



**New Car Retailing Industry –
a market study by the ACCC**
Motor Traders' Association of NSW
Submission



14 November 2016

The Motor Traders' Association of NSW (MTA NSW) is one of the largest state based industry associations in Australia.

MTA NSW is widely known for addressing issues affecting Association Members through a number of initiatives, including actively lobbying at State and Federal Government levels.

Founded in 1910, the MTA NSW represents the interests of over 3,600 owners and business principals and 60,000 employees in the automotive industry throughout NSW and ACT. The Association provides extensive industry information to its membership base through a number of member forums and on-site visitations.

MTA NSW is held in high regard by industry stakeholders and offers members great value for their membership subscription with a range of services and products supplementing its traditional core services.

MTA has developed a public recognition of the MTA NSW logo and catch phrase 'Deal with someone you can trust.' Both in NSW and the ACT, MTA NSW is strongly placed to represent the interests of Members. The MTA NSW is also a Registered Training Organisation (RTO) and delivers on-site training at business premises, to apprentices in the motor trade industry.

MTA NSW is in continual contact with politicians and Government officials and regularly provides advice to them on matters affecting the motor industry. The Association is the principal consultative party and a leader in employment relations issues impacting the Retail Motor Industry in the State.

MTA NSW is a founding member of the Motor Trades Association of Australia (MTAA), which is the National Body that draws together MTA's sister organisations from other States and Territories to represent the industry at Federal Government level.

Member and industry suppliers' support is most appreciated and adds greatly to the success of the Association and the activities it undertakes.

As a peak body, the MTA NSW represents the interests of the following automotive industry participants:

Auto Dismantlers; Auto Electrical Specialists; Auto and Marine Trimmers; Auto Mechanical Repairers; Auto Transmission and Rebuilders; Automobile Dealers – New and Used; Australian Heavy Vehicle Repairers; Body Repairers; Brake Repair Specialists; Caravan Industry; Commercial Vehicle Industry; Engine Reconditioners; Exhaust System; Farm Machinery Dealers; General Trades; Hire Car and Chauffeur Driven Limousines; Motor Bus; Motor Cycle Industry; Motor Vehicle Assessor and Inspector; Parts and Accessories; Radiator Specialists; Rental Vehicles; Rustproofing Specialists; Service Stations; Steering and Suspension Specialists; Tow Truck Operators; Tyre Dealers and Retreaders.



Executive Summary

The Motor Traders' Association of NSW (MTA NSW) appreciates the opportunity to provide a submission to the Australian Competition & Consumer Commission (ACCC) in regards to the *Issues Paper* concerning the *New Car Retailing Industry – a market study by the ACCC*.

Like the ACCC, MTA NSW is concerned with consumer issues arising not only from the New Car Retailing Industry, but the Automotive Industry as a whole, as this has an impact on the continued viability of the MTA NSW member businesses.

Whilst we are not in a position to provide comments (answers) to all questions raised in the *Issues Paper*, MTA NSW is providing overview commentary on the various topics covered throughout the *Issues Paper* that MTA NSW is in a position to do so.

Summary of Key Points

1. Significant technological advancements have influenced the New Car Retailing Industry on both product development and consumer buying behaviours.
2. The need for better understanding of Consumer Rights relating to Consumer Guarantees and Warranties by both Traders and Consumers.
A clearer understanding of Extended Warranties is also required - What is and what is not an extended warranty, what is and what is not covered by these products?
The above could be achieved by educational programs for both parties.
3. ADR 81/02 is sufficient. Clearer understanding by consumers is needed to ensure the understanding of the fuel consumption label information provided. Results achieved are under standardised test conditions and used for comparison purposes only.
4. Parts and tools are accessible to all repairers who wish to invest. Again, technological advancement is a key driver in this area and will have an impact on available choice of repairers who have the necessary equipment, and access to parts to undertake the required work.
5. A number of issues are present in relation to access to repair and service information, and include the vast number of brands and models available on Australian roads, variations of models from one world region to another and current government and industry arrangements relating to availability of information.

1. Structure and operations of the new car retailing industry

There has been significant change in the new car retailing industry. Technological advancements over the years have had an impact on search costs for consumers, competition between manufacturers / dealers and competition between authorised and independent service and repair operators.

Consumers are now able to conduct a vast amount of research without leaving the comfort of their own surroundings via the internet. A vast amount of information is available on various websites which now enables consumers to research, compare models, “build the car” and even obtain indicative pricing without leaving their home or office. Consumers now are much more informed than previously when they first walk into any dealership, hence changing the traditional sales process conducted by dealership staff.

The consumer “thirst” for technology has also changed buying patterns of traditional brand loyal customers. The increasing desire for technological “gadgets” has seen shifts in buying patterns of these customers with manufacturers constantly increasing the amount of technology within motor vehicles to accommodate the consumers “thirst”.

As motor vehicles become more and more technologically advanced, this also has impacted on the competition between the authorised and independent service and repair operators. The associated costs involved in sourcing and maintaining the repair equipment along with obtaining the technical information required to enable repairs to be undertaken on the modern day motor vehicle, is becoming increasingly prohibitive for the independent repairers due to the dollar outlay for the specialised equipment, technical information and the low return on investment. Just because they have the equipment, information and training etc. to undertake the repairs, does not necessarily mean they can earn additional income to cover the cost of the initial expenditure.

Other trends being witnessed within the new car retailing industry include the takeover of smaller dealerships by larger dealership “groups” and an increase in “intra-brand” competition. Independent single or multi franchised dealerships are being incorporated into larger automotive groups via strategic takeovers and sales of automotive operations. This type of activity has now started to spread to regional areas within NSW, whereas previously it was predominately metropolitan based dealerships going through this process. Consumers are increasingly becoming very “price driven” in the decision making process and will approach various dealers selling the same brand to obtain quotations and then negotiate the best deal possible for their purchase. The loyalty factor previously witnessed to various regional centres or personal relationships with dealership staff is becoming less and less as the consumer chases the best deal possible and will travel further to do so.

2. Consumer guarantees, warranties and new cars

Consumer guarantees, warranties (both manufacturer and extended) and new cars, continues to be an area of much concern within the automotive industry. The definition or description of “extended warranties” needs to be clarified and explained in greater detail. These types of covers can include “Mechanical Protection Plans, which can be misconstrued by consumers as an “extended warranty”. These products are sold by dealerships which collect the premium and then these premiums are held in a fund to be disbursed when a “claim” is made on the protection plan. Dealerships use these as a way of providing a further service to their customer (consumer).

Whilst it is standard practice within automotive dealerships for the sales executive to exclusively interact with their customer (consumer) throughout the whole sales process, an integral part of this process is the handover of the product. It is the dedicated dealership

staff responsibility to follow a process which includes the explanation of warranties (manufacturer and extended (if purchased)) and any other product or service purchased by the consumer. Increased education to both consumers and sales executives on these products is needed to ensure clearer understanding is achieved at all levels to alleviate some of the issues being brought before the ACCC and other consumer protection agencies.

In the *Issues Paper*, reference is made to the recently published article by Choice titled '*Turning lemons into lemonade – Consumer Experiences in the new car market*¹. The MTA NSW notes that this report is based upon 1,505 respondents to the survey conducted. Whilst the information contained within this article is factual and interesting to read, it has to be noted that on average over 1,000,000 new vehicles within the defined categories for this study are sold annually. Figures obtained from the recently published 2016 Autoteam Australia Consulting VFACTS report², indicate that as at end of September 2016 year to date, there has been 716,401 vehicles sold within Australia within the defined categories. Given these figures the response to the choice survey on expected sales figures for 2016 would be approximately 0.15%.

Consumers can sometimes be unrealistic about the repair process involved in rectifying complaints about the “modern day motor vehicle”. These vehicles have become very sophisticated pieces of machinery involving very complex electrical systems and computerisation.

The expectation by consumers that a technician will be able to diagnose the problem by simply test driving the vehicle or “plugging in a computer” can be quite unrealistic. As mentioned in point 1 above, technological advancements in motor vehicles is changing, and so too is the level of education in repair techniques and requirements of new and advanced equipment to undertake the simple diagnosis of faults. What presents as a simple problem, may in fact, be a more complex issue involving multiple parts of the car and actually “pinpointing” the cause can take quite a considerable amount of time and may involve referral back to the vehicle manufacturer.

Following various campaigns advising consumers of their right to have vehicles serviced by independent service and repair operators, it is common practice to advise consumers of this right. In most cases the manufacturer’s warranty documentation will advise this and stipulate the use of authorised parts, correct grading of lubricants and servicing by licenced technicians. A very important issue here is that the consumer then will need to accept responsibility in ensuring that “their” repairer follows the manufacturer’s guidelines in these instances where warranty periods are still current to ensure the continuation of said warranties.

3. Fuel Consumption, CO2 emissions, noxious emissions and car performance

MTA NSW, after consultation, agrees with the *Issues Paper* topic in point 3.1.1. regarding Fuel consumption, CO2 and noxious emissions labelling. The current requirements of

¹ Choice, *Lemons on wheels*, 11 March 2016, <https://www.choice.com.au/transport/cars/general/articles/lemon-cars-andconsumer-law>, accessed 24 August 2016.

² Autoteam Australia Consulting Pty Ltd, *September 2016 Autoteam Australia Consulting VFACTS Report*

ADR81/02 for the display of this information are sufficient. This information is used for comparison only with the disclaimer on the “sticker” reading “*Vehicle tested in accordance with ADR 81/02. Actual fuel consumption and CO2 emissions depend on factors such as traffic conditions, vehicle conditions and how you drive*”. This information is made quite clear to consumers during the sales process in standard practices as dealerships are fully aware of the fact these figures are derived from test results and should only be relied upon for comparison purposes only.

4. Post-sale service arrangements

The definition used in the *Issues Paper* relating to differences between OEM, parallel imports and aftermarket parts is correct. The issue raised in relation to availability of parts and tools to carry out repairs is somewhat confusing. The MTA NSW does not know of this being the case with all parts and tools readily available to market participants should they so wish to purchase the parts and tools. With the increase in technology driving an ever increasing need in upgrading of tools to carry out the sophisticated work involved, it is wholly the individual repairers choice should they so wish to invest in this equipment. It becomes a commercial decision by the operators whether or not to do so.

This equipment can place a burden on the independent repairers due to the overall cost of the required equipment and the expected Return on Investment (ROI).

For some time now, it has been clearly indicated to consumers via various advertising campaigns via the media, that aftermarket repairers can in fact service their new cars, stamp their logbooks and hence continue on the validity of their new car warranties.

As mentioned previously in point 2, by allowing aftermarket repairers to conduct this servicing work, the consumer needs to ensure that their repairers are using the correct parts and lubricants specified.

5. Access to repair and service information and data for new cars

Australia’s passenger car market has a most diverse range of approximately 70 manufacturers being represented on our roads. Some of these manufacturers have ceased production e.g. SAAB, Hummer, Daewoo and within Australia, Holden, Ford, and Toyota.

There are manufacturers who provide information to Europe and the USA, but not to the Oceania Region of which Australia is part of.

As mentioned previously, there are currently 70 different manufacturers represented on Australian roads with each of these manufacturers constantly enhancing the technology present in their products to satisfy the consumer’s continual want for advancements in these technologies. Who would have thought 20 years ago that we would be driving vehicles today containing the technologies that they do, e.g. Bluetooth technology, lane guidance systems, laser assisted cruise controls to name a few. These do not include the advanced computerisation contained within motor vehicles which control the simple running of the motor vehicle mechanically.

The situation also presents itself, where the various manufacturer models of vehicles present on Australian roads, have different specifications and operating systems to that of

the same models operating in various countries around the world. This is due to the varying operating conditions / environments unique to our region and may include regulatory control i.e. Australian Design Rules. Repairers can quite often gain access to various OEM websites to gain repair information, however this information is usually specific to other regions excluding the Oceania Region.

The right to access of repair information and data, has for some time, been a topic of debate at all levels within the automotive industry. As mentioned in the *Issues Paper*, following the CCAAC review in December 2014, various Automotive Organisations signed an *Agreement on Access to Service and Repair Information*³. Whilst the topic of access to information is of concern to the industry, the following question also needs to be raised; do the independent repairers have the skill set and equipment necessary to undertake the repairs? This comes back to the investment requirements of these independent repairers to enable the undertaking of these repairs.

Dealerships, whilst aligned to manufacturers, also incur costs associated with advancements in technology. These costs are identical to that of the independent repairers i.e. tools and equipment and training of staff.

Various sources of information are available to independent repairers as mentioned in the *Issues Paper* from independent publishers. These continue to be a valuable resource to the industry. MTA NSW still supports this type of arrangement i.e. subscription at a fee.

Another issue surrounding the topic of repair information and data, arises where a vehicle is sold within our region as two (2) different brands and models, yet are the same vehicle manufactured out of the same plant overseas and then have two different body repair manuals. This is evident in the Toyota 86 and Subaru BRZ vehicles. These vehicles are both produced by Fuji Heavy Industries. Variations are seen with welding methodologies in relation to body repair procedures.

6. Other issues

The MTA NSW has no further comments at this time.

³CCAAC, *Sharing of repair information in the automotive industry: Final report*, 27 November 2012, p. iv; FCAI, AAA, AAAA, AADA, AMIF, *Agreement on Access to Service and Repair Information, 2014.*; European Commission, *Study on the operation of the system of access to vehicle repair and maintenance information*, Directorate-General for Enterprise and Industry, October 2014.

Summary

The recommendations of MTA NSW on behalf of our members going forward would be to see the appropriate balance struck between consumer protection and our member's business requirements.

The Motor Traders' Association of NSW appreciates the opportunity provided by the ACCC in providing feedback and looks forward to further dialogue regarding this submission.

Yours faithfully



Stavros Yallouridis
Chief Executive Officer
MOTOR TRADERS' ASSOCIATION OF NSW