

From: Ray Mountney
Sent: Thursday, 23 May 2019 4:44 PM
To: Jessie-Grace Stephenson
Subject: FW: Interview this Thursday ACCC

Hi Jessie- Grace. The attached e-mail shared with the C.E.O. M.T.A.W.A and W.A. Small Business Commissioner was my template for today's discussion which I now on forward to you for sharing as my written response. Please cascade this to Theo and the team.

In addition to these points we also discussed the very different model of a Publicly listed company utilising shareholder's funds compared to the borrowing and capital cost for the private owner.

We discussed uniform invoice cost and delivery to Dealers being the historic foundation of equity preservation between large and small , Metro, regional-rural and remote isolated Dealers to ensure and enable free market competition and how this has been savagely impacted with some Manufacturers move in to wholesale bundling , retail and or target based bonus's and in turn created the pool of licensed or simply reported sales broadly referred to as "demo models" These "phantom" sales have huge consequences which was also discussed.

We also talked about Automotive Groups outside of the A.H.G and Eagers groups that make-up a large proportion of the W.A. total market , the effect of these and the further explanation of fleet management company controlled business and how Dealers are compelled to do this.

We also discussed multi branded Dealers and how volume through put became both the mechanism for justification of the enormous investment now required to participate as a New car Dealership and have the resources required to satisfy the manufacturers demands.

All in all a very compact and full 1 Hour discussion. My summary of course concluded with the power held by the car makers and how they act being the important key to all Dealer's futures. That it was my view that there was no risk to the ongoing intense competition and that groups small and large are and will continue to be the mechanism for delivering positive and sustainable consumer outcomes.

Thanks Ray.

From: Ray Mountney
Sent: Wednesday, 22 May 2019 9:04 AM
To: 'David Eaton'; 'Stephen Moir'
Subject: Interview this Thursday ACCC

Good morning , I have been asked to participate in a telephone conference with the ACCC to provide my views on the proposed Eagers – AHG merger. The key points of the views I will put forward are.

This offers the ACCC a further opportunity to understand the complexity and diversity of the industry following their extensive work and findings within the review and add further evidence to the need for a specific code of conduct to address the imbalance of power between car manufacturers and dealers.

That the ACCC has already determined that the industry is extremely competitive be it brand against brand or Dealer against Dealer within the same brand. Further that manufacturers demands on Dealers by way of sales targets and customer satisfaction index measurement alongside a vast list of

KPI's will continue to exert competitive pressure on all Dealers. As I have stated in the past this is often without consideration of the physical and financial impact on Dealers. It stands to reason that this pressure would likely be greater where a manufacturer has more volume opportunity as would be the case with Eagers and AHG independently and probably more so when combined.

Eagers have a proven record of performance in both good governance and as corporate citizens.

Without question one of the competitive forces is the large number of independent Dealers who are largely small or medium enterprises. Not only is their survival essential in maintaining strong competitive activity they provide the essential whole of life service chain required to fulfil both the ACL obligations and Manufacturers responsibility under their stated warranties now generally 5 years from purchase and applicable to the entirety of this huge landscape. Couple this to rapidly changing technology and the mobility of Australians this poses both a huge challenge and risk.

One of the consequences of manufactures demands on volume is that City based Dealers aggressively seek volume through fleet management organisations. These are then dispatched to many rural and regional centres. This in turn has a double impact on these regional Dealers in that they have lost the sale opportunity and fall under manufacturers watch by way of target and market share measurement but additionally are left with the delivery of all of the warranty obligations under their Dealer Agreement. This high lights one of the anomalies between ACL and Dealer Agreements.

The issue in my view is not about the Merger but more the possible actions of car Manufacturers. There are places and needs for both Publicly listed and privately held Dealerships. Large enterprises and small to medium ones and most certainly a network to serve the consumers right across the country. The ongoing success of all of these is the key to both strong competition and delivery of the outcomes sought under the ACL.

As both strong advocates for the Automotive and Small Business sectors I seek you continued support.

Kind Regards

Ray Mountney

Dealer Principal & Managing Director

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