

24 November 2016

Ms Joelle Leggett
Director
Consumer Markets Analysis
Consumer & Small Business Strategies Branch
ACCC
GPO Box 520
Melbourne 3001

By email: newcars@acc.gov.au

Dear Ms Leggett

New Car Retailing Industry – A market study by the ACCC

The Insurance Council of Australia appreciates that opportunity to provide a submission in response to the ACCC's New Car Retailing Issues Paper (the Issues Paper).

The Insurance Council of Australia¹ (ICA) is the representative body for the general insurance industry in Australia. Our members provide a range of insurance products including motor vehicle insurance.

ICA member companies authorise in excess of 1.4 million repairs annually. In undertaking these repairs, they spend approximately \$1.5 - \$2 billion annually on car parts and components, making them the largest direct and indirect purchasers of these parts in Australia.

In this submission the ICA wishes to provide comment on:

1. The need for access to repair and service information for new cars;
2. Extended dealer warranties and insurer repairs;
3. The importance of competition in the motor vehicle supply chain.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2016 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$44.1 billion per annum and has total assets of \$120.5 billion. The industry employs approximately 60,000 people and on average pays out about \$124.6 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

Access to repair information and specifications

It is the ICA's long held position that, to ensure vehicle repairs are carried out safely and to the required standard at a reasonable price, technical and diagnostic repair information must be available to all repairers and not restricted to repairers operating within authorised manufacturer and dealer networks.

As outlined in the Issues Paper, modern cars are becoming more technologically sophisticated and computerised. They also incorporate increasingly complex design and safety features and are built using a variety of different materials.

These developments in car design and technology make access to repair information and diagnostics essential to ensure there is fair competition between accredited authorised manufacturer and dealer network repairers and independent repair shop operators, the latter of which make up the vast majority of repairers in Australia.

The availability of repair information is also critical for consumer safety. It is independent repairers, not manufacturer accredited repairers that fix the majority of vehicles on the road. Therefore it is essential from a consumer safety as well as competition perspective that repairers with the skills and equipment to undertake safe repairs also have accurate and up to date repair information available to them.

Extended dealer warranties and insurer repairs

The ICA notes the ACCC's interest in the interaction between insurer repairs, insurance policies and extended dealer warranties.

The ICA is unable to provide any specific comment on the terms of dealership extended warranties and how claims on these warranties are managed if a vehicle has previously undergone insurer authorised repairs.

In relation to insurer authorised repairs, under the Australian Consumer Law all products (including parts) used in the repair of a vehicle must be fit for purpose.

ICA members are all signatories to the General Insurance Code of Practice, and therefore must accept responsibility for the quality of repairs undertaken on an insured's vehicle. This includes responsibility for ensuring the quality of workmanship and parts used in any repair.

Some of our members also offer lifetime guarantees on the workmanship of their authorised repairer for the lifetime of the vehicle.

ICA motor vehicle insurer members are all signatories to the Motor Vehicle Insurance and Repair Industry Code of Conduct (the MVIRIC). Under the recently revised MVIRIC insurers are now required to set out their choice of repairer and parts policy in their PDS, including a page reference to this in the PDS table of contents.

Competition in the industry supply chain

We note the ACCC's interest in exploring the structure and operations of the new car retailing industry and the level of competition between participants including repairers and parts distributors.

As discussed, competition between repairers helps ensure that vehicles can be repaired efficiently and at a reasonable price. Similarly, competition within the parts market is also essential to ensure that efficient and affordable maintenance and repairs can be undertaken.

Based on the experience of our members, the cost of replacement parts on average comprise 45-55% of the total cost of repairing a vehicle. Therefore the parts market has a significant impact on the cost of repairs, whether a vehicle is repaired or written off and, in relation to insurance, the cost of premiums for consumers.

Given the significance of automotive parts within the repair industry supply chain the ICA submit that it is essential that the parts market in Australia is competitive.

The ICA also wish to note the importance of having an effective regime in place to ensure all parts used in the repair of vehicles comply with the relevant Australian design rules and of appropriate quality to ensure repairs are undertaken to required safety standards.

Conclusion

We trust these comments are of assistance.

The ICA would be pleased to discuss this submission and the matters raised in the Issues Paper with you further and provide any additional information that may assist the ACCC in this market study.

We note as part of the study the ACCC will be undertaking further consultation with key stakeholders. Where possible, the ICA would like to be involved in these consultations.

If any queries please contact Tom Lunn, Senior Policy Advisor, Consumer Relations and Market Development Directorate via email tlunn@insurancecouncil.com.au or phone (02) 9253 5122.

Yours sincerely



Robert Whelan
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