



Small and Family Business Division
The Treasury
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13th September 2021

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Automotive Franchising Discussion Paper

The Truck Industry Council (TIC) appreciates the opportunity to provide a submission in response to the Minister for Employment, Workforce, Skills, Small and Family Business's release of a discussion paper seeking views on expanding protections under the Franchising Code of Conduct for new vehicle dealerships to other parts of the automotive sector.

TIC is the peak industry body representing manufacturers and distributors of heavy commercial vehicles, or trucks (that is, with Gross Vehicle Mass above 3.5 tonne) in Australia. TIC members are responsible for producing or importing and distributing 16 brands of truck for the Australian market. TIC members supplied to market over ninety-eight (98) per cent of trucks above 4.5 tonne Gross Vehicle Mass (GVM) last year.

The following two general comments are made on behalf of TIC membership noting that individual Original Equipment Manufacturers (OEMs), or their Australian Distributors, will make their own submission.

Acknowledge and respect the interests of all stakeholders.

The Truck Industry Council stresses the need for this review of the Franchising Code of Conduct to acknowledge and respect the interests of all stakeholders – Truck OEMs/Distributors, Truck Dealerships and Customers – to conduct business in Australia and not automatically assume an imbalance of power exists between OEMs/Distributors and Dealerships.

The Treasury authored Discussion Paper acknowledges that amendments made in June 2020; and July 2021 to the Franchising Code did not include trucks because “*there was limited evidence submitted at the time to support expanding the scope beyond new cars*” (page 9). Consideration to expanding the code to include truck dealerships has already been undertaken by Treasury who found in their own words “limited evidence” to support such a move. Despite this recent Treasury research indicating insufficient proof Australian based Truck OEMs/Distributors are again being subjected to another review aimed seemingly at creating a justification for ensuring an expansion of protection provisions to a sector of the automotive industry that it has

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already been established had limited evidence to support such an expansion.

Enhancing Australian customer choice.

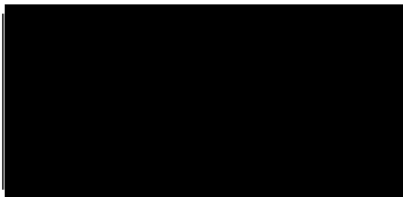
Australia is arguably the most competitive truck market in the world with most major commercial vehicle brands represented here. This despite the fact that the Australian market is very small by world standards, representing annual sales of less than one (1) per cent of sales globally.

Australian based Truck OEMs and Distributors, are successful due to the strong working relationship that exists between the OEM/Distributor, their dealerships and their customers. As truck technologies evolve, it may be necessary, for example, for an OEM/Distributor to have a direct commercial arrangement with a customer to provide autonomous vehicle functions and updates, to ensure the safe ongoing performance of a vehicle.

Accordingly, as distribution channels evolve the choice by which the OEMs/Distributor delivers a truck to a customer should remain flexible and allow the changing needs of customers to be a part of an evolving OEM/Distributor business strategy. That is not to say contractual agreements between parties should not be respected when decisions are made to alter existing distribution models/commercial arrangements.

Government's role should not be to predetermine how OEMs/Distributors deal with providing commercial vehicles to market here in Australia, a situation that could create barriers to the evolution of the market. Customers should be able to, and have the right to, choose the method by which they purchase a truck in Australia. Further, the Australian road freight industry is a fundamental and essential part of our economy and the country's prosperity, with recent COVID events highlighting how dependant Australia is upon a strong and competitive road transport sector. Efficient and effective provision of commercial vehicles to market should be paramount in the Government's frame of reference and this must include the ability to allow commercial vehicle distribution channels to evolve and maintain that level of effectiveness and not stifle innovation in this vital sector. Finally, respecting all stakeholders involved in the supply chain, the OEM/Distributor, dealerships and the customer, is essential.

Yours sincerely

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