



Mercedes-Benz

Mercedes-Benz
Australia/Pacific Pty Ltd
A Daimler Company
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The Motor Vehicle Standards Act Review Team
Department of Infrastructure and Regional Development
GPO Box 594
CANBERRA ACT 2601

Via email: mvsareview@infrastructure.gov.au

To Whom it May Concern

On behalf of Mercedes-Benz Australia/Pacific Pty Ltd please find attached the Executive Summary of our submission to the 2014 Review of the Australian Motor Vehicle Standards Act 1989, together with our full submission.

We would be happy to provide any further information you may require and would be delighted to brief you in person, should this be deemed appropriate.

Yours sincerely

Horst von Sanden
Chief Executive Officer

Attachments



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Mercedes-Benz Australia/Pacific Pty Ltd
Lexia Place, Mulgrave, Victoria, 3170
Tel +613 9566 9266
Fax +613 9561 7088
www.mbaup.com.au

Executive Summary

Mercedes-Benz is pleased to make a submission to the review of the *Motor Vehicle Standards Act 1989*. The key focus of this submission is in response to Q. 7-18 of the discussion paper which relates to opening up of the Australian market to second-hand vehicle imports and personal imports of new vehicles. Mercedes-Benz is opposed to this option as it believes it will:

1. Undermine consumer protection by introducing vehicles of a lower safety standard.
2. Discourage innovations in safety and security amongst the existing vehicle importers and wholesalers.
3. Lessen consumer protection through fostering an environment where consumers won't know exactly what they are buying, which in many cases will be vehicles of a lower standard than they would expect.
4. Diminish the benefits of the currently highly competitive new vehicle market, forcing existing importers to meet the lower standards of the privately imported vehicles.

Mercedes-Benz in Australia has a history of innovation in vehicle safety and in many cases, was the first vehicle manufacturer to introduce these innovations to the local market. This is not however, the case for all countries. In Australia key safety innovations that are often offered in other countries as "options" are almost without exception provided as standard features. The change to a private import environment would likely put downward pressure on safety innovation in Australia, as importers react to the private importation of cars with lower safety specifications. This will likely:

1. Delay the introduction of new safety innovations or offer them as higher priced options.
2. Delay the adoption of Mercedes-Benz-developed safety innovations to other brands in the Australian market.
3. Reduce workforce training, particularly in regard to safety innovation and employment.

Mercedes-Benz is also seriously concerned about the impact the introduction of privately imported vehicles will have on customers. Domestically, Mercedes-Benz has invested much in the promise that its customers always know what they are buying and they are receiving cars of the highest quality. The company is concerned that should parallel importation of new vehicles be allowed into Australia that consumers will have confusing information and the following is likely to occur:

1. Purchasers of privately imported Mercedes-Benz vehicles will not know what they are buying.
2. The provenance of privately imported vehicles will be impossible to determine, in some cases will be repaired or even stolen vehicles.
3. Customers will expect that the cars they are privately importing are exactly the same as official imports – this will not be the case.

Privately imported Mercedes-Benz vehicles will not be fit for purpose

1. Important Australian specific modifications such as improved cooling and electrical systems will not be present.
2. Lifesaving safety equipment considered standard in Australia may not be included.
3. Accessories fitted during production such as towbars and window tinting will not meet Australian Design Standards and in fact cannot be ordered in other markets.

Privately imported Mercedes-Benz vehicles will not be fully supported

1. There will be no process for tracking privately imported vehicles for the purpose of safety recalls.
2. The international warranty for these cars will be at least a year shorter than the Australian delivered car.
3. Insurance will be much harder to secure given the problems in establishing vehicle provenance.
4. Vehicle finance will also be harder to secure, with privately imported cars ineligible for Mercedes-Benz finance.
5. Vehicle re-sale value will be significantly lower for privately imported vehicles.

The introduction of privately imported Mercedes-Benz vehicles into Australia will significantly change the operating environment for both consumers and Mercedes-Benz – something which the company will need to adapt to. As already mentioned, it will negatively affect the rollout of safety and other innovations but also directly impact the viability of the Mercedes-Benz dealer network. At the very least, Mercedes-Benz will need to reassess its planned future investment in the network and will also likely need to consider sight rationalisations. This will potentially lead to job losses and the subsequent de-skilling of the workforce.

Submission to the 2014 Review of the Australian Motor Vehicle Standards Act 1989

Mercedes-Benz Australia/Pacific Pty Ltd (Mercedes-Benz) welcomes the opportunity to make this submission to the Federal Government's Review of the Australian Motor Vehicle Standards Act (the Review).

Mercedes-Benz is fully supportive of the separate submission to this review being made by the Federal Chamber of Automotive Industries (FCAI) and as such, does not seek to address the same issues the FCAI submission raises on behalf of the industry. Rather, Mercedes-Benz outlines herein how it believes certain options under consideration by the Review could impact Mercedes-Benz' important contribution to community and consumer protection standards, and in particular, the affects potential changes to the Act may have upon competition within the broader industry.

Review of the *Motor Vehicle Standards Act 1989*

Mercedes-Benz appreciates the need to review the *Motor Vehicle Standards Act 1989* (the Act), and supports the aim of the Government in delivering a regulatory regime that imposes the least burden on manufacturers (importers, wholesalers, and dealers) and consumers while maintaining the policy objectives of:

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

In its submission, we understand that the FCAI has made a strong case in support of Australian consumers having access to the latest safety innovations and low emissions technology and the highest levels of consumer protection, and the Australian new car market is being prominently positioned as one of the most competitive in the world. Mercedes-Benz supports this view and believes that in the case of the present regulatory regime for the importation of new and used cars into Australia, the Act in its current form remains entirely fit for purpose.

The Review's discussion paper however, poses a number of questions focused on options for change, the case for no change, associated cost benefits of change, and implementation of any such changes. The main area Mercedes-Benz's submission addresses are Q. 7-18:

What impact would second-hand vehicle imports and personal imports of new vehicles have on the automotive sector in the short, medium and long-term?

About Mercedes-Benz

Mercedes-Benz is a company within the Daimler Group (Daimler), whose vehicle manufacturing traditions stretch back more than 125 years and is marked by the pioneering achievements of automotive engineering. Today, the company is a leading supplier of premium passenger cars as well as the world's largest manufacturer of commercial vehicles. With its strong brands and comprehensive portfolio of automobiles ranging from compact cars to heavy-duty engine trucks being completed by tailor-made services along the automotive value chain, Daimler is active in nearly all countries in the world. The Group also offers Financial Solutions in Australia through Mercedes-Benz Financial Services Australia Pty Ltd.

Mercedes-Benz is the importer and wholesaler of a range of vehicles supplied by the Daimler Group, including passenger cars from Mercedes-Benz, Smart and Maybach, as well as Mercedes-Benz vans, heavy commercial vehicles from Freightliner, Mercedes-Benz trucks, and Mitsubishi Fuso, as well as Bus and Coach engine brands.

For the 2013 financial year, Daimler Group in Australia had a turnover of \$AUD3.0 billion; automotive sales of 27,547 units; and employed approximately 1,100 people in Australia. It is planning to invest a further \$AUD200 million over the next three years into its Australian network and remains committed to delivering innovations in, amongst other things, safety, fuel efficiency, and anti-theft security in the domestic market. This commitment builds on more than \$AUD350 million already invested into its passenger car dealer network over the last five years. This is in addition to the substantial investments made by our independent franchisees.

Mercedes-Benz has had a proud history of innovation in the local market having been the first brand to introduce vehicle safety features such as crumple zones, ABS brakes, and airbags. This commitment to safety and innovation is strongly underpinned by the current Australian regulatory environment – one which Mercedes-Benz believes provides an appropriate balance between community, consumer protection, and competition.

Maintaining Innovation in Safety and Security

As mentioned above, Mercedes-Benz has a history of innovation in vehicle safety and in many cases, was the first vehicle manufacturer to introduce these innovations to the local market. This is not however, the case for all countries Mercedes-Benz distributes to, with some innovations delayed due to specific market characteristics.

In Australia, the control and certainty Mercedes-Benz has over the new car fleet it imports is a vital pre-requisite for the early introduction of safety innovations, enabling it to ensure the appropriate vehicle support network exists in order to effectively maintain new vehicles and in particular, the specialist technical knowledge required to service specific safety innovations is available. It also assists Mercedes-Benz in ensuring customers are fully aware of vehicle features – in short, that they know what they are buying.

Mercedes-Benz's safety innovations have saved millions of lives world-wide and many thousands of lives in Australia. These innovations include:

- 1959 Crumple zones¹
- 1978 Anti-lock braking systems²
- 1980 Airbag, belt tensioner³
- 1989 Automatic rollover bar⁴
- 1995 Electronic Stability Programme⁵, side airbag⁶
- 1996 Brake assist⁷
- 1997 Sandwich concept⁸

¹ Mercedes obtained a patent from Barenji's in 1952 and the technology was first introduced into production cars in 1959 in the Mercedes-Benz 220, 220 S and 220 SE models.

² In 1970, the first-generation anti-lock braking system for passenger cars, a system that had been developed by Mercedes Benz together with TELDIX was introduced. In August 1978 Mercedes-Benz launched the second-generation anti-lock braking system (ABS), developed together with Bosch, which enabled a driver to retain steering control even during emergency braking. From December the innovation became available, initially in the S-Class sedans (116 series).

³ In 1981 Mercedes-Benz was the first automobile manufacturer in the world to introduce the driver airbag and seat belt tensioner, delivered in a 126 model series S-Class.

⁴ At the 1989 Geneva Motor Show, Mercedes-Benz presented an SL with an automatic rollover bar

⁵ ESP® identifies driving situations approaching critical road-holding limits such as evasive manoeuvres and helps the driver to stabilise the vehicle by braking individual wheels and adjusting the engine output accordingly

⁶ In 1995 the side airbag became available as an option, initially in the E-Class.

⁷ See Brake Assist Plus

- 1998 Windowbag⁹, Adaptive front airbag¹⁰
- 2002 PRE-SAFE¹¹
- 2003 Active light function¹²
- 2005 Adaptive brake lights¹³, Brake assist plus¹⁴
- 2006 PRE-SAFE Brake¹⁵, Intelligent Light System¹⁶
- 2007 Blind Spot Assist¹⁷
- 2009 ATTENTION ASSIST¹⁸, Active bonnet¹⁹, Adaptive High Beam Assist²⁰, Lane Keeping Assist²¹
- 2010 Active Blind Spot Assist²², Active Lane Keeping Assist²³
- 2011 Collision Prevention Assist²⁴, Night View Assist Plus with Spotlight²⁵.

All of these safety innovations entered the Australian market shortly after their international introduction, and many have become standard features across Australia's new car fleet. Particular in the case of crumple zones and airbags, these have become mandatory design features for all Australian cars. Mercedes-Benz shares the technical patents on safety innovations with other manufacturers without cost. This has delivered a higher take up rate of innovative safety equipment delivering lower levels of road trauma.

⁸ The powertrain (engine and transmission) moves beneath the passenger cell (located at high seating position) in the event of a big frontal impact

⁹ Introduced on the 1999 E-Class Sedan, window curtain air bags are standard equipment today on most Mercedes-Benz models

¹⁰ "Size Adaptive Airbags" automatically adjust their volume to the seating position and stature of the front passenger as recognised by the sensors.

¹¹ Mercedes-Benz's basic PRE-SAFE® is a system which, at speeds above 30km/h, uses the driver's inputs to steering, accelerator and brake, as well as dynamic data about the speed and rotation of the vehicle to determine whether or not emergency action is being taken, or if the car is out of control. If so, among other measures, the system takes the slack out of the seat belts using reversible tensioners and, if a side impact or roll-over is considered likely, it closes the electric windows and sunroof

¹² With the active light function, which operates with both high and low beams, the bi-xenon headlamps automatically follow the steering angle. It thus improves road illumination in curves by up to 90 percent

¹³ During heavy braking from a vehicle speed greater than 50km/h, the brake lights flash instead of just lighting up continuously.

¹⁴ BAS PLUS monitors vehicles ahead and optimises the applied brake power as soon as the driver steps on the brakes – initiating emergency braking, if necessary.

¹⁵ In the event of an impending rear-end collision; PRE-SAFE® Brake prompts the driver to take action by means of visual and acoustic signals.

¹⁶ The Intelligent Light System serves to improve safety during night-time driving; this made its debut in 2006 in the E-Class. It incorporates variably controllable headlamps with five different illumination functions.

¹⁷ See Active Blind Spot Assist

¹⁸ ATTENTION ASSIST can warn of inattentiveness and drowsiness in an extended speed range and notify drivers of their current state of fatigue and the driving time since the last break, offers adjustable sensitivity and, if a warning is emitted, indicates nearby service areas in the COMAND navigation system.

¹⁹ The active bonnet system comprises three impact sensors in the front section of the car and special bonnet hinges which are pretensioned and locked into place with strong springs. The sensors signal a collision with a pedestrian to the electronic control unit, which immediately activates two electromagnets in the hinges. These electromagnets release the lock, allowing the spring action to raise the rear of the bonnet by 50 mm. This whole process takes only a fraction of a second.

²⁰ Adaptive Highbeam Assist adjusts the headlamp range automatically to the distance of oncoming traffic or vehicles in front with their lights on. This provides the driver with the ideal headlamp range at all times, enabling better and earlier recognition of the course of the road, pedestrians or other dangers.

²¹ See Active Lane Keeping Assist

²² Active Blind Spot Assist has been developed by Mercedes-Benz to help drivers change lanes safely. It employs short-range radar sensors fitted on either side of the rear bumper which monitor the area directly alongside and behind the car

²³ The Lane Keeping Assist feature for passenger cars addresses the situation by warning the driver or even taking corrective measures automatically via ESP® as soon the system detects that the vehicle has left its lane

²⁴ The COLLISION PREVENTION ASSIST system is able to output a visual and acoustic warning to alert a distracted driver and prepares Brake Assist for the most precise possible braking response. This is initiated as soon as the driver emphatically operates the brake pedal.

²⁵ Using its infrared camera, Night View Assist shows the road ahead in a brighter light on the display in the instrument cluster, thus providing greater safety when driving at night.

While this is not replicated in all markets Mercedes-Benz operates within, the European and UK markets offer many of these features as options. For example:

- The Mercedes-Benz C-Class is only offered in Australia with nine airbags as standard, however, it is offered with seven airbags in other markets.
- The Mercedes-Benz E-Class is only offered in Australia with rear camera, blindspot assist and rear airbags as standard, however, in the UK none of these options are offered as standard in the E200. The situation for the E250 is worse, as in the UK the Driver Assist package is not even offered as standard.
- The Mercedes-Benz M-Class is offered in Australia with the full safety package, however, the UK delivered ML250BT does not come with rear camera or rear airbags as standard, and the UK delivered ML350 does not have the Driver Assistance package as standard.
- The Australian Government has just approved the use of ISOFIX child restraints systems with a top tether; however, the top tether is not required for the UK market. This would mean that privately imported vehicles would have to be modified to the factory standard to enable use of the mandated tether for Australian child seats.

There are many more examples of safety standard incompatibilities between Australian-delivered and Mercedes-Benz passenger cars delivered in the UK. The company is therefore concerned that if models that did not contain safety features standard to Australian delivered cars were imported from the UK, Mercedes-Benz's approach to safety innovation in the local market may need to change. If lower spec Mercedes-Benz models were to become widely available in the Australian market, Mercedes-Benz may need to adopt the following strategies to continue to maintain its distribution and service network:

- a) *Delay the introduction of new safety innovations or only offering them as higher priced options*
 - b) *Delay the adoption of Mercedes-Benz-developed safety innovations to other brands in the Australian market*
 - c) *Alter its approach to workforce training, particularly in regard to safety innovation and employment*
- a) *Delay the introduction of new safety innovations or only offering them as higher priced options***

The presence of a number of lower spec Mercedes-Benz passenger vehicles imported from countries such as the UK could change the local market for the company from one where Mercedes-Benz supplies the highest possible standards in safety equipment, to one where such equipment is forgone in the quest for a cheaper vehicle. Mercedes-Benz has deliberately steered away from such a scenario as it believes that in Australia, innovations in safety are a key part of the reduction of traffic accidents and the road trauma injury that follows.

Should this position be undermined, Mercedes-Benz may well be forced to introduce cars at the cheapest price to compete with Second Hand imports without these key safety innovations as standard to meet the new market dynamics. The consumer will not be better served by less safe vehicles being on the road.

Mercedes-Benz is of the view that such a scenario would be detrimental to the Australian market in two key ways. Firstly, there would be a significant delay before new safety innovations reached the Australian market resulting in a larger number of Mercedes-Benz vehicles on the road without the best safety innovations the brand has to offer. Secondly, the flow on effect to other brands looking to introducing new innovations would be significantly delayed.

b) *Delay the adoption of Mercedes-Benz-developed safety innovations to other brands in the Australian market*

Mercedes-Benz is extremely proud that the vast majority of safety innovations it has brought to the Australian market since 1958 have been predominately adopted as standard ahead of other car importers and wholesalers in Australia. Innovations such as crumple zones and driver airbags have been incorporated into the Australian Design Rules, making them mandatory for all cars in Australia. Other safety features, such as Anti-lock Brake Systems (ABS), and Electronic Stability Programming (ESP), are now so prevalent across the Australian market they could be considered by some as standard items. Other Government initiatives such as the <http://www.howsafeisyourcar.com.au/> website promote consumer adoption of safety equipment, rather than discourage it, which may be an unintended effect of permitting parallel and grey imports. A delay in the adoption of standard safety equipment may also delay reductions in the road tolls.

For these innovations to be adopted by other brand distributors and wholesalers, there needs to be a proven market for them in Australia. This comes by Mercedes-Benz initially introducing them into the local market and then being offered in sufficient numbers to customers and/or regulators to recognise the benefits. Equally, it takes time to develop a skilled workforce to service these new technologies beyond that in the Mercedes-Benz dealer network.

If Mercedes-Benz were forced to respond to change market dynamics forced by the parallel importation of new Mercedes-Benz cars from overseas and therefore, delay the introduction of new safety innovations in favour of delivering cars to a price, these innovations would take much longer to be adopted by the wider Australian market.

c) *Reconsider its approach to workforce training, particularly in regard to safety innovation and employment*

Mercedes-Benz ensures its service workforce is trained to the highest level. Mechanics trained in Australia by Mercedes-Benz work on the most innovative passenger fleet and the newest technologies available; this is certainly the case when it comes to safety innovation. Many of the company's trained workforce goes on to work for other brands throughout the market, ensuring that their high-level of training benefits not only the customers of Mercedes-Benz but other vehicle brands also.

Further, non-authorized repairers are unlikely to have the requisite skill, knowledge, experience, specialist tools, diagnostic equipment and latest manufacturer's instructions and software to carry out servicing and repairs in parallel imported vehicles to the standard recommended by the manufacturer, presenting an increased vehicle condition and safety risk. This may result in an increase in consumer dissatisfaction and claims under the Australian Consumer Law, resulting in a heavier case load for the state and territory fair trading agencies and the judicial system.

Should Mercedes-Benz be forced to slow its rollout of safety innovations in Australia, the level of training would naturally be reduced, and the loss of skills would be compounded should the importation of lower spec Mercedes-Benz cars infiltrate the Australian market. It is extremely unlikely that such cars would be covered by Mercedes-Benz's fixed price servicing policy in Australia, ensuring that a large proportion of cars are serviced outside the Mercedes-Benz dealer network. This would lead to smaller numbers of employees in the Mercedes-Benz servicing workforce, and a smaller percentage of the overall Australian car servicing workforce with a high level of specialised skills. In summary, this will mean a decrease in jobs at Mercedes-Benz and a lower level of a skilled mechanical workforce in Australia. In 2014 Mercedes-Benz will spend in excess of AUD\$6M providing almost 10,000 training days.

The significantly higher level of mechanical complexity and technology in our vehicles delivers a more highly skilled workforce.

Ensuring Consumer Protection

Domestically, Mercedes-Benz has invested much in the promise that its consumers always know what they are buying and they are receiving cars of the highest quality and safety – the Mercedes-Benz brand is proudly renowned for both. The company is concerned that should parallel importation of new vehicles be allowed into Australia, Mercedes-Benz's ability to deliver the safest possible vehicles to the market at the earliest possible time will be significantly undermined and compromised.

Mercedes-Benz sees three main areas of major concern:

- a) *What will Mercedes-Benz customers be buying?*
 - b) *Will privately imported Mercedes-Benz cars be fit for purpose? Will the customer know the differences when buying?*
 - c) *How will privately imported cars be supported?*
- a) **What will Mercedes-Benz customers be buying?**

Whether it is the second-hand importation or personal importation of new vehicles, Mercedes-Benz would be seriously concerned over the provenance of these vehicles. It can be argued that all such grey import vehicles should be classified as second-hand as even such new vehicles will need to pass through an intermediary for the purpose of delivery.

The question of what customers are really buying is an important one for consideration as all vehicles will be purchased sight unseen. It is a real possibility that second-hand vehicles could be passed off as new vehicles with their age easily disguised. This is assisted by the fact that all vehicle models, including those supplied by Mercedes-Benz, tend to run for at least a number of years with no changes to specifications. In this case, it would be possible to substitute a used vehicle, for example, of two years of age for a new vehicle a customer believes they have purchased.

In Australia, the age of a vehicle is denoted by the compliance plate all vehicles must receive before they are sold. It is common practice for the unsold vehicles plated in the previous year to be sold at a discount in the early months of the following year as customers want to have the newest plated vehicle available. Given that privately imported new vehicles will not have an Australia compliance plate, it will be impossible to tell exactly when they came into the market. Thus, a two year old used Mercedes-Benz could look the same as a new vehicle.

The second issue relating to vehicle provenance arises in the case of damaged or stolen vehicles being passed off as new. Most people will be aware that there is a practice of selling stolen vehicles in many countries, rebuilding damaged vehicles and passing them off as new, or in extreme cases, "cut and shutting" the undamaged ends of two severely damaged vehicles to make an apparently undamaged whole vehicle. Such practices are only effectively curtailed when a system of accurately identifying vehicle provenance is in place. Selling a vehicle outside of its country of original sale is clearly one of the ways that such vehicles can be effectively disposed of.

Mercedes-Benz would be extremely concerned if such practices were adopted by those facilitating private imports of new or second-hand cars on behalf of Australia consumers. This concern is heightened by the fact that we can not foresee any feasible way stop it. We believe that it would be entirely impractical – and against the principles of this reform option – for every privately imported vehicle to be thoroughly ADR tested and plated and without such a process, the provenance of a vehicle simply cannot be accurately obtained. The potential for consumers to be misled as to the true safety of their vehicle and the adverse impact on the consumer along with the consequent possible impact on safety cannot be under estimated.

b) *Will privately imported Mercedes-Benz cars be fit for purpose? Will the customer know the differences when buying?*

Through this submission, Mercedes-Benz has already discussed its concerns in relation to the differences in standard safety equipment available in the cars sold in the UK compared to Australia. These differences are not solely in regard to safety innovations, with many Australia-specific modifications being made to Mercedes-Benz passenger cars which are currently sold in Australia.

Given the local climate, all Mercedes-Benz passenger cars sold in Australia are modified to cope with extreme weather conditions in particular heat and dust. The most common modifications include the fitting of larger capacity radiators to manage extreme heat, and larger alternators to provide additional power the more frequent use of cooling fans require.

By way of example, Mercedes-Benz fits all of its ML model vehicles with larger cooling fans to prevent overheating in extreme weather conditions and when towing. An ML model Mercedes-Benz imported from the UK will not have this modification, and will likely be fitted with the 550 option (Euro towbar). This Euro towbar does not comply with ADR standards for Australian towbars as it does not have the facility for attaching safety chains, nor does it have Australian compatible wiring or the required labelling regarding maximum towing weight. Again there is a concern as to who is going to certify that such a vehicle not only meets the ADR's but is 'fit for purpose'.

In the case of this example, it is unlikely that such things will be picked up or modified prior to private importation, thus allowing cars which appear to be the same as Australian standard vehicles entering the local market when they are not genuinely fit for purpose.

Australian-delivered Mercedes-Benz passenger vehicles have air conditioning as standard and are also fitted with country specific tyres, which are suited to local conditions. However, this is not always the case in the UK. These things would be easily overlooked by a customer purchasing a car from Australia in an overseas market as the customer would assume that as it is a new Mercedes-Benz, it has air conditioning and the appropriate tyres. Additionally the condition of some rural roads in Australia will be especially damaging on tyres not specified for these conditions.

There are many other standard features and options available on UK sourced cars which are incompatible with Australian delivered Mercedes-Benz passenger cars. These include:

- Fuel compatibility: some performance vehicles are incompatible with the “bad fuel” standard and higher sulphur content of Australian fuel, which could include some Mercedes-Benz engine variants available in the UK.
- SAT NAV: loaded with the wrong maps, and using a difference frequency to Australian delivered cars will render it non-functional.

- **Speedometer:** This will be marked in MPH if it is a car delivered from the UK, making it both unsafe and incompatible with Australian vehicles.
- **Fuel filler pipe:** This will be to the European size, not the Australian standard, and will not contain labelling appropriate to Australian fuel types.
- **Window tinting:** This could be incompatible with Australian Design Standards and therefore, illegal. In some RHD markets windscreen tinting is fitted and this is not legal in any jurisdiction in Australia.
- **Radio:** Such will use different frequency for all peripheral devices and will have a different band width.

The above list, combined with the previous section on safety innovations, shows that if parallel importation is allowed for new cars, many will not be as fit-for-purpose as the Australian-delivered equivalent. Many will argue that this shouldn't matter as it is up to the customer to choose the car they want and having more Mercedes-Bends variants available in Australia is a good thing. Mercedes-Benz has a very different view to this however; as it does not believe it will be possible for customers to accurately differentiate between a foreign sourced Mercedes-Benz vehicle and a locally-delivered one without the possession of specialist technical knowledge beyond that possessed by the average car buyer. This will lead to customer dissatisfaction with their purchase when the imported cars do not live up to the experience of the Australian-delivered variants.

c) *How will privately imported cars be supported?*

Mercedes-Benz believes that customers will expect the same high levels of service from the company regardless of whether they have purchased a car from Mercedes-Benz in Australia or privately imported such a vehicle from overseas. The unfortunate reality is that privately imported cars will be supported in line with the terms and conditions of their purchase in the relevant overseas jurisdiction. Examples of these differences range from the inconvenient to the critical, and include:

- **Vehicle recalls:** the system for factory recalls of vehicles with identified possible faults is well established in Australia. Mercedes-Benz knows who has bought every new Mercedes-Benz sold in Australia and can effectively contact them in the case of recalls. The same would not be the case for vehicles purchased and imported from overseas. In fact, overseas purchased vehicles in Australia will need to rely on the methods of the country the car was purchased in for the purpose of recall notification. The vehicle owner might never know that a safety recall needs to be carried out for a vehicle putting their own life, the lives of passengers and the lives of other road users, at risk. If a recall is for a part not fitted to an Australian-delivered vehicle, then it could be the case that the Australian dealer network is not equipped or obliged to resolve the problem.
- **International warranty:** all Mercedes-Benz passenger cars have a two year international warranty. In Australia, this is extended to three years with the difference being funded locally by Mercedes-Benz Australia/Pacific Pty Ltd. All Australian purchasers of Mercedes-Benz passenger vehicles would expect to receive a three year warranty, however, in the case of privately imported new cars, this would only be two years, a fact which Mercedes-Benz is certain many consumers will miss. Equally, Mercedes-Benz assesses which additional repair and maintenance activities should be undertaken under warranty for Australian-delivered cars. This decision will need to be made by Mercedes-Benz's headquarters in Stuttgart, Germany, for all privately imported cars and will at best, lead to delays in servicing or significant out of pocket expenses

whilst the warranty claim is processed. Again, it is unlikely that a customer would be aware of such a problem when purchasing an overseas car for private importation.

- **Insurance:** the certainty around the provenance of the current Mercedes-Benz fleet makes the company's vehicles – and those from most other Australian-delivered brands – easy to insure. Customers who purchase and privately import foreign sourced Mercedes-Benz vehicles will naturally have similar expectations. The experience of customers who do privately import will unfortunately be very different. At best, the process for insuring will invariably be much longer as the insurer attempts to establish an accurate indication of vehicle provenance. At worst, insurance – or affordable insurance – will not be able to be obtained as vehicle provenance cannot be reliably established. Customers will likely be unaware of this problem at the time of purchase and it is unlikely they will be made aware of the problem by their overseas sales agent.
- **Vehicle finance:** Mercedes-Benz financial specialises in providing a full range of high quality finance and insurance products exclusively for its customers. It is likely that purchasers of privately imported Mercedes-Benz passenger vehicles will equally expect to have access to this service; however, this will not be the case for many of the reasons outlined above.
- **Vehicle resale value:** all of the above mentioned problems which customers of privately imported vehicles would face will lead to a much lower resale value for their vehicles. Again, Mercedes-Benz believes this is something that customers of privately imported vehicles will not fully understand at the time of purchase.

As the examples above demonstrate, if the private importation of new passenger vehicles is facilitated by the Review, it will lead to a substantial gap in customer experience between those who buy vehicles through Mercedes-Benz in Australia, and those who source their cars overseas. This experience gap will be extremely stark when it comes to vehicle safety recalls, mechanical service, finance, and support. The difference in the specification of privately imported vehicles and the availability of parts will severely impact on the level of support that is able to be provided.

It is also the concern of Mercedes-Benz that this gap will not be well understood by customers and there will be a prevalent, if unrealistic, belief that all Mercedes-Benz passenger vehicles should be supported in the same manner, regardless of place of purchase.

Mercedes-Benz's and the industry's future with Privately Imported Vehicles

As mentioned earlier in this submission, Mercedes-Benz has a long and proud history of delivering quality vehicles to the Australian market. The company has been operating in Australia since 1958, and sells approximately 28,000 vehicles per year through a workforce of 1 100 people who receive the highest level of skills training. Mercedes-Benz has significantly invested in its Australian dealer network and plans to invest much more.

For example our network of 54 Passenger Car dealers employ in excess of 1400 people. Above all, Mercedes-Benz values its customers and the safety of their driving environment.

The introduction of privately imported Mercedes-Benz vehicles into Australia will significantly change the operating environment – something which the company will need to adapt to. As already mentioned, it will negatively affect the rollout of safety and other innovations but also directly impact the viability of the Mercedes-Benz dealer network. At the very least, Mercedes-Benz will need to reassess its planned future investment in the network and will also likely need to consider sight rationalisations. This will potentially lead to job losses and the subsequent de-skilling of the workforce.

The one thing Mercedes-Benz will not compromise on is the service it provides to its customers who buy through the company's dealer network. The focus of Mercedes-Benz will need to be on those customers who continue to buy vehicles this way and will mean that the company will need to strongly differentiate the service it provides to its direct customers compared to those who import privately. This is because the key to the Mercedes-Benz offering is absolute certainty around the quality and provenance of vehicles. Such a guarantee cannot be given on vehicles of unknown provenance and as such, will need to be treated as akin to the cars of other makes.

Mercedes-Benz has also proudly partnered with government on the delivery of specific vehicles for armed forces and emergency services. In Victoria for example, Mercedes-Benz has partnered with the fire services to build the new firefighting fleet which is modelled on the G Wagon. These vehicles provide fire crews with a safer, more effective firefighting vehicle, helping to make Victoria more fire ready. It is doubtful whether Mercedes-Benz would be able to participate in such future projects should its market be open to parallel imports. The technology required for such ventures may not be available in Australia and equally, the Mercedes-Benz workforce may not be sufficiently skilled to complete the task. This would be a negative outcome for both Mercedes-Benz and Australia, as it is believed the partnerships undertaken with government has delivered some of the best vehicles possible.

Mercedes-Benz would like to thank the Assistant Minister for Infrastructure and Regional Development, the Hon. Jamie Briggs MP, and the Department of Infrastructure and Regional Development for the opportunity to make this submission. We believe this is an issue of critical importance to the Australian motor vehicle industry as well as the Australian community.