

RELEASE OF GOVERNMENT RESPONSE TO INDEPENDENT FRANCHISING CODE REVIEW

7 May 2024

To: ALL AADA MEMBERS

Today the Government released its response to the Independent Review of the Franchising Code undertaken by Dr Michael Schaper, undertaken in late 2023.

The Government has agreed, or agreed in principle, to all of Dr Michael Schaper's 23 recommendations.

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

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

Government statement: Agree.

Service and repair work is an essential part of motor vehicle dealerships.

When remaking the Code, the Government will clarify that service and repair work performed by motor vehicle dealerships is within the scope of the Code.

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

Government statement: Agree.

The Government will establish a Taskforce in Treasury to conduct a comprehensive cost benefit analysis of introducing a licensing regime for the franchising sector. The Taskforce will consult widely and provide advice to Government.

The AADA also supports the Government's commitment to expand some protections for vehicle dealers in Part 5 of the Code to all franchisees. Including requiring all franchise agreements to provide a reasonable opportunity to make a return on investment, and to ensure that franchisees are appropriately compensated if their agreement is terminated early. This is a step in the right direction, but more needs to be done, and the AADA will continue to advocate that Truck Dealers should enjoy all the protections under Part 5 of the Code.

The AADA is acutely aware that the industry is undergoing significant changes and that policies such as the New Vehicle Efficiency Standard will bring some challenges for Dealers. This highlights the importance of continuing to advocate for stronger franchising protections for Dealers, and that changes imposed on Dealers by their OEMs should be done in a fair and transparent manner with compensation where appropriate.

The AADA will engage with the Government as it seeks to implement these recommendations.

You can view the Government's Response [here](#).

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

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