

Franchise dealers recognised for important role played in automotive aftermarket ecosystem

Johannesburg, 03 June 2021: The National Automobile Dealers' Association (NADA) applauds the Competition Commission for recognising the significant and important role that Franchised Dealers play in the South African automotive aftermarket.

The final Guidelines for Competition in the South African Automotive Aftermarket were published by the Competition Commission on 10 December 2020 and come into effect next month, on 1 July 2021. They were issued to provide practical guidance to industry players towards the adoption of pro-competitive measures in the automotive aftermarket and to promote greater participation of small businesses and historically disadvantaged individuals in the industry.

It has taken more than three years to finalise, with input from a variety of industry stakeholders including recommendations from NADA, which represents more than 1,400 franchise dealers across South Africa.

"We have worked closely with the Competition Commission to ensure that the consumer's best interests in terms of safety and vehicle value are at the fore. The franchised dealer sector is a massive jobs creator and plays an integral part in the economy as well as the broader communities they sustain," says Mark Dommissie, Chairperson of NADA.

"We are very grateful to the Commission for accommodating our recommendations, which took time to finalise and get to the place where we are today. We strongly believe that we have a workable document and commit our support to implementing it and achieving its objectives – the most important of which are vehicle safety and transformation in the motor industry."



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The Guidelines require Original Equipment Manufacturers (OEMs) to adopt strategies and develop business models that, among others, allow for independent service providers (ISPs) and historically disadvantaged individuals (HDIs) to undertake service and maintenance while a vehicle is in-warranty.

They also place responsibility on OEMs to disclose certain information to consumers, such as the price of any pre-included Service Plan, Maintenance Plan, Extended Warranty or scratch and dent product, to enable them to make informed choices about the required future maintenance of their vehicles.

“OEMs will be interpreting and responding to the Guidelines independently of one another. This is likely to happen in a phased approach over the coming months as they adjust their terms and conditions. This is not a ‘one-size-fits-all’ situation and will not happen all at once,” says Dommissie.

“While the Guidelines formally come into effect on 1 July, it’s important that customers and stakeholders understand that these Guidelines are not law, but rather a series of non-binding applications for use by the Competition Commission of South Africa (CCSA) in interpreting certain sections of the Competition Act as they relate to the automotive aftermarket. Consumers will need to communicate with relevant dealers to understand what is and what is not possible with regard to respective OEMs’ processes and procedures, and terms and conditions.”

When the Guidelines take effect, consumers will be in a position to choose to undertake servicing and maintenance work at a workshop of their choice, including ISPs but, by doing so, there will be certain obligations and consequences as set out in the guidelines such as possible voiding of parts of the warranty. If an ISP or any entity wishes to become an approved dealer, the OEM must have fair and transparent selection criteria and if the ISP meets those criteria, then the OEM should approve them. An OEM is only obliged to approve an application if that ISP meets the full terms, conditions and criteria set out by the OEM.

“This is vital for consumers to understand and is incorporated into the Guidelines in order to protect the customer and the integrity of their vehicle,” says Dommissie.



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When working on the vehicle of a consumer, independent service providers must disclose whether they have adequate insurance to cover all liability or potential damage to the vehicle, must disclose the risk in servicing at an ISP (to the warranty) and the fact that the OEM or their provider will not pay for any work done. They will also carry full liability and risk for the work that they do.

“Consumers should remain critically mindful that if their vehicle is not serviced or repaired correctly, and at an ISP, it could still have an impact on their vehicle’s factory warranty under the Guidelines,” says the NADA Chairperson.

Any damages to a vehicle as a result of work performed or non-original spare parts fitted by ISPs will be assessed by respective OEMs and either parts of, or the entire warranty can be voided. Any disputes will be handled by the Motor Industry Ombudsman of South Africa (MIOSA) and ISPs will need to ensure they are meeting their legal obligations in terms of the Consumer Protection Act.

While consumers will invariably have more choice when it comes to having their vehicles serviced and maintained, it is important that they make informed decisions and follow appropriate due diligence before appointing any workshop to service their vehicle. Modern vehicles are complex machines that require the correct diagnostics, tools and expertise to ensure the appropriate quality and safety standards are met.

“Consumers should keep in mind that OEMs make major investments in intensive training programmes to equip their franchised dealer technicians with the requisite skills and knowledge to deal with intricate procedures and the introduction of new technologies. These programmes are critical to ensuring vehicle safety and in turn the safety of technicians and ultimately motorists, not only in South Africa but around the world,” says Dommissie.

“Unqualified technicians can potentially cause damage to vehicles, customers and themselves if they don’t have the correct training or tools to work with.”



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“OEMs and their respective dealer networks can now make previously protected technical information and training available outside of in-house programmes, and this ability to develop people and transfer skills is a particularly effective transformation credential. It must, however, be managed properly and NADA agrees in principle that the Guidelines will achieve this.”

ENDS

ABOUT NADA

The National Automobile Dealers' Association (NADA) is a professional body representing the interests of business persons who own, operate and manage new passenger and commercial vehicle franchise motor dealerships and qualifying used vehicle only outlets in South Africa. There are currently 1,326 NADA members. NADA members make up 85% of all new franchise dealerships in South Africa. South Africa currently has approximately 1,600 new franchised automotive dealerships comprising R48-billion worth of investment. It employs 60,000 personnel directly and a further 25,000 indirectly.

NADA is a constituent association of the Retail Motor Industry Organisation (RMI) and has affiliations with a number of similar organisations world-wide. NADA is committed to enhancing the image of the retail motor business; facilitating the interface between dealers and the motor manufacturers and importers who supply them; building rewarding relationships between dealers and their customers; and bringing relevant issues facing its members to the attention of government at all levels.

As a major role player in the automotive industry, NADA and its members are strong supporters of complying with the Retail Motor Industry Organisation and the Consumer Protection Act's Codes of Conduct for the Automotive Industry. In all forums, NADA is the fully representative and respected voice of the retail motor industry in South Africa.

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