



AAAA SUBMISSION

# **INQUIRY** INTO VEHICLE SAFETY, STANDARDS AND TECHNOLOGY, INCLUDING ENGINE IMMOBILISER TECHNOLOGY

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APRIL 2021



**AUSTRALIAN AUTOMOTIVE  
AFTERMARKET ASSOCIATION**

This submission has been prepared on behalf of the Australian Automotive Aftermarket Association (AAAA) by Lesley Yates. Approved by Stuart Charity.

## FOR FURTHER INFORMATION

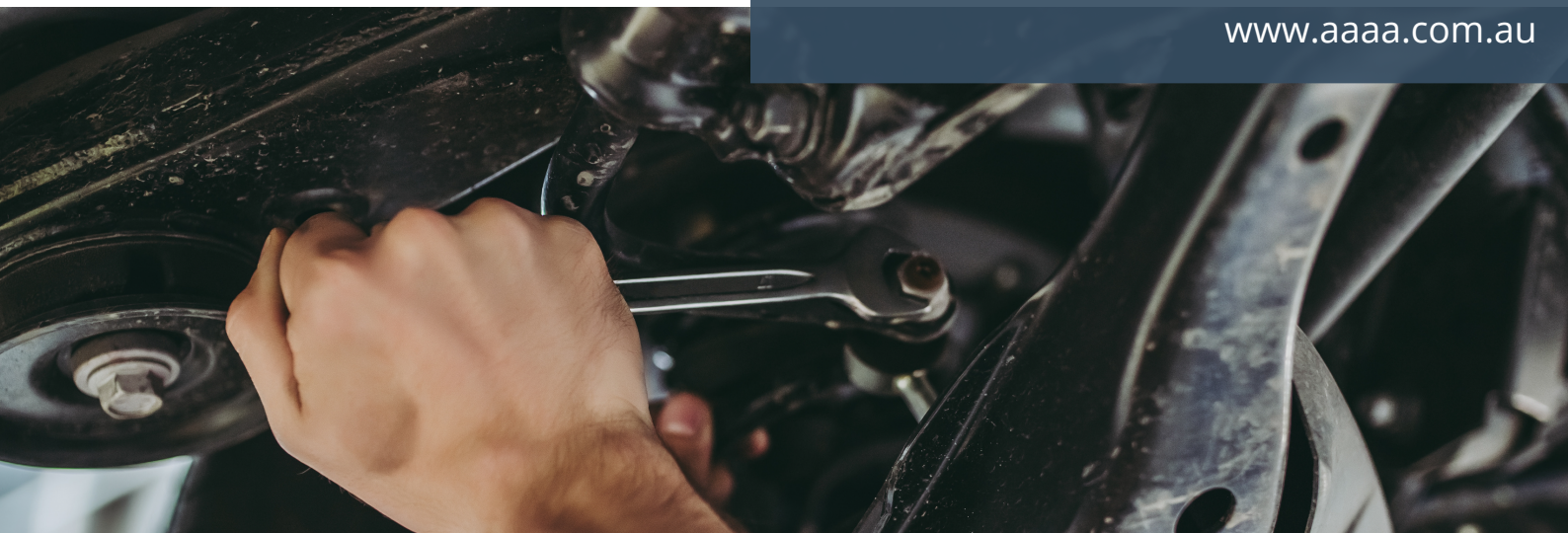
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15 April 2021

# INTRODUCTION

We are very pleased to be providing input into this Queensland Parliamentary Inquiry. The safety of vehicles on the road is important to our industry and is indeed one of our primary purposes in designing, developing and supplying vehicle modifications to the Queensland motoring community.

## VEHICLE MODIFICATION AND VEHICLE SAFETY

The vehicle modification industry plays a critical safety role in assisting motorists to increase vehicle's capacity to operate its intended purpose in a manner that ensures the vehicle is safe for all road users. There is a common misconception that car owners modifying their vehicle only belong to the car enthusiast community. However, this is not generally the case. Vehicle modification demand is mostly driven by trades, particularly the construction and mining industry, as well as recreational vehicles. Our research indicates that the highest demand for modification is the requirement to increase the load bearing capacity of dual cab utes such as the Toyota Hilux and to increase load and stability for 4WD vehicles to improve towing capacity. Increasing the height of the vehicle for improved ground clearance is also in high demand from occupations requiring driving and travelling in tough conditions, including land management and mining industries. A large customer base for modifications includes major fleet operators (including public sector entities and emergency response agencies) seeking to modify vehicles for optimum safety - which is best achieved by making the alterations required to make the vehicle fit-for-purpose.

Inquiry into  
Vehicle Safety,  
Standards and  
Technology,  
including Engine  
Immobiliser  
Technology

# GLOBAL LEADERSHIP

As our vehicle fleet is now completely imported, the global platform cars may not necessarily perform well in Australia's tough conditions. The Australian automotive aftermarket has leveraged this new market condition to create an industry that is world-class in research and development. Our 4WD modifications, Gross Vehicle Mass upgrades, brake upgrades and vehicle suspension components are highly valued in the global market; our products are often selected as the components of choice by many overseas emergency services agencies. It makes sense that customers located in tough environmental conditions would seek out Australian made components for design integrity and proven ability to withstand tough environmental conditions.

## QUEENSLAND LEADING AUSTRALIA'S AUTOMOTIVE AFTERMARKET

The automotive industry in Australia was once considered to be the domain of the southern states of Victoria and South Australia – but not anymore. Queensland is a dominant player in the design and development of Australian automotive aftermarket components with a large percentage of our major players locating their head offices and design centres into Queensland.

## ROOM FOR IMPROVEMENT

The vehicle modification industry makes an important contribution to Queensland, employing world-class engineers, attracting international investment, and leading Australia in the development of new products and exporting these to the world. The products that are developed, produced, and fitted to vehicles comply with Queensland government vehicle regulations and vehicle standards.

As the association representing these automotive producers, we recognise the value of this industry while also seeking rational engineering-based regulations that require product testing that is fit-for-purpose. We do not advocate for minimal regulations – it is in our best interest to support an industry that aims to be best in class with a reputation for sound products developed from extensive R&D and product testing.

As a testament to our support of a responsible industry, in 2019 we officially opened the Australian Automotive Innovation Centre (AIC) which is successfully providing testing facilities to support Australian product development. Testing, evidence and vehicle standards are a critical part of our industry.

But clearly there is always a balance – testing needs to be appropriate and nor err on the side of excessive, confusing, or costly to both the auto component producer and to the consumer fitting these products. We strive for that balance that has safety as the outcome whilst still ensuring that the modification industry is sustainable and can operate.



A series of studies of the effects of different inspection styles used by regulators in coal mine safety, nursing home regulation and environmental regulation have shown that reliance on strict, coercive strategies to achieve compliance often breaks down the goodwill and motivation of those actors who were already willing to be socially responsible. An organised culture of resistance can arise from policies perceived to be unreasonable and over-deterrence can chill innovation that might have led to superior outcomes.

*Organisation for Economic Co-operation and Development  
Reducing The Risk Of Policy Failure: Challenges For Regulatory  
Compliance. OECD, 2000. Page 17*

In our view, focus should be on ensuring vehicle standards and the modification regulatory policy framework is effective and agile to meet new technology and customer demand trends. We do not feel it would be appropriate to consider this Inquiry to be the place to discuss specific modification regulations. We are currently in discussion with the Department of Transport and Main Roads (TMR) on some specific issues and it is important we continue this dialogue in good faith and not list these as items of concern in this forum.

Our relationship with Queensland vehicle standards and vehicle modification regulatory engineers has become increasingly positive, having improved significantly since 2018. We meet with TMR senior staff on a regular basis, and we value what is a highly professional and mutually beneficial relationship.

Of course, there is always room for improvement. If we were asked about our relationship and the current method of government industry consultation, we would certainly suggest a more collaborative and engaging style than is traditionally in place in Queensland. There is a tendency in some states in Australia to engage in a style of consultation that doesn't fully leverage the engineering expertise from the automotive sector. An example may be the best way to articulate this point: Recently we engaged with TMR in a discussion regarding Gross Combination Mass Upgrades (GCM).

The GCM is the maximum loaded weight of the towing vehicle and any trailer, or trailers, being towed while driving on the road. While we do not feel the need to discuss specifics of this issue at this time because a GCM Code is currently under discussion - it is a useful example highlighting the prevailing consultation 'style'. What traditionally occurs in a negotiation of this type is that a draft code is issued and invites written comments invited by attaching a template to be completed by industry representatives.

After the release of a draft code our first response is that we are generally seeking more information about what is stated in the draft regulation versus what is the intended outcome. For example, if the intended outcome is to increase safety, there may be other ways to achieve the safety imperative than simply increasing the testing regime. In some instances, testing regimes required may not be necessary, or even available in Queensland. Unnecessary and redundant testing can result in two undesirable consequences:

- (1) Consumers do not use our professional members to undertake the modification because the testing and certification process is too expensive. Instead, they seek out 'back door' modifiers who are unsafe and often not visible to roadside inspectors; and/or
- (2) The vehicle modification products are not produced by the industry because the path to certification is unclear, or the product is not sustainable due to onerous and unnecessary testing.

# COLLABORATION

Our preferred approach is a variation to the method used in New South Wales in which the government has implemented a Vehicle Standards Working Group (VSWG) that is a formal method of engaging with industry and leveraging the automotive engineers within the state. The existence of this group ensures that industry is advised of any issues of concern by government (an early warning that there may be new regulation unless there is good reason or good evidence that the industry can self-regulate). Similarly, the VSWG can provide feedback to government on vehicle standards that are unclear, unworkable or that are not being enforced by the regulators. The NSW government clearly has the responsibility for drafting and approving vehicle modifications, but a more formal collaborative approach means issues can be resolved early, and regulations can be improved with input from the engineers designing these products. The NSW VSWG is quite broad in membership so we would suggest a smaller entity in Queensland focusing on the highest areas of demand; comprising of the automotive aftermarket, consumers, the caravan industry and government regulators.

## RECOMMENDATIONS

- The Inquiry consider a recommendation to the government that a Queensland Vehicle Standards Working Party is established as an industry/motorist consultative body. Key players should include the aftermarket producers, the 4WD peak body, the RACQ, the Caravan Industry, and senior officials from the Transport and Main Roads.
- The Queensland VSWG meet approximately twice per year with the ability to establish smaller focused working groups specifically for key issues as they arise. Such working groups would have a specific task and should be disbanded on completion of this task.





# ECONOMIC VALUE

The vehicle modification industry is patronised by a range of end-users, however, vehicles designed for a global platform do not necessarily meet the end-user's requirements. Primary customers of our industry are car and fleet owners looking to upgrade vehicles for their intended purpose. The dominant consumer base is comprised of:

- Emergency vehicles requiring increased vehicle lift, increased load carrying capacity often requiring the fitment of superior brakes and suspension components.
- Trades – construction and infrastructure customers requiring increased load capacity.
- Consumers with a disability require changes to the driver/ vehicle interface and other assistance tools such as side steps.
- The 4WD Recreational drivers require increased vehicle lift, opposite lock, improved suspension and handling and mechanical modifications for improved stability and towing capacity.

In the past five years, our industry has experienced a significant increase in consumers seeking 4WD vehicle modifications for increased safety and handling. As a result, the AAAA and the 4WD Industry Council conducted a survey to gain greater insight into the economic contribution of the 4WD automotive aftermarket segment. The results were highly encouraging, and we are pleased to provide an abridged report of these findings as an attachment to this submission.

## KEY INSIGHTS

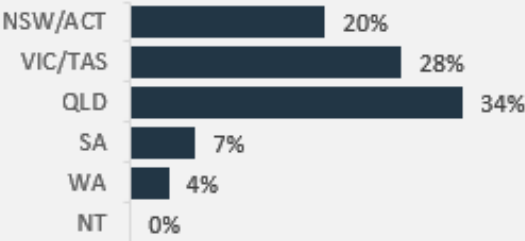
- The Australian 4WD sector consists of more than 2,000 businesses, employing over 70,000 Australians, and generating \$6bn annually from the manufacture, distribution, and sale of parts and accessories.

- These businesses work along the entire supply chain, manufacturing, wholesaling, retailing, and fitting parts and accessories to customer vehicles.
- As the national demand for 4WD parts and accessories continues to accelerate, this market will continue to grow and diversify, delivering to the varied demands of Australian consumers.
- There is a significant level of confidence about the 4WD parts and accessories market, with companies looking to expand and improve their range, and developing more robust production, distribution, sales and marketing platforms
- Innovative 4WD manufacturers will bring new products to market that build on their existing range and customer base
- While most businesses use at least some 4WD products manufactured in Australia, around one in four are sourcing parts and accessories from offshore
- Regardless of their current usage patterns, businesses are generally looking to increase usage of 'Australian-made' 4WD parts and accessories
- The current environment has accelerated the demand for local manufacturing (and raw material suppliers feeding into this process). While the global market is likely to reset over the next 12 months, opportunities exist in the short-term to build and entrench local supply relationships
- Two thirds of 4WD manufacturers are already selling into overseas markets (primarily focusing on the US, NZ, and Asia), although there is scope to build this out further, generating increased revenue from overseas sales of Australian-made parts and accessories
- There is an opportunity for Australian firms to further tap into offshore opportunities with unmet needs for quality products. This is likely to include a combination of expanding sales into existing markets (e.g. the US), while also exploring new opportunities in maturing markets across Africa and the Middle East.

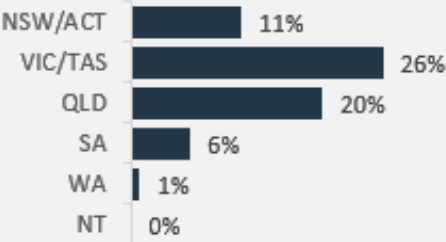
# QUEENSLAND IS A DOMINANT PLAYER FOR 4WD VEHICLE MODIFICATION R&D AND HEAD OFFICE LOCATION

There is a clear skew to Queensland when it comes to head office and project planning functions, but retail outlets and workshops are divided around the country; this demonstrates the truly national demand for 4WD parts and accessories.

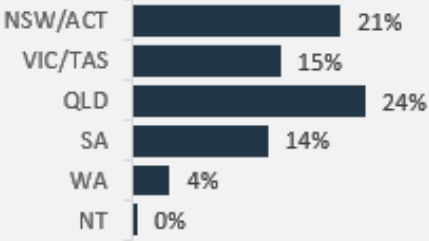
## HEAD OFFICE



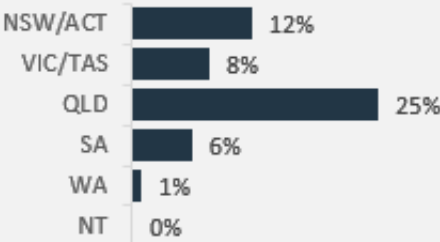
## DESIGN



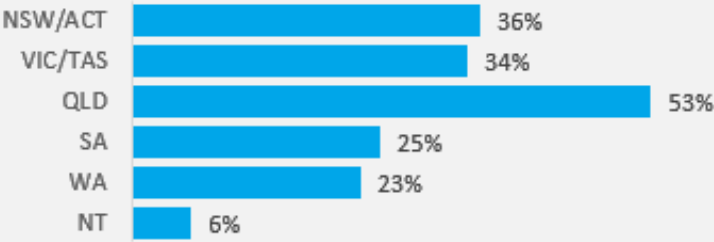
## ENGINEERING



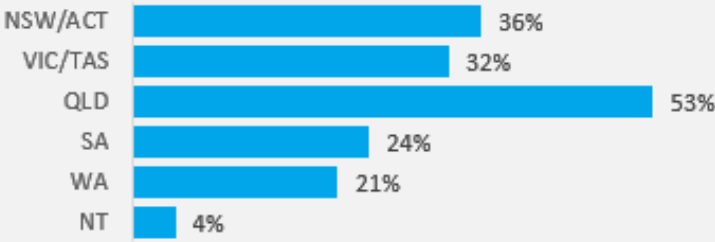
## MANUFACTURING



## RETAIL OUTLETS



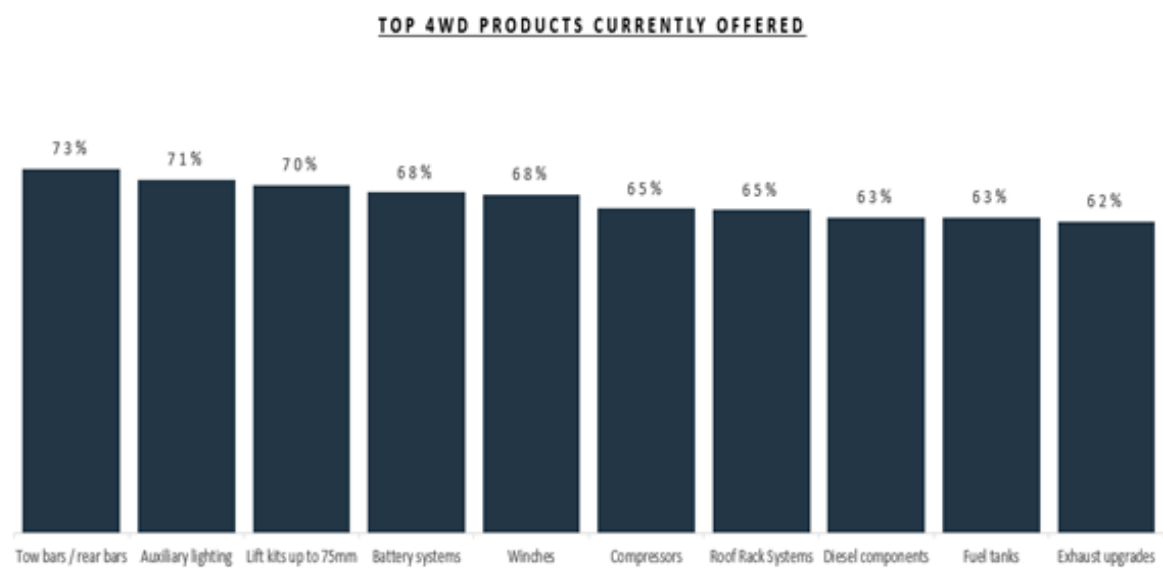
## WORKSHOPS





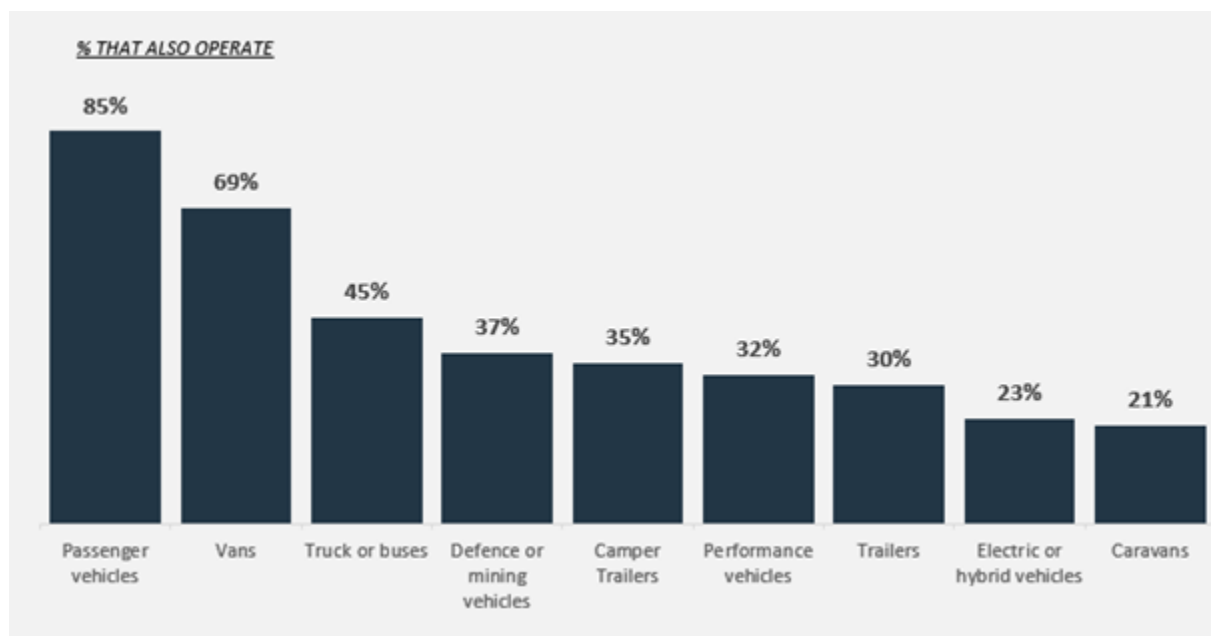
# PRODUCT OFFERING

There is a range of products on offer highlighting the diverse nature of the sector; the top 10 products in market encompass storage, lift kits, engine and exhaust upgrades, towing, and electrical systems:



# OPERATION WITH OTHER VEHICLE TYPES

It is important to recognise that while the 4WD market is substantial, the vast majority (87%) of these businesses also operate more broadly; this includes other passenger and light commercial vehicles, as well as specialised functions such as defence, camping, or performance vehicles.



# INDUSTRY FUTURE

## EXPECTED NET CHANGE IN AUSTRALIAN REVENUE IN NEXT 2-3 YEARS

Looking forward over the next 2-3 years, there is a significant level of confidence about the opportunities for growth in 4WD parts and accessories; manufacturers in particular expect this to outpace growth in their business more broadly.

### EXPECTED CHANGE IN AUSTRALIAN REVENUE IN NEXT 2-3 YEARS



## EXPORTS

Two thirds of 4WD manufacturers are already selling into overseas markets, although local sales continue to provide the bulk of their revenue from Australian-made parts and accessories; there is an opportunity for Australian firms to further tap into export opportunities.



CURRENTLY  
EXPORTING

NO BUT  
PLANS TO IN  
THE NEXT 3  
YEARS

NO BUT  
PLANS TO IN  
THE LONGER  
TERM

NO AND WE  
DO NOT  
INTEND TO

68%

5%

7%

20%

**10%**

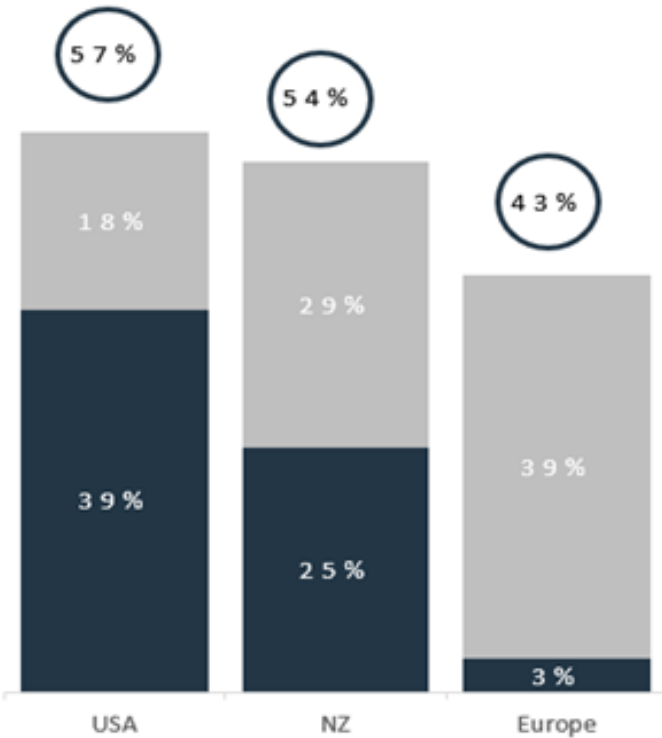
4WD PARTS / ACCESSORIES  
REVENUE COMES FROM  
EXPORTS



On average **25%** of  
export **revenue**  
comes from the  
**main export market**

Reflecting the appetite in the US for modified recreational vehicles, it stands out ahead of NZ as the top export market for Australian-made 4WD parts and accessories, although they are also being distributed across Europe, the Middle East, Asia, and Africa.

■ SECONDARY EXPORT MARKET ■ MAIN EXPORT MARKET



# KEY CHALLENGES

Businesses do have to overcome some challenges to achieve these goals, particularly when it comes to the regulatory environment; concerns primarily related to a lack of harmonisation across jurisdictions, and restrictive regulations affecting the market.

## POTENTIAL FUTURE IMPACTS ON 4WD PARTS / ACCESSORIES



33% LACK OF HARMONISATION WITH STATE REGULATION



28% REGULATION OUT OF STEP WITH CONSUMER DEMANDS



25% ADVANCEMENTS IN VEHICLE TECHNOLOGY



22% COPY / COUNTERFEIT PRODUCTS

# CONCLUDING REMARKS

This is an industry that is crucial for continued road safety. The primary reason for vehicle modification is for occupational safety and to alter the vehicle to be safer for the intended purpose. Fortuitously, Queensland has evolved as the heart of innovation in automotive aftermarket products related to vehicle modification and this industry has a strong future for growth, for increasing the use of Australian raw products and exporting world class products to key overseas markets. The future looks good for our industry.

## OTHER FACTORS

**"State regulations are a major problem - Having a product we could sell to the market then the state regulators legislate it out of the market"**

**"Government legislation and modification rules being tightened will impact the ability to upgrade a vehicle post initial new vehicle sale"**

**"Vehicle technology integration"**

**"Need to stop cheap copy's from flooding the market"**

We do seek a collaborative and constructive regulatory dialogue between the public service and the private sector's automotive engineers. We do not want to see sub-quality products and we do not advocate for minimalist regulations that would allow for inferior products or sub-par modifications. Therefore, we do share common goals with our colleagues in the Department of Transport and Main Roads. We too want a sound modification industry incentivising high quality and safe products, and exclusion of inferior products that do not comply to accepted industry or public sector standards.

Our regulatory emphasis is less about the need for national harmonisation and more about a Queensland specific regulatory process that is mutually respectful and collaborative. We would like to see a move away from 'post-box consultation' in which draft regulations are issued, without prior consultation, where we are required to respond using a pre-determined template. This prevents a two-way iterative dialogue; it does not necessarily leverage the skill, expertise and knowledge of Queensland automotive engineers and product designers.