



VINTAGE TIME AUSTRALIA

To –

The Hon. Josh Frydenberg

Cc:

Julie Abramson

Paul Lindwall

Yvette Goss

RE: Response to “Right to Repair” draft report.

We are an independent watch repair company based in Adelaide, South Australia. We primarily focus our work on vintage, mechanically driven Japanese watches but often repair other brands, mostly manufactured in Switzerland. We also manufacture watch parts that have been unavailable for decades and quite proudly say approximately half of that production happens in Australia. We have shipped our products to around 110 countries over the past 4 years. We started in approx. 2009 doing repairs and making parts during the evening after a day job and have grown to a global business.

We remain dedicated to achieving the best repair outcomes for our customers and driving innovation within the field of horology.

Specific Comment –

DRAFT RECOMMENDATION 3.1

The current “reasonable durability” approach to consumer products is nebulous and open to interpretation. In relation to the watch industry specifically, the “reasonable durability” of a watch can range between 5 years to many hundreds of years. Due to the construction of high end timepieces, with regular service (approximately every 5-10 years), an indefinite lifespan is realistic.

We recommend that a reasonable approach to products with an indefinite or very long lifespan could be that manufacturers are generally required to offer spare parts and technical information, for example, a minimum of 20 years. After which, the product could continue to be supported by the manufacturer (assuming there is a commercial demand for parts), or the aftermarket industry can continue to service any customer demand. It would be reasonable to think by this stage in the product’s lifespan, the third party repair market would have enough experience working with the product to be able to offer competent aftermarket service and parts. With the advance of rapid prototyping and greater access to low cost manufacturing, this would be achievable now more than ever.

INFORMATION REQUEST 3.1

Point 1 –

As we are specialist watchmakers, we have limited exposure to difficulties in accessing parts and information in relation to the Swiss watch industry, but do experience those issues with the Japanese watch industry.

For example, we are unable to access parts and technical information for the Grand Seiko range of watches as well as the mid to high range Seiko watches. One specific example is the “8L35” and “8L55” movement based watches. Due to a lack of access to parts and technical information for this movement, we are unable to undertake most repairs on this range of watches. The customer is forced to send the watch to Japan for repair often at their own cost along with the risk of loss during transit. The Seiko Service Centre in Australia also does not undertake repairs on this line of watches.

By technical information, we refer to exploded diagrams, assembly tips and oiling information, all critical to successfully servicing the watch.

The watch movement has a bolt that secures the oscillating winding weight which has a unique shape and requires a manufacturer supplied tool to remove. Unfortunately, this tool is not supplied by Seiko.

There is nothing special about this watch movement. It is a standard “Lever Escapement” style watch movement, which has been the predominant watch “escapement” technology since approximately 1850. Approximately 95% of mechanical watches on the planet use this arrangement to keep time. It is unreasonable to think the movement could not be serviced by any trained watchmaker. The only purpose for this policy we would surmise is that it exists to capture the repair market at the higher end, where repair costs are generally higher.

We note also that recently Seiko terminated all service contracts with watchmakers across Australia, meaning that customers will no longer be able to access repair services locally, meaning they will now need to send the watch to Seiko service in NSW for repair, reducing consumer choice and increasing risk of the item being damaged or lost in transit.

Anecdotally, we are aware the Swiss watch market has identical or worse issues. In some cases we are of the opinion that in some cases the watch brand’s policies towards service and warranty may contravene some Australian laws, especially in relation to warranty voiding if third party repairs have been involved.

Point 2 –

The watch industry is ideally suited to hold physical spare parts as most of the parts are very small, so warehousing costs would be minimal. We understand this is different for other industries but in our case, is reasonable to say the cost of holding inventory is negligible.

Point 3 –

Software updates are not really a concern to the watch repair industry, however, some high end watches are prone to ongoing issues which can considerably reduce the function of the watch. One example is the Omega “Co-Axial” movements, which have undergone several revisions over their lifespan. In fact, early versions of these movements were notorious for failure. As most repairers and customers have no access to parts or information on what has changed, the customer’s only option is a costly service with the manufacturer to rectify the issue.

DRAFT FINDING 4.2

We consider the potential risk of poor quality repairs to be not insignificant in the watch industry, however, the risk of low quality repairs is compounded by the lack of information and spare parts access. This could lead some repairers to take poor quality approaches to repair due to these limitations.

INFORMATION REQUEST 4.1

Point 1 –

We consider that there is a significantly variable range in repair quality between good and poor watchmakers. As for evidence of this, it is somewhat hard to derive due to the traditionally obfuscated environment the watch industry has operated in for decades. The cost to manufacturers is insignificant however, both in brand reputation and liability as independent watchmakers generally don't give the impression to consumers that they represent the brand.

Point 2 –

While we lack firm data on this point, there are several data points to consider. Besides the primary market, there is also a large secondary market in relation to the watch industry. Due to the durable nature of watches, they are commonly sold on at some point after being purchased new. The repair industry is viable for both markets as mechanical watches need service, on average, every 5-10 years. Unserviced watches usually keep poor time, so it can be considered a critical part of the cost of ownership of a mechanical watch, very much like a car.

Point 3 –

It is relatively simple to determine the lifecycle costs of mechanical and quartz watches however consumers find it difficult to understand those costs as they are rarely discussed at the time of purchase. This is one area where perhaps product labelling and information could be improved.

Point 4-

For the watch industry, most new high end watches are now unable to be serviced by third party repair due to parts or information restrictions. Customers would only be able to use the manufacturer's in house service. This has been a trend which has been developing since the 1990's as manufacturers have slowly but steadily withdrawn support for third party repair. Low to mid range watches fare better as typically they use common movements which have been in production since the 1970's, with a very strong aftermarket and alternative part supply.

Point 5 –

As watches require service at regular intervals just like a car, any restrictions to parts or information will harm consumers as it limits choice in repair, leads to poor quality repairs and poor resale values. In this case consumers would be "stung twice" as competition in the primary market is often a "cult of personality" as opposed to choosing the best value product.

Point 6 –

Consumers with high end timepieces are usually expected to send the watch, in some cases, to Switzerland, if service cannot be carried out locally. This can be extremely expensive as the package will need to be insured and carried by a carrier which can offer a significant insurance policy. For example, if you were to send a Rolex Daytona by a freight carrier, you would need an insurance policy of approximately \$35,000AU. Few carriers offer this much coverage and the cost of an insurance policy to this value is prohibitive.

The length of time a repair can take ranges between several weeks to up to a year, depending on the manufacturer. This can present a significant inconvenience and in the case of a high end time piece, also considerable risk.

DRAFT FINDING 4.1

Consumers in the watch industry are often under the impression that the manufacturer warranty is void if the watch is opened by a third party repairer. Some watch brands do refuse to deal if the consumer makes the manufacturer aware of any third party work, or can refuse to repair if they determine a third party has opened the watch before them during a service.

DRAFT RECOMMENDATION 4.2

We welcome additional warranty text stating that third party repair will not void your warranty.

INFORMATION REQUEST 4.3

Point 1 –

It's hard to say what watch manufacturers would do in response to this. A healthy response would be to make customers aware of the unique benefits of using the manufacturer for repair, but not to undercut or spread disinformation about third party repair. The primary market is robust and competitive enough, we doubt there would be any significant impact on prices.

Point 2 –

We think that the best approach would be to remove the disadvantages and warranty void clauses that currently exists for consumers that choose third party repair. This in no way disadvantages the manufacturer from promoting their, presumably, unique service, but also does not disadvantage the third parties. Consumers should also be made clear at the point of sale they are in no way locked into the manufacturer's repair service.

Point 3 –

We think it is reasonable that manufacturers should be allowed limited liability if damage has been caused by a third party but at the same time, they should provide parts and technical information to the third parties so that "bodge repairs", substitutes and improvised repair approaches don't need to be taken to repair a product.

Point 4 –

We think the proposed changes are probably sufficient but would need to be monitored and perhaps reviewed if poor legal outcomes for consumers result.

INFORMATION REQUEST 5.1

Point 1 –

For the watch industry, the proposed changes would assist the industry and allow third party repair that is currently not possible, on the presumption the manufacturers are compelled to release the information and tools.

Point 2 –

There is a possibility watch movement manufacturers could claim parts of the watch movement are a trade secret. That said, watch movements have changed little since approximately 1880, so most of the principles upon which they operate have been well known and well documented for quite some time in the public domain. This leaves little basis for this argument. Also, it would be assumed that the third party repairer is relatively competent and can understand how the watch movement works, again nullifying this argument.

What could remain a trade secret and is not required for third party repair are such things as manufacturer specific metal finishes, hardening and machining processes, for example.

Point 3 –

If the repair information and tools cannot be released to the public domain, we propose a compromise which would be to release the information to the WCA (Watch and Clockmakers of Australia) so they can pass this information on to only trade qualified third party repairers as part of membership of the professional body. This would negate a lot of the risks and costs to the manufacturer. Similar arrangements could be put in place for other industries.

INFORMATION REQUEST 6.1

Point 1 –

Consumers are often not made aware that mechanical watches specifically require regular service work just like a car at specified intervals. This can be a nasty shock to some consumers who have often spent a considerable amount of money on a timepiece. All watches, including quartz watches, will require the rubber water resistant seals replaced approximately every 5 years, with a pressure test, to maintain the water resistance of the watch. This comes as some surprise to consumers who, for example, purchase a diving watch, then proceed to dive with it, and it fills with water.

Point 2 –

The above information gaps can result in the destruction of the watch. Watches that have filled with salt water are often rendered unrepairable.

Point 3 –

Overestimations are very common in the watch industry due to the above information gaps. Consumers can sometimes expect perfect accuracy from an unserviced watch or water resistance where the waterproof seals have failed, for example. While these issues do not stop the market, they do undermine the faith consumers have in the market.

Point 4 –

Primarily, newcomers to the market and younger buyers are disproportionately affected by the above issues as they haven't had the experience/misfortune of having to deal with them previously, so generally expect the watches to perform better than advertised.



VINTAGE TIME AUSTRALIA

Yours Truly,

Adrian Sellick

Manager

Vintage Time Australia