

## **Government to review the possibility of a standalone franchising code to include all automotive franchise sectors.**

VACC welcomes today's announcement by the Australian Government that advises of the release of a discussion paper aimed at ascertaining the merits of the introduction of a standalone Automotive Franchising Code of Conduct ('the Code'). The discussion paper also seeks to identify options for mandatory binding arbitration, and how best those options could be implemented.

### **What is sought by the Government in the discussion paper?**

The Government is seeking information on any remaining issues or problems that may not be adequately addressed by the recent reforms that could be addressed in the Franchising Code or a standalone Code.[\[1\]](#)

Specially the government has drilled down to two key options. They are:

**Option 1: Amend the Franchising Code and its automotive specific provisions when required**

**Option 2: Establish a standalone automotive franchising code.**[\[2\]](#)

It is within these two options that much of the VACC submission will focus.

### **What is the significance of the paper for Victorian franchise dealers?**

The discussion paper is a key milestone in VACC's pursuit of blanket coverage for all automotive franchise dealers in Victoria, under a single code. This is a policy reform that VACC has pursued for almost 18 years.

Importantly, the paper also seeks views on a broader scope of consideration for the Franchising Code relating to the contribution of other vehicle types to the sector, for example, motorcycle, farm machinery and truck franchise dealers.

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### **How does the discussion paper impact motorcycle, farm machinery and truck franchise dealers?**

For these dealers this is the first opportunity to have these franchise sector(s) included in the new suite of franchise reforms that became active on 1 July 2021.

Under the newly released franchise regulations the protection and benefits of those regulations do not apply to these additional groups. The protections of the new regulations only apply to those who come within a new definition of a "*new vehicle dealership agreement*". Under the new regulations the new definition of '*new vehicle dealership agreement*' means a motor vehicle dealership agreement relating to a dealership that predominantly deals in new passenger vehicles or new light goods vehicles (or both).[\[3\]](#)

VACC has never understood the governments reasoning for the non-inclusion of motorcycle, farm machinery and truck franchise dealers in the Code. The same issues, including business infrastructure and investment requirements occur in those sectors as they occur in new car dealer franchises.

VACC will pursue a review of the definition as it stands to include motorcycle, farm machinery and truck franchise dealers.

### Other comments

The strength and co-ordinated lobbying efforts of VACC motorcycle, farm machinery and truck member franchise dealer representations to Canberra has now resulted in these sectors having the opportunity to make their case for equal treatment under the Code. I commend those members who have taken the lead on this issue. They have used their VACC membership wisely.

### Next steps

- VACC will be meeting with the responsible Minister's Office in the next few days to discuss other issues connected with automotive franchising.
- The Government is seeking feedback from family-owned franchise automotive businesses and their employees to understand the extent of other potential issues in the sector.<sup>[4]</sup> To this point VACC seeks members' views on the options put forward within the [discussion paper](#).
- Submission in response to the discussion paper is due 13 September 2021.

VACC will keep you all informed as we progress our position. Please feel free to contact me at any time.

### Michael McKenna MBA Industry Policy Advisor

Industry Divisions

**VACC**

Level 1 | 464 St Kilda Road | Melbourne Vic 3004

**P:** 03 9829 1280 | **M:** 0418 822 939 | **F:** 03 9867 1795 | **W:** [vacc.com.au](http://vacc.com.au)

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<sup>[1]</sup> The Treasury, *Automotive Franchising Discussion Paper, (August 2021)* 8 [7].

<sup>[2]</sup> Ibid [8-9].

<sup>[3]</sup> Competition and Consumer (Industry Codes—Franchising) Regulation 2014.

<sup>[4]</sup> The Hon Stuart Robert MP, *Delivering Franchise Reforms: Morrison Government Releases Automotive Franchising Discussion Paper* (2021).