

Submission 105 – MVSA Review

I am writing to make a submission in support of reducing the barriers to the importation of new and quality second-hand vehicles into Australia.

It is important that information included in this review be reliable and relevant to ensure the best possible outcomes from this process. Therefore, I am providing an analysis of information contained on the Federal Chamber of Automotive Industries (FCAI) website which will possibly be included in their submission to this process on behalf of their members.

The data provided on the FCAI website purports to demonstrate that Australian car prices are comparable to other countries. However there are major methodological flaws in this 'analysis'.

The major flaws include:

- Sample size - The sample is a very small and is not statistically significant;
- Sample selection - They have selectively picked from a narrow range of makes and models (which is not representative of the population of makes and models sold in Australia);
- They have only looked at two other countries in order to compare data, they have ignored European Union countries (excluding Great Britain), Canada, Japan and the United States of America etc.; and
- They have incorrectly represented actual data for comparison purposes. Whilst it appears they have removed luxury car tax from the Australian car prices for comparison purposes, they have not adjusted for the fact that in the United Kingdom VAT (GST equivalent) is 20% in Australia the GST rate is 10%.

For example if we look at the Mercedes C Class example they have used and appropriately normalise GST/VAT differences, the VAT exclusive price as available on www2.mercedes-benz.co.uk is £25,980 GBP ("Basic RRP excluding VAT, and excluding other on road costs). Using the exchange rate of 0.55 (as used by the FCAI) this equates to \$47,236 AUD (excluding VAT/GST). The Australian GST exclusive price is \$55,364 (i.e. \$60,900/11 x 10). Therefore on a like for like comparison, the Australian price is over \$8,000 more than the UK price (not the \$4,000 difference shown on the FCAI's website).

Please note I have not used this example to show the extent of prices differences between Australian and other markets. I have simply used this as just one example to highlight some of the fundamental problems with the data contained on FCAI's website.

For the above reasons, this data that is likely to be provided by the FCAI should be discounted. The data has fundamental flaws and is therefore irrelevant for decision making purposes, including in relation to policy or regulatory decisions.

I trust that the Department and Infrastructure and Regional Development in making its final recommendations to the Government will be able to see through the vested interests, including those of foreign car manufacturers who want to effectively maintain the current regulatory regime. An example of these vested interests is the coordinated proforma submissions provided into this process. This scare campaign should be seen for what it is, blatant rent-seeking behaviour at the direct expense of the broader community.

Unfortunately, the current regulatory environment serves the financial interests of foreign car manufacturers by imposing a heavy handed and costly regulatory burden, including acting as a barrier to open, efficient and effective competition in the new and second-hand car markets in Australia. This form of bureaucratic red tape significantly disadvantages Australian consumers and perversely foreign car manufacturers are major beneficiaries. Given the "Australian Government has committed to reducing the cost of unnecessary and/or inefficient regulation imposed on individuals, business and community organisations," it would be unconscionable for this situation to continue. (quote from www.cuttingredtape.gov.au – Australian Government).

Michael McDonald