FCAI Submission to the Inquiry into aspects of road safety in Australia

Federal Chamber of Automotive Industries
Level 1, 59 Wentworth Avenue
KINGSTON ACT 2604
Phone: +61 2 6229 8217
Facsimile: +61 2 6248 7673

Contacts:
Mr James Hurnall, Technical Director

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EXECUTIVE SUMMARY

The Federal Chamber of Automotive Industries (FCAI) is the peak industry organisation representing the manufacturers and importers of light passenger vehicles, light commercial vehicles and motorcycles in Australia.

The FCAI welcomes the Australian Senate's Standing Committee on Rural and Regional Affairs and Transport Reference Committee inquiry into aspects of road safety in Australia. This submission provides the FCAI's view on road safety, the role of the vehicle and is aimed at also addressing the following parts of the Inquiry terms of reference;

- the importance of design standards on imported vehicles, as Australian manufacturing winds down; and
- the impact of new technologies and advancements in understating of vehicle design and road safety;

Road safety is important to FCAI and members and as outlined in our response to the (draft) National Road Safety Strategy (NRSS) 2011-2020, the FCAI and member brands support the NRSS and a "safe system" approach that includes:

- Safe roads;
- Safe vehicles; and
- Safe behaviour – incorporates both safe speeds and safe people; reflects a clearer and more accurate message of the driver's responsibility in road safety.

Crucial to road safety is the quality of the motor vehicles entering the Australian fleet. The Motor Vehicle Standards Act (MVSA) directly impacts on road safety as it sets the minimum regulatory safety and environmental standards for vehicles being introduced into Australia. On 4 September 2014, the Government released the Options Discussion Paper for the 2014 Review of the *Motor Vehicle Standards Act 1989*.

The FCAI and member brands view the *Motor Vehicle Standards Act 1989* (MVSA) as having an overwhelmingly positive impact on the supply of motor vehicles into the Australian market, delivering improvements in safety and environmental outcomes, meeting buyer expectations and reduced motor vehicle theft; at the same time as contributing to a highly competitive market that delivers vehicles at internationally competitive prices.

The Government's community protection objective, delivered through the MVSA, is best achieved by a strong regulatory regime that ensures new vehicles are delivered to the market meeting the latest safety and emission standards. The FCAI and member brands support and consider that we have significantly contributed to these improved community protection through the supply of new motor vehicles fitted with modern environmental, security and safety technologies, and are engineered for the Australian operating environment.

The highest possible level of consumer protection (another objective of the MVSA) is available under the current regime where the vast majority of new passenger cars and light commercial vehicles entering the market are introduced by the vehicle brand and sold via authorised dealerships. Consumer risk is increased with the importation of grey vehicles (either used or new parallel imports) as has been demonstrated with

parallel imports of new motorcycles. This high level of consumer protection contributes to road safety through ensuring the safety technology in new cars is correctly maintained and operating.
The FCAI does not support allowing greater access (i.e. further reducing the barriers) to personal importation of new vehicles or the importation of second-hand vehicles due to the risk of introducing vehicles that meet a lower safety standard and or not designed to operate in Australia's environmental conditions.

Design standards are important for all vehicles that are entering the Australian market and the FCAI has been a strong supporter of the Government's approach to harmonise the Australian Design Rules with the United Nations Regulations for light vehicles. The FCAI's position is that UN Regulations must be allowed as alternative standards for existing ADRs and that all future ADRs must be based on UN Regulations supported by a rigorous Regulatory Impact Statement to justify the implementation.

Completion is one of the main drivers of safety. In response to consumer demand, FCAI member brands introduce new safety systems and technology with new models in a similar timeframe to other advanced markets. Each brand will have a strategy for introduction of safety technology/systems to meet consumer expectations (and/or government regulations) in their main markets. For example, FCAI member brands have demonstrated their commitment to the introduction of proven safety technology, such as head protecting side airbags, in the absence of regulation.

C-ITS has the potential to deliver significant safety benefits along with other community benefits such as reduced energy consumption (resulting in less CO_2 and pollutant emissions), reduced congestion and reduced transport costs. Two requirements need to be met for vehicles to operate in an Australian C-ITS environment and the Australian community to derive the optimal benefits of C-ITS:

1. A standardised interface harmonised with the European standards as Australian vehicle safety and environmental regulatory standards are harmonised with the European standards.
2. A regulatory model that ensures vehicles fitted with C-ITS being delivered to Australia meet the European standards and will operate within the specified spectrum.

To facilitate the introduction of vehicles with C-ITS, and to send a signal to governments on the standards for road infrastructure, the FCAI has advised various levels of government of the industry's view on spectrum allocation (i.e. 5.9 GHz band with the European channel allocations), the standards required and offered to work with the government to develop an appropriate regulatory model.

All FCAI member brands, as part of global vehicle brands, are committed to a policy of continuous improvement and have a proven track record of improving vehicle safety.

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1.0 INTRODUCTION

The Federal Chamber of Automotive Industries (FCAI) is the peak industry organisation representing the vehicle manufacturers and importers of passenger vehicles, light commercial vehicles and motorcycles in Australia.

This submission provides the FCAI's view on road safety, the role of the vehicle and is aimed at also addressing the following parts of the Inquiry terms of reference;

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- the impact of new technologies and advancements in understating of vehicle design and road safety;

Road safety is important to FCAI and members and as outlined in our response to the (draft) National Road Safety Strategy (NRSS) 2011-2020,[1] the FCAI and member brands support the NRSS and a "safe system" approach that includes:

- Safe roads;
- Safe vehicles; and
- Safe behaviour – incorporates both safe speeds and safe people; reflects a clearer and more accurate message of the driver's responsibility in road safety.

Crucial to road safety is the quality of the motor vehicles entering the Australian fleet. The Motor Vehicle Standards Act (MVSA) directly impacts on road safety as it sets the minimum regulatory safety and environmental standards for vehicles being introduced into Australia. On 4 September 2014, the Government released the Options Discussion Paper for the 2014 Review of the *Motor Vehicle Standards Act 1989*[2]. In considering the Motor Vehicle Standards Act Review, the Government identified three over-arching policy objectives:

- Community protection (through vehicles that are safe and have low emissions);
- Consumer protection (through vehicles that meet buyers expectations and are theft resistant); and
- Competition (through vehicles that are readily available and reasonably priced).

The FCAI and member brands support these policy objectives and consider that FCAI member brands have significantly contributed to them through the supply of new motor vehicles fitted with modern environmental, security and safety technologies and that are engineered for the Australian operating environment.

The FCAI and member brands view the *Motor Vehicle Standards Act 1989* as having an overwhelmingly positive impact on road safety with new vehicles being supplied to Australia delivering improvements in safety and environmental performance, meeting buyer expectations and reduced motor vehicle theft; at the same time as contributing to a highly competitive market that delivers vehicles at internationally competitive prices.

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[1] FCAI Response to (draft) National road Safety Strategy 2011-2020, 21 Feb 2011.
[2] Australian Government, Department of Infrastructure and Regional Development (DIRD), 2014 Review of the *Motor Vehicle Standards Act 1989*; Options Discussion Paper, September 2014.

The FCAI's position on road safety, in particular "safe vehicles" was extensively outlined in our response to the MVSA Review and the relevant parts of that response are provided in this submission.

2.0 NATIONAL ROAD SAFETY STRATEGY

Road safety is important to FCAI and members and as outlined in our response to the (draft) National Road Safety Strategy (NRSS) 2011-2020,[3] the FCAI and member brands support the NRSS and a "safe system" approach that includes:

- Safe roads;
- Safe vehicles; and
- Safe behaviour – incorporates both safe speeds and safe people; reflects a clearer and more accurate message of the driver's responsibility in road safety.

Competition is one of the drivers of vehicle safety. All manufacturers of mass produced light vehicles are committed to a policy of continuous improvement and have a proven track record of improving vehicle safety. Improvements in vehicle safety will continue aligned with each brands strategy for introduction of safety technology/systems to meet consumer expectations (and/or government regulations) in their main markets.

The automotive industry is a global industry with the Australian new vehicle market comprising less than 1.5% of global production (see Appendix 1). Consequently, Australia's ability to influence the design of mass produced light vehicles is very limited.

The FCAI therefore believes that the NRSS should have realistic expectations regarding its ability to influence the design of mass produced light vehicles. The area where the NRSS can have the most significant effect regarding vehicles is to encourage a younger fleet.

The relatively small size of the Australian new vehicle market means that any new unique Australian vehicle regulations cannot be justified. Implementing any unique Australian vehicle regulations may not have the desired effect of 'leading' the world. It may in fact be counter-productive as the increased cost of developing unique model specifications for such a relatively small market will limit Australia's ability to access new state of the art technology.

Vehicle manufacturers are concentrating research, design and development efforts on the next generation of collision avoidance systems. Electronic Stability Control, Lane Departure Warning and Cooperative Intelligent Transport Systems (C-ITS) including Vehicle to Vehicle Communications (V2V) are all designed to mitigate the consequences of driver error. V2V systems offer the greatest opportunity for reduction of side impact crashes, particularly at intersections and need to be encouraged by government support through appropriate regulatory measures and raising consumer awareness and acceptance of these systems and their benefits.

A timely and rigorous process is required to ensure any new regulation or technology will address an identified problem, is evidence-based and is the best way to deliver the desired outcome. If such a change is shown to be justified, careful consideration then needs to be given to determine the appropriate implementation timing.

[3] FCAI Response to (draft) National road Safety Strategy 2011-2020, 21 Feb 2011.

While recognising that efforts made by many groups, including governments, the FCAI considers that “Safe Behaviour” offers the most potential for improvement in Australia. As many crashes have an element of driver error, governments should place more emphasis on interventions that will encourage and enforce "Safe behaviour". The full benefits of "Safe roads" and "Safe vehicles" will not be achieved unless there is also a significant increase in "Safe behaviour".

The most effective way of encouraging "Safe behaviour" is by training, education and enforcement. Road rules alone will not lead to a significant increase in "Safe behaviour". Enforcement needs to be seen to address more than just speeding. The areas that could be addressed in "Safe behaviour" include:

- Managing the risk - Driving involves risk and drivers need to be responsible for their actions and make the correct decisions to manage these risks. Good drivers aim to reduce and manage the risk. Factors that have been shown to increase the risk of crashing or increasing the risk of injury in the event of a crash include:
    - alcohol and/or drugs,
    - speeding,
    - fatigue, and
    - not wearing seat belts

- Sharing the road safely or cooperative driving (showing courtesy and consideration for other road users) such as:
    - keeping to the left unless overtaking,
    - allowing other traffic to merge,
    - not following too closely behind,
    - changing lanes correctly,
    - always using signals when turning or changing lanes, and
    - obeying road signs and signals (e.g. stopping at red signals, not queuing across intersections).

- Obeying the road rules (e.g. not exceeding posted speed limits, wearing seatbelts, ensuring children are properly restrained, obeying road signs etc.).

- Travelling at appropriate speeds (i.e. travelling at the posted speed limit may be too fast for the prevailing road and weather conditions).

- Concentrating on the road ahead and not being distracted whilst driving.

- Pedestrians being aware of traffic before crossing roads.

- Motorcyclist and Cyclists making themselves conspicuous to other vehicles and pedestrians.

3.0 THE MOTOR VEHICLE STANDARDS ACT

The Motor Vehicle Standards Act (MVSA) sets the minimum regulatory safety and environmental standards for vehicles being introduced into Australia and consequently directly impacts on road safety. On 4 September 2014, the Government released the Options Discussion Paper for the 2014 Review of the *Motor Vehicle Standards Act 1989*[4] (MVSA Review). In the policy objectives of the MVSA Review, as outlined in the Discussion Paper,[5] that are of relevance to this inquiry are:

- Community protection (through vehicles that are safe and have low emissions); and
- Consumer protection (through vehicles that meet buyers' expectations and are theft resistant).

3.1 Community Protection

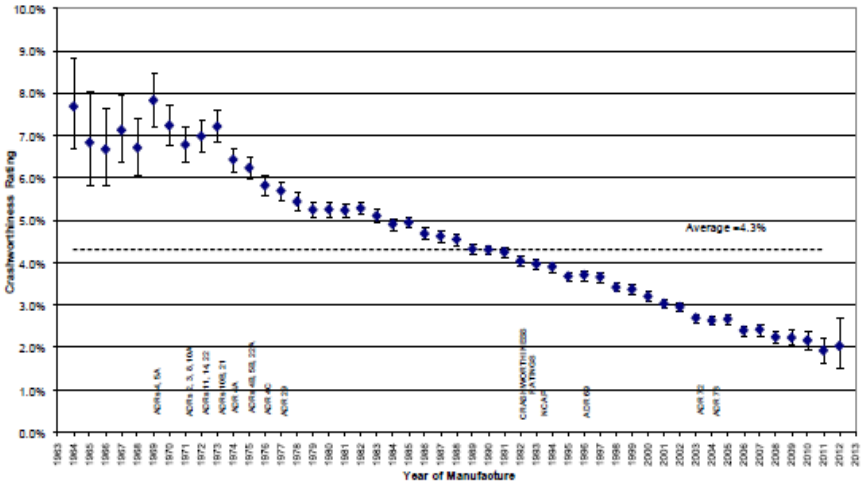
3.1.1 Safety Standards

The MVSA Review Discussion Paper highlighted the significant contribution from new vehicles and new vehicle technology to improvements in road safety[6,7]. This contribution is also acknowledged in the *National Road Safety Strategy (NRSS) 2011-2020*[8], in the opening paragraph in Section 8 *Safe Vehicles*:

> *"Improvements in vehicle safety have contributed significantly to road trauma reduction. These improvements reflect steady advances in automotive safety design, including occupant protection performance, braking, handling and lighting and the inclusion of life saving safety features such as seatbelts and airbags."*

The NRSS acknowledges existing safety systems that are already standard on new vehicles such as electronic stability control (ESC) and crash protection systems that need to be designed into the vehicle structure such, as crumple zones and restraint systems (seat belts and airbags), will continue to deliver benefits as new cars with these systems become a greater proportion of the in-service fleet.

Figure 3.1: Crashworthiness by Year of Manufacture[9]



[4] Australian Government, Department of Infrastructure and Regional Development (DIRD), 2014 Review of the *Motor Vehicle Standards Act 1989*; Options Discussion Paper, September 2014.
[5] DIRD, op. cit., p. 18
[6] DIRD, op. cit., p. 15
[7] DIRD, op. cit., p.18
[8] National Road Safety Strategy 2011-2020, www.infrastruture.gov.au [accessed 30 Sep 2014]
[9] Newstead et al, Op. Cit., p.50

The safety benefits of newer vehicles are also supported by research undertaken by the Monash University Accident Research Centre (MUARC) for the Used Car Safety Rating Update[10]. This is best summarised in Figure 3.1 (above) from the 2014 update report that demonstrates year-on-year crashworthiness improvements in the light vehicle fleet.

The NRSS also identifies primary safety systems that are being progressively introduced by manufacturers with new models as providing significant potential to continue to improve road safety. Advanced driver assistance systems (ADAS) such as lane keeping assist, lane departure warning, blind spot monitoring, adaptive headlights and autonomous emergency braking (AEB) assist the driver with warnings or automatic braking to help avoid or mitigate accidents.[11]

Many of these technologies are calibrated for the motor vehicle's initial market. FCAI member brands advise that safety systems such as Smart City Brake Support or High Beam Control are uniquely tuned for Australia. For example, the High Beam Control on Australian specified motor vehicles are tuned to ensure the Australian unique red roadside reflectors will not turn off automatic high beam.

Due to the average age of the fleet (10 years[12]) it will take several years for vehicles with these new safety technologies to comprise a significant proportion of the fleet.

3.1.2 Age of Fleet

It is widely acknowledged that improving vehicle safety is best achieved with a fleet of lowest possible age[13]. Therefore consideration of the average age of the light vehicle fleet is required.

According to the Australian Bureau of Statistics[14] (ABS) there were 17.6 million motor vehicles registered in Australia as at 1 January 2014. The majority of registered vehicles were passenger vehicles (13.3 million) and light commercial vehicles (2.8 million). With a new vehicle market of around 1.1 million sales annually, the penetration of new safety technology will take a significant period of time.

The MVSA Review Discussion Paper compared the average age of the Australian registered passenger vehicles with the average of passenger vehicles in both Great Britain and Japan and concluded that "the average Australian vehicle is one model older than these other countries".

Figure 2.2 (below) from the New Zealand Ministry of Transport[15] shows that the average fleet age in New Zealand has increased from less than 12 years to almost 14 years between 2002 and 2012. In a similar time period the average fleet age in Canada, South Africa and the United States have all increased while the average fleet age in Australia has decreased from around 10.5 years to 10 years.

The FCAI concludes that while the average age of the Australian passenger car fleet is higher than in Canada, Japan or Great Britain, it is lower than New Zealand, South Africa or the United States. The

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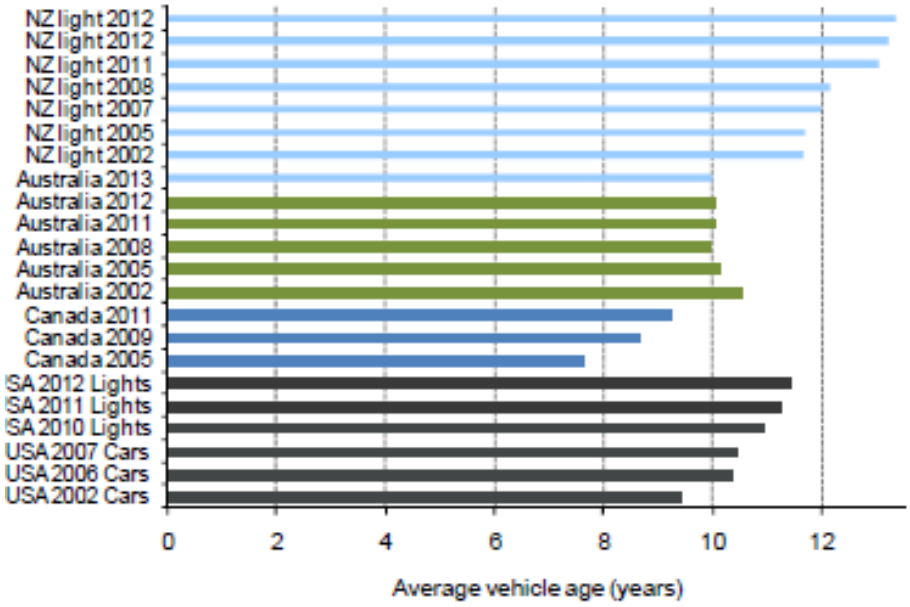
[10] Newstead, S., Watson, L. and Cameron, M. Vehicle Safety Ratings estimated from police reported crash data: 2014 update. Australian and New Zealand crashes during 1987-2012, Monash University Accident Research Centre - Report #323 [August 2014]
[11] Insurance Institute for Highway Safety, Crash avoidance technologies, www.iihs.org [accessed 6 October 2014]
[12] Australian Bureau of Statistics, 9309.1 Motor Vehicle Census, 31 January 2014
[13] DIRD, op. cit., pp. 15-16
[14] Australian Bureau of Statistics, 9309.1 Motor Vehicle Census, 31 January 2014
[15] New Zealand Ministry of Transport (NZ MoT), The New Zealand Vehicle Fleet Annual Fleet Statistics 2013, February 2013

experience in New Zealand, where used imports contribute in excess of half of vehicles entering the market each year, shows the average age of the fleet has increased.

In addition to the delayed introduction of new safety technology due to the age of the fleet, the introduction of new safety related regulations in New Zealand significantly lag behind that of the UN Regulations and ADRs. For example, ESC was broadly available on all new passenger cars when it was mandated in Australia from 2011[16,17] (for new models). In contrast, the New Zealand Government has only recently mandated ESC from 2015 for new model passenger cars. However, used passenger cars and light commercials will not require ESC until 2020[18].

Figure 3.2: Comparison of Average Fleet Age[19]



3.1.3 Environmental Standards

While the environmental standards are not normally considered as part of road safety, it is important to recognise that many of the policy actions to deliver newer and safer vehicles will also deliver environmental and health benefits.

Through the Australian Design Rules (ADRs), the Government has introduced successively more stringent air quality standards for vehicles to reach the point where new light vehicles introduced into Australia need to meet the Euro 5 standards (ADR 79/03 introduced from 1 November 2013) and plan to introduce the requirements for Euro 6 standards (ADR 79/05) from 1 July 2017[20].

The progressive tightening of vehicle emissions standards has contributed to improvements in air quality in Australian cities. For example, a 2013 study by the CSIRO for the Victorian EPA found that by 2030, total motor vehicle exhaust emissions will have significantly reduced and that improved technology is entering the vehicle fleet at a faster rate than growth of vehicle use[21].

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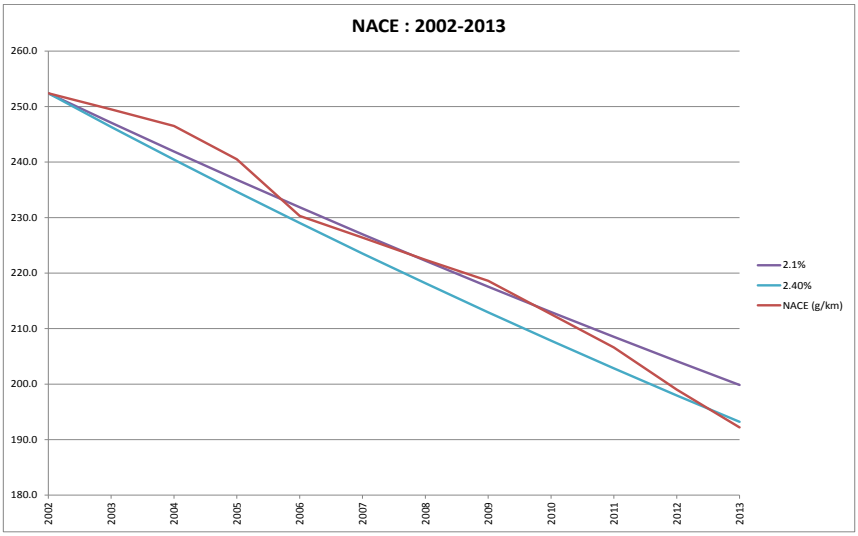
[16] Federal Chamber of Automotive Industries (FCAI), 2009, FCAI Response to the Regulatory Impact Statement for the Control of Vehicle Stability
[17] Vehicle Standard (Australian Design Rule 31/02 Brake Systems for Passenger Cars) 2009
[18] Ministry of Transport (New Zealand), http://www.transport.govt.nz/land/electronic-stability-control, [accessed 1 October 2014]
[19] NZ MoT, op. cit., p. 10
[20] DIRD Vehicle Emission Standards, www.infrastructure.gov.au [accessed 3 October 2014]
[21] EPA Victoria, Future air quality in Victoria-Final Report, Publication 1535 July 2013

In addition to the reduction in pollutant emissions, new light vehicles have also provided a year-on-year reduction in CO_2 (or fuel consumption) as demonstrated by the National Road Transport Commission's annual update[22]. The National Average Carbon Emissions (NACE) for all new light vehicles (including passenger cars, SUVs and light commercial vehicles) sold in Australia for each calendar year from 2002 to 2013 (in Figure 2.2) reduced from 252.4 gCO_2/km to 192.2 gCO_2/km. This is an overall reduction of 23.8 per cent with an average annual reduction of 2.4 per cent.

Figure 3.3: NACE 2002-2013



The FCAI expects this annual reduction trend to continue and deliver another 13% reduction by 2020 and achieve a total 50% reduction (since 2002) by 2030.

3.2 Consumer Protection

3.3.1 Benchmarking Study

Australia has one of the most competitive new car markets in the world and the FCAI provided extensive evidence to the Government throughout 2014 as part of the MVSA Review outlined the competitive nature of the new car market.

The FCAI undertook a benchmarking project in 2014 which compared the price and specification levels of various new motor vehicles available in the Australian market with equivalent models in the United Kingdom (UK), Japan and New Zealand (NZ). These markets were chosen because they are right-hand drive, like Australia. The vehicles chosen for the project represent a cross section of mainstream and premium brands, and are available across the markets. The benchmarking data shows specification levels for each model vary between countries. As such, the pricing provided reflects specification levels.

Taking into account the different specifications, the benchmarking demonstrated that Australian-market vehicles are price competitive, against comparable motor vehicles sold in either the United Kingdom or New Zealand. Further details of the benchmarking study are available in Appendix B.

[22] NTC Australia, Carbon Dioxide Emissions from New Australian Vehicles 2013, Information Paper, May 2014

3.2.2 Consumer Protection and Buyer Risk

Consumer protection is another Government policy objective of the Motor Vehicle Standards Act that is also linked with safety. During the public consultation workshops for the Review of the MVSA, the Department of Infrastructure and Regional Development (DIRD) noted that many aspects of consumer protection such as standards, recalls, warranties, parts and servicing are all part of the ownership experience that were not necessarily apparent to consumers. These all operate outside of the bounds of the Motor Vehicle Standards Act and are instead covered by the Australian Consumer Law and complementary state and territory legislation, and by the brands themselves providing a higher level of customer service and a manufacturer's warranty.

Buyer risk is minimal when purchasing a new car from a franchised dealership of the manufacturer. The vehicle brand and dealer carry all of the risk due to their obligations under the Australian Consumer Law and manufacturer's warranty.

- Warranty: Many vehicle brands provide a manufacturer's warranty beyond the minimum statutory requirements to be able to attract and retain customers in the highly competitive Australian new car market. For example, Kia recently announced a seven-year, unlimited kilometre warranty.[23]
- Service and parts: The brand's dealer network is able to provide assurance to customers that their new cars will be able to be serviced and maintained, which contributes to sustaining the safety systems in optimal working conditions and also the expected residual value of the car. With the widespread introduction of capped price servicing, the new car buyer is also assured of cost of servicing throughout the warranty period.
- Recalls: Vehicle brands are able to undertake effective recall campaigns where necessary as they have an accurate record of all vehicles they have introduced into Australia. Through their own records and with the assistance of state and territory registration authorities (via NEVDIS) vehicle brands are able to contact all registered owners to advise of any recall action on their vehicle.[24]

Automotive brands engineer their motor vehicles for each market they are sold in. Accordingly, motor vehicles supplied to the Australian market by brands are engineered for our local conditions. These conditions vary considerably when compared to other geographic regions around the world. Importantly, in the context of the Government's consideration of providing additional concessional arrangements for personally imported motor vehicles, Australia's climatic and environmental conditions are significantly different to other substantial right-hand drive markets, such as the United Kingdom and Japan, which are generally cooler and less prone to extreme temperatures. These differences necessitate substantial engineering changes to motor vehicles imported into Australia to enable those motor vehicles to perform as intended. This includes differences such as:

- Radiators;
- Alternators;
- Suspension;
- Engines and ECUs;
- Safety systems;
- On-board electrics;
- Dust protection;
- EMC compliance;

[23] Kia Motors Australia, Australia's Best Factory Warranty, www.kia.com.au [accessed 6 October 2010]
[24] Federal Chamber of Automotive Industries, (FCAI), 2014, Code of Practice for the Conduct of Automotive Safety Recall

- Heating/cooling systems;
- Infotainment systems;
- Air conditioning systems;
- Speedomoters calibrated in km/hr and odometers in km;
- Owner's manuals in English with Australian specific content; and
- Towing systems.

FCAI member brands advise that the range of specification differences mean that a motor vehicle sourced from another market may not be 'fit for purpose' in Australia. These include:

- Radio and remote control frequencies being different in other markets compared to Australia. This means that a customer choosing to import a vehicle from Japan might be faced with the potentially expensive outlay of replacing the audio unit. In the event that the customer was to lose a key, brands would be unable to supply a replacement key operating on the same frequency as the car.
- Satellite navigation units and systems will often differ from one market to another. In many cases, this would render the satellite navigation system unusable in another country. A replacement, in-built satellite navigation system could be in excess of $1,000.
- Child restraint mounting points—motor vehicles from overseas markets may not have top tether points meaning that a child restraint would be unable to be fitted correctly.
- Parts fitment differs from region to region and the parts used in an Australian-specified motor vehicle aren't necessarily the same as those used in a United Kingdom or Japanese market motor vehicles. Consequently, Australian OEMs (original equipment manufacturers) and dealers would not be able to guarantee parts supply.
- Brake components and engine gaskets free of asbestos.

3.2.3 Enforcement of Standards

The FCAI considers that there is a lack of enforcement of the current legislation and standards. This was raised during the public consultation workshops for the MVSA Review by a diverse range of organisations and individuals representing a broad spectrum of the industry including:

- State government vehicle inspectors who regularly inspect low volume imported vehicles that do not comply with their certification approvals even though the vehicles that should have been certified by a RAWS workshop. (See Appendix D for examples such as Example 4; Nissan Elgrand)
- RAWS workshops and small businesses that operate under the SEVS highlighted how parts of the industry were 'rorting' the system through actions such as:
    - Not modifying the vehicle to meet its certification approval.
    - Importing vehicles that were not in the spirit of the SEVS (i.e. vehicles that could be described as 'family' or mainstream models rather than specialists or enthusiasts models) even though the vehicle was on the SEVS Register.
    - Importing and supplying to the market a vehicle that was sub-standard and would not pass many state government roadworthy or safety inspections.

In addition to compliance with ADRs, the FCAI has concerns with the level of enforcement to determine compliance with other legislation that relates to the supply of vehicles into Australia including the Australian Vehicle Standards Rules and the Australian Consumer Law.

This is especially relevant to the importation of used motorcycles. Used motorcycles are given approval to be imported into Australia in unlimited numbers provided it can be demonstrated that the model meets

the current ADRs. With the ability to advertise and then purchase over the internet, the enforcement of all legislation is called into question. For example, what enforcement action has been taken to ensure used motorcycles delivered in this manner comply with an applicable EMC standard and that the motorcycles are labelled in accordance with ACMA's EMC requirements (i.e. C-Tick)[25].

The FCAI recognises that the DIRD has made an effective start with improving the compliance and enforcement of the MVSA with their "National Compliance and Enforcement Strategy for the Motor Vehicle Standards Act 1989."

3.2.4 Aftermarket industry and non-genuine parts

The aftermarket industry who supply non-genuine parts (i.e. outside the vehicle brands approved supplier network) do not demonstrate that the vehicle will continue to comply with the relevant ADRs with their aftermarket (non-genuine) part fitted.

As part of certifying a new model vehicle to the ADRs, FCAI member brands provide extensive evidence of compliance with the relevant ADRs for their vehicles supplied to the market and also for any parts or accessories that are fitted.

In addition to needing to meet an ADR at time of delivery to the market, under the requirements of the various state legislation a vehicle must continue to meet the relevant ADRs:[26]

> *"At the federal level, the ADRs govern the design and construction of new vehicles. The AVSRs (Australian Vehicle Standards Rules) are enacted by states and territories to ensure the ADRs continue to be applied "in service"."*

While this statement from the MVSA Review Discussion Paper correctly describes the legislative environment, in practice, there is very little evidence that the states and territories apply and enforce the ADRs 'in service'. Due to the lack of "in-service" enforcement, there is a common misunderstanding that the ADRs do not apply to aftermarket accessories and replacement parts.

The states and territories need to do much more to enforce the ADRs, and other in-service regulatory standards, after vehicles have been supplied to the market. It appears that aftermarket suppliers of accessories and replacement parts are currently being allowed to supply their products to the Australian market without having to ensure that the fitment of their product does not invalidate the vehicle's compliance with the ADRs and other in-service regulatory standards.

When a road vehicle is first used on Australian roads, the relevant state or territory government's legislation generally requires that it continue to comply with the relevant ADRs as at the time of manufacture. The following text is taken from the Department of Infrastructure and Regional Development website[27]:

> *"The current standards, the Third Edition ADRs, are administered by the Australian Government under the Motor Vehicle Standards Act. The Act requires all road vehicles, whether they are newly manufactured in Australia or are imported as new or second hand vehicles, to comply with the*

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[25] Australian Communications and Media Authority (ACMA), FACTSheet, *"C-Tick compliance requirements of motor vehicles and motor accessories"* FS 25-February 2010

[26] DIRD (2014), Op. Cit., p.30

[27] DIRD Website page, Australian Design Rules, www.infrastructure.gov.au [accessed 22 October 2014]

relevant ADRs at the time of manufacture and supply to the Australian market. When a road vehicle is first used on Australian roads the relevant state or territory government's legislation generally requires that it continue to comply with the relevant ADRs as at the time of manufacture."

This is supported by the AVSRs that are based on the premise that vehicles entering the market must meet the relevant ADRs and continue to comply with those ADRs (or later versions) throughout the vehicles life. This is outlined in the introduction to Part 3 of the AVSRs: [28]

Note: This Part applies the second and third edition ADRs to various vehicles.
Under the Part, a vehicle that is subject to ADRs when it is built generally remains subject to the ADRs throughout its life. However, a vehicle need not comply with a standard if the standard is replaced by, or inconsistent with, a later standard and the vehicle complies with the later standard.
Older vehicles may, therefore, be fitted with any equipment allowed on newer vehicles
Vehicles that are modified must continue to comply with the Vehicle Standards.

The AVSRs are then adopted into state legislation. For example, in Victoria, the AVSRs are adopted into the Road Safety (Vehicles) Regulations 2009[29]. Additionally, Schedule 2 *Vehicle Standards*, to Regulation 14, contains the following:

Note
This Schedule sets out standards that vehicles must comply with to be eligible for unconditional registration and to be driven on roads and road-related areas.
The ADRs (Australian Design Rules) are rules for designing and building vehicles. Imported vehicles must also comply with the ADRs.
The Vehicle Standards require a vehicle that is subject to an ADR when built or imported to continue to comply with the ADR.

Many aftermarket accessories have the potential to invalidate the vehicle's compliance with the ADRs. For example, an aftermarket bullbar could invalidate the vehicles compliance with the lighting ADRs and the occupant protection ADRs.

Case Study 3.1: Tuff Bullbars and ADR Compliance

Tuff Bullbars claim their bulbar for the FJ Cruiser is "ADR compliant" and "airbag compatible" (see Appendix E for extract from Tuff Bullbars website).

The FCAI questions if there has any enforcement activity to seek to have Tuff Bullbars substantiate that fitting this bulbar to this vehicle, the vehicle will continue to comply with all applicable ADRs.

For example, FCAI member brands were audited in 1st quarter 2014 to ensure their vehicles complied with ADR 13—Installation of Lighting and Light-signaling Devices on other than L-Group Vehicles. During this audit many FCAI member brands were required to supply additional evidence when the vehicle was fitted with a genuine (i.e. branded) accessory.

[28] National Transport Commission (Road Transport Legislation – Vehicle Standards Regulations 2006, Schedule 2 Text of the proposed *Australian Vehicle Standards Rules 1999*, 21 February 2007 compilation, Federal Register of Legislative Instruments F2007C00149
[29] Victoria Road Safety (Vehicles) Regulations 2009, S.R. No 118/2009, Versions incorporating amendments as at 17 August 2010

For some replacement parts (e.g. lights) there are specific component ADRs (e.g. ADR 46 for Headlamps). However, there are many other replacement parts (e.g. exhaust mufflers, body parts) that do not have a specific component ADR but have the potential to invalidate the vehicle's compliance with the ADRs. For example:

- An aftermarket replacement muffler could invalidate a vehicle's compliance with ADR 83/00—External Noise.
- An aftermarket replacement cross-member could invalidate a vehicle's compliance with ADR 73/00—Offset Frontal Impact Occupant Protection.

Aftermarket and non-genuine parts are an issue for FCAI member brands as vehicle manufacturers and importers are required to comply with all relevant ADRs and also state legislation (i.e. AVSRs as outlined above). This obligation is summarised in Administrators Circular 0-2-4[30] which states:

> *"To ensure compliance with section 13A of the* Motor Vehicle Standards Act 1989[31]*, IPA holders must ensure that any optional equipment and/or modifications they offer for their vehicles, either as original equipment or for aftermarket fitting, do not invalidate compliance with any of the applicable ADRs."*

There is a widely held misunderstanding amongst many aftermarket suppliers (and others) that the ADRs only apply to a vehicle up until the time of first registration. This misunderstanding will continue until such time as the State/Territory Governments enforce ongoing compliance with the ADRs.

In the meantime, the safety of the vehicle could be compromised and the integrity of the Motor Vehicle Standards Act and certification system is being seriously undermined.

Stronger links between the ADRs and the AVSRs along with improved enforcement of the AVSRs will deliver the Government's community protection objection.

3.2.5 Recalls

The FCAI has a voluntary Code of Practice for the Conduct of Automotive Safety Recalls[32] (FCAI Recall Code) that outlines the procedures to be followed when an FCAI members is advised or becomes aware that one of their products may have a safety related issue. The FCAI Recall Code is aimed at ensuring members meet their obligations under the Australian Consumer Law (ACL) and to:

- undertake the recall as soon as possible;
- inform the relevant authorities;
- inform the customers and public; and
- prevent the distribution and sale of any vehicle that is subject to the safety recall until completion of the appropriate rectification action.

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[30] Administrators Circular 0-4-2, Fitting of Optional Equipment and/or Modifications to Road Vehicles, issue 3, June 2008

[31] Motor Vehicle Standards Act 1989 – Section 13A Vehicles not to be made nonstandard
(1) Subject to subsection (3), a person must not do an act that results in the modification of a standard vehicle in a way that makes it nonstandard.
(2) Subject to subsection (3), a person must not hand over a standard vehicle to a person for modification, whether by that person or otherwise, in a way that makes it nonstandard.
(3) A person may modify a standard vehicle in a way that makes it nonstandard, or hand over a new vehicle for such modification:
(a) in prescribed circumstances; or
(b) with the written approval of the Minister.
(4) An approval given under subsection (3) may be subject to written conditions determined by the Minister.
(A "*standard*" vehicle is a vehicle that complies with the national standards, i.e. the ADRs.)

[32] Federal Chamber of Automotive Industries, Code of Practice for the Conduct of an Automotive Safety Recall, January 2014

To meet their obligations and conduct effective recall action FCAI member brands would undertake the following actions;

- Receive feedback from Australian dealer network and overseas company affiliates to identify potential issues.
- Technical expertise to analyse data, identify faults, develop any necessary rectification including redesign of parts and development of technical instructions for any recall action.
- Source, produce and distribute parts and technical instructions to dealer network.
- Identify and notify vehicle owners.
- Fund any recall action undertaken as part of vehicle warranty.

While FCAI member brands undertake effective recall action (using the guidelines in the FCAI Recall Code), the FCAI is concerned that other businesses that import vehicles in low volume and/or operate under one of the concessional schemes (e.g. via the SEVS) may not be equipped to undertake effective recall action.

This concern extends to individuals who undertake the personal importation of a new (or near-new) vehicle. While the original owner would be aware of the risk, the vehicle would remain in use in Australia for up to 20 years and subsequent owners may not be aware that the vehicle was a parallel import and the vehicle brand will not be able to undertake any recall action.

Case Study 3.2: Hilux Surf Global Recall

In 2005, Toyota issued a recall for Hilux Surf vehicles built between 1998 through to 2006, in countries where the vehicles were sold. The recall was to replace a steering relay rod as the existing steering relay rod may develop a fatigue crack, which could lead to a facture and loss of steering. This vehicle was not imported or sold by Toyota Motor Company Australia and was parallel imported as a used vehicle.

The importer of these vehicles, Crossover Car Conversions, was not able to notify all owners of the affected vehicles and many state governments had to take action to contact vehicle owners directly. For example the Queensland Government wrote to owners of Queensland registered vehicles and the Northern Territory issued Vehicle Inspectors Bulletin. Additionally, some Toyota dealers attempted to notify owners of affected vehicles via social media and website forums.

This recall highlights the current lack of a strong and rigorous system for recalls of grey imports and their inability to effectively contact vehicle owners. Instead, it fell to other related parties (i.e. state governments and dealers) to take action because of the significant consumer risk.

Imported used vehicles should be checked for any outstanding recalls or service campaigns and any necessary work undertaken. The FCAI recommends that the Government's "Procedures for Inspecting and

Testing Used Imported Vehicles[33]" be updated to include such a check and acknowledgement by the registered automotive workshop that all necessary rectification work has been undertaken.

The FCAI believes that any consideration of strengthening provisions around vehicle recalls must also include acknowledgment that FCAI members will not be able to undertake, nor should be liable for, recalls of personal imports of new vehicles (i.e. parallel imports) or importers of second hand vehicles (i.e. grey imports).

In the event that individuals are allowed to import a new motor vehicle themselves (i.e. parallel imports), the Department needs to consider who is responsible to undertake the recall and if they have the capability to undertake the recall. There is also considerable cost associated with tracking that motor vehicle to ensure any safety recalls are undertaken.

3.3 Summary of FCAI Position

3.3.1 Community Protection

The Government's community protection objectives are best delivered through a strong regulatory regime that ensures new vehicles are delivered to the market meeting the latest safety and emission standards. Any regulatory change that allows older vehicles to be introduced into the market would result in an increase in fleet age and would be detrimental to the Government's community protection (i.e. road safety and environment) objectives. Any regulatory change that allows vehicles not designed for this market to be introduced would also be detrimental to the Government's community protection objectives.

The optional method to continue to deliver improvements in both safety and environment is through harmonisation of the ADRs with the UN Regulations where the case exists for a regulation, i.e. a rigorous process is undertaken to assess the need, costs and benefits of introducing an ADR. When the need for a regulatory standard is demonstrated, the Australian Government should introduce the corresponding UN Regulation in a similar timeframe and with a similar scope as the introduction of the same UN Regulations in Europe. National supporting regulations also need to be harmonised to ensure vehicle categories, masses, dimensions and tolerances are compatible with UN Regulations (e.g. ADR and UN Regulations have different definitions for Passenger Mass, Tare Mass).

3.3.2 Consumer Protection

The highest possible level of consumer protection is available under the current regime where the vast majority of new passenger cars and light commercial vehicles entering the market are introduced by the vehicle brand and sold via authorised dealerships. Consumer risk is increased with the importation of grey vehicles (either used or parallel imports) as has been demonstrated with parallel imports of new motorcycles.

This high level of consumer protection contributes to road safety through ensuring the safety technology in new cars is correctly maintained and operating.

[33] Motor Vehicle Standards (Procedures for Inspecting and Testing Used Imported Vehicles) Determination 2002 – F2006B1430, www.comlaw.gov.au [accessed 17 November 2014]

4.0 RESPONSE TO INQUIRY TERMS OF REFERENCE

The issues that are being considered by the Australian Senate's Standing Committee on Rural and Regional Affairs and Transport Reference Committee as part of their inquiry into aspects of road safety in Australia, that are of particular relevance to the FCAI member brands are:

- the importance of design standards on imported vehicles, as Australian manufacturing winds down; and
- the impact of new technologies and advancements in understanding of vehicle design and road safety.

4.1 Importance of Design Standards

4.1.1 Harmonisation of Australian Design Rules

The FCAI has long supported harmonisation of the ADRs with the UN Regulations for light vehicles (L-category, MA, MB, MC and NA category vehicles). However, this does not mean that Australia has to mandate compliance with all UN Regulations or the latest level of UN Regulations. It means that UN Regulations must be allowed as alternative standards for existing ADRs and that all future ADRs must be based on UN Regulations supported by a rigorous Regulatory Impact Statement to justify the implementation.

It should also be noted that standards are reflected at a point of time and are subject to continual revision. Timing issues may well still arise where there are difference to international standards.

During the Review of the MVSA, three potential methods to increase harmonisation were presented:

1. Remove ADRs and replace them with a legislative reference to UN Regulations.
2. Adopt UN Regulations as the primary motor vehicle standards, with additional capacity to permit variations to suit Australian conditions.
3. Apply the UN Regulations through the ADRs (as is current practice).

The FCAI supported method 3.

The FCAI did not support method 1 for two reasons:

i. It would "permit entry of left hand drive vehicles without provision for conversion to right hand drive or any requirements for the conversion (such as using Original Equipment Manufacturer parts)"[34].

ii. Method 1 is not viable as not all UN Regulations are relevant to Australia. Imposing these would impose additional cost burden to both industry and government without any commensurate safety or other community benefit.

Method 2 is not a practical option as more than 80 per cent of light vehicles sold in Australia are sourced from other than European markets and as such may not have UN Regulation type approval. Some brands use test reports demonstrating compliance to the UN Regulation rather than have 'type approval'. Implementing all UN Regulations is likely to impose additional costs without any safety or other community benefit.

[34] DIRD (2014), Op. Cit., p. 37

As outlined above, the FCAI supports harmonisation of ADRs with UN Regulations where the case exists for a regulation, i.e. a rigorous process is undertaken to assess the need, costs and benefits of introducing an ADR. In this case, the Government should introduce the corresponding UN Regulation in a similar timeframe with a similar scope as the introduction of the same UN Regulation in Europe.

4.1.2 Unique ADRs

While the ADRs are substantially harmonised with the UN Regulation (i.e. the UN Regulation is applied or accepted as alternative standard), the following local requirements for light vehicles would prevent full harmonization with UN Regulations:

- ADR 3/03—Seats and Seat Anchorages. ADR 3/03 is harmonised with UN Regulation 17 except for vehicles which have child restraint anchorages (CRA's) located more than 100 mm below the top of the seat. ADR 3/03 requires a seat with CRA's located more than 100 mm below the top of the seat to be subject to a load of 3.4 kN for each CRA applied simultaneously with a load of 20 times the seat mass. UN Regulation 17 does not have such a requirement.
- ADR 34/02—Child Restraint Anchorages. Particularly the need for 3 top tether anchorages. (UN regulations only require 2 top tether anchorages). The FCAI acknowledges that the Department has begun to address this issue through the international vehicle standards development process.
- ADR 69/00—Full Frontal Impact Occupant Protection. There is no UN Regulation for full frontal impact.
- The Department of Infrastructure and Regional Development policy that in effect prohibits "Passenger Airbag Disable via manual switch". The Department will only accept "Passenger Airbag deactivation **via manual switch**" if the manufacturer provides evidence that the vehicle still meets ADR 69/00 and ADR 73/00 with the Passenger Frontal Airbag deactivated. The Department's policy is intended to have the effect of not allowing "Passenger Airbag deactivation **via manual switch**" in Australia. (The approval authorities in Europe have a different policy regarding "Passenger Airbag deactivation **via manual switch**" and do not require the vehicle to meet the UN crash regulations with the Passenger Airbag switched off).
- ADR 81/02—Fuel Consumption Label. While the test is a UN Regulation (R 101) Australia has a unique fuel consumption label requirement. The FCAI questions the continued benefit of this label as the same information is available on the Green Vehicle Guide website (www.greenvehicleguide.gov.au) where new car buyers are able to compare the fuel consumption of the various vehicles (by make/model/variant) that they are considering.
- Consumer Product Safety Standard for vehicle jacks. There are no UN Regulations for vehicle jacks.
- Owner Manual requirements to provide warnings and instructions prescribed by certain ADRs (e.g. ADR 34) and the Consumer Product Safety Standard for vehicle jacks.
- ADR 61/02—Identification (Compliance) Plate/Label. A unique Australian identification label is required to be fitted to the vehicle.

The FCAI acknowledges and welcomes the Government's drive to reduce red-tape and the subsequent announcement to accelerate harmonisation of ADRs through 'applying' additional UN Regulations. The annual cost saving to the industry from applying a UN Regulation is in the order of $1.2 million[35].

[35] The cost saving estimated by the Department of Infrastructure and Regional Development's Regulatory Burden Measurement (RBM) framework for applying a UN Regulation that is already accepted as an "Alternative Standard".

While the Department of Infrastructure and Regional Development (DIRD) has undertaken action to remove unique ADRs and sections of ADRs, there are a number of individual sections of ADRs that are inconsistent with overseas standards including:

- ADR 42/04—Exhaust outlet requirements. Clause 10.2 contains outdated and unique Australian requirements for exhaust outlet locations. This results in modification of new small buses with current (Euro 5) emission standards.
- ADR 44/0—LPG requirements. Clause 6 refers to an outdated version of AS 1425 and is unclear over its application and doesn't recognise UN R 67.
- ADR 61/02—Vehicle markings. Clause 9.2 requires motorcycles to be fitted with registration label holder. Now that all state governments have eliminated the need for registration labels on light vehicles, this requirement is redundant.

Many of these minor ADR amendment issues have been identified with DIRD and the FCAI is working through the existing consultation processes to seek resolution.

4.1.3 Risk of Expanding Concessional Schemes

The Motor Vehicle Standards Act provides the legislative framework to control the supply to the market of all vehicles, i.e. it puts in place the checks and balances for supply of new and used vehicles including providing the necessary legislative mechanism for the Government to implement vehicle safety and emission standards, i.e. the Australian Design Rules (ADRs).

Personal imports and importation of second-hand vehicles are part of concessional schemes where the requirements to import (i.e. the standards to be met and the burden of proof) are already lower than for new vehicles supplied in full-volume. There are significant shortcomings of the administration of the current concessional schemes and there is significant potential for increasing consumer risk with allowing increased concessions for parallel imports and grey imports of new light vehicles.

In addition to the regulated standards (i.e. ADRs) the FCAI member brands meet both internal corporate standards and industry voluntary standards. For example, the FCAI has a series of Codes of Practice that cover:

- Electromagnetic Compatibility (EMC) of Motor Vehicles.
- The Conduct of an Automotive Safety Recall.
- Fitting Head Protecting Side Airbags.
- Date of Manufacture of New Motor Vehicles.
- Underbody Temperature.
- Functional Requirements for Theft Deterrence.
- Cargo Barriers.
- Parts and Service Policies for Suppliers (includes provision for parts holding).

The FCAI does not support allowing greater access (i.e. further reducing the barriers) to the personal importation of new vehicles or the importation of second-hand vehicles.

If the Government considers any further concessions to personal or parallel importation of either new or used vehicles it needs to recognise future potential source markets such as China and India. The government is in the final stages of signing a Free Trade Agreement (FTA) with China and is considering entering negotiations with India to also develop a FTA.

China is the largest and fastest growing vehicle market in our Region with sales almost quadrupling from 5.7 million in 2005 to almost 22 million in 2013. Unlike China, India is a right hand drive market that is also experiencing significant growth. Annual vehicle sales in India more than doubled from 1.4 million in 2005 to more than 3.2 million in 2013[36].

Automotive brands engineer their motor vehicles for each market they are sold in. Accordingly, motor vehicles supplied to the Australian market by brands are engineered for our local conditions. These conditions vary considerably when compared to other geographic regions around the world.

Australia's climatic and environmental conditions are significantly different to other major right-hand drive markets, such as the United Kingdom and Japan, which are generally cooler and less prone to extreme high temperatures. These differences necessitate substantial engineering changes to motor vehicles imported into Australia to enable those motor vehicles to perform as intended.

Australian consumers can be assured that cars made for Australian conditions and safety specifications will cope with the Australian climate, lifestyle and roads. This includes having the appropriate engine and transmission cooling systems to cope with Australia's hot climate, towing requirements and fuel quality. It also includes having specifically calibrated convenience items such as sat-nav, air-conditioning and infotainment systems.

Fuel quality differs from country to country, which means engines and the Engine Control Units (ECU) that control them are required to be calibrated differently. Using the incorrect fuel in an engine not calibrated for that fuel increases the likelihood that the engine will suffer from degraded performance and increased emissions. It also increases the likelihood that the engine will not meet the expectations of the consumer, and may need replacing sooner than would ordinarily be the case for an equivalent Australian specified model.

4.2 New Safety Technologies

4.2.1 Introduction of New Safety Technology

Completion is one of the main drivers of safety. In response to consumer demand, FCAI member brands introduce new safety systems and technology with new models in a similar timeframe to other advanced markets. Each brand will have a strategy for introduction of safety technology/systems to meet consumer expectations (and/or government regulations) in their main markets.

Many road safety advocates are of the belief that Australia "lags Europe" in adopting safety technology. For example while ESC was introduced into Australia (prior to any regulation) in a similar timeframe to many European countries there were some European countries with fitting rates in advance of Australia. Those countries normally had other policies to encourage take-up, e.g. financial incentives from government or insurers.

[36] Organisation Internationale des Constructeurs automobiles (OICA), Registration or Sales of New Vehicles – All Types, www.oica.net, [accessed 25 November 2014]

It is recommended that when considering any apparent "lag" with Europe on the introduction of safety technology (e.g. AEB) the following steps are taken:

1. Accurately identify the benefits of the safety technology and determine if this is the best option for improving road safety in Australia.
2. Identify the fitting rates of the relevant countries for comparison.
3. Identify what (if any) policies are in place to encourage the fitting, e.g. reduced insurance premiums, reduced government taxes/charges.

These steps will then allow the appropriate regulatory authority (i.e. DIRD) to undertake the appropriate actions.

4.2.2 Voluntary Code of Practice for Fitting Head Protecting Side Airbags

A good example of FCAI member's commitment to safety is the Voluntary Code of Practice for Fitting Head Protecting Side Airbags which was introduced in June 2010[37]. A copy of the code is included in Appendix C for ease of reference.

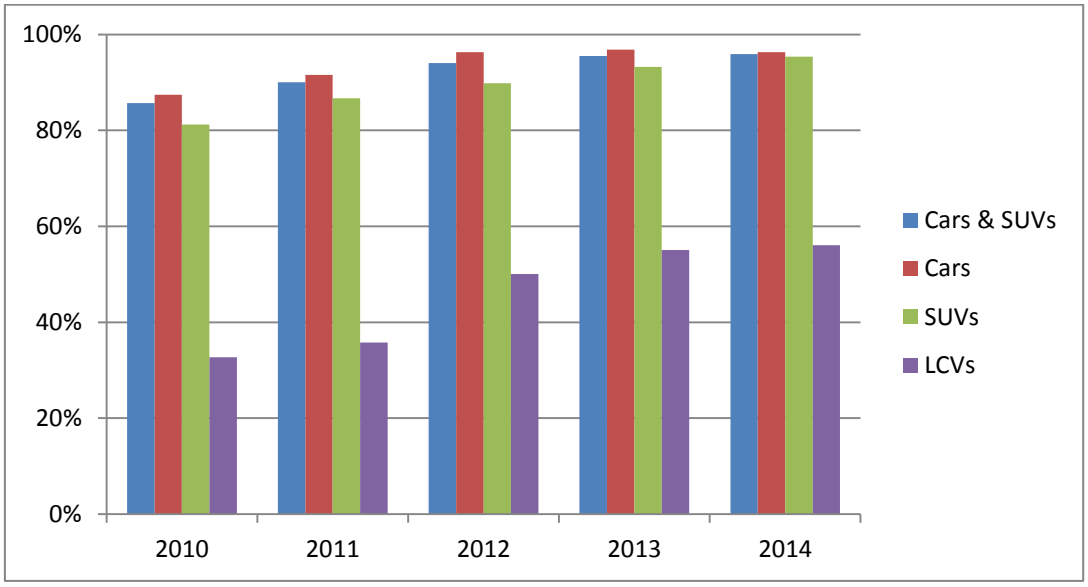
Under the Code of Practice all FCAI member companies committed to supply passenger cars, passenger vans and passenger SUVs fitted with head protecting side airbags (HPSA) to the Australian market in accordance with the following timeframe:

- 80% of sales; vehicles with a built date from of 1 January 2012 or later;
- 90% of sales; vehicles with a built date of 1 January 2014 or later;
- 100% of sales; vehicles with a built date of 1 January 2016.

The voluntary Code has proven to be successful and FCAI members are meeting their commitments (see Figure 4.1):

- 2012 fitting rate of 94% compared with a target of 80%; and
- 2014 fitting rate of 96% compared with a target of 90%.

Figure 4.1 – Fitting rates of HPSA[38]



[37] FCAI Code of Practice, Head Protecting Side Airbags, www.fcai.com.au [accessed 13 July 2015]
[38] Fitting rate data provided by IHS Polk. Data table contained in Appendix B.

FCAI member companies are FCAI members are on track to have 100% fitting rates for all LPVs built from 1 January 2016.

With the recent introduction of new models and/or the scheduled replacement of models of the volume selling light commercial vehicles the FCAI would estimates that the rate of fitting HPSA in light commercial vehicles will exceed 75% by the end of 2015.[39]

4.2.3 Autonomous Emergency Braking (AEB)

Autonomous Emergency Braking (AEB) are systems which can alert the driver to an imminent crash and can help him use the maximum braking capacity of the car, and which can also apply the brakes independently of the driver if the situation becomes critical. There are 3 types of AEB (identified by Euro NCAP)[40];

- 'AEB City' works at low driving speeds (up to 30 or 50 km/hr) and targets reduction in rear end shunts often associated with whiplash neck injuries.
- 'Inter-Urban AEB' works at higher speeds (up to 80 km/hr) and targets fatal and serious injury crashes that may be caused by driver inattentiveness or distraction.
- 'AEB Pedestrian' is able to identify pedestrians and other vulnerable road users (e.g. cyclists). Often included as part of AEB City.

Research conducted by Euro NCAP and ANCAP (funded by the Australian government) showed a "38% reduction in real-world, rear-end crashes for vehicles fitted with low speed AEB." [41]

Again the industry has taken the lead, in the absence of any regulation, and begun fitting AEB as new models are introduced. Data from IHS Polk shows that AEB fitting rates in Australia in 2015;[42]

- Passenger cars – 29% (up from 14% in 2014)
- SUVs – 19% (up from 11% in 2014)

This appears to be similar to fitting rates in many European countries as shown in a Euro NCAP Survey conducted in 2012.[43]

4.2.4 Advanced Driver Assistance Systems

Autonomous emergency braking (AEB) is just one of the new advanced driver assistance systems (ADAS) that are currently entering the market with new models. Advanced driver assistance systems (ADAS) assist the driver with warnings or automatic braking to help avoid or mitigate accidents.[44]

ADAS systems that are currently being delivered to the market in Australia include:

- blind spot monitoring,
- adaptive cruise control,
- following distance warning,
- lane keep assist,

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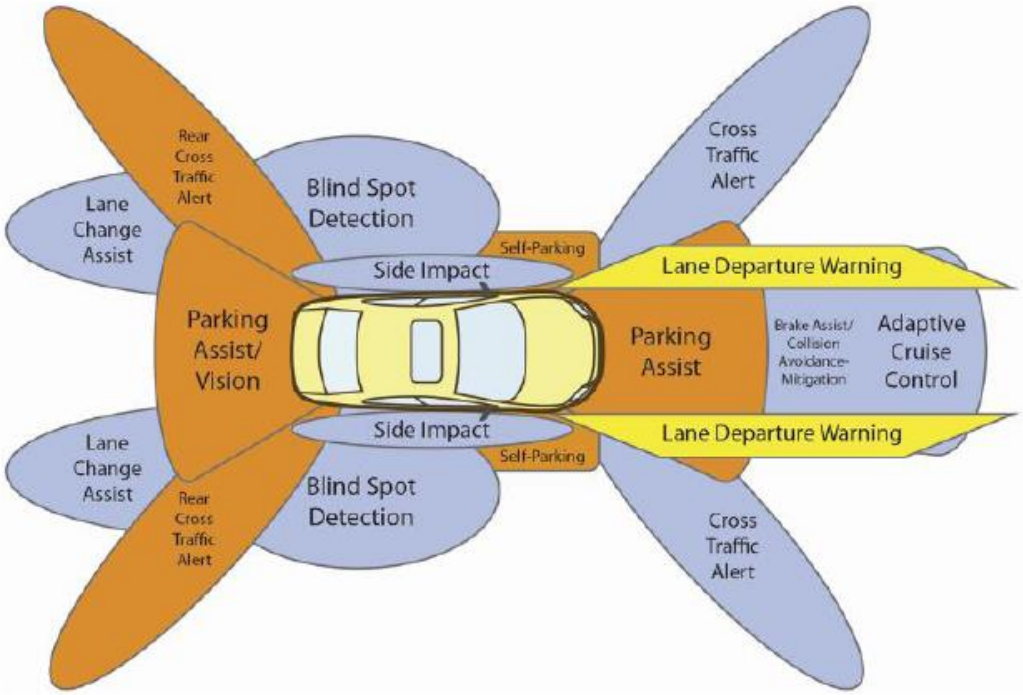
[39] Estimate based on June 2015 YTD sales
[40] EuroNCAP, www.euroncap.com, [accessed 30 July 2017]
[41] Fildes, B. et al, 2015, Effectiveness of low speed autonomous emergency braking in real-world rear-end crashes, *Accident Analysis and Prevention, v*ol. 81 (2015) pp. 24-29
[42] Data supplied by IHS Polk. Same data is supplied to the NSW Governments, Centre for Road Safety
[43] EuroNCAP, EuroNCAP's AEB Fitment Survey 2012, www.euroncap.com, [accessed 30 July 2015]
[44] Insurance Institute for Highway Safety, Crash avoidance technologies, www.iihs.org [accessed 6 October 2014]

- land departure warning,
- self-parking,
- adaptive headlights,
- fatigue warning, and
- traffic-jam assist.

Figure 4.2 ADAS Systems[45]



4.2.5 Cooperative – Intelligent Transport Systems (C-ITS)

It has been widely acknowledged that cooperative intelligent transport systems have significant potential to deliver safety benefits. Cooperative Intelligent Transport Systems (C-ITS) enables communication and real-time information sharing between vehicles (V2V) and roadside infrastructure (V2I) as well as to pedestrian and cyclists via wireless consumer devices, in order to improve safety, productivity, efficiency and environmental outcomes.

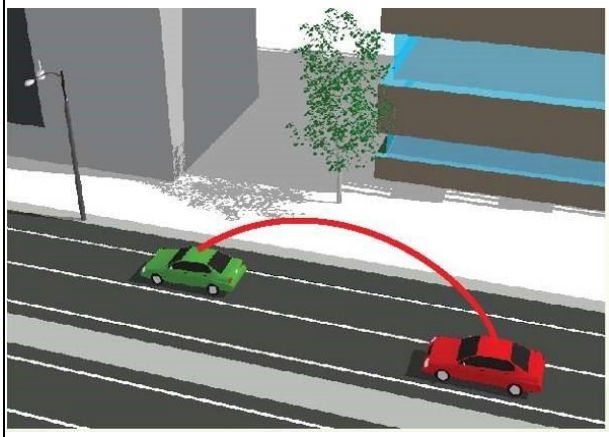
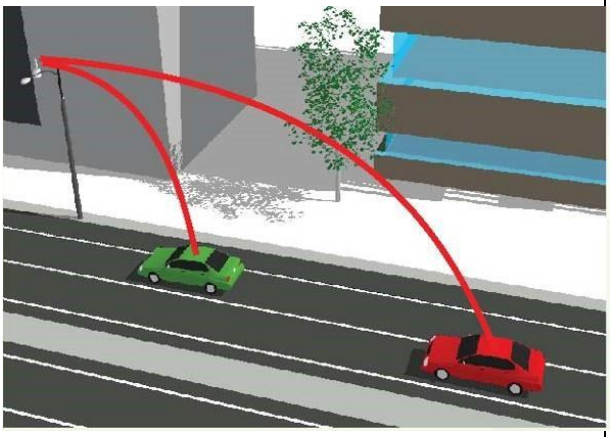
The C-ITS environment offers a fundamental and long term economically and environmentally sustainable solution to improve road safety and the transport of people and freight. Implementation of C-ITS will provide benefits in terms of:

- Reduced traffic accidents with reductions in injuries and fatalities
- Reduced traffic congestion
- Reduction in energy consumption (i.e. less CO_2 and pollutant emissions) in road transport
- Reduction in transport costs with economic benefits
- Improved inter-modal transport with reduction in transport costs and traveler benefits.

In their Advanced Notice of Proposed Rule Making[46] (ANPRM), the United States government quoted a study that found V2V technology had the potential to reduce up to half of all intersection crashes.

[45] Lund, A.K., 2015, Insurance Institute for Highway Safety and Highway Loss Data Institute, "Vehicle Safety: Where It's Been and Where It's Heading" Washington, D.C. 15 January 2015. www.iihs.org [accessed 5 August 2015]

Figure 4.3 Examples of C-ITS

Fig 4.3(a) - V2V connectivity	Fig 4.3 (b) - V2I connectivity
	
Supports safety applications; • Forward Collision Warning • Intersection Collision Warning • Emergency Electronic Brake Light • Do Not Pass Warning • Intersection Movement Assist	Supports safety and mobility applications: • Curve Speed Warning • Red Light Violation Warning • Security Certificate Updates • Traffic Probe Snapshot • Traveler Information Messages

Over the next few years, FCAI member brands will introduce vehicles with car-to-car (V2V) and car-to-infrastructure (V2I) communications technology. For example, GM will introduce C-ITS on their 2017 model Cadillac CTS using software developed by Cohda Wireless in Australia.[47]

To facilitate the introduction of vehicles with C-ITS, and to send a signal to governments on the standards for road infrastructure, the FCAI has advised various levels of government of our view on spectrum allocation, the standards required and offered to work with the government to develop an appropriate regulatory model.

The FCAI has asked ACMA to allocate the 5.9 GHz spectrum with the European channel allocations by 1 January 2017.

All vehicle brands are working to develop this technology at a global level and for Australia to receive the safety (plus environmental and traffic management) benefits its introduction must be managed at a national level. Unfortunately, not all markets are using the same frequency bands for C-ITS. For example the next generation V2V and vehicle to infrastructure (V2I) safety systems from Japan will not work in Australia, and moreover, the radio transmitters in these vehicles may cause harmful interference to other licensed spectrum users.

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[46] US NHTSA 43-14, 18 August 2014, Notice and NHTSA report outline promise of cutting-edge technology, www.nhtsa.gov [accessed 5 Sep 2014]

[47] Cohda Wireless press release, 17 September 2014, Cohda applauds news of GM's first 'connected car', www.cohdawireless.com.au , [accessed 7 July 2015]

The Japanese DSRC systems operate in the 5.8GHz band. This is used in Japan for toll collection as well as vehicle to infrastructure communication for traffic congestion, parking, etc. These systems may interfere with our freeway toll collection systems if not turned off.

Japanese C-ITS systems operating in the 700 MHz band will most likely interfere with new services in the "Digital Dividend" band. The Japanese V2V band (715 – 725 MHz) occupies part of the band that Telstra just purchased from Australian Communications and Media Authority (ACMA) for $1.3 billion for next generation mobile applications.

While the United States and Europe are both using the 5.9 GHz band there are different channel allocations within this band. Therefore vehicles specified and manufactured for these two markets would not be able to communicate with each other, negating the safety benefits of V2V technology.

As a vehicle's electronic safety sensors and management systems are integrated to maximise the safety benefit modifying an existing vehicle to operate within another market's C-ITS network is not possible and the full safety and traffic management benefits would not be delivered.

In essence, two requirements need to be met for vehicles to operate in an Australian C-ITS environment and the Australian community to derive the optimal benefits of C-ITS:

1. A standardised interface harmonised with the European standards as Australian vehicle safety and environmental regulatory standards are harmonised with the European standards.
2. A regulatory model that ensures vehicles fitted with C-ITS being delivered to Australia meet the European standards and will operate within the specified spectrum.

4.3 Summary of FCAI Position

4.3.1 Importance of Design Standards

The FCAI supports harmonisation of the ADRs with the UN Regulations for light vehicles (L-category, MA, MB, MC and NA category vehicles). However, this does not mean that Australia has to mandate compliance with all UN Regulations or the latest level of UN Regulations. It means that UN Regulations must be allowed as alternative standards for existing ADRs and that all future ADRs must be based on UN Regs supported by a rigorous Regulatory Impact Statement to justify the implementation.

The FCAI supports the Government's current actions to accelerate harmonisation through 'applying' additional UN Regulations and also the intention to implement the International Whole of Vehicle Type Approval (IWVTA) when this is finalised in early 2016.

The FCAI does not support allowing greater access (i.e. further reducing the barriers) to personal importation of new vehicles or the importation of second-hand vehicles due to the risk of introducing vehicles that meet a lower safety standard and or not designed to operate in Australia's environmental conditions.

4.3.2 Introduction of new safety technology

FCAI member brands introduce new safety technology with the introduction of new models in a similar timeframe to other advanced markets as has been demonstrated through the introduction of proven safety technology, such as head protecting side airbags, in the absence of regulation.

C-ITS has potential to deliver significant safety benefits along with other community benefits such as reduced energy consumption (resulting in less CO_2 and pollutant emissions), reduced congestion and reduced transport costs. To facilitate the introduction of vehicles with C-ITS, and to send a signal to governments on the standards for road infrastructure, the FCAI has advised various levels of government of our view on spectrum allocation (i.e. 5.9 GHz band with the European channel allocations), the standards required and offered to work with the government to develop an appropriate regulatory model.

Two requirements need to be met for vehicles to operate in an Australian C-ITS environment and the Australian community to derive the optimal benefits of C-ITS:

1. A standardised interface harmonised with the European standards as Australian vehicle safety and environmental regulatory standards are harmonised with the European standards.
2. A regulatory model that ensures vehicles fitted with C-ITS being delivered to Australia meet the European standards and will operate within the specified spectrum.

5.0 CONCLUSION

The FCAI welcomes the opportunity to provide a submission to the Australian Senate's Standing Committee on Rural and Regional Affairs and Transport Reference Committee's inquiry into aspects of road safety in Australia.

Road safety is important to FCAI and members and as outlined in our response to the (draft) National Road Safety Strategy (NRSS) 2011-2020, the FCAI and member brands support the NRSS and a "safe system" approach that includes:

- Safe roads;
- Safe vehicles; and
- Safe behaviour – incorporates both safe speeds and safe people; reflects a clearer and more accurate message of the driver's responsibility in road safety.

Crucial to road safety is the quality of the motor vehicles entering the Australian fleet. Consequently, the Motor Vehicle Standards Act (MVSA) directly impacts on road safety as it sets the minimum regulatory safety and environmental standards for vehicles being introduced into Australia.

The FCAI and member brands view the *Motor Vehicle Standards Act 1989* as having an overwhelmingly positive impact on road safety with new vehicles being supplied to Australia delivering improvements in safety and environmental performance, meeting buyer expectations and reduced motor vehicle theft; at the same time as contributing to a highly competitive market that delivers vehicles at internationally competitive prices.

The FCAI does not support allowing greater access (i.e. further reducing the barriers) to personal importation of new vehicles or the importation of second-hand vehicles due to the risk of introducing vehicles that meet a lower safety standard and or not designed to operate in Australia's environmental conditions.

Design standards are important for all vehicles that are entering the Australian market and the FCAI has been a strong supporter of the Government's approach to harmonise the Australian Design Rules with the United Nations Regulations for light vehicles. The next major change in vehicle and road safety is likely to be with Co-operative Intelligent Transport Systems (C-ITS) which has potential to deliver significant safety benefits along with other community benefits such as reduced energy consumption (resulting in less CO_2 and pollutant emissions), reduced congestion and reduced transport costs.

All FCAI member brands, as part of global vehicle brands, are committed to a policy of continuous improvement and have a proven track record of improving vehicle safety.

APPENDIX A THE AUSTRALIAN AUTOMOTIVE INDUSTRY

The FCAI is the peak industry organisation representing vehicle manufacturers and importers of passenger vehicles, light commercial vehicles and motorcycles in Australia.

The automotive industry is a major contributor to Australia's lifestyle, economy and community and is Australia's largest manufacturing industry. The industry is wide-ranging—it incorporates importers, manufacturers, component manufacture and distribution, retailers, servicing, logistics and transport, including activity through Australian ports and transport hubs.

The Australian automotive industry employs nearly 280,000 people directly and indirectly throughout Australia. Approximately 66,000 people are employed across more than 4,500 dealerships, and the industry generates around $62 billion in revenue.[48]

There are now around 67 brands in the Australian market, with just over 1.1 million new vehicle sales per year. That is a lot of brands to service a market of our size equating to only 16,597 new vehicles sold per brand. The following table provides a comparison of the competitiveness of global markets with double the number of new vehicles sold per brand in Canada, almost three times as many in the United Kingdom and more the 255,000 new vehicles sold per brand in the United States.

Table A.1 Competitiveness of Global Vehicle Markets[49]

	Australia	Canada	UK	USA
No. of brands in market	67	49	53	51
Sales	1,112,032	1,620,221	2,249,483	13,040,632
Market size per brand	16,597	33,066	42,443	255,699

Australia is one of the most open and competitive light vehicle markets in the world with more than 60 brands, 350 models and 20 source countries. In 2012, only 13 percent of new vehicles sold were manufactured locally with the remaining 87 per cent of new vehicles imported from many countries and regions of the world including Asia (more than 60 per cent), Europe (14 percent), North and South America (3 per cent), and South Africa (3 percent) (see Table A.2).

Motor vehicles are more technologically advanced today than ever before. While the structural changes in the Australian market, in terms of lower tariffs and more brands, has resulted in significant consumer benefits with improved affordability and choice it has also greatly increased the knowledge base required of repairers. The repair industry has had to change to compete in this global market place and cannot slow the rate of adoption of these technologies, or limit consumer choice.

[48] http://www.ibisworld.com.au/industry/default.aspx?indid=434

[49] Australian Government, Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, March 2013 Automotive Update.

Table A.2 Country/Region of Origin for New Vehicle Sales in 2013[50]

Country/Region of Origin	% of New Vehicle Sales
Japan	32%
Thailand	20%
Europe	16%
Korea	12%
Australia	10%
Americas	4%
Other Asia (incl China and India)	2%
Other (incl South Africa)	3%

The expansion of new and global brands and models into the market has led to the introduction of advanced security, safety and environmental features in motor vehicles. The introduction of these features is in response to increasingly strict environmental regulations and growing demands from consumers for advanced security and safety features.

Vehicle brands face a range of de-facto regulations in the form of safety and environmental star ratings and buyer requirements. They face a range of competitive pressures to continually improve environmental performance and safety standards. For example, around 30–50 percent of vehicle sales are sold to governments and fleets that frequently require a 5 star ANCAP rating and/or 4 star GVG rating.

[50] FCAI, VFACTS National Report, New Vehicle Sales, December 2013.

APPENDIX B PRICE AND SPECIFICATION ANALYSIS

The price and specification analysis was conducted in mid-2014 and used the prices and specifications of the models available at that time.
Each market has unique specification differences.
Brands have sought prices in each market to a similar or 'like-for-like' specification levels as much as practical.
Prices are Manufacturer's List Price or RRP (UK) unless otherwise stated. These are not Drive-Away or On-the-road (OTR) prices.
The exchange rate has changed significantly since this price comparison was undertaken 12 months ago. For example, the average daily exchange rate for July 2015 would increase the Price in the UK by 12% and the Price in Japan by 2%.

Vehicle	Price in Australia (MLP)[1]	Price in UK[2] (of Australian-spec model[3])	Price in Japan[4] (of Australian-spec model[5])	Notes
Subaru XV 2.0	AUD$28,490	AUD$38,957	AUD$26,863	
Subaru Forester 2.0i	AUD$29,990	AUD$41,534	AUD$29,179	
Ford Focus Trend hatch	AUD$22,290	AUD$32,325	Model not available	
Ford Focus 5HB Sport 2.0L Auto	AUD$28,190	Like-for-like comparison is not feasible	AUD$32,267	
Mazda 3 Neo hatch	AUD$23,792	AUD $30,271	Model not available	
Mazda3 SP25 5HB I4 2.5L Petrol 138kW 6AT	AUD$ 27,890	Model not available	AUD$22,718	
Mazda6 Sport 4SDN I4 2.5L Petrol 138kW 6AT	AUD$33,460	AUD$43,059	AUD$28,677	
Mazda CX-5 FWD Maxx Sport 5WGN I4 2.0L Petrol 114kW 6AT	AUD$33,620	AUD$42,739	AUD$24,560	
Holden Cruze CDX/Chevrolet Cruze LTZ	AUD$24,590	AUD$36,218	Model not available	
Holden/Chevrolet Captiva LT	AUD$36,490	AUD$50,245	AUD$43,223	
Holden/Chevrolet Trax LS	AUD$23,990	AUD$27,536	Model not available	
Toyota Corolla Ascent Sport hatch	AUD$23,540	AUD$24,250	Like-for-like comparison is not feasible	Sold as the Toyota Auris Icon in the UK.

Volkswagen Tiguan 132TSI	AUD$36,990	AUD$48,580	Like-for-like comparison is not feasible	Sold as the Tiguan Match in the UK
Chrysler 300C Luxury	AUD$56,000	AUD$53,654	Like-for-like comparison is not feasible	Sold as V6 Executive in the UK
Alfa Romeo Mito 875cc Progression 0.9litre 77KW	AUD$22,500	AUD$25,961	Like-for-like comparison is not feasible	Sold as the TwinAir Sprint 105hp in the UK
Audi A4 2.0 TFSI quattro S tronic Ambition	AUD$59,900	AUD$63,427	Like-for-like comparison is not feasible	
Audi A3 Sportback 1.4 TFSI S tronic (92kW)	AUD$35,600	AUD$37,641	AUD$34,436	Designated 'SE' in UK and 'Attraction' in Australia.
Audi Q3 1.4 TFSI S tronic	AUD$42,300	AUD$44,560	AUD$41,358	Designated 'SE' in UK
Audi Q5 2.0 TDI quattro S tronic (130kW)	AUD$62,600	AUD$63,645	Like-for-like comparison is not feasible	
Audi Q5 2.0 TFSI quattro S tronic	AUD$63,204	Like-for-like comparison is not feasible	AUD$61,480	
Audi A6 2.0 TDI multitronic	AUD $78,548	$66,152	Like-for-like comparison is not feasible	Designated 'SE' in UK. AU Price listed excludes a LCT payment of $952 which brings the total MLP of the motor vehicle to $79,500
Audi A6 2.0 TFSI multitronic	AUD$77,317	Like-for-like comparison is not feasible	AUD$66,536	AU Price listed excludes a LCT payment of $583 which brings the total MLP of the motor vehicle to $77,900
BMW 3 series – 328i	AUD$69,400	AUD$68,808	Like-for-like comparison is not feasible	
BMW 1 Series (116i)	AUD $36,700	AUD $42,854	Like-for-like comparison is not feasible	

BMW X1 (sdrive 18d)	AUD $46,300	AUD $51,938	Like-for-like comparison is not feasible	
BMW X3 (xdrive 20d)	AUD $64,400	AUD $67,533	Like-for-like comparison is not feasible	
BMW 5 Series (528i)	AUD $92,702	AUD $87,828	Like-for-like comparison is not feasible	AU Price listed excludes a LCT payment of $5,198, which brings the total MLP of the motor vehicle to $97,900
BMW X5 (xdrive 30d)	AUD $94,625	AUD $98,648	Like-for-like comparison is not feasible	AU Price listed excludes a LCT payment of $5,775, which brings the total MLP of the motor vehicle to $100,400
Mercedes-Benz C-class	AUD$60,900	AUD$56,659	Like-for-like comparison is not feasible	
Mercedes-Benz A180	AUD$35,600	AUD$42,417	Like-for-like comparison is not feasible	
Mercedes-Benz A45 AMG	AUD$74,900	AUD$87,156	Like-for-like comparison is not feasible	
Mercedes-Benz ML350 BlueTec Diesel	AUD$92,303	AUD$100,410	Like-for-like comparison is not feasible	AU Price listed excludes a LCT payment of $9,933, which brings the total MLP of the motor vehicle to AUD$102,236.
Land Rover Freelander 2 TD4 SE	AUD$54,100	AUD$55,832	Like-for-like comparison is not feasible	
Range Rover Evoque eD4 Pure	AUD$49,995	AUD$46,795	Like-for-like comparison is not feasible	

Range Rover Sport SDV6 HSE	AUD$110,688	AUD$103,486	Like-for-like comparison is not feasible	AU Price listed excludes a LCT payment of $15,541, which brings the total MLP of the motor vehicle to AUD$126,229.
Volvo V40 T5 R-Design	AUD$49,990	AUD$44,888	AUD$55,700	
Volvo S60 T5 R-Design	AUD$63,890	Like-for-like comparison is not feasible	AUD$53,667	
Volvo XC 60 D5 Luxury	AUD$69,990	AUD$68,555	Model not available	

Notes:

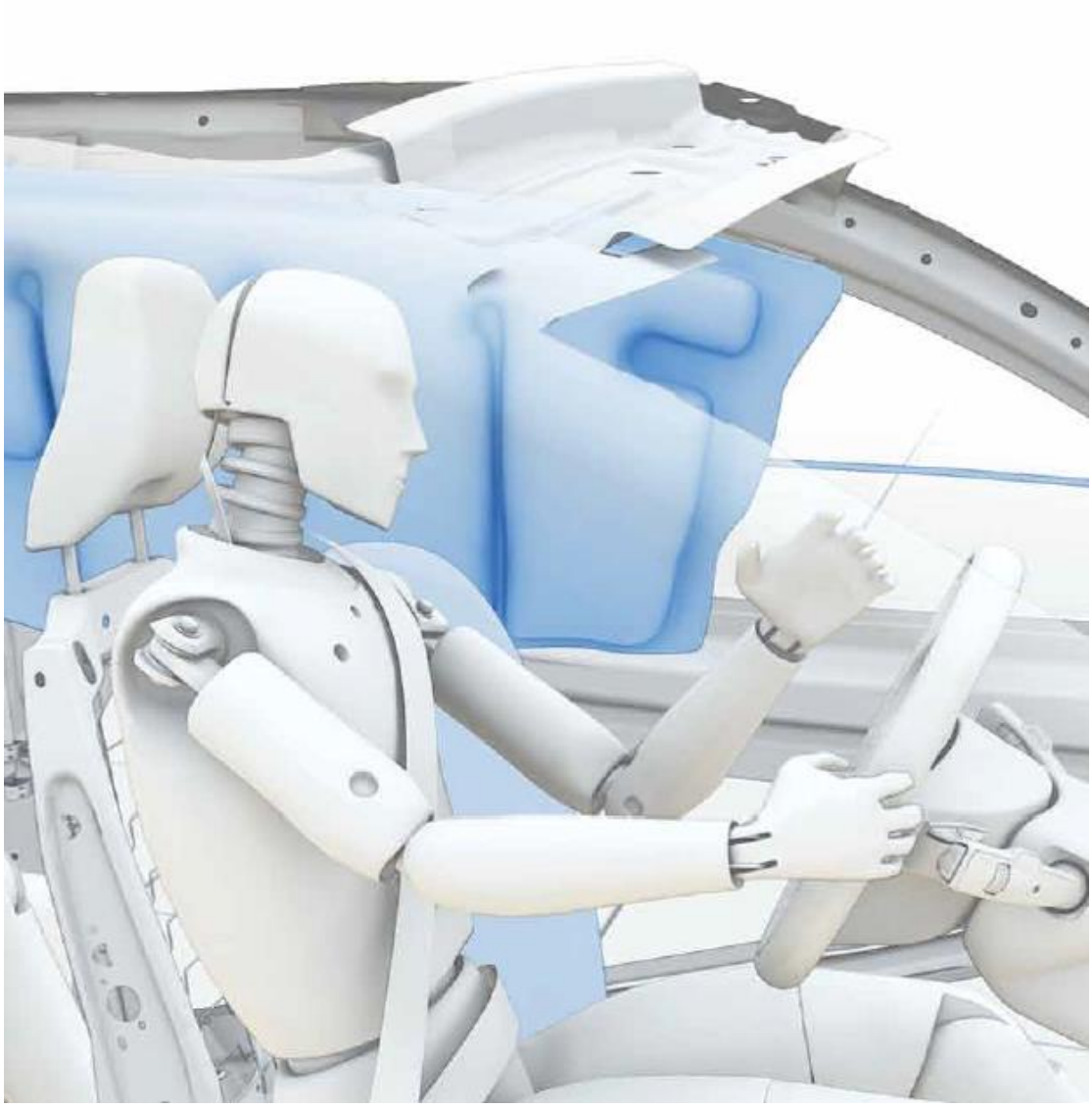
1. Prices are Manufacturer's List Price and includes GST applicable to the base/standard specification model but does not include dealer delivery and various government charges (e.g. registration fees, stamp duty, CTP and the like) normally included in a 'drive-away' price. Any LCT applicable is shown in the notes column.
2. For conversion purposes we have used the average daily exchange rate during the 1st half of 2014 from the Reserve Bank of Australia, Exchange Rate Data [http://www.rba.gov.au/statistics/hist-exchange-rates/index.html]—$1 to £0.55 GBP.
3. Price in the UK if a model with the same level of specification as Australian variant was available. Where a model with this level of specification is not available, these prices are based on estimates from the brand.
4. For conversion purposes we have used the average daily exchange rate during the 1st half of 2014 from the Reserve Bank of Australia, Exchange Rate Data [http://www.rba.gov.au/statistics/hist-exchange-rates/index.html]—AUD$1 to ¥93.7
5. Price in Japan if a model with the same level of specification as Australian variant was available. Where a model with this level of specification is not available, these prices are based on estimates from the brand.

APPENDIX C FCAI CODE FOR FITTING HPSA

FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

CODE OF PRACTICE

HEAD PROTECTING SIDE AIRBAGS



A proactive approach to safety

The FCAI member companies[1] recognise the benefits of new safety technology and the role it plays in reducing deaths and serious injuries on Australian roads.

To provide the maximum safety benefits to buyers of new passenger vehicles, the FCAI member companies have agreed to set targets for the fitting of Head Protecting Side Airbags (HPSA) to passenger cars and SUVs.

HPSAs are currently fitted to more than 70 per cent of passenger cars and more than 80 per cent of SUVs sold in Australia.

The FCAI member companies are taking a proactive approach to accelerate the fitting of this technology. They commit to having a 100 per cent fitting rate by 1 January 2016.

This is just one of many safety initiatives developed between the automotive industry, federal government and other stakeholders.

The industry's commitment

The FCAI member companies commit to supply passenger cars, passenger vans and passenger SUVs (MA, MB and MC categories) fitted with HPSA to the Australian market in accordance with the following timeframe[2]:

Fitting Rate	>	Built Date[3]
80% of Sales	>	1 January 2012
90% of Sales	>	1 January 2014
100% of sales	>	1 January 2016

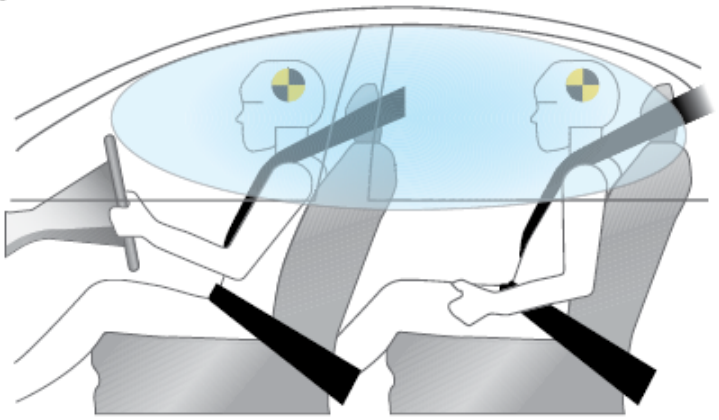
This commitment will apply to front row, outboard seating positions and meet at least one of the following technical requirements:

- HIC36 performance of 1000 or less for a SID-H3, ES2 or ES2RE dummy in the driver's seating position in a FMVSS 201/EuroNCAP/ANCAP[4] pole impact test.
- HIC15 performance of 779 or less (with no direct head contact with the barrier) for a SID-IIs crash dummy in the driver's seating position in the IIHS MDB side impact crash test.
- HIC36 performance of 1000 or less for an ES2RE dummy in the driver's seating position in a FMVSS 214 oblique pole impact test.

What is a head protecting side airbag?

Most people have heard of driver airbags (or frontal airbags). While these come as standard in most cars, they do not protect you in a side impact crash. A Head Protecting Side Airbag (HPSA) is needed to protect a drivers or passengers head in a side crash into a pole or tree.

The most commonly fitted type of HPSA is known as a curtain airbag. In a crash, curtain airbags activate instantaneously, deploying from the roof frame above the side window and are designed to protect the driver's and passenger's heads in a crash.



The case for head protecting side airbags

Impacts with narrow objects such as poles and trees can cause serious head injuries when the impact is from the side and closely aligned with a vehicle occupant. In Australia, poles and trees are the most commonly hit objects in fatal, single vehicle crashes.

Around 24 per cent of all fatal road crashes and 11 per cent of all serious injury crashes throughout Australia involved hitting a tree or pole.

The risk of death or serious injury could be reduced if the vehicle is fitted with a head protecting side airbag.

The Australian automotive industry and consumers have moved quickly to embrace HPSA with more than 70 per cent of passenger cars and more than 80 per cent of SUVs being sold with the technology. This industry code of practice commits FCAI members to accelerating those fitting rates.

> " The risk of death or serious injury could be reduced if the vehicle is fitted with a head protecting side airbag."

Australia – leading the way

The Australian Government is leading the way in trying to reduce serious injuries and deaths from side impact collisions. At the June 2010 United Nations Working Party on international vehicle regulations, member states agreed to an Australian proposal to develop a global technical regulation (gtr) for a pole/side impact standard.

The FCAI supports the Australian Government's proposal. This demonstrates the commitment that the Australian automotive industry has in embracing world class safety features.

[1] A list of the FCAI member companies is available on our website www.fcai.com.au.

[2] This commitment does not include convertibles or vehicles with sales of less than 100 units per annum.

[3] The date of manufacture as defined by the FCAI Code of Practice for Date of Manufacture of New Motor Vehicles.

[4] Using EuroNCAP Pole Test Protocol Version 4.1 or later.

TG10400

APPENDIX D SEVS EXAMPLES

The current SEVS and RAWS schemes allow used and parallel new imports with the intention to make specialists and enthusiasts' motor vehicles available in Australia that would not otherwise be imported by the brand.

Unfortunately, there are a number of examples that demonstrate the existing system isn't working as it is intended where the importer and/or RAWS workshop has not meet their full obligations (in the FCAI's view) leading to the consumer carrying all the risk.

Example 1: NSW Office of Fair Trading
The NSW Office of Fair Trading continues to receive complaints from consumers relating to the accuracy of odometers in second hand vehicles imported from Japan. Consumers have detailed a range of defects, including major rust and engine faults that had become apparent shortly after purchase.

Fair Trading officers investigating these complaints have found the rust or engine faults are not commensurate with the recorded distance travelled on the vehicles odometer.

Example2: Kawasaki
Kawasaki has identified grey (both used and parallel) imports or motorcycle, jet skis and offroad vehicles from the US. Unfortunately, the true history of the vehicle is difficult to ascertain.

Advice from Kawasaki is:

> *"For our Jet Ski products we just had a call about 2 units in Queensland being sold as brand new, but both had previous owners in the USA. One was sold to a rental company in the USA with 3 months warranty then being sold as new unit with full warranty. We were contacted by one customer who had problems with her grey import Jet Skis she purchased, the after sales service was very poor and it cost her more than any savings she had in purchasing a grey import."*

Example 3: Volkswagen
Volkswagen Group Australia (VGA) have identified issues with grey vehicles imported from the United Kingdom that highlights the difficulty of warranty issues associated with grey imports when outside 2 year global warranty period. Warranty will need to be addressed through a combination of Dealer, VGA and customer co-payments.

VGA Technical Department advises customers who have imported a grey import:

> *"If it is a different engine or car that we and the dealers have not been trained on we will not be able to support them."*

Example 3: Subaru
Subaru have identified various registration difficulties for Japanese-sourced grey imports:

- Japanese domestic market vehicles do not have an ISO VIN. Instead they have a VIN with 3 letters then 9 to 10 digits – eg: BFZ 123456789.
- Australian registration authorities require a 17 digit ISO VIN.
- When a grey import Japanese domestic market car is registered in Australia it requires a new VIN to be created by the importer and the new VIN to be manually loaded into registration system (via NEVDIS).

- This causes problems for record keeping, tracking, service technology as well as providing opportunities for stolen cars to be registered legally.

Subaru have also identified that access to a vehicle diagnostic fault codes as problematic.

- Diagnostic equipment is registered for a specific market with the language of that country. A Japanese market Subaru will be programmed in Japanese.
- Subaru Australia can't access Japanese programs due to existing licensing arrangements.

Example 4: Nissan Elgrand

Vicroads[51] identified issues with used Nissan Elgrand's that are being imported as a motorhome or campervan. The Elgrand is eligible only if it is a motorhome or campervan and only if it has 2, 3 or 4 seats.

In 2009 the Commonwealth became aware that some Elgrand's imported under SEVs arrangements were being sold with up to 8 seats and/or not meeting motorhome/campervan requirements.

Example 5: Nissan Cube

The FCAI became aware of a Nissan Cube imported as a 'grey vehicle' for disabled transport. The vehicle is the sole means of transport for the owner. The importer, Motorvation Automotive, is located in Brisbane, while the vehicle owner is in Adelaide.

The owner contacted the FCAI to enquire about suitability to operate on ethanol blend fuel as information was not provided by the importer. The fuel available in their local area (from an independent) was E10 blend and the vehicle owner was very concerned over if an ethanol blend could be used and what (if any) negative impact it would have on the vehicle.

The vehicle was not provided with an owner's manual and the importer was not able to provide any advice (beyond a single page advising to use 95RON).

Example 6: Harley-Davidson

Harley-Davidson Australia is not able to obtain identification plate approval for their Harley-Davidson Tri-Glide model (motor tricycle sold in North America). The vehicle does not meet the unique Australian stability requirements for motor tricycles in ADR 42/04.

In February 2012 the FCAI (on behalf of Harley-Davidson) requested a review of the unique Australian stability requirements to align with the Canadian standards (as there are no UN Regulation standards or United States standards). The FCAI and Harley-Davidson Australia have provided additional information to the Federal Government and also South Australian Government since February 2012, however, the review of the unique Australian stability requirements has not been finalised.

In August 2012, a SEVS organisation was given approval to import Harley-Davidson Tri-Glide under the SEVS scheme on the basis that the vehicle is not available in Australia. An exemption was given to meeting the ADR 42/04 stability requirements.

[51] Vicroads VASS Bulletin No. 3, March 2010

APPENDIX E COMPETITION IN THE AUSTRALIAN MARKET

E.1 Vehicle Availability and Ownership

In Section 5, the Options Discussion Paper recognises that another objective of the Act is the facilitation/existence of market competition and competitive pressure on vehicle price.[52]

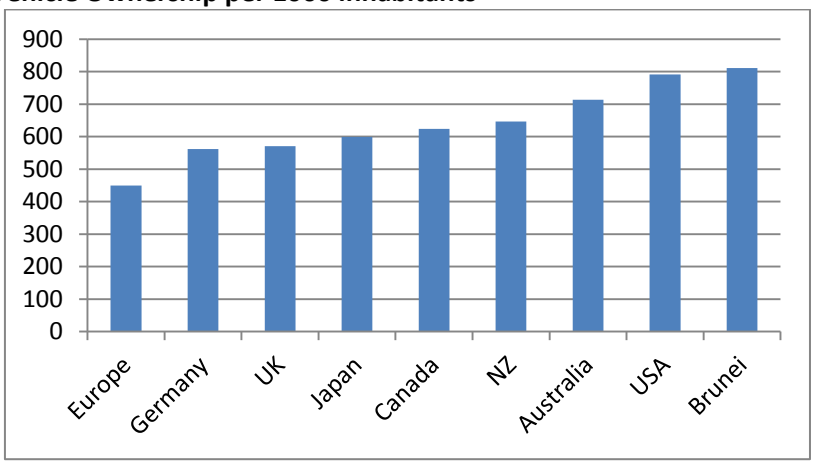
The FCAI considers that the Australian car market is one of the most competitive in the world. For a relatively small market that comprises only 1.5 per cent of global production Australia has around 67 brands and 350 models competing for around 1.1 million sales. This has come about for a number of reasons. Principally, as the tariff barriers on automotive products have reduced from 57.5 per cent in the 1980s to between 3 and 4 per cent and the number of vehicle brands and models in the Australian market has increased.

Table E.1 Competitiveness of Global Markets[53]

	Australia	Canada	UK	USA
No. brands in market	67	49	53	51
Sales	1,112,032	1,620,221	2,249,483	13,040,632
Market size per brand	16,597	33,066	42,443	255,699

Table 2.1 demonstrates the competitiveness of the Australian market through a comparison with Canada, the United Kingdom and the United States. Australia has more brands offered for sale than these other three markets. There are double the number of vehicles sold per brand in Canada, almost three times as many in the United Kingdom and more than 15 times the number of vehicles sold per brand in the United States than in Australia.

Figure E.2: Vehicle Ownership per 1000 inhabitants[54]



Figures E.2 and E.3 show vehicle ownership among a selection of countries demonstrates that Australia has among the highest ownership levels of vehicles with an ownership concentration of 713 vehicles per 1000 inhabitants. In comparison, the United States has ownership levels of 791 vehicles per 1000 head of population, NZ is at 646, Canada is 624, and Japan, the United Kingdom and Germany are all below 600 vehicles per 1000 head of population.

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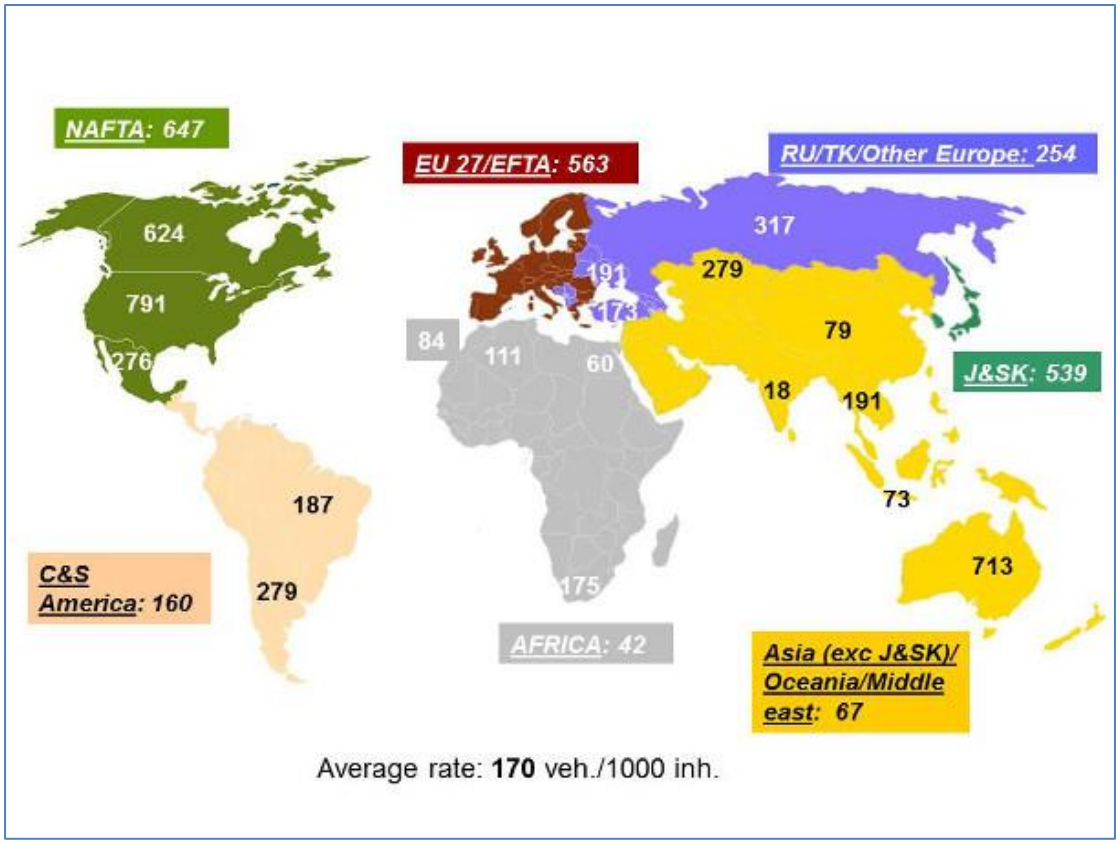
[52] DIRD, op. cit., p.21

[53] Australian Government, Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, March 2013 Automotive Update.

[54] Organisation Internationale des Constructeurs automobiles (OICA), Total World Vehicles In Use, www.oica.net, [accessed 26 September 2014]

Therefore, it would appear that the market is effective in Australia through providing a wide range of consumer choice and providing access to vehicles that have resulted in some of the highest vehicle ownership levels in the world.

Figure E.3: Vehicle Ownership Rates for Regions[55]



E.2 Vehicle Price

The Options Discussion Paper discussed the price of cars sold in Australia and refers to submissions to the Department's 2013 public consultation process and the Productivity Commission inquiry where it was asserted that some classes of cars, typically premium classes, are being sold at considerably higher prices in Australia[56].

One of the submissions referred to by the Options Discussion Paper purported to compare the price of a number of vehicle models in Australia with various overseas markets[57]. The submission claimed that prices were adjusted to account for differences in taxes and charges and, after searching for the cheapest variant in any of the selected markets, concluded that only four models were sold more cheaply in Australia than overseas.

The FCAI considers this analysis is not accurate as it does not reflect the substantial differences in specifications of various models that are provided in each market, subject to the brand positioning in that market. For example, in Australia many European brands are positioned in the premium part of the market and only import cars that have a high specification level. While in the European markets, these same brands compete in the mainstream parts of the market (e.g. fleet cars and taxis) and as such offer a variant of that

[55] Organisation Internationale des Constructeurs automobiles (OICA), www.oica.net, [accessed 26 September 2014]
[56] DIRD op. cit., p.42
[57] Submission 174 to the 2013 MVSA Review

model with a much lower specifications. The FCAI does not agree that the methodology of this analysis was rigorous or thorough enough to establish an accurate price comparison.

The Options Discussion Paper also cites a report by the Centre for Independent Studies (CIS) that concludes that motor vehicles provided to the Australian market are more expensive than an equivalent vehicle sold in Europe[58]. In coming to this conclusion, the CIS report provides a comparison of four used cars first registered in 2010, and provides a table listing three new motor vehicles which are sold in seven European nations using the same nomenclature. It is unknown if these vehicles were of the same specification level in each market.

First, an analysis of four used cars with 2010 registration dates in a market of 1.1 million new car sales and substantially more second-hand car sales each year is of questionable statistical significance.

Second, the Options Discussion Paper does not acknowledge that the table in the CIS report listing the three new vehicles sold across Europe shows that each vehicle is sold at a different price in each market. Had it done so it would have noted that it shows a difference of more than €11,000 (approx. $16,000) for supposedly the same car in two markets (i.e. Austria and the UK)[59]. The FCAI suggests that these models would be specified substantially different in each of these markets relevant to that part of the car market being targeted by the brand.

To provide independent and rigorous data on comparison of price and specification levels the FCAI undertook a benchmarking project to compare the price and specification levels of various new motor vehicles available in the Australian market with equivalent models in the UK, and subsequently, Japan. These markets chosen are right-hand drive markets, like Australia. The vehicles chosen for the project represent a cross section of mainstream and premium brands, and are available in each market. The benchmarking was initially undertaken by IHS Automotive, the leading source of information, insight and analytics to the global automotive industry, and verified with FCAI members. For conversion purposes the FCAI used the average daily exchange rate during the 1st half of 2014 from the Reserve Bank of Australia[60].

The benchmarking data shows specification levels for each model vary between countries. As such, the pricing provided reflects specification levels. This data is publically available on the FCAI website and a summary is included in Appendix B.

Taking into account the different specifications, the benchmarking demonstrates that Australian-market vehicles are price competitive, against comparable motor vehicles sold in the United Kingdom, Japan or New Zealand. New motor vehicles in New Zealand were consistently more expensive than the same model/variant available in Australia.

To produce a like for like comparison, the FCAI and member brands reviewed the data provided by HIS Automotive and provided an estimate of the cost in the United Kingdom of the model variant with specifications equal to that available in Australia. Further comparison research was also undertaken for other models, independent of the IHS analysis.

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[58] DIRD op. cit., p.42
[59] Hartwich O. M. and Gill R., Price Drivers: Five Case Studies in How Government is Making Australia Unaffordable, CIS policy monographs, http://cis.org.au/images/stories/policy-monographs/pm-125.pdf, p.8 [accessed 8 October 2014]
[60] Reserve Bank of Australia, Exchange Rate Data, www.rba.gov.au. [accessed 2 September 2014]

This vehicle price and specification comparison research shows that when comparing 'like-for-like' (the same model with comparable specification and sold into a similar market segment) vehicles, in four representative markets (Australia, the UK, Japan and NZ) the vast majority of new cars are cheaper in Australia than in these markets.

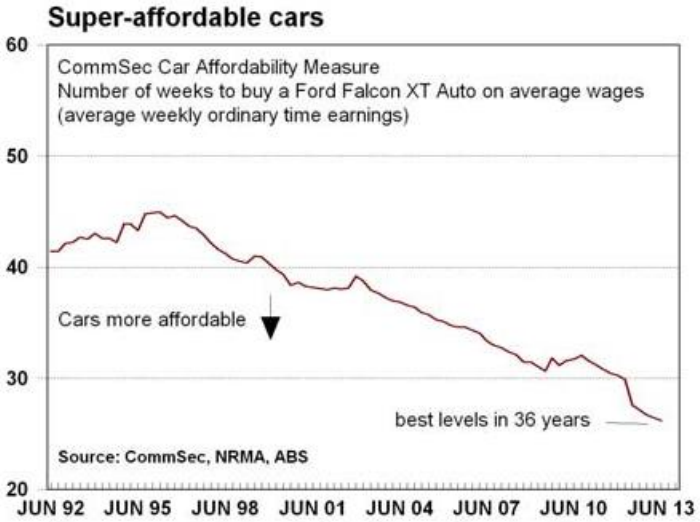
The research also highlighted that in considering new car costs across countries, buyers need to consider each car's specification levels, as this can vary substantially for each country.

It is not feasible to check the price and specification of all 350 models available in Australia, but from the research conducted, the FCAI estimates that the overwhelming majority of the new cars available for sale are less expensive in Australia than overseas. To date, the FCAI has provided benchmarking against 38 individual models available on the Australian market. This represents approximately 10 per cent of the models and variants available in the Australian new car market today.

However, a comparison of the Australian and United Kingdom markets show that premium and luxury sales contributed a similar proportion of both markets, i.e. 5 per cent. In 2013, luxury cars comprised 0.5 per cent, and executive cars comprised 4.5 per cent of new light vehicle sales in the UK[61]. While, direct comparison is not possible, due to assigning different market segmentation in reporting data, 2013 Australian new light vehicle sales are similar. Sales of cars and SUVs worth over $100,000 was less than 1 per cent of the market, and sales of new cars and SUVs over $60,000 and up to $100,000 made up approximately 4 per cent of the market[62].

Complimenting this position is the independent CommSec Car Affordability Index,[63] which has found that cars in Australia are at their most affordable levels since records began in 1976. Specifically, it has noted that over the last 10 years average weekly wages have increased by 55 per cent while car prices have fallen. In contrast, the affordability of both petrol and housing has decreased over this same period.

Figure E.4 – Weeks to buy Ford Falcon[64]

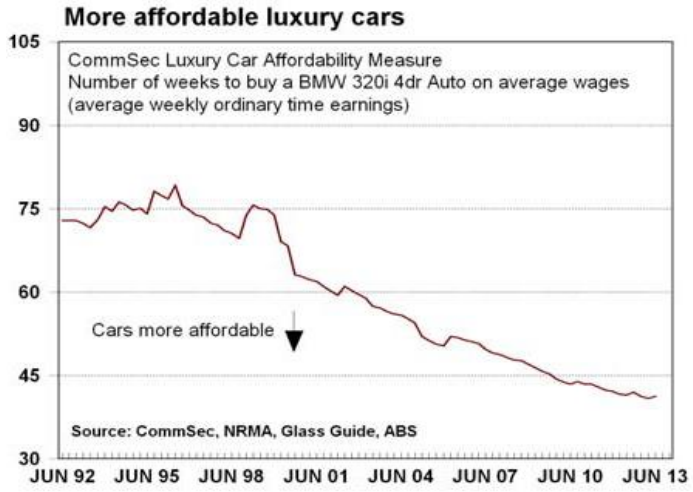


[61] The Society of Motor Manufacturers and Traders (SMMT), Industry Facts 2014
[62] Federal Chamber of Automotive Industries (FCAI), 2013, Vfacts National Report, New Vehicle Sales December 2013
[63] CommSec Economic Insights, Car affordability at best levels in 37 years, 16 October 2013
[64] ibid, p.2

It currently takes around 26 weeks on an average weekly wage to purchase a mainstream model like the Ford Falcon XT, down from around 30 weeks in 2011 (see Figure E.4).

The CommSec report has also found that premium brands are also more affordable in Australia. For example, it has fallen from 57.5 weeks (of the average weekly wage) in 2003 to 41.2 weeks in 2013 to purchase a BMW 320i sedan in 2003 (Figure E.5).

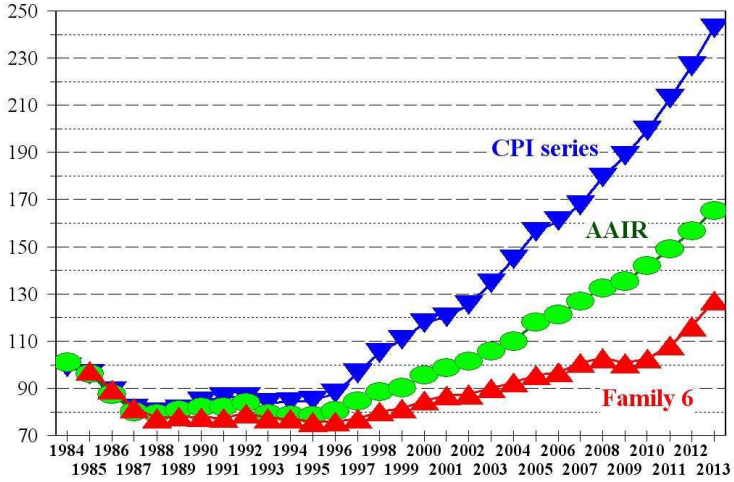
Figure E.5: Weeks to buy BMW 320i[65]



The fact that cars are more affordable is supported by data presented by Australian Automotive Intelligence (AAI). In their 2014 Yearbook[66], AAI outlines three key periods when comparing the CPI motor vehicle indexes and average weekly wage earnings:

- Up to 1988 when car price increases markedly exceeded increases in earnings.
- Then to the mid-1990s when movements in car prices and earnings were roughly equal.
- From the mid-1990s when earnings moved well ahead of falling or stable car prices.

Figure E.6: Car Affordability Indexes



[65] ibid, p.2
[66] Australian Automotive Intelligence, Yearbook 2014

The three phases detailed above are shown clearly in the affordability indexes (see Figure E.6), and are broadly the same for the three measures—the major differences are the degrees of recovery in affordability since the mid-1990s:

- The CPI motor vehicle index shows the most improvement in affordability, but this is mainly because it discounts prices for specification improvements and therefore does not simply reflect the changes in actual car prices.
- The Family 6 series shows the least improvement because the prices of these cars have risen more rapidly than for cars generally, although better specifications offset some of the rise.

E.3 FCAI Position

There is no compelling public policy case to permit parallel imports as there is evidence of robust interbrand competition in the Australian passenger vehicle market.

The overriding problem with the parallel import of new and second-hand vehicles is the direct link between the trade mark owner's product and the consumer has been broken because some extraneous third party has broken the nexus. As the trade mark owner can no longer guarantee the quality of a parallel imported vehicle, this leaves the consumer vulnerable to the risk of purchasing a 'lemon' or defective vehicle.

Strong intra-brand competition (e.g. via large scale importation of used or near-new vehicles) introduces the risk of reducing competition within the market. The flow-on effect could be an overall reduction in the number of new motor vehicle sales from the brands (used or new-new imports will be substituted for new car sales – see Case Study Scenario below) with a subsequent negative impact on the government policy objectives of community safety, consumer protection as well as competition.

Case Study Scenario: Substitution of New Vehicles with Large Scale Imports of Used Vehicles

If used vehicles or parallel imports are introduced into the market, it is unlikely that there will be an corresponding increase in demand as Australia has one of the highest levels of car ownership (refer to Section 2.3.1). Without an increase in demand, the increase in supply can be expected to lead to a decrease in price for used vehicles which will then result in an increased 'change-over' price for a consumer purchasing a new vehicle.

If there is a sufficient increase in the change-over price, new car consumers may change their purchasing behaviour and delay their purchase of a new car. If new car consumers delay their purchase by 1 year, a likely impact on the new car industry would be:

- Business buyers move from a 3 year to a 4 year change-over;
- Private buyers move from a 5 year to a 6 year change-over

As new light vehicle purchases were distributed between business and private buyers of 47% to 53% in 2013[67], the impact on the overall new vehicle market can be calculated as follows:

- Reduction in new vehicle market = 0.47x3/4 + 0.53x5/6 = 0.79.

That is, under this scenario, the new light vehicle market would be expected to fall to 80% of the current sales.

[67] Federal Chamber of Automotive Industries (FCAI), Vfacts National Report, New Vehicle Sales December 2013

Obviously, this would not be an immediate outcome and would happen over a number of years. This would result in a reduced growth of sales in new vehicles (at best) or even no growth at all as has been the experience in New Zealand. Either way, the outcome is an increasing age of the in-service fleet.

APPENDIX F TUFF BULLBARS ADVERTISEMENT