

Annex 8.4 – Market Share Data for AP Eagers

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A. Summary

Table 1 below sets out a summary of estimated market shares for AP Eagers and AHG. The calculation of AHG's shares has, in most cases, been based on extrapolating AHG's share of new vehicle retailing to other areas of its business. Accordingly, these shares are rough estimates and it is likely that some parts of AHG's business may perform above or below the estimates.

Table 1: Summary of AP Eagers and AHG share estimates

Product / Service	National market total	AP Eagers total	AP Eagers share	AHG estimated total	AHG estimated share	Merged entity total	Merged entity share**
New vehicle sales*	1,153,111 units	59,663 units	5.2%	77,258 units	6.7%	136,921 units	11.9%
Used vehicle sales*	3,000,000 units	44,148 units	1.5%	57,392	1.9%	101,540 units	3.4%
Finance products*	\$35.7bn	\$0.9bn	2.5%	\$1.26bn	3.5%	\$2.16bn	6.1%
Servicing and repairs*	\$12.23bn	\$0.251bn	2.1%	\$0.327bn	2.7%	\$0.578bn	4.7%
Retail and wholesale replacement parts sales*	\$14.08bn	\$0.517bn	3.7%	\$0.672bn	4.8%	\$1.19bn	8.5%

*The sources, assumptions and methodology used in relation to each of the above product and services areas is discussed further in this Annex.

**Where the merged entity share is off by 0.1% this is due to rounding. More detailed figures are set out in this Annex below.

B. New vehicle sales

B.1 New vehicle sales

The table below sets out AP Eagers' estimates of its shares for all new vehicle retail sales by volume in each State and nationally. This data represents sales of all vehicles, passenger and commercial (ie, all trucks and buses sold by AP Eagers in 2018), consistent with VFACTS data.

AP Eagers is unable to provide estimates for AHG's shares per State in 2018. In its 2018 Annual Report and FY2019 half-year results presentation released to the ASX on 22 February 2019, AHG stated that its national market share for new vehicle retailing was 6.7% in Australia. AP Eagers does not have share data for AHG (per State and Territory) for 2018 but relies on shares of supply provided by AHG in its FY2017 full year results presentation, in which AHG provided shares of supply for each State and Territory. Accordingly, the only AHG share which AP Eagers can provide with certainty is 6.7% for vehicle retailing in Australia in 2018. The AHG shares that AP Eagers has access to for States and Territories are historic (taken from AHG's FY2017 full year results presentation) and therefore are unlikely to be reliable depictions of current AHG shares.

Table 2: Estimated shares for new vehicle retailing by State and Territory (AP Eagers and AHG)

State / Territory	Total sales volume (units)*	AP Eagers' sales volume (units)**	AP Eagers' share (%)	AHG share (%)***	Implied merged entity share (%)
QLD	231,541	25,704	11.1	3.6	14.7
NSW	370,967	12,493	3.37	7.4	10.77
NT	10,253	2,550	24.87	0	24.87
SA	71,027	11,743	16.53	0	16.53
TAS	20,566	2,927	14.23	0	14.23
VIC	333,392	4,246	1.27	3.6	4.87
ACT	18,191	0	0	0	0
WA	97,174	0	0	23.70	23.7
National	1,153,111	59,663	5.2	6.7****	11.9

*Source: VFACTS December 2018 National Report supplied by Federal Chamber of Automotive Industries (FCAI).

**Source: AP Eagers' internal reports for 2018.

***Source: AHG's FY2017 full year results presentation released to the ASX on 25 August 2017 (provided at **Annex 8.4.3**).

****Source: Slide 9 of AHG's FY2019 half-yearly results presentation released to the ASX on 22 February 2019 (provided at **Annex 8.4.4**).

AP Eagers' has calculated AP Eagers' estimated shares of sales in 2018 of new vehicles by volume, in the following **metropolitan areas** in which AP Eagers and AHG have overlapping operations:

1. Sydney;
2. Melbourne;
3. Brisbane; and
4. Newcastle¹ plus Hunter² and Central Coast³.

¹ ABS, Newcastle and Lake Macquarie (SA4) (111), available at: https://itt.abs.gov.au/itt/r.jsp?RegionSummary®ion=111&geoconcept=REGION&dataset=ABS_REGIONAL_ASGS&datasetLGA=ABS_REGIONAL_LGA&datasetASGS=ABS_REGIONAL_ASGS®ionLGA=REGION®ionASGS=REGION.

² ABS, Hunter Valley exc Newcastle (SA4) (106), available at: https://itt.abs.gov.au/itt/r.jsp?RegionSummary®ion=106&dataset=ABS_REGIONAL_ASGS&geoconcept=REGION&measure=MEASURE&datasetASGS=ABS_REGIONAL_ASGS&datasetLGA=ABS_REGIONAL_LGA®ionLGA=REGION®ionASGS=REGION.

³ ABS, 2016 Census QuickStats – Central Coast (C) (NSW), available at: https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA11650?opendocument.

AP Eagers' is unable to provide estimated shares of sales for AHG in these areas as it has no access to AHG's sales in these areas in 2018.

AP Eagers does not consider that these narrower areas constitute the scope of relevant geographic market, but provides these estimates to assist the ACCC's review. As there is no publicly available data on total sales in these areas, AP Eagers sets out below the methodology it has used to determine total 'market' sizes for each of these narrower areas. However, AP Eagers does not believe that the methodology is a sound one. On the contrary, the methodology, which uses population data from the ABS to determine proportion of sales which should be applicable to the relevant areas suffers from some serious flaws, including the fact that it treats all regions as selling an equivalent amount of services when there might be regional differences. Accordingly, although AP Eagers has provided the calculations, it does not consider these to be the appropriate bases for the ACCC to form views on the effect of the Proposed Transaction.

Methodology

AP Eagers has calculated estimated shares for new vehicle retailing for each of these areas by allocating each area a volume of vehicle sales that is proportionate to its population calculated as shown below. These estimates are based on population statistics from the Australian Bureau of Statistics (**ABS**) as at 30 June 2018 for Sydney, Melbourne and Brisbane.⁴ The Newcastle and Hunter data from the ABS dates from 2015 and the Central Coast population data is from 2016.

Table 3: Population calculations

Area	State population	City / region population	City population as proportion of state population (%)
Sydney	7,988,241	5,230,330	65.48
Melbourne	6,460,675	4,963,349	76.82
Brisbane⁵	5,011,216	2,462,637	49.14
Newcastle / Hunter / Central Coast	7,988,241	965,995	12.09

The population figures are sourced from the ABS. The ABS adopts certain definitions of Sydney, Melbourne, Brisbane and Newcastle. The ABS definitions provide populations for 'Greater Sydney',⁶ 'Greater Melbourne'⁷ and 'Greater Brisbane',⁸ these are the populations that AP Eagers has used in **Table 3** above.

In order to calculate shares for these areas, AP Eagers has taken the following approach:

⁴ ABS, 3218.0 - Regional Population Growth, Australia, 2017-18, available at: <<https://www.abs.gov.au/ausstats/abs@.nsf/0/B7616AB91C66CDCFCA25827800183B7B?OpenDocument>>.
⁵ The area for Brisbane extends to include AP Eagers' dealerships in Moreton Bay Regional Council area and Ipswich. However, AP Eagers' Brisbane sales revenues do not incorporate these dealerships due to the way in which AP Eagers reports its sales data internally.
⁶ ABS, 2016 Census QuickStats – Greater Sydney, available at: <https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/1GSYD?opendocument>.
⁷ ABS, 2016 Census QuickStats – Greater Melbourne, available at: <https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/2GMEL>.
⁸ ABS, 2016 Census QuickStats – Greater Brisbane, available at: <https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/3GBRI?opendocument>.

- To calculate the total market size for each region, AP Eagers has used the total market figures for new vehicle sales for each State from VFACTS National Report – New Vehicle Sales, December 2018.
- AP Eagers has then calculated the percentage population accounted for by each region according to the relevant State's population. It has then used this percentage figure to calculate the number of vehicle sales for that area (ie, area population ÷ State population x total new vehicle sales for State = total vehicle sales for area).
This is shown in the **Table 4** below.

Table 4: Estimated total sales for new vehicle retailing for Sydney, Melbourne, Brisbane and Newcastle/Hunter/Central Coast and Newcastle/Hunter/Central Coast/Sydney

Area	Total sales for State (volume, units)*	Relevant proportion	Estimated total sales volume (units)
Sydney	370,967	65.48%	242,909
Melbourne	333,392	72.82%	242,776
Brisbane	231,541	49.14%	113,779
Newcastle / Hunter / Central Coast	370,967	12.09%	44,860
Newcastle / Hunter / Central Coast / Sydney	370,967	77.57%	287,752

Source: VFACTS December 2018 National Report supplied by Federal Chamber of Automotive Industries (FCAI).

- For AP Eagers' sales for each regional area, AP Eagers has used its actual sales figures for 2018. Note, however, that the sales figures exclude dealerships in the Moreton Bay Regional Council area and Ipswich.
- AP Eagers does not have AHG's sales for 2018 and is therefore unable to provide an estimate of its shares of supply for 2018.

Table 5: AP Eagers' estimated shares of supply of new vehicles for Sydney, Melbourne, Brisbane and Newcastle/Hunter/Central Coast and Newcastle/Hunter/Central Coast/Sydney (2018)

Area	Estimated total sales volume (units)	AP Eagers' sales volume (units) (actual 2018)	AP Eagers' share (%)
Sydney	242,909	4,169	1.72
Melbourne	242,776	4,246	1.75
Brisbane	113,779	11,802	10.37
Newcastle / Hunter / Central Coast	44,860	8,324	18.56
Newcastle / Hunter / Central Coast / Sydney	287,752	12,493	4.34

B.2 Used car retail and wholesaling

Using the calculations and processes set out in the tables below, AP Eagers estimates that it has a national share of 1.47% of the supply of used cars. Nationally, AHG currently supplies 1.3 times the number of new vehicles supplied by AP Eagers (6.7% and 5.17% respectively). Assuming this figure is also correct for AHG's share of the supply of used cars, AHG is estimated to have a national share of 1.91% of the supply of used vehicles. This would give the merged entity an estimated national share of 3.38% of the supply of used vehicles.

To estimate shares of supply of used car retailing and wholesaling, AP Eagers has relied on a total national market estimate of 3,000,000 units of used car sales from Manheim, *2015 Used Car Market Report: Looking Back, Driving Forward* (2015), page 87 (provided as an **Annex**).

To calculate a breakdown of shares by State and area, AP Eagers has again relied on population data from the ABS for 2018 by State and Territory to apportion the total national used car sales.⁹ These calculations are set out below.

Table 6: Used car wholesaling and retailing sales by State and Territory (2018)

State / Territory	Total Australian population (2018)	State/Territory population proportion of national (%)	Assumed total sales volume (units)*
QLD	5,033,100	20.05	601,520
NSW	8,023,700	31.96	958,935
NT	247,200	0.98	29,544
SA	1,740,700	6.93	208,036
TAS	529,900	2.11	63,330
VIC	6,497,700	25.89	776,559
ACT	422,500	1.68	50,494
WA	2,602,400	10.37	311,020
Other	4,700	0.02	562
National	25,101,900	100.00	3,000,000**

*To calculate assumed total sales volumes, AP Eagers has taken the population figures for each State as at the end of the September quarter 2018 as per ABS statistics and allocated a share of estimated national used car sales to each State proportionately to its population.

**Source: Manheim, *2015 Used Car Market Report: Looking Back, Driving Forward* (2015), page 87.

Table 7 below sets out AP Eagers' estimated shares of supply for retail and wholesale used car vehicle sales by volume in each State and nationally. AP Eagers has no sales data for AHG in respect of used car retailing and wholesaling and therefore is unable to provide estimates of its shares of supply.

AP Eagers has combined used car retailing and wholesaling because the only data available on a national basis for the total market (ie, the *Manheim* report cited above) also combines used car retailing and wholesaling.

There is no reliable national data for the sale of used trucks. Accordingly, AP Eagers cannot reliably estimate shares of supply for the sale of used trucks.

⁹ ABS, 3101.0 - Australian Demographic Statistics, Sep 2018, available at <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3101.0>>.

Table 7: AP Eagers' estimated share of supply of used car retailing and wholesaling by State and Territory (2018)

State / Territory	Assumed total sales volume (units)*	AP Eagers' sales volume (units)	AP Eagers' share (%)**
QLD	601,520	18,054	3.00
NSW	958,935	5,374	0.56
NT	29,544	812	2.75
SA	208,036	15,306	7.36
TAS	63,330	2,671	4.22
VIC	776,559	1,931	0.25
ACT	50,494	N/A	N/A
WA	311,020	N/A	N/A
Other	562	N/A	N/A
National	3,000,000***	44,148	1.47

*To calculate assumed total sales volumes, AP Eagers has taken the population figures for each State as at the end of the September quarter 2018 and allocated a share of estimated national used car sales to each State proportionately to its population.

**To calculate assumed market share AP Eagers has divided AP Eagers sales volume by the total sales volume for each State.

***Source: Manheim, 2015 Used Car Market Report: Looking Back, Driving Forward (2015), page 87.

Table 8: AP Eagers' estimated share of used car retailing and wholesaling by area (2018)

Area	Total sales volume (units)* (2018)	AP Eagers' sales volume (units) (2018)	AP Eagers' share (%)
Sydney	627,984	1,049	0.17
Melbourne	596,695	1,931	0.32
Brisbane	295,658	4,868	1.65
Newcastle / Hunter / Central Coast	115,961	4,325	3.73
Newcastle / Hunter / Central Coast / Sydney	743,828	5,374	0.72

*Estimate based on proportion of State population living in region. Source is ABS population estimates as at 30 June 2018.

C. Vehicle repairs and servicing

Using the calculations and processes set out in the tables below, AP Eagers estimates that it has a national share of 2.06% of the supply of vehicle repairs and servicing. Nationally, AHG currently supplies 1.3 times the number of new vehicles supplied by AP Eagers (6.7% and 5.17% respectively). Assuming this figure is also correct for AHG's share of the supply of vehicle servicing and repairs, AHG is estimated to have a national share of 2.67% of the supply of the supply of vehicle servicing and repairs. This would give the merged entity an estimated national share of 4.73% of the supply of vehicle servicing and repairs.

The table below sets out AP Eagers' estimates of shares of AP Eagers' supply of vehicle repairs and servicing by revenue in each State and nationally. AP Eagers is not able to provide estimates for AHG's shares of supply.

Consistent with the approach taken in **Table 3** above, AP Eagers relied on the population figures for each State as at the end of the September quarter 2018 and allocated a share of the total market figure of \$12,226,200,000 (as provided in the IBISWorld Industry Report S9419)¹⁰ to each State proportionately according to its population (65.48% for Sydney, 72.82% for Melbourne and 49.14% for Brisbane). AP Eagers then calculated the assumed market share by dividing AP Eagers' actual sales volumes for 2018 by the total assumed sales for each State.

Table 9: Estimated AP Eagers shares of supply of vehicle repairs and servicing by State and Territory (2018)

State / Territory	Proportion for State / Territory	Assumed total sales volume (\$) (000s)	AP Eagers' sales volume (\$) (000s)	Assumed share (%)**
QLD	20.05%	2,451,435	113,220	4.62
NSW	31.96%	3,908,045	42,240	1.08
NT	0.98%	120,402	11,591	9.63
SA	6.93%	847,830	37,890	4.47
TAS	2.11%	258,095	21,497	8.33
VIC	25.89%	3,164,788	24,867	0.79
ACT	1.68%	205,784	0	0
WA	10.37%	1,267,532	0	0
National	100.00%	12,226,200*	251,305	2.06

*Source: Matthew Reeves, *Motor Vehicle Engine and Parts Repair Maintenance in Australia* (IBISWorld Industry Report S9419, March 2019).

**To calculate assumed market share AP Eagers has divided AP Eagers' sales volume by the assumed total sales volume (by revenue) for each State.

The table below sets out AP Eagers' estimates of shares for AP Eagers and AHG for the supply of vehicle repairs and servicing, by revenue, in the following **metropolitan areas** in which AP Eagers and AHG have overlapping operations:

1. Sydney;
2. Melbourne; and
3. Brisbane region.

AP Eagers is not able to provide estimates for AHG's shares of supply.

Table 10: Estimated AP Eagers shares for supply of vehicle repairs and servicing by area (2018)

Area	Proportion for area	Assumed total sales volume (\$) (000s)*	AP Eagers' sales volume (\$) (000s)	Assumed share (%)
Sydney	65.48%	2,559,286	19,695	0.77

¹⁰ Matthew Reeves, *Motor Vehicle Engine and Parts Repair Maintenance in Australia* (IBISWorld Industry Report S9419, March 2019).

Area	Proportion for area	Assumed total sales volume (\$ (000s)*	AP Eagers' sales volume (\$ (000s)	Assumed share (%)
Melbourne	76.82%	2,431,772	24,867	1.02
Brisbane	49.14%	1,204,923	49,344	4.10
Newcastle / Hunter / Central Coast	12.09%	472,677	22,544	4.77
Newcastle / Hunter / Central Coast / Sydney	77.57%	3,031,963	42,239	1.39

*Estimate based on proportion of State population living in region. Source is ABS population estimates as at 30 June 2018.

D. Finance products

Both AP Eagers and AHG provide vehicle finance products to customers as agents through their dealerships.

New finance commitments for motor vehicles, or the total Net Amount Financed (**NAF**) was estimated as \$35.7 billion for 2017.¹¹ In 2018, AP Eagers was responsible for \$903 million of NAF (\$890 million in point of sale NAF and \$13 million NAF through its broking businesses). Relying on the \$35.7 billion NAF figure, AP Eagers estimates its share of the supply of vehicle finance products to be 2.53%. Assuming that AHG's share is 1.3 times the size of AP Eagers' and factoring in AHG's finance broker business, AP Eagers estimates that AHG has a national share of 3.52% of the national supply of vehicle finance. The estimate is based on the assumption that AHG's point of sale NAF is 1.3 times the size of AP Eagers' (ie, \$890 million x 1.3) and that AHG's finance broker business is responsible for \$100 million NAF. This would give the merged entity an estimated national share of 6.05% of the supply of vehicle finance. AP Eagers does not record NAF by State and is therefore unable to provide data at a more detailed level.

E. Insurance products

AP Eagers is not able to provide any reliable data on the number of motor vehicle insurance policies sold in Australia. Accordingly, AP Eagers is not able to calculate market shares for the supply of insurance products.

F. Replacement parts

AP Eagers estimates \$517,225,000 in revenue from its wholesale and retail supply of replacement parts in 2018. The value of total sales for replacement parts is estimated to be \$5.3759 billion¹² and \$8.7074 billion¹³ for retail and wholesale supply respectively. This means that the total value of total sales for replacement parts for retail and wholesale customers is \$14.0833bn. On this basis, AP Eagers estimates that it has a national share of 3.67% of the supply of replacement parts to wholesale and retail customers. Nationally, AHG currently supplies 1.3 times the number of new vehicles supplied by AP Eagers (6.7% and 5.17% respectively). Assuming this figure is also correct for AHG's share of the supply of

¹¹ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 'Some Features of Car Financing in Australia' (Background Paper 3) page 3.

¹² Michael Youren, *Motor Vehicle Parts Retailing in Australia* (IBISWorld Industry Report G3921, March 2019).

¹³ James Thomson, *Motor Vehicle New Parts Wholesaling in Australia* (IBISWorld Industry Report F3504, November 2018).

replacement parts to wholesale and retail customers, AHG is estimated to have a national share of 4.77% of the supply of replacement parts to wholesale and retail customers. This would give the merged entity an estimated national share of 8.45% of the supply of replacement parts to wholesale and retail customers.

G. Car care products

AP Eagers has not been able to locate reliable data on the size of the national market for car care products. Accordingly, AP Eagers is not able to calculate market shares for the supply of car care products.

H. Bailment Financing

AP Eagers estimates that it has approximately \$569 million in bailment finance credit limits. Assuming that AP Eagers' share for bailment financing mirrors its national market share for new vehicles (approximately 5.17%), AP Eagers estimates that the total credit limit across all new car dealers in Australia is approximately \$11 billion. However, when factoring in used car dealers that also use floorplan financing, AP Eagers' share of bailment financing would be significantly less than 5.17%. AP Eagers is not able to estimate the total number of used car dealers in Australia or in any region in Australia.

I. Vehicle brokerage services

AP Eagers has not been able to source any reliable data on the size of the national market for the number of vehicle sales which were brokered. Accordingly, AP Eagers is not able to calculate market shares for the supply of vehicle brokerage services.

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