

PUBLIC VERSION

Tourism Holdings Limited / Apollo Response to cross-submission by anonymous submitter

1. Introduction

- 1.1 This is a response to the cross-submission received by the Commerce Commission from an anonymous submitter on 7 April 2022 (**Anonymous Submission**).
- 1.2 **thl** is surprised that the Commission has agreed to keep the identity of the submitter confidential. By keeping the identity of the submitter confidential, **thl** has not been afforded the opportunity to respond with a full understanding of the submitter's potential motivations and incentives.
- 1.3 The Anonymous Submission contains several factual inaccuracies, draws conclusions which are not supported by the evidence and makes assertions that appear to be based solely on the submitter's opinion. The focus of this submission is on these factual inaccuracies and assertions. To the extent that any matters raised in the Anonymous Submission are not addressed in this submission, **thl's** position is as set out in its previous submissions to the Commission.

2. Distinction between campervans and motorhomes

- 2.1 The Anonymous Submission acknowledges that the terms "campervan" and "motorhome" are used inconsistently in demand-side marketing but argues that the distinction is important when a consumer selects the vehicle they wish to rent as the consumer will compare photos, specifications and price. As explained at [2.15] of **thl's** submission in response to the Statement of Issues (**SOI Submission**), the underlying features and facilities of both motorhomes and campervans have many common and overlapping features. They provide hirers with the same underlying functionality – mobile accommodation. While some campervans in the market are just "a van with a bed in the back"¹, many rental campervans in the market have a full range of facilities including a spacious living area, kitchenettes and bathroom facilities. For example:
- (a) **thl's Toyota Hiace campervan** includes a kitchenette with sink, gas stove top, fridge, microwave, spacious living area and a bed in the space above the driver's seat. The second bed in this campervan folds down onto the seating area, which is more convenient than in a motorhome where the cushions in the living areas need to be manually reconfigured to set up the bed(s).²
 - (b) **JUCY's Condo Toyota Hiace campervan** includes all of the same features as **thl's** Toyota Hiace campervan described above, as well as an enclosed toilet and shower, making the vehicle fully self-contained.
 - (c) **TAB's Toyota Hiace campervan** includes all of the same features as **thl's** Toyota Hiace campervan described above, and can sleep up to 5 (2 adults and 3 children).
- 2.2 Further, **thl** does not consider that any of the motorhomes on its fleet have "a separate sleeping area"³, as there is no physical separation between the sleeping area and living area by a wall and door as there is in some vehicles rented in the United States. To the extent that a sleeping compartment above the driver may be considered by some to be a "separate" sleeping area, **thl** notes that many campervans also have a hitop with a "separate" sleeping area.
- 2.3 Photographs of the facilities in different types of **thl** and RV rental operators' vehicles can be found at Annexure 1 of **thl's** SOI Submission.
- 2.4 **thl** does not agree with the Anonymous Submission that entering or expanding in the motorhome segment requires "either access to bespoke manufacturing or the purchase of bespoke vehicles, in

¹ Anonymous Submission, page 1.

² **thl** notes that the bed size in this campervan model is materially the same as the bed size in the large 4-berth motorhome on its fleet.

³ Anonymous Submission, page 1.

addition to significant ongoing investment in specialist personnel, equipment, parts etc to operate and maintain those vehicles.”⁴ *thl* acknowledges that some motorhome models may be more expensive to purchase than some campervan models. For example, a 5-6 berth motorhome which has a full set of amenities will invariably be more expensive than a smaller campervan or motorhome. As the High Court in *Brambles*⁵ observed, significant product differentiation does not mean products are in different markets and “in considering the ‘price-product-service packages in relation to differentiated products, it is unwise to concentrate solely on price”⁶.

- 2.5 In any event, as explained at paragraph [20] in the NERA report dated 24 March 2022 (**NERA Report 2**) the cost of RVs (including motorhomes) is not sunk and therefore does not constitute a barrier to entry or expansion.
- 2.6 Given the common and overlapping features of campervans with motorhomes as described above, the personnel, equipment and parts required to operate and maintain these vehicles are very similar. There are no ‘special’ skills that personnel require or specialised equipment needed to maintain motorhomes by comparison with campervans. *thl* uses the same staff and equipment to maintain both its motorhomes and campervans. The level of further investment to operate and maintain a fleet of rental motorhomes over and above campervans would therefore be limited rather than ‘significant’, and *thl* expects that the cost of repairs and maintenance would be a very similar proportion of revenue across all of its vehicle types.
- 2.7 It is not correct that “very few new entrants break into the 4-6 berth motorhome market”⁷. All motorhome rental operators entered or expanded into supplying motorhome rentals at some point. For example:
- (a) Tui, which has offered motorhome rentals for more than 20 years, initially entered the RV rental market offering campervan rentals and then expanded its fleet to include motorhomes. It initially acquired ex-rentals from *thl* and Kea.
 - (b) Wenderkreisen initially entered the RV rental market with only campervans on its fleet and expanded it to include motorhomes, purchasing ex-rental motorhomes from other RV rental operators. It now builds its own motorhomes and buys new motorhomes from overseas suppliers.
 - (c) Pacific Horizon has always had both motorhomes and campervans on its rental fleet.
 - (d) Wilderness has mainly motorhomes on its fleet, buying new vehicles from overseas suppliers since it entered the RV rental market.
 - (e) McRent entered the RV rental market with only motorhomes on its fleet initially, buying new vehicles from overseas suppliers that are also part of the Thor Industries group.

3. Vehicle manufacturing and supply

- 3.1 The Anonymous Submission states that suppliers of newly manufactured RVs/motorhomes sell new vehicles at a premium price point. It is self-evident that a larger motorhome will attract a price premium compared to a smaller motorhome, and in a market involving differentiated products it ought to be expected that products with different features and quality will attract different price points. However, while larger motorhomes may attract a price premium, they will also attract a higher rental so the return on investment is equivalent to smaller motorhomes/campervans. As such, the mere fact that a particular type of motorhome may attract a price premium is not a barrier to entry or expansion. In any event, as explained in NERA Report 2, the cost of RVs (including motorhomes) is not sunk.

⁴ Anonymous Submission, page 1.

⁵ *Brambles v Commerce Commission* (2003) 10 TCLR 868 (**Brambles**).

⁶ *Brambles* at [130].

⁷ Anonymous Submission, page 1.

3.2 The Anonymous Submission disputes **thl's** estimate of total annual new and used motorhome sales in New Zealand. The **thl** estimate referred to in the Anonymous Submission was for sales of all new and used motorhomes **and campervans** in New Zealand annually, not motorhomes exclusively. New and used motorhomes and campervans are advertised and sold through many channels in New Zealand, including online marketplaces such as TradeMe, specialist magazines such as Motorhomes Caravans & Destinations,⁸ rental operators,⁹ dealerships and importers. For example, a brief Google search identified the following motorhome dealerships in New Zealand that are not owned by **thl**, Apollo or any other RV rental company, and which operate their own websites for advertising and selling RVs:

- (a) RnRV
- (b) Jayco
- (c) CI Motorhomes
- (d) Country RV
- (e) Zion Motorhomes
- (f) European Motorhomes
- (g) RV Direct
- (h) Coastal Motorhomes
- (i) RV Mega
- (j) Nationwide RV
- (k) Deluxe RV Group
- (l) Freedom RV
- (m) Smart RV
- (n) TrailLite
- (o) Merit RV
- (p) Central RV
- (q) Christchurch RV Centre
- (r) Auto Leisure & Marine Group
- (s) TrailLite
- (t) Autobarn RV
- (u) RV Leisure Centre.

3.3 In relation to listings on TradeMe which (as noted above) is only one of the many channels to market, there were 777 new and used listings in the 'motorhome' category (which includes both motorhomes

⁸ <https://www.nzmcd.co.nz/buy-sell/motorhomes/>

⁹ See for example Wilderness Motorhome Sales at <https://www.motorhomesforsale.co.nz/>

and campervans) on 19 April 2022.¹⁰ Based on the filter functionality available and a manual search of remaining listings conducted on 19 April, 380 of the listings are for vehicles that are 2012 or newer models.¹¹ Based on the number of new listings in the 'motorhome' category on each of 18 and 19 April 2022, **thl** estimates there are approximately 25 new listings per day, implying a full turnover of ~777 listings every month. Applying a full stock turn multiple of 12 per annum to the 380 listings of vehicles that are 2012 or newer implies approximately 4,560 annual sales of new and used motorhomes and campervans that are under 10 years old, on TradeMe alone.¹² **thl** considers this a conservative estimate.¹³

3.4 **thl** disagrees with the assertions in the Anonymous Submission that **thl** and Apollo motorhomes “make up a large proportion of vehicles that would be available to a competitor looking to enter or expand into the motorhome rental market”¹⁴ and that the Proposed Transaction would reduce the available supply of new or near new motorhomes to existing or potential rental operators. In particular:

- (a) There are many suppliers of new motorhomes in New Zealand and motorhome rental operators can choose to either acquire motorhomes locally in New Zealand (from one of the many local manufacturers or importers¹⁵) or import vehicles direct from overseas. New Zealand does not have strict regulatory requirements in relation to motorhomes and campervans, and all right-hand drive motorhomes and campervans supplied to the Australian and the United Kingdom markets can be sold in New Zealand (with minor electrical/gas compliance modifications, which is a minor cost, on some variants). There are a large number of overseas motorhome manufacturers who can (and do) supply to New Zealand. By way of example, there are 36 European motorhome brands of which 29 are already sold in the New Zealand market either through RV dealerships or directly to motorhome rental operators.¹⁶ New Zealand rental operators also can (and do) source used vehicles from dealerships or the secondhand market in Australia and the United Kingdom. For example, the (self-professed) largest motorhome dealership in the United Kingdom, Brownhill's Motorhomes, has a dedicated page regarding exporting to New Zealand.¹⁷

¹⁰ TradeMe does not have the functionality to filter all of the listings by age or kms travelled (some vehicles can be filtered by age however the majority of listings in the category have the 'year' included in the description rather than the specific filtering category).

¹¹ This age range is a conservative proxy for vehicles that are sufficiently modern and reliable to operate on a rental fleet. A number of current motorhome rental operators have pre-2011 vehicles on their fleet, evidencing that it is a viable motorhome rental business model.

¹² Based on these figures, the sales of new and used motorhomes and campervans through the TradeMe platform would represent more than 60% of total annual new and used motorhome and campervan sales in New Zealand. This is a very high share relative to all channels.

¹³ **thl** estimates the stock turn multiple is understated as 18 and 19 April 2022 were a Monday and Tuesday, and Monday 18 April 2022 was a public holiday. The number of new listings on Saturdays and Sundays are expected to be substantially higher. This will be partially offset by the number of listings in the churn that reflect withdrawals rather than successful sales.

¹⁴ Anonymous Submission, page 2.

¹⁵ For a list of manufacturers and importers of RVs, see [4.36] of the Clearance Application.

¹⁶ See a list of European suppliers of right-hand drive motorhomes in Annexure 1.

¹⁷ <https://www.brownhills.co.uk/exporting-motorhomes.html>

The screenshot shows the top navigation menu of the Brownhills website with categories: NEW MOTORHOMES, USED MOTORHOMES, SERVICE & PARTS, DOWNLOADS, ABOUT & CONTACT, ACCESSORY SHOP, and CLUB BROWNHILLS. Below the menu is a banner for 'EXPORTING A MOTORHOME WE CAN HELP!' featuring a person loading a motorhome. The main content area includes a green icon of a motorhome on a globe with the text 'Buy in the UK. Live abroad.' and a list of services: Vehicle suitability, Handling / Shipping, Export paperwork, Rules and restrictions, Zero rated exports, and Introduction to insurers. A small note at the bottom states: '* It is the responsibility of the purchaser to ensure they are aware of and pay all import taxes & duties to the country they are importing the vehicle to.'

- (b) The estimate provided by **thl** in its FY21 investor presentation for re-fleeting in FY24 quoted in the Anonymous Submission relates to **thl's global** fleet. As **thl** re-fleets, the growth mix will likely reflect the current and future outlook in each operation region, of which New Zealand [REDACTED]. The submitter has assumed that **thl's** New Zealand fleet will return to pre-COVID levels by FY24 which is not guaranteed. In any event, all operators will have the same opportunity to grow in response to increased market demand.
- (c) Based on the breakdowns of the fleet sold in FY21 provided in the Clearance Application, it is self-evident that **thl** and Apollo do not supply a significant proportion of the new motorhomes sold in New Zealand each year and are not a significant source of new vehicles for rental operators. The 1,125 **thl** vehicles and 211 Apollo vehicles 'sold' in FY21 referenced in the Anonymous Submission include both new and used motorhomes and campervans, not motorhomes only. The breakdown of **thl's** and Apollo's sales of new and used vehicles in FY21 is at footnote 7 of the Clearance Application. The **thl** vehicle sales figure in its FY21 Annual Report includes [REDACTED] vehicles that were written off (not sold) and does not include any non-fleet sales (such as the sale of new vehicles and trade-in vehicles). The **thl** fleet sales figures in footnote 7 of the Clearance Application includes these sales and excludes write offs. Approximately [REDACTED] of the vehicles sold by **thl** in FY21 were motorhomes.
- (d) The volume of sales by **thl** in FY21 was greater than a normal year. **thl's** historical annual sales volumes have ranged from [REDACTED] motorhomes and campervans and the FY22 budget for New Zealand included [REDACTED] vehicle sales of motorhomes and campervans. Historically, **thl's** sales volumes of new motorhomes in New Zealand has ranged between [REDACTED] new vehicles.

3.5 Finally, the Anonymous Submission alleges that, because of the parties' vertical integration and scale, "the merged entity will be less affected by the demand driven price increases and supply chain difficulties"¹⁸. To the contrary, the merged entity will be affected by any demand driven price increases and supply chain issues more so, or at best equally, than rental operators who choose not to 'manufacture' their own motorhomes. The supply chain challenges mentioned in the Anonymous Submission relate primarily to the [REDACTED] used in motorhomes. As explained in **thl's** SOI Submission at [7.5(b)], **thl** [REDACTED]. **thl** (and post-Transaction, the merged entity) is a very small

¹⁸ Anonymous Submission, page 3.

motorhome manufacturer¹⁹ on a global scale and therefore it does not have any advantage over any other manufacturer to obtain supply of this critical component. Other rental operators, such as McRent²⁰, are more likely to have an advantage over **thl** to access supply of new motorhomes to the extent they acquire their motorhomes from larger overseas manufacturers who are able to leverage their volumes to obtain supply. While **thl** can also acquire motorhomes fully assembled from overseas suppliers, doing so presents an opportunity cost for its manufacturing business as a result of its fixed overhead costs. Other rental operators who do not have their own manufacturing facilities do not face this opportunity cost. Further, as a manufacturer, **thl** is disadvantaged compared to non-manufacturing rental operators during supply shortages. For example, if there is a global shortage of a vehicle component which results in all manufacturers (and therefore rental operators) having no supply for a period of time, **thl** will still incur the fixed overhead costs relating to its manufacturing business.

4. Peer-to-peer

- 4.1 The Anonymous Submission makes a number of assertions (unsupported by evidence) about the potential constraint imposed on the merged entity by RV rentals on peer-to-peer platforms.
- 4.2 **thl** has previously provided information and data based on its experience overseas in support of its submission that rentals on peer-to-peer platforms will provide increasing (and significant) constraint on the merged entity. **thl** does not propose to repeat this.
- 4.3 [REDACTED]. [REDACTED]. As NERA explains in the enclosed [REDACTED], contrary to the assertions in the Anonymous Submission, no comparisons can be drawn between peer-to-peer lending and peer-to-peer RV rental platforms. NERA has also adapted an aspect of the critical loss analysis [REDACTED] to the New Zealand situation.
- 4.4 Peer-to-peer platforms are still emerging in the RV rental industry in New Zealand, and it is **thl's** expectation that it will experience the same growth as has been experienced in other markets. The indications, particularly in Australia, is that peer-to-peer RV rentals are likely to experience significant growth in New Zealand over the coming years. We enclose Camplify's most recent quarterly update which demonstrates that Camplify continues to experience significant growth globally and in markets that have not had the same disruptions to international travel as New Zealand.
- 4.5 Finally, the Anonymous Submitter asserts, without explanation or evidence, that New Zealand is "*not an ideal location for P2P motorhomes rental due to geographic factors and low rates of motorhome ownership*". **thl** disagrees with this assertion. **thl** is not aware of any geographic factors unique to the New Zealand market that would render it unsuitable for peer-to-peer RV rentals. Rates of RV ownership in New Zealand are, in fact, high. As explained at [6.23] of the Clearance Application, the New Zealand Motor Caravan Association (**NZMCA**) has more than 25,000 members, of which a significant proportion are likely to be motorhome owners. Not all motorhome owners are members of the NZMCA.

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¹⁹ While **thl** describes itself as a manufacturer of motorhomes, it only builds the 'box' that is fitted to a cab chassis and installs the relevant componentry, such as cabinetry, refrigerators, bathroom facilities etc. It therefore may be more accurate to describe **thl's** activities as providing the fit out.

²⁰ McRent is a subsidiary of Thor Industries which is a global manufacturer of towable and motorised RVs.

Annexure 1

Brand	Website	Who they supply in NZ
Adria	www.adria-mobil.com	Apollo
Sunliving	www.sun-living.com	None that thl are aware, however thl is aware that they supply to Spaceships in the UK.
ARCA	www.arcacamper.it/IT-it	None that thl are aware
Auto Trail	www.auto-trail.co.uk	Nationwide RV
Autostar	www.autostar.fr/en	Star RV Travellers Autobarn
Benimar	traillite.co.nz/motorhomes-for-sale/benimar	TrailLite
Challenger	www.challenger-motorhomes.com	Sold through agents
Chausson	www.chausson-motorhomes.com	RV Direct
CI	www.cimotorhomes.co.nz	None that thl are aware
Elnagh	www.elnagh.com/00-en	Wilderness
Sura Eura Mobil	www.euramobil.de/en/our-motorhomes	Wilderness
Forster	www.forster-reisemobile.de	European Motorhomes Frontier Motorhomes
Karmann	www.karmann-mobil.de/en	European Motorhomes Wilderness Ci Motorhomes
Mobilvetta	www.mobilvetta.it/00-en	TrailLite
Notin	www.notin.fr	None that thl are aware
Roller Team	www.rollerteammotorhomes.co.uk	Nationwide RV thl
Tribute	www.continentalcaravans.co.uk/news-and-events/2020-autotrail-tribute-motorhomes---4-new-ford-models	TrailLite Nationwide RV
Kentucky Camp	www.motorhomescampervans.net/kentucky-motorhome-group-trigano-company	Coastal Motorhomes
Rimor	www.rimor.it/int/en	Agents around NZ
Xgo	www.motorhomescampervans.net/xgo-motorhome-group	None that thl are aware

Brand	Website	Who they supply in NZ
Randger	www.randger.com/vans/r550	European Motorhomes NZ RnRV Ltd Wilderness
Burstner	www.buerstner.com/gb/en	Wilderness
Carado	www.carado.com/de/en	Wilderness
Compass	www.erwinhymergroup.com/en/brands-products/compass	Agents around NZ
Dethleffs	www.dethleffs.de/en	McRent
Elddis	www.elddis.co.uk/brands/elddis	McRent
Etrusco	www.etrusco.com/etruscoworld/?lang=en	None that <i>thi</i> are aware
Hymer	www.hymer.com/de/en/models/overview	Wilderness
Laika	www.erwinhymergroup.com/en/brands-products/laika	Tauranga dealer
LMC	www.lmc-caravan.com/de/en/motorhomes/our-motorhomes	Jayco European Motorhomes Ci Motorhomes
Niesmann	www.niesmann-bischoff.com/en	Zion motorhomes
Sunlight	www.erwinhymergroup.com/en/brands-products/sunlight	Zion motorhomes
Knauss	www.knaus.com/en-int/motorhomes	Knaus NZ
Tabbert	www.tabbert.com/en-int/ www.knaustabbert.de/en/	Knaus NZ
Weinsberg	www.weinsberg.com/en-int/motorhomes	None that <i>thi</i> are aware
Morelo	www.morelo-reisemobile.de/modelle	Zion Motorhomes