

## **Senate Inquiry into GMs withdrawal from the Australian Market**

### **Submission by: John Crennan, July 2020**

I am pleased to respond to a request from the Senate Committee to appear and make this prior submission.

At the outset I would state that I have no vested interest in any outcome from the Inquiry and all opinions are my own. I have not shared this submission with anyone and will not do so prior to the hearing.

### **John Crennan Automotive Background/ Experience.**

Since 'sort of retiring' two years ago, I have continued to be a keen industry observer including being a regular contributing writer for two low key magazines - the AADA 'Automotive Dealer' and the HSV Owners Club. For the past 3 months I have been working on a book covering the Rise and Fall of Holden (working title). A large part of the proposed book involves a deep dive into Holden's Sales Performance for the past 60 years (1960-2019). With 1960 being the year of my first GMH pay packet as a Christmas Holiday work experience student. I enjoy having continuing regular contact with a large network of automotive and motor sport industry colleagues.

I worked for 50 years under the GMH umbrella, 23 years as an employee with my last role as National Marketing Manager, 2 years as General Manager of a Melbourne Holden Dealership, 20 years as MD and Chairman of HSV and HRT and 5 years in related GM and Holden space

At 34, I was posted to Holden's biggest car market as NSW State Manager. Six months into that appointment, I witnessed firsthand GMH's first major shutdown when the Pagewood plant was closed (August 1980). For the ensuing 3 years worked through those challenges with the 100 Dealers throughout NSW and ACT. The contrast is stark on the manner in which GMH carefully and respectfully handled that significant closure verses the 17/2 full exit.

A significant part of my career and by far my most enjoyable, has been working with the Dealer organization from small country towns (with a population of 750 people with two Holden dealers 500m apart in 1970) through to working with major Dealer Groups. At HSV I was responsible for establishing an all new Dealer organization in 90 locations in Australia and NZ.

### **Reference**

Attached is a reference I asked Mark Skaife prepare for the Committee on my credentials. Mark is a former Australian multi Championship racing car driver and post racing a long-time anchor of the Fox network motor sport telecast. He is businessman and consultant / advisor / spokesman for a number of Companies. Mark has for many years been the media outlets 'go to man' for interviews and independent insights on Holden products and business matters

### **Preamble**

My father was a foundation employee of GM in their 1926 establishment year devoting a lifetime career to GMH through to 1968. This plus my 50 year 1963 -2012 association meant a strong business DNA with the Lion brand and its values. My criticisms of Holden in this submission do not rest easy with me and it is neither pleasant nor enjoyable to be commenting on my many concerns.

Both I and my father before me, have a lot to thank GMH for. Our career highlights were to see firsthand the outstanding quality of people behind the how and why of the remarkable GMH success story over such a long period

Their commitment to being outstanding corporate citizens with a deep sense of fairness and respect was the cornerstone of all their dealings with both internal staff and all their external stakeholders ....this sentiment came crashing with the ruthless and unforgivable manner in which GM conducted their exit ....a long way from the Holden I knew

When accepting the invitation to appear before the Senate Committee and make this submission, I set the following objectives

1. With the intense competition and oversupply of car companies in the Australian market, there is a reasonable likelihood of more withdrawals and/or realignment of franchisor /franchisee relationships. Hopefully all submissions, including this, will enlighten Government with a constructive body of information that will correct the current power imbalance between Car Company and Dealer. Also never again allow a situation like this for the Industry to endure. Holden's handling of their departure over the past 5 months has been a very bad look for the Industry and unfortunately there will be more to come given another 25% of Holden Dealer locations potentially seeking settlement through the courts. As a media contact recently said "it's the gift that keeps on giving".
2. Seek to highlight some insights and scenarios that may allow the Inquiry some new and relevant information on Holden and the Industry that may assist with more favourable outcomes for the Industry.
3. Question, probe and seek greater clarity and validation on some GM/ Holden comments flowing from their 17/2 announcement.

### **Some Broad Views of the Automotive Industry and Holden's part in it**

The car game is not for the faint of heart. All stakeholders, car companies, Dealers, suppliers and related parties have to play hard to win but at the same time play fair. Australia is an incredibly competitive market where in 2019 as an example there were 60 plus different overseas owned vehicle brands offering a total of around 1500 models. Compare that to USA where I understand there are 34 brands competing for annual sales of 17-18 million vehicles. A fiercely competitive car market where so much is provided by so many for so few will always see tough decisions having to be faced.

No one in the Industry has ever been a stranger to confronting tough stuff but we are strangers to ruthless and unreasonable practices.

A tough highly competitive market coupled with significant differences in personality and profile of a car dealer verses a car company, corporate person, has forever created certain tensions and difficulties in the relationships. However in what has always been a "big boys" business, both sides have historically been able to find win-win solutions. If they didn't they were elevated to the Australian Holden Dealer Council where contentious matters normally produced common sense outcomes for the most important vital last link in the chain ... THE CUSTOMER.

Up until 2005 most Holden Dealers generally gave top marks to Holden in the much used term 'Factory /Dealer Relations'. After that time, the good judges in the Dealer organization suggested this was the beginning of a new breed of person at Holden who moved the partnership/trust needle to a 'them and us' relationship and top down operating style.

Note Holden market share decline from 2005 (This is the Industry recognized barometer of success, failure or stagnation.... “The scoreboard”, if you will.

Year	Total Industry Sales	Total Holden Sales	Holden Market Share
2004	955,229	178,027	18.6%
2005	988,269	174,464	17.6%
2006	962,666	146,511	15.2%
2007	1,049,982	146,680	14.0%
2008	1,012,164	130,338	12.9%
2009	937,328	119,568	12.8%
2010	1,035,574	132,932	12.8%
2011	1,008,437	125,095	12.5%
2012	1,112,032	114,665	10.3%
2013	1,136,227	112,059	10.3%
2014	1,113,224	106,092	9.55
2015	1,115,048	102,951	8.9%
2016	1,178,133	94,308	8.0%
2017	1,196,796	90,306	7.6%
2018	1,153,111	60,751	5.3%
2019	1,062,867	43,176	4.15

Below is a snap shot of the market share scoreboard numbers that were a big part of my life at Holden from my first full year 1963 and why it is my belief that Dealers and their businesses are the victims of Holden’s mismanagement after December 2013, when they announced they would close manufacturing operations in 2017.

1963 - 45.6%      1970 - 33.4%,      1980 -23.2%,      1990 - 17.4%,      2000 - 19.7%

Holden promised their Dealers a bounce back plan from the start of 2014 after announcing they would be quitting manufacturing. They launched advertising campaigns and made promises of great things to come. However their communications missed the target market and the general Dealer feeling was Holden got it very wrong with their business leadership, product planning and sales and market positioning. Their failure to correctly reset and reinvigorate their market representation saw the share decline go from 10% to 4%.

Throughout my career at GMH, in particular when I was National Marketing Manager, it behoved us to create showroom enquiry for the Dealers. It has always been the car company’s fundamental role to communicate to the market and build brand aspiration and appeal that delivered prospects to the showroom. Then at the Dealership when the prospect walks in the responsibility is transferred to the Dealer to meet, greet, demonstrate and sell. From 2014 Holden Management started to ‘pull the wrong reins’ and not ‘stay in their lane’. They elected to shift their appeal and communications into non-traditional Holden heartland market segments.

The point to be made is that due to no fault of their own the Dealers business moved into decline mode with both new car sales and profitability. Given all the assets and market fast starts Holden had accumulated it was an indictment on GM/Holden to allow their market share to fall below 10% after 2013.

Even if Holden had made only an average fist of running the business they have at least been able to achieve a 10% market share between 2014 and 2019. Had this very achievable 10% been achieved, Holden dealers would have sold an additional 188,000 cars or 38% more sales in this 6 year period.

I have not the slightest doubt that Holden's records from 2014 and 2015 would show their forecast / 5 year plan would have been signed off to achieve in excess of a 10% market share over the forecast period. No matter what Dealer I spoke to during the 2014 -2019 period (and still today) they lamented the way Holden were operating and made it clear their poor market performance was directly related to incompetent management, staff who did not have a feel for the Industry in particular Dealer Operations and any one leading light who could inspire confidence and leadership with a can do will to win.

I will not in this submission touch on the rights or wrongs of the compensation payment and the ugly disputation that followed as only those across the detail could speak to that. However, had I been at GM and part of the team working up a fair compensation for the Dealers, I would have had no hesitation in recommending the Holden Dealers firstly receive some form of compensation for mismanagement of the business between 2014 -2019. The starting point for compensation being the 188,000 lost sales plus flow on Service Department profit opportunity denied.

### **My Points**

#### **A. Prevention of car companies acting with unreasonable power and timing in terminating Dealers agreements**

Given the significance to the Australian economy of the Automotive Industry and all related parties with a dependency on the Industry, Government must ensure there can never be another repeat of Holden's unilateral overnight announcement to withdraw from the market. At the same time establish a process that ensures Government is pro-active and informed across all aspects of this vital Industry, in particular the performance of all car brands conducting operations in Australia and legislate to ensure...

- (i) All car companies first consult with Government and their key stakeholders a minimum 18 months prior to any planned closure of operations or any other realignment or change to their franchisees formal agreements.
- (ii) All car companies that operate in Australia together with representatives of their Dealer Council must submit to the appropriate Government Authority every 2 years a comprehensive outline, in a standardized template, the key aspects of their business/market performance for the prior 2 years and an outlook for ensuing 2 years.
- (iii) Any new car entity/ brand seeking to establish a sales and marketing operation in Australia must first submit their business plan to Government for prior approval.
- (iv) All car companies operating in Australia should be required to submit their monthly sales to the FCAI for facts reporting.

#### **B. "Holden has no intention of letting its owners down"**

Holden are making a lot of noise and commentary about their ongoing care and respect for their 1.6 million current owners of Holden products and their intention to fully stand behind them. Are these convenient platitudes at a time when the wounds are raw and Holden on the back foot, or are they genuine and sustainable. This needs to be deeply probed. I am a serious sceptic such a commitment will endure given prior commitments that have proven to be hollow. I offer 4 reasons for my concerns.

- i) A Holden Director on Dec 20, 2013 at the time of their proposed 2017 manufacturing exit publicly stated "Together with our network of 230 dealers we will continue to provide our

customers with exceptional products, service and support. At the same time they launched a major advertising campaign 'HOLDEN BRAND HERE TO STAY'.

- ii) In July 2018, GMs most senior Head Office executive in charge of International Operations, announced the appointment of a new Holden Chairman, David Buttner, and at that time said "GMs most senior leadership in Detroit believe we have a rare jewel in Holden, an iconic Australian brand that understands the needs of Australian and NZ drivers .....Holden will have a strong future under Dave's Leadership. Then exactly 18 months later GM Detroit senior leadership made the decision to close Holden down.
- iii) The reason car companies place huge emphasis on their after sales service and Customer Care programs is to promote owner loyalty which in turn generates repeat business. A car company's most valuable customer is the one he has today and seeks to retain for their next vehicle purchase. Operating in a nothing to lose space if you underperform with non-availability of parts, cars off roads or inferior service is a very different scenario to when future new car sales hinge on premium customer care.
- iv) The Holden commitment to keeping their 1.6 million owners informed in the 5 months since terminating the Holden brand is by personal experience, far from an encouraging start given all the promises they are making. As a current private owner of 3 Holden cars in my name, I have not received any correspondence or other specific communication on any aspect of their forward service and parts plans. I would have felt if Holden had been in any way on the front foot with their 1.6 million registered owners during such a negative period they would have written personalized letters providing reassurance and details on their service and parts plans.

### **C. Resale Values of Holden Cars following the extinction of the Brand**

Holden have not mentioned anything about the impact their exit will have on resale values and the investment these 1.6 million owners made in good faith one month, one year or five years ago with their Holden purchase. I am not qualified to quantify what these losses would be however there can be no doubting the depreciation of all Holden cars on the road took a hit the moment the Holden brand was killed. This combined financial impact could be something the AADA could address with expert opinion.

An uneducated guess could be that a 3 year old Holden valued for a trade in on Saturday February 15<sup>th</sup> at \$20,000 would a week later after the news of Holden being axed would be valued at 10-15% less. When a car company leaves town it is unavoidable a negative stigma impacts these car brands in the used car trade. One must feel for anyone who purchased any new Holden product one two or three months before Feb 17<sup>th</sup> as the same car, following the exit announcement was selling for anything up to 25% off the prior RRP with Holden Bonus money.

### **D. Holden Retirees**

Holden Retirees have always enjoyed outstanding discounts on new Holden products. The financial attractiveness of Retirees 'gold pass pricing' has not only always been available to the Retiree but also a very broad range of their family members. The Holden Equinox I purchased 10 months prior the exit had a RRP of \$37,000 and my gold pass price was less 28% less at \$27,000. Some models could attract discounts far greater which has been an outstanding benefit former employees received. The ability for retirees or family who utilized this benefit to upgrade to a new car regularly for virtually no additional outlay has now been denied. Not to my knowledge has there been any official sorry or regrets communication to the retirees on the prior purchase register.

**E. Holden Commitment to go the full distance on their 10 year Service and Parts commitment**

With Holden's stated plan to have a staff of 200 people stay on the GM payroll and continue their commitment for 10 years, what guarantees do owners have that in a few years Holden may decide to sell / outsource this service and parts activity to a third party with no Holden DNA. Dealers who accepted the Compensation package have only been given a 5 year agreement to conduct Service and Parts business which seems odd given Holden are committing to a 10 year customer 'stay with you' plan. There are approximately 50 Dealer locations still in dispute with Holden in not accepting the compensation deal. These important Dealer Service locations after the dispute is settled possibly in Court will either close their doors or run out the next 2 years of the current agreement. How will Holden assist the owners in these areas who previously used these Dealerships for Service?

**F. GMSV**

At the time of the exit GM threw in a curve ball saying they planned to establish a new entity 'GMSV' to import and sell specialty vehicles from USA. GM is currently now making the point." ... We are engaged with a potential manufacturing partner in assessing a new investment opportunity in Australia for GM Special Vehicles .... and GM is concerned a negative pressure campaign and false accusations about our dealer transition could threaten the success of any such investment".

What investment I ask?

This GMSV concept and the fuss being made about it are mysterious and maybe the devil is in the detail. One needs to question what the actual investment GM plan to make is. From where I sit GMSV would seem to be nothing more than a mild re-tweak of an existing business model and is perhaps only a rebranding exercise. GM Detroit have been involved with exporting plans with Camaro to this same Manufacturing Group (call it the WP Group) since January 2017. This is when it was reported the WP Group commenced their discussions with Detroit and got the green light to import the Camaro and Silverado model. This lead to WP Group importing USA Special Vehicle Camaros and later Silverado launching here from September 2018. They are retailing them through HSV (a Company in the WP Group) Both these models continue to be extensively advertised, It is estimated only around 1000-1500 units have been sold but HSV don't report their sales to Vfact so exact sales are not public.

Why would Holden be making such a big deal about their 'new investment' in establishing a new company and when it appears that GMSV is purely a business as usual arrangement with an existing partner who Holden have had a 32 year association with and certainly during my time at least where Holden received a royalty of 26% from HSVs bottom line. Maybe there is more to it and I am missing something.

## HSV

Whilst Holden have been clear since 17/2 that the Holden brand will be retired, I have not seen any such announcement about the HSV brand which GM/Holden own. There are approximately 80,000 HSV models on Australian roads and their passionate owners would be interested to know if the same fate greets them with the extinction of the HSV brand and the impact this may have on resale values and future Parts supply. Will GM or the WP Group be responsible for looking after these customers for the next 10 years?

## G. Thoughts on various Holden Comments

*Holden:* Dealers will be better off accepting the compensation offer than allowing them to sell a decreasing volume of cars to the end of the agreement.

*Crennan response:* I would like to see the modelling supporting this claim.

*Holden:* GM explored numerous options to continue but none could overcome the investment challenges needed for RHD and the fragmented market.

*Crennan response:* I have an opposing view to this and would have enjoyed undertaking a glass half full business case study around a recovery program and have the new owners of the RHD plants continue supply at least until the end of the current Dealer Sales. It's important for Holden to demonstrate how hard they tried to continue operations. It would not be unfair to ask Holden to present the work done on the 'numerous options' they considered before deciding to take the exit option.

*Holden:* Holden's task to re-position post the manufacturing closure was more difficult than Ford and Toyota because of its iconic status.

*Crennan response:* This is nonsense. Holden's iconic long standing position in the market and their 1.6million owners together with a war chest of other unique assets would have placed them in a better position than the two companies who also had to quit the local manufacturer. Ford and Toyota simply did a better job with their reset plan and had better people managing the Dealer relations business.

## Summary of Suggested Follow-Ups /Actions

Given the resale losses all Holden Owners will incur, would Holden offer some goodwill compensation for Owners? This could take the form of their next 3 Services being conducted free of charge with GM reimbursing the Dealers and apply to owners whose cars have been serviced at the recognized intervals by Holden Dealers.

It would be helpful if Holden could explain why they elected to handle their exit the way they did. Why would they literally ambush and blindside all stakeholders rather than establish a reasonable time line for the exit and display a collaborative and respectful wind down with all impacted parties.

Holden claim they examined many scenarios to avoid closure. Again should Holden be requested table these studies to validate their claims?

Could Holden explain their statement that they are committing to support their 1.6 owners for the next 10 years. Yet they are only granting a new 5 year Service and Parts agreement to all Dealers

who agree to their compensation package. Will Holden guarantee they won't outsource this program in the next 10 years?

Can GM explain the dollar amount of "new investment" they plan to make for GMSV and outline the difference between how it works today with their partner - the WP Group and what changes with the new arrangement given it will be with the same partner company?

Can GM clarify if the HSV brand is or will be retired?

Can GM explain why they did not take Government into their confidence and share their closure plan with a respectful lead time given the substantial subsidies and grants they have provided GM over the journey?

Why has Holden not written to its 1.6 million owners giving them some idea of their Service, Parts and Dealer locations?

What impact will the outcome of the Dealers (representing 40 -45 locations) who did not accept the compensation have on existing owners if these Dealers lose their case

### **Some final thoughts / reflections**

When Holden announced their intention to cease manufacturing operations in December 2013, I fully acknowledged the cogency of that decision and admired the respected time line they worked to

I acknowledge GM had every right to close Holden down and make decisions that they consider best for their balance sheet. My objections however centre essentially on three issues.

- i) Why would GM chose without any prior notice to drop this bombshell on all stakeholders on 17/2 and knowing the destruction this would cause, then work backwards from there to try and remedy the damage. It was distressing to myself and many Holden stalwarts who have given their life on an unconditional 24/7 basis to fight tooth and nail for the success of Holden. GMs tactics were clearly to 'seek forgiveness rather than get permission'.
- ii) I do not accept this was GMs 'only option' but more like it was their 'convenient option', which was counter to all manner of my sales training at Holden 'to never give up'. I consider there were many options available to GM where they could have given notice on 17/2 of withdrawal to take effect from at the completion of the current sales agreement. Their \$1billion budget for wind up costs could have been prudently allocated towards an orderly closedown verses an impact of panic for so many effected parties.
- iii) Following 17/2 it appeared the only thing that mattered to GM was finalizing Dealer's compensation. Important as that may be, what seems to be lost is that one day there are 186 Holden Dealerships that were the pride of the owners and staff and next day they are virtually wiped out. Now we read GMs insensitive comment that Dealers could now use these facilities to acquire other franchises. Prior to 17/2 Holden Dealers were admonished if they were to contemplate compromising any part of their Holden facility. Holden's 5 month obsession with finalizing the Dealers compensation was at the expense of working with owners , retirees , owners clubs where all other flow on impacts have been a PR disaster.

My father's hero at GMH was Mr Joe Dillion the head of Sales in the 50's through to his retirement in August 1963. As a Sales cadet I sat in the open office nearby his Room 35 in the final 6 months of his



remarkable Sales stewardship. He was a formidable executive renowned throughout every GMH corner in Australia for his career long motto on all Dealer communications and Sales conferences of “FIGHT ONE MORE ROUND” renowned rallying call to all Dealers and staff. See attached from my memorabilia collection Mr Dillion’s inspiring bulletin of May 17<sup>th</sup> 1941 urging his Dealers, in a time of adversity to fight one more round

I only wish GM in Detroit had read Mr Dillions bulletin prior to their decision and instead allocated their \$1billion closedown budget to FIGHT ONE MORE ROUND

John Crennan

July 21<sup>st</sup> 2020

Attachments:

- Mark Skaife reference
- Mr Joe Dillions 1941 Dealer Bulletin

**John Crennan**

John Crennan has been involved in the automotive industry for most of his working life, beginning at General Motors Holden in 1962. He progressed through senior executive positions at Holden and was the founder of Holden Special Vehicles (HSV) creating Australia's most successful luxury and performance car brand. John had a combined tenure within the GM/Holden/HSV family of fifty (50) years and established the benchmark factory motor racing team – Holden Racing Team (HRT) where he employed Peter Brock, Craig Lowndes and I during twenty-five (25) years of multiple Championship and Bathurst victories.

John has been a colleague and business mentor for me since the early 1990's and has been credited as the architect of the HSV/HRT road and race car brands which proved to be GM's worldwide best practice example of performance car and racing connectivity....similar to Mercedes Benz and AMG currently.

Mr Crennan has provided automotive, brand and business advice to leading industry figures throughout his career (Tom Walkinshaw, Lindsay Fox, Roger Penske, and Mark Reuss) and has an impeccable reputation as a professional, diligent and highly credentialed operator across the many facets of automotive retailing, marketing and manufacturing.

John has demonstrated a tremendous work ethic, very sound fundamental business approach and a particularly diverse skill-set in the car industry sector....which, in business terms, is an immensely robust, tough, competitive and challenging environment.

**Mark Skaife OAM**



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"GENMOTAUSTR"

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TO ALL GENERAL MOTORS' DEALERS  
Victoria

Dear Sir (s):

ARE

YOU

May 17th, 1941.

*If you do all these things you will be alright.*

"FIGHTING ONE MORE ROUND" NEARER HOME.

of all of us.

Today's conditions are a real challenge to the ability

how good we are.

And, therefore, are an opportunity to prove conclusively

of condition can go the full distance.

It is no game for the unfit -- only those in the pink

The pace is becoming harder to maintain - the going is more difficult and somewhere along the track the weaker, inefficient, unfit competitors will fall by the wayside.

Let us make sure that G.M. dealers have the necessary stamina to continue to the finish -- because the prize will be better overall conditions -- unworthy competitors eliminated -- good, profitable business remaining for those good enough to stay in business.

How can YOU make sure of coming through the present difficult period in good shape?

"Fight one More Round" with yourself to make sure that you are in the right frame of mind to get things done.

Then, above everything else, go over every section of your business in absolute detail -- make sure it is as efficient as it should be in every respect.

This is really the kernel of the nut -- and it is your job -- you must exercise a keen and positive control over everything that is done to a much greater extent than ever before.

The more I see of how good dealers operate the more I am convinced that it is their close, personal control of every section of their business that makes them successful.

No one else can do this part of the job -- it must be YOU.

BUICK CADILLAC CHEVROLET "G.M.C." LA SALLE OLDSMOBILE PONTIAC BEDFORD VAUXHALL

*You must start off in this way.*

Letters Written in 1941.

No new cars to sell.

Had to keep dealers busy on used cars, service, parts  
a build up the team. You all know how he succeeded.

FIGHT ONE MORE ROUND

" 'Gentleman Jim' Corbett was probably the best boxer who ever stepped into the ring. He was a master of the art of self-defense. In his autobiography Corbett points out that each fighter has the same equipment -- two arms, two legs, a body, and a head. The blows it is possible to use are few -- not more than twenty in all.

" What, then, is the secret that makes a man a champion? Corbett answers it with this statement: "FIGHT ONE MORE ROUND" !

" When your feet are so tired you have to shuffle back to the centre of the ring -- FIGHT ONE MORE ROUND.

" When your arms are so tired that you can hardly lift your hands to come on guard -- FIGHT ONE MORE ROUND.

" When your nose is bleeding and your eyes are black and you are so tired you wish your opponent would crack you on the jaw and put you to sleep -- FIGHT ONE MORE ROUND -- remembering that the man who always fights one more round is never whipped."

You can  
apply  
this to  
your sales  
job. Jim

Corbett practised what he preached. In his first fight he won in the twenty-eighth round.

To be a champion, to win in the arena of life, carry this motto with you always: FIGHT ONE MORE ROUND. It will be an eternal reminder of the fact that a quitter never wins and a winner never quits.

FIGHT ONE MORE ROUND !