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# Submission in response to the Consultation Paper on the mandatory scheme for the sharing of motor vehicle and repair information

**Submission for:**

Ms Megan Trudgian  
Mandatory Motor Vehicles Scheme  
Consumer and Corporations Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

**Submission provided by:**

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Ms Megan Trudgian  
Mandatory Motor Vehicles Scheme  
Consumer and Corporations Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Via email to: [repairinfo@treasury.gov.au](mailto:repairinfo@treasury.gov.au)

Dear Ms Trudgian,

**Re: Submission in response to the Consultation Paper on the mandatory scheme for the sharing of motor vehicle and repair information**

Thank you for the opportunity to provide this submission in response to the Consultation Paper on the mandatory scheme (the Scheme) for the sharing of motor vehicle and repair information. ACM Parts is an Australian owned national motor vehicle parts supplier selling high quality original, new and recycled and independently certified aftermarket parts to both the motor repair industry as well as direct to the general public.

Since its inception in 2014, ACM Parts' mission has been to provide Australian repairers and consumers with access to high quality, value for money motor vehicle parts. In addition to our range of original equipment manufacturer (OEM) parts, we offer quality-checked recycled and alternatively sourced aftermarket parts. ACM Parts has been regularly recognised for our achievements in market innovation, community engagement, corporate social responsibility and business and service innovation. In terms of environmental sustainability, in the past financial year ACM Parts has set industry leading standards by recycling over 12 million kilograms of steel, more than 9,000 car batteries and over 140,000 litres of automotive fluids. In addition to end-users having access to high quality, value for money automotive parts, ACM believes that the automotive parts industry itself is in need of better regulation to ensure an even playing field for all stakeholders. On this basis, ACM Parts is supportive of the proposal to implement a mandatory scheme for the sharing of motor vehicle and repair information.

***ACM Parts' Position in the Market***

The \$11 billion Australian automotive parts market has remained relatively sheltered from global economic uncertainty. With the number of cars on Australian roads increasing by about 2% every year (*Australian Bureau of Statistics, Motor Vehicle Census, January 2018*), technological advances in car parts and the attrition rate of vehicles increasing, the automotive parts market continues to experience strong economic growth. IBISWorld report that there are 2,241 businesses operating in the industry, paying wages of more than \$1 billion.

**“The Motor Vehicle Parts Retailing industry has steadily grown over the past five years. Industry revenue is forecast to grow at an annualised 1.9% over the five years through 2022-23, to reach \$5.7 billion.”**

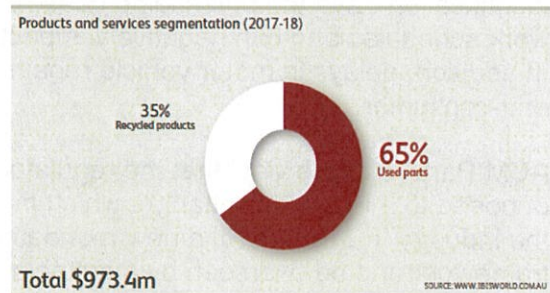
*IBISWorld Industry Report G3921,  
April '18*

The market is comprised mainly of OEMs which are able to extract substantial margins through supply chain integration and restrict access to new parts, as well as a small number of independent OEM and aftermarket parts suppliers. For recycled parts, most businesses tend to specialise in sourcing older or scarce parts. Notwithstanding the growth in Australia's registered vehicles on the road, the average age of registered vehicles is approximately 10 years. As a key point of differentiation to its industry peers, ACM Parts provides high quality new OEM, aftermarket **and** recycled parts to both collision and mechanical repairers and the general public. ACM Parts does this by importing OEM parts and certified aftermarket parts from overseas vendors, as well as purchasing total loss vehicles through insurers or auctions to harvest their parts. ACM Parts dismantles approximately 600 vehicles per month at sites across Queensland, New South Wales and Victoria. Importantly, ACM Parts does not source or sell safety parts, including but not limited to seatbelts, airbags and brake pads.

### ***The sustained demand for motor vehicle parts in Australia***

According to the Australian Automotive Aftermarket Association, Australia currently has 74 brands of motor vehicles for sale, each of which is comprised of approximately 3,000 parts. Moreover, it is estimated that the cost for new parts is rising 5-7% per annum, far greater than inflation. One of the reasons for these exorbitant costs is the disproportionate market segmentation by dealers undermining conditions consistent with an open and fair market.

The demand for used and recycled parts is also increasing. As vehicle numbers rise and the attrition rate grows, the number of vehicles that need to be dismantled and recycled also increases. This segment has increased as a share of industry revenue over the past five years due to growing demand and improvements in vehicle part recycling technology. With more transparent access to motor vehicle service and repair information, the recycled automotive parts segment could lower the cost of repairs and insurance premiums, saving money for end users without compromising safety or the quality of the repair.



Australia's domestic parts market is also facing external competition as cheaper parts enter the market, such as those imported from China, Japan and Korea. The increased globalisation of automotive parts trade reinforces the need for all stakeholders in the industry to be able to efficiently identify exact parts using their prescribed parts numbers. ACM Parts believes these are unsustainable market conditions and welcomes better regulation to enable fairer competition, more efficient provision of parts and a more even playing field for all parts sellers. Above all, ACM Parts believes consumers deserve access to high quality, affordable new and recycled parts.

**“Australian consumers are paying too much for their replacement parts – the total cost of parts for a \$21,000 medium-sized hatch can be \$114,081. 543% of the car's purchase price.”**

*Suncorp Group*

*In Response to the Questions for Consultation*

Treasury is interested in stakeholders' views on whether the possible elements of a mandatory code of conduct and a Service and Repair Information Sharing Advisory Committee set out in this paper:

- a. are appropriate as a starting point for developing and consulting on detailed provisions;
- b. would provide significant improvement on the current voluntary scheme; and
- c. are a suitable alternative to a legislated scheme, which would enable the creation of an industry-funded body to advise on the scheme but would be slower to implement and update.

ACM Parts believes that a mandatory scheme would be an improvement to the current voluntary scheme, noting that the current system is an inhibitor to efficiency. For recycled parts, we currently have roughly 1 in 10 returned for being incorrect, most commonly due to inaccuracies in the identification of the part due to lack of OEM part numbers for recycled parts. The impact of this inefficiency cannot be understated. Inaccuracies in part identification have the potential to cause significant delays in repairs, unforeseen changes to work schedules and can negatively impact on the reputation of repair and parts businesses. In addition, delays in motor vehicle repairs can have substantial impacts on the lives of the end-consumer.

ACM Parts is of the view that the regulatory change is an appropriate mechanism as opposed to a legislative change, which may be more difficult to adjust to suit the needs of the industry. Furthermore, a new mandatory scheme must take the form of a national framework and be overseen by a suitable national regulator (such as the Australian Competition and Consumer Commission) to avoid potential fragmentation, inconsistency and ambiguity among state jurisdictions.

ACM Parts is supportive of the introduction of a mandatory code of conduct and a Service and Repair Information Sharing Advisory Committee on the basis that it may:

- create an even playing field for all parts sellers, inclusive of new OEM parts and recycled parts by 'opening up' the market
- allows consumers more choice in mechanical and collision repairer, which is likely to create more competition and reduce insurance premiums
- improve the timeliness of access to critical information (or part numbers) on specific parts, reducing the instance of parts being sent back to the distributor or wholesaler
- allow mechanical and crash repairers a broader choice of parts with which to repair vehicles
- enables parts sellers to more efficiently and more accurately sell recycled parts which also has a strong environmental benefit; and
- improve engagement between parts sellers and regulatory agencies to ensure that interests are represented and the sector is fair and transparent.

ACM Parts essentially believes that fair and equitable access to parts data will create a more open market, and in turn create more competition, which is a better outcome for all stakeholders.

Treasury is also interested in feedback on the following possible elements of the Code in particular:

- a. whether vehicles made available for sale in Australia prior to the Code taking effect should be covered by the scheme, and if so, how;
- b. the principled definitions of:
  - i. information manufacturers must make available under the scheme; and
  - ii. SSE information;
- c. what information should be included in more detailed lists of information included in these definitions;
- d. the principles guiding access to SSE information;
- e. factors to be considered relevant to fair and reasonable prices for information; and
- f. the suitability of the dispute resolution and mediation process.

ACM Parts' firm view is that all vehicles made available for sale in Australia prior to the Code taking effect should be covered by the mandatory scheme, as well as those made after. In terms of a mechanism, ACM Parts is supportive of the industry working together on a unified access approach, such as an information portal similar to that described in section 3.28 of the Consultation Paper. There is a good example of an online portal that is already commercially deployed. ACM Parts utilises this subscription based service which we believe has set standards in the automotive aftermarket by providing timely access to a range of parts numbers, from anywhere in the world. A key limitation of this provider however, is that it only covers about 40% of the market. ACM Parts also notes that as most of Europe has an open scheme for accessing OEM parts numbers, there is precedent to replicate this level of transparency in Australia.

Whichever model is determined by the authority responsible for administering the scheme needs to provide real-time access to parts information. Without timely access to the data, the efficient and effective supply of parts is inhibited.

In our view, the proposed scheme should make every effort to improve confidence among repairers and consumers that the right part is being used in repairs. To do this, it is integral that the unique OEM part identification numbers are made available under this scheme. Access to OEM part numbers is also critical to ensure safety of repairs, which is being undermined by the current scheme. Without accurate and unique parts numbers, incorrect parts will continue to be requested and supplied, which is currently causing delays to repairs, inefficient market conditions and compromising safety. Access to part numbers is especially critical for designated 'safety and/or security' parts.

ACM Parts supports the principle that access to the information should be provided for a fair and reasonable price. Importantly, this needs to be regulated in some way to ensure that the price to access information is equitable, so that all parts sellers may gain access. With respect to the costs incurred by the manufacturers to provide the required information, ACM Parts supports an approach which considers information purchaser factors, such as number of users and frequency of access, among others.

We also believe that criteria on the use of the data should be made clear to people accessing the portal, with breaches of those criteria will tracked through an audit function. The information portals would be easy for mechanics, repairers and dealers to access, and would facilitate the fair playing field.

In terms of enforceability and the dispute resolution process, ACM Parts supports the Treasury's proposals in principle, however has some reservation about the strength of the dispute resolution process. It is critical for the mandatory scheme to have sufficient recourse options to enable penalties where necessary. Aligned to the indicative views of the Australian Automotive Aftermarket Association, ACM Parts believes that there is scope to review sections 3.40-3.42 of the Consultation Paper (*Enforcement*) and ensure that the terms of the proposed scheme are enforceable. Considering the imbalance of market influence between small businesses and the global OEMs, it is critical for this Code to have sufficient recourse.

Treasury would also welcome feedback on the Committee, particularly on the suitability of the suggested membership and terms of reference.

ACM Parts welcomes the appointment of an advisory Committee comprising industry stakeholders, and endorse the following as members:

- A senior representative of the Australian Competition and Consumer Commission, at a minimum a Commissioner who would have responsibility for leading this area
- Australian Automotive Aftermarket Association (AAAA) representing the automotive aftermarket industry
- The Insurance Council of Australia, as the largest customer of the collision repair industry
- Australian Automotive Dealer Association (AADA) representing new car dealers, however it would not be necessary to involve individual brands
- Federal Chamber of Automotive Industries (FCAI) representing manufacturers;
- Motor Trades Association of Australia (MTAA) representing the automotive retail, service and repair sector; and
- A consumer advocate, such as a representative from Choice or the Consumer Action Law Centre.

Importantly, ACM Parts is of the view that the Committee should be well resourced, such as similar committees overseeing the generic pharmaceutical industry. With regard to the terms of reference, ACM Parts believes that as a minimum, the Committee should:

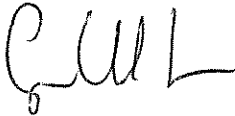
- assess the effectiveness of the Code
- serve a primarily advisory function, making recommendations to the relevant Minister via the consensus approach; and
- have sufficient powers to recommend investigations.

## **Conclusion**

As discussed in this submission, ACM Parts is supportive of the proposal to introduce a mandatory scheme for the sharing of motor vehicle parts data. This scheme must at a minimum include the sharing of OEM parts numbers. We believe that by enabling fair and equitable access to the data, the Government can ostensibly 'open up' the market and facilitate easier access to real-time data and more competition in the market. We believe these factors will create better market conditions and end results for consumers.

Thank you for the opportunity to provide this response to the Consultation Paper, I would welcome the opportunity to meet with the Treasury to discuss our submission further or provide additional information or examples.

Yours sincerely,



Campbell Jones

Chief Executive Officer

ACM Parts

