

Important Franchising Game-Changer Reform for Motor Vehicle, Motorcycle and Farm Machinery Dealers and Franchise Repairers

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The Albanese Labor Government's announcement today to strengthen the Franchising Code of Conduct (Code) and extend Unfair Contract Terms and Unfair Trading Practices to all businesses regulated under the Code. This includes businesses selling new motor vehicles, motorcycles, farm machinery and tractors as well as franchised motor vehicle repairers. This is an important reform for the automotive industry as it means that any sector regulated by the Code will receive protections from unfair contract terms (UCT) without having to demonstrate that they come within the existing turnover and employee caps that apply to the UCT legislation. Combined with existing Code provisions, such as the requirement to provide a reasonable return on any investment required by a franchisor, this is a significant step forward.

With the global transformation of the automotive landscape, it is vital that Australian dealers selling motor vehicles, motorcycles, farm machinery and tractors as well as franchised motor vehicle repairers are provided with a fair and level playing field when dealing with large, overseas-headquartered multinational companies.

The Government's commitment, backed by \$7.1 million in funding over two years for the Australian Competition and Consumer Commission (ACCC), ensures that this is not merely a matter of words but will lead to tangible enforcement actions. This funding will strengthen the ACCC's ability to enforce the Franchising Code of Conduct, offering protection and support for local automotive businesses.

Matt Hobbs, CEO of the Motor Trades Association of Australia (MTAA), welcomed the announcement, emphasising that it acknowledges the unique challenges Australian automotive businesses face.

"Today's announcement recognises that Australian automotive retailers need a balanced approach as they deal with large companies who are facing global headwinds and considering their Australian operations. This is a culmination of years of advocacy by MTAA, the State MTAs, and the VACC, and we are pleased to see the Government take decisive action to address these challenges," said Mr Hobbs.

MTAA has long called for bipartisan support for franchising reforms, highlighting that industry confidence is key to future investment. "The industry seeks certainty so they can invest with confidence. It is important that these reforms receive bipartisan support to ensure their successful implementation and help Australian businesses make long-term investments for the benefit of all Australians," said Mr Hobbs.

These reforms are not just about fair practices within franchising but are also a broader effort to address power imbalances in the industry. With this backing from the Government, Australian automotive businesses

can now face the global automotive industry with a stronger, more equitable foundation. This is a pivotal step forward for the automotive sector and the future of Australian businesses.

Additionally, the Government's announcement that it will bring forward the review of the New Vehicle Efficiency Standard (NVES) compliance point—shifting it from the point of import to when a vehicle is sold to a customer—is strongly supported by MTAA. This change would ensure that car companies cannot push stock onto dealers to meet NVES compliance, thus placing the dealer in a position where they must shoulder financing costs until the vehicles are sold.

Matt Hobbs said, "Emissions should be counted when the vehicle is sold. By looking to count the impact of CO2 at the point of sale, the Government will remove the temptation for car companies to push vehicles onto dealers, no matter the demand of consumers, just to hit a compliance number for a particular year."

These critical changes will assist Australian businesses to remain competitive and ensure they are not disadvantaged by unfair business practices, while encouraging greater investment and a more sustainable automotive future.

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About MTAA

The Motor Trades Association of Australia (MTAA) is the peak body representing the interests of the automotive retail sector across the nation. Through proactive engagement, MTAA helps shape sound public policy on issues that affect the retail motor trades, small businesses and consumers.

MTAA's member associations include the Motor Traders' Association of New South Wales, the Victorian and Tasmanian Automobile Chamber of Commerce, the Motor Trade Association of South Australia and Northern Territory, the Motor Trade Association of Western Australia, and the Motor Trades Association of Queensland.

At the national level, MTAA acts as a unified voice, representing the interests of the automotive sector to the federal government and influencing key policy decisions. Its work includes identifying and addressing issues impacting the sector and advocating for the needs of automotive businesses through ongoing discussions with government.