

Mr David Hatfield
Acting General Manager
Adjudication Branch
Australian Competition and Consumer Commission
23 Marcus Clarke Street
CANBERRA ACT 2601

20 March 2008
Matter 81183264
By email

Dear Sirs

Bunnings and Techtronic - Additional Information

We refer to the exclusive dealing notifications lodged by Bunnings on 29 February 2008 and by Techtronic on the same day (as amended, in Bunnings case, on 5 March 2008) and your letter requesting additional information dated 7 March 2008.

Please note that the information and data provided in paragraphs 2, 3, 4, 6, 9 and the attached schedules are commercially sensitive and are provided on a "commercial – in confidence" basis with a claim for restriction from publication on the basis of confidentiality.

We respond using the numbering system adopted in that letter, based on information supplied by our client:-

- 1 The re-ranging of Bunnings' tools offer will occur progressively over several months, with the range being progressively altered as Bunnings sells out of products which are to be removed from the range and increases its stocks of products which are to be added to the range. Those comprise both Techtronic and other suppliers' products.

2 **REDACTED** [REDACTED]

REDACTED [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

REDACTED [REDACTED]

[REDACTED]

(2) [REDACTED]

5 Bunnings has informed its current suppliers in the relevant categories of its re-ranging decision in general terms prior to implementing the strategic relationship arrangement with Techtronic. As part of the ensuing dialogue with its suppliers, some have re-submitted products (and associated supply terms and quality and support commitments) for further consideration by Bunnings. Bunnings has considered those revised offers in the context of its service, range and price requirements. In some cases Bunnings has changed its range plans relating to particular products, as a result of these revised offers.

6 REDACTED [REDACTED].

7 Since lodging the notification and accompanying submission Bunnings has given further consideration to the "Green Machine" brand and does not presently intend to add this to its range. Each of the "One Plus", "AEG" and "Homelite" brands is owned by Techtronic (the "One Plus" brand is a sub-brand of Ryobi by which Techtronic offers customers a system whereby one battery type is used for all tools in the "One Plus" range (therefore the battery is transferable between those products)). As to these products:

- (1) AEG is a premium Techtronic brand which compliments Bunnings range at the "highest" level in certain power tool types.
- (2) "Homelite" is an existing part of Bunnings' range and the inclusion of it in Bunnings range is not expected to change.

8 The tools and garden tools markets are very competitive with a number of brands offered, including brands offered by a number of international suppliers. Techtronic is an international supplier and competes with other imported products. Generally, there is very little (if any) Australian production of "consumer" level power tools, all products being imported through various supply avenues. Bunnings expects that Ryobi products will have to be priced competitively for them to successfully sell through the Bunnings network against both other brands and products stocked by competitor outlets. The tools and garden tools markets are very competitive with a number of brands offered, including brands offered by a number of international suppliers. Techtronic is an international supplier and competes with other imported products. Generally, there is very little (if any) Australian production of "consumer" level power tools, since products are generally imported through various supply avenues.

9 REDACTED [REDACTED]

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- 10 In Bunnings' opinion there will be no impact on the market in terms of the range generally available in the market. Bunnings is not in a position to predict what arrangements may be made between its suppliers and its competitors but presumably those suppliers from whom Bunnings will reduce its level of purchasing will approach competitors to Bunnings to try and increase the volume that they sell through those competitors and will adjust product price point, quality, promotion and support accordingly. There are no brands which Bunnings would expect to exit the market. This is particularly due to the fact that a number of the brands are internationally owned and most of them are internationally manufactured.

The market for power tools and garden tools has expanded enormously over the last few years – a large number of suppliers have entered the market and a large number of retailers who compete with Bunnings have entered the market as retail outlets for power tools (eg consumer power tools and power garden equipment is now available at Woolworths, Big W, Stratco, trade tools specialists, Super Cheap Auto, Kmart, Aldi and The Reject Shop).

It appears to Bunnings that Techtronic has suffered a loss of market share over the last few years partially due to new entrants and the impact of new brands. Bunnings expects that the re-ranging decision by Bunnings will increase Techtronic's competitiveness by allowing it to compete more effectively with other suppliers.

- 11 In Bunnings' opinion, future entrants to the tools supply market will be unaffected by the arrangements between Bunnings and Techtronic: Suppliers have a large number of potential customers who retail tools. In pursuing its "widest range" strategy, Bunnings' buyers will generally give at least preliminary consideration to unsolicited submissions of new products, and also call for submissions from suppliers to supply new products from time to time. The basis for Bunnings' decisions on products will continue to be price, range and service. Bunnings' range is constantly changing, to keep up with market and customer demands. As the notification and submission make tolerably clear, if Ryobi products don't sell well enough, Bunnings will reduce the Ryobi products offered and revise its ranging decision.

At the retail level of the market, new entrants continue to enter the tools market (eg many of the retailers mentioned in 10. above). Bunnings considers that there are also potential new entrants to the retail tools market such as regional electrical retailers, craft/hobby retailers, nurseries and other department store retailers. There are many tools suppliers willing and able to supply tools to those new entrants.

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Please contact the writer if you have any queries about any of the above matters.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul D Evans', written in a cursive style.

Paul D Evans
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