

13 March 2014

Mr Mike Woods  
Deputy Chairman  
Productivity Commission  
LB2 Collins St East  
Melbourne VIC 8003

Dear Mr Woods

Thank you for the opportunity to provide a submission to the inquiry into Australia's automotive manufacturing industry. This submission contains no confidential information and I consent to it being made available on the Commission's website.

I previously provided a submission to the review (PP262). This supplementary submission to the inquiry responds to the Commission's Information Request 3.2, and in particular to the question: how could compliance with Australian safety and environmental standards be most efficiently ensured?

I would like to propose that the Commission recommends that the Motor Vehicle Standards Act 1989 is amended to allow the importation of used vehicles that meet the following requirements:

- No more than one year old when shipped from the country where the vehicle was purchased
- Are right-hand drive vehicles from the following OCED countries: United Kingdom, Republic of Ireland, Japan and New Zealand, and
- Undergo the normal roadworthiness procedure that the Australian port.

These requirements mean that the used vehicles would meet the current Australian Design Rules safety and emissions standards and therefore would not lead to a decrease in safety and emissions performance of the Australian vehicle fleet.

This arrangement can also benefit Australian consumers in lower prices. As I argued in my previous submission, Australian consumers pay around \$2.6 billion per annum in higher new car prices compared to overseas consumers.

The car manufacturers are likely to argue against changes to allow used car imports into Australia as it will diminish the safety and environmental standards of new cars sold in Australia. However, my proposal ensures that the used vehicle imports meet the current Australian standards for safety and emissions and offers the opportunity for Australian consumers to benefit from lower prices for modern used vehicles.

My previous submission also outlined some arguments the car manufacturers have used for reasons that new Australian vehicles are not overpriced compared to overseas markets. If their arguments hold, then the car manufacturers should have nothing to worry about with my proposal as Australians won't bother importing used vehicles. Let the market decide whether new Australian cars currently represent good value (and not many people will import modern used cars) or overpriced (and many people will import modern used cars).

If you do not include my proposal as a recommendation in your final report, could you consider recommending that the current review of the Motor Vehicle Standards Act commission a consultant to undertake a detailed study to compare new and used vehicle prices in Australia and overseas. I believe that my previous submission was the only submission to the inquiry that attempted to

quantify the total higher prices Australians pay for new cars compared to overseas consumers. There is very little data in this area. Therefore, the national debate about how much more Australians are being charged for new cars would greatly benefit from an independent report examining in detail the price differences between Australia and overseas. This study could include a comparison in car prices in the OCED countries I mentioned above.

One final point I wish to make is about the size of the Australian car market compared with overseas markets and the number of car brands that are available. Australia has about one million new vehicle sales per annum with about 60 car brands. Compare this to the United States with about seven million new vehicle sales per annum and about 40 car brands. Or compare this to the UK with about two million new car sales per annum and about 40 car brands. It seems illogical that a smaller market like Australia should have more car brands selling more vehicle models compared with the larger markets in the US and the UK. However, if the new car prices were much higher in the smaller Australian market compared to these larger overseas markets, then this data makes logical sense. Therefore, I argue that more car brands being available in Australia compared to larger overseas markets is further evidence that Australians are charged higher new car prices compared to overseas consumers.

I hope you find this submission a useful contribution to the review.

Yours sincerely

Peter Smith  
Southbank VIC