



LANDMARK REFORMS TO AUTOMOTIVE FRANCHISING

12 March 2021

To: ALL AADA MEMBERS

Today marks a landmark day for franchised new car Dealers. The Government has today announced reforms for the automotive industry which will protect Dealers against the worst abuses by some car companies and bring a degree of balance to the relationships between Dealers and Manufacturers.

The AADA and Dealer members have been working for several years on regulations which compel Manufacturers to treat Dealers fairly, provide a system for mandatory and binding arbitration and appropriately penalise those Manufacturers who fail to comply.

These new regulations are a welcome response by Minister Michaelia Cash and the Australian Government.

Dealers, their employees, and all of those other businesses who depend on dealerships for their welfare can now have confidence that they are protected from the devastating effects of those Manufacturers who seek to exploit their power and size advantage at the expense of their franchisees.

These changes include:

- **Mandatory principles for new Dealer agreements**

Establish best practice by transforming existing voluntary principles into mandatory obligations under the Franchising Code. This will address concerns multi-national manufacturers won't follow voluntary principles.

- **Ensure Agency agreements are captured by franchising regulations**

Ensure that the Franchising Code keeps pace with changes to business practice by explicitly recognising that Dealers operating as a Manufacturer's Agent in relation to new vehicle sales are still protected by the Franchising Code.

- **Appropriate fines**

Increase available penalties under the Franchising Code to up to \$10 million. This will strengthen penalties for willful, egregious and systemic breaches of the Franchising Code by large and profitable multinational companies.

The Government will also explore the merits of a stand-alone Automotive code of conduct and mandatory binding arbitration provisions within this new code, similar to those in the Media Bargaining Code, which were developed to curtail the power of the Big Tech platforms.





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The changes come almost a week before the expanded Inquiry into the regulation of the relationship between car Manufacturers and car Dealers is due to release its final report and about a month after the responsibility of the issue has been shifted from Minister for Industry, Science and Technology, Karen Andrews, to Minister for Small and Family Business, Michaelia Cash.

While these changes are very welcome, the AADA Secretariat will continue to work with the Government on the merits of a stand-alone automotive code, binding arbitration and unfair contract terms.

The AADA will be encouraging members to write to the key members of the Morrison Government, thanking them for these reforms. We will provide members with any further detail and any further changes as they occur.

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

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