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Via email: david.stephens@infrastructure.gov.au and MVSAreview@infrastructure.gov.au

Cc: Mr Anthony J. McMullan, Truck Industry Council
via email: tony@truck-industry-council.org

Subject: Motor Vehicle Standards Act Review – Isuzu Australia Submission

Isuzu Australia Limited congratulates the Department on its handling of the current Review of The Motor Vehicle Standards Act. Thank you also for the opportunity to participate in MVSA Review discussion forums earlier in 2014. This document constitutes the submission from Isuzu Australia Limited.

While the gap between requests for submissions and the response deadline is shorter than the usual three months' timeframe, Isuzu Australia Limited has been able to consider the key issues under discussion and also to make a contribution to the Truck Industry Council submission.

This submission explains who Isuzu Australia Limited is and declares our interest in making this submission. This submission then advises arguments supporting little or no change to the Motor Vehicle Standards Act. Finally, Isuzu Australia Limited will detail arguments against the most pressing issue relating to the Review; namely the potential opening up of restrictions to second-hand vehicle imports and personal/parallel imports of new vehicles.

Who is Isuzu Australia Limited (IAL)?

Isuzu Motors Limited, with global headquarters in Tokyo, Japan manufactures commercial vehicles, diesel engines and buses. The products themselves are manufactured in a variety of locations around the world, however all Isuzu-branded vehicles imported to Australia come from plants in Japan (heavy commercial vehicles or trucks) and Thailand (Light Commercial Vehicles and Sports Utility Vehicles). Isuzu Australia Limited (IAL), with head

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office in Port Melbourne, Victoria, is a wholly-owned subsidiary of Isuzu Motors Limited in Japan, and is the authorised vehicle importer and distributor for all Isuzu branded “trucks” (commercial vehicles with Gross Vehicle Mass above 3,500 kg).

This submission is made by and on behalf of IAL, and has been reviewed by its Managing Director and Chief Operating Officer. By retail sales volume, Isuzu ranks as the Number One truck supplier to the Australian market, and has maintained this position for over 25 years.

Reasons for this submission

As an established high volume commercial vehicle supplier to the Australian market, IAL has a working knowledge of the Motor Vehicle Standards Act 1989 and clear interest in any proposal for changes to it.

IAL considers that any changes which open up Australia to an increased volume of second-hand imports, will likely see the vast majority of second hand commercial vehicles coming from Japanese makers and at up to 50% of these being Isuzu branded products. IAL also has a good working relationship with colleagues at Isuzu New Zealand, whose customers have been negatively affected by the used vehicle importation situation in that country over the past 20 years. IAL is therefore in a strong position to comment on the likely consequences of such a drastic change in Australia.

IAL is all too aware that Isuzu branded trucks sold into the Australian market are considerably different in specification compared to those sold into other developed and developing markets. The changes are well beyond the cosmetic or inconsequential; indeed they relate to core features on recent trucks such as the sophisticated exhaust emissions standards and various safety features that are either demanded by regulation or customer requirement in Australia. IAL has decades of experience in the level of local resources required in Australia to provide a basic level of support for Australian customers, and also the level of support required from our colleagues at Isuzu Motors Limited in Japan to achieve this customer support.

The arguments made below primarily support the greater interests of communities in which our vehicles operate. Commercial vehicles are an essential component contributing greatly to the productivity of the Australian economy. The level of safety of Australian commercial vehicles can greatly impact other road users. Many truck operators in Australia are also the truck owners and their livelihoods often depend on a very high utilisation and long life of their vehicles.

Why make large changes to the Motor Vehicle Standards Act?

IAL sees no strong arguments which support fundamental changes to the Motor Vehicle Standards Act (MVSA). The MVSA provides an important regulatory framework for the regulation and certification of locally manufactured or imported motor vehicles in the Australia. Within the current regulatory framework Australian consumers have the choice of 22 brands of heavy vehicles, supplied by Distributors who directly represent the Original Equipment (Vehicle) Manufacturer (OEM). Australian consumers have one of the largest choices of truck brands of any market in the world. This high number of brands represented in Australia leads to competitive pressures which result in the best possible market prices, and foster improvements in support services, quality & specification levels to gain market advantage.

These vehicles all fully comply with the current high level of safety, environmental and consumer protection laws that are governed by the MVSA. The current regulatory framework governed by the MVSA is not a barrier for truck manufacturers to enter the market and does not restrict the competitive forces within the market. In short, IAL believes the current system is working well for consumers and society as a whole.

The impacts of reducing the barriers to personal importation of vehicles or the importation of used or parallel new vehicles in the commercial vehicle industry.

IAL is deeply concerned that this current Review is focussing almost entirely on the issue of import restrictions for second-hand vehicles, while other potential reforms are being ignored. IAL understands that this focus is mainly resulting from the Productivity Commission's recent recommendations; however we also believe that costs to the integrity of Australia's national vehicle fleet would outweigh any perceived benefits.

IAL strongly believes that the impacts of reducing the barriers to personal importation or the importation of used or parallel new vehicles in the commercial vehicle industry will have an overwhelmingly negative impact on:

- The consumers who purchase vehicles without the support of the OEMs or their appointed distributors
- The road users who share the road with these vehicles
- The state & federal road agencies who try to manage these vehicles
- The environmental outcomes in terms of pollutants and carbon emissions

When IAL refers to second hand or parallel import vehicles in this submission, IAL is describing vehicles which arrive in Australia via channels other than the OEMs or their appointed distributors.

IAL believes that we are successful in Australia because we understand the needs of the final customers of our vehicles, the end users. In this section, IAL has focused on the real costs to

customers of second hand or parallel imports. IAL believes the main reason a customer would purchase a product in Australia via a channel other than the OEM is because they perceive that they will get the same vehicle as the Australian OEM supplied vehicle, at a lower purchase price. However, in the case of commercial vehicles, this assumption is incorrect and the results will often be disappointing and sometimes disastrous.

Isuzu Motors Limited in Japan produces vehicles to criteria which are specific to products sold in Australia. These criteria have been developed over time based on the experience and feedback of Australian customers. Below are some of the major design differences between Isuzu-branded vehicles sold in Japan and Australia

- Australian products have enhanced cooling packages to deal with higher average ambient temperatures and loads
- Australian products must be able to tow trailers that are not required in many Japanese applications
- Australian products must have superior air conditioning systems
- Australian products need superior insulation from dust and dirt on unsealed roads
- Australian products require the highest seat capacity specifications to deal with bigger Australian bodies
- Australian market products are required by law to have English instructions, warnings and operators manuals

Customers will not be able to fully appreciate these significant differences until they have already purchased a vehicle. The consequences for customers who purchase vehicles not designed for Australia range from engine failures to driver back pain from incorrect seat specification.

In Australia Isuzu sells trucks in cab-chassis form. We advise to our dealers on how to meet Australia's unique road axle loading limits and how to build safe and effective vehicles. Second-hand vehicles will most likely come with bodies and equipment which were not intended for Australia. These bodies will not have considered Australian road axle loading limits, nor will they have been tested or proven in Australia. Body equipment such as lifting cranes or tipping bodies will not always operate the way Australians expect, are not likely to have English instructions or any agent in Australia to support these products. Consequences range from dangerous equipment misuse to increased road damage from incorrectly loaded vehicles.

Commercial vehicles customers demand a very high level of customer service. They expect immediate vehicle identification, trained service technicians with correct fault diagnosis tools in every town and service parts which are "on the shelf" in Australia.

Australia is a very large country with a relatively small population and this customer expectation is the biggest challenge facing the largest OEMs who can utilise all of the unique expertise and resources of the global manufacturers. It is simply impossible for low volume independent importers to provide a basic level of support that will be satisfactory for Australian customers. The OEMs will be expect to provide this service and our oversea parent companies do not provide us with the tools to identifying vehicles and their make-up of parts when vehicles were not intended for Australian use. OEM Service tools will not

communicate with, and will therefore not diagnose problems adequately on these vehicles and maintenance will be compromised. When the correct parts, service tools and instructions are not made available to maintain a vehicle, the final customer will be forced to find a compromised solution. These compromised solutions must negatively affect safety & reliability.

In conclusion, IAL can only conclude that any proposed relaxation of vehicle importation laws will result in a **lowering of the safety levels and overall fleet integrity** that has been established over many years of strict Australian Design Rule and import approval conditions.

Finally, IAL is an active member of the Truck Industry Council, including filling of honorary positions such as President, and fully supports the separate (more comprehensive) submission made by TIC towards the Review.

For any further details relating to this submission from Isuzu Australia Limited, please contact the undersigned on (03) 9644 6615 or simon.humphries@isuzu.net.au

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S Humphries', with a long, sweeping underline.

SIMON HUMPHRIES
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