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COMPETITION COMMISSION

Motor car industry value chain shake-up from July 1

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THE COMPETITION Commission's new guidelines for the automotive industry to come into effect from July 1 will bring major changes for car-owner repair and service choices, and the automotive after-market, motor industry sources said on Friday.

The guidelines aim to promote more competition in areas such as manufacturing, repairs, insurance and financing.

One of the big changes will be that car owners will no longer have to use dealership service centres and parts departments to keep their service plans and guarantees in place.

They will have the right to repair or service their vehicles at a provider of their own choice without voiding their warranties.

For vehicle insurers, for instance, the guidelines say they need to adopt measures to promote the fair allocation of work to repairers, with a preference for firms owned by historically disadvantaged individuals.

At present insurers preclude customers from choosing which motor body repairer to use by using indemnity forms, threats of zero-support post repair and losing their vehicle warranty.

But the changes, designed to remove barriers to entry for any qualifying applicants, will also impact motor dealerships and possibly the way new or used vehicles are sold.

National Automobile Dealers Association national director Gary McGraw said they fully supported the principles behind the new guidelines, and vehicle dealerships, like all the other stakeholders in the automotive value chain, including their vehicle manufacturers, were currently investigating how to implement the guidelines.

For instance, for vehicles financed by banks, warranties and repairs using genuine parts and modern computerised diagnostic services, which differ for each vehicle brand, were required to protect the vehicle's resale value.

Ways needed to be found so that the guidelines applied to all role players, said McGraw.

King Price Insurance partner of client experience Wynand van Vuuren said the guidelines were "good news" as they would widen consumer choice and facilitate competition and competitive pricing in the market.

This might ultimately lower costs across the board, he said. "The new code has the potential to lower claim costs, which will result in lower premiums. With more service providers being accredited to work on in-warranty vehicles, we also believe claims can be finalised a lot quicker with better service delivery from repairers."

Over the past two years the SA Motor Body Repairers Association (Sambra) has been lobbying for the removal of the agreements between insurers and vehicle manufacturers, which they said precluded consumers from exercising their right of choice, and damaged small business owners who had spent years building up a loyal client base.

Sambra national director Richard Green said on the Retail Motor Industry Organisation website consumers were under severe economic pressure and there was no doubt this was the right time for insurers to advise consumers that they had a right to have motor-body repairs undertaken by a service provider of their choice.

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