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Dear interested party

### **A.P. Eagers' proposed acquisition of Automotive Holdings Group – interested party consultation**

The Australian Competition and Consumer Commission (**ACCC**) has received an application for authorisation from A.P. Eagers Limited (**AP Eagers**) for its proposed acquisition of the ordinary shares in Automotive Holdings Group Limited (**AHG**) that are not already owned by it (**the proposed acquisition**). The ACCC invites you to comment on the application.

AP Eagers and AHG both supply new and used cars, trucks and buses, as well as associated products and services such as car repair and servicing, authorised car parts, insurance and finance, in Brisbane, Melbourne, Sydney and the Newcastle/Hunter Valley region of New South Wales.

The ACCC's review is focused on the likely effects on competition, as well as whether the public benefit from the proposed acquisition outweighs the public detriment. In particular, the ACCC is considering:

- how closely AP Eagers and AHG compete with each other, including in sales of new cars but also in other aspects, such as finance and servicing, and
- whether competition from other dealerships will constrain the pricing of AP Eagers post-acquisition.

A full copy of the application for merger authorisation is available on the ACCC's [Merger authorisations register](#). **Attachment A** provides a summary of the parties, the competitive overlap and the proposed acquisition, including the public benefits claimed by AP Eagers.

### **Merger authorisation**

Merger parties may apply for merger authorisation from the ACCC, which gives them legal protection from section 50 of the Competition and Consumer Act 2010 (**the Act**) to acquire the relevant shares or assets.

The ACCC may grant merger authorisation if it is satisfied that either:

- the proposed acquisition would not be likely to substantially lessening competition, or
- the likely public benefit from the proposed acquisition outweighs the likely public detriment.

The ACCC has 90 days to make its decision from the date that the application was lodged, although it can extend the timeframe if the applicant agrees. Further information on the merger authorisation process is available in the ACCC's [Merger Authorisation Guidelines](#).

### **Making a submission**

**Attachment B** contains a list of issues and questions on which we are seeking submissions. Please feel free to comment on these issues, or on any other issues that you consider are relevant to the ACCC's consideration of the proposed acquisition.

Due to the statutory timeframe, we request that you provide your submission by no later than **Friday, 17 May 2019**. Under the Act the ACCC may, but need not, take into account submissions received after this date. If you wish to make a submission but cannot provide it by the specified date you should contact us to seek an extension.

Submissions should be emailed to [APEagers-AHG-Mergers@acc.gov.au](mailto:APEagers-AHG-Mergers@acc.gov.au) with the subject [your company name]: MA1000018 – submission.

Alternatively, if you would like to provide comments orally, please contact Mandy Bendelstein on 02 9102 4037 or Theo Kelly on 02 6243 1179 or to organise a suitable time.

### **The public register and requesting confidentiality**

Authorisation is a public process. The ACCC must keep a public register of documents relating to the application for merger authorisation, including submissions made by interested parties. The ACCC's public register can be found at the following link: [Merger authorisations register](#).

All submissions (including yours) **will be published** subject to confidentiality claims. You may request that your submission, or parts of it, be excluded from the public register for confidentiality reasons. For example, if your submission contains commercially sensitive information or if revealing that you have made a submission could cause you commercial harm. You must make your claim for confidentiality at the time of providing the submission to the ACCC and all claims must be substantiated.

Refer to the ACCC's [Guidelines for excluding information from the public register](#) for any requests for material to be excluded from the public register.

This matter is public and you can forward this letter to anybody who may be interested.

Yours sincerely



Tom Leuner  
General Manager  
Merger Investigations

## **Attachment A**

### **A.P. Eagers Limited**

AP Eagers is a publicly listed automotive retail group, representing 26 car brands and 10 truck/bus brands, which operate from 108 new car dealerships and 33 new truck/bus dealerships in Queensland, Northern Territory, NSW, Victoria, Tasmania and South Australia.

AP Eagers also supplies related products and services such as car repair and servicing, authorised car parts, and finance and insurance on behalf of third parties. It also operates two finance brokerage brands, Simplr and Lend Advantage, and a vehicle brokerage business, Auto Advantage. AP Eagers operates the used car retailers Carzoos, Zooper and Cheap Cars.

AP Eagers is listed on the ASX under the code 'APE'.

### **Automotive Holdings Group Limited**

AHG is the largest automotive retail group in Australia. It represents 27 car brands and 8 truck/bus brands that operate from 121 new car dealerships and 35 truck/bus dealerships in NSW, Victoria, Queensland and Western Australia.

AHG also supplies car repair and servicing, authorised car parts, and finance and insurance on behalf of third parties. It also owns and operates a finance brokerage business, 360 Finance. AHG also operates easyauto123, a used car retailer, and Carlins Automotive Auctioneers, an auction house. AHG also operates a number of logistics brands such as AMCAP, KTM Sport Motorcycles, Genuine Truck Bodies and VSE Solutions, and refrigerated logistics brands such as Rand, Harris, Scott's and JAT.

AHG is listed on the ASX under the code 'AHG'.

### **Geographic overlap**

AP Eagers and AHG both operate motor vehicle dealerships in Brisbane, Melbourne, the Newcastle/Hunter Valley region of NSW and Sydney. Attachment C identifies the parties' dealerships in these areas.

### **The proposed acquisition**

AP Eagers proposes to acquire the remaining shares in AHG that it currently does not own through an off-market takeover bid. AP Eagers is the largest shareholder of AHG, holding 28.84% of AHG's listed securities as at 5 April 2019.

## Attachment B

Where possible, please provide specific examples to support your views.

1. Please provide a brief description of your business or organisation and the reasons for your interest in the proposed acquisition.

### Car retailing

2. Please describe how competition works in the automotive retailing industry. Are there any industry developments or trends that may impact or lead to changes in the existing dealership model for selling new cars?
3. How far in both distance and time are consumers prepared to travel to purchase new cars, and how may this vary by the location of prospective buyers and dealers? What other factors can affect consumers' willingness to travel?
4. How significant are AP Eagers and AHG as competitors in the industry, and in relation to each other? In your answer, please have regard to price and discounting, locations, brands, service and added inclusions.
5. Please identify who you consider to be the key alternative car dealerships to those owned by AP Eagers and AHG in:
  - a. Brisbane
  - b. Melbourne
  - c. the Newcastle/Hunter Valley region of NSW
  - d. Sydney, and
  - e. nationally.

How do they compare to AP Eagers and AHG with regard to price and discounting, location, brands, service and added inclusions?

6. Please provide details of what is involved in establishing a new car dealership, including the manufacturer requirements that need to be met, government licensing criteria, and any other costs and time involved. Are you aware of any recent examples of people attempting to establish new dealerships?
7. To what extent is there an advantage in having a network of dealerships at a local, state and/or national level?
8. For fleet and government buyers, please describe your organisation's key purchasing considerations, and who you consider to be the suppliers capable of meeting your organisation's needs. Are you able to purchase direct from the car manufacturers?

## **Dealership agreements with car manufacturers**

9. In what ways and to what extent do manufacturers influence competition between dealerships, including levels of discounting, promotions and/or added inclusions offered? Would this limit AP Eagers' ability to increase prices following the proposed acquisition?
10. For car manufacturers: please describe your key considerations in both awarding and renewing dealership agreements, including the importance of the following, and comment on whether the proposed acquisition would affect your future decisions about dealership agreements:
  - a. whether dealers have an existing network of dealerships locally, by state and/or nationally of yours and/or other manufacturers' brands
  - b. geographic coverage of your brand locally, by state and/or nationally, and
  - c. a dealer's demonstrated ability to represent your brand and meet KPIs.

## **New car servicing and supply of parts**

11. Do you consider that the proposed acquisition will affect competition for new car servicing? Why or why not?
12. How far are consumers generally prepared to travel to get their new cars serviced? How may this vary depending on any consumer entitlements to free or capped-price servicing and the age of the car?
13. To what extent do you consider that independent mechanics compete with dealerships' authorised service centres for new car servicing?
14. To what extent do you consider that the proposed acquisition will affect the availability and/or price of car parts used in servicing new vehicles?

## **Insurance and finance**

15. Do you consider that the proposed acquisition will impact competition for the supply of insurance and finance to consumers buying cars? Why or why not?
16. To what extent do consumers compare insurance and finance options direct from insurance agencies and financial institutions to those offered by the new car dealership?

## **Public benefits**

In assessing the benefits that are likely to flow from the proposed acquisition, the ACCC may take into account anything of value to the community generally.

AP Eagers submits the proposed acquisition will deliver public benefits, including:

- Productive efficiencies, including through a diversified portfolio of motor vehicles, greater geographical portfolio diversification, more financial scale and a more flexible balance sheet.
- Operational and corporate synergies.

- Providing AHG shareholders with the opportunity to benefit from exposure to AP Eagers' proven management expertise and future growth strategy benefit from the greater scale and long-term prospects of a larger automotive business.
17. To what extent do you consider that public benefits are likely to result from the proposed acquisition?
  18. To the extent that the proposed acquisition would result in cost savings, do you consider they are likely to be passed on to consumers?

**Other information or competition issues**

19. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 90(7) of the Act.

## Attachment C

**Table 1: AP Eagers' dealerships in Newcastle/Hunter Valley region of NSW**

Dealership	Address	Dealership	Address
1. Cardiff Ford	2-16 Taylor Street, Cardiff	2. Cardiff Nissan	367 Main Road, Cardiff
3. Cardiff Honda	Corner Main Road & Sturt Road, Cardiff	4. Cardiff Hyundai	Corner Main Road & Sturt Road, Cardiff
5. Kloster BMW	934 Hunter Street, Newcastle West	6. Cardiff Volkswagen	Corner Main & Sturt Road, Cardiff
7. Kloster Hyundai	22 Tudor Street, Hamilton	8. Kloster Honda	24 Tudor Street, Hamilton
9. Kloster Ford	26 Tudor Street, Hamilton	10. Kloster Nissan	33 Tudor Street, Hamilton
11. Kloster Suzuki	37 Tudor Street, Hamilton	12. Kloster Mitsubishi	49 Tudor Street, Hamilton
13. Kloster Volkswagen	57 Tudor Street, Hamilton	14. Kloster Mini Garage	Tudor Street & Railway Street, Newcastle West
15. Highway Hyundai	192 New England Highway, Rutherford	16. Highway Ford	194 New England Highway, Rutherford

**Table 2: AHG's dealerships in Newcastle/Hunter Valley region of NSW**

Dealership	Address	Dealership	Address
1. Cardiff Isuzu Ute	54 Macquarie Road, Cardiff	2. Cardiff Toyota	54 Macquarie Road, Cardiff
3. Cardiff Kia	Corner Harrison Street and Myall Road, Cardiff	4. Crossroads Subaru	359 Lake Road, Glendale
5. Glendale LDV	359 Lake Road, Glendale	6. Newcastle City Holden	254 Hannell Street, Maryville
7. Newcastle City Kia	248 Hannell Street, Maryville	8. Newcastle City Subaru	248 Hannell Street, Wickham
9. Newcastle Mazda	248 Hannell Street, Wickham	10. Audi Centre Newcastle	Corner Parry Street and Steward Avenue, Newcastle West
11. Newcastle Skoda	30 Denison Street, Hamilton East	12. Maitland Kia	173-187 Newcastle Road, East Maitland
13. Hunter Subaru	174 High Street, Maitland	14. Hunter Volkswagen Passenger	174 High Street, Maitland
15. Hunter Honda	190 High Street, Maitland	16. Hunter Isuzu Ute	17 Mustang Drive, Rutherford
17. Hunter Volkswagen Commercial	17 Mustang Drive, Rutherford	18. Hunter LDV	1 Kinta Drive, Beresfield
19. Maitland Nissan	173 – 187 Newcastle Street, East Maitland		

**Table 3: AP Eagers' dealerships in Brisbane**

<b>Dealership</b>	<b>Address</b>	<b>Dealership</b>	<b>Address</b>
1. Porsche Centre Brisbane	147 Breakfast Creek Road, Newstead	2. Brisbane City Jaguar	41 Breakfast Creek Road, Newstead
3. Brisbane City Land Rover	41 Breakfast Creek Road, Newstead	4. Austral Volkswagen	79 Breakfast Creek Road, Newstead
5. Austral Honda	95 Breakfast Creek Road, Newstead	6. Metro Ford	95 Breakfast Creek Road, Newstead
7. Eagers Mazda	Corner Breakfast Creek Road and Austin Street, Newstead	8. City Subaru	Corner Breakfast Creek Road and Austin Street, Newstead
9. Eagers Holden	143 Newmarket Road, Windsor	10. Eagers Nissan	485 Gympie Road, Kedron
11. Kedron Subaru	485 Gympie Road, Kedron	12. Subaru Toowong	Corner Milton Road & Miskin Street, Toowong
13. Southside Honda	179 Logan Road, Woolloongabba	14. Southside Toyota (Mount Gravatt)	1922 Logan Road, Mount Gravatt
15. Southside Toyota (Woolloongabba)	44 Ipswich Road, Woolloongabba	16. Ipswich Kia	1 Brisbane Road, Bundamba
17. Ipswich Mazda	15 Brisbane Road, Bundamba	18. Ipswich Nissan	5 Brisbane Road, Bundamba
19. Ipswich Volkswagen	7 Brisbane Road, Bundamba	20. Torque Ford	1658 Anzac Avenue, North Lakes
21. Torque Honda	1658 Anzac Avenue, North Lakes	22. Torque Toyota (North Lakes)	1658 Anzac Avenue, North Lakes
23. Torque Toyota (Strathpine)	55 South Pine Road, Strathpine		

**Table 4: AHG's dealerships in Brisbane**

<b>Dealership</b>	<b>Address</b>	<b>Dealership</b>	<b>Address</b>
1. Aspley Nissan	1383 Gympie Road, Aspley	2. Aspley Fiat	1387 Gympie Road, Aspley
3. Aspley Jeep	1387 Gympie Road, Aspley	4. Zupps Aspley Mitsubishi	1444 Gympie Road, Aspley
5. Zupps Aspley Suzuki	1444 Gympie Road, Aspley	6. Zupps Aspley Hyundai	1448 Gympie Road, Aspley
7. Zupps Aspley Holden	1454 Gympie Road, Aspley	8. Zupps Browns Plains Hyundai	1 Corporate Place, Hillcrest
9. Zupps Browns Plains Suzuki	34-38 Anzac Ave and Corporate Place, Hillcrest	10. Zupps Browns Plains Holden	Corner Anzac Ave, Hillcrest
11. Zupps Mt Gravatt Peugeot	1300 Logan Road, Mount Gravatt	12. Zupps Mt Gravatt, Subaru	1300 Logan Road, Mount Gravatt
13. Zupps Holden	1310 Logan Road, Mount Gravatt	14. Zupps Mt Gravatt, Suzuki	1310 Logan Road, Mount Gravatt
15. Zupps Mt Gravatt Kia	1332 Logan Road, Mount Gravatt	16. Zupps Mt Gravatt Mitsubishi	1332 Logan Road, Mount Gravatt
17. Mt Gravatt Mazda	1350 Logan Road, Mount Gravatt		



**Table 5: AP Eagers' dealerships in Melbourne**

Dealership	Address	Dealership	Address
1. Silver Star Motors	835 Doncaster Road, Doncaster	2. Mercedes-Benz Ringwood	385 Maroondah Highway, Ringwood
3. Waverley Toyota	377-383 Springvale Road, Glen Waverly	4. Adtrans Truck Centre	Corner of Raymond and Boundary Road, Laverton North
5. Whitehorse Truck Centre	75 Princes Highway, Dandenong South	6. Melbourne Truck Centre	Corner South Gippsland Highway and Quantum Close, Dandenong
7. Fuso Port Melbourne	Unit 7, 335 Ingles Street, Port Melbourne		

**Table 6: AHG's dealerships in Melbourne**

Dealership	Address	Dealership	Address
1. Jeff Wignall Kia Mornington	980 Nepean Highway, Mornington	2. Jeff Wignall Ford Mornington	980 Nepean Highway, Mornington
3. Mornington Jeep	12 Mornington-Tyabb Road, Mornington	4. Mornington Nissan	109 Mornington-Tyabb Road, Mornington
5. Jeff Wignall Ford Hastings	2035 Frankston-Flinders Road, Hastings	6. South Morang Toyota	8 Wealthiland Drive, Mill Park
7. Melbourne City Hyundai	37-39 Brady Street, South Melbourne	8. Melbourne City Holden	32-48 Johnson Street, South Melbourne
9. City Mazda, South Melbourne	14/28 Montague Street, South Melbourne	10. Frankston Kia	90-98 Dandenong West Road, Frankston
11. Frankston Mitsubishi	90-98 Dandenong Road, Frankston	12. Jeff Wignall Ford Frankston	20-22 Overton Road, Frankston
13. Frankston Nissan	130 Dandenong Road West, Frankston	14. Frankston Jeep	126 Dandenong Road, Frankston
15. Prestige Hino	43-63 Princes Highway, Dandenong South	16. Coffee Ford	85 Lonsdale Street, Dandenong
17. Ferntree Gully Toyota	1101 Burwood Highway, Ferntree Gully	18. Knox Mitsubishi	437 Stud Road, Wantirna South
19. Doncaster Land Rover	573 Doncaster Road, Doncaster	20. Doncaster Jaguar	573 Doncaster Road, Doncaster
21. Doncaster Infiniti	573 Doncaster Road, Doncaster	22. Preston Toyota	687 High Street, Preston
23. Essendon Land Rover	348 Wirraway Road, Essendon Fields	24. Essendon Jaguar	348 Wirraway Road, Essendon Fields
25. Essendon Kia	342 Wirraway Road, Essendon Fields	26. Essendon Ford	330 Wirraway Road, Essendon Fields
27. Essendon Mitsubishi	294 Wirraway Road, Essendon Fields	28. Essendon Nissan	288 Wirraway Road, Essendon Fields
29. Daimler Trucks Laverton	423 Boundary Road, Truganina		

**Table 7: AP Eagers' dealerships in Sydney**

Dealership	Address	Dealership	Address
1. Northern Beaches Jaguar	790 Pittwater Road, Brookvale	2. Northern Beaches Land Rover	790 Pittwater Road, Brookvale
3. Bill Buckle Subaru	571 Pittwater Road, Brookvale	4. Bill Buckle Toyota	790 Pittwater Road, Brookvale
5. Bill Buckle Volkswagen	569 Pittwater Road, Brookvale	6. Stillwell Trucks	20 Ashford Avenue, Milperra
7. Adtrans Hino	253-259 Coward Street, Mascot	8. Adtrans Hino	7 Smeaton Grange Road, Smeaton Grange
9. Yutong	NSW Bus Sales		

**Table 8: AHG's dealerships in Sydney**

Dealership	Address	Dealership	Address
1. Lander Toyota	112 Sunnyholt Road, Blacktown	2. Blacktown Chrysler Jeep Dodge	37 Blacktown Road, Blacktown
3. Lander Nissan	37 Blacktown Road, Blacktown	4. Lander Mitsubishi	52 Sunnyholt Road, Blacktown
5. Lander LDV	54 Sunnyholt Road, Blacktown	6. Castle Hill Holden	2A Victoria Avenue, Castle Hill
7. Castle Hill Hyundai	2A Victoria Avenue, Castle Hill	8. Castle Hill Infiniti	2A Victoria Avenue, Castle Hill
9. Castle Hill Nissan	2A Victoria Avenue, Castle Hill	10. McGrath Subaru Liverpool	377 Hume Highway, Liverpool
11. Liverpool Mazda	365 Hume Highway, Liverpool	12. McGrath Mitsubishi Liverpool	377 Hume Highway, Liverpool
13. Liverpool Nissan	433 Macquarie Street, Liverpool	14. Liverpool Volkswagen	Corner of Boundary Road and Hume Highway, Liverpool
15. McGrath Holden Liverpool	Corner of Boundary Road and Hume Highway, Liverpool	16. Sutherland Holden	499 Princes Highway, Sutherland
17. Sutherland Volkswagen	501 Princes Highway, Sutherland	18. McGrath Nissan Sutherland	509 Princes Highway, Sutherland
19. Sinclair Hyundai	Corner York Road and Batt Street, Penrith		