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Government of South Australia
Department of Trade and Economic
Development

COMPETITIVENESS COUNCIL INDUSTRY REVIEW

MOTOR VEHICLE RETAILING AND SERVICES

Final Report

Office of the Economic Development Board

October 2007

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1. Executive Summary

South Australia's Competitiveness Council was established in 2006 to identify, develop and champion reforms that enhance the State's competitiveness and generate further investment. A key focus is leading efforts to achieve the Government's goal of reducing the burden of 'red tape' on business by at least 25 per cent or \$150 million by July 2008.

As part of this project, the Council secretariat talked directly with representative groups, individual businesses and unions through a series of industry reviews. The aim is to elicit information about the issues of concern 'at the coalface' and identify practical initiatives for red tape reduction.

The first industry review focused on the Cafes and Restaurants industry. The second, the subject of this report is the Motor Vehicle Retailing and Services Industry.

This report summarises the findings of the review and lists the actions the Government has agreed to take to reduce red tape in response to the issues raised.

Industry accepts that effective regulation is required for the social, environmental and economic wellbeing of the State and its people.

However, the Council and the State Government recognise that some regulations can impose unnecessary compliance burdens on business, and impede competition, productivity and investment in the State. It is one of the purposes of this review that, where possible, these hindrances be identified and removed, or amended, without compromising the net benefits of the regulation.

Key Findings

The administrative and compliance burden imposed on the motor vehicle retailing and services industry under legislation is driven by concerns about

consumer protection and law and order. Nonetheless there are opportunities to simplify current processes and meet policy objectives.

The key issues of concern that were drawn to the attention of the review team, either in written submissions or during interviews, were:

1. Change of vehicle ownership
2. Vehicle inspection processes
3. Administrative process of notification of a written-off vehicle
4. Towing roster scheme
5. Customer service
6. Petroleum Products Retail Outlets Board

These are discussed in some detail in Section 8 of this paper. Section 9 records additional issues raised by a minority of participants in the review process.

In general, industry said that it was time-consuming and costly to apply for some licences and comply with some regulations. As a result, this report contains recommendations for the amendment or simplification of several processes.

While not specifically relevant to this review, it must be noted that there is industry support for a system of licensing automotive tradespeople and repair businesses similar to that recently introduced in Western Australia. Although licensing helps to control the number of backyard operators, it does not tend to reduce red tape.

2. Introduction

The objective of this review is to identify opportunities to reduce the State Government-related administrative and compliance costs associated with operating a business in motor vehicle retailing, or associated services, while ensuring a safe living and working environment.

The review process is supported by the Competitiveness Council Secretariat, located within the Department of Trade and Economic Development (DTED).

3. Background

The Motor Vehicle Retailing and Services industry in South Australia consists mainly of small businesses which fall roughly into two categories – those involved in retail, including new and used car dealers and dismantlers; and other businesses providing services, such as automotive repairers, car rental firms and service stations. These businesses are a mix of employers and sole operators and geographically widespread. Parts of the industry are highly regulated.

Table 1: Number of businesses by segment and employment size – SA – 2003-04

Business numbers (based on ABN counts)	Industry (ANZSIC 53)	Motor vehicle retailing (ANZSIC 531)	Vehicle services (incl fuel retailing) (ANZSIC 532)
1-19 employing	2013	298	1715
20-199 employing	n/a	n/a	n/a
200+ employing	n/a	n/a	n/a
Total (employing)	2215	381	1834
Total (non- employing)	2866	338	2528
Total	5081	719	4362

n/a = not available for publication

Source: ABS, Counts of Business by Industry (SA), June 2004, Cat No 8161.0.55.001

Thirty thousand people¹ are directly employed in the motor vehicle retailing and services industry in SA. There are just over 5,000 businesses and 96 per cent of them have fewer than 20 employees. Of these, 12.5 per cent are in

¹ ABS, Counts of Business by Industry (SA), June 2004, Cat No 8161.0.55.001

motor vehicle retailing and 87.5 per cent are in motor vehicle services. The majority of businesses – 56.4 per cent or about 2,850 – employ no-one. Estimated combined annual turnover is more than \$8 billion.

Each Australian State has its own legislation regulating motor vehicle dealers. In NSW, under the *Motor Dealers Act 1974*, there are seven categories of licences, and in WA, under the *Motor Vehicle Dealers Act 1973*, there are five categories. In contrast, the Victorian *Motor Car Traders Act 1986* requires only that all motor vehicle dealers hold a licence. Similarly, Queensland's *Property Agents and Motor Dealers Regulation 2001* requires only that entities dealing in motor vehicles hold property agent's and motor dealer's licences .

The only business licence category in South Australia is that of a Second-Hand Vehicle Dealer under the *Second-Hand Vehicle Dealers Act 1995*. Further requirements are listed under the *Motor Vehicle Regulations 1996* and the *Motor Vehicles (Accident Towing Roster Scheme) Regulations 2000*.

4. Methodology

The review began with desk-based research into the Government regulations covering this industry. The review team then met with representatives of the relevant industry associations who committed to providing written submissions and provided a list of business operators available for interview. This list of interviewees was supplemented with other businesses contacted independently by the review team.

During the review process:

- Twenty-three business owners/managers were interviewed on a one-on-one basis. Most of the businesses interviewed have been operating for more than 10 years;
- Formal submissions were received from the Motor Trade Association of South Australia (MTA) and the Vehicle Division of the Australian Manufacturing Workers' Union (AMWU).

The following business categories were included:

- Vehicle wrecker/dismantler
- Crash repair
- General automotive repair
- Spare parts
- Tyre dealer/fitter
- Car rental
- New car dealer
- Used car dealer
- Service station/car wash operator

It is important to note that, in conducting interviews with people in the industry, the review team did not use a prescribed set of questions but asked respondents to volunteer opinion and information about red tape issues they felt strongly about. The intention was to elicit 'views from the coalface' and this was made clear to all interviewees.

It was also explained that the aim of the Red Tape Industry Review was to find practical, logical ways to reduce regulatory time and costs, without compromising social, environmental and economic objectives.

An Industry Review Reference Group was appointed to oversee the process.

It comprised:

- Mr John Rau, MP, Convenor
- Mr Wayne Jackson, member of the Competitiveness Council
- Ms Helen Rodwell, Ministerial Advisor to Minister Maywald
- Mr Raymond Garrand, Chief Executive DTED

A number of relevant Government agencies were consulted so that the review team could gain a more thorough understanding of various regulations and licences, and of specific issues raised by businesses. They included:

- Department for Transport, Energy and Infrastructure (DTEI)
- Office of Consumer and Business Affairs (OCBA)

- Department of Treasury and Finance
- SafeWork SA, Department of the Premier and Cabinet
- South Australian Police (SAPOL)

The Reference Group considered all issues raised and, where appropriate, made recommendations for possible action and referred them to the Competitiveness Council for endorsement.

5. Scope

The scope of the review is to identify:

1. Steps that Government could take to:
 - Reduce the compliance burden on business (e.g. by simplifying regulations and licences that cause the biggest problems); and
 - Remove or reduce any unnecessary, overlapping, repetitive or inconsistent regulation.
2. Identify ways in which technology could be used to reduce 'red tape' and simplify business relationships with State Government.

During meetings and interviews it was explained that the aim of the red tape industry review was to find practical, logical ways to reduce regulatory time and costs, without compromising social, environmental and economic objectives.

6. Regulatory Reviews Undertaken in Other State Jurisdictions

The NSW Department of State and Regional Development is currently undertaking a range of similar sectoral reviews, and started its process with motor vehicle retailing and services. The report was published in July 2006. It found that the regulation of the motor vehicle retailing industry in NSW is prescribed in quite some detail compared with similar legislation in other Australian jurisdictions. For example, licensed dealers record information in 21

prescribed forms, depending upon the transaction, which in turn is defined by the type of licence held.

The NSW review recommends a number of ways in which regulatory processes can be simplified, in particular in relation to dealer-to-dealer transactions and auto dismantlers' registers for motor vehicles and prescribed parts. The NSW Government has endorsed the recommendations from the review, and the agencies which have responsibility for the areas of regulation covered by the recommendations are in the process of implementing them.

7. Recent South Australian Government Initiatives

State Government agencies are responsible for the management of a diverse range of regulations affecting business and the broader community. DTEI has initiated the following reforms to benefit the motor vehicle industry and contribute to the targeted 25 per cent reduction in red tape.

7.1 *Driver instruction*

DTEI has established a dedicated booking facility at its Oaklands Park facility where driving trainers can call to book a test instead of going to the end of the queue when contacting the driver development centre. A second benefit to the driver training industry is a new course that allows motor driving instructors to obtain immediate commercial vehicle examiner status. At present, a person who wants to become a commercial vehicle examiner has to become a private motor vehicle examiner before attending the course for commercial vehicle examiner, even though the private vehicle qualification may never be used. The new course will allow such a person to directly qualify as a commercial vehicle examiner.

7.2 *Vehicle registration*

DTEI currently makes available a "Common Expiry Date" option for the operators of multiple vehicles. Clients with more than 10 motor vehicles can elect to have the registration for all of their vehicles expire on one or more

common dates. *Ezyreg online* vehicle registration removes the need for businesses to attend a Service SA office, or rely on mailing forms. It also provides authorised motor vehicle dealers with the ability to conduct up to 25 different transactions online, thus removing, in most instances, the need for those dealers to attend a Service SA office.

8. Major Compliance Issues

The remainder of this report discusses the major and minor compliance issues raised by businesses, the MTA and the AMWU, and outlines the Government responses to them.

8.1 Change of vehicle ownership

Issues:

- A substantial number of vehicle purchases are not recorded
- Dealers are not able to issue a notice of disposal electronically after a used vehicle has been sold

Discussion:

When a dealer sells a vehicle which is registered in the dealer's name, the buyer must register the change of ownership with the Registrar of Motor Vehicles. However, some buyers choose not to do this for example to avoid stamp duty liability. If one of these vehicles is subsequently detected speeding, the fine is sent to the dealer as the registered owner of the vehicle. The dealer then has to deal with the fine, complete paperwork, and find a Justice of the Peace to witness a declaration that the vehicle was sold to the buyer. DTEI currently records Notices of Disposal lodged voluntarily by the seller over the counter, via mail, telephone or online. Some dealers are not aware that the last option is available.

Government Response:

Compulsory Notice of Disposal lodgement by the seller and purchaser of a vehicle – The Government has approved the drafting of amendments to the *Motor Vehicles Act 1959* and the *Motor Vehicle Regulations 1996* to

require persons who sell a motor vehicle to notify the Registrar of Motor Vehicles of the transfer of that vehicle. While licensed motor vehicle dealers will be exempt from the mandatory requirement to advise of a vehicle sale, if they do so, it will prevent them from being pursued by SAPOL in the event of an infringement, in most instances. Furthermore, there has been national agreement to exchange Notice of Disposal Information between jurisdictions.

8.2 Vehicle inspection processes

Issues:

- Not all dealerships have authorisation to conduct their own Tier 1 vehicle inspections
- Tier 3 vehicle inspections are time-consuming and expensive

Discussion:

Tier 1 inspections – When second-hand vehicles are purchased from interstate, they must undergo a Tier 1 identity inspection under s139 of the *Motor Vehicles Act*. Dealerships that sell new *and* second-hand cars can nominate a person to the Registrar of Motor Vehicles for authorisation to conduct these inspections, provided the second-hand cars they purchase from interstate are to be resold through the same business. However, these dealerships are not permitted to conduct these inspections for any other dealers, including those within the same company.

Dealerships selling *only* second-hand vehicles are not eligible to apply for this authorisation and therefore are required to either (a) present vehicles for identity inspection at a Department for Transport, Energy and Infrastructure (DTEI) vehicle identity facility or police facility in the majority of rural areas, or (b) arrange for a site visit from a DTEI inspector to conduct the inspection, for a fee of \$160 per site visit, and for a minimum of 10 vehicles.

Tier 3 inspections – All repaired, written-off vehicles are required to undergo a Tier 3 inspection prior to registration. This is a detailed physical examination and investigation of the vehicle to identify any anomalies between a) the physical condition of the vehicle, b) information supplied by the repairer about

processes and parts used in repair, and c) details about the vehicle – and its damage - from the national computer database. This level of inspection was introduced to combat the “re-birthing” of stolen vehicles and is consequently a detailed and rigorous process that takes between 60 and 90 minutes – longer if further investigation is required.

It is mandatory to follow a Tier 3 inspection with a roadworthiness inspection. The review team was told there can often be a long wait between the booking of an appointment and the inspection taking place. According to the MTA, there is a lack of consistency in delivering information required for the Tier 3 inspection process.

Government Response:

1. *Accreditation of inspection – Tier 1*

The government allows Tier 1 identity inspections to be undertaken by a person authorised by the Registrar of Motor Vehicles who is nominated by a new vehicle dealership and is a fit and proper person (i.e. passes a national criminal history check).

While all car dealers must guarantee title to motor vehicles they sell, some have, in the past, been reported for selling stolen cars and engaging in other illegal activities.

The Government is not prepared at this time to consider allowing dealerships authorised to conduct the Tier 1 inspections on their own vehicles to do so for other, non-accredited dealers.

DTEI has met with industry representatives to clarify its concerns about this issue and explain the current policy. The matter has been referred to the South Australian Vehicle Theft Reduction Committee to consider how the current arrangements might be varied within an acceptable level of risk. The Committee includes representatives from the RAA, the MTA, SAPOL, the Attorney-General’s Department and DTEI.

2. *Reduced waiting times for Tier 3 inspections*

The Tier 3 inspection is a forensic inspection undertaken by qualified staff who have undergone training with SAPOL and use specified equipment. It was introduced specifically to combat the trade in stolen motor vehicles and follows nationally agreed standards. Government policy is to meet the national standards and not to outsource these inspections.

DTEI says the Tier 3 inspection waiting time is normally around one week. It is mandatory to follow Tier 3 with a roadworthiness inspection, which DTEI agrees has been subject to delays. The Government is reducing waiting times for all vehicle inspections to less than two weeks through a cost recovery model.

8.3 *Notification of a written-off vehicle – administrative process*

Issues:

- The process of notifying the Registrar of Motor Vehicles of a written-off vehicle is time-consuming
- The current forms are open to interpretation by different DTEI staff/offices

Discussion:

Auto dismantlers and vehicle wreckers have seven days to a) identify and 'tag' 19 prescribed components on any written-off car they buy, and b) list where and from whom it was bought. This so-called 'green sticker' system is used for cars that are less than 15 years old and used for parts. Information provided by businesses is uploaded onto the National NEVDIS database.

This system enables parts to be tracked to limit the potential for the "re-birthing" of vehicles. Manual record-keeping is time consuming and currently there is no industry-specific software available in South Australia which would enable dismantlers to maintain inventory records, fulfil their reporting obligations and submit forms online.

The law requires a person to notify the Registrar of Motor Vehicles of any written-off vehicles brought into SA, unless the notification process has already been completed in the State of origin. This can be verified by checking the vehicle for a written off vehicle notice, or enquiring about its status through DTEI's offices.

The placement of stickers on specific vehicle components is a SAPOL requirement under the *Second-hand Dealers and Pawnbrokers Act 1996*, and was put in place as part of a national standard to prevent the trade in stolen vehicles.

There are guidelines and information booklets available online and the booklets are also available over the counter, so that customers and counter staff have access to the same information.

Government Response:

The Government will reduce the administrative burden for business and make the following changes to DTEI's notification processes:

1. *Communicate to business that they are able to lodge notification of a written-off vehicle via fax or telephone*

DTEI advises that an authorised person can lodge a notice over the phone, over the counter or by fax, or mail. Information is provided to authorised persons in a bound booklet titled "Guidelines for the South Australian Written-Off Vehicle Register". The booklet was prepared in consultation with the MTA and the South Australian Vehicle Theft Reduction Committee. Members of the public can only make notifications over the counter or by post. The appropriate forms are available from the DTEI web site.

2. *Explore the possibility of developing an online system*

Currently most businesses enter the details of the part numbers on their own computer but they must still present the information either in person, over the phone or via fax. Once received by DTEI this data is entered onto the government database. The potential for developing an online system is being explored by DTEI.

8.4 Towing roster scheme

Issues:

- The licence renewal process is complicated and time consuming
- The relevance of requested data on staff wages and other financial records is not clear to business

Discussion:

All tow truck businesses must apply for and purchase a licence to operate, and each tow truck operator working within a business must also be individually licensed.

Tow truck operators are granted positions on rosters subject to the size of the business they manage and the numbers of drivers they employ. To ensure that operators are not granted more positions than they are entitled to, they must supply the Registrar of Motor Vehicles with evidence of the number of drivers they employ and their bona fides. This is done annually as part of a roster position renewal process. During this process, other requirements also are confirmed, including truck ownership, storage capability and the adequacy of insurance to protect the public.

Government Response:

The Government will:

1. ***Simplify and reduce the information collected on an annual basis to support the towing roster renewal process***
2. ***Investigate changes to the regulations to make requirements on the operator less prescriptive***

8.5 Customer service

Issues:

- Businesses sometimes receive inconsistent advice from DTEI staff, (e.g. in delivering information required for the Tier 3 inspection process)
- Electronic submission of forms is not possible in all cases

Government Response:

DTEI points out that its Vehicle Inspections Unit conducts random customer surveys. The most recent survey was undertaken in January 2007, and the results appear below (5 = excellent, 1 = unacceptable):

Booking process: When you rang for your booking	4.5
Waiting times for inspections	4.1
Reception: arrival, reception and payment	4.7
Standard of the facility: Cleanliness and amenity	4.8
Inspectors' interpersonal skills	4.8
Inspectors' knowledge	4.8
Inspectors' approach: Helpfulness and fairness	4.8
Information about the inspection process: Availability and completeness of information about what happens at inspection	4.6

This shows an improved rating on the previous year in three areas – the booking process, waiting times for inspections, and information about the inspection process. Further improvements are programmed for the management of incoming calls and expansion of the range of online services.

DTEI has agreed to:

1. ***Enhance the functionality and usability of policy and procedure manuals used by call centre staff, which should enable more accurate placement of incoming calls.***
2. ***Complete a major redevelopment of the structure, format and content of DTEI websites.***
3. ***Update policies and procedures pertaining to vehicle registration and driver licensing in parallel with the development of a new computer system to replace the existing DRIVERS system.***
4. ***Expand the EzyReg system to include a wider range of transactions and improve online services.***

8.6 Petroleum Products Retail Outlets Board

Issues:

- Dealing with the Petroleum Products Retail Outlets Board can be expensive and time-consuming
- In SA, businesses need a Motor Fuel Licence as well as a Dangerous Goods Licence

Discussion:

Businesses that sell motor spirit/petrol must apply to the Petroleum Products Retail Outlets Board for a licence, which costs approximately \$190 per annum. The Board itself cannot issue the licence but instead makes a recommendation to the Minister for Industrial Relations about whether or not the licence should be granted. In other States, the Dangerous Goods Licence covers motor fuels.

Government Response:

Amendments to the *Petroleum Products Regulation Act 1995* and *Controlled Substances Act 1984* have been proposed and it is anticipated that they will benefit businesses by reducing red tape:

1. ***The abolition of the Petroleum Products Retail Outlets Board will remove the requirement to seek an authority to make 'prescribed retail sales' of petroleum products.***

The abolition of the Board removes one step (the final step) from the current 4-stage process in establishing a petroleum retail outlet. However, there still will be a requirement to obtain local council planning approval, as well as approvals from the Environment Protection Authority and SafeWork SA for dangerous substances storage.

2. ***The licence to keep petroleum products will be abolished as it overlaps with the Dangerous Substances Act.***
3. ***Retail and wholesale licences to sell petroleum will be maintained but extended from one year to two, without any increase in the***

annual fee (currently \$380). There is no associated fee for renewal of a wholesale licence.

4. The need for a pump operator to seek approval to install an industrial pump has been abolished.

Industrial pumps were those used to supply large quantities of fuel for the pump operator's own business purposes and not for resale. An operator was required to have a need for at least 6,800 litres per month to be eligible to apply for an industrial pump. The Minister for Government Enterprises was required to approve the installation of an industrial pump by any person.

5. General safety and environmental issues that were duplicating provisions of the Dangerous Substances Act have been removed.

6. Improvement and prohibition notices will no longer be issued by the Board. Authorised officers under the Dangerous Substances Act already have the power to do this.

Other amendments which will serve to "tidy up" processes include:

- The requirement for a licence to convey petroleum products under the Act has been abolished because in practice this is administered under the Dangerous Substances Act
- Provisions relating to correct measurement of fuel volumes have been abolished as they are covered by the Trade Measurement Act.

9 Minor Compliance Issues

The following issues were not raised by the majority of businesses. In some cases they were mentioned by only one, or just a few. However, for those people, they were not necessarily "minor" issues.

9.1 Trade plates

Issues:

- Uncertainty exists about when trade plates can be used
- Infrequent users of trade plates must apply in person and at a single location to obtain day permits
- Paperwork for annual permit application is time consuming

Discussion:

Some businesses reported that they were unsure about whether trade plates can be used to test drive vehicles, although DTEI's website confirms that this is allowed. Some small businesses that have a limited need for trade plates can, as an alternative, apply for day permits, however this requires applying in person and is therefore time-consuming and costly. Some respondents also said that the paperwork associated with applying for annual permits for trade plates is time consuming and the same information must be supplied year after year.

Government Response:

DTEI will inform the industry of the rules relating to trade plates through the Motor Trades Association (MTA). Current permits can be obtained through *any* Service SA Customer Service Centre or DTEI Customer Service Centre. The Government will consider the option of selling single-journey permits online.

The current process requires the applicant to re-establish entitlement to be issued a trade plate at each annual renewal. This process was agreed to by the Motor Trades Association and introduced to stop the rorting that occurred under the previous renewal process. The Government will consider a simplified re-application process, in consultation with the MTA.

9.2 Government interface

Issues:

- Licences relevant to this industry are administered by a number of agencies. It is time-consuming for businesses to identify which is applicable, and then to apply
- Business owners lack knowledge and understanding of the assistance that can be provided by Government and do not know where to access this information

Discussion:

Many issues raised through the review process are caused by a perceived lack of sufficient Government information. For example, few businesses were aware of the existence of Service SA, which directs enquiries to the appropriate government agency (see below).

The MTA's preference is for a central government contact point for issuing a single licence to "cover all the issues that would be needed to operate such a business".

Government Response:**1. Business Licensing Program**

Work is about to start on the development of a business plan for implementing an integrated online system for administering State Government licences and permits.

Until then, Service SA is the Government's one-stop contact point for information and services. A network of phone, online and face-to-face delivery channels provide people with convenient ways for accessing information (www.service.sa.gov.au, ph: 13 23 24). The Department of Trade and Economic Development is working with Service SA to enhance access specifically for the business community.

2. *Business License Information Service (BLIS)*

The new website of DTED will make it easier for businesses to find BLIS. Improvements to online navigation within BLIS should save businesses time in searching for information about permits, licences and appropriate notifications. A “what’s new” feature also will be incorporated to enable businesses to view changes to legislation, permits and licences on a quarterly basis. The address of the site is: <http://www.blis.net.au>.