


CAR RENTALS:

Companies must show the total cost of hire



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The car rental industry plays an important role in the Australian economy. Every day, thousands of Australians will rent motor vehicles for different uses—to go on holidays, to move house or for work.

IN MOST CASES, consumers want to pick up their vehicle in a quick and easy transaction so they can drive away and get on with their plans.

However, car rental contracts are usually detailed, lengthy documents designed to cover the range of issues that may arise during the rental period, such as accidents or breakdowns. It is important, then, that any representations made to the consumer, whether about price, vehicle condition or insurance are clear and accurate. This is not just good business practice—it is required by law, including the *Trade Practices Act 1974* and other fair trading legislation.

The Australian Competition and Consumer Commission recognises the challenges some motor vehicle rental businesses face in their dealings with consumers and their efforts to comply with the Act and other fair trading legislation.

To help businesses in the sector meet their obligations, the ACCC recently produced a publication called *Fair trading in the rental car sector*, which was developed with input from representatives of the rental car sector and state offices of fair trading.

The booklet sets out rental companies' obligations under the Act and provides suggestions and further information on how companies can ensure they meet those obligations.

The guidelines broadly cover trade practices related issues such as misleading and deceptive conduct, the full cash price and unconscionable conduct. They also address specific issues such as disclaimers and fine print, special offers and bait advertising, component pricing and optional extras, and hidden fees and charges. There is also a detailed section on car rental contracts and the myriad issues that can arise from them.

While it recognises the importance of providing guidance to businesses on their obligations, the ACCC will take enforcement action against conduct that breaches the Act. One such action, taken in December 2009, has resulted in Avis Australia providing the ACCC with court enforceable undertakings and changing its website advertising to ensure that all mandatory fees and charges are included in quoted prices.

Avis has acknowledged that it was likely to have contravened a recently amended section of the Act by not displaying the full price that would be payable for a hire vehicle.

The ACCC's concerns about Avis's pricing practices related to amendments to section 53C of the Act that took effect on 25 May 2009. Those amendments require businesses that use component pricing (that is, that show the cost of the various parts of a product or service) to also specify a single (total) price for the goods and services, including all mandatory charges quantifiable at that time.

Between 25 May 2009 and 30 October 2009, the reservation pages on the Avis website did not show or include mandatory fees and charges that would be added to the customer's bill when picking up the vehicle.

These mandatory fees and charges, including an administration fee and goods and services tax, were not included in quotes provided to customers.

In the undertaking provided to the ACCC on 24 December 2009, Avis agreed, in addition to changing its website, to write to all affected customers and refund the amount of the additional fees and taxes customers had paid which were not disclosed at the time of making the reservation.

Avis will also place a corrective notice on its website for a period of four weeks apologising to consumers and ensure its senior executives receive practical trade practices law training.

Fair trading in the rental car sector is available in hard copy from the ACCC's Infocentre by phoning 1300 302 502 or can be downloaded from the ACCC's website, www.accc.gov.au.