

SUZUKI AUTO CO.

A DIVISION OF MAYFAIRS W/SALE PTY LTD A.C.N. 009 693 592

SUZUKI AUTOMOBILE DISTRIBUTORS QLD & NTN RIVERS N.S.W.

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11th May, 2019

ACCC
GPO Box 3131
Canberra ACT 2601

Your ref: MA1000018 - Contact officer: Mandy Bendelstein / Theo Kelly

Re : A.P. Eagers' proposed acquisition of Automotive Holdings Group – interested party consultation

The following is provided on our behalf as a privately owned importer and distributor of the Suzuki automotive product in our territory and solely from a wholesale aspect which is our business.

Car Retailing

1. Brief description of your business & the reason for interest in the proposed acquisition-

We are Mayfairs W'Sale Pty Ltd, trading as Suzuki Auto Co. and we are an independent privately-owned Importer / distributor of Suzuki Automobiles for Northern NSW and Queensland. We have been importing the Suzuki product since 1959, commencing with motorcycles and later automobiles in 1974.

We subsequently relinquished motorcycles and now solely concentrate on automobiles.

Suzuki Auto Co wholesale Suzuki vehicles and parts to some 28 dealers in Northern Rivers NSW and Queensland

Suzuki Australia Pty Ltd is the other distributor in Australia who handle the import and distributorship of Suzuki Automobiles for the rest of the country. They are directly owned by Suzuki Motor Corporation and if not done already suggest that you contact them in regards to this acquisition pursuant to the areas outside our territory.

Our interest in this proposed acquisition is that there are currently 3 AHG sites that represent our Suzuki vehicles – Browns Plains, Mt Gravatt and Apsley. We have no current affiliation or representation with AP Eagers.

2. Describe how competition works in the automotive retailing industry. What Industry developments that may impact lead to the existing model of selling new cars?

With the understanding and acceptance that we are an importer / distributor, the retail aspect is handled by dealerships' that are external to our operation – albeit obviously connected.

The retail automotive industry is highly competitive with a large number of manufacturers represented in the Australian vehicle market – and within that there only a few segments that comprise the majority of business. We currently have vehicles in the Light <\$25K and SUV small <\$40K.

The industry continues to evolve with increased technologies namely the utilisation of the Internet and the potential shift from traditional dealership locations in respect to both vehicle sales and parts.

Service opportunities remain under competition from external providers and this would change further sought access to Suzuki specialised equipment and IP. The finance arena is undergoing significant changes and this is likely to continue to change and impact the way dealerships have done this business – which remains an integral element to vehicle purchase.

On the horizon is the advent of eclectic vehicles and the full impact and or timing to the industry is unknown, however the non-reliance of typical servicing infrastructure would appear a major change to the existing dealership business model.

The competition aspect on used vehicles is likely to be a more pertinent item – but not one that we're involved with.

3. How time and distance impact the consumer's purchase. What other factors effect the consumers' willingness to travel?

As covered above, the increased utilisation of the internet has and will continue to change the consumers' buying. That is, they can now avail far greater information, over a much broader area that impact their decision in regards to offers, availability and pricing.

Accordingly, if the deal is right – distance can be overcome or is an instrument to negotiate the same deal locally. Similar is likely for parts and much can be transacted online. People prefer convenience and service and we are largely time poor, but will often forgo this if a perceived saving.

Accordingly, if the product is in demand and the price deemed acceptable to offset any other associated aspects, then time and distance are not defining elements of consideration.

With that said we look to have representation that provides a fair and equitable market opportunity to our dealers and ideally within reach of our customers, particularly in regards to service.

4. How Significant are AP Eagers and AHG as competitors in the industry?

<Not for Publication>

5. Identify alternative key dealerships to those owned by AP Eagers and AHG?

<Not for publication>

6. What's involved in establishing a new Car Dealership including manufacturer requirements.

All manufacturers have different requirements in this regard but are largely based on satisfactorily representing the brand in both sales, parts sales and servicing. With that said most dealerships are multi brand sites and need to be in key locations and accordingly require significant investment infrastructure and resources.



Each Suzuki dealership consideration in respect to showroom, workshop, inventory, signage is taken on its own merits and on a case by case basis pursuant to the opportunities and location.

With well-established areas (PMA's), we do not have a recent example of establishing a new dealership. More often it is redevelopment or acquisition of an existing operation of expansion by a seasoned operator.

7. To what extent is there an advantage in having a network of dealerships in a local state?

One would consider that there are economies of scale by such a network to utilise administrative / marketing resources. Additionally, the rotation of inventory between their sites could be beneficial although with individual profitability and performance measures most dealerships appear to be quite separate in operation – despite the existence of a network.

8. Fleet and Government Buyers

All fleet / government transactions on new vehicles are facilitated via our Dealer Network.

9. In what ways and to what extent do manufacturers influence competition between dealerships?

There is much reported activity by Manufacturers to incentivise dealers to achieve retail KPIs and has seen the advent of cyber or pre-recorded sales – so presumably the increase of AP Eagers reliance and dependence on manufacturers that partake in this activity could be affected by this acquisition.

Suzuki Auto Co do not participate in this activity.

10. Key considerations by manufacturers –

As addressed under Q6 - All manufacturers have different requirements in this regard but are largely based on satisfactorily representing the brand in both sales, parts sales and servicing. With that said most dealerships are multi brand sites and need to be in key locations and accordingly require significant investment infrastructure and resources.

Each Suzuki dealership consideration in respect to showroom, workshop, inventory, signage is taken on its own merits and on a case by case basis pursuant to the opportunities and location.

With established PMA's and market competition, it is essential that a dealership has the experience, resources, skill set and infrastructure to succeed - both from them, the brand and to ensure the required level of services to consumers. Accordingly, existing networks are considered – but not essential.

New car servicing and supply of parts

11. Will the proposed acquisition affect competition for servicing

This is brand / model dependent but with the implementation of Capped Price Service scheduling – may have little to no impact.

12. How far are consumers generally prepared to travel -what is this dependent on?

Distance is believed to vary with its Metro, regional or rural representation. With the existence of more available options in the Metro are likely to limit need to travel. Satisfaction with Service experience will also be determinant, with consumers more keen to travel for good service.

Regional and Rural consumers are generally more accepting to travel further if / as required.

Capped price servicing or servicing offers will also impact the reliance on seeking out this service.

13. To what extent to independent mechanics compete?

Servicing competition exists – however only factory technicians has access to factory training, required tools and extensive research and development in intellectual property.

14. To what extent do you consider that the proposed acquisition will affect the availability and/or price of car parts used in servicing new vehicles?

It is a part of every dealerships KPI to carry the appropriate quantity of service items, all dealers receive the same service levels and pricing from the distributor and they compete to retain business. No different to any other business.

Insurance and Finance

15. Do you consider that the proposed acquisition will impact competition for the supply of insurance and finance to consumers buying cars? Why or why not?

Entirely the retail area to which were not involved in.

With F&I supplied by external organisations to the dealership – the proposed acquisition is unlikely to impact this aspect.

16. To what extent do consumers compare insurance and finance options direct from insurance agencies and financial institutions to those offered by the new car dealership?

Not our area of business – suffice to say that consumers have the ability to seek comparative options.

Public benefits

Regardless of the merger, the provision of dealerships, service points, parts etc will be largely determined by the Manufacturers they represent, the success of their vehicles in the market place and the market opportunity.

There is likely to be some rationalising of facilities if currently duplicated in an area and market competition will determine the extent of what's passed on to consumers/ Retention of margins, may ensure a dealership to remain profitable and continue to improve facilities and or maintain satisfactory customer service.