

## Media Release

### MTAA welcomes new Franchising Code of Conduct but calls for more action

12 December 2024

The Motor Trades Association of Australia (MTAA) has welcomed the Australian Government's announcement it will introduce a new Franchising Code of Conduct (the Code), set to take effect on 1 April 2025. MTAA commends the Government for recognising the need for a fairer balance between franchisees and franchisors in the automotive retail sector.

MTAA is pleased with the Government's decision to expand the scope of the Code, to more broadly afford similar rights to those previously only available to dealers with new vehicle dealership agreements. However, MTAA reiterates its position that all rights afforded in respect of new vehicle dealership agreements should be extended to cover motorcycle, truck, farm, and industrial machinery dealers, as well as franchised repair businesses.

In addition, MTAA welcomes the Government's clarification that service and repair work performed by motor vehicle dealerships will be more broadly covered by the Code in some circumstances. These important enhancements have been championed by the MTAA over multiple years on behalf of state MTA network members, including dealers and repair businesses.

However, while MTAA acknowledges the progress made, further work is needed to ensure the Code remains fit for purpose in today's rapidly evolving automotive retail environment. The market evolution is expected to accelerate with the New Vehicle Efficiency Standard commencing on 1 January, as well as the increasing shift toward low and zero emission cars. This will place additional pressure on global automotive companies to reassess their size and scope of business in Australia.

Combined with the entry of more manufacturers and distributors into what is already one of the most competitive automotive markets in the world (home to over 60 brands), the expansion of the EV retail space is creating financial pressures and power imbalances between franchisors and dealers.

MTAA continues to urge the Government to ensure the Code remains adaptable and robust, providing ongoing protection for automotive dealers and ensuring a fair and competitive environment in this period of significant industry change.

The power imbalance between automotive franchisors and franchisees was recently highlighted by Honda Australia's transition to an 'agency' model. This led to the termination of a large portion of its dealer network midway through their agreements. One dealer who pursued legal action incurred \$1.8 million in legal costs and two years of proceedings. Although the dealer received substantial compensation, the high costs and lengthy process discouraged other dealers from taking similar action.

Automotive dealers, who invest heavily in facilities, staff and equipment while building substantial goodwill, need greater protection from misconduct and opportunistic behaviour. The Code must safeguard franchisees—who are predominantly small to medium-sized businesses—from such practices.

MTAA CEO, Matt Hobbs, said: "MTAA has long called on the Government to address franchisor opportunism in the automotive retail sector, and we are pleased to see these changes in the new Franchising Code. This is an important step toward addressing the imbalance between automotive manufacturers and dealers."

"However, a key concern is that the shift to new business models will likely accelerate as the automotive sector undergoes rapid transformation. Dealers should not be expected to shoulder the burden of prosecuting claims against distributors and OEMs for changes to arrangements they did not agree to. The Code must offer protection against such behaviour."

MTAA urges the Government to consider these challenges and develop solutions that protect automotive dealers from the risks and costs of the changing automotive environment to ensure a fair and competitive landscape. MTAA has conveyed these views in its recent submissions to the Government which can be found below:

MTAA response to Franchising Licensing Regime consultation:

[https://www.mtaa.com.au/images/docs/submissions/2024/20241210\\_MTAA\\_Franchising\\_Licensing\\_Taskforce\\_Submission\\_FINAL.pdf](https://www.mtaa.com.au/images/docs/submissions/2024/20241210_MTAA_Franchising_Licensing_Taskforce_Submission_FINAL.pdf)

MTAA response to Franchising Exposure Draft:

[https://www.mtaa.com.au/images/docs/submissions/2024/20241029\\_MTAA\\_Franchising\\_Exposure\\_Draft\\_Submission\\_FINAL.pdf](https://www.mtaa.com.au/images/docs/submissions/2024/20241029_MTAA_Franchising_Exposure_Draft_Submission_FINAL.pdf)

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### **About MTAA**

The Motor Trades Association of Australia (MTAA) is the peak body representing the interests of the automotive retail sector across the nation. Through proactive engagement, MTAA helps shape sound public policy on issues that affect the retail motor trades, small businesses and consumers.

MTAA's member associations include the Motor Traders' Association of New South Wales, the Victorian and Tasmanian Automobile Chamber of Commerce, the Motor Trade Association of South Australia and Northern Territory, the Motor Trade Association of Western Australia, and the Motor Trades Association of Queensland.

At the national level, MTAA acts as a unified voice, representing the interests of the automotive sector to the federal government and influencing key policy decisions. Its work includes identifying and addressing issues impacting the sector and advocating for the needs of automotive businesses through ongoing discussions with government.