



**Response to the Australian Competition & Consumer Commission
*New Car Retailing Industry Market Study Issues Paper***

GPC ASIA PACIFIC
14 November 2016



About GPC Asia Pacific

GPC Asia Pacific is the largest automotive aftermarket parts supplier in Australia and New Zealand; reselling and distributing automotive replacement parts; accessories; and related automotive tools and equipment through a network of 543 stores and a team of more than 5000 dedicated staff.

The company services both trade and retail customers, with trade revenue representing 70% of total revenue in Australia. GPC Asia Pacific has market leading positions in Australia and New Zealand with sales in excess of AU\$1.4 billion.

GPC Asia Pacific operates within four main business segments:

- Automotive aftermarket (retail and trade);
- Automotive wholesale;
- Automotive electrical and cooling; and
- Motorcycle accessories.

These segments can also be viewed as two Business Types:

- *Automotive Parts Division* (comprising Repco, Cova Parts, R&E Autos, and a number of other related businesses); and
- *Automotive Specialist Group* (comprising Ashdown-Ingram, Motospecs, RDA Brakes, McLeod Accessories, and AMX Superstores).

GPC Asia Pacific's *Automotive Parts Division* supports over 47,000 independent workshop trade customers, as well as the nation's DIY and automotive parts consumers, via a national network of stores, with distribution centres located in each state. The majority of stores are branded Repco, an iconic Australian brand having pioneered the auto parts industry in 1922. The Repco brand stands for 'Authenticity' derived from having quality products which have earned the trust of our customers for over 90 years.

The GPC Asia Pacific *Automotive Specialist Group* operates a number of businesses supplying complex product programmes to automotive specialists and resellers.

GPC Asia Pacific's unique position

GPC Asia Pacific considers it is uniquely placed to respond to this market study due to the position it holds in the automotive aftermarket in Australia.

- GPC Asia Pacific businesses first commenced selling automotive parts and equipment to trade customers in 1926. Our staff service the independent repair workshops of Australia on a daily basis, and are acutely aware of the various issues they face obtaining the parts, information, and tools necessary to operate their businesses.
- A large part of GPC Asia Pacific's business, and approximately 50% of the Repco business, is providing support to retail DIY and car enthusiast and other retail customers.
- Repco has been operating a technical information services for over 20 years, providing information to independent workshops about wiring diagrams, diagnostic and other vital information. As a data aggregator and technical service provider, Repco has first-hand experience in the difficulties faced in accessing the necessary technical data or tools to diagnose and repair faults, both at an aggregator and independent workshop level.



- Repco facilitates a network of over 431 independent repairers under the “Repcos Authorised Service” banner. Close engagement with this network provides us with a very high level of visibility of the issues faced by independent workshops.

GPC Asia Pacific has had the opportunity to read the Australia Automotive Aftermarket (AAAA) submission, and is supportive of the position being presented by the AAAA. The issues which are outlined in the AAAA submission, including a clear failure of the information sharing Heads of Agreement to ensure technical data and specialist tools are made available to independent repairers at reasonable cost, is consistent with GPC Asia Pacific’s experience.

GPC Asia Pacific welcomes the opportunity to contribute to the Issues Paper for *New Car Retailing Industry – a market study by the ACCC*, and has responded to a select set of questions. The growing inaccessibility of repair information is already a barrier to entry concerning the repair of certain vehicles, and without appropriate government intervention, there is a real risk of material future detriment to small business and consumers.

GPC Asia Pacific notes the ACCC proposes to undertake a number of forums with industry stakeholders, and would be pleased to make appropriate senior executives available during this process should the ACCC wish to hear directly from industry.

A handwritten signature in black ink, appearing to be 'Cary Laverty', written in a cursive style.

Cary Laverty
Executive General Manager
Legal and Commercial



32. What are the differences between genuine, OEM, parallel import and aftermarket parts? When and why are these parts used? When and why are second-hand parts used in repairing or servicing new cars?

Further to the material provided by the AAAA in its submission, GPC Asia Pacific would also note that in addition to “genuine” or “OEM” parts being sold in the vehicle manufacture or part manufacturer’s packaging, parts which are produced by the same manufacturer as used by the vehicle manufacture may also be sold in aftermarket reseller / wholesaler private label packaging. GPC Asia Pacific businesses each produce a range of private label ranges at different price and quality points, which may include product which is (a) manufactured to meet or exceed the OE’s specifications; or (b) is procured from the OEM.

Accordingly, for vehicle manufacturers to seek to claim that their branded or specified products are superior to aftermarket parts is misleading, and a key part of the automotive aftermarket value proposition is the sale of high quality, technically proficient products, including under private label brands.

5. Access to Repair and Service Information and Data for New Cars

Introduction

GPC Asia Pacific considers the access to technical repair and service information at reasonable prices to be essential to the ongoing viability of the independent repair sector, and to ensure an appropriate level of supply of repair services for consumers at competitive prices, particularly in regional and rural areas.

Whilst each of the signatories to the Heads of Agreement on data sharing agreed that:

- Consumers are able to choose who maintains and / or repairs their motor vehicle;
- The repairer should be able to access all information required for the diagnosis, body repair, servicing, inspection, periodic monitoring and reinitialising of the vehicle, in line with the service and repair information manufacturers provide their authorised dealers and repairers; and
- Service and repair information will be made available on commercially fair and reasonable terms;

the experience has been otherwise. It is GPC Asia Pacific’s experience that the vehicle manufacturers and their advocates have studiously engaged in a protraction of the discussion concerning the appropriate model for data sharing in Australia. We understand that they have a vested interest in protection the interests of their dealer franchisees via constructing information monopolies, however such behaviour is inconsistent with a desire to maintain a healthy and competitive service and repair market in Australia which delivers sensible outcomes for small business operators and consumers.

The Commonwealth Consumer Affairs Advisory Council study into sharing of repair information in the automotive industry found:

“the level and nature of consumer detriment could change if the accessibility of repair information at a reasonable cost and in a timely manner becomes a barrier to entry in the market for supply of automotive repair services.”

It clear to GPC Asia Pacific, looking at the evidence before it that barriers to entry do exist; the voluntary code has not given rise to a meaningful improvement in data accessibility; and consumers (and small business operators) are being negatively impacted.



44. What is the effect of not having some level of access to repair and service information and data?

GPC Asia Pacific considers it is critical for the viability of the independent repair market and consumer choice for access to repair and service information and data to be made available to independent repairers in a cost effective manner. Should government not act, and barriers to conduct both basic and complex service and repair continue to rise, we will continue to see the sorts of outcomes mentioned in the AAAA submission, and elsewhere in this submission. In short:

- Consumers will face reduced choice and increased cost;
- Independent repairers will become increasingly unable to perform service and repair work;
- Regional and rural consumers without close proximity to a dealer will continue to be penalised; and
- Safety is potentially compromised if consumers elect to not pay the additional costs of a dealer completing a service or repair.

45. Is repair and service information and data presented in a standardised way across manufacturers? How consistent is repair and service information and data in terms of availability and how it is presented across brands?

Repair and service information is not presented in a standardised way, presenting issues for data aggregators, but also for independent workshops in the interpretation of data. Information may also not be provided in useable format: for example, GPC Asia Pacific has received wiring diagrams in black and white where coloured diagrams are essential to conducting repairs.

GPC Asia Pacific is open to engaging with the ACCC market study team concerning providing a greater understanding of the data aggregator and subscription service business model, as well as the importance of this sector to the overall viability of independent repairers.

47. What other methods exist for accessing repair and service information and data? What are the benefits or challenges of using such methods?

As GPC Asia Pacific provides a technical workshop hotline and data encyclopaedia, we are familiar with the range of options for obtaining technical data, and we are one port of call for independent workshops. As a large provider, we are able to absorb the licence fees associated with arrangements with large data aggregators, which are outside of the reach of independent workshops.

Whilst certain vehicle manufacturers have made some data available via on-line portals, or provided email addresses to request information, and data aggregators such as Boyce and Autodata provide data subscription services, the evidence is overwhelming that independent workshops are still required to utilise sub-optimal methods to access data, such as contacting “friendly” dealers, crude internet research, and professional blogs or networking sites. Such approaches are time consuming and inherently unreliable.

49. What issues have consumers experienced with accessing repair and service information? How do these issues impact them?



It is GPC Asia Pacific's experience that consumer detriment is principally experienced when extra time, cost or inconvenience arises due to an independent workshop being unable to commence or complete a repair due to restrictions on obtaining access to technical data. As set out below in response to Questions 50 and 51, 94% of Repco Authorised Service survey respondents stated they have experienced circumstances where they or their customer have had to return a vehicle to the dealer due to lack of technical data. Such examples are clear evidence of consumer detriment, and add cost and inconvenience to vehicle servicing and repair.

"Audi Q7, CEM Module failure, dealer is happy to sell component but then cannot supply codes to program even when we have the tooling to do so. So this vehicle was flat bed towed from Renmark to Adelaide for a 30 minute programming procedure that ended up costing the customer \$1980 in tow fee then \$540 in programming and labour then a wait of 3 weeks until they even could "look" at it, then a hire car from Renmark to Adelaide to pick up vehicle."

"Holden Commodore VE. Body Control Module failure. Locked customer out of vehicle required tow to our workshop then diagnosis to find failed BCM, fitted new BCM then could not program, had to tow vehicle to Dealer for programming."

"2004 Holden Rodeo 3.0 turbo diesel - Immobilizer fault/Fuel pump timing fault, Our workshop needed help from Holden in regard to specific wiring diagram. Local dealership refused to help us in any way. Tow trucked vehicle to Holden Dealer in Adelaide (75kms \$300.00) and had Holden Tech rectify fault (\$1500.00). The issue could have been fixed in my workshop if we could have obtained the relevant data when we first asked for it (offered to pay). 3 weeks and \$1800.00 later + the 15 hours we had already spent on diagnoses."

50. What impact have the Heads of Agreement and/or voluntary codes of practice had on access to repair and service information and data? Provide examples.

51. What effect have the Heads of Agreement and/or voluntary codes of practice had on competition in the repair and service sector? How has this affected consumers?

GPC Asia Pacific refers to the survey of independent mechanics conducted by the AAAA and referenced in their submission. The findings of this survey is consistent with GPC Asia Pacific's experience, as relayed to us by our independent workshop customers.

In addition, GPC Asia Pacific has conducted a brief survey of its Repco Authorised Service Members, receiving 52 responses.

QUESTION:

-
- Have you experienced difficulties obtaining the relevant technical information supplied by
-

YES: 98%



OE manufacturers or third party data providers required to conduct a service or diagnose / repair faults in new cars?

- Has this impacted on your cost to serve the customer? YES: 94%
 - Has this caused a delay in completing a service or repair? YES: 96%
 - Prevented you from servicing a customer? YES: 88%
 - Had limited or no impact YES: 19%
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QUESTION:

- Have you experienced a situation(s) where lack of technical information has impacted your ability to service or repair a vehicle and required you or the customer to return the vehicle to a dealership? YES: 94%
 - Has this impacted on your cost to serve the customer? YES: 92%
 - Has this caused a delay in completing a service or repair? YES: 92%
 - Prevented you from servicing a customer? YES: 85%
 - Had limited or no impact YES: 21%
-

QUESTION:

- Have you experienced a situation(s) where lack of technical information has caused you to spend more time attempting to service or repair a vehicle where you could not recover all the cost from your customer? YES: 90%
-

QUESTION:

- How often does the difficulty obtaining technical data impact your ability to service a vehicle? More than once a week / weekly: 48%
Monthly: 42%.
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Whilst the sample size is relatively small, the overwhelming conclusion from the responses received is difficulties obtaining technical data is have a detrimental impact on these independent repairer small business operators.



Clearly the Heads of Agreement is not functioning to ensure independent repairers are able to access technical information.

GPC Asia Pacific received a number of vehicle specific examples as part of this survey which are consistent with the examples provided by the AAAA in its submission which we are able supply if the ACCC require further examples. For instance:

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- unable to perform service light resets on late model Landrovers
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- unable to perform timing belts replacements on Alfa Romeo
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- unable to check "online " service history for some modern vehicles
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- Volkswagen technical specifications for testing of sensors etc. is only available in their proprietary VAG scan tool which is not available to independent repairers. Therefore when presented with fault codes we can send the customer to the dealer or change the sensor to see if it was at fault. If, however it was another fault in the circuit and not the sensor, the customer just bought an expensive part that was not required. After consultation with some customers, they would rather risk the cost of replacing the sensor as a guess rather than return to the dealer (this is not recommended by us and is not a professional repair procedure!)
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- Only dealers can program ECUs. eg Holden Commodore
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- UNABLE TO OBTAIN WIRING DIAGRAMS, TECHNICAL INFORMATION FOR MERCEDES BENZ, CHRYSLER JEEP, MITSUBISHI, FORD, HOLDEN, TOYOTA NISSAN, VOLKSWAGEN,
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- Hyundai IX35 2015 Diesel unable to get service requirements. Mitsubishi Pajero 2015 Diesel unable to get service requirements.
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- Audi A6 2003 10 months - still waiting as will not give code to access
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- Jeep Grand Cherokee 2004 had to email to get code took 2 days
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- - Audi A4 2005 which required new transmission needed to be programmed by dealer
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52. How effective are the Canadian, US and EU approaches? Are there any concerns with a mandatory system, such as in the EU and Massachusetts, being introduced in Australia? What are the risks and benefits of similar regulation (voluntary or mandatory) in the Australian context?

GPC Asia Pacific is supportive of the introduction of a mandatory industry code of conduct under the Competition and Consumer Act 2010 to encourage improved conduct by vehicle manufacturers in the dissemination of technical information and specialist tools to independent repairers. We are of the strong view that this is in the interest of the long term viability of the independent repair sector, made up of tens of thousands of small business operators.

We have reached this conclusion, as despite the efforts of many participants in the automotive aftermarket, the voluntary approach recommended by CCAAC and reflected in the *Agreement on Access to Service and Repair Information for Motor Vehicles* has not resulted in the necessary improvements to information accessibility.

In our experience, the approach in Canada, the US and the EU has been highly effective. In seeking to acquire data to support Repco's Autopedia product, we have been able to access data from these jurisdictions due to the approach which has been adopted to ensuring access to information at a reasonable cost. However, and to reinforce the point that vehicle manufacturers are actively providing barriers to access for independent repairers in Australia, licence arrangements with data aggregators in the US regularly prohibit the dissemination of information to non-US based markets. Furthermore, whilst information may be obtained from such aggregators under licence, it is not universally applicable to the Australian car parc.

GPC Asia Pacific considers the benefits in the Australian context of a mandatory industry code which breaks down technical data monopolies and requires the cost effective dissemination of technical vehicle data in a uniform manner to be significant:

- Diminishes barriers to effective competition;
- Consumers can confidently choose which repairer they wish to use, rather than being effectively mandated to use an authorised dealer;
- Reduction in inefficiencies which are driving up cost for consumers and small business;
- Ensures the ongoing viability of tens of thousands of small business operators across Australia; and
- Provides an avenue for redress for consumers and small business under the existing fair trading enforcement regime.

Moreover, as vehicle manufacturers are already providing the very technical data and specialist tools to non-aligned market participants in Europe and North America in the same context as is being sought in Australia, there are no impediments to nor real identifiable risks to a properly functioning market in mandating equivalent access in Australia.
