



Australian
Competition &
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Commission

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NEWS RELEASE

ACCC NOT TO OPPOSE MACQUARIE'S BID FOR ESANDA

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The Australian Competition and Consumer Commission has announced that it will not oppose Macquarie Group Limited's (ASX:MQG) (Macquarie) bid for the Esanda Dealer Finance business (Esanda) from the Australian and New Zealand Banking Group (ASX: ANZ). Both Macquarie and Esanda provide motor vehicle finance to motor vehicle dealerships and consumers throughout Australia.

The ACCC concluded that the possible acquisition was not likely to substantially lessen competition in the market for the supply of bailment finance and point-of-sale (POS) finance facilities to motor vehicle dealerships.

"The ACCC had some concerns that the proposed acquisition may lead to increased bailment interest rates (or lower commissions to dealers on POS finance), particularly for dealerships that do not have access to an aligned or in-house finance provider," ACCC Chairman Rod Sims said.

"However, the ACCC concluded that on balance the combination of existing and potential competitive constraints would be sufficient to prevent a substantial lessening of competition as a result of the possible acquisition. The merged entity will face competition from Westpac/St George and manufacturer-aligned financiers as well as the possibility of new entry, and pressure from vehicle manufacturers (OEMs) to ensure that their dealers' finance offers remain competitive with those of other dealers."

Several vehicle manufacturers in Australia have an aligned finance arm, including Toyota Finance, Nissan Finance, BMW Finance, VW Finance and Mercedes Finance. Although aligned financiers generally only offer wholesale finance to dealerships which sell vehicles of their manufacturer, the ACCC understands that most dealerships in Australia sell multiple brands of vehicles. Accordingly the proportion of dealerships without access to an aligned financier is small. Further, one of the aligned financiers, Alpera, competes for non-BMW dealerships despite being owned by BMW.

"The ACCC also noted that if the merged entity were to increase bailment rates and/or decrease POS commissions, this would provide an incentive for other providers, including manufacturer aligned financiers such as Toyota Finance and Nissan Finance, to begin to compete for the business of unaffiliated dealerships," Mr Sims said.

The ACCC also considered that the competitive nature of car retailing may impose a further indirect competitive constraint on Macquarie. OEMs without their own finance arms (such as GM Holden, Ford and Mazda) need to ensure that their dealers remain competitive with other OEMs' dealers. If they perceived that increased finance costs were affecting sales of their vehicles they would have an incentive to respond. OEMs already seek to ensure competitive finance options are available to their dealers by running tenders and appointing financiers to be the 'white label' finance provider to their dealerships. OEMs may also be able to use these tender processes to introduce another financier into the market.

Bailment finance is acquired by dealerships to finance the vehicles held in their showrooms before they are sold to customers. Dealerships also acquire POS finance facilities to enable

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them to offer finance to customers purchasing vehicles, and earn commissions on the customer finance contracts they arrange.

Further information is available www.accc.gov.au

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