



### Employment and training

Small business entrepreneurs form the backbone of Australia's independent and multi-brand parts and repair market. They offer high quality parts and repair in close proximity to consumers and help keep jobs and skills local. They sustain employment not only in the major cities, but in every corner of Australia's urban, rural and regional communities where daily activity is most dependent on road based mobility.

As vehicles become more complex in their design the need for the retail repair and service industry to have a highly skilled and trained workforce is paramount to ensuring that vehicles are repaired and serviced appropriately and safely. In addition to a requirement to have a sound knowledge of traditional automotive principles, employees must also have a high level of competency in the rapidly emerging information technology aspects of the automotive industry.

The 2006 Department of Education, Employment and Workplace Relations (DEEWR) Skills in demand for Victoria report identified skills shortages in the areas of motor mechanics, auto electricians, panel beaters and vehicle painters. This shortage is caused by a decline in new apprenticeships and traineeships in the industry as well as poor staff retention rates caused by uncompetitive wages and conditions relative to other industry sectors and negative industry career perceptions.

Independent repairers are major drivers of skills development in the industry through the recruitment of apprentices and trainees and a decline in the number of repairers would negatively impact on industry training levels and further exacerbate the current skills shortages.

### The environment

The technical advances in emissions control contribute to global environmental protection. In order to ensure that vehicles conform to their emission and safety standards not only as they roll off the production line, but throughout their entire life cycle, regular inspection, servicing and repair is required.

Free and open competition in the repair of vehicles is critical in ensuring that the industry can provide affordable, high quality repairs and parts. This ensures that the consumer has the right to choose their repairer and is not constrained by any regulatory or technical barriers that create a monopoly situation. The implications of restricted competition in vehicle repair and service will be an increased cost of vehicle parts, repair and insurance which will decrease the number of vehicles serviced regularly which will have a negative impact on the environment.

As the emission control systems on vehicles become more sophisticated this issue will become increasingly important as it will become impossible to service some vehicles without access to the appropriate diagnostic tools and information.

### The global situation

On the 1st October 2002, the European Commission entered into force the Automotive Block Exemption Regulation (BER) 1400/2002/EC which is a regulatory framework for motor vehicle distribution and servicing agreements.

This comprehensive regulation is designed to preserve the motorists' right to have their vehicles serviced, maintained at a

workshop of their choice at prices determined by competition. This regulation gives manufacturers exemptions from competition law rules that may apply on condition that they comply with the requirements in a range of areas, including:

- Wording/definitions: mandating the use of terms such as original spare parts/ spare parts of matching quality.
- Parts certification requirements.
- Freedom by vehicle dealers to purchase from the independent aftermarket.
- Service & maintenance during warranty.
- A mandated 2 year statutory warranty on new vehicles.
- Access to technical information.
- Access to manufacturer "captive parts".

This regulation will sunset in 2010 and the global umbrella group of aftermarket associations (FIGIEFA) has recently launched a "Right to Repair" campaign with the aim of encouraging the European Commission to renew and strengthen the regulation.

In North America, the Automotive Aftermarket Industry Association (AAIA) has also launched a "Right to Repair" campaign which calls for congressional support for a "Motor Vehicle Owners Right to Repair Act". This proposed Act would prevent vehicle manufacturers and others from unfairly restricting access to the information and tools necessary to accurately diagnose, repair, re-program or install automotive replacement parts. The Act would require the USA Federal Trade Commission (FTC) to promulgate and enforce regulations that ensure competition in the vehicle repair business. In addition the Act would permit the FTC, car owners and independent repair facilities to take legal action to ensure all information and tools are available and affordable. The Right to Repair Act would not affect the dealer's right to perform any services, including warranty work and would not unconstitutionally take the manufacturers intellectual property or require them to disclose trade secrets.

It is the strong view of the Australian Automotive Aftermarket Association that the Federal Government should consider the introduction of legislation mirroring that proposed in the United States to ensure free and open competition in replacement parts, vehicle repair and servicing. This will encourage consumers to service their vehicles more regularly and ensure that vehicles operate at optimum efficiency. This will also have a positive effect on vehicle safety.

## Conclusion

With the rapid changes in technology taking place with newer vehicles now on Australian roads, free and full access to relevant data to be able to diagnose and repair vehicles is critical in ensuring that this high level of competition in the industry is maintained.

In our view there is also a requirement for regulation which provides a clear definition of the differences between statutory and express warranties and ensures consistency and clarity in the terminology used. All documentation and representations should also contain clear explanations so that consumers fully understand their entitlements under the various warranties.

A significant drop in the market share of the independent repairer segment of the industry caused by technological barriers and other anti competitive behaviour related to extended warranties and restrictive sales of manufacturer captive parts will force the closure of many thousands of

independent repairers, reducing freedom of choice for the consumer and driving up the cost of vehicle ownership. This will also have a detrimental effect on vehicle safety, the environment as well as employment and skills development in the retail repair and service sector.

Vehicle manufacturers around the world have continually demonstrated an unwillingness to provide full and fair access to technical and diagnostic information unless they are required to do so by regulation. It is for this reason, the European Commission introduced the Block Exemption regulation in 2002 and similar moves are underway in the USA. On behalf of the motorists of Australia, the Australian Automotive Aftermarket Association calls on the Federal Government to introduce amendments to the Trade Practices Act that mirror international best practice to ensure that the independent aftermarket can continue to compete on a level playing field and consumers maintain the right to select the vehicle repairer of their choice.

## Join the Choice of Repairer Campaign

If you believe in full and open competition in vehicle repair, servicing and replacement parts sector we urge you to register your support for the Choice of Repairer initiative. To do this simply follow these three steps:

- log on to our website [www.choiceofrepairer.com.au](http://www.choiceofrepairer.com.au)
- enter your company name and contact details in the section marked "Join the Choice of Repairer Campaign"
- Download the Choice of Repairer logo and include this on your website and marketing material.

Once you have registered your support we will keep you updated on the progress of the campaign.



For further information contact:

Australian Automotive Aftermarket Association

Suite 5, 622 Ferntree Gully Rd  
Mulgrave VIC 3170 Australia

Ph: (+61) 03 9561 7044

Fax: (+61) 03 9561 7066

Email: [info@aaaa.com.au](mailto:info@aaaa.com.au)

[www.aaaa.com.au](http://www.aaaa.com.au)



# Your car, Your choice.

## What is the "Choice of Repairer" Campaign?

The aim of the Choice of Repairer Campaign is to protect choice and competition in the vehicle repair, servicing, replacement parts and accessories sector by eliminating any technical or legal barriers that impact on the Australian consumers right to have their vehicle serviced, maintained and repaired at competitive prices in the workshop of their choice.

[www.choiceofrepairer.com.au](http://www.choiceofrepairer.com.au)





# Your car, Your choice.

www.choiceofrepairer.com.au

## About the Campaign

Modern vehicles have become “computers on wheels”. While technical innovations provide increased safety and comfort and better emissions control, they have made it increasingly challenging to service or repair a vehicle.

With sophisticated electronics now controlling vehicle behaviour, integrated with active and passive safety systems and an increasing emphasis on emission control systems, the necessity for accurate technical and diagnostic information has become critical.

Trends such as a move to diesel vehicles and a greater proliferation in the Australian vehicle car park will magnify the issue going forward, making access to information vital to the survival of many smaller independent repairers. This is also a major issue in the collision repair industry with information on construction materials and safety systems critical in ensuring that the vehicle is safely repaired.

The absence of an adequate regulatory framework in Australia to protect competition in the vehicle repair and service sector means that it is not clear that vehicle manufacturers and importers/distributors are obliged to make technical and diagnostic information available to repairers outside their authorised dealer networks.

This creates a situation where independent aftermarket repairers that compete directly with dealer service outlets are relying on the goodwill of the manufacturer to obtain critical information to complete the repair. Not surprisingly, many repairers find that access to technical information is difficult or comes at a premium cost.

Without effective access to technical information, multi-brand diagnostic tools and test equipment, replacement parts and training, rapid advances in vehicle technology will mean that the independent aftermarket may be unable to service modern vehicles in the future. This scenario would have a catastrophic impact on competition in the industry by creating a technological monopoly for the vehicle manufacturers and their dealer networks. Independent repairers which are predominately small businesses would be driven out of business and Australian motorists would lose the right to have their vehicle serviced, maintained and repaired in a timely manner, at competitive prices in the workshop of their choice.

The “Choice of Repairer” initiative is an information campaign designed to help protect consumer choice and effective competition in the automotive aftermarket.

We are now seeking support from industry and consumer groups with an interest in pushing for a fair and competitive regulatory environment in the sector that protects consumers’ rights. Following this process we will launch a major awareness campaign to ensure that these issues are brought to the attention of consumers, the industry and regulators.

## The impact of servicing on vehicle warranties

Another factor impacting on free and fair competition in the automotive aftermarket is the lack of understanding by the consumer on the differences between statutory and express warranties which is caused by the absence of any disclosure requirements on car dealers when offering these contracts at the point of sale. Despite attempts by the ACCC to outline consumers rights under the Trade Practices Act and clarify the differences between statutory and express warranties, significant confusion still exists with automotive parts and accessories manufacturers and distributors, vehicle repairers and the general public in relation to:

- where statutory warranties begin and end;
- how to differentiate between statutory and express warranties in documentation provided by the vehicle dealers at the point of sale; and
- exactly what additional benefits to the consumer are included in some express warranties offered.

Much of this confusion has been caused by the increased practice of motor vehicle dealers bundling express or “extended” warranties at the point of sale at no additional cost to the consumer which have restrictive provisions on the choice of repairer and parts used, contain ambiguous language and tie the consumer into a long term service schedule with a specific dealer or group of dealerships. It is our contention that many of these contracts provide little or no additional benefits over and above the consumer’s basic statutory rights. In addition, the widespread industry practice of using the term “warranty” generically rather than being specific about the type of warranty creates significant consumer confusion.

The lack of disclosure requirements on extended warranties at the point of sale forces the consumer to make a decision to potentially enter into a long term contract without all of information required to make an informed decision. It is our fear is that, if left unchecked, this trend could have a significant impact on competition in this sector and force up the price of vehicle ownership in Australia.

## The size and structure of Australia’s automotive aftermarket

The Australian automotive aftermarket is made up of manufacturers, re-manufacturers, importers, distributors, wholesalers, resellers and retailers of automotive parts, accessories, tools and



equipment as well as businesses engaged in the retail repair and service of vehicles. It is important to note that the aftermarket includes both the parts and distribution networks of the automotive manufacturers - referred to as the original equipment aftermarket - as well as those external to the vehicle manufacturers – referred to as the independent aftermarket.

Some companies manufacture products that are distributed and retailed under a motor vehicle manufacturer’s brand name, their own brand name and may also supply a major retail chain for sale under the retail group’s brand name. There many examples of companies with multiple distribution channels - some of the more well known brands include Bosch, Century, Hella, ACL, PBR, Bridgestone, Ryco, NGK, Bendix and Monroe.

It is estimated that the Australian automotive industry employs more than 400,000 people, with around 60,000 individual businesses represented. The automotive aftermarket sector contributes over \$8 billion annually in economic activity and employs 300,000 people in vehicle maintenance and repair, the manufacture and supply of aftermarket equipment and vehicle recycling.

## Australia’s vehicle fleet

There are nearly 15 million registered vehicles in Australia. With an average age of 9.8 years - Australia’s vehicle fleet is one of the oldest amongst advanced economies with 50% of the vehicle fleet aged 9 years or more.

The Australian new vehicle market is one of the most competitive in the world with 52 car makers offering 320 models for sale. In recent years tariff reductions and low interest rates have combined with an expanding economy to give strong growth in the new vehicle market. This has attracted new entrants to the market and increased marketing activity by marques with a long established presence in Australia. A change in consumer preferences, combined with high fuel prices has seen a big shift towards smaller more fuel efficient vehicles in recent years and the market share of locally manufactured vehicles has fallen to below 20% of vehicles sold for the first time ever.

This proliferation of vehicle models and configurations further complicates parts inventory and servicing requirements and the recent move towards alternative power trains such as diesel and hybrid will further exacerbate the issues caused by the lack of free and fair access to technical and diagnostic information.

## Original equipment versus independent aftermarket

Australia’s new vehicle dealers operate under franchise arrangements with the manufacturer and many operate multi-brand dealerships. In December 2006 the Australian Automobile Dealer Association (AADA) estimated that there were 1299 dealers in Australia, with 2134 franchises held, operating out of 1452 workshops (including satellite sites).

In 2007, the IMRAS Consulting Group estimated that there were 19,563 independent repairer workshop sites in Australia. This includes general motor vehicle servicing and tuning as well as specialist areas such as air conditioning and brake servicing, automatic transmission servicing and LPG fitting. Tyre chains that complete mechanical repairs and mobile repairers are also included in these figures. At present, competition in the independent aftermarket repairer segment of the industry is very high and is based primarily on service and price. The sector is also dominated by a large number of small businesses with over half of the workshops in Australia not part of a major chain. In addition many of the outlets of the automotive repair chains are independently owned or franchised. The location of independent repairers generally reflects the population distribution and the number of vehicles in each state.

The number of repair jobs completed per annum is estimated at 20 million. The AAAA estimates that over 60% of in-service vehicles are serviced in the independent aftermarket and around 70% of the replacement parts and accessories sold in Australia are from channels external to the motor vehicle dealer networks.

A key role of the independent aftermarket is to provide cost effective and quality servicing of vehicles, particularly those older than three years that are unlikely to be covered by statutory or extended warranties. The depth and breadth of the independent repair network, which has over 10 times the number of retail outlets than the dealer network, also ensures that consumers in regional and rural areas of Australia have access to cost effective repairers within realistic travel distances, which is not the case with dealer networks due to their limited footprint in rural Australia.

As demand for vehicle service is clearly and significantly higher than the capacity of the authorised dealer networks, a decline in the number of independent repairers will result in longer lead times, greater travel time and costs and a significant increase in the cost of vehicle servicing and replacement parts for Australian motorists.

It is clear from the above statistics that given a “level playing field” the independent aftermarket competes favourably with the dealer networks of the vehicle manufacturers by providing conveniently located, high quality parts and service at competitive pricing.

## The automotive aftermarket - facilitating mobility

The mission of the automotive industry is not just to provide consumers with new vehicles. Vehicles require constant maintenance, servicing and repair. It is estimated that, over a 10 year period, the money spent on maintaining a vehicle will be one and a half times the original purchase price. Each year Australia’s 15 million vehicle owners spend an estimated \$8 billion on vehicle parts and servicing. Obtaining a competitive deal on replacement parts, maintenance and repair services can make the difference between affordable and unaffordable motoring.

During the five years to 2006 the average distance travelled each year in a passenger vehicle was 14,100km and Australian’s in our capital cities spent more than 8% of their waking hours travelling. 74% of these trips were taken as either a driver or passenger in a motor vehicle. This reliance by the Australian population on motor vehicles as a critical mode of transport is caused by the size and geographic diversity of our continent, the lack of effective transport infrastructure outside the major capital cities and Australian’s love of the motor car.

A strong independent aftermarket means that competition is maintained. This is good news for consumers and the economy as motorists are not forced to rely on the vehicle manufacturer as the exclusive supply source for parts and repair services for their vehicles. Motorists should be able to choose what is done to their property and who carries out the work, after all – it’s their car.

