

17 May 2004

RIALTO TOWERS 525 COLLINS STREET MELBOURNE
GPO BOX 769G MELBOURNE VIC 3001 AUSTRALIA
DX 204 MELBOURNE www.minterellison.com
TELEPHONE +61 3 8608 2000 FACSIMILE +61 3 8608 1000

Mr Tim Grimwade
General Manager - Adjudication
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

FILE No
200
2000-1100

Dear Sir

Subaru (Aust) Pty Ltd - Repairer Incentive Program

We act on behalf of Subaru (Aust) Pty Ltd (**Subaru Australia**) and enclose:

- a notification under section 93(1) of the *Trade Practices Act 1974 (TPA)*; and
- cheque for \$100 as payment of the required lodgement fee.

1. Background

- 1.1 Subaru Australia imports Subaru-branded motor vehicles and associated spare parts and accessories. It distributes genuine Subaru parts to a number of different customer groups via a network of authorised wholesale parts dealers within Australia (**Wholesale Dealers**).
- 1.2 Subaru Australia intends to establish a network of preferred repairers within Australia (**Repairers**). Repairers will be required to meet specified product and customer service standards in order to qualify for brand marketing support from Subaru Australia.
- 1.3 To promote maximum standards of product and customer service to consumers of Subaru motor vehicles, Subaru Australia plans to offer Repairers an incentive and reward program (**Repairer Incentive Program**). Under the Repairer Incentive Program, Repairers will be awarded loyalty points for every purchase of spare parts that they make from their geographically proximate Wholesale Dealer. The loyalty points can be redeemed by the Repairers against Subaru Australia for rewards including Subaru-branded merchandise and events (rallies, Motor shows and drive days) and overseas holidays. Subaru Australia will sub-contract the supply of these rewards via separate agreements with third party retailers and service providers.
- 1.4 The Repairer's status as 'preferred' is not tied to their purchases from any single Wholesale Dealer.

2. Notified Conduct

2.1 The notified conduct may be formulated as:

- (a) the supply of goods or services by Subaru Australia to Repairers on the condition that the Repairer will acquire Subaru parts from a nominated Wholesale Dealer;
- (b) Subaru Australia refusing to supply goods or services to a Repairer for the reason that the Repairer has not acquired Subaru parts from a nominated Wholesale Dealer;
- (c) Subaru Australia supplying loyalty program services to Repairers on the condition that the Repairer will acquire Subaru parts from a nominated Wholesale Dealer; and
- (d) Subaru Australia refusing to supply loyalty program services to Repairers for the reason that the Repairer has not acquired Subaru parts from a nominated Wholesale Dealer.

2.2 Our client appreciates that the conduct described in paragraph 2.1 may be construed as falling within the prohibitions contained in section 47(6) and 47(7) of the TPA. Accordingly, it wishes to notify the conduct under section 93(1) of the TPA. For the reasons discussed in section 3, we submit that the public benefits associated with the conduct clearly outweigh any public detriment caused by the conduct.

3. Competition Issues

3.1 We submit on behalf of our clients that the Commission should not serve a notice under section 93(3A) of the TPA. This is because:

- (a) the conduct in question will not adversely affect competition in any relevant market; and
- (b) the conduct in question will result in public benefits and no public detriment.

3.2 The conduct notified by Subaru Australia comprises an *optional* purchase of a second product by the Repairers from a nominated supplier (Wholesale Dealer). Repairers retain their genuine choice to deal with any wholesale supplier on the competitive terms offered by those suppliers. They can choose, on the normal commercial basis of quality and price, whether or not to purchase parts alone from any supplier, or to accept Subaru Australia's terms for the package of genuine parts and the loyalty program. By retaining the Repairers' genuine choice, the conduct is not inherently anti-competitive.

3.3 In any event, we do not believe that the notified conduct will have any adverse affect on competition in the relevant market. We consider that the relevant market for assessing this notification is the wholesale market for the supply of automotive parts, accessories and ancillary services in Australia. The market is highly competitive. For example, by extrapolation from retail motor vehicle sales data, Subaru Australia's share of the wholesale parts market can be approximated at 3.5%. Accordingly, we do not consider that the conduct will distort demand, create barriers to entry or otherwise harm competition in the market. Further information in relation to the market can be provided to the Commission if requested.

- 3.4 Moreover, there is inherent public benefit in the conduct, as Repairers can buy the package of genuine Subaru parts from Wholesale Dealers and the Repairer Incentive Program from Subaru Australia at a genuine saving on the total price of the products and services than if they were bought separately in competitive markets. The conduct will therefore result in lower prices for Repairers, and an increase competition in the markets for both parts and promotional services. This will, in turn, allow the Repairers to offer a more competitive service in downstream repair markets. This will lead to benefits to consumers of Subaru vehicles, including:
- (a) improved product quality, with Repairers purchasing genuine Subaru parts and accessories, manufactured to strict factory specifications;
 - (b) improved repair service quality, with Repairers required to meet Subaru Australia's stringent standards; and
 - (c) an overall improvement in the post-purchase support available for Subaru motor vehicles will encourage competitors of Subaru Australia to offer similar value-added services, and will therefore promote competition in the retail markets for the supply of motor vehicles and repair services.
- 3.5 We believe that the notified conduct will have little, if any, public detriment. Some repairers who elect not to deal with their nearest Wholesale Dealer may regard this proposal as disadvantageous as it is not available to them. However, Repairers retain their genuine choice to acquire parts from any wholesale supplier on the competitive commercial terms offered by that supplier. Overall, the effect of the conduct discussed above on the market is insignificant and is outweighed by the benefits to Repairers, and the downstream benefits to consumers of Subaru vehicles.

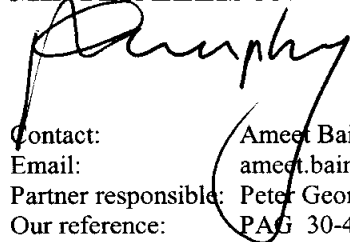
4. Conclusion

- 4.1 For the reasons set out above, we do not believe the Commission should serve a notice under section 93(3A) of the TPA in respect of this notification. This is because the notified conduct will cause little, if any, detriment and will generate public benefits.

If you have any questions in relation to this notification or require any further information, please do not hesitate to contact Peter George or Ameet Bains of our office.

Yours faithfully

MINTER ELLISON



Contact: Ameet Bains Direct phone: +61 3 8608 2063 Direct fax: +61 3 8608 1084
Email: ameat.bains@minterellison.com
Partner responsible: Peter George Direct phone: +61 3 8608 2634
Our reference: PAG 30-4494204

Form G

Commonwealth of Australia

Trade Practices Act 1974 - Sub-section 93(1)

EXCLUSIVE DEALING:

NOTIFICATION

To the Australian Competition and Consumer Commission:

Notice is hereby given in accordance with sub-section 93(1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in sub-section 47(2), (3), (4), (5), (6) or (7), or paragraph 47(8)(a), (b) or (c) or 9(a), (b), (c) or (d) of that Act in which the person giving notice engaged or proposes to engage.

1. (a) Name of person giving notice:

Subaru (Aust) Pty Limited (Subaru Australia)
ABN 95 000 312 792
- (b) Short description of business carried on by that person:

Wholesale supply of imported motor vehicles, spare parts and accessories, and associated services, including supply of spare parts to authorised dealer distributors (Wholesale Dealers).
- (c) Address in Australia for service of documents on that person:

C/- Ameet Bains
Minter Ellison Lawyers
525 Collins Street
MELBOURNE VIC 3000
2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:

Subaru spare parts and accessories
Retail goods and services provided by Subaru Australia and third party retailers and service providers
Loyalty program services, including awarding points to nominated motor vehicle repairers who repair Subaru motor vehicles (Repairers) and promotional and other support services.
- (b) Description of the conduct or proposed conduct:
 - (i) *Subaru Australia supplying, or offering to supply, goods and services to Repairers on the condition that the Repairer will acquire Subaru parts from a nominated Wholesale Dealer.*
 - (ii) *Subaru Australia refusing to supply, or offer to supply, goods and services to Repairers, for the reason that the Repairer has not acquired, or has not agreed to acquire, Subaru parts from a nominated Wholesale Dealer.*

- (iii) *Subaru Australia supplying, or offering to supply, loyalty program services to Repairers on the condition that the Repairer will acquire Subaru parts from a nominated Wholesale Dealer; and*
- (iv) *Subaru Australia refusing to supply, or offer to supply, loyalty program services to Repairers for the reason that the Repairer has not acquired, or has not agreed to acquire, Subaru parts from a nominated Wholesale Dealer.*

3. (a) Class or classes of persons to which the conduct relates:

Repairers

(b) Number of those persons:

(i) At the present time:

Nil

(ii) Estimated within the next year:

100

(c) Where the number of persons stated in item 3(b)(i) is less than 50, their names and addresses:

Not applicable

4. Name and address of person authorised by the person giving this notice to provide additional information in relation to this notice:

*Ameet Bains
Minter Ellison Lawyers
525 Collins Street
MELBOURNE VIC 3000*

DATED *16th May*, 2004

SIGNED by/on behalf of the applicant

Anthony Ross Thomas

(Signature)

ANTHONY ROSS THOMAS

(Full Name)

COMPANY SECRETARY

(Description)

DIRECTIONS

1. Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the person giving the notice.
2. If the notice is given by or on behalf of a corporation, the name of the corporation is to be inserted in item 1(a), not the name of the person signing the notice, and the notice is to be signed by a person authorised by the corporation to do so.
3. In item 1(b), describe that part of the business of the person giving the notice in the course of which the conduct is engaged in.
4. If particulars of a condition or of a reason of the type referred to in sub-section 47(2), (3), (4), (5), (6), (7), (8) or (9) of the *Trade Practices Act 1974* have been reduced in whole or in part to writing, a copy of the writing is to be provided with the notice.
5. In item 3(a), describe the nature of the business carried on by the persons referred to in that item.
6. In item 3(b)(ii), state an estimate of the highest number of persons with whom the person giving the notice is likely to deal in the course of engaging in the conduct at any time during the next year.

NOTICE

If this notification is in respect of conduct of a kind referred to in sub-section 47(6) or (7) or paragraph 47(8)(c) or (9)(d) of the *Trade Practices Act 1974* ('the Act'), it comes into force at the end of the period prescribed for the purposes of sub-section 93(7A) of the Act ('the prescribed period') unless the Commission gives a notice under sub-section 93A(2) of the Act within the prescribed period, or this notification is withdrawn.

The prescribed period is 21 days (if this notification is given on or before June 30 1996) or 14 days (if this notification is given after 30 June 1996), starting on the day when this notification is given.

If the Commission gives a notice under sub-section 93A(2) of the Act within the prescribed period, this notification will not come into force unless the Commission, after completing the procedures in section 93A of the Act, decides not to give a notice under sub-section 93(3A) of the Act. The notification comes into force when that decision is made.

If this notification is in respect of conduct or a kind referred to in sub-section 47(2), (3), (4) or (5), or paragraph 47(8)(a) or (b) or (9)(a), (b) or (c), of the Act, it comes into force when it is given.