

Grey Market Report
Public Release Version

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1. Executive summary

The establishment of a viable market for the importation of used electric vehicles represents a significant business opportunity, and is one of the most important ways that the adoption of electric vehicles can be accelerated in Australia.

In the absence of significant legislative and regulatory change in the short term, there is a clear opportunity over the next two-three years to create an opportunity for a 'player' to enter the Australian market at scale to establish themselves in the long term value chain.

Organisations such as NRMA are well positioned to execute this initiative as it has the complementary products required to fully articulate the revenue opportunities, and to lend the credibility needed to ensure the initiative is a success. Alternatively aggressive and well capitalised start-ups or existing importing incumbents could capitalise on the opportunity.

1.1 Policy, regulation and market sentiment is moving to support EVs

The electric vehicle market in Australia is moving, albeit slowly. Government support is being set in place, but while there will be some fleet projects (led by CSR motivations) the mass market adoption will be slow and led by enthusiasts, while at the same time being constrained by lack of supply.

However, in some ways, the lack of new vehicles also opens up an even stronger opportunity for the used market.

From the perspective of decarbonisation of transport, in Australia more than in other countries, this market opportunity is more urgent and important. The ramping up of this activity could be seen as a market-making activity that is a public good and vital to ensure Australia gains momentum in the electric vehicle space.

A thriving used import market will accelerate the transition if there is sufficient volume to:

- enable a service and support network
- ensure that EV's start to become normalised (where do they get bought, by whom?)
- help move the dial on infrastructure investment

1.1.1 There is room for a thriving used vehicle importing market

Work by Everergi and NRMA has demonstrated that there is significant and growing demand from a range of buyers for electric vehicles that cannot be satisfied by the current electric vehicle supply - primarily due to price or availability.

At the same time models have been established for the importation of vehicles from countries such as Japan and the United Kingdom. With a new, more supportive and streamlined regulatory regime, aimed at reducing red tape and complexity, the time is right for a more scalable model to be launched into this market.

The supply and diversity of electric vehicles is growing globally and as such a reliable and cost-effective supply can be established. With a strong brand and streamlined process, initial estimates are that a business with strong margins can be established and scaled quickly with little capital

requirement or risk. The business would operate primarily as a “wrap” platform that acts to match off-shore secondary auction services for local buyers, and then wraps these vehicles with battery warranties and post-sales support.

1.1.2 Making the opportunity scalable will be a significant challenge

Work by Evenergi and NRMA has demonstrated that there is significant and growing demand from a range of buyers for electric vehicles that cannot be satisfied by the current electric vehicle supply - primarily due to price or availability.

1.1.3 Major projects under ministerial dispensation are needed until legislation is finalised

At the time of writing the Road Vehicle Standards Act (RVSA) has been delayed. There has been no formal announcement. There is an opportunity to accelerate this market with this change as it will remove the constraints around volume, and the inability to import vehicles that have not been in the market elsewhere for 18 months.

The recommendation of this report is for the development of projects that can be implemented under dispensation in the near term to get the market moving. This would require a project of national interest be developed and put to government for the development of interim measures to allow for sufficient volume of vehicles.

1.2 Operational Execution

This document outlines the core operational processes involved in the importation of electric vehicles. Key to success within a wider market is the ability to offer certain assurances to buyers. Current models in Australia preference importing vehicles without the ability for consumers to test drive. This is likely a more scalable model, however to be successful some fundamental barriers to purchase would need to be solved for:

- Replacement battery supply and warranties
- Servicing and support
- Streamlined consumer engagement process, including soothing anxieties around both electric vehicles and sight unseen purchasing

2. The Australian Electric Vehicle market

2.1 Potential demand for electric vehicles in Australia

The general Australian automotive market is characterised by:

- 1.7 million vehicle sales per year
- Cars held for up to 10 years
- 52% company purchases
- Very high degree of choice
- Very little local manufacturing

Electric Vehicles are well recognised as a significant driver of emissions and pollution reduction. If powered by renewable energy, electric vehicles can produce up to 85% less emissions on a wheel to well basis¹.

There are currently over 8,000 electric vehicles in Australia. Each year around 0.2% of new sales are electric vehicles, from around 1.7 M vehicles sold. As has been well documented, the primary reasons for this are lack of supply. Surveys done by NRMA and Everergi (and others) have indicated that up to 45% of people would consider an electric vehicle as their next vehicle and that demand is growing exponentially.

2.2 Current barriers to growth

In early research by Everergi and others, the barriers to growth have been identified as affordability, “evidence”, availability and lack of infrastructure. Currently the infrastructure issue is being addressed by several parties, and in many ways can be managed through better education of those who can charge at home. In our research 76% of activated buyers suggested that price was the main barrier.



¹ Our study or others

The lack of access to used vehicles is one of the key drivers for that lack of affordability. In the same study from Evenergi it became clear that around 50% of potential electric vehicle buyers would consider a used vehicle and this would clearly address the pricing issue.

In our research, the purchase price “sweet spot” is between \$20,000 and \$50,000. However, in Australia there are only five vehicles currently available for under \$60,000.

Aside from delivering vehicles into the Australian market sooner, there would be a host of co-benefits to a thriving parallel importation market:

- Increase the social acceptance of electric vehicles
- Enough volume to enable a service and support network
- Enough volume to ensure that electric vehicles start to become normalised (where do they get bought, by whom?)
- Enough volume to help support the current and future level of charging infrastructure investment



3. Regulatory considerations

3.1 Regulatory drivers

The Motor Vehicle Standards Act 1989 (MVSA) and associated Regulations provide a framework to legally import and sell vehicles in Australia. Despite the MVSA allowing several pathways to supply vehicles, importing vehicles has primarily been the domain of major manufacturers who invest substantially into R&D and certification processes.

The Third Edition Australian Design Rules (ADRs) are national standards for vehicle safety, anti-theft and emissions. The ADRs apply to vehicles newly manufactured in Australia or imported as new or second hand vehicles, and supplied to the Australian market.

A number of concessional schemes exist allowing limited volumes to be imported and supplied to market in Australia, with Registered Automotive Workshops (RAWs) able to import a limited number of vehicles that qualify for addition to the 'Specialist and Enthusiast Vehicle register (SEVs Register).

The importation of used vehicles into Australia has been contentious. The significant regulatory barriers to the mass importation of used vehicles has led to them representing at most 1.4 per cent of the registered vehicle fleet². Manufacturers and those that argue against the wide support of such a market have argued against:

- Lower safety standards
- Loss of jobs within the traditional sector
- Inability to adequately service and support vehicles
- Confusing consumers who buy vehicles from familiar brands that are not supported locally (as may be the case with electric vehicles)
- Create difficulties enforcing product recalls

The focus of the existing regime around used vehicles has been around "specialist and enthusiast" vehicles that are not an interesting full-volume opportunity. Those supporting relaxation of the regulations around vehicle importing (to include more mainstream and full-volume opportunities) argue that:

- There will be more flexibility leading to greater choice
- Manufacturing is no longer in Australia and therefore the original core intent of the legislation is longer relevant
- Countries such as New Zealand have benefited from more variety and lower vehicle cost
- There is potential for lower costs to consumers
- It will support low volume specialisms

² Safety Analysis of Australian Concessional Vehicle Imports, Monash University Accident Research Centre, August 2014 by Stuart Newstead, Linda Watson & Laurie Budd

3.1.1 Importing electric vehicles under the Motor Vehicle Standards Act 1989

The core purpose of regulating supply of vehicles to the market is to ensure they meet a minimum level of safety and environmental performance. The administrative complexity arising from regulation of supply of vehicles is due to the need to strike a balance between free consumer choice and the general expense of safety testing.

The Third Edition Australian Design Rules (ADRs) are national standards for vehicle safety, anti-theft and emissions. They apply to vehicles manufactured in Australia or imported as new or second hand vehicles, and supplied to the Australian market.

The ADRs are gradually harmonising with standards set by the European Commission and European Union, however there remains a gap that prevents mutual recognition of compliance. The differences between international standards, (including the different ways that countries define the various systems within a vehicle), means it is not possible to apply the established compliance regimes in one jurisdiction to a different jurisdiction.

The compliance of a 'vehicle type' is a major barrier to entry for new vehicles. It can cost several million dollars and include the destruction of a number of examples of a vehicle. For vehicles from markets where there is not mutual-recognition in this area, this can be a significant barrier to the rapid introduction of new EV models into Australia while the market is in the establishment phase as importers would generally start with small volumes (and in many cases only small volumes are available).

The MVSA provides a number of concessional pathways to support the supply of vehicles to market economically by allowing only a limited demonstration of compliance to ADRs. To limit the exposure of minimally ADR-complied vehicles, each concessional pathway comes with a limited annual supply volume.

The relevant concessional pathways under MVSA are:

Pathway Name	Application	Conditions
<u>New Vehicles - Low Volume</u>	Allows for the supply to the market of up to 25 or 100 vehicles per year (in special cases this can be higher).	As specified in the ' <u>Evidence Examination Procedures Manual</u> '. The Low Volume Scheme for new vehicles is limited to vehicle make/models that are on the Register of Specialist and Enthusiast Vehicles (the Register).
Vehicles Manufactured before 1989 Option	Allows for the importation of road vehicles not fitted with identification plates if they were manufactured before 1 January 1989.	State and Territory registration requirements will generally require the vehicle(s) to comply with the standards that applied at the date the vehicle was originally manufactured.

<u>Personal Import Option</u>	Allows importation of currently owned and used personal vehicles for migrants and expatriate Australian citizens returning permanently to Australia	Applicants must satisfy ownership and use requirements and citizenship or visa requirements.
<u>Discretionary Approvals</u>	The Minister (or delegate) may decide to approve an application for the import of a vehicle	If existing pathways are deemed unsuitable, or where the Minister or delegate decides to grant such an approval (used rarely, but more commonly in recent years).
Registered Automotive Workshop (RAW) Scheme	Allows for the importation and supply of used specialist or enthusiast vehicles.	<ul style="list-style-type: none"> ● Up to 100 vehicles per year per vehicle category for each RAW ● A vehicle make and model that is not supplied at full volume to Australia; and ● is a vehicle make that is holds full volume approval for a model in the same vehicle category; and ● must be of a vehicle model for which vehicles were first supplied to the market, in Australia or elsewhere, at least 18 months before the date of the application; or ● being a model that has been supplied to the market in full volume in Australia, have a build date at least 1 year later than the build date of the last vehicle of the model supplied to the market in full volume in Australia (i.e. no longer supplied to market); and ● be a single cab, four-wheel drive vehicle with an open work tray; or ● meet at least 2 of defined criteria described under the headings: <ul style="list-style-type: none"> ○ appearance ○ unusual design features ○ performance ○ specialist publications <p>RAWS adding a vehicle to schedule – ADR evidence guide.</p>

Second Stage Manufacturers (SSM) pathway	Allows for additions to, or modifications undertaken on a New Vehicle that already has affixed a completed vehicle Identification Plate.	<ul style="list-style-type: none"> SSM arrangements only apply to New Vehicles. For example, a new Toyota Prius Hybrid could in theory be imported and upgraded to a plug-in hybrid design before supply to the market, achieving Second Stage Manufacturer approval in either full volume or low volume levels.
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3.1.2 The Registered Automotive Workshop Scheme Pathway

The Motor Vehicle Standards Regulations (1989) has a provision to enable eligibility of electric vehicles to be imported under the guise of Division 4.2 of the Regulations – the Register of Specialist and Enthusiast Vehicles (colloquially known as the ‘SEVs Register’). An application for inclusion of a vehicle on the SEVs Register under the Specialist and Enthusiast Vehicle Scheme (SEVS) can be made to the Department of Infrastructure, Transport, Cities and Regional Development (the Department). If the application is approved, the vehicle make and model will be added to the SEVs Register.

The SEVS was established to enable the importation of new and used vehicles that are not currently available and generally serve special requirements - such as campervans, classic cars and environmentally efficient vehicles.

Once a vehicle model is on the SEVs Register, examples can be imported under the Low Volume Scheme (new vehicles) and the Registered Automotive Workshop Scheme (used vehicles). Once a vehicle is added to the SEVS Register, a RAW is able to apply to add the vehicle make and model to their Schedule of vehicles.

RAW’s are held accountable by regular audits, vehicle inspections and the requirement to be ISO 9001 accredited. RAWs must apply for importation approval for specific vehicles identified by VIN, and must submit evidence of compliance of each vehicle through a Vehicle Inspection Certificate (VIC) form. The Federal Government’s system for the Registered Authorised Workshop (RAW) Scheme provides access to the Vehicle Inspection Certificate (VIC) form required to be completed for every vehicle to be imported under the RAW Scheme.

3.1.3 The New Vehicles Low Volume Pathway

The MVSA allows for a concessional pathway outside of RAWs requiring a higher level of evidence, but still providing evidence concessions relative to new vehicle full volume approval. Vehicles approved to be imported under the new vehicles low volume pathway must also have the vehicle make and model entered onto the SEVS Register prior to seeking approval.

The relative advantage of this approach is that the Identification Plate Approval (IPA) holder with the Low Volume IPA need not be a RAW, and need not follow the more cumbersome and expensive requirements placed on a RAW, such as ISO: 9001 certification.

Unlike a full volume IPA holder that can apply to import unlimited numbers of vehicles, a Low Volume Approval holder submits a final inspection certificate known as an ‘0-4-5’ for each vehicle imported. The 0-4-5 documents evidence that the vehicle for approval meets is the same make and model as that approved, and is of the same state as the evidence submitted for Low Volume IPA. A fee of \$500 per vehicle is payable, with this fee being about one quarter of the typical RAWS pathway costs.

The Federal Government's system for certifying new vehicles is called the Road Vehicle Certification System (RVCS). Evidence is submitted to the Department online through RVCS to demonstrate compliance with each ADR that the vehicle(s) need to comply with.

3.1.4 Second Stage of Manufacture (SSM) Pathway

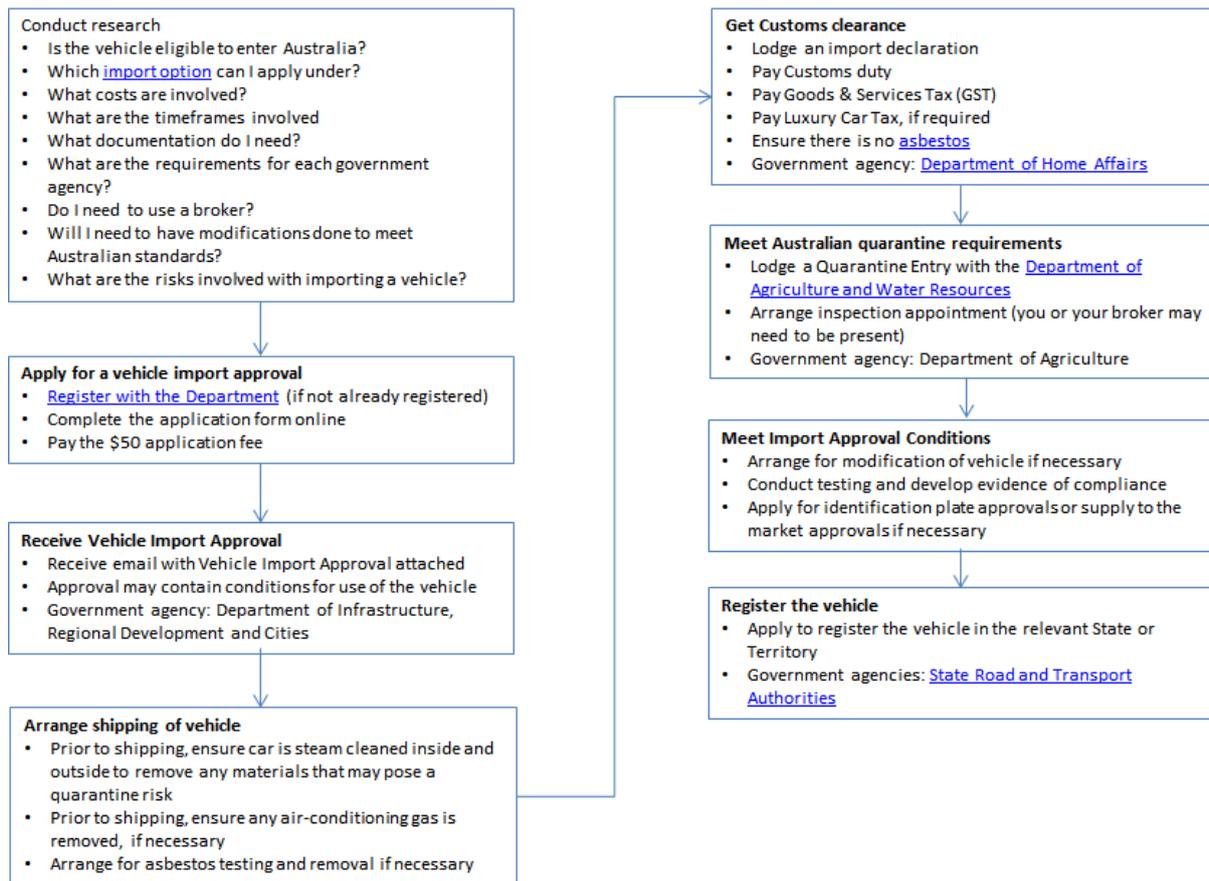
Certification of vehicles which have undergone a second stage of manufacture does not exist as a pathway within the Motor Vehicle Standards Regulations, but instead exists as a pathway of administrative convenience within existing pathways. The process is outlined in Administrators Circular 0-4-6 and its popularity within the vehicle modification sector as a means to avoid the cost of an engineer's certificate of compliance (required for registration by States / Territories unless the vehicle is new and has an IPA) means it is treated colloquially as a pathway within its own right.

SSM arrangements apply to vehicle make/model types seeking IPA under the Full Volume arrangements, and also the concessionary evidence Low Volume arrangements (new vehicles never supplied to market only). Applicants seeking IPA approval as a Second Stage of Manufacturer are able to do so if the donor vehicle already has affixed a completed vehicle Identification Plate showing compliance of the donor vehicle. This can be affixed at any time after manufacture.

The SSM arrangement is popular because for most ADR's it is possible simply to refer to the donor vehicle IPA number as evidence of compliance. Vehicles under the SSM IPA Low Volume arrangements are not subject to an eligibility ruling under the "Specialist and Enthusiast Vehicle Scheme (SEVS) Eligibility, meaning the arrangement allows an importer/manufacturer to 'parallel' import vehicles for otherwise ineligible vehicles.

Importing a Vehicle – Flow Chart

The following flow-chart outlines the general stages of the process to import a vehicle you've already identified as wanting to import under the MVSA. Note that for simplicity, multiple pathways and conditions are combined within the one flow-chart. The flowchart therefore does not describe any one entry pathway.



3.1.5 Road Vehicle Standards Bill 2018

On 16 January 2014, the Government approved the Terms of Reference for a comprehensive review of the MVSA with a view to reducing regulatory costs to business and individuals and improving the safety and environmental performance of road motor vehicles.

As part of the 2014 Review of the MVSA, the Australian Government engaged Castalia Strategic Advisors to evaluate the cost and benefits relating to the potential relaxation of the current vehicle import policy settings. Castalia found that all of their tested scenarios would reduce the average age of the fleet, with consumers benefiting from accessing safer and cleaner vehicles at a relatively lower price.

The Australian Government also engaged the Monash University Accident Research Centre to undertake a safety analysis of Australian concessional vehicle imports. The report provides evidence as to the crash risk of vehicles imported under MVSA's concessional schemes compared to non-concessional vehicles of similar years of manufacture. The report found no evidence that concessional imported vehicles are less crashworthy than full volume imported vehicles, despite reduced safety evidence during compliance.

Following the 2014 Review of the MVSA and four years of consultation with industry and consumers, the government passed the Road Vehicles Standards Act (2018) (RVSA) and supporting acts and regulations in 2018. The intent of the changes is to remove volume barriers to the importation of used vehicles.

The key objectives for the RVSA and associated regulations are to provide:

- Clear legislation for safe, secure, and environmentally friendly vehicles
- Flexibility for the future of road vehicles
- More choice of road vehicles for Australians
- Improved compliance and enforcement powers, particularly for recalls of road vehicles and approved road vehicle components

A number of concessional pathways have been provided under RVSA, including the pathway for older vehicles and the pathway for vehicles to be modified by the holder of a RAW approval.

The relevant concessional pathways for entry to the RAV under RVSA are:

Pathway Name	Application	Conditions
Registered Automotive Workshop (RAW) Scheme	Allows for the supply unlimited new or used vehicles if these vehicles are covered by an entry on the SEVs Register	<ul style="list-style-type: none"> ● Variant of the model have not been provided in Australia, at any time, under an MVSA 10A(1) or 10A(2) type approval; or ● Where the variant of the model is no longer genuinely available to consumers in Australia as a new vehicle, but is available elsewhere as a new vehicle and the application applies only to that period of time; or ● the variant of the model was not genuinely available to consumers in Australia as a new vehicle for a period during which it was available as a new vehicle in another market in the world and the application applies only to that period of time; and ● At least 3 months have passed since the variant of the model was first made available to a consumer in any market in the world; and ● The variant of the model of road vehicle satisfies: <ul style="list-style-type: none"> ○ the performance criterion; or ○ the environmental criterion; or ○ the mobility criterion; or ○ the left-hand drive criterion; or ○ the campervans and motorhomes criterion; or ○ the rarity criterion.

Older Vehicles	Allows for the supply of vehicles with build date that is at least 25 years before the date of the application	The vehicle is in one of the following vehicle categories: <ul style="list-style-type: none"> • Passenger Car (MA); • Fwd-control Pass. Vehicle (MB); • Off-road Passenger Vehicle (MC); • Moped - 2 wheels (LA); • Moped - 3 wheels (LB); • Motorcycle (LC); • Motorcycle and side-car (LD); • Motor tricycle (LE); • Light Goods Vehicle (NA);
Second Stage Manufacturer	Allows for additions to, or modifications undertaken on a New Vehicle that already has affixed a completed vehicle Identification Plate	SSM arrangements under RVSA are at the time of writing unpublished, but are likely to remain similar to those under MVSA

3.1.6 An amended Specialist and Enthusiast Vehicle mechanism under RVSA

A Specialist and Enthusiast Vehicle mechanism remains under RVSA, while the New Low Volume Vehicle mechanism has been folded into the SEVs mechanism under RVSA. The SEVs (Specialist and Enthusiast Vehicles) mechanism under RVSA allows for the entering of both new and used vehicles onto a new SEV Register.

A vehicle covered by an entry on the SEVs Register may subsequently be entered on the Register of Approved Vehicles (RAV) via the concessional RAV entry approval pathway. This is the application that covers the import approval and the right to supply a vehicle to the market.

To allow for unlimited volumes through the concessional pathway, the RVSA requires each vehicle that has been modified to meet the concessional requirements be verified by an independent Authorised Vehicle Verifier (AVV).

Under RVSA, importers/manufacturers without design and manufacturing control of a vehicle variant (previously identified at model-level rather than variant-level) can seek variant registration on the SEVs Register by submitting a Model Report outlining how they will alter the relevant vehicle to a level of concessional compliance against the ADRs.

Under RVSA, road vehicles of a particular kind constitute a variant of a model of a road vehicle if their design characteristics are significantly different from those of other vehicles of that model of road vehicle. According to the Road Vehicle Standards Rules 2019, differences in the following design characteristics of road vehicles are deemed significant

- the capacity, configuration or induction of an internal combustion engine
- the type of motive power driving the engine or motor
- the transmission or drivetrain system
- the body shape
- the vehicle category

- where the application is made on the basis of the mobility criterion
- where non-significant differences exist in more than one of the design characteristics set out in the points above

Once a Model Report is approved by the Department, the Model Report owner has the rights to their Model Report and can choose to use it to comply imported vehicles, or lease or sell the Model Report to others in order for them to comply imported vehicles.

Under the amended SEVs pathway, the relevant and price-competitive criterion for electric vehicles are the performance criterion and the environment criterion.

Performance Criterion

A variant satisfies the performance criterion if the variant, as originally manufactured, is above the power to weight threshold of 110kW per tonne (if originally manufactured prior to 1/1/2020) and 130kW per tonne if originally manufactured thereafter.

Environmental Criterion

A variant, as originally manufactured, satisfies the environmental criterion if either:

- the variant meets or exceeds the national road vehicle standards relating to emissions that are applicable to the variant at the time the application is made; or
- the variant meets or exceeds emissions standards that are determined to be comparable to the standards mentioned above and either:
 - the variant uses an alternative to an internal combustion as a means of propulsion, whether as the exclusive means of propulsion or in addition to an internal-combustion engine; or
 - the variant has a maximum engine capacity of 660cc, a maximum engine output of 47 kilowatts and is not more than 3.4 metres long and 1.48 metres wide.

Under either of these criteria, both new and used electric vehicle variants may be eligible for entry to the SEVs Register if the variant meets the additional requirement pertaining to existing supply to the Australian and international markets and category definitions outlined in the table above.

3.1.7 Comparing MVSA and RVSA import conditions

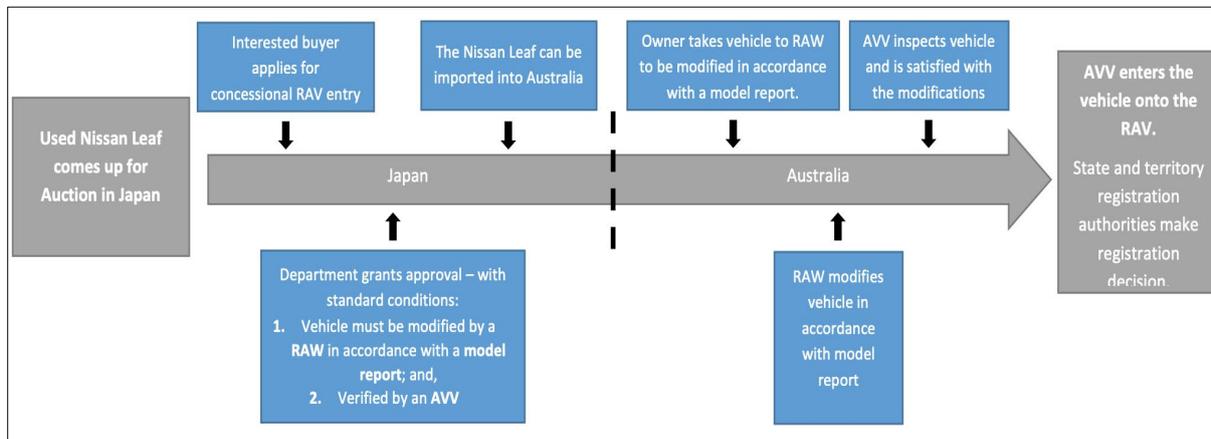
The following table outlines some of the key changes from the previous bill with respect to the process of importing electric vehicles.

	Old	New
Vehicle offered for sale in another market	18 months	3 months

Model report	RAW manages approved compliance procedures, with evidence of final compliance provided to the Department in order to get vehicles added to their 'Schedule'	Any entity can submit evidence of process to achieve concessional compliance against ADR's, and once approved this becomes an approved Model Report for the variant. The entity can use, sell or lease the use of the Model Report to any RAW.
Vehicle description captured in application for consideration for supply under concessional arrangements	<p>Based on model only – if any similar model supplied to Australia, no supply is possible under concessional arrangements</p> <p>Model must meet at least 2 of defined criteria described under the headings:</p> <ul style="list-style-type: none"> ● appearance ● unusual design features ● performance ● specialist publications 	<p>Based on variant – if one significant difference or a combination of two or more non-significant differences exist, the applicant can gain approval for supply of the variant, even if otherwise similar models are already supplied to the market.</p> <p>These design characteristics are deemed significant:</p> <ul style="list-style-type: none"> ● the capacity, configuration or induction of an internal combustion engine ● the type of motive power driving the engine or motor ● the transmission or drivetrain system ● the body shape ● the vehicle category ● where the application is made on the basis of the mobility criterion ● where non-significant differences exist in more than one of the design characteristics set out in the points above
Volumes	100 vehicles per category per RAW under RAWS Scheme	Unlimited numbers of new or used vehicles able to be supplied
Choice of RAW	Only able to choose a RAW willing to add the vehicle model to their Schedule – at a substantial cost	Able to purchase access to an applicable Model Report and shop this around to any number of RAWS to bid

3.1.8 Process Details – Concessional RAV entry pathway

The below flow-chart taken from the RVSA Implementation Consultation document³ highlights the key stages of importing an electric vehicle under the RVSA using the Concessional RAV entry pathway, in the case where a SEVs Register entry for the vehicle variant already exists.



3.1.9 Preliminary Process Considerations

The details in the flow chart above and in the descriptions that follow are preliminary in nature and have not yet been embedded in Policy or officially communicated by the Department of Infrastructure.

³ <https://www.infrastructure.gov.au/vehicles/rvs/files/Discussion-Paper-CR1-Intro-to-concessional-RAV-entry.pdf>

Taken from RVSA Implementation Consultation document

Before applying for concessional RAV entry approval, make sure that:

- The vehicle is on the specialist and enthusiast vehicles register.
- You own, or intend to own, the vehicle.
- You have considered which Registered Automotive Workshop will modify the vehicle.
- You have, or are able to access, a model report for the vehicle.
 - This might be held by the RAW
 - You may have to purchase a model report
- You have checked the vehicle for corrosion and damage that may prevent a RAW working on the vehicle or an AVV verifying the vehicle.

Modification by a RAW

- Before starting any work on a SEV vehicle a RAW has to inspect the vehicle for damage or corrosion.
 - If there is damage or corrosion that exceeds the threshold the RAW cannot work on the vehicle.
- The RAW must have proper authorisation to use the model report.
 - Where the RAW does not own the model report they may ask the concessional RAV entry approval holder for proof that they are authorised to use the model report
- When presenting the vehicle for inspection the RAW must make a declaration regarding the inspection and modification of the vehicle, as well as their authorisation to use the model report verification by an AVV

Verification by an AVV

- Where a vehicle has been modified by a RAW the AVV is responsible for adding vehicles to the RAV.
- The AVV can only add the vehicle onto the RAV if they have inspected the vehicle and verified that:
 - the RAW was authorised to use the model report
 - the modifications were in accordance with the model report
 - there is no damage or corrosion that exceeds the acceptable threshold
- The AVV will use a checklist (which is part of the model report) to inspect the vehicle and verify it has been modified appropriately.
- The AVV, if satisfied, will add the vehicle to the RAV.

3.1.10 Concessional RAV entry pathway – Key Stakeholders

For a Concessional RAV entry where a SEVs Register entry for the vehicle variant already exists, the key stakeholders if importing a vehicle from Japan are as follows:

- Applicant
- Japan-side buyer
- Importer
- Department of Infrastructure, Transport, Cities and Regional Development
- Registered Automotive Workshops
- Model Report Authors
- Authorised Vehicle Verifiers

The specific actions and interactions of the various stakeholders will be further bedded into policy and procedures within the Department and communicated at the appropriate time.

In the new regime a party that seeks to import a model variant in volume will submit documents referred to as a Model Report and will get that specific set of documents, which relate to the modifications required to a vehicle, approved. Under the new regime a single entity will be appointed as the designated approver of a specific model/variant.

3.1.11 Delay to the scheduled introduction of RVSA

While the RVSA is legislated to begin 10 December 2019, with enabling components beginning 10 September 2019, the Australian Government is seeking to extend the commencement date of the Road Vehicle Standards legislation following an extensive consultation process. The Department of Infrastructure states the following.

“Feedback has indicated that industry needs more time to plan and implement changes to ensure a smooth transition to the new regulatory framework.

The Government has therefore introduced legislation into Parliament that, if passed, will delay commencement of the Road Vehicle Standards Act 2018 and related legislation.

The Government remains committed to implementing these policy reforms, but rather than risk disadvantaging Australian businesses that may not be sufficiently prepared for the reforms, the Government will seek to set a new commencement date in consultation with all affected industry sectors.”

The scheduled sitting date to consider the amended implementation date is the same week that the first phase of the RVSA is scheduled to go-live. There is a slim chance that the RVSA will go ahead at the scheduled dates, but it is likely the delay will push implementation out to July 2021.

The Department has introduced softer [interim arrangements](#), effectively allowing access to SEVs for vehicles that meet eligibility criteria under RVS legislation. The interim arrangements are only applicable to vehicles that are eligible under the RVS eligibility criteria, but ineligible under the MVSA eligibility criteria.

4. Potential business model

4.1 Overview of model

To build a scalable model, it is important to establish a reliable supply. This is driven by the following key market dynamics:

1. Available vehicles from Right Hand Drive markets
2. Specific make/models that can be imported at volume under the current regime
3. Vehicles that will have sufficient market demand
4. Vehicles that are tested and reliable enough to promote, service and support

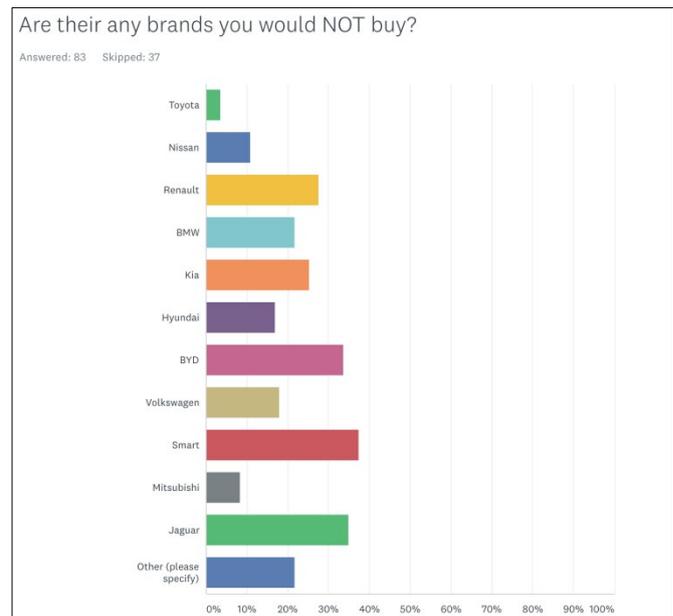
Currently, the only two markets that provide a viable supply of vehicles are the Japanese and United Kingdom markets. Furthermore, as per the Road Vehicle Standards Bill 2018, within these variants some vehicles are provided to the market (although potentially not at “full volume”). On these criteria the following are the most likely vehicles that could support a reasonable volume importation market:

1. Nissan Leaf
2. Renault Zoe
3. Prius PHEV
4. Volkswagen Golf GTE

Based on the new regulations and that some of these have already been in the market, it is a smaller sub-set of specific year and model variants that can be imported.

The supply of these vehicles is based on the value chains in operation in each viable market.

Through Everenergi’s research in 2018 we found that these vehicles/brands would be acceptable to Australian Consumers. Nissan and Toyota performed particularly well in this research.



4.2 Potential business model structures

Although there are a lot of ancillary product sales opportunities, the bigger opportunities lie in the importation and sale of the vehicle itself. There are three core potential business models that could take this opportunity:

OPTION A - Purchasing a rolling stock of vehicles in mid-sized numbers to allow for test drives and fast fulfilment

OPTION B - Establishment of an online and streamlined process for consumers to search for a vehicle, gain understanding and comfort about the vehicle and then have it delivered without a test drive

OPTION C - A hybrid model where a small rolling stock is purchased and used to provide test drives to facilitate sight unseen purchase of vehicles

Option	Positives	Negatives
Option A	<ul style="list-style-type: none"> • Take advantage of bulk purchasing • Have stock ready for fast customer deliveries • Soak up stock to shut out competitors 	<ul style="list-style-type: none"> • Need to store and manage stock • Holding cost of capital and vehicle depreciation risk
Option B	<ul style="list-style-type: none"> • No holding cost or depreciation risk • 	<ul style="list-style-type: none"> • Fewer customers may be prepared to purchase sight-unseen vehicles • Long lead times between seeing vehicles and purchase • Harder to create an economy of scale (unless buying club approach was taken)
Option C	<ul style="list-style-type: none"> • Can provide test drives and drive days • No significant holding cost or depreciation risk 	<ul style="list-style-type: none"> • People may still not want to buy an actual vehicle sight unseen

For the purpose of this paper, option C is seen as the most likely option and will be used. Option A and Option B can be explored at a later stage if required.

Beyond the core vehicle import model, consideration must then be given to the sales model. Again there are a couple of options:

OPTION A - Customer buys the vehicle and takes all responsibility for maintenance, support and warranties

OPTION B - Customer buys the vehicle and NRMA takes responsibility for key risks that would be seen as barriers to purchase - battery warranties, vehicle defects etc.

It is assumed in this document that OPTION B would be critical to a scalable market. This could be tested further as part of the next step in the business strategy.

Further to these options, a core assumption in this paper (but not validated in as much detail) is that if this is to be executed for more than market establishment reasons, one key reason for entering this market is to establish a long term channel for both parallel importation of low carbon vehicles, and to act as a conduit to the emergence of many future manufacturers of low carbon vehicles, particularly from China.

5. Operational Execution

As mentioned above there are only two markets that meet the specific requirements for importing vehicles at volume - Japan and the United Kingdom. The following outlines the core processes for importing vehicles from these markets.

5.1 Execution must be led with a viable brand offering strong support

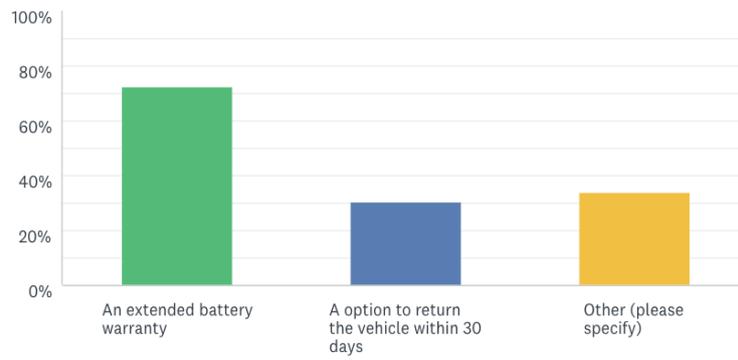
To move the market from low volume enthusiasts to high volume early adopters will require an offering that resolves some key concerns of potential buyers as outlined in the following table. One of the reasons NRMA is so well positioned in this opportunity is a unique ability to solve key challenges:

Concern	Description	Mitigation required
Buying a vehicle sight unseen	Current sites only offer purchases based on remote viewing of products which will likely be too high risk for many buyers.	A small fleet of test vehicles in key markets. Could be offered for payment from Thrifty or NRMA driver training.
Battery replacement /warranties	A key concern buying an electric vehicle is around the level of battery degradation	<p>Battery insurance would ideally be offered. To do this would require:</p> <ul style="list-style-type: none"> • Understanding of battery value and performance • Looking at whether insurance was possible • Strong supply relationship with second-life battery suppliers • Provision in business model for a % of compensation loss <p>There is significant data now available around battery performance degradation and this can be measured and monitored in all proposed electric vehicles.</p>
Service and support	Customers will want to be sure that vehicles can be serviced as and when needed.	<p>Electric vehicles require less maintenance and do not need a workshop.</p> <p>NRMA roadside assist can be trained to offer support and this could be a new level of the membership cost.</p>

In Everergi's research in South Australia we validated these findings:

Would any of the following help you decide to move forward

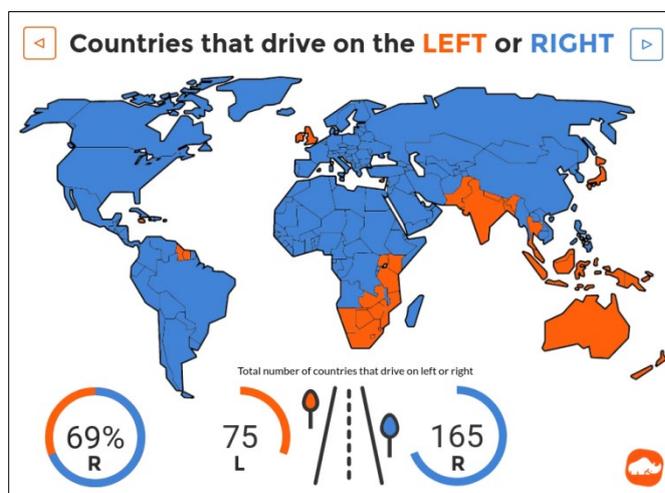
Answered: 109 Skipped: 11



6. Market analysis - which markets to import from

If we assume that we need to focus on right-hand drive makes, the most viable import markets for Australia are the United Kingdom and Japan. This can be highlighted by the following table which shows the dynamic in terms of numbers of Nissan Leafs sold from each market.

While it is interesting in the new car market to understand the complete market and entry of new vehicles, for importing used vehicles at scale it is important to understand the volume of *appropriate vehicles* available in each market.



The following table shows the Nissan leaf sales by market up to 2017. This shows why Japan is seen as the most viable market for those needing to import Right Hand Drive vehicles.

Source: Wiki - with links to verification of numbers provided but not verified

Nissan Leaf sales by top national markets between 2010 and 2017

Country	Total	2017	2016	2015	2014	2013	2012	2011	2010
US ^{[160][181][182][183][184]}	114,827	11,230	14,006	17,269	30,200	22,610	9,819	9,674	19
Japan ^{[152][155][185][186][187]}	96,999	16,925	14,793	9,057	14,177	13,021	11,115	10,310	19
Norway ^{[176][188][189][190][191]}	22,781	3,374	4,162	3,189	4,781	4,604	2,298	373	
UK ^{[192][193][194][195]}	22,359	5,463	4,463	5,236	4,051	1,812	699	635	
France ^[196]	12,113	2,381	3,887	2,200	1,600	1,438	524	83	
Canada ^[197]	5,519	946	1,375	1,233	1,085	470	240	170	
Germany ^{[198][199][200][201]}	4,918	841	1,121	831	812	855	451	7	
China ^{[202][203]}	4,032 ⁽¹⁾		1,961	1,273	582	216			
Netherlands ^{[204][205][206][207]}	3,157	513	666	447	510	462	265	294	
Sweden ^{[208][209][210][211]}	3,542	981	836	841	438	317	129		
Spain ^{[212][213][214][215][216]}	2,159	530	344	344	465	263	154	59	
Italy ^{[217][218][219][220][221]}	2,103	448	460	389	332	323	146	5	
Denmark ^[222]	1,202	20	85	224	577	211	73	12	
Ireland ^{[223][224][225][226][227]}	1,366	258	352	405	192	43	69	45	2
Belgium ^{[228][229][230][231][232]}	1,510	389	466	162	178	141	114	60	
Austria ^[233]	1,151	384	333	156	121	88	64	3	
Australia ^{[234][235][236][237]}	997 ⁽²⁾	384	156	109 ⁽²⁾	173	188	77	19	
Switzerland ^[238]	831	131	158	145	106	178	74	39	
Total top markets	293,545	44,814	49,624	43,354	60,259	47,152	26,247	21,785	40
Total global sales^{[146][148][151][155][156][159][152][170]}	303,678	~47,000	49,245	43,651	61,507	47,716	26,973	22,094	50

Notes: (1) Chinese sales correspond to the rebadged Venucia e30. (2) Sales in Australia through September 2015.

6.1 Importing process from Japan

Japan is a leading global market for electric vehicles - the 5th largest in the world by cumulative volume. There have been 255,000 electric vehicles sold in Japan.

The Japanese automotive market is characterised by low cost and good condition vehicles. There are very high standards of motor vehicle inspections and extremely fast depreciation due to environmental regulations. There are currently over 62 million passenger vehicles in use in Japan with 4.2 M new registrations in 2018⁴. Vehicle exports in Japan are at 4.3 M vehicles as of 2018 with 339,000 being shipped to Australia.

The list of vehicles that could be imported from Japan is relatively short:

- Nissan Leaf
- Nissan e-NV200 Wagon
- Honda FIT Volkswagen e-UP!
- Plug-in Prius (only under future legislation)
- Mitsubishi i-Miev (only under future legislation)
- Mitsubishi Minicab MiEV
- Toyota RAV4 EV (only under future legislation)
- BMW i3 (not able to be imported)
- Honda Clarity PHEV (new)

Market Feature	Description
Policy Support for Electric Vehicles	<p>The Japanese market has traditionally been supportive of electric vehicles with incentives on chargers, strong fuel economy standards, and the incentivisation of manufacturers to produce electric vehicles. There is a general target to reduce 80% of GHG emissions from domestic automotive companies.</p> <p>There is a push to change the vehicle taxation system which may be based on levies connected to mileage. It is unclear currently, but this may swing the market away from incentivising low carbon technologies to the same extent.</p>
Purchasing incentives	<p>New cars - exempt from acquisition tax, exempt from “tonnage” tax Used cars - 450,000 yen purchase incentive, exempt from “tonnage” tax</p>
Charging connector standards	<p>Level 1 Type B, Level 2 SAE J1772 Type 1, Level 3 Accepts all IEC 62196-3 standards (CCS Combo 1, CHAdeMO).</p>
Number of Electric Vehicles purchased to date	<p>The Japanese market is quite concentrated. It is dominated by Nissan, Mitsubishi and Toyota. There have been approximately 120,000 Nissan Leafs sold in Japan in total (2010 to today⁵) and around 50,000⁶ Prius Plug-ins with the rest comprising Mitsubishi Outlander, Mitsubishi iMiev.</p>

⁴ <http://www.jama-english.jp/publications/MVS2019.pdf>

⁵ <https://newsroom.nissan-global.com/releases/release-36a71146ed04eaba0f0dff94b50c8dfe>

⁶ https://en.wikipedia.org/wiki/Toyota_Prius_Plug-in_Hybrid

Used car sales process/channels	Auction houses
Positives in terms of importing to Australia	<ul style="list-style-type: none"> • Good incentives • Large market which is well established for grey market export • Free trade agreement between Japan and Australia, you don't need to pay duty (5%) on top of the GST like you do if importing from the UK.
Negatives in terms of importing to Australia	In 2013 the Japanese car makers and government started to shift their view towards hydrogen-powered vehicles and the rate of increase in sales of electric cars declined. Japan is the only major electric car market where sales fell between 2017 and 2018 (-8%). Some of this was attributed to collapse in sales for Toyota Prius plug-in.

How do you purchase a used vehicle in Japan?

In Japan, used cars can be accessed via dealerships, private sellers and auctions. A large volume of used cars are sold at Automotive Auctions - there are over 200 auto-auction groups in Japan. These are blind auctions in that all prospective bidders receive the same information from independent car evaluators. These are called inspection sheets. A buyer uses an agent to conduct the bidding.

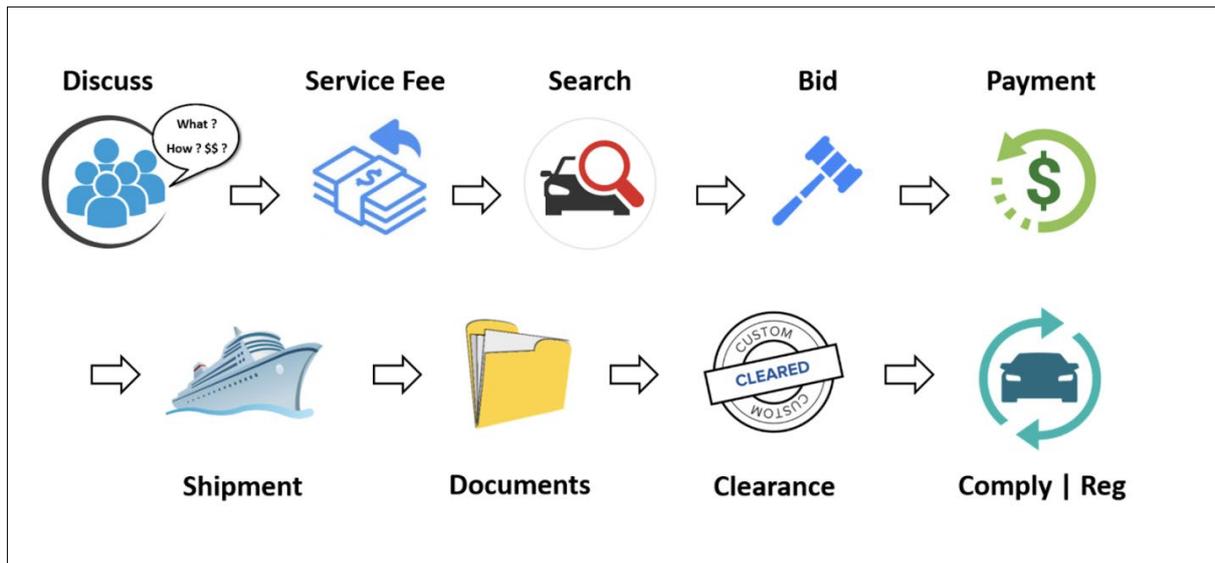
The current process - using a certified RAWS/dealer

Several RAWs in Australia buy and import vehicles from Japan and sell them locally on Car Sales or directly. In this case, the process of importing is transparent to the customer. A customer can also call a RAW directly and specify their requirements and the RAW will potentially find the vehicle and import it for the customer. In this case, the customer may pay slightly more given the time that the RAW has taken in the process, but the RAW can manage the entire process and risk. An example of this pathway is Japan Imports.

A customer could also source the vehicle themselves and then ask a RAW to assist them with the process of importing and certification.

The current process - using a Broker

A customer could also use a Broker who arranges and co-ordinates the entire process and may not be a RAW but will use a RAW as part of the process. Their skill includes the sales channels to attract customers and then the capacity to convert those customers by giving them comfort with the process and streamlining all the steps involved.



Source: Prestige motorsports⁷

The process of using a broker includes:

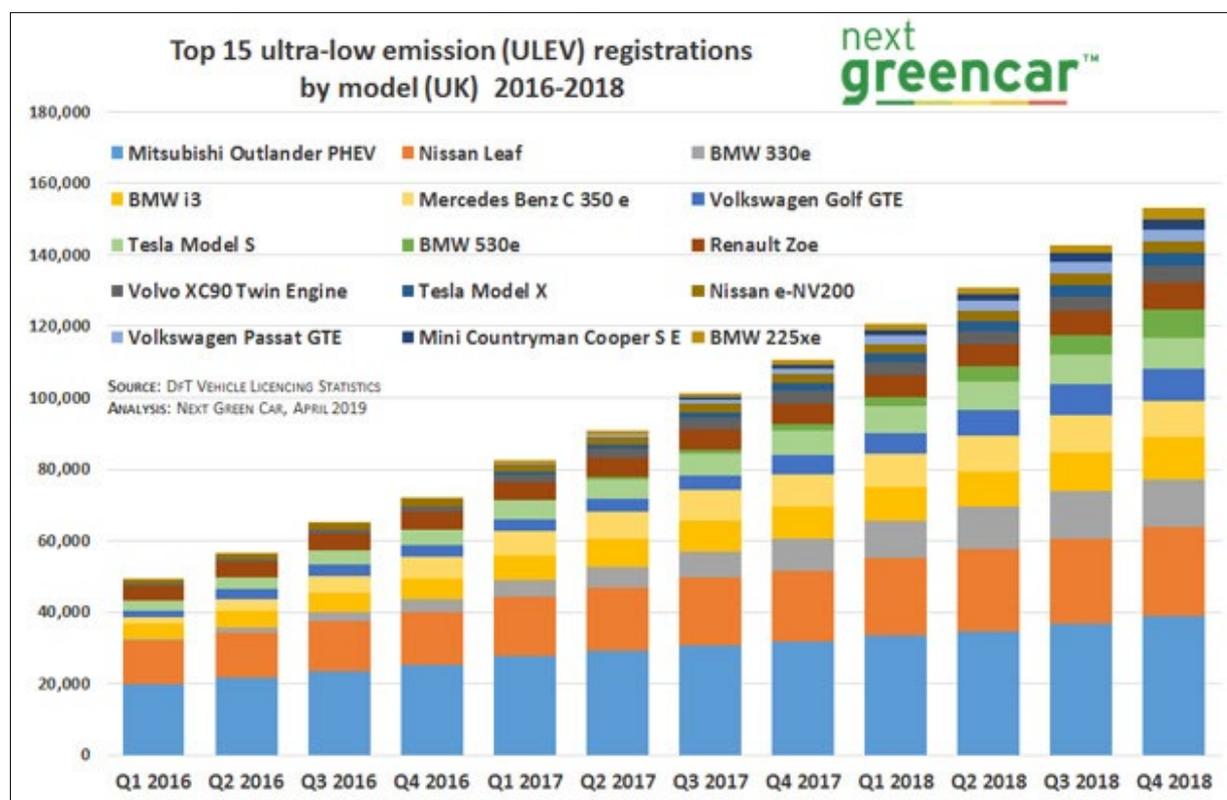
1. You understand their proposition
2. Search for vehicles in online auction systems across Japan
3. Pay their fee (\$\$)
4. Select a vehicle
5. They inspect the vehicle
6. They bid for you on the vehicle
7. Set-up an international transfer of fund account
8. Pay within 3-5 days
9. Pay also the local agent fee on top of the auction price
10. Shipping is organised within 2 weeks - decide whether to send it to the nearest port or do ground transfer (Most vehicles take 4-6 weeks to get to Australia)
11. Vehicles are transported to a holding area (3-7 days)
12. Vehicles are held in holding area (several weeks)
13. You are sent the export certificate which has all relevant details about kms, condition etc. (kms tampering is a criminal offence in Japan)
14. Package is sent to you via post which includes books, service records, remotes etc. from previous owners - usually takes 3-5 days.
15. Clear Australian customs - 4-5 days using a custom agent they recommend
16. Pay Customs invoices for shipping, import duties and clearance costs
17. RAWs compliance - 1 week
18. Submitted to the government for processing - 1-2 weeks (this may be solved in new regime)
19. Vehicle registration process

⁷ <https://prestigemotorsport.com.au/>

6.2 Importing vehicles from the United Kingdom

The UK vehicle market is highly competitive and driven by a short term leasing cycle. There has been a shift to large “car supermarkets” which puts significant pressure on prices. In 2018-2019 there has been a market shift with high volumes of used car sales⁸. Professional buyers will typically attend auctions from dealer groups or car supermarkets. Volume deals can be negotiated - from car hire business for example.

The United Kingdom is a well-established market for electric vehicles with strong policy support. There are currently 184,000 electric vehicles (BEV and PHEV) that have been sold in this market. The used EV market in the UK has actually experienced appreciation - with some vehicles increasing in value by around 25% in 2019.



Market Feature	Description
Policy support	<ul style="list-style-type: none"> • Strong bi-partisan support • Commitment to ban petrol and Diesel vehicles by 2040 • Target of 50-70% EV sales in PLDVs by 2030.
Demand composition	<ul style="list-style-type: none"> • 58% of cars in the UK are sold to fleets⁹ • Total sales of used vehicles in the UK ranges between 7.5-8 million cars per year

⁸ <https://www.am-online.com/opinion/2019/02/20/has-the-uk-used-car-market-undergone-a-seismic-shift-guest-opinion>

⁹ <https://www.intelligenttransport.com/transport-news/74030/biggest-commercial-evs-project/>

Purchasing types	<ul style="list-style-type: none"> ● PCP, PCH ● Short term lease agreements
Number of Electric Vehicles purchased to date	<ul style="list-style-type: none"> ● 22,000 Nissan Leafs in the United Kingdom. ● The Renault Zoe has only around 6,000 (as does VW Golf GTE).
Used car sales process/channels	<ul style="list-style-type: none"> ● Auction houses
Charging connector standards	<ul style="list-style-type: none"> ● Level 1 Type C/F/G, IEC 62196-2 Type 2 and IEC 60309, Level 3 Requires CCS Combo 2 and CHAdeMO (IEC 62196-3) and IEC 62196- 2 Type 2
Positives in terms of importing to Australia	<ul style="list-style-type: none"> ● Short leasing cycles ● Large variety of vehicles ● Government subsidies reduce resales requirements
Negatives in terms of importing to Australia	<ul style="list-style-type: none"> ● Price appreciation currently being experienced with used electric vehicles ● No beneficial trading relationships ● Risks from Brexit to the market (unclear if positive or negative)
Average age of vehicles on the road in the UK	<ul style="list-style-type: none"> ● 7.7 years¹⁰
Annual used car sales	<ul style="list-style-type: none"> ● 7.2 m

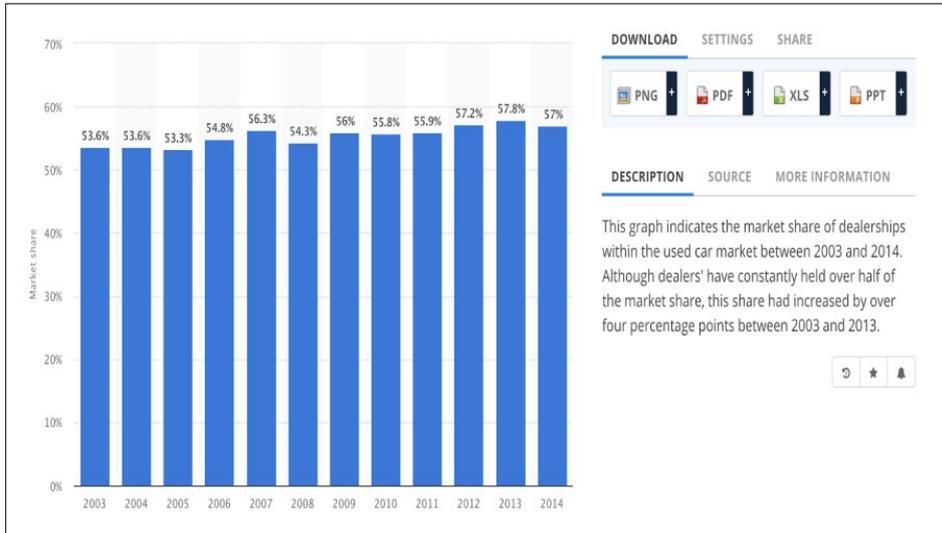
Value chain relevant to used vehicles

The United Kingdom has a large used vehicle market, driven by the nature of the leasing environment which involves very regular vehicle replacements. For private individuals vehicles are most often returned to the place of purchase when the lease term ends. This dealer then re-sells the vehicle through channels such as autotrader.com, or they may put the vehicles to auction. A much smaller number of vehicles are sold directly by consumers.

In the UK a large majority of the volume of new cars still goes through dealerships. At the end of the lease, a high proportion are returned to dealers who then prepare and re-market them. There is a significant number of private sales, however many of these are for older vehicles when dealers no longer want the vehicles.

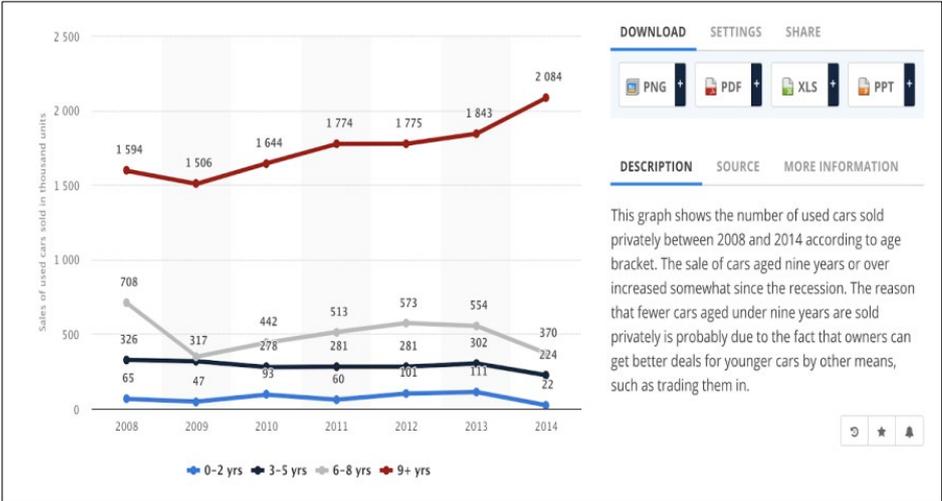
Rental cars, fleet cars and some dealerships groups utilise auctions to sell vehicles in larger volumes.

¹⁰ <https://www.statista.com/topics/2190/the-uk-used-car-industry/>



Market share of used cars sold by dealers in the United Kingdom (UK) between 2003 and 2014

Sales of used cars sold privately in the United Kingdom (UK) according to the age bracket of the car between 2008 and 2014 (in 1,000 units)



6.3 Buying a vehicle in the United Kingdom

In the United Kingdom purchasing used vehicles is generally a very well documented process, given the sophistication of the market. It is possible to get very reliable pre-purchase reports completed (see <http://www.theaa.com/vehicle-inspections/index.html>). From there it is just a matter of ensuring you have the appropriate documentation in place.

For business vehicles, the primary route for companies is to use auction houses. Many dealer groups have buying departments who attend auctions to buy and sell vehicles based on the perceived demand in the market.

There are two options for exporting from the United Kingdom:

1. OPTION A: Arrangement with a buying group who can source and “prepare” vehicles for sale
2. OPTION B: Purchasing of vehicles direct from auction houses (the vehicles may be prepared by the auction houses)

Option	Positives	Negatives
Option A	<ul style="list-style-type: none"> • Deeper relationship with buying group enables the development of more security and potential warranties on condition of vehicles • Develop a more streamlined end to end process 	<ul style="list-style-type: none"> • Will add to the cost of purchase
Option B	<ul style="list-style-type: none"> • May be less expensive • 	<ul style="list-style-type: none"> • May have difficulties delivering a high-quality process

6.4 An advanced grey importing market - How does it work in New Zealand?

New Zealand is a fully open parallel importation market. This means the grey market has been a feature for many years due to the fact that the market is an efficient size for a large range of vehicles (unlike Australia). You can effectively parallel import any vehicle into New Zealand as long as it meets the applicable standards, safety and emissions requirements¹¹. The rules are the same for a dealer who wants to resell a vehicle or a private individual who just wants to buy the vehicle for personal use. The market is so established that Nissan offers warranties on imported Nissan Leaf models.

The process involves:

1. Entry certification - verification that vehicle met safety and emissions standards when manufactured, that the condition is still fair, whether it needs repairs or specialist certification, ensure it meets NZ safety and emissions requirements.
2. MPI and customs clearance
3. Border inspection
4. Issue a pink transport sticker
5. A VIN number is issued
6. Apply to register. The importer is invoiced for this work. The total cost of quarantine, border check, VIN and registration is around \$800-\$1000 NZ. Entry certifiers can then charge an additional \$450 NZ
7. Registration process

¹¹ <https://www.nzta.govt.nz/resources/factsheets/44/>

7. Risks and barriers to opportunity

The table below highlights key risks, barriers and related mitigations:

Risk Area	Risk Detail	Mitigation
Regulatory risk	The current roads Act has been in development for many years. The implementation has been delayed	Discuss some ministerial dispensation for electric vehicles
New electric vehicle sales accelerate	If there is accelerated commitment from new entrants into the Australian market it may reduce the appeal for used vehicles	Look to import new vehicles also
Demand not as high as expected	The demand for electric vehicles seems to be strong; however there is a gap between intention to buy and the reality when someone actually decides to move forward	Strong marketing backed by resolving common customer issues
Diesel vehicle depreciation in UK drives up resale values of vehicles	There is a risk in the UK market that the strong restrictions on diesel vehicles opens the market for import of used vehicles and pushes up the price of low emissions vehicles	Look at other markets
Japan's position around Hydrogen vehicles and changes to emissions reduces supply of vehicles in the mid-term	Japan does have a predisposition to Hydrogen, given the issues with Fukushima. This could lead to supply constraints in the midterm	Proactively seek alternative markets and look at left to right-hand drive conversions.
State of second-hand batteries is a major concern	Second-hand batteries have a very uncertain second life	Seek battery warranties, look at refurbishment services and look into second life applications
Product recalls	Products that are distributed have to be recalled and liability is with the importer	Import only high quality products

8. Conclusions

The Australian market continues to be frustrated by lack of supply of affordable electric vehicles. There will be little real commitment from global manufacturers to deliveries until Australia is able to reduce the relative market price of electric vehicles.

The importation of second hand vehicles into the Australian market may be a key lever in alleviating some key barriers to adoption of electric vehicles. There is a plentiful supply of used vehicles and given the definition of used in the legislation any vehicle that is not currently available in Australia can be imported.

If this market was to open up, it would not only enable a supply of affordable used vehicles, it would force manufactures to commit to bringing products into the Australian market. For this market to then become high volume and main-stream a number of key issues must be solved - namely certainty for customers around quality of delivered vehicles, quality of service and support for battery replacement.

At the time of writing the RVSA has been delayed. There has been no formal announcement, however without this change there is little chance for a main-stream grey importation market to develop. This is due to the constraints around volume, and the inability to import vehicles that have not been in the market elsewhere for 18 months.

The recommendation of this report is for the development of projects that can be implemented under dispensation in the near term to get the market moving. This would require a project of national interest be developed and put to government for the development of interim measures to allow for sufficient volume of vehicles.