

FRANCHISING CODE OF CONDUCT INDEPENDENT REVIEW FINDINGS

9 February 2024

To: ALL AADA MEMBERS

Yesterday the Albanese Labor Government tabled the Independent Review of the Franchising Code of Conduct in Parliament.

The review by small business expert, Dr Michael Schaper, makes 23 formal recommendations and 34 implementation suggestions for Government to consider.

The review found that the Franchising Code of Conduct is generally fit for purpose and found that Part 5 of the Code relating to new vehicle dealerships is operating as intended and not producing any unintended consequences.

Disappointingly the recommendations didn't address many of the issues the AADA raised during the Code Review Consultation, including the need for strong protections against termination and non-renewal and the need for compensation for loss of goodwill.

The Review also failed to address the need for the inclusion of truck Dealers in the automotive schedule. Many of the arguments made for specific protections for automotive Dealers also apply to truck Dealers, and it is unfortunate that the review did not recommend their immediate inclusion in the Automotive provisions of the code.

The Review did recommend that reviews of the Code should be conducted in five yearly cycles in the future and the next review of the Code should consider whether Part 5 should be retained and, if so, whether it should be extended to other subsectors such as trucks, farm machinery and motorcycles.

While the Review could have gone further to protect automotive franchisees, the AADA welcomed the following recommendations:

4. Service and repair work conducted by motor vehicle dealerships should be explicitly captured by the Code.

4A. The definition of motor vehicle dealership in the Code should be amended to clarify that it includes all sales, service and repair work.

23. The Australian Government should investigate the feasibility of introducing a licensing regime to better regulate most aspects of the franchisee-franchisor relationship.

The Report also detailed the responses to the Franchisee survey which was undertaken to obtain a greater broad-based understanding of the franchisee perspective of matters investigated in the review. Encouragingly there was significant representation from motor vehicle dealerships in responding to the survey, which accounted for 173 of the 381 responses. Motor vehicle Dealer's average franchisee satisfaction with their franchisor was rated as 6.3 and the average franchisee rating for the effectiveness of the Code was 3.9.

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The AADA will continue to engage with the Government on the details of the Review and advocate the need for strong protections for local automotive businesses.

You can view the full Report [here](#).

If you have any questions or need further information, please contact:

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