

BULLETIN

Victorian Automobile Dealers Association



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Elements of Cost in Dealer Delivery

Over the past few years it is becoming apparent that manufacturers are setting drive away prices that are steadily eating into Dealership Delivery Charges. As a result, Dealers have had no alternative but to absorb some of the costs associated with receiving and preparing a vehicle for delivery. Combined with the introduction of more motor vehicle duty charges and other taxes the Dealer can be left in a negative situation.

It is the view of the Victorian Automobile Dealers Association (VADA) that dealers must be aware of how their costs should be identified. VADA has revisited a previous work from 2012 known as the Elements of Cost guideline. You can view the guidelines by taking this [link](#).

Why has the Elements of Cost advice been generated?

The Elements of Cost guideline is a reminder to Dealers of what costs could help make up a Delivery Charge. Your VADA Executive Committee has compiled a list of elements that may be used by Dealers to assist them in determining their costs of preparing a vehicle for delivery.

About the Elements of Cost guideline

The list of elements is a suggestion only and not all elements will apply to all Dealers, models or circumstances. Indeed, any costs associated will be different from Dealership to Dealership, depending on location, brand, systems and marketing strategy.

Please use this advice as a tool to help you evaluate what current factors are included in your Delivery Charges.

Determining your Dealer Delivery Charge

VADA advises that each individual dealer must determine their own Dealer Delivery Charges on an individual basis and the extent to which they seek to recover costs through a Dealer Delivery Charge or through margins in other areas of the business.

Legal review of document

VADA appointed our legal advisors at HWL Ebsworth to conduct a legal review of the Elements of Cost guideline.

VADA acknowledges the intricate work done by Evan Stents and Richard Westmoreland from HWL Ebsworth in reviewing of this document. ACCC has also viewed the Elements of Cost document.

The legal advice from HWL Ebsworth advised on the three important areas of focus:

- The guidelines are not considered as an attempt to make or procure the making of a fixed price, and;
- That although the meaning of 'concerted practice', as yet, is untested, we believe the better view is that publication of the Guideline by VACC is an example of unilateral rather than 'concerted' conduct and is therefore unlikely to constitute a concerted practice.
- Any pricing advice shared by an industry body or association is likely to attract attention from the ACCC.

ACCC has also viewed the Elements of Cost document. While the ACCC cannot provide any legal advice or clearance as such, they have noted the care that the VACC has taken in preparing this guidance for members, including seeking legal advice on concerted practices and that the guidance refers to how dealers can calculate their own costs and doesn't extend to prices or margins. As such, ACCC has not identified any areas of concern.

We hope you find this document to be useful.

Michael McKenna MBA
Industry Policy Advisor

Industry Divisions

VACC

Level 7 | 464 St Kilda Road | Melbourne Vic 3004

P: 03 9829 1280 | **M:** 0418 822 939 | **F:** 03 9867 1795 | **W:** vacc.com.au