

To: The Hon. Josh Frydenberg

Cc: Julie Abramson, Paul Lindwall, Yvette Goss

RE: Response to “Right to Repair” draft report

OBR Horology is a small watch service and repair business based out of Adelaide, South Australia. I primarily focus on the repair of both new and vintage luxury Swiss watches. I have been in the industry for 11 years and my business has been operating in the city for almost two. My business is directly impacted by many of the issues raised in the ‘Right to repair’ inquiry.

The watch repair industry is a niche industry. While it may be small compared to the phone or car industries the value of luxury watches sold every year into Australia is a lot. The Federation of Swiss Watch Industry calculated that Swiss watch exports to Australia amounted to \$240 million in 2018, \$237 million in 2019, and \$202 million in 2020. Worldwide Swiss watch exports will sit at around \$21 billion each year.

Each year, watch companies produce more luxury watches that will eventually need to be serviced and repaired. Considering that luxury watches have been sold in Australia for decades, this means the amount of second hand and vintage watches in circulation far outweighs the new watches bought every year. In the watch repair industry, most brands recommend ‘servicing and/or repairing’ their watches every 5 to 10 years. The best comparison to another industry is in the motor and agricultural industry where machinery and equipment needs to be serviced regularly for performance, reliability, and longevity.

Take for example Rolex, a report by Morgan Stanley (2020) shows that Rolex watches account for almost 25% in value of all Swiss watch exports, meaning that there are many second hand and vintage Rolexes in circulation that need repairing or servicing. Of all the Swiss watch brands – or any other luxury watch brands for that matter – Rolex have the clearest policies against independent repairers. Now, there are many different places you can buy a Rolex, from them directly or from one of their retailers; but when it comes to servicing or repairing your new Rolex, you don’t have the same choice – the only place you can get it repaired is Rolex themselves. There are numerous reasons for this:

- Rolex do not provide any third parties or independent watch repairers with spare parts
- Rolex do not provide any technical documentation to be able to repair their watches
- Rolex do not supply any tools to be able to repair their watches
- Rolex do not offer any pathway to become an accredited repairer.

Restricting the repair market on watches that make up for almost 25% of the watch market, means that the consumer is affected in a number of ways:

- They lose the option of where they would like to get it serviced
- They are subject to the costs imposed by Rolex to repair and have no other options to look for a cheaper service price
- If they do manage to find an independent repairer, any watches that have been ‘tampered with’, or independently repaired, will become void of their warranty.

This is just one overarching example of how limiting access to spare parts, tools, equipment and information, and ultimately the right to repair, affects both small businesses in this niche but highly valuable industry and their end consumers. My draft submission will continue to go into detail around some of the key points made in the draft and expand and give further examples of how the

right to repair would drastically improve prospects for myself and other businesses in the watch repair industry.

Re: INFO REQUEST 3.1

The ability to access the following lies at the core to the survivability of my business and all independent watch repairers in Australia and around the world:

1. Spare parts
2. Brand specific tools and equipment
3. Technical repair information

The overwhelming majority of Swiss and Japanese brands either limit the supply of spare parts or don't supply any at all. They also refuse to supply brand specific tools and restrict or refuse to supply technical information. Below are some examples of how this looks in my day-to-day work.

If a Rolex watch comes in for repair, often I have no other option but to tell the customer to send it off to Rolex. While I might be able to source spare parts for older vintage models through the grey market or old watchmaking estates left behind over the years, I am unable to acquire parts to repair any watches produced in the last 20 years. This is because many years ago Rolex stopped supplying all independent watchmakers in Australia with spare parts.

Rolex further restrict the independent repair of their watches by creating components that require the use of special tools and equipment to remove and replace parts. I am also unable to source these special tools for the newer models. This forces the consumer back to Rolex and inhibits the independent repairer from repairing the watch. Rolex are not the only brand that does this. The overwhelming majority of Swiss luxury brands do this in some way, shape or form.

When it comes to the technical information that is crucial to repair and servicing, such as diagrams and charts, you'll notice a pattern emerging. This information provides essential guidance for part adjustments, assembly processes and oiling quantities/ types of lubricants required – but again, this information is carefully guarded by Rolex, and as such independent watch repairers often won't take the risk to service or repair a watch without this information, further closing down the market.

Summary of 3.1

The current approach of the Swiss watch industry and its major brands is not supportive of independent watch repairers. In fact, the current position of these brands impedes the ability of independent watch repairers like myself to operate a business in Australia. The ability to access spare parts, brand specific tools and equipment and technical information would greatly strengthen my business and all independent watch repairers. This would allow me the opportunity to greatly expand and look at employing people. It would create more demand for my business and certainty in what is an uncertain industry.

RE: Commissions approach to assessing competition in the repair market.

A. Is there evidence that competition in the repair market is restricted?

- Simply put yes, the inability for independent repairers to get spare parts, paired with excessive barriers including onerous costs for tools and equipment set out by some brands adversely affect independent watch repairers and hinder their ability to get spare parts and run a successful business
- Rolex is a prime example of restricting competition through restricting spare parts, equipment and technical information other brands with similar policies include: Breitling, Zenith, Patek, Audemars, Jaeger Le Coultre, IWC, Panerai, Cartier, Vacheron, Tudor, Grand Seiko, Breguet, Blancpain, Ulysse Nardin, Oris, Omega, Hublot and many more.

Re: Info request 4.1

B. Is there harm to consumers?

- Consumers have no room to negotiate any aspect of their repair, from how much it costs, how long it takes, and where they must send it to be fixed. They don't even have a say in what needs to be done as part of the repair.
- Consumers are kept in the dark about their repair, they have no direct way to contact the person doing the repair to discuss it or check in to see how much it costs so far, or how it's going.
- Consumers will never understand why their watch stopped working, or what they can do to prevent it happening again – there is a lack of information from the brands as to why certain repairs are needed
- Consumers experience adverse non-price related outcomes such as a lack of choice to get their watch repaired at and the inconvenience of having to send the watch interstate or overseas for an indefinite period of time.
- There is no risk or harm to the consumer (safety, security or quality) in having a third-party independent watch repairer work on their watch, providing they can get parts, equipment and technical information.

Info request 4.2

4.2 Evidence of restricted competition in repair markets.

Rolex has a monopoly of their repairs because they do not supply any spare parts to independent repairers nor do they have any repair networks. This means that the consumer does not have any choice in who does their repair, and the competition in the repair market is restricted. This allows brands like Rolex to set the price and open up potential price gauging practices. Rolex are not the only company to do this in Australia.

- As seen in the above-mentioned Rolex in a great example of restrictive behaviours that hinder competition in the repair markets.
- To circumvent anti-competitive laws, some brands will set up repair networks of accredited or registered repairers. The upfront cost to "tool up" to the standard needed to gain accreditation is often unattainable for most independent repairers. On top of this is mandatory training, which takes

valuable time away from repairing other brands and means that the accreditation process can take even more time.

- In addition to the upfront investment of time and money, independent repairers that eventually qualify are still faced with high costs for parts, and fixed costs to the consumer for repair – often with little consideration for labour, and small profit margin after purchasing the parts. These arbitrary rules are an attempt by some brands to manipulate the market and fix prices. An example of this is with Omega watches here in Australia. The contract imposed by Omega in Australia I believe is in breach of some laws and should be looked at by the ACCC.

- Restricted competition is compounded by the aforementioned inability to purchase spare parts, tools and equipment, and the inability to access repair information.

4.2 Draft recommendations

Regulations should be increased to protect the independent market and stamp out this behaviour. Often watch brands will use stickers or other means to show if a watch has been opened. Brands have been known to refuse repair under warranty if it been opened within the warranty period. This has been the experience of a few of my customers, and while I can only confirm this anecdotally, I am sure this could be corroborated through surveys of watch owners.

Conclusion

The supply of spare parts, tools, equipment and technical information is only one aspect of what currently restricts the independent repair market. In order to fully support independent repairers in the watch repair industry, there must be legislation to mandate this and a watch dog, or quality commission to enforce it. We have already seen examples of where certain watch brands have tried to circumvent supplying independent watch repairers with parts and information, by holding them to accreditation and dictating their fees and terms of service. This is why the support of the productivity commission is so important.

In summary:

- The majority of, if not all, Swiss Luxury watch brands are currently restricting parts, information and tools in some shape or form to independent repairers
- This are restrictive practices which impede competition, directly affecting small business as well as consumer choice
- This restricted market often means that consumers must go back to the manufacturer and pay more than an independent watch repairer might charge.
- Arbitrary rules disadvantage the independent repairers
- Access to spare parts, technical information, tools and equipment should be made available, at viable prices for repairers – in line with other market rates.
- Broader right to repair policies are needed
- Changes to legislation to strengthen consumer rights and protect independent repairers

