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Department of Infrastructure and Regional Development 2014 Review of the Motor Vehicle Standards Act 1989

Submission to Options Discussions Paper – September 2014

Harley-Davidson Australia is a wholly owned subsidiary of Harley-Davidson Motor Company and represents the interests of Harley-Davidson in the Australian market and has been in full operation as an Importer & Distributor of Harley-Davidson products since August 1st 2006 when it took over market control from the three prior distributors. Harley-Davidson Australia operates with 43 independently owned dealerships throughout the country that carry out sales, service and support for Harley-Davidson motorcycles, parts & accessories and apparel.

Harley-Davidson Australia is in a unique position to respond to this matter as the motorcycle market in Australia is much more open to overseas imports than the motor vehicle market as the Registered Automotive Workshop Scheme (RAWS) allows unrestricted importation of motorcycles, therefore Harley-Davidson Australia has seen the direct impact of a more open market to Grey Market importation of motorcycles.

Harley-Davidson has seen a significant increase in the volume of Harley-Davidson motorcycle imports and certification through the RAWS scheme in recent years. The last set of statistics sourced from the Department of Infrastructure and Regional Development (June 2014) revealed that approximately 2,100 Harley-Davidson motorcycles had been approved for importation through RAWS over a 12 month period, which would compare to approximately 8,200 new vehicles by Harley-Davidson Australia. Our experience through direct and indirect contact with purchasers of RAWS import motorcycles, feedback from Harley-Davidson dealers and inspection of RAWS approved vehicles leads us to recognize that there are several detrimental issues related to the unrestricted importation and certification limits in place with the RAWS program. The issues we have identified can be related back the objectives of the Act which are stated as Safe Vehicles, Environmentally Friendly and Secure Vehicles and Access to Market in the discussion paper.

While most of this submission relates to the RAWS program, we are also impacted by some unique specification requirements to meet ADR's, so we are also providing feedback in that area.

Safety

ABS Fitment

Harley-Davidson Australia has taken the conscious decision to include ABS as 100% fitment on all vehicles imported to Australia where it is available as an option as we see this feature as a key vehicle safety item. In recent times this has expanded to include the Sportster range of models, so at present, all vehicles imported by Harley-Davidson Australia are fitted with ABS as standard. While it is difficult to quantify the percentage of RAWS complied imports that have ABS fitted, based on viewing RAWS import advertisements this feature is not noted in many advertisements so the assumption is that it is rarely fitted on RAWS complied imports. As most RAWS complied imports are from USA, the official uptake of ABS as an option in the USA is 44%, so you could use this as a correlation for the fitment rate for vehicles certified through the RAWS scheme. This variation in specification between Harley-Davidson Australia imported vehicles and RAWS imported vehicles also causes a pricing differential that is often misunderstood as consumers are not aware of the different specification when comparing prices.

Recalls

Harley-Davidson Australia and its dealer network go to great lengths to ensure all consumers who have purchased vehicles are aware of any recalls and have their vehicles checked and or rectified via the Industry Code of Conduct on recalls. Through checking details of VINs noted in advertisements we have seen vehicles offered for sale that were certified through the RAWS program that have outstanding recalls. This is occurring as there is no system that a RAW can check to see the recall status of vehicles they are certifying as compliant when it comes in from overseas as Harley-Davidson Motor Company only advises Harley-Davidson Australia of recalls for vehicles imported by Harley-Davidson Australia, not for all vehicles worldwide that are requiring a recall.

A further issue related to recalls is that as the importer is responsible for maintaining the recall status of a vehicle, who is not necessarily the complying RAW, once the vehicle is in use on the road, there is no robust method in place to advise the owner of a safety recall being required as there is no process for the importer to be kept advised of any new recalls released following the compliance of the vehicle. While Harley-Davidson Australia would always rectify any Harley-Davidson product that required a recall without knowledge of the vehicle being in the market and the potential owner there is little we can do to support the product.

Safe Conversion

To achieve certification the RAWS workshop is required to make modifications to the vehicle. One specific area of concern with the conversion relates to changes required to vehicle position lamp wiring required to change US specification vehicles to Australian compliant lighting. We have been given advice, although we have no direct evidence, that some RAWS workshops will just cut wires and leave without suitable insulation potentially leaving a safety hazard from electrocution or fire on the vehicle.

We have also seen references in motorcycling magazines that relate to premature wheel bearing and steering head bearing failures that have been traced back to

RAWS certified vehicles where all the lubricating grease has been washed out in the cleansing process prior to shipment from overseas and has not been replaced upon entry into Australia. Obviously failure of these components while riding is a serious safety concern for all parties.

We have also seen firsthand at sales facilities and in advertisements in magazines and on the internet RAWS compliant vehicles for sale that are not compliant due to fitment of non-compliant parts such as aftermarket exhaust and air cleaners that would adversely impact noise levels and non-fitment of reflectors that would lead to non-compliance. Through the RAWS website we are able to see the increase of RAWS facilities recent years and have tracked the significant increase in Harley-Davidson imports over the last five years so we recognize the ability of authorities to monitor and verify correct compliance would be difficult without significant resources being added to carry out audits and inspections on vehicles.

Another area of concern is the practice of changing the speedometer from MPH to KPH as part of the conversion of a USA sourced vehicle. We are aware that when the change in speedometer occurs some vehicles have the mileage on the odometer restated to a lower level than that which the vehicle has actually travelled which would be a concern when measuring the service life of components. The false reading could indicate replacement or servicing of a component is not required, when in fact it is. It is also a concern that this is misrepresenting the product for sale and would lead to consumers purchasing vehicles under false pretences.

Harley-Davidson Australia and its dealers invests a significant amount of time and money in providing technical training, including a factory apprenticeship scheme, to ensure that there are highly skilled technicians within dealerships that can maintain vehicles at the highest standard. This training is not available to personnel outside of the authorised network, so our view is that personnel at RAWS workshops may not have appropriate knowledge and skill levels to safely undertake the conversion work required to comply vehicles safely.

Security

All vehicles imported by Harley-Davidson Australia are fitted with a Vehicle Immobiliser and Security System as standard feature. This feature is not standard on US Domestic specification vehicles and is an optional extra. Like ABS, when viewing advertisements of RAWS complied vehicles it is rarely stated that a Security System is fitted, so again we must assume that the vehicles do not feature this component. As most RAWS complied imports are from USA, the official uptake of ABS as an option in the USA is 24%, so you could use this as a correlation for the fitment rate for vehicles certified through the RAWS scheme. This variation in specification between Harley-Davidson Australia imported vehicles and RAWS imported vehicles also causes a pricing differential that is often misunderstood as consumers are not aware of the different specification when comparing prices.

Access to Market

Harley-Davidson Australia is open to competition and can appreciate that the RAWS program does provide an additional source of Harley-Davidson motorcycles to the general public, however we think this competition has a negative impact on consumers.

We regularly receive contact from consumers who have purchased RAWS complied motorcycles that are having issues with the vehicle and when we advise them that they have purchased a grey market import vehicle in most cases they state that they were unaware and that the seller had not advised them that the vehicle was an import. We believe this misrepresentation is carried out by the seller as the import vehicle does not command the same value as a vehicle imported through official channels. We note that the purple Compliance Plate that is fitted by the RAW is often fitted in obscured locations in an effort to hide this from the consumer, which leads us to believe these is deception taking place.

As mentioned previously there is the opportunity to restate the mileage on a RAWS certified vehicle and we believe the practice is common place. As there is a relationship between the mileage and the value of the vehicle, there is an incentive for the seller to deliberately mislead the purchaser of the vehicle mileage to command a higher price.

When Harley-Davidson Australia became aware of the increase in imports and compliance of vehicles through the RAWS program it carried out a pilot program in 2011 to import used vehicles from USA to validate if there was a business opportunity to bring used vehicles to the market via this route. There were about 40 vehicles imported that were converted and complied by via a RAW in South Australia prior to sale through the Harley-Davidson Australia dealer network. The outcome of the trial was that when following all the guidelines in place for the RAWS program it was difficult to have a profitable business. Our experience of the pilot and observations of vehicles with incomplete conversions through RAWS workshops leads us to conclude that it is difficult to have a profitable business following the RAWS guidelines, therefore RAWS are cutting corners in the compliance process.

Harley-Davidson Motor Company also goes to great lengths to ensure that any operator of a Harley-Davidson dealership is of high standing and reputation to ensure that they have a high standard of business practices. The financial standing of the operator is also thoroughly scrutinised to ensure that they are going to maintain their business operations over the long term to support the purchases of Harley-Davidson product. This level of scrutiny is not in place for independent operators and therefore consumers may well find themselves with no support following a significant purchase of a Harley-Davidson motorcycle.

Harley-Davidson Dealerships

As mentioned in the introduction, all Harley-Davidson dealerships in Australia are independently owned and operated and in most cases are small businesses employing 15 to 30 people directly associated to Harley-Davidson in the small to medium sized stores and up to 50 people in the large stores. The further expansion of imports through the RAWS program will adversely impact the Harley-Davidson dealerships and many of these jobs will be lost and some stores may close down as sales through the Harley-Davidson dealerships decrease.

ADR

The ADR's that apply to motorcycles are not as extensive as those for motor vehicles, however there are some unique features on the motorcycles for Australia which may be able to be eliminated, which would reduce costs, if there was further alignment to, or recognition of alternate standards. We note that some work has commenced on these areas, such as rear wheel coverage and vehicle width and

Harley-Davidson Australia supports the continuation of work towards further harmonisation of standards.

Conclusion

Harley-Davidson Australia believes that changes are required to the RAWs program to ensure that vehicles provided to the market are compliant and that conversion work is carried out in a safe manner and that vehicles are offered for sale in a truly stated condition.

We have also identified that there are inadequate processes in place to ensure that vehicles delivered to and maintained within the market are adequately covered for any safety recall matters in both identifying vehicles with issues and locating owners of effected vehicles.

We feel that until these matters can be addressed appropriately the RAWs program should only been utilised for the importation of Specialist and Enthusiast Vehicles as the market for Harley-Davidson product is appropriately serviced by Harley-Davidson and its dealer network. The other motorcycle brands within the market generate competitive forces to provide consumers with high levels of choice in both product and price, while the official network channels provide support to consumers to keep their vehicles safely on the road.