

HOLDEN'S SHOCK ANNOUNCEMENT TO CLOSE DOWN



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An Uplifting Dealership Experience Sparks Chagrin and Dismay

From a strict business analysis standpoint, Holden's announcement on 17 February that they were withdrawing from Australia and NZ was a logical and understandable determination. From a sentimental standpoint however, it was a massive disappointment and shock for a large proportion of Australia's 26 million population for whom Holden had, in some special way, touched their life at some point.

Holden's 2013 decision to announce the end of local car production from 2017 was again a tough but inevitable call. Any well-considered evaluation of all the facts including the well-established formula for car production economies of scale, declining sales volumes, loss of brand equity, huge shifts away from passenger cars, and unfavourable currency exchanges, all meant Holden faced a perfect storm around a non-viable local production model.

What happened after the 2013 decision to cease production however is where serious questions can be asked of Holden for failing to implement a sustainable revitalisation/recovery given the abundantly obvious challenges the plant closure would present.

Despite commitments at the time of announcing the closure, Holden did not deliver on their promises made six years earlier. Holden's then Director of Sales and Marketing announced one week after the plant closure on 20 December 2013 an advertising campaign: 'HOLDEN BRAND HERE TO STAY'. He stated the campaign was to ensure customers understood the Holden brand would remain in Australia. He also said, "Over the next four years we have

hundreds of thousands of Holden world class cars and engines to build locally and sell and beyond that time, we will be offering world class cars sourced for Australia from GM's global network. Together with our network of 230 Dealers nationwide we will continue to provide our customers with exceptional products, service and support." Big lesson here for big corporations – don't make promises you cannot keep.

Today's current 190 Dealers, Holden owners and customers (myself included with a new Equinox) now find themselves evaluating GM/ Holden's commitment for the next 10 years on their service and parts obligations, particularly after reading recent reports on contentious issues between GM and Dealers on post close-down Service and Parts Agreements.

Three weeks after the total Holden Closure announcement, some electrical issues with my Holden I was driving required I make an appointment with Stephen Howlett, the owner and Dealer Principal of Tweed Holden/Sharp Motor Group. As I had an hour to kill and with Stephen involved in an offsite meeting, I treated myself to a tour of his dealership. My 50-year-plus association with Holden afforded me the chance to inspect around 250 different dealerships throughout every part of Australia and NZ so my vibe meter on reading a dealership's retail heartbeat or otherwise comes from a reasonably solid base. I had the joy of 'tyre kicking' over 30 new or demo Holdens on display on the superb 12 car showroom, as well as the equally impressive lineup on the forecourt. I cannot before recall seeing this many new cars so immaculately presented and polished to the point of perfection. Likewise my identical reaction to the total dealership, including its commanding location, its layout, the clinical cleanliness of every conceivable department, the striking professional corporate dress code and grooming of all the staff, the beautifully furnished Service Customer lounge and large viewing window into the 16-bay service department, and then to cap it all off a bustling five star fully equipped showroom café/coffee shop.

Why do I go into raptures over the commitment this Holden Dealer had made to his local community? Well, when you have been trained to Holden's commendable and exacting standards on providing premium customer care, it was stimulating and satisfying to see it in fulsome practice. However this buzz of seeing such a positive commitment to the Holden franchise quickly moved to a great sense of 'what the hell' chagrin and dismay. Knowing the lifeblood of a car franchise is the flow of new cars from the car manufacturer and from which everything in the business flows: Used cars, Service, Parts, F & I, it suddenly hit me that the heart and soul of this business (and all Holden Dealers) was soon to be ripped out with no further supply of new Holdens.



This dealership walk-around, which I did of my own accord, triggered the stark reality of Holden's closure announcement and in turn how this superb dealership/business and others like it, will soon be gone along with all those staff trained to Holden's high standards and values which I too had been the grateful beneficiary of from the day I started at GMH as a 17-year-old.

My father worked all his life for GMH, from its beginnings in 1926 through until 1968. His service to Holden coupled with my association of 52 years in various forms, meant my family had some connectivity over a 90 year span. Perhaps that's why my REAL WORLD experience at the dealership of the impact of the sudden closure, created such a sense of disillusionment and hit me like a ton of bricks.

Whilst I fully get the business reasons behind Holden's exit, I would be just one of millions of Australians baffled by HOW and WHY this once mighty company, backed by huge GM global resources, could be allowed to fail. There were 7,687,675 Holdens built up until the end of 2017. Some people owning one in their life, others perhaps up to 50. GMH employment peaked at 23,974 people but my wild guess would be over half a million at some time from 1931 would have been on the Holden payroll for anything between one and fifty years. Add to this proud family of employees and owners over all these years all the Holden Dealers' employees, the countless automotive supplies, motor racing teams, drivers and fans, loyalists in endless Holden car clubs, and one can quickly understand why this brand touched so many and why so many were so shocked when they heard the news.

Media-published correspondence between Dealers, their lawyers and GM are clearly ugly over compensation disagreements, given the Sales Agreement has been cut short by 30 months. We trust that all these difficulties and the impending Senate Inquiry into Holden's handling of the closure, which cannot be underestimated, can be finalised with the elegance befitting the remarkable history of Holden in Australia.



My wish would be that GM USA, all Holden Dealers and Federal Government conclude the wind-up process not just harmoniously but also with a commitment to enshrine the Company's history with the creation of a Holden Heritage Centre in the Fishermans Bend Precinct. Such a facility would allow Holden's iconic history of products, milestones, and thousands of memorabilia treasures to be a tourist attraction that would

perpetuate the huge part Holden played in our great country. Our memory of Holden deserves such a dignified closure.

The Impact On Australian Motor Sport

There is not a book written on Holden without a section devoted to the incredible role the brand and its products played in Motor sport. The 60th Anniversary Holden Heritage Book Motor Sport section noted, "Almost as soon as the first 48-215 Holdens began appearing on Australian roads, men began racing them, at Mount Druitt, Caversham, Fishermans Bend, Templestowe, Gnoo Blas and the like...Soon enough the 48-215 was joined on the circuits by the FJ, then the FE and so on," the section read.

Another significant loss for Australia following the Holden decision is the reality that very soon there will be no more Holdens at Bathurst or any other race track.

One cannot sugarcoat the potential impact on the Supercars business and the Holden Team Owners. Holden Commodores represent 16 of the 24 cars (66 percent) participating. With the likelihood of two thirds of the field perhaps having to race a car and brand for 2020 and 2021 that no longer exists and has no relevance to the car buying public, the situation for Supercars is at best problematic.

There seems no quick answers despite the organisers' desire to hastily advance their Gen 3 plans. One cannot envisage how these Holden teams have any choice but to race their now 'market irrelevant' Holden Commodores through to the end of 2021.

Even if a much-rushed Camaro idea was to be an option, chances of it being race ready for 2021 seem impossible. But there are two other big issues that would require close due diligence: 1. Cost 2. Fan acceptance. On the cost front it's hard to imagine GM USA stumping up the \$1m-plus engineering/homologation investment required. Divesting Holden from Australia and then simultaneously reinvesting with a Camaro does not have a good ring to it. This would leave Supercars to underwrite the engineering/homologation costs. This would not be out of the question given with COTF in 2014 they

provided a \$1m incentive for the first team to attract a new brand. This was awarded to Kelly Racing when Nissan joined the Series.

On top of start-up investments it will then be a big leap for the teams to fund changeover costs from Commodore to Camaro, maybe representing a collective cost of around \$5m for 16 new Camaro race cars. My second point is will Holden Fans accept Camaro? The only model now imported is the \$170k ZL1 following the recent announcement the lower price 2SS model has been discontinued. Even if the dollars did stack up to race Camaro surely Supercars will as a priority first undertake some thorough fan and market research on its suitability and acceptance.

Mustang has certainly had a seamless transition in Supercars as a replacement for Falcon. In the two years 2018/19 Ford Dealers sold a very healthy 10,360 units with very competitive pricing. Camaro sales figures for some reason are not reported to VFACTS, but a reasonable guess would be around 1000 retail sales (not production) for the corresponding period given their huge price disadvantage to Mustang. GM/Holden, we are told are still to make a decision whether they will proceed with GM Specialty Vehicle Operation and import various USA products like Camaro on the back of their Holden exit. But if they did and elected to build only the ZL1 model (as is the case currently with their supplier company) then it could represent a road car presence ratio of 10:1 Mustang to Camaro. The rusted-on Holden racing car fan does not play in the \$170k league and may find transitioning their support to a top-end priced car a contradiction of their Holden DNA values, which Supercars must factor in.

We genuinely hope the brains trust of Supercars have some pleasant surprises in store for its passionate and loyal fans and are working on some new big name well established car brands in Australia that can reshape the Supercars series given the realities of the Holden situation.

Just like the Dealers mentioned earlier and their loss of the Holden franchise, it will be a tough and challenging adjustment for Holden teams to reset their businesses given Holden's closure.