
7 October, 2020

Mr. Andrew Mahony

Analyst | Adjudication

Merger and Authorisation Review

Australian Competition & Consumer Commission

Level 17 | 2 Lonsdale Street Melbourne 3000

Sent via Email to: adjudication@acc.gov.au

Dear Mr. Mahony,

Mitsubishi Motors Australia Limited (“MMAL”) Exclusive Dealing Notification RN10000433.

Interested Party Response – Objection to the Notification

On behalf of Adrad Pty Ltd and Natra Pty Ltd I wish to submit our objection to this notification and request that the ACCC revoke this notification because this conduct has the purpose, effect or likely effect of substantially lessening competition.

Background to Our Business

Adrad Pty Ltd is a privately owned business which was commenced by Gary and Karen Washington in 1985 in Adelaide. The business was established to manufacture automotive and industrial radiators to support the automotive repair and servicing industry with parts for repairs. The business focused heavily on the quality of its products and was very successful in providing lower cost parts of equivalent or better quality than the original equipment to the automotive repair and servicing industry.

In 2006 Adrad Pty Ltd acquired a rival business named Natra which was the original equipment manufacturer for all Australian manufactured cars (Holden, Ford, Chrysler, Nissan) dating back to the 1950s. Along with the acquisition of Natra, Adrad inherited the Natrad Franchise which consists of a chain of specialist radiator

repair and service mechanical workshops throughout Australia to provide support for car owners throughout Australia.

The Adrad/Natra businesses have continued to grow and prosper over the past 35 years providing exceptional service and quality of products to mechanical workshops throughout Australia.

Today the business has factories to manufacture radiators located in Adelaide, Molendinar (on the Gold Coast in Queensland) and at Bayswater in Western Australia. The business has sales and warehouse operations located in all the capital cities and major regional towns to service the urgent needs of our customers and we employ some 160 people.

The primary customers of the business includes some 4,000 or more mechanical and service workshops throughout Australia. The business continues to manufacture replacement cores in both copper/brass and aluminum for automotive and industrial needs throughout Australia. The business also imports quality replacement complete radiators (that is radiators ready for direct fitment into a vehicle by a mechanic) and many other car parts including radiator hoses, timing belts, ignition coils, water pumps, EGR coolers, fans, condensers, compressors, oil filters, spark plugs, glow plugs, etc. for the automotive repair and servicing industry.

Adrad/Natra stands behind all of its products and has built a reputation for quality parts, excellent service and competitive pricing. The business has 3 dedicated persons focusing on any warranty matters that may arise from time to time and is recognised for supporting customers in relation to any product issues.

The motorists benefit from the value for money quality products that Adrad/Natra provide to the marketplace in competition to the high cost original equipment parts supplied by dealerships.

Adrad/Natra's specific concerns in relation to the Mitsubishi Application are as follows:-

1. If the application was to be successful the consumer (motorist) will become even more confused about their rights and feel compelled to have their vehicle serviced at a Mitsubishi dealership which will generally result in a higher cost of service to the motorist.
2. Unlike other extended warranties, the consumer does not exercise any choice or discretion to purchase the Notified Warranty because the consumer does not pay for this so called 'added' benefit. When the extended warranty is 'free'

there is greater potential for the consumer to be confused about the terms of the warranty or misled in relation to their rights. There is a lack of transparency about whether the price of the ‘extended’ warranty is actually embedded in the price of the vehicle.

3. Mitsubishi states that this will result in cost savings. We don’t accept that position. The consumer already has the right to purchase a vehicle free of defects and so they should not have to surrender anything for that right. Dealership servicing and branded parts are more expensive than the independent repair sector. Consumers will therefore pay more for car maintenance and surrender choice in order to achieve what they should already have under the Australian Consumer Law.

As an example of the differing cost of parts, the table below highlights 4 popular Mitsubishi vehicle parts (radiators, intercoolers and condensers) comparing the Adrad/Natra listed price to the trade compared to the Mitsubishi Dealer listed price to the trade. These prices were current on today’s date (7/10/2020).

Application	Product	Adrad Trade Price ex GST	Mitsubishi Trade Price ex GST
OUTLANDER ZJ/ZK/ZL Petrol '12-	Radiator	191.39	736.53
TRITON ML 3.5ltr '06-09	Radiator	167.10	886.83
PAJERO NS / NT / NW / NX 3.2ltr Turbo Diesel '06-15	Intercooler	304.52	925.79
LANCER CJ / CF '07-	AC Condenser	90.13	866.10

As is evident from the table, Mitsubishi dealership prices to the trade are dramatically higher to the trade than those of Adrad/Natra. The flow on cost impact to the motorist is self-evident. Removing or lessening this competition by the ACCC agreeing to Mitsubishi’s application will result in significantly higher costs of parts to the consumer.

4. If Mitsubishi is successful with their Application to the ACCC it is highly likely that other car manufacturers will follow suit with a flow on effect of taking business away from the multitude of automotive repair and servicing workshops throughout Australia, lessening competition, hurting small privately owned businesses and driving up the cost of repairs and servicing to the motorist.
5. As a flow on effect, parts supply businesses in Australia such as Adrad/Natra will also be significantly impacted through lower sales as our customer base (automotive repair and servicing workshops) contracts due to the unfair

requirement by Mitsubishi to require the motorist to use Mitsubishi dealerships exclusively to maintain their warranty. The major beneficiaries will be Mitsubishi dealerships and the overseas suppliers of original equipment to Mitsubishi (and potentially other car manufacturers) diverting activity out of Australia.

Summary

In summary, it seems to me that the automotive repair and service industry in Australia is well serviced by the dedication and commitment of numerous small and medium sized Australian owned and operated businesses that have grown to provide quality and price competitive repair and service work to the motorists.

These numerous workshops are supported by many Australian owned automotive parts supply business such as Adrad/Natra who have developed and grown to support the service workshops with quality aftermarket parts so that the motorist benefits with lower cost parts that are either equivalent or of better quality than the original equipment.

If this broad industry was to contract over time due to car manufacturers like Mitsubishi becoming the dominant providers of automotive repair and service work through their dealerships this would be a major detriment to not only the motorist but also the independent family owned automotive repair and service workshops and the broader supply chain of automotive parts suppliers such as Adrad/Natra.

The major beneficiaries from this contraction would be overseas based multinational companies such as Mitsubishi.

We request that the ACCC considers carefully the rights and costs to the motorists at stake in this decision as well as the significant negative flow on impact to the existing vibrant automotive repair and servicing industry in Australia that is well governed and has served the motorists in this country well for many years.

Yours sincerely,



Don Cormack
Chief Executive Officer
Adrad Group of Companies