

BULLETIN

Victorian Automotive Dealers Association



Reference No: The case for exemption for certificate of roadworthiness

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The case for exemption for certificate of roadworthiness for dealer owned stock under 3 months old with up to 50km on odometer

Members of the Victorian Automobile Dealer Association (VADA) have been frustrated for some time of the requirement to obtain a roadworthy certificate when retailing a new, registered, low kilometer (km) vehicle that has only ever been owned by a new car dealer. These low km cars can be demonstrator cars, RDA cars /cyber cars or cars where a consumer reneges on a deal.

VACC, has for the last three years lobbied VicRoads to exempt dealer owned low km cars that have an odometer reading of less than 50 km and have only ever been held as dealer stock for a period of less than three months.

What is the issue?

The growing prevalence of low km trading stock within car dealerships' vehicle stock holdings, has given rise to unprecedented internal cost rises that are absorbed by VADA members as they are required to obtain a roadworthy certificate for these vehicles when presenting them for retail sale.

What has VADA done to progress this issue?

To assess the costs and impacts associated with the provision of roadworthy certificates on low km vehicles, VACC formed a focus group consisting dealers from eight main VADA dealership groups within metropolitan Melbourne and regional Victoria.

Those dealerships participated in survey that ran from September to October 2018 and asked to respond to following:

The survey collected information

- Vehicle model, type and registration number.
- Date of roadworthy certificate completion.
- The rectification work required to be completed for the roadworthy certificate.
- The cost of the roadworthy certificate to the dealer.
- The vehicle odometer reading at the time of the roadworthy.
- The roadworthy certificate ID number.

The survey gathered 639 in scope replies. VACC thanks those dealerships for participating in the survey.

What were the results of the survey?

Using data generated from previous Cyber Car surveys it was deduced that an estimated population of 95,433 cyber vehicles, RDA and low km demonstrator cars in Victoria were resident in Victoria over the past year. The survey results contain a margin of error of plus or minus 3.8 per cent at a 95 per cent confidence level. Therefore, it is the VACC view that the survey results are high quality and statistically

robust.

The VACC survey data highlights the following:

- 84.5% of low km dealer stock held by dealers had a roadworthy certificate completed on an odometer reading of between 4 and 50 kms.
- 9.4% of low km dealer stock held had a roadworthy certificate completed on an odometer reading of between 51 and 999 kms.
- 6.1% of low km dealer stock had a roadworthy certificate completed on an odometer reading of 1,000 kms or more.
- The average cost of a roadworthy was \$233.38 per vehicle.
- Of the 639 records, 635 vehicles or 99.4% required no rectification work to be completed as part of the roadworthy certificate.
- Only 4 of the 639 cars (0.6%) required some rectification work to be completed as part of the roadworthy certificate. The nature of this rectification work was very minor and included:
 - A leaky tyre valve on one vehicle with an odometer reading of 10 kms.
 - Minor cam phaser work on one vehicle with 689 kms.
 - A stuck electric window on one vehicle at 1,121 kms.
 - Minor heating drain work on one vehicle with 1,278 kms

The clear majority of these vehicles were held as dealer stock for less than 2 months.

What does the survey data conclude?

The VACC survey data is decisive. It shows that in the six-month reporting period the overwhelming majority of (99.4 per cent) of low km, demonstrator, cyber and RDA cars held by dealers in Victoria, had no identified faults, or required any rectification work to be undertaken for a roadworthy certificate.

That is, under the criteria mandated under VSI26, there was no rectification work required. This result is not unexpected given that these are brand new vehicles that have been held in dealer custody for usually, less than two months. Car dealers; however, were required to pay an average cost of \$233.38 per vehicle to obtain a roadworthy certificate for where it was patently not required.

The survey results essentially call into question the requirement for a roadworthy certificate on low km dealer-owned stock. Feedback received by VACC from its dealer members confirms that the cost of providing a roadworthy certificate for these vehicles (average cost of \$233.38 per vehicle) is passed on to the consumer, resulting in the consumer paying a higher price for the vehicle than is necessary.

VACC's research supports the argument that roadworthy certificates for these vehicles represent an unqualified and unnecessary financial impost for car dealers and consumers.

The cost of these roadworthy certificates to Victorian consumers is estimated to be \$22.2 million per annum. They also represent unnecessary red-tape for businesses.

Based on the evidence that 84.5% of these cars contain an odometer reading of 50 kms or less, VACC recommends that vehicles with an odometer reading of up to 50 kms and held as dealer stock for less than 3 months, should be used as the benchmark for deciding the need for a roadworthy certificate in Victoria.

What is the VACC recommendation to VicRoads?

VACC strongly recommends there be regulatory reform in this area. Reforms should remove the requirement for dealer-owned vehicles with odometer readings of up to 50 kms to have a roadworthy certificate completed. This would constitute a sensible reform, benefitting both Victorian business and consumers.

VACC has provided a formal submission to VicRoads in pursuit of this reform. You can view the submission by taking this [link](#). We will keep you informed of any progress.

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