AUTO RECOVERY MEASURES

AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

1. Extending the Instant Asset Write-Off

The expanded instant asset write-off policy announced on 12 March needs to be extended a further six months, to January 1, 2021. If as at this date volumes remain depressed, the scheme should be further extended to July 1, 2021. Because of the scale of the economic downturn many businesses have not been prepared invest in assets during this lockdown phase. In addition, many of the intended recipients of the instant asset write-off, such as sole traders, are being treated as high risk customers by lending institutions. This policy will, however, be more effective in the recovery phase of the downturn. The Government should also **remove the car limit of $57,581 which is an unfair disincentive applied to one particular class of products, and encourage as many businesses as possible to make use of the full $150,000 limit.**

2. Fleet Renewal Scheme

The Government should develop a fleet renewal scheme that will provide a stimulus for the automotive industry and assist in making Australia's passenger vehicle fleet safer, while also reducing emissions. Fleet renewal schemes have been successfully applied in other industrialised economies throughout the world during economic downturns. Such a scheme would provide significant benefits to motorists in terms of safety and fuel consumption, with a wider societal benefit in the form of reduced emissions.

ANCAP reports that vehicles built before the year 2000 represent only 20 per cent of the fleet but are involved in nearly one-third of fatal crashes while AAA research has shown that lowering the average age of Australia's light vehicle fleet by one year would save up to 1,377 lives, creating a $19.7 billion benefit in trauma and emission reductions over a 20-year period. In terms of efficiency, a 2016 fuel efficiency RIS found that vehicle efficiency improved by 76 per cent from 2005 to 2015. The scheme would be particularly suitable for Australia because of the high average age of Australia's vehicle fleet, which is around 10 years and lags similar countries. It would also have a downstream benefit for small businesses in the industry. Such schemes are currently being considered by countries such as Germany, the United States and the United Kingdom to breathe life into automotive retail following the COVID-19 downturn.

3. Freeing Up Car Finance

The Banking Royal Commission has resulted in everyday car buyers finding it more difficult to get finance approval for the purchase of vehicles. To compound matters COVID-19 has led to many occupations being deemed high risk resulting in a further tightening of credit. This is the biggest factor behind the downturn in new car sales over the past two years and if it persists will significantly affect the industry's ability to recover. Default rates in the motor vehicle finance industry have been relatively low in Australia and the **Government should explore ways of freeing up credit to appropriate consumers and businesses.**

4. Automotive Taxation Reform

New cars are subject to a range of inefficient taxes. Import tariffs, the Luxury Car Tax, state stamp duties and registration fees have all been identified by various reviews and inquiries as needing reform to ensure that they remain appropriate for the changing motoring environment. **A range of automotive taxes should be abolished or substantially reformed.** There is no longer a local manufacturing industry to protect and many of the federal taxes are acting as a disincentive for motorists to buy safer and cleaner vehicles or equip them with safety accessories. At the state level, luxury stamp duties have been applied in several jurisdictions driving up the cost of the safest and most fuel-efficient vehicles to be among the most expensive in the world.

5. Reform Automotive Industry Franchising

Reform the laws surrounding Dealer Franchise Agreements to rectify the imbalance in power that exists between OEMs and Dealers. The impact of the COVID-19 virus has resulted in reductions in car sales reported by many Dealers at around 60 per cent, which comes on top of 24 consecutive months of decline in new car sales. These unsustainable losses pose an existential threat to Dealers and the 55,000 people they directly employ, as well as the tens of thousands employed indirectly in the businesses with whom they trade. A review of Dealer franchising will enable Dealers to right size their businesses in the prevailing market and remove the unfair and onerous obligations placed upon them by many of the OEMs.