



21 March 2022

## **RE: Motor Dealers and Repairers Amendment (Statutory Review) Bill 2022**

***Carma notes that it has only had limited time to review the proposed amendments (first and only notification received via email at 3.40pm on Friday 11 March 2022). In addition the Bill makes references to changes to the regulations without exposing the proposed changes, so it is not possible to fully understand the potential impact of the Bill. As a result, Carma's position may change as interpretation of the proposed amendments becomes clearer over time.***

[Carma](#) is an Australian start-up that is building a revolutionary new way for Australians to purchase used vehicles. Carma is replicating a model that has proven to be incredibly successful in many markets overseas where it delivers tremendous benefits to the end consumer.

Carma offers an end-to-end online purchase experience for used vehicles that places the customer experience at the forefront of its business. Carma has a dedicated buying team that sources high quality used vehicles. Any vehicle it purchases is then put through a thorough inspection and reconditioning process prior to being made available for sale to consumers. Any car that does not pass the inspection process is disposed of through the wholesale market and not made available to Carma's end customer. All cars are presented on Carma's website with high quality 360 degree interior and exterior photography and imperfections such as scratches or dents are clearly highlighted and specified. Carma customers are able to complete the transaction online and accept the vehicle via home delivery. The customer also receives a 7-day return policy under which it is entitled to return the vehicle to Carma for any reason at no cost to the consumer.

This model delivers significant benefits and protections to consumers over the traditional methods to purchase a used vehicle. These include:

- **Enhanced consumer protections with a 7 day return period**
  - Carma (and similar online used car models) offer a 7 day return period with a money back guarantee where customers can return a vehicle for any reason
  - This offers materially better protections for the consumer than if they were to purchase a vehicle from a current used car dealer, private seller or auction
  - Carma supports the inclusion of a returns or cooling off period for **all** used car sales (online and offline) into the legislation to protect all consumers



- **Reduction in the time and costs associated with finding a used vehicle**
  - Carma (and similar online used car models) offer customers a huge range of used vehicles that they are able to review through high definition 360 degree photography with all imperfections clearly highlighted from the convenience of their own home
  - Customers save time by not having to travel to multiple dealerships and private sellers to physically inspect a vehicle
  - Customers save money by not having to pay for fuel and tolls associated with the travel to multiple dealerships and private sellers
- **More time to test drive and ensure the vehicle is right for the customer**
  - Traditional sales channels only allow a customer to spend a very limited amount of time test driving a vehicle that they are interested in - typically about 10 minutes on a route specified by the seller
  - If a customer chooses to purchase from an auction, they are not able to test drive a vehicle at all
  - Carma (and similar online used car models) give customers a 7 day money back guarantee during which the customer can use the vehicle in their setting and give it a proper test before committing to keep the vehicle
- **No negotiation and transparent pricing**
  - Carma (and similar online used car models) operate a fixed price model so that customers know the price of the vehicle upfront. Customers do not need to worry about having to haggle or negotiate sellers down from artificially high advertised prices
  - All consumers are treated equally, protecting vulnerable customers who may not be as able or prepared to negotiate with dealers paying inflated prices
- **Convenient and flexible home delivery**
  - Carma (and similar online used car models) offer delivery of the used vehicle to the customer's home at a time that is convenient to them
  - Carma's delivery fleet is in-house and delivery experts are trained to provide a complete and thorough handover of the vehicle at the point of delivery
  - The customer is able to do a full inspection of the vehicle before accepting delivery and is also protected by the 7 day money back guarantee
- **Best in class vehicle reconditioning process**
  - Carma (and similar online used car models) has invested significant capital expenditure to set up world-class used car reconditioning facilities to ensure that it only sells vehicles of the highest quality



- All cars go through a detailed 250+ point checklist, test drive and complete mechanical service by qualified technicians. Any car that does not pass this process is rejected and disposed of through the wholesale market
- All cosmetic defects are identified and any above a specified standard are rectified by professional paintless dent removal, certified panel shops and alloy wheel repair experts
- All cars are professionally washed and detailed for the end consumer

Being an online business Carma's success depends on customers having a positive experience and sharing this through reviews and with friends. To date, all of Carma's customers have been thrilled with the experience that Carma provides and have unanimously stated that it is superior to the traditional methods of buying a used vehicle. Carma closely monitors customer satisfaction through a post purchase NPS survey and currently has an NPS score over 90 which is well above the industry average of used car dealerships.

Carma is Australian founded, owned and controlled. Carma currently employs 60 people at its Sydney based office and reconditioning facility. It has backing from Tiger Global, a leading US based global investment firm with ~US\$100 billion under management. Tiger Global carries significant expertise in the online used car dealer model through its investments in businesses such as [Carvana](#) (US), [Kavak](#) (South America) and [Spinny](#) (India). Carma is able to leverage this knowledge and expertise as it builds its business in Australia.

The global models have demonstrated the online used car sales model can provide a materially better experience for customers with significantly higher levels of customer satisfaction. Cazoo in the UK currently has a review score of [4.8/5 on TrustPilot](#) from over 17,000 reviews. Cinch in the UK currently has a review score of [4.7/5 on TrustPilot](#) from over 11,500 reviews. Carvana in the US currently has a review score of [4.7/5 displayed on its website](#) (US VPN required to access their site) from over 148,000 reviews.

Carma understands that one of the current concerns within the NSW Fair Trading Policy Team is that there are currently a relatively high number of complaints relating to used car purchases. Carma truly believes that by allowing online sales through models similar to the one that Carma is proposing will significantly increase consumer satisfaction and dramatically reduce complaints associated with used car purchases.

Carma welcomes any changes to the legislation for motor vehicle dealers and repairers that improves consumer protections, increases transparency and caters to the rapid changes in technology. Carma, and its senior executive team, are also happy to volunteer their time and experience in any consultation on the issues noted below to deliver changes that are in the best interests of consumers.

Carma notes the questions raised in the Explanatory Paper and provides responses below.

## **Q1. Do the current amendments adequately recognise new online and emerging business models in the industry?**

No. The proposed amendments have not been drafted in a manner that allows customers to benefit from the significant advantages of being able to purchase a vehicle (new or used) online. The proposed amendments do not fully recognise nor enable the prevailing online models seen around the world. They will also stifle and restrict innovation in the automotive industry and place NSW at a disadvantage to other states in Australia.

The overarching principle should be that ***all purchasers of used vehicles, regardless of the channel of purchase (i.e. online and offline), benefit from the same set of consistent consumer protections***. Carma also wants to highlight that the mode in which a car is delivered is independent of the mode in which a car is purchased. By way of examples, the following types of consumers should all receive the same after sale protections:

- A customer buying from a physical dealership and picking up from the dealership
- A customer buying online and picking up from a physical dealership
- A customer buying from a physical dealership and having the car delivered to a location of their choosing
- A customer buying online and having the car delivered to a location of their choosing
- A customer travelling intrastate to buy from a physical dealership and picking up from the dealership
- A customer purchasing online and travelling intrastate to pick up from a dealership
- A customer purchasing online and having the car delivered intrastate to a location of their choosing

Based on Carma's review of the proposed amendments, we highlight below a number of cases in which they do not adequately recognise new online and emerging business models.

### **Schedule 1[26]**

#### **66A Definitions**

Carma believes that separate definitions for an "*online motor dealer*" and "*online purchaser*" are unnecessary and will ultimately result in different purchasing experiences and confusion for consumers. A car purchaser should be equally

protected by the regulations applying to all motor dealers regardless of the channel in which it has made a purchase. Furthermore, given the central position that technology has taken in modern life, it is certainly foreseeable in the very near future that almost all dealerships will have an online channel making the proposed definitions redundant.

#### **66B Motor vehicles that may be sold online**

*An online motor dealer must not offer for sale or sell a motor vehicle, through the website used by the online motor dealer, unless the motor vehicle is of a kind prescribed by the regulations.*

Carma does not believe that this amendment is in the best interest of consumers as **any** restriction on vehicles that can be sold by an online motor dealer will limit choice and accessibility for all consumers. It will also result, on average, in higher prices and poorer customer experiences for customers that are looking to buy vehicles that have been restricted.

Carma also notes that on page 10 of the Explanatory Paper, it states that change would restrict online end-to-end sales to new cars only. This is particularly concerning as that will mean that consumers are not able to benefit from the many advantages of purchasing a used car online. In addition, the used car online dealership model has proven to be extremely successful in many markets around the world and those companies are providing superior experiences across the board to consumers purchasing used vehicles. Many of these companies are now selling thousands of vehicles per month. Successful companies around the world include:

- [Carvana](#) (US)
- [Cazoo](#) (UK)
- [Cinch](#) (UK)
- [Carzam](#) (UK)
- [CarNext](#) (22 countries in Europe)
- [Auto1](#) (Germany)
- [Clicars](#) (Spain)
- [Brumbrum](#) (Italy)
- [Clutch](#) (Canada)
- [Kavak](#) (Mexico, Argentina, Brazil)
- [Carsome](#) (Malaysia, Singapore)
- [Spinny](#) (India)
- [Cars24](#) (India, Thailand, Abu Dhabi, Dubai, Australia)



### **66C Disclosure requirements**

*(1) An online motor dealer must, before entering into a contract of sale for a motor vehicle with an online purchaser, provide the prospective online purchaser with a disclosure document in the approved form.*

It is difficult to comment on this proposed change without knowing what the “approved form” requires. However, any disclosure requirement that allows a customer to be fully informed when making a vehicle purchase should be consistent across all sales channels - both online and offline.

### **66D Opportunities to inspect motor vehicles**

*(1) Before an online purchaser purchases a motor vehicle, the online motor dealer must give the prospective online purchaser the opportunity to carry out an inspection of the motor vehicle*

This proposed amendment is not inline with the global best practices of the online used car vehicles around the world. Carvana (US) is now selling over 110,000 vehicles per quarter where the dealer is not required to provide a physical inspection prior to purchase. Similarly in the UK, Cazoo is selling 10,000 vehicles per quarter under the same model within two years of commencing operations. In all cases, the consumer is protected through a well defined returns policy (typically 7 days) that allows the customer to test ownership of the vehicle and ensure that it's suitable for their needs.

### **66E Payment of purchase price—maximum deposit**

*(1) An online motor dealer must not require an online purchaser to pay more than the relevant percentage of the purchase price of a motor vehicle before the online purchaser takes possession of the motor vehicle.*

We believe that online motor dealers should not be required to give possession of a motor vehicle before receiving full payment. It is common practice in the motor industry for the customer to be able to settle the full amount of the purchase (including arranging of finance if required) prior to taking delivery of the vehicle, and also common practice for the purchase of any online transaction for other goods and services. We note that in this case, the consumer is still protected through a well defined returns policy.

Requiring possession before full payment is also likely to increase the incidence of consumer fraud. This in turn would impact all consumers as it would require an increase in price for any vehicle purchased online to cover this expense.

Further it is difficult to comment on this proposed amendment without understanding what the relevant percentage is. This change is not inline with global best practices in ecommerce or the used car space.

Carma would also like to note that the current process for transferring registration is not suited to the current advancements in online purchasing. We welcome a discussion about how to protect consumers from being liable for government charges such as stamp duty while the car is still in its return window.

#### ***66F Online motor dealers to collect and remedy defective vehicles***

The amendments proposed here do not acknowledge the manner in which a car was delivered to the consumer. Both online and physical dealerships are able to facilitate a pick up from their premises or deliver vehicles to a customer's desired location. If regulations are to be applied to remedy defective vehicles, they should reflect the mode of delivery and not the mode of purchase.

### **Schedule 1[15]**

#### ***19A Licence number must appear on website and advertising***

*(1) A motor dealer must ensure the motor dealer's licence number is displayed—*

- (a) on the website of the motor dealer; and*
- (b) on all advertising material distributed or displayed by the motor dealer.*

*(2) The motor dealer's licence number must—*

- (a) be displayed in a reasonably prominent position on the website and advertising material, and*
- (b) be clearly legible, and*
- (c) be identified as the licence number of the motor dealer.*

Carma would like to note that this proposed amendment is impractical, and in some cases impossible to comply with, when advertising on digital channels. Many online advertising channels (including Google and Facebook) apply character limits to the



copy that can be displayed in an advert. Carma would also like to note that the digital adverts will direct the consumer to its website where its licence numbers are displayed.

**Q2. If you are currently operating a dealership from a fixed location, are you considering in the future to also make available the option for on-line purchasing?**

Carma is a fully online dealership and sells all its cars online. Carma's customers have been delighted with the service that they have received and Carma is currently operating with an NPS score of over 90.

**Q3. For online purchasing, how should vehicle returns be handled?**

When purchasing a used vehicle online, the prevailing model in most countries is that the dealership will offer the customer a well defined returns policy over a short period of time (typically 7 days). During this period, the customer is entitled to return the vehicle for any reason, which eliminates any risk associated with not being able to physically inspect the vehicle prior to purchasing. In almost all cases, the dealer will cover the costs associated with picking up the returned vehicle and offer the customer a full refund.

To prevent abuse of the returns policy, the dealer may implement a number of limitations on the return including a limit on the number of kilometres that can be driven and a number of times per year that a customer can return a purchase.

Carma would be supportive of including a returns or cooling off period for **all** used car sales (online and offline) into the legislation to protect **all** consumers.

We also believe that there is an opportunity to improve the way in which the transfer of registration is handled so that customers are not required to be liable for government charges (such as stamp duty) during the return window.

**Questions 4 to 7 in the Explanatory Paper**

Given the limited time that Carma has had to review the proposed amendments, Carma is not in a position to comment on the issues raised in these questions.





Carma appreciates the intent behind the proposed amendments but does not believe that the proposed amendments, in their current form, are in the best interest of consumers or reflect the global best practices in selling used cars online. Carma has developed a suite of technologies, transparent business practices and quality control processes to deliver benefits to consumers beyond the traditional second-hand car sales market.

We would welcome the opportunity to be involved in further consultation so that the changes allow customers to benefit from the best possible experience that the current advancements in technology can deliver.

Sincerely,

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