

**Australian Historic Vehicle Interest Group**

**Inquiry into Motor Recreational  
Activities**

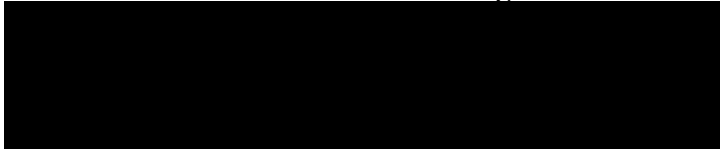
**Submission**

**to**

**Transport and Public Works Committee**

**13 December 2019**

**C/- Association of Motoring Clubs**



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## Australian Historic Vehicle Interest Group

13 December 2019

Committee Secretary  
Transport and Public Works Committee  
Parliament House  
George Street  
Brisbane Qld 4000

By email only: [tpwc@parliament.qld.gov.au](mailto:tpwc@parliament.qld.gov.au)

Dear Secretary,

AHVIC was formed in early 2017 and comprises 13 individuals<sup>1</sup> active in the Historic Car movement around Australia, long-concerned about the devastating impact the Luxury Car Tax and other Federal laws are having on the Historic Car movement. We represent and are supported by multiple car clubs and State peak bodies. The Chair lives in Brisbane and is active in multiple Qld based historic car clubs, and is one of the delegates from the QHMC to the Department of Transport and Main Roads Motoring Organisation and Car Club (MOCC) liaison group.

AHVIC welcomes the opportunity to make a submission to your Inquiry. While our primary focus is on national laws that impact adversely on the movement, as Qld is part of the nation, the laws impact on it as well, and one reason for making this submission is to seek to enlist Qld's support for national law reform.

One fundamental to all that follows is that for a State or Territory, old cars are the gifts that keep on giving. New cars with 7 years free servicing generate no jobs – old cars require restoration work to be done, and the more they are used, the more work needs to be done on them, creating and sustaining jobs.

The matters on which we comment, as depriving Queenslanders of jobs and other economic opportunities, are:

1. Luxury Car Tax on imports of Historic Cars (national)
2. Asbestos in imported Historic Cars (national)
3. Charging Stamp Duty on first registration of Historic Cars on the SIVS<sup>2</sup> scheme (Qld outlier issue).

In particular, we draw your attention to the attached correspondence from Wolf Grodd, proprietor of Sleeping Beauties, an internationally renowned Historic Vehicle Restoration Company, which is based in Brisbane. They disclose how the LCT has deprived a number of Queenslanders of job opportunities, and Qld of revenue in various forms, over many years.

One of AHVIC's objectives is having uniform laws across the country regarding historic car use. To that end it gratefully acknowledges the Department of Transport and Main Roads adoption of Impromptu Events (akin to the WA scheme) which affords Qld Historic car users similar rights to those that exist elsewhere across the country.

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<sup>1</sup> Roderick Amos; Heather Goldsmith; John Gove; John Johnston; Andrew McDougall; Daryl Meek; Doug Morrissey; Geoff Murdoch; Iain Ross; Phillip Schudmak; David Wright; Doug Young (Chair); Matthew Lombard; Keith Mortimer.

<sup>2</sup> <https://www.qld.gov.au/transport/registration/fees/concession/special-interest>

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Please do not hesitate to contact me with any queries if clarification or amplification is required.

For the record, this submission is supported and approved by a majority of AHVIG members, with none opposing it.

Yours sincerely,



Doug Young,  
Chair

[Redacted]  
[Redacted]

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## Submission

### 1. Introduction

AHVIG's focus is on the internationally accepted definition of Historic Cars (and Vehicles), being those over 30 years old.

AHVIG supports the submission lodged by the Qld Historic Motoring Council (and contributed to that submission).

Rather than repeat the matters raised there, AHVIG responds only to items a, c, and g of the Terms of Reference<sup>3</sup>, focussing primarily on job creation and other economic opportunities for the State.

### 2. Commonwealth Luxury Car Tax (LCT) on imports of Historic Cars

The LCT is currently imposed on that portion of the adjusted<sup>4</sup> cost of new cars and imported second hand cars above \$67,525, at 33%.

There has been a form of Federal LCT since the 1970s, by way of depreciation limits and the Wholesale Sales Tax. It only applied to new cars and was designed to "protect" Australia's car manufacturing industry from competition from overseas manufacturers.

In 2000, when the WST was replaced by the GST and LCT, while it only applied to sales within Australia of new cars, for reasons never explained, it was extended to apply to the import of cars of any age.

However, rather than raise any significant amounts of revenue, the LCT on Historic Cars has generated only around \$1.2m a year over the past decade. This is less than ¼ of 1% of the overall LCT receipts. This is because it has acted as an effective block on the importation of Historic Cars.

AHVIG has made Pre-Budget Submissions to the Commonwealth about this, with its 2019-20 submissions accessible here on the Treasury website<sup>5</sup>. We have a meeting scheduled with the Treasurer's tax adviser next week.

Those submissions refer in part to the LCT experiences of Wolf Grodd, and his internationally renowned car restoration business, Sleeping Beauties<sup>6</sup>, a Brisbane (Moorooka) restoration business. Two documents from him are attached:

- (a) Letter dated 14 December 2017 (Attachment 1)
- (b) Email dated 13 November 2019 (Attachment 2)

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<sup>3</sup> <https://www.parliament.qld.gov.au/work-of-committees/committees/TPWC/inquiries/current-inquiries/24MtrRecAct>

<sup>4</sup> LCT is calculated on the price, plus the cost of freight and insurance to get the car to Australia, plus the GST.

<sup>5</sup> Submission 1 <https://treasury.gov.au/sites/default/files/2019-03/360985-Australian-Historic-Vehicle-Interest-Group.pdf> Submission 2 <https://treasury.gov.au/sites/default/files/2019-03/360985-Australian-Historic-Vehicle-Interest-Group-supporting-document.pdf>

<sup>6</sup> Twice Sleeping Beauties has won restoration awards at the world's premier concours event, held at Pebble Beach, California, USA.

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In letter (a) Mr Grodd has listed 12 Historic Cars that clients wanted to import in 2017 for him to restore. They were worth over \$11m as is. The LCT on them would have been A\$3.5m, with a further GST component of \$1.1m.

His clients were happy to pay the import GST but not the LCT and so the cars were never imported.

The restoration work cost he would have charged for these restorations would have been \$4.3m. One car alone – an historically significant Mercedes 540K from World War 2 – would have cost A\$1m to restore, and in doing so would have employed 4 people full time for 3 years.

His email at (b) gives a more recent example – another historically important Mercedes that a client wishes to import for Mr Grodd to restore. Again, he is happy to pay the import GST of \$100,000, but not the LCT of \$400,000. The cost of the restoration work at Mr Grodd's facility would have been \$350,000 – but he had to decline and the vehicle will now be going to China.

This is a classic lose-lose, as, due to the LCT, the Commonwealth has missed out on \$100,000 in GST, and the State \$350,000 of work that would have been done here.

A final point – Qld would have shared in the GST forgone, but not the LCT had the vehicles been imported.

AHVIC seeks the support of Qld in seeking an exemption from the LCT for Historic Car imports. Given the discussions AHVIC is having with the Commonwealth Treasurer's office at present, it would be good if this could be done sooner rather than later.

### 3. The enforcement of the ban on the importation of Historic Cars which contain asbestos

Over the last 3 years, the media has carried many reports about the recent enforcement by the Australian Border Force of the 2003 ban on the importation of asbestos in any form<sup>7</sup>.

This has resulted in numerous potential imports of historic cars not occurring.

No one doubts that asbestos in respirable form is a severe health risk. However, when bound into a matrix (as is the case with all pre-2004 cars), respirable fibres are not being released, and it presents no danger. The only danger is to those who dismantle and work on such vehicles and who do not follow simple cheap measures to prevent the release of asbestos fibres.

There are 4.2 million pre-2004 vehicles still registered and in use on Australian roads<sup>8</sup>, and ASEA, the Australian Asbestos Safety and Eradication Agency, considers most could still contain asbestos<sup>9</sup>.

Yet it does not consider they present a risk other than to those who work on them without following the procedures mentioned above. This is also the position of Safe Work Australia, which comprises representatives of the Commonwealth, every State and Territory, the Unions and Employer Groups,

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<sup>7</sup> S.4C of the *Customs (Prohibited Imports) Regulations 1956* (Cth)

<sup>8</sup> ABS 2019 vehicle census tells us that of the 19.2m vehicles registered in Australia as at 29 July 2019, 4.2m were made before 2004  
<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/9309.031%20Jan%202019?OpenDocument> , accessed 2 September 2019.

<sup>9</sup> *Asbestos Awareness for the Automotive Industry*<sup>9</sup>, which includes: "If a car or vehicle was manufactured prior to 2003, it is likely to contain some form of asbestos material". [AHVIC thinks this is a misprint and should have been 2004, given the ban commenced on 31 December 2003.]

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who drafted the Commonwealth's *Work Health and Safety (How to Manage and Control Asbestos in the Workplace) Code of Practice 2015*.

The ACCC came to the same conclusion when declining to require compulsory recalls of the 25,000 Chinese asbestos-containing vehicles imported in 2012 – the asbestos did not represent a danger to human health, unless those who work on them do not follow the well known simple procedures<sup>10</sup>. The ACCC describes its approach (deriving from its legislative charter) as “proportionate, risk-based enforcement” of the Australian Consumer Law<sup>11</sup>.

The Commonwealth has also recognised that not all asbestos containing goods are dangerous, unless and until the asbestos containing components are disturbed. This is illustrated by the fact that while the ban on imports is absolute, the ban on exporting asbestos containing goods is not. In particular, the export of asbestos containing goods is permitted<sup>12</sup> where the “*goods, containing asbestos, that are incorporated into other goods in a way that does not constitute a risk to users until the asbestos in the goods is disturbed*”.

While it is much harder to come up with hard data as to the vehicles not being imported because of the recent<sup>13</sup> enforcement of the asbestos ban on the import of pre-2004 vehicles, stories abound within the movement of the effect it is having. It is regarded as the number 1 threat to the old car movement in this country. One practical effect is that if you own one of the 4.2 million asbestos containing vehicles, you can legally take it overseas temporarily for a rally, but then cannot bring it back.

It also has deterred overseas owners of such vehicles from bringing them to Australia for rallies. One illustration: in 2017 the Alvis Car Clubs of Australia held their bi-annual rally in Warwick, Qld. For the first time, no overseas Alvis owners brought their cars to the rally.

Given the acceptance of the fact that the 4.2m asbestos containing vehicles present a negligible risk to drivers, passengers or the general public, and imports of identical cars likewise present a negligible risk, AHVIG asks the Qld Govt to support an amendment to the *Customs (Prohibited Imports) Regulations 1956* to eliminate the double standard, and allow imports of asbestos containing Historic Vehicles on the same basis as it permits exports – ie where the asbestos does not constitute a risk to users until the asbestos is disturbed.

#### 4. Stamp Duty on Vehicles to be registered on the Special Interest Vehicle Scheme<sup>14</sup>.

Every State and Territory has a scheme allowing restricted use registration<sup>15</sup> for historic vehicles, over either 25 or 30 years old (“Historic Registration”). One feature is the reduced costs for registration and insurance of those vehicles. Qld’s costs are higher than elsewhere (eg, combined

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<sup>10</sup> Great Wall and Chery <https://www.accc.gov.au/media-release/accc-issues-alert-about-asbestos-in-car-gaskets> and <https://www.productsafety.gov.au/recall/chinese-automotive-distributors-geely-mk-sedan-and-hatchback> Geely. “There is negligible asbestos-related health risk to the driver and passengers who use the vehicles.”

<sup>11</sup> [https://www.pc.gov.au/\\_data/assets/pdf\\_file/0019/207352/sub023-consumer-law.pdf](https://www.pc.gov.au/_data/assets/pdf_file/0019/207352/sub023-consumer-law.pdf)

<sup>12</sup> *Customs (Prohibited Exports) Regulations 1958* Reg 4(2)

<sup>13</sup> While the ban commenced in 2003, enforcement only commenced in 2016.

<sup>14</sup> <https://www.qld.gov.au/transport/registration/fees/concession/special-interest>

<sup>15</sup> In Victoria, it is called a “permit system”, rather than registration, but the practical effect is the same.

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registration and insurance in Qld is \$230.90, whereas in SA, for 90 days of log book use, it is only \$83.78) but this still represents a substantial saving on what might be termed Full Registration.

Every other State and Territory (so far as AHVIG is aware) does not charge stamp duty (or equivalent) when a car is put onto Historic Registration. This allows enthusiasts to register and use their cars and allows free movement of such cars between those States and Territories, and between enthusiasts within a State or Territory.

In this regard, Qld is an outlier, as while it allows cheap SIVS registration once a vehicle has been registered here, it alone charges stamp duty at the full rate on first, and subsequent, SIVS registration, following a change of ownership. On vehicles worth up to \$100,000 it is charged at 4%, and vehicles over \$100,000, 6%.

This results in Qld buyers of such vehicles interstate (lawfully) keeping them and registering them in those jurisdictions and not bringing them to Qld. Generally, storage can be found for around \$100/month (among enthusiasts at least) and so there are lots of years of storage costs interstate on say a \$200,000 vehicle, together with freight to and from events, before the equivalent cost of first registration duty (\$12,000 in this case) is expended.

This harms Qld's economy as expensive old cars require expensive work to be done on them (see eg the attached communications from Sleeping Beauties), and that work is done in the jurisdictions where the vehicles are garaged, rather than Qld.

AHVIG submits that Qld should adopt the approach followed in other States and Territories and dispense with stamp duty on registrations of Historic Vehicles when they are being registered under the SIVS scheme. The same considerations underpinning reduced SIVS registration rates for Historic Cars should also apply to Stamp Duty.

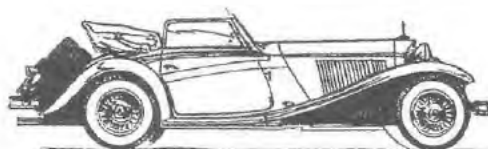
For the consideration of the Committee.

AHVIG

13 December 2019

Auto Art International Pty Ltd trading as

# SLEEPING BEAUTIES



RESTORATION OF MERCEDES-BENZ AND OTHER FINE AUTOMOBILES

13 December 2017

Your ref:  
Our Ref:

P.O Box 391 Red Hill  
Queensland. 4059  
Australia

Doug Young  
Chair  
Australian Historic Vehicle Interest Group  
C/- Association of Motoring Clubs

By email only

Dear Doug,

Luxury Car Tax (LCT) on Classic Car Imports – Impact on Australian Businesses (and Heritage)

Thank you for your letter of 7 October 2017. I am pleased to provide the following information about the LCT.

I have a classic car restoration business in Brisbane. In 29 years we have restored over 400 cars for customers all over the world.

There is a one-way traffic of classic cars leaving Australia. Major dealers are running expensive adverts in overseas magazines selling to collectors in Europe and USA. That is unavoidable trading - but in the distant past, cars would enter this country or return in time. The LCT however is preventing this for some years now. Australia is slowly being drained of its motoring heritage.

Take this 1937 BMW, sold to Singapore 30 years ago, for \$55,000. [Att 1] Back on the market, now asking \$200,000. To bring it "home" would cost \$90,000 in taxes, so it went to UK.

This 1936 BMW [Att 2] won the Australian GP in 1949 at Point Cook. I sold it 40 years ago to a Sydney collector. It is now in Switzerland, valued at A\$1.3 mill. It should come "home", but that would now cost almost A\$2 mill.

Nowhere else is the tax on cars over 30 years old this savage. UK is 5%, that is where they are going.

We have many collector customers interested in restoration projects available overseas.

We have discovered a 1939 Mercedes 540K with significant history. [Attachments 3.1-3.3] Located in USA, it is offered for sale at US\$ 1.3 mill. or close to A\$ 1.8 mill. To bring this project into Australia would add a prohibitive \$750,000.



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So that will not happen and our business is missing out on a one million dollar job. Yes, one million \$\$\$. That would employ 3 people for 4 years.

As classic cars and restoration projects are getting ever more scarce, Australian collectors are searching overseas for possible purchases. With the LCT applying to values above, I believe, \$65,000, only cheap imports are being considered.

The more collectable valuable cars and projects priced at \$100,000 and well above, are predictably passed over. That not only affects our classic car ownership (regularly requested by Government and charities for historic displays at official occasions) but the restoration businesses are disappearing, along with most other manufacturing.

I understand that the "business" of restoring, preserving and enjoying historic and classic cars is a £5.5 billion industry in UK. We are missing out.

Collectors would be quite prepared to add the 10% GST when purchasing an overseas classic, but not a further 33% on the value above the threshold. So the ATO is missing out as well.

Here are a 10 cars requested by local collectors, with the value estimates, LCT estimates, and GST which the ATO would receive were they to be imported<sup>1</sup>. For completeness, I have included 2 other cars; the first being the Mercedes Benz 540K referred to above, and second, we have a customer who owns a €1m Mercedes 300SL in the UK since 1980. He used to reside in UK for some months each year, but he is now getting too old for that. He would love to bring his classic "home" to Melbourne. The tax alone would cost him \$635,000. So it will now be restored in the UK and sold there.

No	Car	Value	Value A\$	GST A\$ (incl freight and ins)	LCT A\$	Restoration cost in Australia A\$
1	1955 Mercedes 300SL [Att 4.1-4.2]	US\$1.3m	\$1.68m	169,000	538,172	300k
2	1939 German Horch [Att 5]	US\$400k	\$516k	52,600	154,052	400k
3	1949 Alfa Romeo Golden Arrow [Att 6]	€180k	\$272k	28,200	73,532	250k
4	1952 Mercedes 220 Cabriolet [Att 7]	€150k	\$227k	23,700	58,748	250k
5	1938 Mercedes 170V Cabriolet [Att 8]	US\$150k	\$194k	20,400	47,792	200k
6	The Lex Davidson Mercedes racer from the 40/50s, now in NZ (also subject to LCT to return to	A\$2m?	\$2m	201,000	643,772	750k

<sup>1</sup> Assuming A\$10k for freight and insurance, zero customs duty (as cars over 30 years old); exchange rates current as at 9 October 2017 as follows: 1 GBP = A\$1.68; 1 Euro = \$A1.51; 1 USD = A\$1.29. GST and LCT Calculation formulae appear at end of letter.

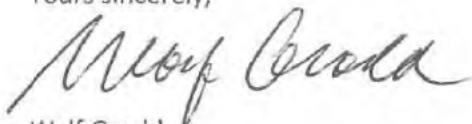
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No	Car	Value	Value A\$	GST A\$ (incl freight and ins)	LCT A\$	Restoration cost in Australia A\$
	Australia) [Att 9]					
7	1936 Rolls Royce ex Queensland, now in Malaysia [Att 10]	A\$80k	\$80k	9,000	10,172	120k
8	1906 Locomobile available in US [Att 11]	US\$250k	\$323k	33,300	90,362	200k
9	1935 Alfa Romeo ex Victoria [Att 12]	€1m	\$1.51m	152,000	482,072	200k
10	1956 Mercedes 300SL ex Queensland [Att 13]	€800k	\$1.21m	122,000	383,072	350k
11	1936 Mercedes Benz 540K	US\$1.3m	\$1.68m	169,000	538,171	1m
12	1955 Mercedes 300SL in UK	€1m	\$1.51m	152,000	482,072	300k
	Totals		\$11.2m	\$1.132m	\$3.502m	\$4.32m

Because of the deterrent effect of the LCT on classic car imports, on these 12 cars alone, the ATO is missing out on \$1.13m in GST revenue and one local business is missing out on restoration expenditure of \$4.32m. Not to mention the flow on work for customs agents, transport companies, insurers, registration revenues for State and Territory governments, classic car storage facilities, and those involved in the expensive ongoing maintenance these vehicles will require post-restoration.

LCT on classic cars is an unfair tax, raising no funds for anyone and small business and the motoring history in this country are the poorer for it.

Yours sincerely,



Wolf Grodd  
 Sleeping Beauties, Restoration of Fine Automobiles since 1988

GST = 10% of value of taxable importation (VTI)

VTI = Customs value (assumed to be purchase price overseas) + Customs duty (nil in this case) + Freight to deliver to Australian destination + Insurance cost of transport (assumed to be A\$10k – will be less for some and more for others)

LCT value = VTI + GST

LCT = (LCT value – LCT threshold) x 10/11 x 33%

LCT threshold for 2017/18 = \$65,094

13 November 2019 Wolf Grodd (Sleeping Beauties) email to Doug Young, Chair, AHVIG

**From:** sleepingbeauties [REDACTED]  
**Sent:** Wednesday, 13 November 2019 10:03 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** LCT

Hi Doug,

**I FEEL SICK.**

This 1936 Mercedes 500/540K engine (transition model, THE one to have, straight 8 supercharged and to stay in Australia), is in Germany ready to come here.

RHD, I know the seller well, he was most helpful with my 380 project, THE restorer of 8 cyl supercharged Mercedes on the planet. We became friends, many visits to him in Germany in the early 2000s, he visited here a few months ago on holidays. His son lives on the Gold Coast.

**I HAVE A BUYER.**

The car is all original, partly dismantled, body off, all complete in one piece. Engine, gearbox, blower, suspension, chassis all restored to the highest standard. Only the body to be done, piece of cake for S Beauties. Asking 600,000 euros (good value, I know), or A\$1mill. ATO would collect \$100 000 onimport, and GST on about \$350,000 work at Moorooka. Plus 33% income tax on \$200 000 labour, plus tax on parts and more.

But the buyer will not throw away a further \$400 000 on LCT.

**I FEEL LIKE SCREAMING TO THE MEDIA.**

I had a call from Germany last night asking for an answer after 8 months of negotiating. What can I tell the Germans? That we are totally stupid?

We will lose this one, and there are several similar projects I have been nursing for years.

What about supporting Small Business? I employ 8 professionals and workers, supporting many other small businesses. We generate some \$20 000 each month to the ATO.

It is near impossible to find staff that want to work. At 82 I am in my office 6 days a week to hold it all together.

As you are my first point of contact in this matter, I ask your permission to email this cry for some action to all of the many people involved in sorting this mess. Seems like it has barely even been presented to the treasurer. As you may remember, I contacted that office in February this year. I have never had a reply. My meeting with local member Ross Vasta in July also remains unanswered.

What should be my next move?

**I CAN'T TAKE IT ANY MORE!**

Regards,  
Wolf Grodd  
Sleeping Beauties Classic Car Restorations since 1988.  
Brisbane, Australia

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