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22 March 2007

Mr Scott Gregson
General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Gregson,

As discussed by telephone attached please find the MTAQ submission in response to Suncorp Metway Insurance Limited (SMIL) notification N92827.

A number of issues raised in the document are highly sensitive but they would not be of such a highly sensitive nature as to require a confidential classification.

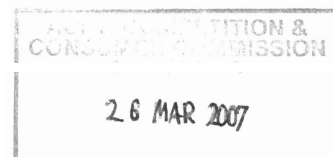
The issue of possible Third Party Forcing by SMIL in respect of the CTP insurance market will attract the attention of their competitors across Australia and may lead to forms of "copy cat" behaviour as they may seek to emulate the SMIL model.

Thank you for the opportunity to make a submission in response to the SMIL notification.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Aivars Blums', is written over a faint, illegible stamp.

Aivars Blums
Chief Executive Officer



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Dear Mr Gregson

This submission is made by the Motor Trades Association of Queensland (MTAQ) and its divisional affiliates, the National Automotive Collision Alliance (NACA) and the Australian Automobile Dealers Association of Queensland (AADA(Q)) in respect of the Exclusive Dealing Notification N92827 lodged by Suncorp Metway Insurance Limited (SMIL) and registered with the ACCC on 20 February 2007

MTAQ is the peak organisation in the State representing the interests of 2500 businesses in the retail, repair and service sector of the Australian Motor Industry value chain. The Association represents and promotes the issues of the automotive industries to all levels of government and within Queensland's economic structure.

The MTAQ comprises 14 separate divisions, each representative of a specialist area of the State's auto-industry. They are - Automobile Dealers' Association; Farm and Industrial Machinery Dealers; Auto Electrical Specialists; Motorcycle Industry; Combined Mechanical Repairer Specialists; Tyre Dealers & Retreaders; Engine Re-conditioners; Rental Vehicle Industry; Independent Tow Truck Operators; Service Station & Convenience Store Association; National Auto Collision Alliance; Used Car; Automotive Under Car and Auto Parts Recyclers.

The NACA is the representative body of the automotive repair industry in Queensland and the AADA(Q) represents the new car and parts dealers of Queensland and are correspondents to this submission.

At the time Suncorp Metway sought the approval of the ACCC for its merger with the Promina Group the MTAQ did not object to the merger, considering this a commercial issue between the parties but did express concerns in a submission to the ACCC about the potential for the conglomerate to behave in an anti-competitive manner which would be detrimental to our members and to consumers. The MTAQ remains concerned that notification N92827 when considered in the context of both the SMIL alone or the Suncorp Promina merger constitutes behaviour that will have a significant distorting impact on the automotive repair industry in the State of Queensland and in addition to this it has the potential to also impact on automotive dealers in this State through the Compulsory Third Party Insurance (CTP) market in Queensland by lessening competition to the detriment of consumers.

It is important to note that the Suncorp Promina merger establishes an insurance entity which

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commands 61% of the Queensland automotive insurance and collision repair sector and which dominates the CTP insurance market in this State.

The MTAQ submits the following comments in regard to Notification N92827:-

- ◇ The Application proposes that its Recommended Repairers must acquire their motor vehicle parts from parts suppliers nominated by the Applicant.

The MTAQ contends that this proposal has the potential to have serious consequences for the automotive repair industry, the motor vehicle dealer network and for the consumers in the State of Queensland.

These consequences may be summarised as follows:-

- (i) Recommended Repairers will be directed to use nominated suppliers with whom SMIL can be expected to negotiate supply prices. This means that Recommended Repairers will no longer be able to negotiate their commercial relationships with suppliers as they do presently and SMIL will have full access to commercially sensitive pricing information in respect of parts supply.

Further SMIL will therefore have the opportunity to "assess" quotations for collision repairs to motor vehicles based on margins on parts determined by SMIL rather than independently submitted by the Recommended Repairer. This is a loss of commercial sovereignty by the repairers in respect of their business and there is a consequent reduction in competition and loss of benefit to the Queensland collision repair industry.

- (ii) The critical issue, is however, the basis on which dealers will be "nominated" as parts suppliers to Recommended Repairers. The MTAQ contends that the process of notification of supplier has inherent in it the potential to allow SMIL to "nominate" those dealers who write CTP insurance in favour of SMIL as being having an imprimatur to deal with Recommended Repairers to the exclusion of other dealers who may recommend alternate CTP insurance policies or write insufficient SMIL CTP business. This would in our opinion constitute a serious abuse of market power and Third Party Forcing. Such a development would set a precedent which would severely distort the CTP insurance market and have a major impact on competition and other insurance providers could be expected to follow the SMIL model. Under this scenario both motor vehicle dealers and consumers will experience detriment.

- (iii) There would be a detrimental reduction in competition and consumers would face a loss of choice in respect of CTP insurance if there was a move by SMIL to compel dealers to exclusively promote SMIL CTP insurance policies in return for endorsement as a nominated supplier to Recommended Repairers.

- ◇ Provide Benefit to Recommended Repairer and the Public

- Repairers already have arrangements in place with dealers for the supply of parts for motor vehicle repairs. They are granted volume discounts and payment terms which are in the mutual interest of both suppliers and repairers. The margins

achieved on handling of parts are important to the viability and sustainability of the repair industry and any threat to these margins is a threat to the industry.

It is therefore doubtful that any additional benefit would accrue to the repair industry as a result of the "notification" and there would certainly be a commensurate loss of benefit to the dealers that are required to supply parts under such an arrangement. In addition dealers excluded from the arrangement would be expected to suffer a considerable loss of business and benefit.

There is also a claim that there is a public benefit. This is also a doubtful submission:-

- (i) dealers cannot sustain excessive parts discounts and can be expected to offset such discounts to SMIL by premiums on non trade or other sales
- (ii) it is doubtful that the cost of automotive collision repairs will be reduced as a result of the proposed arrangements
- (iii) further it is highly unlikely insurance premiums will be adjusted downwards as a result of these proposed arrangements.

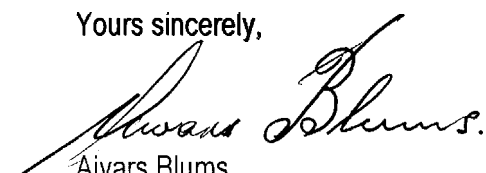
If as a result of the notification a nexus is created between CTP insurance and nomination as a parts supplier to Recommended Repairers there will be a considerable and tangible loss of benefits to the public.

- ◇ Encourage competitors to offer similar benefits.
 - The MTAQ considers that in the Queensland context this element of the notification is of dubious benefit. If the notification was to be endorsed by ACCC it would set a precedent that would be highly distorting in the automotive repair industry value chain. In particular it would institutionalise competition in both the collision repair industry and CTP insurance (which in Queensland exceeds \$800 million) through Third Party Forcing to the detriment of all participants in the repair value chain and consumers.

In summary the MTAQ in conjunction with the NACA and the AADA(Q) is of a view that Notification N92827 has the potential to detrimentally impact on the automotive repairers, the automotive dealers and the consumers of the State of Queensland by distorting both the parts supply value chain for vehicle repairs and importantly changing the competitive structure of the CTP insurance market by third party forcing which will lessen choice and competition.

The MTAQ therefore petitions the ACCC to investigate Notification N92827 further with a view to declining the Suncorp Metway Insurance Limited request.

Yours sincerely,



Aivars Blums
Chief Executive Officer