PUBLIC COPY 2005

17 November 2005

The Registrar
Business Acquisitions and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON

Pursuant to s66(1) of the Commerce Act 1986 notice is hereby given seeking clearance of a proposed business acquisition.

PART I: TRANSACTION DETAILS

1. THE BUSINESS ACQUISITION FOR WHICH CLEARANCE IS SOUGHT (QUESTION 1)

1.1 The acquisition for which clearance is sought ("the proposed acquisition") is the proposed acquisition by GE Finance and Insurance ("GE"), of the business and assets of Pacific Retail Services Limited, Pacific Retail Finance Limited and Montreal Financial Services Limited (together referred to as "PRF"). GE also proposes to acquire Pacific Retail Services Limited's 100% shareholding in Simply Insurance New Zealand Limited.

1.2 The assets to be acquired include goodwill, receivables, cash, shares, fixed assets, prepayments, finance contracts, the interests of PRF in any chattels that are the subject of a finance contract and any other assets owned by PRF and employed in its business at the time of settlement. This is other than certain related party arrangements and taxation benefits.

1.3 At this stage GE is a conditional purchaser under an agreement for sale and purchase of a business and assets dated 17 November 2005.

2. THE PERSON GIVING NOTICE (QUESTION 2)

2.1 Mr Jim Cock
Managing Director
GE Finance and Insurance
106 Customs Street West
Viaduct Basin
Auckland
New Zealand

Telephone: (09) 363 1350
Fax: (09) 309 8357

It is requested that communication with the applicant is to be via:

2.2 Miriam Dean QC
PO Box 4111
Shortland Street
Auckland

DDI: (09) 377 8959
Fax: (09) 377 8960
Email: miriam@barrists.co.nz

And copied to:

2.3 Graeme Hall
Buddle Findlay
PO Box 1433
Auckland

DDI: (09) 358 7046
Fax: (09) 358 2055
Email: graeme.hall@buddlefindlay.com

3. CONFIDENTIALITY (QUESTION 3)

3.1 A confidentiality order is requested for the specific information contained in or attached to the notice which is set out in square brackets and marked "Confidential" in the margin. Confidential information is deleted in the "Public Copy" of this notice.

3.2 The basis of the request for a confidentiality order is that the identified confidential information is commercially sensitive. Disclosure would be seriously prejudicial to GE and PRF and could result in financial loss and loss of competitive advantage. GE also relies on s9(2)(b) of the Official Information Act 1982.

3.3 Pursuant to section 100(2)(a) of the Commerce Act 1986, GE requests that the confidentiality order remains in force for the maximum period, being until the expiration of 20 working days after the date of final determination, or withdrawal of the application by the parties.

4. PARTICIPANTS (QUESTION 4)

4.1 **GE:** Refer to section 2 for address/contact details. In New Zealand GE is represented through a range of businesses as discussed in Decision 461 (GE Capital Finance, AGC).

4.2 **PRF:** Address and contact details are as follows:

Liz Style
General Counsel
Pacific Retail Group Limited
P O Box 91141
Auckland

DDI: (09) 252 1213
Fax: (09) 363 1203
Email: lstyle@culleninvest.com

5. INTERCONNECTED OR ASSOCIATED PARTIES OF EACH PARTICIPANT (QUESTION 5)

5.1 **GE:** GE is part of the financial services division of the US conglomerate, General Electric Co. ("General Electric") based in Connecticut. General Electric is listed on the New York Stock Exchange (its principal exchange), the Boston Stock Exchange and also on certain non-US stock exchanges, including the London Stock Exchange. The top 10 institutional shareholders combined hold 18% of General Electric.

5.2 General Electric now operates a wide range of manufacturing and service divisions around the world through six business units:

(a) **GE Infrastructure** (providers of fundamental technologies to developed, developing and emerging countries, including aircraft engines, energy, oil and gas, rail and water process technologies and services. GE Infrastructure also provides aviation and energy leasing and financing services);

(b) **GE Industrial** (provides a broad range of products and services throughout the world, including appliances, lighting and industrial products; factory automation systems; plastics, silicones and quartz products; security and sensors technology, and equipment financing, management and operating services);

(c) **GE Commercial Financial Services** (offers an array of services and products aimed at enabling business worldwide to grow. GE Commercial Finance provides loans, operating leases, financing programs, commercial insurance and reinsurance, and other services);

(d) **NBC Universal** (one of the world's leading media and entertainment companies in the development, production and marketing of entertainment, news and information to a global audience);

(e) **GE Healthcare** (expertise in medical imaging and information technologies, medical diagnostics, patient monitoring systems, disease research, drug discovery and biopharmaceutical manufacturing technologies is dedicated to detecting disease earlier and helping physicians tailor treatment for individual patients); and

(f) **GE Consumer Finance** (provider, under the "GE Money" brand, of credit services to consumers, retailers and auto dealers in countries around the world, offering financial products such as private label credit cards, personal loans, bank cards, auto loans and leases, mortgages, corporate travel and purchasing cards, debt consolidation and home equity loans and credit insurance).

5.3 The New Zealand General Electric subsidiaries which are trading are listed in **appendix 1**. The relevant subsidiary for present purposes is GE Finance and Insurance (trading under the GE Money brand) and providing consumers with a broad range of consumer finance products.

5.4 **PRF:** Pacific Retail Services Limited has the following subsidiaries:

(a) Pacific Retail Finance Limited;

(b) Montreal Financial Services Limited; and

(c) Simply Insurance New Zealand Limited.

As stated in section 1 above, GE proposes to acquire the assets of the first two of these subsidiaries as part of the proposed acquisition, together with Pacific Retail Services Limited's shareholding in the third company.

5.5 Following the proposed acquisition, GE or an interconnected body corporate purchaser will own the assets identified in paragraph 1.2 above.

6. DETAILS OF ANY CROSS BENEFICIAL INTERESTS, ENTITLEMENTS, OR PECUNIARY INTEREST BETWEEN THE PARTICIPANTS (QUESTION 6)

6.1 **GE:** GE holds no interests or entitlements in PRF or in its parent or related companies.

6.2 **PRF:** PRF holds no interest or entitlements in GE or in its parent or related companies.

7. DETAILS OF ANY LINKS, FORMAL OR INFORMAL BETWEEN ANY PARTICIPANTS INCLUDING INTERCONNECTED BODIES CORPORATE AND OTHER PERSONS IDENTIFIED AT PARAGRAPH 5 AND ITS/THEIR EXISTING COMPETITORS IN EACH MARKET

7.1 **GE:** GE has no formal or informal links with any other bank or finance company in New Zealand other than its other GE entities identified in **appendix 1**.

7.2 **PRF:** Pacific Retail Group Limited, the owner of Pacific Retail Services Limited, is 81.3% owned by interests associated with Cullen Investments Limited which, in turn, has a 50% interest in Hanover Group Limited. One of the areas of business of Hanover Group is financial services and Hanover's financial services division contains within it Elders Finance Limited, Hanover Equity Partners Limited, United Home Loans New Zealand Limited, Leasing Solutions Limited, Nationwide Finance Limited, FAI Finance Limited, Australian Finance Direct Limited, United Finance Limited and Aldersgate Insurance Limited.

8. DETAILS OF ANY DIRECTORS OF THE ACQUIRER ALSO HOLDING DIRECTORSHIPS IN ANY OTHER COMPANIES WHICH ARE INVOLVED IN THE MARKETS IN WHICH THE TARGET COMPANY/BUSINESS OPERATES (QUESTION 8)

8.1 **GE:** No directors of GE hold directorships in any competing companies.

8.2 **PRF:** No directors of PRF hold directorships in any competing companies.

9. THE BUSINESS ACTIVITIES OF EACH PARTICIPANT (QUESTION 9)

9.1 **GE:** As identified in section 5 above, within the General Electric group there is a diverse range of businesses. **Enclosed** with this notice as **appendix 2** is a brochure describing the range of goods and services provided by the group in Australia and New Zealand. Relevant for present purposes, the proposed acquisition involves the GE Consumer Finance business that trades globally under the "GE Money" brand.[1]

9.2 GE Capital was created in the 1930s to help General Electric's customers who needed appliances during the depth of the Depression. In the 1960s General Electric began to diversify into consumer, commercial and industrial markets. In 2003 GE Capital was split into 4 business units, recognising the significant size to which the business had grown. Today, GE Consumer Finance is the third largest of General Electric's business units, with assets in 47 countries around the world, operating under the global brand of "GE Money".

9.3 GE Money offers a full range of innovative financial products to suit consumers' needs. Those products include private label credit cards, personal loans, bank cards, auto loans and leases, mortgages, corporate travel and purchasing cards, debt consolidation, home equity loans and credit insurance.

9.4 GE Money's New Zealand consumer finance receivables totalled [redacted] at 30 June 2005.

9.5 The products provided in New Zealand by GE under the GE Money business are:

(a) **Sales Finance:** GE offers the "GE CreditLine" product to consumers via retailers to finance the purchase of a range of goods being principally, but not limited to, "big ticket items" such as whitegoods and brownware, furniture and floor coverings. GE CreditLine receivables are [redacted]. In the case of the GE CreditLine product, GE Money contracts directly with both the consumer and the retailer.[2] GE's CreditLine is essentially a card based revolving credit facility.[3];

(b) **Personal Loans**: secured and unsecured personal loans distributed through 17 GE Money branches nationwide with receivables of [redacted];

(c) **Prime Mortgages**: distributed through 39 "Wizard" branches nationwide and a network of independent brokers with receivables of [redacted];

(d) **Auto loans**: GE lends money to consumers acquiring motor vehicles via its auto dealer network. Receivables are [redacted];

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1 Although there will be some limited aggregation of PRF and GE's insurance businesses, no possible competition implications arise. The insurance industry has innumerable participants and the aggregation of the insurance businesses is likely to result in increased market share of GE's insurance business of [redacted].

2 This involves a credit contract between GE and the customer typically involving an initial interest free period or other advantageous terms. Also, GE has a separate agreement with the retailer pursuant to which the retailer will pay for part or all of GE's cost of funds for the interest free period offered to the consumer, or if the loan is interest bearing, the retailer is paid a commission by GE.

3 A revolving credit facility is a line of credit where the customer pays a monthly commitment fee and is then allowed to use the funds when they are needed. Unlike a traditional reducing or instalment based mortgages, a revolving credit facility does not have a fixed number of payments and can be used up to certain limit or paid down at any time.

(e) **Insurance**: GE offers to consumers term life policies, consumer credit insurance, and general insurance (with the latter being underwritten by Tower Insurance).

9.6 GE also has a Commercial Finance business operating in New Zealand focusing on financing for business. GE Commercial Finance has receivables of [redacted]. Products offered by GE Commercial Finance include:

- Corporate Lending
- Equipment Finance
- Fleet Services
- Insurance Premium Financing
- Asset Management Services
- Real Estate Finance
- Distribution Finance.

9.7 **PRF:** PRF is a consumer finance provider. Its main activities in relation to financing are the provision of hire purchase finance and personal loans and associated insurance and funding activities to members of the public, retailers and their customers. In particular, it offers:

(a) hire purchase finance to consumers via large retailers such as Noel Leeming and Bond & Bond;

(b) hire purchase finance to consumers via approximately 500 smaller retailers;

(c) personal loans and consumer credit insurance to the public from its Auckland Call Centre; and

(d) retail debenture investments direct to the public and via financial intermediaries.

9.8 The origins of Pacific Retail Finance Group ("PRFG") coincided with the formation of the Noel Leeming retail chain of whiteware stores. In 2004 the assets of Noel Leeming and Bond & Bond were sold by Pacific Retail Group Limited ("PRG") to Retail Investments Group Limited (now called Noel Leeming Group Limited ("NLG"), a vehicle of Gresham Private Equity). As part of that transaction, PRFG entered into a 10 year agreement to supply point of sale finance to NLG. Since 2001, PRFG has marketed itself to retailers other than NLG i.e. the 500 smaller retailers mentioned above (9.7(b)). In 2002 PFRG established a direct marketing call centre to market personal loan products.

9.9 In relation to PRF's hire purchase finance, these loans are typically small loans secured against whiteware or brownware goods. Ownership of the underlying goods rests with PRF until the hire purchase loan is repaid. PRF contracts directly with the retailer. The contract is purchased at an interest rate which is agreed by PRF and the particular retailer. The retailer in turn sets the interest rate charged to the customer. The difference accrues to the retailer as a commission.

9.10 The value of PRF's receivables for consumer finance products totalled [[redacted]] as at 31 March 2005. Hire purchase finance comprised [[redacted]] and personal loans [[redacted]]. In addition PRF had commercial finance receivables of [[redacted]][4].

10. THE REASONS FOR THE PROPOSAL AND THE INTENTIONS IN RESPECT OF THE ACQUIRED OR MERGED BUSINESS (QUESTION 10)

10.1 PRG recently announced its intention to divest all or part of PRFG. GE is at this stage of the sale process a conditional purchaser.

10.2 As a relatively new company in New Zealand entering areas traditionally dominated by banks and other established players, GE's business model, both in New Zealand and globally, is growing its business through a combination of acquisitions and organic growth. GE is keen to achieve critical mass by making acquisitions that fit within its business plan and meet required returns.

10.3 PRF offers the ability for GE to broaden its distribution and to extend its range of financial service offerings into hire purchase finance, personal loans and associated insurance activities. PRF's existing customer database, its high growth direct business and its strong direct marketing skills will provide leads for branches as well as increased opportunities to cross-sell other GE products. Income derived from cross-selling is an increasingly important component of GE's business model. One of the benefits of the proposed acquisition is that GE will assume PRF's rights and obligations under the existing 10 year Origination Agreement with NLG to provide point-of-sale finance to the Noel Leeming and Bond & Bond stores (subject to some amendments).

10.4 GE also expects that the acquisition will allow it to obtain scale and scope efficiencies from the combination of its existing operations with those of PRF. PRF has a fully scaled and high growth direct business, combined with strong direct marketing skills.

10.5 This will enable GE to utilise better the resources it expends on cross-selling to its customers. GE's strategy is to ensure customer centricity in all of its business activities, and it continually strives to develop customer focused initiatives and programs to extract value from its existing and acquired businesses.

10.6 In summary, the acquisition will enhance GE's ability to compete by broadening distribution and extending the range of product offerings to originate new business, compete against the credit card issuers and the retail infrastructure/base of the banks and provide a larger customer base within which to cross-sell its financial products.

4 PRF has ceased the provision of non-consumer loans.

PART II: IDENTIFICATION OF MARKETS AFFECTED

Horizontal Aggregation

11. THE MARKETS IN WHICH THERE WOULD BE AN AGGREGATION OF BUSINESS ACTIVITIES AS A RESULT OF THE PROPOSED ACQUISITION (QUESTION 11)

11.1 As PRF does not provide business or motor vehicle finance[5] (at point-of-sale), there is no question of any aggregation of business in relation to those activities. However, both parties offer personal loan and point-of-sale finance products which may be grouped together (and with other products, discussed below) under the heading "consumer finance products".

11.2 GE considers that for the purposes of this application, the relevant market is the New Zealand market for the supply of consumer finance products. This market definition is consistent with accepted competition principles. These principles emphasise that a market should be defined in a way that best assists the analysis of the competitive impact of the proposed acquisition. The market must, ultimately, be determined in the words of the Act as a matter of fact and commercial commonsense: *Commission Mergers of Acquisition Guidelines* (Page 14); *Brambles New Zealand Limited v The Commerce Commission & Anor* (High Court, Auckland, CIV2115-03, 24 October 2005), (paragraph 81).

11.3 In Commerce Commission Decision 461 (**"Decision 461"**), the Commission determined that the finance products offered by New Zealand's financial institutions could be divided into **consumer finance** and **business finance**, being distinct and separate markets. As PRF is not a business finance provider, the sections of Decision 461 dealing with the business finance market are not relevant for present purposes.

11.4 In determining the relevant market vis-à-vis the consumer finance activities of AGC and GEC, the Commission analysed that acquisition in terms of both a (wider) New Zealand market for the supply of consumer finance products and, alternatively, a (narrower) New Zealand market for retail merchant finance (effectively as narrow a market as point–of-sale financing). However, GE considers that the proper conclusion is that the (wider) consumer finance market as defined by the Commission in Decision 461 is the relevant market. Support for this view is drawn from Decision 461 itself:

(a) at paragraph 64, the Commission expressly stated that defining a retail merchant finance market was *"too narrow"* given the substitutability of credit cards and banking finance (paragraph 64);

(b) it expanded on this reasoning at paragraph 138, stating:

> *"In addition to **direct finance related to merchant sales**, the Commission suggests that **credit card sales, which are substitutable for finance company funding, and commodity purchase finance from banks (including those purchases added to a pre-existing mortgage facility)** further dilute the concentration of existing competitors in this market."*

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5 PRF does not provide motor vehicle finance at point-of-sale although obviously it may via its personal loan business.

(Emphasis added).

(c) the Commission's analysis makes it clear that, even if there is a separate retail finance market, there is effectively no difference between that market and the consumer finance market as both include not just finance companies but also a wide variety of other lending institutions. The Commission set this out explicitly in paragraph 140, stating:

"*The retail merchant finance market is significantly larger than indicated in Table 3* [which listed 7 entities] *...**and includes registered banks and credit card issuers.***"

(Emphasis added).

Demand side substitutability

11.5 As the Commission recognised in Decision 461, as a matter of fact and commercial common sense, GE and PRF's point-of-sale finance products compete with a wide range of substitute products on the demand side. If a purchaser (or retailer) wishes to finance the purchase of a particular product, they can utilise a range of options. These include the use of in-store consumer finance, credit (and charge) cards, personal loans and revolving credit facilities offered by mortgage providers. Each of these products, although differentiated to varying degrees, perform the same function i.e. the provision of consumer finance and are substitutable for each other.

11.6 The following table notes the key features of these products as follows (Table 1):

Product	Interest rate	Interest free period?	Security required	Transaction costs	Distribution	Flexible draw-down?	Other
Card-based revolving credit	23 to 24 percent	Yes	No	Low	Retailers	Yes	To be used at participating retailers; cash advance facility
Hire purchase	17 to 24 percent[6]	Yes	Yes	Low	Retailers	No	
Retailer-issued cards	12 to 24 percent[7]	Yes	No	Low	Retailers	No	
Credit card	18 to 20 percent[8]	Yes	No	Low	Banks (either branch or website)	Yes	Loyalty programmes; cash advance facility
Personal loan	12 to 17 percent[9]	No	Yes	High	Branches	No	
Mortgage	7.4 to 8.1 percent	No	Yes	High	Branches	Yes	Require house as

6 The website www.sorted.org.nz gives a comparison of the range of interest rates for different loan types, including hire purchase as noted here.

7 The website www.interest.co.nz gives weekly interest rates for the major lending institutions for a variety of loan products. The interest rates quoted in this cell are the typical range of values (i.e. excluding significant outliers) given on the www.interest.co.nz site for the particular loan product, accessed on 8/9/2005.

8 Supra at note 7.

9 Supra at note 6.

	(fixed) or 8.5 to 9 percent (floating)[10]						security (68 percent of New Zealanders own the homes they live in.[11])

11.7 While personal loans tend to have lower interest rates than point-of-sale and credit card finance, they also have offsetting disadvantages, e.g., no interest-free period and a higher transaction cost to set up. Accordingly, the true "cost" of credit between the in-store finance products and personal loans are closer than they might appear from a comparison of interest rates only.

11.8 GE considers that there is a high degree of substitutability between these products. They all provide the same function and the evidence in the market place is that there is increasing competition between point-of-sale products, credit cards, personal loans (whether from finance companies or banks and related institutions) and revolving mortgage facilities. GE refers also to the Memorandum prepared by CRA International Limited ("CRA") which has been engaged to assist in relation to the issue of market definition. This Memorandum is attached as **appendix 3** and provides various empirical data supporting GE's view that the various consumer finance products available are all substitutable for each other. The CRA memorandum also discusses the appropriate framework for analysing market definition when products are differentiated – simply comparing prices is not sufficient. Furthermore, the CRA memorandum provides what limited data is available in relation to the likely position of credit card usage that relates to "big ticket" household items.

Supply side substitutability

11.9 On the supply side, the market comprises a range of institutions which are able to provide point-of-sale finance as well as other forms of credit. Banks, building societies, credit unions, credit card issuers, other finance companies (providing commercial or auto finance) and retailers offering their own in-house finance are all able to provide such products if they so chose. As the Commission has previously acknowledged, banks, in particular, have the means to expand into the point-of-sale products if they perceive a commercial opportunity to do so: Decision 461 (paragraph 69) and see further paragraph 18.3 below.

11.10 The same applies to the building societies. For example, Finance Now is a subsidiary of the Southland Building Society and has recently expanded to provide personal loans and hire purchase finance (including to retailers such as Dick Smith and Furniture City) throughout New Zealand. Consistent with Decision 461, this example provides further evidence that there are no material barriers to expansion into new segments of the market.

11.11 Although, for present purposes, GE accepts that consumer finance and business finance are not substitutable on the demand side, as the Commission noted in Decision 461 (paragraph 48), a number of finance companies provide both consumer and business finance products. Companies offering business finance would therefore also have the capacity to supply consumer finance products if they desired to do so.

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10 Supra at note 7.
11 Statistics New Zealand, 2001 Census of Population and Dwellings.

11.12 GE considers that the key features of the consumer finance market are therefore as follows:

(a) ***products:*** GE agrees with the definition used in Decision 461 that the consumer finance market involves the provision of a wide range of finance products to consumer. GE says that this market includes point-of-sale finance, personal loans, credit cards and revolving credit and mortgage facilities: see also Table 1 above.

(b) ***functional level:*** GE agrees that the functional level is the supply of consumer finance products: Decision 461 (at paragraph 80).

(c) ***geographical area:*** GE agrees that the relevant geographical market is New Zealand as a whole: Decision 461 (at paragraph 86).

(d) ***parties:*** The major participants in the consumer finance market are as follows:

(i) finance companies. A list of the 46 finance companies operating in New Zealand, according to the KPMG Financial Institutions Performance Survey 2005 (**"the Survey"**) is annexed as **appendix 4**. It is to be emphasised that the Survey only relates to finance companies having a total asset threshold of $40 million. There would be any number of smaller finance companies providing local (and even national) consumer finance. GE's experience in New Zealand is that New Zealand likely has more finance companies per capita than anywhere else in the world. (One has only to look at one of the Saturday national newspapers to see how many finance companies are advertising for funding). It is because there are so many finance companies in New Zealand, and it is so easy to establish a finance company, that the Government has decided to review whether regulation of the sector is adequate.

In **appendix 4** the finance companies providing consumer finance are asterixed. GE notes that these include:

(a) **Fisher & Paykel Finance Limited** ("FPF"), a division of Fisher & Paykel Appliance. FPF acquired Farmers Finance in 2003 which significantly increased the scale of its business. FPF's products include consumer finance (hire purchase, Farmers' card[12] and "Q" card[13]), equipment finance, consumer insurance and personal loans. FPF has traditionally focussed on the hire purchase segment of the market.

(b) **Finance Now**, a nationwide financing company established in 2000 (whose majority shareholder is Southland Building Society). Finance Now provides hire purchase finance through stores throughout New Zealand, motor vehicle finance, secured and unsecured personal loans and insurance products.

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12 The Farmers card offers no application fees, annual account fees and up to 55 days interest free credit. It can be used at over 3000 retail outlets nationwide.

13 The Q Card is a point of sale card, which can be used to purchase a range of consumer products, including those of competitors. Purchases are put straight onto the card. There are no application forms to fill in. When a purchase is made with a Q Card, the purchaser is able to set the amount and total number of repayments. The purchaser can choose to select the minimum repayment or set repayments as high as desired.

(c) **Geneva Finance,** a nationwide financing company established in 2002 which has a network of 18 branches across the country providing personal lending, retail finance and mortgage lending. Currently Geneva has over 18,000 small consumer loans on its books with a total value exceeding $70 million.

(d) **Gilrose Finance,** a nationwide retail financing company established in 1992, which provides finance for the purchase of computer equipment, cars, office equipment, appliances or other merchandise. Consumers submit online application forms for approval and then finalise documentation with the dealer. The dealer submits completed documentation and is paid directly by Gilrose. The consumer can inform any dealer that it wishes to use Gilrose Finance.

(e) **FAI Finance,** a nationwide financing company providing retail finance and personal lending. Formerly a part of the FAI Insurance Group, it was purchased by the Hanover Group in 2002.

(f) **Five Star Consumer Finance**, a nationwide financing company which changed from its original name "Five Star Credit Limited" in April 2001 (incorporated in 1998). Five Star provides retail finance and small personal and business loans. The New Zealand Retailers Association (Inc) ("NZRA") has negotiated a favourable arrangement with Five Star for the supply of consumer finance to its members. NZRA has approximately 3,000 members and 8,000 storefronts.[14]

(g) **Yes Finance**, an Auckland based finance company which changed its name from "Currency House Finance" in 2001 (originally incorporated in 1997). It offers retail finance (including hire purchase facilities), vehicle and marine finance, personal loans and business (asset) finance. Services are offered nationwide via online contact and application facilities.

(h) **South Canterbury Finance Group**, founded in 1926. It has aggressively expanded since the 1990s. Through its subsidiaries such as Otago Finance, Canterbury Finance and Waikato Finance, it offers personal lending and dealer/retail finance facilities as well as commercial, leasing and business lending.[15]

It should be noted that there are, of course, a number of finance companies that have presently chosen to provide business or motor vehicle finance only: see **appendix 4**. UDC in particular, is one of the leading providers of business (asset) finance. As the Commission recognised in Decision 461 (paragraph 114) UDC therefore *"poses considerable constraint on the merged entity and other competitors in the consumer finance market by virtue of its substantial size"*.

(ii) registered banks. A list of the 16 registered banks operating in New Zealand in 2005, according to the Reserve Bank of New Zealand Financial Stability Report, May 2005 ("the Report"), is annexed as **appendix 5**;

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14 See: www.retail.org.nz/46.html and http://moneyonline.co.nz/offers/5starconsumer/.

15 On 2 November 2005 South Canterbury Finance confirmed that it is preparing to list on the New Zealand Stock Exchange. The company posted a record after tax profit of $26.5m for the year to June. See *New Zealand Herald*, "South Canterbury Finance to list", 2 November 2005.

(iii) building societies. A list of the 14 registered building societies (10 of which are active according to the Report, page 22) operating in New Zealand in 2005, according to New Zealand Companies Office, is annexed as **appendix 6**. Building Societies are essentially registered banks. They provide banking services equivalent to registered banks, including personal lending.

(iv) credit unions. A list of the 55 active credit unions operating in New Zealand in 2005, according to the New Zealand Companies Office, is annexed as **appendix 7**. Credit unions are members' co-operations established within the membership. Credit unions provide a range of banking products and services including personal, home and vehicle loans and credit cards.

(v) merchants which offer in-store financing programmes. Merchants currently offering in-store financing programmes in New Zealand include:

- Furniture City
- Smith City (large retailer in the South Island)
- Meikles Retravision (5 stores)
- Harvey Norman (which has its own in-house finance company Network Consumer Finance (NZ) Limited ("NCF"). Leasing arrangements are also offered by Harvey Norman through a company called Flexirent Capital (NZ) Limited)
- Until recently some Mitre 10 stores had their own in-store finance. This is being phased out at present. GE's CreditLine product is being introduced in to these stores.

Further detail about the nature of New Zealand consumer finance providers is also set out in section 13 below.

Summary

11.13 Accordingly, for the purposes of the competition analysis, GE adopts the Commission's "consumer finance" market definition. However, even if the Commission were to take the view that the relevant market is the retail finance market, it is to be emphasised that the end result will be the same and the proposed acquisition will not substantially lessen competition. This is because whether other products like credit cards, personal loans and revolving credit facilities are within or outside the relevant market definition, there can be little doubt that these products provide a competitive restraint. Consumers would, in the event of increased prices or reduced service by the merged entity, have the ability to finance "big ticket" items by these other means. The merged entity would therefore be constrained by price competition regardless of whether these products strictly fall within or outside the market[16].

16 The applicant relies on *Brambles* (High Court) which emphasises the need to consider the degree of constraint from alternative products whether in or outside the market: paragraphs 81, 137, 138. Also, Decision 461 itself where, the Commission acknowledged the competitive constraints of these other products even in the context of a narrow retail finance market.

12. STANDARDISED OR DIFFERENTIATED MARKET (QUESTION 12)

12.1 In Decision 461 (at paragraph 101), the Commission found that in the consumer finance market (and retail and business finance markets) the *"product is differentiated to a degree, and this has to be incorporated into the market analysis."* However, the Commission concluded that the products were not so differentiated as to *"warrant the special analysis associated with fully differentiated products."* In GE's view this conclusion remains correct and is also illustrated by Table 1 above[17].

13. NATURE OF DIFFERENTIATION

The principal differentiating characteristics of products

13.1 The principal factors which cause consumer finance services to be differentiated from each other are as follows:

(a) type of facility (e.g. fixed closed end loan, charge and credit cards, revolving credit, lease, hire purchase agreement);

(b) interest rate and interest-free period;

(c) term and repayment frequency;

(d) the type of security (if any) required;

(e) transaction costs associated with the use of the product (i.e. does the loan need to be negotiated each time the facility is used);

(f) other terms and fees (e.g. application fee, repayment insurance).

See also Table 1 above.

13.2 As noted in Decision 461, service is also a differentiating factor. In this regard, matters such as the hours of operation of the provider, the speed of processing applications and accessibility of products are relevant to consumer choice.

The extent to which product differentiation leads firms to tailor and market their products to particular buyer groups or market niches

13.3 GE and other suppliers have chosen to distribute part of the range of their consumer finance products (eg the GE CreditLine product, PRF's hire purchase product and Fisher & Paykels' "Q" and Farmers' cards) via the retailers. They have done so for good commercial and marketing reasons. The fact they have chosen to tailor some of their products to this particular buyer group does not, however, constitute them as a separate market.

17 See also Decision 291 *(Caroma/James Hardie)* and Decision 399 *(Southern Cross/Aetna)* where the Commission recognised that despite considerable pricing differentials between the vitreous china and plastic toilet products (Decision 291) and medical insurance plans (Decision 399) so that they were not perfect substitutes for the other, a SSNIP would nevertheless be constrained by price competition between them. Therefore, all products fell in to the same market. GE says the same reasoning applies here.

Degree of substitutability

13.4 There is a high degree of product substitutability within the consumer finance market, enabling consumers to switch quickly and easily between providers. Furthermore, it is not uncommon for consumers to take advantage of more than one type of consumer finance product and to have a "portfolio" of loans and financing arrangements. GE considers that the following passages from Decision 461 remain relevant to an analysis of the extent of such substitutability:

> *"It can be argued that a number of finance products are substitutable on the demand side. Whilst there are variances between the different forms of lending with different terms, interest rates, payment conditions, and so on,* ***consumers tend to utilise the different lending formats interchangeably.*** *"* (paragraph 43) (Emphasis added).

> *"The* ***high level of substitutability*** *between financing formats suggests that finance companies, banks and credit card issuers fall within the same market."* (paragraph 46) (Emphasis added).

> *"The Commission* ***concludes that banks and credit card issuers are included in the consumer finance market to the extent that the products that they offer are substitutable*** *(even though interest rates on credit cards are higher).* ***An application of a ssnip reveals that similar bank products and credit cards should be included in the market.*** *This is largely consistent with the views of market participants, both in the consumer and business markets, who suggest that* ***customers would switch to other financial product providers if the merged entity were to raise prices (ie increase the costs of borrowing above current market levels without justification).*** *Switching can be effected almost immediately and without significant cost."* (paragraph 71) (Emphasis added).

> *"The* ***cross over*** *of product lines between finance companies and banks in the consumer market* ***has increased, particularly with the development of a revolving mortgage product.*** *This mortgage allows consumers to add new purchases (such as furniture, a car, boat or family holiday) onto their existing mortgage. Traditionally, these purchases would have been financed through a retailer scheme, motor vehicle trader and financier, or through a specific term loan or instalment loan from the bank.* ***As a result, consumer retail financiers face indirect competition from mortgage lenders.*** *However, the ability of a consumer to 'ring-fence' its risk, or structure its finance for a particular purchase remains popular with consumers."* (paragraph 67) (Emphasis added).

Which products are more (or less) closely substitutable?

13.5 As a result of the high degree of cross-over between the various types of consumer finance products, it is difficult to determine which products are more closely substitutable than others.

13.6 GE considers that the closest demand-side substitutes to its consumer finance products are credit (charge) cards, personal loans (whether offered by finance companies, banks or building societies/ credit unions) and revolving credit facilities offered by mortgage providers. All of these offer a relatively easy method of obtaining credit/finance.

13.7 Of particular note is the fact that the interest rates offered by the retail finance companies are very similar to those offered by the credit card issuers, both of which also traditionally provide an interest free period. Indeed, the consumer finance products offered by the retail finance companies like GE, PRF and Fisher & Paykel are increasingly resembling a credit card type product. This is to the point where the financier will provide the customer with a "credit" card (eg Fisher & Paykels' "Q" card, the Farmers' card, the GE CreditLine card and the Warehouse's Red Card). Moreover, in the case of the GE CreditLine card, this can be used to withdraw money from ATM machines and effect EFTPOS transactions (just as can be done with a credit card). Accordingly, if the merged entity were to increase prices or reduce service then there is a substantial risk it would lose customers to other products, in particular, credit cards.

13.8 This increasing trend is also demonstrated conversely by the introduction in Australia of a new Hong Kong and Shanghai Banking Corporation Limited ("HSBC") credit card. The HSBC card provides the ability to get extended interest free periods on specific large purchases. Most credit cards offer interest free terms on credit card purchases (ranging between 42 - 62 days). In addition to that the HSBC credit cards offer a number of extended interest free periods ranging from their most common 90 day 'Interest Free' promotion (with no Merchant Service Fee charged to the retailer) right through to 24 and 36 month terms with various payment options to suit their customers. Their card also offers a reduced interest rate on balances transferred from other credit cards for a specified term (currently they are running a 0% 6 month introductory offer in the Australian Market). The ability individually to distinguish specific purchases and apply different interest rates gives the HSBC card a higher functionality than a normal credit card. By offering interest free periods on larger purchases, the HSBC card targets the type of larger purchases that GE's CreditLine card would target, while remaining a credit card. There must be a prospect that this type of product will be introduced in New Zealand. The important point is that it clearly demonstrates the "cross over" between in-store credit and credit cards and the ability of banks and credit card issuers to expand into the point-of-sale segment of the market.

13.9 Obviously, there are strong similarities between the personal loans offered by finance companies and those offered by registered banks (as well as building societies/credit unions) and between these personal loans and point-of-sale financing products. A purchaser of a "big ticket" item can choose to arrange a personal loan via any number of finance companies or by his/her bank. A consumer can – even at the store – call a finance company call centre if they would rather take out a personal loan to finance their purchase rather than using point-of-sale credit financing. The Commission acknowledged in Decision 507 (ANZ/BNZ) that there *"appear to be plenty of providers of personal loans"* (paragraph 211). (Also, the obvious competition between banks and finance companies for secured and unsecured loans).

13.10 Mortgage facilities, of course, depend upon the holding of real estate. On a functional level, these products are nevertheless substitutable, particularly given the high rate of home ownership in New Zealand (see Table 1 at paragraph 11.6 - 68% own their own home), the increasing ease with which individuals are able to obtain mortgage finance and the revolving credit facilities now commonly offered by mortgage providers.

13.11 Consumers thus have many alternative sources of finance available to them. In-store consumer finance products are utilised across all demographic and income levels. There is no "skewing" towards lower socio-economic sectors and the interest rate charged is invariant to income levels. [18]

13.12 Consequently, the proposed merged entity would be heavily constrained in its actions by the presence of other suppliers. In summary, the following factors are relevant:

(a) there is a high degree of product substitutability (refer to the analysis set out in section 11 above);

(b) the market is very competitive and continues to undergo a strong period of growth (refer to the analysis set out at section 16 below);

(c) there are no barriers to entry into and expansion within the consumer finance market (refer to the analysis set out at sections 16 and 23 below);

(d) the retailers have countervailing power since it is the retailers who determine which, if any, consumer finance products they will promote to their customers (refer to the analysis set out at section 27 below).

13.13 Overall, general statistics demonstrate that over recent years the consumer finance market has undergone a rapid period of expansion across all sectors. A comparison between the statistics taken from the 2002 survey, and used for the purposes of GE's Decision 461 application, and the latest Survey figures clearly demonstrates that the market is susceptible to rapid growth. For example:

(a) the 2002 Survey listed 23 finance companies, while the 2005 Survey lists 46. At the same time the threshold for inclusion in the Survey has been raised from $30 million to $40 million;[19]

(b) of the top ten finance companies ranked by total assets in the 2005 Survey, three did not appear in the top ten of the 2002 Survey (page 58 of the 2002 Survey and page 58 of the 2005 Survey).

13.14 It is clear even from these general trends, as well as the large number of providers of consumer finance, that the market is highly competitive and dynamic. In this climate, GE considers that the proposed merged entity would be constrained by the presence of existing and potential competitors. This issue is discussed in more detail in sections 16 to 21 below.

14. VERTICAL INTEGRATION (QUESTION 14)

14.1 GE (or any interconnected or associated company and PRF (or any interconnected or associated company) are not engaged at different functional levels of the same product market. Accordingly, questions 14.1 to 14.3 appearing on the *Business Acquisition Clearance Form for Notice under Section* 66 ("**the Form**") are not relevant to the proposed acquisition.

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[18] As would be expected in a competitive market, credit limit and availability may be affected by income levels.
[19] The Survey, pg 25. KPMG observe that the increased threshold reflects the growth in the number of finance companies.

15. ACQUISITIONS IN THE LAST THREE YEARS (QUESTION 15)

Acquisitions notified to the Commission

15.1 **GE:** On 24 April 2002, by way of Decision 461, the Commission granted clearance to GE or an interconnected body corporate to acquire the business assets of the Australian Guarantee Corporation. The acquisition occurred on 31 May 2002.

15.2 **PRF:** None.

Other acquisitions

15.3 **GE:** In 2004 GE Commercial Finance NZ acquired the commercial property loan portfolio of AMP Bank and in 2004 Morlan Pty Limited acquired, as part of an Australasian acquisition, the assets of Australian Financial Investments Group comprising the Wizard Home Loans' business.

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15.4 In 2004 GE acquired from Radfords Finance Corporation Limited, a subsidiary of the furniture retailer Radfords Limited, its book of sales finance receivables. GE did not acquire any other assets or systems and did not take over any staff. The receivables acquired had a face value of approximately [[redacted]].

15.5 **PRF:** There have been no acquisitions of business or shares by PRF in the finance sector in the last three years.

PART III: CONSTRAINTS ON MARKET POWER BY EXISTING COMPETITION

16. SUPPLIERS OF COMPETING PRODUCTS AND THEIR MARKET SHARES

16.1 Suppliers of competing products may be categorised as follows:

(a) **Appendix 4** is a list of finance companies carrying on business in New Zealand, as published in the Survey (although not exhaustive – paragraph 11.13(d) above);

(b) A list of the registered banks operating in New Zealand is included as **appendix 5**, as published in the Survey. At the consumer level, banks offer credit card, overdraft, personal and home loans, and other revolving credit facilities to customers. **Appendix 8** provides an analysis of the nature of lending provided by banks – personal loans and mortgages are clearly important sources of business for the banks;

(c) Credit cards make up a sizeable proportion of the consumer sales finance segment of the market. **Appendix 9** lists the major credit card providers and the levels of credit card debt. Credit card finance is a close substitute to other sales finance products, such as store hire purchase. Some credit cards now provide for lower interest rates to be applied for major single item purchases, which serve to more closely align these products to sales finance products . As card based technology is developed, it is expected that large purchases will be made by credit card, at concessional or even interest free rates;

(d) Banks, American Express and Diners also enter into credit card merchant agreements with retailers relating to the acceptance and payment for credit card transactions;

(e) Loans are also provided to consumers by:

(i) building societies (of which there are around ten, according to the Report);

(ii) credit unions (of which there are 55, according to the New Zealand Companies Office);

(iii) finance companies; and

(iv) directly by retailers (e.g. The Warehouse's Red Card, Kirkcaldies and Stains charge card). Layby schemes are often provided by retailers.

See also paragraph 11.10 above.

16.2 It is difficult to provide precise or accurate market shares of the suppliers of competing products (a factor recognised by the Commission in Decision 461 (paragraphs 115 and 138)). In particular, there is limited public information available as to accurate market shares of the finance companies. Set out below is such market share information as GE and its advisors have been able to estimate. The market share data is presented in five figures, which "build up" the market in the way described below.

16.3 Figure 1 depicts the shares of the players in the point-of-sale segment.

Figure 1: Market Share of Point of Sale Segment

[[redacted]]

Source: GE (net receivables from most recent annual reports, updated with GE Money industry knowledge). Net receivables exclude two things: provision for bad and doubtful debts, and provision for unearned interest/ income.

16.4 In terms of a narrow retail finance (i.e. a point of sale) market the merged entity would have a [[redacted]] market share. However, for the reasons already given, GE does not consider that this is an appropriate market definition because it ignores, in particular, the competitive constraint from the credit card issuers and loans (whether personal or by way of revolving credit facilities) from other finance companies, banks and related institutions. The Commission, of course, recognised this in Decision 461 – that defining the market in this way may be *"too narrow"* (paragraph 64). This is especially when Figure 1 does not include the personal loan products offered by the finance companies which clearly are substitutable for the point-of-sale finance products. As already noted (paragraph 13.9 above), a consumer can either finance their in-store purchase using the point of sale products available from the finance companies or make a phone call to the same (or any other) finance company to arrange a personal loan. (This is quite apart from a phone call to their bank).

16.5 Figure 2 is derived by adding personal credit card sales to the data depicted in Figure 1.

Figure 2: Market Share of Point of Sale and Personal Credit Card Segments

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[[redacted]]

Source: As per Figure 1, with personal credit card data obtained from RBNZ Table C12 (total personal credit card debt outstanding) as at March 2005. As far as we are aware, the RBNZ credit data does not net out provision for bad and doubtful debts, and provision for unearned interest/ income.

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16.6 In terms of a consumer finance market (excluding loans) the merged entity would have an [[redacted]] share of the market. It is acknowledged, of course, that the [[redacted]] credit card share includes all credit card spending, not just on "big ticket" items. CRA have attempted to research what data is available on credit card spending; see their memorandum in **appendix 3**. Using the BNZ Market View data "big ticket" items may contribute around 26%, although this is only a rough approximation. Applying the 26% figure to obtain an estimate of the market share of credit card debt in "big ticket" items the market shares would be as per Figure 3:

Figure 3: Market Share of Point of Sale and Personal Credit Cards (for "big ticket") Items Segments

[redacted]

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16.7 In terms of a consumer finance market (including "big ticket" credit card spending, but excluding personal loans) the merged entity would have [redacted] of the market. To interpret Figure 3 in another way, and ignoring loans for the moment, out of all financed purchases through a retailer, GE would expect 44 percent to be financed by a credit card and [redacted] percent to be financed by the merged entity's point-of-sale product. GE does not believe there is a distinct market for "big ticket" items as such. However, Figure 3 has been included to demonstrate that there is no competition problem under any conceivable view of the relevant market.

16.8 Finally, the market share of the providers of personal loans and mortgages need to be added. There does not appear to be any data available on the proportion of loans that are spent on "big ticket" items. Accordingly, Figure 4 includes all personal loans and mortgages. Figure 5 alters Figure 4 by scaling down the level of mortgage lending to reflect the contribution of revolving credit type facilities only. Accurate data on this contribution does not exist. However, the attached memorandum from CRA reviews the available evidence and suggests that a conservative approximation is 10 percent of value.

Figure 4: Market Share of Point of Sale, Personal Credit Cards (for "big ticket" items), Mortgage and Bank Personal Loan Segments

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[[redacted]]

Figure 5: Market Share of Point of Sale, Personal Credit Cards (for "big ticket" items), Mortgage (revolving credit) and Personal Loan Segments

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[[redacted]]

Source: As per Figure 1, with mortgage data obtained from RBNZ Table C6 (total household claims – housing) as at March 2005, and bank personal loan data obtained from RBNZ Household Financial Assets and Liabilities Table 3, non-credit card bank consumer loans as at December 2004.

16.9 In terms of the wider consumer finance market the merged entity would have only [redacted] of the market (Figure 4) or [redacted] (Figure 5).

Other Considerations – "Near entrants"

16.10 There are no impediments to existing competitors expanding their output in the face of any price increase by the merged entity. In particular, there are no capacity constraints in this market.

16.11 There is also the ability of small-scale operators to enter the market. There are any number of small scale consumer finance companies operating in the market: see **appendix 4**.

16.12 Relatively recent small-scale entrants include:

(a) **Genova Finance** – retail finance mainly to tyre and auto accessory retailers (2002);

(b) **Finance Now** – 71.5% subsidiary of Southland Building Society (2000);

(c) **Five Star Consumer Finance** – retail finance (favourable terms for NZRA members) and personal and business loans (originally incorporated in 1998, but became Five Star Consumer Finance in 2001); and

(d) **Yes Finance** – retail, vehicle and marine finance and personal and business loans (originally incorporated 1997, but became Yes Finance in 2001).

16.13 As to new entry generally: see section 23 below.

Is PRF a vigorous and effective competitor?

16.14 While PRF is a relatively successful finance company, in the wider context of the consumer finance market, its acquisition by GE would not result in the lessening of competition by reason of the removal of an effective competitor. The Survey ranks PRF as only the seventh largest finance company in New Zealand (page 58 of the Survey) [20] and accordingly, the proposed acquisition would not result in the removal of a market leader. There is also nothing "maverick" about PRF.

16.15 Conversely, if the proposed acquisition were to go ahead, it is likely to result in increased competition by the creation of a merged entity. This entity would be able to compete more effectively in particular with the credit card issuers and banks which have by far the largest share of the market.

17. MARKET CONDITIONS EFFECTING THE ABILITY OF EXISTING FIRMS TO EXPAND (QUESTION 17)

17.1 Barriers to expansion within the consumer finance market are low:

(a) there are no barriers in the nature of tariffs, quarantine requirements or international freight costs;

[20] The Survey did not, however, include GE so that PRF would in fact rank as the eighth largest finance company.

(b) the legislative and regulatory conditions specific to the industry do not impose unusually onerous or expensive obligations on existing providers, particularly as no licence is required unless the provider wishes to set up as a registered bank:

(i) finance companies which receive money from the public to fund their lending activities must comply with the Securities Act 1978. For example, if they wish to issue debt securities to the public, they must issue a registered prospectus;

(ii) consumer lending must comply with the Credit Contracts and Consumer Finance Act 2003. Existing participants in the market should already be aware of the requirements of these Acts and have the requisite compliance systems in place.

(c) barriers in the form of industrial/business conditions are also very low. Obviously, consumer finance providers do not require access to raw materials or fabrication facilities. Furthermore, finance companies and banks are increasingly moving to "virtual office" systems, using telephone and internet services, rather than store-front outlets, to deal with customers. This in turn reduces overheads such as rental and maintenance costs. As a result this makes small local finance companies very competitive in their local area against the larger nationwide finance companies like GE with their substantial overheads (including systems costs).

17.2 An analysis of expansion rates by existing providers over the last five years clearly reflects the relative lack of barriers to expansion. For example:

(a) between 2002 and 2003, the total assets of non-bank finance companies increased by 17.2% from $8.9 billion to $10.5 billion;[21]

(b) lending activity increased by 18.9% in 2003;[22]

(c) between 2003 and 2004 no finance company showed a reduction in total assets;[23]

(d) in 2004, total assets in the finance companies sector grew by 14.2% and lending activity grew by 15.1%;[24]

(e) four finance companies (excluding Fisher & Paykel whose results were amalgamated with those of Farmers Finance Group) experienced extraordinary growth of over 100%;[25] and

(f) 2004 saw increasingly intense competition between registered banks across both retail and wholesale markets.[26]

17.3 Fisher & Paykel's rapid expansion over the past couple of years demonstrates the low barriers to expansion of the consumer finance market. In 2003, Fisher & Paykel purchased Farmers Finance, the former in-house financier for Farmers Group. As a result FPF's market share increased in 2003 from approx [redacted] to [redacted] in the retail finance segment of the market. Since this

21 KPMG Financial Institutions Performance Survey 2004, page 64
22 KPMG Financial Institutions Performance Survey 2004, page 43
23 KPMG Financial Institutions Performance Survey 2005, page 39
24 KPMG Financial Institutions Performance Survey 2005, page 39
25 KPMG Financial Institutions Performance Survey 2005, page 39
26 KPMG Financial Institutions Performance Survey 2005, page 32

acquisition, Fisher & Paykel has been aggressive in pursuing direct personal loans, based on the PRF model.

17.4 Fisher & Paykel has demonstrated its strength in the market in a number of other ways this year. Early in the year it launched the final form of its "Q" card (see paragraph 11.12(d)(i)(a) above), which can be used to purchase a wide variety of consumer products, including competitor's products. In July, Fisher & Paykel offered a 20 month "*No Interest – No Payments*" promotion to Harvey Norman.

17.5 Fisher & Paykel also has the benefit of a 20 year Origination Agreement for the exclusive supply of finance to Farmers' customers.[27]

18. EXISTING COMPETITORS WHICH COULD EXPAND (QUESTION 18)

18.1 Each of the competitors identified in section 16 above could increase its supply of consumer finance products on a New Zealand-wide basis with relative ease. This would occur either through increased utilisation of existing capacity or expansion of existing capacity.

18.2 Given the nature of the market, and the low barriers to expansion identified in section 17 above, none of the existing providers would have any particular difficulty in extending the range of services which they provide. Any of the major finance companies could expand their range of services by cross-marketing to existing customers developing their relationships with retailers and adding additional products such as credit cards if they so chose.

18.3 Further, it would be relatively straightforward for any of the large registered banks to expand into the retail finance sector of the market, given the extent of their existing goodwill and their asset bases, if they so chose. GE acknowledges that there are likely good commercial reasons why the banks have no wish to do so in present market conditions, especially given the intense competition already in the retail finance sector of the market. The important point, however, is that the banks clearly have the means to do so if they so desired. Notably, UDC is a wholly owned, but independently operated member of the ANZ National Bank. Previously AGC, a retail finance company, was owned by Westpac. Note also the HSBC new credit card: see paragraph 13.8 above.

18.4 In fact, it is foreseeable that in the future there will be an increasing "cross over" between the products offered by registered banks and those offered by finance companies, with more finance companies offering credit cards and more banks offering retail finance products. Such expansion is a natural progression for both banks and finance companies, given the continued growth in the consumer finance market, customer demand and low barriers to expansion.

18.5 There are no barriers, of course, to expansion of the credit card issuers' share of the consumer finance market. There is, as already noted, an increasing "cross over" between the retail finance company's products (eg the "Q" and GE CreditLine Cards) and the credit companies' (Visa, Mastercard, American Express etc) credit or charge cards: see paragraphs 13.7 and 13.8 above.

27 Irene Chapple, *New Zealand Herald*, "Retail jewel yields $311m", 11 October 2003.

19. CONDITIONS OF EXPANSION INFLUENCING BUSINESS DECISION TO INCREASE SUPPLY (QUESTION 19)

19.1 The business decision to increase supply would be based on the return which the providers anticipate could be made as a result of such expansion. Such return is measured not only by reference to the anticipated profitability of a product but also by a consideration of factors such as increased brand awareness, increased possibilities for cross-selling, the capturing of previously "untapped" customer bases and the establishment and development of long-term relationships with customers. Additionally, providers may also be influenced by the prospect of laying the foundation for expansion into other markets such as insurance.

19.2 Significantly, the decision to expand is also likely to be influenced by adjustments to price or service levels resulting from the entry of a new competitor, such as the proposed merged entity, into the market.

20. TIME WITHIN WHICH SUPPLY WOULD INCREASE (QUESTION 20)

20.1 It would take a relatively short amount of time for an existing consumer finance provider to develop and launch a new consumer finance product.

20.2 As there are no issues about licensing, sourcing of materials or production capability, it is anticipated that most of the preparatory work would consist of matters such as market research, branding and marketing.

20.3 It is also relevant that, for the most part, consumer finance products and loans are administered by using "off the shelf" software which has been tailored in a minor way to fit the needs of the particular provider. The software already used by existing providers of consumer finance could be easily modified to accommodate new products.

20.4 The operational systems used by existing providers in terms of approval processing, account management and legal recovery, are also easily adaptable. Accordingly, additional investment in relation to these areas should be non-existent to minimal.

21. THE EXTENT TO WHICH THE POSSIBLE COMPETITIVE RESPONSE OF EXISTING SUPPLIERS WOULD CONSTRAIN THE MERGED ENTITY (QUESTION 21)

21.1 The proposed acquisition would be likely significantly to increase competition in an already expanding and competitive market. Given the number of consumer finance providers in the market, any attempt to increase fees, impose more onerous terms or limit customer choice is likely to be met with a swift response by competitors. The increase in the use of credit cards and revolving mortgage facilities demonstrates that customers will not hesitate to turn to these types of products if the products traditionally offered by finance companies are not seen as sufficiently attractive. This is demonstrated, in particular, by the increasing use of credit cards to the detriment of point-of-sale financing: see CRA Memorandum, **appendix 3**.

21.2 In addition to the constraints stemming from the existence of the current participants in the consumer finance market, the low barriers to entry mean that the threat of new entrants is ever present and acts as a further constraint on the conduct of all consumer finance providers. While a number of finance companies choose to provide business or motor vehicle finance only, this does not mean they could not expand their business into the retail finance sector if they so chose). UDC and Marac, in particular, are two of the leading providers of business (asset) finance; Spiers Finance is a example of an nationwide finance company offering business, vehicle and marine financing. They have the infrastructure in place to expand into the consumer finance market if there was the incentive to do so: see also paragraph 11.12(d) above.

Summary – no unilateral market power

21.3 For all the reasons discussed above, GE is of the view that the proposed acquisition will not substantially lessen competition. In particular, the merged entity will be constrained from exercising unilateral market power by competing suppliers of consumer finance products, i.e. the other finance companies, credit card issuers, building societies/credit unions and banks. Consequently, there can be no possible issue of unilateral market power in a properly defined consumer finance market.

21.4 In the applicant's view, the market must be defined as a matter of fact and commercial common sense as a consumer finance market and the Commission recognized in Decision 461 the dangers of defining the market in more narrow terms. Since then, of course, the market has further expanded and competition intensified with, amongst other things, the development of new credit card type products and new entry.

21.5 However, in the end, whether credit cards, personal loans and revolving credit facilities are included within, or outside, the market, market definition is not determinative of the issue. The more important issue is whether, even if excluded from the defined market, the ability of consumers to switch to alternative products – e.g. personal loans (whether from finance companies or banks and building societies/credit unions), credit cards and revolving credit facilities (mortgage and card based) – in response to an attempted exercise of market power would constrain the merged entity. GE says plainly yes. This is let alone the ability of suppliers (existing or new) to enter the retail finance sector of the market.

21.6 Furthermore, the retailers – the distribution channel for the merged entity's point-of-sale products – have alternative options available to them, i.e. to invite in-store financing from other finance companies; provision of their own in-house credit; and encouragement of use of credit cards (with loyalty programmes and bonus points). They, rather than the merged entity, control the distribution channel and they will not risk loss of their sales (and profits) because of increased prices and reduced services of point-of-sale financing. (See further section 26 below).

21.7 In *Decision 461* – paragraph 138 – the Commission recognised that in "*addition to direct finance related to merchant sales... credit card sales, which are substitutable for finance funding, and commodity purchase finance from banks (including those purchases added to the pre-existing mortgage facility) further dilute the concentration of existing competitors in* [a retail merchant finance] *market*". Competition from banks and credit card issuers cannot, the Commission acknowledged, be ignored however the market is defined (paragraph 140).

21.8 Therefore, clearly, PRF's continued presence in the market is not required to provide a constraining influence on GE. The merged firm will be exposed to constraints from existing competition as well as from potential new entry and expansion and the countervailing power of key industry participants (i.e. the large retailers) as considered below.

Co-ordinated market power

22. THE VARIOUS CHARACTERS OF THE MARKET THAT (POST ACQUISITION) WOULD EITHER FACILITATE OR IMPEDE CO-ORDINATION EFFECTS (QUESTIONS 23 TO 26)

22.1 At page 33 of its *Mergers and Acquisitions Guidelines*, the Commission sets out eleven factors which it considers in assessing the likelihood of collusive behaviour.

22.2 These factors are set out in the table below for the purpose of analysing whether those factors are present in the consumer finance market.

Factors conducive to collusion	**Presence of factors in all relevant markets**
High seller concentration?	No[28]. (Refer to section 11.)
Undifferentiated product?	No. (Refer to section 12 and 13.)
New entry slow?	No. (Refer to section 17.)
Lack of fringe competitors?	No. There are a number of other finance companies and credit providers which operate at the "fringe" of the consumer finance market e.g. business and motor vehicle finance companies[29] and which face no barriers to expansion. (Refer to section 21.)
Acquisition of a maverick business?	No. (Refer to section 16.)
Price inelastic market demand?	Unknown
History of anti-competitive behaviour?	No.
Characteristics of purchasers?	A number of the purchasers using the merged entity's products – more particularly the hire purchase and card based point of sale credit products – are large well resourced retailers with options e.g. Harvey Norman, Farmers, Dick Smith, Noel Leeming, Bond & Bond and Beds R Us.
Excess capacity?	There are no capacity constraints.

28 If the market were defined narrowly as a retail finance (or point-of-sale) market the answer would be different i.e. yes.

29 If the market were defined narrowly as a retail finance market there would be any number of competitors outside that market competing at the fringe e.g. the finance companies (providing personal loans), credit card issuers as well as the banks, building societies and credit unions which provide loan finance and which face no barriers to expansion.

Existence of industry associations?	Yes. Financial Services Federation, Inc and New Zealand Bankers Association, Inc.

22.3 In Decision 461, the Commission took the above analysis into account in determining that the proposed acquisition was not likely to affect the level of competitiveness in the industry for the finance products offered. It stated at paragraph 160 that:

> *"Whilst the levels of concentration in the consumer finance market and the retail merchant finance market surpass Commission thresholds, the markets are drawn very conservatively and do not include all finance company participants in those markets. Furthermore, GE and AGC have relatively small market shares in the consumer finance, merchant retail finance, and business finance markets taking similar bank and credit card products into account. In addition, there is a range of fringe competitors (including building societies and credit unions) that would be able to expand into the defined markets if the opportunity arose."*

22.4 The Commission was also influenced by the fact that GE was not associated with any of the other financial services companies and operated as an independent, profit motivated company. Further, that prices are not especially transparent for the type of finance products offered. Accordingly, the Commission was satisfied that the defined markets (consumer finance or retail finance) were unlikely to facilitate collusion so that it was unnecessary to go on to determine the potential for discipline.

Summary – co-ordinated market power

22.5 GE considers that the same reasoning in Decision 461 is applicable to the proposed acquisition. The market (however defined) is not conclusive to collusion. Therefore, there can be no prospect of co-ordinated market power.

PART IV: CONSTRAINTS ON MARKET POWER BY POTENTIAL COMPETITION

23. CONDITIONS OF ENTRY – WHICH, IF ANY, OF THE CONDITIONS IDENTIFIED ARE LIKELY TO ACT AS A BARRIER TO THE ENTRY OF NEW COMPETITORS? (QUESTION 27)

23.1 An analysis of the barriers to entry into the consumer finance market involves a consideration of similar factors as those set out in sections 16 to 21 above. This analysis demonstrates that the market is subject to real constraints from the threat of market entry. In particular, there are no frontier entry barriers, major legislative or regulatory barriers, or industrial/business barriers to entry.

23.2 It is also notable that the costs of compliance are relatively low and, in comparison to a number of industries, almost non-existent. For example, there is no need for finance companies or credit providers to be licensed unless they are registered banks. Ensuring compliance with the relevant legislation is relatively straightforward.

23.3 The ease with which competitors are able to enter the market is reflected in the growth rate in the consumer finance sector. As noted above, the KPMG Survey lists 6 new entrant finance companies for 2005.

23.4 Although registered banks and building societies do not necessarily currently offer the same products as finance companies (and in fact offer a broader range of products) it would be relatively simple and inexpensive for them to do so. As set out in sections 17 to 21 above, there are no barriers to expansion and entry in the consumer finance market. In particular, existing systems, both operational and technological, could be easily adapted with minimum financial outlay.

23.5 There is also potential for major retail chains to set up their own consumer finance divisions. The Warehouse has its "The Red Card", an in-house credit card with various competitive features such as no annual account fees, no transaction fees and up to 55 days interest-free.

23.6 In New Zealand, St George Bank of Australia and Foodstuffs have formed a joint venture (Super bank) which offers high interest savings accounts and mortgage finance. In addition to phone and internet banking, EFTPOS, ATM and mobile lending managers, use is made of the Foodstuff Supermarket network to advertise and promote Superbank.

23.7 In Australia, Woolworths and the Commonwealth Bank have formed a joint initiative allowing Woolworths to offer an Ezy Action Account (everyday transaction and savings account) and Ezy MasterCard (credit card which can be used anywhere). The bank account enables withdrawals, deposits and other banking services through all Woolworths, Safeway or BIG W stores. This account can be linked to the Ezy MasterCard, allowing the use of only one card for debit and credit transactions. In addition, every time a purchase is made at Ezy Rewards stores, the purchaser earns Ezy Rewards points (see: http://www.ezybanking.com.au/default.asp).

23.8 Finally, it is possible to set up a finance company with a relatively small initial outlay given the availability of off-the-shelf software packages and the use of call centres and websites rather than traditional "store front" outlets. This work would be able to be completed quickly. Funding is not an issue as illustrated by the number of finance companies advertising for debenture funding. Moreover, apart from finance companies operating nationwide, there are many small scale regional operators providing consumer finance. As already noted, these small scale operators can provide a very competitive product and service because they do not have the same overheads (as companies like GE, PRF and Fisher & Paykel) and because of their ability to provide a responsive local customer focus.

23.9 The customer base is contestable. The majority of agreements with retailers are terminable on written notice by either party. Even with Fisher & Paykel's long term agreement with Farmers and PRF's shorter term agreement with NLG, there are any number of retailers available to other suppliers of consumer finance products. Moreover, at least in the case of the [redacted]

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23.10 Notwithstanding, the PRF-NLG Agreement exists now so that nothing changes except the ownership of this Agreement. Although, as noted in paragraph 10.3, GE will seek to amend this Agreement to conform the Agreement more closely to its pricing and service model and product range.

Summary

23.11 In summary, the low barriers to entry in the New Zealand market, and the high level of customer demand, mean that it would be relatively straightforward for major New Zealand retailers to undergo similar expansion as above into the consumer finance market.

24. BUSINESSES WHICH DO NOT CURRENTLY SUPPLY THE MARKET BUT WHICH COULD SUPPLY THE RELEVANT MARKET (QUESTIONS 28 AND 29)

24.1 As noted in section 16 above, there is clear potential for major retail chains to enter the consumer finance market as some have already done. Other existing competitors currently focussing on personal loans (eg banks, building societies, credit unions or business finance (e.g. UDC)) could provide point-of-sale financing products if they so chose. Therefore, if the merged entity increased prices or reduced service these other suppliers clearly have the ability or resources to provide a competitive constraint.

25. LIKELIHOOD, SUFFICIENCY AND TIME LIMITS OF ENTRY ("THE LET TEST") (QUESTIONS 30 TO 35)

25.1 In Decision 461, the Commission determined that the proposed acquisition satisfied the LET test. In particular, at paragraph 191, the Commission stated:

> *"The Commission concludes that there are no significant barriers to entry likely to deter expansion or new entry. Potential competition, in addition to the strength of existing competition in both defined markets, is likely to provide constraints on the merged entity, and the industry as a whole."*

25.2 As noted in section 23, relatively little preparation and funding is needed in order to enter the consumer finance market. Given the low barriers to entry and the relatively low start-up costs, together with the extremely high level of customer demand and increased use of consumer finance products, it is likely that a potential entrant would consider entry profitable at pre-acquisition prices. In this regard, the rate of growth experienced by the market, the trend towards increased household expenditure and the currently favourable economic climate are highly relevant.

25.3 In Decision 461, the Commission noted at paragraph 187:

> *"While entry as a small scale financier, in either the consumer or business finance market is not difficult, it is more onerous to set up as a national financier. However, as mentioned above, the national finance companies face the continued threat of competition from banks and credit card issuers."*

25.4 GE considers that this reasoning remains relevant to the proposed acquisition. Moreover, the competitive constraint on the merged entity from small local finance companies should not be underestimated.

25.5 In relation to the conditions of entry which would influence the business decision to enter the market by setting up from scratch, GE considers that the lack of frontier, regulatory, technological, operational and financial barriers is likely to influence, and indeed encourage, new entrants.

25.6 GE is very aware of the rate at which the consumer finance sector is expanding and constantly monitors the market for new entries.[30] As such, it is extremely conscious of the possibility that a new entrant offering low prices and innovative services could exert considerable competitive power in the retail finance sector of the market. The proposed merged entity would, by necessity, have to have regard to similar considerations if it wished to trade profitably.

PART V: OTHER POTENTIAL CONSTRAINTS

26. CONSTRAINTS ON MARKET POWER BY THE CONDUCT OF SUPPLIERS (QUESTIONS 36 TO 38)

26.1 Questions 36 to 38 of the Form are not relevant to the proposed acquisition.

27. CONSTRAINTS ON MARKET POWER BY THE CONDUCT OF ACQUIRERS (QUESTIONS 39 TO 41)

27.1 As the Commission recognised in Decision 461, retailers are able easily to switch suppliers of finance. GE's experience is that retailers frequently seek competitive bids for the provision of consumer finance products in their stores. They need not wait for entry. Rather, they can invite fresh entry through a tender process and in so doing give that entrant a sufficient base from which to compete. Furthermore, as already noted, they have the ability to set up their own in-house credit programmes.

27.2 GE also notes that, for example, the NZRA has negotiated a favourable supply agreement with Five Star Consumer Finance for the exclusive benefit of its members.[31]

27.3 Notably, it is the retailers who determine which, if any, products they will promote to their customers and consumers are free to choose the consumer finance product which best suits their needs. These products include cash, personal loans, credit cards as well as in-store finance. Importantly, a merged GE/PRF will depend upon the retailers to promote its products. As such, the retailers are in a strong position to direct their customers to the financing services that may best suit the retailer in order to secure sales of its (the retailers') products. Moreover, it is to be emphasised that retailers are not dependent on point-of-sale finance to make sales. They can engage in other promotional activity – special cash prices, promotions associated with credit cards, bonus points and loyalty rewards. GE estimates roughly that its share of "big ticket" items financed by its GE CreditLine product would be [redacted].

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30 For example, Hanover Group subsidiary Elders Finance has publicly announced that it is "stalking" some "major" finance companies. This might well involve expansion into the consumer finance market: NZ Herald, August 23 2005.

31 See paragraph 11.12(d)(i)(f) above: www.retail.org.nz/46.html and http://moneyonline.co.nz/offers/5starconsumer/

27.4 In summary, the retailers have considerable countervailing power of their own and the merged entity would have no incentive to make its products unprofitable and risk loss of business by retailers switching to an existing alternative supplier, a new entrant or by providing their own in-house store finance.

27.5 For assistance of the Commission GE attaches at **appendix 10** a breakdown of current retailer/financier relationships.

28. CONCLUSION

28.1 In conclusion, GE considers that the proposed acquisition will not have the effect or likely effect of substantially lessening competition in the relevant consumer finance market (or even in a narrower retail finance market):

(a) the level of existing competition is high and there is no history of collusive or anti-competitive behaviour as between the existing participants in the market;

(b) the absence of barriers to expansion mean that the proposed entity would be constrained by the constant possibility of expansion by competitors;

(c) the lack of barriers to entry would ensure that the conduct of the proposed merged entity would be constrained by the threat of new entry;

(d) the nature of the market means that collusive behaviour is extremely unlikely;

(e) any price increase or reduction in service levels by the proposed merged entity would be constrained by the competitive factors set out above (either on their own or in combination).

THIS NOTICE is given by GE Finance and Insurance

I am an officer of the Company and am duly authorised to make this application/notice.

I hereby confirm that:

- all information specified by the Commission has been supplied;
- all information known to the applicant/s which is relevant to the consideration this application/notice has been supplied;
- all information supplied is correct as at the date of this application/notice.

GE Finance and Insurance undertakes to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this 17th day of November 2005

Signed by A J Cock

GCl

Managing Director

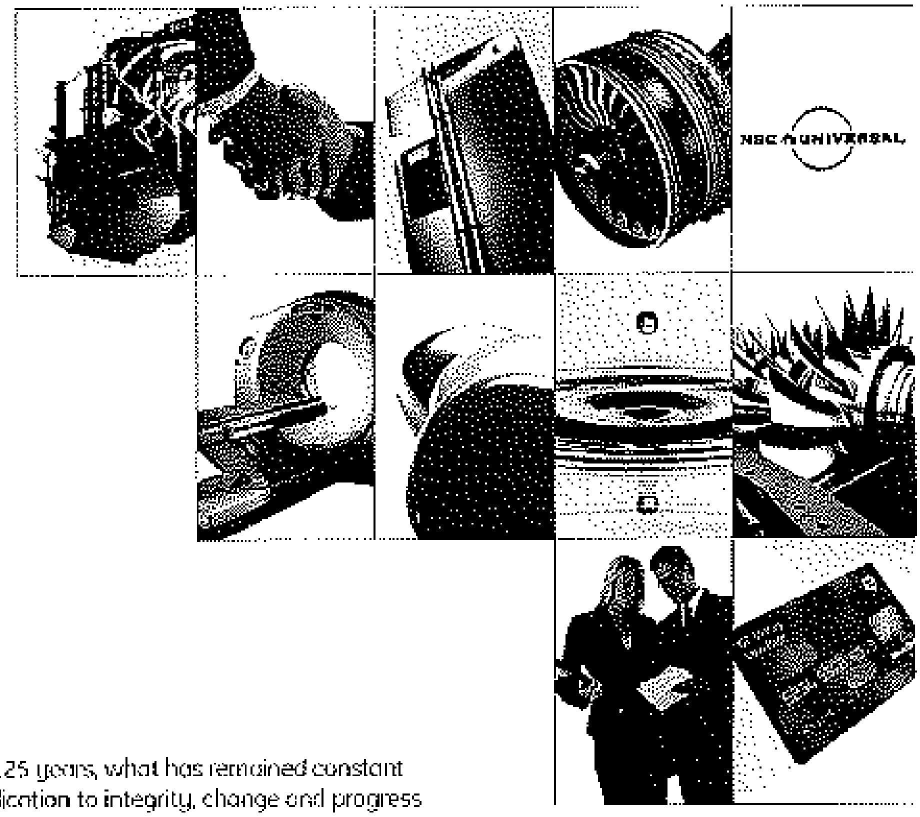
Appendix 1 – New Zealand subsidiaries and branches of General Electric

- GE Capital (NZ) Limited
- Employers Reinsurance Corporation
- GE Capital Fleet Services New Zealand Limited
- GE Capital Returnable Packaging Systems Limited
- General Electric International, Inc
- GE Smallworld (New Zealand) Limited
- G E Polymershapes (NZ) Limited
- GE Finance & Insurance
- Hallmark Life Insurance Company Limited
- General Electric Plastics (New Zealand) Limited
- Universal Pictures (Australasia) Pty Ltd
- GE Commercial Finance NZ
- GE Consumer Finance NZ
- 638441 Holdings Ltd
- Big Primate Pictures Limited
- Wizard Financial Services Ltd
- Wizard Mortgage Corporation (New Zealand) Ltd
- AMS NZ Funds Limited
- Australian Mortgage Securities (NZ) Ltd
- United International Pictures NZ – NBC/Universal company
- GE Mortgage Insurance Company Pty Ltd
- Amersham Biosciences (NZ) Limited
- GE Betz Pty Limited

- Amersham Health Limited
- Datex-Ohmeda Pty Ltd
- TGE Energy Services (NZ) Limited

Appendix 2 – Brochure – *We are GE*

We are GE



For over 125 years, what has remained constant is our dedication to integrity, change and progress. And, it's what will keep us growing over the next 100 years. From jet engines to power generation, financial services to plastics, and television to medical imaging, GE people worldwide are dedicated to turning innovative ideas into essential products and services that make the world a better place.

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"At GE we are passionate about growth. All GE leaders are committed to assisting our customers become more profitable. Driven by our Technical leadership, Services, Customer Focus, Globalisation, and Growth initiatives, GE is at the forefront of helping your business to grow in the 21st Century."

Steve Bertamini
Chief Executive Officer,
General Electric
Australia & New Zealand
President GE Capital Asia

GE is a diversified services, technology and manufacturing company with a commitment to achieving customer success and worldwide leadership in each of its businesses.

Today, GE operates in 160 countries and has more than 300,000 employees worldwide. Jeffrey R. Immelt is Chairman and Chief Executive Officer.

The Company traces its beginnings to Thomas A. Edison, who established Edison Electric Light Company in 1878. In 1892, a merger of Edison General Electric Company and Thomson-Houston Electric Company created General Electric Company. GE is the only company listed in the Dow Jones Industrial Index today that was also included in the original index in 1896. With over $AUD194 billion in revenue and $AUD22.6 billion in profits, GE is amongst the world's largest and most successful companies.

In 2004 GE was named the World's Most Respected Company in a global poll of business leaders conducted by the U.K.-based business publication, the Financial Times, and PricewaterhouseCoopers. The poll has been conducted for seven years. GE has come out on top each time.

The FT asked more than 900 CEOs in 25 countries which companies they most respected and which companies they considered leaders in creating shareholder value, in corporate governance, social responsibility and innovation. The results for GE were:

- Number 1 overall
- Number 1 for governance
- Number 2 for creating shareholder value
- Number 4 for corporate social responsibility

Our values are what we do and how we work. It's about who we are, what we believe, where we're headed, how we'll get there. It's how we imagine, solve, build and lead.

Imagine.

Imagine is a sense of possibility that allows for a freedom beyond mere invention. Imagine dares to be something greater. At GE, Imagine is an invitation to dream and do things that you didn't know you could do.

Solve.

Every business has to have a reason to exist – a reason that answers the fundamental question of "why are we here?" For GE, the big question has a simple answer: We exist to solve problems – for our customers, our communities and societies, and for ourselves.

Build.

It's not so much a vision for our future – where we're headed is in many ways a reflection of where we've already been. It's not a destination, it's a quest. A quest for growth. And when we look to the future, we know that for us, there's only one way to get there. Build.

Lead.

Imagine. Solve. Build. Each of these is merely a word without one vital element. Lead.

GE is already synonymous with leadership. But with this mantle comes responsibility. And it's not just a responsibility to maintain the status quo or manage what worked yesterday. It's the bigger responsibility to change. Because change is the essence of what it means to lead.

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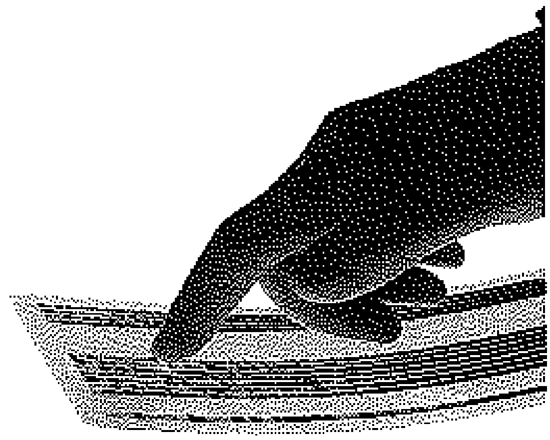
GE Healthcare



Doctors know your medical history. Imagine if they could see into your medical future.

Introducing GE Healthcare, a company armed with medical and molecular imaging expertise to shape a new age of healthcare – one where diseases are better understood. Detected and diagnosed at a much earlier stage. And treated more effectively withtherapies tailored to individual patients.

In Australia and New Zealand, GE Healthcare provides many hospital and imaging clinics with the latest technology to help in the fight against disease:

Australia's only working mobile MRI is opening opportunities to take MRI technology to regional areas of Australia such as Far North Queensland.

The Voluson 730 Expert with the 4D ultrasound technology brings parents to be all over Australia a sneak peek of their new baby before they are born!

In the Operating Theatre's and Intensive Care Units of many hospitals across Australia and New Zealand, GE Healthcare designs and provides innovative monitoring and anaesthesia device solutions.

An Australian Research Institute is leading the fight against drug-resistant childhood cancer using advanced protein-mapping technology from our Discovery Systems Business.

GE Healthcare is a USD$14 billion unit of General Electric Company (NYSE: GE) that is headquartered in the United Kingdom. Worldwide GE Healthcare employs more than 42,500 people across 100 countries.

Industry Segments:

Radiology, Cardiology, Neurology, Oncology, Surgery, Critical Care and Patient Monitoring, Medical Diagnostics, Protein Separations, Discovery Systems, Clinical Information Systems and Healthcare Services.

GE Healthcare Technologies

Sydney (Head Office)	612 9846 4650
Brisbane	617 3323 5000
Melbourne	613 8831 1500
Adelaide	618 8154 0100
Perth	618 9244 7848
New Zealand	649 353 6717

GE Healthcare Biosciences

Protein Separations / Discovery Systems	1800 150 522
Medical Diagnostics	612 9877 6400

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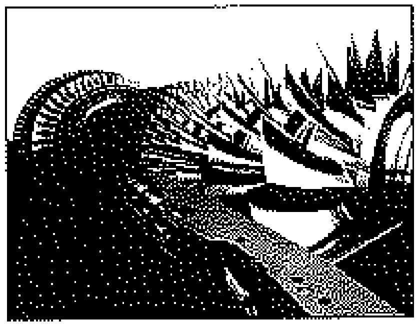
For more information
www.gehealthcare.com

GE Energy



GE Energy have more than 250 turbines installed throughout Australia and New Zealand.

GE Energy offers one of the most comprehensive portfolios of products and services for the energy industry. Providing solutions across the energy value chain, including oil & gas, fossil, nuclear, hydro, renewables, transmission and distribution and energy users, we are dedicated to meeting the needs of our customers.

Oil & Gas Includes products, services, and systems for customers engaged in the exploration & production of oil, gas, and liquefied natural gas, natural gas transportation, refining and petrochemical production. Also includes parts, upgrades and maintenance services for the equipment, together with services for inspecting and maintaining the structural integrity of oil & gas pipelines, optimization and rental equipment. Customer examples include major, national and independent oil companies, and EPC contractors.

Power Generation Includes equipment and services used in the production of electricity originating from fossil, renewable, and nuclear-fueled power plant products including wind, hydro, gas, and steam turbine generators, or combined cycle systems. Also includes services for installation, operation, maintenance, optimization, upgrades, parts, services, repairs and rental equipment. Customer examples include utilities, IPP's, municipalities, industrial companies, and desalination plants.

Transmission & Distribution Includes electrical power delivery from the generation switchyard, thru the transmission and distribution grids to the retail consumer. Examples of customers include utilities, IPP's, municipalities, Co-ops and governments.

Energy Users Includes industrial, commercial, institutional and residential users of energy. These energy users could have high electrical demand or have the need for a balance of electrical, mechanical and thermal energy. Examples of customers include steel mills, pharmaceuticals, paper mills, universities, hospitals, and desalination plants.

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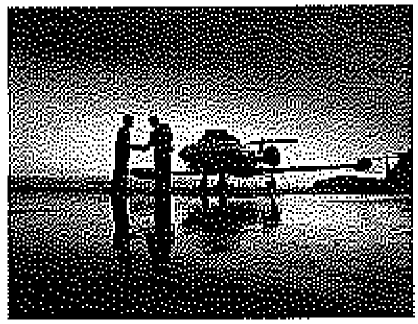
New Zealand +64 3 336 6196
Visit us online at www.gaenergy.com

GE Commercial Finance



Imagine if your bank understood your business goals and challenges as well as you do.

GE Commercial Finance understands your need for a reliable, value-added financing source – one that knows your business, your industry, your equipment and the importance of responding quickly.

GE Commercial Finance can support your changing needs, as well as help you adapt to changes in industry regulations, tax laws and economic policies, both nationally and internationally. Our expert financial services will help you efficiently manage your capital and cashflow. And, with a strong focus on quality and customer satisfaction, we concentrate on building long-term relationships.

Our AAA-debt rating enables us to offer customers reliable, well capitalised, competitively priced financing programs and products. Most importantly, as one of the world's leading diversified financial services firms – we'll be there when you need us.

In Australia and New Zealand, GE Commercial Finance has evolved into a purpose-built organisation, ready to meet the diverse and changing needs of our clients. To ensure our success in meeting these needs, we work closely with customers to continually measure our performance and progress towards exceeding customers' expectations.

Our sales representatives are experts in the markets they serve and understand your finance requirements. They can provide alternative solutions based on their strong understanding of industries, assets and cashflow driven financing.

Our diverse range of lending solutions includes:

- Acquisition and Growth Finance
- Asset Valuation and Trading
- Business Refinancing
- Equipment Finance
- Franchise Finance
- Insurance Premium Funding
- Inventory Finance
- Property Finance
- Vendor Finance
- Working Capital

Imagine one source for all your business financing needs. Imagine GE Commercial Finance.

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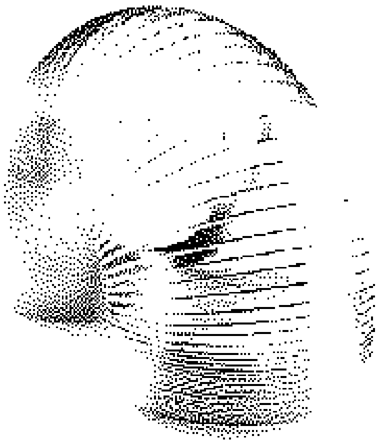
For more information

Give us a call on 13 14 66 or visit www.gecommercial[illegible].au and put GE Commercial Finance to work for you today.

GE Commercial Finance
Fleet Services



Flexible fleet solutions.

GE Commercial Finance – Fleet Services is one of the world's leading fleet leasing and management organisations. We pass on to you the benefits of our size, and the strength of our relationships, in lower purchase and servicing costs.

With over 45 years experience in the business, our strategic thinking and quality processes set us well in front of the rest of the industry. We've designed our services so that we take the time-consuming work out of your fleet leasing and management. You will receive genuine value for money, while you and your staff concentrate on your core strengths – running your business.

Fleet Services provides global experience with a local focus.

Products and Services

Novated Lease

Novated leasing for motor vehicles is a popular salary packaging option, offering the employee tax effectiveness and flexibility in the type of vehicle leased. Reward your employees with a Novated lease.

Fleet Management

Whether or not you own your fleet, Fleet Services can make value add improvements to the running, reporting, and costs associated with your vehicles. The strategic analysis and reporting offered by Fleet Services can result in greatly increased efficiency.

Corporate Leases

A range of leasing options are available, giving you the flexibility to decide exactly how you want your fleet leasing to be organised, on or off-balance sheet.

Value-add Services

As accredited providers, we have made it our business to specialise in every aspect of the in-house fleet management service, allowing you to choose the services to meet your business needs.

- A 24/7 driver support centre and on-line access
- Maintenance Management
- Vehicle Acquisition and Remarketing
- Registration Renewal and Fines Management
- Toll Management
- Fuel and Fuel Card Management
- Accident and Insurance Management
- Reporting

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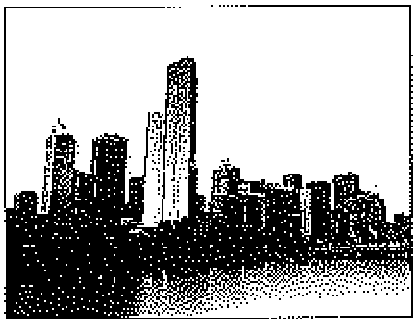
For more information
Website www.gefleet.com.au
Phone 1 300 650 508

GE Commercial Finance
Real Estate



Consistency, reliability and a range of Financial Services.

Established over 35 years ago, GE Commercial Finance Real Estate is one of the world's leading resources for commercial real estate capital with global assets of more than $40 billion. We have more than 6,000 associates spread in over 50 offices around the world.

GE Commercial Finance Real Estate began operations in Australia in 1996 expanding into New Zealand in 2003. Over this period we have built a Trans-Tasman real estate investment, financing and equity partnership business, investing over $2 billion, with an ongoing commitment to further growth in the A & NZ region.

Why Use GE Real Estate?

- To meet debt & equity requirements
- Improves return on equity
- Flexible/creative structures
- Non-recourse capital (no personal guarantees required)
- Understanding of real estate risks

Products

Equity Investment

We do both joint investments with partners and/or direct purchases in the following types of deals:

- Income producing commercial properties in all sectors
- Loan books
- Redevelopment opportunities
- Sale & Leasebacks (for off balance sheet treatment of real estate assets)

Structured Finance

Our products allow customers to maximize their returns and diversify investments:

- Single or multiple asset acquisitions or refinancing
- High Leverage Senior Debt (Up To 85% LTV)
- Participating Debt (Over 85% LTV)
- Mezzanine Debt (65-90% LTV)
- Leveraged Equity Partnerships (Up to 95% LTV)
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Targeted Asset Types

- Supermarket anchored retail
- Office Buildings
- Bulky goods retail
- Multi-tenanted industrial
- Self Storage facilities
- Car Parking stations
- Aged Care / Healthcare Services

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For more information

For more information on how we can add value to your business, simply call:

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New Zealand: +64 (0) 9 355 1452
or visit our website at
www.gerealestate.com.au

NBC Universal
Universal Pictures

Universal Pictures, part of the newly formed NBC Universal, is one of the world's leading entertainment companies.

Formed in May 2004 through the combining of NBC and Vivendi Universal Entertainment, NBC Universal owns and operates the No. 1 television network, the fastest-growing Spanish-language network, a valuable portfolio of news and entertainment networks, a premier motion picture company, significant television production operations, a leading television stations group, and world-renowned theme parks. NBC Universal is 80%-owned by General Electric, with 20% controlled by Vivendi Universal.

Universal Pictures Australasia is located in Sydney and employs 44 staff to cover Australian and New Zealand markets. Universal Pictures handles the sales, marketing, distribution, promotions and publicity on Universal product such as "Bridget Jones: The Edge of Reason" and DreamWorks product such as "Shrek 2" and "Shark Tale", as well as TV product to DVD such as (Miami Vice, Law and Order and Battlestar). Universal Pictures is also very active in the local acquisition of local developed properties such as Hating Alison Ashley starring Delta Goodrem, Yogalates and Home and Away on VHS and DVD.

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For more information
Phone 1300 654 513
Fax 1300 358 769
website www.universalpictures.com

NBC Universal
CNBC

CNBC
AUSTRALIA
a service of NBC and Dow Jones

CNBC. Profit from it.

An industry pioneer for more than 75 years, the National Broadcasting Company was founded in 1926 by General Electric, RCA, and Westinghouse.

RCA became the sole owner of NBC in 1932. In 1986, RCA was purchased by General Electric, which today wholly owns and operates NBC.

Starting off as a radio network in the 1920s, NBC evolved into a television broadcaster in the 1940s. Today, NBC is a diverse, international media company. In addition to the NBC Television Network and the NBC Television Stations Division, the company owns CNBC, which is the global leader in business news, reaching 188 million homes worldwide.

Launched on January 29th, 2001, CNBC Australia is the Australian arm of the CNBC global business television news service. The channel provides a customised menu delivering the latest Australian and global business and market action 24 hours a day. The dynamic CNBC Ticker, also customised for Australia and New Zealand viewers, delivers real-time data from the Australian Stock Exchange and New Zealand Stock Exchange.

CNBC Australia, focuses on the provision of live and up-to-the-minute business news and information to the business community in Australia and New Zealand

Products & Services

- CNBC Australia provides the relevant market analysis and insights to help business professionals make educated and timely business decisions
- CNBC Australia is LIVE 24 hours a day, Mondays to Fridays
- CNBC Australia features a unique and valued investor tool – the CNBC ticker featuring real time data from the Australian and New Zealand Stock Exchange
- CNBC Australia brings together 3 networks (CNBC Asia Pacific, CNBC Europe and CNBC US) in one channel, connecting Australia to it's trading partners in Asia Pacific, Europe and US

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For more information
Sydney
Call +61 2 8249 5961
website www.cnbcasia.com

GE Consumer & Industrial
Appliances

Each year we sell more than 12 million appliances in 150 countries around the world.

When you purchase a GE appliance, you are not 'just buying another product from just another company'.

GE appliances are the result of the history, the size and commitment of the world's most extraordinary company. GE's history began with Thomas Edison, inventor of the electric light in 1878. A merger between Edison General Electric Company and Thomas Houston Electric Company in 1892 created General Electric Company.

In the following century GE pioneered many of the major appliances that we still use today - the first refrigerator in 1911, the electric range in the 1920's, dishwasher in the 1930's and the microwave in the 70's.

Now, more than ever, GE leads the way in domestic style and innovation. Today's consumers want more sophistication, not just in terms of style, but also in terms of technology.

Innovatively designed inside and out, new GE appliances represent the ultimate in sophistication. Bold curves and clean lines make a dramatic statement, while award-winning technology saves time.

The special appliance touches, like sculptured handles tie everything together beautifully. The combination of high style and performance makes GE appliances the perfect choice.

For the seventh year in a row, GE has been named the first choice of builders and remodelers in the USA. The survey findings reflect our ongoing commitment to provide our customers with superior products and support.

Today, GE continues to build on more than a century of innovation with Six Sigma, our companywide, customer focused approach to quality. Each appliance is rigorously tested, with the goal of near-perfection.

When you choose GE, you can count on us to go the extra mile to make your life easier.

For sales nationwide please call 13 13 GE.

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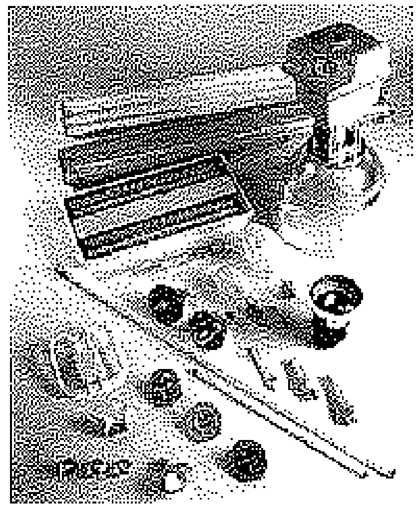
For more information
GE Appliances
Level 10, Lumley House, 7 City Road,
Auckland, New Zealand
Phone +64 9 353 6702
Fax +64 9 353 6703
Website www.geappliances-asia.com/asia/

GE Consumer & Industrial
Lighting



The right light.

Through the utilisation of the vast resources of this global organisation Lighting is able to offer global technology leadership in the lighting market with major developments in design and application being driven by technology centres in North America, Europe (Hungary) and now in Shanghai, China.

This technology leadership can be seen in all products that are manufactured by our business. In recent times a renewed focus on specific end user outcomes has seen the introduction of specialty automotive, ceramic metal halide (CMH), and compact fluorescent (CFL) products. This has resulted in the delivery of products to market that offer additional life, colour consistency, as well as energy saving lamps that are environmentally friendly and reduce energy bills. With offices located in every state of Australia and in New Zealand, our expert team of Account Managers are well equipped to sell our quality lighting products through our established reseller customer base by focusing on end user applications and the features of our products. With our product range, technology, global size and expert sales force, our regional office is well positioned to continue to deliver quality products and services to the Australian and New Zealand markets.

Products and Services include:

- Incandescent Lamps
- Halogen Lamps and Reflectors
- Linear Fluorescent Lamps
- Compact Fluorescent Lamps
- High Intensity Discharge Lamps – including CMH
- Domestic & Commercial Fixtures
- Specialty Lamps

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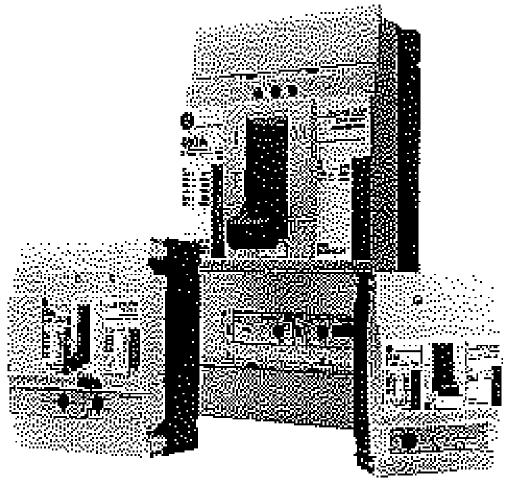
For more information

Australia wide 1800 334 352

Website www.gelighting.com.au

GE Consumer & Industrial
Industrial



Offering powerful solutions with engineering expertise.

Since the founding of the General Electric Company by Thomas Edison in 1882, Industrial has been known for technical innovation.

Industrial spans the globe as a leader in integrated industrial, electrical equipment, systems and services. The business brings to customers the latest technologies that are used to distribute, protect and control energy and equipment, and to provide premise management.

Products & Services include:

Low Voltage & Medium Voltage Equipment

- Domestic & Industrial Circuit Breakers
- Fuses and Fuse Switches
- Contactors, Overloads and Pushbuttons
- Soft Starters and Variable Speed Drives
- Enclosures (Metal & Polyester)
- LV & MV Switchgear
- Busway
- Transformers

Power Management

- Protection Relays (Generator, Transmission, Distribution & Industrial)
- Motor Management Relays
- Energy Management Relays
- Fibre Optic Multiplexers
- Substation Automation
- Remote Site Management

Digital Energy

- UPS
- Batteries
- Static Transfer Switches

Motors & Controls

- AC & DC Motors
- Variable Speed Drives
- Mining Equipment Commissioning Support & Services

imagination at work

For more information
Australia wide 1800 33 4352
Website www.geindustrial.com

GE Money

Delivering flexible financing options to more than 115 million customers around the world.

GE Money, with assets of more than US$130 billion, is a leading provider of credit services in 42 countries.

Our financial services include personal loans, auto loans, mortgages, credit cards, corporate travel and purchasing cards, home equity loans and debt consolidation loans. GE Money, based in Stamford, Connecticut, is a business unit of GE Capital Corporation, a wholly-owned subsidiary of General Electric Company.

GE Money Australia and New Zealand

In August 1995, we acquired the credit card operations of the Coles Myer Group in Australia. This formed the basis of GE Money Australia and New Zealand, which has grown rapidly over the past 10 years through acquisitions, new product introduction and organic growth. Acquisitions have included Nissan Financial Services in 1998, Avco Financial Services in 1999, AGC Australia and New Zealand in 2002 and, in 2004, the Australian Financial Investments Group whose brands include Wizard Home Loans. Today we are one of Australia's leading consumer finance companies, offering a vast range of consumer lending products, including personal loans, auto loans, credit cards, mortgages, insurance and promotional retail finance. We have assets in excess of A$30 billion and over 3 million customers across Australia and New Zealand.

Our financial services are distributed through numerous sales channels, including over 12,000 retailers, 700 auto dealers, 5,500 brokers, 400 branches and the Internet. By providing accessible credit at the right time and place, our clients are better able to acquire new customers, generate incremental sales and strengthen their customer relationships. GE Money in Australia and New Zealand is a full service provider of financing solutions, managing credit applications, credit authorisation, billing, remittance and customer service processing utilising six sigma quality methodology to minimise defects and ensure operational excellence.

GE Money is part of the global GE network, a company with a AAA rating and global lending experience.

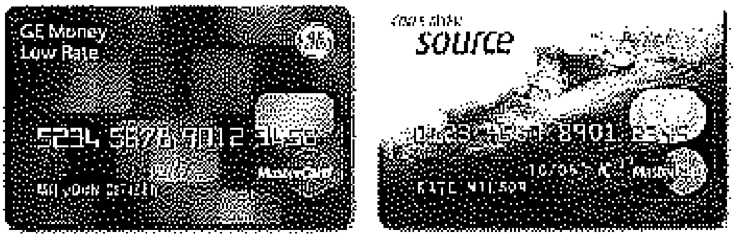
imagination at work

For more information

Australia

Call	+61 3 9921 6522
Website	www.gemoney.com.au

GE Money
Credit Cards



Customised credit card programs for consumer businesses.

Coles Myer Source™ MasterCard and Coles Myer Source Gold™ MasterCard1

The Coles Myer Source™ MasterCard is accepted at over 22 million locations worldwide. Cardholders can take advantage of a $0 fee on the FlyBuys Points Extra Fast Option. Cardholders can earn 1 FlyBuys point for every $1 of eligible purchases anywhere MasterCard is accepted and up to 7 points for every $5 spent in participating Coles Myer stores, when used with their FlyBuys card. Cardholders on either option will also benefit from up to 62 days interest free days on everyday purchases. The program also provides a range of Coles Myer benefits including special offers and discounts at Coles Myer stores, and interest free offers ranging from 3 to 48 months. Fees and conditions apply.

Coles Myer Source™ and Coles Myer Source Gold™ are trademarks of Coles Myer Limited. ABN 11 004 089 936. FlyBuys is a registered trademark of Loyalty Pacific Pty Ltd. ABN 92 057 931 334.

GE Money Low Rate MasterCard

With an annual percentage rate of just 10.99% p.a., the GE Money Low Rate MasterCard is an easy-to-manage credit card that can save you money now and in the future*.

* Conditions, fees and charges apply. Credit provided by GE Capital Finance Australia ABN 42 008 583 588

GE Money MasterCard

A GE Money MasterCard gives you the freedom to choose what you want, when you want it*. The GE Money MasterCard offers up to 55 days interest free^, cash access from any ATM where you see the MasterCard®, or Cirrus® logo, and acceptance at over 22 million locations worldwide.

* Conditions, fees and charges apply. ^Cash advances charged interest from the date of withdrawal. Credit provided by GE Finance Australasia Pty Ltd ABN 08 002 015 485.

imagination at work

For more information

Australia

Call +61 3 9921 6522

Website www.gemoney.com.au
www.sourcecard.com.au

GE Money
CareCredit®

From people to pets, GE Money CareCredit® provides patient finance for vision, dental and veterinary procedures.

GE Money CareCredit provides flexible patient financing, specifically designed for healthcare expenses. CareCredit allows patients to begin their treatment now - then pay for it over time with monthly installments.

CareCredit has already helped over three million patients and 45,000 healthcare providers in the USA and Canada and is now available in Australia.

CareCredit has flexible finance plans for:

- Dentistry (including Orthodontics)
- Vision Care (including LASIK)
- Veterinary Care

Potential Benefits for Patients

- Flexible monthly payments
- A revolving line of credit that can be used by the whole family for ongoing treatment without having to reapply
- Interest Free and Extended Payment Plans:
  - 3, 6 and 12 month Interest Free Plans*
  - 24, 36 or 48 months Extended Payment Plans*

Potential Benefits for Healthcare Practices

Give your patients more reasons to say "Yes" to the treatment they need.

CareCredit may assist practices to:

- Increase acceptance of optimal treatment recommendation
- Provide your patients with Interest Free* and Extended Payment Plans*
- Increased focus on patients not on payments
- Reduce accounts receivable and associated billing and collection expenses
- Direct electronic payments of patient accounts to your nominated bank account
- Improved patient retention and loyalty by taking finances and unpaid bills out of the relationship.

*Available to approved applicants. Conditions apply. Fees and charges are payable. Interest is payable after any interest free period.

imagination at work

For more information

Practice Enquiries: 1300 11 22 73
Patient Enquiries: 1300 [illegible] 22 73
Website: www.carecredit.com.au

GE Money
Insurance

Delivering innovative insurance solutions specifically tailored to the unique needs of our customers.

Formed in 1968, through the establishment of Hallmark Life, GE Money has over 30 years insurance experience in the Australian and New Zealand financial services industry.

In 1970, Hallmark General Insurance Company established the first Consumer Credit Insurance package released to market. GE Capital acquired Hallmark Life and General in 1999.

In order to provide the flexibility to adapt to the changing environment and the constant demands of our partners we deliver best practice solutions and products drawn from GE's Global experience.

We strive to develop strategic business relationships and aid in the development of customised insurance products that meet the specific needs of our partners and their customers. All the time working closely with our partners to develop effective and efficient sales processes.

Our aim is to develop creative products and maximise distribution opportunities.

We offer a diverse product range including:

- Consumer Credit Insurance
- Term Life
- Total Loss Protection
- Home & Contents
- Motor vehicle and
- Personal Accident Insurance
- Home Loan Protection Insurance

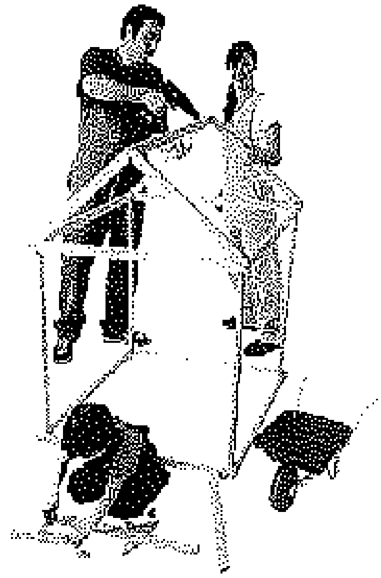
As a result of this diversity, we have leading business partners, and experience in Banking, Finance, Motor Vehicle dealerships, Retail and Home Mortgage Lending.

When we work with our partners we ensure we have a thorough understanding of what is required, and we develop and share, goals and objectives. With management discipline and a commitment to success at all levels GE Money can compliment and adapt to our clients existing and future business needs.

imagination at work

For more information
Australia
Call +61 3 9921 6522
Website www.gemoney.com.au

GE Money
Mortgages



Lending to the alternative borrower.

GE Money offers the Australian mortgage market innovative financing options for home loans, investment property or consolidating financing, with an emphasis on alternative mortgage products.

GE Money understands that not everyone meets the traditional rigid lending criteria and has developed products to meet the varying needs of the alternative borrower

- Residential owner occupied or investment loans
- LVR to 90%
- No lender's mortgage insurance required on any product
- Regulated or unregulated loans
- Self certification
- Loan amounts from $10,000 to $1.5 million
- Loan term from 7 – 40 years
- Additional repayments and redraw facility
- Weekly, fortnightly or monthly repayment plans
- No ongoing monthly fees
- Variable interest rates

GE Money has built on GE's global commitment to and expertise in the alternative lending market and offers.

- Call Centre – 6 days a week, 7am to 8pm
- Over 5,000 accredited brokers
- Telephone banking
- Broad geographic reach
- Dedicated support through to settlement
- Pre and post settlement calls to brokers and customers
- Regular customer feedback surveys
- Australia Wide Branch Network

GE Money serves the market via the innovative use of technology, dedicated service providers and, most importantly, the commitment of GE introducers. GE Money's simple goals are to provide brokers with a great product and outstanding broker and customer support.

GE Money is part of the GE global network, a company with a AAA rating and global sub prime experience.

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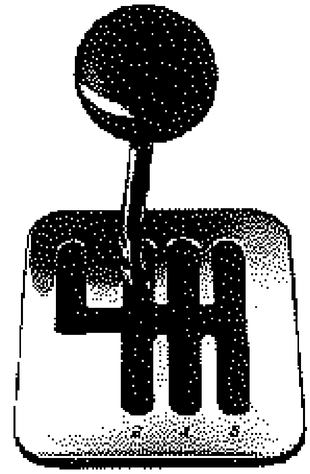
For more Information
Australia
Call +61 3 9921 6565
Website www.gemoney.com.au

GE Money
Motor Loans



From motorcars to motorbikes to motorboats. GE Money can get you going.

GE Money is a leading provider of motor vehicle finance in Australia.

We have been servicing the financial needs of Australian motorists for over 30 years, through our acquisitions of Nissan Finance Corporation Limited in 1999 and Australian Guarantee Corporation Limited in 2002. Our experienced sales team provide GE Money customers with personal service through a range of dealerships offering GE Money products and also through GE Money's Direct Sales Centre.

GE Money Motor Loans are offered by approximately 1000 auto, marine and motorcycle dealerships and finance brokers throughout Australia. GE Money prides itself on providing innovative tools to make doing business with GE Money easy. Just as importantly, GE Money offer a full range of innovative products to help customers chose a loan that suits their needs.

Our product range includes:

Consumer Loans, Commercial Loans
Asset Purchase
Commercial Lease
Novated Leases
Inventory Finance

GE Money is not limited to auto loans. Our services extend to providing:

Motorcycle Loans
Motor Home Loans
Caravan Loans
Marine Loans, including personal water craft and ski boats.

By offering a wide range of loan products and services means that we can help find a product that suits our customers' needs. As an existing GE Money Motor Loans customer, we can offer top-up finance on a current loan, or a great deal on buying a family boat. We can even pre-approve an existing GE Money customer who has not yet selected their car of choice. Our aim is to make the finance application process as quick and simple as possible, whilst providing our customers with product choice and flexibility.

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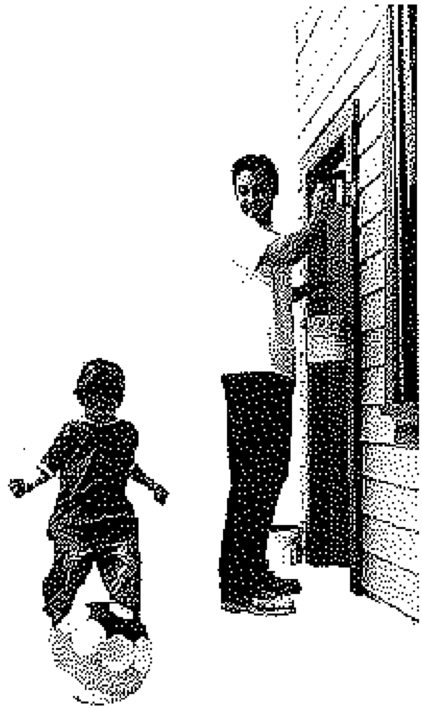
For more Information
Call +61 3 8636 3900
Website www.gemoney.com.au

GE Money
Loans



GE Money assists our customers to meet the challenges of everyday life with flexible Personal Loans at over 121 Branches across Australia.

GE Money offers personal loans, home loans, auto loans, Insurance, debt consolidation and credit cards through our network of community based branches within every state and territory throughout Australia.* We believe that customers should be treated like people, not numbers. We pride ourselves on our strong local and customer service.

We specialise in Debt Consolidation loans, put simply, you use a GE Money personal loan to pay off your other debts (such as credit cards, store cards and other loans), and then you repay just that one loan. The benefit of this approach is that budgeting becomes simpler because you repay only one regular fixed amount. Customers also save money as the interest rate on a personal loan may be lower than on a credit card. It is also generally lower again if you have security (a house or a car etc).

In 2004 the branch network underwent an external refit creating a retail presence to differentiate ourselves from banks and credit unions.

One visit to a local GE Money branch is usually all it takes to get the financial service that's right for a customer with loans tailored to individual circumstances and ability to pay.

GE Money is part of a global network, a company with AAA rating and global sub prime experience.

* Approved applicants only. Fees and charges apply. Credit provided by GE Personal Finance Pty Ltd ABN 54 008 445 810 trading as GE Money

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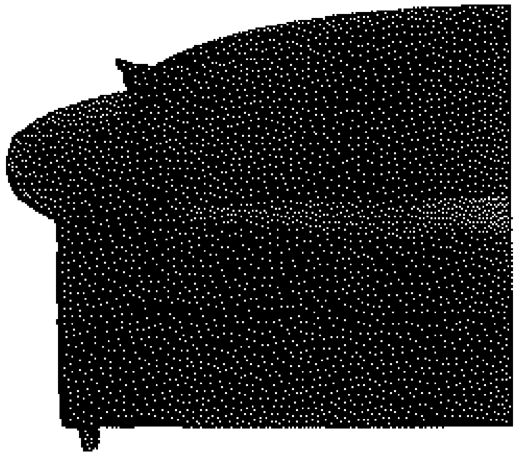
For more information
Australia Call +61 3 9921 6572
Website www.gemoney.com.au

GE Money
Retail Finance



GE Money's Retail Finance enables you to increase your sales!

GE Money's Retail Finance facilities# will allow your customers to buy those big-ticket items they thought they couldn't afford to buy right now.

Retailer benefits include:

- Increased store traffic - Retail Finance promotions can be used as an incentive to drive traffic into your store
- Increased sales - Retail Finance is ideal for those customers who may not otherwise be able to make a purchase.
- Upsell opportunities - Retail Finance can be used to upsell customers to bigger and better products.
- Easy and convenient - A simple on-line application process means that you are back on the floor serving other customers quickly.
- Fast settlement - Settlement funds are paid within 48 hours maintaining your cash flow.

Customer benefits include:

- Bringing forward the purchase - Rather than waiting to buy big ticket items, customers can purchase the goods immediately.
- A range of special offers - There are a range of promotions that you can offer to your customers including Buy Now Pay Later, Instalment Interest Free, and other extended payment plans.
- Repeat purchases - After approval, customers will be sent a repeat purchase card that can be used again at more than 10,000 retail stores.
- Access to cash^ - the repeat purchase card can also be used to access cash via ATM's and EFTPOS terminals across Australia, Australia Post giroPost® outlets or over the counter at Westpac Bank branches.

For more information simply call us on 1300 361 971 or visit our website at www.gecreditline.com.au

^ Fees apply to cash access channels: ATM fee of $1.95, EFTPOS fee of $0.85 also applies to Australia Post giroPost® outlets, over the counter fee of $5.00 at Westpac Bank branches.

Approved applicants only. Conditions, fees and charges apply.

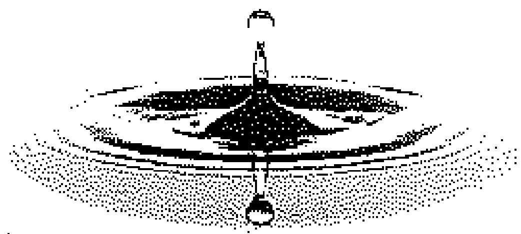
GE CreditLine is a credit facility provided by GE Finance Australia Pty Ltd (ABN 99 015 405) trading as GE Money

imagination at work

For more information

website	www.gemoney.com.au
	www.creditline.com.au
	www.buyersedge.com.au
Call	+61 3 9921 6522

GE Infrastructure
Water and Process Technologies



Water...
industry depends on it
everything depends on it
we treat it – everywhere.

This broad technology capability encompasses filter and membrane products, complete water treatment systems, specialty chemicals, feed equipment, monitoring and control systems and technical and operational services – all matched to the needs of a broad range of industries and applications.

Combining these technology based capabilities with the proven strengths of our other GE businesses gives GE Infrastructure the unique ability to customize the optimum solution for industrial customers' complex water needs. For example, taking over a customer's existing water treatment plant with a customised outsourcing solution presents additional challenges when all the aspects of supply reliability, regulatory and HSE compliance and financial capability are considered. GE Infrastructure has addressed these challenges by harnessing the resources of many parts of GE:

- Supply reliability can be assured by backup from our fleet of Mobile Water Systems.
- Remote monitoring, data logging and control capabilities are GE Fanuc's strength.
- Regulatory and HSE issues are resolved with the support of our global legal, HSE and operational resources.
- GE Commercial Finance is capable of tailoring a customised financial solution to meet almost any financing challenge.

GE Infrastructure has been able to demonstrate to many customers, that we can help improve their bottom line, by providing significant operating cost savings, improved plant performance and operating reliability and enhanced environmental compliance.

So whatever your water needs may be, whenever they may occur or wherever you are located – GE Infrastructure is equipped to deliver the right solution for your business.

- Cooling water
- Boiler water
- Influent / effluent
- Reverse Osmosis
- Filtration – cartridges and equipment
- Chemical dosing and control
- Dust control
- Odour control
- Process deposit control
- Minerals processing chemicals
- Membrane chemicals
- Customised service agreements
- Water reuse

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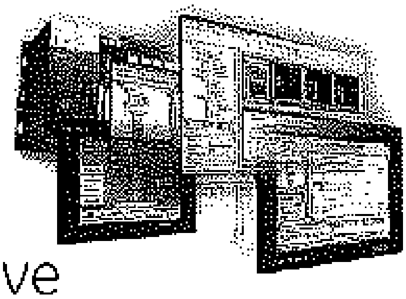
For more information

Customer Service	1800 648 530
	61 2 98276100
Website	www.gewater.com

GE Infrastructure
Sensing & Fanuc Automation



Providing a comprehensive infrastructure solution.

Sensing

An industry leader in the design and manufacture of sensing elements, devices, instruments, and systems that enable customers to monitor, protect, control, and validate the safety of their critical processes and applications.

Sensing offers precision sensors, handheld and portable field calibrators, standalone measurement instrumentation and systems that provide the end-to-end solutions necessary to verify, validate, or certify vital processes.

Our Core Products are:

- Sensors
- Subassemblies
- Handheld and Portable devices
- Measurement Instruments and Systems
- Reference Standards

Our Core Services are:

- Start-up Commissioning, Troubleshooting, Verification of Field Instrument Installations
- Global Accredited Calibration & Repair Network (NIST Traceable, UKAS & DKD certified)
- Surveys, Training, Installation, and Start-Up Facilitation

GE Fanuc Automation

Providing industrial automation solution for a diverse range of customers from Utilities to Discrete and Process Manufactures.

GE Fanuc is a joint venture between GE and FANUC LTD of Japan, delivers automation hardware and software designed to help users reduce costs, increase efficiency and enhance profitability.

Products & Services include:

Automation

- AEB (Automation Equipment Business)
- Software Solutions
- Embedded Solutions

Solution Services

Automation

Powerful, flexible, scalable solutions for customers around the globe enabling them to

- Lower operating costs and maximize return on investment
- Dramatically increase quality, efficiency and productivity throughout their operations
- Reduce waste, downtime and product overruns
- Protect their existing technology investments
- Comply with crucial industry regulations
- Speed time to market
- Increase system reliability, availability and scalability

imagination at work

For more information

GE Fanuc Automation

Melbourne	+61 3 9810 5412
Website	www.gefanuc.com
Sensing	
Sydney	+61 2 9525 4055
Website	www.gesensing.com

GE Advanced Materials
Plastics

Customised engineering plastics solutions

Over fifty years ago, a GE lab chemist, Daniel Fox, discovered LEXAN® polycarbonate resin – GE Advanced Materials – Plastics' (GEAM) flagship polymer which has revolutionized our lives.

GEAM Plastics now produces 1 million tonnes of LEXAN® resin each year, serving customers around the world – with diverse applications such as astronaut helmets, mobile phones, DVDs, bullet-resistant shielding, water bottles, headlights – available in a variety of finishes and over 35,000 colours. GEAM Plastics is a global manufacturer and marketer of a wide range of quality engineering materials and services. In Australia, GE Plastics has been manufacturing high performance polymers since 1982.

In 2002, GEAM Plastics acquired LNP. Through various combinations of 30 base polymers and 16 different fillers and reinforcements, LNP can tailor products to specific applications, with brand names such as THERMOCOMP®, LUBRICOMP®, LUBRILOY®, VERTON®, STAT-KON® and KONDUIT®.

GEAM Plastics services markets including automotive, building and construction, security, packaging, appliances, transportation, marine, data storage, electrical and electronics, signage and graphics, fluid handling, medical and data storage.

Products in the GEAM Plastics portfolio include:

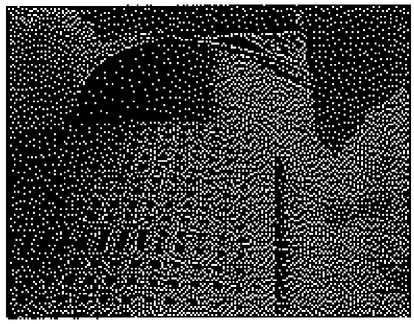
- LEXAN® PC and LEXAN® EXL resin
- XENOY® PC/PBT resin
- VALOX® PBT resin
- CYCOLOY® PC/ABS resin
- NORYL® PPO alloys
- NORYL GTX® PPE/PA resins
- ULTEM® PEI resin
- XYLEX™ PC/polyester resin
- AZDEL® Laminate and SuperLite® composite products
- LEXAN® SG sheet for signage
- LEXAN MARGARD® mar-resistant sheet
- LEXAN Thermoclear® Plus
- ULTEM® Sheet
- LEXAN® ULTEM™, XYLEX™ and VALOX® Films

GE also markets LEXAN® polycarbonate sheet and film products under the Specialty Film and Sheet banner into markets including Security Glazing and Signage.

imagination at work

For more information
Head Office +61 3 9703 7700
Plastics (Sales/Service) 1800 649 112
SFS (Service)
Australia 1800 285 266
Website www.geadvancedmaterials.com

GE Advanced Materials
Silicones



World's premier producer and manufacturer of silicone products.

Silicone has always been part of the earth. Fifty years ago the world was radically transformed by the development of silicone, a polymer with exceptional stability and adaptive properties.

Its applications range from everyday household products to advanced technologies.

With global headquarters in Waterford, New York, GE Advanced Materials – Silicones (GEAM) is a world leader in the development, manufacture and sale of silicone products. In addition to our Western Hemisphere operations, GEAM Bayer Silicones, headquartered in Erkrath, Germany, serves Europe, the Middle East, Africa and India. GEAM Toshiba Silicones, headquartered in Tokyo, Japan, serves the Pacific region.

The silicones family of engineered materials is man-made, with a chemical backbone similar to that of high temperature inorganic materials such as quartz, glass and sand. The inherent benefits of silicones include moisture protection, UV, ozone and chemical resistance, and unique temperature cycling capabilities.

GEAM Silicones serves industries and customers around the world.

Major application segments include:

- Automotive – automotive exterior, interior, engine/powertrain, and electronics
- Construction – commercial weather sealing, glazing and roofing
- Consumer Retail – residential sealing and weather protection
- Healthcare & Consumer Goods – tubing and other devices, baby care products
- Release Coatings – paper release liner and film coatings for labels, and pressure sensitive adhesives for high performance tapes
- Personal Care – antiperspirants, shampoos, conditioners, lotions and cosmetics

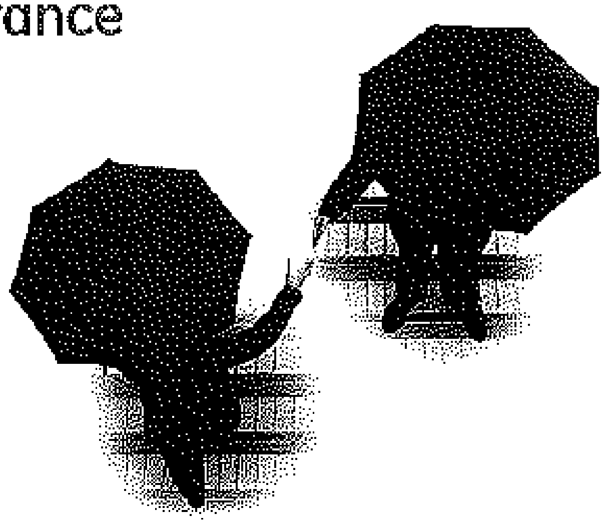
A unique family of materials including:

- Silicone Sealants used in Retail, Construction and DIY
  Phone +61 3 9703 7127
- Silicone Fluids, Resins and Specialties Used in Personal Care, and Pulp and Paper,
  Phone +61 3 9703 7262
- Industrial Sealants and Elastomers Used in Mining, Automotive, Healthcare and Aerospace
  Phone +61 3 9703 7262

imagination at work

For more information
Call: +61 3 9703 7262
Website: www.gesilicones.com

GE Insurance Solutions
Employers Reinsurance Corporation



GE Insurance Solutions has more than 3,300 employees who serve clients in 28 countries around the world.

Local offices include; Sydney, Brisbane and Melbourne, Australia and Auckland, New Zealand.

The company was established in 1914, as Employers Indemnity Corporation, providing workers compensation coverage from an office in Houston, Texas. It moved to downtown Kansas City, then in 1929 changed its name to Employers Reinsurance. In 1984, GE acquired ERC, which was rebranded in late 2004 to 'GE Insurance Solutions', and it is today headquartered in Overland Park, Kansas, USA.

GE Insurance Solutions is the world's fourth largest reinsurer and is structured around nine strategic product lines: Property & Casualty, Accident & Health Reinsurance (US), Life & Health Reinsurance (Europe), Professional Liability, Medical Malpractice, Healthcare Reinsurance, Programs for Managing General Underwriters, Workers Compensation and Pensions and Annuities. In addition, as a member of the GE family, GE Insurance Solutions is able to provide clients with access to a wide range of products, services and powerful business tools from GE and other subsidiary companies.

GE Insurance Solutions holds excellent financial security evaluations from independent rating services: Standard & Poor's, A.M. Best Company and Moody's.

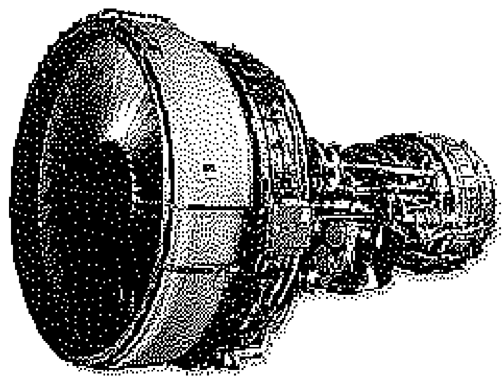
GE is a diversified technology, services and manufacturing company with a commitment to achieving customer success. GE operates in more than 100 countries and employs approximately 310,000 people worldwide. GE has been recognized repeatedly as one of the world's most admired companies by Fortune magazine.

imagination at work

For more information

Simply call us on (02) 9334 2800
or visit our website at:
www.geinsurancesolutions.com

GE Transportation
Aircraft Engines



Powering and servicing aircraft around the world.

GE Transportation (GET) - Aircraft Engines is a leading manufacturer of jet engines for commercial and military aircraft and gas turbines for ship propulsion. Engine Services, a division of GET Aircraft Engines, has operations worldwide to provide spare parts, engine leasing, engine overhaul, component repair, accessories services, and on-wing support.

GE's technology leadership, supported by substantial investments in research and development, has been the foundation of its growth. GET Aircraft Engines is investing almost US$1 billion annually to create new propulsion systems-from regional jet engines to the world's most powerful jet engine-with technologies to enhance airline profitability and address more-stringent environmental regulatory requirements.

GE and CFM engines power the majority of commercial and military aircraft in Australia. Our Field Services representatives provide in-country technical support. GE's Sydney office provides sales and marketing support for new engine acquisitions, engine repair and overhaul services.

Current products in use in Australia include:

- CF6-80C2 powered Boeing 747 and 767 aircraft
- CF6-80E powered Airbus A330 aircraft
- CFM56-3/-7 powered Boeing 737 aircraft
- CT7 powered Saab 340 aircraft
- F404 powered Boeing F/A-18A/B aircraft
- T700 powered Sikorsky Seahawk, Black Hawk helicopters and Kaman Seasprite helicopters.
- The Australian Government's VIP fleet of CFM56-7 powered Boeing 737 and CF34-3 powered Bombardier Challenger aircraft.

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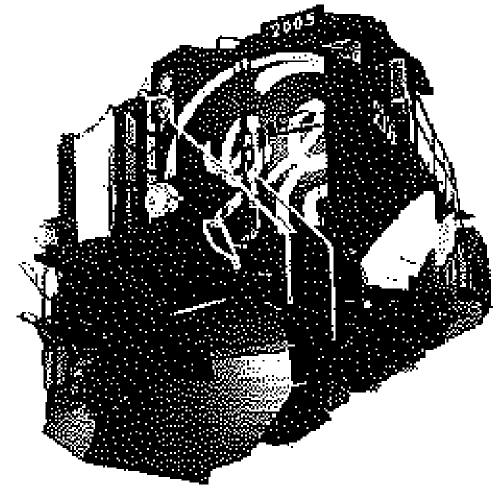
For more information
Australia
Call +61 2 9965 1400
Website www.geae.com

GE Transportation
Rail



One of the world's largest suppliers of locomotives, signaling systems and surface transportation equipment

GE Transportation – Rail (GET) is an ISO-9001 certified company and practices Six Sigma quality principles. General Electric has designed and manufactured equipment for the rail and mining Industries for over 100 years.

Today, GET Rail manufactures more than half of the of the diesel freight locomotives purchased in North America, and has locomotives running in 75 countries worldwide. Including over 350 units in Australia and New Zealand. Apart from locomotives GET Rail also offers support services such as remote monitoring and diagnostics, maintenance, performance upgrades and parts, railway control and communications systems, motorized wheels for mining vehicles, and e-business solutions.

GET Rail operates three core business components: Heavy Haul Locomotives, Signaling and Off Highway Vehicle (OHV) mining systems.

Products & Services:

- Locomotives for heavy haul, general freight and passenger trains
- Motorised wheels and systems (DC and AC Drives) for off-highway vehicles from 120 to 360 ton payloads
- Transit propulsion systems and control equipment
- Distributed power systems
- Automatic train protection
- Level crossing systems
- Diesel engines for marine and stationary use
- Drives for oil well drilling rigs

For more information

Locomotives	+61 2 4923 5000
OHV Mining Systems	+61 439 986 314
Signaling	+61 3 8786 6700
Websites	www.getransportation.com
	www.geminingsolutions.com

Appendix 3 – Memorandum prepared by CRA

INTERNATIONAL

Memorandum

To: Miriam Dean QC CRA No. D08235-00

From: James Mellsop and Kevin Counsell

Date: September 26, 2005

cc:

Subject: **POINT-OF-SALE FINANCE - MARKET DEFINITION**

INTRODUCTION

GE Money (GE) is proposing to purchase Pacific Retail Finance (PRF). Both GE and PRF provide, among other things, financing products to consumers at the point of sale of "big ticket" items such as white ware:

- GE's primary point-of-sale product is 'CreditLine', which is essentially a card-based revolving credit facility that can be drawn upon at participating retailers; and
- PRF's primary point-of-sale product is hire purchase.

You have asked us for our view on the demand-side boundaries of the product market in which point-of-sale financing products are sold to end consumers. (It is our view that a supply-side analysis would make the market even wider, e.g., motor vehicle finance would also be included.)

We conclude that point-of-sale products compete with credit cards, personal loans and mortgages (although only consumers with a house can avail themselves of the last option).

ANALYSIS

INTRODUCTION

Section 3(1A) of the Commerce Act defines a market as:

> *. . . a market in New Zealand for goods or services as well as other goods or services that, as a matter of fact and commercial common sense, are substitutable for them.*

It is appropriate to reflect on the practical nature of this definition. While the SSNIP test is frequently used by competition authorities around the world as the analytical tool to define markets, it is in the end only a test to assist in the analysis as to whether or not the goods or services in question are, as a matter of fact and commercial common sense, substitutable for each other. In addition to

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conceptual tools, a factual and common sense approach is required in order to define the relevant market.[1] Market definition requires consideration of the broader commercial and strategic environment in which firms and customers interact; in the end, what we are seeking to identify is whether an incumbent is subject to competitive pressure.

COMPARISON OF PRODUCTS

It is clear that a consumer purchasing a "big ticket" item from a retailer has several *technical* financing options, including: point-of-sale products; credit cards; personal loans; and drawing down on an existing mortgage. The issue is whether these are *economic* substitutes.

The various consumer finance products are differentiated - Table 1 (taken from GE's clearance application) compares the key dimensions.

Table 1: Consumer Finance Products

Product	Interest rate	Interest-free period?	Security required?	Transaction costs	Distribution	Flexible draw-down?	Other
Card-based revolving credit	23 to 24 percent	Yes	No	Low	Retailers	Yes	To be used at participating retailers; cash advance facility
Hire purchase	17 to 24 percent[2]	Yes	Yes	Low	Retailers	No	
Retailer issued cards	12 to 24 percent[3]	Yes	No	Low	Retailers	No	
Credit card	10 to 20 percent[3]	Yes	No	Low	Banks (either branch or website)	Yes	Loyalty programmes; cash advance facility
Personal loan	12 to 17 percent[2]	No	Varies	High	Branches	No	

1 In *Tru Tone Records v. Festival Records Retail Marketing Ltd* (1988) 2 NZBLC, 99-135, the court acknowledged the importance of "fact and commercial commonsense" and not just "substitutability" as key aspects of defining markets.

2 The website [illegible] gives a comparison of the range of interest rates for different loan types, including hire purchase as noted here

3 The website [illegible] gives weekly interest rates for the major lending institutions for a variety of loan products. The interest rates quoted in this cell are the typical range of values (i.e. excluding significant outliers) given on the [illegible] site for the particular loan product, accessed on 6/9/2005

Mortgage	7.4 to 8.1 percent (fixed) or 8.6 to 9 percent (floating)[3]	No	Yes	High to set up, but then low	Branches	Yes	Requires house as security (68 percent of New Zealanders own the homes they live in[4])

Product differentiation does not necessarily mean that two products are in separate markets. The price advantage of one may be offset by quality or other differentials in favour of the other. In other words, because of differentiation a consumer may be indifferent between the higher-priced product and the lower-priced product, and relative price changes may induce significant substitution.

In the Australian *AMH* case, Justice Wilcox stated:[5]

> *The existence of price differentials between different products, reflecting differences in quality or other characteristics of the products, does not by itself place the products in different markets. The test of whether or not there are different markets is based on what happens (or would happen) on either the demand or supply side in response to a change in relative price.*

In respect of the Brambles merger, the High Court made the following related comment (paragraph 125):[6]

> *The ssnip test does not however suggest that cost equivalence after a relative price change is a necessary condition for close substitutability. This is especially so when products are differentiated (as are crates and cardboard) and where there are agreed advantages and disadvantages of each. This means that absolute and relative prices are only one component of comparative value propositions.*

As can be seen from Table 1, the interest rates on point-of-finance products are significantly higher than those on personal loans. However, it can also be seen that point-of-sale products have offsetting advantages. In particular, they offer interest-free periods and can be set up within ten or so minutes in the retail store. Accordingly, the true costs of both products may be quite similar.

It is also striking from Table 1 how similar a point-of-sale card-based revolving credit product is to a credit card. On this sort of analysis, the closest product to GE's CreditLine is actually a credit card issued by a bank, not PRF's hire purchase product.

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4 Statistics New Zealand, 2001 Census of Population and Dwellings

5 *Trade Practices Commission v. Australia Meat Holdings Pty Limited*, Federal Court of Australia, NSW District Registry, General Division (Hearing, Sydney 18/7/1988), pages 17-18.

6 *Brambles New Zealand Limited v The Commerce Commission & Anor* (High Court, Auckland, CIV2155-03, 24 October 2005)

We note that GE and PRF choose to distribute some of their consumer financing products via retailers. This does not affect market definition. Heterogeneity of distribution model is a feature of many industries. For example, some manufacturers of bicycle clothing sell via retailers, while others sell over the Internet (see, e.g., http://www.krankdirtwear.com/), and others do both (see, e.g., http://www.n-zone.co.nz/).

Empirical Evidence

We are not aware of any data on switching behaviour in response to relative price changes between these various consumer finance products. Instead, as per the *Brambles* case, we have analysed evidence of use, albeit at a relatively high level (lower level data does not appear to be available).

Consumer Use of Finance

Thorp and Ung (2000) analyse data on household hire purchase and credit card borrowing in New Zealand from 1978 to 1999.[7] They find that, during the 1980s, hire purchase borrowing had a relatively high share of total household liabilities (at approximately 10 percent), which then subsequently declined to about 4 percent throughout the 1990s. Credit card borrowing as a percentage of total household liabilities remained steady at about 3 to 4 percent throughout that period. Thorp and Ung note that the decline in hire purchase borrowing was "in part because it became possible to 'put the car on the house'" (p.22), suggesting substitutability between hire purchase and mortgage borrowing. Moreover, Thorp and Ung also note that "[t]here is a degree of substitution possible between credit card and HP borrowing for consumer goods" (p.22).

The hire purchase and credit card borrowing data analysed by Thorp and Ung, and similar data on other household loans, are also available from the Reserve Bank money, credit and financial statistics tables.[8] Using data compiled from a number of these tables,[9] Figure 1 presents a time series of various household loan products as a percentage of total household loans. The vertical axis on the left of this graph measures the percentage of total household loans of hire purchase loans, credit card debt, and other consumer loans from 1978 to 2004.[10] The right-hand vertical axis measures the percentage of household loans of mortgages only (from 1990 to 2004) and mortgages and other consumer loans combined (from 1978 to 1989, when disaggregated data for these two products were not available). Mortgages typically make up a large proportion of total household loans, and so the

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7 Thorp, C. and B. Ung (2000), "Trends in Household Assets and Liabilities Since 1978", *Reserve Bank of New Zealand Bulletin*, 63(2), 17-37.

8 See [illegible]

9 Hire purchase, credit card and total household loans data are taken from the Reserve Bank's table of "Household financial assets and liabilities to December 2004". Separate mortgage and other consumer loans data from 1990 to 2004 are taken from the Reserve Bank's table C6, "Total household claims". Aggregated mortgage and other consumer loans data from 1978 to 1989 are taken from Thorp and Ung (2000), Table 2, "Total large institution loans".

10 Other consumer loans are mostly term and overdraft loans from banks and non-bank financial institutions.

two vertical axes are used to allow for an easier comparison with other loans (none of which makes up more than about 10 percent of total household loans).

Figure 1: Household loan products as a percentage of total household loans, 1978-2000

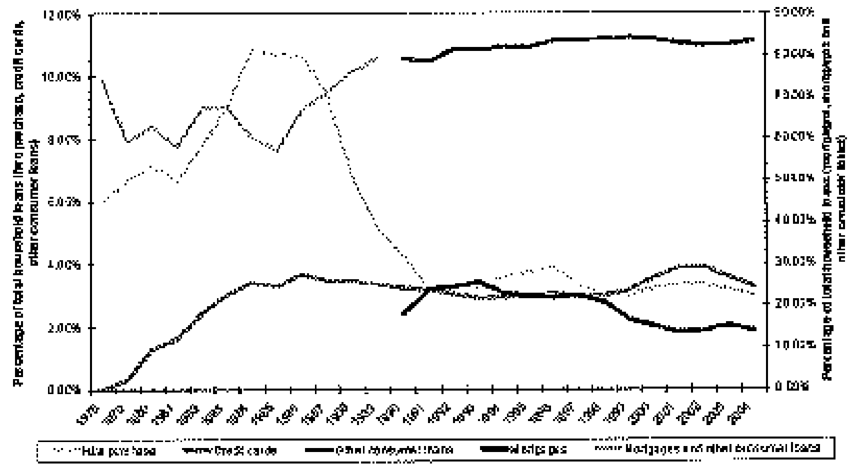


Figure 1 confirms the findings of Thorp and Ung: hire purchase borrowings dropped off significantly in the late 1980s, while at the same time there was an increase in mortgages and other consumer loans. Other observations from the data are:

- At the beginning of the period, hire purchase accounted for approximately 8 percent of household debt, and peaked at about 11 percent in the mid-1980s. Since the early 1990s it has been closer to 3 percent.
- In contrast, at the beginning of the period credit cards were not used, but now account for almost 4 percent of household debt.
- Because of the different treatment of the data pre- and post-1989, it is difficult to compare mortgages between the two periods. However, mortgage finance does appear to have risen in importance since the 1980s, coinciding with the reduced use of hire purchase.

It is important to note that whenever a purchaser with a mortgage (of any type) pays for a "big ticket" item with cash, he or she is effectively financing the purchase via the mortgage. Even if the relevant mortgage facility is not of the revolving credit type, that cash could have been used to reduce the mortgage. Mortgages permit the smoothing of consumption across time.

Some degree of care is needed in drawing conclusions from this data. In particular:

- New Zealand finance markets were heavily regulated prior to the mid-1980s reforms, and it is possible that behaviour was driven by changes in regulation – we have not investigated this issue.

- The data is at an aggregate level, rather than at the retail (e.g., "big ticket" item) purchase level.

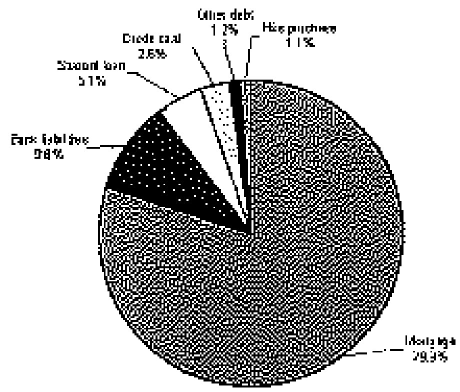
Nevertheless, the evidence is certainly suggestive of substitutability between the main products.

Thorp and Ung (2000) note that credit card loyalty programmes were widely introduced in 1998, which is perhaps one reason for the increase in credit card debt as a percentage of total household debt from 1998.

Evidence from Statistics New Zealand's one-off Household Savings Survey (HSS), undertaken between August and November 2001, broadly corroborates the breakdown of household debt depicted in Figure 1. The relevant data from the HSS for this analysis is a breakdown of the total estimated debt of New Zealanders for the various categories. The percentage of total debt held by New Zealand households for the various debt categories is shown in Figure 2.

Figure 2: Percentage of total debt by category, 2001

Source: Statistics New Zealand, 2001 Household Savings Survey



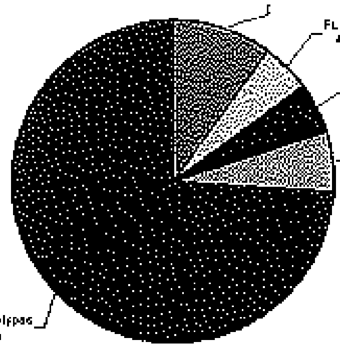
Note that bank liabilities are made up of overdrafts and personal loans with banks, finance companies, building societies and credit unions. Credit card debt refers only to personal credit cards. Hire purchase debt refers to any items bought on hire purchase. Other debts are debts that do not fit into any other category and have a value greater than $1000.

Consumer Use of Credit Cards

A breakdown of data on credit card spending is available from the BNZ-MarketView Consumer Spending Series. The data apply only to BNZ personal credit card customers, of which there are approximately 500,000 accounting for around 40 percent of all credit card spending.[11] Thus, while this analysis does not represent credit cards for New Zealand as a whole, it does provide an approximation as to credit card spending.

The BNZ-MarketView data gives a breakdown of credit card spending by store type. Figure 3 shows the proportion of total credit card spending (over the period July 2001 to July 2005) by store type, with the key store types analysed for present purposes being those where "big ticket" household items would typically be bought i.e. department stores, furniture stores, appliance stores, and recreational goods stores.[12] Over this time period, the "big ticket" store types made up approximately 26 percent of total credit card spending.

Figure 3: Proportion of Credit Card Spending by Store Type, Total for July 2001 to July 2005



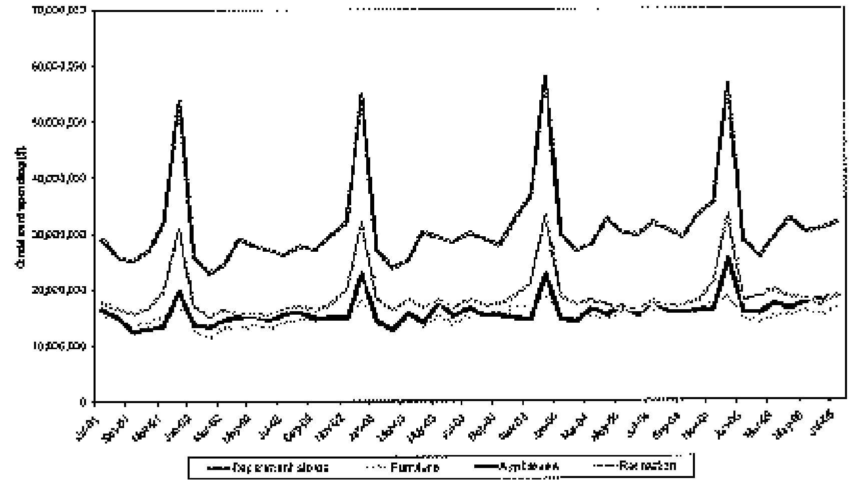
We have also considered how credit card spending at these stores has changed over time. Figure 4 shows a slight trend upwards, particularly for department stores.[13]

11 BNZ-MarketView (2004) "Consumer Spending Series Background Paper", February.

12 Of course, not all purchases at such stores would be "big ticket", but we do not have a better breakdown.

13 Spending at most stores is very seasonal, with a peak during the Christmas period.

Figure 4: Time Series of Credit Card Spending for "Big Ticket" Item Stores, July 2001 to July 2005



Consumer Use of Mortgages

We have not been able to find accurate data on use by consumers of mortgage lending for expenditure on items other than the house purchase. We have however found some useful information from media articles and other sources.

The Reserve Bank collects data on the number of fixed (at various terms) and floating residential mortgages offered by mortgage lenders (includes both bank and non-bank lenders). The series was discontinued in November 2004, but data from that month indicate 54 percent of the *number* of home loans are fixed, while 46 percent are floating. The data also show that 72 percent of the *value* of home loans are in fixed loans, while the remaining 28 percent of the total value are in floating.

These data do not give a further breakdown of what proportion of home loans are revolving credit. However there are some media articles that do. An article in the *Sunday Star-Times* (23 November 2003) notes that:[34]

> *Around 10% of home loans are estimated to be full revolving credit facilities*

[34] 'Revolving credit plans only for the disciplined', *Sunday Star-Times*, 23 November 2003.

It is not clear whether this refers to 10 percent of the number of home loans or 10 percent of the value of home loans. However, from the context of the article it may be the value of home loans, as the preceding paragraph quotes Reserve Bank statistics on the value of home loans as follows:

> *Estimates that this sector [i.e. fixed home loans] comprises around 60% of the total mortgage market are confirmed by Reserve Bank statistics which say $57b of the $80b mortgage market is in fixed products*[15]

A later article in the *Sunday Star-Times* (30 May 2004) suggests that the percentage of home loans that are revolving credit is around 20 percent:[16]

> *On average, revolving credit makes up 20% of larger home loans, with the rest in fixed-rate loans.*

Unfortunately this article does not give any further context for whether this figure refers to 20 percent by number or by value.

Accordingly, 10 percent of value is probably the most conservative approximation to use.

CONCLUSION

While there is differentiation between the various point-of-sale products, credit cards, personal loans and mortgages, they all have the same function. The empirical evidence that we have reviewed indicates that these products do compete, and are therefore in the same market.

15 Note these data are from about April 2004, hence the difference in the percentage figure from the November 2004 data we use above.

16 'Taking charge of the home loan', *Sunday Star-Times*, 30 May 2004

Appendix 4 - Finance Companies operating in New Zealand

- BMW Financial Services New Zealand Limited
- Bridgecorp Limited
- Canon Finance New Zealand Limited
- Capital & Merchant Finance Limited
- DaimlerChrysler Services New Zealand Limited
- Dominion Finance Group Limited
- Dorchester Finance Limited
- Elders Finance Limited
- Equitable Mortgages Limited
- FAI Finance Limited *
- Farmers' Mutual Finance Limited
- Fisher & Paykel Finance Group *
- Fuji Xerox Finance Limited
- GE Finance and Insurance *
- General Motors & Acceptance Corporation
- Instant Finance New Zealand Limited
- John Deere Credit Limited
- Leasing Solutions Limited
- Lombard Finance & Investments Limited
- MARAC Finance Limited
- Mascot Finance Limited
- Medical Securities Limited
- MFS Pacific Finance Limited
- Motor Trade Finances Limited
- Nathans Finance Limited
- Nationwide Finance Limited

- New Zealand Finance Limited
- Nissan Finance New Zealand Limited
- North South Finance Limited
- ORIX New Zealand Limited
- Oxford Finance Limited
- Pacific Retail Services Limited *
- PGG Finance Limited
- Prime Finance Limited
- Primus Financial Services Limited
- Provincial Finance Limited
- Retail Financial Services Limited *
- S.H Lock (NZ) Limited
- South Canterbury Finance Limited
- Speirs Group Limited
- St Laurence Mortgages Limited
- Strategic Finance Limited
- Toyota Finance New Zealand Limited
- UDC Finance Limited
- Western Bay Finance Limited *

Other financing companies not listed in the 2005 Survey include:

- Finance Now *
- Five Star Consumer Finance Ltd *
- Geneva Finance *

*These companies provide consumer finance

Appendix 5 – Registered banks operating in New Zealand

- ABN AMRO Bank N.V. New Zealand Banking Group
- ANZ National Bank Limited Group; ANZ Banking Group (New Zealand) Limited; The National Bank of New Zealand Limited
- ASB Bank Limited
- Bank of New Zealand
- Citibank, N.A. New Zealand Branch and Associated Banking Group
- Commonwealth Bank of Australia New Zealand Branch
- Deutsche Bank AG, New Zealand Group
- Kiwibank Limited
- Kookmin Bank Auckland Branch
- Rabobank Nederland New Zealand Banking Group
- Rabobank New Zealand Limited
- St. George Bank of New Zealand Limited (Superbank)
- The Bank of Tokyo-Mitsubishi Limited, Auckland Branch
- The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch
- TSB Bank Limited
- Westpac Banking Corporation New Zealand Division

Appendix 6 – List of Building Societies operating in New Zealand

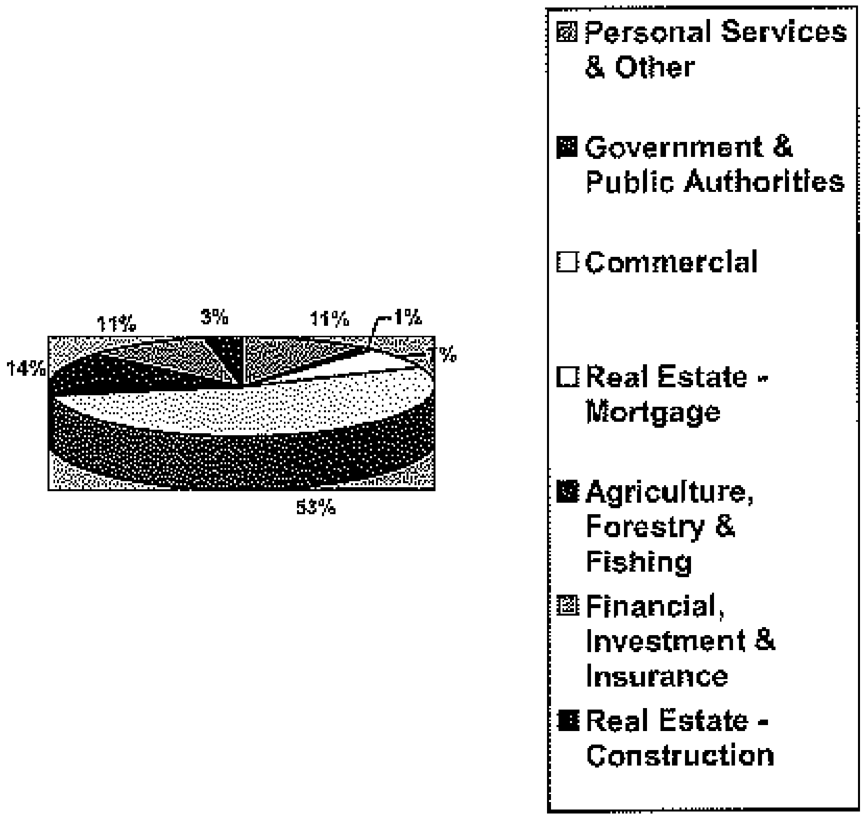
- Southern Cross Building Society
- Hastings Building Society
- Manchester Unity Building Society
- Manawatu Permanent Building Society
- International Building & Investment Society
- Ashburton Building Society
- Southland Building Society
- Nelson Building Society
- Wairarapa Building Society
- Loan and Building Society
- Napier Building Society
- Countrywide Endeavour Building Society
- Heretaunga Permanent Building Society
- TTP Union Building Society (NB. Name changed from ABN Union Building Society)

Appendix 7 – List of active credit unions in New Zealand

- Alliance Group Credit Union
- Aotearoa Credit Union
- Ashburton District Manchester Unity Credit Union
- Ashley District Manchester Unity Credit Union
- Association of Manchester Unity Credit Unions
- Auckland District Manchester Unity Credit Union
- Awhi Credit Union
- Baywide Credit Union
- Carbine Credit Union
- Caxton Employees Credit Union
- Christchurch Emergency Services Credit Union
- Clerical & Industrial Credit Union
- Credit Union Auckland
- Credit Union Bay Health
- Credit Union Bay of Plenty
- Credit Union Canterbury
- Credit Union Central
- Credit union forestlands
- Credit Union Hamilton
- Credit Union Health
- Credit Union Lakeland
- Credit Union Midcentral
- Credit Union Mount Maunganui
- Credit Union Otago
- Credit Union Taranaki
- Credit Union Waikato
- Credit Union Westland
- Druids Friendly Society of Canterbury NZ Credit Union

- Fisher & Paykel Credit Union
- Fletcher Challenge Employees Credit Union
- Harbour Board Staff Credit Union
- Harbour City Credit Union
- Hibernian Credit Union
- Hutt Valley Co-op. Credit Union
- I.O.O.F Credit Union
- Invercargill Licensing Trust Credit Union
- Manchester Unity Credit Union
- Manchester Unity Regional Credit Union
- Marsden Point Refinery Credit Union
- Nelson Credit Union
- Nelson Port & Industrial Credit Union
- New Zealand Association of Credit Unions
- New Zealand Firefighters Credit Union
- Police and Families Credit Union
- Progressive Credit Union
- Southland Credit Union
- Steelsands Credit Union
- Taranaki District Manchester Unity Credit Union
- Union Care Credit Union (now United Credit Union)
- Wellington District Manchester Unity Credit Union
- Westforce Credit Union
- Wilson & Horton Employees Credit Union
- Wine Country Credit Union
- Wiri Site Employees Credit Union

Appendix 8 - Analysis of Bank Lending



KPMG *Financial Institutions Performance Survey* 2005 (p.31 figure 9).

Appendix 9 - Credit Card Borrowing Statistics

	December 2004 $ millions	December 2003 $ millions
Total Advances Outstanding	4,210	3,956

The following companies provide credit cards:

American Express
ANZ National Bank Ltd
ASB Bank Limited
Bank of New Zealand
Diners Club (NZ) Ltd
Farmers
Kiwibank Ltd
The Warehouse
TSB Bank Limited
Westpac Banking Corporation

There is no information available on the receivables associated with credit card debt for each of the above companies.

Source: Reserve Bank of New Zealand website

Appendix 10 - Retailer/Financier Relationships

- BBQ Factory – PRF (main financier); GE (minor financier)
- Retravision (some stores only) – PRF (main financier); GE (minor financier)
- Retravision (whole group) – GE (main financier); PRF/Fisher & Paykel (minor financiers)
- Farmers – Fisher & Paykel (main financier)
- Noel Leeming and Bond & Bond – PRF (main financier)
- Harvey Norman – GE (main financier) Fisher & Paykel (minor financier; Flexirent (in-house)
- Dick Smith – Finance Now (main financier)
- Beds 'R Us – Gilrose Finance (main financier); GE (minor financier)
- Furniture City – In house finance
- Freedom – GE (main financier)
- Radfords – GE main financier
- Smiths City – in house
- Mitre 10 – GE (main financier)