



Auto Parts Recyclers Association of Australia

APRAA is an Affiliated Trade Association within the Motor Trades Association of Australia federation
ABN: 63 009 478 209

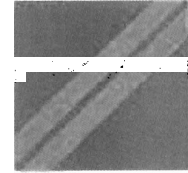
APRAA National Secretariat

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MTAA



5 April 2007

Mr. Scott Gregson,
General Manager, Adjudication Branch,
ACCC,
PO Box 1199,
Dickson ACT 2602.

FILE No:

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MARS/PRISM:

Dear Mr. Gregson,

Re: Suncorp Recommended Repairer Exclusive Dealing Notification (N92827)

I am writing on behalf of the Auto Parts Recyclers Association of Australia (APRAA), in relation to the Exclusive Dealing Notification lodged by Suncorp Metway Insurance Limited (Suncorp) on 20 February 2007 (Notification N92827). APRAA is an MTAA Affiliated Trade Association.

Based on APRAA's understanding of the Notification, Suncorp's desire to undertake exclusive dealing conduct in the form of nominating parts suppliers to members of its Recommended Repairers network has serious implications for our industry sector. APRAA believes that should approval of such a scheme be granted it will lessen competition in this sector as well as restrict industry relationships. It has to be said however that there is a lack of detail in the Suncorp Notification and it is difficult to know exactly what conduct is proposed to be covered by the Notification and what the supposed public benefits of that conduct might be.

1. Background

APRAA's prime objective in representing our members is to promote the increased use of quality recycled (second-hand) parts in the community and in the professional motor vehicle smash repair and service industries.

In particular, APRAA has the following significant concerns:

2. Recycled Parts

The Notification does not specify if the Suncorp scheme includes the supply of recycled parts. Does the scheme specialise in non-mechanical vehicle (panel and ancillary) recycled parts and does it extend beyond this to mechanical recycled parts where required?

If it can be assumed that the Suncorp scheme does include recycled parts, then APRAA makes additional comments below.

3. Impact on the Recycled Parts Supply Market

APRAA understands that the Suncorp scheme will develop a restricted (closed) network of recycled parts suppliers. This type of restricted scheme has already been forced on industry by another major insurer (IAG). Based on the IAG scheme experience, anecdotal evidence from our members strongly suggests that the IAG arrangement has not been in the public interest nor is it in the best interest of an open and competitive market.

Numerous recycled parts suppliers to the smash repair industry have been shut-out of supplying the IAG network which has resulted in a significant loss of parts sales, unemployment and business distress. The same experience can be expected from the proposed Suncorp scheme.

12 APR 2007

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APRAA's strong view is that restrictive supplier networks do not deliver cheaper repair costs to insurers and savings to consumers. The fundamental principles of competition, being many buyers and many sellers, should prevail to create the most competitive environment.

There are limited numbers of suppliers within restricted networks and most of the industry suppliers are therefore outside of the network. Hence there are more losers than winners, as a small number of suppliers are advantaged and the majority are disadvantaged. This impacts heavily on the small, specialist recycled parts industry.

A restricted supplier network will mean that many, often short-supply, recycled parts will not be able to be sourced from within the network or even locally. Hence the cost savings of using recycled parts will be lost as insurers direct repairers to use new parts or pay increased freight costs to source the recycled parts from around the country within the network.

4. Impact on Consumers

Restricted supplier networks do not support an open and competitive market place. The increased use of quality recycled parts sourced from an open and competitive market place should lower repair costs which can be passed on to consumers.

5. Summary

In closing, APRAA considers that no proper assessment of any public benefits of Suncorp's Notification can be made because Suncorp has not provided any or sufficient details in its Notification. APRAA, however, believes that restricted supplier schemes weaken the existing competition of the market place which comprises many small businesses operators, to the advantage of big business insurers with large market shares.

Should you have any queries please contact the APRAA National Secretariat on phone 03 9829 1280.

Yours sincerely,



Alan Marshall
Executive Officer