Own Motion Investigation into VicRoads Registration Practices

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Report
of
Ombudsman Victoria

Own Motion Investigation Into
VicRoads Registration Practices

To

The Honourable the President of the Legislative Council

and

The Honourable the Speaker of the Legislative Assembly

I have the honour to present a report on an Own Motion Investigation into VicRoads Registration Practices. The report is tabled pursuant to Section 25 of the Ombudsman Act 1973.

G E BROUWER
OMBUDSMAN
1 Executive Summary

I conducted an own motion investigation into the registration practices of the Roads Corporation (VicRoads) in recognition of the number of complaints I receive at my office about registration related matters. These include complaints about problems caused to motorists and enforcement agencies because of:

- Inaccurate information held on the vehicles register;
- Confusion arising from processes for receiving registration payments; and
- The registration of vehicles that were ineligible for registration.

My investigations included site visits to registration and licensing offices and interviews with staff.

This report discusses a number of vulnerabilities within the VicRoads systems, including the accuracy of the registration database; the use of contracted services; and the delegation of VicRoads’ powers of registration under the Dealer Certification Scheme. It focuses on the integrity of the registration system and losses that have been incurred by businesses and by members of the public as a result of these vulnerabilities. The types of losses, as evidenced by case studies and the results of internal reviews conducted by VicRoads, clearly show that improved monitoring and auditing of these arrangements are required.

I have also briefly examined the prevailing organisational culture of VicRoads and the impact this has on the administration of motor vehicle registration. In doing so, I am concerned that particular cultural attitudes and performance standards have developed within VicRoads. They have resulted in some inconsistent processes across the organisation, and have contributed to an environment where business and economic concerns fit in uneasily with regulatory issues and customer concerns.

I was concerned to note the hundreds of vehicles known to be illegal imports that have been registered by VicRoads. I found VicRoads has known of the vehicles for at least five years and has only recently implemented measures to determine if the vehicles meet Australian safety standards. The majority of the vehicles continue to be re-registered despite their history being suspect.
VicRoads is a key player in the state’s debt recovery processes and there is potential for significant savings and returns to the state through improvements to its registration systems. Effective systems for debt recovery also impact on the reliability of the state’s enforcement practices.

My investigation found the computer system at the heart of the registration process is outdated and in need of replacement.

I found inadequacies in VicRoads auditing systems for its Dealer Certification Scheme, with audits being conducted over the telephone, reliant only on documentation without auditors carrying out inspections of vehicles to verify its delegates had correctly recorded vehicle information. In one case study VicRoads failed to identify that a motorcar dealer, certified to register vehicles on its behalf, had not followed proper procedures for registration of vehicles modified by the dealer. In this and other ways VicRoads’ performance as the regulator for motor vehicle use has a direct bearing on public safety. In my view, there is room for improvement of VicRoads’ performance.

I also found VicRoads accepts partial applications for transfer of registration and does not meet legislated requirements for applications to be refused if less than the required fee for registration is received. VicRoads does not exercise adequate control over number plates, not requiring return of disused number plates and issuing duplicate plates on request even when number plates are reported as stolen. The registration processes for recreation marine vessels, which VicRoads manages, is also inadequate, often with little information recorded on the register and no record made when boats are stolen.

Registration adds value and legitimises a vehicle as a marketable commodity. Illegal activities around stolen and illegally imported vehicles target the registration processes as a means of bringing vehicles onto the market for profit. I therefore included in my investigation a review of the vulnerability of the VicRoads registration system. My investigations found several instances where VicRoads failed to act quickly and efficiently to stop these activities.

As a result of this investigation, I have made a number of recommendations aimed at improving the integrity of the vehicles register, as follows:

- Upgrade or replace its registration computer system.
- Only accept completed transfer of registration requests in person and require inspection of the vehicle at the time of transfer.
• Exercise its discretionary powers to suspend the registration of a motor vehicle where the appropriate or applicable fees are not received.

• Commence recording odometer readings of vehicles at the time of registration and when registration is transferred.

• Review its audit procedures for the Dealer Certification Scheme.

• Provide a refund of fees to enforcement authorities and other clients if the information supplied from the vehicle register is shown to be incorrect.

• Introduce annual roadworthiness testing and inspection of vehicles.

• Require the return of number plates following the expiration, suspension or cancellation of a vehicle’s registration.

While VicRoads has largely accepted my recommendations, it has stated it is obliged to follow Government policy, particularly in relation to annual roadworthiness inspections. In my view, fresh consideration should be given to this policy, in light of my investigation.

2 Introduction

Background

VicRoads is the registered business name of the Roads Corporation. It is a statutory authority with responsibility for roads, road safety, the registration of vehicles and the licensing of drivers in Victoria. 4.3 million vehicles were registered in Victoria at 30 June 2004.

My office receives a significant number of complaints each year regarding registration and licensing of motor vehicles by VicRoads. The complaints indicated possible systemic issues with VicRoads registration practices. I decided those issues warranted investigation.

On 11 October 2004, I wrote to the Chief Executive Officer of VicRoads, Mr David Anderson, and the Minister for Transport, the Hon Peter Batchelor MP, to advise them of my intention to conduct an own motion investigation under section 14(1) of the Ombudsman Act 1973.

On 15 December 2004, the Premier, the Hon Steve Bracks MP, wrote to me requesting that my investigation be expanded to include the registration of
vehicles described to me as ‘re-birthed, grey imports and evaluation vehicles’. On 20 December 2004, I wrote to the Premier to advise that I would be covering these matters in my investigations.

VicRoads administers its registration responsibilities through 38 registration and licensing offices, and approximately 1,500 agents such as: municipalities, Australia Post, banks, pharmacies and computer information kiosks, and through telephone and Internet services such as POSTbillpay and Bpay.1

The use of agents to administer motor vehicle registration raises issues of accuracy and consistency, which I have sought to address in this report.

The purposes of registration as undertaken by VicRoads include2:

- Regulating the use of motor vehicles.
- Establishing the identity of, and person responsible for, a motor vehicle.
- Guaranteeing that motor vehicles on the road meet safety and environmental standards.

VicRoads’ Registration and Licensing Strategic Business Plan for 2005-2008 includes the following objectives:

- Accurate, efficient and timely collection of revenues due to Government.
- Identity of people and vehicles.
- Minimising data input error and maximising the effectiveness of its registration and licensing systems.3

These purposes and objectives highlight the importance of accurate and reliable motor vehicle registration.

During October 2004-January 2005, my officers undertook consultations and site visits with a number of organisations, details of which are at Annexure A. In addition, my officers reviewed relevant documentation, including files of complaints made to my office and interviewed a number of witnesses.

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2 Road Safety Act 1986, section 5.
3 Loss of Revenue for Victoria

VicRoads has a significant role in revenue collection for the State of Victoria. VicRoads received $2.36 billion in 2003-2004 on behalf of the Victorian State Government and the State Transport Accident Commission.\(^4\) It also supports revenue collection by other government bodies, particularly those involved in enforcement and recovery of fines imposed by courts or from infringement notices. The vehicles register is the principal source of information for revenue earning activities of VicRoads, the Transport Accident Commission (TAC) and Marine Safety Victoria (MSV).

The integrity of the information on the vehicles register is critical as it is also accessed and relied upon by a variety of agencies including Victoria Police, Traffic Camera Office and the Sheriff of Victoria.

This is of interest to me because the percentage of fines not collected has increased in recent years. Enforcement authorities make complaints that VicRoads’ practices are unhelpful to their fines recovery activities.

Losses from Uncollected Infringement Fines

In November 2004, the Auditor-General reported that at 30 June 2004, the State’s uncollected fines totalled $554 million, an increase on the previous year’s total of $487 million. The Auditor-General recommended that the Government investigate ways to improve the collectability of fines. It was noted that court orders and warrants had low clearance rates, and that 75% of the outstanding debt was from fines still uncollected after more than 12 months.\(^5\)

The Auditor-General noted that in most cases the non-collection of the fines was due to difficulties in enforcement of infringement notices. Authorities such as the Sheriff of Victoria and the Traffic Camera Office are often not able to serve notices or warrants to enforce infringement notices because address information supplied to them from the VicRoads’ vehicles register is out of date or inaccurate.

In the calendar year 2004, there were 47,000 offences involving vehicles that were found to be unregistered\(^6\). Of that number, traffic cameras detected

\(^4\) Consultation with VicRoads staff, December 2004.
\(^6\) Consultations with Traffic Camera Office, February 2005.
10,611 offences. In those cases, because the vehicles were unregistered, and
the correct vehicle operator was not necessarily recorded on the VicRoads’
vehicles register, infringement notices were often issued to obsolete addresses
or otherwise went unpaid. This represents a loss of revenue to the State of
many millions of dollars.

In the same period traffic cameras photographed 6,109 vehicles that displayed
fraudulent number plates when the vehicles were identified committing traffic
offences.\footnote{‘Fraudulent’ includes fraudulent use of a number plate from an unregistered vehicle.} This is an obvious problem for enforcement authorities trying to
identify vehicle operators and a significant loss of revenue to the State due to
non-collection of the fines associated with those offences. The annual loss is
estimated at a minimum of $1.5 million.

This situation is unsatisfactory and stems from the inadequacy of the Victorian
legislation, which limits the ability of VicRoads to update personal information
only in the circumstances that advice is received from the person concerned.
In Victoria, registered owners of vehicles or licence holders can change their
address details on the vehicles register at any time via the telephone or the
Internet. Authorities that rely on the information for enforcement purposes
may have knowledge of the registered owner’s correct address, but discover
that VicRoads cannot amend its records unless advised by the person.

Case Study 1: Unpaid fines

A Victoria Police prosecutions officer from the Traffic Camera Office
investigated a case involving traffic infringements that had attracted over
$10,000 in unpaid fines. The officer found the vehicle recorded on the
infringements belonged to someone who had been studying in Australia but
returned overseas. The person was contacted and advised of the fines.

The person wrote to VicRoads alleging that the vehicle had been sold
over two years earlier. The officer subsequently found that VicRoads had
acted on that information and added the alleged new owner’s name to the
vehicles register. VicRoads had not been given an address for the alleged
new owner, so it was listed as unknown on the register. The outstanding
fines were made the responsibility of the new registered operator.

Because the address was recorded as unknown, the Traffic Camera
Office was unable to send infringement notices. The prosecutions officer
conducted enquiries and found the new owner was residing at the same
During the course of the investigation, my officers were advised that the Department of Justice is undertaking a review of the infringements process in Victoria to improve enforcement legislation and ensure Victoria has a fair and equitable enforcement system. That initiative was recommended in the Auditor-General’s report into the Western Ring Road Fixed Digital Speed Camera System in November 2004.

The Premier announced that the Government would consider a recommendation for a Commissioner for Road Safety and the development of an Infringements Act. The Act would consolidate the 50 Acts that currently provide for the issuing of infringement notices. I will continue to monitor the progress and outcomes of these initiatives.

**Losses from Non-collection of Payments for Registration**

Traffic cameras detected 10,611 offences involving unregistered vehicles on Victoria’s roads in the calendar year 2004. In addition to the loss arising from the possible non-collection of fines associated with those infringements, the State did not receive the fees and charges applicable for registration of those vehicles, estimated at $25 million.

Further investigation revealed that VicRoads has the practice of accepting payments for registration even if the amount received is less than the required fee. Registration is suspended until debt recovery processes are completed, but significant amounts may be written off as a result of this practice. That practice can incur significant monetary loss.

In the financial year 2002-2003 underpayment of registration fees totalled $1.5 million. VicRoads recovered $1.0 million by sending reminder letters. It wrote off approximately $350,000\(^8\), and referred the remaining $130,000 to its debt collection agency, of which $25,000 was eventually retrieved. The net loss to VicRoads, and the Victorian taxpayer, is estimated at $455,000\(^9\).

\(^8\) Debts less than a certain amount are not referred to the debt collectors.

Improvement of the registration system can return significant income to the State of Victoria and avoid losses. The accuracy of the vehicles register directly affects the ability of the state to recover fines and charges related to traffic and other infringements.

VicRoads inability to enter the most recent known address of a person on its vehicles register clearly hinders the processes for the collection of unpaid fines. There are models of legislation available in other states that could be adopted in Victoria to improve its processes. There is opportunity for such models to be reviewed in the current review of infringement processes being undertaken by the Department of Justice. I support the Auditor-General’s recommendations for the Government to investigate ways to improve the collectability of fines.

**Recommendation:**
I recommend VicRoads have its legislation changed to allow greater flexibility to update addresses recorded on the vehicles register.

*VicRoads’ response:*
VicRoads proposes to conduct an analysis of the 47,000 cases of reported unregistered vehicles in conjunction with the Traffic Camera Office to determine what circumstances apply to each and what further action can be taken.

**VicRoads Exposure to Claims for Compensation**

From complaints investigated by my office I am aware that some motorists seek compensation from VicRoads when they are advised that their registered vehicles are suspected of being stolen or illegally imported. The motorists claim VicRoads breached its statutory duty by registering a vehicle that was not eligible for registration.

I understand that VicRoads will consider such claims and may compensate motorists for losses arising from its registration of such vehicles. I discuss elsewhere in this report the number of vehicles that are considered by VicRoads and Victoria Police to have suspect identities. From that information, VicRoads may face claims for compensation.
VicRoads Use of the Motorcar Traders Guarantee Fund

The Motorcar Traders Guarantee Fund Claims Committee is a statutory agency, with responsibility for administering claims made to the Motorcar Traders Guarantee Fund (the Fund). The Fund provides financial compensation for consumers who are successful in making a claim against a motorcar trader.

The majority of claims received by the Committee are from consumers who have purchased a vehicle from a trader who has then failed to forward the stamp duty, relevant fees and roadworthiness certificates to VicRoads.\(^{10}\) Most claims concern motorcar traders who have had their licences cancelled and who have ceased trading. It was reported to my officers that in such instances, VicRoads did not seek to recover the unpaid fees from the motorcar trader. Instead it contacted the consumer to advise that the vehicle’s registration would be cancelled, as the relevant fees and documentation had not been received.

My officers were also advised that in the last five years VicRoads was itself successful in making two claims upon the Fund, following the closure of motorcar dealerships. I understand that prior to ceasing trade, the dealerships had been part of VicRoads’ Dealer Certification Scheme, thereby having been delegated the power to register motor vehicles.

This situation, where VicRoads can make claims on the Fund, appears to occur because of delays in processing times by VicRoads or a failure by VicRoads to monitor the activities of dealers. Motorcar traders recently commented on this situation.\(^{11}\) It was argued by the Motorcar Traders Guarantee Fund Claims Committee, the VACC, and individual traders that the current wording of the Act enables VicRoads to make a claim against the Fund in circumstances where a trader has failed to pass on transfer fees or stamp duty that they have collected on behalf of VicRoads and the State Revenue Office.

\(^{10}\) A Certificate of Roadworthiness is required when a vehicle is sold, re-registered or has been issued with a Vehicle Defect or Unroadworthiness Notice. A Certificate of Roadworthiness can only be issued by a Licensed vehicle tester after it has passed a roadworthiness inspection. The inspection is basically a safety check of the vehicle to ensure that any safety related components have not worn or deteriorated to the extent that the vehicle is unsafe for normal road use.

\(^{11}\) A Report on the Motorcar Traders Act Consultations, Consumer Affairs Victoria, December 2004. Traders were also dissatisfied with the amount of time it takes VicRoads to process registration transfers. They said that delays could have implications for both traders and consumers because fines, letters, registration renewals and other mail relating to the vehicle could be received during this time. Some traders, particularly near the NSW border, compared the level of service to that offered by the Road Transport Authority in NSW, which they said processed transfers much quicker.
A ramification of VicRoads having the ability to claim against the Fund is that VicRoads may have a reduced incentive to monitor transfers and payments of stamp duty by traders.\footnote{Ibid, p.67.}

Any person, who is not a motorcar trader or a special trader, may make a claim against the Fund.\footnote{\textit{Motorcar Traders Act} 1986, section 76(1).}

Consumer Affairs Victoria (CAV) has recommended a review of the Fund. CAV also recommended that consideration be given to amending the legislation governing the Fund, if the review determines that the Fund is intended to operate only to compensate consumers. In the event that the Fund is intended to cover all losses, CAV has recommended that consideration be given to increasing the amount in the Fund.\footnote{Ibid, p.68.}

In my view, it is not appropriate for VicRoads to recover its losses from a compensation fund established to protect members of the public from losses incurred through dealings with motorcar traders. I am concerned that in being able to make such claims VicRoads may be placed in a situation of conflict of interest in its dealings with motorcar traders and the public. This is particularly of concern in circumstances where VicRoads’ loss is incurred from dealerships that had been given the authority to register vehicles and receive associated fees on VicRoads’ behalf.

\textbf{Recommendation:}

I recommend the Motorcar Traders Guarantee Fund be amended so that public authorities (such as VicRoads) may not be claimants on the fund. 

\textit{VicRoads’ response:}

\textit{The substantive issue is whether contributions to the Fund from the industry should cover the whole cost to the public of trader defalcations or only those costs incurred by individual ‘consumers’. This is a policy matter for Government.}
4 Registration Practices

My investigation raised a number of issues of concern about the impact of VicRoads’ registration practices on the general public. I discuss the issues in terms of:

- deficiencies in the registration practices;
- their impact on public safety;
- the way vehicles are identified by the registration process; and
- their role in the State’s enforcement processes.

Renewal of Registration

In Victoria, when vehicle registration is renewed each year, there is no requirement for inspection of a vehicle for roadworthiness or for verification of vehicle identity. A consequence of this practice is that if a stolen vehicle is ‘rebirthed’ with fraudulent identifiers, it may ‘live forever’, because the registration is simply renewed each year without inspection. Even if traded, the vehicle may not be inspected when the registration is transferred because it is not a mandatory requirement. Unsuspecting purchasers of such vehicles are at risk of incurring losses if the vehicle is identified as stolen or constructed from stolen or illegally imported parts.

Transfer of Registration

VicRoads will transfer registration from a disposer to an acquirer even if it has only part of the information needed to properly identify both parties to the transfer. This includes applications for transfer of registration that have information about only one party to the transfer. VicRoads will update the vehicles register based on the partial information and attempt to obtain the missing information. This practice is particularly prevalent when applications for transfer are received via mail. I note that some Australian states do not

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15 When selling, gifting or otherwise disposing of a vehicle with Victorian registration it is necessary to formally ‘transfer’ the vehicle registration from the disposer to the acquirer. The disposer is the current registered operator of the vehicle and the acquirer is the new registered operator. An application to transfer the registration of a vehicle must be made to VicRoads within fourteen (14) days of the date of acquisition of the vehicle.
accept applications for transfer of registration by mail, requiring instead that
the acquirer of a vehicle attend a registration office in person.\textsuperscript{16}

Stakeholders interviewed during this investigation referred to this practice
as one of the main causes of inaccuracies on the vehicles register. It was
suggested that transfers should only be made when VicRoads has obtained
all the information required on the application forms it uses for vehicle
registration transfer.

Case Study 2: A worthless vehicle

A registered vehicle was purchased for $22,000 in 2000. The vehicle
registration was inadvertently allowed to lapse while the owner was
interstate on holiday.

The owner attempted to re-register the vehicle. This required inspection of
the vehicle by VicRoads, at which time the identifiers on the vehicle were
found to be suspect. Victoria police subsequently seized the vehicle.

It was established by forensic examination that the vehicle was not the
vehicle that the identifiers purported it to be. It was not possible to
determine the history or origins of the vehicle. The vehicle therefore cannot
be registered in any state in Australia while its origins are suspect.

If the vehicle registration had not lapsed, it is likely that the vehicle would
have remained on the vehicles register indefinitely, including being sold
and the registration transferred to new operators.

In cases such as this, it is VicRoads practice not to admit liability or pay
compensation, arguing that the ‘new owner’ can invariably never prove the
vehicle is the one VicRoads registered several years earlier.

VicRoads has authority to change its vehicles register on receipt of partial
information.\textsuperscript{17} It is obliged to use its power after considering if it is appropriate
to do so in the circumstances. On receiving only partial information for a
transfer, VicRoads is required to consider the circumstances of that particular

\textsuperscript{16} New South Wales Road Traffic Authority requires that applications for transfer of
registration by private individuals (not Motor Traders) be made in person.

\textsuperscript{17} Road Safety (Vehicles) Regulations 1999, regulation 234(4), ‘The Corporation may register
the transfer of registration of a vehicle, despite the failure of one of the parties to the transfer
to meet a requirement of these Regulations relating to the transfer of registration of vehicles,
if the Corporation considers it appropriate to do so in the circumstances.’
application and then decide if it is appropriate to make the transfer. Use of that provision should be on a case-by-case basis and not as a matter of routine. Where information is not provided, VicRoads has power to suspend registration.18

I understand that VicRoads has implemented the transfer of registration on partial information as a routine practice19. Applications are accepted, even if only one of four required items is provided (i.e. signed notice of acquisition, signed notice of disposal, roadworthiness certificate or fees). VicRoads is well aware of the problems caused because of this practice, referring to its acceptance of incomplete transfers as a process ‘black spot’.20 It is currently seeking change to regulation 234(4) of the Road Safety (Vehicles) Regulations to legitimise that practice by making it a requirement that it cannot refuse to transfer registration if only partial information is supplied.

This is of concern, because recording only some of the required particulars of ownership reduces the capability of VicRoads and other agencies to identify and locate registered owners. It also compromises VicRoads’ legislated obligation to keep the vehicles register accurate and up to date.

I am concerned that VicRoads does not act against vehicle operators who fail to finalise transfer of registration by the 14-day deadline given for an acquirer to transfer after purchase of a vehicle. I note that in New South Wales vehicle operators are penalised $82 for not submitting transfer applications by the due date. VicRoads does not use powers in the Road Safety (Vehicles) Regulations to impose penalties for breaches of regulations covering registration matters.21

In my view, VicRoads’ practice of accepting partial information for transfer of registration:

- May lead to VicRoads not meeting its legislated requirement to record essential information on the vehicles register. ‘Some business rules and

18 Ibid, Road Safety (Vehicles) Regulations 1999, regulation 245(1)(j), ‘The Corporation may suspend the registration of a vehicle if - the requirements of these Regulations with respect to the transfer or registration of the vehicle have not been complied with.’

19 VicRoads Registration and Licensing Department, Policy and Reference System (PARS) - Incomplete Transfer Applications.

20 VicRoads Registration and Licensing Information Services - Business Review, Registration Correspondence, Version 1.8, September 2004, p.3.

21 I understand that the Traffic Camera Office processes all fines issued by VicRoads and reports that VicRoads rarely impose penalties, other than fines issued on a regular basis for trucks at weighbridges.
policies are contrary to VicRoads legislative requirements, especially in the area of transfers and short payments.  

- Can allow vehicles that may not have been verified by VicRoads as being roadworthy, to be on the register and legally driven on public roads for up to 100 days. During those 100 days VicRoads may make three attempts to obtain missing information before it will use its power to suspend registration. I note that if only one attempt was made before registration was suspended, such vehicles would not be legally on the roads for as long, and over $220,000 could be saved annually.

- Causes difficulties for enforcement agencies that rely on information contained in the vehicles register.

- May contribute to abuse of the registration system by persons wanting to avoid detection for traffic misdemeanors or criminal activities.

- Is a cause of inconvenience to the public, some of whom resort to complaining to my office.

- May weaken public confidence in, and adherence by members of the public to, proper and rigorous registration processes.

- Leads to VicRoads having to undertake additional work (increasing by 20% each year) to obtain the missing information and fees. ‘The current processes are costly to maintain and by definition, are essentially rework’. Discontinuing this process could return a saving of $280,000 annually to VicRoads’ budget. Noting the cost to VicRoads in rectifying omissions and

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23 Vehicle operators are given up to 100 days to respond to requests for information. If no response is received the registration is suspended. From *VicRoads Registration and Licensing Information Services - Business Review*, September 2004.


25 ‘There has been an increase of approximately 90% in the number of reminder letters sent over the last four years, from 180,000 in 1999/2000 to 340,000 in 2003/2004’ and ‘Where the transfer becomes contentious or the request for missing items is challenged, the process becomes labour intensive, time consuming and costly.’ From *VicRoads Registration and Licensing Information Services - Business Review*, September 2004.


errors on its vehicles register that arise from this practice costs almost $1 million annually.\textsuperscript{28}

In its response to my draft report, VicRoads advised that it did not endorse its own Information Services Department’s report referred to herein.

**Recommendations:**

I recommend VicRoads:

Only accept completed registration transfer requests. If it is necessary to obtain additional information in order to complete a transfer of registration, VicRoads should make only one attempt to obtain the information before suspending the registration.

Improve its application procedures to ensure the public can more readily comply with requirements for all details to be provided when transferring registration. This should include:

- Improving the transfer forms for greater clarity and ease of use and to make it clear that registration will not be transferred unless all information is provided.
- Making transfer forms available at non-VicRoads outlets to facilitate availability of the forms at weekends and other times when private car sales occur.
- Advertising that transfer forms can be downloaded from the VicRoads’ Internet site.

Only accept applications for transfer of registration in person and require inspection of the vehicle at the time of transfer.

Seek a regulation which provides a penalty for vehicle operators failing to finalise transfer of registration by the 14-day deadline given for an acquirer to transfer after purchase of a vehicle.

**VicRoads’ response:**

VicRoads agrees that the registration transfer processes can be improved. In particular there is a need to review transfer forms for greater clarity and promote their availability. VicRoads will explore mechanisms for improving compliance with the 14-day deadline for an acquirer and those changing address. In relation to transfer of registration, VicRoads neither supports nor opposes the recommendation that transfers of registration should be transacted in person. Rather, it points out that this practice was abandoned many years ago.

\textsuperscript{28} ‘Business rules and policy to accept incomplete transfers creates an enormous amount of re-work, estimated to cost approximately $0.9M per annum. This does no include the cost of processing transfers.’ From VicRoads Registration and Licensing Information Services - Business Review, September 2004.
Registration Payments

If the fees received with an application for registration are less than the amount required, VicRoads may refuse to register a vehicle. It may also suspend registration of a vehicle if any amount payable for registration is not paid. VicRoads is required to notify the registered operator of a vehicle of its intention to suspend registration unless the required fee is paid after a grace period of at least 14 days.

VicRoads does not exercise these powers, but instead relies on debt recovery processes when underpayments are received. Reminder letters are sent before the debt is referred to a debt collection agency for recovery. This may result in considerable delay in finalising the registration process. Registration of the vehicle is not renewed until the full amount is received. In some cases the vehicle operator may be unaware that the vehicle has not been re-registered. Ultimately the vehicle may be registered even if underpayments are written off.

I acknowledge this process may give positive outcomes in some situations. A motorist who inadvertently underpays the required registration payment is given an opportunity to complete the payment within 28 days. Negative effects can also occur because of the practice, which are of concern.

Motorists may not realise that VicRoads has not renewed their vehicle registration, but nonetheless retained the fee they paid, although it was less than the required amount. If VicRoads eventually abandons its process for recovery of outstanding fees by writing off the debt as a loss on its accounts, registration is reinstated and the next annual renewal notice is sent.

Motorists can also discover their vehicle has not been registered when VicRoads is slow to deposit payments submitted by cheque and by the time the payment is deposited the cheque account does not have sufficient funds to honour the cheque. The vehicle is then not registered and the owner is not informed. This is also an issue for motorcar traders and auction houses that find difficulty in reconciling accounts when there is no certainty of when debits will be made by VicRoads against payments made for bulk transactions.

Of particular note in regard to renewal of registration is a legislated requirement that VicRoads must renew the registration of a vehicle that has been underpaid.

29 Road Safety (Vehicles) Regulations 1999, regulation 212(c) & 214(2)(a).
30 Road Safety (Vehicles) Regulations 1999, regulation 245(2)(d).
31 VicRoads places the payment into a holding account until the debt recovery process is finished.
32 Consultation with Fowles Auction Group and Motorcar Traders, November 2004.
satisfies requirements for registration. By accepting payment of an amount that is less than the prescribed fee VicRoads may thereby be considered to have accepted that the requirements for registration have been met and the vehicle must be registered.

I have received complaints from motorists who only became aware that their vehicles were unregistered when detected by Victoria Police. Their lack of knowledge of the actual situation is compounded by VicRoads’ practice of not sending receipts to purchasers to confirm registration payments have been received.

A related issue is the practice of not including any indicator on registration labels to show payment has been received and accepted. When registering a vehicle, VicRoads is required to issue a registration label. For registration renewals the label is issued before the required fee has been accepted by VicRoads. That practice contributes to the situations I outlined above, where labels are affixed to vehicles and assumed by members of the public to be valid, when registration may not have gone through.

Case Study 3: VicRoads failure to act against car dealer

A person purchased a vehicle from a second hand car dealer and two weeks later changed address. The owner immediately notified VicRoads of the new address for registration and licensing purposes.

The car dealer did not send the transfer of registration documents to VicRoads until one month after the vehicle had been sold. The transfer documents referred to the purchaser’s former address. VicRoads acted on the information on the transfer documents and changed the person’s address back to the old address. Five months later VicRoads forwarded the registration renewal notice for the vehicle to the old address. The vehicle owner never received that notice, nor was it returned to VicRoads as ‘undelivered mail’.

Six months later the vehicle was subject to a random check by police and found to be unregistered. The driver was charged with driving an unregistered vehicle and the police removed the number plates from the vehicle. The owner complained to VicRoads about the cost and

33 Road Safety (Vehicles) Regulations 1999, regulations 227(6) & 227(7)
34 Road Safety (Vehicles) Regulations 1999, regulation 223(1), If the Corporation registers a vehicle it must issue a registration label.
inconvenience caused, which was acknowledged by VicRoads and compensation was paid. The fine for driving an unregistered vehicle was also withdrawn.

VicRoads noted that the dealer had breached the requirement to forward the application for transfer of registration within 14 days of the date of purchase. I understand VicRoads did not penalise the dealer for that breach. A penalty of ten penalty points (approximately $1000) can apply.

VicRoads’ response:
In response to this case study, VicRoads advised that it has not been its practice to impose financial penalties on the dealership for registration matters, preferring instead to work with industry bodies such as the VACC to obtain better adherence to requirements cooperatively. VicRoads has written to dealers advising them of their statutory obligations.

Public Safety

A Victoria Police investigation in 2002 led to VicRoads reviewing its motor vehicle register. The review was concluded in October 2003. VicRoads found there were approximately:

- 10,000 entries for invalid vehicle identifiers;
- 7,500 that were recorded twice on its system; and
- 15,000 entries on the register for vehicles with identifiers that VicRoads had not confirmed as being correct.

The number of vehicles identified with those errors may be relatively small compared to the total number of vehicles on the register, which is over four million. However it is significant because until the identifier on a vehicle is confirmed there may be doubts about the vehicle, not only in terms of its history and but also in relation to its compliance with Australian Design Standards. That raises concerns about potential safety risks to the motoring public.

35 Vehicles manufactured after 1989 carry a Vehicle Identification Number (VIN). The VIN uniquely identifies each vehicle. Embedded in the number are coded details of make and model together with other relevant information about the vehicle. The VIN is collected by the motor vehicle registration authorities at the time of registration. If there is no VIN, the chassis number or engine number may be used as vehicle identifiers.
It is also of concern because vehicles with identifiers that have not been confirmed as correct may not be found on any search of the national stolen vehicles register. Cross-checking by the national system for checking of stolen vehicles, the National Exchange Vehicle Drivers Information System (NEVDIS)\(^\text{36}\), will not find any match on the VicRoads’ register for any such vehicle that has been reported as stolen. I understand this is a breach of VicRoads’ commitment to NEVDIS.

VicRoads responded to the deficiencies identified in the police investigation by implementing changes to its practices at its registration and licensing offices. The changes included rotation of staff across various branch functions to increase accountability and ease of auditing procedures. VicRoads also became the first jurisdiction to implement the written-off vehicle register policy in its entirety, and the second jurisdiction (following New South Wales) to connect to NEVDIS.

It also took action to confirm the identifiers for the 15,000 entries on the vehicles register, and had completed checking for 12,000 by December 2004. In July 2004 it implemented changes to its processes for entry of data onto the vehicle register designed to prevent any further recording of registrations without correct identifiers. VicRoads has recently advised that by 4 March 2005 the figure for ‘not confirmed’ VINs had been reduced to 2,600 and work on this task is continuing.

As mentioned earlier, vehicles registered in Victoria are not checked for roadworthiness at the time of annual renewal of registration. As well as possibly contributing to a lessening of vehicle safety, lack of regular vehicle inspection allows the modification of vehicles to occur without effective monitoring or updating of records of such modifications on the vehicles register. Vehicles modified after first registration can be re-registered without the modification being known to VicRoads. It is left to the vehicle operator to volunteer information about the modification to VicRoads. Motorcar traders have commented that cars sourced from New South Wales, where annual roadworthiness certificates are required, are much safer than the average car registered in Victoria.\(^\text{37}\)

\(^{36}\) The National Exchange of Driver and Vehicle Information System (NEVDIS) was established in 2002. It is a national register of written-off vehicles (WOVR) designed to tackle vehicle re-birthing.

During consultations with the Traffic Camera Office my officers were shown many photographs of vehicles that differed markedly from what was described on the vehicles register. The vehicles had either been wrongly described when first registered or significantly modified after registration. Proper processes require that modifications be approved by an automotive engineer and certificates supplied to VicRoads so that the changes can be recorded on the vehicles register.

A VicRoads internal review of the integrity of data on the vehicles register showed that of a sample of 219,862 vehicle registrations, 21 vehicles were missing the detail required and in four cases the information was not provided. The review noted that this can result in the registration of unsafe vehicles.\textsuperscript{38}

Case Study 4: When is a van not a van?

Photos of two vehicles described on the VicRoads’ vehicles register as vans, detected by the Traffic Camera Office.

It is crucial to the integrity of the vehicles register, and to public safety, that a vehicle not be placed on the vehicles register unless its vehicle identification number has been confirmed by VicRoads. The police investigation in 2002 showed VicRoads’ procedures failed to ensure the integrity of the register.

I consider it is unacceptable that VicRoads’ practices allow vehicles to be registered without vehicle identifiers being confirmed as correct. I note that VicRoads has still not completed its check of the identifiers found in its review

\textsuperscript{38} \textit{Data Integrity Review, Internal Audit Report}, VicRoads, April 2004, p.17.
of October 2003. It is reasonable to expect that VicRoads would give priority to promptly investigating and correcting deficiencies identified on the register. For VicRoads to be unaware of the number of such entries on its vehicles register until the police investigation in 2002 highlights deficiencies in its audit processes. I consider its failure, together with my concerns about VicRoads’ auditing of its Dealer Certification Scheme, are indicators of serious shortcomings in VicRoads’ management of its registration responsibilities.

I consider the practice of annual checking of vehicles for roadworthiness should be introduced by VicRoads, both for the purpose of maintaining a reasonable level of vehicle safety and to improve the monitoring of modifications made to vehicles after first registration. Annual inspection of vehicles would help maintain control over the condition of vehicles and make the vehicles register more accurate.

VicRoads’ practice of accepting applications for registration when less than the required fee has been submitted is not consistent with good public administration. It may in some cases assist members of the public who make honest errors when submitting the fee. Despite that, the practice is not justified, considering the cost required to collect the payment shortfall, loss of income to the State and the confusion and frustration caused to the public as a result. If VicRoads were prompt in following up on late payments, traders experiencing difficulties could be identified and appropriate action taken to ensure the interests of motorists are protected.

I am concerned that the VicRoads’ practice of refusing to renew registration, while retaining the less-than-required payment, may be at odds with the regulations. Acceptance, by retention, of any payment may be considered to be de facto acknowledgement that registration requirements have been satisfied and the vehicle must be registered. I am aware that other state registration authorities can accept lesser payments than the required annual fee and register a vehicle for a three, six or nine month period to suit the amount received. This is an option that should be introduced by VicRoads.

During my investigation, VicRoads advised that it can refuse registration for less than full payment, but in practice does not do so.

I am concerned that VicRoads’ practices may contribute to a motorist unknowingly operating an unregistered vehicle on public roads. As discussed, this can be due to failure on the part of a motorcar trader to submit registration documents, and subsequent lack of follow-up by VicRoads, or due to delays
in VicRoads processing of registration documents, including delays in redemption of payments made by cheques.

I am also concerned that registration labels do not show that registration has been paid. Motorcar traders have concerns about not being able to verify the currency of registration from the label,\(^{39}\) and it may similarly delay identification of unregistered vehicles by enforcement authorities. If registration labels were only issued after a vehicle is properly registered, the public would be assured of the currency of registration, it would assist enforcement authorities in quickly identifying registered vehicles and be an aid in maintaining the integrity of the registration system.

**Recommendations:**

I recommend VicRoads:

- Introduce annual roadworthiness testing and inspection of vehicles for modifications at the time of registration renewal.
- Exercise the discretionary powers in the Road Safety (Vehicles) Regulations to suspend registration if the appropriate or applicable fees for registration are not received.
- Issue registrations for periods less than twelve months, such as is the case with other Australian registration authorities.
- Issue registration labels endorsed to show that registration of the vehicle is current.
- Take action against vehicle operators for not advising of change of address within the time required by the regulations. Such action to be taken when VicRoads receives advice from enforcement authorities that information supplied to them from the vehicles register is not correct.
- Not accept payments for registration that are less than the required fee.
- Refund any underpayment received, return the documents and not process the application.
- Investigate ways of improving systems to minimise the public inadvertently entering incorrect payment amounts when making registration payments via electronic pay-points such as Bpay, internet etc. For example, once a biller code has been selected the system should not accept any non-applicable payment amounts.

\(^{39}\) Consultation with motorcar traders, November 2004
VicRoads’ response:
VicRoads has said that it will explore the use of discretionary powers to suspend registration earlier if fees are not received by the required date or are less than the required amount. It will also explore ways of improving electronic systems to ensure that short payments are not received. VicRoads advised that it is currently preparing options for reduced periods of registration for the Government’s consideration.
VicRoads has advised that it would be necessary to conduct a comprehensive analysis on the issuing of registration labels after payment has been received. It has estimated that the additional cost of sending validated labels would be in the order of $2 million annually.

5 Registration of Marine Vessels

During my investigation, Victoria Police and insurance companies in the business of insuring recreational boats reported serious flaws in VicRoads’ practices for the registration of marine vessels. I found its practices are not only inconsistent, but are in many cases non-existent.

VicRoads has a commercial and contractual relationship with the Director of Marine Safety Victoria (MSV).40 Under the agreement, VicRoads is responsible for the delivery of specified services associated with the registration of recreational boats and licensing of operators, including:

- VicRoads has agreed to act as the agent for the Director of MSV for the registration, renewal and transfer of vessels and the operation and maintenance of a register of vessels and owners. This applies to recreational vessels equipped with an engine capable of being used for propulsion, including personal watercraft.

- VicRoads is also the agent for the Director of MSV for the database administration of the marine vessels part of the VicRoads vehicle registration and identification system (VRIS).

- VicRoads has an objective to meet specified standards to a minimum of 95% compliance to the agreed service level standards.

My investigation has shown that there are no checks in place to ensure the integrity of the VRIS for marine vessels, although it is a requirement under its agreement with MSV.

The database of marine vessels on the VRIS does not have all details required to properly identify a marine vessel. Essential information such as hull and engine identifiers is missing from many entries. Applications for registration that do not include the information required by VicRoads are accepted and neither VicRoads nor MSV verify if information that is provided is correct by inspection of the vessel. Nor is the seaworthiness of the vessel checked.

Case Study 5: Is this boat stolen?

For the purpose of assessing registration practices, my officers obtained details of a boat and trailer reported to Victoria Police as stolen.

The VicRoads telephone enquiry service advised during a telephone call in early February 2005 that the vehicles register showed that the registration for the boat had lapsed some months ago, but it was not listed as stolen. This process of enquiry was repeated for another five boats stolen and reported to Victoria Police between August 2004 and January 2005. The average value of the boats was $50,000. None of the boats were listed as stolen on the VicRoads database. However at least one of the boats had been stolen while on its trailer, and the trailer had been recorded on the vehicles register as stolen.

VicRoads’ response was that it is a matter for Victoria Police to report stolen boats to VicRoads.

The registration process can be done by mail or at a registration office and the vessel is not inspected. I note VicRoads does require a boat trailer to be inspected before it can be registered.

There is also no regulatory body ensuring that boats are built to appropriate standards. The only time vessels are regulated is when they are used for commercial purposes. Any person can build a boat and use or sell it without an inspection by a regulatory authority. VicRoads will register the boat, regardless of its standard of design or construction.

In Victoria the recovery rate of stolen boats is between 3 and 5 percent. The lack of adequate identifying information being recorded on the VicRoads database is a serious issue.

Consultation with senior manager of Boat Insurance company, January 2005.
vehicles register (vessels) may contribute to that low rate. Victorian Water Police commented that it is common to check registration information with VicRoads when investigating boat theft and be told that the register shows the engine number, boat length, and even the owner’s details have been recorded as ‘unknown’.

I consider VicRoads administration of its responsibilities for registration of recreational boats is inadequate. There is little control to ensure the integrity of the register in regard to recreational boats.

I am concerned that:

- Neither VicRoads, nor any other regulatory body, checks the seaworthiness of a recreational boat when it is being registered.
- VicRoads is not meeting its obligations to Marine Safety Victoria to adequately record information on marine vessels it registers.
- VicRoads’ registration practices for marine vessels do not properly support Government enforcement processes for identification and recovery of stolen boats. For example, there is no register of stolen boats.
- The public cannot obtain suitable information on ownership and seaworthiness from VicRoads to assist in decision-making when considering purchase of marine vessels.

**Recommendations:**

I recommend VicRoads:

Improve measures to properly identify boats, including those reported as stolen. As a minimum, this should include sufficient identifiers of the engine and hull.

Establish a securities register for marine vessels similar to the motor vehicles register.

**VicRoads’ response:**

VicRoads will continue to discuss improvements to the identification of marine vessels and the establishment of a securities register with Marine Safety Victoria.
6 Vulnerability of VicRoads’ Systems

I focused early in my investigation on those parts of the registration system that I consider are critical to its good administration. While I found VicRoads was performing well in managing some aspects of its regulatory responsibilities, I found others that warranted further investigation.

Registration of Stolen Vehicles - Rebirthed Vehicles

The issue of vehicle theft was addressed in a 2002 parliamentary report. The main findings of the Committee indicated that motor vehicle theft is a serious and far-reaching offence, both nationally and within Victoria. It found that many sectors of the community underestimate the extent and impact of this offence. While the personal inconvenience and costs associated with this type of theft are well known, many of the additional or ‘human’ costs remain hidden.

In addition to the safety concerns outlined above, vehicle theft has detrimental effects on the public in other ways. In some cases members of the public, who in good faith purchase a vehicle, find that its identity comes under suspicion and that it may be suspected of being a stolen vehicle or built from illegally obtained parts. The vehicle can be seized for forensic examination by police and held for long periods.

The National Motor Vehicle Theft Reduction Council (NMVTRC) has previously reported on this dilemma, which for some people has left them without their vehicle for years, and recent media coverage has again highlighted the issue. It has noted that previous studies have shown that vehicle theft and re-birthing left victims out of pocket. The victim had to

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42 Rebirthing is a criminal practice whereby stolen vehicles are given new identities. In vehicle rebirthing, professional thieves may buy a wrecked written-off car at auction, then steal the same make and model elsewhere. The vehicle identification number is transferred from the wreck to the stolen or illegally imported car and the re-birthed vehicle may be shipped interstate for sale. It was reported in the press in 2002 that re-birthing was returning to thieves an estimated $7 million a month.


44 The National Motor Vehicle Theft Reduction Council is a joint initiative of all Australian governments and the insurance industry. It is an independent incorporated, not-for-profit, association. It commenced operation in 1999 for an initial term of five years and this term has been extended by the Council’s funding partners to the end of 2006.

replace the stolen vehicle, pay an insurance excess and ongoing higher premium, meet the cost of temporary alternative transport and replace belongings. While the NMVTRC’s discussion with victims confirmed these findings, they also provided evidence that the extent of the impact on victims - in terms of costs, disruption to their life and the feeling of violation - was far greater than had previously been understood.⁴⁶

During my investigation, I received information about a number of stolen vehicles that had been rebirthed. The majority of rebirthed vehicles are made from vehicles stolen within Australia using the identities of vehicles ‘written off’ within Australia. In February 2004 VicRoads implemented policies and procedures, which have effectively controlled this problem (as discussed in the following section).

Registration of Stolen Vehicles - Grey Vehicles ⁴⁷

In August-September 2002 Victoria Police Organised Motor Vehicle Theft Squad undertook an investigation of vehicle theft, in an operation called ‘LICTOR’. The operation included investigation of imported vehicles that had been registered by fraudulently claiming that a wrecked or ‘written off’ Australian vehicle had been rebuilt utilising an imported body shell. The term ‘grey vehicles’ is used to describe such vehicles.

During my investigation VicRoads advised me that it is aware of 650 vehicles that require inspection because they are suspected of being grey vehicles. That number was determined from information given to VicRoads by Victoria Police, except for one or two VicRoads identified from daily audits of registration applications. The police identified the 650 from the investigation of criminals known to be involved in vehicle theft.

The grey vehicles scam involved vehicles that were often stolen overseas being imported to Australia complete or in pieces, and declared to be for use as parts. A consequence of that declaration was that the vehicles were not issued

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⁴⁷ Reference to the term ‘grey’ comes from a description used for a category of imported goods. ‘Grey market goods’ are authorised goods sold through unauthorised distribution channels. ‘Grey market importing’ means that the good is not imported into Australia by the manufacturer’s licensed or authorized agent and is not sold via authorised channels to the retailer who then sells it to the customer. A grey market good is usually less expensive because there are subtle differences between it and the legitimate product. Purchasers do not get a manufacturers warranty, but a reseller’s warranty. Legitimate importers will not honour grey market warranties because they didn’t sell the product.
with Commonwealth Vehicle Import Approval. To have the vehicle registered, the importers needed to obtain a legitimate vehicle identification number (VIN) and put it onto the vehicle. The process also required the certification and therefore complicity of an automobile engineer, who would state that an Australian vehicle had in fact had a replacement shell fitted, claiming the shell had been imported from overseas.

The majority of the vehicles were imported between 2000 and 2003. I understand that VicRoads first became aware of the illegal imports on its register in 2000. While VicRoads has taken steps to ensure that its registration practices have almost ended the practice of rebirthing of vehicles, I am concerned that VicRoads has not done enough about the majority of the illegally imported ‘grey’ vehicles currently registered. Potentially unsafe vehicles continue to be driven on public roads and continue to be traded. In some cases, the vehicles have not been inspected by a legitimate automotive engineer to check they meet Australian safety standards. I consider that the vehicles should be inspected as a matter of priority.

I understand that vehicles suspected of being illegally imported vehicles registered by VicRoads were first issued with identifying numbers that begin with the alphanumeric string 6T9REPV97. I concluded that it should therefore be a relatively simple matter to search the vehicles register and identify the actual number of vehicles involved, not just those identified by the police. My officers made those enquiries and found that VicRoads has undertaken that search and has determined the total number of vehicles that are possibly illegal (grey) imports is 1,800. I suspect this figure may be higher, because a graph in the VicRoads’ Registration Review Project report, headed ‘VIN Error Types’, shows surrogate VIN errors to be approximately 4,000.

Case Study 6 illustrates why all vehicles with the surrogate VIN commencing with 6T9REPV97 need to be inspected. VicRoads’ actions in identifying an illegally imported vehicle and then re-registering that vehicle have implications in terms of setting a precedent for similar cases, to the detriment of the registration system. Identification of a possible systemic problem such as this should prompt VicRoads to call in all vehicles identifiable by this type of VIN number. It would be of concern if there is any delay in doing so, particularly if such inspection was put on hold because of liability concerns. Not only is the integrity of the vehicles register brought into question while such vehicles remain registered, there are also issues of public safety to be considered.
Case Study 6: Mission impossible

A sedan was imported illegally. The importer attended at a VicRoads registration office and made application for registration of the vehicle. The application alleged that the vehicle was rebuilt from two wrecked vehicles, with the undamaged front of one vehicle welded to the undamaged rear of another. The importer had obtained a certificate from an automobile engineer, which stated that the vehicle complied with Australian design and safety standards.

VicRoads accepted the application and issued the vehicle with a surrogate VIN, with the alphanumeric string 6T9REPV97 and registered the vehicle. A year later the vehicle was identified as suspect during police investigations. From the VINs recorded by VicRoads, police found that the two donor vehicles could not have been used to build the sedan that had been registered by VicRoads. One of the vehicles was a four-wheel drive ute and the other a four-wheel drive station wagon.

VicRoads deregistered the vehicle. The vehicle owner contested VicRoads action, because VicRoads had initially accepted the application for registration. VicRoads sought legal advice and agreed to re-register the vehicle subject to it being assessed for compliance with Australian design and safety standards. The vehicle was made compliant and VicRoads issued a new surrogate VIN to the vehicle and it was re-registered.

The vehicle should never have been registered in the first instance, and should not have been re-registered when VicRoads’ authority to deregister the vehicle was challenged.

One concerning aspect of VicRoads’ registration practices that the persons involved in the grey vehicles illegal process used to their advantage was its poor administration when issuing replacement, or surrogate VINs. The regulations allow surrogate VINs to be issued, for example in situations where a repairable wreck is rebuilt with new parts. Details of the wreck from which the new vehicle was rebuilt are recorded by VicRoads, its record is removed from the register, and one replacement VIN is issued. In the case of rebuilt or repaired

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48 Road Safety (Vehicles) Regulations, regulation 204(2): if a vehicle or engine identification number appears to have been altered or defaced, the Corporation may (a) an applicant for registration of the vehicle; or (b) the registered operator of the vehicle - as the case may be, to cause a new identification number, specified by the Corporation, to be stamped or displayed in accordance with the standards for registration.

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vehicles, the surrogate VINs all begin with the alphanumeric string 6T9REPV97 and as discussed above are suspected to be illegally imported vehicles.

The concerning aspect of VicRoads issuing surrogate VINs to the 1800 suspect vehicles it registered, is that in some cases it issued surrogate numbers, based on information about one wrecked vehicle, more than once.

By January 2005 VicRoads had only written to 137 of the 650 vehicle operators requesting inspections of vehicles that are suspected of being grey vehicles, of which 47 have been inspected. Defects found included; missing side intrusion bars, side intrusion bars glued into position; and substandard seat belt anchorages and seat belts. One of the vehicles was considered to be so unsafe that the vehicle operator was advised that it should not be driven until it was repaired. Since then, VicRoads has advised that by 29 April 2005, 392 vehicles had been inspected and follow-up action has been taken to ensure that the remainder are presented for inspection.

A way to prevent the problem of grey vehicles being registered is to increase the level of necessary evidence required by VicRoads before it will register severely damaged vehicles. This may take the form of photographs taken of the vehicle during rebuild and documentation identifying both the damaged vehicle and the replacement shell. By implementing the requirement for a higher level of evidence to be produced before a ‘written off’ vehicle is registered and inspected, VicRoads has greatly limited rebirthing. However, I have learnt with some concern that VicRoads only implemented this measure from March 2003, despite being aware of the problem early in 2000.\textsuperscript{49} Of those that had been registered, Victoria Police advised my officers early in this investigation they were concerned that VicRoads had not acted quickly to have those vehicles deregistered\textsuperscript{50}. In response to my enquiries about this issue, VicRoads advised that it first became aware of issues about its registration of illegally imported vehicles in August 2002.\textsuperscript{51} VicRoads explained that it was the police investigation that led to hundreds of such vehicles being identified. From my consultations with Victoria Police, it appears that this may not be the case for all the vehicles now known to have been illegally imported and registered. Victoria Police advised me that VicRoads had discovered that it had been registering grey vehicles in late 1999 and 2000. Its vehicle safety officers had identified a suspect vehicle early in the year 2000. Information about the vehicle was given to VicRoads’ internal investigations department and Victoria

\textsuperscript{49} Letter to VASS Signatories from VicRoads Manager-Vehicle Safety branch, 5 February 2004.
\textsuperscript{50} Consultation with Victoria Police Organised Motor Vehicle Theft Squad, October 2004.
\textsuperscript{51} Consultation with VicRoads, January 2005.
Police. Investigations at that time showed there were 66 suspect vehicles. It is of concern to me that VicRoads did not act to address the issue, and stop registration of grey vehicles until after the police investigation four years later.

I understand that four years after VicRoads first realised its registration processes were subject to the illegal process, only 15 of the 66 vehicles identified in 2000 have been investigated and deregistered by VicRoads. As many as 51 of the vehicles identified, including that referred to in Case Study 7, are still being driven on public roads. They can still be sold to unsuspecting purchasers. It would appear that they have never been inspected by a legitimate automotive engineer to check they meet Australian safety standards.

Following the findings of the police investigation, VicRoads undertook a major review of the integrity of its registration processes in 2003. The objective of the review was to provide recommendations for re-engineering those processes so the risk of fraud and corruption would be minimised, particularly for ‘high-risk’ vehicles. Almost one hundred actions were proposed to achieve the objective and I understand that many are still to be implemented by VicRoads.

From complaints made to my office I am aware that some vehicle owners face significant monetary loss because their vehicles have been identified as suspect and cannot be registered. Complainants have raised questions with VicRoads about whether it may be liable for their loss. This is particularly so in relation to VicRoads accepting applications for transfer of registration of vehicles that it may have known (or reasonably suspected) were illegal imports.

I note that in the case of vehicles imported without Commonwealth import approval, Federal law prohibits those vehicles being registered anywhere in Australia. Even if the vehicles are checked by an automotive engineer and certified as safe, they cannot be registered for use on Australian roads. Victoria Police advised VicRoads that:

*If these vehicles are fraudulently registered their registration should be cancelled and the cars should be made to go through a lawful registration process. However there is no lawful registration process for these vehicles because they were brought into the country as parts without Ministerial Approval and the Minister cannot give retrospective approval as they are not on the list of Approved Imports and his Approval has to be given prior to importation into this country. They should not be here and should not be registered.*

52 [VicRoads Registration Review Project October 2003](#).

Case Study 7: ‘My car is a suspect vehicle’

During my investigation the owner of a ‘grey’ vehicle contacted my office. In February 2000 the person purchased a Mitsubishi ‘Lancer Evolution 2’ sedan for $22,000 from a motorcar trader. At the time of purchase the vehicle was registered and had a roadworthiness certificate.

After reading a newspaper report in December 2004 about illegally imported vehicles the person checked under the bonnet of his vehicle. There was no Australian Compliance Plate, which would have been on the vehicle if it had been legally imported.

The person advised my officer that; ‘My car is a suspect vehicle, I have checked the seat belts and they feel very thin, not like normal ones. When I bought it the car dealership had heaps of other cars just like mine. I am scared that if I take it to VicRoads they will say it can’t be registered and take it off me.’

After investigations my officers found that the vehicle was one of 66 already identified by Victoria Police and VicRoads in early 2000, as illegal imports. These vehicles were imported into Australia without valid import certificates and had been given new identities. Many of these vehicles are believed stolen, stripped into parts and imported to Australia without the appropriate import approvals.

The person is in the invidious position of owning a vehicle that should never have been registered and its safety and future is uncertain.

**Recommendation:**

I recommend VicRoads:

Act promptly to finalise the check of the roadworthiness of re-birthed and grey vehicles.

*VicRoads’ response:*

*VicRoads has stated that the roadworthiness of ‘rebirthed’ and ‘grey’ vehicles will continue to be checked.*

**Conflict of Interest**

An example of a conflict of interest relating to registration practices was identified during my investigation. In 2000 a VicRoads officer became a partner
in a vehicle import business. The officer’s role at VicRoads was to inspect and approve registration of vehicles that are imported for the purpose of being evaluated by the motor industry, called ‘test and market evaluation vehicles’.

In 2003 Victoria Police Organised Crime Squad took an interest in the business of which the VicRoads officer was a partner. The other partner in the business has subsequently been charged with approximately 80 offences relating to the illegal importation and registration of 17 vehicles, including vehicles suspected of being stolen.

During the investigation, police became aware of the VicRoads officer’s involvement in the business. They also learned of the officer’s role at VicRoads and had concerns about the potential conflict of interest. The concern increased when they identified at least 12 vehicles that had been registered after being personally inspected and approved for registration by the officer. The officer had imported the 12 vehicles as test vehicles between 2000 and 2002. Police have concerns that more vehicles have been similarly imported and approved for registration by the officer.

The police alerted VicRoads of their concerns and sought VicRoads’ assistance. They needed information from VicRoads to determine if the officer was acting fraudulently or within the parameters of his role at VicRoads. I understand VicRoads management are not able to provide any further information to Victoria Police which could assist its investigation. No action has been taken against the officer. I also understand the officer is still responsible for inspection and approval of imported evaluation vehicles. I have raised this issue separately with VicRoads.

I consider that it is inappropriate for any officer of VicRoads who is involved in the registration of vehicles to have any interest in a business related to the motor vehicle industry. VicRoads should have proper systems in place to ensure potential conflicts of interest are properly identified, recorded and resolved.

In the case detailed in this report I understand that the vehicles were given import approval on the basis that they were for the purpose of test and market evaluation only. I understand that approval does not allow the vehicles to be registered for any other use than test and market evaluation.
Recommendations:
I recommend VicRoads:
Provide training to staff on conflict of interest.

VicRoads ’response:
VicRoads has said that the need for improved staff training on conflict of interest issues will be examined.

Cease the practice of registering vehicles that are imported for the purpose of test and market evaluation, except by major manufacturers.

VicRoads ’response:
VicRoads advised that recently amended requirements of Commonwealth legislation relating to test and evaluation vehicles have already resulted in a reduction in the number of these vehicles being registered.

Accuracy of Vehicles Register Database

The vehicles register is used for a broader range of purposes than just a means of identifying vehicles and vehicle operators. This is particularly the case for the enforcement of various State Government regulations. It is used for these other purposes because there is no other readily accessible State-owned database of Victorian motorists. In my view, its integrity needs to be protected and every effort made to maintain it at the highest level of accuracy.

A recent audit undertaken by VicRoads’ external auditor found garaged addresses were not entered in respect of 208,203 new registrations, which is 95% of all new registrations for the period 1 June 2003 to 30 November 2003. Such omission limits the usefulness of the information available from the vehicles register for enforcement authorities that use addresses recorded on the vehicles register when they are trying to locate registered vehicle operators.54 VicRoads has advised that an applicant is not required to specify a garaged address unless it is different from the residential address.

During the same six-month period, acquirer details were not entered in respect of 397 registration transfers, and the acquirer’s driver licence number was not entered in respect of 10,027 new registrations and 23,481 registration transfers. VicRoads management explained to its auditors that the omissions were possible because registration transactions can be finalised without completing

all mandatory fields on the vehicles register. Its business rules do not require a driver’s licence number to be supplied for registration of a vehicle. This is despite the acquiring driver’s licence number being identified as a critical field on the vehicles register database.

**Case Study 8: Combined address?**

A married couple used the VicRoads Internet site to register a change to their residential address. They had moved only a few doors from their previous address, in the same street, for example from 123-125 Smith Street to 456 Smith Street. They received verification by mail from VicRoads that the change of address had been received, but the address referred to by VicRoads was wrong: 456-125 Smith Street. The old and new street numbers had been combined.

The couple telephoned VicRoads to advise of the error and received verification by mail of the change. The correct address was shown. However, when the annual reminder notice for renewal of registration was received, it still referred to the previously incorrect address of 456-125 Smith Street. The renewal label also stated that the end date for the vehicle registration was November 2004, although the end date shown on the registration certificate was November 2005.

Shortly after the reminder was received, VicRoads sent a duplicate certificate of registration for the previous year’s registration. The couple had not requested the duplicate and apparently only received it because they were still having mail forwarded to their new address. The duplicate had been sent to their former address. It is not clear how this error occurred.

One of the reasons for recording the licence number on registration is to enable cross-referencing of a licensed driver to an address given at the time of registration. The failure to cross check the licence details also affects the ability of enforcement authorities to serve notices and warrants.

I have noted comments made by the Sheriff of Victoria during consultations with my officers that the small percentage of addresses on the register that are found to be wrong may well relate to that proportion of the community who deliberately try to avoid detection for serving of warrants or other recovery action.

I understand that VicRoads has deferred implementation of improvements to its registration computer system because it is of the view that the potential
improvement to the accuracy of the data is comparatively minor and not justified in terms of cost-benefit. A further example is an enhancement to the system that would allow street addresses to be validated when they are entered by crosschecking against other electronic databases, such as the telephone white-pages. It has not been implemented because VicRoads management considered the cost of approximately $1 million could not be justified in current budgets.\(^{55}\)

In a 2004 internal review of the integrity of data on the vehicles register, VicRoads noted that it had taken a significant amount of internal audit time to identify and validate the correctness of documentation in its business rules for registration. The review found there were inaccuracies in the business rules and concern was expressed about the lack of proper documentation and, because of that deficiency, concern about the ability of the registration division to identify errors and issues in respect of ongoing data integrity.\(^{56}\)

The review found that daily audits were being performed between one and six weeks after the date of registration. Registration and licensing office managers claimed the delays were due to lack of staff. The risk arising from this practice was identified as significant. By VicRoads’ definition this meant it could lead to substantial loss, interruption to its business or bad publicity. It was assessed as needing immediate attention and prompt resolution. This problem was highlighted in a previous internal audit a year earlier. Despite this conclusion, it would appear that nothing had been done since that previous review. Management had commented that development of a system report (daily audits) had been funded for the year 2004-5, but had been affected by a freeze put on application developments while transferring the system to a new information technology contract.

VicRoads should conduct an immediate review of its database, to ascertain the viability of replacing it with a more robust up-to-date system. VicRoads should have the core goal of maintaining the vehicles register at 100% accuracy, with appropriate validation, auditing and other systems to ensure that the required level is maintained. The electronic cross checking of addresses should be introduced as a priority.

Another measure worthy of consideration is to require applicants for transfer of registration to attend a registration office in person, at which time vehicles can be rechecked for correct vehicle identifiers. I am concerned that recent

\(^{55}\) Consultation with VicRoads management, December 2004.

audits show it is possible to complete a registration transaction without filling out all mandatory fields on the vehicles register, such as garage address for vehicles, driver licence details of the person registering a vehicle etc.

Improved vehicle identification may also be achieved by VicRoads’ inspectors cross-checking vehicle details against manufacturer specifications when they are registering vehicles. Such systems are available in hand-held computers that match a vehicle identifier (VIN) to details specific to that vehicle. Staff would be able to immediately do a validation check that the vehicle being considered conforms to the description given. It would be a means of ensuring that the right vehicle is being registered; serve as a warning to criminals that they will have to get past that additional hurdle when trying to pass off a vehicle that has been modified with stolen parts; and a way that VicRoads provides ‘added-value’ to its customers by being able to assure them that they have purchased a legal vehicle.

I am concerned about the adequacy of the documentation relating to the business rules used to guide VicRoads’ staff in their registration practices. My officers made observations about the documentation similar to those made by VicRoads’ internal reviewers relating to the difficulty of identifying rules and validating their correctness.

Priority should be given to an upgrade of the registration computer system to ensure the integrity of the vehicle register and to meet the growing demands placed on the register by VicRoads and other State authorities.

**Recommendations:**

I recommend VicRoads:

- Complete its implementation of the recommendations made in the report of the October 2003 review of registration processes.
- Undertake a review of its audit processes to ensure the integrity of the vehicles register is properly monitored and irregularities are promptly identified, investigated and rectified. VicRoads should ensure its audits are thorough, timely and effective, and that recommendations are immediately implemented.
- Introduce address validation by linking its system to the White Pages so that street names can be checked on entry.

*VicRoads’ response:*

- *The recommendations from the 2003 review of registration processing will continue to be implemented. Audit activities will be strengthened.*
both in relation to internal activities and the performance of external providers of VicRoads’ services.
• Postal address validation mechanisms will be explored.

Registration Not an Indicator of Vehicle Ownership

The person to whom a vehicle is registered may not necessarily be the owner of the vehicle. Legislation requires VicRoads to register an operator of a vehicle, which may not always be the vehicle owner. Based on complaints I receive about registration, I consider it is generally accepted that registration equates to ownership. I have received complaints about people being able to sell a vehicle they did not own because the purchaser accepted the registration documents as proof of ownership.

VicRoads is looking to reinforce the concept of registered operator rather than reflecting the more widely held view on ownership. It has a recommendation to strengthen its guidelines that has been described as being partially completed, but I understand that all that has been done is to make a start on amending its business rules. It is still to act to develop a form to get people to acknowledge they are operators of a vehicle. And more importantly, it intends to review regulations, systems and procedures to identify references to registration being synonymous with ownership.

The move by VicRoads to recognise registered operator conforms to a standard now adopted in all Australian states. This differs from the securities register, which is limited to listing vehicles that are encumbered in some way, or stolen.

I consider there is a widely held public view that the person to whom a vehicle is registered is the owner of the vehicle. The reality of the regulations in Victoria and other states of Australia is that registration does not create evidence of title. This mismatch of public understanding and legislated reality can contribute to illegal activities involving fraudulent representation of vehicle ownership. VicRoads needs to take steps to educate and assist the public to understand what its registration entails in terms of vehicle ownership.

Vehicle Ownership and the Securities Register

VicRoads manages the Securities Register that enables a member of the public to obtain information on any registration or financial encumbrances of a vehicle. This is done through a check of the vehicle identifiers. However, this check does not establish whether the vehicle itself is legitimately registered.

Concerns were raised with my officers that members of the public are not sufficiently aware that the Register does not provide them with a guarantee about the legitimacy of their vehicle’s identity. As such, purchasers who use the Securities Register could still have their vehicle confiscated by police if it is suspected the vehicle has been re-birthed. It is my understanding that Consumer Affairs Victoria (CAV) has received complaints regarding this issue and that Victoria Police has worked with CAV to better inform the public of ways to ensure a vehicle they are intending to buy is valid.

**Recommendation:**

I recommend VicRoads:

Implement recommendations made in the report of the Registration Review Project 2003, for its information systems to be improved so that the public understands that vehicle registration is not an indicator of vehicle ownership.

**VicRoads’ Response:**

Communications to the public in relation to the fact that the vehicle register is not a register of title will be improved.

7 Use of Contracted Services (Salmat)

Since July 2001, VicRoads has had a contractual arrangement with a customer communications company to undertake specialised high volume vehicle registration and driver licensing transactions. The company, Salmat Document Management Solutions Proprietary Limited, provides services to VicRoads for opening and sorting of mail, online data entry and the batching of work, payment processing and reconciliation. Salmat registers approximately 230,000 vehicles annually, which is 56% of all registrations. VicRoads customer service centres register the balance of approximately 180,000 vehicles. Ninety percent of the vehicles registered by Salmat are new.

vehicles. Errors made by Salmat when entering vehicle identification numbers constitute 70% of total errors.

During the course of my investigation VicRoads staff described the functions carried out by Salmat as ‘high-volume, low-risk’ work. I am of the view, however, that the public consider the responsibility for determining the lawful acquisition, disposal, transfer and registration of motor vehicles an important one. I am therefore concerned by the characterisation of this type of work by VicRoads as ‘low-risk’.

In identifying strategies to minimise the risk of corruption by organisations with regulatory functions, the New South Wales Independent Commission Against Corruption (ICAC) noted that:

> Vehicle registration and similar licensing functions should automatically be identified as high-risk areas.  

VicRoads Registration and Licensing Information Services undertook a review of its functions and noted that: ‘There are some contractual limitations with the Salmat contract that create significant rework between Salmat and the correspondence team. The inconsistencies in what is processed by Salmat do not appear to have much basis other than being historical and the risks associated with devolving more work to the Contractor are minimal.’

The review also raised concern about the integrity of the vehicles register. From a random sample of 100 new registrations and 100 transfer registration forms, 70 forms were found to have critical fields not completed (27 new and 43 transferred). The incomplete forms had been accepted and processed by both VicRoads Registration and Licensing offices and Salmat. The acceptance of incomplete forms means that some key details of vehicle and/or owners cannot be verified or validated by VicRoads.

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60 Reducing Car Theft: How Low Can We Go? Guarding against corruption: increasing corruptions resistance in vehicle registration. ICAC paper,

61 VicRoads Registration and Licensing Information Services – Business Review, Registration Correspondence, Version 1.8, September 2004, p.3

Case Study 9: Not our fault

A large motorcar trader in Melbourne reported that it regularly receives notices sent in error by VicRoads. It was estimated that at least 50 such notices are received by the trader per month. Generally these comprise vehicle registration transfer notices and requests to sign Notice of Disposals for vehicles they are acquiring.

A staff member stated that after attending a registration and licensing office in person, she became aware that for a long time the company had responded to notices sent by VicRoads to pay the $14.30 registration transfer fee, despite the fact that the vehicles were unregistered, and therefore did not attract a registration transfer fee.

After realising this, the trader conducted a review of the notices received by the company from VicRoads for the preceding twelve months period, and calculated that the company had paid VicRoads approximately $5,000 in erroneous transfer fees.

Although the trader was eventually able to recover the monies paid, the process had been a difficult and lengthy one. In general, the company experienced frustration in its attempts to contact someone at VicRoads with sufficient authority to rectify the error. It was troubled by the views of the VicRoads officers spoken to, who claimed that, as the notices had been received by mail, the fault lay with the contractor (Salmat) and was therefore not a problem that could or should be resolved by VicRoads.

VicRoads advised that the new ‘Dealer-on-Line’ system being implemented by VicRoads by June 2005 would prevent many transaction problems occurring, as dealers will be required to enter all information accurately to enable each transaction to be completed.

There are significant potential risks involved in VicRoads outsourced registration processes. The use of commercial contractors for that purpose must therefore be properly managed and monitored. I am concerned that VicRoads’ contractor has been found to produce a higher error rate than its own registration offices. I consider this may indicate there are deficiencies in VicRoads’ contracted registration services.
Recommendation:
I recommend VicRoads:
Review the practices of Salmat in handling of registration documents received by mail, particularly in relation to the high error rate.

VicRoads’ response:
*VicRoads has stated that transactions over the counter in VicRoads’ offices are more accurately processed because the customer can be directly questioned.*  
*While VicRoads does not agree that Salmat produces a ‘high error rate’ VicRoads has since the 2004 review provided ‘better instructions’ to the auditor.*

Salmat Response:
*Salmat advised it follows procedures required of it under its contract with VicRoads.*

8 Dealer Certification Scheme

VicRoads can delegate its powers of registration and transfer of motor vehicles to a company which sells, distributes or manages motor vehicles. In December 2004 there were 917 such delegations to motorcar dealers, made under VicRoads’ Dealer Certification Scheme. This effectively made each of these traders VicRoads registration offices.

Considerable systemic issues exist in relation to the administration of the Dealer Certification Scheme (DCS). There are significant flaws in VicRoads’ management and auditing process for its Dealer Certification Scheme, particularly with DCS delegates who are modifiers of vehicles they have authority to register and then sell.

Under the Dealer Certification Scheme Agreement, certified dealers are supposed to be audited on both a random and regular basis. All registration application forms are to be checked to ensure they have been properly signed and all inspection reports correctly completed. A check is to be made that the dealer has collected appropriate fees and that the same amount has been forwarded to VicRoads.

Motorcar traders may not be considered to have the same level of impartiality as VicRoads officers in that they have commercial and financial interests
to consider. My investigations found one dealer had improperly used the
degregation to register vehicles that otherwise would not have been registered at
a VicRoads Regional Registration and Licensing office. The dealer modified
vehicles and had delegated authority to then register the vehicle. In that case
(see Case Study 10) the same business that sold the concept for modification
of a vehicle, did the modification, inspected the same vehicle to make sure it
complied with all Australian design rules and road safety regulations and then
registered the vehicle. In my view it is a scheme that needs close monitoring
and regular auditing.

Case Study 10: Nine-seat mobile home registered as a three-seat ute?

In April 2001, Mr A agreed to purchase a motor home from Mr B, the owner
of a motor vehicle dealership that specialises in converting unmodified
vehicles into motor homes, and who was authorised under the Dealer
Certification Scheme (DCS) to register vehicles on behalf of VicRoads.
Mr A paid an initial deposit and both he and Mr B signed a contract of
sale and a job sheet. The latter detailed the modifications required to
convert the vehicle into a mobile home, including six additional seat belts,
significant structural modifications to the cabin and amenities including a
toilet, table, gas appliances, beds, a refrigerator and a shower. The cost of
the conversions ordered by Mr A totaled more than $40,000. In addition
to the market value of the unmodified vehicle, Mr A’s motor home cost in
excess of $70,000.

In late May 2001, Mr B registered Mr A’s vehicle under the DCS with
a stated seating capacity of three and a market value of approximately
$28,000. Mr A’s motor home was delivered to him the following day. Mr
A subsequently experienced significant problems with the vehicle and
eventually sought assistance from a VicRoads office. He was advised
to have the vehicle assessed and to contact Mr B to obtain a copy of the
Engineer’s Report that had to be completed prior to a modified vehicle’s
registration. Mr A was unsuccessful in his attempts to obtain a copy of the
report and a subsequent Freedom of Information (FOI) request determined
that no Engineer’s Report had ever been completed in relation to Mr A’s
vehicle and supplied to VicRoads by Mr B at the time of registration.
In February 2002, Mr A returned his motor home to Mr B for repair. Mr B simply removed the six additional seat belts from the rear of Mr A’s motor home, and replaced the vehicle’s original identification plate before returning the vehicle to Mr A. Mr A then made a complaint to my office in relation to his FOI request for a copy of the Engineer’s Report. In response to my request for advice in relation to Mr A’s complaint, the General Manager, Registration & Licensing advised me that there was no evidence to suggest that the vehicle was registered after being modified.

It is of concern to me that VicRoads could not supply my officers with a copy of the vehicle inspection report in relation to Mr A’s vehicle, as the copy that should have been retained could not be located on the relevant files. My officers eventually obtained a copy of the report directly from Mr B. I was also concerned that this instance may be indicative of a lack of proper record keeping and auditing practices in the dealer certification scheme, and possibly in other areas of VicRoads’ registration practices.

Although various aspects of Mr A’s complaint were considered by a number of VicRoads employees across eight different departments, no issues of concern were identified and pursued in relation to Mr B’s vehicle registration practices, and Mr A’s complaint was dismissed, until my office made further enquiries.

However, at least one employee recommended that VicRoads’ internal investigations unit investigate Mr A’s complaint further. This did not occur.

I also note that despite VicRoads having undertaken seven audits of Mr B’s company between the purchase date and the beginning of my investigations no irregularities had been identified with Mr B’s registration of modified vehicles under the Dealer Certification Scheme.

VicRoads acknowledged that care does need to be taken in permitting manufacturers to register their own vehicles on VicRoads’ behalf.

Audits of Dealer Certification Scheme

The VicRoads’ Dealer Certification Scheme requires regular auditing of the motorcar traders in the scheme. VicRoads officers do random and routine audits of registrations made by dealers. There have been two audits of the overall scheme by external contractors, the first in December 2003 and the second in December 2004.
I am concerned that VicRoads’ auditing processes do not take into account the high level of risk associated with DCS delegates that are modifiers of vehicles. The auditing processes are the same as for dealers that sell standard new vehicles.

Effective auditing practices are a vital part of the VicRoads Dealer Certification Scheme. Problems with the scheme in respect to those dealers that modify the vehicles they register may be indicative of widespread inadequacies in the current system of auditing. The certified dealers must be regularly monitored to ensure they conform as effectively to VicRoads registration practices as those of its principal registration offices.

During the investigation my officers found that, at best, VicRoads only conducts a paper audit. At no stage does any VicRoads’ auditor do a comparison of the registration paperwork and the registered vehicle. Until December 2003, when an external audit of the Dealer Certification Scheme was undertaken by KPMG Pty Ltd, 50% of audits conducted in the VicRoads’ region in which Mr B’s company (in Case Study 10) is located were conducted by discussion with the motor car trader over the telephone. This is clearly an unacceptable practice.

The audit was generally critical of the Dealer Certification Scheme. The auditor identified many shortcomings and recommendations were given for improvements. The second audit a year later was critical of the progress made by VicRoads in implementing the recommendations of the previous year, except that a directive was issued to VicRoads’ auditors to stop the practice of auditing over the telephone. While I noted that action, I am advised that it is still common for the auditors to telephone a motorcar trader prior to an audit. The auditor advises that an audit is being conducted and requests the trader to have documents ready for one vehicle that the trader has registered. A trader may have registered hundreds of vehicles since the previous audit, but only one registration may be checked at an audit.

It is not acceptable for audits to be conducted over the telephone and the audit process is clearly less rigorous when Dealers are alerted prior to the audit and asked to prepare the documents on which the audit is based.

I understand the auditors’ explanation for alerting the traders in this way is to allow the audit to be completed as quickly and easily as possible. Auditors have responsibility for regions, and usually there are two or three VicRoads staff to audit hundreds of dealerships within a region.

I am particularly concerned that the audit of December 2004 was undertaken during the period of my investigation but the relevant reports were not
provided to me until I became aware of the audits through enquiries made by my officers.

Case Study 11: Ineffective auditing

As part of my investigation of the issues raised in Case Study 10, my officers requested VicRoads supply the full registration details of the 5 vehicles registered both before and after Mr A’s vehicle was registered. I wanted to test the integrity of other vehicle registrations conducted by Mr B and his company. On receipt of these registration details I noted there were no engineers’ reports attached to any of the 10 registration papers.

One registration form immediately stood out as it stated it was a 5 seat ‘Ute’. The word ‘Ute’ was crossed out and the VicRoads code for Mobile Home was written: ‘Carvan’. As it is generally not possible to have a five-seat ‘Ute’ and an engineer’s report is required for the installation of extra seating, further investigation was warranted.

My officers spoke to the owner, who stated that the vehicle was purchased in New South Wales. His first attempt to register the vehicle was at one of VicRoads’ regional registration offices. The registration office refused to register the vehicle as the mobile home had 3 seats in the front and two extra seats mounted in the rear. The office advised that it would require a valid engineer’s report to show the vehicle met Australian Design Rules before they could consider the application for registration.

The owner was not happy with the estimated cost of around $600 to obtain an engineer’s report. The owner telephoned Mr B, the vehicle manufacturer. Mr B told the owner to drive the vehicle over to his Dealership and he would register it for him. Mr B then registered the vehicle without the appropriate engineers report.

This action by the dealer would appear to be in breach of the requirements of the Australian Design Rules, an offence that carries a maximum penalty of $12,000.

VicRoads advised that the Victorian dealer should not have registered a vehicle sold by an interstate dealership and was clearly in breach of their agreement with VicRoads.

VicRoads Registration Review Report noted that VicRoads’ proactive monitoring of high-risk registration transactions, through reporting of those that
were identified as problematic (i.e. by exception), would appear to be ineffective due to a lack of skilled resources and a shortfall in appropriate reporting.

In light of my investigation, I consider that the Dealer Certification Scheme is vulnerable to misuse.

**Recommendations:**

I recommend VicRoads:

- Improve the audit procedures for the Dealer Certification Scheme by inspecting records at least twice each year.
- Implement changes to its audit practices in accordance with the recommendations in the reports from its external consultants to ensure compliance with proper registration practices.

**VicRoads’ response:**

VicRoads supports these recommendations and reports that it has already taken steps to improve its auditing and surveillance in relation to the provision of external services, including the Dealer Certification Scheme.

### 9 Business Culture

A statutory authority such as VicRoads balances its role as a regulator with its obligations and public expectation for it to be an effective and efficient business. Comments made by stakeholders during this investigation led me to consider the way VicRoads has developed its business practices over recent years. There were suggestions made by stakeholders involved in enforcement that some of its policies seemed to be favouring efficiencies in its business at the expense of good regulation practices.

My investigation revealed the existence of a strong business culture within VicRoads that resounds through the organisation. During my investigation VicRoads’ staff were asked to comment on whether they considered themselves to be public servants. Each person from senior management through to new counter staff answered ‘no’. Some staff stated that when they were first employed by the organisation many years ago they did consider themselves to be public servants but not now.

My officers interviewed a number of managers of regional Registration and Licensing offices around Victoria. The common theme from these interviews
was that they were business managers constantly aware of profit and loss issues. They spoke of the constant concern about the service standard that requires that 80% of customers must be served within 10 minutes. Each office has a display board facing staff behind the service counter so staff and managers can be constantly aware of its current status.

VicRoads state this standard is used statewide as a measure of performance. Regional offices all operate differently depending upon location and cultural differences. Some customers may have language difficulties whereby customer-waiting times may increase dramatically.

Each VicRoads department has a separate Internal Service Agreement with every other department. Each department charges each other for the services they provide. From a budgetary point of view VicRoads is run very much as a business.

VicRoads’ own research\(^6^3\) in 2001-2002 found a culture of ‘us and them’ existed between staff of Regional Services and the Registration and Licensing division, which was expressed as a ‘strong silo mentality between the various business units’. An indication of this was given in the 2003 VicRoads’ registration review, which noted that individual business units were updating procedure manuals in isolation, without consultation with other units involved in the process. It was concluded at that time that there was a need for a concerted effort to change the culture through communication and clarification of responsibilities. My officers similarly noted comments by VicRoads staff and stakeholders that suggest the ‘us and them’ culture is still an issue.

My officers received similar comment about the way VicRoads’ Registration and Licensing division is perceived externally. This was commented on in the report of the VicRoads’ registration review: ‘business processes appeared to be based on the organisation’s view of the world rather than the customer perspective and that business processes and information was inconsistent across channels.’\(^6^4\)

There is also a view, expressed to my officers by enforcement agencies and others, that there is a culture within VicRoads, which supports whatever is good for development of its business interests and which sees VicRoads’ role as a regulatory body as secondary.

\(^{63}\) *VicRoads Registration Review Project*, October 2003, Culture and Leadership, p. 4.

\(^{64}\) *VicRoads Registration Review Project*, October 2003, Culture and Leadership.
Recommendation:
That VicRoads address the cultural issues identified in my investigation.

VicRoads’ response:
VicRoads acknowledged that this is an issue and that it has been active in attempting to address it.

10 VicRoads Registration Computer System

In the course of my investigation my officers noted significant differences between the computer systems used for registration and licensing. The licensing system has an up-to-date interface, and is reportedly very good. By contrast, the registration system looks outdated and is relatively difficult to use. Other authorities and VicRoads staff often commented that it is inadequate for the task and in urgent need of overhaul. Comments related to the system’s lack of flexibility to meet changing requirements; the high cost of making any changes; inaccuracies in the database information; difficulties with understanding and using the system and its susceptibility to downtime and crashes. I was advised that seemingly straightforward upgrades, such as changing a form letter on the system, costs in the order of $100,000.65

I understand there are a number of enhancements that can be made to the computer system, some of which may lead to increased revenue. One is inclusion of software to automatically check the current market value of a vehicle for the purposes of calculating the stamp duty payable on the transaction. Another is the previously mentioned validation of address system that was rejected by VicRoads as being too costly.

VicRoads registration staff have access to the information on the vehicles register. The access needs to be monitored and controlled to ensure the information is used appropriately. A VicRoads internal audit in 2004 identified 23 instances over a six month period where staff had inappropriately accessed information on the register for high risk vehicles.66

This occurred at 12 registration offices by staff on secondment; staff not authorised to access information on high-risk vehicles; and an instance where

65 Consultation with VicRoads’ senior management, November 2004.
66 High risk vehicles are those that have a doubtful history, for example privately imported vehicles; vehicles that have been damaged to the extent that they have been written off by insurers; interstate vehicles being registered in Victoria for the first time etc.
a staff member was found to have two user IDs to enter the system. The review noted the concern with such access is also the potential for high-risk vehicles to be inappropriately registered.

The computer system at the heart of VicRoads’ registration processes is clearly in need of an upgrade or replacement. I am concerned that the response given to enquiries about possible improvements to registration processes often relates to the inflexibility of the computer system and the relatively high cost of changes. These issues may be contributing to the integrity of the vehicles register being compromised by restricting implementation of needed enhancements and upgrades.

I am also concerned that an audit of a six-month period found 23 significant breaches of VicRoads’ computer access protocols in relation to high-risk vehicles. In my view, access to information on the vehicles register must be properly controlled and monitored.

**Recommendations:**

I recommend VicRoads:

Either upgrade or replace the registration computer system to ensure the integrity of the vehicle register and to meet the growing demands placed on the register by VicRoads and other State authorities.

Take appropriate action against any staff member who improperly accesses information on the vehicles register.

**VicRoads’ response:**

*VicRoads supports these recommendations. It agrees that the registration system is in need of upgrade. VicRoads advises that it will seek funds for the upgrade or replacement of the vehicle registration computer system and as a prerequisite will work with other parts of government and its stakeholders to scope a modern and effective design.*

11 **VicRoads’ Regulatory and Enforcement Roles**

**VicRoads’ Whole of Government Role**

Like all State Government authorities, VicRoads has a role in working constructively and cooperatively with other parts of Government. In the case of
the Registration Division, it can be a key player in working with enforcement authorities to address vehicle related crime and breaches of traffic regulations.

However, I found there is a measure of reluctance within VicRoads Registration Division to be part of the enforcement process. This was shown in consultations with VicRoads staff, who commented that some requests by other authorities are not implemented because they may not be considered to fit with VicRoads’ core business goals. Enforcement authorities made similar comments, such as the following received from the Victoria Police officer authorised to liaise with my office during this investigation:

\[
\text{VicRoads are constantly quoting legal advice in support of their decision making process. That advice is not what is expected of a public regulatory authority, but is structured around liability minimization.}
\]

[and]

\[
\text{VicRoads consistently fail to embrace their public responsibility, and instead, seek to reduce accountability through outsourcing, licensing, and a management philosophy of reducing liability at all costs.}^{67}
\]

That is not to say that VicRoads does not work cooperatively with enforcement authorities. An example is its role in establishing the National Exchange Vehicle Drivers Information System.

During my investigation I noted a wide-ranging but possibly under-utilised power that could be used by VicRoads to assist in enforcement of vehicle-related penalties. It gives VicRoads discretion to refuse an application for registration of a vehicle if VicRoads reasonably believes that there are unpaid fines or pecuniary penalties arising out of the use of the vehicle in Australia.\footnote{\textit{Road Safety (Vehicles) Regulations} 1999, Regulation 214(2)(b)(iii)} With that power VicRoads can be an integral part of enforcement for vehicle-related misdemeanours that result in fines or pecuniary penalties in any state, not just Victoria.\footnote{The Sheriff’s Office is not successful in serving warrants in 36% of attempts because the address supplied from the VicRoads vehicles register is found to be not the address of the person listed on the warrant. Consultations with The Sheriff of Victoria, December 2004} For example, recent investigations by the Sheriff of Victoria found 98 taxi drivers

\footnote{Consultation with Department of Justice, Victoria, January 2005}
are responsible for approximately $780,000 in outstanding warrants. In one case a taxi driver has $25,000 in outstanding fines. Despite the debt owed to the State of Victoria, motorists such as this are able to continue to register vehicles that are used to infringe traffic and parking laws.

Case Study 12: Please stop coming here

A local government Councillor reported on a ratepayer’s complaint about an incident that arose from enforcement efforts to recover unpaid parking fines. The ratepayer felt annoyed and inconvenienced after having five visits on the same day from five officers from the Sheriff of Victoria who were seeking the person responsible for the fines. The five officers were acting independently of each other to recover debts for parking fines incurred in five municipalities. The officers were obliged to use the address provided by VicRoads as the address of the registered operator of the vehicle. That address was apparently wrong.

VicRoads has the means to notify other authorities of irregularities identified from analysis of its vehicles registry. For example, notifying the Business Licensing Authority when it identifies a motorcar trader who is failing to lodge registration fees within required times - which may be an indicator of the trader being in financial difficulty. It appears that this does not occur, partly because VicRoads can itself be slow to process documents received from motorcar traders.

One of the most common complaints about VicRoads registration practices is the inadequacy of its vehicle registry for enforcement purposes. Enforcement authorities such as The Sheriff of Victoria are required by legislation to use the address provided by VicRoads when serving warrants for unpaid traffic fines etc. Such authorities commented during my investigation that their pleas to VicRoads to improve the accuracy of the register seem to ‘fall on deaf ears’. As also discussed above, some of the difficulties come about because VicRoads can only change addresses on the register when notified by the vehicle operator. While these authorities invariably emphasised the good working relationship that exists between themselves and VicRoads, their frustration at not being able to achieve the requested improvements was clear.

71 Consultation with Municipal Association of Victoria, January 2005.
VicRoads has an integral role in the enforcement processes of government. Its vehicles register is virtually the only database that is used by enforcement authorities that require details on persons involved in vehicle-related infringements.

It is therefore important that VicRoads ensures it has a focus on not just its core business of registration, but also on its whole of Government role as a supplier of information for enforcement purposes, and as an authority with power to encourage operators of vehicles to pay fines and abide by vehicle-specific laws or risk loss of both their licence and registration for their vehicles.

**Recommendations:**

I recommend that VicRoads:

Exercise its power to refuse to renew the registration of a vehicle when VicRoads reasonably believes that there are unpaid fines or penalties arising out of the use of this vehicle.

*VicRoads’ response:*

This recommendation may need to be further considered after consultation with the Sheriff.

Actively promote public awareness of this power.

*VicRoads’ response:*

VicRoads made no specific response on this recommendation.

**Charging Enforcement Authorities for Information**

A number of Government agencies reported their concern at having to pay to access information held by the VicRoads database, including information required by those agencies involved in enforcing motor vehicle infringements under the Road Safety Act. This concern was particularly strong where the information obtained from the database was inaccurate or not able to be used.

I note with interest that in 1997 the Public Accounts and Estimates Committee (PAEC) of Parliament recommended that out of date, inaccurate or unusable data from the VicRoads database should not have to be paid for by those agencies issuing infringement notices for motor vehicle offences. The Committee stated:
Agencies should only pay for access to the database when it produces a useable and up to date address. This would give VicRoads a financial incentive to improve its database. Where a warrant is returned “left address”, PERIN users should be able to obtain a refund of any fees paid to VicRoads, and VicRoads should prosecute for failure to notify change of address.\textsuperscript{72}

VicRoads practice of charging Government authorities for the information supplied from the vehicles register adds to the cost of enforcement. It is a practice that needs review, particularly considering reported inaccuracies in the information supplied. For example, the Sheriff of Victoria has found that the wrong address has been supplied in 36\% of cases.

Recommendation:
I recommend that VicRoads:

Provide a refund of fees to enforcement authorities and other clients if the information supplied by VicRoads from the vehicles register is shown to be incorrect.

\textit{VicRoads’ response:}
\textit{VicRoads would expect to see a draft regulatory impact statement supporting the amendment to the regulations that has the approval of the Victorian Competition and Efficiency Commission before proceeding with this recommendation.}

Number Plates

Number plates are the most visible means by which vehicles are readily identified as being registered. They are essential to the State enforcement systems, particularly with growing use of traffic cameras as the means of identifying vehicles involved in infringements. There have been changes over the last decade in VicRoads’ management of number plates, including the growth in sale and trading of personalised plates and custom plates. Such changes have affected public perception of the individual’s responsibilities to dealing with number plates as a vehicle identifier. This is evidenced by the fact that in the calendar year 2004, there were 6,109 offences involving fraudulent use of number plates.\textsuperscript{73}


\textsuperscript{73} Consultation with Traffic Camera Office, February 2005.
I found that VicRoads will issue replacement and duplicate number plates for an existing registration number on the request of the registered vehicle operator. Duplicate plates will be supplied as many times as requested. It is up to the registered operator to ensure the duplicate plates are used for the intended purpose of identifying the registered vehicle.

Duplicate plates will also be issued even if number plates are stolen from a vehicle. One VicRoads’ registration officer disagreed with this VicRoads practice, noting that the practice allows a stolen registration plate to be re-issued to the person who reports the plate as stolen. The obvious problem with this practice is that the thief who stole the number plates may place them onto another vehicle. There could then be two vehicles on the road with the same registration numbers displayed. The officer commented that it would be prudent to not reissue the registration plates again until the stolen plates were recovered.

VicRoads makes no requirement for registered vehicle operators to return number plates when they are no longer being used on a registered vehicle to which they were issued. Usually it only requires the registered vehicle operator to return number plates when they request a refund of the unused portion of the fees paid for registration and Transport Accident Commission insurance. Under previous Road Safety (Vehicles) Regulations number plates had to be returned, however VicRoads advised me that a high proportion of plates were not recovered by VicRoads under that legislation. That was despite VicRoads routinely writing to vehicle operators advising of that requirement.

Although VicRoads still has power under the current regulations to require number plates to be returned, VicRoads business practices do not make that a mandatory requirement. VicRoads officers now ask the registered vehicle operator to dispose of the plates sensibly, although one officer commented in this investigation that many vehicle operators do not understand the ramifications of that request. If the number plates are not properly disposed of, they could be acquired by others and used for illegal purposes such as attaching to vehicles intended to be driven on toll roads without authority. The problems this causes in enforcing traffic laws is illustrated by CityLinks’ concerns:

*We see many of these ‘unregistered plates’ not handed in and placed on cars and drive up and down CityLink, in fact we see them in all forms of Camera Traffic detection. We even see the same plates used on different vehicles.*

74 Consultation with VicRoads, February 2005.
75 Consultation with Traffic Camera Office, February 2005.
Case Study 13: Stolen number plates

Over a twelve-month period a motorist breached traffic laws and attracted infringements with penalties totaling over $8000. Investigations by Victoria Police determined that registration of the vehicle had lapsed 18 months earlier. Police contacted the last registered operator of the vehicle, who produced a VicRoads receipt. The receipt showed the number plates from the vehicle had been handed to VicRoads when the registration lapsed. An investigation at VicRoads concluded that a person had retrieved the discarded number plates by climbing over the back fence of a VicRoads registration office and taking them from an unsecured rubbish bin. The original owner was found not to be responsible for the infringements. VicRoads subsequently changed its procedures for handling number plates received at its registration offices. Number plates are now placed in secure containers and accounted for until destroyed.

Number plates issued by VicRoads remain the property of the State.\(^76\) VicRoads may request in writing that a registered vehicle operator return number plates within 14 days.\(^77\) Penalties apply if that request is not met. VicRoads business practices have made it routine that it exercises that discretionary power by exception, usually not requesting motorists to return number plates.

Case Study 14: Administration ineptitude

My officers received a report about a bumper bar with number plate attached being on an area of land open to the public and located a short distance away from a VicRoads registration office.

A member of the public had telephoned the local police station after noticing the bumper bar and number plate was still on the land after several days. The police informed the person that they had received about 50 similar telephone calls, but it was not a matter for the police.

The same member of the public then telephoned the nearby VicRoads office. They explained that it was not a matter for VicRoads.

\(^76\) Road Safety (Vehicles) Regulations 1999 — Regulation 221(5)
\(^77\) Road Safety (Vehicles) Regulations 1999 — Regulation 227(9)
I note that other states of Australia such as Queensland, New South Wales and Western Australia are very strict about the custody of their plates and require return of number plates to the registration authority when they are removed from a vehicle.

It is essential for the proper enforcement of Victoria’s traffic laws that number plates be properly issued, regulated and monitored by VicRoads. Number plates are the property of VicRoads and VicRoads should ensure they are returned to it when no longer used for registration purposes.

I am concerned that laxity in the control of number plates may contribute to loss of public confidence in the registration system. I am also concerned that the State may have lost revenue as a result of VicRoads’ practice of not routinely requiring return of disused number plates.

I am concerned that VicRoads’ practices have removed the need for the public to return number plates when a vehicle is no longer registered. I consider the practice has had a detrimental effect on registration and enforcement processes. It is unsatisfactory that, by a change to its business practices, VicRoads effectively divested itself of a responsibility that I consider it has a statutory duty to enforce.

*VicRoads advises that experience has shown that the more flexible approach now taken to number plates does not result in a significant increase in unlawful use.*

**Recommendations:**

I recommend VicRoads:

- Require the return of vehicle number plates to VicRoads when a vehicle’s registration expires, is suspended or cancelled.
- Not issue duplicate number plates when number plates have been reported stolen, until the original number plates have been recovered or accounted for.

*VicRoads’ response:*

*Management of number plates will be reviewed.*
Traffic Camera Office

The primary concern of the Traffic Camera Office with VicRoads is the accuracy of information contained in the VicRoads database. The Traffic Camera Office relies on that information to undertake its functions.

My officers were advised that the Traffic Camera Office routinely receives a significant number of letters every week that require follow-up with VicRoads. The Traffic Camera Office often cancels fines after receiving clarification from VicRoads. This can occur when VicRoads’ customers pay their registration but VicRoads places the funds in a holding account because the amount paid does not match the amount due. In these situations, the Traffic Camera Office reported that generally VicRoads confirms these errors and the Traffic Camera Office subsequently cancels the fine. It seems that no action is being taken to address this systemic problem.

In other situations where errors were reported and records amended, the Traffic Camera Office was concerned at the lack of archival information created to document the amendments, despite the capacity within the VicRoads computer system to permit this.

Another concern was VicRoads’ responsibilities in relation to establishing the identity of the registered operator of a motor vehicle. The Road Safety (Vehicles) Regulations require that a vehicle may only be registered in the name of a person (this may be a person acting as an agent for another person or for a corporation). The person seeking registration as the registered operator may be required to provide proof of their identity and the proposed garage address of the vehicle.

Case Study 15: Not following the rules

At a metropolitan VicRoads registration office a husband and wife demanded to have their vehicle registered in both their names. After a lengthy argument the manager exercised discretion to override VicRoads’ own business rules and registered the motor vehicle in the name of two individuals.

The Traffic Camera Office (TCO) was subsequently unable to issue a traffic fine to the registered operator of the vehicle. VicRoads informed the TCO that they did not know which name to choose.

The registration remains unchanged and therefore infringements from the TCO cannot be enforced in relation to that vehicle.

*VicRoads accepts that in this case there has been a failure on the part of the manager to comply with the legislation.*
Vehicles Purchased at Auction Houses

Auction houses generate a large number of vehicle registration transactions with VicRoads each year. The largest in Victoria, Fowles Auction Group, sells approximately 150,000 vehicles annually, and is responsible for 15% of all VicRoads vehicle registration transfers or re-registrations.

There are specific issues related to vehicles that are sold by auction. About 90% of vehicles on the Written-Off Vehicles Register (WOVR) are repairable write-offs and most are sold at auction houses and repaired. These vehicles can only be registered after being inspected and being issued with both a roadworthy certificate and a Vehicle Identification Validation (VIV) certificate.

The Written-Off Vehicles Register, administered in a secure data environment by VicRoads and linked to similar data bases interstate, maintains a list of the vehicle identifiers from vehicles that have been declared as either statutory or repairable write-offs. Statutory write-offs have Vehicle Identification Numbers cancelled and effectively cease to exist.

Written-off vehicles include those designated as ‘statutory’ write-offs and those that are ‘repairable’. Statutory write-offs cannot legally be re-registered as they have been damaged beyond repair. Repairable write-offs are vehicles that have been damaged but are capable of being repaired and re-registered. However, these vehicles can only be re-registered after having been through a Vehicle Identification Validation (VIV) inspection by an accredited authority.

Given the obvious public safety issues in repairing and re-registering vehicles that have been damaged, it is important that the VIV system be a robust one, and is subject to rigorous monitoring and evaluation. Some concerns were reported to my officers regarding the Victorian system, which, although implemented quickly, was outsourced due to a lack of capacity within VicRoads to run it.
Auction houses do a check of the WOVR by making requests by telephone or email in batches of ten to VicRoads for information. In the case of Fowles Auction Group, with large numbers each week (up to 700 per week)\textsuperscript{78}, this can be cumbersome and slow compared with what could be achieved if the company had direct access to the WOVR. Such efficiencies would also benefit VicRoads.

Another issue specific to vehicles sold by auction relates to the purchaser’s obligations to pay stamp duty on the purchase and to have the vehicle checked for roadworthiness. The situation arises partly because of VicRoads’ practice of accepting incomplete applications for transfer.

Large auction houses assist purchasers by sending the transfer application forms to VicRoads after the auction. They will include the roadworthiness certificate if the seller has supplied one, but sometimes a roadworthiness certificate is not provided by the disposer.\textsuperscript{79} Nor is stamp duty included with the application that the auction house sends to VicRoads. On receiving the application, VicRoads transfers the registration and sends a letter to the purchaser advising that registration will be suspended if the missing items (roadworthiness certificate and stamp duty) are not provided within 14 days. In this scenario the vehicle is legally driven from the auction house before the registration has been properly transferred to the purchaser without it being checked for roadworthiness and before all fees have been paid.

Licensed Motorcar Traders and the Victorian Automobile Chamber of Commerce are required to conform to different standards for vehicles they sell. They have stated that:\textsuperscript{80}

- Traders expressed concerns that the wholesale, auction and broker areas of the industry had developed to circumvent the Act, and as a result, consumers were not receiving the level of protection intended by the Act.
- Traders expressed concern about the number of unsafe cars that ended up on the roads as a result of this exemption.
- Traders said that auctions should either have to provide roadworthy certificates, or remove number plates (and de-register cars) prior to sale.

\textsuperscript{78} Consultation with Fowles Auction Group, November 2004

\textsuperscript{79} \textit{Road Safety (Vehicles) Regulations} 1999 — Regulation 229(3B) exempts dealers from having to sell a vehicle with a roadworthy certificate. The roadworthy certificate (and any applicable duty and fee for transfer) must be supplied to VicRoads within 14 days of the sale.

\textsuperscript{80} \textit{A Report on the Motorcar Traders Act Consultations}, Consumer Affairs Victoria, December 2004
The VACC submitted that all cars sold retail, whether by the trade or at auction, should have a roadworthy certificate as a matter of public safety.

I consider that registered vehicles should not be sold at auction without a certificate of roadworthiness being supplied to the purchaser. The exemption in the regulations that allows auctioned vehicles to be sold without a certificate of roadworthiness should be repealed. If a roadworthiness certificate is not provided at the time of sale, the registration of the vehicle should be suspended and the vehicle number plates removed and returned to VicRoads before being auctioned. VicRoads should not accept an application for transfer of registration for a vehicle sold at auction unless all required details of the purchaser are supplied together with receipt or other proof of purchase. I note the Report of the Road Safety Committee on the Inquiry into Victoria’s Vehicle Roadworthiness System 2001 made a recommendation: That VicRoads examine the question of whether vehicles sold from auction houses should have a certificate of roadworthiness.

VicRoads should also send to the new registered operator of a vehicle that has had its registration transferred, a receipt for the transfer of registration. The receipt should include the name of the disposer of the vehicle so the purchaser can be alerted to any inconsistencies in the transfer process (e.g. vehicle sold by an intermediary without the acquirer’s knowledge).

VicRoads should review the price it charges large auction houses for checking of the Written Off Vehicles Register, which is set at the same fee as that for single transactions, as compared to the bulk transactions of those auction houses. Consideration should also be given to providing the larger traders with online access, bearing in mind that the Dealer Certification Scheme already allows some dealers online access to VicRoads’ database.

**Recommendations:**

I recommend VicRoads:

Remove the exemption provided in the Road Safety (Vehicles) Regulations allowing dealers to have vehicles sold at auction without a roadworthiness certificate. Until that provision is amended, VicRoads is to suspend the registration of vehicles listed for auction without a roadworthiness certificate and auction houses be required to remove vehicle number plates prior to the auction.
VicRoads’ response: 
*VicRoads will raise this issue with the Department of Justice.*

Only accept applications for transfer of registration of vehicles sold at auction houses if the application is complete, including full details of the person who acquires the vehicle at auction.

VicRoads’ response: 
*VicRoads acknowledges that the registration transfer process can be improved.*

Review the price it charges auction houses for checking the Written off Vehicles Register.

VicRoads’ response: 
*VicRoads will re-examine the cost of providing this service.*

Consider giving the larger auction houses online access to the Written Off Vehicles Register.

VicRoads’ response: 
*VicRoads does not support this recommendation because the potential gains do not outweigh risks to privacy, security and technical issues related to granting access to the written off vehicles register.*

VicRoads also stated that it will continue to work closely with stakeholders including the Traffic Camera Office, auction houses and the VACC to address issues of concern.

**Unlicensed Traders**

It is an offence to carry on the business of trading in motorcars without a licence. 81 Unlicensed or backyard traders purchase vehicles at auction and on-sell them without registering themselves as the new operator of the vehicle. If they did transfer the registration to their name they would be obliged to pay stamp duty, and transfer fees. If they were licensed to trade in motor vehicles they would be obliged to pay goods and services tax (GST). Instead, they do not appear on the record of transfer of registration, and are able to avoid detection as a trader of vehicles.

Unlicensed traders pose a risk for consumers because they do not provide the legal protection afforded by Licensed Motorcar Traders and can therefore place consumers’ money at risk. Traders also comment that in their opinion 81 *Motorcar Traders Act* 1986, section 7A: A person who buys, sells or exchanges, or offers to buy, sell or exchange, 4 or more motorcars in any period of 12 months is deemed to be a motorcar trader.
unlicensed traders were more likely to tamper with odometers to mislead consumers in order to obtain higher prices and profits.

VicRoads has a role in facilitating enforcement action against unlicensed traders by ensuring registration is only transferred when all the required details about the disposer and acquirer are submitted. It can also take action to alert purchasers of vehicle that a purchased vehicle may have been sold by an intermediary, such as an unlicensed trader. The sending of a receipt for the transfer of registration would allow the purchaser to check that the person listed on the receipt as the disposer of the vehicle is the same as the seller.

**Recommendation:**
That VicRoads issue a receipt for the transfer of registration.

*VicRoads’ response:*
*The estimated cost of this proposal is in the order of $2 million annually.*

**Recording of Odometer Readings**

Odometer readings can be a measure of a vehicle’s condition, not only as an indicator of financial value, but also safety. For those reasons, the reliability of motor vehicle odometer readings is an important issue for the public. VicRoads does not currently record odometer readings on its database, although it has the capacity to do so.

The Victorian Automobile Chamber of Commerce and Consumer Affairs Victoria have both advocated that VicRoads record odometer readings. Knowing how many kilometres a motor vehicle has travelled in relation to the age of the vehicle is an issue of major significance for consumers when they are purchasing a vehicle. I was advised that although the existing computer system used by VicRoads enables odometer readings to be entered, this does not occur, despite the information being provided on the Roadworthy Certificates supplied to VicRoads at the time of registration.

The public would benefit from VicRoads recording odometer readings at times of transfer or re-registration of vehicles. It is an additional piece of information that can be readily accommodated on the existing database for the vehicle register. In my view it is a measure that is in the interests of the wider community, assisting in assessment of vehicle condition and monetary value.
**Recommendation:**
I recommend VicRoads:
Record odometer readings at the time of vehicle registration and transfer of registration.

**VicRoads’ response:**
*It is undoubtedly correct in saying the recording of odometer readings is an important issue for the public.*

*One problem with the current database as it stands is that it only has one field that would be overwritten with each new entry and the history of odometer readings for a particular vehicle would not be readily kept.*

12 **Annexure A**

Authorities consulted with during this investigation:

- Business Licensing Authority (BLA)
- Consumer Affairs Victoria (CAV)
- Fowles Auction House
- Department of Justice - Infringements Review Project Team
- Department of Justice - Road Safety Enforcement Technology Unit
- Marine Safety Victoria
- Motorcar Traders Guarantee Fund Claims Committee
- National Motor Vehicle Theft Reduction Council Inc.
- Organised Stolen Motor Vehicle Squad - Victoria Police
- Road Traffic Authority (RTA), New South Wales
- The Sheriff of Victoria
- Traffic Camera Office - Victoria Police
- Victorian Water Police; Vehicle Examination Unit, Victoria Police Forensic Services Centre
• Victorian Automobile Chamber of Commerce (VACC)
• VicRoads Head Office, Kew
• VicRoads’ Registration & Licensing Branches at Oakleigh, Dandenong, Carlton, Sunshine, Shepparton, Greensborough, and Broadmeadows
• Various motor vehicle traders, insurers and complainants
Own Motion Investigation into VicRoads Registration Practices