AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

RESPONSE TO CONSULTATION ON THE MOTOR VEHICLE INSURANCE AND REPAIR INDUSTRY CODE OF CONDUCT

JUNE 2025

CONTENTS

FOREWORD

The Australian Automotive Dealer Association (AADA) welcomes this opportunity to submit a response to the consultation on the drafting of a revised Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Conduct.

The AADA represents almost 3,800 new car and truck dealers in Australia which range from family-owned small businesses to larger and publicly owned businesses, operating in regional Australia and capital cities across the country. Franchised new car and new truck dealers employ more than 68,000 people directly with a total economic contribution of around $18 billion. Each year franchised new car dealers sell more than 1.6 million new and used vehicles, and complete over 44 million individual service, repair and maintenance jobs.

James Voortman
Chief Executive Officer

THE CODE

The AADA's interest in the MVIRI Code (the Code) and our comments are based on the role of new car and new truck dealers as suppliers of vehicles, franchisees or agents of vehicle importers, sellers of replacement parts, providers of remedies under express and implied warranties and in some cases, as owners and operators of body repair shops. The condition and safety of in-service vehicles can be impacted by collision damage and subsequent repairs. It is in the interests of vehicle owners and the wider automotive industry that post-crash repairs are carried out efficiently and effectively to retain the integrity of the design and built-in vehicle safety systems. The Code is an essential document which must move with the times and keep pace with product and industry changes.

The AADA supports the further development of the Code that will provide certainty for industry participants and vehicle owners as to how motor vehicle insurance claims are fairly assessed and processed, so that repairs are undertaken in a timely manner while ensuring future conformance to vehicle design standards and safety.

Concerns about depreciation of vehicle values post repair are also valid and vehicle owners should be assured that the Code and systems are in place to ensure that the repair outcome does not unreasonably diminish the value of their vehicle.

Because it is an industry code, it must provide balance for all concerned and recognise the issues that arise. The Code should be an agreed-upon outcome, and AADA understands that the draft Code has not yet been met with acceptance from all those involved in discussions so far.

The AADA's commentary is focused on the elements of vehicle insurance repairs that dealers are engaged with and see every day. In particular, we have addressed the supply of OEM parts by dealers to body repairers and transparent communications with vehicle owners. In our opinion, the Code should enhance and streamline the insurance repair experience and assist all industry participants to produce good outcomes for vehicle owners. Disputes that occur between insurers and body repairers are a handbrake on productivity, best avoided by having in place the right code of conduct which smooths out transactions for all concerned.

Dealers are interested in vehicles that they trade having been well serviced and repaired properly. Therefore, appropriate parts and repair methods are important. Any shortcuts in processes or repairs are best avoided. The AADA supports a well-balanced set of code arrangements.

The AADA supports the Motor Trades Association of Australia's (MTAA) view on the following matters, reiterating dealer concerns arising from the insurance repair relationship.

Section 2.1

DEALER INVOLVEMENT IN CRASH REPAIRING

Dealers are primarily connected to the crash repair industry and vehicle insurers as suppliers of OEM parts and as franchisees or agents of vehicle importers. Availability and supply of appropriate OEM parts, are important functions in the repair process.

Insured crash repairs are generally carried out by independent body repair businesses though a small number of dealers also have body shops and like the independent repairers, have contractual agreements with insurers. Irrespective of their level of involvement, dealers understand that the outcomes and processes remain important to the quality of used car stock and to the safety of in-service vehicles. Vehicle warranty may also be affected by a repair that is inappropriate or uses parts that don't fit, will not last, or perform as they should in a collision.

Section 2.2

IMPORTANCE OF OEM PARTS TO THE MARKET

Availability of OEM parts for a reasonable period to repair damaged vehicles is a requirement of the Australian Consumer Law - Section 58. Vehicle manufacturers work to meet this requirement, and dealers supply OEM parts to the body repair industry.

Dealers and OEMs hold significant stock of replacement parts which are supplied with express and implied warranties and all ACL protections. Therefore, a smooth and well-run dealership parts department is an asset to vehicle owners, and to the smash repair industry. Without a reasonable period of supply and well managed vehicle parts inventory, repairs of damaged vehicles using original parts would be impossible. Supply of OEM parts by dealers is integral to a good repair outcome for the vehicle owner.

During the assessment of damage, quoting, and repair, the quality and application of parts that are needed should be a target for all concerned so that the vehicle is repaired and returned to the owner in a condition that does not diminish the value or make it unsafe. Therefore, OEM supplied parts are often expected and valued by the vehicle owner making the insurance claim and seeking a repair.

The AADA supports transparency in the supply of OEM parts for repair. Where necessary, the use of non-genuine parts should always be communicated directly to the vehicle owner on the quote and before work commences. The Code of Conduct must ensure full transparency regarding the parts used, repair methods, and outcomes to prevent consumer dissatisfaction arising from the lack of information, related to OEM vs aftermarket parts supplied.

OEM parts are supplied to meet the appropriate safety standards to which the vehicle was manufactured. There is a risk that non-genuine parts may not meet that standard or not be manufactured in the same way. Vehicle owners should not be at risk of being deceived about the origins, quality or performance of parts used in a repair. Replacement parts should be selected to meet performance and quality standards and not selected on cost alone.

Section 2.3

IMPORTANCE OF OEM REPAIR METHODS

Parts are important, but increasingly the method of repair and careful attention to how the vehicle was originally constructed are also key to a successful and safe repair. Vehicle manufacturers provide body repair information which details repair methods, materials and parts to be used. This information should always be used as the first option to ensure repairs do not compromise the integrity of the vehicle. Shortcuts are dangerous to safety and value of the vehicle and should not be tolerated.

Section 2.4

USE OF NON-GENUINE PARTS IN BODY REPAIRS

Where non–genuine parts are proposed to be used by the repairer or prescribed by the insurer, the vehicle owner should be informed. Disputes about repair methods or the use of specified parts should be dealt with swiftly to promote productivity and the return of a repaired vehicle to the owner.

Delays caused by disputes between insurance companies and repairers, with the vehicle owner in the middle, should be avoided. Disputes regarding the replacement of parts also delay the ordering and delivery of parts. Disputes leading to the return of parts or creating uncertainty for all parties concerned must be avoided or resolved swiftly. Protracted disputes requiring personal attendance and representations must be minimised where possible.

Section 2.5

TRANSPARENCY OF SUPPLY OF REPLACEMENT PARTS TO VEHICLE OWNERS

The Code should require that all communications with vehicle owners are transparent and truthful. The AADA agrees with and supports the MTAA/AMBRA guidance for informing vehicle owners about the use of non-genuine parts.

Where non-genuine parts are proposed to be used, then a clear and easily understood statement must be issued to the vehicle owner. When vehicle owners buy an insurance product, it should be clearly spelled out that the Code applies to repair transactions and that vehicle owners can access the Code to better understand the insurance/repair processes. All aspects of the selection and supply of parts should be carefully covered in the Code and all participants should be capable of understanding how decisions are made about the use of different sources of parts for repairs.

Section 2.6

USE OF NON- GENUINE PARTS UNDER THE CODE OF CONDUCT

Where the Code permits, the use of non-genuine parts without consumer consent, leads to many questions about the quality of the repair and whether or not it will survive a future claim of acceptable quality under the Australian Consumer Law or a manufacturer's express warranty. Rather than permitting the use of non-genuine parts, the Code should stipulate OEM parts to be used as the first option, along with informed consent from the vehicle owner where non-genuine parts are unavailable or have to be used.

Vehicle owner consent should not be buried in an insurance product disclosure statement, but obtained at the point when the repair is to be authorised and before commencement.

The AADA agrees with and supports the MTAA submission at item 6, page 14 of their response to the Code review:

The Code permits insurers to specify non-genuine parts (Clause 2.3(e)(ii)) without requiring repairer or consumer consent. This raises legal and safety risks, particularly where OEM warranties are voided or repair quality is diminished. Repairers are frequently caught between insurer directives and manufacturer compliance requirements. Legal advice suggests these provisions are inconsistent with safety-focused obligations and could create contractual ambiguity. The Code should require informed consent and allow repairers to object to incompatible or unsafe parts, with insurers bearing responsibility for non-genuine part usage.

The Code should also be amended to include a requirement that where non-genuine parts are used with consent, it must be disclosed that these parts may not match the quality or performance of genuine OEM parts.

Section 2.7

ORDERED OEM PARTS RETURNED UNUSED FOR A REFUND

The AADA is concerned about reports by dealers regarding a small number of body repairers who appear to be systematically returning OEM parts supplied by the dealer. While changes in circumstances surrounding a repair will sometimes result in repairers having to return parts, a small number of repairers seem to be engaging in these returns on a regular basis.

This practice can be partly attributed to the power imbalance between insurance companies and repairers, with the former wielding influence over parts suppliers, repair methods, and labour rates, primarily driven by motivations to reduce cost and generate profits. Such control not only compromises the independence of repairers but can also negatively impact repair quality, outcome and vehicle safety.

These returns not only tie up warehouse space in dealerships, disrupting inventory control and causing inventory stagnation, but also result in financial losses due to damaged packaging, restocking costs, and in some cases, complete write-offs where parts can no longer be resold or returned to the manufacturer. Such behaviour undermines the trust between dealers and the repair industry, negatively impacting the sustainability of collaborative relationships in the industry.

In order to address the issue of returned parts and avoid dealer harm, the AADA recommends that consideration in the Code be given to:

- Establishing clear and practical guidelines on acceptable return practices, including reasonable return windows, restocking terms, and limits on recurring returns.
- Introducing restocking fees or tighter return policies for repeat offenders to discourage unnecessary returns.
- Recognition that restocking fees and return limitations are essential for dealership sustainability, and where necessary, discontinue relationships that threaten business viability.

Section 2.8

ADDRESS THE ISSUE OF COUNTERFEIT PARTS

AADA recommends that the Code should address the issue of the availability and use of parts that are counterfeit and sold to appear to be OEM-supplied or labelled to deceive. Counterfeit and parallel parts not supplied by Dealers or manufacturers have no role to play in the repair of vehicles.

The AADA supports the continuing efforts of the MTAA and its members to contribute to a revised Code which improves the interactions between all industry participants involved and assists vehicle owners with their understanding of vehicle insurance, crash repair assessments, parts selection, repair methods and the return of the insured vehicle to pre-accident condition.

FURTHER CONSULTATION

The objective in this review should be that the parties to the Code reach an agreed position on the content and application of the Code to the practical and everyday transaction of vehicle insurance, claims, assessments, and repair of damage.

The AADA submits that it is in the interests of all concerned to improve relationships, clarity of the Code, and transparency of how these tasks are performed and best managed to ensure that repaired vehicles are safe.

CONCLUSION

We would be happy to meet with you to discuss our submission and participate in any further consultation. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact me.

James Voortman
Chief Executive Officer
E: jvoortman@aada.asn.au

AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

CANBERRA OFFICE
Suite 3, Level 1, 42 Macquarie Street, Barton ACT 2600
PO Box 4409 Kingston ACT 2604

E info@aada.asn.au

aada.asn.au