



30th May 2019

Ms Elizabeth Elias
Senior Analyst
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra 2601

Dear Ms Elias

AP Eagers proposed acquisition of AHG

I refer to the application for authorisation made by A.P. Eagers Limited (**AP Eagers**) in respect of its proposed acquisition of Automotive Holdings Group Limited (**AHG**) and the request made by the Australian Competition and Consumer Commission (**ACCC**) that Jaguar Land Rover Australia Pty Limited (**JLRA**) provide a written submission confirming the matters discussed in our telephone conference of 23 May 2019.

As discussed during our telephone conference, JLRA does not consider that the proposed acquisition will have any material impact on its business, nor is it likely to have any meaningful impact on owners or potential purchasers of Jaguar and Land Rover branded vehicles at the retail level.

In particular, JLRA notes that the proposed acquisition will not result in any material relevant changes to the spread of Jaguar and Land Rover dealer representation at the retail level in Australia nor to consumer choice of dealership, given that:

1. consumers can currently purchase Jaguar and Land Rover branded vehicles, parts and accessories, and access authorised Jaguar and Land Rover services, from any of 43 authorised Jaguar and Land Rover dealerships nationally;
2. to the extent that there are consumers who prefer to shop within a specific limited geographical area, there is no relevant geographical overlap between the existing Jaguar and Land Rover dealerships owned by AP Eagers in the Brisbane, Townsville and Sydney Northern beaches regions and those owned by AHG in Essendon Fields and Doncaster in the Melbourne metropolitan area; and
3. individual dealerships within the same dealership groups generally compete as vigorously against one another for sales as they do against dealerships from outside of the group, with the best run dealership groups invariably encouraging high levels of intra-group competition to maximise overall sales of the group and ensure that each dealership is itself viable in its own right.



With respect to competition more broadly for the retail supply of new vehicles, JLRA observes that there are numerous alternative and competing dealerships in addition to those operated by AP Eagers and AHG across multiple competing vehicle brands, and that consumers are generally willing to shop around at dealerships located outside of their specific local area to secure the best price and service possible, particularly given the infrequent nature and the high value of the purchase in question.

Similarly, consumers throughout Australia have a plethora of options with respect to the servicing and repair of their vehicles from both authorised/branded dealerships and service locations and from independent servicing and repair outlets.

Further to the above observations, a summary of the additional information provided during our 23 May 2019 telephone conference is set out in **Appendix 1** to this letter.

Yours sincerely,

Mark Cameron

Managing Director
Jaguar Land Rover Australia



Appendix 1: Additional information about JLRA and the new car retailing sector

1. Overview of JLRA and the JLRA dealership network

- 1.1 JLRA is the Australian importer of both Jaguar and Land Rover branded vehicles, genuine parts and accessories, which it supplies to independent third party authorised Jaguar and Land Rover retailers (referred to more broadly in the industry as "dealers").
- 1.2 There are 43 authorised Jaguar and Land Rover dealers across Australia which are authorised by JLRA to supply Jaguar and Land Rover motor vehicles, authorised parts and servicing to Australian consumers.
- 1.3 Each authorised Jaguar and Land Rover retailer is owned and operated independently of JLRA. The terms on which JLRA supplies vehicles, parts and accessories to an authorised retailer, and on which an authorised retailer is authorised to resupply those products to and undertake authorised services for consumers, are set out in a dealership agreement between JLRA and the authorised retailer. The relationships between JLRA and authorised retailers is also subject to the terms of the Franchising Code of Conduct.
- 1.4 JLRA has specific dealer selection criteria which it applies in assessing whether to appoint a new authorised retailer or to renew an existing one for a further term. That criteria, which is frequently reassessed and is subject to change over time, includes an assessment of, among other things, the demand for Jaguar and Land Rover vehicles at the relevant time and as forecast, the perceived business acumen and capabilities of the proposed dealer entity, the proposed geographic location of the intended dealership and the capacity and suitability of the selected site, the existing and forecast offers of competing brands and other commercial considerations.
- 1.5 Jaguar and Land Rover vehicles are positioned as premium brands most directly alongside Audi, BMW, Mercedes and Porsche.

2. Operations of motor vehicle dealerships in Australia

- 2.1 JLRA understands that the ACCC would like to further understand the commercial operations of dealerships.
- 2.2 Motor vehicle dealers in Australia operate under the terms of dealer agreements (which are deemed to be franchise agreements for the purposes of the Franchising Code of Conduct). Generally, motor vehicle dealers are owned by third parties (not the importer) and operated as independent businesses.

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- 2.3 As part of the agreement between the importer and dealer, it is common for a variety of targets to be set as a result of negotiations between the dealer and importer. Those targets may be sales or volume targets or, in other circumstances, the importer and dealer may agree on "tactical" targets, such as customer satisfaction.
- 2.4 Typically, targets agreed between the dealer and importer will operate as a threshold for financial bonuses and incentives, to be paid by the importer to the dealer. Targets are agreed between the dealer and importer based on a number of factors including the competitive environment, nominal geographic area of operation, and dealership size. In this regard, authorised Jaguar and Land Rover dealers have assigned geographic areas for internal JLRA performance measurement purposes, although they are free to, and do, advertise and sell vehicles to consumers outside of those areas and across the whole of Australia.
- 2.5 Because dealers are independent of the importer, they are responsible for setting the prices and other terms and conditions of supply for vehicles and other products and services they supply to consumers. While importers will generally advertise recommended retail prices in brand advertising and on brand websites, dealers have the freedom to discount products from the recommended retail price and negotiate individual purchase prices with individual consumers.
- 2.6 Brand websites operated by importers such as JLRA generally include details of available vehicle specifications and variants and enable consumers to calculate the RRP based on this information and the specification of the desired vehicle. This is the case for the Jaguar and Land Rover brand websites, such that customers can quickly and easily find out the recommended maximum price a dealer should charge and can negotiate a final price with a dealer of their choice using this information.
- 2.7 Discounting by dealers at the retail level is commonplace. While dealers will want to keep as much of their margin as they can, it has become increasingly common in the face of strong competition between dealerships for dealers to give some of this margin away in order to make the sale
- 2.8 Many new vehicle sales also involve a trade-in of the consumer's current vehicle. Dealers may increase the value of the trade-in vehicle to make a sale.
- 2.9 It is possible that dealers may seek to offer discounts to local customers in the same or near geographic area to attract those customers to have their vehicle serviced at the dealership. However, JLRA has observed that, in most cases, dealerships are departmentalised with the effect that the sales personnel do not take into account the servicing requirements or benefits of servicing to the dealer for this to occur frequently.



2.10 Consumers are often assisted in their purchase by obtaining dealer finance which may be offered through arrangements made with the importer/manufacture or with other financial institutions. The choice of finance offered by dealers to consumers is at the discretion of the dealership.

3. **Consumer behaviour in the automotive retail industry**

3.1 JLRA understands that the purchase of a new vehicle is one of the most important purchases to an Australian consumer and has observed that the industry has generally responded to consumers' desire for more information by making more and more granular information about vehicles available to consumers online via both the importers' brand websites and individual dealers' own websites.

3.2 One outcome of the increased availability of information to consumers is that consumers will undertake significant research on technical details, performance, parts and servicing, as well as RRP, to assist them in making the most appropriate choice for them prior to visiting dealerships to make a purchase.

3.3 JLRA has observed a great variety of consumer willingness to travel across geographic areas when purchasing a vehicle. Some consumers continue to shop locally, while others are willing to travel further to purchase the right vehicle at the right price. JLRA has, on occasion, observed consumers travelling interstate to purchase a new vehicle.

3.4 Typically, a consumer who is considering purchasing a premium brand vehicle, will have a very specific idea of what they wish to purchase.

3.5 Geographic location of a service centre may be of more relevance to existing owners of vehicles although JLRA's experience is that consumers do not feel tethered to the dealership in which they have purchased their vehicle to have their vehicle serviced or even the dealer network related to the brand of vehicle purchased (with significant numbers of owners choosing to have their vehicle serviced at an independent workshop).

4. **Servicing and the supply of spare parts**

4.1 Jaguar and Land Rover vehicles may be serviced at any authorised JLRA dealership as well as independent service centres.

4.2 With respect to vehicle servicing within a dealer network more generally, the dealer will determine the price for servicing and repairs (time and labour) and purchase genuine parts from the importer/manufacture. The importer will invoice the dealer for payment of parts supplied.



- 4.3 Authorised Jaguar and Land Rover dealers are also permitted to, and frequently do, sell genuine parts to independent repairers to facilitate repairs made outside the dealer network. JLRA encourages dealers in its network to supply parts to independent workshops, where possible, and many authorised dealers view this as an additional source of revenue.

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