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Presiding Commissioner
Productivity Commission

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Submitted via consultation hub

AADA submission - Productivity Commission Circular Economy Report

The AADA welcomes this opportunity to submit a response to the Productivity Commission's Interim Report *'Australia's circular economy: Unlocking the opportunities.'*

The Australian Automotive Dealer Association represents almost 3,800 new car and truck dealers in Australia which range from family-owned small businesses to larger and publicly owned businesses, operating in regional Australia and capital cities across the country. Franchised new car and truck dealers employ more than 68,000 people directly with a total economic contribution of around \$18 billion. Each year franchised new car dealers sell more than 1.6 million new and used vehicles, and complete over 44 million individual service, repair and maintenance jobs.

The AADA is very supportive of the exploration of how Australia can better adhere to circular economy principles which seek to maintain the value of materials for as long as possible and ensure materials are used efficiently across all phases of their life cycle. With over 20 million vehicles registered in Australia, it is important that circular economy opportunities are carefully considered and developed to ensure best practice environmental impact mitigation.

As noted in the Interim Report, Australia has a very small vehicle manufacturing industry and no tyre manufacturing industry which means that opportunities to improve materials productivity and efficiency for vehicles and tyres are concentrated in the use and end-of-life phases of the product life cycle. Developing robust disposal and recovery options for vehicles at their end of life will further circular economy objectives and contribute to better outcomes.

Australia's vast network of automotive dealers are at the forefront of consumer interaction and are generally the first point of call for consumers when seeking to have their vehicles repaired and serviced. Given that dealers are customer-facing and have well-established relationships with their clientele, it is inevitable that customers will return to them when their EV reaches the end of its life. As such, it is vitally important that when developing programs to manage end-of-life pathways for vehicles, dealers are involved to ensure solutions are practical and workable for industry and consumers.

When considering circular economy objectives for vehicles, the Interim Report examines these opportunities, particularly through the lens of collection and disposal of end-of-life tyres, vehicles and EV batteries. The AADA has detailed our response to these three key areas below.



End of Life vehicle recycling

Complimenting industry and government efforts towards a sustainable automotive industry, other industry bodies in the Australian automotive sector, including the Federal Chamber of Automotive Industries (FCAI) and Motor Trades Association of Australia (MTAA) have jointly conducted a study identifying options to improve end-of-life vehicle (ELV) material recovery rates, reduce waste and avoid inter-state leakage of end-of-life vehicles. The AADA has also participated in other industry-led initiatives, such as the Battery Stewardship Council's consultation on EV battery stewardship.

This is a significant research and planning project undertaken by the automotive industry with the resulting finding that a co-regulatory scheme is necessary to deal appropriately with the complex dismantling, processing, reuse, and recovery of the many recyclable vehicle parts and materials. The AADA does not support the separation of particular vehicle components for individual recycling schemes and notes that worn tyres replaced during the life of the vehicle require close attention to avoid stockpiling and illegal collection.

The AADA considers that the Interim Report examines opportunities to improve productivity and efficiency in the recycling of tyres, vehicles and EV batteries narrowly, without consideration of ELV plans that have been proposed for the future. The AADA considers that the need for the whole vehicle to be treated at end of life, under a national plan, is critical to ensuring optimal recycling of vehicle components. The AADA has concerns that if vehicle recycling schemes are developed in terms of specific components of vehicles, that components which are seen as less valuable or more difficult to recycle could be left behind.

The AADA recommends that recycling of end-of-life vehicles should occur at authorised automotive recycling collection and treatment facilities arranged under a coregulatory national ELV product stewardship scheme.

EV battery recycling

Battery recycling and reuse will form a key component of the Australian circular economy as we move towards decarbonising our sectors. An explainer developed by the Electric Vehicle Council in collaboration with the Association for the Battery Recycling Industry (ABRI) outlined the contribution of electric vehicle (EV) batteries towards sustainability while highlighting the significance of end-of-life management of EV batteries.

Franchised new car dealers are actively involved in managing end of life EV batteries in collaboration with the Original Equipment Manufacturers and has previously engaged in consultations looking at the development of an EV battery stewardship scheme in Australia. The AADA considers that encouraging manufacturers, importers, and distributors to take responsibility for EV batteries is vital to achieving cost- efficient emissions reduction.

However, as the uptake of EVs, PHEVs and Hybrids increases, it will be essential that Australia moves to explore and establish the infrastructure needed to recover valuable

resources, avoid the stockpiling of EV batteries, and manage safety risks. There is a growing risk that automotive dealers become a dumping ground for EV batteries where there is no clear delegation of responsibilities at all stages of a battery/vehicle life cycle.

The AADA considers that EV batteries should be provided with a serial number and be easily identifiable, traceable, and accounted for to ensure that stockpiling, dumping or inappropriate use does not occur.

EV batteries should not be processed in a separate battery product stewardship scheme but incorporated into an ELV product stewardship. To properly manage ELVs and EV batteries requires the right automotive dismantling and recycling facilities. Treating a separated EV battery on its own ignores the practicality of recycling the whole vehicle appropriately. An electric ELV without the EV battery in place may not be an economically viable prospect for recycling.

The AADA does not support a separate EV Battery stewardship scheme outside of an ELV stewardship scheme. It is likely that most EV batteries will remain in situ within the vehicle for the whole of the serviceable life of the vehicle. Safe dismantling of vehicles including EV batteries should occur at an authorised ELV recycling facility.

Tyres

The recycling of tyres has a long history in Australia, as noted in the Interim Report a product stewardship scheme exists for tyres. This a voluntary scheme managed by Tyre Stewardship Australia and accredited by the Australian Government, which imposes a levy for each tyre sold on manufacturers and importers to participate in the scheme.

The AADA notes the very high recovery rates of passenger and truck tyres under the scheme (85%) which demonstrates the significant viability of these schemes. However, there have unfortunately been examples of tyre dumping, stockpiling, abandonment, and at the extreme end, fires involving tens of thousands of illegally stockpiled tyres.

As such, the AADA supports a carefully managed approach to improving collections and recycling of used tyres. Recent reports of avoidance of the regulated tyre collection and recycling procedures are concerning. The worst-case scenario for the industry would be that collection of waste tyres becomes too difficult, the tyres themselves worthless, and piles of used tyres remain at retail outlets uncollected and unrecycled.

Evaluating the Motor Vehicle Service and Repair Information Sharing Scheme (MVIS)

The AADA is supportive of the Motor Vehicle Service and Repair Information Sharing Scheme (MVIS) and agrees with the Interim Report that this scheme should be reviewed, with the goal of maintaining and growing a strong repair culture for vehicles.

The MVIS aims to support productivity and competition in the repair market by ensuring that vehicle repairers are able to access appropriate information from vehicle manufacturers at a fair price. The AADA considers that this scheme is achieving this goal, through the provision of service and repair information to authorised repairers with a very low barrier to entry.

Competition in the vehicle repair market is vigorous, with vehicle repair, service, and maintenance being available widely and unrestricted. Good practice in recycling automotive parts for reuse, rebuilding or reconditioning contributes to the continuing availability of components to facilitate ongoing vehicle repairs and maintenance.

Regarding recommendation 8.1.3, the AADA is very supportive of fair access to repair information for market participants but urges that great care and consideration must be given when seeking to expand the MVIS to provide more widespread access. Under the scheme, repairers are defined as 'a person who carries out repairs as a professional service'. However, the inclusion of other market participants who are not suitably qualified repairers could lead to worse consumer outcomes. An expanded definition of who can access the scheme could potentially include 'backyard' mechanics who are not suitably trained, presenting many risks for consumers. While not within the AADA's remit, we support the recommendation for the 2025-26 review to assess the potential to expand the MVIS to cover other products such as farm machinery. The AADA is generally supportive of the expansion of the MVIS to offer greater access to repair information but warns against unintended consequences, for example, this expanding to a right to modify.

We would be happy to meet with you to discuss our submission and participate in any further consultation. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact me.

Yours sincerely

James Voortman

Chief Executive Officer