

# Submission for Motor Vehicle Standards Act 1989 Review

My name is Kristian Appelt, owner of a number of businesses specialising in importing used vehicles to Australia.

My apologies for starting on a negative note, but I'd firstly like to note my frustration at the way the consultation process has been conducted so far.

My businesses help clients import vehicles under every concessional import scheme currently available, and as such, my staff and I are in contact with the Vehicle Imports section of DIT on a daily basis. Despite this, I was only made aware of the existence of the Public Consultation webpage with two weeks to spare before the deadline, and only after a colleague happened to discover its existence whilst browsing for other information.

As a result, I have missed the opportunity to attend any of the consultation workshops, aside from the Brisbane workshop, for which I must now cover my own travel expenses to attend. Likewise, many RAWs and other stakeholders were not notified of the consultation process taking place, despite their livelihoods depending on the outcomes.

To address the points listed in the consultation paper:

## **2a. The Objects of the Act**

*Have the Act and its Regulations effectively reduced this burden?*

Yes, they have certainly helped make the importation of vehicles (both new and used) more consistent across all states. Unfortunately, the state-by-state inconsistencies return when the time comes to complete the registration process, causing great frustration for importers and other stakeholders. To truly remove or reduce the regulatory burden, the vehicle registration process should also be controlled by the Commonwealth rather than the states.

*Considering the range of concessions to the ADRs available through the low volume scheme and other discretionary arrangements for new vehicles (e.g. over length vehicles, special purpose vehicles), is this object still appropriate?*

Yes, as there must be a balance struck between opposing needs – consistency v flexibility.

*Has the Act achieved the desired balance and are appropriate categories of used imported vehicles covered?*

The appropriate categories of used import vehicles are covered within the Act, but numbers of vehicles being imported these categories has become unbalanced in recent years.

*Given the global environment for the automotive industry, should there be no or fewer restrictions on the importation of used vehicles?*

I believe that there is scope for widening the availability of imported used vehicles, although I don't feel a New Zealand-style 'open slather' approach is the answer. Recent free-trade agreements with countries such as Taiwan have handed new car importers a massive free kick in terms of reducing their importation costs, in turn enabling them to reduce the sale price of their vehicles. While this obviously hurts local manufacturers, who have largely been unable to compete on price, it also hurts the used imported vehicle industry (consisting of far smaller businesses) for the same reason.

#### **4a. Registered Automotive Workshops**

*Do the RAWS provisions undermine, support or enhance the main policy objective of road safety and in what way?*

As the regulations currently stand, the scheme (on paper at least) does a very good job of supporting the objective. Given the similarities of the vehicles being imported to those sold new in full volume, the vast majority of vehicles imported by RAWs require little modification to meet relevant ADRs, certainly in terms of safety.

*Has the RAWS effectively contributed to the appropriate balance between segments of the automotive industry, that is, brought the low volume focus back onto specialist and enthusiast vehicles and if not, why?*

It has, but probably a little TOO effectively. It is frustrating to see such the number of vehicles imported by RAWs restricted to less than 1% of the new vehicle market while vehicle numbers under other schemes (such as off-road vehicles and the pre-1989 rule) continue to grow exponentially and unabated.

*Is the RAWS appropriately designed for the current context of specialist and enthusiast vehicles and if not, what elements need improving to better deliver the second object of the Act (to regulate the first supply of used imported vehicles)?*

*What are its strengths?*

As it currently stands, the requirements for becoming a RAW have become a sufficient deterrent for many 'cowboys' who were operating in the industry prior to its introduction. The standard of compliance is generally higher than it was previously.

*What are the weaknesses?*

- 1) The number of RAWs allowed to operate is unrestricted, resulting in large numbers of workshops spending significant amounts of time and money getting set up to become a RAW, only to find they're competing for a finite number of vehicles with everyone else. This results in a 'race to the bottom' in terms of prices being charged, which in turn results in corners being cut when cars are complied, in order to save money.
- 2) The SEVS criteria is interpreted far too vigorously in defence of the second object of the Act, resulting in many makes and models with clear enthusiast appeal being rejected for importation through RAWs.
- 3) There are enormous regulatory burdens placed on RAWs (who are, for the most part, small or micro businesses) and yet the income they can generate is also limited by the number of vehicles they can comply. The ability to continue operating profitably in the current economic climate is under fairly serious threat for a vast number of them.

*How successful have the legislated controls been in preventing undermining of the RAWS objectives?*

As mentioned, they have been very successful on paper - one would argue that they've been a little TOO successful. See the following point for more information.

*Any other comments on the purpose and effectiveness of the RAWS?*

As a scheme, it has been very effective, but the number of RAWs operating needs to be restricted in order to preserve the original intentions of the scheme whilst enabling them to operate profitably.

As it currently stands, there are no restrictions on the number of RAWs, and when profit margins get

squeezed (both by increased competition and by the increasing cost of complying with the legislated controls), cracks start to appear. In my line of work, I now regularly see RAWs complying cars that other workshops would have outrightly rejected, turning a blind eye to structural damage or corrosion because they're so desperate for the work. Purchasing and compliance of vehicles that have had their odometers wound back is also becoming more prevalent as dealers try and find ways to ensure they remain operating (as a side note, this is easily preventable within the current RAWS documentation requirements, it's just that no-one is bothering to check currently). So while the number of vehicles being imported may have remained low, some of the vehicles now being imported are of poor standard, which then undermines the policy objectives of improving vehicle safety and emissions.

In my opinion, RAWs are an under-utilised resource. More on that later.

#### **4b. Other Concessional Options**

*Should the Act continue to provide regulation of used vehicle through concessional schemes? If no, what other mechanisms should be considered to control the importation and supply to the market of used vehicles?*

There does need to be regulation of used vehicle numbers through concessional schemes, but there are glaring inconsistencies between the schemes, and the numbers of vehicles being imported under the various schemes needs to be better balanced.

*In retaining the concessional schemes, are each of the current options still warranted or can they be rationalised?*

The options are still warranted, but need to be revised slightly to reflect the changing needs of the market.

The pre-1989 rule (Regulation 17) is based around an arbitrary date – there are plenty of vehicles built after 1 Jan 1989 that would now be considered classics, in the same way there are many vehicles built prior to 1989 that would not.

*Are there changes to the concessional options which might improve access to a broader range of vehicles for consumers without compromising road safety, environment and security outcomes?*

There are a variety of ways to allow consumers greater access to used imported vehicles, some are simpler than others. The following are a variety of options, and could be implemented separately or as a whole.

**Idea 1 – allow variants of models sold in Australia in full volume to be eligible through RAWS if they meet the SEVS criteria.** In other words, a Subaru Forester STi would become eligible (after the normal 18 month waiting period) if Subaru chooses not to sell this variant in Australia in full volume, providing it meets the eligibility criteria. The Mitsubishi Evolution 9 wagon, currently ineligible through SEVS as a variant of both the Evolution 9 sedan and base model Lancer wagon, would be considered eligible. The BMW M5 wagon, which cannot be currently imported as it's a variant of the M5 sedan sold here in full volume, would become eligible.

Likewise, there are a number of hybrid and low-emissions variants of full volume vehicles not being sold in Australia. If the Commonwealth government is serious about its commitment to the environment, then allowing eligibility for all hybrid or low emissions vehicles, irrespective of whether or not the 'standard' variant is already sold in Australia in full volume, would go a long way to achieving this goal. For example, the Toyota Alphard Hybrid, a model not sold in Australia, would become eligible. The Nissan Altima Hybrid would also become eligible, even though the petrol-

powered model is sold here in full volume. At worst, it may force manufacturers to reconsider adding more hybrid models to their mix.

**Idea 2 – create a Used Import Scheme for vehicles under 10 years old.** This replicates a similar setup to New Zealand where a conscious effort has been made to reduce the average age of the vehicle fleet. Eligible vehicles would be any models not sold in Australia in full volume (allowing the manufacturers the standard 18 month window to bring the model in themselves first) and would be complied by current RAWs. By limiting the number of RAWs and the number of vehicles they can comply, numbers should, by deduction, remain capped. It would still need to operate in conjunction with SEVS depending on the mix of schemes available, so the maximum numbers for the two schemes would need to be reconsidered.

**Idea 3 – a 15 year rule and a 30 year rule.** Rather than basing the classic car rule around a cut-off date, revert to basing it on the age of the vehicle, but in a graduated manner. At 15 years of age, any vehicle becomes eligible, but it must first meet one of the four current SEVS criteria (and must be applied for, and approved before importing) and must be complied by a RAW before it can be registered using criteria applied to individual vehicles rather than the sample vehicle process used for RAWs. Once the vehicle reaches 30 years of age, all vehicles then become eligible, as is currently the case for vehicles built prior to 1989, but they must also use a RAW to comply them. Like idea 2, this allows for RAWs to be used more widely than they currently are. This would operate in conjunction with the current RAWs.

*Are there undesirable competitive or equity impacts that should be addressed by changes to the Act or these options?*

In its current form, I believe the Act unfairly disadvantages importers of used vehicles, reduces competition in the market and reduces choice for the consumer.

In terms of SEVS criteria, the requirement that a feature article be published in written form is fast becoming difficult to achieve in an era where media outlets are switching to on-line publication. Enthusiasts tend to congregate in on-line forums and on social media rather than buying magazines, so if this criterion is going to be retained, it needs to be revised in light of current publishing trends. Ideally, I'd prefer to see that criterion scrapped and SEVS eligibility be decided on meeting one of the other three criteria.

As mentioned, the scope for allowing imported used cars into Australia needs to be widened, but in a way that is structured to maintain a cap on overall numbers, and in a way that benefits RAWs, who've already met all the requirements to operate but who in many cases are finding it difficult to keep their businesses afloat in the midst of heavy competition and regulatory requirements, both at state and federal levels.

Ideally, discussion about streamlining the importation process (and this affects ALL imported vehicles, new and used, full volume and low volume) should include tackling the widely-varying registration requirements from state to state. The only way the Act will truly achieve its goals is for the Commonwealth to take over responsibility for vehicle registration and roadworthiness so that there is the consistency everyone is striving for. At the moment, getting vehicles registered is an ongoing exercise in frustration.

If an opportunity exists to be involved in further discussions regarding changes to the Act, I'd be very keen to be involved if possible. Please let me know if and when further reviews take place.