



SUBMISSION BY THE
MOTOR TRADES ASSOCIATION OF AUSTRALIA
TO THE
AUTOMOTIVE INDUSTRY INQUIRY

CONDUCTED BY
THE PRODUCTIVITY COMMISSION

10 MAY 2002

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1. BACKGROUND ON THE MOTOR TRADES ASSOCIATION OF AUSTRALIA AND THE RETAIL MOTOR TRADES

1.1 INFORMATION ON THE RETAIL MOTOR TRADES

The Motor Trades Association of Australia (MTAA) is the national representative organisation of the retail, service and repair sectors of the Australian automotive industry. The Association is a federation of the motor trades associations and the automobile chambers of commerce in each state and territory as well as the Service Station Association Ltd (SSA Ltd) and the Australian Automobile Dealers Association (AADA). The Association is an unlisted public company having limited liability.

MEMBERS OF THE MTAA FEDERATION

The Australian Automobile Dealers Association (AADA)

The Motor Trades Association of the ACT (MTA ACT)

The Motor Traders Association of NSW (MTA NSW)

The Motor Trades Association of the Northern Territory (MTA NT)

The Motor Trade Association of South Australia (MTA SA)

The Motor Trades Association of Queensland (MTA Q)

The Motor Trade Association of Western Australia (MTA WA)

The Service Station Association Limited (SSA Ltd)

The Victorian Automobile Chamber of Commerce (VACC)

[incorporating the Tasmanian Automobile Chamber of Commerce]

The Association's affairs are directed by a Board on which each of the Member bodies is represented. The role of the Association is to:

- raise awareness in the community of the trade's significant contribution to Australia's economy through its more than \$88 billion dollar turnover and its employment of over 250,000 Australians;
- convey and promote to governments the interests of the trades;
- promote improved working relationships and practices with motor trades' unions;
- provide information about the trades on behalf of the Members of the Association, to governments, the public and the trades' employees;
- work with governments in planning the future of the retail motor trades and their role in the economy and other areas of national planning;
- extensively enhance training and to develop work opportunities within the trades in co-operation with education and training authorities, the unions and government generally; and

- promote and enhance the reputation of the trades with their customers as well as with the general public.

Under its Memorandum and Articles of Association, the Association has a number of Affiliated Trade Associations (ATAs) which represent particular aspects or activities of the retail motor trades. These ATAs are as follows:

<p><i>Australian Motor Body Repairers Association (AMBRA)</i> <i>Australian Motorcycle Industry Association (AMIA)</i> <i>Australian National Towing Association (ANTA)</i> <i>Australian Service Station and Convenience Store Association (ASSCSA)</i> <i>Australian Tyre Dealers and Retreaders Association (ATDRA)</i> <i>Automotive Transmission Association of Australia (ATAA)</i> <i>Engine Reconditioners Association of Australia (ERA of A)</i> <i>Farm Machinery Dealers Association of Australia (FMDAA)</i> <i>National Brake Specialists Association (NBSA)</i> <i>National Radiator Repairers Association of Australia (NRRAA)</i> <i>National Steering and Suspension Association (NSSA)</i></p>

All of the ATAs referred to are composed of the relevant sections of each of the MTAA Member bodies and are represented nationally, as national entities, by MTAA.

1.2 RANGE OF MEMBER ACTIVITIES

The range and depth of the activities of the membership of the Association can be seen from the following list of recognised trades, skills and tasks in our sector of the automotive industry:

Air Conditioning Technicians	Dynamometer Operators
Auto Electricians	Engine Fitters
Automotive Accessory Retailers	Engine Performance Specialists
Automotive Dismantlers	Engine Reconditioners
Automotive Engineers	Exhaust System Specialists
Automotive Glass Fitters	Farm Machinery Dealers
Automotive Parts Cataloguers	Fuel Injection Specialists
Automotive Radio and Stereo Specialists	Gas Fitters
Automotive Service Managers	Hire and Rental Vehicle Operators
Automotive Trimmers	Marine Automotive Engineers
Automotive Upholsterers	Motor Boat and Marine Dealers
Automotive Transmission Specialists	Motor Cycle Dealers
Battery Makers and Reconditioners	Motor Cycle Mechanics
Body Builders	Motor Mechanics
Brake Specialists	Panel Beaters
Car Alarm Fitters	Petrol Pump Attendants
Caravan Dealers	Radiator Repairers
Car Dealers	Spray Painters
Car Salesmen	Tow Bar and Trailer Fitters

Car Wash Operators
Chassis Builders and Repairers
Commercial Vehicle Body Fabricators
Detailers
Diesel Engineers
Diesel Injection Technicians

Tow Truck Operators
Truck Builders and Operators
Tuning Specialists
Tyre Fitters
Tyre Retreaders
Wheel Alignment Specialists

SIZE OF THE RETAIL MOTOR TRADES 1998-99 - BY INDUSTRY						
ANZIC Code	Description	Retail Sales \$m	W/sale sales \$m	Total Income* \$m	No Mgmt Units#	Employment
5245	Marine equipment retailing	656.3	1.1	696.6	424	2,632
5311	Car retailing	14,059.50	5,071.70	21,127.60	2,698	34,054
5312	Motor cycle dealing	1,758.10	6.00	1,853.10	686	5,224
5313	Trailer & caravan dealing	343.40	19.50	377.50	211	1,105
5321	Automotive fuel retailing	13,562.80	219.20	14,816.80	4,257	45,396
5322	Automotive electrical services	21.30	15.40	480.80	1,609	6,125
5323	Smash repairing	31.60	13.40	3,040.40	5,594	32,659
5324	Tyre retailing	1,843.10	321.60	2,364.60	1,345	11,490
5329	Automotive r&s nec	238.20	112.70	4,513.30	11,455	48,093
	Sub totals			49,270.70	28,279	186,778
4521	Petroleum product wholesaling	2,099.50		2,511.50	465	9,197
4621	Car wholesaling	2,133.50	13,966.40	16,527.90	538	10,493
4622	Commercial vehicle wholesaling	1,322.00	9,084.10	10,870.90	430	9,210
4623	MV new part dealing	188.00	7,880.80	8,412.90	2,436	32,889
4624	MV dismantling & used parts	12.40	428.90	460.00	853	4,496
	Sub totals			38,783.20	4,722	66,285
	TOTAL			88,053.90	33,001	253,063

Source: ABS Catalogues 8638.0, 8622.0, 8624.0

* Includes wholesale sales, retail sales and commission, rental, service income and other income not separately itemised here.

Survey based on management units on ABS Business Register. Does not include sole operators.

2. THE AUSTRALIAN AUTOMOBILE DEALERS ASSOCIATION

The Australian Automobile Dealers Association (AADA) is a Member of MTAA. AADA represents the interests of Australia's franchised dealer network. AADA's affairs are directed by a Board on which each of the Member bodies is represented. The role of AADA is to:

- encourage, promote and protect the interests of the retail motor dealer business in Australia and to conserve the interests of Members;
- hold an annual national convention for retail motor dealers and/or their employees;
- cultivate and obtain reciprocal relations with like associations, both nationally and internationally;
- establish and maintain contact with the legislatures of the Commonwealth and of the states and territories to promote, support and protect the interests of the Association; and
- conduct seminars, educational programs or other meetings for the purposes of improving the knowledge and understanding of new vehicle franchise dealers of business, economic and related matters.

2.1 THE EXTENT AND SIZE OF AUSTRALIA'S FRANCHISED DEALER NETWORK

The extent and size of Australia's franchised dealer network is set out in the following table:

New Motor Vehicle Dealer Statistics 1979 - 1999

Source: Motor Trades Association of Australia, Revised as at 17 May 2000

	Number of Dealers	Franchises Held	Locations Operated	Aggregate Employees
30-Jun-79	2,764	3,229	3,700	68,907
30-Jun-84	2,650	3,960	3,650	68,000
31-Dec-84	2,650	3,960	3,650	68,000
30-Jun-85	2,600	4,100	3,500	67,500
31-Dec-85	2,550	4,100	3,800	67,000
30-Jun-86	2,350	4,160	3,750	62,500
31-Dec-86	2,275	4,160	3,600	62,000
30-Jun-87	2,190	4,020	3,620	60,500
31-Dec-87	2,100	4,000	3,500	60,500
30-Jun-88	2,040	3,900	3,425	59,800
30-Dec-88	1,980	3,825	3,400	60,000
31-Aug-90	1,648	2,949	1,812	42,180
1-Dec-91	1,637	2,943	1,817	44,201
30-Jun-92	1,691	2,441	1,505	41,486
31-Dec-92	1,668	3,204	1,887	42,011
31-Dec-93	1,641	3,174	1,897	41,249
31-Dec-94	1,626	3,269	1,927	42,858
31-Dec-95	1,583	3,069	1,779	42,753
31-Dec-96	1,627	3,305	1,798	42,729
31-Dec-97	1,539	3,389	1,755	45,611
31-Dec-98	1,525	3,362	1,794	46,085
31-Dec-99	1,520	3,344	1,805	45,881

AADA has a vital interest in the outcome of this current inquiry just as it had vital interests in the inquiries into the automotive industry conducted by bodies that were the predecessors of the Productivity Commission. In this regard it is in our view worthwhile to recite a little of the history of the inquiries conducted since MTAA was established in 1988.

3. MTAA'S SUBMISSIONS TO PREVIOUS INQUIRIES

In a submission to the Industry Commission of August 1990, MTAA acknowledged the need that existed then for greater efficiency and international competitiveness in Australia's vehicle manufacturing sector. The need to build better and more reliable cars was paramount. MTAA also argued at that time that it believed there was a level of protection below which the automotive industry would cease to exist, that level occurring at a tariff rate of approximately 15 per cent; absent any other form of assistance.

MTAA proposed then that while it may seem a matter of indifference to dealers whether they sell and service locally manufactured or imported cars, this was not then and has never since been the case. The dealer's goal is consumer satisfaction and the requirements for this were simply expressed:

- lowest possible prices;
- high levels of quality;
- regular supply of vehicles; and
- readily available and sensibly priced spare parts.

MTAA was then of the view that these requirements would be difficult to meet without a strong local manufacturing sector. MTAA described this feature of the Australian market as a "national common factor"¹; that is, a core of a small number of cars which are sold in large numbers nationally and which can be serviced and maintained with ease anywhere in Australia. This feature of the market for new vehicles was thus underpinned by a comprehensive sales and service network. In 1990, this network was generally owned and managed by independent businesses, many of them family owned and of long standing, using their own capital and resources to compete for business both within and between brands.

The market share of such vehicles in the total Australian market has declined over the last decade but nevertheless the total volume of production has increased largely as a result of export success. As well, exports of parts made primarily for Australian vehicles have increased exponentially over the last decade.

In 1996, MTAA was again invited to put its views to an inquiry being conducted by the Industry Commission and spoke to the IC's Assistant Commissioner responsible for the Inquiry. MTAA advised that its views on the need for tariff protection at a rate of no less than 15 per cent remained the same as they had in 1990. MTAA also took the view that the outcome of the report had probably been pre-determined because it believed that the Chairman of the Productivity Commission had publicly announced a likely outcome of the

¹ In its 1990 submission MTAA proposed that "the national common factor is the body of makes and models distinctive to the Australian market and supplied through local manufacture....All, however, have something uncommon; they represent a particular type of vehicle which may not be readily manufactured or purchased elsewhere in the world."

then Inquiry prior to any deliberations being undertaken or any report prepared. In response to questions raised directly between dealers and the Prime Minister, the Hon John Howard MP, following the change of Government, MTAA wrote to the Prime Minister to advise that it did not propose to make a lengthy submission but wished simply to reiterate its view, first expressed in 1990, that it was necessary to maintain a tariff regime in order to ensure that an efficient Australian industry can compete against its subsidised and protected international competitors.

4. FEATURES OF THE DEALER NETWORK THAT ARISE OUT OF AN AUSTRALIAN MANUFACTURING BASE

4.1 WE SELL A UNIQUE AUSTRALIAN PRODUCT

In 1990 when MTAA first began to consider the issue of industry assistance, the automotive retailing network consisted almost in its entirety of independently owned and operated businesses that competed fiercely both within and between brands and makes. This situation has changed over time and will be the subject of further commentary at a later point of this submission.

The key numbers to which MTAA wishes to draw attention in the table above are those for number of dealers and for franchises held. Of the 1520 dealers over 90 per cent hold a franchise from one or more of Australia's four vehicle manufacturers. To this core franchise will have been added one or more franchises to supply products imported into Australia by over thirty separate importing companies or distributors. This has the effect of broadening the range of product supplied and of introducing intra-brand dealership competition.

However, it is the holding of a franchise from one of Australia's manufacturers which provides the basis for the extensive infrastructure and investment that has been made by the dealer network. MTAA is strongly of the view that, without the 'national common factor' created by Australian manufacture and the response to that by the franchised dealer network, there would be significantly lower investment in the maintenance of service standards, the ready supply of parts and the timely repair of all vehicles, not just those manufactured in Australia.

4.2 SKILLED WORKFORCE AND EMPHASIS ON TRAINING

Over the last decade, the workforce employed throughout the automotive sector, both in manufacturing and in retail, service and repair, has shown marked improvement in skills, productivity and adoption of new technology. The emphasis that has been placed on skilling the workforce in all sectors and the expense undertaken to do so has been created almost entirely as a result of the need for continuing efficiency improvements across the sector. MTAA and FCAI have supported these developments through their establishment and ownership of the National Automotive Industry Training Advisory Board ("Automotive Training Australia") and have provided the education and training network with resources worth millions of dollars. These resources assist in the continuing development of skilled professional tradespeople and managers. There would be far less imperative to continue to provide this investment in skills development and training if it were not underpinned by continuous improvement in the manufacturing sector.

4.3 THE SERVICE NETWORK AND PARTS SUPPLY

A further important element of the franchised dealer network that derives from a major manufacturing base is the ready availability of parts. Australian motorists are used to the ready supply of parts for both warranty and repair work. This provides a highly competitive environment that must generally be matched by competing importers. As a result, importers are now required to meet demand by maintaining an extensive parts supply and by the rapid acquisition of unavailable parts. In general an importer of any major brand must be prepared to air freight urgently needed parts to Australia in order to meet market expectations of efficient and competitive parts supply. If Australian manufacture ends then a likely consequence would be a decline in size of parts inventory held in Australia and an increase in response times for delivery from overseas.

5. RETAIL MARKET DEVELOPMENTS SINCE THE LAST INQUIRY

5.1 OWNERSHIP AND MANAGEMENT OF THE DEALER NETWORK

Motor vehicle dealers report significant changes in the retail market place in the latter part of the 90s. These changes include:

- continuing international amalgamations, rationalisations, mergers and acquisitions by vehicle manufacturers which are reflected at dealership level and have had the effect of reducing retail inter-brand competition;
- the desire by manufacturers to capture additional profit from the dealer network by reducing margins, reducing brand distribution costs and by shifting cost and capping returns;
- the acquisition by a leading manufacturer of all dealerships in certain single cities in so-called joint venture arrangements which are either designed to, or have the incidental effect of, eliminating or significantly reducing intra-brand competition;
- the establishment of one super dealership controlled by the maker/distributor and the relegation of current dealerships to service centre arrangements thus reducing intra-brand competition;
- the acquisition by foreign controlled interests of formerly Australian-owned dealerships and the development of Australia-wide dealership network arrangements;
- the imposition of terms and conditions on franchise renewals which are designed to introduce de facto solus trading operations for dealerships holding multiple franchises for certain makes, such terms and conditions being designed to eliminate inter-dealership competition;
- the imposition of additional dealership costs by insisting on the development of separate service and finance facilities for brands operating in multi-franchise dealerships; and
- the continuing non-renewal of major dealerships preparatory to further dealership rationalisation following from international mergers by manufacturers.

MTAA has sought to have the ACCC address these issues in a comprehensive manner with a view to determining whether the cumulative effect has been an insidious and otherwise unremarked reduction of competition.

Until now the ACCC has dealt with these issues in a piecemeal, brand by brand manner examining such market features as:

- the Ford Retail Joint Venture;
- the amalgamation of Landrover and BMW dealerships;
- BMW seeking approval for solus trading arrangements; and
- Subaru's sacking of its Melbourne dealership network and its proposed replacement by a single "super" dealership.

In the light of likely continuing changes, a more comprehensive examination of the market is now called for taking into account all these developments. It is MTAA's view that the effect of the changes has been, and will continue to be, the removal of independent franchisees from the market and their replacement with factory controlled entities which are less interested in intra-brand competition and more interested in taking steps towards capturing benefits from manufacturer rationalisation. Consumers will be faced with a market that features less competition, less service and increased prices.

5.2 EUROPEAN UNION PROPOSALS FOR REFORM OF VEHICLE RETAILING

On 11 March the European Commission published its new draft block exemption Regulation (BER) governing the distribution of motor vehicles. This is intended to replace the current Regulation 1475/95.

The twin aims of the draft BER are to promote greater competition among dealers and to make it easier for consumers to purchase vehicles across the European Union's internal borders.

The first aim will be achieved by granting more opportunities to dealers to offer for sale multiple brands and giving manufacturers a choice between different distribution systems. In addition the link between sales and service will be broken with dealers having the option of subcontracting authorised repairers for the performance of after-sales service. The obligation of manufacturers to supply necessary technical information and equipment to independent repairers is strengthened.

The second aim is in light of the significant price differentials between different EU Member States. Prices are significantly higher in some countries (such as the UK and Germany) than in others (such as Spain and Italy). Various restrictions on cross-border sales will be lifted and manufacturers will be given a choice of distribution systems rather than relying on the current system of geographically determined exclusive dealership areas.

Key features of the proposed new regulatory arrangements are as follows²:

- The existing regime required manufacturers to use a distribution system combining "selective" and "exclusive" distribution; the new regulation bans this combined system and requires them to choose one or the other.
- A **selective distribution system** is one "*whereby distributors are selected by the manufacturers on the basis of qualitative criteria ... such as the size and quality of the showroom, the quality of the sales personnel, the obligation to offer the full range of vehicles of the relevant brand or the obligation to have demonstration vehicles. In addition, a manufacturer can use quantitative criteria for the selection of its distributors, such as ceilings on the total number of distributors or minimum sales obligations.*"

² All quotes are taken from the EU's announcement of the proposed new arrangement published on 11 March 2002

- Alternatively the manufacturer can use an **exclusive distribution system** based on exclusive geographic market areas. *“Certain minimum standards may be imposed on such distributors.”*
- Selective distributors would be able to carry out “active sales” throughout the European Union. This would be assisted by the abolition of the “location clause” permitting manufacturers to require dealers to operate from a specific location.
- While “exclusive” distributors may be prohibited from carrying out active promotion (such as local advertising or email promotions) outside their sales area, they may have their own web-sites and are permitted to sell to any customer who arrives at the showroom, including independent resellers. *“These independent resellers, which could be supermarkets or pure Internet dealers, would probably take advantage of price differentials and play an important role in the area of parallel trade.”*
- The regulation prohibits the use of systems used by manufacturers to prevent or discourage dealers from selling to consumers from other parts of the EU. These include *“sales targets, product allocations or bonus systems based on a territory (eg. town or district as today) which is smaller than the Common Market”*.
- Restrictions on **intermediaries** who assist consumers in buying vehicles in other Member States are lifted.
- An **availability clause** *“obliges manufacturers to supply their distributors with a vehicle of a model which is marketed in other countries and which corresponds to a model normally sold by the distributor. This clause’s most important role so far has been to enable British and Irish consumers to purchase a new right-hand drive vehicle on the Continent, where dealers normally sell only left-hand vehicles.”* The availability clause in the draft BER is extended to all motor vehicles.
- **Multi-brand dealerships** will be facilitated by the lifting of existing restrictions. Provided that the manner of sale does not harm the “brand identity” of the makes in question, dealers will be able to sell multiple brands without having separate legal entities, management and sales personnel or separate premises for each brand, all of which conditions are able to be imposed by manufacturers under the existing system.
- The training of sales staff in a multi-brand dealership will be at the discretion of the dealer; manufacturers may not insist on staff being trained only in one make, a move they claimed was necessary to maintain brand identity.
- The clauses regarding the sale of vehicles to **leasing companies** are clarified to ensure *“that independent leasing companies can effectively compete with the vehicle manufacturers’ own leasing companies.”*
- *“Under the new BER, a distributor will have the choice either to offer **after-sales services** himself or to subcontract them to one or more official repairers which are*

easily accessible for his consumers.” Becoming a service-only outlet is expected to provide a commercial lifeline to dealers being terminated by manufacturers in light of the continuing decline in the number of dealers.

- The BER governs distribution up to a market share of 30% and 40% for different distribution systems. Above that restrictions would be tighter.
- There are various clarifications of terms and toughening of requirements for authorised repairers.
- Every notice of termination of a contract issued by a manufacturer must clearly state the reasons for termination. *“In addition, the draft BER provides, in line with Reg. 1475/95, that for contracts one year’s notice has to be given if a network is re-organised or if compensation is paid to the dealer, and two years’ notice has to be given in all other cases.”* The Commission is asking for submissions on whether a dealer should be permitted to take over a dealership from another dealer within the same distribution network.
- The BER *“strengthens the existing obligation on vehicle manufacturers to make available to independent repairers all technical information which is also made available to official repairers. This access should be given without delay on a non-discriminatory basis (between dealers and independent repairers), taking into account affordability and the principle of proportionality.”* This information will also be available to various other parties including *“manufacturers of repair equipment and tools, publishers of technical information, automobile clubs, roadside assistance operators and operators offering inspection and testing services or training for repairers”*.

MTAA believes that the proposals that have been announced by the European Commission are likely to be forerunners of more extensive consideration of this matter by regulatory authorities around the world including in Australia. Such consideration should not be divorced from any consideration of industry policy and the protection of local manufacture. The fact is that the near total reliance of the dealer network on Australian manufacture for its core product can have perverse results. Foreign manufacturers seek the benefit of the dealer network while simultaneously seeking to establish trading conditions with dealers that include stand-alone showrooms, service departments and staff, facilities that can only be afforded because of the strength of the local manufacturer’s franchise. The reduction of Australian manufacture would lead to greater fragmentation of the dealer network.

MTAA believes that the Productivity Commission should seek the advice of the Australian Competition and Consumer Commission in its consideration of marketing and other service arrangements to ensure that its recommendations are pro-competitive at all levels of the automotive industry, not just within the manufacturing sector.

6. SHORTCOMINGS OF PREVIOUS GOVERNMENT CONSIDERATION OF THE AUTOMOTIVE INDUSTRY

6.1 DOMESTIC COMPETITION BEING DIMINISHED

The globalisation of the automotive industry will lead to significant reductions in production in the international market. The effect of takeovers and mergers will also be reflected throughout the supply chain. There is now a concerted international attempt being made to reduce models and hence competition. The world's consumer will eventually have less choice as factory rationalisation takes effect. Some factories have also embarked upon international programs designed to reduce the consumer's bargaining power at the dealership.

These developments have served to reduce the level of competition in the market place. Individually (often family) owned enterprises are being absorbed into or simply superseded by such entities as Retail Joint Ventures (RJVs), acquired by international conglomerates or by intermediary/distributor companies. Where this occurs there is far less intra-brand competition.

6.2 TARIFF ADJUSTMENTS NOT ACCOMPANIED BY MARKET OPENING MEASURES

While MTAA represents the retail sector of the domestic market, it does observe that Australia's relaxation of its tariff regime through the 90s has not been accompanied by similar market-opening measures in other countries, particularly those of our region. MTAA believes that any decision taken about the tariff and Australia's market should be accompanied by similar undertakings for reform across the board of the APEC countries in particular. Acting unilaterally has produced little by way of international response. The Australian Government needs to consider whether its tariff proposals should be adopted in concert with some reciprocal measures from those nations whose markets are much more closed to Australia's automotive exports.

7. WHAT MTAA SUPPORTS

MTAA supports policy settings that will ensure that Australia maintains a viable, competitive and efficient automotive manufacturing sector. MTAA's support for such policies has not diminished over the last decade. MTAA steadfastly holds to the view expressed in its 1990 submission that "there is a lower limit level to the tariff for motor vehicle manufacture below which our members' interests and the interests of consumers are neglected or defeated".³

MTAA notes that Australia's vehicle manufacturers are prepared to accept an ongoing tariff rate of 10 per cent. While MTAA has reservations as to whether such a rate is sufficient to achieve these policy aims and preserve Australian vehicle manufacture it is prepared to endorse the views of the manufacturers that 10 per cent is sufficient, PROVIDED that such a regime is accompanied by a comprehensive policy supportive of further investment in the industry and PROVIDED FURTHER that Australia's trade negotiators are able to achieve significant changes to the closed and protected markets of the region.

MTAA also believes that a competitive automotive industry will only achieve maximum competitiveness if there is maximum domestic competition at retail. That competition at retail will only occur if there is continued support by business investors for the maintenance of a high quality retail sales and service network. MTAA believes that the optimum efficiency of this network, and the standards of service it achieves are entirely reliant on the maintenance of a domestic manufacturing industry which provides a significant share of the market for new vehicles. If that investment were to fall or become reliant entirely on imported vehicles it is MTAA's view that standards of service, repair and maintenance would fall. There would also be falls in the skill level of the automotive workforce and, in the absence of a high quality domestic manufacturing sector, a fall in the provision of training and the adoption of new technology.

MTAA believes that the maintenance of this domestic manufacturing, retail, service and repair infrastructure is under threat and that a whole of government, including state and territory government, approach is required to ensure that a viable domestic infrastructure is maintained.

MTAA believes that this 'whole of government' approach should not only include consideration of future tariff arrangements, but should actually include a much wider consideration of competition and regulatory issues. The continued investment in infrastructure in the dealer network relies as much, if not more, upon the existence of a competitive and profitable small business sector as it does on the support and investment of the four domestic manufacturers.

MTAA therefore believes that governments need to consider a broad range of reforms, in particular to the Trade Practices Act 1974 and to the operation of national competition policy, to support small business operators, not only in the retail motor trades but more generally.

³ MTAA Submission to the Industry Commission, 1990, page 50

During the 2001 Federal election campaign MTAA promoted its 'Small Business Charter of Fairness' and more recently it has developed an 'AADA Charter of Fairness'. Copies of these Charters are attached as Attachments 1 and 2 respectively. MTAA and AADA will continue to promote the adoption of these Charters with governments at both the state and Federal level. They will in particular be the focus of MTAA and AADA's activities in relation to the review of aspects of the Trade Practices Act which was announced by the Prime Minister during the 2001 Federal election campaign and the Terms of Reference for which was announced on 9 May 2002.

**MTAA
NATIONAL SECRETARIAT
Canberra**

10 May 2002

Motor Trades Association of Australia
A SMALL BUSINESS CHARTER OF FAIRNESS

1. Strengthen the Trade Practices Act to give the ACCC greater power to prevent abuse of market power by big business and to allow small business the right of collective negotiation (now restricted to trade unions)
2. The public interest to be the sole determining factor in any decision relating to national competition policy
3. Outlaw 'take it or leave it' contracts
4. Prohibit selling at unreasonably low prices
5. Prohibit unilateral variation of franchise or tenancy agreements by franchisors and landlords
6. Outlaw termination of contracts at will without just cause
7. Create a 'small business as consumers' division of the ACCC
8. Appoint a Small Business Ombudsman
9. Prohibit taxation changes which result in a greater financial burden for small business
10. Reduce red tape for small business

AADA Charter of Fairness

(DRAFT: NOT YET ENDORSED BY THE DIRECTORS OF AADA)

1. Strengthen the Trade Practices Act to give the ACCC greater power to prevent abuse of market power by big business
2. Allow small business the right (under the Trade Practices Act) of collective negotiation
3. Introduce a mandatory code of conduct (under the Trade Practices Act) to regulate commercial relationships between motor vehicle suppliers and franchised motor vehicle dealers
4. Limit suppliers involvement in retail to the extent necessary to ensure the supplier's representation in a market
5. Consideration to be given by each state/territory government as to whether suppliers should be prevented from selling motor vehicles at retail
6. Suppliers to be prevented from direct selling to buyers at prices below those available to the supplier's franchised dealer network
7. Prohibit unilateral variation of franchise agreements by franchisors
8. Outlaw 'take it or leave it' contracts
9. Outlaw termination of contracts at will without just cause
10. Franchised motor vehicle dealers to have the inalienable right to sell more than one brand of motor vehicle
11. Suppliers to provide a minimum of five years tenure in their franchise agreements
12. The matter of competition in the new motor vehicle market to be referred to the ACCC for review to determine whether the changes which have been observed in the market have led to a reduction in both inter- and intra-brand competition
13. Create a 'small business as consumers' division of the ACCC
14. Appoint a Small Business Ombudsman