



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

18 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

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PROCEEDINGS ON 18 NOVEMBER 2021

CHAIRPERSON: Afternoon, and welcome to the afternoon session on Thursday in the third week of the public hearings in the online platforms market inquiry. This afternoon as I indicated we are back to travel and we are starting with Avis, and I am very glad to welcome the Avis team which is represented by Mr Nkombisa, the executive private sector and partnerships, Ms Porteous the general manager partnerships, and Mr Mwaze, the executive corporate services compliance and governance. Welcome Avis team.

10 I know you have a presentation and I think that is up so I am going to ask you to take us through that and then we will ask questions.

MR NKOMBISA: Thank you Chair. I am going to go straight to, I am going to skip the first part that deals with the introduction and the history and all of that. I am going to shoot straight to the customer segments. All of this information is contained in the word submission that you have got on your side.

Okay. Skipping through. Okay, so I will take everything as read. Thank you very much Chairperson for giving us the opportunity to come and share our experience with online platforms. We as Avis are here to
20 ensure that in the long run there is an equitable participation in those platforms.

I am going to shoot straight to customer segments. In car rental it is not just the tourism segment that we deal with. It is various segments and we split them and I will just mention the relevant ones. First of all we have got what you call in-bound or long haul, which really

is the international tourist that come into the country, into South Africa.

Very, very important segment and as we all know it was affected by the Covid and lockdown and flights that were not operating during the last financial year. Just to give you a sense, this segment really... the customers and we will show you now how the customers come through to us from this segment.

The customers come through direct websites and through ABG Global licence contracts. Just for the benefit of the commission, ABG refers to Avis Budget Group which is our principal who gives us the
10 licence to operate in South Africa and South African countries. They sign global contracts with the intermediaries, global intermediaries.

We then benefit from those partnerships that have been signed, and then the second channel for the inbound are the direct websites. By direct websites I mean the .co.za websites, I mean the UK@... When I say the .co.za, I mean avis.co.za. The .ge German as in avis.de. UK, .uk.co.

So it is domestic and international websites and then we have got another channel here which really is for private companies. Local companies in South Africa. Travel consortiums, insurance companies.
20 That is not what we are discussing here but for completeness we actually put it up there because it does not include online platforms.

We just put it there for completeness. Then we have the public sector, also it does not involve platforms. Actually we go through tenders, open tenders on this one, and then we have got individual customers. Individual customers also come through our website.

Sometimes they go through the global intermediaries and even local intermediaries and travel agents. That is what happens. Then we have got commercial segment.

The commercial segment is really around local airlines, and international airlines we have got local partners like loyalty partners, like E Bucks and so on and so on. So broadly those are the channels through which we get our customer base. Okay. Is there any question before I move on?

CHAIRPERSON: I think finish the presentation then we will load our
10 questions at the back, thank you.

MR NKOMBISA: Okay. So in summary, so those channels. How do our customers come through those channels? We have got international and local call centres, customers can call in Germany their local Avis and then that will be re-routed to us. We have got domestic channels.

They can call South Africa directly and we can make the reservation. Then we got the apps. We have got an Avis app where you can log in and book in. We have got a local one, we got international one, depending which country you come from. Then we
20 have got domestic and international websites.

As we said, our own .co.za and the .de, the .com from the US and so on and so on. Then behind the scenes we have got a thing called, it is a rental system. It is called Wizard. Wizard is a global booking system that manages our inventory and we and people can will know that we have got a car available in South Africa in Cape Town

because it is available on that system.

So that inventory manages. So that system manages our inventory and it is open to anyone to log in. Whether it is a customer booking on the normal internet or whether it is a global rentalcars.com website. Then move to the next one. So then we have put a diagram here to just give you a sense of how the whole thing flows together. So indirect, it means they did not come through our website which is direct channels.

We have got ABG which is our principal and as you know we
10 operate under licence from ABG who set up international global agreements and all sublicenses or licensees like us benefit from that, and we then put up our price. Normal, the same retail price that you see on our internet is the same price that rental.com or [indistinct – 00:07:45] sees, and then it really depends on the service that we provide and the things that make and attract our customers to us, like Clean Car, Global Brand and so on and so on.

Then we have got travel partners as well that actually attract customers on our behalf indirectly and then they then send the customers through to us and we book the car and then we have got the
20 international retail websites booking.com and all of that. It is all in the presentation and the Word document that we sent to you.

Then obviously we have got direct channel which means we do not use third parties, we use Avis proprietary websites whether it is domestic or international. Okay. Then zooming deeper into the global intermediaries. So you have got global car rental brokers. An example

of that is rentalcars.com.

Customers there will see our price and availability and they will see our customer ranking in terms of are the customers happy with us. Out of ten 9.9, 9.2 and then the customers will click on our offering and then it will then come through to our wizard and it is booked, because the inventory is available for everyone to show and book.

Then we have got supermarket sites, like the [indistinct – 00:09:27] bargain which is in continental Europe. Similarly those supermarket sites, the customers can come through there and they
10 have got access to the inventory that we have in South Africa. Then we have got global airlines.

These global airlines are signed by ABG PLC, there is a global tender. So all the car rental companies around the world could go and bid for this tender and sometimes we win, sometimes we lose it. We become the preferred partner and when you book your flight, there is a, as you finalise your flights then it shows at the bottom there if you want to book a hotel or book a car, then our logo shows there and you can book a car with us.

Then we have got member affiliations. An example of that is
20 Algamine, a Dutch auto mobile club which is effectively Germany where all the travel partners congregate around there and we offer, we give them our rates and our service levels and they click on us and they then come through and book a car.

James, and the team, Chairperson and the team I am not going go through what separates us as you said you just wanted to see how

we link and how the platforms work. I am not going to go through our competitive advantage as you have requested. I am going to, because that was our conclusion where we show why we have a competitive advantage.

Branch network, clean cars, superior experience of customers. We are going to leave there, thanks.

MS TSHEPE: Good afternoon and thank you Mr Nkombisa. My name is Doris Tshepe and I am happy for you to call me Doris and I will ...[intervenes]

10 MR NKOMBISA: We cannot hear anything from our side. Can you hear us?

MS TSHEPE: Yes, I can hear you. Can you hear me?

MR NKOMBISA: Belinda, can you hear us?

MS PORTEOUS: I can hear.

MS TSHEPE: You can, can you hear me Belinda?

MS PORTEOUS: Yes, I can hear you Doris.

MS TSHEPE: Ja.

MS PORTEOUS: Ja, Litha can you hear?

MS TSHEPE: Can you hear me now?

20 MR NKOMBISA: Runus, can you hear us?

MR LE ROUX: I can hear you Litha and I can also hear Doris.

MS TSHEPE: Let me try again, can you hear me Litha?

MR NKOMBISA: Can you nod if you can hear us? Did you hear the presentation? Runus, can you say something?

MR LE ROUX: Yes Litha, can you hear me?

FEMR LE ROUX: They all can hear us, but we cannot hear them.

MR NKOMBISA: No, but I need to hear them.

MR LE ROUX: We can hear you.

MS TSHEPE: Maybe you need to reconnect the speaker.

MS PORTEOUS: Just check your settings there Litha.

MR NKOMBISA: Can you hear us now? Can you say something
Runus?

MR LE ROUX: I can hear you Litha.

MR NKOMBISA: Perfect. Can you leave it like that sir? Can you also
10 not leave us here.

MR LE ROUX: I will just stay for a while.

MS TSHEPE: Thank you. I think we will just have to live with the echo.
I do not know what, if the technical team if that is fine? No, I am asking
the technical team. Is it fine? Yes, okay. Thank you. Mr Nkombisa,
thank you very much for the presentation and for your time to come
speak to us, and give us some insight.

We really appreciate it and thanks to the whole team. I just
wanted to just go back a little bit. You are one of the first to speak to us
on the car rental space and I just wanted you to just take us a little bit on
20 just understanding the car rental space in South Africa. Our
understanding and you can confirm is that in South Africa the car rental
space is dominated by global companies.

What I wanted to find out from you is are there material local
players? I know we have a Bidvest. Who else is there, and what are
their share estimations from your side if you could?

MR NKOMBISA: So just to give you from my perspective, the landscape in the car rental in South Africa. What you have is the formal car rental that you see at the airports. But that is not a complete picture that you see. What you have really in South Africa is more small players that are all over in small towns.

That we actually do not measure those. They are in Knysna, they are in PE. What is visible is just the global car rental companies that you see at the airports. So it is bigger than just the global companies. The size or rather the market shares of those small players
10 is unknown but we know they exist.

Because we bump into them in the market place when we put tenders through. We see them through a special and localised tender. But in terms of the visible car rental companies, yes you are 100% right. It is dominated by the global car rental companies.

MS TSHEPE: These small ones that you are referring to Mr Nkombisa, are they online platforms? Have some relationship with airlines or do you know any of that?

MR NKOMBISA: Not that I know of but I can instinctively tell you that they capture the local market. If they are in Port Elizabeth, and there is
20 a tender in a local SOE that is based there, they would tender for those ten cars. It is really SMNE's and small businesses that have a few cars compared to the national operators like us who are in each and every town or rather who are spread all over South Africa, thanks.

MS PORTEOUS: Doris, if I may add to that as well to your question. Also the small car rental companies have got the options to put their

brand onto the global platforms, with the intermediaries. You know, that is all up to themselves where they want to play, in which market but we do see them on a lot of these big intermediary platforms.

So obviously they will contract directly with them and these intermediaries obviously also want to make sure they have as much fleet as possible on their global platforms and that they are dealing with reputable companies. So quite often I think the global brands like Avis, Budget, Europe Car, Thrifty and Hertz will have advantages because the brands are known globally and it is a much easier sell on these
10 platforms as well.

I do not know if that will answer your question.

MS TSHEPE: It does, thank you so much Belinda. Look, I am going to move from this but on your presentation that you sent to us, for example you have a rentalcars.com and they show as you say a selection of who of the brands they are working with in South Africa and most of those smaller platforms are not there.

So I am sure we can find out more about that, but I will move from that. Can I ask you to stop sharing the presentation just so we can see the faces? Perfect, thank you. Thank you so much. Just so I can
20 go back to the global companies. I just wanted to understand. So like you I presume that they will be entering into global deals with the intermediaries and the airlines generally.

MR NKOMBISA: Okay, so just to segment how the whole thing works. You have the... our ABG PLC or principal in the UK entering into global partnerships for the whole world with a rentalcars.com and we in South

Africa, then put up our rate on their website as a beneficiary of having a licence from ABG PLC and then we then participate in that market place and it is a combination of brand recognition.

It is a combination of service levels, superior customer service levels and so on and so on. As to use that as an example and the customer is free to choose which one they participate or which one they choose and then Belinda, do you want to explain how the travel operators work which is distinct from the rentalcars.com? Thanks.

MS TSHEPE: Sorry, Belinda before you come in. If you do not mind, I
10 just... thank you Mr Nkombisa. I think if you just mute when I start talking and then the echo does not come out. Thank you. I think my question related more to the other global companies. I am going to come to the relationship between Avis in South Africa and ABG and the global contracts.

So I do not want us to go there yet. All I was just asking is presumably the global car rental companies also have their principals to use your word, and enter into these global agreements with the intermediaries and the global airlines.

MR NKOMBISA: So everyone is on the... so everyone is on those
20 global intermediaries, participating and competing there.

MS TSHEPE: Thank you Mr Nkombisa. I just wanted us to just go, move into another area which is the car rental distribution. You touched a bit on that in your presentation and I just wanted to understand really the importance of the different channels and that you spoke about, and the rough shares on... of their sales, if you may? Obviously this is a

public online inquiry, and so I am not asking for you to share your confidential information but I would like just estimations.

Thank you.

MR NKOMBISA: So are you saying you want to know where is the biggest share of the ...[intervenes]

MS TSHEPE: Of the important channels that you spoke about, yes.

MR NKOMBISA: Okay. So it is in the presentation but let me just, so you mean the... where do we get the bulk of the car rentals from those channels?

10 MS TSHEPE: Yes.

MR NKOMBISA: Okay, so if I can just... I will run down some of this. So walk ins, people walk in at the airport is around 6.9% for us. Our own website, .co.za... avis.co.za is about 18%. No. Then international website, .uk, .de, 21%. Then the intermediary is around 10%. It is in the information that we provided to you.

The balance around 50% is through reservation office, stations and so on and so on.

20 MS TSHEPE: Thank you Mr Nkombisa. Would that include global or are you including global airlines under the intermediation or is it under the other, the remainder?

MR NKOMBISA: Let me just confirm that quickly. In the other you have got the airlines, like ja. It is in the other.

MS TSHEPE: Thank you for that. I mean you just mentioned your website and your walk inn which are your direct sales, but do you still partner with the other channels and I assume that is so because

consumers are booking for car rental through them, so they are an important channel for you.

MR NKOMBISA: Yes, they are very important to us. Thank you very much.

MS TSHEPE: So can you indicate the type of customer or consumer that is using these different channels?

MR NKOMBISA: So if you look at the inbound market which is international, it is travel groups like families, friends coming to South Africa and booking through, it is individuals. It is never corporates. It is
10 people coming on holiday into South Africa. Corporates typically book through travel agents, not through those channels.

So it is really individuals really for leisure coming through to South Africa.

MS TSHEPE: So presumably these ones would be more with the airline, they will be booking through ...[intervenes]

MR NKOMBISA: So both, they can either go book just a car at rentalcars.com or car trawler, or they can come through booking.com because they are booking accommodation, or they can they are booking a ticket and then it flashes there at British Airways that you can also
20 book a car.

So it is different channels through which they can book a rental car.

MS TSHEPE: Your local, I am not going to touch the public sector as you said. They are not on the online as is your commercial to some extent, but on the local market, your domestic traveller, which channels

are they booking through?

MR NKOMBISA: So the local customer can either come through, walk in at the airport or at our branch of airport and book a car. They can phone. We have got a call centre doing reservations. They can go onto our website and book a car locally. What other channels, or they can go through a travel agent.

While they are booking a ticket for an airline they can also at the same time book a car through that travel agent and that travel agent has got access to book or reserve the car on behalf of the customer through
10 us. Those are the main channels and then if it is a corporate, they either have it directly with us.

It is not on any platform or they book through the travel agent.

MS TSHEPE: I understood that. Thank you. Do you mind muting? Mr Nkombisa? Yes, thank you. As I said I am just... I am going to talk to you a little bit about the agreements that are negotiated globally, but before I start I wanted to know through the domestic channels like flights or intermediaries, do you negotiate that yourself as Avis in South Africa?

Do you have any in South Africa where you have negotiated directly maybe with an airline here or with a local intermediary platform?

20 MR NKOMBISA: Belinda, do you want to take that? The answer is yes, but I want Belinda to just explain that on the local airlines.

MS PORTEOUS: Yes, we do. We would obviously especially if there is new airlines, like any other company would like to have new business, would obviously approach them and ask if we can be on their website. Most of the airlines will actually put most of the bigger car rental

companies on that, to give a choice to the end user or the consumer.

So we have negotiated directly with many of the airlines.

MS TSHEPE: Thank you Belinda. Just back to the global deals. I mean, you said in your presentation Mr Nkombisa, that what happens is that you are the beneficiary. Meaning you then are the people who have to operationalize that locally. So you would need to submit your rates you said, so and you would have to know some of the terms as to how you do that.

Do you want to just explain to us how you operationalize these
10 global agreements that are reached by ABG for your benefit.

MS PORTEOUS: Do you want me to take that Litha?

MR NKOMBISA: Yes, you can Belinda.

MS PORTEOUS: So obviously when we do win a tender or a big contract via ABG Group, be it in Germany, USA or the UK we will get a notification that we are a partner with that intermediary and our rates what we are doing is they will actually be pulling in exactly the same internet rates that we sell to the end user onto their platforms as well.

That whole platform is normally set up by our ABG Group in the UK or the USA. They will build those platforms with the relevant
20 intermediary and they will just make sure that our rates that we normally have will pull through. Is there any more questions on that Doris? I am not sure that is clear enough.

MS TSHEPE: It is, and I am going to speak a bit to monetisation because presumably when you enter into, when you go on a tender there has to be some benefits to whoever you are entering into the

agreement with, but when we speak on pricing, just now I will get to that. I say this because you see, it is the same rates that they are pulling off the internet.

So I will talk about that just shortly. But then on the airlines, it has come out that the general norm is that you would partner with one or two airlines, but I just wanted to find out. Is that the case globally or can you like you said Belinda, in South Africa partner with a lot more of the airlines?

MS PORTEOUS: We normally have got one or two that are bigger than
10 the normal airlines but we try and partner with as many as possible and
on some of them we will also feature, although some of our competitors
might have an exclusive deal somewhere. But we do try and partner as
much as we can.

MS TSHEPE: And the airlines, do they partner... do they also... do they
partner with is it broader or do they do one or two rental companies?

MS PORTEOUS: It depends on the airline. So some airlines and I think
it is very much because of the development costs involved because
their system needs to accommodate the booking channels. So it
depends very much on the various airlines. So some will go with more
20 than one partner.

Some will go with a variety and then you also find that some of
the intermediaries are not just a pure broker where they sell car rental.
They also develop systems and some of them will actually target smaller
airlines that do not want to spend money on global systems and they will
actually put that up.

So you will find on a lot of the airlines, it will if you go into it it will look like an intermediary site with all the car rental companies on those platforms.

MS TSHEPE: Thank you. Thank you on that. I just wanted to understand. I mean, the sort of contracts you would then get with the airlines, are they time bound?

MS PORTEOUS: Sorry Doris, I did not get that? The type of contract?

MS TSHEPE: I said are they time bound? Is it a year contract or is it two years or are they ...[intervenes]

10 MS PORTEOUS: Again that could vary. So it depends on the airline what they would like to do. So some of the bigger airlines might say we want a three- or five-year contract. Some of them will have a one year. So it really depends on the airline.

MS TSHEPE: Typically with the bigger ones, so you are saying it would be between three to five years?

MS PORTEOUS: Correct, and the reason for that is when they go out on tender because they normally will tender and everybody will have the opportunity. So you will even find the brokers will tender for that business as well, and that tender process could take anything from six
20 months to a year.

They will then, and that is the reason why they will rather sign a longer deal with whoever won that contract.

MS TSHEPE: Thank you Belinda. Can I ask you, I mean so in the tender process, what do you compete on and is the question I wanted to ask, that I referred to earlier. Is it the price discount to be offered to

consumers and would an airline maybe get a commission out of that?
Just on the pricing.

There must be some benefit.

MR NKOMBISA: So if I can come in there. So when we tender for these contracts it is a combination of things. The first one is the availability of fleet. The second one, so it doesn't help to win a tender when you have not got the fleet. The larger your fleet, the more chances of you winning it.

The second one very important, it is the rating that the end
10 consumer gives you as a car rental company. 9.2 out of then, 8.7 out of ten, very very important and obviously the rate per day, which we do rate per day and we put up our rates for us to compete against everyone, and a combination of those.

Other peripheral things like is the car clean, is the car new, is the car old. Then when ease of checking and ease of check out at the counter. In the times of Covid there is even a thing where customers actually want clean, sanitised vehicles with a sign which shows that the car has been sanitised.

They do not want any counter interaction. They want to do it
20 online, and without interacting and standing in a queue on the counter. So all of that, the combination of all those things, we put forward in our tender, and we win or lose the tender based on that.

MS TSHEPE: Just on the rate per day and I am asking this because Belinda was saying you almost take your... the rates you have on the internet and put them there. Presumably they cannot be the same one

as the ones you have on the internet. These must be the ones that you would have won the tender on.

So that is what I wanted to understand when I am asking. Is the discounting, do you provide commission, it is that kind of... those terms that I just want you to speak a bit more on.

MS PORTEOUS: Ja. Doris, we do not give them preferential rates. We do as we mentioned, we actually they normally just link up to our internet rates and also bear in mind our internet rates are set up, depending on where the person comes from. So Germany, if the
10 German person shops he will come from the DE site, the German site or UK and they pay in their currency.

That is basically how we work. Yes, everybody that book on the internet can earn a commission, so we do not make any discrepancies there. So be it a travel agent or a tour operator or an airline, they all will earn commission on our rates.

MS TSHEPE: And that is not negotiated with you, the commission bit? It is what they would negotiate with the end user. Is that what you are saying?

MS PORTEOUS: No, that should normally be done by our global
20 teams, so it would not be negotiated with us as a local brand. It will be done there overseas with our principal and they will negotiate a deal, and unfortunately those contracts are very confidential. So we do not even see those as a local company.

We just know that we will pay the standard commissions that we normally offer on our internets for prepaid or non-prepaid rates. There

is a set commission on those.

MS TSHEPE: Okay, thank you Belinda and you are saying there would be no discounting on pricing on this. So you do not have a standard rate carton then that you discount on. None of that.

MS PORTEOUS: Doris, normally our we do not do discounting. It normally is linked to our rates. So if we look at our rate shops, we will decide if we have a lot of fleet standing and if we want to decrease our rates a little bit, or if we want to increase our rates. That is really how it works.

10 MR NKOMBISA: So Doris, the rate is not static. It is dynamic. Every day we look and we decide oh, we need to increase the rate or we have got our fleet. We have got a lot of fleet and our utilisation is low or our utilisation is high. We must increase the rate. We make that decision on a dynamic daily weekly monthly basis, and simply the people that they are booking.

They are booking on the latest rate that we are putting up, thanks.

MS TSHEPE: Yes, you did say that in the... in your presentation. That the rate, I mean obviously I would have seen that as well during peak
20 times in December try and get a reasonably priced car in Cape Town airport. It is almost impossible, yes. Thank you for that. Just on the commission, and I understand Belinda that some of these would be confidential.

But I would imagine and I do not want you to traverse confidential information. But when you are billing obviously it will show

on the invoice and what I wanted to understand, is there would be differences in commission allowed, and is it possible to give like just indication on the different channels and hopefully that is not confidential?

MS PORTEOUS: Ja, so I think maybe just I think where the question is leading, is so we do find that when our global partners negotiate deals, there will be some marketing funds involved as well. So quite often we could see that a marketing fund might be utilised globally to subsidise a rate.

10 So we will not see it on our invoice because that is all done as part of the global deal but it will not affect our rates or our commissions.

MS TSHEPE: Just so I understand you Belinda, so although those differentiations would happen, you will not know that because that is the discounting on the commission would have happened globally, not in South Africa.

MS PORTEOUS: That is correct.

MS TSHEPE: Thank you.

CHAIRPERSON: Sorry Belinda, can I just follow up. I mean are you aware of what commissions are negotiated? Does that come when you
20 sort of invoice or does ABG globally take that, I mean at some point you have got to hand it over. So I suppose, I mean that you would pay out.

MS PORTEOUS: Ja, we have a set commission. One is for our prepaid. So if you have a prepaid rate, we normally can pay a higher commission and a non-prepaid rate is a bit of a lower commission and that is a standard globally that we have set up. When our ABG set up

our rates for the global arena, that is what will happen on the rate and the various rate codes or rate settings.

CHAIRPERSON: Alright. So, and I mean could it be that some of your partners use some of their commission to also discount your rental cars?

MS PORTEOUS: Not really because they actually get what we call a gross rate and it is something that we have stopped because just my own view is why would you sell out to a third party at a lower rate that you would sell on your direct website. So that is just you know, that is
10 from my point of view.

You actually want to make sure that everybody sells exactly the same rate. So if a consumer go into your website, or onto a partner page, that they will see the same rate appearing there.

CHAIRPERSON: Alright, but there I mean because of marketing funds you do see the discounting and that is I mean what I understand, most of the intermediaries are selling consumers is a discount.

MS PORTEOUS: Not really our intermediaries. It is something we try not to do, but you will have maybe the odd global airline that might do it or affiliation where there is something in the contract, but I actually only
20 in all of our contracts, only know about two that does that.

MR NKOMBISA: Ja, so what we sorry. If I can just finish off where Belinda left off. So we do not want any to undercut ourselves, because we want direct customers as much as possible because we do not have to pay commission. So if our rate is higher on the internet than third parties, customers would go to those third parties.

So they will use that arbitrage between us and third parties. That is why we say to them you pull our rate that is on the internet, because otherwise we undercut ourselves and it defeats the whole purpose. Thanks.

MS TSHEPE: Thank you Mr Nkombisa and Belinda. Can I just ask, I mean just moving to Avis South Africa and just to understand. Do you use local intermediary platforms? So just to be clear, not the airlines. Belinda has answered that but are there local platforms that you use?

MS PORTEOUS: They are but I will have to admit they are much
10 smaller than your global partners and probably the reason for that would be the costs involved probably to set up that type of platform where you want to actually play in the international field. So I would imagine for a local player, it is extremely expensive to do that type of thing.

But where ever we can, we will partner with the smaller players as well.

MS TSHEPE: So do you partner with them in South Africa and which ones Belinda?

MS PORTEOUS: We have, I am trying to think now off the top of my head. We have RAV which is in Cape Town, Drive Away and Drive SA.
20 Just at the top of my head I can think of now. Those are the smaller players.

MS TSHEPE: Thank you Belinda, and just so I understand the commission structures they would have. Would it be similar to what you were referring to with the global ones where there would be like a marketing fund where the commission could be discounted or is it just

you agree with them on a commission and that is it?

MS PORTEOUS: It would be the commissions. Ja, we do not enter with the same type of, because it is also the volumes are very different. So we do not as Avis South Africa enter into the same marketing funds that is on the global platforms. Because that is the ABG doing that. Presumably ABG does that in order to engage with the intermediaries, so you do not see the need for doing that with the smaller guys in South Africa?

MS PORTEOUS: Doris, so we normally set up our marketing funds as a
10 certain percentage of revenue spent in the prior year. So whatever revenue they have spent with us, we are always happy to pay that over and do a mutual brand orientation or whatever it is, but it is normally if I could say because the volumes are so much smaller, it is a much smaller number that you see, but the percentage is the same for us in South Africa.

MS TSHEPE: So what do you spend the marketing fund on generally?

MS PORTEOUS: We normally put it aside Doris and they will come
20 through to us and suggest what they would like to do with the marketing funds, be it maybe they want to run a competition or they want to run some brand awareness. Whatever it is or just do something on their websites.

We then normally sign it off and we will say yes, it goes with our strategy or it does not. So it is normally a dual partnership talking about it.

MS TSHEPE: Thank you Belinda. Can I just ask... I mean I know you

said you do not, and Litha explained a bit more on the discounts. Given that these are small platforms and in... you just spoke Belinda a bit about how expensive the business of platform is, technology or any of that.

Do you not see a need in assisting them in any manner? You have just said you do not deal with marketing fund, I was just asking could you be using marketing fund or discounting in any way to enable them to push the sort of volumes that would make them profitable or more competitive?

10 MS PORTEOUS: So Doris, I think one has to look at the type of company that you deal with. So some of our loyalty partners in South Africa we have gone and we have done a joint venture on developing platforms. But obviously, those platforms are very much South African based.

So it is not the expensive platforms that you will find going out and competing on a global, international level. For us, you know just looking at marketing spent, those platforms is something that is very, very expensive and as a company very hard to actually go and build. Especially if there is not going to be ...[intervenes]

20 MR NKOMBISA: Sorry Doris, I just wanted to add something here. I do not know if you participated in the conversation that the Commission had with Runus le Roux, where he explained how when... how the global partners occupy the Google prime advertising space, where when you search for car rental they just appear at the top.

Even ahead of car rental companies themselves. So I think you

must take this conversation in conjunction with the conversation that you had with Runus le Roux who is our analyst who is on the line now. Thanks.

MS TSHEPE: Thank you. I mean I am going to have time I hope Chair, to talk a little bit on that with you about you, just a little bit but I know James wanted to ask something before I move on.

CHAIRPERSON: I mean just to respond Belinda, the I mean exactly in this context it is those global companies that are going to appear at the top and I suppose if they are getting global support and marketing
10 spend and then it does create a potentially unlevel playing field if we are going to try and have local players start to try and compete as well.

That is why I think Doris's question was most is there not a need or are we going to end up just with the global players dominating the South African landscape too and what can be done to support domestic platforms as well, because if the global ones that marketing support, if they can use some of that to discount the prices and make it more attractive, I mean there is not much that a domestic player can do in that battle.

MS PORTEOUS: So if I can just clarify that. When we talk about the
20 intermediaries, the brokers we do not actually do anything with them. We will support where we have won tenders with one or two of the big international airlines. That is where we will be putting marketing funds in, but the actual brokers, the intermediaries and Runus can come in here as well.

These are guys with a lot of international money behind them.

They actually are playing those fields on their own. So we do not actually put marketing funds towards them like the rental cars or the car trawlers. They are doing it and they are spending the money basically on Google.

Making sure that they get all of that at the top, and if you so search... do certain car rental searches they will appear. So with us it is, we are very much I can say dedicated to the and there are two global airlines that we are partnering with. That is where we actually put our marketing funds with ja.

10 So I think we need to make sure there is a distinction between those. We talk about them as intermediaries, but it is very much your global airlines and we have really got two very big ones and then you have got your brokers which is a totally different playing field actually.

CHAIRPERSON: And do the brokers get a discount, because they do discount from your submission you know. They offer reduced excesses. They do the like. Are you telling us that that is of their own bat?

MS PORTEOUS: Yes, so they do. So what we see and I know that our ABG partners has taken them on on some of it as well. They actually self-ensure on some of these platforms. So they try and sell insurance.

20 When they buy a car, they have got their own insurance department underwriting that, which has got nothing to do with us.

They get exactly, so when you go and rate shop and you look at rental cars or Avis, so if you look at Avis Germany or rental cars Germany you will see exact same pricing.

CHAIRPERSON: Alright. I mean we are just trying to understand how

they are able to discount I suppose you know, in the long going they cannot just fund discounts. So surely I mean there is some negotiation at some point around rates given the volumes they send to you. Or are they just using the commissions that you provide in the normal sense to discount on and rather than take a commission?

MS PORTEOUS: So they actually if you go and look at them and us we will have exactly same sell out rate. So I am not sure where the discounting is coming in. where and if I can just talk as an observation from my own perspective, that we do know that they get a very different
10 rate structure from competitors and there they are selling lower than our competitor's own websites.

So and that is purely because they are getting what we call a net rate from most of the competitors and that net rate is extremely low. So they are selling at a much lower rate. We know their margins are quite big. So with us they do not get a discount. You can go and check our sites versus their sites, exactly same pricing out there.

MR NKOMBISA: Ja, so also I wanted to quickly add something here. The way South Africa, the local South Africans consume car rental is different from people sitting in continental Europe. If you want to come
20 to South Africa you either book through rentalcars.com or you are booking hotel and then you then book a car rental.

In South Africa, they we do not have the scale of those intermediaries that you see elsewhere in the world. So customers book through our internet. In fact, our internet direct is high and if you look at our call centre it is high or if you look at our travel agent, who are doing

the end-to-end journey of the customers from the hotel to the car rental, that is how they consume car rental here in South Africa as opposed to someone in Germany who is doing it through those global platforms.

I just wanted to add that, thanks.

MS TSHEPE: Thank you, you did when you were explaining the various channels, you did explain those percentages. Thank you so much. I think I was being a bit ambitious about going into the Google discussion with you. Clearly not going to happen. In fact our next participants are already joining, and I just wanted to take this opportunity to thank you
10 Mr Nkombisa and your team for coming to share your insights with us.

I will leave it to the Chair, thank you.

CHAIRPERSON: Thank you very much and all the best for the festive season. You are welcome to leave now. We are going to welcome Caroline Everard from eDreams.

SESSION ENDED

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<u>Case No</u>	<u>Competition Commission</u>
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