

VACC

2023-24 Victorian Pre-Budget Submission

December 2022



ABOUT VACC

The Victorian Automotive Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,000 members in over 20 retail automotive sectors that employ over 50,000 Victorians.

VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), tyre dealers and automotive dismantlers and recyclers.

VACC is also an active member of the Motor Trades Association of Australia (MTAA) and contributes significantly to the national policy debate through Australia's peak national automotive association.

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Contents

ABOUT VACC	2
VACC RECOMMENDATIONS	4
Industry background	6
1. Zero and Low-Emission Vehicles Policy	6
2. Skills & Training	7
2. Environment	8
3. Tax Reform	10
4. Mandating Motor Vehicle Insurance and Repair Industry Code	14

VACC RECOMMENDATIONS

Recommendation 1:

That the Victorian Government implements a comprehensive zero and low-emission vehicle policy in collaboration with the automotive retail industry.

Recommendation 2:

That the Victorian Government establish a ZLEV Commission in partnership with industry, with a focus on the automotive retail, service and repair sectors, that has oversight of industry transition and its likely impact on business practices, skills and employment.

Recommendation 3:

That the Victorian Government extend its EV Charging for Business Fleets program to include automotive retail, service and repair businesses, who assist with the maintenance of Victoria's growing electric vehicle fleet.

Recommendation 4:

That the Victorian Government incentivise the test driving of EVs through new vehicle dealerships and service departments, through the provision of a tax credit or other fiscal incentives for dealerships to deliver EV test drives to customers.

Recommendation 5:

That the Victorian Government increase the road-user charge exemption for dealer-demonstrator battery electric and plug-in-hybrid electric vehicles from 1,500km to 7,500km per vehicle.

Recommendation 6:

That the Victorian Government introduce a licensed repairer scheme, based on completion of the relevant electric vehicle skill sets and units of competency. The license requirements should also adhere to the Australian Standard for Electric Vehicle Operations, Maintenance and Repair, AS 5732:2022.

Recommendation 7:

That the Victorian Government identify and implement an alternative model to incentivise the provision of vocational education and training by registered training providers (RTOs) in thin markets such as motorcycle, engine reconditioning, automotive electrical, panel and paint, vehicle parts and outdoor power equipment. This could be achieved by funding RTOs to deliver training to thin markets on a per-class basis.

Recommendation 8:

That the Victorian Government implement a sustainable strategy to address the immediate impact of stockpiling and disposal of waste tyres, and to invest in sustainable waste recycling and renewable energy facilities.

Recommendation 9:

That the Victorian Government fund an end-of-life vehicle (ELV) trial for a self-regulated ELV program, to ensure the disposal of ELVs has minimal environmental impact.

Recommendation 10:

That the Victorian Government address the ambiguity in the Environmental Protection Act 2017 (Vic) and clearly defines 'end-of-life vehicle' as contained in the waste categories connected with the Act and Regulations. The new definition should clearly articulate that statutory and repairable written-off motor vehicles are waste products and can only be received for purchase, resale, transport or storage

by permissioned entities as mandated in the Act and Regulations.

Recommendation 11:

That the Victorian Government appoints and funds a Government-led and industry supported review of the current written-off vehicle process, with particular attention to addressing the weaknesses in Section 16 of the Road Safety Act 1986 (Vic) to explore the community, industry, legal and environmental impacts.

Recommendation 12:

That the Victorian Government reforms and modernises Chapter 9 of the Duties Act 2000 (Vic) via review of SRO Revenue Rulings DA-022, DA-034v2 and DA-035v2 to allow for a fairer trading environment for Victorian licensed motor car traders and for the benefit of Victorian consumers.

Recommendation 13:

That the Victorian Government remove Super Luxury Duty in the 2023-24 State Budget.

Recommendation 14:

That Victoria's payroll tax threshold be lifted to \$1.2 million per annum, thereby aligning more closely with other jurisdictions, to ensure Victorian business competitiveness, capital investment and future jobs growth.

Recommendation 15:

That the Victorian Government commit to further decreasing Victoria's road toll by implementing an annual roadworthy requirement for vehicles aged eight years and over. This roadworthy requirement should be linked to the ongoing registration of the vehicle.

Recommendation 16:

That the Victorian Government provide additional resources to assist the acceleration of automotive retail applications to the Victorian Civil and Administrative Tribunal.

Recommendation 17:

That the Victorian Government reform the Victorian Civil and Administrative Tribunal Act 1998 (Vic) to allow respondents to Victorian Civil and Administrative Tribunal applications that are malicious, opportunistic, or vexatious to claim liquidated damages.

Recommendation 18:

That the Victorian Government appoints all licensed motor car traders in the VicRoads Dealer Online and Dealer Certification Scheme as agents for the new joint venture and be compensated for conducting work for the entity.

Recommendation 19:

That the Victorian Government permit consignment selling by licensed motor car traders (LMCTs) of vehicles from members of the Victorian public.

Recommendation 20:

That the Victorian Government develop and introduce a new mandatory Motor Vehicle Insurance and Repair (MVIRI) Code in Victoria.

INDUSTRY BACKGROUND

The automotive industry is a significant contributor to the Victorian economy. Across all its constituent sectors it employs over 109,000 Victorians within 18,807 individual businesses¹, the majority of which are small and family-owned businesses. In aggregate, these businesses contribute \$9.7 billion to Victoria's Gross State Product (GSP). The automotive industry is also one of the largest employers of apprentices and trainees in Victoria.

The needs of the automotive industry, from a small business perspective are many, and given the economic significance of the industry, are an important consideration within the State Budget. This is all the more critical as the industry transitions to a new era of zero and low emission vehicles (ZLEVs).

KEY POSITIONS

1. Zero and Low-Emission Vehicles Policy

VACC recognises the contribution that zero and low-emission vehicles (ZLEVs) can make towards achieving net-zero emissions and supports policies that promote a greater uptake of ZLEVs by businesses and the community.

The transition to ZLEVs, however, is challenging. For an industry steeped in traditional petrol and diesel technology, the move to ZLEVs represents a major shift for Australia's automotive industry, a transition many automotive businesses are ill-equipped to make. Battery electric vehicles require significant capital expenditures by automotive businesses in new tooling, charging infrastructure and skills training. For many automotive businesses, these transitional costs will be prohibitive and there is considerable apprehension and uncertainty about their future.

It is therefore critical that the Victorian Government takes a leadership role, in partnership with industry, to ensure the transition to ZLEVs is as seamless as possible, and mitigates any major industry disruption, including business closures and job losses.

The automotive retail industry is best placed to provide expert advice to government on its transition policy, as opposed to energy suppliers or other stakeholders who are significantly removed from the automotive frontline.

VACC therefore advises the Victorian Government as follows:

Recommendation 1:

That the Victorian Government implements a comprehensive zero and low-emission vehicle policy in collaboration with the automotive retail industry.

Recommendation 2:

That the Victorian Government establish a ZLEV Commission in partnership with industry, with a focus on the automotive retail, service and repair sectors, that has oversight of industry transition and its likely impact on business practices, skills and employment.

Recommendation 3:

That the Victorian Government extend its EV Charging for Business Fleets program to include automotive retail, service and repair businesses, who assist with the maintenance of Victoria's

¹ Source: Directions in Australia's Automotive Industry, 2021

growing electric vehicle fleet.

Accelerating interest in electric vehicles

Dealerships are usually the first point of contact or frontline for most people's experiences and education concerning EVs. There is currently little incentive for a dealer to promote or sell an EV over a comparable ICE vehicle, particularly when taking account of the reduction in vehicle servicing revenues with EVs. There is an opportunity, however, for government to change this sentiment by incentivising the test driving of EVs through dealerships and service departments. This could include the provision of a tax credit or some other fiscal incentives for dealerships to deliver EV test drives to customers. This may help stimulate a greater interest and demand for EVs amongst vehicle buyers than is currently the case.

Recommendation 4:

That the Victorian Government incentivise the test driving of EVs through new vehicle dealerships and service departments, through the provision of a tax credit or other fiscal incentives for dealerships to deliver EV test drives to customers.

Increased exemption from road user charges on ZLEV demonstrator stock

Whilst there are road-user charges applicable to ZLEVs in Victoria, there is a 1,500 kilometre exemption from road user charges for new ZLEVs that are used as demonstrators, service demonstrators or trading stock by new vehicle dealers. This exemption relates to the initial registration period only on new ZLEVs registered in a dealer's name.

To assist Victorian dealerships to retail more ZLEVs, as well as increasing state revenues towards the implantation of the Victorian Infrastructure Plan, VACC proposes that the road-user charge for battery electric and plug-in-hybrid vehicles be extended from 1,500kms to 7,500kms per vehicle. This increase will provide a greater incentive for dealers to road-test these vehicles with consumers, assist the Victorian Government in its efforts to achieve a 50 per cent market penetration of ZLEVs by 2030.

Recommendation 5:

That the Victorian Government increase the road-user charge exemption for dealer-demonstrator battery electric and plug-in-hybrid electric vehicles from 1,500km to 7,500km per vehicle.

2. Skills & Training

Licensing electric vehicle technicians

Electric vehicles have very high voltages that typically range between 400V and 800V DC. This makes working on electric vehicles inherently dangerous as the risk of electrocution is very real.

VACC argues that there should be a minimum safety and training standard relating to electric vehicles to avoid potential injuries and fatalities. Ideally, all technicians working on electric vehicles should be licensed to ensure they are properly trained in powering and de-powering vehicles, managing toxic fumes, battery recycling procedures and managing the high risk of fires caused by damaged batteries.

VACC therefore recommends:

Recommendation 6:

That the Victorian Government introduce a licensed repairer scheme, based on completion of the relevant electric vehicle skill sets and units of competency. The license requirements should also adhere to the Australian Standard for Electric Vehicle Operations, Maintenance and Repair, AS

Funding for thin training markets

In recent years, many registered training providers (RTOs) have reduced or withdrawn their automotive training offerings due to falling student demand. Training courses that were once popular, including motorcycle, engine reconditioning, automotive electrical, panel and paint, vehicle parts and outdoor power equipment, are now characterised as thin training markets, with low numbers of student commencements and a withdrawal in the delivery of these courses by many RTOs. Whilst still an emerging market, training in ZLEVs can also be characterised as a thin market, given low student numbers and the limited number of ZLEV training providers in Victoria.

It is critically important that the delivery of training and the transfer of essential knowledge and skills is continued for the benefit of businesses and the economy, in both traditional as well as emerging areas. Regrettably, the funding priorities and business models of RTOs are not geared towards delivering training to small groups (five or six students). This has the risk of leaving employers without an accessible skills pool – especially in regional areas – and will likely affect the uptake of new skills in ZLEV servicing.

VACC urges the Victorian Government to identify and implement an alternative model for the delivery of vocational education and training in thin markets. The model needs to incentivise RTOs to deliver training on a per class basis rather than on a per-head basis. This initiative would help form part of a coordinated skills transition plan for the industry, that would help alleviate further skills pressure in the ensuing years.

VACC therefore recommends:

Recommendation 7:

That the Victorian Government identify and implement an alternative model to incentivise the provision of vocational education and training by registered training providers (RTOs) in thin markets such as motorcycle, engine reconditioning, automotive electrical, panel and paint, vehicle parts and outdoor power equipment. This could be achieved by funding RTOs to deliver training to thin markets on a per-class basis.

2. Environment

Waste tyre crisis

Victorian automotive service and repair, tyre retailing and vehicle dismantling businesses are experiencing extreme delays in the collection of waste tyres. This is attributed to the global shipping crisis, labour shortages, the export ban on whole and baled tyres, and a lack of local manufacturing of products using tyre-derived compounds.

The cost of waste tyre collection and disposal has ballooned by more than 100 per cent since December 2021, creating an untenable economic and environmental situation. Although rising costs are worrying, the inability to book a waste collection by an accredited or approved tyre collector is more distressing and often results in retailers being left with stockpiles above the regulated limits or, worse, being forced to abandon tyre sales due to storage space limits and rising disposal costs.

Many businesses have been forced to take matters into their own hands and have invested in tyre recycling/shredding machines. However, this is only a short-term solution. Industry feedback suggests there are added delays and unnecessary red tape associated with EPA permit applications and a shortage of equipment.

VACC has several examples of stockpiling and is concerned there will be an increase in illegal dumping in regional and metropolitan areas. There is a risk that rogue operators will re-enter the market and begin illegally stockpiling waste tyres, leading to public health risks such as the fire at

Broadmeadows Tyre Recycling Facility in 2016. In this catastrophe more than 100,000 tyres were burnt, and nearby residents and businesses evacuated.

These problems are not isolated to waste tyres; metals, oil drums and plastic containers, plastic bumper bars and other industrial waste are experiencing the same issues.

Recommendation 8:

That the Victorian Government implement a sustainable strategy to address the immediate impact of stockpiling and disposal of waste tyres, and to invest in sustainable waste recycling and renewable energy facilities.

End-of life vehicles

Australia remains the only developed country without a policy on end-of-life vehicles (ELVs). An estimated 240,000 tonnes of plastic from ELVs are sent to landfill every year, of which Victorian ELV waste represents more than one-quarter (63,000 tonnes) nationally.

Victoria is the only state that has introduced government-led and industry-supported guidelines that deal with the treatment ELVs. Victoria is already ahead of the curve, but progress is slow.

The Victorian Government's 30-year infrastructure strategy, which incorporates a target of 50 per cent of all new vehicle sales being ZLEVs by 2030, puts pressure on the need to implement a comprehensive ELV scheme to manage the volume of internal combustion engine (ICE) vehicles coming off the road. This is an economic and environmental imperative; if implemented effectively, it has the potential to be the gold standard in Australia.

Victoria has shown leadership with the development of the Unsafe2Safe scheme, but more must be done about scrapping older ICE vehicles once they are retired from the national fleet.

The Victorian Government should take the national lead and work towards promoting a national ELV plan, with Victoria trialling a self-regulated ELV program. A trial of this nature has the potential to deliver intelligence on best practice for the proper disposal of ELVs.

The Victorian Government should also remove ambiguity in the definition of an end-of-life or waste vehicle under the new Environmental Protection Act 2017 (Vic) to ensure waste vehicles are recycled in lawful places in Victoria and align with other state jurisdictions. This would include the insertion of a term within the Act and Regulations that statutory and repairable written-off motor vehicles are, for the purposes of the Act, defined as end-of-life motor vehicles. This will align with international standards as announced by the European Commission's Waste Framework Directive.

Furthermore, the Government can take a leadership role in appointing and funding a government-led and industry-supported review, of the current written-off vehicle process, with particular attention to addressing the weaknesses in Section 16 of the Road Safety Act 1986 (Vic) to explore the community, industry, legal and environmental impacts.

Recommendation 9:

That the Victorian Government fund an end-of-life vehicle (ELV) trial for a self-regulated ELV program, to ensure the disposal of ELVs has minimal environmental impact.

Recommendation 10:

That the Victorian Government address the ambiguity in the Environmental Protection Act 2017 (Vic) and clearly defines 'end-of-life vehicle' as contained in the waste categories connected with the Act and Regulations. The new definition should clearly articulate that statutory and repairable written-off

motor vehicles are waste products and can only be received for purchase, resale, transport or storage by permissioned entities as mandated in the Act and Regulations.

Recommendation 11:

That the Victorian Government appoints and funds a Government-led and industry supported review of the current written-off vehicle process, with particular attention to addressing the weaknesses in Section 16 of the Road Safety Act 1986 (Vic) to explore the community, industry, legal and environmental impacts.

3. Tax Reform

Motor vehicle duty

The current practice and methodology for the collection of motor vehicle duty in Victoria is in urgent need of reform. At present it places Victorian car dealers at a competitive disadvantage to their interstate counterparts. This was made evident during the pandemic, when many consumers chose to purchase vehicles interstate due to the lack of stock provided by car manufacturers, who favoured supplying to other states ahead of Victoria. The flow-on effect resulted in lost motor vehicle duty to the Victorian public purse.

The application of motor vehicle duty to consumer-requested accessories and aftermarket additions to new vehicles is detrimental to dealers and consumers. The duty should be removed via an amendment to the respective State Revenue Office Rulings. This legislation effectively forces consumers to pay a higher price, therefore creating a disincentive to use the services of the dealership for fitting accessories.

VACC seeks determinations that will place Victorian dealers on equal footing with other Australian jurisdictions. This would involve modernising the concept of motor vehicle duty as outlined in Chapter 9 of the *Duties Act 2000* (Vic) and modernisation of Victorian State Revenue Office Revenue Rulings DA-022, DA-034v2 and DA-035v2, which deal with:

- the collection of motor vehicle duty
- the rate of duty
- ancillary use of demonstrator vehicles
- dutiable value exemptions for aftermarket fittings at the point of new vehicle sale
- Victorian super luxury duty.

Recommendation 12:

That the Victorian Government reforms and modernises Chapter 9 of the Duties Act 2000 (Vic) via review of SRO Revenue Rulings DA-022, DA-034v2 and DA-035v2 to allow for a fairer trading environment for Victorian licensed motor car traders and for the benefit of Victorian consumers.

Super luxury duty

It is a fact that luxury vehicles are taxed at a far higher rate in Victoria than most other jurisdictions. A key factor in this tax disparity is the imposition of Super Luxury Vehicle Duty (SLD) in Victoria. The imposition of SLD has resulted in a long-term decline in sales of luxury vehicles in Victoria in comparison to other jurisdictions, as shown by new vehicle sales statistics since the imposition of SLD in the 2019-20 State Budget.

Overall, Victorian motor vehicle dealers and motorists are penalised with extraordinary high rates of taxation that are applied to the sale of a motor vehicle. This tax impost is illustrated in the diagram below, which shows the taxes payable on the sale of a car with a list price of \$80,000.



Source: VADA

VACC advises that it is time to end the imposition of SLD on Victorian dealers and motorists in the 2023-24 State Budget. This will help restore sales and confidence in this segment of the market, which also includes the sale of used four-wheel drive vehicles, a category that has unwittingly been caught up in the SLD thresholds.

Recommendation 13:
That the Victorian Government remove Super Luxury Duty in the 2023-24 State Budget.

Payroll tax

Victoria currently has the most uncompetitive payroll tax regime of all jurisdictions. Whilst regional employers have benefitted from significant payroll tax reform in Victoria, this has not been the case for metropolitan based employers. Table 1 shows that Victoria’s current payroll tax-free threshold of \$700,000 is significantly below all other jurisdictions, thereby placing Victorian businesses at a comparative disadvantage in terms of the financial and regulatory impost of employing more staff and investing for the future.

Table 1: Payroll Tax Thresholds by Jurisdiction, 2022-23

	Payroll Tax-Free Threshold (\$)
Victoria	\$700,000
New South Wales	\$1,200,000
Queensland	\$1,300,000

South Australia	\$1,500,000
Western Australia	\$1,000,000
ACT	\$2,000,000
Tasmania	\$1,200,000
Northern Territory	\$1,500,000

VACC urges the Victorian Government to make Victoria a more competitive place to do business by raising the annual payroll tax-free threshold to \$1.2 million. This would place Victoria at least on a par with New South Wales and restore some trading equity for Victorian businesses.

Recommendation 14:

That Victoria’s payroll tax threshold be lifted to \$1.2 million per annum, thereby aligning more closely with other jurisdictions, to ensure Victorian business competitiveness, capital investment and future jobs growth.

Annual roadworthy for older vehicles

According to the latest statistics from the Transport Accident Commission (TAC), 236 people had been killed on Victorian roads as at mid-December 2022 – an increase of 8.8 per cent over the same time last year. This increase in road deaths is alarming, not only in respect of the Victorian Government’s strategy to halve road deaths by 2030, but also because many of these deaths could have been avoided.

Every life lost on Victoria’s roads is a tragedy for the immediate families affected. It is also an immense cost to the economy, with the Value of Statistical Life (VSL) of just one road death estimated to be \$8.56 million in 2020 dollars.²

TAC data confirms that around two-thirds of drivers and passengers killed on Victorian roads were travelling in vehicles aged more than 10 years. While driver error is a major cause of car accidents, poorly maintained older vehicles also contribute to the road toll each year. Research conducted by the Monash University Accident Research Centre shows that vehicle defects are a contributing factor in more than 6 per cent of crashes and that periodic roadworthiness tests could reduce the number of crashes caused by vehicle defects by about 50 per cent.³

VACC urges the Victorian Government to make a firm commitment towards reducing Victoria’s road toll by instigating an annual roadworthy requirement for vehicles aged eight years and over. This requirement should be linked to the ongoing registration of the vehicle. This initiative would help save lives by reducing the number of deaths caused directly or indirectly by vehicle defects.

For low-income earners who are unable to afford vehicle repairs to meet the roadworthy standard, the Government may wish to consider making a co-contribution towards the roadworthy check and subsequent vehicle repairs. This co-contribution could be means-tested.

Recommendation 15:

That the Victorian Government commit to further decreasing Victoria’s road toll by implementing an annual roadworthy requirement for vehicles aged eight years and over. This roadworthy requirement should be linked to the ongoing registration of the vehicle.

² Department of Transport Road Safety (Vehicles) Regulations 2021 Regulatory Impact Statement (2021) 15 [6].

³ Monash University Accident Research Centre. Report #164 [2000]. The effect of vehicle roadworthiness on crash incidence and severity. G. Rechnitzer, N. Haworth & N. Kowadlo. URL: https://www.monash.edu/data/assets/pdf_file/0017/216710/The-effect-of-vehicle-roadworthiness-on-crash-incidence-and-severity.pdf

Reform of VCAT complaints handling procedures

The Victorian Civil and Administrative Tribunal (VCAT) is under immense strain in the scheduling of complaints and cases involving the automotive retail sector, with delays of up to 18 months. VACC has seen evidence that a large proportion of these cases involve vexatious and malicious consumer complaints.

There are many instances where applicants do not attend the scheduled VCAT hearings, adding further pressure to an overburdened tribunal and wasting the time and resources of the automotive retail businesses concerned. It is evident that the purpose of numerous complaints against automotive businesses is to inflict harm based on (at times) buyers' remorse arising from poor consumer information and choices.

Industry can no longer be the party that bears the sole financial and resource-intensive burden of cases that should have been mediated by Consumer Affairs Victoria (CAV) in the first instance.

To address this situation, the Victorian Government should fund a resource at VCAT to screen automotive retail applications to ascertain the seriousness, legality, nature and likelihood of success. It is possible many of these matters could be referred back to the CAV for mediation.

Using the VCAT daily schedule as a guide, cases involving retail automotive business are not voluminous. The potential VCAT resource could be funded by redirecting government funding allocated to consumer protection agencies and other consumer-facing entities. The proposed resource would help alleviate the crisis and strain with VCAT.

Furthermore, Victoria needs legislative reform to the *Victorian Civil and Administrative Tribunal Act 1998* (Vic) that allows respondents to any malicious, opportunistic or vexatious VCAT applications to have liquidated damages applied. The cost burden for industry in dealing with poorly informed consumers, especially those advised incorrectly by consumer action groups, should not be absorbed by VCAT, the Victorian Government or industry.

Recommendation 16:

That the Victorian Government provide additional resources to assist the acceleration of automotive retail applications to the Victorian Civil and Administrative Tribunal.

Recommendation 17:

That the Victorian Government reform the Victorian Civil and Administrative Tribunal Act 1998 (Vic) to allow respondents to Victorian Civil and Administrative Tribunal applications that are malicious, opportunistic or vexatious to claim liquidated damages.

Fairer compensation and business support

Considering the privatisation of VicRoads' registration and licensing operations, the time is now right to appoint licensed motor car traders (LMCTs) as 'agents' of the state under their licensing agreements. For many years, LMCTs have collected data and administered fees on behalf of VicRoads and the State Revenue Office without compensation for their time and resources. Moreover, this work is unrelated to LMCTs' core business, offering no direct financial return.

For example, LMCTs complete vehicle inspections on behalf of VicRoads, who charges the vehicle owner \$37.50 for each inspection. However, despite having conducted the inspection, collected the fee and updated the online portal, the LMCT does not receive any portion of the fee. They have effectively completed this task, which was once conducted by VicRoads, for free.

Furthermore, LMCTs who make payments electronically rather than via a personal visit to a Customer Service Centre (which would create a cost burden for government) are charged a merchant fee. This

is unrelated to the commercial benefit to the business, is otherwise unavoidable, and is not reimbursed by the regulator.

The recently announced VicRoads modernisation initiative will undoubtedly benefit from the work of the LMCT network. It is the view of industry that, in light of the new commercially oriented joint venture, LMCTs should be adequately compensated for the work they perform.

In promoting commercial fairness, VACC contends that an agency agreement should be entered into (similar to the agreement between VicRoads and Australia Post) whereby LMCT costs and merchant fees are reimbursed.

Recommendation 18:

That the Victorian Government appoints all licensed motor car traders in the VicRoads Dealer Online and Dealer Certification Scheme as agents for the new joint venture and be compensated for conducting work for the entity.

Consignment sales

Victoria remains the only jurisdiction in Australia that does not permit consignment selling by licensed motor car traders (LMCTs) of vehicles from members of the public. This lack of consignment flexibility for new and used car traders in Victoria, results in considerable disadvantages which include:

- The loss of a significant revenue stream for the Victorian Government through the consignment of vehicles to interstate LMCTs by Victorians
- A gain in revenue for other state/territory governments at Victoria's expense
- The creation of a less profitable and equitable trading environment for Victorian LMCTs in comparison to interstate LMCTs
- Less available vehicle stock for Victorian consumers

The impacts of these losses have been heightened substantially following the introduction of Super Luxury Stamp Duty (SLD) on premium vehicles in Victoria, which has resulted in an increased flow of vehicles being consigned to interstate LMCTs.

In order to stem this flow of Victorian vehicles interstate and maximise the opportunity for the legitimate collection of motor vehicle duty for vehicles that have been domiciled in Victoria, VACC advises the Victorian Government to create an exemption for members of the public consigning a vehicle to a Victorian LMCT.

Recommendation 19:

That the Victorian Government permit consignment selling by licensed motor car traders (LMCTs) of vehicles from members of the Victorian public.

4. Mandating Motor Vehicle Insurance and Repair Industry Code

A new Victorian mandated Motor Vehicle Insurance and Repair Industry (MVIRI) Code (the Code) should be developed and funded as a matter of priority to ensure a fairer trading environment for the Australian motor vehicle repair industry to address the negative behaviours of large insurers to small independent motor vehicle repair businesses. The current Code has many shortcomings. The commercial relationship between motor vehicle repairers and insurers had deteriorated to a degree where the VACC recommend that the State Government facilitate and promote the development and implementation of a new mandated Victorian industry-wide Code of Conduct, in respect of the relationship between insurers and repairers as soon as possible.

Small Business Victoria in the Department of Jobs, Precincts and Regions has undertaken initial consultations with the smash repair industry and identified concerns about anticompetitive behaviour

by large insurance companies. The current voluntary national code is not working, has limitations, and Victoria requires its own new mandated Code with changes to improve its effectiveness, especially in relation to the dispute resolution options. Regrettably, insurers have increasingly dismissed the principles outlined in the Code and instead have chosen at times to dispute repair estimation costs, unfairly cash settle customers, and delay vehicle assessments or move vehicles away from one repairer to another even when the customer has choice of repairer.

An enforceable Victorian Code provides an important basis of understanding between the parties and their respective rights and obligations, establishing a common ground and a basis for more formal regulation of the relationship. Robust alternative dispute resolution mechanisms are also required in the new Code to ensure the new Code has support and bilateral participation across the industry.

Recommendation 20:

That the Victorian Government develop and introduce a new mandatory Motor Vehicle Insurance and Repair (MVIRI) Code in Victoria.