



**Australian
Competition &
Consumer
Commission**

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Our Ref: 50348
Contact Officers: Daniel McCracken-Hewson (03) 9290 1482

18 January 2013

Dear interested party

Macquarie Premium Funding – proposed acquisition of Pacific Premium Funding

The Australian Competition and Consumer Commission (**ACCC**) is currently reviewing the proposed acquisition by Macquarie Premium Funding Pty Limited (**MPF**) of Pacific Premium Funding Pty Limited (**Pacific**) (**the proposed acquisition**).

The ACCC is considering the proposed acquisition under section 50 of the *Competition and Consumer Act 2010* (**the Act**). Section 50 of the Act prohibits mergers and acquisitions that substantially lessen competition in a market, or are likely to do so.

Background

MPF is a joint venture between Macquarie Bank Limited (**MBL**) and Steadfast Group Ltd (**Steadfast**), a network of Australian insurance brokers. It was incorporated in 2007 and supplies insurance premium funding (**IPF**) products to small, medium and large businesses in a variety of industries in Australia. In particular, MPF provides IPF products via insurance brokers that acquire banking services from MBL or are part of the Steadfast network, although those insurance brokers are free to, and do, use other IPF providers.

Pacific was established in 2001 and is now a wholly-owned subsidiary of GE Commercial Finance. It supplies IPF products to commercial entities for commercial general insurance policies and, in limited cases, for personal general insurance policies.

Request for submissions

The ACCC is seeking comments from market participants and interested parties to assist with its review and would welcome any comments that you have in relation to the competitive effects of the proposed acquisition. Specific issues and questions that you may wish to address are set out in **Attachment A**.

Comments and submissions are requested by close of business **Thursday 31 January 2013**. Submissions should be sent electronically (preferably in PDF format) to mergers@accc.gov.au with the title "Submission re: MPF's proposed acquisition of

Pacific (attention Daniel McCracken-Hewson)". Alternatively, submissions may be sent by facsimile to (03) 9663 3699.

Please contact us if you require an extension of time. You are also welcome to discuss the matter by telephone if that is more suitable or convenient by contacting Daniel McCracken-Hewson on (03) 9290 1482.

If the information provided is of a confidential nature, you can be assured that the details provided by you will be treated confidentially. That is, the ACCC will not disclose the confidential information to the merger parties or other third parties, other than advisors or consultants engaged directly by the ACCC, without first providing you with notice of its intention to do so, such as where it is compelled to do so by law. Please note that any information provided which you believe to be of a confidential nature should be clearly marked or identified as confidential.

Updates regarding the ACCC's assessment of this matter will be available on the ACCC's public Mergers Register (www.accc.gov.au/mergersregister). For details on this merger, scroll down and click on the link titled *Macquarie Premium Funding Pty Limited – proposed acquisition of Pacific Premium Funding Pty Limited*.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Rami Greiss', written in a cursive style.

Rami Greiss
General Manager
Merger Investigations Branch

Questions for market participants

1. Please provide a brief description of your business or organisation including your relationship to MPF or Pacific (e.g. customer, competitor, supplier or interested third party).

Relevant market

2. The ACCC is considering whether the relevant market is:
 - a national market for the supply of IPF products; or
 - a national market for the supply of commercial general insurance premium payment services, which would include: IPF products, customers' cash resources, general credit, banking and lending facilities and term arrangements with insurers (such as pay by the month).

Relevant to this consideration are:

- the reasons why customers acquire IPF products rather than using other funding for insurance premiums; and
- the willingness of customers to substitute other source of insurance premium funding in the event that the price of IPF products increased.

The ACCC seeks comment as to which of the above is the appropriate market definition for the proposed acquisition. If you consider these markets are not relevant or accurately described, which market(s) do you consider relevant and why?

Barriers to entry and expansion

3. Please comment on the barriers to entry and/or expansion in the supply of IPF products.

In responding, you may wish to have regard to the following:

- a. capital requirements;
- b. the sunk costs required to establish an IPF business;
- c. the significance of economies of scale;
- d. ability to access potential customers, for example through insurance brokers;
- e. the current economic climate and funding conditions;
- f. regulatory or legal barriers;
- g. any other barriers to entry/expansion.

Competition in the supply of IPF products

4. Please describe the basis on which IPF suppliers compete, for example on price, service levels, the ability to supply complementary services or the quality of, or innovation in, their IT systems or operating platform.
5. Please comment on the degree of competition that currently exists between MPF, Pacific and other suppliers of IPF products, and whether MPF or Pacific is a unique or particularly vigorous and effective competitor (and if so, why).
6. Do you consider that the proposed acquisition is likely to provide the merged entity with an ability or incentive to increase prices or profit margins or decrease the quality of, or innovation in relation to, IPF products or associated services? If so, please provide supporting reasons.

Other

7. Please provide any other comments or information that you consider may be useful to the ACCC in its assessment of the competitive effects of the proposed acquisition.