

Submission 54 – RVS Legislation Consultation

Submission to the Road Vehicle Standards Bill 2018 February 16, 2018

Charin PTY Ltd (Charin) welcomes the opportunity to provide comment on the Australian Government's proposed Road Vehicle Standards Bill 2018 and associated proposed legislation, in particular the Road Vehicle Standards Rules (RVSR).

About Charin

Charin is a Brisbane based company that trades in import vehicles from Japan under the name Autoterminal Australia. The company started business over 15 years ago and during this period has imported over 2,000 vehicles from Japan which it has wholesaled to Australian motor vehicle dealers.

Summary of Charin's position

The purpose of this submission is to demonstrate that:

1. The Government is not following the advice of all the experts they have commissioned to report on the benefits of restricting the import of used vehicles into Australia and as a result are not achieving their stated purpose in implementing this new legislation governing motor vehicles – to increase the choice of the Australian car buyer.
2. The existing volume of vehicles show that the Australian consumer has a need for vehicles that are not available in Australia in the same condition and specification at the same price.
3. The proposed changes provide no certainty of volume for our customers. There has been no modelling or research provided to us or our customers evidencing how the Ministry has determined the proposed changes will impact on volume. The information we have on the available vehicles show that numbers will be severely restricted with estimates showing 75% of vehicles currently entering Australia will not comply. Any changes need to provide existing industry participants with certainty around their business.

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4. Our customers are, without exception, all small businesses that employ only a few staff. We write this submission in part on their behalf, as we know they do not all have the resources to be able to make their viewpoints known in this formal process.
5. Pathways exist to deliver safe vehicles that meet the needs of the Australian consumer at a fair price leading to a newer fleet and improved driver safety for the Australian driving public.
6. All vehicles purchased from Japan that are over 20 years old are specialist and enthusiast vehicles as the economics of exporting a vehicle require the vehicle to have a minimum value in the destination market.

Expert Advice

The website of the Department of Infrastructure, Regional Development and Cities highlights the history of the reform of the Motor Vehicle Standards Act and the various reports that have been prepared to assist the Ministry in this review. The reports and statements from them are contained below:

1. **Productivity Commission Report (2014)** – “The Commission expects that, in the long term, the progressive relaxation of restrictions on the wide-scale importation of second-hand passenger and light commercial vehicles would have net benefits for the community as a whole.”
2. **Castalia Report (2014, released 2017)** – “There are significant net welfare gains to be realised from deregulating the trade in used imported cars.”
3. **Harper Report (2015)** – “The Panel’s view Parallel import restrictions are similar to other import restrictions (such as tariffs) in that they benefit local producers by shielding them from international competition. They are effectively an implicit tax on Australian consumers and businesses. The Panel notes that the impact of changing technology means that these restrictions are more easily circumvented. Removing parallel import restrictions would promote competition and potentially lower prices of many consumer goods, while concerns raised about parallel imports (such as consumer safety, counterfeit products and inadequate enforcement) could be addressed directly through regulatory and compliance frameworks and consumer education campaigns.”
4. **Castalia Report (2015, released 2017)** – “We find significant net benefits would accrue from deregulating the (used car) trade.”

All of the reports commissioned from three independent experts provide clear direction to the Ministry that deregulating the trade in used imported vehicles would provide significant gains to Australia.

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The proposed RVSR proposed do the opposite to what the experts have recommended, rather than deregulating and increasing consumer choice – they intend to further restrict the trade in imported vehicles from Japan. The main opposition to deregulation is coming from one main group representing the Australian new vehicle importers. It is clear from the RVSR that the Ministry places more weight on the viewpoints of the new vehicle importers than it does over the opinion of its own experts.

We urge the Ministry to live up to its mandate, to improve the choice of the Australian car buyer, to realise the gains and benefits of deregulation expected by the experts to all Australians and to put these benefits before the interests of a select group with a vested interest in seeing the market restricted.

Current Australian Market

The existing Australian market predominantly involves the supply of people movers just as Toyota Estima's and Nissan El Grand's. Family vehicles that have 7 or 8 seats and allow a family and friends to travel safely in comfort. While I understand that these vehicles are being imported into Australia using a channel that was not originally designed for such vehicles, the volume of vehicles clearly shows that there is demand that the local market cannot supply. Our customers in Australia inform us that these vehicles sell so well because for the same price the main other option the consumer has is a local Toyota Tarago or similar that is older with significantly more mileage. Sometimes in excess of 200,000kms.

The sales for new vehicles show that the existing rules have not impacted on new car sales of people movers, which have enjoyed record years. This is understandable as a person who is purchasing a \$15,000 2005 Toyota Estima cannot afford \$50,000 to purchase a brand new Tarago. All of the vehicles we are selling to our customers are in the price range that are affordable for the average Australian family. Allowing these vehicles to continue to enter the Australian market continues to give the Australian consumer choice. Preventing the importation of these vehicles removes choice.

If the existing Australian market can meet the needs of the car buyer then we are not importing and selling these vehicles. The current Australian market only exists because there is a need.

We urge the Ministry to live up to its mandate, to improve the choice of the Australian car buyer, to continue to allow these vehicles to be eligible to be imported and to maintain the ability for Australian working families to import a safe, reliable, lower mileage vehicle. Prohibiting the importation of these vehicles which are currently allowed to be imported reduces the Australian car buyer's choice.

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Proposed Volumes

The imported used vehicle motor vehicle has been operating in Australia for over 20 years. Most of our customers are well established and have invested heavily in their infrastructure to enable them to import and sell vehicles. The car business is capital intensive, regardless of the size of your operation.

A major concern with the proposed RVSr is the lack of certainty around the volume of vehicles used car importers are able to bring into Australia. We have been provided with no modelling, research or information evidencing how the Ministry has determined how the proposed changes will impact on volume. There are two issues we have identified in the RVSr that impact on potential volumes.

The first is in section 17 (1) (a) (i) where a vehicle can only be entered onto the SEVS register if it has not been provided in Australia, **at any time**. This creates an unnecessary restriction and is against the spirit of the RVSr which is to allow choice to the car buyer to import a vehicle they cannot purchase in Australia.

The second is in sections 117 to 123 which outline the criteria for entry onto the SEVS register, reviewing these in turn:

1. Performance Criteria – based on our research we can identify a very limited number of vehicle models that meet this performance criteria that would be economically viable to bring to import. The choice for the car buyer is going to be very limited under this criteria.
2. Environment Criteria – this criteria has scope to import a range of vehicles but its potential is unknown, especially given the vagueness around the wording in the criteria. To date there has been a very limited uptake of vehicles that meet this criteria. For example the Nissan Leaf electric vehicle was pulled from sale due to lack of sales.
3. Mobility Criteria – this is a specialised market which will provide a limited volume of vehicles into the market.
4. LHD criteria – this is a specialised market as the vehicles still need to be converted to RHD. The cost of conversion starts at \$30,000, this limits the vehicles that can be imported under this criteria.
5. Campervans – the requirement that the vehicle be manufactured as a campervan will exclude the vehicles that are currently being converted into campervans and used by multiple rental companies. This must be reviewed as the impact on the tourism market will be immense as there are no other suitable vehicles for the rental companies to use.
6. Rarity – by definition this applies to rare vehicles and will be low volume

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Our calculations show that numbers will be severely restricted with our estimates showing 75% of vehicles currently entering will not comply. Any changes need to provide existing industry participants with certainty around their business.

We urge the Ministry to live up to its mandate and improve consumer choice by:

1. Deleting the words “at any time” from the RVSR section 117 (1) (a) (i)
2. Clarifying the environmental criteria in conjunction with the used import industry so it is clear what vehicles will meet the criteria and to model potential volume
3. Conduct modelling in conjunction with the used import industry on the thresholds for the performance criteria to ensure that there is a decent volume of vehicles that fit the criteria and are economically viable to import into the Australian market.
4. Change the definition on the campervan criteria to include vehicles that are permanently converted to a campervan.

Section 117 of the RVSR further restricts the choice of car buyers by requiring that a vehicle be a “variant” of the model of road vehicle, with variant defined in section 124. This variant is very prescriptive and difficult to apply.

We urge the Minister to work with the used vehicle import industry to simplify the definition of variant and confirm as part of their modelling the numbers of vehicles that will meet the revised definition will meet the mandate of increasing car buyer’s choice.

Small Business Customers

All of the customers we currently sell vehicles to are all small often family businesses. They operate workshops or dealerships that import volumes between 5 to 20 vehicles a month. They normally have less than 10 employees in a variety of roles such as mechanics, sales staff and general administration. Their business will support other small businesses in their area such as transport companies, panel and paint shops, mechanical workshops and groomers, as well as supporting the larger warranty, insurance and finance companies. These businesses are very sensitive to changes in the rules and the costs of doing business.

We urge the Ministry to consider these small businesses in finalising the RVSR. The RVSR as proposed will reduce volume and will hurt these small business at the benefit of the larger new vehicle importers.

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Pre-import Inspection

While I understand that there have been relatively few, if any, safety issues with Japanese imported vehicles on Australian roads it is important that the vehicles entering the Australian fleet are safe, have structural integrity and are of acceptable condition to go on Australian roads.

Japan exports vehicles to a number of markets where pre-shipping vehicle inspections are required – New Zealand being the largest. There is an existing pathway where vehicles go through a pre-shipping inspection to ensure that the vehicles being exported are up to the minimum standard at minimal cost. Having such a process ensures that the vehicles entering the Australian fleet improve the overall quality of the fleet.

We urge the Minister to implement a pre-import vehicle inspection to safeguard the used imports entering into the Australian vehicle fleet.

25 Year Rule

We support the move by the government to change the age restriction eligibility criteria in section 36 so that the age is based on a rolling date rather than a fixed one. This improves the car buyer's choice.

However we would like the government to reduce the age limit from 25 to 20 years.

All of the vehicles over 20 years of age that could be imported are special interest or enthusiast vehicles. The cost of shipping a vehicle internationally means that the only vehicles that have a special interest or that are an enthusiast vehicle are economic sensible to be purchased.

We urge the Minister to live up to its mandate and improve car buyer choice by changing section 36 (1) (b) from 25 to 20 years.

I appreciate you taking the time to read my submission and look forward to seeing positive changes for my business, the business of my customers and increased choice for the car buyer.

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