
From: Ray Mountney
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To: APEagers-AHG-Mergers
Subject: HPE CM: Divestiture undertaking

Categories: Submission

Clearly this is Eager's response to The ACCC's concerns with market dominance and therefore restricted competition in this particular region.

This is common commercial practice in these situations but in this case it further highlights the complexity of the new car retail model.

For starters the property required is very specific to the Dealerships operating needs. Added to this the manufacturer has the power to accept or reject an applicant who wishes to purchase a dealership in which that manufacturer has a presence.

Some of the elements that the manufacturer will consider include:

- Financial capacity and backing to operate the business.

- Qualification and skill sets to operate the business.

- The suitability of property that is proposed by the applicant. This further breaks down in to who owns the property , what are the terms of lease , is the facility of acceptable , size , design , quality , and does it meet that manufacturers plans in terms of location , scale and market representation.

As I have stated many times car makers have enormous power in respect to appointing and or the operation of the independent New Car Dealerships.

As a result there are limited buyers able to satisfy these requirements who are in turn willing to engage in this highly competitive and often challenging business and accept the demands of Car Manufactures. Will the sale / purchase involve business and property? While independent of each other they are intrinsically linked with Dealer Agreements.

Therefore the concerns that I put forward are. Who are the potential buyers , is it likely that individual buyers will present , will it likely be Dealers already operating in the market looking for expansion , a group other than AHG / Eagers who will look to acquire a further cluster group. Will the ACCC's concerns be greater or less under this undertaking?

It is incredibly difficult to predict how this would play out and indeed what the consequences would be But you can be assured that the car makers will exert a very strong influence and in all fairness having a mind to protect their brand surely have a rite to do so.

Without question the industry will remain incredibly competitive and more and more the physical and historical barriers will continue to break down.

Kind Regards

Ray Mountney

Dealer Principal & Managing Director



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