



AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION LTD.

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August 20, 2017

Mr. Michael Stutchbury EIC AFR
c.c. Mr. Paul Bailey Editor AFR

Via Email

Dear Mr. Stutchbury,

We are writing to seek your assistance in securing more evenly balanced reporting on the retail automotive industry in the pages of the Australian Financial Review.

The AADA clearly understands the AFR's long-established, rational free-trade editorial policy. We do not dispute your right to adopt that point of view, nor do we expect you to change that policy. What we are asking is that your august and respected journal should provide more even-handed treatment of the existential issues confronting franchised new car dealers today.

We believe your readers would be interested in the full story on these matters, based on all the facts.

In the interests of brevity, we highlight below two recent AFR stories that concern us: -

On August 10, your paper featured a story under the headline "*ACCC attacks 'appalling' car dealers*".

The headline was accurate, since that is exactly what Mr. Sims did. However, the accompanying graphic and quote made the assertion that franchised new car dealers are making 'enormous' profits out of servicing cars. Mr. Sims attempted to justify this mis-statement on the basis of the average service workshop gross margin of 64% included in our own submission to the ACCC on this matter.

The gross margin is of course an irrelevant number if we're truly interested in understanding exactly how much money a dealer really makes – it's the net, not the gross, that matters. This is a first-year accounting principle but, surprisingly, the article glossed this point. It stretches credulity to think that this detail escaped the paper's highly capable editorial staff.

We pointed this out in a letter to the paper on August 14 (copy attached).

Our letter was not published.

On August 18, the AFR published a story under the headline "*Coalition U-turn on car imports*".

This story quotes ACCC Chairman Rod Sims as asserting that Australian Consumer Law guarantees would have been effective in protecting consumers purchasing cars in Britain or Japan under the Coalition's now abandoned plan. He also said that the similar New Zealand grey import scheme operates with few problems.

With minimal research, the paper might have discovered the following radically different view from Mr. Sims that appeared in *The Australian* on April 28, 2016: -

*“The standard ACCC guidance for consumers on parallel imports is that while you have the same consumer rights when you buy parallel imports as you do with any other goods, it may be harder to obtain a remedy if something goes wrong with a parallel import. **That will be the case with new cars too.**”*

On the import issue, we have a long list of matters that would have negatively impacted consumers, business and government if such a scheme had been introduced. These include serious items such as odometer and invoice fraud, tax avoidance, potential money laundering by drug dealers and terrorists and the commercialisation of the scheme via aggregated syndication of, and trading in, unused citizens’ import licenses.

As regards the NZ situation, even a cursory glance at the statistics on road trauma, safety and emissions levels caused by the aged car fleet there would have unearthed worryingly negative consumer outcomes as a result of the wild-wild west, laissez-faire market brawl that has evolved. The assertion that the NZ market was trouble-free was apparently never questioned.

We were never asked by the paper to contribute a point of view in the parallel import debate.

Last May, I wrote to Luke Malpass at the AFR looking for his help to redress the imbalance created in the Op-Ed pages by Senator Dean Smith’s multiple articles, and others, pushing the populist mythology of private imports, devoid of any real facts. Luke was unable to publish the article we sent him that offered an alternative, fact-based view. A copy is attached for reference (albeit the issues have moved on since May).

Mr. Stutchbury, we sincerely believe your paper is interested in fair, accurate and balanced reporting. We are however perplexed by the recent, consistently one-sided treatment of these complex issues by the paper.

We’re just asking for a fair go.

Yours sincerely,



David Blackhall
Chief Executive Officer