11th November 2016

Australian Competition and Consumer Commission

New Car Retailing Market Study Team

Dear Sirs,

**Re: Submission on behalf of Ultra Tune Australia.**

By way of introduction Ultra Tune Australia is an independent Australian owned franchised group which has over 270 stores Australia wide. The company commenced trading in 1979 and has been the leader in car repair and servicing for over two decades. The company spends significant funds on advertising and marketing and has an excellent reputation as an innovator and market leader in the industry. According to IBIS World 2015 survey report Ultra Tune has approximately 3% of the car service and repair market.

**The automotive repair and service market in Australia is a sector in which the multi-national car companies have increasingly leveraged their control over technological advancements in cars and have used this technology to increasingly control consumer behaviour by locking Australian car owners into dealership only servicing options for longer and longer periods. These periods have extended dramatically over the past 5 years. These tactics include:**

1. In the past decade we have seen every car manufacturing brand operating in the Australian market introduce extended warranty products that, combined with disinformation have successfully convinced the overwhelming majority of car owners that they must service their car at the dealership or risk invalidating the warranty. They have then extended the duration of the “warranty coverage” to suit their individual business models. This strategy has been so successful that most Australian car owners have no idea that they have any consumer rights outside those that are defined by the manufacturers’ new car warranty and they certainly don’t believe that they have freedom to choose their preferred repairer during the (manufacturer defined) warranty period.
2. The introduction of “Capped Price” and “Free” service programs which are also designed to maximise dealer retention rates. While the term “Capped Price” gives an impression to the motoring public that such plans offer full transparency the reality is often quite different. For example, vehicle owners may not be aware that the cost of the program may have been built into the purchase price of that car or that the “capped” price may be subject to change at the car manufacturers’ discretion. In addition, many plans do not cover critical service items specified in the manufacturers own recommended service schedules and these replacement parts that are essential in preserving the new car warranty and protecting the resale value and life of the car often come at an additional cost. How can any aftermarket repairer price match a service where the labour rate is fully subsidised through a rebate from the car manufacturer to the dealership? Why aren’t car buyers offered the option to take the rebate as a discount off the purchase price and choose their preferred repairer for ongoing maintenance.
3. The rapid technological advancement of all motor vehicles has changed the industry in that the cars have become “computers on wheels”. The lack of access to the complex data required to service and repair these vehicles has made the task of servicing and repairing these vehicles extremely difficult and challenging.

Ultra Tune has a training and technical department which has a mission to get access to data internationally. As a company we cannot access technical service bulletins, recalibration and pin codes, software updates and other information required to fully complete more complex repairs on our customers’ vehicles without involving a dealership in the process of repairs. However even their efforts have been blocked including the access to international sites in North America and Europe. If an Australia vin number and Australia credit card number is submitted to access the data in the northern hemisphere the request is rejected.

The clock is ticking on the resolution to these issues and as every week goes by more and more franchised and independent workshops are being forced to close and in all likelihood they will not be reopened. The sad reality is that the car manufacturers have managed with the strategies outlined above and by not adhering to the voluntary industry agreement for data sharing established in 2014 to restrict the access to an increasing number of motor vehicles requiring service and maintenance throughout Australia. These independent and franchised business are unable to maintain and operate their business at a profit and will continue to close and fall away over the next 5 years laving consumers with only dealerships and car manufacturers’ options for service

If a market leader like Ultra Tune who have the pooled resources of a network of over 270 workshops and spends millions of dollars a year on advertising, training and technical supports are finding it difficult to source repair and service information and are experiencing a decline (graph above) and in some states stagnant growth in an overall market that is experiencing strong growth in car numbers – how are the small independently owned repair businesses going to survive? If the Government does not act urgently and decisively on the implementation of mandatory regulation to ensure fair competition in our sector then the independent repairer segment will die and every Australian car owner will pay the price as there will be no competition in the future.

Source Ultra Tune Australia

Yours faithfully

**P Sean Buckley**

Executive Chairman