



**AUSTRALIAN IMPORTED MOTOR VEHICLE INDUSTRY
ASSOCIATION (INC.)**

Submission on:

the Draft Report

on:

the Competition Policy Review

“To support a fair and competitive vehicle import industry”

Prepared November 2014

Introduction

Thank you for the opportunity to provide this submission for the Competition Policy Review Panel's Review. We make this statement in response to the invitation for feedback from interested parties.

Australian Imported Motor Vehicle Industry Association (AIMVIA)

AIMVIA is a business association established to represent the used vehicle import industry; its founding members include international logistics, shipping and inspection companies, as well as importers, compliance specialists, and retailers of used vehicles.

AIMVIA is closely associated with a long-established similar association in New Zealand.

Public Release Disclosure

AIMVIA has no objection to the release of any part of this statement.

Privacy Disclosure

AIMVIA has no objection to being identified as the submitter.

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Executive Summary

AIMVIA supports the conclusions and recommendations of the Review Panel as presented in the Draft Report released on 22 September 2014, i.e. that parallel import restrictions are a form of tariffs, in that they are really only sheltering the multinational new car manufacturers from international competition. This results in an implicit tax on Australian consumers and businesses.

Background

The removal of used vehicle import restrictions will promote competition and potentially lower prices of many vehicles. All concerns (such as health & safety, and impact to the environment) relating to the relaxing of these laws can be easily addressed through regulatory and compliance framework and consumer education campaigns (*these have been proven and tested for the past 25 years in countries such as NZ*).

Specifically, AIMVIA agrees with the recommendation that restrictions on parallel imports should be removed unless it can be shown to satisfy the ‘Public Interest’ test as below:

- the restrictions are in the public’s best interest, and
- the objective of the restriction can only be achieved by limiting competition.

As per section 3.7 and 16.1 of the Competition Policy Review “Misuse of Market Power” and Section 46 of the Competition and Consumer Act 2010 (CCA), we believe new car dealers represented by Australian Motor Industry Federation and Federal Chamber of Automotive Industries are taking advantage of their monopoly powers for the purpose of eliminating and substantially damaging competitors, preventing the entry of a person into a market, or deterring or preventing a person from engaging in competitive conduct.

New car dealers have thrived in a protected market, which has not been subject to the competition policy. As a result of this, they have had a monopoly with no restraints on pricing, with no competition from parallel imports. The Productivity Commission stated that price discrimination is being practised against some Australian retailers, to the detriment of Australian consumers. The legislative framework should be encouraging innovation, entrepreneurship and the entry of new players, not hindering it.

The Australian National Retailers Association also supports this position, specifically that restrictions on parallel imports are another example of outdated regulations that distort competition amongst retailers.

This view is supported by the following:

- Business Council of Australia (BCA Main Report, page 21)
- Productivity Commission Inquiry Report, page 32.
- Professor Allan Fels¹
- Australian National Retailers Association

¹ <http://competitionpolicyreview.gov.au/issues-paper/submissions/> (page 14)

Ageing population

Australia's population is ageing, which comes with an expectation of lower income growth. This reinforces the need for competitive priced vehicles, which parallel imports will provide. Similarly, more competitively priced vehicles will in turn put less financial strain on both the individual and government welfare.

An ageing population will also require access to more choice and diversity for specialty mobility and disability enabled vehicles. Allowing parallel imports will promote competition in this sector.

Standards

AIMVIA supports the use of standards to protect the consumer and ensure the quality of imported vehicles, new and used.

AIMVIA generally supports harmonisation with international standards and in the interim would recommend the recognition of International Vehicle Safety and Environmental Standards from jurisdictions that equal or exceed the current domestic requirements.

Efficiency of Compliance

AIMVIA recommends a policy of utilising government accredited independent agencies to give final certification approval on imported vehicles and for those agencies to have access to government systems in real time (*this policy has been proven and tested for the past 25 years in countries such as New Zealand*).

We believe this system will reduce the regulatory burden on Government and increase commercial opportunity. In the short-term, this will help mitigate unemployment caused by the loss of the vehicle manufacturing industry by creating jobs requiring similar skill and knowledge sets to those being lost.

Employment

An estimated **14,600 to 27,500 jobs will be lost** in the manufacturing space over the next three years as a result of the decisions by manufacturers to cease operations in Australia. These estimates reflect current employment figures: **472 businesses employing 14,600 people in the motor vehicle manufacturing sector** and **882 businesses employing 13,459 people in the parts and accessories sector**.

These manufacturers have been heavily subsidised by federal and state governments (approximately \$30Bn as quoted by the Productivity Commission Report).

By comparison, the **motor vehicle dealership sector currently employs 60,000 people (in 4,598 businesses)** and the **motor vehicle wholesale industry employs 11,000 people (in 1,300 businesses)**. Dealers and wholesalers together represent a **\$100Bn+** industry in Australia that receives **NO** financial support from governments.

Outside the expected changes to the manufacturing sector in the next three years, there are almost **5,900 (primarily Australian-owned) businesses** and **71,000 Australians** whose

futures rely on a healthy automotive industry. That is **10 times the number of businesses** and **5 times the employment** currently provided by the manufacturing sector. The addition of government accredited independent agencies used for certification approval of imports would add to opportunities within the automotive industry in terms of employment and businesses.

The Necessity for Regulation

In light of AIMVIA's position of advocating for decreased restrictions on the parallel importation of used vehicles, we submit that it is absolutely necessary that standards and regulations be developed and implemented that will promote competition while ensuring consumer confidence in the market.

For example, we have recently called upon the government to immediately pass legislation making vehicles with inaccurate odometers, prohibited imports.