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Submission 72 – RVS Legislation Consultation

The Secretariat
The Department of Infrastructure and Regional Development

MVSAreview@infrastructure.gov.au

Reforms of the Motor Vehicle Standards Act 1989

Thank you for providing the opportunity to respond to the proposed Road Vehicle Standards Bill 2017 and related Rules.

Nichibo Australia is a wholly owned subsidiary of Optimus Group based in Tokyo Japan. Optimus participates in the mobility industry through vehicle trading, logistics and inspection services in a number of countries. Nichibo Australia is presently undertaking research in the Australian market in respect of business opportunities.

We are very passionate about vehicles and in particular we are keen to see Australia take a more active role in respect of Environmental Vehicles. We feel that Australia is lagging the rest of the world in this important area of development and would like to see the Federal Government foster an environment that encourages greater consumer uptake and competition of these vehicles..

Your department has a great opportunity with the rules that support the Bill(s) to help provide an affordable alternative to internal combustion engine vehicles and promote competition in the early stages of this growing market segment. This could be achieved by allowing more electric and Hybrid vehicles to qualify for entry onto the SEVs Register. Our thoughts on this are contained in the following pages along with our summary of recommendations.

Nichibo Australia sincerely appreciates the opportunity to comment of the proposed reforms and I would very happy to meet with your team to further discuss our recommendations at a time convenient. If you require further information, please feel free to contact me.

Regards,

Don Rossell

Director - Nichibo Australia Pty Ltd

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1. Use & Affordability of Environmental Vehicles in Australia

Official figures published by the Federal Chamber of Automotive Industries (FCAI) show that only 1% of new vehicle sales in 2016 and 2017 were either hybrid or electric powered (Environmental Vehicles). In 2017, the total number of new Environmental Vehicles sold in Australia was only 12,333. This was almost 5% lower than 2016. It is evident from these figures alone that the take up in Australia of Environmental Vehicles is very slow and in fact has reduced in the last 12 months.

We believe a contributing factor is that the cost of Environmental Vehicles in Australia is artificially high compared with other countries and we think the Australian public deserves better in this regard. A key factor impacting on price is a shortage in supply of affordable alternatives and a lack of competition perpetuates this issue in our view.

When you look at our closest neighbour in New Zealand, you can see that the range, choice and price of Environmental Vehicles is vastly different to that in Australia and this supply line has contributed to seeing Environmental Vehicles being more affordable and this is driving faster uptake in that country.

For example a 2014 Nissan Leaf in New Zealand is regularly available to the NZ public for about NZ\$18,000 (A\$17,200). A search of carsales.co.au yesterday showed only 2 Nissan Leaf vehicles available for sale in Australia. Both were 2012-year models and were selling for around \$23,000.

We believe the Australian public pays a significant premium to their New Zealand counterparts due to supply constraints and a faster take up rate could be achieved if supply of affordable Environmental Vehicles was improved.

A faster take up rate of Environmental vehicles in Australia would be of benefit to our economy as we believe it would encourage greater investment in by the private sector in electric vehicle related services and support infrastructure (eg. charging stations).

2. Lack of Competition

At present there are only a small number of new Environmental Vehicles available in Australia and it is difficult to find one that is affordable. This is particularly the case for electric vehicles. Many Original Equipment Manufacturers (OEM's) elect to either not bring electric cars to Australia or only bring a limited range to Australia. This action reduces the choices for the Australian public and keeps prices high. If we increase the range and volume of electric vehicles, we will promote better competition and see pricing reduce.

We believe a contributing factor to the lack of choice in new vehicles is the fact that the Environmental Vehicle market in Australia is so small at present. It is often difficult for large multinational companies such as OEM's to support and adequately service small markets such as the Environmental Vehicle market. Government subsidies in other parts of the world have helped grow the size of the new car market for Environmental Vehicles and this has helped OEM's increase the range and pricing of vehicles available, however we believe that more competition in Australia could help grow this market.

We believe that small and medium business are well placed right now to support this growing market, however to be effective and efficient, we need a level playing field. Without some changes to the rules as drafted, we believe that small and medium businesses will not be able to compete in this segment and as a result we will have missed a fantastic opportunity to support a faster take up rate of Environmental Vehicles in Australia.

We do not believe subsidies are necessary at present and before considering such an approach, we would suggest exhausting all other options. One such way to promote uptake rates would be to increase competition in this segment.

We are also concerned that the rules as drafted, could encourage OEM's seek Model Approvals for vehicles they never intend to import into Australia. This impact of this would effectively block entry of vehicles through the concessional pathway and an OEM could take this action to protect their market and limit competition from the concessional pathway.



A good example of a niche market using Environmental Vehicles in Australia is the Taxi Industry. This industry has widely adopted the Camry Hybrid as a vehicle that suits their purpose well in providing an affordable option for their business that also benefits the environment and community. Often this industry purchase near new (not brand new) vehicles to support their business.

Toyota have ceased importing the new Hybrid Camry for the time being, but under the new rules, they would hold a model approval for up to 5 years. This would mean that a similar model could not be added to the SEV's Register and in turn industries such as the Taxi industry could potentially have restricted availability to vehicles to update their fleet. This industry is an example of an industry that requires secure supply of low cost, safe and environmentally friendly vehicles. As drafted, the rules could see industries such as this denied access to such vehicles or at best, they will suffer from a lack of choice and competition in this area. Small and medium sized businesses are well placed to support such industries through the concessional pathway, provided the rules support this.

By allowing greater supply of Environmental Vehicles small businesses such as ours would be able to provide affordable Environmental Vehicle alternatives to specific niche markets such as the Taxi Industry and the public.

¹. Job Creation

Our proposal will stimulate employment at Nichibo Australia and we believe this will be the case with other small and medium sized businesses.

Summary of Recommendations

Nichbo Australia respectfully recommends you consider the following changes within the rules:

1. Environmental Vehicles

We recommend that you consider allowing an exemption in the draft rules to allow greater support for Environmental Vehicles to be entered onto the SEV's Register. This could be done by simply allowing vehicles that meet the Environmental Criteria (as described in section 119 of the draft rules) an exemption from having to comply with Rule 117(1)(a)(i). This rule effectively prevents direct competition with other models of similar kind already available in Australia.

2. Cost Recovery

At present, the cost recovery proposal recommends a fee of between \$680 and \$800 for Applications for the entry of a road vehicle onto the SEV. We see 2 problems with this:

- a. This will act as a disincentive on small business and it seems unfair that the first applicant pays the fee and other businesses can subsequently import the same vehicle without paying the fee after it has been entered onto the SEV's Register;
- b. There will be cases where an application will be declined and this is understandable however, this will see the effective cost to business increase as it needs to be factored into the business case for a specific model variant.

We would recommend reducing this fee to an amount between \$50 to \$100. To make up the cost recovery, we would recommend a slight increase in the per vehicle cost to enter a vehicle onto RAV. The impact of this when spread across the total vehicle population in our view appears minor.

3. Expiry of entries on the SEV's, Register

As drafted an entry expires after 2 years. This will add cost to business in having to reapply and considerably impact the business case to support the import of Environmental Vehicles. We recommend that this be amended to 5 years in line with the Model Approval pathway.

4. Model Approval Pathway

At present, the rules as drafted could see a Model Approval given for 5 years for a particular variant that is never imported or is imported in restricted numbers. We believe that this could be used to limit competition and effectively block entry of

a particular variant via the concessional pathway. We would recommend that you consider ways to reduce the possibility of this. For example entry onto the SEV's should be allowed where the particular variant represents less than say 2% of New Car Sales