

INQUIRY INTO THE ROAD VEHICLE STANDARDS BILL 2018 AND RELATED BILLS

RURAL AND REGIONAL AFFAIRS AND
TRANSPORT LEGISLATION COMMITTEE

AAAA SUBMISSION



FOR FURTHER INFORMATION

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AAAA: THE VOICE OF THE INDEPENDENT AFTERMARKET

The Australian Automotive Aftermarket Association (AAAA) is the national industry association representing manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment, and providers of vehicle service and repair, and modification services in Australia.

2,250



Member companies represented by the association in all categories of the Australian automotive aftermarket

Members include major national and multi-national corporations as well as a large number of independent small and medium size businesses

\$1b

AAAA member companies export over \$1 billion worth of Australian-manufactured product each year



The parts and maintenance sector is a large and critical component of Australia's \$200 billion automotive industry

40k

AAAA member companies employ more than 40,000 people



Member companies are located in metropolitan, regional and rural Australia

AAAA MEMBERS MANUFACTURE, DISTRIBUTE AND FIT MOTOR VEHICLE COMPONENTS THAT:

Are replaced regularly throughout the life of the vehicle because of normal wear and tear – e.g. oil, filters, tyres, wiper blades, spark plugs, bulbs, batteries and brake pads.

1

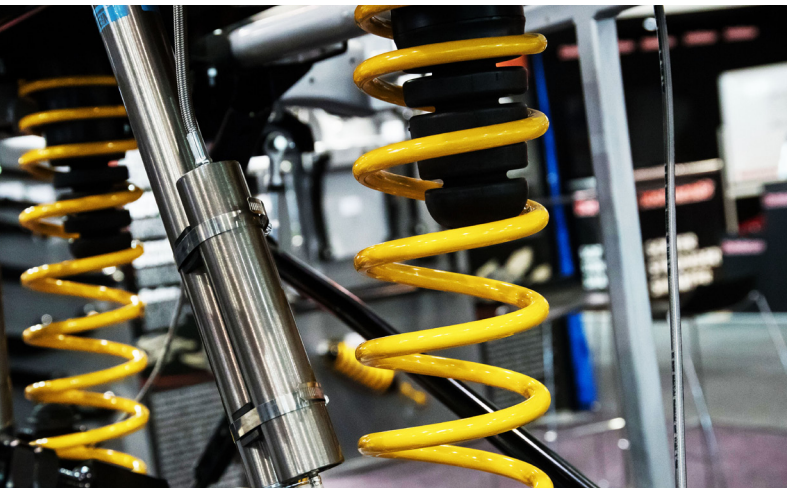
Last the life of the vehicle or are replaced irregularly during the life of the vehicle, usually as the result of a crash or a major mechanical failure – e.g. seats, instrument panels, engines, and transmission.

2

Are manufactured and distributed to service and maintain or enhance the appearance and performance of vehicles, including accessories, safety, comfort, appearance, entertainment and information, functional performance, body components, tools and equipment, mechanical, lubricants, additives and chemicals.

3

SHUTTING THE DOOR ON LOCAL MANUFACTURERS, BY LOCKING THEM OUT OF THE SYSTEM



Summary of Issues:

The new Road Vehicle Standards Bill 2018 creates two paths for vehicle imports into Australia:

1. High or full volume, and
2. One-off specialist/enthusiast vehicles.

Our industry sits somewhere in the middle, in a category that will now be abolished. We have two choices – enter the high volume category and emulate the product development and testing regime of a car manufacturer or, seek approval for second stage manufacturing one vehicle at a time.

Neither of those options the Australian manufacturers: high or full volume imports require rigorous testing to demonstrate ADR approval. Enthusiast and specialist vehicles require individual engineer reports adding approximately \$1,500 per vehicle. At this cost and level of administrative compliance for one vehicle at a time, the current low volume concessional scheme for Gross Volume Mass (GVM) upgrades will effectively disappear.

The Department agrees that we are now stranded between two options, and that neither of these options are feasible for the local manufacturers. We are assured that they will fix this in the supplementary regulations.

We invest heavily in local production and employment and we are unwilling to simply take their word for it. Thus far the consultative process has been less than comprehensive and no regulatory impact statement was produced. It is assumed that we will simply make it work. This is a mistake. Local manufacturers will be excluded under the new Act. We produce world class suspension upgrades and this is completed in Australia under the current second stage manufacturing arrangements. But this current scheme will disappear at a cost to local manufacturing and vehicle safety.

1. Current Arrangements

Under the current scheme, the Department of Infrastructure, Regional Development & Cities agreed to recognise Gross Vehicle Mass (GVM) upgrades with a vehicle lift of up to 50 mm without the requirement for testing of Electronic Stability Control (ESC) under its Low Volume Concessional Scheme with the following caps placed on volumes:

1. Overall volumes allowable under this scheme are a maximum of 300 vehicles per company, per annum, per Australian Design Rules (ADR) vehicle category;
2. There is also be a maximum cap in place of 100 of a particular vehicle model allowable under this concession;
3. It was agreed that these volume limits would be reviewed annually in consultation with the local automotive manufacturing industry – taking into account Vehicle Signatory Scheme (VSS) data on approval numbers by vehicle model over the course of the year.

The Department and Minister Fletcher are likely to state, in principle, individual inspections are still required for Low Volume upgrades'. In practice, this is not the case, as companies are routinely granted exemptions from inspections. Ample evidence from local manufacturers exists demonstrating Low Volume Approvals that have been granted without the requirement for individual vehicle inspection.

The AAAA and our Second Stage of Manufacture (SSM) members have consistently put the case that individual vehicle inspections are unnecessary for these minor modifications and impose a prohibitive financial burden on consumers, which acts as a disincentive to upgrade a vehicles suspension to make it safer. It was for this reason that we proposed a self-certification scheme (which involves an ESC checklist and a series of low speed dynamic manoeuvres to verify that the ESC is operating correctly) in lieu of the requirement for 0-4-05 Final Inspection Certificates. An outline of this proposed scheme was sent to the Department for feedback and approval in June 2016 and despite repeated follow up, no reply from the Department has ever been received.

For the past two years, the local industry was led to believe that the Low Volume Scheme would be formalised in a Bulletin and this is why the industry has repeatedly corresponded and met with the Department. The industry was seeking clear and formal confirmation that individual inspections were not required. Instead, after 24 months, they inform us that the Low Volume Scheme will be annexed into Registered Authorised Workshop Scheme (RAWS) and will now be included in the Road Vehicle Standards Bill. They offered to talk to us about how it might work AFTER the law is passed.

2. New RVSA - Lack of Industry Consultation

There has been no prior consultation with the automotive suspension industry on these proposed changes. It is clear that at some time in during the process leading up to the introduction of this Bill into Parliament, the Department inserted the words 'Low Volume Concessional Scheme' into a draft Bulletin on the RAWS scheme. However, no discussion occurred with the industry about this insertion. Despite the lack of consultation, the Departmental website states that stakeholder consultation occurred with:

"Registered Automotive Workshops and New Low Volume manufacturers (31 March 2016);"

This is not the case. It is duplicitous to suggest that there has been industry consultation on this matter. The broad stakeholder consultation on the Motor Vehicle Standards Act Review did not mention the Low Volume Scheme until the middle of 2017.

Constructive consultation with our engineering experts is critical, not only for a discussion of the impact on our industry, but also to leverage our expertise. These are major trade exposed automotive component manufacturers and clearly they are not in the business of compromising safety. These companies produce components to make vehicles safer. Industry specific consultation would have allowed for a sensible conversation based on engineering evidence rather than bureaucratic expediency.

It is clear what has happened, in reality and in an underhanded way, the Low Volume Scheme has been inappropriately annexed to RAWS, in a manner that is not transparent and not surprisingly, is a poor outcome that will result in unsafe vehicles.

3. Impact of Requirement for ESC Testing on NA Category vehicles from 1 November 2017

NA Category (Light Commercial) vehicles are the larger section of the GVM upgrade market as these vehicles are often used in commercial fleets where there is a specific requirement for greater load carrying capacity. We estimate that there will be a potential GVM upgrade market for at least 12 different models of NA Category vehicles that now require ESC testing under ADR 35/05. At an average cost of \$30,000 per test, this will result in an additional cost of up to \$360,000 per company to achieve Full Volume Approval under the Federal Scheme.

The other issue around ESC testing is accessibility. There is only one provider of ESC testing in Australia and they operate this testing out of the Anglesea Proving Ground, over two hours' drive from Melbourne, and often booked out months in advance. This results in significant delays in getting new products to market and lost sales as a result.

Under the proposed new Low Volume Concessional Scheme, with the requirement for individual vehicle inspections added, we estimate that this will impact up to 500 vehicle upgrades per annum per company, putting the cost of changing to the proposed scheme at close to \$500,000 per company - a higher overall cost impost than the Full Volume Scheme itself. As such, it is difficult to see how this could still be viewed as a 'concession'.

The proposed changes to the Low Volume Concessional

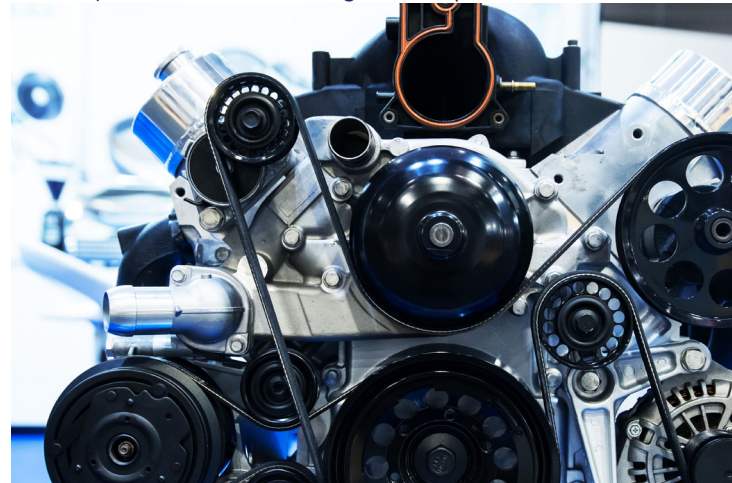
Scheme will have the practical effect of shutting down the market for GVM upgrades on lower volume platforms as it will not be economically viable under either scheme. This will leave the end-user with no other option than to continue use of a vehicle carrying loads close to (or in some cases over) the vehicle manufacturer's maximum stated carrying capacity. We have independent testing that demonstrates that vehicles loaded to full GVM display inferior handling and braking characteristics (which limits the drivers' ability to manoeuvre the vehicle in an emergency situation), when compared to the same model vehicle that has undergone a GVM upgrade.

The Department has received ample evidence that the modification of a vehicle's suspension as part of a GVM upgrade has no impact on the continued compliance of the vehicle to ADR 35/05. This evidence has been supplied in the form of current application approvals where ESC test results have been provided as well as extensive testing conducted by Link Engineering in Arizona on behalf of the AAAA.

Given the quantum of evidence already supplied we believe that this particular modification and its impact on ADR 35/05 falls squarely into the scope of clause 4.1.3 of Administrators circular 0-4-6 which is quoted below for your reference.

4.1.3 "Where the second-stage manufacture has an indirect effect on the first-stage evidence, but the second-stage manufacturer can demonstrate that the tests conducted by the first-stage manufacturer would also cover the second-stage work satisfactorily, then for the purposes of seeking SSM IPA this ADR evidence can also be carried over".

An individual engineering assessment (as proposed by the Government) would involve checking the components



used are correct and correctly installed. Given that all SSMs currently have quality control systems in place to ensure conformity of production and adherence to ADR's with their individual approvals, the further impost of an independent engineering assessment has no merit from either a regulatory or safety perspective. It is our contention that this proposal has nothing to do with the correct functioning of the ESC systems and everything to do with the Department attempting to abdicate responsibilities in this area at the expense of SSMs.

4. Why is RAWS not appropriate?

The definition of the RAWS scheme taken from the Department of Infrastructure website states:

"The Registered Automotive Workshop Scheme (RAWS) allows for the importation and supply of used specialist or enthusiast vehicles to the market in Australia. Under this scheme only a RAW can import a used vehicle into Australia".

RAWS is clearly an import scheme, which oversees the importation and one-off modification of specialist and enthusiast vehicles. Our understanding is that it applies to modifications such as left to right hand drive conversions, conversion of a standard truck into a fire truck, etc.

The Low Volume Concessional Scheme is in the category of 'type approval' where unregistered new vehicles imported into Australia by a Full Volume Importer, with the vehicle meeting all ADR requirements, has a suspension upgrade kit fitted to the vehicle to increase its GVM or load carrying capacity. This is normally undertaken on commercial vehicles requiring additional load carrying capacity to make them safer and more fit-for-purpose, taking into account their intended end-use. The exact the same suspension kit is fitted to the exact same vehicle every time.

The only difference between modifications undertaken under the Full Volume SSM Scheme (which do not require individual vehicle inspection) and the Low Volume Concessional Scheme is the number of vehicles modified. The Low Volume Concessional Scheme has a cap of 100 vehicles per model and 300 per ADR category for each SSM company.

The very definition the RAWS scheme is designed for a completely different purpose and we can see no correlation between the purpose and activities of the RAWS scheme and the Low Volume Concessional Scheme.

5. Why is this proposal inconsistent with State Government regulations

Based on the testing undertaken by the AAAA in 2015 and the subsequent evidence provided to Federal, State and Territory regulators, the Motor Vehicle Certification Working Group agreed to alter the National Code of Practice for Light Vehicle Construction and Modification (VSB 14) as follows:

"To remain within the scope of VSB14, a vehicle fitted with ESC and modified with a suspension lift up to 50 mm beyond the original manufacturer's standard height can be carried out under the basic modification without certification guidelines as listed in Section 4." VSB 14 - Section LS 2.6

The proposed requirement for individual vehicle inspection and sign off under the proposed changes to the Low Volume Concessional Scheme are therefore out of step with State and Territory Government regulation.

It is our contention based on the significant body of engineering evidence conducted by the AAAA and subsequently by SSMs operating under the Full Volume Scheme, that minor changes to the suspension height of a vehicle (up to 50mm) have no adverse impact on the operation of the ESC system and modified vehicles continue to demonstrate ongoing compliance with all applicable ADRs including ADR 35/05 which relates to specifically to ESC functionality.

Further, we contend that the requirement for Full Volume Scheme requirement for repetitive ESC testing of different brands of suspension upgrade kits on the same make and model of vehicle adds significant cost and red tape burden on our Australian suspension component manufacturers with no additional benefit to road safety outcomes.

6. Vehicle Safety

There are fundamental engineering flaws in the assumption that upgrading the GVM on a vehicle negatively affects ESC. On the contrary – there are significant safety concerns raised where vehicles are carrying loads greater than the vehicle's rated carrying capacity.

There is overwhelming evidence that safety is a valid reason to ensure the Low Volume Concessional Scheme for GVM upgrades continues and is not curtailed by poorly conceived legislation. We assume the Minister is being advised that the Departments' decision is 'safer'. This is not true. The AAAA has irrefutable engineering evidence that demonstrates these suspension upgrades do not have an adverse impact on the operation of the ESC and the vehicle maintains full ADR compliance. We also have engineering evidence that demonstrates that a standard vehicle loaded to full GVM has inferior handling and control when compared to the same vehicle with an upgraded suspension. We would be happy to provide this evidence. The Department already has it.

We would be interested to see the engineering evidence the Department is using to support their position that suspension upgrades compromise vehicle safety.

7. Moving Forward

We are of the view that the proposed incorporation of Low Volume Concessional Scheme into RAWS requires a full engineering and regulatory assessment.

Specifically the decision to absorb the Low Volume Concessional Scheme into RAWS will:

1. Act as a disincentive to upgrade vehicles to be fit for purpose for small business, mining, construction and trades.
2. Failure to upgrade the GVM can affect the vehicle stability and handling and negatively affect occupational health and safety.
3. Harm our trade exposed automotive manufacturing component industry in Victoria and South Australia.
4. Harm our international reputation – we are the most respected country in the world for the design and manufacture of suspension components and our government is about to rule that our products

1. are 'unsafe'.
2. Affect economies of scale – the numbers for the scheme are low in comparison to aftermarket fitment to 4WD vehicles, but any reduction in volume affects the viability of this industry.

We would argue that due to a lack of due diligence, the economic cost of the unintended and unanticipated consequences are unknown. How many purchasers will be impacted by an increase of \$1,000 per vehicle? Will the requirement to inspect every single vehicle make it unviable for manufacturers to offer suspension upgrades on some models? How many vehicles will now carry load that is not supported by the original design of the vehicle and hence put their lives and the lives of others at risk?

We would request that the appropriate engineering and industry consultation must occur, a full regulatory impact statement should be prepared, and this conversation is conducted openly with honesty and transparency.

Kind Regards

Stuart Charity
Executive Director
Australian Automotive Aftermarket Association

