

Pfitzner, Laura

From: Phil Hopwood <philhopwood@me.com>
Sent: Friday, 25 July 2014 4:17 PM
To: Adjudication
Cc: FPT FPT
Subject: A91433 - Tooltechnic Systems (Aust) Pty Ltd - submission

Thankyou for the opportunity to make this submission.

Although we have not been able to fully consider all of the implications of the submission or to seek legal advice, we concur with the arguments put by Tooltechnic Systems Ltd and **support the application** for authorisation.

From the perspective of our business (Fremantle Power Tools) as a specialist power tool repairer and reseller, I would also like to add the following comments:

Over the last five years we have found the power tool sales market increasingly difficult as competition drives both selling prices and our sales margins down. Business is no longer viable as a pure power tool specialist and we have had to diversify into industrial supplies to survive. While consumers may enjoy lower retail prices in the short term, the damage to the structure of the industry will lead to loss of: product support, timely product delivery, product range and diversity. The race to the bottom price may mean that only the cheapest products remain in the market. This is product that is uneconomic to support or repair that rapidly becomes industrial waste, burdening the community with increased rubbish disposal costs. We want to see quality products and their support survive in Australia. Someone has to be there with a better alternative and explain why it is better, so that the consumer has a real choice. It is from this background that we view the application.

Margins.

The cost of operating our small business in Australia is extremely high. We need an overall margin in excess of ■% to avoid failure. Power tool sales margins are typically about half that and around ■% is becoming more common. (Compare this with the GST at 10%)

Service is paid for out of our margin. The lower the margin the lower the service.

FPT is a quality supplier of quality brands. Our market and turnover are relatively small so we need a realistic margin on each sale to continue providing a quality service in our geographic area. We think that set floor prices will help us keep our local area sales because customers will be less likely to seek cheaper prices out-of -area. The improved turnover will then enable us to survive on low margins, keeping prices down while still providing an above average service.

Without price maintenance, quality brands will continue to decline as will service levels that can be provided to our customers. Our power tool sales are already being subsidised by repair services and other product sales. Repair and other product customers should not have to pay **more** so that we can cover losses on power tool sales.

Certainty for the customer that he is paying the right price.

Although most brands publish “recommended” or “list” prices, customers expect to get a discount off that price even though they have no justification for a discount. Discounting is so entrenched that

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customers are reluctant to pay the list price for fear that they will later find the same product discounted. Confusion over what is the “right price” can completely destroy the customers’ confidence to buy, especially when paying a premium for a quality brand. Alternatively, unscrupulous sales tactics can exploit the confusion to the customer’s detriment.

Range reduction.

As a reseller, we cannot invest in buying, displaying, promoting and selling product if we have little chance of selling it because competitors are able to undercut legitimate prices even to the point of selling under our cost. We are steadily removing from our shop, products and brands where this is happening. We have little choice because we have to pay our bills. The consumers who purchase those products and brands from discounters will increasingly find that local support is no longer here for them. This cannot be in the consumer’s best interest. Something must be done and I believe that the Tooltechnic Systems application is a step in the right direction.

Phil Hopwood
Director

phil@freopowertools.com.au



www.freopowertools.com.au

28 Port Kembla Drive, Bibra Lake WA 6163 Ph: +61 8 9434 9755 Fax: +61 8 9434 9766

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