



17 May 2018
Committee Secretary
Parliamentary Joint Committee on Law Enforcement
PO Box 6100
Parliament House
Canberra ACT 2600
Via email: le.committee@aph.gov.au

This submission is provided as a public submission

Submission by the Motor Trades Association of Australia Limited (MTAA) for the Parliamentary Joint Committee on Law Enforcement Inquiry into theft and export of motor vehicles and parts in Australia.

Dear Committee Secretary and Committee Members,

The Motor Trades Association of Australia (MTAA), its State and Territory Motor Trade Associations Automobile Chambers of Commerce, and the Auto Parts and Recyclers Association of Australia (APRAA) welcome the inquiry by the Parliamentary Joint Committee on Law Enforcement into theft and export of motor vehicles and parts in Australia.

MTAA Members represent more than 95% of the automotive supply chain and collectively are the voice of the 69,365 automotive businesses across Australia employing over 379,365 Australians. Included in the many industries making up Australia's Automotive Sector are vehicle recyclers and dismantlers and parts suppliers who are business constituents of MTAA Members and APRAA, a sector specific national committee under the umbrella of MTAA. MTAA and APRAA have the largest membership of vehicle recyclers and dismantlers and parts suppliers of any other organisation nationwide. Consequently, MTAA has high visibility on the impacts of motor vehicle theft and export of stolen motor vehicles and parts in Australia and significant intelligence provided by these businesses.

While recognising the Committee's specific interest in the law enforcement aspects of motor vehicle theft and export of stolen motor vehicles and parts, there is a real policy and regulatory opportunity for Government to take a holistic approach that will not only tackle law enforcement matters, but well documented environmental, economic and social issues associated with End Of Vehicle Life, including written off vehicles.

MTAA has prepared this submission complete with a suggested solution on behalf of its State and Territory association members and APRAA and remain available to assist with any additional line of inquiry related to the views and concerns highlighted in this submission or any other issues regarding the Committee's inquiry.

Yours Sincerely,

Richard Dudley
Chief Executive Officer
Motor Trades Association of Australia Limited



MTAA Limited Submission to the Parliamentary Joint Committee on Law Enforcement inquiry into theft and export of motor vehicles and parts in Australia.

May 2018

MTAA Recommendations

1. **MTAA strongly suggests to the Committee that an opportunity exists for a comprehensive national policy and regulatory regime, in partnership between governments and industry, to mitigate the risk of profit motivated motor vehicle theft and the trafficking of motor vehicles and parts, and to simultaneously reduce the economic and environmental impacts associated with End-Of Life Vehicles (ELVs).**
2. **MTAA suggests a national policy and regulatory regime would include:**
 - The creation of an ELV organisation with a specific mandate to implement and manage ELV policy and processes.
 - Registration and regulation of accredited ELV recyclers, dismantlers and scrap metal businesses.
 - Determining national uniform environmental and business operations and compliance requirements for recyclers, dismantlers and scrap metal businesses.
 - Integrating, harmonising, and where appropriate creating, Commonwealth, State and Territory information databases and registers including PPSR, NEVDIS, WOVR, notices of clearance, destruction of vehicle etc. to provide a 'one stop' access point for all appropriate data.
 - Creation of an ELV disposal fund and accompanying management and administration processes. Such a fund would be initiated through a government allocation but ultimately be self-sustaining within a prescribed timeframe, through a funding mechanism to be determined.
3. **Consideration be given to the following suggested actions to address critical issues MTAA believes are currently influencing profit motivated theft of motor vehicles and the trafficking of stolen motor vehicles and vehicle parts. The suggested actions could be implemented in advance of, or as part of the development of a national policy and regulatory regime.**

Suggested Actions:

- **Local Government**
 - Increase / strengthen permit requirements and safety and environmental conditions for motor vehicle recycling.
 - Increase inspections, compliance and enforcement with permit conditions issued to businesses.
- **Consumer affairs / business licensing authorities**
 - Improve online monitoring of dealer activity.
 - Increase referrals to law enforcement for investigation, review of registrations and online advertising claims.
 - Improve surveillance, compliance and enforcement activities against unlicensed, unregistered businesses.
- **Roads and traffic authorities**



- Authorise police nationwide with harmonised powers to enforce written off vehicle regulations in scrap metal, auto recycling and export industries.
- Monitor roadworthy status of tow and scrap trucks including inspection / compliance officers to check tow truck authority (where applicable).
- **Police**
 - Harmonise and further improve law enforcement powers across all jurisdictions similar to those introduced in NSW and Victoria and allocate sufficient resources to ensure capability.
 - Provide enhanced powers for business entry and inspection if suspected of non-compliant operations.
- **Border Protection**
 - Increased surveillance and inspections by Border Protection of export vehicle shipments with specific attention to:
 - Understated consignment values.
 - Improved sharing of payments data between Border Protection and ATO.
 - Prohibition of container booking without appropriate registration.
 - Increased pre-loading screening / inspections.
 - Identify and investigate cash paying enterprises employing persons without appropriate work rights
- **Australian Tax Office**
 - Implementation of Black Economy Task Force recommendations.
 - Increase enforcement and monitoring.
 - Increase feedback on non-compliance and prosecutions.
- **Worksafe**
 - Targeted and increase inspections, improvement notices and unsafe work practices prosecutions.
- **EPA**
 - Greater management / enforcement of regulations regarding disposal of batteries / fluids / LPG & air conditioning gases.
 - Increase inspections, improvement notices and surveillance of non-compliant businesses.
- **Insurance Companies**
 - Cease practice of selling salvaged vehicles at public auctions – sale to registered dealers only.
- **Industry Databases, registers and Written Off Vehicle Regulations**
 - Harmonise and better integrate the Personal Property Security Register (PPSR); The National Exchange of Vehicle and Driver Information System (NEVDIS); the Document Verification Service (DVS) and Written off Vehicle Registers (WOVR).

Executive Summary

- MTAA strongly suggests the lack of a national policy and regulatory approach to the treatment of End-Of-Life vehicles (ELV) is the main contributing factor to an increasingly sophisticated problem of profit motivated theft resulting in the trafficking of stolen motor vehicles and vehicle parts.
- However, profit motivated motor vehicle theft and the trafficking of stolen motor vehicles and parts is only part of a much larger economic and environmental problem in dealing with more than 800,000¹ vehicles each year reach the end of their life either through theft, accident or incident, or age.
- Australia is one of the few G20 countries without a national policy, program and regulatory approach to the efficient decommissioning of ELVs.
- It is therefore the considered view of MTAA, its Members and the APRAA that a more holistic, cross portfolio, policy and regulatory approach is urgently required and is seeking such a recommendation from the Committee's inquiry.
- MTAA is not supportive of the views of some other organisations and individuals that the risks posed by motor vehicle theft and the trafficking stolen motor vehicles and parts cannot be mitigated with a strong policy and regulatory framework, or that this cannot happen in structured concentrated manner rather than incrementally.
- MTAA acknowledges that if law enforcement priorities alone were the sole driver of reform in dealing with ELVs, then it is likely that a business case would not stack up.
- However MTAA, Members and the APRAA are of the firm and considered view that if the other risks and costs associated with the economic, environmental and social impacts of a growing ELV problem, along with the specifics of motor vehicle theft and trafficking of stolen motor vehicles and parts, then policy and regulatory reform should be a 'no-brainer' that will deliver solutions across numerous portfolios and the wider economy.
- MTAA and Members have invested considerable time and resources over the past three years into exploring how the identified law enforcement issues and documented environmental, economic and social concerns can be simultaneously addressed through the development of a comprehensive coordinated policy and regulatory regime that addresses End-Of-Life Vehicles.
- MTAA, Members and APRAA have undertaken a three phased approach to this complex issue so far including:
 1. The benchmarking of environmental compliance and obligations State by Territory and in comparison with international jurisdictions; decommissioning / dismantling processes; recycling characteristics for various recycling and dismantling business models domestically and internationally; culminating in the establishment of an average cost for the decommissioning of a vehicle.

¹ Australian Automotive Directions Report, MTAA and Members August 2017.

2. Engaging the Ducere Global Business School and Canberra and Monash Universities to undertake research into international approaches to ELV including factors such as motor vehicle theft and key issues emerging from those systems and processes including lessons learned, and
 3. Engaging the Ducere Global Business School and Canberra and Monash Universities with further work to examine the potential for options of an ELV funding model and how such a funding model options might be applied.
- The intention of the MTAA, Members and APRAA is to undertake the work necessary to remove identified roadblocks in the identification and delivery of a national solution to ELVs. Which have included:
 1. An apparent lack of collaboration and coordination by Commonwealth, State and Territory Governments and the industry in tackling End-Of-Life vehicles from multi considerations.
 2. Difficulties associated with attempting to identify a solution within existing government programs and policy priorities such as Product Stewardship.
 3. Fragmented and disjointed national and jurisdiction information and registration databases.
 4. A patchwork of jurisdictional requirements across law enforcement, environmental regulation, and compliance reporting.
 5. A lack of national licensing and regulation including uniform and consistent environmental compliance requirements.
 6. Significant difficulty in capturing real data and examples of behaviours, actions and activities.
 7. A problem that appears too complex, too difficult and too onerous to address.
 - Extensive investigations over recent years, particularly by the National Motor Vehicle Theft Reduction Council (NMVTRC) (of which MTAA is a Member organisation), the Victorian Law Reform Commission, the Victorian Police, and most recently the Black Economy Task Force have identified clear linkages with the broader ELV issue, and confirmed a growing problem of profit motivated vehicle theft.
 - In addition, the observations and experiences of the behaviours and actions of new and largely unregulated entrants is creating increased frustration and concern from longstanding professional recycling and dismantling sector business constituents of MTAA Members. These businesses are also members of the Auto Parts and Recyclers Association of Australia, (a national industry committee under the umbrella of the MTAA) and have resolved nationally for a plan to address these issues.
 - While many of these professional established businesses lack the capability to quantify and qualify the incidents of trafficking motor vehicles and motor vehicle parts with 'hard' evidentiary material, the observations and experiences of proprietors cannot and should not be ignored. They are witnessing at a 'grass roots' business level, the risks and impacts of matters associated with motor vehicle theft, trafficking of stolen motor vehicles and parts and ELVs. They are also being significantly disadvantaged at best and put out of business at worst by non-compliant operators in the industry.

- The fact that majority of these sector leading businesses are calling for uniform national policy and regulatory responses; and in many cases regulations supported with accreditation / licensing; is testament to these growing concerns; the significant negative impact on legitimate dismantling and recycling business sustainability and profitability; the infiltration by less than desirable elements, and the growing social, economic and environmental problems created by growing ELVs.

The Terms of Reference

- MTAA draws the Committee's attention to the submission of the National Motor Vehicle Theft Reduction Council (of which MTAA is a Member organisation), and other recent studies and investigations particularly those undertaken in Victoria.
- Of particular importance and insight are two reports undertaken in 2014 and 2016 by the Victorian Police and the Victorian Law Reform Commission respectively, and the recent Black Economy Task Force Final Report.
- Task Force 'Discover' was an inter-agency task force funded by the National Motor Vehicle Theft Reduction Council and led by Victoria Police Crime Command. The Task Force's audit of the Victorian motor wrecking and scrap metal industries was undertaken with the assistance and cooperation of the Australian Crime Commission, the Australian Customs and Border Protection Service, Consumer Affairs Victoria, the Environment Protection Authority Victoria, the Victorian WorkCover Authority and VicRoads. It provided an important insight into the very issues the Committee is investigating through the Terms of Reference, albeit in one State only. MTAA Member the Victorian Automobile Chamber of Commerce was an active participant in the work of the task force.
- The Victorian Law Reform Commission Report of February 2016 into the '*Use of Regulatory Regimes in Preventing the Infiltration of Organised Crime into Lawful Occupations and Industries*' is also insightful in relation to key terms of reference and matters being considered by the Committee and underpins propositions contained in MTAA's submission.
- MTAA notes that if similar detailed work in all other jurisdictions was undertaken, key trends and observations discovered in Victoria would likely be confirmed nationally.
- These reports and their findings along with other analysis and research undertaken by MTAA, Members APRAA and their learning institution partners, informed MTAA's national position and proposed solution for holistic policy and regulatory reform.
- Rather than potentially replicate the excellent work on motor vehicle theft and trafficking that has already been undertaken and likely to be referred to or provided in other submissions, the MTAA will use this submission to the Committee to concentrate on the broader ELV issues and the opportunity for a wider whole of government solution.



Motor Trades Association of Australia, Member Associations and APRAA in context

- MTAA Limited is the national association of participating State and Territory Motor Trades Associations and Automobile Chambers of Commerce Members and is the voice of more 95% of the automotive sector.
- MTAA Limited Members have almost all industries of the automotive sector represented as business member constituents. These industries include, but are not confined to:
 - *New Car retailing (including service)*
 - *Used car retailing (including some who service)*
 - *New and Used Motorcycle retailing (including service and recycling / dismantling)*
 - *Farm and Industrial Machinery retailing (including service and in some cases dismantling and recycling)*
 - *Tyre retailing and Tyre Retreading*
 - *Tyre recycling*
 - *Towing*
 - *Vehicle body Repair (smash repair)*
 - *Independent automotive servicing*
 - *Specific service professions including glass, transmission, engine replacement and reconditioning, brakes, steering, automotive electrical and air- conditioning.*
 - *Service Station and convenience stores (Franchise and Independent)*
 - *Auto Recyclers, dismantlers and part suppliers*
 - *Heavy Vehicle*
 - *Commercial vehicle*
 - *Vehicle Rental*
 - *Bus and Coach*
- This allows MTAA Members an unparalleled ability to understand the operations, issues, concerns and risks of these automotive industries including the impacts of external influences and policy and regulation.
- Many MTAA Limited members are also automotive industry training providers and have extensive operations and facilities in post trade and apprenticeship training and skills development.
- Motor vehicle recycling, dismantling and parts industry business participants are in the main members of an MTAA member State or Territory Association or Automobile Chamber of Commerce. Through their Membership of the State and Territory Associations, these businesses are also automatically a member of a national industry sector committee known as the Auto Parts and Recyclers Association of Australia (APRAA).
- APRAA exists under the umbrella of MTAA and provides the mechanism for recycling, dismantling and parts businesses nationwide to identify, consider and determine national positions on matters impacting their industry particularly from a policy and regulatory perspective, through MTAA Member organisations.
- APRAA has been instrumental in driving investigations into ELV and issues surrounding the business of motor vehicle recycling, dismantling and parts and has industry led committees in each State and Territory to provide input to matters of national significance, including this submission.

Overview of dismantling and recycling industry

- With 67 brands, more than 400 model variants, serving a total population of just 23+ million; the new car retailing industry in Australia is the most competitive and volatile right-hand drive, market in the world.
- Automotive sector industries including recycling, dismantling and parts, are undergoing significant structural adjustment resulting from:
 - Globalisation.
 - Impacts of the world's most competitive and volatile right-hand drive market.
 - Rapidly changing and application of new and emerging technologies.
 - Changing consumer behaviours and requirements.
 - Emergence of ride sharing and levels of automation.
 - Consolidation.
- Like many automotive industries, the motor vehicle dismantling, recycling and used parts industry is highly fragmented with significant competition provided by hundreds of small businesses with little market dominance by any particular company. Most MTAA Member constituent businesses are most likely to be sole trader operations. However some businesses may have several revenue streams within their business model including dismantling used parts supply and recycling. Some may also operate from several sites.
- The lack of any substantial major market share by single companies, combined with an analysis of ABS data, suggests less than 10% of all businesses make over \$2.0 million in revenue per annum, with over 40% making less than \$200,000. This is significant in terms of the attraction of new entrants to the industry.
- According to ABS data, analysed in an Ibis World Industry Report (October 2017) in 2017 /18 there are just over 1000 businesses operating from over 1500 establishments employing close to 4,000 Australians.² These enterprises include motor vehicle recyclers, dismantlers, wreckers, parts retailers and wholesalers, and associated businesses. A further breakdown of the number of enterprises per State and Territory is depicted in Figure 1 below.

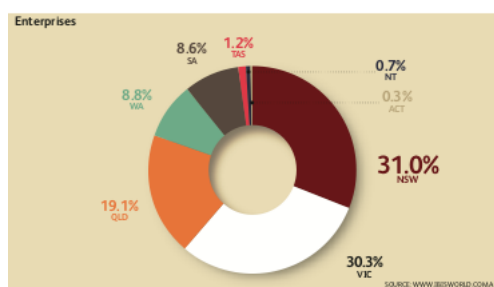


Figure 1: Motor Vehicle dismantling and used part wholesaling enterprises

- In Figure 2 below, Ibis World suggests key markets for dismantling and parts wholesaling include smash repairers, motor vehicle mechanics, households, motor vehicle retailers and motor vehicle parts retailers.

² Ibis World industry reports: Motor Vehicle Dismantling and Used Parts Wholesaling in Australia, October 2017

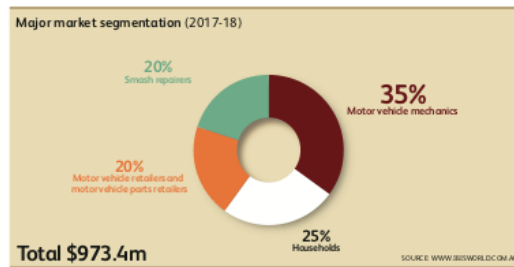


Figure 2: Dismantling and wholesale parts market segmentation.

- There are few barriers to entry and this has resulted in industry growth particularly from new entrants, particularly from ethnic communities with established contacts and export networks in countries of origin. The impact of these new entrants and influence on the market is explored later in this submission.
- According to the Ibis World analysis key elements of the industry include:



Figure 3: Key attributes of Australia's motor vehicle dismantling and parts wholesaling industry.

The End-Of-Life Vehicle issue

Background

- It is the proposition of the MTAA, Members and APRAA that the incidence and risk of profit motivated motor vehicle theft and the trafficking of stolen motor vehicles and motor vehicle parts could be significantly mitigated if not removed entirely by addressing End-Of-Life vehicles.
- In the Australian context, End-Of-Life Vehicles (ELVs) are vehicles that are permanently removed from the national fleet, which by 2020 is expected to exceed 20 million vehicles. Permanent removal from the national fleet can be through several pathways, namely through damage, un-roadworthiness, vehicle age, or at the owners request.
- While policy and regulation exists for much of the automotive sector supply chain as depicted in Figure 4., there is no single legislative instrument that captures the safe disposal and recycling of ELV's. Currently, ELVs and their disposal are captured under a patchwork of Federal and State regulation and industry led stewardship schemes. Those mechanisms include:
 - GreenStamp (an MTAA Member accredited environmental compliance scheme);

³ Ibis World industry reports: Motor Vehicle Dismantling and Used Parts Wholesaling in Australia, October 2017

- Refrigerant Handling License (AS 1940–2004 The storage and handling of flammable and combustible liquids;
- Product Stewardship for Oil Program (Product Stewardship (Oil) Act 2000);
- Product Stewardship Act 2011*
- The Waste Tyres Product Stewardship (TSA).

** The Product Stewardship Act 2011 provides a framework for the creation of voluntary and co-regulatory schemes by industry and Government to address specific waste issues on an industry-by-industry basis. ELV vehicles are not currently captured under that Act.*

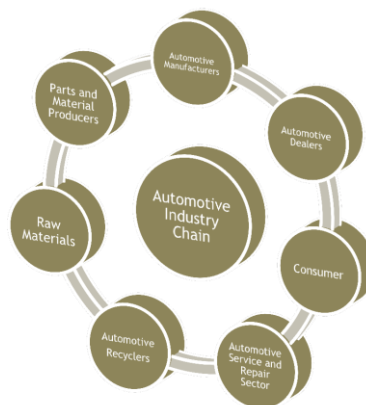


Figure 4: Automotive Sector Supply chain.

- ELV's are, due to their composition, a commodity in terms of spare parts and scrap metal values and a liability in terms of the disposal of unrecyclable materials (including hazardous materials) and the cost of sending shredder residue or 'flock' to landfill.
- As a 'commodity', this market is managed legitimately by parts recycling businesses, but also attracts a significant criminal element due to the lucrative nature of 'black economy' spare parts and scrap metal.
- The National Motor Vehicle Theft Reduction Council (NMVTRC) regularly updates motor vehicle theft trends and statistics and is understood to be providing a submission to this inquiry.
- Because of the economic value of ELV's and the nature of the associated materials, there are numerous stakeholders who consider the issue of ELV's to be of importance from a policy perspective. These stakeholders include, but not limited to:
 - MTAA;
 - State and territory motor trades associations and automobile chambers of commerce;
 - Auto Part and Recyclers Association of Australia
 - Automotive manufacturers;
 - Automotive parts recyclers;
 - Automotive body repairers;
 - Motor vehicle dealers;
 - Insurers and the Insurance Council of Australia;
 - Federal Government;



- State and Territory Governments (including police, environment and transport departments);
 - NMVTRC;
 - Australian Air conditioning and Refrigeration Council;
 - Federal Chamber of Automotive Industry; and
 - Environmental groups.
- There is growing recognition of the need to address the issues surrounding ELV's and automotive recycling, but domestic policy debate has largely stalled. NMVTRC held a forum in mid-2012 to discuss the need for a voluntary Product Stewardship Scheme for ELV's, which would focus primarily on addressing stolen parts and scrap metal by introducing a product stewardship scheme that focused on the regulation and management of the parts supply chain.
 - However, MTAA has reservations that a Product Stewardship Program can effectively deal with the size and nature of the problem; the number of disparate players involved, the fragmented and differing sectors of the economy and industries with an influence, impact or relationship with ELVs. It is suggested the difficulty in addressing ELVs under existing policy and programs is a contributing factor to why there remains no legislative and or regulatory fix comparable to what is being done internationally.
 - A Stewardship Program would appear incapable in current form to take the myriad of players, interests and influences into account for a product as complex as a contemporary modern motor vehicle. Unlike discrete motor vehicle components such as tyres or oil, the motor vehicle product as a whole has arguably too many elements to satisfactorily address the requirements of a Stewardship Program. For example the enabling Act does not mention ELVs.
 - It is therefore the view of MTAA that any policy or legislative response needs to holistically address the modern management and disposal of ELVs as well as motor vehicle theft and the trafficking of stolen motor vehicles and parts.

International Research

- In order to gain better insights into the ELV issue worldwide MTAA, Members and APRAA through the Victorian Automobile Chamber of Commerce (VACC) engaged the Ducere Global Business School and Canberra and Monash Universities to investigate, research and analyse international markets and responses in those markets to the ELV issue.
- The research confirmed Australia is lagging efforts by other major developed and developing countries to address the impact of ELVs on the environment, economy and law enforcement as shown in Figure 5.



Figure 5: World View Snapshot on ELV Policy Implementation (Cruz-Rivera and Ertel, 2009; Eurostat, 2016; Nieuwenhuis, Vergragt and Wells, 2006; OECD, 2014; Sakai, S. et al., 2014). (Reproduced from final report into ELV by Ducure Business School for MTAA and Members).

- The research compared five international jurisdictions with Australia to delve into the country attributes, vehicle fleet size, legislation, emissions, and approaches for addressing ELV as shown in Figure 6.

	Population	Legislation	Program	Funded by	# of Vehicles	Emissions
	66,181,585 (UN, 2017)	EU ELV Directive (2000/53/EC)	Certified Take Back and Recycling (GOV.UK, 2017)	Recycling cost by Manufacturer (GOV.UK, 2017)	31,700,000 (Statista, 2017)	7.96 tonnes (CDIAC, 2017)
	82,114,224 (UN, 2017)	EU ELV Directive (2000/53/EC)	Certified Take Back and Recycling (Zoboli et al., 2000)	Recycling cost by manufacturer (Zoboli et al., 2000)	61,500,000 (Bekker, 2016)	9.06 tonnes (CDIAC, 2017)
	5,305,383 (UN, 2017)	EU ELV Directive (2000/53/EC)	Certified Take Back Provision (Zoboli et al., 2000)	Manufacturers built in Retail Cost (Zoboli et al., 2000)	3,900,000 (Statistics Norway, 2017)	11.71 tonnes (CDIAC, 2017)
	127,484,450 (UN, 2017)	Law for the Recycling of ELV (Togawa, 2004)	Automobile Recycling Law (Togawa, 2004)	Last Owner of Vehicle (Zhao & Chen, 2017)	68,900,000 (Statistics Japan, 2017)	9.25 tonnes (CDIAC, 2017)
	50,982,212 (UN, 2017)	WEEE & ELV Act (Korean Law, 2010)	Certified Take Back and Recycling (MM, 2008)	Recycling cost by manufacturer (Korean Law, 2010)	20,982,212 (Lee, 2016)	11.78 tonnes (CDIAC, 2017)
	24,450,561 (UN, 2017)			Dismantler (APRAA, 2014)	18,400,000 (McNamara, 2009)	16.75 tonnes (CDIAC, 2017)

Figure 6: Country comparison ELV Policy

- Based on the research groups' analysis and findings, a PESTLE component map was developed to highlight which country issues were identified most often as shown in Figure 7.

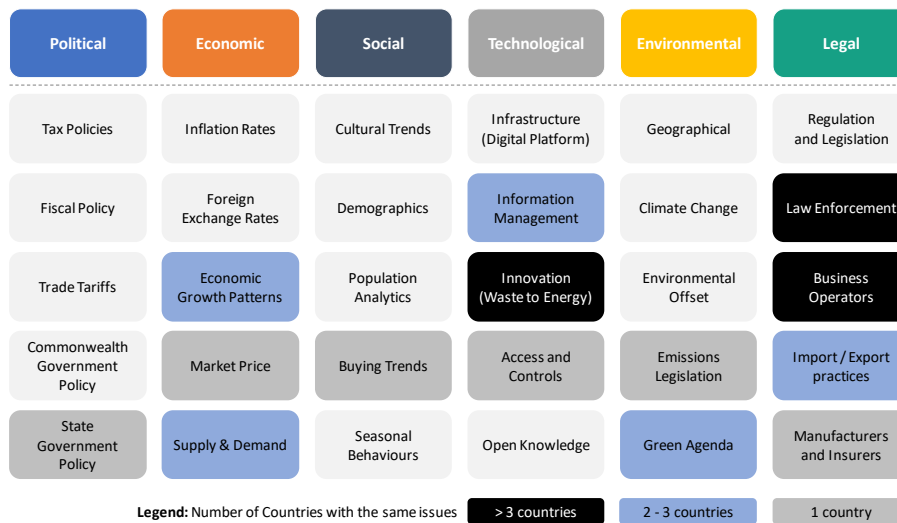


Figure 7. PESTEL comparison of similar issues between Australia and investigated international jurisdictions

- The report findings revealed Law enforcement in the United Kingdom, Germany, Norway and Japan continues to be a primary area of concern with illegal business operators, theft and intentional exportation of old vehicles, causing supply and demand challenges for the legitimate business operators.
- The International ELV research also highlighted the complexity of dismantling and recycling a motor vehicle is an area of concern, particularly for Japan and South Korea. Only 25% of the accredited recycling facilities in the United Kingdom are reporting their recycling rates, and Japan has a limited system of management for distinguishing between ELV and used motor vehicles.
- MTAA suggests that Australia has the advantage of taking note of lessons learned and key issues arising from the introduction of these ELV programs internationally. Any new legislative and regulatory approach in Australia would need to ensure that one problem is not replaced with another through ill thought legislation and / or regulation that fail to take into account critical lessons learned or matters being experienced internationally.

Vehicle theft

- The commissioned report also examined the issues of vehicle theft and vehicle exportation drawing heavily on research and analysis conducted by the National Motor Vehicle Theft Reduction Council.
- While there had been a significant drop in car thefts over the last 20 years with numbers dropping from 126,871 in 1995/96 (Higgins,1997) down to 57,173 (NMVTRC,2017b) 2016/17 due to the implementation of various preventative measures that have been put in place with the help of National Motor Vehicle Theft Reduction Council (NMVTRC); in the previous year the national theft rate has increased from 2.79 thefts per 1000 registrations in 2015/16 to 2.97 theft per 1000 registrations 2016/17 (NMVTRC, 2017).

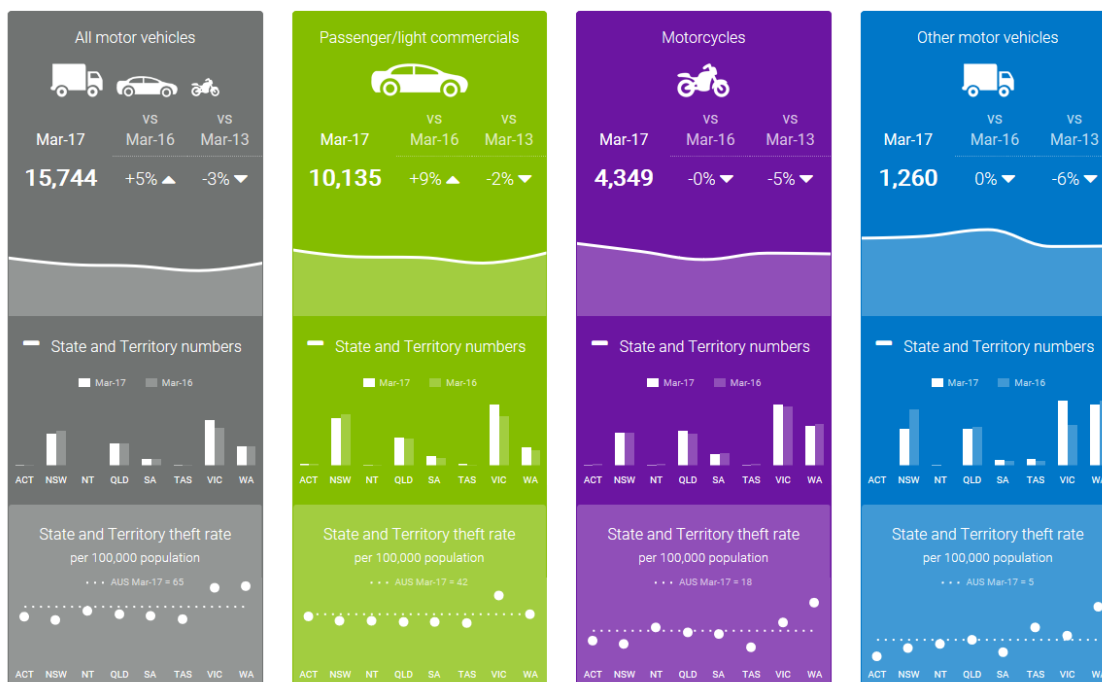


Figure 8: State and Territory theft rates (NMVTRC 2017)

- Australia remains in the top 10 globally ('Burglary, Car Theft and Housebreaking - Motor vehicle theft by countries, 2014 - knoema.com', 2014). Presented in the table below is a forecast of vehicle thefts for the next five to ten years when the current average theft rate is applied.

Year	2016 baseline national vehicle forecasts	Theft forecasts
2016	18,400,000	57,173 (actual)
2021	20,716,558	83,016
2026	23,324,771	93,468

Table 1: National vehicle theft forecast

- Allied to the forecast growth of vehicle theft is a growing sophistication in profit motivated motor vehicle theft. In a study conducted by NMVTRC, about four in ten profit-motivated thefts in Australia accounts for the export of domestically stolen vehicles (Carsafe.com.au, 2017).
- These vehicles are currently being dismantled into parts or passed off as scrap metal to avoid any suspicion. Presented in Table 2 below, is a summary of vehicles that vanished in 2016/17. It suggests that these vehicles are likely to be disposed to the following shares. The figure below is based on a scale of 10,000 vehicles.

End use or fate	Share %	Trend
Dismantled for parts	25	Rising
Converted to scrap metal	25	Rising
Reborned or cloned	5	Reducing
Exported	40	Rising
Dumped in bushland or waterways	5	Steady

Table 2: National Vehicle Dispose Methods (National Motor Vehicle Theft Reduction Council, 2017).

- In the previously mentioned inter-agency Task Force Discover, led by Victoria Police, the report provided insight into some industry entrants that were believed to be profiteering off stolen vehicles. The Task Force in the final report detailed findings of a Victorian audit of motor vehicle wreckers that suggested about 400 vehicle wreckers are operating illegally and 200 of the identified wreckers had no license or were holding the wrong license (Victoria-Police-Crime-Command, 2014). These ‘businesses’ were seen working outside the guidelines provided by Occupational Health and Safety (OHS), Environmental Protection Authority (EPA), and Australian Taxation Office (ATO), and in some cases without appropriate licenses (where required under jurisdiction legislation, such as Victoria’s Licensed Motor Car Traders Act).
- Some of these businesses traded in cash only leaving no paper trails to the origins of the motor vehicle, how it was obtained, where it was obtained from, and with parts stripped from the vehicles with no trace.
- The report also highlighted the intersect and growing prevalence of differing ethnicities in the recycling, dismantling, and parts industry. With minimal barriers to entry, the lack of nationwide uniform compliance and regulation, and any form of licensing in some jurisdictions, dismantling vehicles for parts and scrap metal value is particularly attractive to new migrants, particularly from developing countries.
- MTAA Member business constituents are increasingly reporting behaviours and activities including what they describe as a range of unfair and unacceptable practices around vehicle dismantling, recycling and parts distribution and sale. All of which undermines professional, properly equipped and well-structured businesses with qualified personnel. This places these legitimate businesses under financial duress by diverting salvaged vehicle inventory away from them. Without stock these businesses cannot compete nor cover increasing insurance and compliance costs.
- MTAA and Members have made these observations known to the Government’s Black Economy Task Force highlighting this cash economy is potentially resulting in tax evasion and creating an uneven competitive market where those who abide by regulations and compliance are being punished by those who don’t.

- MTAA is not necessarily suggesting all new entrants or businesses are deliberately mischievous or engaging in illegal activity because of their ethnicity or socio – economic status. There is strong anecdotal evidence that in some cases newer entrants into the industry simply do not possess any knowledge of existing domestic regulatory or compliance requirements, and or obligations under licensing regimes. Some it is reported appear to merely apply knowledge and business practice from their country of origin, which in many circumstances has little or no legislative or regulatory oversight.
- Equally, some MTAA Member business constituents are convinced through their own observations and experience that there are operators who do deliberately circumvent requirements and continue to operate ‘under the radar’ relatively unencumbered due to not being identified through normal business registration, tax authorisation or licensing regimes; and a unilateral lack of enforcement capability nationwide to capture illegal activity.
- In some circumstances, and as reported to MTAA by longstanding recycling and dismantling businesses, these relatively newer businesses also possess linkages, networks, and ready-made export markets in country of origin.

Legal Framework

- As previously mentioned there is currently no legal framework in place to specifically manage the ELV process. Relevant laws are made up of a patchwork of Federal and State legislation. For example, the illegal dumping of ELVs (or waste) in NSW is an offence under the Protection of the Environment Operation Act 1997 and the same offence in Victoria is under the Environmental Protection Act 1970; both of which have varying penalties for such offences. A national ELV policy would allow for greater ease of management and the standardization of various offences. One national legal framework could also stop the exploiting of the various laws in different states and territories.
- In most cases ELVs pass from the last owner of the automobile to a licensed automobile dismantler either directly or via insurance companies, used car dealers or car repairers. The useful parts that have commercial value are removed by the auto dismantler / recycler to be used in the second-hand car market. Once the car has been dismantled and hazardous materials removed, the remaining contents of the vehicle that cannot be reused or recycled are taken directly to a metal shredder or an intermediary scrap metal merchant, where the ELV is then shredded. The non-metal residual exits the shredder as waste residue, known as shredder ‘fluff’ or ‘flock’. This material is mostly disposed of as landfill (McNamara, 2009).
- The MTAA, its Members, the APRAA, the NMVTRC and its law enforcement and industry partners have been calling for the modernisation of related laws across Australia for almost a decade to deal more effectively with profit motivated motor vehicle theft.

- The NSW Government introduced legislation requiring persons dealing in scrap metal to register with NSW Police. The *Scrap Metal Industry Act* also bans cash transactions and imposes a range of obligations on participants to maintain certain records and report suspicious activity. In May 2017 the Victorian Government announced that it would amend its second-hand dealing laws to adopt key elements of the NSW approach, including a ban on cash payments and trading in de-identified vehicles.
- MTAA supports the NMVTRC's preference for other jurisdictions to replicate the NSW model, but there is capacity to address non-compliance and other matters by developing and implementing a holistic legislative and regulatory approach that is centred on ELVs.

Environmental Considerations

- There were 18.8 million registered motor vehicles in Australia as at 31 January 2017. Victoria has the strongest growth rate, with a 2.5% increase from last year, totaling 4,681,337 motor vehicles (ABS, 2016). On average 4.4% of total fleet becomes ELV (Automotive Directions Report, August 2017, p13) per annum, thus approximately 800,000 vehicles are taken off our roads annually.
- The number of ELVs is likely to increase at an escalating rate as a result of the continuing trend in rates of vehicle ownership in Australia, and the related decreasing ownership of older vehicles (Australian Government, 2002, p. 10).
- Landfill and Green House Gas (GHG) emissions are serious environmental issues not just for the Australia, but also for the entire globe. It is essential therefore, that the Australian government considers the effects of continuing current practices in terms of its effects on the environment. The implementation of an ELV policy will help to enable the Australian government to meet its environmental goals by managing and controlling the entire ELV waste process.
- The presence of ELVs became visually apparent during recent cyclical downturns in the price of scrap metal with ELVs unable to be effectively scrapped with many cities and suburbs reporting increasing stockpiles of motor vehicle wrecks.
- More recently a decision by China to no longer accept various recyclable plastics has also had an immediate impact on the recycling of plastic motor vehicle panels including bumper bars. In some locations around Australia, businesses across the automotive sector are reporting increasing difficulty meeting environmental compliance as there is no acceptance of such materials in landfill and now no acceptance by offshore recycling centres.

Potential Solution

National ELV Policy, supporting regulations, organisation to administer and funding mechanism.

- A number of pieces of legislation touch on various areas of the ELV recycling process including the recycling of tyres, environmental accreditation for the automotive industry (GreenStamp) and responsible handling of refrigerants and oils. However, complying with, and enforcing the patchwork of legislation which varies from state to state and Territory (where it exists) is onerous for the recyclers, dismantlers and enforcement agencies. This has led to a number of illegal practices emerging within the industry.
- These issues have highlighted the need for the implementation of a national ELV policy based on best practices adopted from a number of nations with operating ELV programs.
- Australia will have to tailor various parts of a program to suit local market conditions and unique market characteristics. This includes the exclusion of manufacture led programs. With all new vehicles fully imported the task of getting offshore manufacturers to participate in an ELV program that required the shipping of ELVs to country of origin would be considered an intervention too far.
- Rather than geography and isolation from point of manufacturer being a negative, MTAA believes this potentially provides the Australian government with an opportunity to create a national end-to-end program ensuring that the industry is well regulated and provides world best recycling practices. In the process of dealing with ELVs, MTAA suggests this will have a positive impact on profit motivated vehicle theft and resulting trafficking of stolen vehicles and parts.
- The Australian government needs to develop and implement a National ELV Policy through the passing of Commonwealth legislation, focusing on the management, dismantling and recycling of ELVs as well as companion issues such as profit motivated vehicle theft. The National ELV Policy would determine the approach to licensing and accreditation, the funding model to be agreed to ensure sustainable revenues not dependent on direct government revenues and the appropriate mechanism to manage the implementation of a National ELV Policy.
- Currently there are a number of different government bodies managing different aspects of the ELV process, and these also vary from state to state and territory. The creation of an independent ELV body through Commonwealth legislation will allow for greater management of the policy on a national level.



- MTAA recommends the creation of an independent ELV management body to manage the legislated actions and processes. The creation of a national ELV body would require the bi-partisan agreement of major political parties with the national policy identifying key requirements and accountabilities. These would include:
 - The membership of the National ELV Body and the type of organisation (Government / industry partnership; not-for-profit Company with Members consisting of industry and government representation or another model to be determined).
 - Involvement of Government and determination of regulatory oversight.
 - Define responsibilities for recycling/treatment costs.
 - Determine a process for the accreditation / licensing of a national ELV dismantler network.
 - A program to integrate, harmonise and manage databases and registers.
 - Determine a sustainable and transparent funding model that is not dependent on government funding.
- It is envisaged that a future National ELV body would also be accountable for:
 - Registration and regulation of accredited ELV recyclers and dismantlers.
 - Regulating and auditing compliance for environmental and business operations of the recyclers and dismantlers including scrap metal businesses.
 - Mechanisms for the creation of a central database for the registration, deregistration and registration and removal off VIN Numbers.
 - Oversight of 'Clearance Certificate', VIN Numbers registration, Registration Fee concepts for ELV
 - ELV Notice of Destruction database and management

Operational Considerations:

- MTAA is undertaking a final phase of existing work to develop an operational concept of what such an approach may look like to assist government and industry thinking and promote a timely way forward.
- This piece of work culminates the three aforementioned phases of work that has been undertaken. MTAA is happy to provide further information on the framework for this operational concept, but believes there is too much detail to provide to the Committee at this stage.
- Included in the concept of operations will be exploration of emerging technologies and tools that may assist in the streamlined approach to developing and implementing a national policy and management authority. These include:
 - Increased application of technology that seizes the opportunity presented by predictions that globally 82% of cars will be connected to the internet by 2021 (Meola, 2016).
 - The development of a national database to manage and capture records of digitized VIN. The digitized VIN is then used for registration and tracking cars, thus reducing abandoned cars and potential theft. The digitized VIN stays with the consumer until the next car transfer or recycle. This could also be used in a similar manner an e-tag.



Conclusion

- While much of this submission deals with the broader ELV issue as opposed to the specific of profit motivated vehicle theft and resulting trafficking of stolen motor vehicles and parts, it is the position of MTAA, Members and APRAA that one cannot be addressed without the other.
- MTAA understands and recognises that the potential solution and the concentration of ELV matters may be considered by the Committee to be outside the Terms of Reference, the Committee's inquiry is the first by the Parliament in some considerable time that affords an opportunity for a broader examination of the drivers of not only profit motivated vehicle theft, but wider related issues impacting other government policy arenas.
- MTAA respectfully suggests that the overarching problem of ELVs manifested in this inquiry via profit motivated vehicle theft can be addressed if there is a willingness to at least explore the potential opportunity for a whole of government and industry solution.

MTAA National Secretariat
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