

Auto *Services Group*

Submission by
Auto Services Group
to the
**Senate Rural and Regional Affairs
and Transport Legislation Committee**

April 2018

About Auto Services Group

Auto Services Group (ASG) is a small business based in Adelaide, South Australia. ASG provides a range of services to clients across Australia and around the world under the following banners:

Iron Chef Imports sources and imports quality vehicles from Japan for clients in Australia and around the globe.

Iron Lady Imports provides a specialised vehicle importing service for those migrating to Australia, or Australian ex-pats returning home.

Iron Block Imports sources vehicles from the USA for Australian clients.

AutoValuation undertakes accurate assessment of used vehicles, specialising in appraisals of imported vehicles for Customs purposes and Australian market value.

AutoShipping assists both private and corporate clients with global vehicle logistics, specialising in importing vehicles to Australia.

14 April 2018

Thank you for the opportunity for stakeholders to provide a submission regarding issues identified in the Road Vehicle Standards Bill 2018 and associated bills and rules.

When the review of the Motor Vehicle Standards Act began back in 2013, the landscape was vastly different to what it is today. A Labor government was in power, Toyota, Ford and Holden were all manufacturing cars in Australia, and the Department of Infrastructure and Regional Development team leading the review was (bar one member) completely different to the team currently in charge.

After five years of petitioning both the government and DIRD, we have reached a point where independent vehicle importers must now fight over small Rule changes in the hope of tapping one or two extra tiny market niches, a far cry from a time when the government once considered allowing the importation of any used vehicle under five years of age.

From a personal perspective, five years of lobbying has taken its toll on my business, my health and my relationships with family and friends. A core group of determined small business owners have taken the fight to Canberra to fight for the survival of our industry and for a better deal for Australian car buyers, but have regularly been met with strong resistance to our plight. Each time we have travelled to Canberra for meetings, we have stepped away from our businesses, our partners and our children, spending tens of thousands of dollars of our own money fighting a battle that we're still not sure we will win.

Managing the mental health of our fellow industry members has become a priority in the last twelve months, as many come to terms with the prospect that their businesses, into which they've invested countless millions of dollars without any form of government assistance, will shrink in size or close down. Some operators have already opted to close their doors rather than go through the stress of wondering whether their businesses will still be viable in the future.

It's worth acknowledging that both the Minister and the DIRD review team have been far more willing to listen and negotiate since the exposure draft was released; no doubt they, like stakeholders, are keen for the review to reach its conclusion.

This notwithstanding, I believe the review process, as a whole, has been fundamentally flawed. The review team has been either unable or unwilling to provide supporting data or research into the impact the proposed changes will have on imported vehicle numbers, and therefore on viability of the independent imported vehicle industry. What little data proffered has been sourced from VFACTS, which owned by the Federal Chamber of Automotive Industries, an industry body with a vested interest in restricting imported vehicle regulations.

Likewise, the senior policy adviser to the Minister Fletcher announced his resignation the day before the current exposure draft of the Bill was released and took up a newly-created position with the Australian Automotive Dealers Association, another industry representative body

opposed to any loosening of imported vehicle regulations. Naturally this adviser took with him an extensive knowledge of the respective positions of all stakeholders and the Minister; knowledge that was acquired through discussions that were confidential prior to this point.

In addition, two reports were commissioned by DIRD in 2014 and 2015 (known as 'Castalia I' and Castalia II'), to examine the cost-benefit analysis of allowing the parallel importing of new and used cars under 5 years of age. These reports concluded that the allowing the importation of used vehicles in greater numbers would provide significant financial savings to Australian consumers whilst also reducing the fleet age and improving overall vehicle safety. I find it reprehensible that these reports were buried, either by the department or the Minister, and that no stakeholders were made aware of their existence until 2017, when the Minister was ordered to produce them by Senator Urquhart.

Having faced similar obfuscation at other stages of the review process, it should come as no surprise that the general response from the many government senators I've met is "we know that maintaining restrictions doesn't make any sense now that manufacturing has ceased, but we've been lobbied hard enough by your opponents that it could cost us our seat at the next election." The cross-bench senators, conversely, have shown consistent and continued support for our small businesses, for which we are very grateful.

The Minister's media release accompanying the exposure draft mentioned that there would be a greater number of vehicle variants able to be imported through the new Bill. What was not mentioned was that the proposed new Rules will also cut the number of currently eligible vehicles being imported by 75%. When combined with a review team unable to provide independent importers with any data to show that this loss will be restored under the proposed new scheme, it's little wonder that many small business owners became disillusioned with the review process long ago.

My two suggestions for how the RVS Bill and Rules can help restore lost volumes in the concessional import space are simple in nature.

1) Rules, Section 117

- (1) The Secretary may enter a variant of a model of a road vehicle on the SEVs Register if: (a) the variant of the model of road vehicle: (i) **has not been provided in Australia, at any time**, under a road vehicle type approval or because of an approval held under subsection 10A(1) or (2) of the Motor Vehicle Standards Act 1989; or (ii) has been provided in Australia under an approval granted under this Act or the Motor Vehicle Standards Act 1989, other than an approval of a kind mentioned in subparagraph (i); or (iii) has been provided in Australia and subsection (3), (4) or (5) applies;

Why it is a problem: It is ludicrous that new car dealers and the Government should consider a used imported vehicle a "parallel import" once the model has been withdrawn from sale through

new vehicle dealers in Australia (particularly when the review team has already publicly conceded that even genuine parallel importing would have no effect on new vehicle sales).

How it can be fixed: (i) ~~has is not been currently provided in Australia, at any time,~~ This change would allow variants to be assessed against SEV criteria once they cease being sold new in Australia in full volume. Aside from widening the number of eligible model variants to provide much-needed volume for used vehicle importers, this change also preserves the original intent of the scheme, rather than providing criteria exemptions in other areas.

2) As it currently stands, there is no definition, either in the Bill or Rules, of what constitutes “provided in Australia”, as per Section 117 of the Rules.

Why it is a problem: in the absence of such a definition, manufacturers will be able to block various models and variants from becoming eligible for concessional importation through SEVS by simply applying for type approval and supplying a single vehicle for sale. Indeed, they already have a long history of deliberately under-supplying variants that are in particularly high demand, in order to maximise profit margins and artificially prop up resale values.

How it can be fixed: Define “provided in Australia” as being more than 100 units per annum, averaged over the number of years that the variant is supplied to the market.

Independent vehicle importers have already had to face the reality that the battle for any form of genuine expansion in our industry has been lost. Despite the absurdity of maintaining a restricted automotive market in a country when there are no longer manufacturing jobs to protect, I urge the committee to consider the suggestions I’ve put forward so that independent importers, at the very least, can maintain current imported vehicle numbers and give us – and our staff – some reassurance that our futures are secure in the short term.

Yours sincerely,

Kristian Appelt
Director
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