

# Submission to the Australian Competition and Consumer Commission (ACCC)

## Restriction of Publication of Part Claimed

A.P. Eagers Limited application for merger authorisation MA1000018

**Submission:** Honda Australia

**Date of submission:** 13 May 2019

### Honda in Australia

1. Honda imports new vehicles and parts into Australia. Honda are a national sales company with 160 employees. They sell new cars, used cars, and distribute parts. [REDACTED] They have been in operating in Australia for 50 years.
2. Honda's closest competitors are Mazda, Toyota, Subaru and Volkswagen. Honda also have lots of indirect competitors due to the amount of automotive brands in Australia.
3. Honda considers AP Eagers and AHG to be big players in the industry due to their size and scale. AP Eagers has 7 Honda dealerships: 3 in Brisbane, 1 in the Sunshine Coast, 2 in Newcastle and 1 in Tasmania. AHG has 1 Honda Dealership, which is in the Hunter Valley. Honda considers AP Eagers to be one of their closest partners.

### KPIs

4. Honda has a variety of KPIs, including for cars, parts, service, and customer satisfaction.
5. Honda provided the example of new cars to demonstrate how KPIs work. Honda sets a national target annually, which is based on market expectations, the economy, consumer confidence, and pricing strategy. Honda then have a mathematical calculation that breaks the number down dealer by dealer. Each dealer gets their share of that national number. The number is refreshed on a rolling quarterly basis. Every dealer is also given a monthly new vehicle target.
6. The methodology and calculation is the same whether the dealer is metro or rural/provincial. However, the numbers do vary depending on the size of the dealer.
7. [REDACTED]
8. [REDACTED]
9. [REDACTED]
10. [REDACTED]

11. [Redacted]

12. [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

13. [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

14. In contrast, for servicing, convenience is the most important factor for consumers, and consumers will generally go to their local area – either the authorised Dealer or other service providers.

15. The top pump-ins into the Hunter Valley are from Newcastle, Gosford, two dealers in the middle of Sydney.

16. Honda considers that KPIs and reward programs create lots of competition between dealers.

17. Honda did not consider that the acquisition would enable a combined AP Eagers/AHG to share sales between dealerships, as each dealership is run independently by different dealer principals. Dealerships work individually to achieve profits and KPIs, and measured independently of each other. Furthermore, in terms of gross profit per unit, APE dealers in Newcastle are close to the average of other provincial dealers.

18. [Redacted] Honda dealers generally do not rely on KPIs programs remain profitable.

*Appointment of new dealers*

19. Honda has an established process for appointing new dealers.

20. [Redacted]

21. [Redacted]

22.

23.

*Newcastle/Hunter Region*

24. Honda does not have any concerns about the Newcastle and Hunter Valley regions, as their pump-in/pump-out figures suggests there is competition from dealerships outside the region.

*Supply of authorised Honda parts/distribution arrangements with dealers*

25. Honda Australia are an importer and wholesale of parts.

26. Some Honda dealers are set up as trade dealers, and sell panels, doors and bonnets to panel beaters, but these are a minority. The majority of dealers provide service parts through their workshop. The biggest dealers tend to be a combination of service parts and panel type business.

27. Rural and provincial dealers tend to sell parts through their workshop/service department.

28. To get an authorised Honda part, a customer would need to buy from an authorised Honda dealer.

29. Honda Australia have a list price and a discount structure, which varies according to how regularly the dealership purchases.

*Servicing*

30. Honda Australia provides "Honda tailored servicing." It has set pricing on a national basis. It is available on a range of models, generally cars up to 5-6 years old, but generally not for very old cars. Honda has a service section on their website that enables consumers to look up a car model and see if Honda tailored service pricing is available for that vehicle.

*Insurance and finance arrangements*

31. Honda offers Honda branded insurance and finance.

32. The dealer decides whether they supply Honda branded insurance and finance, or some other alternative.

33. In setting prices and interest rates, dealers are required to comply with all requirements, including legislative requirements.

*Used car operations*

34. Honda Australia run a fleet of company cars for certain employees, which are usually on the road for 6-12 months. They are auctioned to dealers in an open auction as used cars. This auction is only open to the dealer network, who then on sell the cars to customers through their dealership. Honda Australia would auction 600-800 vehicles on average per year.