

Blue Mountains Hardware Pty. Ltd.

ACN 104 351 715 ABN 51 252 344 794

PO Box 7055, Leura NSW 2780

79 Barton Street, North Katoomba

Phone: (02) 47826066 – Fax: (02) 47826517

E-Mail: bmhs@bigpond.net.au16th February 2006

Mr. Kelvin Binning
Australian Competition and Consumer Commission.

Exclusive Dealing Notification N31496 Lodged by James Hardie Australia Pty Ltd.

Dear Mr Binning

Blue Mountains Hardware Pty Ltd is a medium sized independent building supply company affiliated with the "Home" group. The business is situated at Katoomba in the Blue Mountains; west of Sydney.

We have received correspondence from both CSR & BGC drawing our attention to the above notification and would like to make a submission expressing the situation from our point of view.

Normally we would be expressing concern regarding any limit to product access by a supplier, however the fibre cement industry presents as a special case. There is a real need to provide positive pressure in the interests of creating competition & future development.

There appear to be three main locally made brands of fibre cement products available to us, (James Hardie, CSR & BGC) plus two significant imports (Hume Berhad & Nutec).

Of these companies, only James Hardie appears to be spending any money on developing new technologies. The other brands seem content to run a parasitic style of business, cloning the most successful volume products.

Although there have been reported difficulties with the imported products in the past, these appear to have been resolved, and are available to us at a substantial cost saving compared to the Australian produced brands. Notwithstanding the very competitive nature of the building industry, we prefer to support Australian made product wherever possible. In any case, there seems to be very little to gain for our national benefit by assisting imported brands

This leaves a supply choice of the three local companies.

Of these three companies, two stand out with particular strengths on the eastern seaboard:

- CSR, with their range of distribution outlets, & more flexible policies concerning purchase quantities.
- James Hardie, with its extended range of innovative products

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We believe that suppliers like us, who are planning for a future in this industry, need to support new product development for the following reasons.

- Existing traditional products such as timber are becoming more difficult to source & as a result, the timber industry is trending towards composite, laminated, & finger joint products. These products, although still made of timber, do not share the same appearance or emotive feel of solid timber. When work is completed on any given project, it is difficult to tell that timber was used at all. So we incur all of the problems associated with timber, but none of the benefits.
- Some traditional products such as brick etc. are becoming increasingly more expensive to build with & lack flexibility to modern designs – which often reflect changing building conditions *i.e.*; block size, slope, and situation.
- Timber does not easily conform to increases in minimum building requirements such as fire regulations etc.
- Many alternatives to traditional materials are not economic or fail to fit with established design concepts (although these may have to change too)

The problem with introducing innovations is that, in spite of the development costs, any new product has to compete with existing alternatives, even though the future supply of these alternatives may not be assured.

It is no wonder that James Hardie seeks to offset these development costs by seeking exclusivity to supply all fibre cement products to any reseller wishing to take advantage of their promotional activities devoted to these new products. Obviously, if these new products are on sold to James Hardie's competitors, they will receive income from the products themselves, but will lose cross subsidization from other products in their range.

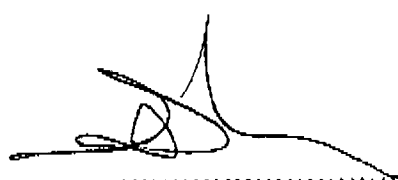
We believe, that if BGC & CSR are denied access to Hardie's new products, market pressures will encourage them to consider development of their own product range (although in BGC's case, this is may not be absolutely necessary since they do have their own captive market).

In conclusion, although linking products might normally be considered as a restrictive practice, we believe that there is a special case to be considered here. To protect future development & ensure a healthy, vibrant & consumer oriented industry we believe some degree of flexibility should be allowed with any company who is prepared to take risks in an otherwise deserted field.

Yours Sincerely



Jeffery Conroy
Sole Director



Malcolm Liehr
Purchasing.