ROAD SAFETY COMMITTEE

Inquiry into vehicle safety

Melbourne—19 November 2007

Members

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Mr S. Leane
Mr P. Weller
Mr D. Koch
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Witnesses

Mr L. Smalley, Senior Director, Honda Australia Pty Ltd.

The CHAIR—Thank you very much for attending and making yourself available to make your presentation to us today. The members of parliament here are Ian Trezise, Sean Leane, myself John Eren, the deputy chair David Koch, and Paul Weller, and our executive officer Alex Douglas. Again I thank you for making yourself available to attend the public hearing of the Road Safety Committee's inquiry into vehicle safety. All evidence taken today at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Parliamentary Committees Act 2003. Having said that, any comments you make outside the hearing may not be afforded such privilege. We are recording the proceedings and we will provide a proof version of the *Hansard* transcript at the earliest opportunity so you can correct it if need be. If you could state your name and organisation and proceed with your presentation. If it is okay we will questions through your presentation.

Mr SMALLEY—Thank you. My name is Lindsay Smalley and I am representing Honda Australia Pty Ltd. The first thing is I am not an engineer, I am not a road safety expert. I am the senior director of Honda Australia and as a company we import motor vehicles from Honda Motor around the world. We are a wholly-owned subsidiary. We have two companies in Australia—Honda Australia Pty Ltd that looks after motor vehicle importing, and Honda Australia Motorcycle Power Equipment Co. that looks after motorcycles, power equipment, marine, generators, pumps all that basket of goods. We run the companies totally separately. I can only talk about motor vehicles which is my passion.

I would like to kick off maybe by talking a bit about Honda's philosophy globally. We are a wholly-owned subsidiary but quite recently our president Mr Fukui reminded the whole organisation about road safety and corporate social responsibility type issues. What he said, first of all, is when Mr Honda established Honda in the late 40s it was based on a company principle of what we call in Australia and worldwide 'the three joys' which sometimes does not translate that well out of Japanese but it is the joy of making good products, the joy of selling it and the joy of owning it, the three joys within Honda and also fundamental to that is respect for the individual. Honda is, I believe, quite a different style of Japanese company in that it does not have the same very strong hierarchical structures. It is a very flat organisation. Everyone sits together, open office, we eat together. There is no executive canteen. It is very much one of these organisations worldwide and we are proud of that.

Within the context of respect for the individual there is another term within Honda we call 'safety for everybody', and that safety for everyone includes people making the cars, the designers, the workers, but also in particular the users of Honda product, the pedestrians that might get hit by a Honda product, the cyclists that might get knocked. It is the whole issue. We see safety not just as the occupant of the motor car. It is quite a broad perspective. Honda's rich Formula 1 racing history has really helped trigger and develop a lot of leading edge road safety vehicle technologies over many years. In fact, Honda, we believe, was the first company, certainly in Australia, to introduce ABS braking into this market. There is no government regulation, so you need to do it. We brought it in in 1987 or 1988. Things like ABS brakes coming out of Formula 1, a lot of the vehicle structure design also coming out of the racing heritage of the company, because the last thing we want to do is have a driver that has a crash and gets killed. The concept of safety is really quite at the heart of Honda worldwide.

Some examples of other later systems that are in place are real world car-to-car crash testing and Honda has invested hundreds of millions of dollars particularly in Tochigi in Japan where an area the size of the MCG has been set up and cars are dragged on rails to simulate real car crash testing, car-to-car type stuff, not barrier testing. Results from that testing has really focused the energy of the company on strong body structures, preventing cars riding up on top of each other during accidents no matter what size vehicle it is. Those types of technologies

are very much out there. At Honda we recognise three types of safety—active safety, passive safety and post-accident safety. From an active safety point of view it is really avoidance. A lot of our energy has nothing to do with the vehicles we manufacture. Our avoidance focus is on training and education of drivers in particular. All around the world we have Honda driver training centres and rider training centres, including in Victoria and in New South Wales, soon to be established in Queensland. Our main driver training complex is in New South Wales at St Ives driver training complex. We train about 18,000 people a year. You do not have to own a Honda. It is public schools program; it is hazard awareness driving, it is not go fast. It has been described to me as having a cold pastie at the football rather than a hot pie. It does not send kids away with a rush of adrenaline but it certainly sends people away with an appreciation of hazard perception and proper driving practice.

Mr LEANE—Sorry, Lindsay, where was that?

Mr SMALLEY—It is at St Ives on the north shore of Sydney. It is the old police driver training complex. We took that over in total destitute form about 10 years ago. It has been running for 10 years now. It is not a profit centre. It has taken us 10 years to break even and we have spent a lot of money over that time. We are heavily involved with year 11, year 12 kids in conjunction with Rotary. Last week about 3,000 kids went through a two-month program. They come in for a day or two days engaging in hazard perception type training. All of that work is going on at grassroots to try and avoid crashes in the first instance. Moving further into active safety, certainly in Victoria we have a concentration on motorcycle training. That has been running since about 1989. We have two centres: one at Tullamarine and one out at Kilsyth. That operation is run through our motorcycle company. I am not directly involved with that.

Other accident prevention technologies that we have in place is certainly our ABS braking and emergency brake assist type technologies. That is across our entire product range. Adaptive front headlamps on our more expensive motor cars. It is quite interesting that the older you are at night, the worse your eyes become. Even during the day I struggle. There is a clear drop-off in people's sight performance as they age for night driving. You quite often see the very bright Xenon headlights coming into the marketplace. That was specifically brought in to address these types of ageing eyesight. I live out in Gisborne in the dark countryside, turning left and right the headlights follow the steering wheel so you see around corners and see if there is someone on the side of the ride in the dark, see if there is a kangaroo there or whatever. Very effective but simple technologies coming in.

Mr WELLER—The lights are mounted on a pivot, are they?

Mr SMALLEY—Yes, they tilt up and down as well as left and right, and because they are so bright the last thing you want to do is a blind person coming towards you. They automatically level themselves.

Mr WELLER—When they see another car coming?

Mr SMALLEY—No, based on the attitude of the car. If you have luggage in the boot the lights will bring themselves down on rear passengers, but turning left or right the lights will show you the way around the corner. There are simple things like that. They are not simple but things like that, that are taking place. Intelligent cruise control systems we do have in European markets and in North America. I have used this system in the UK recently where you set your cruise control at whatever it is—100 K's an hour—and then if the traffic in front slows up then the brakes are automatically applied to the vehicle. You maintain that safe stopping distance. Things like that are certainly in place in overseas markets. They are not here as yet because of cost at this point.

Mr WELLER—What type of costs would you be looking at?

Mr SMALLEY—For the total package, by the time it comes to the market it is about $4,000.

The CHAIR—What do you mean 'total package'?

Mr SMALLEY—Basically the adaptive or intelligent cruise control system as a package—all of the sensors, the radar, the computer, the radar that is looking out behind to make sure no-one is going to run up the back of you.

The CHAIR—You mean the technology itself.

Mr SMALLEY—The technology package is about $4,000.

The CHAIR—I thought when you said 'package' that it included a luxury package that it came with, like leather seats and 10-stacker CDs.

Mr SMALLEY—No, it certainly does not. The unit cost is quite expensive.

Mr KOCH—Why is that more affordable, Lindsay, in the UK than it is in Australia? Why would you decommission or despecify the vehicles that came over here?

Mr SMALLEY—We have not despecified the vehicle because—

Mr KOCH—Are you making it available if it is not taken up?

Mr SMALLEY—That technology is not available in our market at this point in time.

Mr KOCH—Which market?

Mr SMALLEY—On the Australian market.

Mr KOCH—Although you are producing the same motor vehicle that is available in the UK.

Mr SMALLEY—We source our vehicles from Thailand, not from Honda UK. They are quite different factories, different production. We are not even sure from an [ADR] point of view where it fits at this point. These are emerging technologies that when the cost price comes down as volume increases, we will certainly be trying to get those in here.

Mr KOCH—If we look at what you do in New Zealand in relation to standard adaptation into motor vehicles you market there versus Australia, I would have thought that your market in Australia would have been more generous by unit than it is in New Zealand, yet we are not afforded some of those opportunities on the Australian market.

Mr SMALLEY—New Zealand have no Australian design rule constraint. They do not buy what we call a KQ spec motor car which means ADR compliant. They buy a Japanese specification motor car generally. They are buying the standard export unit out of Japan. There is no import duty into New Zealand so they can source their product commercially anywhere they want.

Mr KOCH—So is ADR seen as a hindrance then to Honda in placing their motor

vehicles into Australia?

Mr SMALLEY—ADR needs to be fully harmonised with the European Commission compliance regime and once there is 100 per cent harmonisation of regulation then there is no issue with ADR, but while there are significant differences then cars have to be built for the Australian market and there is cost associated with that. It adds significantly to the cost of cars.

The CHAIR—What does side curtain airbags and ESC got to do with that?

Mr SMALLEY—I am describing—

The CHAIR—You have stated that the ADRs and so forth—

Mr KOCH—Where is the limitation?

The CHAIR—Electronic stability control and side curtain airbags are obviously fitted to many vehicles now but yet New Zealand have it and when it comes to Australia it is despecified.

Mr SMALLEY—We do have side curtain airbags on some models and we have vehicle stability control or Honda's version. There is no worldwide standard for that. We know that ours works in all conditions. Around about 42 per cent of the cars we sell are now fitted with vehicle stability assist in this market, including all of our four-wheel drive range where the maximum exposure threat is. Our product plan is to have [VSA] fitted to all cars by 2010. It takes a while to make all of that happen through Honda R and D to make sure that the systems work properly and effectively in the Australian marketplace, and as our quality people and R and D people tick them off as available, then we bring them in. Simple as that.

Mr KOCH—If we get back to ADR for a second, does Honda see that as a limitation in relation to marketing safety in Australia?

Mr SMALLEY—It is a limitation in that it is a total cost-up on cost of production for Australia. We need to be able to bring a car to market and sell competitively in the Australian marketplace. If we fully specced everything with top safety which in theory we could do, depending on what factory the car was being made from, we would sell no cars because we would be asking people to spend maybe $40,000 for a Honda Civic rather than $21,000. We have our competitors selling at $17,990 drive-away for product X. The commercial reality is that we bring a car into the market with the best possible safety spec that we can bring in at the price, be competitive and still sell at a profit which we have to do.

Mr KOCH—You are indicating that by the year 2010 VSA will be across your whole range.

Mr SMALLEY—We have made that policy decision to do that.

Mr KOCH—Where are the economics, the drivers, the marketing of that? We are only talking two years away. Where does the market move to that great degree in a two-year period to allow you to do that without the ADR changes?

Mr SMALLEY—We commenced introducing vehicle stability assist—VSA—into this country in 2002. It is a long-term program because we have recognised that this is valuable technology for now and the future. You cannot flick a switch in a multinational company and all of a sudden you are going to have every car fitted with, for example, VSA.

We have taken 2002 to 2010 to roll this product out. We are now around 42 per cent fitment. In February next year—

Mr KOCH—I am sorry I am trying to draw why the design—ADR—would be a limitation. That is the choice of Honda which I congratulate you, I think it is fantastic but I do not see that is a limitation offered by ADR.

Mr SMALLEY—You have the cost of ADR compliance sitting here and you have the cost of the total motor car sitting here. While you have high cost of ADR compliance that means you have to make other compromises on the vehicle to bring it in at a cost that you can sell it at and make a profit.

Mr LEANE—What drove your policy decision to have VSA in all vehicles by 2010?

Mr SMALLEY—It comes back to Honda's fundamental philosophy of respect for the individual, safety for all, within as much as we can do.

Mr LEANE—Getting back to what you were saying about having to compete in the Australian market, I would imagine your Jazz model you would compete against Getz and similar size small cars. To introduce VSA to quite an economical car to buy, has there been market research into how much that is going to cost you per car, and if that will make this car uncompetitive against the Getz or similar cars?

Mr SMALLEY—Yes, absolutely. If we go back to 2001—Honda is not flash in the pan on safety—we introduced across our entire vehicle range in 2001, without any regulatory push, dual airbags on every car; ABS brakes with electronic brakeforce distribution; front seat belt pre-tensioners which pull the seat belt on, if it thinks you are going to have a crash, before the airbag goes up; pedestrian safety compatibility. We are roasted by insurance companies because if you crash the front of your Honda it is usually an expensive repair, but if you look at the European NCAP testing of pedestrian safety, it is probably one of the best cars to be hit by because of the nature of the deformation of the bonnet, falling off of other structures to ensure that a pedestrian's injuries are limited. We do that. The other aspect of safety, I mentioned earlier, is the body strength of particularly Honda—and I am sure other newer cars on the road—where we use what we call our 'proprietary [G-CON] technology'. I almost describe it folding macrame paper. Depending on how the metal is folded and placed and whatever you can get exceptional strength out of steel and high-tensile steels and whatever. The Honda system does create a safety shell around the occupants of the car if they are in a case. A lot of money goes into that type of design as well as application of other post-crash safety items.

Mr KOCH—Lindsay, does Honda believe strongly that safety is marketable without legislation or mandating?

Mr SMALLEY—Around about 90 per cent of our buyers are private buyers and what we have noticed certainly in the last three to four years is a shift towards safety awareness, definitely. People are asking questions: does it have front airbags; does it have side airbags; does it have VSA. Those questions are now being asked, without a doubt. I would say in the private market there is definitely a shift, and irrespective of the shift we are there historically to have the safest car that we can produce and bring to market.

Mr KOCH—So safety is very marketable.

Mr SMALLEY—Well, it is marketable depending on the price. There have been examples, not with Honda product but with entry-type cars in the marketplace where

manufacturers and importers have offered significant safety packages and the consumers have not taken that up.

Mr TRESIZE—Do you think that is because of price or do you think that is because of lack of knowledge?

Mr KOCH—What are you trying to tell us?

Mr SMALLEY—It is a cost issue. If you are going to buy a $13,000 or $14,000 motor car, generally you are constrained by a budget. That is why you are buying that type of car, generally. A lot of people they are borrowing money, borrowing the $14,000, and then to put curtain airbags and a lot of other expensive safety features in it might bump the price $2,000 or $3,000 and puts them out of the market. What do they then do, they buy a second-hand car with no safety features. If there was a level playing field and every car had to be fitted with fundamental safety, whatever it is, the marketing issue is not as challenging.

Mr LEANE—That is why I was interested in what you were saying that VSA will be in all your new vehicles by 2010, and taking the point you were saying about costs, do you look at it as a very marketable thing that if it is going to cost to put an extra half a grand on your lowest price new car that will still sell? Obviously that research must have been done.

Mr SMALLEY—The issue of fitting of VSA back in 2002 when we started the journey it was recognised that we wanted an end point of best possible safety. There is always ups and downs in making money; money was not the imperative for us. If we make less profit because of that issue, then it is not a big issue for us because our belief is if we have the best safety package, if we have the best styling and fuel economy and low emissions, then naturally we are going to sell more cars and make more money. We are not cherry-picking VSA in or out.

The CHAIR—Going back to the issue of the safety and the wider public accepting that people are more inclined now to buy a safer car—

Mr SMALLEY—Private buyers are definitely asking the question.

The CHAIR—In terms of Honda, do you have an education program in place for those people that are the face of the public who are coming in to purchase one of your vehicles, the dealers; do you have an education program to inform the dealers about pushing certain safety features on a vehicle and how they would do that?

Mr SMALLEY—Yes, definitely. A lot of our dealer sales staff are trained regularly at product levels showing safety features as well as other features, but certainly the safety is in there. On our website customers, before they go into a dealership they can inform themselves of what is in and what is out, how it works, how it does not work.

The CHAIR—Do Honda manufacture big incentives to dealers to push certain safe vehicles?

Mr SMALLEY—No. The issue of side curtain airbags, over time obviously we would want that across everything. As volume increases, maybe we can do that. Particularly curtain airbags and side airbags, they are very expensive features to fit.

Mr KOCH—What is your research saying in relation to curtain airbags? Does it stand up with the other numbers that are coming up in relation to passenger safety, for instance, internationally, or are you finding—what statistics are coming back to you in

relation to the incorporation of side airbags within Honda?

Mr SMALLEY—I do not have statistics. I could take that question on notice but I could not answer that at this table. I could not imagine Honda R and D spending so much time and energy in their airbag development for it not to be of value.

Mr KOCH—I would have thought the same.

Mr SMALLEY—Yes.

Mr KOCH—I would be interested to see.

Mr SMALLEY—Honda also has developed its own unique airbag technology. The airbags do not deploy at full force all the time. If you are in a smaller crash, then the airbag will not go bang—

Mr KOCH—It will pop.

Mr SMALLEY—It will pop. But if you are in a very big hit, then the full airbag will deploy. It is a graduated deployment airbag.

Mr KOCH—Do you have any indication as to what the extra cost of an airbag, or if somebody wanted VSA over and above your standard what money that would cost them?

Mr SMALLEY—A curtain airbag, around about $1,500 to $2,000 per vehicle.

Mr KOCH—That is for the curtain airbag.

Mr SMALLEY—For the curtain airbags.

Mr KOCH—Can that come on its own?

Mr SMALLEY—No.

Mr KOCH—That is available with what?

Mr SMALLEY—When you say 'come on its own', that is bundled with ABS brakes and everything else.

Mr KOCH—Yes.

Mr WELLER—There are other safety features—

Mr SMALLEY—I assume the question is, why don't we fit curtain airbags to the cheapest models.

Mr KOCH—No, I was going to the other way to see whether I can get the curtain bag as an option first.

Mr SMALLEY—Yes.

Mr KOCH—You are second guessing.

Mr SMALLEY—If we can get an airbag as an option, the curtain airbag, out of a

factory we would certainly look at that. The vast majority of our product is coming out of a factory where we cannot get option; we have to buy a kit out of the factory.

Mr KOCH—So it is bundled.

Mr SMALLEY—It is bundled, yes. We choose the bundle, but we cannot say on model X 'I want some with airbag, some without airbag.' It has to be variant Y.

Mr WELLER—The question is, Lindsay, if it is bundled, what is it bundled with? Is it bundled with other safety features or is it bundled with luxury features?

Mr SMALLEY—The fundamental safety features we have on every car. What we are talking about is incremental safety features. Curtain airbags will be the final one in the total package of incremental improvement.

Mr WELLER—Right.

Mr SMALLEY—We generally fit those to our highest spec motor car; the highest cost motor car in the range, if it is available. We take that strategy because people with the $45,000 or $50,000 to spend on a car, they do not separate the airbag component out of it. They say, 'I am going to spend $45,000 on a motor car and it comes with all these good things.' If I tried to sell the same car at $30,000 or $35,000 and then put the $2,500 airbag option on, then our reading is, based on other research, very few would take that option up.

Mr KOCH—In relation to your Accord, if I wanted a four cylinder Accord, there is absolutely no way known that ESC would not be on it and curtain airbags would not be available.

Mr SMALLEY—No.

Mr KOCH—That is probably one of the most popular motor cars running around the roads.

Mr SMALLEY—You need to also understand the time frame in requesting and developing motor cars to the time to market. It is about a five-year cycle. You cannot say you want something this week and it is going to happen next week; it is a five-year cycle. But for Accord—

Mr KOCH—This is not new technology. In the last 12 months we have heard a lot about why things cannot be done versus how they might be done.

Mr SMALLEY—We are doing it, and we are doing it as fast as Honda Motor can do it in this market. In February next year you will be able to buy an Accord, four cylinder with VSA, with front and side airbags but not curtain. If you buy the top of the range model you will be able to buy curtain as well. That is essentially market driven and pricing driven.

The CHAIR—Lindsay, what we are saying is that there is a lot of frustration in this committee in terms of what you mentioned before about Honda cannot flick a switch and make it happen in terms of the ESC.

Mr SMALLEY—That is true.

The CHAIR—To a certain extent the switch is flicked but what is happening is that cars are despecified as they come on shore here, so you are switching it off.

Mr SMALLEY—No, we do not accept that premise. That premise really lacks the understanding of how big car companies work, their source of production. If we bought all of our cars out of a factory in the UK, we could bring all of those things in. If you look at the exchange rate with the pound, historically it has been very bad for us. If you added in the cost of all the safety package, you would be trying to sell a CRV in this market—our fourth placed CRV for maybe $50,000, $60,000. We would not sell any. We would love to, but the reality is we buy cars out of Thailand. They come from a different factory; there is different limitations on what they can and cannot do.

The CHAIR—You are saying the Jazz is made in a different factory, the one that is going to New Zealand—

Mr SMALLEY—Yes.

The CHAIR——and a different factory coming here?

Mr SMALLEY—Absolutely. Jazz in New Zealand comes straight from Japan using the Japan domestic spec motor car. Our car is made in Thailand using Australian design compliance, ADR compliance, in a different factory, different processes. Still a great car. In New Zealand even the seat belt issue, the child seat belt anchor points are quite different. We need the tether strap arrangement for ADR, whereas in New Zealand they can use the international ISOFix for child seat belt restraints that plug into the buckles. In Australia you need a specially reinforced roof or floor and provide a tether; all of those things.

The CHAIR—Do you see that as an impediment?

Mr SMALLEY—It is an absolute cost up. It reduces—

The CHAIR—But surely it is safer though?

Mr SMALLEY—Why?

The CHAIR—You have research to indicate that it does not necessarily—

Mr SMALLEY—I do not know if it is safer or not safer. All I am saying is that the majority of the developed world use ISOFix as their standard; Australia uses a tether arrangement and it creates a difference through ADR on what you need to comply the vehicle to. Whenever you need to make something specific for a small volume market, then there is a cost up. That is how it is. There are delays.

Mr KOCH—How many units do you retail in Australia for Honda, across the whole range.

Mr SMALLEY—Yes. This year we should do about 60,000.

The CHAIR—60,000.

Mr SMALLEY—Yes. I think one of the issues we also need to look at is the ageing carpark issue of all this new technology. If you look at the Honda VSA system, there are about nine or 10 sensors on the car; a sensor on each wheel measuring the suspension travel up and down; there is a sensor that determines the side thrust on the car; there is a G-force sensor, whether braking or accelerating; there is a sensor on the steering wheel that determines if the wheels are going straight, and then there is a computer that brings all that

together and says, 'Well, you are pointing the car in that direction, it is going in that direction. I will help you straighten it up.' What is going to happen in 10 years time with these cars? What is going to happen in seven years time? What is going to happen in five years time when all of these cars are out of warranty? People are going to assume that these advanced technologies are going to work. If you get into a taxi today, do you know if that airbag has been disconnected or not? While we are pushing for much better technology for new carpark entrance, we also need to put in place some inspection regime to make sure this technology is working properly into the future.

The CHAIR—You think it should be incorporated into the current roadworthy certificate?

Mr SMALLEY—We need some roadworthy arrangement or formal inspection for these systems if a car has had a major crash and been repaired; has it been repaired effectively? Have the airbags been replaced or have they been decommissioned, who knows? All of these things we are talking about need checking and periodic maintenance. I would also suggest to the committee that probably one of the most unsafe things in a motor car from vehicle safety is the brake pedal rubber missing from the car. How many cars have you been in where you have seen the brake pedal rubber, half of it has worn off? You put a set of leather shoes on those and all of this wonderful new technology is out the door because in Victoria we have no compliance for regular inspection of ageing motor cars. I think it is really a pretty poor show that we are pushing for adoption, which we fully agree with, of new advanced technology for safety but we do not even clean our own backyard. VSA system, if you have one tyre that is bald or down to the tread, it is going to work but it is not going to be as effective. Throw your foot on the brake and hope the ABS will work; it might work, but if there is no brake pad material left it is not going to work effectively. Frayed seat belts, webbing, scratched windscreens, windscreen wiper rubbers that are ineffective; there are a lot of vehicle safety things that we are prepared to ignore in Victoria, yet we are very interested in new technology that is going to flow into the carpark over—it will flow naturally anyway.

Mr TREZISE—Lindsay, are you advocating that we go to—I think it is New South Wales where there is an annual inspection.

Mr SMALLEY—For any car that is over three years old outside the warranty period should have some—particularly with the newer technologies coming in, if we are serious about making these vehicles safe on the road into the future, then you have to make sure the systems are still working. For sure they are going to work, and from a manufacturer's point of view every manufacturer wants that system to work for 15, 20 years. But would you fly in an aircraft that had not been inspected in 15 or 20 years?

Mr KOCH—Would we know?

Mr SMALLEY—I do not know. CASA would know, I am sure.

Mr KOCH—I have no doubt. Lindsay, are you aware or is it known what the age profile of Honda motor cars are on mainland Australia?

Mr SMALLEY—The total carpark of Hondas is around maybe 400,000 cars.

Mr KOCH—Ranging in age from?

Mr SMALLEY—Ranging from 75 right through to—the majority of cars we have sold in the last 10 years would be the volume type part of that carpark.

Mr KOCH—I only raise that from the point of view with 60,000 units on an annual basis, that the age of the Honda fleet, for instance, would be somewhat greater than the average age of the car fleet in Australia which is not even 10 years; I think it is 9.7 or 9.8.

Mr SMALLEY—I thought the Victorian carpark age was close to 14 years. It has moved forward, has it.

MS DOUGLAS—About 11.

Mr SMALLEY—11 years now. If we are going to adopt these, which we are, adopting these new technologies, let us make sure that they are properly inspected and they are working for the life of the car.

Mr KOCH—Yes, I think it is a good point.

Mr SMALLEY—Make sure that even the brake pedal rubber has a tread on it.

Mr TREZISE—Lindsay, is part of your servicing of your cars—you even service when people buy a new car—that technology, are they maintained in those inspections, in services?

Mr SMALLEY—Yes. Certainly the computer system plugs into the main computer and checks every sensor, checks the theoretical operation at least of all of those systems. Then the physical check is physically check the brake pads; physically check there is brake fluid in the car; physically check for leaks; physically check for rubber on your brake pad—those types of things.

The CHAIR—ANCAP has recently launched a voluntary Stars on Cars program where cars are assessed on the crash tests that they conduct on a four or five star. Then they have a sticker promoting that vehicle with how it rated. Is Honda or will Honda participate in that safety program?

Mr SMALLEY—We will need to check fairly carefully on that program. We have not done a lot of study on it at the moment. Certainly Honda R and D in Japan work very closely with Euro NCAP, and the majority of our cars, we know what the NCAP rating is going to be before it comes to market. In principle I would not have a problem looking at that.

Mr KOCH—Lindsay, do you look at an impediment being government and insurance companies for where further safety is offered that they do not support that safety in its own right from a registration point of view or a purchase point of view or an insurance premium point of view where there are obviously great opportunities for insurance companies particularly not to have the pre-accident rebuild of motor cars as they would without these safety facilities?

Mr SMALLEY—My understanding is that insurance companies, if you look at the VSA issue for a start, that cars generally with VSA get a lower premium rating than ones without it, so I have been told by the insurance commission.

Mr KOCH—I think they are having a lend of you, a big lend.

Mr SMALLEY—Right.

Mr KOCH—We have not identified any of that and I was interested in your earlier comments in relation to pedestrian safety, for instance. It would be quite obvious that Honda

suffers a further premium with the safety afforded to the motor car from a pedestrian point of view. Is that something that Honda has researched or do they accept that as it is, or what is the situation there? If you have researched it what sort of premium are you paying for making that technology available.

Mr SMALLEY—I do not know what the insurance premium difference is but we have established our own insurance partnership—Suncorp GIO—and designed our own insurance package to guarantee choice of repairer, guarantee the car is properly inspected through a Honda service department after a crash repair, guarantee the use of genuine new parts on repairs. There is a premium on those policies but it is still fairly competitive in the marketplace.

Mr KOCH—So there is a further premium put on by SIO or GIO, I am sorry?

Mr SMALLEY—No, I am suggesting that the GIO and Suncorp policy is very competitive through the Honda badged product.

Mr KOCH—Do you have comparisons?

Mr SMALLEY—We have comparisons.

Mr KOCH—Therefore you would know a little bit more than generally what the situation is. Are you at liberty to discuss that with us?

Mr SMALLEY—I do not know enough in detail because insurance premiums are a very interesting subject and a lot of it also depends on your postcode and your occupation. It is not just vehicle-type related.

Mr KOCH—But that goes across the whole range of insurance, irrespective of which company is involved.

Mr SMALLEY—I am not sure whether the safety features have had any impact on insurance premiums. I have also looked at—since we introduced VSA on Honda CRV since the start of this year, has there been any crashes and repair costs and the number of bumper bars we are selling but nothing is evident at this stage. It still might be very early days.

Mr KOCH—Do you also, given my earlier question, see there is a role for governments to be supporting safety to a greater degree than they are currently—and I am not talking about legislation or mandating. Could they put an incentive in the marketplace for people to buy safety versus mandating that it must be part of the purchase?

Mr SMALLEY—I think it would be very dangerous for government to put money up in the nature of many industries because what could happen is, for all goodwill and good intent, you might drop, for example, stamp duty by $500 on this car because it has this feature. Through the whole transaction process, that $500 might disappear somewhere into that total transaction, people taking advantage of that.

Mr KOCH—I have little doubt. If anything is underwritten all it does is usually drive the price up, but they may be able to do something more from the point of view of advertising as such.

Mr SMALLEY—I believe the take-up or the more rapid take-up of advanced vehicle safety features is market driven and that is really what we are seeing, a strong market drive towards that in the private buyer market. I am not sure about fleet because we do not engage

in that market.

Mr KOCH—That is an interesting observation.

Mr SMALLEY—I would think the role of government is to look at active safety—continue the black spot programs, continue promoting road safety education, the engineering side of it, and the market will drive these other road safety issues.

The CHAIR—Lindsay, it is really good to hear that you are going to have the ESC—and I call it ESC because there is a tendency for various companies to call it various different names which I think detracts from what the technology is and how we introduce it out there. It is every manufacturer's prerogative to name it what they like but it is not a consistent name. At some stage we would prefer to keep it at a simple ESC so people know, 'Oh, that's what it is,' rather than VSA or VSC. I think Ford have DSC and others call it something else, but the question I want to ask to you is in relation to other safety technologies. What will Honda be introducing over the next five years that you could say obviously, without worrying whether it is confidential, but what do you think Australians can expect from Honda in terms of safety technologies over the next five years?

Mr SMALLEY—Certainly VSA across our product line, or ESC. We prefer VSA because that is a Honda acronym, and VSC is a General Motors acronym—ESC/VSA. A wider take-up of airbag technology I would see as the next step for us. Further into the future, intelligent cruise control type systems on motor cars is our general direction.

Mr KOCH—Which is an industry direction internationally, we could say after our recent investigations.

Mr SMALLEY—Right.

Mr KOCH—How far do you think that is away, Lindsay, from Honda's point of view? Can you envisage at what stage this may come into the marketplace across your product range?

Mr SMALLEY—Well, we have made the first two steps back in 2001 with the fundamentals of dual airbags, ABS brakes, EBD, seat belt pre-tensioners, those types of things. Our next step is VSA.

Mr KOCH—That is 2010, that is fine.

Mr SMALLEY—The third step—I am not prepared to give a time line on that issue at this point but certainly as soon as we can commercially do it, then we would be doing it.

Mr KOCH—You cannot indicate in two years, three years behind your ESC?

Mr SMALLEY—Yes, probably a 2013 type time frame, but I have not negotiated that back through Honda Motor at this point but certainly our desire internationally, as well as locally, is to have very safe cars.

The CHAIR—In relation to the forward collision warning system that has been available in Japan since 2003—and obviously you consider that to be an old technology which you might have data in relation to how successful that is—when do you think that may be available in Honda Australia?

Mr SMALLEY—I could not hazard a guess because of the cost of that system.

The CHAIR—How much is the cost?

Mr SMALLEY—They last time I heard it was about $15,000 per unit, so it is very expensive technology.

The CHAIR—This model in Japan, the Inspire model, what price range are we talking about, would you know off the top of your head?

Mr SMALLEY—Inspire—I would be suggesting not all Inspire would have that technology on it.

The CHAIR—Is 100,000 plus—

Mr SMALLEY—No, no.

The CHAIR—or is it 50 plus?

Mr SMALLEY—In Aussie terms maybe 75—in that 60 to 75 type range.

The CHAIR—But surely if an option is there you might think that customer in that market range will probably make his own mind up whether he wants that technology. Why wouldn't it be available?

Mr SMALLEY—Well, we have to make a commercial decision and there is risk involved and there is cost involved.

The CHAIR—Yes, it is not standard, it is an option, and if people want to pay that price why shouldn't they be able to?

Mr SMALLEY—Inspire, as an example, is a Japan domestic model.

The CHAIR—But the technology, I mean.

Mr SMALLEY—The technology. If we could have that technology transferred to a different factory and brought it out here at a reasonable price, fine. We do not know if the consumer would pay an extra $15,000 or $20,000 for that type of technology. Most people when they buy a car, they buy it within the context, 'I'm never going to have a crash anyway,' very bullish and positive about it.

The CHAIR—So you do not think we will ever get that technology anyway?

Mr SMALLEY—It is a bit like politics, you never say never. It may eventually come here but I could not imagine it in the short term because of the cost and our sales volumes are so low in comparison.

Mr KOCH—Lindsay, does Honda Australia import any cars directly from Japan or do you source all your vehicles out of Thailand?

Mr SMALLEY—We source Integra type R from Honda UK ,in the Swindon factory in the UK. We source Honda Odyssey, Honda Legend, Civic Hybrid and our Accord Euro out of Japan. The CRV, Jazz and our new wide-bodied Accord from Thailand.

Mr KOCH—Those that are supplied out of Japan, are they despecified to meet ADR

in Australia?

Mr SMALLEY—No.

Mr KOCH—Not at all?

Mr SMALLEY—Definitely not.

Mr KOCH—My second question is, as a director of Honda Australia, do the directors of Honda Australia decree what is the best to market in Australia or are other parties doing that? Is Honda worldwide suggesting what should come into Australia? I only say from a point of view, from a safety point of view, is that in the hands of the directors of Honda Australia or the directors of Honda international?

Mr SMALLEY—There are two levels obviously. We have our own product planning group out at Tullamarine doing our own research on what we believe is required for the Australian car market and we will take that to a regional meeting and argue our case and sometimes—

Mr KOCH—Honda, for instance, internationally will want to move as many units as it came. If that is the format for getting greater or lesser safety, is that the vehicle that determines what motor vehicles come to Australia and what configuration they are in?

Mr SMALLEY—It is a collaborative approach, definitely, with our regional office.

Mr KOCH—Driven by the bottom line?

Mr SMALLEY—No, driven by balancing proper outcomes for shareholders and proper outcomes for road users and users of our product.

Mr KOCH—Who determines the crossover?

Mr SMALLEY—Well, the final crossover will be determined by the market because at the end of the day you have to sell the car.

Mr KOCH—That is about what I thought.

Mr SMALLEY—It is pointless parking them out at #precar at the back of the—

The CHAIR—Where is your Odyssey range?

Mr SMALLEY—Japan.

The CHAIR—Why wouldn't that have VSA considering Odyssey is obviously one of those vehicles that you advertise to families.?

Mr SMALLEY—Odyssey has now been in its current version three years on the market here and we would have locked in specification about four years prior to that, so we are looking back seven years ago. There is only so much you can forecast and predict.

Mr TRESIZE—Before you mentioned active cruise control at a cost of $4,000.

Mr SMALLEY—Around about that.

Mr TRESIZE—The forward collision warning was $15,000.

Mr SMALLEY—Something like that, the total. That includes lane assist and all of that—electronics.

Mr TRESIZE—It is a major difference in cost.

Mr SMALLEY—It is very expensive technology. Also there are different driving conditions in different countries. Not everyone drives the same. Obviously in the UK the vast majority of driving is under 40 K's an hour, they are puttering around unless you get onto the M1 or whatever it is. In Thailand it is the same.

The CHAIR—Yes, that is right. China's uptake of ESC is about three per cent because they do not move very fast.

Mr SMALLEY—That is right.

Mr KOCH—Our use of unsealed surfaces is far greater probably than anywhere else in the world.

Mr SMALLEY—Honda Motor from a road point of view, from a marketing point of view, we want bigger wheels and we want flasher cars and whatever, but they refuse to sell into Australia certainly models because of road conditions because they need to guarantee that the body is not going to fall apart after 20 years on the road. They will not sell it unless they can sell to us unless they can guarantee that.

The CHAIR—Anything further? Thank you very much for your contribution today.

Mr SMALLEY—Pleasure. Good luck with your deliberations.

Witness withdrew.

Hearing suspended.