

PUBLIC VERSION

Tourism Holdings Limited / Apollo Cross-submission by Tourism Holdings Limited on the Statement of Issues

1. This cross-submission is made by Tourism Holdings Limited (**thl**) in response to the submission made by Wilderness Motorhomes Limited (**Wilderness**) dated 24 March 2022 on the Statement of Issues published by the Commerce Commission on 11 March 2022 (**SOI**).
2. We have focussed on key issues raised in the submission. We affirm the position set out in our submission of 24 March (**Submission**) in relation to matters not addressed in this cross-submission.
3. In response to [49.1] of the SOI, Wilderness acknowledges that some campervans provide the same functionality as motorhomes, and that prices are similar for at least five months of the year. This is further evidence that, as a matter of fact and commercial common sense, campervans and motorhomes comprise a single market; see also section 2 of the Submission.
4. Wilderness acknowledges there are different value propositions for motorhomes and campervans, but this does not mean they are not in the same market. As the High Court made clear in *Brambles*¹, in differentiated markets the “*absolute and relative prices are only one component of comparative value propositions*”² and “*in considering the ‘price-product-service packages in relation to differentiated products, it is unwise to concentrate solely on price*”.³
5. It should be noted that in peak periods, when there may be a greater price differential, peer-to-peer (**P2P**) owners provide pricing constraint for the reasons set out at [6.22] of the Clearance Application and [5.12] of the Submission.
6. thl does not agree with Wilderness, in response to [49.2] of the SOI, that a switch from campervans to motorhomes would require a switch in marketing because each appeal to a different market segment. That is not thl’s experience, as evidenced by their (and competitors) brand marketing which encompasses both motorhomes and campervans across all brands on offer.
7. thl’s marketing strategy is identical across its fleet and does not differentiate between motorhomes and campervans. As set out at [2.25] of the Submission, more than [%] of thl’s customers are groups of 1 or 2, and [%] are groups of 4 or less. As table 1 below shows, 6 berth motorhomes are rented by all customer group sizes; it is simply not correct that motorhomes appeal to a different market segment:⁴

[REDACTED]
8. thl also do not agree that any difference in the capital cost of motorhomes or campervans prevents a business from operating in that sector. In thl’s experience the return on investment across all categories is similar. Furthermore, there are no discernible differences in parts or skills between the products. The thl mechanics are trained in a similar way to all operators and work on all vehicle types. The detailing teams are similarly trained in the same way and operate across all vehicle types.
9. Table 2 below shows the preparation time differences between products used in thl labour modelling. As a percentage of revenue, motorhomes are cheaper to operate than campervans. The processing costs per vehicle are detailed below and again reinforce there is no material cost difference between the vehicle types.

[REDACTED]
10. thl does not agree with Wilderness’ suggestion, in response to [90] of the SOI, that the potential growth of the P2P market is not as great as we submitted. Wilderness is not operating in the USA or Australia. They have not felt for themselves the impact of P2P operators on their rental business. The case studies outlined in the Submission demonstrate the likely future impact of the P2P sector. The percentages quoted by Wilderness are, in thl’s view, incorrect. The USA market comprises approximately 75% towable product while the New Zealand market comprises in excess of 75%

¹ *Brambles v Commerce Commission* (2003) 10 TCLR 868 (**Brambles**)

² *Brambles* at [125]

³ *Brambles* at [130]

⁴ An earlier version of this graph was provided to the Commission on 30 March. This version identifies which vehicles are campervans or motorhomes according to their manufacturing definition.

motorised vehicles. Accordingly, the USA has less motorised vehicles than New Zealand, making P2P a greater long term threat in New Zealand. The report referred to in the Wilderness submission is attached for reference.

11. thl agrees with Wilderness' submission in response to [103] of the SOI that "*rental prices have the potential to cap the number of visitors who opt to travel by motorhome. Some visitors do compare the price of a motorhome rental with the cost of car rental plus hotel stays. If the motorhome rental rates get too far out of line with car/hotel rates then we expect a decline in demand*". This is consistent with thl's experience as explained at [6.2] – [6.6] of the Submission.
- 11.1 Confidentiality is requested of the information in this cross-submission that is highlighted and contained in square brackets on the basis that disclosure would be likely unreasonably to prejudice the commercial position of thl.
- 11.2 thl requests that it be notified if a request is made to the Commission under the Official Information Act 1982 for release of the information for which confidentiality has been claimed.
- 11.3 Confidential and public versions of this cross-submission will be provided to the Commission.

4 April 2022