

## IMPLEMENTATION OF FRANCHISING CODE REVIEW RECOMMENDATIONS

10 October 2024

To: ALL AADA MEMBERS

The Federal Government has opened a consultation seeking views on the exposure draft of the [Competition and Consumer \(Industry Code-Franchising\) Regulations 2024](#).

The draft regulations remake the Franchising Code of Conduct to implement the Government response to the Independent Review of the Franchising Code of Conduct and also make amendments to update and clarify various provisions.

Earlier this year the Government responded to the Review and agreed with or in principle with all 23 recommendations made by Dr Michael Schaper in his report.

Key changes in the Code for franchised new vehicle dealers are:

- **Capturing service and repair work conducted by motor vehicle dealerships**

The Government response requires that the new Code clarify that service and repair work performed by motor vehicle dealerships is within the scope of the Code.

The revised definition of 'motor vehicle dealership' contained in section [6] explicitly captures any servicing or repairing of motor vehicles conducted by dealers or associated with a dealership agreement that buy, sell, exchange or lease motor vehicles. This ensures that service and repair businesses that are a franchise, but do not engage in the other aspects of the 'motor vehicle dealership' (i.e. do not buy, sell, exchange or lease motor vehicles) will not be subject to Part 6 and the additional requirements that it imposes.

- **Reasonable opportunity for return on investment**

The Government response provides for there to be a requirement that all franchise agreements provide the franchisee with a reasonable opportunity to make a return on their investment during the term of the agreement. This requirement which is currently set out under Part 5 as applying to new vehicle dealership agreements, will appear in Part 4 of the new Code and apply to all franchise agreements, including truck, motorcycle and farm machinery dealers.

The Schaper Review also recommended that the Government look into the feasibility of introducing a licensing regime for the franchising sector. The Government agreed with this recommendation in its response and this week, notified the AADA that in coming weeks, the Taskforce will publish a discussion paper and invite submissions as part of this process.

The AADA has made it clear to the Government that neither the Schaper Review nor the Government response goes far enough to protect franchised Dealers from predatory franchisors. We are continuing to pursue further protections to level the playing field between Dealers and OEMs.

The AADA will be making a comprehensive response to both consultations and if members have any specific areas of concern or comments you would like the AADA to make, please advise the Secretariat by 24 October 2024.

You can view the Exposure Draft, Explanatory Statement and Information paper [here](#).

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

**Melissa Dimovski**

Director Policy and Advocacy

Australian Automotive Dealer Association Ltd.

E: [mdimovski@aada.asn.au](mailto:mdimovski@aada.asn.au)

M: +61 436 353 877