

Media Release

Changes to Franchising Code welcome but further steps needed to address power imbalance in automotive sector as New Vehicle Efficiency Standard accelerates industry change

7 May 2024 – The MTAA welcomes the Australian Government’s response to the Independent Review of the Franchising Code of Conduct led by Dr Michael Schaper issued today.

With the Government agreeing or agreeing in principle to all of Dr Schaper’s 23 recommendations, the MTAA applauds the Government for recognising that a fairer balance between franchisees and franchisors needs to be struck. The inclusion of other classes of automotive retailers beyond car dealers, such as motorcycle, truck, farm, and industrial machinery dealers, is also welcome given these businesses were previously not covered in the same way under the Franchising Code.

The MTAA also welcomes that the Government will clarify that service and repair work performed by motor vehicle dealerships is within the scope of the Code.

However, the MTAA acknowledges there is still further work to be done to ensure the Franchising Code is fit for purpose in a rapidly changing automotive retail environment.

With Australia’s shift to EVs, vehicle sales channels are evolving with new business models emerging. Manufacturers and distributors are entering the EV retail business for the first time, resulting in financial impacts on dealers and creating a power imbalance between both parties.

Automotive dealers, who make significant ongoing investments in facilities, staff and equipment while generating goodwill, need to be protected from misconduct and opportunistic behavior. The Franchising Code must safeguard franchisees, who are predominately small to medium businesses, from such conduct.

Given this unique circumstance facing automotive franchisees and franchisors along with the sizeable capital and technology requirements of the industry, MTAA strongly recommends a standalone code of conduct for the automotive retail sector.

MTAA also recommends that the proposed licensing regime should examine and implement best practices to find a just transition for automotive dealers. The MTAA looks forward to working closely with the Treasury Taskforce on this initiative.

MTAA CEO, Matt Hobbs said: “MTAA has been calling on the Government to address franchisor opportunism in the automotive retail sector for many years and we are pleased their endorsement of Dr Schaper’s recommendations will go some way to address the imbalance between automotive manufacturers and dealers.

We continue to believe that an independent code is a necessary step, particularly to drive greater competitiveness, sustainability, and productivity in the sector as it undergoes the biggest transformation in its history with the advent of EVs.”

MTAA and its state and territory bodies will work their 15,000 automotive retail members to understand the implications of the changes to the Franchising Code in full and continue to assist businesses in their engagement with their franchisors.

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