



Franchising reforms foster the potential for improved relationships

A suite of changes to the Franchising Code of Conduct were announced today by the Federal Government, including significant improvements to disclosure, coverage, adequacy of terms to secure a return on investment, dispute resolution, and compensation requirements. The reforms will help address the substantial power imbalance between internationally headquartered car manufacturers and their Australian dealership networks.

The reforms will primarily take effect from 1 July 2021, expand on the specific schedule of amendments for new car retailing and significant changes to the broader Franchising Code, and follow exhaustive representations and advocacy by the Motor Trades Association of Australia (MTAA), and supported by the Motor Traders' Association of NSW (MTA NSW), to achieve a better balance for all automotive franchisees.

MTAA and MTA NSW welcomes the inclusion of voluntary principles as mandated requirements in the announced reforms, including appropriate time to recoup significant capital expenditure, the inclusion of 'Agency' type agreements, and proper compensation arrangements.

MTAA and MTA NSW says reforms that now require manufacturers (as franchisors) to specify how they will buy back or provide compensation about new vehicle inventory, parts, and special tools in the event of early termination or non-renewal of the agreement is an essential requirement. MTAA and MTA NSW welcomed requirements that stop manufacturers from including any provision in agreements that deny the dealer compensation if the agreement is terminated early for reasons other than a breach by the dealer.

MTAA is particularly pleased with the streamlining of dispute resolution frameworks under the Australian Small Business and Family Enterprises Ombudsman (ASBFEO) and will continue to work with the Ombudsman's Office and industry to develop specific processes for automotive franchisees further.

MTA NSW says today's announcement, combined with the inclusion of a specific schedule for car dealers and other reforms in the broader Australian Consumer Law, represent the most significant tranche of reform in the past 20 years impacting automotive industries.

Stavros Yallouridis, CEO, MTA NSW thanks the Morrison Government and Ministers Andrews, Cash and Robert for listening and acting on the constructive and considered representations of MTAA over a long period to secure these outcomes for new car dealers and other automotive franchisees.

MTAA will continue to work with Government to ensure the inclusion of motorcycle and farm machinery dealers in specific arrangements while recognising these groups will benefit from the broader reforms announced today.

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