

Attention: ACCC

**RN10000433– Mitsubishi Motors Australia Limited – submission**

4<sup>th</sup> October 2020

Dear ACCC,

I am a potential purchaser of Mitsubishi Motors brand vehicle. I intend to purchase a new vehicle within six months.

I find the proposal of a Ten-year warranty highly enticing, but I am very concerned with the conditions Mitsubishi has submitted to ACCC for approval.

[1] Mitsubishi has included several vague and all encompassing exclusions with the warranty.

"Any component subject to regular servicing" – is an engine or a transmission a component?

"Rubber and plastic components" – there are likely scores of components made from these materials.

[2] Perforation Corrosion Warranty is only 5 years and it is possible that vital structures of the vehicle designed to protect the occupants or anchor / support necessary components would fail.

What then is the purpose of the Ten-year warranty?

[3] The warranty is formulated in such a way as to exclude real life conditions. Mitsubishi Motors requires "Each Regular Service must be performed within 2,000 km or 2 months from the scheduled distance or time (whichever occurs first)".

Examples include:

In the State of Victoria, there are mandatory restrictions on trade and movement of people due to the Covid-19 pandemic, which has prevented vehicles from being serviced or even emergency repairs to be made. Vehicles not serviced within these timeframes / distances will have the warranty voided.

In Tasmania, there was a bridge collapse that led to the closure of the port resulting in shortages of many consumables. Many businesses were affected for a long period due to the lack of supplies.

People who own Mitsubishi vehicles live in remote areas where there are often long distances to travel and their towns that have a dealership are often cut off from supplies. Darwin often experiences supply problems even though it is a capital city.

[4] Mitsubishi Motors has devised another way in which the unsuspecting owner can unintentionally void the warranty.

Mitsubishi states:

"To be eligible for the Extended New Car Warranty, **BOTH** of the below conditions must be complied with.

- The vehicle must have had ALL scheduled services performed within the authorised Mitsubishi Dealer Network (from the first service onwards); **AND**
- The vehicle must be serviced in accordance with the service schedule at the specified servicing intervals for the duration of the New Car Warranty. If EITHER of the above conditions are not

complied with, the Extended New Car Warranty will immediately expire on and from the date the conditions are not complied with"

"Your Mitsubishi vehicle should be serviced in accordance with the service schedule specified for your vehicle".

"It is the responsibility of the owner/operator to present the vehicle within the warranty period so that all repairs and concerns can be attended to and finalised prior to the end of the warranty period".

In Annexure 2, there are schedules for inspection and service. For example; a Mitsubishi ASX has servicing schedules for "normal usage" and "severe usage". Severe usage requires servicing **twice** as often as normal usage.

Mitsubishi Motors defines severe usage as:

" Severe operating conditions include the following cases: (1) Driving in a dusty area or in an area in which the vehicle is likely to be exposed to salty air or brine. (2) Driving on rough roads, on submerged roads, or hilly areas. (3) Driving in cold zones.(4) Engine idling for a long time or short-distance travel during cold weather. (5) Frequent, sudden application of brakes. (6) Towing of a trailer. (7) Use as a taxi or as a rent-a-car. (8) More than 50% of operation time in heavy city traffic in hot temperatures of 32°C or higher. (9) More than 50% of operation time at speeds of 120km/h or higher in hot temperatures of 30°C or higher. (10) Operation under excessive load."

Using just **one** of Mitsubishi's conditions such as "**(1) for salty air**", the Australian Bureau of Statistics claims 84.7% of the population in New South Wales lives within 50km of the coast. Australian Standards for building stipulate that Salty Air will travel at least 10km from coastline with breaking surf and 1km from non-surf coastline such as a river estuary. Therefore suburbs such as Rozelle Bay in Sydney are within 10km of the coast.

To conclude, most of the population of Australia driving a vehicle would come within Mitsubishi Motors definition of "Severe usage". Mitsubishi vehicles require servicing twice as often, as what the reasonable person would have understood from Mitsubishi's communications.

- [5] Mitsubishi Motors has camouflaged within the Ten-year warranty "Rectification of body squeaks and rattles (covered for 3 months/5,000 km – whichever comes first)"

What then is the purpose of the Ten-year warranty?

- [6] The cost of servicing the vehicle is unknown in the future. The owner of a Mitsubishi Motors vehicle that wishes to maintain the Ten-year warranty for a variety of reasons including financial, is likely to be burdened with non-competitive servicing costs.

People who service vehicles other than Mitsubishi Motors approved mechanics are required by law, insurance contracts, professional memberships, licensing requirements or other conditions to use reasonable care, skill and appropriate materials to service vehicles. They compete in various ways, including offering lower servicing costs through use of non-Mitsubishi branded parts, fluids or other components which the manufacturer of those items warrants match or exceed the specifications required by Mitsubishi. Quite often companies that sell those items under their own brand name manufacture those "OEM" items for Mitsubishi.

Some owners of Mitsubishi Motors vehicles live remote from Mitsubishi dealers. It would be unreasonable for them to travel to a Mitsubishi dealer than have the vehicle serviced locally by a properly qualified and regulated mechanic. Mitsubishi Motors stated on the 23 May 2019 in an ACCC submission in the matter of A.P. Eagers Limited application for merger authorisation - MA1000018 that "How far do you consider consumers are generally willing to travel to purchase a new car? - Generally, consumers are prepared to drive one hour to go to a dealership". Many Mitsubishi Motors vehicle owners and potential owners live more than 1 hour from a Mitsubishi dealer in places all over Australia as evidenced by the Mitsubishi website.

The Mitsubishi Motors servicing requirements are non-competitive.

- [7] The inclusion of this statement in '**What is NOT covered**' : "Minor seeping of oil or fluids from seals and / or gaskets which cause no material decrease in the level of such fluids" indicates that Mitsubishi Motors is prepared to sell vehicles with known defects in seals & gaskets that would allow contaminants to enter critical parts / components / mechanisms and shorten the life of the vehicle. Mitsubishi Motor's unconscionable statement strongly suggests that they are likely to avoid responsibility for bona fide warranty claims.
- [8] The current formulation of the Ten-years warranty proposed by Mitsubishi Motors is likely to mislead the reasonable person considering purchasing a Mitsubishi vehicle.
- [9] I urge the ACCC to reject the current formulation of the Ten-years warranty proposed by Mitsubishi Motors **UNLESS** a prerequisite is imposed that the contract of sale and warranty has a condition of capped priced servicing **FOR SEVERE USAGE** with the cost specified in advance for Ten years and adjusted annually for CPI or inflation (which ever is the greater) at the beginning of each financial year as an integral part of the warranty with yearly notification to vehicle owners.

Yours sincerely,



Neil Freeman

