

ACCC TAKES FURTHER ACTION ON ‘CAPPED PRICE’ SERVICING OFFERS

AAAA submissions drives action against car companies

In February this year, AAAA was pleased to report that as a result of a number of submissions provided by the AAAA, the Australian Competition and Consumer Commission (ACCC) announced that it had taken enforcement action against Kia Motors Australia relating to its capped price servicing offer to consumers.

The ACCC considered Kia’s advertising of its offer was likely to amount to misleading representation to consumers that the price of having their vehicle serviced was capped at the maximum amount specified, when the costs of the program had actually varied four times since 2012, which was in contravention of Australian Consumer Law (ACL).

Given that many other ‘capped price’ programs offered by car companies were structured in a similar way, the ACCC action against Kia provides a great deal of optimism that this would send a strong signal to the car industry to ensure that all programs fully comply with the ACL.

AAAA was therefore dismayed to see that four days after the Kia ruling, GM Holden launched a service program that was purportedly “capped” for the

“lifetime” of the vehicle and offered on “all Holden vehicles sold in Australia since 1948”. Based on AAAA’s extensive research into this offer it was of the view that there was no reasonable basis for the representations being made and as a result the Association successfully called on Federal Small Business Minister Bruce Billson to instruct the ACCC to conduct an urgent regulatory assessment of all ‘capped price’ offers in the market.

Recently AAAA was invited to meet with senior executives from the enforcement branch of the ACCC for an update on the extensive action that has taken place as a result of its investigations and subsequent follow up actions. Without going into the specifics, it is fair to say that the ACCC identified a range of concerns with these offers and has recommended sweeping changes to the programs to ensure compliance with the ACL. A moratorium on prosecution was issued to the companies concerned to allow them sufficient time to voluntarily comply however, AAAA has been assured that this moratorium has now ended and any future breaches of the ACL will be prosecuted.

As part of this process AAAA has been monitoring the capped price offers of a range of car companies and while some are still offering “lifetime capped price servicing”, they have amended their offer to remove the ability in their terms of conditions to “change the published prices from time to time” and have amended their pricing and included vehicles.

In promising developments AAAA has also seen a number of car companies’ exit their lifetime capped price servicing claims and replaced them with an online quote system, while some have exited capped price servicing all together. Now all manufacturers appear to use much less fanfare, and place less importance on these offers on their websites.

While AAAA is confident that this most recent ACCC action will be warmly welcomed by many thousands of family owned independent mechanical repairers around Australia, AAAA remains concerned at many of the anti-competitive practices present in our market and AAAA will continue to remain vigilant and will raise any concerns it identifies with the appropriate authorities in its ongoing fight for a level playing field in the automotive repair and service industry.

THE FUTURE OF AUTOMOTIVE MANUFACTURING

AAAA welcomes interim recommendations from Senate inquiry into the future of automotive manufacturing

On August 20, 2015 the Senate Inquiry into the the future of automotive manufacturing released its interim report, which includes a range of recommendations relating to the future of the Automotive Transformation Scheme (ATS). The major recommendations are as follows:

- The current level of ATS funding needs to be maintained through to 2021 as previously legislated;
- The ATS should be redefined into a broader, automotive-related advanced manufacturing, engineering and design program that is intended to maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and new opportunities for growth and investment throughout the whole of the automotive industry;
- The object of the ATS should be updated to better reflect the current situation within industry and the need for targeted support for diversification and transformation activities, particularly in the automotive manufacturing supply chain. The new object should specify that the ATS is designed for the promotion and growth of advanced automotive industries in Australia, including: manufacturing components and materials; developing and commercialising new

automotive technologies; and engineering and design for both domestic and offshore customers when that work is performed in Australia;

- The definition of automotive services should be amended so that the concept of eligible automotive services is broader than passenger motor vehicles and light commercial vehicles (and covers all modes of mobility).

AAAA welcomes these recommendations that were in line with our submissions to the Inquiry in February and May this year and if implemented would open up the scheme to support a wide range of AAAA members in R&D, engineering and manufacturing activities.

In the AAAA submission it was argued that if the full growth potential of the \$5 billion per annum aftermarket manufacturing segment is realised, it can absorb some of the excess capacity, skills and knowledge that become available as the shutdown of the Australian domestic passenger vehicle sector plays out.

The argument that the car industry does not have a future and therefore there is no reason to continue formal automotive structural adjustment ignores the economic loss that will occur in any restructure process. The automotive industry is facing a tsunami of job losses over the next two years and labour and capital will not flow smoothly to other productive

areas of the economy without Government intervention.

A realignment of program support, as recommended by the Senate Committee, would enable the aftermarket to be more effective at absorbing displaced OE resources. A re-orientated incentive structure for the entire automotive manufacturing sector will, on the one hand, encourage diversification by the OE segment into the aftermarket and other advanced manufacturing sectors, and on the other hand, position the aftermarket for growth, so that the resources of the OE segment can flow more easily into the sustainable and growing aftermarket segment.

AAAA commends the insight of the Committee and in particular the work of Senators Carr, Muir, Madigan and Xenophon. There is an iceberg looming on the horizon and we hope that common sense prevails and the Federal Government acts on these recommendations before it’s too late.



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