



It's a win win

Professor Ian Harper
Chair, Competition Policy Review
The Treasury
Langton Crescent
PARKES, ACT 2600

Subject: ACM Parts' response to Competition Policy Review Draft Report

Dear Professor Harper,

ACM Parts Pty Ltd ("ACM Parts") welcomes the opportunity to provide a submission in response to the Competition Policy Review Draft Report.

ACM Parts also welcomes the Panel's recommendations for a review of regulatory impediments to competitiveness and efficiency across all jurisdictions (Recommendation 11) and shares the view that competition policy should be driven in the long-term interests of consumers, as per the competition principles outlined in Draft Recommendation 1.

In response to the Panel's five questions to determine priority areas in the current competition review, ACM Parts argue that at a minimum, the reduction of automotive parts import restrictions will promote choice, diversity and innovation, raise productivity growth and hence Australian living standards, and greatly stimulate competition to the benefit of consumers.

About ACM Parts

ACM Parts is a new and innovative business established in August 2013 to address inefficiencies in Australia's automotive parts supply chain. A joint venture between Suncorp Group and parts company LKQ Corporation, ACM Parts will sell high quality original equipment (parallel) parts, recycled parts and independently certified aftermarket parts to the motor repair industry and the general public.

ACM Parts' operations are based on a rigorous quality assurance program, including facility certification, parts stress testing, independent audits and random in-market parts testing. As part of this program, ACM Parts has also introduced to the Australian market a new internationally-recognised certification standard for aftermarket parts, ensuring these parts fit, form and function in line with their branded equivalent. NSF International, the independent organisation which conducts the certification program, have operated internationally for over 70 years and already certify a wide range of non-automotive industrial and consumer products available in the Australian market.

Competition in the Australian parts supply chain

An economic assessment conducted by The Allen Consulting Group found the structure of the Australian automotive parts supply chain exhibits a number of features synonymous with known sources of inefficiency and market failure, including significant imbalances in competition favouring automotive brand manufacturing and dealership networks, a lack of transparency and inflated prices.¹

Current restrictions on parallel importation, including intellectual property law, make it difficult for companies such as ACM Parts to compete. ACM Parts agrees with the Draft Report's finding that parallel import restrictions are an 'implicit tax on Australian consumers and businesses' and are possibly shielding local networks from competition. Accordingly, ACM Parts strongly supports the Review's recommendation that current restrictions on parallel imports should be removed in the best interest of Australian consumers (Recommendation 9).

Restricted supply can cause difficulty for small business and consumers to access parts – the lack of alternative suppliers and ability to obtain competitive quotes can increase repair turnaround times and increase costs for consumers, issues highlighted recently by consumer advocacy group, Choice.²

For example, independent research conducted by forensic engineers Delta-V Experts found the total cost of parts in Australia required to reconstruct a \$21,000 medium-sized hatch is \$114,081 – or 543 per cent of the car's purchase price.

ACM Parts is aware that concerns have been raised about consumer safety and counterfeit products in relation to parallel imports. ACM Parts is committed to providing customers with safe, affordable parts and has addressed these concerns through partnering with high quality suppliers, its strict quality assurance program and independent testing and audits of its parts and supply chain, similar to approaches currently taken by manufacturers.

In order to address restrictions on parallel importation, ACM Parts supports the Panel's call for an overarching review of intellectual property restrictions to be undertaken by an independent body, such as the Productivity Commission (Recommendation 7). Such restrictions can affect competition by promoting trademark licensing as a means to prevent the supply of equivalent-quality parts from high quality international suppliers.

Thank you again for the opportunity to provide feedback in response to the Draft Report. Should you have any questions or require any further information, please contact me via email at mike.kirkman@acmparts.com.au.

Regards,



Mike Kirkman
Chief Executive Officer
ACM Parts

¹ Allen Consulting Group, July 2013, 'Automotive parts industry review: An economic assessment of the automotive parts industry supply chain', Canberra, p5

² Kollmorgen, A., 1 October 2014, 'Taken for a ride', *Choice*, pp. 32-35