

## **ROAD SAFETY COMMITTEE**

### **Inquiry into vehicle safety**

Melbourne — 13 August 2007

#### Members

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Mr D. Koch	Mr I. Trezise
Mr C. Langdon	Mr P. Weller
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#### Witness

Mr K. Thompson, director, research and communications, Australasian Fleet Managers Association.

**The CHAIR** — Thank you, Ken, for attending the hearing the Road Safety Committee inquiry into vehicle safety. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975, but any comments you make outside of the hearing may not be afforded such privilege. If you could state your name and the organisation that you belong to and give us your submission.

**Mr THOMPSON** — My name is Ken Thompson and I am here representing the Australasian Fleet Managers Association. To provide you with some background to the association, AFMA as it is known, is a not-for-profit organisation with over 500 members across Australia and New Zealand. The members are responsible for the management of approximately some 800 000 vehicles, which is a combination of passenger light commercial vehicles through to heavy goods and items of plant. Members are represented across the three levels of government and private industry. The fleet industry has a large influence both on the economy and the social fabric of our society. It does that in a number of ways. Purchasing actions by fleet managers have a major impact on the economy as 75 per cent of Australian manufacturers of passenger vehicle production is bought by fleet, and fleet purchases account for in excess of 50 per cent of all new vehicle yearly registrations.

At a social level, a fleet is the major source of vehicles, particularly passenger vehicles, into the used second-hand passenger vehicle market. The association is extremely active in trying to provide meaningful services to its members. It does this in a number of ways. Firstly, it has a strategic plan which is reviewed every three years, and part of that plan is soliciting the opinions of fleet managers as to what concerns them and what are those issues that they have or that they would like some assistance with. Also on a yearly basis we do what is known as a purchasing intention survey where we go out and survey our members. Within that survey there are specific questions relating to safety, and safety as it is perceived within their organisation and the importance that it puts there.

In addition the association conducts a number of awards each year, one of which is safety. The idea is that the industry, or AFMA, collects leading knowledge from the industry and fleet managers and makes it available to the wider community and its members. At present the association is attempting to produce a how-to guide for safer motoring. Our roadblock to that is funding that we need to complete that project.

In the context of vehicle safety and safety overall, I make the point that there is an increasing pressure on fleet managers from a legislative point of view that workplace safety is adequately addressed. That responsibility has moved beyond what was traditionally a focus on the driver and the vehicle, within that perspective of overall safety, with the association identifying six separate categories of activities that need to be addressed. Within those activities, one of which is 'vehicle', there are nine activities within that that companies need to address, and only one of those is vehicle selection.

The examples that I may use today are those that have been gathered in the course of the last week with discussions with fleet managers, marketing announcements and visits to manufacturers' websites, as well as a review of motoring media reports around the world. While we make every effort to ensure that the information is correct, please bear with us in the fact that we are working in a medium that is constantly changing, and the price and availability of safety features within vehicles changes on a day-to-day and a week-to-week basis.

From a safety perspective, there is a body of evidence around the world that a number of newer safety base features are desirable to have from the perspective of a fleet. The assistance of electronic stability control are now widely accepted around the world as being a benefit. This is a system, as I am sure you know, which enables the driver to maintain some control of the vehicle in extreme manoeuvring situations to the point now that in the USA, the US national traffic safety administration advises that studies have shown that electronic stability control equipped vehicles, especially SUVs, have 60 per cent fewer fatalities in single vehicle crashes. I am sure that there are differing opinions, but I think the body of evidence around the world sees things like electronic stability control as a benefit to the point now in the USA where electronic stability control is mandated to be a standard requirement in all new vehicles by 2010-12, and they have a phase-in period up to that date.

Other US introduced legislation that we have not seen here as mandatory are tyre pressure sensors. There is legislation in place in the US for that. There is also a requirement for increased visibility in reversing situations, especially for SUVs and larger vehicles. Although the legislation does not actually identify what method is to be used, it does specify that there has to be an increased visibility for reversing situations.

**Mr TREZISE** — In saying that, are you saying that your association supports mandatory regulation of ESC — mandatory fitting?

**Mr THOMPSON** — In a simple word, yes, we would.

**The CHAIR** — Just on that, obviously you have the buying power in terms of all the fleet cars. You said some 800 000 vehicles — —

**Mr THOMPSON** — Are controlled by members of the association, yes.

**The CHAIR** — That is a lot of power to wield, is it not?

**Mr THOMPSON** — Yes.

**The CHAIR** — You would obviously have a fair degree of influence on manufacturers. Do you highlight to the manufacturers your concerns about making sure that most, if not all, of the vehicles that the fleet purchases should have ESC, and would that have a huge influence on the manufacturers to make sure that they cover all of their models purely because of market driven forces? As an organisation with 800 000-odd cars, do you think you could possibly use some of that influence on the manufacturers or — —

**Mr THOMPSON** — We would hope that we could do, but I use the example of electronic stability control. Until this recent model from the two major manufacturers, Ford and General Motors, for what we would call your standard fleet passenger vehicle, although the two recent models do contain electronic stability control, the previous models did not have that even as an option, so even if the fleet managers or the companies wanted to have electronic stability control, it was not available even as an option.

**Mr MULDER** — As to the relationship between the fleet managers and their customers, who actually directs issues in terms of purchasing? Do the customers rely on information from the fleet managers, or do the customers go to the fleet managers with a set of requirements? How does that relationship work?

**Mr THOMPSON** — The association is an association for fleet managers, so we try to provide our members with the latest information, the latest thoughts and the latest issues that are going around in Australia and around the world. Collectively when they speak to us they would like to see these additional safety features. They do have to report to managing directors and boards, unfortunately, and the way that some of these safety features are structured, certainly at the moment you can get electronic stability control as an option in some vehicles but it is packaged with luxury leather seats, so the cost of getting electronic stability control is \$2500.

There is a great difficulty that fleet managers have, because they live in the real world, in justifying these additional costs. When you look at a cost of \$2500, that is not where it ends because, if I can use the terminology, there is conflicting legislation at the state and the federal level. I use the word conflicting in the sense that it adds additional cost. Whatever your vehicle costs you, you get charged stamp duty, so if you add \$2500 to the cost of the vehicle, the stamp duty goes up.

At a federal level, with FBT being applied to vehicles that are available for private use, whether they are used for that or not, vehicles doing less than 15 000 kilometres a year attract a 25 per cent tax per year, which is based on the cost of the purchase of that vehicle. So if you have 100 vehicles and you take on a \$2000 additional cost, you are looking, over a three-year cycle, at an extra cost to the organisation of something like \$380 000. I spoke to a not-for-profit fleet manager on Friday who works with, let us call it an assistance organisation, and he said to put these safety features in his fleet would cost them \$1 million. Because they provide services to the community they see that it is better for them to place the \$1 million into the community rather than into vehicles.

**Mr MULDER** — Do they view it in terms of resale? Is that picked up at resale at the tail end, because they do turn those vehicles over; is that being looked at?

**Mr THOMPSON** — They do, and the biggest issue for fleet managers from a cost perspective is in fact depreciation — that is, what will the vehicle be worth in two or three years or whatever, whenever they release the vehicle. One of the issues about depreciation, or residual value, as it is called, is that over the last three, four or five years, as a percentage of the new vehicle price, it has been falling — that is, fleet managers are getting less and less for their vehicles than they did three or four years ago. I suppose about five or six years ago you could reckon on about 50 per cent residual value of the vehicle in three years; it is now down to 42 per cent and it is expected to drop over the next few years to about 36 or 38 per cent.

Additionally if you look at residual values of vehicles, Australia as a market has been traditionally very much higher than similar markets around the world such as the USA or the UK. So in the UK a fleet vehicle might only attract after three years 32 per cent of its original value. Our thoughts are that there is probably still some way to go before residual values stop falling. Now of course that all impacts on the whole-of-life costing that the fleet manager has to work with. You have to make a real case to increase the cost of the vehicle fleet by \$380 000 over three years.

**The CHAIR** — But to a certain extent you could probably justify that cost because having these safety features in a vehicle equals less accidents, which means savings on insurance costs and other costs related to it. So if there was a certain package which consisted of a safety package for vehicles rather than linking the ESC to leather seats and other things, if there was a \$750 to \$1000 safety package which included most of the very important safety features and technologies in that vehicle, would you then be in a position to play a role in lobbying manufacturers for such safety packs?

**Mr THOMPSON** — We have a direct role in lobbying some of the manufacturers through our purchasing intention survey, which is put up as a fee-for-service product, which has been taken by two of the manufacturers to date, but two of the other local manufacturers have not actually taken that data. That is data that clearly shows that safety is regarded as the no. 1 priority for fleet managers. In addition to electronic stability control, curtain airbags are another item that has been identified in the US as being a great lifesaver. Again it is only available on certain vehicles and it is only available on other vehicles as an option.

On a more fundamental basis there are vehicles that you can buy today in Australia which have ANCAP testing, which I am sure you know is a crash-worthiness test for driver occupancy survival, and there are vehicles which you can buy today which are products which have only a 2-star rating, whereas most of the main fleet-type vehicles are at least today at 4-star and one is at 5-star. That would be another issue the association would like to see taken into account when fleet managers are purchasing vehicles.

**Mr LEANE** — You mentioned earlier about the safety act and fleet buyers' concern. Usually if a vehicle is supplied to an employee, it is in the main a tool of that employee, so are the people who are buying these fleets concerned that there are safer tools out there that they could supply their employees and they could be in some sort of strife, if they have not explored that and implemented that, if one of their employees did come to grief?

**Mr THOMPSON** — If I can just answer that with a bit of information. If you look at a fleet within an organisation, it usually consists of three fleets in one. One is what we call 'tool of trade', which are those vehicles which the organisation needs to perform its business; there are then vehicles which come as part of a salary package; and then you have vehicles which are novated, which are again a slightly different category. Within the tool of trade the association's advice to fleet managers is that they need to purchase their vehicles on a fit-for-purpose basis, that they actually do a review of what the vehicle is required to do and match the vehicle they buy to meet that circumstance. As it is part of a package, anything you can buy off a forecourt is a legal product.

**Mr LEANE** — I would assume the novated lease is a shift in responsibility altogether.

**Mr THOMPSON** — Novated leasing is something that came up from the perspective of giving the individual the opportunity to choose their vehicle and to build equity into the vehicle. There you could have a whole discussion as to whether now people actually do build equity into the vehicle because of residual values dropping, but the great thing from an organisation's point of view I suppose is that with something that is novated the responsibility for that vehicle rests with the employee not the employer. So there are benefits on both sides of that equation as to supporting or encouraging novated leasing. But novated leasing still only represents a smaller part of total fleet purchases — I think it is about 10 per cent. It has been reasonably steady around 10 per cent for some years now, according to our research. Did I answer your question?

**Mr LEANE** — Yes, thanks for that.

**Mr KOCH** — Ken, how do your clients remain up to date with the technology of the marketplace with the vehicles they are purchasing? Is it through a group such as your own?

**Mr THOMPSON** — We provide input to their knowledge but most of the information comes from their contacts with vehicle suppliers. But it is ever-changing. This week, for instance, Ford Focus has offered an awful lot of safety features at half price. Another importer has brought in a vehicle, a SUV, and dropped the price \$2000.

A couple of things that are missing out of that are electronic stability control and curtain airbags. So there are market forces from pricing coming into play.

A vehicle that is coming onto the market now, which is coming out of the USA, is a Chrysler Sebring. The Chrysler Sebring has a lot of safety features as standard. It is priced in Australia at I think \$33 000. If you pop onto the internet and look at the cost of that vehicle in the US, apparently you can buy the same vehicle for \$22 000 Australian equivalent. Again you are running into some conflicting legislation, probably, that is pushing the price up of the safety features.

**The CHAIR** — Obviously that sort of a reduction in price would make it fairly attractive for fleet. Would you be enticed by those sorts of reductions? If, when you insured your fleet, in that fleet you had a safety package which made the cars a lot safer, could you therefore be in a position to ask for a further discount from the insurance companies because you were providing safer vehicles?

**Mr THOMPSON** — I am sure that some insurance companies would welcome requests for reduced premiums based on safer vehicles or reductions in the accident rate. But it is not always how safe the vehicle is, it is who is behind the wheel. That is why I say that from a safety perspective point of view, vehicle choice is just one of 40 or 50 categories that you need to address today in current duty-of-care legislation.

There is an interesting little article I might share with you around duty of care that relates to the USA. It says:

General Motors in the US has been ordered to pay \$A575 000 to the parents of a seven-year-old girl killed when the family's SUV, which was not fitted with electronic stability control, rolled over in a crash in California in 2002. The estate of MacKenzie Shaver claimed that GM knew the benefits of the stability control system nearly a decade before the crash but didn't put it into that model.

That is the basis of the duty-of-care legislation that we have running here in Australia at the moment. I think there will be some interesting things that pop up.

**Mr KOCH** — Ken, in saying what you have about the responsibility of duty of care and the size of your operation and the number of vehicles and client base you have, would you not see your organisation as a formidable lobby in the industry, and from that point of view have some demands on manufacturers that you would believe would aid road safety? An example of that occurred in recent times. In a fleet purchase in Queensland ESC was requested and the motor company came back and said, 'That is available, but you have to take the other \$2000 worth of extras', and the fleet purchaser said, 'Well, that is fine, we'll go somewhere else and buy the cars. We are not going down that track, we just want ESC'. In that case the motor company rolled over on that order and put them in at a far more reasonable price as a requested one-off option. Would you not see your organisation at the forefront of that type of lobbying for the safety of road users in Australia and New Zealand?

**Mr THOMPSON** — We would like to be in that position, but we do not have the power to make organisations purchase particular types of vehicles or manufacturers provide that particular type of purchase. If I may say slightly tongue in cheek, the power for that rests on that side of the table with the legislators.

**Mr MULDER** — Surely when you are negotiating with your purchasers and you go to them with a proposal, which I would imagine you would, you say, 'We have been to Ford' or 'We have been to Holden' — or 'We have been to wherever' — 'and we have been able to negotiate the inclusion of electronic stability control for \$150 per vehicle as a one-off option'? Do you have the power to enter into those negotiations?

**Mr THOMPSON** — No, the actual purchasing is between the individual companies and the vehicle suppliers.

**Mr TREZISE** — So you are saying the bottom line here is that there should be legislation to outlaw the packaging of safety and luxury items?

**Mr THOMPSON** — 'Outlaw' is probably a very strong word, but there may be some room for legislation that says that safety equipment cannot be packaged in with luxury equipment.

**Mr KOCH** — Ken, why would you not take that as a lead role in representing the clients that you organise fleet purchases for?

**Mr THOMPSON** — We do not actually do the purchasing; we just provide people with information about what is in the market and what best practice fleet management is at the moment. AFMA is a not-for-profit organisation that relies on sponsorship and membership fees to be able to perform a service.

**Mr KOCH** — But safety is not about profit.

**Mr THOMPSON** — No, but you have to have a certain amount of resources to be able to do that, and the association does not have the financial resources to take on such a role. We really would enjoy doing that. We had discussions with one manufacturer today about something which is known as the lemon law overseas. Certainly if you take again the USA model, the lemon laws in the USA at their most stringent say that if a vehicle fails — that is, breaks down — in an area of safety, then the manufacturer has to replace that vehicle. If the steering fails or the braking fails, or whatever, that vehicle has to be changed by the manufacturer.

**Mr MULDER** — I guess the issue we are getting back to is that somewhere along the line there appears to be some enormous collective bargaining ability here, with the number of companies that you represent. Why is there not a mechanism for bringing together that collective bargaining to apply pressure through your organisation back onto the manufacturers on the issue of safety equipment being fitted as a one-off option rather than being packaged?

**Mr THOMPSON** — Again, the association has to rely on sponsorship from groups, including manufacturers, to be able to perform the services that it does. It has to step a line between being able to continue providing those services and not being able to provide those services.

**The CHAIR** — How is your organisation funded exactly?

**Mr THOMPSON** — It is funded through membership fees, which is a small part of that, and sponsorship by certain organisations within the fleet industry.

**Mr KOCH** — Manufacturers?

**Mr THOMPSON** — The manufacturers have in the past contributed funds, but on a basis of being a corporate sponsor and their logos appearing on certain documents, such as — —

**Mr LEANE** — Newsletters, and those sorts of things?

**Mr THOMPSON** — The magazines, such as for the conference that we run each year. Two of the manufacturers have purchased the purchasing intentions survey, but beyond that there is no support or contribution by the manufacturers to the association, which we find is a great shame. We would love that to be different.

**Mr KOCH** — There are two ways of looking at it: it is a great shame one way, but it destroys your independence the other way. It depends where you want to sit as an association in representing your 500 members.

**Mr THOMPSON** — The association has always taken the line that it is an association for its membership and it is not swayed by any financial support given by any group. We have to take the consequences, should there be a clash any time, anywhere in that equation. But there is no other lobbying group that I am aware of that represents the views of fleet managers to the industry, to manufacturers. The fleet management companies also do not support at this time the association financially.

**Mr TREZISE** — Is VicFleet a member of the AFMA?

**Mr THOMPSON** — Yes, it is.

**Mr MULDER** — What is the percentage of Australian-made cars that they manage compared with that of imported vehicles?

**Mr THOMPSON** — That is an ever-changing figure, but as a percentage of the local manufacturers' passenger vehicle production — and that is all four manufacturers — 75 per cent of that production went to fleet. It is the base on which the Australian manufacturers continue to be in business. But there is a shift, and there has been for a number of years, away from Australian-made vehicles, both as in numbers and as a percentage of the total fleet market. I think the Australian manufacturers dropped some 6 per cent of market share over the last 18 months.

**Mr MULDER** — From what base are we talking?

**Mr THOMPSON** — They were at 25 per cent, I believe, off the top of my head, and they are now below 20 per cent of the supply of vehicles into the total market. So there is a natural shift going on away from Australian manufacturers.

In saying that, I have no reason to know why that is or whether it is a choice of equipment, a choice of safety equipment or just a lifestyle choice that people want to drive vehicles that are Australian made. I have no data to suggest that any or all of those reasons are involved; it is just the fact that the Australian manufacturers are providing less and less in numbers of vehicles and as a total market share of vehicles sold in Australia on a yearly basis.

**Mr LEANE** — Part of your role is to advise your members on prices and safety. One thing that struck me was that VicRoads gave us evidence last week that their vehicles are hard-wired to their low beam, so when you turn on the ignition the low beam comes on as daytime driving lights. Do you send out safety alerts to fleet managers advising that this is what other organisations are doing and recommending that that should be followed by your members?

**Mr THOMPSON** — Typically in a 12-month period we put on some 25 to 30 breakfast seminars around Australia, and those are on subjects that are fed back to us by the chairs of the committees we have in each state. That can be on anything from safety through to environment, oils — anything — but it is fed back to us. Safety is a predominant feature of those breakfast seminars. Each year we hold a national conference in Melbourne, and safety is a major feature in that, and it was again last year. I think Mr Mulder actually opened the conference last year.

Also, we do put out alerts, but we also put out a newsletter which captures all those items of interest for fleet managers that come up from around the world. The newsletter did contain the fact that the US has mandated electronic stability control, reversing visibility and another interesting one, which is a safety device on electric windows. Apparently, according to the National Highway Traffic Safety Administration, four children per year are killed in the US from either reversing vehicles or strangulation through power windows in vehicles. They are mandating that type of issue to reduce those fatalities.

**Mr KOCH** — Ken, out of the 800 000 vehicles, do they principally go into the public or the private sector through your own organisation?

**Mr THOMPSON** — The membership, from a vehicle perspective, is slightly biased into the private sector, so it is about 45 per cent government and 55 per cent private industry.

**Mr LEANE** — You mentioned previously that tyre-pressure monitoring is mandatory in the US?

**Mr THOMPSON** — Apparently that is legislation that has been introduced.

**Mr LEANE** — Would you know a cost per unit to install that?

**Mr THOMPSON** — I would be guessing. My observation, though, would be that it would be a reasonably small cost.

**Mr LEANE** — I would have thought so, too — pressure gauges and a bit of wiring up to the dash.

**Mr THOMPSON** — If put in mass production, I am sure it would be a low cost, one would think, unless there is some fundamental reason in the design of the vehicle why it cannot take place, which I am not aware of. Certainly we would like to have more of an influence with the manufacturers than we have.

**The CHAIR** — If you are purchasing 800 000 vehicles, I think you have got a fair degree of a stick in your hand.

**Mr THOMPSON** — It would be in a sense if we had the power to direct organisations to do that, but they have to go through their own financial approval process. There are a great number of discounts that are offered by the manufacturers to different groups within the industry, and the government fleet is one of those groups that get the largest discount on purchases.

**Mr KOCH** — Would your own organisation be interested in pursuing with its membership the opportunity of being a vehicle for lobbying for vehicle safety across all your affiliated members' vehicle purchases?

**Mr THOMPSON** — The answer to that would be yes; but, again, what power would they have?

**Mr KOCH** — If it was invested in yourself by all your members, I would have thought it would be incredible power.

**Mr THOMPSON** — If there is somebody listening, yes.

**Mr KOCH** — If they are not selling, they will start listening.

**Mr THOMPSON** — One would hope so. The association has now expanded its focus into talking to the vehicle importers about ways in which they might support the association. But again, as with all not-for-profit organisations, your funds are your limiting factor.

**Mr WELLER** — You operate in Australia and New Zealand. What safety features are there in New Zealand that are not in Australia?

**Mr THOMPSON** — I do not have that knowledge off the top of my head, I am afraid. One comment I would make is that vehicles from overseas suppliers are tending to have this greater degree of safety features in them than equivalent Australian-made vehicles. And again that Chrysler Sebring is an example. On paper it has got a whole range of safety features, and the price is aimed at the large car market or the fleet vehicle. Again, the issue that it seems to be available in the US for \$22 000 Australian equivalent would be a concern to us.

**Mr WELLER** — Are there any other examples of that in the world other than the Chrysler?

**Mr THOMPSON** — There are a lot of examples of difference in pricing. I have only brought some extreme examples with me today. To buy the top-of-the range Audi, which is known as the R8, in Australia — because Audi has announced its pricing — is, I believe, \$275 000, and I believe that is then plus on-road costs. Again just looking on the internet, apparently you can drive it away in the US for \$148 000 Australian equivalent. You can get a Jaguar S-Type in the US for between US\$64 000 and US\$86 000. In Australia it is \$170 000. Those are just at the top end. It is very difficult, because we do have models here which are not sold elsewhere in the world and they do change their designation when they are overseas. Something that may be a WRX or an XYZ here is called something else overseas, so it gets rather difficult to make direct comparisons. Again, because you are only looking on the internet and there is a limited amount of information in front of you, it is very hard to know that you are making an absolute apples-for-apples comparison.

**Mr LEANE** — Can you break down the difference? Is it profit or tax?

**Mr THOMPSON** — I do not know. This is my next quest.

**Mr MULDER** — Low volumes, holding costs — there would be a lot of things associated with those luxury vehicles, would there not?

**Mr THOMPSON** — In the event, in a very strange way, again competition is a great driver. Where you have legislation that, say, stops some individual from bringing in these vehicles and selling them into the market, you are in effect creating some form of monopoly, which is certainly keeping certain vehicle prices on the higher side. I do not even know whether that pricing is the issue. I do not know if the vehicles that are coming in from overseas are being priced up to Australian prices or if they are being priced down to compete with Australian prices. I do not have that sort of detailed information, and we have not really been looking at that. You deal with what you have to deal with here.

**Mr KOCH** — Yes, they are not the sort of vehicles in the range that would be operative.

**Mr THOMPSON** — No, but I thought somebody might ask that question, and those were just the two examples — the extreme examples. But when any price over \$57 000 attracts a 25 per cent luxury car tax and then you have stamp duty and you have got GST, the price can very quickly escalate. But in those high prices \$90 000 plus, I am sure, must be going to one tax or another, whether it be at state level or whether it be at federal level.

**The CHAIR** — So what incentives would there be for fleet managers to select those vehicles with all the safety features? Are there any incentives?

**Mr THOMPSON** — Take the additional costs away. How could you do that? Again, part of it at the state level is stamp duty. You could even expand that to larger fleets that have payroll tax, for instance. Maybe there could be some offset against the payroll tax, for instance, at a federal — —

**The CHAIR** — We have reduced both of those, as you may know. So you think it should be reduced further?

**Mr THOMPSON** — You asked for my observations on it, and an observation would be that removing the financial disincentive would mean that people, presumably, would buy these vehicles.

**The CHAIR** — If an organisation such as yours, as I said before, which holds a fairly large degree of influence over manufacturers were in a position to lobby some more in terms of the manufacture — and also obviously the incentive for insurers to have safety packs within the fleet vehicles means a reduction in possible accidents and collisions, so therefore there is a saving for all concerned — and if there was a higher fitment rate of particularly the ‘golden bullet’, as they call it, not the silver bullet, the ESC, in all of the vehicles, then the cost of producing those would probably reduce and the cost of actually putting them in cars would reduce.

I get back to the point that I just think maybe your organisation can play a major role in changing some of these things, and regulation or legislation is probably the last resort we would want to go to as a government, if we have to. We would rather see the market forces take care of themselves rather than us coming in with a big stick. Therefore, I think the role that your organisation can play is critical.

**Mr THOMPSON** — We would agree with you. Again the difficulty we have is the power, the clout, that we have with manufacturers. We do use our members in meetings with manufacturers to try and encourage them to be more involved with the association, but it is somewhat of a difficult task. But again if you remove for 100 vehicles a \$380 000 cost, most of which is actually a tax addition, surely you must benefit the buying intentions of fleet, because fleet managers do not want to have a situation where they may end up in front of a judge and the judge says, ‘Why did you only buy a vehicle with 2-star rating and not a 4-star rating or a 5-star rating?’, because you cannot answer such a question, and the question only gets asked when somebody is in an accident and somebody is killed.

**Mr LEANE** — Does reducing those tariffs guarantee that they will always go for the safety option? They do not do that now because of cost reasons, so if they have still got options to buy vehicles at a cheaper price with less safety equipment in them, what guarantee is there they will not do that anyway?

**Mr THOMPSON** — There is not. There is not any guarantee that management will not grab the additional savings for the company.

**Mr LEANE** — I am sure it will, so — —

**Mr KOCH** — Or the purchaser will retain the money in his pocket and not go down the track. He may take a lesser — —

**Mr THOMPSON** — Yes. Just to put it in perspective, fleet purchases are usually about the third-highest outgoing that an organisation has. Usually it is accommodation, salaries and then fleet, so it is a very large cost to organisations — a very large cost. Again, on your figures, a 100-vehicle fleet at \$30 000 each, that is a \$3 million capital cost.

You are going to lose 50 per cent at least over three years, so it is costing you half a million dollars a year just to buy the vehicles or to have them. Operating costs are about half a million dollars a year, as an estimate, for 100 vehicles, so just to own and run a 100-vehicle costs the organisation \$1 million a year. It is a large outgoing that companies have.

**The CHAIR** — Keeping in mind the time constraints that we have, any further questions? Anything further you want to add?

**Mr THOMPSON** — No, just to thank you for the opportunity.

**Mr MULDER** — Very informative — thanks, Ken.

**Mr THOMPSON** — If you come up with any ideas that increase our power to make this thing happen, please let us know.

**Mr LEANE** — Would a nasty newsletter to your members saying the optional packages should be taken away and manufacturers should not be doing it throw the cat amongst the pigeons or would they just ignore it?

**Mr THOMPSON** — No, they are concerned about safety. They do not want to have accidents and people killed. They do not. It is a given.

**Mr KOCH** — How old is the organisation?

**Mr THOMPSON** — The organisation is now 11 years old. It has a small staff. There is only a permanent staff of four.

**Mr KOCH** — Did it replace an organisation?

**Mr THOMPSON** — No, it started from scratch.

**Mr KOCH** — It is an inaugural organisation?

**Mr THOMPSON** — It is an inaugural organisation. It had been tried before apparently and was not successful; it could not sustain itself.

**The CHAIR** — Thank you for your attendance.

**Witness withdrew.**