

# ACCC New car retailing industry market study

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## **About**

Think Software Consulting's core product is ADEN Works, a fully integrated Inventory, Accounting and Point of Sale platform for SME's. Think Software's founder Ian Thorp who has specialised in the Auto Recycling sector for over 30 years, had spent his initial 6 years distributing a recycling software product, produced for AAMI. He sought to simplify the management of Auto Recycling business in Australia and New Zealand. He needed to find a platform which could handle large amounts of data with speed. At the time, no systems had integrated accounting or sophisticated stock control nor did it have parts interchange based on Genuine manufactures part numbers. The Aden Works program unitises its own database of over 2 million part numbers which cross references to multiple suppliers of genuine, parallel and aftermarket parts.

Today's product (21 years later) maintains the full accounting integration which has assisted many companies to increase their net profits by lowering overheads and expenses. Used by a number of companies in this sector of the Industry, the Think Software team are working on a current project which aims to provide collision repairers with significant productivity gains through real time lookup and access to relevant industry information.

Ian has consulted to many parts of the Automotive Industry from Honda, GIO Insurance, to over 200 Auto Recyclers in New Zealand, Australia, Japan and America. He has also made 3 education videos on Auto Recycling and handling End of Life Vehicles around the world.

## **Warranties**

Insurance company's policies towards the use of genuine, parallel and used parts has the potential to impact the warrantee status of the vehicle. Guidelines would assist collision repairers & insurers covering this aspect of the business.

## **Choice of Repairer**

One trick used by dealers is the retention of the vehicle log book at the dealer's service facility. This means that the consumer is unable to seek alternative service & repair sites for their vehicle.

## **Who owns the Repair?**

Is the repair owned by the insurance company or the mechanic or collision repairer?

Determining a clear chain of responsibility as outlined in a Code, would greatly benefit the collision repair industry.

Insurance companies make a practice of enforcing – where parts are to be purchased, for what price, whether they are to be new, used or parallel parts. They indicate hours for each job that they are willing to pay and an hourly rate. Insurance company assessors don't necessarily commit all requirements in writing, as they do not wish to create an auditable trail. The threat of "no work" keeps most small business in check. The delayed payment method is also used where a repairer has gone outside what the Insurer has demanded, justification is "investigation needs to be done"

## **Access to Repair Data**

Accessing of manufacturers Data is very restricted almost non-existent for second hand and aftermarket suppliers.

It is possible to obtain a third party software programs (generally an illegal copy). In certain situations (like BMW) the dealer will give the Second hand supplier a copy of the manufactures

program in order to increase the sale of more parts, while this practice is believed to jeopardises their distributorship.

The critical piece of information which all suppliers need is access to the VIN Number interrupter. This VIN Code determines the accurate specifications for that vehicle including individual part numbers. Currently unless an aftermarket, second hand or parts supplier have access to this information the chance of supplying the correct part is greatly reduced.

By the manufacturer failing to supply this info it becomes a safety issue in the case of a part recall. If the Second hand supplier does not receive or have access to the recalled VIN Numbers, recalled part numbers or if the manufacturer has replaced the recalled part, the chances of selling a recalled part is greatly increased. This was highlighted this year in the USA with the recall of Airbags.

Part of IAG's preferred supplier system which was instigated to create competition in the parts market by NRMA, required NRMA knowing and tracking the damaged vehicles and parts that where supplied by their Preferred suppliers to their Recommended Repairers. This program called Pinnacle, allowed the Insurance companies to greatly reduce the cost of parts they pay the repairer. This data collection has greatly affected the Repairers and Auto Recyclers profitability.

### **Voluntary Code of Practice – Access to Service and Repair Information for Motor Vehicles.**

What impact have the Heads of Agreement and/or voluntary codes of practice had on access to repair and service information and data?

Industry representative bodies are weighted in the area of insurers and dealerships. Collision repairs and mechanics are at the bottom of the pecking order and their interests are not adequately represented. The industry is in crisis with 1/3 of collision repair businesses closing (NSW figures). 94% of the businesses are small businesses. Margins are pressured by the insurers and increased computerisation of cars requires greater investment and manufacturer alignment.

Codes are critical. They need monitoring and dispute mechanisms need to be put in place to keep disputes out of the court system. The insurers create an un-even playing field.

Insurers' assessors and estimators need to be licensed, as are the collision repairers. They need a level of training and industry knowledge.

### **Training.**

New and emerging cars are increasingly computerised. Australia's training regime is inadequate and outdated. An urgent review of training services available for the Auto Recyclers, Collision Repairers, Panel Beating, Mechanics and Spray Painting sectors needs to be undertaken with input from the VET Regulator, ACCC and Immigration looking into:

- a. Apprentice numbers decline leading to acute skills shortages
- b. Limitations of VET training courses available in the state
- c. Shift to employment of 457 Visa recipients and assessment of training certifications accreditation
- d. Updating of VET training to build in sensor technology, electronics, computers, electric vehicles

- e. Assessment of why young people don't wish to train in the industry – low wages, safety issues, “industry in decline”, “old industry”.
- f. Build career path so apprentices can progress from panel shop into IT sector, R&D.

There is a need to develop a Jobs for Automotive strategy & incentives program to boost training & industry youth participation – particularly in regional areas. Collision repairers as a sector are ageing and there is little renewal. Inadequately trained 457 visa holders is not the solution.

### **Parts & Tools**

33. What information is made available about different types of car parts to the market? No information is currently being supplied to Auto Recyclers, about how to dismantle parts and or the implications of handling them incorrectly. ie: handling Electric Batteries. Who makes this information available and when? As far as I am aware the motoring association should, but to the Auto Recycling industry this is non-existent. As the people charged with handling the End of Life Vehicles this information should be supplied by the creator of the vehicle - the manufacturer. In America a panel of Auto Recyclers and manufacturers met regularly to discuss best practice.

38. Where a common platform is used by manufacturers (e.g. Volvo S40, Ford Focus and Mazda 3 are built on a common platform, with different features/trim), does this make it easier to access parts and tools?

Information about parts are compiled by the auto recycler in a physical sense and this information is collated into an interchange database by software providers such as ourselves. Some software vendors make this information available to insurance companies and dealerships. This influences price reductions, with dealers undercutting listed prices. This has an impact right through the sector – borderline predatory pricing practices.

### **Repair and service information and data**

42. No information is imparted from the manufacturer to the auto recycler. Auto recyclers do need to handle the dismantling process. Currently there is no independent body to submit that information to, they need an independent organisation to look after their welfare. There are sub-sections of the motoring association. Conflict of interest within these associations limits information distribution.

Identifying if a Parallel, Non Genuine, Aftermarket or Genuine part is the same

The NSF which is the world certification authority believes "the easiest way to identify that a genuine panel and an after-market panel are the same item is to weigh them", Bob Frayer head of certification for automotive parts, NSF.

In every case an aftermarket or non-genuine panel will be lighter. If a hole has not been drilled it will be heavier.

Note Insurance companies will not give the repairer the same markup for a non-genuine or parallel part as they will for a genuine part. The insurance company will audit the repairers and they must produce the original invoices with dealer's letter head and the genuine part numbers. This in itself creates an issue for the repairer who may have a special discount structure because of the volume they do with this dealer.

It is very clear that the Insurance companies have through questionable practices obtained critical information about parts supply, pricing, at an individual business level and are now using it to dictate price to pay. This is through verbal instructions to lower the cost of repair.

43. What repair, service information and data is shared by manufacturers? How is it shared? With whom is it shared? What conditions are on sharing this information and data?

Information is generally not shared. It is imparted via the service department of the dealership. In a lot of the cases they don't know the information required. Handling electric cars are of issue. No information outlines the implications of handling vehicles with damage or the safe guards needed for the operator. One of my clients has been injured in this situation.

44. What is the effect of not having some level of access to repair and service information and data? On what basis might repair and service information not be shared? Why?

Poor information distribution by manufacturers has significant consumer and safety consequences. Some of the new metals used in the cars, when cut off with an oxy torch can change the composition of the metal and render it dangerous. Lack of material and technical information makes handling end of life vehicles extremely dangerous.

**Recommendations:**

- A panel of Auto Recyclers and Manufacturers meet regularly to discuss best practice and establish guidelines for end-of-life, service procedures, repair challenges and new vehicle requirements. Develop case studies for industry wide distribution.
- A Working Group of paid representatives from all sectors of the Industry (Government, MTA/VACC, Auto Recyclers, Aftermarket, Collision, Industry Consultants, etc) to look at whole of industry business. There are sectors which need to change (through education, technology, partnerships). There are sectors that are emerging and need employment/training strategies. Build out the business model.
- Industry Codes be established with clear consequences for non-compliance. The Codes need monitoring and dispute mechanisms need to be put in place to keep disputes out of the court system.
- Provide access to the VIN Number interrupter. This Code determines the accurate specifications for that particular vehicle including individual part numbers and is required during recalls for the aftermarket sector.