



FCAI SUBMISSION TO THE SENATE INQUIRY INTO THE ROAD VEHICLE STANDARDS ACT 2017

CONTEXT, BALANCE AND CLARIFICATIONS PRESENTED BY THE
REGISTERED AUTOMOTIVE WORKSHOP SCHEME (RAWS) –
TO BE READ IN CONJUNCTION WITH OUR SUBMISSION LODGED
APRIL 17, 2018.



SUMMARY

- RAWs and FCAI members are in the same business of vehicle importation. The key differentiator is that FCAI members import new vehicles and RAWs, used.
- Profits from RAWs businesses stay onshore; FCAI member profits largely go offshore.
- The FCAI submission seeks to maintain its new vehicle market stranglehold of its largely foreign-owned members and to preserve its market share of 1.2 million new vehicles per annum.
- Its main argument is that a relaxing of concessional vehicle criteria will lead to a flood of used vehicle imports that will threaten consumer rights and safety.
- RAWs contends the argument is fallacious as the criteria is, in fact, being tightened. It is being tightened to such a degree that it threatens the survival of 130 mum and dad businesses that rely on the RAWs.
- The RAWs Association argues the FCAI actually stands for a one-way “choice”. Australian consumers can choose to buy any new vehicle they like – as long as it is a make/model offered by any one of its members.
- The FCAI asserts its arguments seek to uphold the government’s policy objectives. We argue that it seeks nothing more than market protection for its foreign-owned members to the detriment of consumer choice and at the expense of an Australian micro-industry (RAWs).
- The livelihoods of 130 small RAWs businesses and, potentially, thousands more downstream jobs, are now in the senate’s hands.
- The decision is simple: Vote to give consumers choice and support local business or vote for limited consumer choice and support big (largely foreign) business.

INTRODUCTION

RAWS lodged a submission with the Rural and Regional Affairs and Transport Legislation Committee on April 17, 2018. This addressed its many concerns with the RVSA 2017 and provides context to this supplementary submission. A copy of that submission is also attached.

The purpose of this submission is to provide balance, context, and clarifications to a submission, also lodged with the senate committee, by the Federal Chamber of Automotive Industries (FCAI).

The reason for this supplementary RAWS submission is to ensure the senate has a balanced understanding of all relevant issues, particularly those affecting the livelihood of some 130 RAWS mum and dad businesses that are at risk of losing their livelihoods if the senate accepts the FCAI submission unchallenged.

That bears emphasis:

**“SOME 130 MUM AND DAD
RAWS BUSINESSES FROM
THROUGHOUT AUSTRALIA
WILL BE IN IMMINENT DANGER
OF CLOSURE IF THE SENATE
UNRESERVEDLY ACCEPTS THE
FCAI SUBMISSION.”**



FCAI – NOT QUITE WHAT THEY SEEM?

FCAI have identified themselves in the senate submission as the peak body representing vehicle importers. This could create the impression they are a body of Australian businesses who import vehicles into this country. The FCAI actually represents the “big end of town” as far as foreign-owned vehicle brands are concerned ie Honda, Toyota, Nissan, Mazda, BWM, VW, Subaru, Ford, General Motors etc. See their member list [here](#).

While RAWS and the FCAI have some common ground: both supply imported vehicles to the Australian public. The future of our micro industry and its annual import of some 6000 vehicles should be of little or no interest to FCAI and its member import of some 1.2 million vehicles per annum.

This is reflected in its senate submission. The RAWS focus, the survival of small Australian businesses, is ignored in favour of providing foreign-owned vehicle brands with the most favourable market conditions, as regulated by government.

Let’s repeat that:

“The survival of small Australian businesses, is ignored (by the FCAI senate submission) in favour of providing foreign-owned vehicle brands with the most favourable market conditions, as endorsed by government, if the Act is approved.”

The balance of this document addresses elements within the FCAI senate submission that require balance, context or clarification.

FCAI 2. The Australian car market, p7:

This section seeks to profile the Australian car market.

FCAI claim: Greater access to used vehicles (ie imported through RAWS) will be made at the expense of new vehicles sales. The FCAI provide an Australian v New Zealand example to shore up their claim that new vehicle sales will fall and vehicle fleet age will increase if RAWS imports are allowed – with commensurate increases in safety risks to consumers.

RAWS Reality: Customers who purchase RAWS vehicles are not in a position to buy new vehicles. If they were RAWS would not exist. The average sales price of a RAWS vehicle is around \$15,000; there are few new vehicles at this price.

New car sales in NZ had their biggest new car sales on record in 2017, the 4th year in a row that new car sales have

been at an all-time high. NZ is consistently one of the top importers of used vehicles from Japan and has been for 20 years, yet new car sales continue to go from strength to strength.

Customers who purchase RAWS vehicles are normally exiting an older Australian or RAWS vehicle with higher mileage and less safety features than the new (used) RAWS vehicle they are purchasing. RAWS has been continually calling for the ability to import makes and models not sold in Australia provided they are under eight years of age. Most of these are fully aligned with Australian Design Regulations and emission standards.

Allowing the RAWS proposal will provide consumers with more choice; the choice not to buy a make/model dictated to them by the foreign-owned vehicle brands.

In summary:

“We believe Australian consumers will be stripped of their right to choose the vehicle they want to drive and the price they want to pay if the senate accepts the FCAI submission without critique.”

FCAI 3. Purpose of the Road Vehicle Standards Act, p8:

FCAI claim: “More choice of road vehicles for Australians”.

RAWS reality: This may be the purpose of the Act, but the reality is that FCAI members determine what that choice is restricted to. There are many more variants of popular makes and models that are never imported into Australia by the foreign-owned importers. This becomes the RAWS segment – makes and models not sold in Australia because the big brands don’t believe they will sell in profitable numbers – for them.

These vehicle variants represent a viable market for RAWS members, particularly if restrictions proposed by the FCAI are not accepted.

In summary:

“FCAI is committed to determining what represents motor vehicle “choice” for Australian consumers. And that choice is only a brand new car which only a few Australians can afford.”



FCAI 4. Page 9: Specialist and Enthusiast Vehicle Scheme (SEVS)

FCAI claim: The issue is that SEVS is encouraging businesses and individuals to work around the system to get the vehicles that they want. For example, allowing a people mover to be classified as a campervan by the inclusion of a few campervan-like features.

RAWS reality: Why not disrupt the model and just let people buy the vehicles they want provided they comply with the ADR and emission standards relevant to their age (under eight years)?

FCAI claim: there should be a limit on the (RAWS) importation of vehicles that demonstrate a lower level of compliance with ADR – “so they don’t create uncapped commercial scale parallel importing of used vehicles”.

RAWS reality: This argument conveniently ignores the fact that used vehicles under eight years old from Europe and Japan meet current ADR standards. The fact is regulators in these markets in 2011-12 were ahead of Australian emissions and safety standards.

The number of vehicles that are now “free” to move between countries without certification issues is dramatically increasing as manufacturers now produce them to meet the international Whole of Vehicle Type Approval (WVTA) standard.

We contend FCAI is using this argument to protect its market share. RAWS agrees with FCAI that it is important that vehicles entering the Australian fleet comply with ADR rules; that is the reason it has proposed the eight-year limit as vehicles of this age and younger from Europe and Japan meet the ADR standards.

SEVS criteria and definitions, particularly the definition of a variant:

FCAI claim: It calls for a tighter definition which would remove a number of popular vehicles from the SEVS register, vehicles like the Nissan Cube, a popular RAWS seller for more than 10 years.

RAWS reality: Once again, it would seem the intent is that FCAI is seeking to define consumer choice to vehicles they dictate – and the prices they demand.

It’s also calling for a limit on the number of vehicles each RAWS business can supply. RAWS has already proposed a cap of 500 vehicles per annum, per RAWS business to the senate committee.

FCAI also calls for Authorised Vehicle Verifiers to be located in Australia. This is supported by RAWS and we also call for RAWS businesses to be registered in Australia and accountable under Australian consumer law.

FCAI concludes this section with a renewed call for SEVS vehicles to be assessed against the ADR? Again, the old argument is recycled that these vehicles represent a threat to new car sales. The reality is that RAWS used vehicles imports reduce the overall fleet age in gradually lifting the age of the used car market.

FCAI 4.1.2 p12: Definition of a variant:

FCAI claim: It argues the definition of a variant is too broad and allows the RAWS import of variants of popular makes/models that are brought into Australia by the foreign-owned vehicle manufacturers.

It claims this would result in too many of these defined vehicles flooding into the country, increasing fleet age and jeopardizing “safety, consumer rights, technology and environmental policy objectives”.

RAWS reality: With a limit of a proposed 500 vehicles per RAWS per annum, this is simply not the case against a new car market of 1.2 million vehicles per annum.

The FCAI position is also not supported by the Productivity Commission, Harper and Castalia reports. FCAI makes no reference to these important subject matter expert reports and apparently ignores their recommendations that opening the vehicle market will be good for the Australian economy.

(Note: from FCAI 4.2 forward - states p11, should be p13 - FCAI’s page numbering is incorrect – RAWS comments reference what should be the correct page numbers.)



FCAI 4.2.1 p13: Performance criteria:

FCAI claim: Power to weight ratio proposal on many RAWs eligible vehicles should not be allowed because SEVS calls for them to be “significantly different” (ie high performance). It suggests that RAWs eligible vehicles do not meet this criteria.

RAWS reality: RAWs eligible vehicles meeting a 105kW/tonne criteria are 30 per cent more powerful than a range of commonly available vehicles like the Toyota Hilux or Corolla, the Mazda 3 or the Hyundai 130. RAWs contends that a 30 per cent increase in performance is “significantly different”.

The FCAI then examples two vehicles, the Nissan GTR and Mercedes AMG-63 as vehicles it considers “performance” and not developed by the Australian distributor for the Australian market. Both are already available in Australia.

The apparent selective use of technical data has the potential to skew the senate’s understanding of vehicle eligibility.

FCAI, p16 4.2.2 Environmental criteria

FCAI claim: FCAI questions the suitability of micro cars (660cc) to operate on Australian highways and freeways at speeds of up to 110km/h, based on its understanding that Japanese micro cars have top speeds of less than 60km/h. They claim a safety issue to users and other road users.

RAWS reality: The Suzuki Hustler has a top speed of 140km/h; the Honda N Box 141km/h.

This is another example of a selective use of facts to support self-serving interests. Micro cars are generally used as inner-city transport and some general highway use. Some have a top speed of 90km/h and some 110km/h. FCAI is, again, endeavouring to limit consumer choice and to drive purchasers toward their offerings through a selective use of facts.

FCAI, p 18, Risks

FCAI claim: It asserts proposed changes within the concessional schemes create the potential for unrestricted imports of used vehicles and argues this is contrary to the government’s stated policy objective.

“Without the correct balance between the new car market and SEVS imports . . . used imports will be substituted for new vehicles.”

RAWS reality: The size of the new vehicle market is worth repeating: 1.2 million vehicles per annum. RAWs processes about 6000. If an increase to 500 units per RAWs business per annum was granted, the ones that could take advantage of this would increase numbers to about 25,000. This would provide more choice in the used vehicle market.

FCAI, p20, Reputational harm

FCAI claim: it asserts expanded SEVS criteria represents a significant risk to vehicle brands of reputational harm. It argues this will arise from consumers not being “properly” informed of their rights “or lack thereof” to after sales support and statutory remedies.

RAWS reality: SEVS criteria is actually contracting, not expanding. RAWs asserts the only damage to brand reputation is driven by FCAI members controlling consumer choice.

All RAWs are subject to normal consumer legislation, the same as any other dealer selling vehicles to the Australian public; there is no increased risk.

RAWs would argue brand image will actually be enhanced as Australian consumers would have the opportunity to drive and experience vehicles that FCAI members choose not to bring into Australia.

The RAV registers provides consumers with information as to how a particular make/model was imported and highlights the risks of buying from non-traditional import channels. Consumers definitely need to be made aware/educated as to the presence of the RAV register.

Vehicle brands have not suffered in established import markets like New Zealand.

FCAI, p 21, Second hand SEVS

FCAI claim: It contends it holds the same brand reputation and consumer concerns in the used market.

RAWS reality: If there was a danger to the imported vehicles brands, these would have already surfaced in their home markets. As far as the used vehicle market is concerned, standard consumer laws apply.

FCAI, p21, Submission conclusion

FCAI claim: Reinforces its warning that changes to the concessional schemes will result in an import flood of used vehicles that will undermine the government's policy intention.

RAWS reality: RAWs believes it has refuted this argument. There is no threat from it to the 1.2 million per annum annual sales of vehicles generated by FCAI members.

SUMMARY

The senate enquiry should be quite clear about the debate: whether the senate will allow the powerful FCAI to continue to maintain its Australian market share for its foreign-owned members. This could come at the expense of 130 RAWs small businesses. The FCAI proposal seeks to:

- To Restrict RAWs imports that currently number about approximately 6000 USED vehicles per annum which is 0.05 % of the NEW car import market of 1.2 million units
- Deny the Australian motoring public the choice to buy used vehicles that are currently not available to them
- Limit the Australian consumer to the choice of any vehicle they like as long as they are sold by one of their members
- Continue to protect the new car market to the disadvantage of the Australian consumer
- Ignore government and consultant reports that unanimously recommend the used car market be opened to further competition.

The RAWs Association urges the senate to view the FCAI submission through a critical lens and to review the RAWs Association submission of April 17, 2018

The fate of our members is in your hands.