

Submission 37: RVS Legislation Consultation

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The journey starts here...

Friday, 16th February 2018

SEVS REVIEW TEAM

The Department of Infrastructure and Regional Development

REFERENCE: PROPOSED CHANGES TO SEVS – COMMERCIAL-IN-CONFIDENCE

My name is John Jeffreys. I am Managing director of The Motor Home Conversion Company Pty Ltd.

In 2006, I established my company, with a view to tapping into the growing retiree market. We did this by importing used buses from Japan and fitting them out to meet Australian specifications for long term use.

Why do this? Why not fit out locally sourced buses, and fit them out? These are the reasons:

- The types of vehicles best suited to the market we service are: Toyota Coaster, Mazda Bongo, and Toyota HiAce.
- These vehicles range in age between 20 and 5 years old.
- Spare parts are generally, readily available across Australia. This includes remote areas, where our customers frequently travel.
- They are low mileage, and high quality, and in a configuration not usually available in the Australian market.
- Our customer base does NOT WANT the configurations that are generally available in vehicles imported as new into Australia.
- Based around these imports, we service a niche, yet important market segment, at a both a price and specification level, not otherwise available.

Why what we do is **A GOOD THING** for the Australian Market, and the Local Australian Economy:

THE AUSTRALIAN MARKET

1. Vehicles that are acceptable alternatives do not exist in Australia. There exist significant specification variances in models and configurations.
2. We follow a process of quality, carefully selected, lower mileage vehicles versus higher age of local vehicles (a significant safety, and pollution consideration).
3. They fit into an offering category (as to price and specification), that is otherwise not available to the market in Australia.
4. The vehicles we import are manufactured in the same factories, and to the same standards, as those that are imported to Australia as new vehicles (albeit as different configurations).
5. There is high accessibility of spare parts and components, as well as repair and servicing skills, Australia wide. This is highly attractive to travellers in remote areas. This represents a significant advantage over more complexly engineered, and rarer forms of imported motor homes (which can fit into the new rules)

WHY DO YOU WANT TO DESTROY THIS?

THE LOCAL AUSTRALIAN ECONOMY

1. We directly employ around 21 people. These comprise a range of trades and professions. Our employment of these people, also directly contributes to their retirement through the provision of superannuation benefits of over \$70,000 per annum.
2. Our business currently sells over \$8 million worth of product annually and continues to grow. It provides GST revenue to the Commonwealth of around \$800,000 per annum.

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3. We provide work for as many as 72 local contractors, across a range of trades. Areas which immediately come to mind include:
 - shipping and import agencies,
 - auto electricians,
 - gas fitters, ○ mechanics, ○ panel beaters, ○ compliance organisations, ○ motor-trimmers, ○ machinery suppliers, ○ marketing agencies, ○ web, and social media agencies ○ Tow-bar installers
4. We provide direct inputs to the local economy (by way of materials, services, rents, etc) of around \$6.5 million annually. This ignores the downstream flow-on from these enterprises, themselves.
5. The credibility of the work we do in fitting converting our vehicles is underpinned by the fact we offer (AND HONOUR), a 5year warranty on all mechanical components, and a lifetime warranty of our fit-out workmanship.

WHY DO YOU WANT TO DESTROY THIS?

DEMAND FOR OUR OFFERING

1. Our offering has been widely embraced by the retiree market, as it provides them access to a vehicle, that achieves their dreams. It gives the market access to a standard of fit-out and specification, that would not otherwise be available to them.
2. We currently maintain an active data-base of over 40,000 people across Australia; who have actively expressed, and maintain interest, in our offering.
3. Collectively, we import, fit-out and sell, around 100 vehicles per annum. It is VERY significant to the niche market we service. It is VERY INSIGNIFICANT to the number of vehicles imported overall.
4. We DO NOT undertake a program of pretending to be a motor home conversion company, and then – by unscrupulous means – reconvert and sell our product as buses (as a small number of operators do). This is NOT our business model, and never has been. We can clearly demonstrate this, and invite examination of our history.

WHY DO YOU WANT TO DESTROY THIS?

It appears from public discussions leading up to the introduction of the Bill, and an examination of the Exposure Draft, that much of the impacting issues are reflected in Rules that attach to the Bill and seem (in some instances) to have been almost arbitrarily arrived at (*for example, import of some vehicles such as Toyota Estima and Grande have been given an extended period of grace, due to the fact those models are decreasing in availability, and the impact on the business models of the Importers*). This position is farcical, as that business model is now winding down, anyway, as the availability of the models the subject of the “period of grace” is now almost fully exhausted. The limiting to Motor Home imports to those originally fitted out as Motor Homes (directly or in other association) by the original manufacturer also defies reason.

The Rules allow for a pathway to Entry (other than new vehicles) that has six eligible components, based around: (1) Performance, (2) Environmental, (3) Mobility, (4) Rarity, (5) Left Hand Drive, (6) Campervans and Motor Homes (being vehicles that have been originally manufactured as such). As to (6), we do not fit this criterion and the Rules

are now skewed in favour of imports that have no/limited-value add in Australia (and have NO LIMITS as to age, condition, or quality of offering).

As a matter of principle, our Company embraces any changes that positively impact road safety, and the environment; however, in this instance, we believe the proposed legislation is throwing the baby out with the bath water. The proposed Bill, states as its objectives, in the OUTLINE, and refers to principles of: “safety, security, and ant-theft” standards. It also refers to environmental and other technological principles. I am at a loss to see how the nature of our imports offends against such objectives; or – if concerns exist – why additional, practical safeguards could not be implemented.

The result of these changes, if implemented as drafted, will outlaw the import of the vehicles we currently fit-out and sell to our customers. The direct impacts of this are:

- The probable destruction of a business, which directly employs around 21 people. These comprise a range of trades and professions.
- The loss of GST revenue of around \$800,000 per annum.
- The loss of additional, direct inputs to the local economy (by way of materials, services, rents, etc) equating to around \$6.5 million annually. It will also impact the downstream flow-on from these enterprises, themselves.
- The destruction of an offering that is in high demand to a niche, but important market, with little comparative alternative.
- Until recently, the proposed changes have been something that was being worked through, and now the content and impact is clear. Our business holds a number of long-term finance and property obligations, which will be impacted by the short-term nature of the changes. These obligations will survive the proposed 2-year time-line to stop importing. I believe that any changes should, at least – if not changed to permit long-term the imports we make – should at least reflect a period that gives us time to manage our financial and property obligations.

The new Rules will totally skew the market in favour of new, fully imported (including fit out) European vehicles of lesser specification (as to size, and flexibility), and significantly higher cost (in the range \$110,000 to \$140,000); whereas our own price range (as to Coasters) is \$80,000 to \$140,000), with most of the proceeds being local value adding. This means that our customer base will be either: denied access to the vehicle they want (due to cost) or be moved across to an offering that is less desirable for them.

To be blunt, this Policy – whilst targeting admirable objectives under the broader scheme of things – is a madness so far as our small section of the Industry is concerned. It denies a significant product offering to a segment of the market, adds nothing to safety, nor to the environment, AND destroys a significant value adding enterprise in the process. All it does is advantage a limited number of importers with little, if any, meaningful value adding to the local economy.

I believe the impact that this new legislation has on our business, and the consequential loss of jobs and value adding to the local economy, should be of concern to all legislators (both State and Federal).

I therefore request that one of the following amendments be made to the Legislation/Rules as drafted:

1. An amendment to the Entry Pathway (6), by the extending it to include vehicles that are intended to be, and actually are, upgraded to a particular standard of Motor Home. There is no reason this could not be a conditional exemption, subject to actual conversion occurring, OR
2. By amending one of the other Entry Pathways, OR
3. By adding another Entry Pathway, OR
4. In a worst-case circumstance, allowing a longer term (say 5 years – certainly much more than 2) phase out, so that the impact on the business, its employees, and the local economy is minimised.

I look forward to my submission being given thorough, and positive consideration.

Sincerely,

John Jeffreys
Managing Director