



Kia Motors Australia

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2 July 2019

Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

Dear Sir/Madam

**AP Eagers Limited proposed acquisition of Automotive Holdings Group Limited
ACCC submission request**

I refer to the application for authorisation made by A.P. Eagers Limited (**AP Eagers**) in respect of its proposed acquisition of Automotive Holdings Group Limited (**AHG**) and the supplementary submission request made by the Australian Competition and Consumer Commission (**ACCC**) in their preliminary report dated 24 June 2019.

Kia Motors Australia Pty Ltd (**KMAu**) submission to the ACCC's additional information request is outlined below:

- 1) *The consequences of the proposed transaction in the Newcastle and Hunter Valley region, and in particular whether the bargaining power of the car manufacturers is likely to mitigate the increased market share and scale of the combined entity.*
 - KMAu has four dealers in the Hunter Valley/Newcastle region, three of which are operated by AHG (Maitland Kia, Newcastle City Kia, Cardiff Kia) (**the three dealers**). We do not see the proposed merger having an impact to KMAu's business as AP Eagers does not have any Kia dealers operating in this region.
- 2) *The number of (and which) AP Eagers and/or AHG dealerships in the Newcastle and Hunter Valley region that would potentially need to be divested in the event the proposed acquisition would be likely to substantially lessen competition so as to avoid a substantial lessening of competition.*
 - KMAU does not believe a divestiture of the three dealers in the Newcastle and Hunter Valley region is necessary as the proposed merger will not result in the addition of any further Kia franchises.

The Power to Surprise

- KMAu implements a number of measures to ensure there is healthy competition within the Kia dealer network which are included in the dealer agreement executed between KMAu and its dealers.
- KMAu's pump-in pump-out data highlights a high degree of inter-dealer competition amongst the three dealers, with each dealership being pumped in by the other two and all three pumping out sales from surrounding PMA's.

3) *The value and size of discounts offered by new car retailers on the sale of a new car.*

- KMAu does not have any oversight on the size of the discounts offered by its dealers and the final transaction price of vehicles sold, and therefore cannot comment on, pricing or discounting offered by its dealers.
- KMAu sets a recommended retail price on its vehicles on the basis of providing a fair and equitable margin to both KMAu and its dealers. Dealers may choose to apply discounts to maximise their sales potential however the magnitude of these discounts is at their own discretion.

Yours faithfully

A handwritten signature in black ink, appearing to read "Damien Meredith". The signature is stylized with large, overlapping loops.

Damien Meredith
Chief Operating Officer
Kia Motors Australia