



Australian Automotive Dealer Association Ltd.

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Senator Anne Ruston
Chair
Senate Standing Committees on Environment and
Communications
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Dear Senator

**AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION
(AADA)
INQUIRY INTO THE MOTOR VEHICLE STANDARDS
(CHEAPER TRANSPORT) BILL 2014 (BILL)**

Thank you for the invitation to lodge a written submission to the Environment and Communications Legislation Committee (Committee) in respect of its inquiry of the Bill. We note on 20 August 2015, the Senate, on the recommendation of the Selection of Bills Committee, referred the Bill to the Environment and Communications Legislation Committee for inquiry and report by 28 October 2015.

Preamble

In making this submission AADA has limited its scope to matters directly relevant to, and within control of, the franchised dealer network in Australia. It is important to note that Australia's new car market is sub-optimal by global standards with sales of new vehicles just over 1.1 million units in 2014 or 1.4 per cent of the 82 million passenger and commercial vehicles sold globally. There are 17.2 million used vehicles in Australia and the average age of all vehicles registered in Australia is around 10 years and has remained constant since 2008.

Policy rationale of the Bill

On 10 July 2014 Senator Milne introduced the Bill into the Senate, the policy rationale of which “seeks to improve the fuel efficiency of new cars purchased in Australia to reduce costs to motorists, reduce emissions into our atmosphere, promote strong trade ties, reduce dependence on imported oil and provide future jobs for the automotive parts and services industry.” (explanatory memorandum)

The policy rationale of the Bill is broad, ambitious, ambiguous, and contradictory. It targets a specific sector of the Australian economy by setting carbon emissions standards for new passenger vehicles and light commercial vehicles from 2017 (phased-in) to align with the existing EU 2020 standard by 2023 rather than adopting a whole of Government approach to all sectors of the economy including agriculture, electricity generation, mining and transport.

The policy rationale is also narrow in its scope and ignores the 17.2 million used vehicles in Australia the average age of which is around 10 years. A regulatory framework involving the substitution of used vehicles with new vehicles incorporating the latest technological innovations in safety and emission controls should also be considered.

Second reading speech

With due respect to former Senator Milne, we consider that in her second reading speech she demonstrated a lack of understanding of the Australian new vehicle retail market and global markets generally with the following statements:

“Brand new Australian cars guzzle more petrol than new vehicles sold in China, India, Europe and Japan. Australians are just wasting money on petrol when we really don’t have to.”

“Under this Bill, Australians will be able to take control of rising petrol prices and reduce our reliance on imported oil as we see the fuel efficiency of Australia’s cars improved by over 50% within 10 years.”

“Australian motorists will save around \$850 a year on petrol under the scheme.”

“The scheme won’t place any more pressure on Australian automotive jobs because it won’t start until 2017 when Australian automotive manufacturers are closing down their operations.”

“Finally, it will drive down Australia’s pollution levels. Passenger vehicles create 10% of Australia’s greenhouse gas emissions, but this is an area for easy pickings to drive massive reductions at no cost to the Government.”

Consumer preference plays an important part in vehicle emissions and Australian consumers are not lacking in choice with over 67 brands and 350 models available here compared to the United States with 51 brands in a market 13 times larger. There is an increasing preference by Australian consumers for SUVs, a preference for automatic transmission and a lower preference for diesel engines. The National Transport Commission (NTC) noted in its information paper in April 2015 that “The national average carbon dioxide emissions intensity for new passenger and light commercial vehicles sold in 2014 was 188 g/km – a 2.3 per cent reduction from 2013.”

AADA also submits that vehicle pollutant emissions standards and fuel quality standards are interrelated and the setting of Australian emissions standards without consideration of Australia’s poor fuel quality limit the ability of manufacturers to introduce innovative motor vehicle emissions technology into Australia.

Rising petrol (and diesel) prices generally are of concern to consumers and motoring organisations. Successive Governments have not been able to explain price differentials across the States and Territories, and within cities and regional areas. This is a matter which should be investigated by the ACCC in respect of misuse of market power.

Senator Milne also ignored the need for motorists to purchase premium unleaded petrol (PULP) to achieve the in-service fuel consumption performance (and subsequent fuel saving) of many overseas (especially European) markets. Currently, PULP is around 10c per litre more expensive than unleaded petrol.

The price of oil in Australia is determined by global market conditions over which Australia has very little control. The United States has sought to address this issue through increased production from shale oil producers. Again, we submit a whole of Government approach is required to formulate policies to mitigate the effect of global price manipulation by OPEC.

AADA draws your attention to a key finding of the NTC in 2015: “Over the 10-year period between 2005 and 2014, the national average carbon dioxide emissions intensity for new light vehicles has fallen by 22 per cent.”

Motor Vehicle Standards (Cheaper Transport) Bill 2014 (Bill)

AADA has a number of concerns with the Bill including the lack of consultation by the promoters of the Bill with the automotive industry in Australia. This is reflected in the poor drafting of the Bill.

A “passenger vehicle” is defined in Clause 3 of the Bill and can include a motor vehicle categorised as LA, LB, LC, LD, LE, MA, MB or MC in the Australian Design Rule. LA, LB, LC, LD and LE are motor cycle categories and includes mopeds. We

understand there are no standards in operation around the world in respect of CO2 emissions from motorcycles.

It is also unclear whether the Bill will impose emission standards and apply charges for non-compliance on the authorised dealer network in Australia rather than the manufacturer of the product.

The imposition of emissions standards in Australia by direct reference to EU or US standards should be treated with caution as the methodology and assumptions on which those standards are based are specific to those countries.

AADA does not support this Bill.

AADA

AADA is the peak industry body representing franchised new car dealers in Australia. There are over 1500 new car dealers in Australia that operate something in the order of 2600 new vehicle outlets.

Dealerships range from family-owned small businesses to larger businesses and two public companies operating in the regions, metropolitan areas and across all States and Territories. The authorised dealer network generates revenue in excess of \$72 billion, pays wages in excess of \$5.6 billion annually, employs on excess of 66,000 people and has invested around \$17 billion in facilities.

Yours sincerely

Bruce McDonald
Chief Executive Officer