
From: Ryan Davis [REDACTED]
Sent: Friday, 9 October 2020 3:19 PM
To: Adjudication
Subject: RN10000433– Mitsubishi Motors Australia Limited – Submission

Categories: Submission

Dear Mr Andrew Mahoney,

Mechanic.com.au is an online platform that provides career development, collaboration, education, recruitment and training services to our network of over 10,000 automotive repairers. Our member base includes sole traders through to enterprise businesses located in both metropolitan and regional areas across all states and territories of Australia.

Capped, or fixed-price servicing is a successful strategy used by car dealers (referred to as 'dealers' hereon in) to lock unsuspecting buyers of new vehicles into long-term servicing contracts. However, while knowing how much a dealer can charge a car owner for a particular service in advance might sound appealing, the negative aspects of fixed-price servicing plans always outweigh their claimed benefits.

Before the introduction of capped or fixed-price service plans, dealers were able to charge customers whatever they wanted for scheduled or routine services during a vehicle's warranty period. This practice led to a lot of confusion and consumer resistance against dealers, so dealers came up with a plan that had the alleged purpose of standardising labour charges and mark-ups on parts.

This plan became known as fixed-price servicing, and while dealers will have consumers believe that their fixed-price service schemes set limits on what they can charge a customer for any service that is covered under the scheme, the reality is a lot different and does not auger well for the consumer.

Essentially, a customer buys into the scheme when they purchase a new vehicle. The dealer offers to service the vehicle according to the manufacturers' service schedule at a fixed or predetermined price, while the customer agrees to have the vehicle serviced only at the dealer's workshop during the life of the agreement. Given the high cost of maintaining a modern vehicle, an unsuspecting customer might view such an arrangement as a guaranteed money saver for him/her, however, the devil lives in the details.

Car manufacturers design service schedules so that only certain things need to be checked, replaced, lubricated, adjusted, and/or recalibrated at any given point in the vehicle's useful life. For instance, the things that need doing at the vehicles' first service are vastly different from the things that need doing at say, the 50,000 km or 100,000 km services.

As a practical matter, service schedules take into account things like environmental factors, assumed use of the vehicle, and distances travelled between recommended service intervals. However, these are approximations, and they are largely based on data collected during the vehicles' developmental and test phases but for the most part, service schedules are designed to ensure that the vehicle performs satisfactorily during its lifetime, assuming that the vehicle is serviced and maintained according to its service schedule.

So, while common sense would suggest that all the items the manufacturer specifies at each service would be covered under a fixed-price service plan, this is typically not the case, simply because including everything that should be done at every service often holds no financial benefits for the dealer.

For instance, if a particular vehicles' recommended service interval is say, 20,000 km, which is becoming common, it might take two years or more for the dealer to see the vehicle after its first service. In that time,

there might have been significant increases in the prices of parts, lubricants, and salaries/wages, among other things. Thus, since the service contract was entered into two years ago, and the ACCC does not allow clauses in fixed-price service agreements that permit dealers to raise fixed prices for services almost at will, the dealer will exclude certain service items in fixed-price service agreements or their respective warranties as evidenced in the submission by MMAL.

The items mentioned are typically included in services that are charged at an all-inclusive rate, such as might be done by a professional independent workshop. So, in the real world, under a fixed-price service plan, a car owner might have expected to pay a predetermined price for say, a 30,000km service, but they could very well end up paying double that amount as a result of the multiple exclusions they might not have known about.

These plans offered to consumers by dealers are rarely what they are claimed to be. Calling them swindles would be going too far, but the fact is that fixed-price service plans disguise or mask the real costs of servicing and maintaining new vehicles because of the many exclusions and hidden costs that characterise most, if not all fixed-price servicing plans.

Allowing Mitsubishi Motors Australia Limited to offer a 10-year or 200,000km warranty to purchasers of new Mitsubishi vehicles on the condition that the purchaser exclusively acquires aftermarket servicing from a Mitsubishi Motors Australia Limited dealer or service centre will further perpetuate these misleading and deceptive practices and open the floodgates for all dealers to adopt similar offerings, resulting in an extraordinarily unfair playing field for independent automotive service and repair businesses and a lessening of choice and competition for the Australian public.

Yours Sincerely,

Ryan Davis
General Manager

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