



Australian Government

Department of Infrastructure and Regional Development

DEPARTMENT OF INFRASTRUCTURE AND REGIONAL DEVELOPMENT

SUBMISSION TO THE

PRODUCTIVITY COMMISSION

**REVIEW OF THE MUTUAL RECOGNITION AGREEMENT AND TRANS-
TASMAN MUTUAL RECOGNITION ARRANGEMENT**

28 APRIL 2015



RESPONSE TO THE REVIEW

Introduction

The *Motor Vehicle Standards Act 1989* (the Act) provides a legislative basis for Australia to apply international vehicle design and performance standards and meet Australia's international treaty obligations¹.

Under the Act and the *Motor Vehicle Standards Regulations 1989* (the Regulations) the Commonwealth maintains a system that requires road vehicles to meet national design and performance standards - Australian Design Rules (ADRs) - before they can be supplied to the Australian market. The ADRs set requirements for vehicle safety, environmental performance and anti-theft protection in line with community expectations and international standards. Since the mid-1980s, the ADRs have been progressively harmonised with internationally based United Nations (UN) vehicle regulations, which are developed by the UN World Forum for Harmonization of Vehicle Regulations (Working Party 29). Harmonisation ensures that vehicles built to the most recent safety, environmental and anti-theft standards are supplied to the Australian market at the least cost and that Australia has access to the latest vehicle technologies.

As announced by the Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP in January 2014 the Act is currently under review. As part of the Review options are being considered to further accelerate the process of harmonising with UN regulations, particularly for light vehicles.

Existing exemption for road vehicles

In 1998, the Trans-Tasman Mutual Recognition Arrangement (TTMRA) came into effect and provides that, unless exempted, goods produced in or imported into Australia or New Zealand may be sold in the other country. For road vehicles, a special exemption was granted in 1998 due to the differences between Australian and New Zealand standards.

At the time, a Road Vehicle Cooperation Program was established to address the differences. The Program aimed to harmonise Australian and New Zealand standards with UN regulations, or those national or regional standards that are agreed by Australia and New Zealand, and to develop consistent conformance assessment and certification requirements in both countries.

In 2010, a permanent exemption was granted on the grounds that regulatory harmonisation was not realistically achievable and after the case was made that there were significant costs incurred in administering special exemptions under the TTMRA framework.

¹ Australia is a party to the *United Nations Agreement concerning the Adoption of Uniform Technical Prescription for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions* of 20 March 1958 (the 1958 Agreement) and the *United Nations Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and/or be used on Wheeled Vehicles* of 25 June 1998 (the 1998 Agreement).



Since establishing the TTMRA, Australia and New Zealand have had an increased focus on the UN World Forum as a source for their respective domestic standards. Both countries became contracting parties to 1958 UN and the 1998 UN Agreements on standards development and mutual recognition of approvals (Australia in 2000 and New Zealand in 2002). Similarly, since 2005 the Asia-Pacific Economic Cooperation (APEC) forum has also agreed to move towards harmonisation with UN regulations. Major vehicle producing nations such as Japan and the United States have formally become part of this program.

Differences between Australian and New Zealand standards for road vehicles

The bulk of vehicle standards between Australia and New Zealand are now harmonised with UN regulations. New Zealand incorporates approximately 60 UN regulations in national legislation and accepts certification of vehicles and automotive products to those regulations by contracting parties to the 1958 Agreement. Australia unilaterally accepts product approved to 64 UN Regulations and in 2010 formally applied 29 UN regulations (application of UN regulations under the 1958 Agreement allows countries to immediately accept product built to the latest international standards). The remaining differences between Australia and New Zealand, in respect of adopting UN regulations, relate to the versions of regulations deemed acceptable as well as other international factors which would not be progressed any more rapidly by a cooperation program under a bilateral agreement.

The Australian Government recently accelerated Australia's harmonisation process with Assistant Minister Briggs agreeing to apply another two UN regulations in 2014, as part of a medium-term program to apply a further 17 UN regulations. The Government has also embarked on a program to remove Australian specific requirements from the ADRs, where they are no longer relevant and cannot be justified. This will allow a greater focus on harmonisation and improvement of vehicle standards with the latest internationally based requirements.

Australia is also actively engaged in harmonising its certification processes internationally, through International Whole Vehicle Type Approval (IWVTA). Approvals to UN regulations may currently be granted for vehicle components and systems (for example headlamps and brakes), but not for whole vehicles. This means that each country (or economic region) must currently certify whole vehicles for its own market, thereby duplicating parts of the approval process. The potential savings in reducing this duplicated effort has been recognised by the UN and there is a UN working group developing IWVTA as an internationally based framework for the approval of whole vehicles. IWVTA is expected to begin in 2016 (initially in a partial form and applicable to passenger cars only) and will allow the issuing and mutual recognition of whole vehicle type approvals by all contracting parties to the 1958 Agreement.

The above ongoing harmonisation of Australia's ADRs and certification processes with UN regulations and processes is in line with the Productivity Commission's 2014 recommendation that the Government accelerate its harmonisation with global vehicle standards.

Apart from UN regulations, New Zealand also recognises typically between 5 and 10 alternative standards for each one of its vehicle regulations. These draw on local standards that are mandated in other countries' domestic or regional markets. By contrast, Australia's approach is to as much as possible only recognise international standards (UN regulations). By avoiding any dilution of the international requirements, this allows Australia to pursue a vehicle safety and environmental



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agenda that follows international best practice. This agenda is captured in the current Australian National Road Safety Strategy 2011-2020.

Australia's approach also avoids any further administrative burden being placed on governments and manufacturers alike, in having to maintain expertise and processes for a number of parallel approval options. More fundamentally, such options would require Australia to accept local standards over which it has no influence (unlike UN Regulations) under a take-it-or-leave-it arrangement. This may prevent Australia from mandating internationally agreed UN vehicle regulations, which may in many cases result in significant opportunity cost in terms of net benefits forgone in Australia.

Conclusion

With an increasing number of countries in the Asia region, not only through APEC but also the Association of South East Asian Nations (ASEAN), converging towards the adoption of UN regulations, this is where the future lies. Allowing for other countries' local standards has a number of disadvantages as described above and so it is argued that maintaining the permanent exemption for road vehicles will provide a greater net benefit than any other arrangement. It certainly provides no additional barriers to Australia and New Zealand independently being able to vigorously pursue increased harmonisation with international regulations.