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Contact Officer: Christian Taylor

Mr David Salisbury
General Manager
Consumer & Small Business Strategies
Australian Competition & Consumer Commission
GPO Box 520
Melbourne VIC 3001

By email: newcars@accc.gov.au, cc christian.taylor@accc.gov.au

Dear Mr Salisbury

Hyundai Motor Company Australia Pty Limited submission in response to ACCC's request for information – ACCC New Car Retailing Industry Market Study

Hyundai Motor Company Australia Pty Limited (**Hyundai**) welcomes the opportunity to make a submission to the Australian Competition & Consumer Commission (**ACCC**) as part of the ACCC's New Car Retailing Industry Market Study.

Background

Hyundai Motor Group of South Korea was founded in 1967. In 1986, Hyundai made its Australian debut via an independent distributor and in October 2003, Hyundai Motor Company Australia Pty Limited acquired the distributor and established Hyundai as a wholly owned subsidiary of the Korean parent company.

Hyundai imports Hyundai vehicles, parts and accessories into Australia and wholesales them to its dealer network comprising 168 franchised dealerships (**Authorised Hyundai Dealer Network**). The Authorised Hyundai Dealer Network is Hyundai's retail distribution and servicing channel for Hyundai vehicles, parts and accessories.

Continuous improvement is in Hyundai's DNA. We never stop striving for improvements in quality, refinement, features and technologies in Hyundai motor vehicles. Equally, we are always reaching higher in customer experience and satisfaction across the Authorised Hyundai Dealer Network before, during and after the purchase of a Hyundai motor vehicle. Hyundai led the way in the Australian automotive market in initiating drive-away



pricing transparency, and was the first to introduce a then market-leading 5 year / unlimited kilometre warranty in 2007. This focus is reflected in the Hyundai stylised “H” logo. While the “H” in the Hyundai logo does stand for the company’s name, it is also a stylised image depicting a silhouette of two individuals holding hands. One individual represents Hyundai, while the other represents the customer, their linkage symbolising the sense of lifelong partnership Hyundai aspires to deliver.

Access to technical information to repair and service new cars

1. Hyundai provides access to technical information about Hyundai motor vehicles for the purposes of repair and servicing of Hyundai vehicles and is committed to its responsibilities under the *Agreement on Access to Service and Repair Information for Motor Vehicles 2014*. [An overview of the technical information which Hyundai makes available to independent repairers is set out in paragraph 2 below.]

Hyundai conditionally supports the introduction of a mandatory scheme to provide independent repairers with access to technical information, on commercially fair and reasonable terms. Hyundai’s support is subject to the introduction of an accreditation and authorisation process under which the identity and qualifications of independent repairers, the parts used and use of technical information can be checked and verified. Such process may help to overcome industry concerns regarding the sharing of security, safety and environmental related information.

On the other hand, Hyundai is concerned that if such a scheme is mandated, it may add unnecessary complexity and cost (which may eventually be passed on to consumers) without necessarily delivering a substantively different outcome to consumers.

2. Hyundai’s technical information can be readily and easily accessed by independent repairers via its online system called ‘Hyundai Global Service Way’ by visiting Hyundai’s Australian corporate website <http://www.hyundai.com.au/owning> and then clicking on ‘Repair Manuals’. This will take the user to the Hyundai Global Service Way website which is located at <https://service.hyundai-motor.com:444/euro5/login.tiles>.

Alternatively, a link to the Hyundai Global Service Way can be found on the Federal Chamber of Automotive Industries’ (FCAI) website at www.fcai.com.au/service-repair/member-service-repair.

Hyundai’s parent company administers the Hyundai Global Service Way portal. All the online information is up-to-date and displayed in a manner that allows an independent repairer to quickly find the information required on all Hyundai models sold in Australia. The information available via the portal is the same as that which is made available and provided to the Authorised Hyundai Dealer Network.

Further:

- (a) The Hyundai Global Service Way requires the user to register their details (name, email, country) and is a ‘pay per use’ system requiring a credit card to access the information. The periods of use and the corresponding price charged for each class

of subscription is:

- One day – AU \$16.50
- One week – AU \$60.50
- One month – AU \$192.50
- One year – AU \$1870

(b) The software/internet browser required to access the portal are:

Optimised browser	Internet Explorer 11
Supported browsers	Internet Explorer 9
	Google Chrome
	Safari
	Firefox

(c) Australian independent repairers can access information such as vehicle specifications, electrical wiring diagrams, component and system repair information, maintenance information and body repair information. The following technical information about Hyundai's new vehicles can also be accessed:

- (i) Software updates or ECU calibration files - The process for updating new models is currently under review by Hyundai's parent company. For older models (for example, 2007 Tucson or 2012 Veloster), the portal provides software to download ECU software for an upgrade through non-Hyundai diagnostic tooling. The need to upload software would be rare.
- (ii) New cars' environmental systems or standards – The portal offers various levels of information across engine, emission and fuel delivery components that may affect the environment. Specifications are provided in regard to their operation as well as diagnosis and troubleshooting.
- (iii) The composition of engine oils – The portal provides the oil specification for all vehicles and engine variants. Such information is also contained in the owner's manual which is provided with the vehicle.

(d) The types of technical information that is not made available to independent repairers in Australia are as follows.

- (i) Technical service bulletins.
- (ii) (Re) initialisation codes – These are codes relating to key cutting and immobilisers (the latter being codes for re-programming vehicle immobilisers to interface with on-board control modules permitting the engine to start). Immobiliser codes are only required if the remote section of the key containing the immobiliser circuit is replaced. Coding should not be required at any other time. In any case, such codes are not freely available to the Authorised Hyundai Dealer Network as, in the rare circumstances initialisation codes are required, the Authorised Hyundai Dealer Network is required to go through a security and authentication process prior to gaining access. Immobiliser codes can then only be entered using the Hyundai diagnostic unit (**GDS**), which can be purchased from the Authorised Hyundai Dealer Network.

If an independent repairer requires technical service bulletins or (re)initialisation codes, they can request such information through the Authorised Hyundai Dealer Network or alternatively, by contacting Hyundai Customer Care on 1800 186 306, Monday to Friday, 8.30 am to 7.00 pm AEST, or by fax on 02 8873 6322.

Where an independent repairer requires a key to be cut or an existing key recoded, Hyundai engages a licensed locksmith and provides the locksmith with the decoding algorithm to decipher key codes. New keys (if required) are obtained through the Authorised Hyundai Dealer Network.

3. The types of technical information not available to independent repairers in Australia are also not available to independent repairers in the European Union (**EU**). The reason for this is that the portal available to Australian independent repairers is the same as the portal used in the EU. The Hyundai Global Service Way is for worldwide use with the exception of the United States (**US**).

The types of technical information that is available to independent repairers in the US is slightly different from that which is available in EU and Australia. The reason for this is that Hyundai Motor America (**HMA**) maintains its own local website offering information on vehicles manufactured in and imported specifically for the US market. The information available on HMA's portal replicates that which is available via the Hyundai Global Service Way with the addition of:

- Key codes – US \$12 per request but only to licensed locksmiths
- ECU software – US \$75 per request (and only available on some models)
- Technical bulletins

The subscription fees to access the HMA portal are:

- One week – US \$20
- One month – US \$60
- One year – US \$300

Note that body repair manuals are available to independent repairers in the EU and Australia, however in the US they are not.

4. The extent to which Hyundai's new vehicles (released to the Australian market in the last 5 years) require (re)initialisation codes to perform various tasks is outlined below.
- (a) Replacing a car's battery – no recoding is required.
- (b) Replacing engine oil – no recoding is required.
- (c) Servicing the car's air conditioning system – no recoding is required.
- (d) Replacing the car radio – no recoding is required. New cars no longer have pin codes. Where an older model vehicle requires a pin code, the code is noted on a card in the owner's manual or alternatively pin codes can be obtained via Customer Care once the radio serial number and owner details have been verified.

- (e) Replacing brake pads – no recoding is required.
 - (f) Resetting the service light – no recoding is required.
 - (g) (Re)initialisation codes are not required for any other process generally considered in the industry to be a routine service or a minor repair.
5. The Hyundai Global Service Way was made available to Australian independent repairers since October 2016. Since then, 68 Australian subscribers have subscribed to the site, with the site being accessed in approximately 1,268 instances. Hyundai does not restrict access to the site and a number of data aggregators have subscribed to the site. Hyundai is not able to determine what type of information subscribers predominantly access.
6. Hyundai is very satisfied that the Hyundai Global Service Way portal provides sufficient technical information for Australian independent repairers. If a specific scheme to provide access is mandated, Hyundai would need to determine the costs of developing and maintaining the website at that time. Any development would need the approval of Hyundai's parent company. Any mandatory scheme could possibly require the development of a bespoke website, which may add to cost. If so, presumably this cost would need to be passed on to users/subscribers by way of higher subscription fees.

Hyundai is charged a licence fee by its parent company for access to the Hyundai Global Service Way portal. The Authorised Hyundai Dealer Network is charged a monthly fee for access to the same information as is available to independent repairers via the Hyundai Global Service Way and in addition will be provided access to diagnostic software licences and training modules.

Hyundai supports the FCAI's views that successful repair and servicing of vehicles can only be achieved when highly specialised technical information is used by fully trained personnel using recommended diagnostic equipment and stipulated specialised tools¹. To this end, not only does Hyundai invest significant resources in training the Authorised Hyundai Dealer Network on its products and services but it is also a Registered Training Organisation (**RTO**) and is licensed to deliver a nationally-recognised technical qualification for technicians in Certificate III in Light Automotive.

To date, Hyundai has not been approached by any independent repairer requesting technical training on Hyundai vehicles however Hyundai would be consider such training on commercially fair and reasonable terms. As mentioned in paragraph 2(d) above, if an independent repairer requires technical service information or assistance, it can contact the Authorised Hyundai Dealer Network or Hyundai Customer Care. Further, Hyundai notes that vehicle diagnostics training is readily available through various industry bodies such as the Motor Trades Associations (**MTA's**) in the various States and Territories, Snap-on Tools as well as TAFE colleges.

1. FCAI Submission in response to the ACCC New Car Retailing Industry Market Study Draft Report, September 2017 at paragraph 95.

Consumer guarantees and warranties

7. If a customer experiences a fault with their Hyundai vehicle, he/she can contact their preferred authorised Hyundai dealer directly or Hyundai Customer Care which will refer the customer to the authorised Hyundai dealership of their choice for a review of the vehicle. An authorised Hyundai dealership's review of the customer's concern generally involves an inspection and where required, a diagnostic test of the vehicle. Depending on the nature of the reported fault, the time taken to diagnose any reported fault can vary, as can the complexity of diagnostic tasks that the authorised Hyundai dealer may be required to undertake to properly verify the reported fault. The authorised Hyundai dealer will also confirm whether the vehicle is within its warranty period and assess whether any diagnosed fault is covered by the warranty.

If the vehicle is inside the warranty period and the repair is covered by the warranty:

- The authorised Hyundai dealer performs the work that the vehicle requires, which may be either the repair or replacement of parts;
- The authorised Hyundai dealer will contact the Hyundai National Warranty department to obtain approval for any assembly replacement, repairs costing over \$1,500 or paint repairs over \$250 (**Prior Work Authority or PWA**);
- For other repairs or replacements, authorised Hyundai dealers are not required to seek prior approval and may simply perform the work and submit a subsequent claim to Hyundai.

If the vehicle is outside the warranty period or the diagnosed fault is not covered by the warranty, the Hyundai dealer may apply for a grant of assistance from Hyundai under the 'goodwill' process, which is described in detail in paragraph 8 below.

Warranty claims are credited to the authorised Hyundai dealer's account on a weekly basis. Of the warranty claims processed by Hyundai each year, typically less than 20% require a PWA.

Hyundai conducts regular audits of warranty claims across the Authorised Hyundai Dealer Network on a retrospective basis. Over the past three years, Hyundai has had no instances of fraudulent warranty claims by authorised Hyundai dealers in Australia, however, through the audit process Hyundai has identified instances where claims do not conform to its policy. Audit results may be appealed by the authorised Hyundai dealer and are reviewed and determined by Hyundai senior management. To allow room for error and in the interests of fairness, Hyundai does not take any action where the number of claims that do not conform to policy is less than 3% of all warranty claims for that particular authorised Hyundai dealer.

8. The purpose of Hyundai's goodwill policy is to allow Hyundai and the Authorised Hyundai Dealer Network to make decisions regarding remedies to be provided to customers whose vehicles may have a fault or defect where such faults or defects are not covered by the manufacturer warranty against defects. "Goodwill" is generally and historically used in the automotive industry to describe a remedy or payment which is



not within the terms of the express warranty against defects. For Hyundai, “goodwill” refers to remedies provided to customers where the fault or defect is not repaired under the vehicle warranty and the customer is entitled to a remedy under the Australian Consumer Law or where Hyundai provides what it considers to be a discretionary remedy.

Hyundai’s goal is to make it easy as possible for the Authorised Hyundai Dealer Network and customers to access remedies under the “goodwill” process. There is no requirement for an authorised Hyundai dealer to seek Hyundai’s approval or to establish what proportion of repair or replacement costs Hyundai will offer before it carries out repairs on a customer’s vehicle. Practically however, in Hyundai’s experience, Hyundai dealers generally aim to establish who is responsible for the fault and who will be responsible for paying the cost of the remedy prior to commencing work. This often involves consultation between the authorised Hyundai dealer and Hyundai.

In assessing each claim for “goodwill”, Hyundai bases its decisions on Hyundai’s obligations under the Australian Consumer Law as well as Hyundai’s priority to ensure customer satisfaction and procure repeat business. In making assessments under “goodwill”, Hyundai staff frequently reference the ACCC’s publication “*Motor vehicle sales and repairs – an industry guide to the Australian Consumer Law*” as well as other guidance material on the application of the Australian Consumer Law that has been developed as a ready reference guide.

In order to facilitate and expedite the “goodwill” process, Hyundai introduced a dealer priority line in October 2014. This is a telephone number an authorised Hyundai dealer can use to contact relevant Hyundai staff directly while a customer is at a dealership, in order to obtain a quick response on warranty and/or goodwill queries and coverage. The purpose of establishing the dealer priority line was to enable authorised Hyundai dealers to get in contact with Hyundai quickly and easily in order to improve the standard and speed of customer service.

Authorised Hyundai dealers can approach Hyundai to ask for support under the goodwill process at any time including after repairs have been completed. Where a goodwill request is granted, Hyundai will reimburse the Hyundai dealer the relevant amount.

In many cases, a customer will contact Hyundai directly via Customer Care or otherwise an authorised Hyundai dealer may refer a customer to Customer Care to assist them in resolving a complaint. Where Customer Care takes over the management of the resolution of a complaint it does so on behalf of the supplying authorised Hyundai dealer and will generally provide the appropriate goodwill remedy directly to the Customer, even though Hyundai may not be legally obliged to do so. In those instances, Hyundai may seek contribution from the supplying authorised Hyundai dealer if and to the extent that the supplying authorised Hyundai dealer is responsible for the fault or for any costs for which Hyundai, as manufacturer, is not responsible. The reason for handling remedies in this way is to provide the most seamless, quick and efficient customer service possible.

Dealership agreements, policies and procedures

9. Hyundai is satisfied that its dealership agreement and related policies and procedures support authorised Hyundai dealers in making warranty claims and are also flexible enough to enable authorised Hyundai dealers to comply with the Australian Consumer Law. In regard to the specific matters raised by the ACCC in industry round table discussions, Hyundai makes the following points:
- Warranty labour rates are reviewed annually and are recalculated to reflect dealer labour costs including any tooling allowances, superannuation etc.
 - The standard time for repair is based on a Hyundai global standard. There is also a mechanism for authorised Hyundai dealers to appeal the repair time standard and any feedback is provided to Hyundai's parent company.
10. Hyundai does not have management control over authorised Hyundai dealerships. Hyundai operates a franchised dealer model and dealer franchisees have significant independence. For this reason, Hyundai's Franchise Agreement fairly and reasonably places the responsibility on an authorised Hyundai dealer to comply with *all* laws including but not limited to the Australian Consumer Law. Hyundai considers that its warranty and goodwill policies and procedures support the Authorised Hyundai Dealer Network in its discharge of that responsibility, in a way that is focussed on maintaining the highest levels of customer satisfaction.
11. The Authorised Hyundai Dealer Network has ample opportunity to raise any concerns or suggestions for improvements either directly to Hyundai or via the National Hyundai Dealer Council (**NHDC**), which is the body that represents the interests of authorised Hyundai dealers to Hyundai. The NHDC meets on a quarterly basis to discuss the Hyundai Dealer Agreement, policies, procedures and standards as well as any operational matters. The success of Hyundai is dependent on positive and constructive collaboration with the Authorised Hyundai Dealer Network.

Please do not hesitate to contact me if you require further information.

Yours faithfully



Scott Grant
Chief Operating Officer
Hyundai Motor Company Australia