

Email received from Mr Bob Donaldson, Honda, 23 July 2009

Dear sir / madam

Re PACER Plus - Department of Foreign Affairs & Trade (DEFAT) assistance to Pacific Island countries

We at Honda are responsible for marketing Power Equipment, Outboard Motors & Motor Cycles in the Pacific Islands (some previous background below)

The main challenges that we have relate to -
tariffs
training of personnel
freight
investor confidence - law & order

1. Tariffs - these vary by product within a country & further vary between one country & another

In some instances this makes the cost of products very expensive & as a result sales prohibitive

The introduction of a standard VAT or GST would be much simpler & provide them with their government funding - replacing Tariffs

A suggested rate of 10% would be much cheaper than some of the very high Tariff rates (up to 40%)

2. Training - the education in most countries is basic & persons in business require further training, to become skilled to run a successful business

Their requirements, for dealers selling our products falls into several categories -
small business management
inventory control - complete products & replacement parts
debtor & cash flow management
technical repairs - mechanic

3. Freight - is expensive, particularly if the purchasing volume does not enable consolidation & containerisation

To some countries shipping is irregular

4. Investor Confidence - in some countries it is difficult to locate a business person who is prepared to invest in stock & promotion, because of the occasional lawlessness in the country

In many instances the business / business owner, due to its / his success, is at risk of becoming the target

This particularly applies in PNG, Solomon & Fiji Islands

Law & order assistance is required otherwise their economies will further degrade & the opportunity to trade with them will be further diminished rather than flourish

The fall off in tourism is the best current (& previous) example of this, where millions of dollars are lost to the economies

The significance of this is evident in the Cook Islands -
there is no lawlessness
tourism flourishes

there is much employment
employees purchase products such as ours
this creates more employment
there is no need to steal & create mischief because the population receives wages
there is no lawlessness
* the cycle repeats itself & the advantages are compounded

A further challenging topic, over which you will have much less control & influence, is the fluctuation in currency alignments

This is particularly damaging, where a devaluation results in price increases, that put the product out of the reach of the average consumer

Trusting that this may be of some assistance

If the PACER Plus initiative, addresses the above topics, it will be successful

We look forward to positive commercial outcomes via increased sales

Regards

P.S. - if you wish me to elaborate further I am happy to make myself available

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Our dream is to leave blue skies for our children

----- Forwarded by Bob Donaldson/AUH/AP/HONDA on 23/07/2009 09:37 AM -----

Bob Donaldson/AUH/AP/HONDA

14/07/2009 10:59 AM

To
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Subject
Pacific Islands Business

Dear Stuart

We have been selling small amounts of Honda Power Equipment (Mowers, Brushcutters, Tillers, Generators), in the large Pacific Islands, over many years

Last year we conducted a comprehensive review of the larger Pacific Islands to determine -
state of the economy
main industries
sales opportunities
competitor activity
distribution channel options
etc

We are also interested in increasing our representation & sales of Outboard Marine Motors & Motor Cycles & these products were included in the research

Deo Chand (Austrade) was very helpful in assisting in gathering information & arranging contacts in each country

This has resulted in, us appointing new dealers in some areas & to initiate plans to increase our assistance, to develop sales in other areas

We have been challenged, by the later, due to the consequences of the current worldwide economic downturn

Restrictions on travel & limitations of marketing funds, are examples

The timing of our research was not ideal, but hopefully will bear fruit in the long term

I am happy to discuss this further if you believe there is common ground with your current trade initiatives

Regards

Bob Donaldson
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Power Equipment Department
Power Equipment & Marine Division

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