



## Motor Dealers Amendment Bill 2007

### Motor Dealers Amendment Bill 2007

Extract from NSW Legislative Assembly Hansard and Papers Wednesday 27 June 2007.

#### Agreement in Principle

**Ms LINDA BURNEY** (Canterbury—Minister for Fair Trading, Minister for Youth, and Minister for Volunteering) [10.04 a.m.]: I move:

That this bill be now agreed to in principle.

I am pleased to introduce the Motor Dealers Amendment Bill 2007. The bill introduces a number of changes to the record-keeping requirements for motor dealers and will cut red tape across the sector. The lemma Government is committed to reducing red tape for small business. An important priority of the State Plan is to help business by cutting the regulatory burden wherever possible. Strong, profitable businesses, particularly small businesses, are integral to job creation and in powering the New South Wales economy.

To assist in identifying areas where excessive regulation could be cut, the Government established a Small Business Regulation Review Taskforce in 2006. The task force looks at a sector of the New South Wales economy and makes recommendations on where paperwork can be minimised. I am pleased to inform the House that one of the very first areas looked at by the task force was the motor vehicle retailing and servicing sector. This sector was selected as it contains a very high proportion of small businesses. According to the Australian Bureau of Statistics, more than 96 per cent of the 20,000 businesses involved in motor vehicle retailing and servicing have fewer than 20 employees, and nearly half are what are often termed mum and dad operations.

The retailing side of the sector employs more than 2,500 people. Its significance to the New South Wales economy is shown by the more than 300,000 new motor vehicles sold across the State in the year May 2006 to April 2007. For many people, the purchase of a motor vehicle is the second-largest expense they will incur after the purchase of their home. The cost of cars, together with the risks for consumers, requires that motor dealing be regulated. However, this does not mean that we should let the industry become crushed under the weight of unnecessarily complex paperwork and outdated regulation.

Under the Motor Dealers Act and Regulation, dealers are required to keep a number of prescribed forms. These forms include a variety of different registers of the vehicles they are buying, selling and transferring. These registers include information about the vehicle, its odometer reading, any defects where relevant, the vehicles identifiers and any other relevant information. The data stored in the registers is vital for investigating consumer fraud and to help stamp out the trade in stolen cars and spare parts. The legislation also requires dealers to attach certain prescribed forms to motor vehicles to provide important information to consumers about the vehicles, such as the vehicle details, whether they are subject to a statutory warranty and whether they have previously been written off.

Currently, there are 19 separate prescribed forms under the Act. The task force recommended that the Office of Fair Trading look at each of these to identify opportunities for simplification and reduction. I am pleased to advise that this process has indeed been fruitful. The Motor Dealers Amendment Bill 2007 includes a number of changes to the law that will significantly reduce the burden for dealers, result in the abolition of four of the 19 prescribed forms and reduce the usage of one other. Under the current arrangements, dealers are required to complete a form each and every time they transfer a vehicle to another dealer, whether they are a retailer or a wholesaler. These inter-trade dealing forms contain information that helps Fair Trading and the police to trace a vehicle's history and includes information about its odometer reading, identifiers, where it came from and who it has been on-sold to.

During the work of the task force it was discovered that the Roads and Traffic Authority is collecting the same information when the registration of the vehicle is transferred. This means that, generally speaking, when a dealer transfers a vehicle to another dealer, he or she must provide this same information twice and complete two separate lots of forms. The task force identified this unnecessary duplication as an area for change, and the Motor Dealers Amendment Bill 2007 will abolish the need for dealers to complete inter-trade disposal forms. The change will not impact on the law enforcement capabilities of Fair Trading, the Roads and Traffic Authority or the Police Force. Fair Trading has already been in contact with the authority about the information it collects to ensure that required data is collected and both the Police Force and Fair Trading will be able to access the authority's database when conducting investigations.

I am advised that each year dealers across the State undertake around 600,000 inter-trade vehicle transfers. A cut in the red tape associated with these types of transactions will have an immense impact on the industry. The Office of Fair Trading has indicated that the changes will bring about an estimated \$1.17 million saving for dealers in processing, printing, handling, storage and retrieval costs associated with this high number of transactions. This change is a win-win for industry and consumers alike. Dealers will be free of unnecessary red

tape and will be able to spend more time doing what they do best—operating their small business and getting on with the job. Consumers can be assured that the strong audit trail for motor vehicles in inter-trade transactions will continue, and they may also benefit from any cost savings passed onto them by dealers.

I turn to the other area of significant change for dealers under the bill—the forms prescribed specifically for demonstrator vehicles. Demonstrator vehicles are very popular among consumers and dealers. They offer the benefits of buying a recent model car at a reduced price. They are, however, essentially used vehicles and the Government sees no reason that they should be treated any differently from other used vehicles. Currently, demonstrator vehicles require their own separate forms. By treating them in the same way as all other types of second-hand vehicles these demonstrator vehicle specific forms can be abolished, and the costs of maintaining the demonstrator registers for dealers as well. The information collected on demonstrator vehicle specific forms is the same as that collected on the generic forms used for other types of used vehicles. This includes the odometer reading of the vehicle, its identifiers and any defects that the consumer needs to know about.

All of the forms also contain information for consumers about their warranty rights and important advice on a vehicle's title and whether it has been previously written off. By treating demonstrator vehicles in the same way as all other used cars are treated for the purposes of the prescribed forms and warranty provisions under the Act the whole process will be simplified for consumers and dealers and it will ensure that separate arrangements exist only for used cars and new cars. Dealers will still be able to market demonstrator vehicles, which as I noted previously are often considered favourably by consumers. The definition of a demonstrator will also be retained under the Act to prevent dealers from marketing any used car as a demonstrator and misleading consumers. Dealers will also still be able to access the stamp duty benefits associated with demonstrator vehicles through the Office of State Revenue.

The main change for consumers will relate to warranties. The arrangements for statutory warranties for demonstrator vehicles differ slightly from those in place for other used cars. However, in the main, used vehicles currently attract a statutory warranty of three months or 5,000 kilometres, as do those demonstrator vehicles that have travelled more than 15,000 kilometres at the time of sale. While there are differing statutory warranty provisions for those demonstrators that have travelled less than 15,000 kilometres at the time of sale, the manufacturer's warranty that is provided with demonstrator vehicles is far more generous than any statutory warranty that can be provided. In the case of three of Australia's largest vehicle retailers—The main change for consumers will relate to warranties. The arrangements for statutory warranties for demonstrator vehicles differ slightly from those in place for other used cars. However, in the main, used vehicles currently attract a statutory warranty of three months or 5,000 kilometres, as do those demonstrator vehicles that have travelled more than 15,000 kilometres at the time of sale. While there are differing statutory warranty provisions for those demonstrators that have travelled less than 15,000 kilometres at the time of sale, the manufacturer's warranty that is provided with demonstrator vehicles is far more generous than any statutory warranty that can be provided. In the case of three of Australia's largest vehicle retailers—namely, Holden, Toyota and Honda—the manufacturers warranty offered is three years or 100,000 kilometres. Others such as Mitsubishi offer even better terms.

I am advised that the changes will also bring the records required to be kept for demonstrators more in line with other jurisdictions such as the Australian Capital Territory and Queensland, while still offering greater protections than those offered in other States such as Western Australia, where in certain cases consumers can rely only on the manufacturer's warranty for their ex-demonstrator vehicle, and South Australia, where there are no statutory protections for demonstrator vehicles. In consultation with the Office of Fair Trading about the bill the Motor Traders Association has indicated that it does not believe that dealers will move away from their current marketing practices involving demonstrator vehicles, including the use of manufacturer's warranties.

The changes set out in the Motor Dealers Amendment Bill will have a significant and immediate impact on reducing red tape for Motor Dealers. However, the Government is going further. Already changes to the Motor Dealers Regulation are being developed that will further reduce the forms that dealers are required to keep. These proposed changes include combining the separate registers that car market operators fill in when selling vehicles with or without title guaranteed. Under the current arrangements dealers must fill in separate forms when a Register of Encumbered Vehicles check has been carried out or when one has not. The simplified register will allow dealers to indicate on the form whether title is guaranteed and will cut printing, storage and retrieval costs in half as only one form will be used instead of two.

It is also proposed to merge two other forms into a single simplified document by way of regulation. Separate forms are used for motor vehicles that are sold without a statutory warranty depending on whether the vehicle does not attract a warranty or is exempted from the warranty provisions altogether. In either case, the information the dealer must fill in is virtually identical. As in the case of vehicles sold at a car market, the proposed merging of the two forms will create significant savings for dealers. An added advantage for consumers is that the proposed new simplified and merged form will include information about the title of the vehicle as well as advice on written-off vehicles and whether a pink slip is required. Not all of this information is currently contained in such detail across the two separate forms.

As I have mentioned, the proposed cuts to the recordkeeping requirements for licensed motor dealers has been discussed with the Motor Traders Association. The changes have also been discussed with the Road and Traffic Authority, the New South Wales Police Force, the Institute of Automotive Mechanical Engineers and the chairperson of the Motor Vehicle Industry Advisory Council. All have indicated support for the measures, which are designed to cut red tape without affecting the strong consumer protection mechanisms under the Act.

Ultimately it is proposed that the entire package of reforms will reduce the number of forms the dealers will be required to complete from the current 19 to 13. At the end of the process a number of forms will be streamlined and merged, while unnecessary duplication will be cut. I am pleased to note that this is the third announcement in recent months that the Lemna Government has made to reduce red tape in the Fair Trading portfolio, particularly for small business. The three-year licence renewal scheme for builders will commence in July. Changes to the continuing professional development arrangements for a number of licences, as well as these important cuts to red tape in the motor vehicle retailing sector, demonstrate the Lemna Government's commitment to slash over-regulation for traders. The changes let businesses get on with the job of providing services to their customers, creating jobs and helping to boost the New South Wales economy for the benefit of everyone. I commend the bill to the House.