

29 January 2021

Hon Josh Frydenberg MP
Right to Repair
Productivity Commission
4 National Circuit
Barton ACT 2600

Dear Minister,

Productivity Commission Issue Paper: Right to Repair

Established in 1955, McIntosh & Son is a family owned agricultural and construction machinery business which operates 10 retail dealerships and a distribution network across Australia. Our business employs approximately 300 people across regional Australia.

This submission to the Productivity Commission Issue Paper on the Right to Repair is a reproduction of our response to the ACCC's "*Agricultural Machinery: After-Sales Markets*" discussion paper with only slight modifications to better address the Productivity Commission's terms of reference.

[Introductory Response](#)

In Western Australia, the agricultural and construction machinery sales and repair market is extremely competitive. Within most regions, customers typically have access to three to five independently operated and competitive dealerships and multiple independent repairers.

Most agricultural machinery dealerships in Western Australia are privately or family owned and exist to, and by, providing the highest possible level of service and support to their local community/ies. Most agricultural machinery dealerships operate on very tight margins, relying on significant turnover and assets to generate after tax margins of one to two percent.

Privately owned (and commonly family owned) agricultural machinery dealerships aim to remain in business across generations (and many have done so). To do this, they are extremely dependent on repeat business in a highly competitive market. The only way to ensure repeat business is through the provision of effective, flexible and competitively priced service and support to their customers.

If we can be of further assistance to the Productivity Commission please do not hesitate to contact us. I can be contacted at

Yours sincerely

David Capper
McIntosh Group CEO

Restrictions on the use of independent repairers during the warranty period.

Restrictions on the use of independent repairers during the warranty period do occur but do not lessen competition in the agricultural or construction machinery repair market because the warranty period is such a short period of a machine's commercial life.

Agricultural and construction machinery is significantly more complex than automobiles and warranty repair costs are typically in the tens of thousands of dollars - substantially higher than in the automobile industry. As such, agricultural and construction machinery manufacturers keep a tight control on who determines what warranty repairs are required and who conducts those repairs.

The warranty period of most agricultural and construction machinery is significantly shorter than that of automobiles. Most agricultural and construction machinery has a 12-month warranty and only a very minor portion of the market has a warranty beyond 24 months. The warranty period typically represents less than 10 percent of the effective commercial life of most agricultural and construction machinery. There is no restriction on the use of independent repairers or non-genuine parts outside the warranty period (over 90% of agricultural and construction machinery life).

During the short warranty period, manufacturers seek to reduce their risk and the complexity of administration and verification by ensuring only authorised repairers who have undertaken factory provided training perform the repairs and servicing.

For the remainder of the product life, there is no restriction - real or implied - on the use of independent repairers or non-genuine parts.

Availability of genuine parts.

From our experience there has been no restriction on the sale of genuine parts to agricultural or construction machinery owners or to independent repairers.

International agricultural and construction machinery manufacturers who operate in Australia have no capacity or infrastructure to supply parts to the retail market. These manufacturers rely on retailers located within agricultural areas to undertake the retail function. There is no restriction placed on those retailers as to where and to whom they can sell genuine parts.

In our case we commonly supply genuine parts directly to customers and to independent repairers. As an authorised dealer we also supply non-genuine parts to customers and other repairers.

In the last financial year our retail dealership business turned over approximately \$35 million in non-warranty related parts sales. Of these sales 59 percent were over the counter sales to third party independent repairers and owner repairers. If internal parts sales (usually related to parts required to prepare a new machine for delivery) are removed, the percentage of over the counter parts sales to third party independent repairers and owner repairers increases to 71 percent.

This is a clear indication that there is no restriction on the availability of parts to third party independent repairers and owner repairers.

Independent repairers having access to diagnostic and other special tools.

If independent repairers are willing to invest in the proper training and the equipment required at a commercial rate, then they should be allowed access to diagnostic and special tools. Independent repairers must also be ready and capable to accept responsibility for any damage or liability they create through the use or misuse of those tools.

Access to manufacturer resources such as call centres could be problematic as unskilled independent repairers could utilise a disproportionate amount of this service reducing its availability to others. This could be overcome by allowing manufacturers to charge commercial rates to the independents for the use of these services.

Purchaser engagement with warranty terms.

Commercial agricultural and construction customers and equipment are both more sophisticated than typical consumers and consumer products. Those purchasing agricultural and construction products often review and compare warranty terms between suppliers and consider these terms when comparing products.

Repeat custom is essential to the sustainability of private and family owned dealerships. Dealerships are highly incentivised to support the products they sell in order to best position themselves to attract repeat custom.

Customer experience in making warranty claims.

In our dealerships, customers are not involved in the administrative requirements for the completion of a warranty claim. All administrative requirements are completed by the authorised repairer.

Dealerships take machine-down situations very seriously and it is our absolute priority to remedy any machine-down situation as quickly as possible, regardless of warranty status. This is paramount to the service commitment we offer and enables us to remain sustainable in this highly competitive market.

Manufacturers do not exclude travel costs incurred by the authorised repairer in the undertaking of warranty repairs, however, these costs are not borne by the customer - this burden is carried by the authorised repairer.

Geographical restrictions on authorised repairers.

Dealerships do not refuse to undertake repairs outside their normal geographical area of operation, however, travel distances can limit their ability to do so.

Undertaking warranty work is a cost burden to authorised repairers as the warranty values set by manufacturers do not cover the full cost of warranty repairs. Authorised repairers are willing to incur this cost for their own customers in their local area but are reluctant to incur the cost of undertaking warranty repairs on machines they have not sold.

Outside of warranty repairs, authorised repairers are willing to provide services in any area, however, the customer usually bears the cost of either travel of the repairer to the machine or the transport of the machine to the workshop, and therefore will naturally look for a repairer who is geographically located in their area.

Planned product obsolescence strategies

Agricultural and construction machinery are significant capital items with long productive lives, both types of equipment have active used or second-hand markets and will commonly be sold and resold numerous times over their lifespan. Agricultural and construction machinery will commonly stay in service until the extent of superstructure wear or fatigue makes the machine economically unviable to continue repairing or advancements in technology and practice render a machine uneconomic to continue using even at the lowest tier of the used machinery market. This usually occurs over a period of decades.