MEDIA RELEASE

AADA CALLS FOR MERGER REGIME EXEMPTION FOR FAMILY-OWNED FRANCHISED DEALERS

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The Australian Automotive Dealer Association (AADA) is calling on Treasury to exempt family-owned and small to medium-sized franchised new car dealership transactions from Australia's new mandatory merger notification regime following the release of an independent report prepared by BDO Australia.

The report demonstrates that the current turnover thresholds unintentionally capture family-owned, regional and small to medium-sized dealership transactions, not because those acquisitions create market power, but because dealerships are high turnover, low-margin businesses that exceed the notification thresholds despite posing no meaningful competition risks.

AADA CEO James Voortman said the findings highlighted a significant unintended consequence of the new framework.

"This report confirms what AADA has been saying since the merger reforms were announced, that franchised new car dealerships are not the type of businesses these laws were designed to target. Unlike other industries, dealership competition is already heavily shaped by manufacturers through franchise agreements, dealer network planning and ownership limits."

"Dealership acquisitions are typically driven by owner retirement, succession planning, increasing compliance costs, margin pressure and the need to achieve scale. They are not about accumulating market power or reducing consumer choice."

Mr. Voortman said the timing of the reforms could not be worse for dealers already navigating unprecedented change across the industry.

"Dealers are investing heavily to meet manufacturer requirements, manage the transition to EVs and adapt to the impacts of the New Vehicle Efficiency Standard, all while facing rising costs and intense competition."

The report identifies the Federal Government's New Vehicle Efficiency Standard, rising compliance obligations and increasing capital investment requirements as key factors driving dealership succession and consolidation activity across the sector.

The AADA is urging Treasury to introduce either a specific exemption for franchised dealership transactions or a low-cost, expedited approval pathway that recognises the unique characteristics of the franchised automotive retail sector.

"Dealers are under pressure from the NVES, rising compliance costs, major facility investment requirements and shrinking margins," Mr Voortman said.

"When a dealer sells, it's typically about succession, viability and business continuity, not market power."

"As part of the upcoming review of the merger laws, the Government should introduce an exemption for smaller franchised dealership transactions that pose no realistic competition concerns."

"Dealers are already grappling with the impacts of the NVES, growing compliance burdens and significant investment requirements. The merger regime should not create another barrier to business succession, regional investment and dealership viability."

Download Report here.

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