

July 18, 2002

Automotive Industry Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

**RE: Comments on the Productivity Commission's Position Paper on the Review of Automotive Assistance.**

## **BACKGROUND**

### **ESPA:**

The Exhaust Systems Professional Association (ESPA) Limited is a national trade association representing exhaust system specialists. ESPA was formed in Australia in 1986 and has affiliations with similar trade associations in New Zealand and the USA. ESPA promotes its members as professionals and requires them to abide by a strict Code of Practice.

### **ESPA MEMBERS:**

ESPA members provide an essential service to motorists by not only being equipped to install direct-fit aftermarket replacement parts at competitive prices but to also fabricate hard-to-get or unique exhaust systems. Many of these exhaust systems are very expensive (if obtainable at all) when purchased from the vehicle manufacturer and ESPA members provide a less expensive, although very serviceable and often better quality, alternative to the original equipment (O.E.) components. Aftermarket product manufacturers and suppliers to the exhaust industry are also involved in ESPA as associate members.

## **INTRODUCTION**

As ESPA members are mainly involved with automotive exhaust systems and emission control equipment it is appropriate that we have centred this submission on this particular area.

The majority of new vehicles are imported into Australia and ESPA members provide an in-house manufacturing and/or aftermarket supply service in Australia for replacement exhaust systems for these imported vehicles as well as vehicles produced locally. Therefore, we see the future viability of specialist exhaust system manufacturers and repairers as an important component of the Australian vehicle industry. Through our efforts we reduce the need for, and reliance on, the importation of replacement exhaust systems from overseas manufacturers with very little or no government assistance.

## COMMENTS

### **COMMENTS ON SECTION 7 “SAFETY AND ENVIRONMENTAL ISSUES”:**

ESPA recognises that Australian vehicle manufacturers are keen to have Australian vehicle standards harmonised with UNECE standards to benefit exports. Significantly, they also stand to gain immensely if these standards restrict the use of aftermarket replacement parts in Australia. We foresee grave peril for motorists and the automotive aftermarket industry if standards that would, in effect, force the use of the original equipment (O.E.) manufacturer’s exhaust system replacement parts for the life of the vehicle are adopted, as this would create a monopoly situation.

Already of major concern to ESPA is the NRTC’s proposal for the adoption of a ‘signature’ (model-specific) approach to exhaust noise levels, which could have far reaching consequences for the aftermarket exhaust industry. This approach would effectively force many large and small aftermarket exhaust manufacturers, including ESPA members (retail muffler shops that fabricate hard-to-get and rare exhaust systems), out of business because of the difficulty in producing a system that would comply with the ‘signature’ level for each specific make and model of vehicle.

If product standards for aftermarket replacement exhaust systems, as are currently embedded in European vehicle standards, were introduced in Australia it would have far reaching effects on the Australian aftermarket exhaust system industry. Industry members that could possibly, if at all, produce systems that comply with the European standards would undoubtedly incur extra costs in production and testing that would inevitably be passed on to the consumer. There would also be the problem of components from different manufacturers that are fitted in different parts of the system on the same vehicle. The same would apply to manufacturers of aftermarket performance enhancing and longer lasting (stainless steel) exhaust systems with many of them being unable to continue in business and the many discerning motorists choosing these products wouldn’t be all that pleased either.

The resulting supply problems associated with replacement exhaust system parts (many if not most of these components would need to be imported) required to comply with stricter standards and/or cost restraints will only force vehicle owners and repairers to neglect replacement of exhaust system components. This will be at the expense of safety (exhaust gases entering the vehicle), the environment (noise pollution) and the community (increased air pollution). The availability of replacement parts also impacts greatly on vehicles operated in country and remote areas where obtaining O.E. parts can be very difficult.

The continuing demand for high-performance new vehicles in Australia, as testified by the instant sales demand for Holden’s new Monaro model, will ensure that they are continued into the future. And buyers of these types of vehicles not only demand that they look different from the basic vehicles they are derived from, but they must out perform them and sound different also. If the proposal for adoption of the European exhaust noise standards in their entirety was adopted we believe vehicle manufacturers will simply give these models a different ‘signature’ level to allow them to make more noise than the standard version of other models built on the same platform.

The retention of the existing vehicle groupings for maximum exhaust noise levels allows owners of vehicles within the same grouping to purchase aftermarket products that provide similar results as offered by the expensive high-performance new vehicles. If standards restrict the use of aftermarket products people seeking to enjoy the benefits offered of better performance, and in many cases improved fuel economy, will have no option other than to buy one of the highly priced new performance models.

ESPA believes the use of a simple nation-wide stationary exhaust noise test procedure and maximum noise levels for vehicle groups, as are currently in place, and which are designed to meet realistic in-service requirements, to be the most cost-effective means of maintaining vehicle exhaust noise at an acceptable level to the community. The widespread availability of aftermarket (non-genuine) replacement exhaust and emission control systems components provide vehicle owners with a cost-effective way of maintaining these systems in good operating condition. Current requirements for these components to be of “Merchantable” quality under ACCC and Fair Trading legislation are sufficient and effective.

The Paper on Options For Introducing a ‘Signature’ Noise Test Into ADR 28.01 posted on the NRTC’s web site makes no reference to Australian aftermarket parts manufacturers, both large and small, involved and the adverse impact it would have on their operations. Nor does it mention the impact of UNECE standards on Australian manufacturers and suppliers of what the exhaust industry refers to as, Standard Replacement Exhaust System manufacturers, suppliers and installers. The impact could be so severe that the possibility of legal action for compensation by those affected cannot be ignored or discounted.

The proposal goes to great lengths in avoiding cost burdens on vehicle manufacturers while ignoring the financial hardship, in many cases bankruptcy, for individuals and corporations that have been investing untold dollars in the aftermarket exhaust industry for many years. During this time they had no idea that they could now be legislated out of existence. The exhaust aftermarket and specialist muffler repair shops did not exist to any great extent in Europe, so the impact of strict vehicle standards when introduced was less dramatic as Europeans had grown up under strict regimes with harsh restrictions.

Australians tend to regard any limitation of what they regard as legitimate freedom of choice to be contrary to established civil rights. This is particularly the case where the limitation imposes unnecessary cost and/or compliance burdens for regulations that they perceive to produce, on balance, negative, neutral or at best, marginal outcomes for the population at large. This would be the case if the UNECE’s vehicle standards in their entirety were adopted without taking local conditions into account.

The community expects motor vehicle standards and regulations to reflect the specific needs of Australians and reflect the reality of Australian operating conditions. The Australian vehicle mix is very different from that of Europe, Japan and North America and Australia's unique circumstances require that any 'international' standards be suitable and workable for local conditions, and either disregarded, altered or modified appropriately where they are not.

In general, ESPA sees no advantage in fitting replacement exhaust and emission control components of dubious quality. But see it as imperative that the selection of appropriate components is left to its member’s discretion if vehicle owners are to be encouraged to repair faulty exhaust systems and not be deterred by the unavailability of components and high costs. Any perceived benefits that could be gained from the adoption of the UNECE’s standards for replacement exhaust systems would be far outweighed by the increase in exhaust system repair costs and the inevitable loss of many jobs in the aftermarket exhaust industry.

Trying to put a dollar figure on the impact on the existing exhaust system aftermarket by introducing UNECE’s standards in their entirety is difficult, but when you consider that if they were introduced almost the entire aftermarket exhaust industry would most probably disappear within 10 years, the amount would run into billions, not millions of dollars. We estimate the loss of jobs alone in the exhaust industry would exceed 5,000 people.

## **CONCLUSION**

ESPA strongly recommends the retaining of the status quo for ADRs and in-service regulations in relation to automotive exhaust systems and emission controls. ESPA is treating the proposal to introduce model specific (signature) exhaust levels and UNECE standards for components with grave concern. The adverse effect it would have on the community, its members and the aftermarket exhaust industry would prove extremely costly.

Government should recognise that the Australian automotive industry is more than new vehicle manufacturers, large component manufacturers and the new vehicle dealer network. Many small businesses, such as exhaust system manufacturing and repair specialists, play an important and vital role within the overall industry and care should be exercised when formulating policies that could adversely effect their operations.

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