF services post-Acquisition.

13.3.2 It does not appear likely that brewers would substitute PPF services with using plastic kegs. The majority of market participants we spoke with did not consider plastic kegs to be an option for domestic use for a variety of reasons, including because they are not environmentally friendly.

13.3.3 It does not appear likely that brewers could sell more of their beer in cans and bottles as a substitute for selling beer in kegs.

13.4 We do not currently consider it likely that a new PPF provider would enter and effectively compete with the merged entity. As such, we are not satisfied that the merged entity would be constrained by the threat of new entry.

13.5 As we set out in the market definition section, some customers, such as those that supply their own venues, and microbrewers and brewpubs which have sufficient capital and the ability to handle the logistical burden of self-supply, may be able to self-supply their kegs and keg logistics requirements. These customers may therefore have some degree of countervailing power. However, we expect that there is unlikely to be a substantial number of customers with the ability to self-supply, particularly in terms of small, medium and large brewers without their own pubs that distribute kegs

[4] The Application at [7.1].

nationally. Furthermore, it is likely that the merged entity would be able to identify the captive customers and price discriminate accordingly.

The issue that does not currently raise concerns

14. We are currently of the view that the Proposed Acquisition would not be likely to cause a substantial lessening of competition due to coordinated effects in the relevant national markets for the supply of PPF services. This is because post-acquisition, the only remaining supplier in these markets would be Kegstar (ie, it would have no other competitors to coordinate with).

15. We do not discuss coordination further in this SoI, but we welcome any submissions on this point.

Process and timeline

16. We have agreed with Kegstar to extend the period in which to make a decision until **4 December 2025**. Further extensions may be agreed between the Commission and Kegstar.

17. We invite submissions and supporting evidence from the Parties and other interested parties on the issues raised in this SoI. We request responses by close of business on **16 October 2025**, including a confidential and public version of any submission made where relevant.

18. All submissions received will be published on our website with appropriate redactions.[5] All parties will have the opportunity to cross-submit on the public versions of submissions received from other parties. Cross-submissions must be received by close of business on **30 October 2025**.

19. If you would like to make a submission but face difficulties in doing so within the timeframe, please ensure that you register your interest with us at registrar@comcom.govt.nz so that we can work with you to accommodate your needs where possible.

Our framework

20. The Act requires us to assess mergers and acquisitions using the substantial lessening of competition test. The Act, together with relevant case law, governs the way in which we consider all mergers, including the Proposed Acquisition. Our approach to this assessment is also based on the principles set out in our Mergers and Acquisitions Guidelines (Guidelines).[6]

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[5] Confidential information must be clearly marked (by highlighting the information and enclosing it in square brackets). Submitters must also provide a public version of their submission with confidential material redacted. At the same time, a schedule must be provided which sets out each of the pieces of information over which confidentiality is claimed and the reasons why the information is confidential (preferably with reference to the Official Information Act 1982).

[6] Commerce Commission, Mergers and Acquisitions Guidelines (May 2022). Available on our website at https://comcom.govt.nz/__data/assets/pdf_file/0020/91019/Mergers-and-acquisitions-Guidelines-May-2022.pdf.

21. We determine whether a merger or acquisition is likely to substantially lessen competition in a market by considering what would change with a merger. We do so by comparing the likely state of competition if a merger proceeds (the scenario with a merger, often referred to as the factual) with the likely state of competition if a merger does not proceed (the scenario without a merger, often referred to as the counterfactual).[7] This allows us to assess the degree by which the Proposed Acquisition might lessen competition.

22. Whether or not a lessening of competition as a result of a merger is substantial depends on the particular circumstances.[8] It is the degree to which competition has been lessened which is critical. A lessening of competition does not need to be felt across an entire market, or relate to all dimensions of competition in a market, for that lessening to be substantial. A lessening of competition that adversely affects a significant section of the market may be enough to amount to a substantial lessening of competition.[9] Further, in markets that are already concentrated, a smaller change in competition with a merger may amount to a substantial lessening of competition than would be the case in markets that are less concentrated to begin with.[10]

23. In considering the Application and assessing whether the Proposed Acquisition is likely to substantially lessen competition, our focus is on what would change with the Proposed Acquisition. Unless we are satisfied that any lessening of competition as a result of the Proposed Acquisition is not likely to be substantial, we cannot give clearance.[11]

The Parties and the Proposed Acquisition

The Parties

24. Kegstar and Konvoy both supply kegs to breweries and other customers in New Zealand on a rental basis, as well as providing logistics services. They supply kegs on a PPF basis, however they also undertake some keg leasing.[12]

25. Kegstar is owned by MicroStar Logistics, LLC which operates a keg services business across Australia, New Zealand, Europe and the United States.

26. Konvoy is a wholly owned subsidiary of Konvoy Group Pty Limited (Konvoy Group), which operates a keg services business in Australia and New Zealand. Konvoy was placed into receivership on 11 March 2025 and liquidation on 30 May 2025.

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7 *Commerce Commission v Woolworths Limited* (2008) 12 TCLR 194 (CA) at [63].

8 *ANZCO Foods Waitara Ltd v AFFCO NZ Ltd* (2005) 11 TCLR 278 at [240] (CA).

9 *Dandy Power Equipment Pty Ltd v Mercury Marine Pty Ltd* (1982) 64 FLR 238; ATPR 40-315, 43,888.

10 M Sumpter, *New Zealand Competition Law and Policy* (CCH, Auckland, 2010) at 186-187, discussing the decision in *Air New Zealand v Commerce Commission* (2004) 11 TCLR 347 (HC).

11 *Commerce Commission v Woolworths* (CA) above n7 at [101].

12 The Application at [4.2] and https://www.konvoykegs.com/long-term-rentals.

The Proposed Acquisition

27. With the Proposed Acquisition, Kegstar would acquire the kegs, beacons attached to those kegs or held in inventory and the New Zealand keg records from Konvoy.

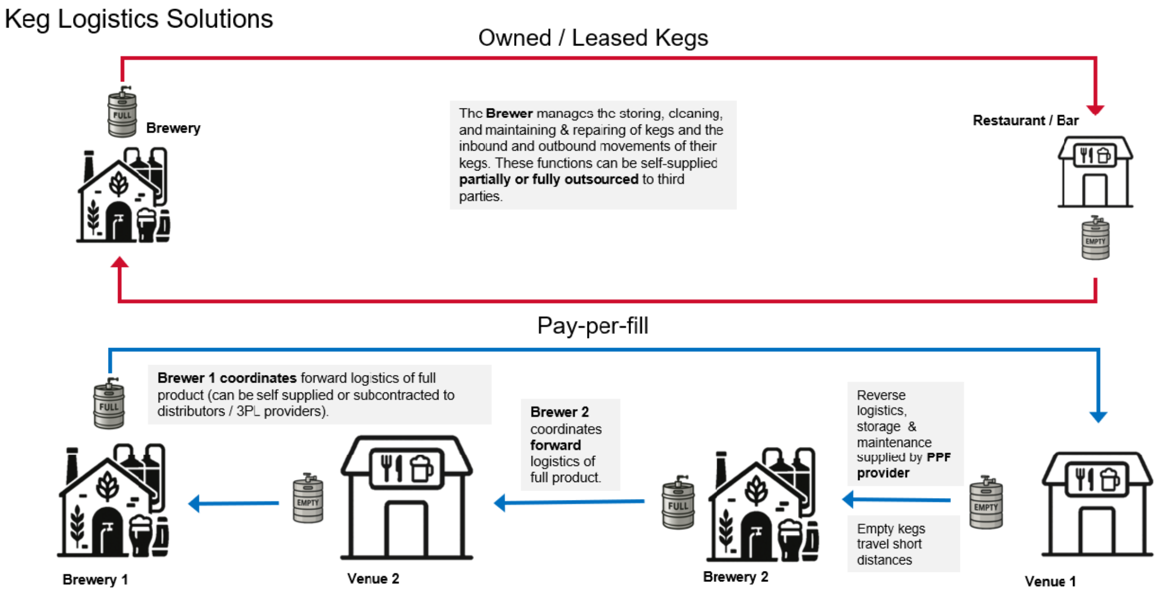
28. Kegstar is also proposing to acquire assets of the Konvoy Group in Australia, subject to clearance from the ACCC.[13]

Relevant industry background

29. Kegstar and Konvoy both offer PPF services. PPF services effectively allow customers to 'rent' the use of kegs and outsource the return logistics of those kegs. The Parties provide these services in part using third party logistics providers.

30. How the provision of PPF services differs from the alternative where a customer self-supplies kegs and keg logistics is shown in Figure 1.

Figure 1: PPF keg logistics compared to self-supply



Source: The Application at Figure 1.

31. PPF providers' customers, who are typically breweries and other alcohol producers that wish to supply their products on tap, submit orders for empty kegs. PPF providers deliver the required number of kegs to the customer, who then fills the keg with the particular drink and sends it to their end customers, who are typically hospitality venues such as restaurants and bars.

32. Once the keg is empty, PPF providers arrange pickup of the keg from the hospitality venue. Maintenance is carried out on the kegs as necessary, and they are then stored and ready for delivery to the next customer. As Kegstar and Konvoy operate a fleet of kegs, the same keg does not necessarily return to the same brewer or customer. We

13 The ACCC published a Statement of Issues relating to the Australian part of the wider transaction on 14 August 2025.

do however understand that Kegstar and Konvoy each use a slightly different style of keg, so each provider's kegs are dealt with separately.

33. For completeness, we note that there are no other competing PPF providers in New Zealand outside of the Parties, with Konvoy having acquired the third PPF provider (Red Kegs) in 2020.

Market definition

34. Market definition is a tool that helps identify and assess the competitive constraints a merged firm is likely to face. Determining the relevant market requires us to judge whether, for example, two products are sufficiently close substitutes as a matter of fact and commercial common sense to fall within the same market.[14]

35. We define markets in the way that we consider best isolates the key competition issues that arise from the Proposed Acquisition. In many cases this may not require us to precisely define the boundaries of a market. What matters is that we consider all relevant competitive constraints, and the extent of those constraints. For that reason, we also consider products which fall outside the market, but which still impose some degree of competitive constraint on the merged entity.[15]

36. We are yet to form a final view on the exact scope of the relevant market(s) for assessing the competitive effects of the Proposed Acquisition. However, for the purposes of this SoI, our preliminary view is that the markets which would best isolate the competition issues that might arise from the Proposed Acquisition are national markets for the supply of:

    36.1 PPF services to small, medium and large brewers with their own pubs;

    36.2 PPF services to small, medium and large brewers without their own pubs; and

    36.3 PPF services to microbrewers and brewpubs.

37. We invite submissions on our current approach to market definition and for parties to provide us with further evidence on the scope of the relevant market(s).

Submissions from Kegstar

38. Kegstar submits that the relevant market for the purpose of assessing the Proposed Acquisition is a national market for the supply of kegs and logistics solutions to brewers.[16] It further submits:

    38.1 this market includes suppliers of the individual components of kegs and logistics services (eg, access to kegs and keg logistics);[17]

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[14] Mergers and Acquisitions Guidelines above n7 at [3.7]-[3.8].

[15] Section 3(1A) of the Commerce Act 1986. See also *Brambles v Commerce Commission* (2003) 10 TCLR 868 at [81] and Mergers and Acquisitions Guidelines above n7 at [3.7]-[3.10].

[16] The Application at [6.1].

[17] The Application at [6.1].

38.2 in relation to access to kegs, this market includes PPF services, the supply of kegs (steel kegs and plastic kegs), keg leasing (including short-term/long-term keg renting/leasing, rent-to-buy or asset finance models);[18]

38.3 on the demand side, customers can choose between different supply options that are highly substitutable and perform the same functional services, being:[19]

38.3.1 owning their own keg fleet, leasing a keg fleet, or using single-use plastic kegs, and then self-supplying their own logistics (reverse logistics, maintenance, and storage) or using a third party logistics supplier; or

38.3.2 outsourcing keg supply, logistics and management to a PPF provider;

38.4 the requirements for different customers do not differ significantly and keg ownership may be a viable economic alternative for brewers of all sizes, so it is not necessary to distinguish separate markets for different customers;[20]

38.5 on the supply side, PPF and keg leasing providers are able to switch between keg leasing and PPF models with minimal cost and could also easily move into selling kegs (with Konvoy already doing so);[21] and

38.6 kegs are supplied on a national basis, and Kegstar and Konvoy both operate nationally.[22]

39. Furthermore, Kegstar submitted [ ].[23] [24] Kegstar submits:

39.1 its entire New Zealand marketing and customer acquisition strategy is premised on comparing the value proposition and lower cost of its PPF service with the whole price of the alternative keg options;[25] and

39.2 [ ].[26] Kegstar submits that [

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[18] The Application at [6.2].

[19] The Application at [6.3]-[6.4] and [5.7].

[20] The Application at [6.11] and [5.23].

[21] The Application at [6.7]-[6.8].

[22] The Application at [6.9].

[23] The Application at [8.13] and [ ].

[24] [ ].

[25] The Application at [8.12].

[26] Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025).

].[27]

Our current view

40. In determining the relevant market, we ask whether, for example, products are sufficiently close substitutes as a matter of fact and commercial sense to fall within the same market.[28]

41. The conceptual framework we use when we define the relevant market in a merger involves a 'hypothetical monopolist test'. We ask whether a hypothetical monopolist could profitably impose a small, but significant, non-transitory increase in price (a SSNIP) of at least one of a merged firm's products or services. This will be the case when there are few good substitutes to the product or service in question.[29]

42. We consider substitution by both customers and suppliers and ask, if prices increased, whether:[30]

    42.1 customers would switch sufficient purchases to alternative products, services or locations so that a SSNIP is not profitable (*customer or demand-side substitution*); and/or

    42.2 rival firms (having observed an increase in price) would easily, profitably and quickly (generally within one year) switch production to the products, services or locations in question without significant cost so that a SSNIP is not profitable (*supplier or supply-side substitution*).

Product dimension

43. Using this framework and starting with PPF services, we consider that the relevant product market is limited to PPF services, which is the primary area of overlap between the Parties.

    43.1 As we discuss further in the unilateral effects section, we do not consider that self-supply through either keg leasing or financing services is substitutable for PPF services. These services do not provide for reverse logistics handling, which we understand is a key component of PPF services and a large reason customers utilise PPF services.

    43.2 We also do not consider plastic kegs to be a good substitute for PPF steel kegs such that the relevant product market should be broader than the supply of PPF services. As we discuss further in the unilateral effects section, unlike steel kegs, plastic kegs are bad for the environment, effectively more

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27 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025).

28 Mergers and Acquisitions Guidelines above n7 at [3.8].

29 Mergers and Acquisitions Guidelines above n7 at [3.17]-[3.18].

30 Mergers and Acquisitions Guidelines above n7 at [3.16].

expensive than steel kegs and prone to risks such as fracturing, explosion and contamination.

44. While we do not consider it likely that third party logistics providers would easily switch to the supply of PPF services within a sufficient timeframe because of the significant capital outlay required to invest in a steel keg fleet and operate the business, we are continuing to investigate if there would be sufficient supply-side substitution such that the relevant product market should be broader than the supply of PPF services.

45. We invite submissions on our approach to product dimension, and evidence on:

45.1 the extent to which customers currently use keg leasing or financing services, or have switched from PPF services to keg leasing or financing services and how any such customers manage their logistics requirements through either self-supply or a third party;

45.2 the extent to which (in terms of products sold and consumed in New Zealand) customers currently use plastic kegs, or have switched from steel to plastic kegs;

45.3 the extent to which customer switching from PPF services to plastic kegs may be influenced by the price of PPF services; and

45.4 the extent to which third party logistics providers, or other suppliers currently outside the relevant market(s), might quickly and easily switch to the supply of PPF services.

Geographic dimension

46. Based on our investigation so far, we consider that the relevant geographic market is likely to be national. The Parties operate nationally across all regions of New Zealand, and they appear to be able to pick up kegs from anywhere in the country, including major cities and more remote locations such as the west coast of the South Island, Stewart Island and Great Barrier Island. Further, customers' options for PPF providers appear to be the same, regardless of their respective locations.

Customer dimension

47. Where relevant, we examine the ability of suppliers to price discriminate between customers because their competitive alternatives vary. For example, the requirements of larger customers can differ substantially from smaller customers so that fewer suppliers can fulfil their demand.

48. As we set out below, of relevance here is that different types of customers have differing abilities to credibly switch to self-supplying their kegs and keg logistics to defeat a SSNIP. The differing abilities of customers to credibly switch to self-supply and the ability of the merged entity to identify which customers are particularly captive to PPF services, means that the merged entity likely has the ability to price discriminate accordingly.

49. We have chosen to define separate customer markets for those groups with differing abilities to self-supply, however we equally could have considered them as part of the same market but with different degrees of countervailing power. Regardless of the manner in which self-supply is taken into account, what ultimately matters is that we clearly identify the group(s) that could and would be harmed by the merged entity. As we set out below, we consider that there are three customer groups for whom this is likely to be the case.

50. We have identified four groups of brewers in New Zealand separable by the volume they produce, the geographic scope of their keg distribution and the ownership of the venues they supply.[31] These brewers are shown in Figure 2 below, and are:

50.1 Large brewers that self-supply, produce greater than two million litres of beer per annum and distribute this beer nationally using their own kegs and logistics network.[32]

50.2 Small, medium and large brewers that own their own pubs, produce more than 50,000 litres of beer per annum and serve a large portion of this beer on taps at their own venues.[33] [34] In addition to a taproom or venue attached to their brewery these brewers own a network of multiple pubs.

50.3 Small, medium and large brewers that do not own their own pubs, produce more than 50,000 litres of beer per annum and typically distribute kegs across a geographic region which is broader than their place of origin (eg, nationally or island wide).[35] These brewers may have a single taproom or venue attached to their brewery, but do not own a network of multiple owned pubs.

50.4 Microbrewers and brewpubs that produce less than 50,000 litres per annum, which is typically distributed through the brewers' 'brewpub' or to a small number of venues in a close proximity.[36]

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31 When assessing the size of a brewer we follow the standard set out by the Brewers Guild which tranches customers based on their annual volume produced. The Brewers Guild has the following categories: large (greater than 2 million litres per annum), medium (200,001 to 2 million litres per annum), small (50,001 to 200,000 litres per annum) and micro (up to 50,000 litres per annum). Brewers Guild, *"NZ Beer Awards Entry Guide 2025"*, accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf.

32 Brewers Guild, *"NZ Beer Awards Entry Guide 2025"*, accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf .

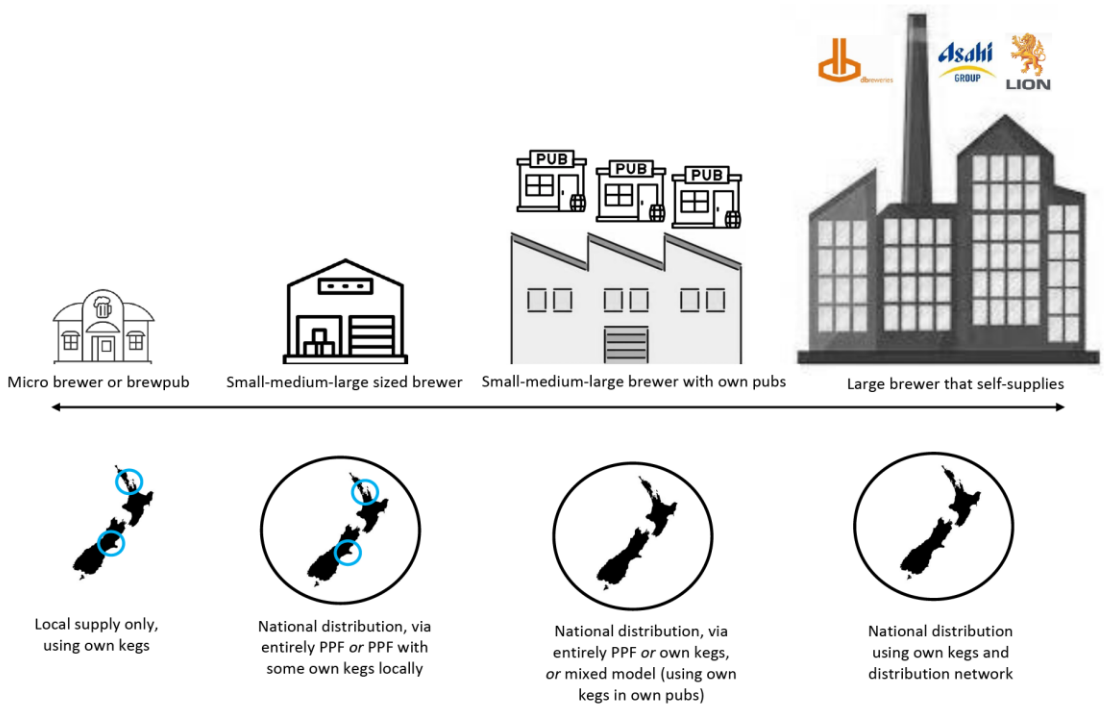
33 Brewers Guild, *"NZ Beer Awards Entry Guide 2025"*, accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf.

34 For example, [ ].

35 Brewers Guild, *"NZ Beer Awards Entry Guide 2025"*, accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf.

36 Brewers Guild, *"NZ Beer Awards Entry Guide 2025"*, accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf.

Figure 2: Different groups of brewers in New Zealand



Source: Commerce Commission.

51. We do not consider large brewers that currently self-supply to be relevant to our competitive assessment of the Proposed Acquisition. We understand that Lion, DB Breweries and Asahi are the large brewers in New Zealand which currently do not use PPF services in New Zealand.[37] These large brewers have existing fleets of kegs which they renew regularly to replace lost, damaged or aged kegs, and manage their own logistics to return kegs from licensed venues back to their breweries. These large brewers also produce volumes of kegged beer which are significantly larger than the volumes produced by other large brewers who do not currently self-supply.

52. The three remaining groups of brewers (microbrewer or brewpub, small, medium and large brewers with their own pubs, and small, medium and large brewers without their own pubs) use PPF services to varying degrees, and each face a unique trade-off when choosing between PPF services offered by the Parties and self-supply.

53. We recognise that of these brewers, some can and do self-supply their kegs and keg logistics requirements (fully or partially). There are also some PPF customers that currently use the Parties' services that could switch to alternatives such as self-supplying their kegs and keg logistics requirements to defeat a SSNIP. These customers are likely to be brewers that own their own venues, and microbrewers and brewpubs who have sufficient capital and the ability to handle the logistical burden of self-supply.

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[37] The Application at [5.23(b)], Commerce Commission interview with [ ] and e-mail from [ ].

54. To determine if it is necessary to define narrow customer markets for each of the three remaining groups of brewers, or to define a wider customer market for all these groups of brewers, we have been assessing whether:

54.1 the different brewers that use PPF services can switch to alternatives, particularly self-supply, if the prices of PPF services were to increase by 5%; and

54.2 a PPF provider can identify and price discriminate against brewers with differing abilities to switch from PPF to self-supply.

55. Our investigation indicates that the ability of customers to switch to the self-supply of kegs depends on the extent to which they can afford the capital expenditure required to purchase kegs and the ongoing costs to manage their keg logistics.

55.1 In terms of accessing capital to purchase (or lease) kegs, brewers:

55.1.1 are required to have sufficient kegs to meet their demand during the peak season and have enough inventory to meet demand while kegs are yet to be returned from venues;[38]

55.1.2 would need sufficient warehouse space to house idle kegs;[39] and

55.1.3 would need to regularly purchase replacement kegs as kegs are lost, retired or not returned.[40]

55.2 In terms of managing their kegs logistics, brewers:

55.2.1 would need to manage the retrieval of kegs across a potentially wide geographic spread. We have heard from brewers that it can be difficult to manage logistics once kegs are sent outside of the region the brewer operates in,[41] with some brewers noting that the further afield kegs are transported (from a brewery) the larger the logistical

38 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025), Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

39 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025), Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], survey response from [ ] and submission from Anonymous A (28 August 2025).

40 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025), Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and survey response from [ ].

41 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and survey responses from [ ].

burden of retrieving them.[42] Many brewers also noted they would need to allocate dedicated staff resourcing to manage their keg logistics;[43]

55.2.2 would need to monitor when kegs have been returned or are still outstanding;[44] and

55.2.3 would need to provide maintenance to damaged or aging kegs.[45]

56. Our investigation indicates that some customer groups are likely to be more impacted by the Proposed Acquisition because they have limited supply options outside of PPF services.

57. There is mixed evidence on the ability of small, medium and large brewers with their own pubs to switch from PPF to self-supply.

57.1 Small, medium and large brewers with their own pubs that already own kegs and self-supply their keg logistics require marginal purchases to replace lost kegs and add extra kegs for expansion of venues.[46]

57.2 However, for brewers that do not currently own kegs (typically because they sold their kegs to the Parties when they switched to PPF services) the repurchase of kegs would come at a significant capital cost.[47]

57.3 Furthermore, despite facing a reduced logistical burden to retrieve kegs by supplying their own venues[48] some brewers noted this does not to mitigate the costs associated with logistics and lost kegs if they were to self-supply.[49] We also understand that these brewers find that it is difficult to retrieve the

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42 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

43 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], and e-mail from [ ].

44 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025), Commerce Commission interview with [ ], Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], submission from Anonymous A (28 August 2025), and e-mail from [ ].

45 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (20 August 2025), Commerce Commission interview with [ ] and survey response from [ ].

46 Commerce Commission interview with [ ].

47 Commerce Commission interview with [ ], Commerce Commission interview with [ ], and Commerce Commission interview with [ ].

48 Commerce Commission interview with [ ].

49 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

kegs that they supply to other on-premise venues (ie, venues that they do not own).[50]

58. There is also mixed evidence on the ability of microbrewers or brewpubs to switch from PPF to self-supply.

58.1 For some microbrewers or brewpubs, self-supply is feasible as they face low logistical barriers to supply their own kegs because the kegs are either kept on the brewer's site (which we understand can be the case for up to [ ] of kegs used by these brewers), or transported over a very small distance (ie, within the same suburb, city or town).[51] These microbrewers and brewpubs have indicated that it would be more expensive for them to use PPF services than to self-supply.[52] From the survey responses, many of the brewers that only supply within the same town or city do not use a PPF provider.[53]

58.2 However, some microbrewers or brewpubs do not consider self-supply to be a viable option,[54] for example, due to the high short-term costs of purchasing kegs.[55]

59. The evidence we received suggests that small, medium and large brewers without their own pubs are the most reliant on PPF solutions, have limited ability to switch from PPF services to self-supply and would find it the most challenging to own or manage their own keg fleets.

59.1 Small, medium and large brewers without their own pubs are typically unable to afford the capital cost of purchasing kegs. Purchasing kegs is expensive and would require small to medium brewers to reprioritise their capital expenditure, forego other assets purchases such as brewing equipment and/or take on additional debt, with some brewers still unable to afford kegs.[56]

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50 Commerce Commission interview with [ ].

51 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

52 Survey responses from [ ].

53 See Attachment A at [A10].

54 Commerce Commission interview with [ ] and survey responses from [ ].

55 Commerce Commission interview with [ ].

56 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ], e-mail from [ ], e-mail from [ ], e-mail from [ ], e-mail from [ ], and survey responses from [ ].

59.2 Small, medium and large brewers without their own pubs are also typically unable to effectively manage their own keg logistics. Brewers we spoke with signalled that the additional operating cost of self-supply would be a significant cost to their business.[57] For example, to switch to self-supply these brewers may require additional labour dedicated to managing their keg logistics.[58]

59.3 We recognise that small, medium and large brewers without their own pubs face lower logistical burdens when supplying a localised geographic area which makes self-supply more viable. However, we understand that it becomes significantly more complex to self-supply to wider geographic regions, and that these brewers face difficulties when sending kegs outside the region of origin, such as being unable to retrieve kegs in a timely manner and losing a significant number of kegs.[59]

59.4 This was supported by survey responses, where a number of brewers stated that they use owned kegs for local distribution and PPF kegs for distribution to wider regions.[60]

59.5 Further, small, medium and large brewers without their own pubs that service a wider geographic region have indicated that they would potentially accept a price rise in the cost of PPF services before they reconsidered their use of PPF services.[61] However, if faced with a large price rise, some market participants told us they would consider:

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57 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ], e-mail from [ ] and survey responses from [ ].

58 Commerce Commission interview with [ ], Commerce Commission interview [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ], and e-mail from [ ].

59 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and survey responses from [ ].

60 See Figure A7 in Attachment A and survey responses from [ ].

61 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ], and e-mail from [ ].

59.5.1 no longer using kegs;[62] or

59.5.2 reducing their distribution footprint and self-supplying their kegs and keg logistics to supply a localised region.[63]

59.6 These brewers noted that reducing their distribution footprint or no longer using kegs would have significant implications for the configuration of their businesses.[64]

60. Our investigation indicates that the merged entity would be able to identify captive customers who are unable to switch to self-supply and profitably price discriminate.

60.1 The merged entity would have knowledge of all customers’ annual purchase volumes and current keg distribution. This information would enable the merged entity to infer which brewers would likely be unable to credibly self-supply and would have a high willingness to continue paying for PPF services in the event of a SSNIP. Furthermore, the fact that contracts are negotiated bilaterally means that the merged entity could adopt a very targeted price discrimination strategy, seeking to raise prices to customers one-by-one, and then ‘backing down’ if any individual customer threatens to self-supply.

60.2 We observe from Kegstar’s current pricing mechanism that there is a [ ].[65]

61. We have therefore defined the following separate customer markets for the supply of PPF services:

61.1 small, medium and large brewers with their own pubs;

61.2 small, medium and large brewers without their own pubs; and

61.3 microbrewers and brewpubs.[66]

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[62] Commerce Commission interview with [ ].

[63] Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ], e-mail from [ ] and e-mail from [ ].

[64] Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ] and e-mail from [ ].

[65] Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (28 July 2025).

[66] When assessing the size of a brewer we follow the standard set out by the Brewers Guild which tranches customers based on their annual volume produced. The Brewers Guild has the following categories: large (greater than 2 million litres per annum), medium (200,001 to 2 million litres per annum), small (50,001 to 200,000 litres per annum) and micro (up to 50,000 litres per annum). Brewers Guild, *“NZ Beer Awards*

62. We invite submissions on the possibility of price discrimination across customer groups, and evidence on:

    62.1 the current and potential ability of different categories of customers to self-supply kegs and keg logistics requirements, having regard to their particular distribution footprint, volume production and any ownership of venues they supply; and

    62.2 the extent of price discrimination in PPF prices across and within different customer groups, or in respect of certain customers that may have fewer alternative supply options.

With and without scenarios

63. Assessing whether a substantial lessening of competition is likely requires us to:

    63.1 compare the likely state of competition if the Proposed Acquisition proceeds (the scenario with the merger, often referred to as the factual) with the likely state of competition if it does not (the scenario without the merger, often referred to as the counterfactual); and

    63.2 determine whether competition is likely to be substantially lessened by comparing those scenarios.

With the Proposed Acquisition

64. With the Proposed Acquisition, Kegstar would acquire the kegs, beacons attached to those kegs or held in inventory and the New Zealand keg records from Konvoy.

Without the Proposed Acquisition

65. Kegstar submits that absent the Proposed Acquisition:

    65.1 Kegstar would continue to operate and compete in the relevant market(s) (ie, the counterfactual for Kegstar would be the status quo);[67] and

    65.2 Konvoy would likely cease independent operation, with its assets acquired by other current market participants (eg, brewers)[68] – ie, Konvoy would cease to supply PPF services. This is because Kegstar considers it unlikely that there would be alternative buyers for Konvoy that would operate it as a going concern, as – in its view – Konvoy is not a viable business and the relevant market(s) lack economies of density (ie, are too small and not dense enough) to support more than one supplier of PPF services.[69]

66. Our current view is that without the merger there is a real chance that Konvoy would continue to provide PPF services in competition with Kegstar. Evidence relating to

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Entry Guide 2025", accessed at https://brewersguild.org.nz/wp-content/uploads/2025/05/2025-NZBA-Entry-Guide-FINAL.pdf.

67 The Application at [3.12].

68 The Application at [3.10].

69 The Application at [3.9] and [5.31]-[5.36].

the counterfactual is discussed in more detail separately in a confidential attachment to this SoI.

Unilateral effects – overview

67. Unilateral effects arise when a firm merges with a competitor that would otherwise provide a significant competitive constraint (particularly relative to remaining competitors) such that the merged firm can reduce quality or profitably increase price above the level that would prevail without the merger without the profitability of that increase being thwarted by rival firms' competitive responses.[70]

68. In the following sections we assess whether unilateral effects are likely to arise from the Proposed Acquisition by considering:

68.1 the closeness of competition between the Parties; and

68.2 the likely constraint that the merged entity would face following the Proposed Acquisition. This includes discussion on:

68.2.1 the degree of constraint alternative options to the provision of PPF services would be likely to impose on the merged entity;

68.2.2 how easily rivals could enter the relevant markets; and

68.2.3 the countervailing power of customers in the relevant markets.

Summary of Kegstar's views

69. Kegstar submits that the Proposed Acquisition would not be likely to substantially lessen competition due to unilateral effects.[71] It further submits:

69.1 PPF services are a relatively recent addition to the keg solutions available to brewers in New Zealand (only commencing when Kegstar entered in 2014) and, while many brewers use PPF services, there are many others that have their own keg fleets and manage/outsource keg logistics;[72]

69.2 Kegstar's and Konvoy's PPF services compete with all providers who supply access to kegs and keg logistics services. This includes suppliers of kegs (both steel kegs and plastic kegs), other keg rental/leasing providers, keg finance providers, third party logistics providers and wholesalers/distributors (which supply essential components that make up the kegs and kegs logistics solutions available to brewers);[73]

69.3 with the Proposed Acquisition, Kegstar would continue to face substantial constraint from the providers listed above, who provide alternative options to brewers to obtain kegs and keg logistics solutions, including an ability to own

70 Mergers and Acquisitions Guidelines above n7 at [3.62].
71 The Application at [8.1(b)].
72 The Application at [5.18].
73 The Application at [7.1]-[7.2].

and manage their own keg fleets or use single-use plastic kegs as a one-way keg solution (the latter of which Kegstar considers to essentially be PPF due to its one-way nature, and imposing an increasing constraint on its PPF services);[74]

69.4 these alternatives exert a direct, strong and ongoing constraint on the pricing and service levels of PPF services and would continue to constrain price increases post-acquisition. Kegstar submits that this is because customers routinely assess and either switch entirely between alternatives or adjust the proportion of their kegs managed under a certain model based on cost, flexibility, and operational needs;[75]

69.5 the option for brewers to manage (fully or partially) their own keg fleet is the most significant and durable pricing constraint on PPF services due to the increased availability of steel kegs at lower price points, and would continue to provide substantive competitive constraint post-acquisition;[76] and

69.6 there are very low barriers to entry for a PPF services supplier, with an entrant only needing access to kegs and contracts with third party logistics providers. That said, Kegstar does not submit that new entry is likely, maintaining it would not be possible for more than one PPF services supplier to achieve the scale and density required to be economically viable.[77]

Summary of our current view

70. At this stage, the evidence we have gathered shows the Parties are each other's closest competitors, and that the loss of competition resulting from the Proposed Acquisition would be substantial. We are concerned that post-acquisition, Kegstar would be able to profitably increase PPF prices charged to brewers above the level that would prevail without the Proposed Acquisition, or decrease the quality of service below the levels that would prevail absent the Proposed Acquisition.

71. We are not currently satisfied that there are viable alternative options to the supply of PPF services that would be sufficient to constrain an exercise in market power by the merged entity. The evidence before us currently suggests that:

71.1 the Parties do not currently compete with anyone else, and that keg leasing and keg financing services and logistics providers are not a direct constraint on PPF suppliers; and

71.2 brewers are unlikely to substitute PPF services with the use of plastic kegs or selling more beer in cans and bottles.

74 The Application at [8.7] and [8.18].
75 The Application at [8.7]-[8.8].
76 The Application at [8.11] and [8.14].
77 The Application at [8.4].

72. We also consider the threat of new entry is unlikely to constrain the merged entity given that it is unlikely that a new PPF provider would enter and compete effectively with the merged entity.

73. We recognise some customers can credibly threaten to self-supply their kegs and keg logistics requirements and therefore have a degree of countervailing power, which may potentially provide some competitive constraint on the merged entity. However, we are not satisfied that there is a material number of customers that would be able to self-supply such that their collective ability to self-supply would constrain an exercise of market power by the merged entity. We are concerned that the merged entity would have the ability to identify these customers and price discriminate accordingly.

Closeness of competition between the Parties for the supply of PPF services

74. The evidence we have gathered shows that the Parties currently compete closely for customers and impose a significant degree of constraint on one another. The Proposed Acquisition would remove the existing vigorous competition (on price, service and quality) between them to supply PPF services to customers.

75. Kegstar and Konvoy are the only PPF service providers in New Zealand. Both of the Parties supply the same PPF services (including providing kegs, logistics services and tracking capabilities), supply the same types of customers and operate nationally.

76. Internal documents from the Parties indicate the two compete closely to supply PPF services to customers. For example:

   76.1 A Kegstar internal document from 2024 notes the [ ].[78] In another internal document from 2025, Kegstar notes [ ].[79]

   76.2 A Konvoy internal document notes that it has [ ]. [80] Internal documents where Konvoy [ ].[81] We also understand that Konvoy [ ].[82]

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[78] [ ]

[79] [ ]

[80] [ ]

[81] [ ]

[82] Letter from the Receiver to the Commerce Commission (5 August 2025, received 6 August 2025) at 7.

76.3 Internal e-mails/documents from both of the Parties [ ].[83]

77. Market feedback also indicates that Kegstar and Konvoy compete closely for the supply of PPF services and are the only alternatives to each other for the provision of these services.

77.1 Many market participants noted that Konvoy has been aggressive in competing, particularly on pricing.[84] We understand that this approach from Konvoy caused Kegstar to lower its pricing in response.[85]

77.2 Interviewees also noted that Konvoy entering the market in 2020 drove the price of PPF services down,[86] which we understand was due to a combination of [ ][87] and then later due to competition between the Parties further lowering the price. Some market participants also noted that Konvoy's entry forced Kegstar to raise its service offering as well, improving the industry overall.[88]

77.3 Many customers told us that they would compare the services of Kegstar and Konvoy when going to market and choosing a provider (or whether to stick with their incumbent supplier) and did not mention requesting quotes from any providers other than the Parties.[89] Konvoy also noted that [ ].[90] The Proposed Acquisition would remove a second and only other provider of PPF services that customers could negotiate with aside from Kegstar.

83 For example, see [ ].

84 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

85 Commerce Commission interview with [ ], Commerce Commission interview with [ ], and Commerce Commission interview with [ ].

86 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

87 Commerce Commission interview with [ ].

88 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

89 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], and Commerce Commission interview with [ ].

90 Letter from the Receiver to the Commerce Commission (5 August 2025, received 6 August 2025) at 5.

77.4 Many market participants were concerned that the Proposed Acquisition would result in a monopoly or provide Kegstar with the opportunity to raise prices.[91]

78. Switching data provided by Kegstar indicates that [ ].[92]

78.1 Figure 3 below shows the annual fills that Kegstar won over the period. This figure demonstrates the average annual fills of a contract in the year that the contract was won, therefore showing the gain in annual PPF volumes from the previous year.

78.2 The majority of contracts that Kegstar won [ ].[93]

Figure 3: Kegstar customers won, January 2022 to May 2025 (annual fills)

[ ]

Source: Commerce Commission based on data from Kegstar. Note that the customers won [ ].

78.3 Data also shows that Kegstar lost [ ].

78.4 Figure 4 below shows the annual fills that Kegstar lost over the period. This figure demonstrates the average annual fills of a contract in the year that the contract was lost, therefore showing the loss in annual PPF volumes from the previous year.

Figure 4: Kegstar customers lost, January 2022 to May 2025 (annual fills)

[ ]

Source: Commerce Commission based on data from Kegstar.

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91 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], e-mail from [ ], e-mail from [ ], e-mail from [ ], submission from Anonymous A (28 August 2025) and e-mail from [ ].

92 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (28 July 2025).

93 Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (28 July 2025).

79. Information provided by Receiver indicates that over the same period Konvoy won [ ].[94]

80. Overall, we consider that both Kegstar and Konvoy's customers are likely to benefit from the vigorous competition between the Parties and the constraint they currently impose upon one another (with this competition resulting in better prices and higher quality services for PPF customers). The Proposed Acquisition would eliminate this constraint, relative to a counterfactual in which Konvoy continues to provide PPF services in competition with Kegstar.

81. We invite submissions on the extent to which the Parties impose a competitive constraint on one another and the extent of competition that would be lost with the Proposed Acquisition. In particular, we welcome submissions and evidence on:

81.1 how competition has changed since the entry of Konvoy in 2020 (whether in terms of price, service offering or service quality);

81.2 the extent to which customers use Kegstar and Konvoy as part of their negotiations;

81.3 how Kegstar and Konvoy have competitively reacted to each other, including how they have adjusted their price and/or service quality in response to the competitive offering of the other party, or reacted to each other's offers to win or retain customers; and

81.4 the extent of competition between Kegstar and Konvoy that would be lost with the Proposed Acquisition, compared to a counterfactual where Konvoy continues to provide PPF services in competition with Kegstar.

Constraint from alternative options to the provision of PPF services

82. We currently consider that the alternative options to the provision of PPF services that exist outside of the relevant market are not close substitutes for the PPF services provided by the Parties and would be unlikely to provide material competitive constraint on the merged entity.

Self-supply (including using keg leasing, keg financing and logistics providers)

83. PPF services offer numerous advantages to customers compared to other available alternatives such as self-supply through either owned or leased kegs. While one advantage of PPF services appears to be the cost-effectiveness of this option, the primary advantage appears to be the handling of the tracking and return logistics of used kegs. Customers that do not utilise PPF services must manage all of the return

94 Letter from the Receiver to the Commerce Commission (5 August 2025, received 6 August 2025).

logistics themselves, which, depending on how far geographically a keg has travelled from a brewery, may be difficult, costly and/or time consuming.[95]

84. This is consistent with the results of a survey we sent to brewers. We asked brewers why they used the services of Kegstar or Konvoy and the top response given was to outsource keg management and logistics.[96] As a general note, given this survey was self-selected we recognise that it may not capture a truly representative sample of brewers. We have therefore treated the survey responses we received with caution and see them as providing corroborating evidence rather than conclusive evidence.

85. The convenience and efficiency of having the return logistics outsourced, alongside the maintenance and repair costs of kegs, makes utilising PPF services a uniquely attractive option compared to alternatives such as self-supply or keg leasing. Using PPF services also means that customers avoid having to require the capital expenditure to acquire their own fleet.

86. Market feedback we have received indicates that keg leasing and keg financing services and logistics providers are not a direct constraint on PPF suppliers.

86.1 We understand that keg leasing provider KegCo [ ].[97] We are not aware of any other keg leasing providers than KegCo.

86.2 We understand that keg financing provider Barrel Finance and Logistics [ ].[98]

86.3 Lush Logistics, a third party logistics provider [ ].[99]

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95 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], and Commerce Commission interview with [ ].

96 See Figure A6 in Attachment A.

97 Commerce Commission interview with [ ].

98 Commerce Commission interview with [ ].

99 Commerce Commission interview with [ ].

Plastic kegs

87. Using one-way, single-use plastic kegs instead of PPF services do not appear to be a viable option for breweries. Although using plastic kegs would eliminate the need to manage return keg logistics, many brewers told us that they would not want to use plastic kegs domestically instead of steel kegs due to:

87.1 environmental/sustainability concerns;[100]

87.2 the higher cost per keg of a plastic keg compared to PPF steel kegs;[101]

87.3 the performance of plastic kegs not being as good as steel kegs, for example, because it impacts the quality and taste of the beer,[102] and also the inability to sterilise plastic;[103]

87.4 the reduced ability to stack and transport plastic kegs compared to steel kegs;[104]

87.5 the potential for plastic kegs to explode or injure if disposed of incorrectly;[105] and

87.6 brewers' end customers (ie, bars and restaurants) being unwilling to accept plastic kegs due to the burden of having to dispose of the plastic waste or the smaller size of a plastic keg compared to steel.[106]

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100 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], letter from [ ], and survey response from [ ].

101 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], and Commerce Commission interview with [ ].

102 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

103 Commerce Commission interview with [ ].

104 Commerce Commission interview with [ ].

105 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

106 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commission interview with [ ], Commerce Commission interview with [ ], and e-mail from [ ].

88. We understand that customers are more likely to use plastic kegs for export than domestic use, with a number of customers using them for exporting to Asia.[107]

89. However, a few customers told us they would consider using plastic kegs domestically if the price of PPF service rose (and they could source cheaper plastic kegs),[108] or if they were "desperate".[109]

Cans and bottles

90. The majority of interview feedback we received suggests that selling more beer in cans and bottles is not a perfectly substitutable alternative to using PPF services and selling beer in kegs.[110]

91. We understand that it is consumer preference to drink beer from a keg rather than a can or bottle when at a hospitality venue given it is fresher, part of the experience of being at the venue and a point of the difference from consuming a beer at home.[111] We also understand that hospitality venues prefer being able to offer beer on tap,[112] with some brewers telling us they would risk losing hospitality venues as customers if they could not provide beer on tap.[113] Products sold in cans or bottles in bar may be more niche products or overseas beers that are not brewed locally.[114] Lastly, there appear to be higher margins on kegs than on cans and bottles, making selling more cans or bottles a less attractive financial proposition for a brewer.[115]

92. However, a few customers told us that it would be possible to sell more product in cans rather than in kegs, although these customers noted that doing so would come

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107 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

108 Commerce Commission interview with [ ] and e-mail from [ ].

109 Commerce Commission interview with [ ].

110 For example, [ ] told us that selling cans via supermarkets and liquor stores and selling kegs to on-premise bars are two different types of outlets that do not compete 'as such'. Commerce Commission interview with [ ]. [ ] told us that cans and bottles are not a substitute for tap beer from a keg, but are a compromise. Commerce Commission interview with [ ].

111 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

112 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

113 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

114 Commerce Commission interview with [ ].

115 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

with some of the previously stated downsides.[116] Another customer also told us that in response to an increase in the price of PPF services it would focus on selling more canned products, although we note that this may be a unique example given that [ ].[117]

93. We also note that certain brewers may be targeting off-premises sales channels such as grocery stores rather than on-premises venues. The bulk of the sales by these kinds of brewers are made in cans rather than kegs, although one of these brewers we spoke with told us that despite this, it strives to increase the proportion of sales in kegs and taps.[118]

94. We invite submissions on the extent to which the alternative options for access to kegs and keg logistics services would impose a competitive constraint on the merged entity. In particular, we invite submissions and evidence on:

94.1 the extent to which customers self-supply kegs and keg logistics;

94.2 how the cost of plastic kegs compares to PPF steel kegs (in terms of using those kegs for the sale and consumption of product in New Zealand);

94.3 any examples of customers using plastic kegs to supply product to hospitality venues within New Zealand; and

94.4 the proportions of beer and cider sold in hospitality venues on tap, versus in cans or bottles.

Constraint from potential competition in the PPF services market

95. We assess whether entry by new competitors is likely to be sufficient in extent and in a timely fashion to constrain the merged firm and prevent a substantial lessening of competition.[119] This is referred to as the 'LET' test.[120]

96. We are not currently satisfied that entry by new entrants would be likely, sufficient and timely to prevent an exercise of market power by the merged entity in the supply of PPF services.

97. To successfully compete for customers, a potential new entrant would need to acquire steel kegs. While the exact number of kegs needed would differ depending on how many customers the potential entrant would want to initially target, we estimate the minimum number of kegs required to be competitive and for any entry to be sufficient in extent to provide material constraint would likely be in the tens of

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116 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

117 Commerce Commission interview with [ ].

118 Commerce Commission interview with [ ].

119 For completeness, we do not discuss expansion in this section given there is no one else within the market for PPF services that could expand.

120 Mergers and Acquisitions Guidelines above n7 at [3.95].

thousands. Konvoy has around [ ] kegs in New Zealand and Kegstar has around [ ].[121]

98. Brewers have indicated that it can cost between $150 and $230 per keg (excluding the cost of any add-ons such as beacons),[122] and the Parties submit that it can cost between $[ ] and $[ ] per keg.[123] Regardless of the exact price of a keg, entry would require significant capital to invest in a fleet of kegs. There may also be a delay in receiving kegs (as we understand kegs would likely need to be imported). This could impact on the timeliness of entry.

99. A potential new entrant would also need access to a logistics network for the distribution of kegs to a brewer and pick up of kegs from a hospitality venue. A potential entrant with their own existing logistics network would likely be able to more efficiently and easily compete than a potential entrant without a network and reliant on a third party logistics provider.[124] For example, [ ].[125] We consider that entry by such parties is possible, although there is currently no evidence before us that such entry is likely.

100. It may also be possible for an amalgamation of brewers to collectively provide kegs and keg logistics services. Some market participants raised this as a possibility, but noted that challenges in doing so would include a potential lack of alignment on things like customers, and also the potential to be working with competitors.[126]

101. We recognise that Konvoy was able to enter the market in 2020 and win customers from Kegstar. However, we do not consider that the same success would necessarily be true for any future potential new entrant. For example, when Konvoy entered in 2020 it was being run by the previous founder of Kegstar, who had a number of industry contacts and significant prior understanding of the market for PPF services. This may have given Konvoy an advantage in being able to successfully compete that another new entrant might not have. Konvoy also entered at a time when there was growth in the number of craft brewers, which would not be the situation post-acquisition.

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121 The Application at Annexure 3 and Letter from MinterEllisonRuddWatts (on behalf of Kegstar) to the Commerce Commission (3 June 2025).

122 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], survey response from [ ] and e-mail from [ ].

123 RFI response from MinterEllisonRuddWatts (on behalf of Kegstar), [ ] (6 August 2025) and letter from the Receiver to the Commerce Commission (5 August 2025, received 6 August 2025).

124 Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

125 Commerce Commission interview with [ ].

126 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

102. We have received mixed evidence around the attractiveness of new entry. Market feedback and previous industry history suggests that there is room for two providers of PPF services in New Zealand,[127] and a new entrant may be incentivised to enter the market if, post-acquisition, Kegstar is earning an attractive margin on PPF services.

103. However, some market participants noted that the comparative smallness of the New Zealand market may affect how viable a potential entrant would consider new entry to be, with one interviewee also noting that new entry would be more likely to occur in Australia where the market is larger.[128] Other market participants such as [ ] told us that it would be particularly hard for anyone to enter the market and effectively compete against a large global supplier such as Kegstar.[129]

104. We do not currently have any evidence to suggest that there are any third parties outside of the relevant market that are planning to enter.

104.1 [ ].[130]

104.2 [ ].[131]

104.3 [ ].[132]

104.4 [ ].[133]

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127 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ], and letter from [ ].

128 Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

129 Commerce Commission interview with [ ], Commerce Commission interview with [ ], Commerce Commission interview with [ ] and Commerce Commission interview with [ ].

130 Commerce Commission interview with [ ].

131 Commerce Commission interview with [ ].

132 Commerce Commission interview with [ ].

133 Commerce Commission interview with [ ].

104.5 We are not aware of any overseas PPF providers that would be likely to enter the New Zealand market.

105. Overall, we consider that new entry is likely to only be a mere possibility rather than likely. We are therefore not currently satisfied that entry by a potential new PPF provider would be sufficient to act as a material constraint on the merged entity.

106. We welcome submissions on the constraint that the merged entity may face from potential new entry in PPF services. In particular, we welcome submissions on:

106.1 the costs required to enter, and the likely length of time it would take for a new entrant to begin offering PPF services at the required scale to offer a viable competitive alternative to the merged entity;

106.2 examples of successful new entry into markets for PPF services in other countries in recent years; and

106.3 whether there is sufficient demand in New Zealand that new entry would be attractive to a prospective new entrant.

Countervailing power from customers' ability to self-supply kegs and keg logistics services

107. A merged firm's ability to increase prices profitably may be constrained by the ability of certain customers to exert substantial influence on negotiations, through countervailing power.[134] Countervailing power exists when a customer possesses characteristics that give that customer the ability to substantially influence the price the merged entity charges.[135] For example, a customer has countervailing power if they can credibly threaten to by-pass the merged entity and self-supply or sponsor new entry.[136]

108. However, the fact that one or more customers has sufficient countervailing power to protect their own position would not be sufficient to constrain a merged firm's ability to increase prices across other customers if a merged entity can identify captive customers and price discriminate.[137]

109. As discussed above in the market definition section, we consider that different groups of customers have different abilities to credibly switch to self-supply and that it is likely that the merged entity would have the ability to identify captive customers

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134 Mergers and Acquisitions Guidelines above n7 at [3.113]-[3.115].

135 Mergers and Acquisitions Guidelines above n7 at [3.115].

136 Mergers and Acquisitions Guidelines above n7 at [3.115.5].

137 Mergers and Acquisitions Guidelines above n7 at [3.117]. Captive customers are customers that are dependent on a particular product or vendor because they lack convenient or viable alternatives.

and price discriminate. Much of that discussion is also relevant to our assessment of countervailing power however we have not duplicated this discussion.

110. In regards to our assessment of countervailing power, for each of the customer markets defined, we are yet to determine whether the portion of captive customers are substantial. However, we note that in this case:

110.1 it is likely that the merged entity would be able to identify captive customers as the merged entity would have knowledge on all customers' volumes and current keg distribution; and

110.2 it would not be rational for customers to disguise their reliance on PPF and present to the merged entity as though they are not captive to PPF, in particular if the cost of self-supplying kegs is significantly higher than the price of PPF for that customer. If a customer is forced to commit to this claim it would be at a significant cost.[138]

Ability of the merged entity to identify captive customers and price discriminate

111. As we set out earlier in the market definition section, we consider that the merged entity would be able identify captive customers and price discriminate accordingly.

112. We also note that information from the Receiver for Konvoy [ ].

112.1 As discussed in Attachment C, the Receiver submits that [ ].[139]

112.2 The Receiver [ ].[140] [ ].[141] The Receiver considers that [ ].[142]

[138] *"Market Definition Under Price Discrimination"* Hausman et al (1995).

[139] Letter from the Receiver to the Commerce Commission (3 September 2025) at Annexure B.

[140] Letter from the Receiver to the Commerce Commission (3 September 2025) at Annexure B.

[141] [ ].

[142] Letter from the Receiver to the Commerce Commission (3 September 2025) at Annexure B and Commerce Commission interview with the Receiver (4 September 2025).

112.3 We note that the Receiver [ ].

Extent to which customers have countervailing power

113. We are still considering the extent to which customers have countervailing power and whether there may be customers that are large enough to sponsor new entry.

114. As we set out earlier in the market definition section, the three customer groups we have defined have differing abilities to self-supply. This in turn affects the level of countervailing power each customer group is likely to have, and also the extent to which different customer groups may be affected by the Proposed Acquisition.

115. For each of the three customer groups, we are not satisfied that a significant portion of customers using PPF services would be able credibly threaten to switch to self-supply as they would face significant costs in doing so (ie, necessary capital to purchase (or lease) kegs and the logistical burden and operating costs of managing keg logistics). Therefore, we are not currently satisfied that the following customer groups would have sufficient countervailing power to constrain the merged entity:

115.1 small, medium and large brewers with their own pubs;

115.2 small, medium and large brewers without their own pubs; and

115.3 microbrewers or brewpubs.

Survey evidence

116. In our brewers' survey, we asked what brewers would do in response to a price rise or service reduction in the supply of PPF services. We are still assessing the implication of the results, which show that approximately 45% of survey respondents would continue using PPF services.[143] If the merged entity was able to identify these captive customers, it would be able increase prices accordingly.

117. For completeness, we again note that we are treating the survey responses we received with caution and see them as providing corroborating evidence rather than conclusive evidence. For example, a number of brewers who do not use PPF services responded to the above question.[144] Further, the customers that responded that they would switch to another PPF supplier were not able to identify a supplier that was not Konvoy or Kegstar.[145]

118. Of the remaining brewers who said they would switch away from PPF services to self-supply, there were two brewers who supplied only their local region. These brewers indicated that they would buy their own kegs.[146]

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143 See Figure A8 in Attachment A.

144 Survey responses from [ ].

145 Survey responses from [ ].

146 Survey responses from [ ].

119. The remaining brewers who said they would switch away from PPF to self-supply were all brewers who supplied nationally, many of which already own kegs and also use PPF services.[147] These brewers indicted that they would buy kegs to supply licensed venues, particularly venues in their local geographic region.[148] However, some brewers indicated that they would still have to use PPF for greater distances.[149]

120. We welcome submissions on the extent to which customers have countervailing power. In particular, we welcome submissions on:

120.1 the ability of the Parties to identify customers captive to PPF services;

120.2 the ability of the Parties to price discriminate (ie, charge different customers different prices);

120.3 the ability of different customer groups to switch from PPF services to self-supply;

120.4 how the ability to afford the capital cost of self-supply changes for different customer groups;

120.5 how the ability to afford the logistical burden and ongoing operating costs of self-supply changes for different customer groups;

120.6 specific examples of times when customers have (or have not) successfully been able to exert substantial influence on negotiations for PPF services, in terms of price or other supply terms;

120.7 specific examples of when customers have successfully switched from PPF services to self-supply; and

120.8 whether there are customers that are large enough to sponsor new entry.

Next steps in our investigation

121. We are currently scheduled to decide whether or not to give clearance to the Proposed Acquisition by **4 December 2025**. However, this date may be extended with agreement of Kegstar if the material before the Commission at that time does not allow it to be satisfied that the Proposed Acquisition will not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand.[150]

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147 Survey responses from [ ].

148 Survey responses from [ ].

149 Survey responses from [ ].

150 The Commission maintains a clearance register on our website at http://www.comcom.govt.nz/clearances-register/ where we update any changes to our deadlines and provide relevant documents.

122. As part of our investigation, we will be identifying and contacting parties that we consider will be able to help us assess the issues identified above.

Making a submission

123. We are continuing to undertake inquiries and seek information from industry participants about the impact of the Proposed Acquisition. We welcome any further evidence and other relevant information and documents that the Parties or any other interested parties are able to provide regarding the issues identified in this SoI.

124. In **Attachment B**, we summarise the matters that we are interested in receiving submissions on.

125. If you wish to make a submission, please send it to us at registrar@comcom.govt.nz with the reference 'Kegstar/Konvoy' in the subject line of your e-mail, or by mail to The Registrar, PO Box 2351, Wellington 6140. Please do so by close of business on **16 October 2025**.

126. If you would like to make a submission but face difficulties in doing so within the timeframe, please ensure that you register your interest with us at registrar@comcom.govt.nz so that we can work with you to accommodate your needs where possible.

127. Please clearly identify any confidential information contained in your submission and provide both a confidential and a public version. We will be publishing the public versions of all submissions on our website.

128. All information we receive is subject to the Official Information Act 1982 (OIA), under which there is a principle of availability. We recognise, however, that there may be good reason to withhold certain information contained in a submission under the OIA, for example in circumstances where disclosure would unreasonably prejudice the supplier or subject of the information.

Attachment A: Results of brewers' survey

A1. One means by which we have sought to gather information from brewers relevant to our assessment of the Proposed Acquisition is through a survey sent to brewers. The survey sought:

A1.1 information on the extent to which brewers currently use, have used or have considered using the services of Kegstar or Konvoy (and their experiences in doing so);

A1.2 information on the alternatives that brewers have to the services of Kegstar and Konvoy, and how brewers would respond to price rises or a reduction in service quality; and

A1.3 views on the Proposed Acquisition and other information.

A2. The results of the survey and detailed survey responses form part of the evidence and information collected to date that leads us to not currently be satisfied that the Proposed Acquisition would not be likely to substantially lessen competition in a market in New Zealand. Survey responses and results are being considered alongside other evidence and information collected through interviews, information requests and submissions.

Survey responses

A3. The survey was conducted by brewers having the opportunity to complete an online survey via a survey tool (Survey Monkey). The Brewers Guild sent the survey link to its members and we also bulk e-mailed around 165 brewers whose e-mail addresses were publicly available on their websites. We expect that there will have been some overlap between Brewers Guild members and those brewers sent the survey link by us, but to our knowledge (excluding anonymised responses) no brewers responded to the survey twice. We considered that by utilising a combination of methods we would reach the maximum possible spectrum of brewers (in case Brewers Guild members were only of a particular size/location).

A4. We gave survey participants two weeks to complete the response, although we did receive a request from a brewer to submit a late response to the survey (by a day) which we allowed.

A5. All survey responses were self-selected and provided voluntarily, with individual brewers choosing whether or not they would like to complete it.

A6. A total of 61 responses were received to the survey, although we note that 16 responses were only partially complete (these responses being completed to varying degrees). The results of the survey set out below are based on summary survey response data generated by Survey Monkey, which we have not adjusted.

A7. The survey was completed by a range of different sized brewers (in terms of volumes of annual keg fills), and brewers with varying distribution footprints (in terms of how product is transported from a brewery), as shown in Figures A1 and A2.

Figure A1: Annual keg fills of brewers responding to survey

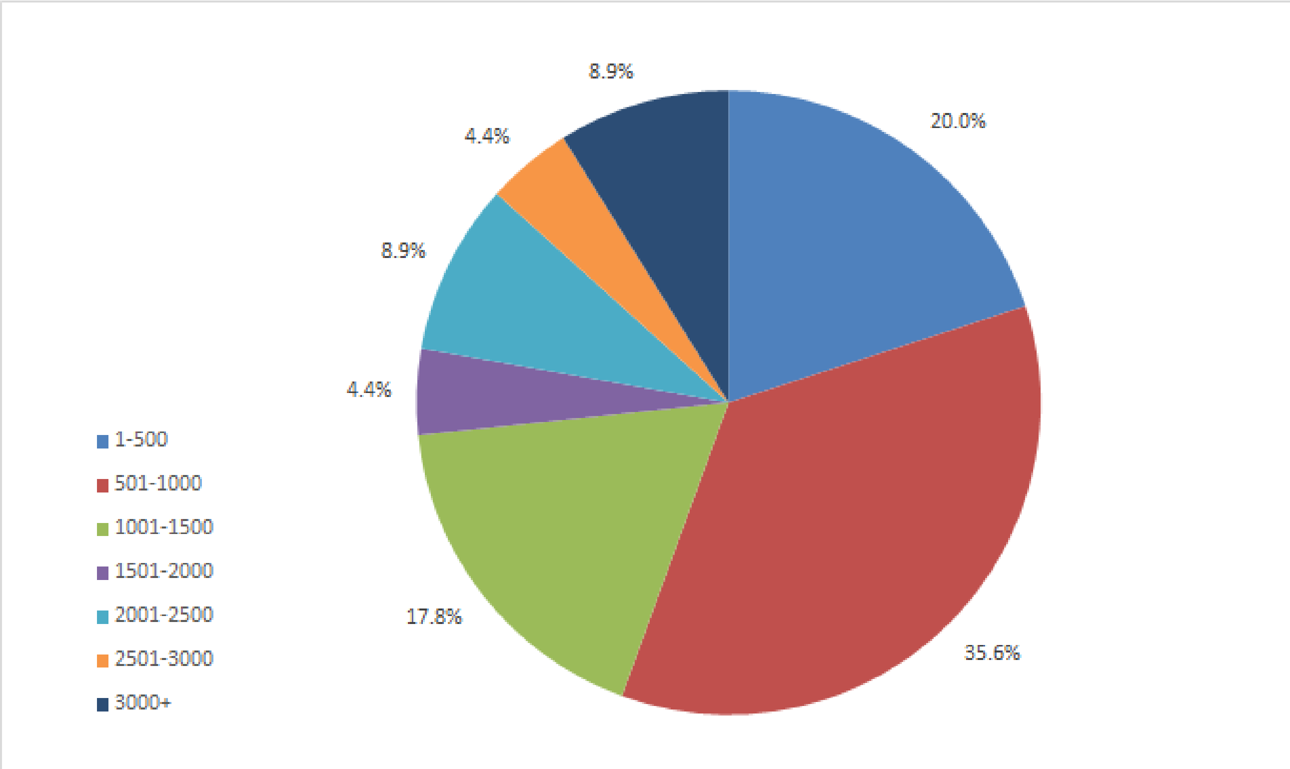
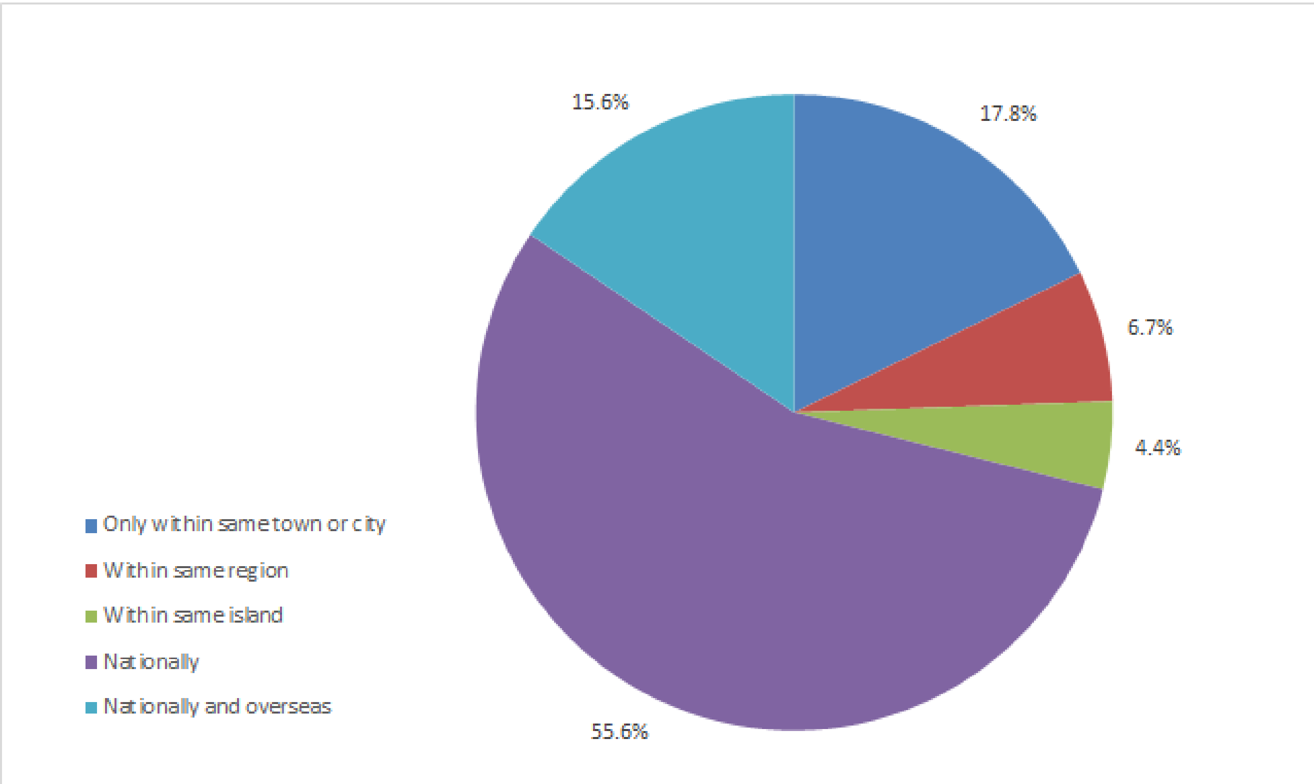


Figure A2: Distribution footprints of brewers responding to survey

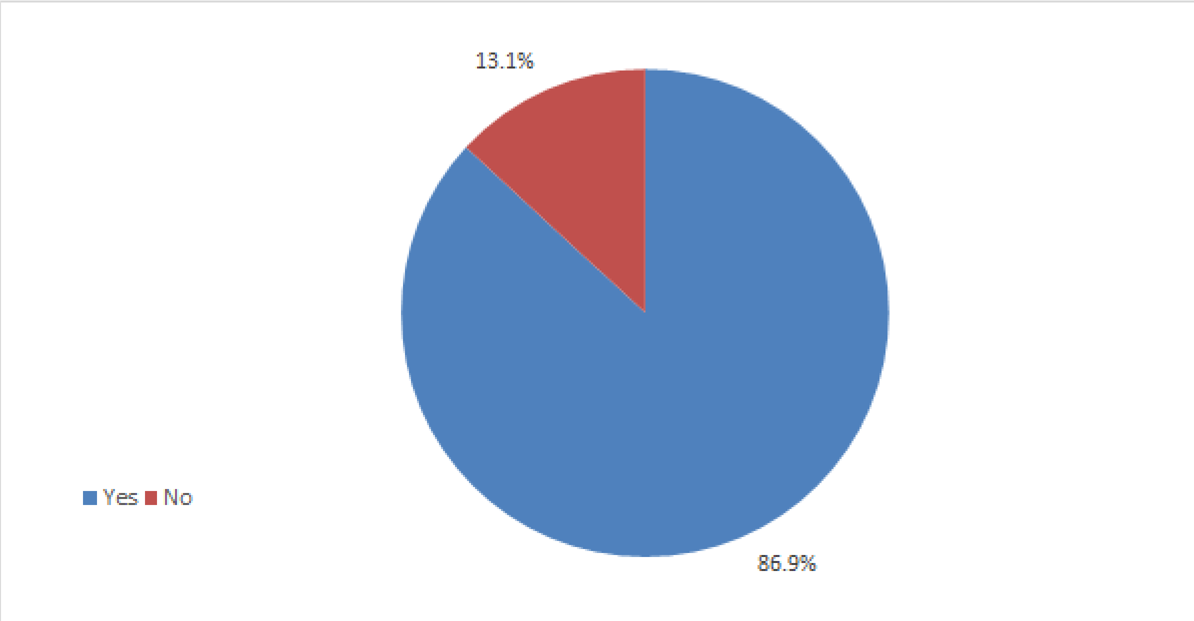


A8. The survey was not responded to by any of [ ].

Use of Kegstar and Konvoy services

A9. The survey gathered information on the extent to which brewers currently use, have used or have considered using the services of Kegstar or Konvoy (and their experiences in doing so). A high portion of brewers that responded to the survey currently use the services of Kegstar or Konvoy, as shown in Figure A3.

Figure A3: Do you currently use Kegstar or Konvoy?



A10. Survey responses indicate that the brewers that currently use Kegstar or Konvoy are of varying sizes and distribution footprints. The survey detail also indicates that of the brewers that do not currently use Kegstar or Konvoy:

A10.1 87.5% self-supply keg management and logistics, many via a fleet of kegs that they own (with one brewer not indicating their arrangements around kegs);

A10.2 62.5% only distribute product within the same town or city as their brewery, with a further 25% only distributing within the same region or island;

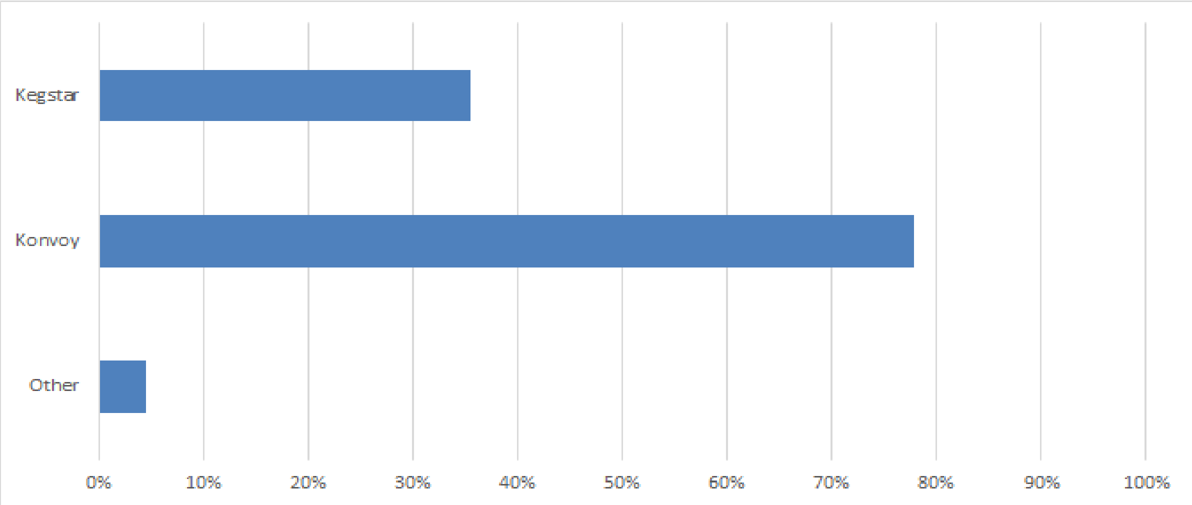
A10.3 75% have no more than 1,000 annual keg fills; and

A10.4 50% have considered using the services of Kegstar or Konvoy.

A11. In respect of the brewers that currently use Kegstar or Konvoy, a material portion use Konvoy as opposed to Kegstar, as shown in Figure A4.[151]

[151] The percentages in figure A4 do not add to 100% as survey response detail indicates that a small number of brewers currently use both Kegstar and Konvoy (13% of brewers responding to question in Figure A4).

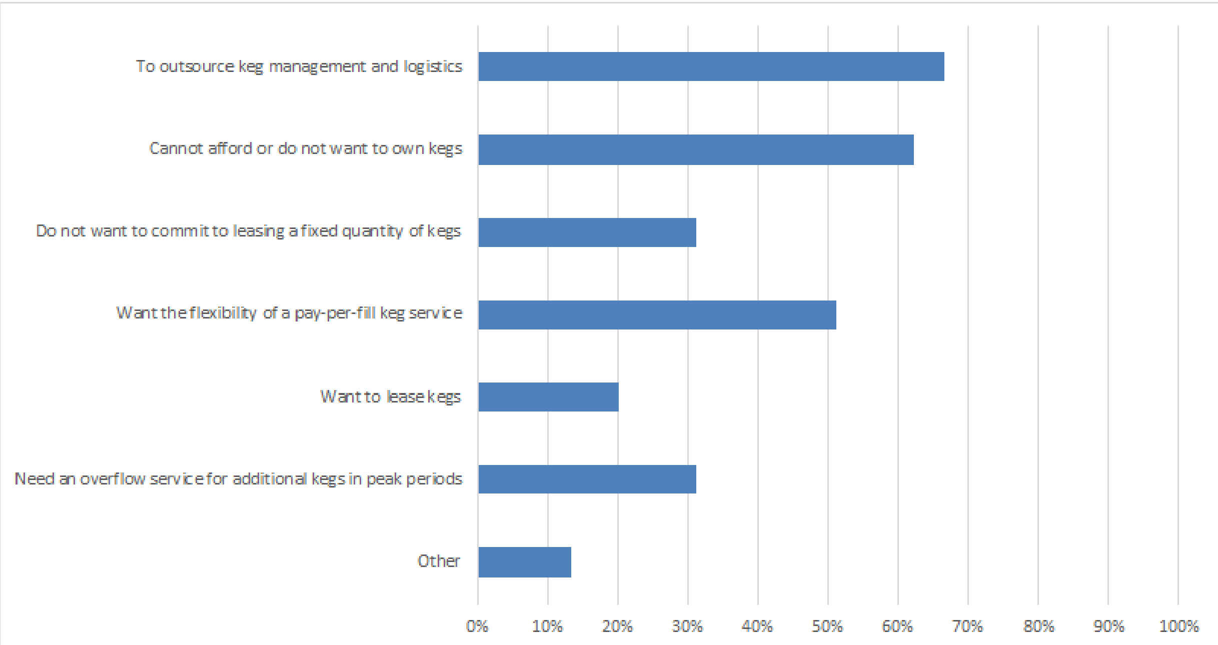
Figure A4: What keg service provider do you currently use?



Note: In answering this question, brewers were able to select multiple answers and where they did so the answers are unweighted in Figure A4. We note that the details on other providers provided by the brewers that selected other (who also noted that they use Kegstar or Konvoy), does not in fact list or identify any other providers, meaning that other in Figure A4 may be overstated.

A12. The survey also asked brewers for information on why they use the services of Kegstar or Konvoy, the responses to which are shown in Figure A5.

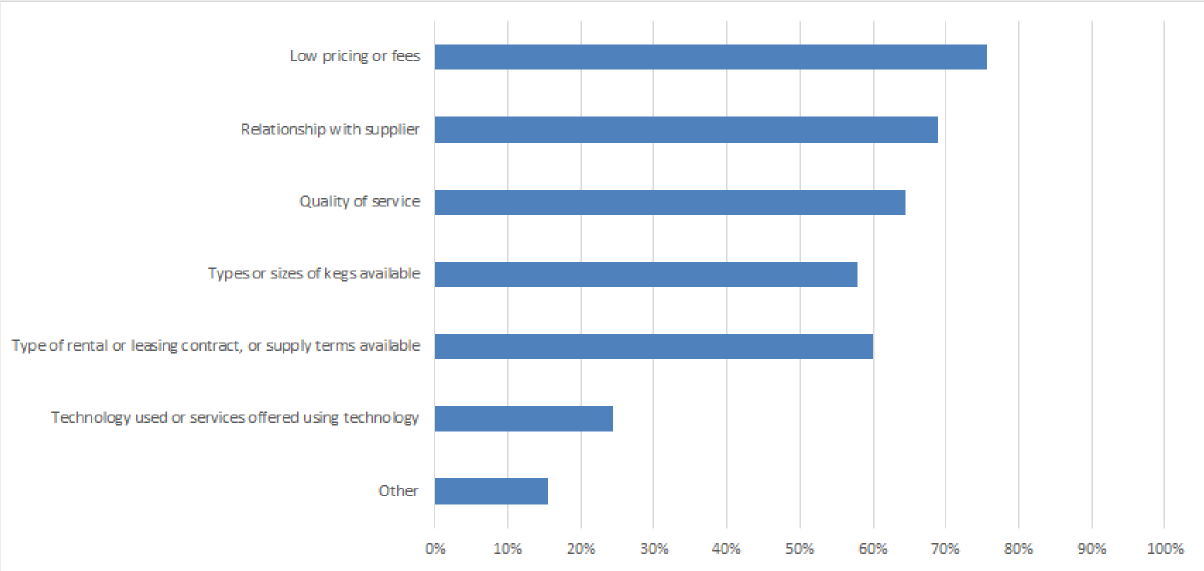
Figure A5: Why do you use the services of Kegstar or Konvoy?



Note: In answering this question, brewers were able to select multiple answers and where they did so the answers are unweighted in Figure A5.

A13. The survey also asked brewers that currently use Kegstar or Konvoy what factors were important in choosing a keg services provider, the responses to which are shown in Figure A6.

Figure A6: What factors are important in choosing a keg service provider?



Note: In answering this question, brewers were able to select multiple answers and where they did so the answers are unweighted in Figure A6.

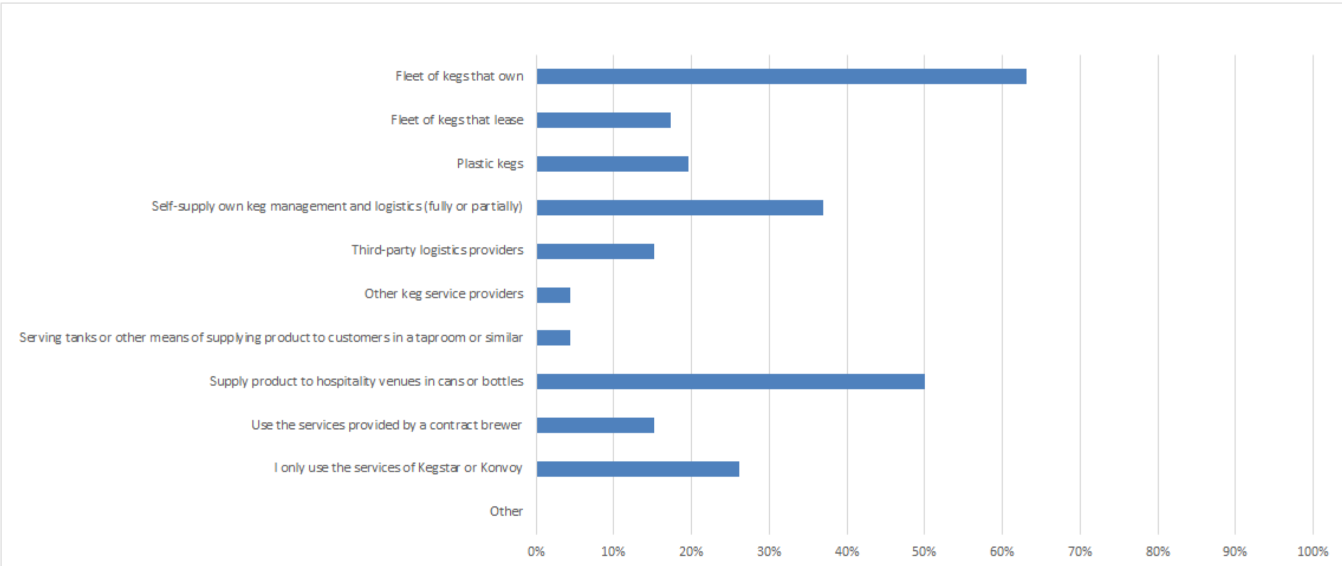
A14. The information in Figures A5 and A6 is consistent with evidence gathered through interviews with brewers and other customers of Kegstar or Konvoy.

Alternatives to Kegstar and Konvoy's services

A15. The survey gathered information on the alternatives that brewers use and have to the services of Kegstar and Konvoy, and on how brewers would respond to price rises or a reduction in service quality.

A16. To ascertain the alternatives that brewers use and have to the services of Kegstar and Konvoy, we asked brewers to indicate which of a range of alternatives they use, the responses to which are shown in Figure A7.

Figure A7: Do you use any of the following for kegs or keg logistics?



Note: In answering this question, brewers were able to select multiple answers and where they did so the answers are unweighted in Figure A7.

A17. While a high portion of brewers that completed the survey indicated that they used Kegstar or Konvoy (78%, as shown in Figure A3), Figure A7 indicates that:

A17.1 a smaller portion of brewers (26%) only use Kegstar or Konvoy kegs;

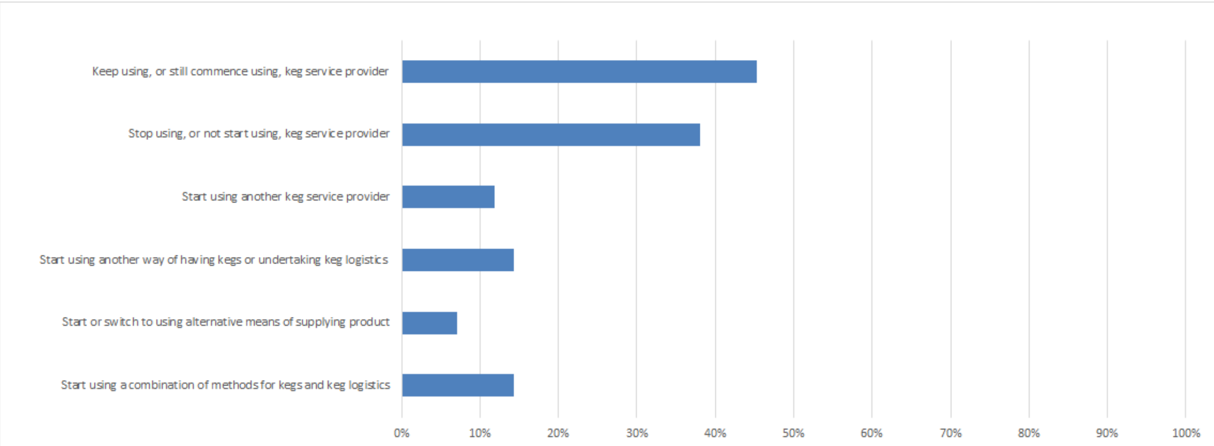
A17.2 80% of brewers self-supply kegs to some degree (either via kegs that they own or lease), although the survey response detail indicates that these kegs are mainly used for a brewer's own taproom/brewpub or for distribution to local hospitality venues (which is consistent with evidence from interviews with brewers) and that 76% of the brewers that use their own kegs have annual keg fills of 1,500 or fewer;

A17.3 almost 20% of brewers also use plastic kegs, although the survey response detail indicates plastic kegs are mainly used for export (which is consistent with evidence from interviews with brewers); and

A17.4 50% of brewers distribute product to hospitality venues in cans or bottles, as well as in kegs.

A18. In testing the feasibility of alternatives available to brewers, how the costs of these alternatives compare to Kegstar or Konvoy kegs, and how brewers might respond to an exercise of market power by Kegstar with the Proposed Acquisition, we asked brewers what they would do if the price or fees they pay for keg services increased by 5-10% or the quality of keg services materially reduced. Figure A8 sets out the responses to this question.

Figure A8: What would you do in response to price rise or reduction in quality?



Note: In answering this question, brewers were able to select multiple answers and where they did so the answers are unweighted in Figure A8.

A19. Figure A8 indicates that a significant portion of brewers using Kegstar or Konvoy would keep using the services of that provider if prices increased by 5-10% or the quality of keg services materially reduced. However, a price rise or reduction in quality may also prompt a not-immaterial portion of brewers to stop using Kegstar or Konvoy, or to explore alternatives to Kegstar or Konvoy.

Attachment B: Matters on which we are interested in receiving submissions

At this point, the key issues which we consider are most likely to be determinative of our decision are:

Market/issue		Matters/questions
Market definition	*General*	• We invite submissions on our current approach to market definition and for parties to provide us with further evidence on the scope of the relevant market(s).
	Product dimension	• The extent to which customers currently use keg leasing or financing services, or have switched from PPF services to keg leasing or financing services and how any such customers manage their logistics requirements through either self-supply or a third party. • The extent to which (in terms of products sold and consumed in New Zealand) customers currently use plastic kegs, or have switched from stainless steel to plastic kegs. • The extent to which customer switching from PPF services to plastic kegs may be influenced by the price of PPF services. • The extent to which third party logistics providers, or other suppliers currently outside the relevant markets, might quickly and easily switch to the supply of PPF services.
	Customer dimension	• The current and potential ability of different categories of customers to self-supply kegs and keg logistics requirements, having regard to their particular distribution footprint, volume production and any ownership of venues they supply. • The extent of price discrimination in PPF prices across and within different customer groups, or in respect of certain customers that may have fewer alternative supply options.
Counterfactual	*General*	• What is likely to happen to Konvoy and its assets absent the Proposed Acquisition. • The appropriate counterfactual for our assessment of the Proposed Acquisition.
Unilateral effects	*Closeness of competition*	• How competition has changed since the entry of Konvoy in 2020 (whether in terms of price, service offering or service quality). • The extent to which customers use Kegstar and Konvoy as part of their negotiations.

Market/issue		Matters/questions
		• How Kegstar and Konvoy have competitively reacted to each other, including how they have adjusted their price and/or service quality in response to the competitive offering of the other party, or reacted to each other's offers to win or retain customers. • The extent of competition between Kegstar and Konvoy that would be lost with the Proposed Acquisition, compared to a counterfactual where Konvoy continues to provide PPF services in competition with Kegstar.
	Constraint from alternative options to PPF services	• The extent to which customers self-supply kegs and keg logistics. • How the cost of plastic kegs compares to PPF steel kegs (in terms of using those kegs for the sale and consumption of product in New Zealand). • Any examples of customers using plastic kegs to supply product to hospitality venues within New Zealand. • The proportions of beer and cider sold in hospitality venues on tap, versus in cans or bottles.
	Constraint from potential competition	• The costs required to enter, and the likely length of time it would take for a new entrant to begin offering PPF services at the required scale to offer a viable competitive alternative to the merged entity. • Examples of successful new entry into markets for PPF services in overseas countries in recent years. • Whether there is sufficient demand in New Zealand that new entry would be attractive to a prospective new entrant.
	Countervailing power	• The ability of the Parties to identify customers captive to PPF services. • The ability of the Parties to price discriminate (charge different customers different prices). • The ability of different customer groups to switch from PPF services to self-supplying. • How the ability to afford the capital cost of self supply changes for different customer groups. • How the ability to afford the logistical burden and ongoing operating costs of self-supply changes for different customer groups. • Specific examples of times when customers have (or have not) successfully been able to exert substantial influence on negotiations for PPF services, in terms of price or other supply terms. • Specific examples of when customers have successfully switched from PPF services to self-supply. • Whether there are customers that are large enough to sponsor new entry.

Attachment C CONFIDENTIAL: Counterfactual for Konvoy