
Pre-Budget Submission 2020-21

Federal Chamber of Automotive
Industries



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About the Federal Chamber of Automotive Industries

The Federal Chamber of Automotive Industries (FCAI) is Australia's peak automotive industry body, comprising the Australian representatives of the manufacturers who bring the latest automotive technology to the Australian market. In 2019, FCAI members accounted for over one million new vehicle sales, representing approximately 98 per cent of all new vehicles sold in Australia.

Priority issues in the context of the 2020-21 Federal Budget

This Pre-Budget Submission focusses on the following priorities:

1. Full abolition of the Luxury Car Tax; and
2. Full abolition of residual import tariffs applicable to new passenger vehicles; and
3. A sensible framework to oversee the relationship between automotive suppliers and their franchise dealer networks; and
4. A sensible framework for the provision of automotive service and repair information that ensures consumer and workplace health and safety; and
5. A sensible framework for the volume importation, certification and provision to market of new motor vehicles; and
6. A structured framework to support the introduction of connected and automated vehicles that will undoubtedly improve road safety outcomes.

1. Full abolition of the Luxury Car Tax

The FCAI seeks the removal of the Luxury Car Tax (LCT), which is an anachronistic and unwarranted impost on consumers. The LCT is simply a tax on technologies. These technologies ultimately benefit consumers and lead to better safety and environmental outcomes.

The 2010 Henry Tax Review identified that the LCT fails to meet any of the five underlying taxation principles: equity, efficiency, simplicity, sustainability and policy consistency. In the context of reducing vehicle CO₂ emissions and improving safety technologies, the LCT serves as a tax and negative impact on technology and sustainability.

More safety features in vehicles reduces road trauma and the human and monetary cost to society and governments, which is likely to outweigh the revenue collected from the LCT.

More people in new vehicles will help reduce the average age of the national vehicle fleet, with reduced emissions as older cars with outdated emissions technologies are taken off the roads. The FCAI see no justification for retaining this inefficient tax which distorts the market and creates a non-level playing field for consumers. We welcome the opportunity to work with government to relieve consumers of this antiquated cost impost on one of the most essential purchases for everyday Australians.

2. Full abolition of residual import tariffs applicable to new passenger vehicles

The FCAI seeks removal of the imported motor vehicle tariff. Motor vehicle manufacturing ceased in Australia in October 2017 and with no industry to protect, this tariff should be removed.

Approximately 19 per cent of new vehicle buyers are penalised by 5 per cent import duty. Any vehicles that are built in countries with which Australia does not have a free trade agreement are subject to the tariff. There is no logical policy rationale to discriminate one vehicle import source against another. The table below shows 2019 new vehicle sales subject to the tariff.

Source markets attracting 5 per cent tariff on motor vehicle imports to Australia

Country	Volume
Argentina	4,200
Austria	629
Belgium	3,063
Czech Republic	14,123
England	28,025
Finland	3,596
France	6,759
Germany	84,166
Hungary	10,341
India	3,576
Italy	3,055
Poland	5,975
Slovak Republic	4,022
South Africa	11,769
Spain	8,941
Sweden	4,732
Turkey	3,922
Total	200,894

Source: 2019 Australian motor vehicle sales, VFACTS, Federal Chamber of Automotive Industries

As of December 2019, the Australian automotive industry has experienced 21 consecutive months of declining sales. Whilst there are a range contributing factors, the additional cost imposed through redundant tariffs only amplifies the current difficult economic conditions.

3. A sensible framework to oversee the relationship between automotive suppliers and their franchise dealer networks

The FCAI has appreciated the opportunity to formally engage with the Federal Government, led by the Minister for Industry, Science and Technology and the Minister for Employment, Skills, Small and Family Business, on the future regulatory framework overseeing automotive supplier-dealer relationships.

It is important that any future regulatory regime to oversee the commercial relationship between automotive suppliers and their dealer networks ensures flexibility in the market. With significant changes in market share between automotive brands in Australia, and

extensive consolidation of dealership business models, it is critical that the regulatory framework strikes the right balance.

The FCAI supports the recommendation of the 2019 'Fairness on Franchising' report, which recommended against a separate code for automotive franchising, but rather a Schedule or appendix to the Franchise Code that deals with industry specific issues as necessary. The FCAI shares the report's concerns about fragmentation of the Franchise Code into multiple individual codes. A stand-alone automotive code and compliance framework risks placing a disproportionate regulatory burden for dealers and distributors within a highly competitive market that will be subject to extensive technological disruption over the coming decade and beyond.

4. A sensible framework for the provision of automotive service and repair information that ensures consumer and workplace health and safety.

The FCAI strongly supports a viable service and repair sector, which creates choice and competition for consumers. However, the industry places a high premium on security, environmental standards and the safety of motorists. Ultimately, the industry's number one concern is the safety of consumers and the occupational health and safety of practitioners who work on increasingly sophisticated vehicle technology supporting reduced emissions and improved road safety for users and pedestrians.

Motor vehicles are increasingly complex, particularly through the further development of advanced safety systems, electrified power trains and higher levels of autonomy from the driver. These technologies, such as battery electric vehicles, hydrogen fuel cell electric vehicles and highly autonomous vehicles rely on cutting-edge systems that, if not administered correctly, pose risks to motorists, passengers, pedestrians and technicians. These systems require the necessary training and the tooling to ensure adequate safety for consumers, as well as the occupational health and safety of automotive technicians.

The FCAI is committed to working with the Federal Government and industry stakeholders to develop a workable mandatory information sharing regime. It is important however that this regulatory intervention by government is proportionate to the need that it seeks to address. International evidence (such as across the European Union and the United States) demonstrates that the take-up rate by independent repairers from these similar data sharing schemes is very low.

No regulation is without cost and the FCAI is concerned that this disproportionate regulatory burden would be far greater on low-volume brands across the highly competitive Australian market. Ultimately, additional costs are born by the consumer and it is critical that any mandatory information sharing regime can enable consumers to enjoy the benefits of competition – especially in the current economic climate.

5. A sensible framework for the volume importation, certification and provision to market of new motor vehicles.

The FCAI has been a party to the development and supports the introduction of the *Road Vehicle Standards Act (RVSA)* as contemporary legislation which facilitates the importation, certification and provision to market of new and used motor vehicles replacing the *Motor Vehicle Standards Act* that has been operational basically unchanged since 1989.

The FCAI is concerned that, despite a key pretext of the legislation was a reduction of cost and administrative burden, the cost of complying with the RVSA and its associated rules and regulations has significantly increased.

Equally concerning is that the proposed financial arrangements disproportionately favour the concessional, low volume schemes and provide the potential for large scale, parallel importation of new vehicles outside official brand channels. As recently identified in light of the recent Takata airbag recall, there is evidence in the Australian market that owners of these vehicles struggle to get the importers to meet their recall obligations. In many cases the importers no longer exist and even when they do their capacity to obtain recall parts outside of established parts replacement channels is limited. This of course results in substantial safety implications for these owners.

6. A structured framework to support the introduction of connected and automated vehicles that will undoubtedly improve road safety outcomes.

The automotive industry is undergoing rapid technological change with the introduction of connected vehicles and development of increasingly automated vehicles. Both of these technologies will have a dramatic impact in reducing accidents, and where accidents are inevitable reduce the impact speeds thereby improving safety outcomes. Enabling these technologies to operate correctly and to achieve the greatest benefit will require significant investment over a period of time to ensure that the roads and road infrastructure (signage, road markings etc.) meet national standards.

For connected vehicles there will be requirements (usually in higher traffic density areas) to ensure that road infrastructure (traffic lights, road signs, etc.) has the capability to be provide and receive signals from passing vehicles as well as being connected to traffic management systems. The FCAI understands that there will be a combination of Federal and State funding, however the task is considerable and requires long term funding provisions at all levels of government.

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