

# **CARAVAN INDUSTRY ASSOCIATION OF AUSTRALIA**

**SUBMISSION IN RESPONSE TO THE**

**2014 REVIEW OF THE *MOTOR VEHICLE STANDARDS ACT 1989***

**17 OCTOBER 2014**



**Caravan Industry**  
Association of Australia

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## 1. Executive Summary

The Caravan Industry Association of Australia (CIAA) welcomes the opportunity to comment on the 2014 Review of the *Motor Vehicle Standards Act 1989* [the Act] *Options Discussion Paper* [Discussion Paper]. The CIAA congratulates the Australian Government for conducting the review specifically and for its conspicuous commitment to reducing red tape more broadly.

Australian Design Rules (ADRs) proliferated under the Act during a period when Australia had a flourishing automotive manufacturing industry and when the price of most imported vehicles still carried some inflationary effect of previous import tariffs.

The Discussion Paper reflects the changing circumstances described in the Productivity Commission's report that analyses the decline of Australian automotive manufacturing. The Discussion Paper also explores the changes in regulation that may be required particularly in view of the global conversion of standards represented in the UN design codes.

The Australian caravan and recreational vehicle (collectively 'RVs') manufacturing industry (RV industry) stands in stark contrast to the local automotive manufacturing industry. The RV industry in Australia manufactures approximately 21,000 units each year into a total fleet of 528,869 RVs (as at 2013). Kilometres travelled in RVs around Australia are growing steadily and RV ownership is expected to continue growing over the next twenty years at a rate which exceeds current annual growth of 5 percent.

At present around 70 percent of RVs registered in Australia are manufactured in Australia and are manufactured in compliance with some 46 ADRs relevant to RVs. The balance of RVs are primarily imported from China, Europe, the US and the UK, where units are primarily sold as 'run-on' production for their local markets or imported used or "grey" imports. This is a point of concern because the local standards to which they are manufactured – unlike the standardised UN code for motor vehicles – are not necessarily safe or appropriate for Australian conditions. Of course there are other authorised RV importers / distributors who order the manufacture of their new product specifically to meet Australian conditions and compliance requirements. Such product should have no difficulty demonstrating the compliance standards that we advocate in this submission.

In our view it follows that some form of design standards compliance mechanism must be embedded in the Act so that imported RVs can be reliably expected to meet the basic safety and manufacturing standards which govern domestic production.

The CIAA takes its industry stewardship responsibilities seriously. We have developed and conducted an RV industry compliance program for more than a decade. This program is based on more than 350 caravan checkpoints developed out of the relevant ADRs and the VSB1 requirements. The program has been widely adopted by the RV industry and now attracts participation from approximately 90 percent of all Australian caravan manufacturers.

The establishment and development of this program evidences the CIAA's recognition of the importance of impeccable compliance as the foundation of an industry reputation for high standards of safety and quality for consumers. CIAA is often required to defend the program within industry when local manufacturers are aware of the high level of imported RVs that seem to avoid compliance requirements and associated input costs.

The State RV industry associations also promote the program’s philosophy when conducting RV and Caravan Shows that display Australian and imported caravans. The individual associations have variously promoted compliance requirements that must be satisfied by product promoters before exhibition space is provided. Naturally the associations also work in close cooperation with their local regulators to promote visibility of compliance requirements at each show. This discipline has served the industry and consumers equally well by increasing the quality of product on offer in the market although such practice is not shared by all other non industry shows.

We emphasise our confident view that the size and robustness of the RV market in Australia will continue to support both locally manufactured and imported RVs. We are concerned though that many RVs currently imported are not manufactured in compliance with ADRs even though it is an offence to do so under the Act.

This is not a new issue for the RV market but it has taken on concerning dimensions as the growth in the RV market (and the corresponding growth in unit imports) establishes a larger number of potentially unsafe RVs being driven and occupied by customers unacquainted with this risk.

Our concerns are particularly strong in regard to imported RVs that fall below the threshold of 4.5 tonnes. In such cases the purchaser makes an application for import approval to the Vehicle Standards and Safety Branch (VSSB) of the Federal Department of Infrastructure and Transport. These applications are automatically approved on the basis of so-called ‘self-certification’ by the applicant. That is to say that the VSSB accepts a personal declaration from the applicant that the RV is compliant with all relevant ADRs.

There is no limit on the number of RVs that may be imported under these arrangements which means any individual with little or no knowledge of compliance may import these RVs in large volumes which can then be resold to consumers.

We refer to this arrangement as a ‘loophole’ because the applicant is not required to produce any independent proof that the RV is designed and manufactured to the appropriate Australian standards or modified to comply. In our experience this can result in the admission of RVs where gas systems, heating and cooking devices, electrical systems, suspension systems, coupling devices and emergency egress location do not satisfy Australian requirements.

There is no uniformity among State and Territory vehicle registration authorities in regard to checks or recognised certification of these systems prior to registration occurring. Consequently in some of the most populous States the RV will be registered for road access with the owners completely oblivious of the potential danger of the RV that they have purchased in good faith.

The RV industry generally and the RV manufacturing sector in particular has long been an industry given low priority by Federal, State and Territory regulators. The Discussion Paper, and the Productivity Commission Inquiry Report<sup>1</sup> by which it is informed, contain no analysis or articulated understanding of the challenges or circumstances confronting the RV industry specifically. Rather, these documents are focused on arrangements concerning the automotive industry and the opportunity to address RV safety and quality regulation appears to have been overlooked.

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<sup>1</sup> 2014 Productivity Commission Inquiry Report: *Australia’s Automotive Manufacturing Industry*

The RV industry enjoys strong patronage from the Australian public. While the iconic ‘grey nomads’ have typically been perceived to dominate the clientele, the RVs are increasingly the domain of young families looking for cost-effective recreational opportunities. Both are groups that implicitly rely on regulatory standards in believing that the RV into which they are entrusting their lives is safe for themselves and other road and park users.

For these reasons the CIAA has prepared this submission to provide some carefully considered suggestions as to how the review of the Act might be further developed to achieve the maximum benefit for all Australians.

## **2. The Caravan Industry Association of Australia**

The Caravan Industry Association of Australia (CIAA) is the national peak body for the caravanning and holiday parks industry, representing manufacturers, retailers and repairers including caravans, motor homes, camper trailers, tent trailers, camping, cabins, plus other RVs and industry suppliers, as well as caravan holiday parks.

The CIAA enjoys the responsibility of contributing to the growth and development of the Australian caravanning and camping industry for the benefit of all industry participants including consumers, industry employees, and business operators. We undertake a number of national marketing campaigns designed to grow demand for caravanning and camping and provide education and training for industry participants through conferences and skills based programs.

This approach encourages best practice and product development through sector-specific accreditation programs, targeted research and close liaison with State and international tourism and caravanning associations to understand latest industry trends. The CIAA takes seriously its advocacy and lobbying role on behalf of the industry to address commercial, regulatory and operational issues.

As the national peak body our membership is comprised of the State and Territory based caravanning associations whose members in turn are derived from the RV trade and caravan and recreational parks. Each of the ten member organisations put forth a representative to provide direction and governance of the CIAA through a National Board. More than 1,000 industry businesses invest in CIAA activities on a yearly basis, and we regularly communicate to one of the largest active consumer caravanning and camping databases in Australia with 212,000 registered participants.

The CIAA is a member of, and holds a Board position with, the National Tourism Alliance (NTA). The NTA is a category sponsor of the Australian Tourism Awards, a foundation member of the Tourism and Hospitality Careers Council, and holds Board positions on, or is actively involved in the activities of, skills councils, State and Territory Government working groups, and State Tourism Industry Councils.

Central to our purpose is an active advocacy devoted to continually improving value and opportunities for industry consumers, businesses and participants, as well as increasing the contribution of the caravanning and camping sector to the Australian economy.

### 3. Background to this Submission

CIAA notes the significant omission of the caravan and trailer market from active consideration as part of the Productivity Commission's Inquiry into Australia's Automotive Manufacturing Industry. This omission is acknowledged in the Productivity Commission Inquiry Report: 'this inquiry is not primarily concerned with .....caravan and trailer production...'<sup>2</sup> Recommendations arising from this report are not informed by any serious examination of the circumstances or issues related to the RV industry or its stakeholders.

As the Discussion Paper's analysis relies on the Productivity Commission Inquiry Report it is worrying but not surprising that any contemplation of the Australian RV manufacturing sector is incidental to the findings contained in the Discussion Paper.

The Discussion Paper analyses the motor vehicle industry and the decline in the Australian motor vehicle manufacturing sector. It also explores the implications of the current regulatory framework and existing import processes for motor vehicles. Suggestions for reform are particularly constrained insofar as they are restricted to barriers and opportunities specific to the motor vehicle industry.

Given that the RV manufacturing sector falls within the scope of the Act, it is essential in our view that RV Industry representatives should be afforded the opportunity to engage with a legislative review that will have significant ramifications for the whole RV Industry and its supply and service chain. The content of the Discussion Paper does not provide such an opportunity for engagement aside from invitations for written submissions.

Caravans are captured by the definition of 'road trailer' and in turn 'road vehicle' under the *Motor Vehicle Standards Act 1989* (Cth)<sup>3</sup> (the 'Act'). Standards for both Australian manufactured caravans and imported product are governed by this piece of legislation, principally through ADRs and Vehicle Standards Bulletin 1 (VSB1) – the National Code of Practice for building small trailers<sup>4</sup>.

Once a vehicle is in-service (following supply to market), regulatory supervision shifts to State and Territory Governments, who assume responsibility for registration and ongoing roadworthiness. Compliance requirements and interpretive approaches differ between jurisdictions introducing significant variance across state borders.

States and Territories also have other separate legislative instruments and agencies which regulate gas and electrical safety standards for the installation of gas and electrical appliances in RVs. With respect to RV compliance, there is little, or in some cases no integrated relationship between the respective State and Territory based regulatory agencies.

Despite the inconsistent regulatory environment, the RV industry manufactures some 21,000 units per annum. Products include caravans, camper trailers, pop tops, slide-ons, fifth wheelers, motor homes, campervans and tent trailers. The industry's primary market is domestic, with only a small number of units currently exported to New Zealand.

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<sup>2</sup> 2014 Productivity Commission Inquiry Report: *Australia's Automotive Manufacturing Industry*, 1.2 p38 para 3

<sup>3</sup> s5 *Motor Vehicle Standards Act 1989* (Cth)

<sup>4</sup> Small trailers are categorised as trailers with an aggregate trailer mass that does not exceed 4.5 tonnes

Among its members the CIAA represents approximately 160 product manufacturers, directly accounting for the employment of approximately 6,000 Full Time Equivalent (FTE) employees. This industry is supported by a significant supply chain of Australian based chassis manufacturers, appliance and original equipment component suppliers, equipment and aftermarket parts suppliers, repairers and service agents. This supply and service chain further employs approximately 25,000 Australians.

In Victoria alone the trade sector of the caravanning and camping industry (manufacturers, dealers, service and repair, parts and accessories, and caravan storage) employs 5,150 FTE employees across 800 trade businesses. The industry has enjoyed record growth at about 10 percent per annum over the last 15 years, and generates estimated revenue of \$1.4billion per annum for the state<sup>5</sup>.

Consumer interest in RV product remains high, with an estimated 264,943 people visiting the five major caravan shows this year. The primary caravanning market is domestic with 90 percent of caravanning and camping activity undertaken by Australian domestic travellers. It is interesting that 90 percent of all site nights take place in regional Australia.

The RV Industry generates \$7 billion worth of consumer expenditure annually<sup>6</sup> and contributes approximately \$17.44 billion dollars in economic activity to the Australian economy every year.

With increasing sales in the family market<sup>7</sup> and a growing share in the ‘grey nomad’ market<sup>8</sup>, caravan production is expected to continue its growth trajectory in line with the increase in the ageing population and Australia’s retiree profile.

Australia has experienced record levels of RV manufacture in recent years with production increasing by 20 percent since 2009<sup>9</sup> and consumer intentions to purchase RVs remaining strong<sup>10</sup>. The number of registered RVs in Australia displays strong annual growth<sup>11</sup> with 528,869 RVs registered as at 2013. Of these 54,103 RVs are motorised (i.e. motor homes or campervans) while 474,783 are towed product (i.e. caravans, camper trailers, tent trailers, and other towed RVs)<sup>12</sup>. RV ownership and touring is tipped to continue growing over the next twenty years at a rate beyond its current annual growth rate of 5 percent<sup>13</sup>. Given the demanding and unique touring conditions of the Australian continent, safe and fit-for-purpose caravan design is essential.

It follows that a suitable regulatory framework is of paramount importance to consumer confidence in the industry which is required to underpin the economic contribution that it makes.

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<sup>5</sup> Victorian Caravan and Camping Industry Blueprint, commissioned by Caravan, Trade & Industries Association of Victoria (CTIAV) and the Government of Victoria – Department of Manufacturing

<sup>6</sup> Tourism Research Australia Snapshots 2012 Caravan or Camping in Australia, March 2012

<sup>7</sup> Exactly half of the 8.5 million domestic CC visitors in Australia were aged 30-54 years: Tourism Research Australia Snapshots 2012 Caravan or Camping in Australia, March 2012

<sup>8</sup> Alliance Strategic Research Consumer Research Report, 2011

<sup>9</sup> RVMAA - Recreational Vehicle Production in Australia - 1992 (Jan-Dec) – June 2012

[http://www.rvmaa.com.au/6154/INDUSTRY\\_STATS/](http://www.rvmaa.com.au/6154/INDUSTRY_STATS/)

<sup>10</sup> Alliance Consumer Research Report 2011

<sup>11</sup> BDO Caravan and Campervan Data Report 2013, August 2014

<sup>12</sup> Ibid

<sup>13</sup> Ibid

Over the last decade Australia has seen an increase in imported new and used caravans from the US, UK, China and Europe. This trend correlates with the effects of the global financial crisis, a high Australian dollar and a general recognition of Australia as a relatively prosperous nation with a high degree of RV ownership and aspiration. This increased market presence of imports has been occurring across the product range and has been facilitated by advantages conferred by the Australian import approval process. This approval process relies heavily on 'self-certification' of standards without accredited verification that such compliance exists.

This regulatory approach effectively introduces a two-tier approach to safety standards whereby imported RVs are effectively relieved of production costs that are mandatory for Australian manufacturers. Furthermore the approvals process does not impose limits on the number of RVs that may be imported under these arrangements, with the result that some unscrupulous and or other operators who lack knowledge of the compliance requirements can import non-compliant used RVs and resell them to unsuspecting consumers.

The caravan industry welcomes in principle those aspects of the review that challenge the issues of reducing red tape and the regulatory compliance burden of the current regulatory system. However we believe that equal weight must be directed to the administration of the current legislation particularly with regard to compliance enforcement.

A review of the current self-certification process for import approvals for RVs below the 4.5 tonne threshold is considered by us to be imperative for the reasons we have briefly set out. The major proposals contained in the Discussion Paper are targeted at relaxation of current prescriptive import requirements for motor vehicles into Australia. In contrast the RV Industry has long been the subject of a relaxed import system which has introduced the risks and quandaries that we have described.

While a deregulatory approach may be appropriate for the vehicle manufacturing industry which has reached the end of its life in Australia, we believe the pendulum must begin to swing the other way in the case of the vibrant and important RV manufacturing industry.

By removing the burden of safety compliance the current import approvals process effectively subsidises the cost of imported RVs, albeit in a manner not recognised by the consumer. In order to level the playing field the Australian manufacturers would need to be similarly relieved of compliance obligations and we realise that such a move would be unconscionable.

In our view the only feasible alternative is to balance compliance and cost parity by providing formal and meaningful recognition of the industry on a national policy basis as an integral element of the review currently in place. It is axiomatic that such recognition would demand significant reform of current import approval arrangements for RVs.

The preservation and growth of the RV industry will depend on more effective and efficient regulatory regimes that include verification compliance of imported RVs. That said, the RV Industry maintains its commitment to supporting self-regulation by working in partnership with regulators as a pathway to delivering a more consistent and rigorous compliance regime.

Predictably, our response to the key policy questions in the discussion paper will be entirely different in character to those that might be provided by motor vehicle sector whose Australian manufacturing base is defunct. Reconciling these differences in isolation would be fraught and we are deeply concerned that

the views our comparatively smaller sector are at serious risk of being entirely overwhelmed by views that relate to the automotive industry.

It is our strongly held opinion that this review must recognise the fundamentally different circumstances of the motor vehicles and RV industries respectively so as to avoid unintended consequences. Accordingly CIAA focuses its submission on the removal of self-certification for RVs less than 4.5 tonnes as a basis for import approval and on the harmonisation of Federal, State and Territory regulatory and, registration compliance priorities.

We recognise and accept that the complete range of issues raised in this submission might not be reasonably accommodated by the breadth of the current review. Instead we believe that the issues might be more satisfactorily resolved if the review were to endorse recommendations to establish joint regulator/industry mechanisms to work cooperatively within set timeframes to improve the compliance quality.

The CIAA places on record its willingness and commitment to be involved in such mechanisms with a view to developing a sound, sustainable and equitable compliance framework.

#### **4. Regulatory Framework – Vehicle Registration**

When a caravan up to 4.5 tonnes is imported for the purpose of road travel it must be registered by the roads authority in the respective State or Territory in which it is domiciled. A multiplicity of registration schemes exist across the various States and Territories for RVs. Many of these schemes make provision for self-registration by authorised dealers (usually large volume sellers) while others provide for registration approvals at roads authority centres.

In turn each State and Territory roads authority determines the relevant compliance verification required to permit registration. The specific compliance checks and criteria required as part of determining RV compliance varies significantly between jurisdictions. For example, confirmation of RV weight, length and width; and independent gas certification compliance may be deemed critical in one State while being irrelevant in the neighbouring State. Methodologies range from physical inspection to sighting of compliance certificates and self declarations.

The common concern shared within the RV industry is centred on how the variation between schemes and interpretations can result in non-compliant imported RV units becoming legitimately registered for consumer travel and road use. These inconsistencies also create problems where caravans are sold between States with the ultimate buyer being unable to transfer registration. Major exposure arises where some resellers focus their sales efforts in jurisdictions where compliance is not actively enforced or gaps exist.

The CIAA proposes that a nationally consistent set of minimum RV compliance standards should be developed across all States and Territories and that the review of the Act may be the appropriate mechanism for achieving this.

## 5. Multiple Regulatory Relationships

RVs are the subject of a number of regulatory requirements. For example a State energy authority may require that RVs – like ordinary homes – must have their gas lines installed and appliances constructed and connected in accordance with the National Gas Code. The effectiveness of this requirement can subsequently arise from a disconnect between an energy authority and the local road registration authority.

The disconnect looks like this: the roads authority may not require the RV owner to produce a certificate issued in accordance with the energy authority’s requirements; and the energy authority may not know that the imported RV exists because the roads authority is not required – or in many cases even inclined – to share this knowledge. In summary; the imported RV bypasses gas compliance inspection at the two principle points of regulatory enforcement.

Depending on the State or Territory in which the RV is to be registered an extensive number of critically important compliance checks can be avoided by the owner of the imported RV. Such compliance checks include, but may not be limited to:

- Identity checks
- Dimensions
- Electrical checks
- Brakes
- Underbody and frame
- Weighbridge certificate
- Ratings checks
- Engineering certificate
- Inside checks
- Body checks
- Wheels and tyres
- Drawbar equipment
- Gas certificate
- LPG
- Electrical certificate

The CIAA therefore proposes that a uniform, consistent and thoroughly integrated process should be established within and between each State and Territory so that imported RVs and locally produced RVs are subject to the same rigorous checks. The establishment of these uniform procedures could be greatly assisted by introducing independent certification requirements at the stage of Import Approval application.

While there is no specific build or construction standard for RVs, the Australian RV manufacturing industry relies heavily on a framework of ADRs which set out some 46 compliance requirements for RVs to ensure product integrity, safety and consumer protection. These requirements are also subject to VSB1 which is a Code produced by the VSSB to provide a guide for compliance requirements for RV manufacturers as an alternative to the ADRs.

The CIAA has carefully assessed the 46 compliance requirements and believes each and all of these requirements remain valuable and relevant. We believe that by adding the import compliance documentation to the approval process the subsequent uniformity in registration checks could be satisfied seamlessly and without additional regulatory cost. We add that such documentary checks should be complimented by a reasonable level of physical inspections to ensure the veracity of such documentation.

It also follows in our view, that the ADR and the proposed compliance requirements should be enshrined in mandatory regulations rather than the more ‘advisory’ mechanism of the VSB1 ‘code’. It is

the industry's experience that when requirements are delegated to a lower level 'advisory code' then the resources allocated to enforcement are diminished accordingly. In other words the 'advisory code' approach lacks enforcement capability.

## 6. Importation Processes

Estimates available to the CIAA suggest that almost 30 percent of the Australian RV market is made up of imported new and used product. These imports primarily include a mix of caravans, camper trailers and fifth wheelers. These products primarily originate from the US, China and Europe.

Some of the manufacturers of new imported RVs advise that their units are produced to a design and specification for Australian conditions and to meet Australian National Standards for compliance. However, the bulk of used recreational vehicles imported into Australia are clearly (and logically) designed to standards that suit their country of original sale. Accordingly these RVs would require modification to meet Australian National Standards (including ADRs) if they were to meet the higher ADR/compliance tests that we propose for import approval.

The import process for RVs below the threshold 4.5 tonnes is administered by VSSB within the Federal Department of Infrastructure and Transport (DIT). This is the so-called 'self-certification' scheme which we have described earlier in this submission.

RVs over the 4.5 tonne threshold and are required to be assessed under the Registered Automotive Workshop Scheme (RAWS) by a qualified engineer in order to become eligible for import approval.

As we have mentioned previously the self-certification scheme makes no distinction between applicants who are importing an RV for personal use, and applicants who are importing relatively high volumes of RVs with the specific purpose of reselling them. There are no apparent volume restrictions on the quantity of RVs that can be imported under these arrangements.

Parties wishing to import an RV below 4.5 tonnes need only access the DIT website and complete the Import Application form online. The online application requests the applicant to tick a series of boxes, including a request to declare if the imported unit/s "does your trailer comply with the clauses of VSB1" for compliance. Having completed this form in the affirmative the applicant is granted import approval.

Upon landing in Australia there is no subsequent inspection process to verify that the self-certification declaration has been made correctly and honestly.

In recent years the CIAA has increased its interest relating to non-compliant imported RVs following a significant rise in reports received from legitimate importers, local manufacturers, repairers and service agents. During the last twelve months CIAA has received an increased level of reported examples of non-compliant imported RVs.

Such examples demonstrate clear non-compliance with VSB1 and ADRs with varying degrees of severity. At the lower level of severity the risk may be limited to inconvenience or expense to the owner, whereas the high end risk could involve serious systemic failure. The scope of these failures has been contained within the range of compliance issues which we have previously tabulated and referred to in this submission.

The Discussion Paper canvasses the desirability of removing restrictive import processes on motor vehicles. While this will be a new concept for motor vehicle importers, the RV industry has long operated in a market where the import process for RVs up to 4.5 tonnes has effectively been completely deregulated. We hold a very strong view that the current self-certification (deregulated) system at best fails to control entry into Australia of potentially non compliant RVs and at worst reflects a system of regulatory failure.

## 7. After sales support

The issues associated with the standards shortfalls, primarily with used RVs in the sub-4.5 tonne range have been described in detail in this submission. This segment of the market relates to high volume RV sales especially populated by budget buyers. Given these price constraints it is not surprising that many such consumers resort to so-called ‘grey imports’ to procure their RV.

This deregulated process imposes no limitation on the number of RVs that an applicant may import, or the number of applications that may be made by any individual in any period. These provide the perfect conditions for individuals to import and resell as many RVs as the market will support.

In addition to the risks associated with non-compliance, it is likely that the purchaser of such a unit will find themselves unable to purchase appropriate spare parts, or may be unable to sell their RV at a later date. Indeed one insurer has pointed out the difficulty with sourcing spare parts in Australia and from overseas due to cost and availability issues. This can leave the consumer owning an expensive and potentially dangerous stranded asset. Australian consumers have legal recourse under Australian Consumer laws to RV dealers (NSW and WA require dealers to be licensed) for product warranty, while other consumers must adopt a “buyer beware” approach in dealing with resellers.

This is especially pertinent to the Australian market which has traditionally maintained a strong second hand market and consumers have maintained strong prices on used RVs relative to the price of new RVs. This has contributed to the success of the RV market in Australia and has kept new RVs within reach of the Australian consumer. It has also served to reduce the average age of the Australian fleet and supports continued local investment in product innovation, renewal and employment.

It follows that the curtailment of such unsatisfactory arrangements described above will require contemplation of limits on the number of RVs that may be imported by any particular applicant. For example an applicant who is genuinely importing an RV for personal use would not feel unduly constrained by having the opportunity limited to importing say, one RV every three years.

## 8. Caravan & Appliance Minimum Standards

As previously mentioned, the regulation of safety standards relating to RVs involves the added complexity of accommodating the appliance fit-out of the RV. The RV is purchased and fitted with all the appliances and related appurtenances not dissimilar to those of a domestic residence.

The quality and compliance of such appliances is regulated in the domestic building sector by published standards that are rigidly enforced. For example, original equipment manufacturers (OEM) suppliers of appliances for RVs manufacture their appliances for local conditions and in accordance with local compliance requirements. Therefore a fridge, stovetop, oven, heater, conditioner, water heater, toilet systems and the like are supplied and installed with full compliance.

Accordingly an appliance produced to specification for the US or China market and which is not approved for use in Australia cannot be installed into an RV manufactured in Australia. Therefore purchasers of used imported RVs fitted with such appliances are unlikely to receive service support from the Australian based manufacturer/supplier representative for that appliance if it is not approved for use in Australia. It is an offence for a licensed tradesperson or supplier to service or repair a non-compliant appliance.

One international supplier of caravan appliances advises the CIAA that they are in receipt of five to ten enquiries per week on average, from owners of used imported caravans, seeking repairs or service of appliances found not to be approved for use in Australia.

The electrical compliance of caravans and installed appliances are legislated on a State basis and are also covered by the ADRs and VSB1 and require compliance with AS/NZ 3001. Australian wiring rules are considerably more onerous than other countries. The differences include quality of cable, types of connections, compliance and quality of switchboards, ICBOs and fittings.

The gas compliance of caravans and installed appliances are legislated on a State basis and also covered by VSB1 and require compliance with AS 5601. Australia requires RVs to use copper pipe to AS 1432. Other countries allow composite pipe (subject to rodent attack), steel (subject to corrosion) and plastic covered aluminium (subject to mechanical damage and corrosion).

The current legislated Australian Standard for compliance of caravans either locally manufactured or imported are the minimum standards. Imported caravans are required to be “modified” to comply with these minimum standards prior to use on road.

The legal position in one State for example, provides no specific jurisdiction to prohibit the personal import of a caravan containing non-compliant appliances, but it is an offence for an importer to sell a caravan where it contains non-compliant appliances. This situation could be avoided and the consumer afforded better protection, if the import approval process required an inspection of the caravan and a certificate of compliance to be issued for both the caravan and its appliances.

This situation is further complicated by the interweaving role and responsibilities of other Federal Departments with jurisdiction over non-vehicular import approvals that are nonetheless pertinent to the imported RV standards. For example the Federal Department of the Environment requires the importer

to make application and seek approval to import where the RV is fitted with Ozone Depleting Substance / Synthetic Greenhouse Gas Equipment (such as refrigerators). In making such a determination the Department's focus is primarily on the environmental implications, without necessarily confirming compliance standard of the equipment itself.

Purchasers of caravans sold by importers which contain appliances manufactured to overseas specifications, for use in caravans registered in Australia, are required to seek and obtain type approval for electrical and gas compliance to the relevant Australian Standard. Such compliance requirements are legislated for by the States and Territories and administered by specific regulators in the gas and electrical fields in each jurisdiction.

Product certification is required by the various appropriate Australian certifying bodies and approvals are provided subject to the appliance meeting the relevant Australian Standard. Appliances manufactured to "overseas specifications" that do not or cannot meet "Type" approval for Australian compliance are deemed non-compliant. It is an offence under State legislation for any person to repair, service, sell, install or commission such an appliance (under gas and electrical safety acts).

The Federal Government through the Department of Infrastructure and Transport and the VVSB retains primary responsibility for import approval processes and systems in Australia. It is therefore critical that the systems administered by this Department are designed to be vigilant and thorough in identifying and dealing with non-compliance as part of ensuring they meet their obligation to control first supply of product released to the market. Enforcing adequate independent verification controls at point of import is the most effective method of controlling and eliminating non-compliant caravans entering the Australian market.

In so saying, the CIAA takes the view that VSSB must be furnished a sufficient level of resources to carry out its responsibilities which are complex, expansive and numerous.

We strongly believe that the self-certification scheme should be amended to add a vital independent verification process, designed to validate the declaration by the importer and the physical compliance of the imported RV with Australian National Standards and ADRs.

The CIAA is well equipped to partner with government in improving the compliance levels of imported RVs. We would be pleased, and stand ready, to contribute to the regulatory task by applying the mechanisms that have been developed with our extensive industry compliance program. CIAA understands and accepts that governments cannot be expected to shoulder the regulatory burden alone and we would be pleased to be part of an RV specific dialogue towards sharing objectives and responsibilities.

## 9. Industry View on ADRs

### 7. Adoption of International standards to replace ADRs for the Caravan manufacturing sector

The Australian motor vehicle industry has a developed history of consultation structures with Government and regulators over change and how it might affect and protect the industry. The RV industry has largely been excluded from these processes, and little recognition or consideration has

been provided to the RV industry regarding proposed changes to regulation and the likely impact of this change upon the industry.

The changes proposed in the Discussion Paper include possible removal of ADRs and adoption of international standards. However the RV industry has not been engaged in the process to consider and understand implications of such change for the RV manufacturing sector. The preponderance of issues specifically related to the Australian motor vehicle industry within the Discussion Paper overlook the serious flow-on implications for the RV industry in Australia. The regulatory impact on the RV industry appears to be incidental to the central considerations of the motor vehicle industry.

The RV industry is inevitably affected by the review because of the common applications of ADRs but it does not follow that the review process should extend the same change to the caravan industry that it will determine in relation to motor vehicles. In fact we submit that a precisely opposite position applies.

We are especially concerned by the lack of any base contained in the Discussion Paper that indicates that the RV industry and its consumers would be as equally served as the motor vehicle industry by the application of UN or other international standards that are deemed an appropriate substitution for ADRs.

**Proposed Recommendations by the Caravan Industry Association of Australia to the MVSA Review to address current regulatory issues as outlined:**

### **Import Processes**

#### **1) Personal Imports**

The Association proposes further criteria be drafted to clarify the eligibility of an individual to import an RV on a personal basis into Australia. These criteria will go to limiting a personal import on the basis of one every three years. This limitation would continue to provide for personal imports but importantly would remove the ability of personal importers to import volumes intended for commercial sales. Commercial volumes of imports are not consistent with the main object of personal imports arrangements.

#### **2) Changes to Self Certification system**

The CIAA would propose amendment to the self-certification process for import approvals, which introduces a new two-step approval process. First the importer could be granted a 'provisional' import approval based on their declaration that the vehicle complies with National Standards. This provisional import approval would permit the RV to be landed but not released in Australia. The new second step would require an importer to have the vehicle inspected by an independent qualified engineer or independent RV accredited caravan compliance tester. In order for a compliance certificate to be issued the inspector must be satisfied and "certify" that the vehicle complies with National Standards and/or ADRs.

Upon receipt of a compliance certificate the regulator would issue a release approval to the importer.

If the RV is reported to be non-compliant then release would be withheld until the vehicle has been modified to be made compliant and certified as such by the independent inspector. This certificate of compliance should also be required to be provided to the relevant registration body as proof of compliance prior to registration being issued.

It is the strong position of the CIAA that the current self-certification system for RVs up to 4.5 tonnes should not be relied upon and rather a vital independent verification process, designed to validate the declaration by the importer and the physical compliance of the RV with ADRs and Australian requirements is invoked.

### **3) Uniform Registration and Regulation of RV Requirements across all States and Territories**

We believe that uniformity of registration and regulation is one of the most significant improvements available to reduce red tape and regulatory burden while also ensuring an optimum level of surety for consumers.

The current lack of State/Territory uniformity in RV compliance requirements leads to inefficiency, confusion, lost productivity and inconsistency of outcomes for industry and consumer safety. This could be addressed if the review recommended that the AMVCB (Australian Motor Vehicle Certification Board) or other suitable mechanism be charged with overseeing an evaluation of the current registration compliance schemes operated by the respective States and Territories. The objective of the evaluation would have an objective to establish nationally harmonised compliance and enforcement regime for RVs across all jurisdictions. CIAA believes this task should be given a clear timeframe of six months for achievement.

In our view it is essential that the evaluation process involves direct representation from the RV industry. An AMVCB delegated forum should also co-opt other relevant regulatory representatives concerned with RVs particularly those from electrical and gas safety agencies.

### **4) Other Issues requiring review**

The Association proposes the establishment of a joint regulator and RV Industry taskforce to:

- Consider how the various compliance requirements for RVs (including appliances) can be captured and streamlined for inspection and enforcement purposes between the varying regulators with legislative responsibility for caravan compliance.
- Consider the current application of the UN Standards to the Australian RV market; and review any present international consideration of further harmonisation of UN standards to replace ADRs for the caravan industry; and determine the desirability of applying such standards to Australian conditions, prior to any further ratification of these standards.

## 5) Industry Self-Regulation

The Association intends to further develop its industry compliance program with a goal of progressively involving all local producers and authorised business importers / distributors of RVs in a voluntary self regulation program. Such a program meets the policy objectives of Government and positions the industry to share more responsibility for compliance oversight in partnership with and support from Federal, State and Territory governments and their regulators. As a concept such an approach recognises the complementary role industry can take supporting regulators in their focus on priority areas of compliance and enforcement. This will require commitment from local manufacturers participating in this program and authorised business importers / distributors; while new import approval and verification processes (as above) must control compliance of personal and other non participating “business” imports.

## 6) Establishing a pool of accredited caravan testers

We propose a new system of ‘Accredited Caravan Compliance Testers’ be introduced, with members drawn from the current pool of caravan repairers, service agents or automotive engineers. Such testers would be required to demonstrate an appropriate level of knowledge and experience with Australian caravan compliance requirements. It is proposed that a schedule of fees would be established for inspection services payable by the owner of the RV involved to ensure that no additional cost are borne by government. Compliance testers could be ‘accredited’ through an accreditation scheme developed by the CIAA in conjunction with the regulators. The inspection process would be supported by random audits of inspectors and their records and vehicles inspected.

## 10. Summary and Conclusions

The CIAA respects the complexity of the review of the Act and its integration with the policy objectives of the Australian Government. With this in mind we have been careful to frame our comments and recommendations in a vein that supports those objectives and assists the difficult task confronted by the review. Throughout our submission we have utilised data that illustrates our contentions but at the time we have become aware of a general paucity of data collected by regulators generally in regard to RVs. We believe that one outcome of our suggestions will be an improvement of completeness on which future system refinements and supervision can be based.

While our submission is focused on defects that may be found in some imported RVs, we also acknowledge that compliance issues will arise from time to time involving locally manufactured RVs and product. We emphasise our commitment to ensuring that the same rigid compliance standards should apply equally to imported and locally manufactured product. We also note that the systemic improvements that we propose will provide equal reputational protection to legitimate importers as they will to local manufacturers. Our defining purpose is to ensure that Australian consumers are provided with safe and reliable RVs with a compliance system that invites and sustains complete consumer confidence.

We go to some lengths to demonstrate this purpose because we are mindful that others may erroneously attribute protectionist tendencies to our argument. In fact our arguments speak for themselves in proposing a market environment where quality and confidence make no distinction between the origins of the RVs involved.

The options paper explores cost savings available from further measures by removal of current import barriers. In the case of RVs the situation requires more effective and efficient compliance and enforcement frameworks and the recommendations made by CIAA in this submission there are a series of benefits from adoption. There are clear cost savings benefits for consumers from better compliance and retained value of their RV asset. There is clear safety benefit from reduced risk exposure arising from more compliant units entering the market. Industry generally, whether importers or local manufacturers, benefits from a level and competitive marketplace. There are significant productivity and confidence benefits flowing from more harmonised and consistently applied compliance requirements on a National scale. Whilst it is difficult to quantify the precise value of these benefits, further joint Government/Industry research could investigate further.

The critical component of any compliance system is effective enforcement. There is little point in having regulation/compliance requirements in place if they are by and large ignored on the breach. Smart, targeted and integrated enforcement strategies can more efficiently deal with serious and or repeat offenders, supported by well publicised reporting and promotion. Such enforcement strategies are critical to reinforcing the value and importance of adherence to these requirements amongst those heavily invested or those dabbling in this industry. These enforcement strategies also optimise effective use of current resources and if sanctions are published can effectively dissuade and educate the players of the seriousness of compliance across the industry.

Accordingly, our submission has a heavy focus on harmonisation of efforts of regulators and government policy between the Commonwealth and State and Territory jurisdictions. In most respects our suggestions involve realignment of existing processes as distinct from seeking to impose additional and unrealistic workloads upon the regulators. The CIAA is equally committed to sharing its resources and responsibility generally by offering the support of its caravan compliance program in any system that is ultimately adopted.

From a strategic viewpoint we have sought to integrate our response to support the Commonwealth Government's red-tape burden reduction while providing encouragement and support to successful and sustainable manufacturing industries within Australia. At the same time we are determined to maximise competition in the RV market for the purpose of maximising value, safety and utility to the Australian consumer.

We also strongly believe that the adoption of our recommendations will curtail the current reticulation of non-compliant imports in the used RV market. We have observed that many consumers who discover that their imported RV is non-compliant will rarely report the matter to the relevant authorities. There is a predictable tendency for affected consumers to remain quiet about their experience and will instead take all possible measures to on-sell the RV to another buyer.

Throughout our submission we made a conscientious effort to distinguish between the RV market and motor vehicle market both of which are affected by the current review. We propose that the only commonality between these two industries is the Act which governs ADRs. The Australian motor vehicle manufacturing industry is drawing to a close and it is logical and prescient to begin planning the accommodation of consumer choices that will rely exclusively on imported motor vehicles.

In contrast the RV manufacturing industry is highly competitive and is continuing to grow at record levels within a market that also supports a significant increase in volume of lower priced imports. It goes

without saying that regulatory and policy decisions made in regard to the motor vehicle industry will be intended to serve a completely different set of circumstances to those surrounding the RV industry. Accordingly we have sought to emphasise the pressing need for the review process to directly involve the RV industry so that the threat of unintended consequences can be recognised and averted.

This submission does not purport to provide the entire range of solutions that might be considered by the review. For this reason we have made recommendations that the review should instigate further consultation and conduct a detailed review of complementary regulatory processes before deciding on its final recommendations.

The Caravan Industry Association of Australia appreciates the opportunity to provide a submission and we thank the panel for this opportunity. We stand ready and willing to contribute any further information or practical support that may be useful and we wish the panel well in its endeavours.

**CARAVAN INDUSTRY ASSOCIATION AUSTRALIA**  
**20 OCTOBER 2014**

