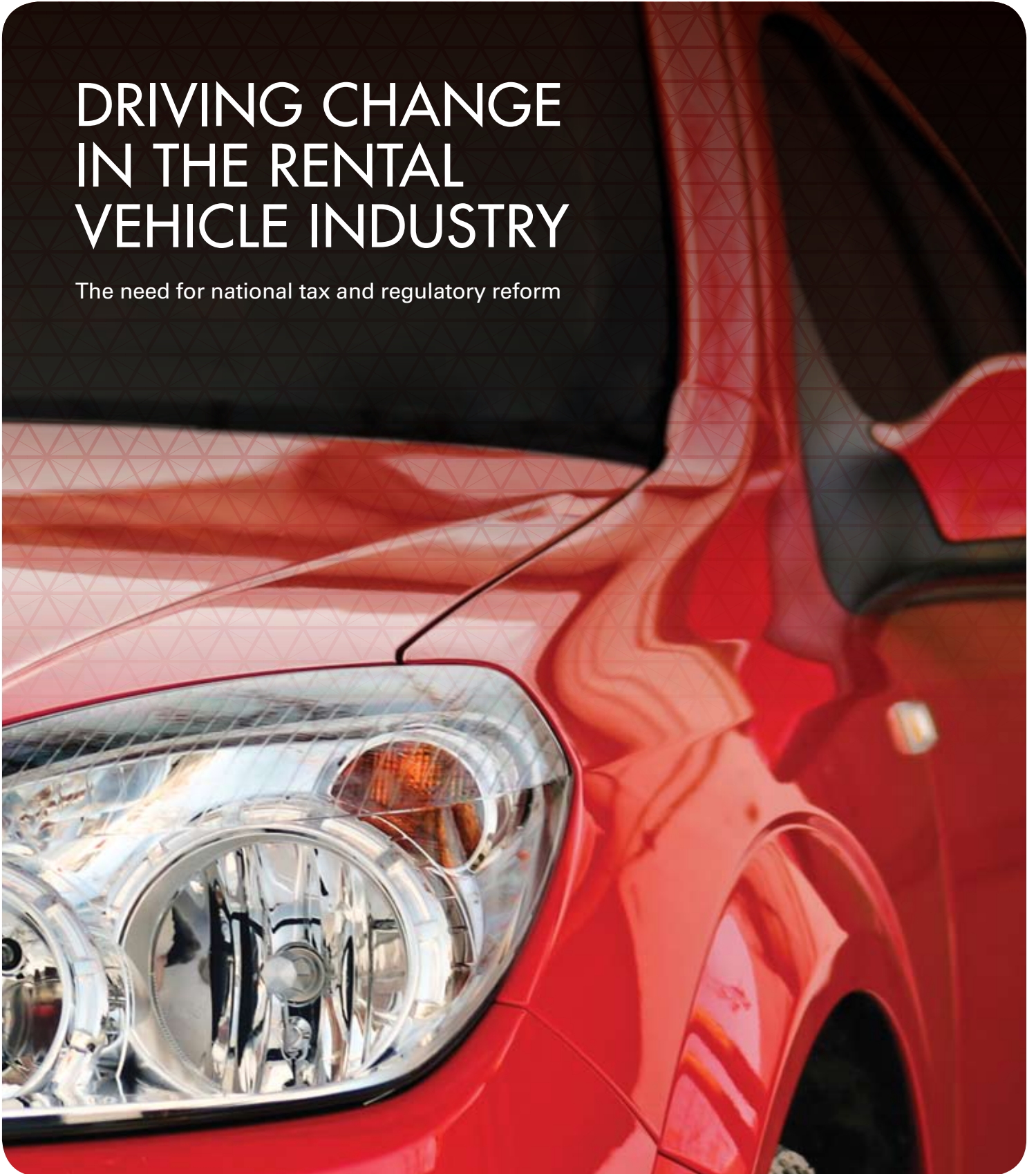




DRIVING CHANGE IN THE RENTAL VEHICLE INDUSTRY

The need for national tax and regulatory reform



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Tourism & Transport Forum (TTF)
represents the following rental
vehicle companies

AVIS

**back
packer**
campervan & car rentals

No Boundaries
Britz


Budget

Europcar

Hertz

 **maui**
spirit of independence

Thrifty

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INTRODUCTION

TOURISM & TRANSPORT FORUM

Tourism & Transport Forum (TTF) is the peak industry group for the Australian tourism, transport, aviation and investment sectors. A national, member-funded CEO forum, TTF advocates the public policy interests of the 200 most prestigious corporations and organisations in these sectors.

TTF's membership comprises the most significant players within the aviation, transport and tourism sectors. It includes representatives from:

Accommodation

- Brokers & Advisors
- Casinos
- Hotels
- Owners & Investors
- Resorts
- Serviced Apartments

Aviation & Airport Services

- Airlines
- Airports
- Aviation Services
- Rental Vehicles
- Aircraft Manufacturers

Transport & Infrastructure

- Buses & Coaches
- Construction Firms
- Cruise Lines & Sea Ports
- Ferries
- Infrastructure Owners
- Institutional Investors
- Light Rail & Heavy Rail
- Precinct Managers
- Project Advisers

Marketing & Attractions

- Credit Cards
- Cultural Attractions
- Natural Tourism
- Theme Parks
- Tourism Marketing Organisations

Major Events, Business Tourism, Retail & Hospitality

- Agencies
- Caterers & Event Suppliers
- Convention & Exhibition Centres
- Promoters
- Restaurants & Duty Free
- Stadia
- Venues
- Wineries

Professional Services, Education & Technology

- Advisory
- Accounting
- Education
- Legal
- Public Relations
- Research
- Technology

TTF has a substantial interest in Australia's rental vehicle industry. Its rental vehicle members - Avis Australia and Budget Rent a Car, Europcar Australia, Hertz Australia, Thrifty Australia and Tourism Holdings Limited (Backpacker Campervans, Britz, and Maui) - comprise approximately 70 per cent of Australia's rental vehicle market. These are highly professional organisations, dedicated to offering premier standards of customer service and satisfaction.

TTF also represents a number of organisations with associated interests in the rental vehicle industry including airlines and airports, hotels and resorts, tourist attractions and major event companies.

EXECUTIVE SUMMARY

The rental vehicle industry comprises over 1,800 operators employing more than 7,500 staff, with between 120,000 and 140,000 vehicles on the road at any time (the actual number varies depending on season), turning over more than \$2.2 billion annually. Yet the development of the industry is hindered by regulatory regimes which lack simplicity and consistency and impose a significant compliance burden on national operators.

The rental vehicle industry abides by eight different state and territory regulatory and tax regimes - with only one state recognising rental vehicles within their own regulatory framework. Regulatory guidance and legislative instruments have been created without a clear national policy objective and lack the simplicity and flexibility required for a healthy operating environment.

For operators, this has stymied industry growth, hindered product innovation, reduced the efficiency of the workforce, made it difficult to determine the compliance task, created a significant administrative burden and led to cost inefficiencies. For regulatory agencies, it has fashioned a significant knowledge gap, limited national data on the size, value and economic contribution of the industry and created cost inefficiencies.

TTF calls for regulation and tax reform to ensure the industry has a framework that allows it to invest in the innovation required to drive the sector forward. TTF provides three options for reform:

1. Harmonisation of state and territory taxes and regulation;
2. The introduction of national law administered by a single national body; or
3. State by state changes.

Benefits of reform include: centralised information; consistent interpretation of legislation; environmental opportunities; reduced compliance costs; removal of competitive regulatory practices; improved market competition; increased fleet size and movements; increased investment in quality product; and the preservation of consumer prices.

TTF believes the federal government, through the Department of Infrastructure, Transport, Regional Development and Local Government, should undertake a comprehensive cost benefit analysis of both option 1 and 2, assessing the cost impact on government and the industry against the status quo, paying particular attention to:

- a. Registration, taxes, and charges;
- b. Ongoing policy and development;
- c. Education and training of government and industry bodies;
- d. Compliance and enforcement of regulations; and
- e. Ongoing administration.

Only through reform of regulation and taxes impacting the rental vehicle industry will operators and agencies be able to develop a consistent framework that provides for the uniqueness of the industry and improves the market environment. Reform will ultimately enable operators to increase and optimise fleet use, improve product quality and pass on savings and benefits to consumers, which will benefit the Australian economy as a whole.

THE RENTAL VEHICLE INDUSTRY

SIZE AND SCOPE OF THE INDUSTRY

The rental vehicle sector contributes significantly to the Australian economy. Estimates of the industry's revenue in 2009 exceed \$2.2 billion. It comprises more than 1,800 businesses, employing approximately 7,500 staff who were paid more than \$350 million in wages last year. It is a major contributor to the motor vehicle industry with more than 50,000 new vehicle purchases each year and up to 140,000 rental vehicles on the road at any time.¹

The industry is highly competitive. All 1,800 businesses essentially offer similar 'product', with no barriers to entry. Rental vehicle competitors do business directly alongside each other at major tourism infrastructure sites, such as airports, making the reputation of each operator a significant point of differentiation.

A two-tiered industry

While there are a large number of rental vehicle operators throughout Australia, there are very few operating at a national level - the five biggest, comprising TTF's rental vehicle membership, are among this select group. These five operators - Avis Budget, Europcar, Hertz, Thrifty and Tourism Holdings Limited - generate the largest annual turnover and conduct approximately 70 per cent of all Australian rentals.

The national product offering is very different from that of other operators, with one-way bookings, extensive choice of vehicles and rates, and 24-hour emergency facilities to name just a few. Some national operators also license franchisees to operate under the brand of the larger entity who concentrate business at local level areas, in city suburbs or key regional destinations, while still providing the same product offerings. The remaining industry operators service specific locations and generally compete with the national operators through a price/quality trade-off, offering fewer vehicles and rate options, and limited additional services.

KEY BENEFITS

Apart from the direct contribution to employment, rental vehicle use is also a significant contributor to the tourism sector and motor vehicle manufacturing industries. The demand for rental vehicles in Australia is impacted by both flexibility in pricing and the cost of rental vehicles, as well as the performance of states and the nation in attracting tourists.

a. Tourism

The rental vehicle industry is inextricably linked to the tourism industry. Of the 2.4 million international visitors who had two or more stopover destinations in Australia in the year ending September 2009, 20 per cent (482,000) used rental vehicles to travel between those destinations. Of domestic overnight visitors in the year ending September 2009, 990,000 used rental vehicles in their travel.²

Tourism influences the rental vehicle industry on two fronts: at airports, and in key tourism destinations. Firstly, rental vehicles provide one of the key transport services linking airports to surrounding destinations. Rental vehicles at major airports represent a significant proportion of the overall turnover of the industry - one national operator reports this to be as much as 80 per cent of its business. In addition, many rental operators have arrangements with tourism operators and airlines and also form partnerships as a component of travel packages sold in Australia and other countries.

Tourism operators, particularly regional tourism operators, rely heavily on road based tourism, which is largely facilitated by the rental vehicle sector. As such, national operators in particular operate in key tourist destinations and regional towns, offering vehicle hire as well as associated tourism products. Rental campervans also offer a unique experience for travelers and make a strong contribution to the caravan park sector. This link between the rental vehicle industry and the regional tourism sector was noted by the Queensland Department of Tourism, Racing and Fair Trading in a report completed in 2003 titled *Possible Regulation of the Car Rental Industry in Australia*.³

1 Figures derived through consultation with TTF rental vehicle members and using IbisWorld Australian Industry Report *Motor Vehicle Hiring in Australia* sighted at <http://www.ibisworld.com.au/industry/retail.aspx?indid=543&chid=1> on 15 October 2009.

2 Tourism Research Australia, *National Visitors Survey and International Visitors Survey*, data extracted online on 20 January 2009.

3 Department of Tourism, Racing and Fair Trading, *Possible Regulation of the Car Rental Industry in Australia*, March 2003, p3.

CASE STUDY - NSW NORTH COAST

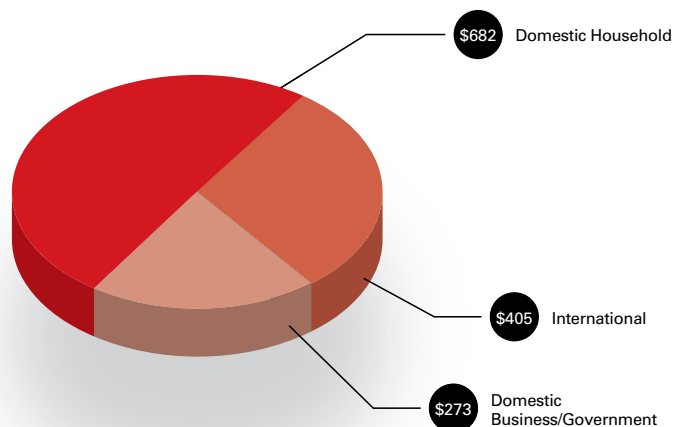
A survey of leisure visitors to the North Coast of NSW conducted by Tourism Research Australia in 2006 found 43 per cent of visitors who flew in to Coffs Coast airport, 30 per cent to Newcastle airport, 26 per cent to Gold Coast airport and 21 per cent to Ballina airport hired a vehicle on arrival to travel around the region. In addition, a further 32 per cent of all respondents considered hiring a vehicle.

Of all leisure visitors, 40 per cent stated freedom and independence were the main benefits of hiring a vehicle, while 22 per cent claimed they could do more, explore more, or go further, and 12 per cent stated it was more convenient and easier to get around.⁴

Further evidence of the industry's significant contribution to tourism can be found in reports by Tourism Research Australia (TRA) and the Australian Bureau of Statistics (ABS). According to the ABS, tourism consumption for motor vehicle hiring for 2007-08 totalled \$1.36 billion, with 20 per cent derived from domestic business and government travel, 30 per cent from international travel and 50 per cent from domestic travel - this only includes rental vehicle hiring for tourism / travel purposes.⁵

In the year ending 30 September 2009,⁶ domestic visitors spent \$864 million on car hire, while a further \$369 million was spent by 812,450 international visitors over the same period.⁷

▼ **Figure 1.** Tourism Consumption - Motor Vehicle Hire and Lease - Millions (\$)



4 Tourism Research Australia, *Destination Visitors Survey: Strategic Regional Research - New South Wales*, pp1-5.

5 Australian Bureau of Statistics, *2007-08 Tourism Satellite Account*, Cat No. 5429.0, 16 April 2009 pp16-18.

6 Tourism Research Australia, *National Visitors Survey*, September Quarter 2009.

7 Tourism Research Australia, *International Visitors Survey*, September Quarter 2009.

Additionally, Figure 2 shows the gross value added of the rental vehicle industry within the tourism industry. Motor vehicle hiring accounted for approximately 5 per cent of the total gross value added of all tourism characteristic industries in 2007-08.⁸

Significantly, the close link the rental vehicle industry has with the tourism industry means it is highly susceptible to fluctuations in domestic and international tourism markets.

b. Motor vehicle industry

The rental vehicle industry contributes to the automotive industry through the purchase or lease of new vehicles and the on-selling of these vehicles to the used car market once the vehicles have reached their 'economic life'⁹. In the year ending October 2009 the purchase of new vehicles by the rental vehicle industry totalled 29,096, representing approximately 3.9 per cent of total national sales.¹⁰

For rental vehicle operators the purchase of new vehicles is a significant cost item and as such any fluctuation in the price of vehicles has a significant impact on operations and puts pressure on consumer rental prices. As well as purchasing new vehicles outright, rental operators also enter leasing agreements with car manufacturers, allowing them to minimise the risk of on-selling and allowing for greater flexibility of the vehicles leased.

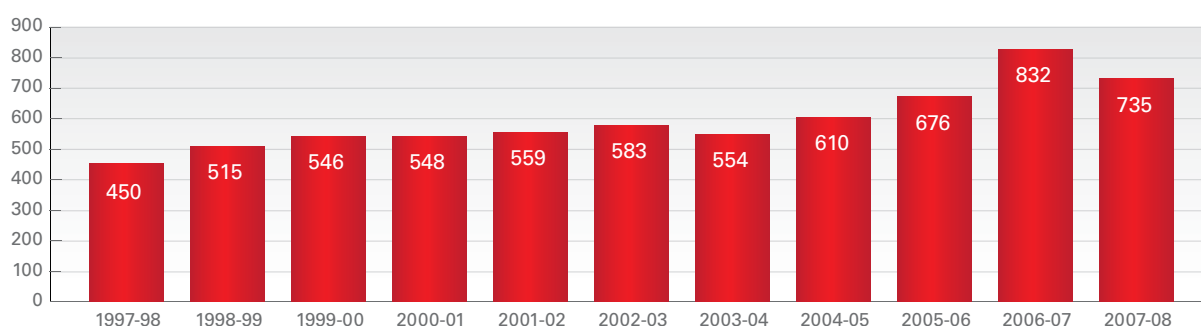
c. Role in a national integrated transport system

With 120,000 to 140,000 vehicles on the nation's road at any time depending on the season, rental vehicles are a key component of a national integrated transport network. The industry is a key link providing access between airports, regional tourism destinations, centres of business and leisure activities for corporate and government business travellers and tourists.

Vehicle rental demand contributes significantly to the total travel task in regional destinations heavily reliant on tourism. Additionally, the sector provides a valuable transport service to the airport and airline industries, providing customers with access to and from airports.

Despite the obvious benefits of the industry in supporting business, government and leisure networks, associated industries and government have at times lacked appreciation for the value of the industry to their operations or policy objectives. Large increases in parking space levies across major Australian CBD areas have increased the price of on-site facilities for rental vehicle operators within CBD local government areas, at the same time as governments have provided parking fee exemptions to other car sharing/hire operators, who successfully market their product on an environmental agenda. This has distorted the vehicle hire market in major metropolitan areas and devalued the importance of rental vehicle operators who provide essentially the same service and the same environmental benefits.

▼ **Figure 2.** Motor Vehicle Hiring Gross Value Add - Millions (\$)



⁸ Australian Bureau of Statistics, *Australian National Accounts: Tourism Satellite Account, 2007-08 Table 5 and 6*. Note the ABS definitions of motor vehicle hiring may not exactly concord with the business interests of TTF's rental vehicle members.

⁹ Economic life is defined as the period over which the vehicle is expected to be usable, with normal repairs and maintenance, for the purpose it was rented.

¹⁰ Federal Chamber of Automotive Industries, *VFACTS National Report: New Vehicle Sales October 2009*.

THE CHALLENGES AHEAD

The rental vehicle industry is highly susceptible to conditions in the wider economy and complementary activities, such as tourism and business travel.

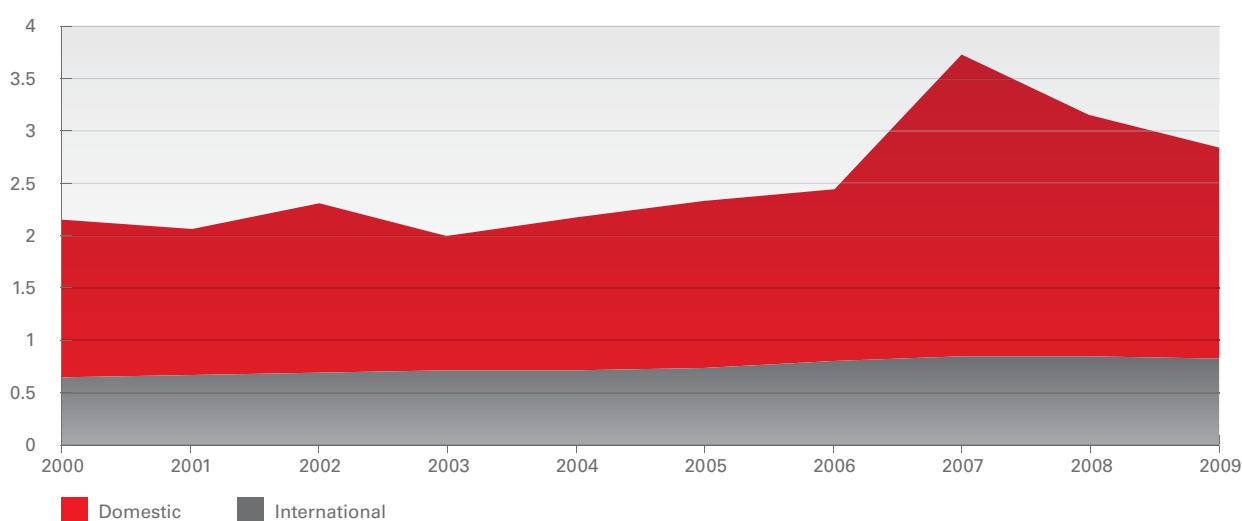
Approximately 16 per cent of all international visitors to Australia hire a vehicle during their stay.¹¹ This has remained relatively constant over the past 10 years. In the year ending September 2009, the number of international visitors using rental vehicles was down 4 per cent.¹² The larger domestic market was expected to counteract this trend, with the percentage of total domestic visitors hiring vehicles increasing over the past 10 years. However, a drop of 7 per cent in domestic travellers has contributed to a 9.3 per cent decline in vehicle rentals by domestic visitors in 2009.¹³ The chart below shows the number of vehicles hired by visitors since 2000 broken down by domestic and international visitors.

The purchase of new vehicles by rental vehicle operators is also a key area of concern due to the global financial crisis. While the government rebate of a 30 per cent tax deduction on purchases of more than \$10,000 for large businesses and 50 per cent tax deduction for small businesses temporarily boosted

the purchase of new vehicles in 2009, the longer term trend will undoubtedly see a decline in the quality of the product as operators extend the economic life of fleet vehicles to decrease operating costs. In the year ended October 2009, new vehicle purchases by the rental vehicle sector were down 36.6 per cent or 16,791 vehicles.¹⁴

A further difficulty has arisen with rental operators unable to on-sell fleet vehicles beyond their economic life into the used car market. Like the new vehicle market, the purchase of used vehicles has also slowed as a result of the recent economic downturn. Contending with surplus vehicles sitting in yards, some operators have entered the used car market themselves. While not ideal, given that this diverts business resources away from core operational activities, such a venture is necessary to enable these operators to meet the present challenges.

▼ **Figure 3.** Vehicle hire by visitors - Millions

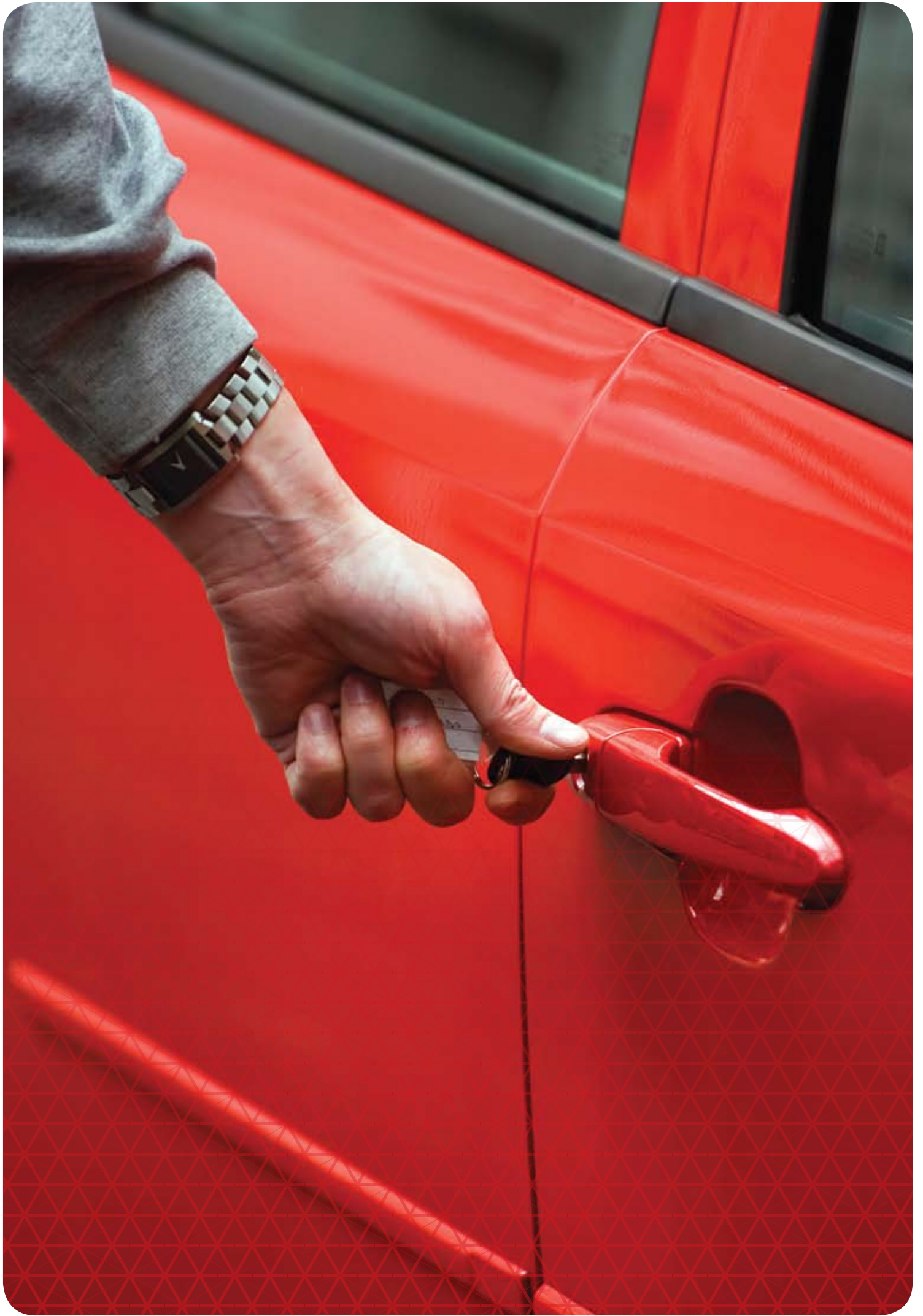


11 Tourism Research Australia, *International Visitors survey*, September Quarter 2009.

12 Ibid.

13 Tourism Research Australia, *Domestic Visitors survey*, September Quarter 2009.

14 Federal Chamber of Automotive Industries, *VFACTS National Report: New Vehicle Sales October 2009*.



THE REGULATORY AND TAX BURDEN

There are currently eight different state and territory regulatory regimes impacting the national rental vehicle industry in Australia. Consistency across jurisdictions is rare, with every jurisdiction funding its own agency acting within its own set of legislative requirements.

Notably, seven of the eight jurisdictions do not have specific regulation for the rental vehicle industry, rather it is regulated alongside what are considered associated industries. Tasmania is the only jurisdiction in which rental vehicle operators are regulated as a specific industry group.

With regulation working solely at a state and territory level, this regulatory framework is only effective for operators who act within jurisdictional boundaries. With 70 per cent of annual turnover in the industry generated by national operators, and given the size and reach of their operations, this framework hinders the growth of the industry nationally and makes it difficult to respond to national economic, social and environmental challenges.

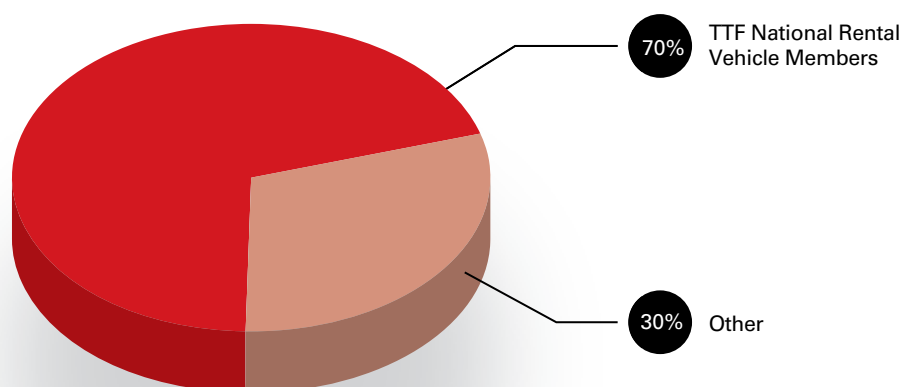
COST OF COMPLIANCE

The key issue for national operators is the level of variation between the regimes of the jurisdictions. The national rental vehicle industry is at a clear disadvantage, particularly in relation to registration and stamp duty, with state-based road legislation hindering the efficient operation of a national market.

By operating at a national level, rental vehicle operators offer customers the flexibility to move throughout the country and provide a valuable national tourism product. However, to deal with eight regulatory regimes becomes a costly task, requiring skills and resources to be diverted to compliance rather than product growth, innovation, and development.

The nature of businesses operating at a national level is such that keeping track of the movements of each vehicle is logistically extremely difficult. To locate every vehicle and move it to comply with each state and territory's legislation is a significant burden. In addition, the rental vehicle business does not benefit from having surplus vehicles in garages; it is focused on maximising 'occupancy', not unlike the airline and hotel industries.

▼ **Figure 4.** Total Vehicle Rental Market Share



Vehicles are required to move between states for a number of reasons:

1. Vehicle movements follow the seasons of particular tourist destinations, to ensure the supply of vehicles is able to meet customer demand. Changing seasons create fluctuations in the levels of demand particularly in tourist destinations reliant on seasonal weather - ie, the NSW Southern Alps. Events also have a similar impact on destination demand levels.
2. Vehicles also move at the will of the customer who is given the option of returning it to a different destination from where it was picked up. While this offering adds to the appeal of hiring from a national operator, it also creates destinations which are net receivers of rental vehicles - the number of vehicles returned at the location is greater than the number hired. Adelaide is one such example (this could be the result of a variety of reasons - the tendency for tourists to travel east-west along the Great Ocean Road is but one worthy of mention).
3. Finally, vehicles move to comply with the eight state and territory-based regulatory regimes. Each jurisdiction requires vehicles to be garaged for certain periods of time in order to fulfill the requirements for registration and Compulsory Third Party (CTP) insurance in that jurisdiction.

While the first two reasons are a direct result of market forces, the last is a result of a market distortion and places a significant and unnecessary burden on operators attempting to maximise occupancy. This market environment perpetuates unnecessary competition between the regulatory agencies across jurisdictions rather than facilitating competition between operators to the benefit of consumers.

Each of the above reasons for moving vehicles proves a challenge for national operators who relocate vehicles either by providing price incentives to consumers - in an attempt to achieve greater occupancy at the sacrifice of yields and time - or by relocating them on trucks. The latter is of great concern, particular when done to fulfil regulatory obligations, as not only is it wasteful but also counterproductive in the attainment of other government policy objectives, such as reducing carbon emissions.

CASE STUDY - CONSUMER DEMAND

Queensland Transport and Main Roads recently issued a notice under section 14 (1) of the Transport Operations (Road Use Management) Act 1995. The department's letter requested within 14 days, among other items, "a monthly list of all vehicles hired from depots or affiliated sites within Queensland". This request was important to ensure compliance with state legislation pertaining to registration and Compulsory Third Party Insurance.

However, for a national rental vehicle operator which receives such requests from each jurisdiction, this was particularly cumbersome. Legislation in Queensland obliges vehicles garaged in the state for more than 14 days to acquire Queensland registration. Similar registration obligations in other jurisdictions mean that national rental vehicle operators effectively are required a year in advance to know where vehicles will be garaged when they are not in use. With up to 140,000 vehicles travelling throughout the country at any time, fulfilling the requirements of each jurisdiction becomes restrictive to operations and hinders the product offering.

REGULATION

For national operators the key problems associated with the current regulatory approach include:

- Eight different agencies, each with different skills and experience;
- Eight different agencies with different regulatory cultures; and
- Eight different agencies with different priorities exercising varying degrees of discretion pertaining to their regulation.

This has serious implications for the way rental vehicle business is conducted. It forces the major operators to divert resources into compliance with each regulatory regime. With each state and territory acting in its own right, there is little appreciation by the different agencies of the impact of their regimes at a national level. In this way, the current multi-jurisdictional

approach has hindered industry growth, deterring small entrants from expanding into the national market and reducing efficiency. The uncertainty arising from multiple regulations, regulatory interpretations and approaches has created a range of issues, including:

- Difficulty in determining the compliance task;
- A significant administrative burden for compliance; and
- Cost inefficiency.

For regulatory agencies it has resulted in a significant knowledge and skills gap in the understanding of the rental vehicle industry and the impact of specific state-based regulation on the national landscape. There is limited national data on the size of the industry, the value of the industry to associated enterprises and its economic contribution. Without this guidance, regulatory and legislative instruments have been created without a clear national policy objective and which lack the simplicity and flexibility required for a healthy operating environment.

Rental vehicle operators are subject to three levels of regulation - common law, Commonwealth law and state law.

Common Law

This includes:

- The law of contract (including remedies for breach of contract);
- The law of tort (including negligence and fraud);
- Rules regulating unconscionable conduct, misrepresentation and duress; and
- Prohibitions on the use of penalties by a car rental operator against hirers.

It also includes rules of public policy. Those rules include aspects of the interpretation of the provisions referred to below.

Commonwealth Legislation

a) **Trade Practices Act 1974 (Cth) (TPA)**

The TPA addresses misleading and deceptive conduct. It allows hirers to claim damages or compensation, to seek orders varying contracts to recover rental payments and so on. The TPA also

implies non-excludable terms into contracts: for the supply of goods and for the supply of goods and services. The TPA permits the ACCC to enforce these prohibitions.

b) **The Corporations Act 2001**

This regulates specific areas of industry such as those marketing "financial products" through licensing requirements and mandates a duty to provide standard disclosures. Only some vehicle rental arrangements are caught by the "financial products" provisions of the Corporations Act 2001.

c) **The ASIC Act 2001**

This applies to industries which deal with "financial products" and applies to the rental vehicle industry in relation to broad fair trading restrictions such as prohibiting false or misleading representations.

d) **The Insurance Contracts Act 1984**

This provides a number of consumer protection mechanisms, such as imposing obligations of utmost good faith on the parties, and methods of determining liability in certain situations. While an "insurance contract" is not defined under the Act, ASIC takes the view that vehicle rental contracts containing waiver of liability clauses should be regarded as such. An aggrieved party may initiate a private action in court where a car rental company has breached the Act.

e) **Motor Vehicle Standards Act 1989**

This establishes nationally uniform standards for road vehicles when they are first supplied to the market in Australia.

f) **Privacy Act 1988**

This makes provisions for the protection of the privacy of individuals, such as obligations on the use of personal information.

State and Territory Legislation

a) **Fair Trading Legislation**

Fair trading legislation in all states and territories contains similar provisions to sections of the TPA. Each jurisdiction's legislation includes remedies modelled on the TPA provisions, including enforcement by fair trading authorities.

b) **Contracts Review Act 1980 (NSW)**

This legislation is designed to further protect consumers by granting courts the power to vary contracts that are deemed unjust. It also prescribes terms upon which a person may enter into contracts of a defined class.

c) **Road Vehicle (Registration) Act 1997 (NSW)**

This legislation requires interstate registered vehicles to be out of New South Wales for 48 continuous hours over a 90 day period.

d) Misrepresentation legislation also exists in the ACT and South Australia.

e) **Goods Act 1958 (Victoria)**

While much of this legislation applies to the sale of goods, core provisions include warranties being implied into contracts for the hire of goods. This means such services must be rendered with due care and skill and fit for the purpose for which they are commonly bought or for the purpose made known to the seller. Also, the goods hired must correspond with the description and be fit for the purpose unless the hirer was already aware of defects.

f) **Passenger Transport Act 1997 (Tasmania)**

On 1 July 2001, new legislative requirements administered by Tasmania's Transport Commission came into force relating to the rental vehicle industry. In addition to registering their vehicles as hire and drive, the provisions require operators to be accredited and comply with conditions of accreditation.

Other regulations as a result of operations

In addition to the regulations above, rental vehicle operators must also comply with other administrative tasks as part of the normal operation of business. These tasks specifically relate to associated rules and regulations bestowed upon the driver of a rental vehicle. Infringements for breaches of various road rules, while not the fault of the rental vehicle operator, entail a significant administrative burden on the industry because of the resources needed to fulfil these processing tasks.

CASE STUDY - INFRINGEMENTS

Although the rental vehicle business is technically the owner of the vehicle, the infringement incurred is the responsibility of the driver. Current protocol requires paper infringements to be sent to operators, who then make a statutory declaration providing the details of the driver of the vehicle. This necessitates a separate paper declaration for each infringement.

The number of infringement notices is increasing, largely as a consequence of the growing number of cashless toll roads in Australian capital cities and the absence of an effective mechanism for charging rental car users for electronic tolls. Each of the operators TTF represents is receiving upwards of 4,000 infringement notices per month in Sydney alone. This is time consuming and costly and fails to take advantage of technology which would allow electronic exchange of this information. The continuation of this practice will eventually lead to higher charges for rental vehicles, with flow-on effects for tourism and added costs for business.

In July 2009, the NSW Government, in association with the NSW Roads and Traffic Authority and Avis Budget Australia, commenced a trial of a new electronic tolling device in Avis Budget rental vehicles to reduce the number of drivers failing to pay their tolls. The trial also aims to reduce the number of infringement notices issued to the operator and in turn reduce the number of statutory declarations required.

TAXES AND CHARGES

The taxes and charges applied in states and territories on rental vehicle operators differ considerably, impacted by the policy objectives of particular governments. With the introduction of the GST in 2000, there was some agreement among states to simplify the tax system and remove a number of inefficient state taxes. Among them was the Hire Arrangements duty or Renters duty which was completely phased out on 1 July 2009.

There is now momentum for further change in the tax system. The outcome of the Henry Tax Review established by the current federal government provides an opportunity to remove or further align taxes affecting the rental vehicle industry.

Below are just some of the different taxes and charges currently imposed by all states and territories:

- **Payroll Tax**
Levied on employers and based on wages paid or payable to employees.
- **Stamp Duty**
Levied on the transfer of property (in this case motor vehicles). The duty is usually paid by the purchaser and based on the sale price (or value, if higher) of the property.
- **Motor Vehicle Registration Duty**
Payable on the application to initially register a motor vehicle or the application to change the name of the registered owner - based on the value of the vehicle.
- **Motor Vehicle Registration Fee**
A flat fee paid before a vehicle is allowed to be driven on public roads.
- **Motor Vehicle Weight / Engine Capacity Tax**
Levied on the owners of motor vehicles and based on the weight and/or engine capacity of the vehicle, applied when at registration.

- **Parking space levy**

Levied in some major centres only, applying to those parking vehicles on a long term basis in allocated areas.

- **Compulsory Third Party (CTP) Insurance**

Levied on all owners of motor vehicles.

The lack of consistent application of taxes and charges has discouraged national rental vehicle operators from purchasing and registering vehicles in particular jurisdictions, creating market distortions that respond to government regulation rather than consumer demand.

Following is a brief outline of concerns with some of these duties and a comparison of each of the taxes and charges as they are applied in each jurisdiction.

Stamp Duty

Given the vast number of vehicles purchased and sold, stamp duty represents one of the more significant costs for operators. From a national perspective, the differences in rates and application across jurisdictions distort the national market by providing comparative advantages and disadvantages of purchasing vehicles in particular jurisdictions, without any bearing on where the vehicles are most required. As an example, the stamp duty on a Toyota Camry Altise ranges between \$378 and \$960 depending in which state of territory the vehicle is purchased. Similarly, for a Subaru Outback the range varies between \$913 and \$3,958.

Any increase in a state's stamp duty rate drives down incentives for investment in new product, leading to fewer new vehicles in that state - with detrimental consequences for the tourism experience.

Interestingly, the rental vehicle industry is categorised for stamp duty purposes alongside other hire transport services which have little or no relevance to the sector, such as taxi services. While the two industries can compete for some customers, by and large they offer completely different products and cater for completely different markets. In terms of stamp duty,

the economic life of a rental vehicle is much shorter than other hire vehicles, like taxis, as the customer is much more sensitive to the quality of the product. TTF believes rental vehicles must be treated as a separate category with regard to stamp duty.

In addition, stamp duty is charged on the recommended retail price of the vehicle rather than the purchase price. This discourages rental vehicle operators from optimising the benefits of direct negotiation to reduce the purchase price, resulting in higher rental prices for consumers.

See page 16 for a state by state comparison.

Registration Duty

Similar to stamp duty, registration duty is another cost associated with the rental vehicle industry that represents a significant impost through incongruent regimes in different jurisdictions. Registration duty for a Toyota Camry Altise in Western Australia is \$250, but in NSW, Queensland, Tasmania, Northern Territory, and the ACT the cost is \$785. For a Subaru Outback the range varies between \$267 and \$3,045.

Like stamp duty, registration fees are categorised alongside taxis. Again, it is a misrepresentation to align these two industries, as they offer different products and cater for different markets.

TTF believes rental vehicles must be treated as a separate category with regard to registration. Additionally, a lack of innovation and use of emerging technologies in the way registration is charged mean operators are unable to register and deregister the 120,000 to 140,000 vehicles on the road each year online or indeed on a day to day basis to allow for the fact that rental vehicles are not necessarily used every day of the year.

See page 17 for a state by state comparison.

CTP Insurance

CTP Insurance is charged at the time of registration.

There is a single insurer in all jurisdictions except New South Wales and Queensland where insurers compete in an open market. In Victoria, South Australia, Western Australia, Tasmania and the Northern Territory, the sole insurer is a government body or enterprise, while in the ACT the sole provider is NRMA Insurance.

With such variances in the application and administration of CTP insurance, prices vary greatly between jurisdictions - from as low as \$309.90 in Western Australia to as high as \$1,309 in the ACT. Besides NSW and QLD, the lack of market competition and innovation in the application and pricing of CTP insurance has created a burden for operators who are already charged double to triple that of a private use vehicle. Notwithstanding the definite need for CTP insurance, the charge imposed on rental vehicle operators is exorbitant when compared with the United States, which is a third of the cost of CTP insurance in Australia.

In addition, as with stamp duty and registration, a rental vehicle is categorised with other hire vehicles. This does not provide for the uniqueness of rental vehicle operations or reflect the risk of accident/injury for these vehicles. Rental vehicles tend to be on the road for similar hours a day as a person driving their own vehicle, whereas a taxi operates 24 hours a day seven days a week. The average kilometres travelled for a rental vehicle in a year is approximately 30,000, whereas for a taxi it is 175,000.¹⁵ It makes little sense for them to be placed in the same category.

See page 21 for a state by state comparison.

¹⁵ Figures derived through consultation with TTF rental vehicle members and Independent Pricing and Regulatory Tribunal, *Maximum fares for taxis in NSW for 2007-08*, p12.



▼ **Table 1. Payroll Tax** - Levied on employers and is based on wages paid or payable to employees.

NSW	VIC	QLD	WA	SA	TAS	NT	ACT
5.75% (5.65% from 1 January 2010 and 5.5% from 1 January 2011)	4.95% First \$550,000 exempt	4.75% First \$1,000,000 exempt. For payrolls \$1,000,000 up to \$5,000,000, deduction of \$1,000,000 reducing by \$1 for every \$4 payroll exceeds \$1,000,000. No deduction for payrolls of \$5,000,000 or more	5.50% First \$750,000 exempt	5.0% (4.95% from 1 July 2009) First \$552,000 exempt (Threshold \$600,000 from 1 July 2009)	6.10% First \$1,010,000 exempt	5.90% First \$1,250,000 exempt	6.85% First \$1,500,000 exempt
First \$623,000 exempt. (From 1 July 2008) Threshold will be indexed annually to the Sydney CPI from 1 July each year							

▼ **Table 2. Stamp Duty** - Levied on the transfer of property - in this case, motor vehicles. The duty is usually paid by the purchaser and based on the sale price (or market value, if higher) of the property.

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Below are some examples of the relative difference in cost between jurisdictions imposed on the same vehicle	3% of the market value up to \$45,000 5% on the market value over \$45,000	\$0-\$25,000: 1.40% \$25,001-\$130,000: \$350 + 2.40% \$130,001-\$960,000: \$2,870 + 6.00% Over \$960,000: 5.50% of total value	\$0-\$5,000: Nil \$5,001-\$75,000: 1.50% \$75,001-\$540,000: \$1,050+3.50% \$540,001-\$980,000: \$17,325+4.50% Over \$980,000: \$37,125+5.25%	Gross Vehicle mass of less than 4.5 tonnes Up to \$20,000: 2.75% \$20,001 - \$45,000: 2.75% + (market Value - \$20,000) / 6,666.66)% \$45,000+: 6.5%	\$0-\$12,000: 1.00% \$12,001-\$30,000: \$120+2.00% \$30,001-\$50,000: \$480+3.00% \$50,001-\$100,000: \$1,080+3.50% \$100,001-\$200,000: \$2,830+4.00% \$200,001-\$250,000: \$6,830+4.25% \$250,001-\$300,000: \$8,955+4.75% \$300,001-\$500,000: \$11,330+5.00% Over \$500,000: \$21,330+5.50%	\$0-\$1,300: \$20 \$1,301-\$10,000: 1.50% \$10,001-\$30,000: \$150+2.00% \$30,001-\$75,000: \$550+2.50% \$75,001-\$150,000: \$1,675+3.00% \$150,001-\$225,000: \$3,925+3.50 Over \$225,000: \$6,550+4.00%	\$0-\$525,000: Duty calculated by the formula: $D = (0.06571441 \times V^2) + 15V$ Where D = duty payable in \$ V = (total value/1000) Over \$525,000: 4.95% of total value	\$0-\$100,000: \$20 or \$2.00 per \$100 whichever is greater \$100,001-\$200,000: \$2,000+\$3.50 per \$100 or part thereof \$200,001-\$300,000: \$5,500+\$4.00 per \$100 or part thereof \$300,001-\$500,000: \$9,500+\$5.50 per \$100 or part thereof \$500,001-\$1,000,000: \$20,500+\$5.75 per \$100 or part thereof Over \$1,000,000: \$49,250+\$6.75 per \$100 or part thereof
	\$786	\$378	\$392	\$960	\$403	\$473	\$396	\$523
Toyota Camry Altise - \$26,150								
Subaru Outback 3.6R premium - \$60,890	\$2,145	\$1,211	\$913	\$3,958	\$1,461	\$1,322	\$921	\$1,218

▼ **Table 3. Motor Vehicle Registration Duty** - This duty is payable on the application to initially register a motor vehicle or the application to change the name of the registered owner. The duty is based on the market value of the vehicle.

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Below are some examples of the relative difference in cost between jurisdictions imposed on the same vehicle	\$3.00 per \$100, or part, except for Passenger Vehicles* \$1,350+\$5.00 per \$100, or part, of the dutiable value of the motor vehicle in excess of \$45,000 * a vehicle: a) with a dutiable value of not less than \$45,000, and b) that is constructed primarily for the carriage of not more than 9 occupants, including a sedan, station wagon, coupe, convertible, four wheel drive vehicle with seats and windows, two wheel drive panel van with seats and windows, three wheel car, forward control vehicle passenger vehicle, small bus (seating not more than 9 persons, including the driver), motor home, and snow vehicle, but not including: a motor cycle (with or without a side car), large bus (seating more than 9 persons, including a driver), hearse or invalid conveyance	Passenger Vehicles \$0-\$57,009: \$5.00 per \$200 or part Over \$57,010: \$10.00 per \$200 or part Other Vehicles (Including Non Passenger) \$5.00 per \$200 or part Previously Registered Vehicles \$8.00 per \$200 or part	From 1 January 2008 1 to 4 cylinders or 2 rotors and a steam vehicle: \$3 for each \$100 and each part of \$100 5 or 6 cylinders or 3 rotors: \$3.50 for each \$100 and each part of \$100 7 or more cylinders: \$4 for each \$100 and each part of \$100 Hybrid/Electric: \$2 for each \$100 and each part of \$100 Special vehicles (as defined) Flat rate of \$25	Light vehicles \$16.67 per 100kg Gross Vehicle Mass exceeding 4500kg (no trailer) 2 axles 12 tonnes or less (1R2 class) - \$392.00 2 axles over 12 tonnes (2R2 class) - \$673.00 3 axles 16.5 tonnes or less (1R3 class) - \$673.00 3 axles over 16.5 tonnes (2R3 class) - \$886.00 4 or more axles 20 tonnes or less (1R4 class) - \$673.00 5 or more axels 20000 kg or under (1R5 class) - \$673.00 4 or more axles over 20 tonnes (2R4 class) - \$886.00 5 or more axels over 20000 kg (2R5 class) - \$886.00	\$0-\$1,000: \$1 per \$100 (min \$5) or part \$100 \$1,001-\$2,000: \$10+\$2 per \$100 or part \$100 above \$1,000 \$2,001-\$3,000: \$30+\$3 per \$100 or part \$100 above \$2,000 Over \$3,000: \$60+\$4 per \$100 or part \$100 above \$3,000 Except for commercial vehicles where the rate is: 0-\$1,000: \$1 per \$100 (min \$5) or part \$100 \$1,001-\$2,000: \$10+\$2 per \$100 or part \$100 above \$1,000 Over \$2,000: \$30+ \$3 per \$100 or part \$100 above \$2,000	Passenger vehicles Under \$600: \$20.00 \$600-\$34,999: \$3.00 per \$100 or part in excess of \$600 \$35,000-\$40,000: \$1,050+\$11 per \$100 or part in excess of \$35,000 Over \$40,000: \$4.00 for each \$100 or part of \$100 of the value of the vehicle Vehicles subject to manufacturers fleet discount \$3.50 per \$100 Heavy Vehicles Under \$2,000: \$20.00 Over \$2,000: 1 July – 30 September 2007 \$3.00 per \$100 or part. 1 October 2007 onward \$1.00 per \$100 or part (as stated in 2007-08 Budget Papers) All Other Vehicles Under \$600: \$20.00 Over \$600: \$3.00 per \$100 or part	\$3.00 per \$100 or part	Passenger Vehicles* Under \$45,000: \$3.00 per \$100 or part thereof \$45,000 or over: \$1,350+\$5 for each \$100 or part thereof in excess of \$45,000. All Other Vehicles \$3.00 per \$100 or part thereof * a passenger vehicle: a) with a dutiable value of not less than \$45,000, and b) that is constructed primarily for the carriage of not more than 9 occupants, including a sedan, station wagon, coupe, convertible, four wheel drive vehicle with seats and windows, two wheel drive panel van with seats and windows, three wheel car, forward control vehicle passenger vehicle, small bus (seating not more than 9 persons, including the driver), motor home, and snow vehicle, but not including: a motor cycle (with or without a side car), large bus (seating more than 9 persons, including a driver), hearse or invalid conveyance
Toyota Camry Altise - \$26,150	\$785	\$654	\$785	\$250	\$755	\$785	\$785	\$785
Subaru Outback 3.6R premium - \$60,890	\$2,145	\$3,045	\$2,131	\$267	\$1,797	\$2,436	\$1,827	\$2,145

▼ **Table 4. Motor Vehicle Registration Fee** - A flat fee paid before a vehicle is allowed to be driven on public roads.

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Below are some examples of the relative difference in cost between jurisdictions imposed on the same vehicle	Car: \$56.00 Cycle: \$56.00 Lorry: \$56.00 Lorry mass 5 tonnes or more: \$229.00 Articulated: \$343.00	Appointment and Inspection Fee: \$38.90 Standard Number Plate Fee: \$30.00 (2 plates)	Traffic Improvement fee: \$45.80 Plate fee: \$22.75 Charged on original registration	Recording fee: Car: \$13.05 Cycle: \$13.05 Plate Fee: \$13.20 Charged on original registration.	Administration Fees Renewal of Registration Car: \$6.00 Cycle: \$6.00 Lorry: \$6.00 New Registration Car: \$21.00 Cycle: \$21.00 Lorry: \$21.00	Car: \$76.15 (includes motor vehicle fire levy) Cycle: \$61.15 Trailer, caravan or horse float: \$26.60	For vehicles over 3 years old and < 4.5 tonnes GVM: \$8.40 surcharge plus inspection fee of \$38.50 (incl. GST) Inspection fee for heavy vehicles and trailers: \$77.00 (incl. GST) Upgrade/Temporary Upgrade of Configurations: \$18.00	Establishment of Registration: \$71.70 Not charged separately in the ACT on renewal of registration Examination or Inspection of Vehicles Trailers not exceeding 4.5 tonnes GVM: \$30.80 Motor Cycles: \$41.40 Motor Vehicles not exceeding 4.5 tonnes GVM: \$53.90 Trailers exceeding 4.5 tonnes GVM: \$75.00 Motor Vehicles exceeding 4.5 tonnes GVM: \$122.90
Toyota Camry Allise - \$26,150	\$56	\$68.90	\$68.55	\$26.25	\$21	\$76.15	\$38.50	\$71.70
Subaru Outback 3.6R premium - \$60,890	\$56	\$68.90	\$68.55	\$26.25	\$21	\$76.15	\$38.50	\$71.70

▼ **Table 5. Motor Vehicle Weight / Engine Capacity Tax** - Levied on the owners of motor vehicles and based on the weight and/or engine capacity of the vehicle, applied when at registration.

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Below are some examples of the relative difference in cost between jurisdictions imposed on the same vehicle	Based on Vehicle Tare Weight 0-975kg: \$341 976-1154kg: \$375 1155-1504kg: \$429 1505-2504kg: \$619 The rate varies in many steps up to \$7,120 at 4,500kg	Victorian registration fees are based on Mass Rating Charges and are not classified by the intended use of the vehicle (i.e. private or business use). From 1 January 1996 Light Vehicles (motor vehicles with Mass Rating for Charges (MRC) not exceeding 4.5 tonne) and not otherwise entitled to be registered for a lesser fee (various exemptions): Flat Fee: \$183.30	Based on the number of cylinders for passenger vehicles: 1 July 2009 No. of Cylinders 1, 2 & 3: \$206.35 4: \$262.45 5 & 6: \$415.60 7 & 8: \$581.90 9-12: \$636.20 No. of Rotors 2: \$262.45 3: \$415.60 4.01 to 4.5t GVMI: \$650.1	Based on vehicle type and tare (unladen) weight with Gross Vehicle Mass (GVM) Standard Vehicles Motor Car \$16.67 per 100kg tare weight. Motor Wagon \$16.67 per 100kg tare weight	Registration fees are not levied by the intended use of the vehicle. Fees for Non Commercial vehicles (sedans etc.) with a GVM of 4,500kg or less, is based on the number of cylinders. Fees for Commercial vehicles with an unladen mass of 1,000kg or less are based on the number of cylinders. For vehicles with an unladen mass exceeding 1,000kg but with a GVM of 4,500kg or less, the fee is calculated according to the unladen mass Light Commercial Vehicles (i.e. do not have a GVM or GCM greater than 4,500 kg). Based on number of cylinders for vehicles with a Tare Mass not exceeding 1,000 kg 1 to 4 cyl.: \$95.00 5 to 6 cyl.: \$193.00 7 and over: \$280.00 Rotary or electric: \$95.00 Based on Tare Mass for vehicles over 1,000 kg 1001-1500kg: \$209.00 >1500kg: \$356.00	Based on the number of cylinders or vehicle weight. Effective 1 July 2009 Pensioners and farmers may be entitled to a 40% rebate on motor tax for Class A vehicles and other light vehicles Trailer with GVM of 4.5 tonnes or less: \$17 Non-agricultural machinery: \$88 Tractors (agricultural): exempt Other Light Vehicles 1, 2 & 3 cylinders: \$78.00 4: \$91.00 5 to 6: \$115.00 7 to 8: \$157.00 >8: \$176.00 A bus with 10 adult seats including the driver's seat: \$117.00 A bus with more than 10 adult seats including the driver's seat: \$205.00 A truck with a GVM of 3.0 tonne or more: 4: \$176.00 5 to 6: \$205.00 7 to 8: \$234.00 >8: \$264.00	Based on engine capacity Engine Size Less than or equal to 4 cylinders 0-500: \$15.00 501-1000: \$30.00 1001-1500: \$48.00 1501-2000: \$64.00 2001-3000: \$70.00 Greater than 4 cylinders 2001-2500: \$90.00 2501-3000: \$108.00 3001-3500: \$133.00 3501-4000: \$152.00 4001-4500: \$180.00 4501-5000: \$200.00 5001-5500: \$231.00 5501-6000: \$252.00 6001-7000: \$294.00 7001-8000: \$301.60	Based on vehicle type and tare (unladen) weight. For a passenger and goods carrying vehicle for business use with a GVM not exceeding 4.5 tonnes, where the vehicle weighs: 975kg or less: \$321.50 976-1154: \$356.00 1155-1504: \$410.00 1505-4500: \$599.80 For buses: Minibus (type 1): \$363 Bus with 2 axles: \$66.00 3 axles: \$1512.00 4 axles: \$1512.00 Articulated bus, 3 or 4 axles: \$606.00 For all motorbikes: \$86.70 For trucks with tare weight greater than 4500kg and less than \$8000kg, with: 2 axles: \$363.00 3 axles: \$726.00 4 & 5 axles: \$1089.00 Road Rescue Fee for the grant or renewal of registration, fee payable for any motor vehicle other than a veteran, vintage or historical vehicle and vehicles registered to Jervis Bay residents. Annual Fee: \$16.00
Toyota Camry Altise - \$26,150	\$429	\$183.30	\$219	\$250	\$209	\$91	\$70	\$410
Subaru Outback 3.6R premium - \$60,890	\$619	\$183.30	\$337	\$267	\$356	\$115	\$70	\$600

▼ **Table 6. Parking Space Levy** - Levied in some major centres only, applying to those parking vehicles on a long term basis in allocated areas.

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Below are some examples of the relative difference in cost between jurisdictions imposed on the same vehicle	From 1 July 2009 \$2,000 per annum on liable spaces within the prescribed areas of City of Sydney and the Municipality of North Sydney	From 1 January 2010 (known as the Congestion Levy) \$860 per annum per liable car parking space in Melbourne CBD and the surrounding areas of Southbank, St Kilda Road, Docklands and East Melbourne	Not imposed	\$586.00 per annum per bay for long stay nonresidential tenant parking within the prescribed Perth city area	Not imposed	Not imposed	Not imposed	Not imposed
	\$710 per annum in St Leonards, Chatswood, Parramatta and Bondi Junction	For the area bounded by Montague Street, the West Gate Freeway, City Link and the Yarra River, the levy is \$400 for 2010		\$550.00 per bay for short stay public parking. No cost for motor cycle parking				
	The levy is indexed annually to movements in the Sydney CPI over the year to the previous March quarter. Exemptions and concessions apply, including boundary of City of Sydney. Owners of liable parking spaces as at 1 July each year are required to lodge an annual return and pay the levy by 1 September each year	Exemptions and concessions apply						
Toyota Camry Altise - \$26,150	Up to \$2,000/vehicle	Up to \$860/vehicle	-	Up to \$586/vehicle	-	-	-	-
Subaru Outback 3.6R premium - \$60,890	Up to \$2,000/vehicle	Up to \$860/vehicle	-	Up to \$586/vehicle	-	-	-	-

▼ **Table 7. Compulsory Third Party Insurance or Equivalent** - Levied on all owners of motor vehicles. Rates below are those for rental vehicle operators for 12 months.

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Below are some examples of the relative difference in cost between jurisdictions imposed on the same vehicle	CTP insurance is provided by a number of licensed insurance companies who set premium prices in a competitive market. They may take into account factors such as: accident record age of all regular drivers age of vehicle type of vehicle the purpose for which vehicle is used (private or business) renewal or new Green Slip The criteria used by an insurer reflect its views on the risk associated with those factors Green Slip prices are not set by the Government or its agencies	High Risk Zone: \$680.90 Medium Risk Zone: \$570.90 Low Risk Zone: \$491.70	QBE: \$753.15 NRMA Insurance: \$712.15 SUNCORP: \$720.75 AAMI: \$763.95 ALLIANZ: \$763.95 RACQ Insurance: \$763.95	Hire Vehicle: \$309.09	District 1 or 2 : \$821.00	Hire and drive vehicle: \$894.00	Drive Yourself Car: \$1,288.40	General Hire Vehicle: \$1,309.00
	Toyota Camry Altise - \$26,150	\$491.70 - \$680.90	\$712.15 - \$763.95	\$309.09	\$821.00	\$894.00	\$1,288.40	\$1,309
	Subaru Outback 3.6R premium - \$60,890	\$491.70 - \$680.90	\$712.15 - \$763.95	\$309.09	\$821.00	\$894.00	\$1,288.40	\$1,309

THE COST OF INACTION

Failure to take action to reform the status quo will result in perpetuating the market deficiencies of the rental vehicle industry. The benefits of reform far outweigh the costs of doing nothing. While difficult to quantify, the opportunity costs of inaction provide sufficient evidence to justify reform.

LOST OPPORTUNITIES

The opportunity cost of maintaining the status quo is a significant factor to be considered. The presence of a burdensome regulatory environment has hindered national operators' ability to direct their energies into core business activities, shifting resources away from operations and into compliance. This has flow on impacts on the tourism industry at large, with potential economic, social and environmental opportunities foregone. The ability to expand and tap into new tourism destinations; the ability to become a genuine alternative to private vehicle ownership (resulting in social and environmental benefits); the ability to innovate and develop new products; the ability to become an innovative employment environment with genuine opportunities for career progression and development; and the ability to meet the markets needs with expediency and efficiency have all been stifled by overburdensome regulation.

Tourism infrastructure

The failure of the sector will lead to the failure of investment in tourism infrastructure. The rental vehicle sector facilitates the tourism market in regional Australia and is critical to driving tourism demand to remote destinations. It is also crucial for some of Australia's most iconic tourism experiences tailored around self-driving holidays, such as The Great Ocean Road. The Queensland Department of Tourism, Racing and Fair Trading noted in 2003 that *"...expenditure in the vehicle rental sector which may include export earnings in the form of expenditure by tourists from other countries often has flow on benefits to a range of other service providers in regional markets."*¹⁶

With both sectors inextricably linked, the inability of rental vehicle operators to optimise fleet use and maximise efficiencies has hindered the product offering of the tourism industry at large. The development of new tourist markets and the renewal of existing destinations are contingent on the services provided by the rental vehicle sector.

Environmental consequences

In the context of reducing carbon emissions, an efficient rental vehicle industry will be a key player in improving the environmental footprint of the total transport sector which contributes approximately 14.6 per cent of Australia's total greenhouse gas emissions.¹⁷ The rental vehicle industry is playing its role by providing customers with more fuel efficient vehicles and a range of other initiatives - including offsetting carbon emissions by planting native trees and providing customers with emissions ratings of all vehicles.

However, a true partnership between industry and government is needed to tackle Australia's climate change challenge. Reform of the current rental vehicle regulation system can provide governments with the opportunity to maximise environmental benefits of the 120,000 to 140,000 rental vehicles on the road by developing a policy framework that encourages a greater take-up of low-emission vehicles and greater use of renewable energy and alternative fuels in the transport sector.

The ACT government recently commenced a "Green Vehicles Duty Scheme", which sees all new light vehicles given a Green Vehicle Rating on which stamp duty rates are applied.¹⁸ Essentially, the better the rating, the less stamp duty is paid. The scheme is based on a combination of the greenhouse rating and the air pollution rating from the Commonwealth Green Vehicle Guide. Such incentives can be used in other states and territories, with the acknowledgement that any increases in the current base rate of vehicle stamp duty could be viewed as revenue raising and defeat the purpose of the scheme.

¹⁶ QLD Department of Tourism, Racing, and Fair Trading , *Possible Regulation of the Car Rental Industry in Australia*, 2003 p3.

¹⁷ Department of Climate Change, *National Greenhouse Gas Inventory 2007*, May 2009, p6.

¹⁸ ACT Government, *ACT Government Green Vehicles Duty Scheme brochure*, 2008.



REFORM AGENDA

TTF recommends a new partnership between state and federal governments to develop an independent system for the rental vehicle industry, similar to that proposed for the road freight industry. TTF proposes two approaches to achieve the harmonisation of state legislation or the introduction of a new national system administered by a single body. These are proposed as the ideal reform options for TTF members.

OPTIONS FOR REFORM

Option 1 – Harmonisation of state and territory regulation

TTF recommends a new partnership between state and federal governments to develop an independent system for the rental vehicle industry, similar to that proposed for the road-freight industry.

The focus would include the development of a nationally uniform legal system administered by each jurisdiction. This would entail a new intergovernmental agreement (IGA) on legislation supported in each state and territory through the introduction of necessary legislation based on the IGA. The states and territories would remain the principal administrator of the law in each jurisdiction. This would remove the need for the development and implementation of a Commonwealth registration system.

The IGA would need to charge the National Transport Commission (NTC) with the task of developing and reviewing the national law and measures by which the law will be implemented. The NTC would also need to develop a body of literature to support the legislation in the form of national guidelines.

The development of the system would be improved through the lessons learned by federal, state and territory ministers and agencies through the process undertaken in the road freight sector. Notwithstanding the obvious differences in the two sectors, the work already completed in road freight provides a solid foundation for analysis of the rental vehicle sector.

Option 2 - National Law Administered by a Single National Body

In this option, the focus would be on the creation of a new National Rental Vehicle Regulator (NRVR) or a new group within the Department of Infrastructure, Transport, Regional Development and Local Government tasked with administering a new national regulatory system.

The national rental vehicle body would be tasked with reviewing the existing regulatory framework and making recommendations on the future regulation of the industry. Priority areas of reform should include licensing and registration standards for rental vehicle operators. The NTC would be tasked with the ongoing development of policy to regulate the industry.

A cost benefit analysis on a national framework for heavy vehicles conducted by Ernst & Young for the Department of Infrastructure, Transport, Regional Development, and Local Government in March 2009 found the option of a single national regulator would provide the most benefit to government, industry and the community.

Option 3 - State by state changes

This option specifically targets issues within each state and territory, particularly in relation to stamp duty, registration duties and CTP insurance. Recognising that barriers to national reform may impede the possibility of harmonisation or the creation of new national legislation, this option focuses on the anomalies within the regulation of these three duties. Primarily, it realises the uniqueness of rental vehicle operations and the need for regulation and duties to reflect this.

Firstly, it seeks the creation of a separate category for the rental vehicle sector for each of these duties. This would remove the categorisation of the sector alongside other hire transport services which have little or no relevance to the sector, such as taxi services - the two industries offer completely different products and cater for completely different markets.

Secondly, it focuses on the need to improve the registration and CTP insurance regimes to allow for the number of registrations and the fact that vehicles are not used every day of the year. This involves the creation of online registration that caters for single day registration.

Thirdly, operators are not provided with the ability to self-insure with regard to CTP Insurance. This is one of the highest costs for operators and is a significantly higher cost than privately owned vehicles. Rental vehicles are currently grouped with taxis for CTP Insurance despite travelling approximately one sixth the distance that a taxi travels over a year. Self insurance would enable operators to reduce the compliance costs and better reflect the actual risk of rental vehicles in accidents.

BENEFITS OF REFORM

TTF appreciates that at a state level there are few obstacles to entering the rental vehicle market, in terms of the requirement to obtain licences or other permits from regulating authorities. However, as shown, while these regulations may provide minimal economic impediments to prospective entrants at a local level (the second-tier operators), for national operators they impose a significant compliance burden.

The objective of a harmonised approach is to create a regulatory system that meets the needs of industry and facilitates innovation rather than imposing an onerous regime of compliance. Reform needs to meet social, economic, and environmental objectives and must shape a system that is safe, reliable and efficient.

A harmonised approach to regulation would have significant potential benefits for the rental vehicle industry. It will centralise information and statistics, facilitate consistent policy and interpretation of legislation and regulation, and reduce the cost of compliance for operators.

Below are some of the perceived benefits of a national harmonised regulatory regime for the rental vehicle sector:

- **Centralised information**

Centralised information and statistics will be pivotal in the creation of a better regulatory regime for the rental vehicle industry. It will enable Government agencies and operators to better understand the market and encourage innovation, allowing them to respond to trends more effectively than they can under the current ad hoc application.

- **Consistent interpretation of legislation**

A harmonised regime will also overcome the significant problem of inconsistent interpretation by regulatory agencies operating under similar legislation across different jurisdictions. This will give industry certainty about the way regulation is understood and also evolve a set of precedents to ensure faster decision-making processes.

- **Environmental opportunities**

The same applies to environmental objectives. With the transport sector the third largest contributor to Australia's total greenhouse gas emissions, a contribution expected to grow in the future, a true partnership between industry and government is needed to tackle Australia's climate change challenge.¹⁹ The Government can assist by developing a policy framework that encourages a greater take-up of low-emission vehicles and greater use of renewable energy and alternative fuels in the transport sector.

- **Reduce compliance costs**

Reducing the resources needed to understand and comply with eight different regimes would significantly ease compliance costs for operators. The long term standardisation of agency skill sets and the development of national precedents will further simplify the regulatory environment.

- **Remove competitive regulatory practices**

A harmonised approach will remove state and territory agencies using individual regulatory frameworks to gain a competitive advantage over other jurisdictions for the revenue share obtained from national operators. This will remove market distortion and enable operators to better respond to demand drivers.

19 Department of Climate Change, *Carbon Pollution Reduction Scheme: Green Paper*, July 2008, p99.

- **Improve market competition**

Streamlining regulation will provide simplicity to national market conditions, removing the knowledge and cost barriers for smaller local operators to expand their businesses into new areas and improve their product offering.

- **Increase fleet size and movements**

A harmonised state and territory based regulatory environment and decreased compliance costs will transform the fleets of rental vehicles enabling greater freedom of movement between destinations. With no cost or regulatory advantage for registering vehicles in a particular state, fleets can be purchased and garaged where the greatest demand exists.

- **Increase investment in quality product**

Reduced compliance costs will enable national operators to redirect resources into innovation and improvement in their product offering, including increased investment in vehicles.

- **Maintain consumer prices**

A reduction in compliance costs will ensure operators are able to maintain consumer prices. Considering that 19 per cent of international travellers visiting two or more destinations in Australia use a rental vehicle, this will have flow on benefits to Australia's tourism product.²⁰

BARRIERS TO REFORM

The barriers to undertaking reform in the rental vehicle industry are significant. Reform will involve transition costs and take considerable political will, arising from the possible transfer of powers from state and territory governments to the Commonwealth. This notwithstanding, the success of the Australian Transport Council (ATC) and the Council of Australian Governments (COAG) in delivering outcomes for national transport reform provides a basis for initial discussions. In addition, a number of initial barriers have been overcome by the road freight sector.

Costs

It would be unrealistic to expect that there will not be a cost associated with the transition to any of the options put forward. In a study of the costs associated with the transition to a new national system administered by a single national body for the road freight sector, Ernst & Young found that the initial increase in costs to state and territory jurisdictions would be substantially offset once functions were transferred to the national regulator. The report also found that there would be an increase in costs to state and territories if other options, such as a harmonised approach underpinned by national legislation, were taken.²¹

Without comprehensive analysis of these costs as they apply to the rental vehicle industry, it would be presumptuous to make a determination one way or the other. That said, TTF insists the long term benefits of national regulation would far outweigh the initial start-up costs of transition, including investment benefits for the rental vehicle industry and flow-on improvement in the tourism product.

TTF believes the federal government, through the Department of Infrastructure, Transport, Regional Development and Local Government, should undertake a comprehensive cost benefit analysis of both option 1 and 2, assessing the cost impact on government and the industry against the status quo, paying particular attention to:

- a. Registration, taxes, and charges;
- b. Ongoing policy and development;
- c. Education and training of government and industry bodies;
- d. Compliance and enforcement of regulations; and
- e. Ongoing administration.

There is an opportunity to reduce the cost of transition in both the proposed options by building upon the work undertaken in the road-freight sector. This would minimise cost by tapping into existing skills and resources in conjunction with the current reform process. Alternatively, commencing reform following the road freight process could allow an appropriate transfer of the skills base.

²⁰ Tourism Research Australia, *Transport Fact Sheet 2008*, p1.

²¹ Ernst & Young, *Cost Benefit Analysis - A National Framework for Regulation, Registration and Licensing of Heavy Vehicles*, prepared for Department of Infrastructure, Transport, Regional Development and Local Government, March 200, pp11-15.

Political factors

The federal government has embarked on an ambitious national reform agenda, looking at overcoming national inefficiencies to reduce the impact of the global financial crisis and prepare Australia for future challenges. Through COAG and the ATC, it has assigned the National Transport Commission (NTC) to coordinate a policy reform program that seeks to bring national uniformity to transport in Australia. This has included the creation of working groups, chaired by state and territory governments, to ensure that important issues constraining transport and productivity in Australia can receive attention from all governments.

The harmonisation of regulation for rental vehicles will require state and territory governments to transfer some of their traditional powers to the Commonwealth, as well as incur some transition costs. Although there is strong impetus behind the nationalisation of some transport regulation, the challenge of overcoming state and territory-based parochialism is nonetheless considerable.

On balance, TTF believes the benefits of the reform will outweigh the barriers. While funding a transition to a new regulatory framework and associated political considerations will be significant hurdles, the end result of increased productivity, decreased consumer prices and an improved regulatory environment is necessary to drive the rental sector forward.

CASE STUDIES

There are numerous international examples where state or local regulation of the road industry has been harmonised or transferred to a new national body. In Australia, the best example is the current reform of the road freight sector.

Australian road freight

As in the rental vehicle industry, the states and territories are largely responsible for the regulation of road transport. Inconsistency in road and vehicle

regulation has been an ongoing issue for the road freight industry. In 1991, Australian transport ministers agreed to establish a National Road Transport Commission (NRTC) to develop uniform regulation for the operation of vehicles and consistent charging for vehicle registration. In 1994, road reform was absorbed into the National Competition Policy. In 2004, the NRTC was replaced by the National Transport Commission (NTC), which has a broader charter to reform transport regulation.

Prior to recent developments, attempts to produce a uniform national approach involved the development of 'model' laws, whereby individual jurisdictions agreed to base their own legislation, standards and codes of practice on a model document. While this approach enables jurisdictions to adapt the model to their individual circumstances, its flexibility along with jurisdiction specific exemptions, has resulted in differences in the adoption, application, interpretation and enforcement of model laws. As a result, a road transport business operating across state borders still has to comply with multiple, often inconsistent, regulations.

In September 2008, the federal government proposed a Regulatory Impact Statement (RIS) on a possible single, national system of heavy vehicle regulation, registration and licensing be prepared for the ATC to report to COAG in 2009.

The RIS investigated a framework for a single national system for heavy vehicle regulation that the ATC has agreed in principle, consisting of:

- a single regulation entity to administer a body of national heavy vehicle laws;
- a national heavy vehicle registration scheme;
- a consistent approach to minimum standards for heavy vehicle driver competency and testing and to heavy vehicle driver training school recognition;
- a single physical national heavy vehicle driver licence; and
- a body of national heavy vehicle laws that would be an aggregate of existing heavy vehicle laws.²²

22 The Department of Infrastructure, Transport, Regional Development and Local Government, *Regulatory Impact Statement into a National Framework for Regulation, Registration and Licensing of Heavy Vehicles*, http://www.infrastructure.gov.au/roads/vehicle_regulation/ris/index.aspx, sighted 20 January 2010.

As a result of the RIS, in July 2009 COAG agreed that a single national heavy vehicle regulator will be established at the end of 2012 to regulate all vehicles over 4.5 gross tonnes.²³ TTF believes the progress being made in the heavy vehicle sector should be the preceding step to the introduction of similar reform for the rental vehicle industry.

The road freight industry is far more advanced than the rental vehicle industry in that a Federal Interstate Registration Scheme (FIRS) was established in 1987 providing uniform charges and operating conditions for heavy vehicles engaged solely in interstate operations above 4.5 tonnes. However, Australian governments' experience in identifying the unique nature of national road-based industries and collaborating to develop solutions to overcome regulatory challenges bodes well for rental vehicle sector reform.

New Zealand

The introduction of the Transport Services Licensing Act 1989 provides for licensing of car rental operators and a range of prescribed terms for agreements. In particular, this includes indemnifying the renter against liability for accident damage with the renter being responsible for any insurance excess specified by the operator. The single legislation enables government agencies and operators to obtain a single understanding of the rules and obligations under the act, rather than the multi-jurisdictional approach adopted in Australia. It enables national operators and customers to be assured of rights and obligations regardless of where the vehicle is taken within the country.

Europe

In 2005 the European Commission called for the removal of fiscal obstacles to the free movement of passenger cars within the European Union (EU). The Commission recognised that companies were forced to register vehicles in a number of EU member states to respond to customer demand.²⁴ This had implications for the price and quality of the product. The removal of such requirements has stalled due to strong resistance by a few EU members to give up their ability to levy local motoring taxes in all instances. Notwithstanding this, the directive will eventually allow a rented vehicle to be used for up to six months in an EU country other than the one where it was registered. This provides a valuable insight into the ability of an external governing body to provide direction to the operation of member state governing bodies to improve the quality of the industry and product provided to the customer.

United States of America

The move towards a single national licence plate for rental vehicles proved a security and safety challenge for operators and government agencies in Florida in 1995. With a single, easily recognisable identifier rental vehicle operators found the move to a standardised registration plate meant their vehicles became an increased target to car thieves. Harmonisation of regulation in Australia should consider the potential unwanted side effects of adopting a similar system.

²³ The Department of Infrastructure, Transport, Regional Development and Local Government, *Federal Interstate Registration Scheme (FIRS)* <http://www.infrastructure.gov.au/roads/motor/firs/index.aspx>, sighted 11 August 2009.

²⁴ European Commission, *Passenger car taxation: Frequently Asked Questions*, Memo 05/236, 5th of July 2005.

CONCLUDING REMARKS

The regulatory environment governing the rental vehicle industry is disparate. With eight different regulatory regimes impacting the industry simultaneously and little consistency between the different governing agencies, the compliance burden has hindered industry growth and development and diverted resources away from innovation and the supply of quality product. The current framework has created a knowledge vacuum, in which no single government agency fully understands the nature of the industry or appreciates its significance to the national economy.

Given the significant challenges facing the industry as a result of the global financial crisis and the tourism downturn, the harmonisation of regulation and taxes is an essential first step in ensuring the industry has a framework that allows it to invest in the innovation required to drive the sector forward.

TTF calls on state, territory and federal governments to harmonise regulatory regimes for the rental vehicle industry to achieve simplicity and consistency and reduce compliance costs. This will create opportunities for operators to optimise fleet use and pass on savings and benefits to consumers, ultimately benefiting the Australian economy as a whole.

TTF believes the first step to achieve this is for the federal government, through the Department of Infrastructure, Transport, Regional Development and Local Government, to undertake a comprehensive cost benefit analysis of both option 1 and 2, assessing the cost impact on government and the industry against the status quo, paying particular attention to:

- a. Registration, taxes, and charges;
- b. Ongoing policy and development;
- c. Education and training of government and industry bodies;
- d. Compliance and enforcement of regulations; and
- e. Ongoing administration.



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