



Review of the *Motor Vehicle Standards Act 1989*
Submission

20 October 2014

About CHOICE

Set up by consumers for consumers, CHOICE is the consumer advocate that provides Australians with information and advice, free from commercial bias. By mobilising Australia's largest and loudest consumer movement, CHOICE fights to hold industry and government accountable and achieve real change on the issues that matter most.

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1. Introduction

CHOICE wants a competitive and safe Australian market for motor vehicles. There is an opportunity to improve the competitiveness in the market through relaxing car import restrictions, as long as consumer protection and safety are considered in any changes.

The Commonwealth Department of Infrastructure and Regional Development is seeking views on the Options Discussion Paper to reduce red tape and build a strong and prosperous economy. CHOICE supports removing restrictions on imports of quality second-hand vehicles and personally imported new vehicles.

CHOICE notes that it is vital that consumers have confidence in the safety of the vehicles on Australian roads. Removing barriers to importation must be accompanied by stringent safety requirements. This is achievable and does not constitute a reason to keep barriers that impede the development of a more competitive market. The relaxation of the restrictions should be limited to vehicles that are less than five years old and come from countries that have vehicle design standards consistent with Australian standards.

If the described reforms are implemented, it would be beneficial for sellers and consumers to receive guidance on their responsibilities and rights under the Australian Consumer Law. CHOICE believes that the ACCC and state regulators are best placed to provide such guidance.

We recommend that the Government act now to remove obstacles that impede competition in a number of markets; this submission focuses on steps that can be taken in relation to motor vehicles.

2. Tackling the Australia Tax

Summary:

- CHOICE supports the fourth option included in the Options Discussion Paper; reduce the barriers to the importation of second-hand quality vehicles and personally imported new vehicles.
- Second-hand vehicles should be limited to those that are less than five years old and from countries with vehicle design standards that are consistent with Australia's.

Motor vehicles are an important part of the day-to-day lives of many Australians. Respondents to a CHOICE survey recently raised concerns around the costs associated with car ownership. A significant 66% of respondents were worried about the price of car insurance and 36% had taken steps to cut back on the costs of running their cars over the last 12 months.¹

Australian consumers are concerned about the cost of living, and they are also frustrated to see that they pay unjustifiably higher prices than consumers in other countries for identical goods and services. CHOICE has conducted research into international price

¹ CHOICE Consumer Pulse, 'Cost of Living Report' August 2014, available at <http://www.choice.com.au/media-and-news/consumer-news/news/choice-cost-of-living-report-highlights-tough-times-for-many.aspx>

discrimination across various categories, including digital goods and services², clothing³ and cosmetics⁴. While some sectors of the vehicle market appear to be operating in a competitive manner, Australia's competition policy framework should not support commercial strategies that sustain artificially higher prices in relation to any category of goods, including motor vehicles.

Currently, the *Motor Vehicle Standards Act 1989* places restrictions on importing second-hand vehicles. It only allows applications for approval to place a used import plate in relation to single vehicles, and it restricts automotive workshops from importing more than 100 used vehicles in a particular vehicle category over a 12-month period. Imported used vehicles also technically attract a \$12,000 customs duty, although in practical terms it is not difficult to claim exemption from this.

The restrictions appear to be in part directed towards protecting the Australian automotive manufacturing industry; a policy basis that is soon to be irrelevant. As recognised in the Options Discussion Paper, the Australian Government has placed a high priority on reducing regulatory burdens across the economy by cutting red tape wherever possible. Removing unnecessary regulations that restrict car imports would meet this objective, while also benefitting Australian consumers.

Parallel imports can reduce the impacts of international price discrimination, as noted in the recent Competition Policy Review draft report.⁵ This review recognised that Australian consumers are operating in an increasingly global marketplace, which can offer opportunities in terms of better prices and a greater range of product options. However, artificial barriers exist that prevent Australians from fully taking advantage of these opportunities. Reducing the barriers to importing second-hand cars could assist in addressing this problem, and may lead to lower prices for cars in the Australian domestic market.

3. Addressing concerns

Summary:

- The ACCC and state regulators should provide sellers of imported vehicles with guidance about their responsibilities under Australian Consumer Law.
- Consumers should similarly be provided with guidance regarding their rights.
- Car insurance for imported vehicles should not be prohibitively expensive.

² CHOICE submission to the House Standing Committee on Infrastructure and Communications Inquiry into IT Pricing, 16 July 2012, available at <http://www.choice.com.au/media-and-news/consumer-news/news/choice-lodges-submission-on-it-price-discrimination.aspx>

³ 'CHOICE says the 'Australia Tax' is in fashion', 2014 media release, available at <http://www.choice.com.au/media-and-news/media-releases/2014-media-releases/choice%20says%20the%20australia%20tax%20is%20in%20fashion.aspx>

⁴ Kate Browne, 3 December 2013, 'Cost of Cosmetics', available at <http://www.choice.com.au/reviews-and-tests/food-and-health/beauty-and-personal-care/cosmetics/cost-of-cosmetics.aspx>

⁵ Available at <http://competitionpolicyreview.gov.au/files/2014/09/Competition-policy-review-draft-report.pdf>

CHOICE approves in-principle the recommendation to ease motor vehicle importation restrictions included in the Productivity Commission's recent Inquiry Report.⁶ We also agree that this action should not proceed in the absence of a regulatory compliance framework that includes measures to provide appropriate levels of consumer protection and safety. A new car import policy should be limited to vehicles that are less than five years old and come from countries that have vehicle design standards consistent with Australian standards. For instance, CHOICE recognises that Australian standards for fuel consumption are both beneficial and important to consumers and we would not want direct imports to function as a means of increasing the proportion of less efficient vehicles on the roads.

These measures should go some way towards addressing concerns regarding safety. However, CHOICE's in-principle approval of the recommendation is also contingent on concerns about consumer rights and insurance costs being addressed.

It will be necessary for the ACCC and other regulators to provide guidance to sellers of imported vehicles of their responsibilities under the Australian Consumer Law, and to consumers regarding their rights. Buying a second-hand car is already a purchasing decision that is weighted with some risk for consumers. Actions have been taken by governments and regulators to increase consumer confidence, but this is an ongoing issue. CHOICE recognises that similar risks will be attached to the purchase of imported second-hand cars, but is not aware of any evidence to suggest these risks will be above and beyond those already faced by consumers.

As discussed in section 2 of this submission, consumers are worried about the current costs of car insurance. In order to realise the benefits that a cheaper market can provide, it will be important to ensure that insurance premiums for imported cars are not excessive.

Provided these concerns are addressed, CHOICE supports the proposal to reduce barriers that restrict imports of second-hand quality vehicles and personally imported new vehicles.

⁶ Productivity Commission Inquiry Report into the Australian Motor Vehicle Manufacturing Industry, 31 March 2014, available at http://www.pc.gov.au/_data/assets/pdf_file/0020/135218/automotive.pdf