Grain Producers Australia submission to ACCC agricultural machinery survey

Agricultural machinery: After-sales markets
agriculturalmachinery@accc.gov.au

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PO Box 370
Braidwood NSW 2662

Executive summary and recommendations

thanks the ACCC for the opportunity to provide information as part of your inquiry into some of the issues currently impacting Australian grain producers and farmers with regards to agricultural machinery.

Agricultural machinery is essential for agriculture in Australia, whether it be general farm equipment or machinery specifically purchased for seeding/planting, spraying and pest management, harvest or other parts of the season. Developments in machinery have led to significant productivity improvements and in many cases increased profitability for farmers. However, these advances in agricultural machinery design and functionality have come at a cost to farmers.

This submission provides a number of case studies put together following interviews with grain producers who have brought forth information (both positive and negative) regarding their experiences purchasing new or second-hand agricultural machinery. These case studies illustrate the need for the ACCC investigation and provide clear illustration of where current consumer law protections are failing farmers.

GPA has found several issues and makes subsequent recommendations to address those issues, discovered while undertaking the research to complete this submission:

Increased computerisation of agricultural machinery can hinder timely repairs

GPA recommendation – Investigation needs to be undertaken to determine whether the increased complexity and reliance on computer systems is being used to deliberately restrict competition and unnecessarily hinder farmers abilities to repair and maintain their use the machinery for its primary purpose.

Lack of adequate competition requires legal protection to improve post sales and service negotiating power

GPA recommendation – GPA believes there needs to be greater legal provisions to assist farmers to negotiate or have greater power when negotiating post-sales service agreements with dealerships, particularly given the current geographical restrictions in operation which hamper a farmer from developing a relationship with a dealer outside their designated "zone".

Warranties for agricultural machinery are inadequate given the investment required

GPA recommendation - Consideration should be given to requiring the extension of warranty periods beyond 12 months or should be based on more than a single season's working hours.

Dealership and manufacturer service obligations in Australia are inadequate

GPA recommendation – GPA requests that the ACCC investigate international examples of dealership service obligations, such as those seen in Alberta, Canada, under the Farm Implement Law and how similar obligations would work in the Australian market to better meet farmer consumer expectations.

There is inadequate requirement for provision of information regarding working life of parts

GPA recommendation - GPA requests more information be required to be made available to farmers/customers by manufacturers and supports the provision of additional information to farmers on the reasonable expectations of a parts working life and replacement timeframes. If a company is aware of a part having a limited working life, it is reasonable that the information be made available for farmers.

Just in time delivery parts systems are failing Australian farmers and should be considered a major threat to production security within Australia

GPA recommendation - GPA has recommends that companies be required to consider extended warehouse hours during peak agricultural periods, planting and harvest with afterhours warehouse options for urgent parts during peak times.

GPA recommends that a requirement be put in place for manufacturers to house commonly required parts within Australia.

If a company leaves Australia, farmers using that "brand" can face enormous difficulties accessing parts and services

GPA recommendation – GPA requests that any company that no longer participates in the Australian market be required to make available third-party access to support their customers.

Consumer law provisions with respect to agricultural machinery are inadequate

GPA recommendation – GPA requests the ACCC undertake additional analysis on the inclusion of agricultural machinery and equipment, irrespective of cost, to be covered by the Australian consumer guarantee provisions.

Introduction

Agricultural machinery is essential for agriculture in Australia, whether it be general farm equipment or machinery specifically purchased for seeding/planting, spraying and pest management, harvest or other parts of the season. Developments in machinery have led to significant productivity improvements and in many cases increased profitability for farmers. However, these advances in agricultural machinery design and function have come at a significant cost to farmers. For grain producers there is a major cost associated with investing in equipment.

Cost of agricultural machinery

Unlike when researching cars or vehicles for private use, there is limited publicly available information regarding the prices for agricultural machinery, parts or servicing bundles.

The table below shows price ranges based on the information provided by GPA members who have purchased equipment within the last three years. GPA was not able to access the "Dealer book" however this book is provided to members of the Tractor and Machinery Associations. The book provides information on all brands, models and price ranges, including suggested secondhand prices.

Table 1: value of agricultural machinery and equipment that is beyond the scope of current Australian consumer laws.

Equipment	Cost new range	Cost used range
Self-propelled sprayer	$350,000 – 550,000 (roughly $100k per 1,000 Lt capacity)	$200,000 – 400,000 (depending on hours and size)
Trailer sprayer (tow behind boom spray)	$100,000 – 180,000	$60,000 – 120,000
Tractor 500 Horse power (HP)	$450,000	$250,000 – 300,000 (dependent on hours)
Harvester	$400,000 – 700,000 (depending on size of front, HP and brand)	$200,000 – 400,000 (depending on hours, size, brand, HP)
Hay rake	$40,000 – 80,000	$10,000 – 30,000
Bailer, hay equipment	$180,000 – 300,000	$60,000 – 150,000
Spreader	$50,000 – 100,000	$20,000 – 60,000
Field bin	$15,000 – 30,000	$10,000 – 15,000
Chaser bin	$60,000 – 100,000	$40,000 – 60,000

Given that most agricultural machinery and equipment is highly specialised, they are generally only used for a limited period throughout the year, such as seeding or harvest equipment is only used for a few months a year. Most equipment in agriculture is unable to perform multiple tasks, such as a harvester being only able to be used for removing the crops during harvest.

Note on dealership conduct

GPA has been advised by a number of farmers that they avoid public commentary about companies or machinery dealerships for fear of ramifications with regards to provision of service, access to parts or purchasing machinery in the area in the future.

Agricultural machinery code of practice

GPA is in the process of developing a Code of practice for autonomous agricultural field machinery. Part of the project has been examining the needs of farmers when considering the use of machinery that has further future autonomy capabilities. GPA interviewed the producer participants who are part of the project, this led to a number of issues relevant to the ACCC inquiry being identified:

i. Sensor maintenance and replacement is already a key issue for producers.
ii. Producers consistently highlighted the need to be able to undertake reliable remote diagnostics for improved operational serviceability. If producers were to have confidence in autonomous equipment, an even higher dependence would be placed on the reliability of sensors.
iii. The ability and right for producers to replace basic sensors in the field, if necessary, using some form of diagnostic support provided by the manufacturer, was consistently raised as a need by

producers. Manufacturers did generally recognise the need for timely repairs in field and have to a degree indicated support for producers to have this capacity.

iv. Producers highlighted industry risks if machine operational downtime, due to technical support and parts availability, became significant. There is a risk that producers would feel they had no option but to utilise third party technicians who may act to disabling or bypass malfunctioning sensors.

v. There was concern regarding the redundancy of systems as they age, particularly with manufacturers potentially no longer supporting older equipment. These concerns are in some part based on experiences with autosteer systems. Some autosteer systems are still functioning after 20 years. It was noted that repair is considered differently by producers to alteration.

vi. Producers universally supported a Code of practice concept that they should not tamper with the operational integrity and safety of autonomous equipment while it is supported by the manufacturer. However, there is a need to allow farmers to consider that older systems may require third party support in time if their operation is no longer supported by the manufacturer.

Issue – access to independent agricultural machinery repairs is limited

The ability for independent repairers to access proprietary software to conduct diagnostics is a major limiting factor. The software of the machinery must be configured to accept parts and allow those parts to work. Currently there are significant limitations being imposed through the use of proprietary software which restricts the ability for producers to undertake their own repairs or even seek a third party to undertake repairs if the manufacturers preferred technician is not able to complete repairs in a timely manner.

Whilst GPA can understand the need to protect intellectual property and the research that has gone into the development of machinery, there can be significant economic and productivity impacts on the producer from machinery downtime. GPA believes this issue is going to become more prevalent and cause greater impact with the increasing computerisation of machinery.

GPA recommendation
Investigation needs to be undertaken to determine whether the increased complexity and reliance on computer systems is being used to deliberately restrict competition and unnecessarily hinder farmers abilities to use the machinery for its primary purpose.

Case study – farmer in Western Australia
A tractor part and sensor must be configured to be accepted by the tractor system – the part requires configuration by an approved technician to be accepted by the tractors individual computer system.
A new tractor, still under warranty, was being moved between paddocks, down a public road on a Friday afternoon. The tractor shut down on the road, unable to restart or move. The dealership sent a mechanic to undertake diagnostics.

The mechanic found the fault was in a parking-brake sensor, worth approximately $40. However, there were no spares available in WA and dispatch from the East-coast warehouse would arrive by the following Tuesday.

A farmer nearby (farmer 2) had the same model tractor and agreed to allow the mechanic to borrow their sensor to enable the tractor to be moved off the road into a nearby paddock while awaiting the spare part.

To allow this to occur the mechanic:
- drove 50km to farmer 2's tractor and removed the sensor
- returned to the original tractor (on the public road)
- installed the sensor and reprogram the tractor's computer to accept the new sensor
- moved the tractor off the public road into a nearby paddock and removed the sensor
- drove 50km to return the sensor to the farmer 2's tractor
- reinstalled the sensor and reprogramed tractor 2's computer to accept the sensor

The replacement sensor arrived the following week – the sensor was then installed and computer system reprogrammed to accept the new chip.

The repair bill for the fault, travel, servicing fees, parts and freight was between $3,000-$4,000.

Issue – farmers may lack recourse in the event of a problem with their machinery

A tractor warranty is usually only 12 months, or 1500 hours. This generally only covers a single season as most agricultural equipment is only used for a short period of time within the year.

In the event of a problem with the machinery, the option for recourse is with the local dealership. In the event of the dealership not addressing the issue, the manufacturing company is then the next option. However, for farmers their "local"[1] dealership is generally the only one providing the machinery within the area and the farmers are likely to need to use the dealership for all future repairs, servicing or purchasing of the farm machinery.

There is therefore pressure on the farmer not to damage their relationship with the local dealer for potential ramifications in access to parts or repairs. GPA would like to note that it is not the conduct of all dealerships that act in this manner, however the examples provided highlights the issues range of for farmers.

GPA recommendation

GPA believes there needs to be greater legal provisions to assist farmers to negotiate or have greater power when negotiating, post-sales service agreements with dealerships, particularly given the current geographical restrictions in operation which hamper a farmer from developing a relationship with a dealer outside their designated "zone".

Consideration should be given to requiring the extension of warranty periods beyond 12 months or should be based on more than a single season's working hours. This is especially relevant given the short time periods within a year during which much of the machinery is actually being used.

Case study – farmer in Queensland

The Queensland grower operates a cropping enterprise in the Darling Downs and purchased a new tractor from a major dealership. There were ongoing issues which the grower could not fix. Over time some components were replaced although it still did not fix the problem. After dark smoke had appeared the grower sought advice from the dealership, although the problem still was not resolved.

After having discussions with neighbours about the issue, the farmer was told they had similar issues and that it ws generally understood that similar model tractors had faulty o rings. The models were not recalled nor were any owners notified, although if issues arose, they were dealt with through a product improvement program.

Once the grower had been made aware of the issue, the tractor had done over 3100 hours and was out of warranty. It was agreed that parts would be provided at no cost and 13 hours of labor would be provided. With the job expected to take up to 45 hours, this would be at considerable grower expense. If the tractor had done slightly less hours (2999) 26 hours of labor would be provided to the grower. The out of pocket expenses is estimated at around $4800 and $2850 respectively.

If the grower had been proactively informed of the issue, it could have been fixed under warranty with no out of pocket expense to the grower for poor performing/defective parts.

Case study – farmer in Western Australia

Farmer purchases mainly used equipment from a local dealership. The farmer has a range of dealerships and companies within a reasonable distance. Farmer is company loyal due to existing relationship and service by the dealership over an extensive period.

Recently purchased of a used air-seeding box for planting. The equipment is more than fifteen years old. During purchase there was no discussion on warranty, however there was a safety induction and discussion of safety features. Farmer had no expectation of warranty due to age of equipment. The purchase included a disclosure of faults with equipment that had been factored into the purchase price – the farmer paid for parts; the dealership installed.

The farmer uses a mix of self-servicing and dealership servicing. In event of breakdowns, farmer is aware of potentially significant costs of dealership transport of equipment from farm to service centre. Farmer usually arranges their own transport. Farmer hasn't had major issues or concerns with access to parts.

[1] Potentially within a 200km radius or even further in more remote grain production areas.

Case study – farmer in Queensland
Queensland farmer operates a mixed farming enterprise which includes grain and hay production with no machinery dealerships close by. The farmer had known the staff at the dealership personally and had a good relationship with them. He purchased a new tractor, which has had many issues from the start. The dealership always seemed to either dismiss the issues or push back on them as not being covered by the warranty.

The farmer, due to knowing the staff well and being a small rural community found it very difficult to pursue action, especially when working against tight timeframes within their farming schedule.

Specific issues:
1. The shuttle which moves the tractor forward and backwards was getting stuck. The farmer was told that is how the equipment works. After the warranty lapsed, it completely failed and was replaced at the farmer's cost. Once fully replaced it worked perfectly – the original part had been faulty from the beginning.
2. The tractor had a faulty fan hub. The problem was raised with the dealership while the tractor was under warranty although they would not replace it under warranty. It has now been replaced three times at the farmer's expense.
3. Front wheel drive clutch shaft failed 20 hours after warranty. 300 hours later, it failed again.
4. Electronic hydraulics needed repairing. Technician travelled 130km to repair the component only to realise that the genuine part provided was faulty. The mechanic had to drive another 260km to return to the warehouse to get another part and to return to the farm to fix the problem. This cost $800 in travel costs charged to the producers despite being mostly the fault of the dealership, not the producer.
5. Mechanic also assessed failed lights within the motherboard and told the farmer that it was something that should have been fixed under warranty although as warranty has now lapsed, it would need to be at the farmers own expense.

The farmer felt that every time he entered the dealership, the staff would exit through the back door. He never received a quality product or the service that should come with a very expensive and specialised machine. Every issue was dismissed only to be eventually acknowledged after the warranty had lapsed.

Case study – farmer in South Australia
This case study outlines a South Australian farmers experience with buying parts, including accessing parts during peak periods. Aside from a recent new bailer purchase, the farmer purchases primarily secondhand equipment. The farmer isn't brand specific or loyal, they have a number of local dealerships they use.

Parts
Access to parts in peak periods is an issue. Most parts are from Sydney or Melbourne, therefore there are issues with time differences which exacerbate the problems caused by warehouse and distribution centre hours and incompatibility with round-the-clock nature of farming during certain periods of the year.

There is a significant issue with the cost of parts in Australia compared to the equivalent internationally. There is also a very limited used parts or aftermarket products if the equipment is newer or somewhat specialised. This means that prices generally are at a slight discount to new parts, charging at market capacity to pay instead of a competitive aftermarket environment.

Example
Breakdown on a Friday night; the local mechanic conducted diagnostics on Saturday morning and determines the required part; the part was ordered on Monday morning when the warehouse opened. The part was freighted, arriving on farm Friday, one week following the breakdown.

Why is this delay an issue?
Depending on weather this could have led to significant damage to all the remaining un-bailed hay. A reduction in the quality/quantity of the hay can have significant financial implications. If a period of wet weather came in the entire hay crop could be lost or rendered of far lower quality.

Other ag-machinery issues
Warranty – a more recently purchased new tractor had good, responsive service from the dealership when there were any faults with the tractor.

When choosing which local dealership to do business with – the farmer prioritises best service, relationship and available equipment in making equipment purchases.

Issue – agreements between manufacturers and dealers may limit access to repairs

The use of exclusive service agreements extends from suppliers of parts to manufacturers and dealers. GPA is concerned that restrictions on the supply of parts through service agreements limits the opportunity for competition and therefore restricts access to services. This does not meet the needs of the Australian agricultural sector. Exclusive service agreements limits the availability of parts to markets as well as restricts the responsiveness of the market to service requirements.

The lack of available parts and the lack of willingness to provide parts for older machinery (i.e. machinery over 10 years of age) is seen as method used by the dealership and companies to deliberately keep farmers upgrading equipment.

Case study – farmer in Western Australia
A self-propelled sprayer that was ten and a half years old, worth approximately $250,000, had a part failure and required replacements. The company had no parts available in Australia and was unable to import the required part, due to company policy on parts for equipment over ten years old.

The farmer found the part was still available from the part manufacturer in the US, however the manufacturer of the part maintains an exclusive licensing agreement with the machinery company and was unable to supply any parts outside of that contract.

To enable the farmer to keep using their sprayer, they purchased a second-hand sprayer of the same model from east-coast Australia, transported it to WA and use it as spare parts for their equipment.

Issue – data ownership and management may raise privacy and competition issues

The use of agricultural data and associated systems with farm machinery is today considered best practice for businesses. Farm data is valuable as it can be used to improve decision making as it feeds into inventory and financial management as well as production management and the use of precision agriculture tools. GPA considers the farm data discussion also includes the critical integration of these data systems with farm machinery.

The issue of protecting future access to farm data must also be an important consideration, particularly if a data service provider goes into insolvency or a machinery manufacturers withdraw from operations and sales support in Australia. Future data access guarantees should be considered as a right of consumers and producers, such as consideration for how could producers get their farm data back.

GPA made recommendations in our submission to the NFF during the development of their recently released agricultural data code. Our recommendations covered a number of areas including:

- Ensuring that producers can access data collected from or with farm machinery, including data that is critical to the operation and maintenance of that equipment
- Ensuring that the privacy of producers is appropriately protected and that farm data is collected, stored and used in an ethical way, data is not deleted without authorisation and future preservation and access is guaranteed.
- That producers have an ability to retrieve their farm data both in a processed (cleaned data) and unprocessed form for storage and/or use in third party systems. Being able to access clean data, i.e. not raw harvest data under data portability is required. Data portability is a critical need for processed and cleaned data such as harvester data that has been kriged for turns and overlaps. An inability for producers to transfer clean data would add significant producer cost to the transfer to another service platform.
- That farm data is only used for the purposes specified in the terms agreed by the producers and that providers preserve the ability of the producer to determine who can access and use their individual farm data.
- That at the request of a producers, data service or machine providers delete any individual farm data or individual private data relating to that farmer which has not been integrated into a non-attributable, aggregated form, such as when data is used in tools or management model development. The challenge is that agricultural decision support tool developers will need access to aggregated farm data under new agreements with data service providers to improve services for producers.

With agricultural vehicle and tractor autonomy emerging commercially, the requirement for safety related data to be disclosed to regulatory safety bodies would also potentially emerge. As Australia is highly dependent on equipment manufacturers from the EU and North America, it is unlikely that Australia would be in a position to dictate international requirements for data privacy related to safety and equipment operation, particularly as Australia is not currently a signatory to OECD tractor code standards.

Other issues - parts

GPA believes the supply and availability of parts should be considered within scope of the ACCC inquiry.

The limited supply of parts in local dealerships and the centralisation of parts warehouses has changed how farmers interact with their local service centres. Most parts beyond standard bearings and seals are required to be ordered in, with dealerships operating a just-in-time delivery model. Significant delays can occur, the COVID-19 situation has exacerbated the shortcomings of this model. It has led to substantial increases in the cost and time taken to deliver products from international suppliers with some machinery completely inoperable until the replacement part arrives.

Increasingly agricultural equipment is dependent on sensors and the related diagnostic systems to test the serviceability of these parts. This increasing dependency has been increasing where these relatively inexpensive, but critically important parts are often held nationally in a central distribution system and require specialised software systems or remote data access to the equipment to identify or diagnose faulty sensor parts.

Due to the remoteness and distance of most agricultural regions in Australia from manufacturers in Europe and North America, there needs to be an alternative parts distribution model used. There is a critical need for manufacturers to address remote service obligations in Australia. Remote support capabilities, limited internet, timeliness of parts arriving all need to be undertaken in a way suitable for customers in Australia.

There are potential consequences in the event of disruptions to supply chains or transportation arrangements, such as those experienced in the initial covid-19 measures. The reduction in airfreight servicing, increased pressure on delivery system has generally increased delivery windows. With the grains industry at a peak period for cropping activities in application of pesticides and initiating seeding operations, any delays cause significant stress and uncertainty and can significantly impact productivity.

The lack of regulatory oversight and the lack of a requirement for a service obligation for companies has allowed for the move to just-in-time service provision. Farmers are generally required to pay on an individual basis for parts to be air-freighted into Australia from overseas, rather than the dealership or machinery company importing the products in-bulk to Australia as they would be if there was a service and parts obligation required of them. While parts availability for agricultural equipment less than 10 years old has generally not been presented by producers as a major issue, a common issue is that while the parts are technically available, some parts are not held in stock in Australia resulting in significant airfreight transport costs and delivery and repair delays.

Unlike the automotive industry, agriculture does not have a legislated minimum number of years of service and parts support for agricultural equipment.

GPA recommendation – dealership service obligations

GPA requests that the ACCC investigate international examples of dealership service obligations, such as those seen in Alberta, Canada, under the Farm Implement Law, and how similar obligations would work in the Australian market to better meet farmer consumer expectations.

GPA recommends that a requirement be put in place for manufacturers to house a proportion of commonly required parts within Australia.

Cost of parts – example

Wheel bearings for seeding box required replacement. A bearing was picked up by the farmer in Perth. $750 for the box with a bearing, $1,500 for a set, $500 for the seal. The cost of replacement for a set of seeding box bearings was $2,000. A set of bearings for a truck was $200.

There is a significant cost difference for parts in the agricultural industry compared to other sectors, i.e. trucking.

Potential considerations with timeliness of repairs

The grain sowing and harvest periods are short but intense periods of predictable activity within the grains industry. There periods are generally predictable within a region and could be addressed through extended service periods.

GPA recommendation
GPA recommends that companies be required to consider providing extended warehouse and service hours during peak agricultural periods, planting and harvest with afterhours warehouse options for urgent parts during peak times.

Case study – farmer in Victoria
A new harvester still under warranty stalled in the paddock during harvest. Farmer contacted the dealership and provided the error code. The farmer was told that the error code did not make sense and they assumed the farmer must have read it wrong. The dealership sent a technician at the earliest opportunity two days later.

The technician indicated he had never seen that error code previously. Biggest concern for the farmer was the two-day response time during a peak period, ultimately with an error code they had no experience with.

Case study – farmer in Victoria
Another issue with a new harvester, still under warranty. An alarm indicated issues with the pully system. The farmer inspected and took photos. The issue was that they were never secured properly, despite a quality assurance sticker next to the mechanism, indicating that it had been installed correctly and verified.

The farmer contacted the dealership with the issue and outlined concerns with the dealerships failure to have the machinery properly assembled, despite providing quality assurance certification on the equipment.

The issue is a clear quality assurance system failure that did not pick up that internal systems had not been secured appropriately.

Case study – farmer on NSW/Victoria border
Issue with the supply and availability of parts, particularly with expedited delivery options.

Farmer paid for overnight freight for an essential part, however it arrived three days later. When contacting the dealership to discuss, they indicated that the overnight freight gets the part for the warehouse overnight but will take an additional day to get on farm.

The farmer indicated that the terminology and freight delivery timeframes were unrealistic and misrepresented the expectations of service.

Other issues - serviceability and working hours of machinery and parts

With the purchase of machinery and equipment, farmers generally expect that the equipment and parts will have a reasonable working period. Extensive research is undertaken prior to the purchase of new machinery as it represents a significant economic outlay.

However, farmers are not advised nor is there consistent information available on a range of aspects that affect the working life of the equipment. There is generally limited information available on:

- the serviceable hours for agricultural equipment and parts to allow planning for replacements, and
- the replacement timeframes for various essential parts of agricultural machinery.

If a farmer knows that a part has a limited working capacity, they are likely to replace prior to failure to prevent significant costs or delays in the future.

Example
A new tractor with approximately 2100 working hours had a water pump failure. The failure of the pump and subsequent damage cost approximately $30,000. Replacing a water pump prior to failure costs approximately $1,200.

In discussions with the dealership, they indicated that water pumps should be replaced after approximately 2000 hours to avoid failure. The farmer was not aware of the different replacement timeframes for the part or the limited working life of the water pump.

The machinery company or dealership may also not be aware of the replacement timeframes for agricultural machinery parts.

There are a number of reasons for this lack of available information:

- Less frequent turnover of equipment by farmers.
- Limited periods of consistent/heavy use of the machinery followed by significant periods where the equipment is barely used.
- Lack of testing of equipment in Australian production system conditions.
- Testing that was done may not have been conducted for sufficient periods of time to allow information on parts failure rates to be gained.

With the above example, GPA acknowledges that all types of agricultural machinery that are used in Australia won't be able to be tested under load or while working for a realistically significant number of hours prior to being sold.

GPA recommendation
GPA requests more information be required to be made available to farmers/customers by manufacturers and supports the provision of additional information to farmers on the reasonable expectations of a parts working life and replacement timeframes. If a company is aware of a part having a limited working life, it is reasonable that the information be made available for farmers to avoid expensive replacements or servicing.

Other issues - connectivity and technology

Agricultural production in Australia is increasingly reliant on technology and communications infrastructure to do business. A major limiting factor for improving productivity is the reliability and service of telecommunications infrastructure in regional and rural areas.

For example – when a tractor that is run on autosteer GPS technology, should the GPS system lose signal with the base station or satellite, the autosteer generally shuts off and the tractor may stop, depending on the system settings and equipment. There is a critical need for timely, operational, remote field support for these GPS autosteer systems.

There has been 85% adoption of autosteer across Australia as it has been proven to deliver a 12%+ productivity benefit to grain production. It is impossible for a driver to accurately operate a tractor without the +/- 2cm accuracy that GPS autosteer systems provide. These systems are now considered critical infrastructure for the grain production sector and yet there is no consistent requirement for service capability.

Data connectivity is increasingly a major issue for serviceability and operations of agricultural equipment. Most agricultural machinery used in Australia is built in Europe or North America and designed for farming areas where cellular mobile phone networks are widely available. Machine manufacturer service support is increasingly dependent on the ability to remotely connect to the machine and manufacturer systems.

However, in Australia, less than 60% of producers have access to mobile telecommunications and data access suitable to access this support[2].

There is a critical need to improve rural data connectivity in Australia to realise potential productivity benefits of up to $7.4 billion/annum worth of value from machine automation using data support and provide the ability to deliver remote service support of equipment. Increasingly there is a need for all dealership/manufacturer field service agents to have mobile SkyMuster access on their service vehicles to enable them to provide additional remote cloud-based diagnostics support and system firmware upgrades for agricultural machinery.

There are also increasingly likely to be issues with the availability of appropriately skilled technical experts and support services for the technology systems used in agriculture. The skill set is generally highly specialised with a wide range of technical expertise required to be able to service the full range of operating systems used.

[2]https://www.crdc.com.au/sites/default/files/CRD18001-001%20CRDC%20P2D%20Report%20low%20res.pdf

There are often issues with manufacturers and dealers tying service provisions such as GPS correction signals with hardware and equipment. As hardware failure issues are often addressed by producers by sourcing new and secondhand parts from dealers in other parts of Australia or overseas, some service dealers have tried to control their market by restricting service only to products they sell, often at greater prices in an effective market monopoly. This can lead to significant costs for producers particularly when changing service providers.

Case study – farmer in Victoria
A tractor and GPS screen were lost in a paddock fire. When replacing the GPS screen, the original stockist did not have a replacement screen available, so the farmer brought from a nearby dealership which had stock available. The GPS screen is valued at approximately $20,000.

The farmer went to install the new GPS screen with their existing GPS system and subscription and were informed that the company will not connect the new screen, as it was not purchased through their business.

The farmer has contacted the company and the head office about the issue and was advised he would need to pay an additional service fee, despite already having two current GPS system subscriptions with the company. The farmer is unhappy with the response and is researching alternative service providers. He is currently unable to utilise his subscriptions due to the lack of screen connection.

Other issues - geographical restrictions

The imposition of geographical restrictions on dealerships should be considered anticompetitive as it limits competition and access to services. The use of geographical restrictions means farmers that are brand loyal (use the same machinery company for most equipment) are limited in their options to get service beyond their geographically designated local dealership.

This also applies to farmers who have purchased equipment outside of their designated area who are not able to have the equipment serviced by that dealership and must utilise the locally available service due to geographical restrictions.

The use of geographical restrictions may mean that farmers may be forced to change machinery companies as a method of creating competition. However, farmers that are brand loyal do not have the option. Farmers that utilize multiple brands may have issues with system compatibility and connectivity with systems that do not work together.

Geographical restrictions are not implemented in the purchase of other vehicles and consumer goods, allowing consumers to consider the best deals available to them across a number of dealerships, companies and areas and to seek post-sale services in the same way.

GPA believes there is no justification for the use of geographical restrictions for agricultural machinery dealerships.

Other issues - service obligation

If a machinery company pulls out of the Australian market for whatever reason, there is likely to remain machinery or equipment in Australia that will require a level of service, whether in servicing, parts or technical support.

GPA recommendation
Grain Producers Australia requests that any company that no longer participating in the Australian market be required to make available third-party access to support their customers.

Other issues - financing through machinery companies

In the process of purchasing machinery, farmers may use the machinery company or dealership to access finance options.

One of the finance options available and popular for to farmers/farm businesses is entering into a chattel mortgage. This means that the dealership loans the farmer the money to purchase the equipment, the farmer takes possession of the equipment but the dealership places a mortgage over the equipment "as security" until final repayment is received.

This arrangement may place pressure on farmer with regards to their relationship with the machinery company or dealership. It can also be seen to reduce the farmers options for recourse should a fault with the equipment arise.

Other issues - alternative methods to access agricultural machinery in Australia

A number of farmers provided information that they have considered or investigated options for importing machinery directly from the United States or Canada. There has also been an increase in the number of businesses that provide these services to Australian farmers.

A number of factors influence the decision, including the lack of interest from local dealerships in meeting farmer needs and expectations, the significant cost of buying from a dealership compared to purchasing and then importing direct from US/Canada, the change in the value of the Australian dollar, the increased companies offering freight, quarantine and cleaning services.

A farmer recently brought a header to Australia from Canada, including the cost of purchasing and importing it, it still arrived on-farm cheaper than the best deal their local dealership was willing to offer for a comparable model. The price saving was significant enough that the farmer will be importing in the future and has been encouraging their neighbours to consider options.

However, the potential service and parts implications of not having a (purchase-based) relationship with the local dealership are yet to be put to the test.

Other issues – Lack of consumer law protections

Current Australian consumer laws do not cover equipment beyond $40,000 for the agricultural industry. Purchasers of agricultural machinery are denied rights to repair, refund, compensation and other remedies under the Australian Consumer Law, Consumer Guarantee protections.

However, there are currently exemptions from the $40,000 limit which enable business vehicles or trailers that have been used for transportation of goods to be covered by consumer protections. There are protections in place to ensure that those who have purchased vehicles or trailers: "Businesses must provide automatic guarantees regardless of any other warranties they give to you or sell you. If a business fails to deliver any of these guarantees, you have consumer rights for:

- Repair, replacement or refund
- Cancelling a service
- Compensation for damages and loss

GPA is asking for consideration be given for including agricultural machinery and equipment of value greater than $40,000 to be granted an exemption from the current limitations of the Act and therefore included under Australian consumer law protections.

Given the information and case studies provided as part of this submission it is clear there is need for grain producers and other purchasers of agricultural machinery to have protection under consumer laws with particular reference to the following provisions listed on the ACCC website:

***Products** must:*

- ***be fit for the purpose** the business told you it would be fit for and for any purpose that you made known to the business before purchasing*

- *not carry any hidden debts or extra charges*
- *meet any extra promises made about performance, condition and quality, such as life time guarantees and money back offers*
- ***have spare parts and repair facilities available for a reasonable time after purchase** unless you were told otherwise.*

***Services** must:*

- *be provided with acceptable care and skill or technical knowledge and taking all necessary steps to avoid loss and damage*
- *be fit for the purpose or give the results that you and the business had agreed to*
- ***be delivered within a reasonable time** when there is no agreed end date.*

Consumer guarantees on products and services also apply to:

- *bundled products and services*
- *sale items*
- *online products and services bought from Australian businesses*
- *second-hand products from businesses, taking into account age and condition.* [3]

GPA recommendation
Grain Producers Australia requests the ACCC undertake additional analysis to investigate and allow the inclusion of agricultural machinery and equipment, irrespective of cost to be covered by the Australian consumer guarantee provisions.

[3] https://www.accc.gov.au/consumers/consumer-rights-guarantees/consumer-guarantees

Grain Producers Australia background

Grain Producers Australia (GPA) represents Australia's broadacre, grain, pulse and oilseed producers at the national level. Grain Producers Australia works to foster a strong, innovative, profitable, globally competitive and environmentally sustainable Australian grains industry. Representing 5200 farm businesses, it strives to represent Australian grain farmers nationally and internationally in their contribution to sustainable development and society.

Working with its members – state farm organisations and farmers across the grain production area of Australia - GPA advocates for sound outcomes that deliver a positive commercial result. GPA is a not-for-profit company limited by guarantee. GPA is governed by a board, elected by its members.

The objectives of GPA are to:

- Provide a strong, independent, national advocate for grain producers based on a rigorous and transparent policy development process.
- Engage all sectors of the Australian grains industry to ensure operation of the most efficient and profitable grain supply chain.
- Facilitate a strategic approach to research, development and extension intended to deliver sound commercial outcomes from industry research.

The GPA policy council is strategically focused on three pillars of economic development, social responsibility and environmental management.

Our policy council includes representatives from State Farm Organisations including:

- Agforce Grains
- Grain Producers SA
- NSW Farmers
- Victorian Farmers' Federation Grains Group
- Tasmanian Farmers and Graziers Association
- WAFarmers
- WA Grains Group

GPA represents the grains industry and manages the biosecurity program as a member of Plant Health Australia. GPA is a joint Representative Organisation (RO) responsible for overseeing the performance of the Grains Research and Development Corporation (GRDC).

Kind regards,

Andrew Weidemann
Chairman
Grain Producers Australia