

Record of oral submission to the Australian Competition and Consumer Commission (ACCC)

A.P. Eagers Limited application for merger authorisation MA1000018

Submission: An independent authorised motor dealer in the Hunter Valley region (the Dealer)
Date of submission: 2 May 2019

Public oral submissions

1. The Dealer tracks its performance against other dealerships of the same brand by reviewing pump in pump out reports provided by the brand.
2. The Dealer looks at the performance of all other dealerships of its brand in New South Wales, but is most interested in what is happening in the Hunter Valley and dealerships in neighbouring Primary Marketing Areas (PMA).
3. The Dealer considers that its nearest competitor is another dealer of the same brand in a neighbouring PMA.
4. Customers in the Hunter Valley generally will not travel outside the Hunter Valley to purchase a vehicle. It is a well-insulated area.
5. The Dealer is focussed on high standards of customer service and keeping local people shopping locally. It is focussed on building and maintaining a relationship with customers after they purchase a vehicle.
6. Brands dictate almost everything about how a dealership operates.
7. The servicing department is the most profitable part of a dealership. Servicing departments sell hours, not parts. Most customers get their new vehicle serviced at the dealership where they bought it.
8. When a car is sold, that provides clientele for other departments of the Dealerships. The likelihood that a customer will have their new vehicle serviced by the Dealer is considered when negotiating with customers over the price of a vehicle.
9. Capped price servicing and longer servicing intervals on new models (12 monthly now compared to 6 monthly intervals for previous models) has put a tighter squeeze on the servicing department.
10. Finance is no longer an important part of the bargaining/negotiation when selling a car.
11. Customers increasingly research online and know what car or cars they are interested in buying before visiting the dealership in person. Dealers no longer sell cars they "price a deal."
12. Online or omni-channel sales are increasingly offered. Omni offers a new challenge to the dealership model, which is to retain customers and stay in contact to develop a relationship to encourage customers to return to the dealership, for example to purchase another car.
13. The Dealer has concerns about the proposed acquisition.
14. The combined APE-AHG will have the ability to dictate to brands as it sees fit:

- The combined APE-AHG might tell manufacturers that they don't need anyone else selling that brand in a particular area because they have that local area covered.
- This currently happens in the Hunter Valley area, but a combined APE-AHG would make this worse.
- Brands aren't looking to open new dealerships in the Hunter Valley area. AHG and/or APE would have informed the manufacturers that the area is covered.

15. The combined APE-AHG will dictate to finance companies:

- AHG's buying power in finance is significantly higher greater than anybody else and it can currently get better deals due to the volume of finance it sells (based on the number of cars sold).
- Even larger independents do not have anywhere near AHG's buying power. Finance helps AHG win new car sales.
- Since reforms were made to motor dealer finance offers, customers no longer get a better deal arranging finance outside the dealership.
- Smaller dealers cannot compete and will lose sales.
- A combined APE-AHG would make this worse.

16. A combined APE-AHG may obtain better wholesale prices for vehicles due to their buying power and receiving better wholesale kickbacks.

17. A combined APE-AHG is likely to continue to purchase many competing / independent dealerships in the area. Separately, APE and AHG have purchased a number of other dealerships in the Hunter Valley and surrounding areas in recent years.

18. The Dealer strongly disagrees with the suggestion that dealerships within the same corporate group will compete against each other. This would only cut their own margins.