

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 167

Topic: Car Dealership Franchise Codes

Hansard Page: E45

Senator ABETZ asked:

Senator ABETZ—I will move on to another area where I think the Assistant Treasurer hopefully is doing good work. That is in the area of car dealership franchise codes. Is there somebody who is up to date on that? If I can briefly paint the scenario, what we have is car dealers being given a situation of a maximum two- or three-year contract to represent a particular make of vehicle and being required by the manufacturers to engage in providing literally millions of dollars worth of showrooms and upgrades which take sometimes 10-plus or 20 years to actually pay off. If they build these flash showrooms but then only have a two- or three-year contract with the motor vehicle manufacturer, I think that causes them some difficulties. When I say ‘I think’, I should indicate that it is not my thought, it is the view of the Motor Traders Association of New South Wales, who have written to the Assistant Treasurer, Chris Bowen, about that and—

Senator Sherry—Could I just indicate that franchising comes under the responsibility of Minister Emerson and there are Trade Practices Act issues that would come under the Assistant Treasurer, Mr Bowen, so there may in fact be two ministers who have responsibility.

Senator ABETZ—I think that is right, but in this media story from AAP it appears that the Assistant Treasurer, Chris Bowen, has been written to as the person who oversees competition policy in relation to this matter. I thought we were dealing with competition policy, so it would be an appropriate area to—

Senator Sherry—I just wanted to make it clear that there are two ministers with whom this area could fall. For your information, it is Senator Carr who represents Minister Emerson.

Senator ABETZ—I am more than aware of that as the shadow minister for industry with responsibility for the auto sector, so thank you very much for that—

Senator Sherry—I did not know whether or not you were aware, however, in respect of the issue of franchising. I thought I would provide assistance in that regard.

Senator ABETZ—If all those ministers were to be involved that would be great because, if I might suggest, this is a whole-of-government matter that should be pursued. I understand that Bernie Ripoll, a federal member from Queensland, has chaired a parliamentary inquiry into this. This is very much, unlike the last line of questioning, a very soft line of questioning to ascertain where is the government at in relation to this issue, which if I might say is a very real issue especially in an environment where car sales are shrinking. We know car dealers are doing it tough.

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To face the extra pressure of some of these manufacturers in the way that I just outlined is a matter I would have thought of concern, irrespective of one's political persuasion. Where are we at with it? Is it under active consideration? What is the answer?

Mr Chisholm—The inquiry to which you are referring was by the Parliamentary Joint Committee on Corporations and Financial Services into franchising. The response to that inquiry is being led by Minister Emerson and the Department of Innovation, Industry, Science and Research because, as Minister Sherry has indicated, Minister Emerson has responsibility for franchising issues. However, there are aspects of the inquiry—

Senator ABETZ—Competition—

Mr Chisholm—that also relate to Minister Bowen's responsibilities, including the enforcement of franchising codes as they fall under the Trade Practices Act. The recommendations from that inquiry are being actively considered by the government at the moment. However, the time frame for response to that inquiry is something that should be directed to Minister Emerson's portfolio.

Senator ABETZ—Could the minister at the table or the secretary be as kind as to take it on notice, and flick it through also to Minister Emerson's office that I was interested from the competition point of view. It looks as though you are on top of it and are working on it, as I am sure Minister Emerson is as well. I wish you well in pursuing an outcome which will assist, so thank you.

Senator Sherry—We will pass it on.

Answer:

The Parliamentary Joint Committee on Corporations and Financial Services tabled its report *Opportunity not opportunism: improving conduct in Australian franchising* on 1 December 2008. The report made eleven recommendations, eight of which relate to the content of the Franchising Code of Conduct and the franchising sector more broadly, and three of which relate to the enforcement regime for the Franchising Code of Conduct and other mandatory codes of conduct under the *Trade Practices Act 1974*.

The Government is currently considering the findings and recommendations of the Committee's report. On 21 June 2009, Minister Emerson released an options paper seeking public comment and additional information about the issues raised in the Committee's inquiry. The paper asked a series of targeted questions to inform the Government's thinking on these issues.

The closing date for written comments in response to the options paper was 10 July 2009. The Government is currently considering the submissions it has received, and will respond to the Committee's report in due course.