



ALEXANDER[®]

16 June 2022

Investigator / Mergers / Competition Branch
Commerce Commission
PO Box 2351
Wellington 6140

Attention: Matt Croxford

Dear Matt

Having read your statement of issues I have the following comments, in my humble opinion:

of competition in the relevant regional customer markets. The evidence currently indicates that there is a distinct service quality component to the competitive offers of the Tumu companies that is not replicated by other merchants. We are concerned that this distinct service quality would be lost entirely or to a substantial degree with the Proposed Acquisition (and change of business culture). Moreover, we are currently not satisfied that competition from Carters and Mitre 10 would be sufficient to replace the competition lost when FDL acquires the Tumu companies to supply those customers.

I don't see this happening at all. The people are the same and they are keeping the Tumu brand in place. What it could do in future years, is lift the other suppliers' performance in an effort to compete.

At this point in time the merchants don't have to try hard to maintain market share, once the market shrinks they will get more aggressive in the market place.

15 odd years ago neither Mitre 10 nor Bunnings were even in our local market – there was just Placemakers, Carters and a fledging ITM. There was plenty of competition even then with just two strong merchants.

The cultural change could happen in any business at any time. If this deal falls through, I imagine they will sell the share allocation to someone else who isn't a competitor and this culture change could happen anyway.

Since we spoke, Carters have finally appointed a new Manager, so they should "wake up" again.

Building Awesomeness

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We are also concerned that the Proposed Acquisition, could mean that ITM's ability to win and retain national customers could be significantly impeded. This could significantly undermine the competitive constraint ITM poses on FDL and Carters, which are the other main competitors for national customers. If ITM was to be less competitive in supplying national customers (including because it lacked a distribution presence in the Wairarapa, Hawke's Bay and East Coast regions), such customers may only have FDL and Carters as supply options, giving the merged entity the ability to increase prices or reduce quality. If ITM were to become less competitive in supplying national customers, then coordination between FDL and Carters could be easier to achieve and maintain.

ITM are telling us that they intend to open another store.

Nevertheless, I can't see ITM letting this happen. If ITM were a prudent business, they would be working on a plan to be able to supply their East Coast National contracts. It could also open a door for Mitre 10 for example.

We know that duopolies (groceries) and monopolies (plasterboard) can affect consumers, but we won't end up with these if the merger is allowed to happen. There will still be 4 players in the market in the medium term.

Yours faithfully
ACL Group Holdings Ltd



Mark Hamilton
Managing Director