

To MVSA Review Board,

Thank you for reviewing this matter as it has been a long time overdue. Not all, but elements of the Automotive Industry have greatly profited from competition killing legislation that over time has led to greed among few and blatant disregard for fair pricing to the public.

The first question I want to ask is will this mean that the Luxury Car Tax be removed? Luxury car tax should be removed as it is and always has been discriminating and only served a purpose to help bolster the sales of overpriced domestic vehicles over cheaper, better equipped and more desirable foreign vehicles. With the domestic market no longer requiring protection it now is simply discriminating. I think this is out of the scope and is more a pipe dream than anything else but worth a mention.

Thoughts on issues raised by New Car Dealers

Many of the submissions put forward by Car Dealer Franchises (such as Owen Toyota among others), express concerns regarding servicing and warranty, competition and unknown origin of vehicles. Evidently the same template document was used, none-the-less the issues are real and have both positive and negative elements that must be considered in this review.

With the current restrictions, Toyota is the sole importer and regulator of the prices of their new cars and all new cars are sold through their franchised dealers. In which case capped price services are part of their marketing campaign which creates a sense of competition with other new car brands such as Ford yet offer no cost benefit to consumers. Consumer initial capital outlays for the vehicles (continuing with Toyota and using a Camry as an example) can be as high as \$10,000 above the retail price of equivalent models overseas. It is far more economical for consumers to pay CORRECT price for the vehicle and then let the free market determine where and with whom they service their car. As you can determine, the framework of competition is currently challenged by consumers being forced to exercise their service schedule through a Franchised Dealer, choking non-franchised dealers and mechanics who do not have the luxury of being able to sell Brand new Toyota's up to \$10,000 above recommended retail prices and secure such large profits to offset other sectors of their business.

Despite close ties, the issues surrounding warranty are very different to that of service. Servicing will become more competitive and cost effective to consumers; however the warranties will be much harder to protect. The commitment of a warranty must lie with the manufacturer of that product. For this to take place the presence of the manufacturer of the

imported product must be present and operating in Australia. A solution to this issue for every car may not be possible or practical and hence consumers may import cars that cannot be warranted or recalled if necessary at their own risk. However complacent it may seem it is only fair to provide people with the freedom of choice and a free market to purchase the products they wish. The case of 'lemons' or 'duds' will always exist and a transparent free market will iron these vehicles out of the market with minimal loss to the consumers.

In regards to competition; one aspect of Competition has already been addressed in the case of service department oligopolies vs small business mechanics and car dealers. The obvious case of competition is already a public discussion and that is in the price disparity between other markets and Australia with the retail price of new cars. It is clear that the main focus of this review is to improve competition and it is obvious something must be done!

The origins and history of cars becomes an issue and is the single most important factor when addressing the concern of Australia becoming a 'dumping ground' for cars. The simple solution to this is to restrict the importation of cars from young age, for example no older than 3 or 5 years. The recommendations here are to initially release legislation that only permits the importation of new vehicles and after a period of 3-5 years allow the legislation to import Young Used vehicles. By this point the free market will be able to measure the used value of the already existing Australian vehicles with overseas vehicles of comparable age without their being a significant price variation. Through the exercise of importing New cars are a lower capital cost will mean that the depreciation and therefore Used value will be acceptably lower and to a point where consumers may find it more economical to buy a used vehicle in Australia rather than import a young used vehicle. None-the-less they will at least have the option to and by having that option it will create competition.

To address the issues that all the Toyota Dealers have put forward about the levels of staff they employ and the training and other 'public services' they provide. Well that is great but as a business owner, if I could get the Government to restrict my competition and I could charge up to and sometimes over 20% on our rates then yes my business too would happily employ more people and take on more trainees.

Concerns around ADR's

As a B.Eng(Mech) Hon and previous member of the Society of Automotive Engineers Australia (SAE-A) I have mixed emotions with the ADR's. Many of the comments by Rory Brennan are very valid and the ADR's are a relic from a pre-globalised manufacturing world. It is far more practical and logical for Australia to adopt the standards imposed by other global leaders whose manufacturing standards equate to their economies industries; which are more central to vehicle manufacture such as Germany, England and Japan.

On the other hand some standards are important and must be determined and administered within a Federal level so there are no variations from state to state. A simple example is with emissions standards conflicting between European and North American countries hence a clear ruling in the ADR's would be required. However, a significant reduction in the number and influence of ADR's would be reasonable and not detrimental to our nation and living standards (which was the true purpose of the ADR's in the past). Again this is only possible due to the amalgamation of manufacturing techniques on a global scale that sees production lines all around the globe utilising the latest in materials and manufacturing sciences.

The main concern that I can identify with relaxing ADR's is the emerging brands out of developing nations such as China that do not adhere to adequate standards. Any changes in legislation must ensure that this market of cheap and falsely represented products is bound by heavy scrutineering.

To re-address an issue already raised by Shane Braithwaite; disparity in date of manufacture – this is a fixed value on every vehicles build plate and should not be compared to a compliance plate. This should be reflective throughout the entire industry.

Link between ADR's and Repairable Write-offs

There is another matter that should be discussed and hopefully addressed in conjunction with any reforms and that is the processes surround the current vehicle repair industry. Several years ago the NSW Government took action against "Repairable Write-offs" which has ensured that heavy structural damaged vehicles are not repaired to sub-par standards and re-registered. This has however achieved nothing more than a breach of Equality in Business laws for Repairers, Insurers, Spare Parts Suppliers and other associated automotive businesses across the States. The issue is that accident write-off vehicles in NSW cannot be repaired unless they are over 15 years old. Frankly that is a conjured up policy by a proven corrupt and apparently moronic past Government who believes that because a NSW or ACT vehicle has an accident it is illegal for it to be repaired yet this is not the case anywhere else in Australia. However, if it is 15 years old than it can be repaired despite a 15 year old car lacking any of the current advanced safety features that modern cars have. Semi contradictory and far past any logic!

The Federal Government must recognise that the absence of intervention has seen and will continue to see the restriction and prevention of the NSW and ACT Automotive Industry to compete fairly with the other States. To add more insult to the NSW and ACT sectors, the constrictions has led to decreased competition for the other States Automotive sectors and

they are flooding NSW and ACT with repaired vehicles from across the borders. Effectively nullifying the sole purpose of the initial legislation that was to prevent shonky and sub-par repaired vehicles on NSW and ACT roads.

This is a matter that should be further discussed and I am available to be contacted for information and correspondence.

To offer one last comment on this matter. There is a link between ADR's, the private repairing of vehicles and the importation of used or parallel parts from overseas (either through eBay or import businesses). If any changes to ADR's are to be made then an awareness of where else they are relevant is important. Apart for NSW and ACT, the practice of repairing "Repairable Write-off" vehicles has placed pressure on administering that ADR's are maintained during the repairing stage. The flooding of parallel parts from China that do not meet ADR's (specifically headlights not manufactured to E-mark ratings) and private imports of used Airbags or other parts over eBay raise questions about the compliance of a vehicle once it has been repaired. It is my opinion that the regulations in this area have grossly failed. Another discussion that I would like to see take place and would be happy to offer recommendations for structural reform in this sector that will see improved fairness and decreased red-tape for business.

Industry Adjustments

It is obvious that some elements of the Auto Industry do not want change in Australia because they are either part of a Government legislated oligopoly and are reaping huge financial benefits or they are too afraid or comfortable to change. The fact is that this new legislation will decrease the profit margins that dealers will be able to make on most new car sales and will increase competition in sales and aftersales services throughout the industry. This is a good thing for consumers and frankly is how a free market like Australia should operate.

It is important the Federal Government act on this now and make changes to create an open and free market in our automotive sector. This will lead to price harmonisation and increased living standards as a result of increased consumer freedom and competition.

At current there are definitely cases of exploitation of Australian consumers and to use an already highlighted example from one submission is the Holden Colorado. This is a glorified Isuzu and a cheap Chinese vehicle that globally has very cheap replacement and service parts available. In Australia however, Holden simply adds a Holden badge and name and exploits

the consumer with ridiculous mark-ups retail sales, service and replacement parts. I wonder what the price difference between an Isuzu and Holden front grill would be? They both fit the same and I would guess that the Holden version would be at least 3 times more. It is only natural that by over inflating the price of an asset above market value just means that it will depreciate at much faster rate. This is a negative factor to Australians living standards.

Reforms will mean that Franchised Dealerships for the big brands will have to scale down their business as other business and fractions of the Auto Industry pick up new business ventures and develop new cost effective products for consumers. By all means the Franchised Dealerships are welcome to develop attractive products for consumers and try to maintain market share or even possibly increase market share. However, at least the market will be fair and other businesses will have a fair right to their share.

One result of changed legislation could be an increase in Compliance officers for imported cars. There is infrastructure that currently addresses this scenario as other have pointed out with SEVS and so forth. This would provide a great starting point for developing a larger, neutral and consistent compliance program. It seems to me that most of the answers to the Review Boards questions are already answered and it is more a matter of improving on what we already have. None-the-less so I have not just wasted my time ranting I might try to offer personal insights on some of the raised questions that are within my scope.

Questions and Answers

Question 5.1 has adequately been addressed by multiple submissions.

7.1 referring to costs and benefits have multiple elements. Benefits are increased living standards that come through a competitive market, decreased asset values to be covered by insurance hence decreased insurance costs, younger average age of fleet and the benefits that come from modern technologies in cars such as safety, fuel efficiency and new cars are more environmentally friendly. These are a few benefits and there are a few costs to follow. A wider range of vehicles to cover that need compliance entering the country, alignment with State laws is required, greater dependence on foreign markets to determine the size and value of our local market.

7.2 is straightforward – change is needed so there is no argument to support the action of no change. Remembering what a lecturer said when I completed my Masters of Project Management – Change management is the most important element of Management. If you

cannot manage change then there can be no growth, development or evolution of business. In light of that yes the change is necessary.

7.3 – Yes the Government would still be required and need to be more prevalent in mandating guidelines that all States must follow. At current the variations between the States for Green slips and registration is also farcical and not to mention the already addressed issue with “Repairable Write-offs”. A Federal coverage is important to prevent exploitation between states i.e if a consumer imports into QLD where registration is cheaper and then crosses over to NSW making NSW car dealers less competitive. If the same case was to be considered with standards then you can see there is a way to exploit.

7.4 – The only advice I can offer at this stage is that the issuing of Compliance plates for vehicles and the Businesses that are able to issue compliance plates should address a national based standards irrespective of the state the car is to be registered and this should be administered by the Federal Government. Once compliance plates are issued, the respective State can register the vehicle under their jurisdiction.

Unfortunately I must say that there is a degree of regulation that is required. Being a strong advocator of a free market and free from Government intervention, it is hard to admit that Australia is a very large land mass with small population and logistics does make a completely free market hard to employ in many ways. Security and Road Safety must be administered through regulations to ensure that we don’t become a dumping ground though shonky business practices and due to our proximity with Asian markets we do not become the subject of cheap unsafe cars flooding our market.

7.9 is a starting point in terms of the provisions but I think there are more factors to consider and I hope that my submission and others shed some light on other parts of the Automotive Industry that are linked to these changes. Not just New car sales!

7.10 could see the Private sector take on warranty and recalls though Insurance companies. All vehicle details are administered by insurance companies as it stands so by extension they could offer industry news from the large manufactures and updates about the customers Vehicles. Likewise, Private sector Businesses can start-up acting Vehicle Information providers for consumers. Private sector can also be considered for administering compliance but this would need to be heavily considered as to prevent the existing practices under this current legislation.

7.11 The recall process is complicated but at it is possible to add a Recall-Search element in the annual registration process of vehicles. When a consumer takes their vehicle to get its Safety Inspection prior to re-registration it is possible that as part of the process the issuing mechanic must perform a Re-call search and notify the consumer. After this point there must be interaction with the Manufacturer if they are present in Australia.

As important as the other questions are there is only a certain amount of free time you can allocate as a small business owner. I would be happy to assist further in any way provided that serious action and change is to be administered.

Regards,

(Name to be CONFIDENTIAL)