

ROAD SAFETY COMMITTEE

Inquiry into vehicle safety

Melbourne—19 November 2007

Members

Mr J. Eren
Mr T. Mulder

Mr D. Koch
Mr P. Weller

Chair: Mr J. Eren
Deputy Chair: Mr D. Koch

Staff

Executive Officer: Ms A. Douglas
Research Officer: Mr D. Baker

Witnesses

Mr B. Hershman, Product Planning Manager, Hyundai Motor Co. Australia;
Mr H-L Wong, Senior Manager, Product Engineering, Hyundai Motor Co. Australia; and
Mr P. du Preez, General Counsel and Company Secretary, Hyundai Motor Co. Australia.

The CHAIR—Thank you very much for being here today. I will introduce you to the members who are here today: Terry Mulder, myself John Eren, the deputy chair David Koch, and Paul Weller, our executive officer Alex Douglas and research officer David Baker. All evidence given today is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Parliamentary Committees Act 2003. However, any comments you may make outside of the hearing may not be afforded such privilege. We are recording the evidence 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 the organisation you belong to and, if possible, through your presentation if we can ask questions that would be great.

Mr HERSHMAN—Absolutely. My name is Ben Hershman, I am the product planning manager, Hyundai Motor Co. Australia.

Mr du PREEZ—My name is Paul du Preez, I am the general counsel and company secretary for Hyundai Motor Co. Australia.

Mr WONG—My name is Hee-Loong Wong, I am the product engineering manager.

The CHAIR—Thank you.

Mr HERSHMAN—We were not sure, 100 per cent, what to expect in terms of the format and we got a brief from David, so we have some presentation material in front of you. It is not particularly detailed but it gives you an overview of marketing or identifying what safety features we offer to consumers. What you are looking at in front of you are screen dumps of our website.

The CHAIR—Sorry, Ben, this is Sean Leane, another member of parliament.

Mr HERSHMAN—Cheers. The first two pages—one gives you an overview of Hyundai, the point being that about three-quarters of the way down you will see some reference to safety. I think the first page talks about our commitment to safety and detail. The other pages following are screen dumps taken from each vehicle. If you go into Hyundai's website you can literally click one button on a particular vehicle you are interested in. Very near the surface of that, one of the key areas is safety that we talk about and that takes you to the consumer or the person looking at the website to either look at what we call active safety or passive safety, two distinct types of safety: one to protect you before the accident and one to help protect the occupants once an accident has taken place. I am sure you have probably heard those terms—active and passive safety.

The reason that it is important to show you these is because we believe a picture paints a thousand words. It gives you an idea that as well as going to a particular model screen the consumers can also click on specific safety technology and find out more about them. You will see a few of the web pages have a little text box down the middle and that has gone from a picture of the car, the consumer has clicked on a topic such as anti-skid brakes or electronic stability program and it has taken them to another page which gives them a bit of text to explain what that technology does. At this point I should ask does anyone have any questions regarding this type of material? Feel free to ask when you wish.

In terms of the mandate of your safety inquiry, we are very happy to present here today and discuss with you. Hyundai is very proactive in the area of vehicle safety. We have taken a proactive approach over the last few years to introduce what we call electronic stability program, as an example. Electronic stability program is the registered name for this type of stability control by the manufacturer Bosch. You have probably heard of the electronics

company. Hyundai Motor Co. adopts Bosch's electronic stability program technology. It also includes a system called traction control. We see this active safety in stages. We see this as starting off with a technology called ABS or anti-skid braking system and then stepping up into traction control and electronic stability program or stability control.

From Hyundai's perspective, stability control is the buzz word at the moment or the talk of the town because there is research that demonstrates that this can reduce particularly single vehicle accidents. I am sure you have seen or have that data. To talk more specifically about what Hyundai is doing with this is we market this technology either as a standard feature where possible, and where we do not offer it as a standard feature, we offer it as what we call an affordable safety package. We term that in Hyundai a "Protectz" pack. That is a marketing term. That is optional on products from the entry level Getz, and as we move up the range it is either optional or standard.

Mr LEANE—What is that package worth for a Getz?

Mr HERSHMAN—For a Getz it is worth \$1,290, and in that package the consumer will get the electronic stability program, the traction control and side airbags for the front seats.

Mr LEANE—Has ESC only recently been introduced as an option for the Getz?

Mr HERSHMAN—No, it has almost been two years now. The Protectz Pack for us is something that we have been stocking and making available, and the point to that which is very relevant to your inquiry is that the take-up rate from the consumers is around .3 per cent. For every 100 Getz that are sold the consumer take-up is about .3 per cent. It can rise month by month, of course, but it is quite low.

Mr LEANE—What is a standard Getz model worth today?

Mr HERSHMAN—The most basic Getz is \$13,990 plus onroads and dealership charges or government statutory charges, but to give you an idea this car fitted with that safety gear is \$16,280. The next most affordable car in the market with ESP is another Hyundai, and that is the new Hyundai i30. The starting price of that vehicle, the entry level i30 is \$18,990. We have a Protectz Pack, as we call it, for that vehicle which is \$1,790 and includes the ESP, the traction control, side airbags for the front occupants and curtain airbags as well. That is proving of great interest to government organisations, that type of buyer, and to discerning what we would call retail customers, people that would obviously walk into the dealership.

In terms of en masse, is there a huge demand out there from the consumers, the answer is no, there is not. We have taken a policy decision that we will stock these vehicles, these optional vehicles. As you can imagine we do not manufacture here, we import our vehicles currently into the market. With i30 as an example we have been very proactive including those safety features either as optional or standard.

The CHAIR—Why do you think the take-up rate is so low of this safety pack?

Mr HERSHMAN—We think there is a multitude of reasons and I can touch on a few of them. For example, if you offer a consumer something that they can see and touch and feel the picture paints a thousand words. In terms of technology that you cannot see, you have to be able to ensure that you are able to explain that to the consumer. Also—and we do not have evidence to show this—people do not want to spend the money, it appears, to upgrade to that. That is stereotyping a little bit and we are not suggesting all consumers do not want

safety.

The CHAIR—Are you saying people do not trust car salesmen?

Mr HERSHMAN—I did not say that. I know you are jesting but it is a serious point. We pride ourselves on our product training in terms of how we train our sales people. It is challenging to educate the consumers to understand what it is. Another example would be ABS. Again I am stereotyping so my example is not specific against people, but if I asked a friend of mine out of work if they knew what ABS was they would say—probably a lot of people would say—'Yes, we know it's something we should have,' but they would not necessarily understand the technical detail behind it. We think electronic stability control is going through a similar type of era in terms of it is not really understood and where we have launched vehicles to the motoring journalists we have made a particular point of identifying where our vehicles have this technology and encourage the communication of that as well through to the media, because people do read about our cars and others as well.

Mr du PREEZ—If I can add on to something Ben said. I am head of the HR Department as well at Hyundai and we had a staff day where we arranged a whole bunch of our vehicles up on a racetrack to demonstrate ABS and ESC. Again, a lot of people may see the jargon and they do not understand what it does. We put all our staff through some driver training, switching the ESC on and off and seeing in real life what the car does.

The CHAIR—Is this the dealership as well?

Mr du PREEZ—No.

The CHAIR—Okay.

Mr du PREEZ—We are the manufacturer. No, all our dealers are independently owned and operated. It is an educational issue with consumers because a lot of consumers may hear that there is some safety issue, or safety benefit to the car which costs them. It is a price issue as well in some of our demographic because they are very price sensitive. But having said that, when we did that for the staff, a lot of staff did not appreciate what it meant and to see a qualified professional driver demonstrate with traction control on and off or ABS brakes on and off and what ABS brakes feel like when you are using them. It is totally different. When you do—you probably realise, all of us have done our drivers' test—no-one appreciates those sort of things and there is nothing in that. It is an educational issue as well, more than a product issue to the manufacturer.

Mr HERSHMAN—To comment back on your point, Mr Chairman, we have also done those days as part of our training, for product training for our dealer sales staff as well and our regional staff. We have our own head office staff not in the head office, but Hyundai staff based around the country and also for dealers in a racetrack environment where it is safe with professional trainers to demonstrate that because people do not—even a sales person or anyone working for head office, if they are not an engineer by training, unless you feel the ABS system work, or as Paul said you are demonstrated it and you can touch and feel it yourself in a safe environment, it is very hard to explain.

The CHAIR—I suppose the take-up rate of this pack that you have would largely depend upon (a) the dealership that sells to the public to be fully educated about the safety features, and what incentive is attached to that sale in terms of commission, and obviously how much that is advertised by either the company or the dealerships.

Mr du PREEZ—Yes.

The CHAIR—In some ways if they are not done—not in any particular order, but if they are not done, I think that it may be a bit of a skewed picture that we have in terms of people do not know about it. If you do not advertise it, if the dealership does not push it, people will not know about it.

Mr HERSHMAN—To respond to that, if I may.

The CHAIR—Yes.

Mr HERSHMAN—We do talk about that in some of our advertising material and we take again, and have taken a proactive stance, particularly towards what we call ESP and the Protectz Pack and traction control. We also conducted product training, both as Paul described and through regional; when new vehicles come around or a product is refreshed we conduct that through some professional people. It is presented to the consumer and, 'Thanks, I'll take the 13,990 car.' We do not have the answers to that, but that is our feedback through to you.

Mr KOCH—But in saying that, obviously consumers do not pursue safety with your own range of cars. Is there any reason that they would not pursue safety in your case, yet with other manufacturers it has been indicated that yes, they do? It is obviously a pricing thing, that you read the market in a particular area and people there are not safety conscious.

Mr HERSHMAN—Sure.

Mr KOCH—We have also had other manufacturers indicate to us—you say safety, 0.3 of 1 per cent?

Mr HERSHMAN—Yes.

Mr KOCH—Others have said up to 90 per cent—

Mr HERSHMAN—Yes.

Mr KOCH—are safety conscious and are prepared to pay for it. They are extremes, are they not?

Mr HERSHMAN—Again we can comment on that. We have taken a particular stance to offer this safety technology as available to Australian consumers in some of the lower priced cars. Now, I do not know who in particular you have spoken to that might have said that—

Mr KOCH—That is irrelevant.

Mr HERSHMAN—and that is none of our—exactly.

Mr KOCH—Yes.

Mr HERSHMAN—But other manufacturers are offering those technologies as standard and we do in some of our products as well. Again I point out that in two of the lower, ESP is available in the two lowest priced products you can buy, and they are ours. Now, the question is, are other manufacturers offering it in their lower end models? Is Hyundai one of only a few that is doing that? That is the thought back to you. We did not have to do that. We were quite happy selling Getzs without it; in fact it makes our stock

management harder. But it is a particular stance that we decided to take in terms of trying to be proactive in the marketplace. Is that a fair response to what you are saying?

Mr KOCH—I hear what you are saying and it is a fair response.

Mr HERSHMAN—Yes.

Mr MULDER—Can I ask you a question—

Mr HERSHMAN—Of course.

Mr MULDER—in relation to your policy safety, 'At Hyundai we determine to create the safest possible car. In fact, we ask our employees to create a car safe enough for themselves and their families,' and then to look at that policy and then have a look at a Terracan with no ESC, no curtain airbags, no brake assist, are you confident that the policies of your company are demonstrated by the product ranges that you offer here in Australia?

Mr HERSHMAN—We are. The answer to your question is that on products where we can fit them, we fit them. Terracan and Trajet are run-out products at the moment. For Terracan and Trajet, they are older products. They were developed at an earlier stage. It is not possible for us to attain those technologies. As I said, we are positioning ourselves that where we can, and on our new products we will be and are making those safety technologies available.

The CHAIR—It would be fair to say that your Accent would be one of your popular models.

Mr HERSHMAN—It used to be very popular, not so much any more.

The CHAIR—Yes.

Mr HERSHMAN—But, yes, sorry, go on.

The CHAIR—Obviously those models that take up rank a lot higher. You would expect that they might be able to have ESC and the brake assist.

Mr HERSHMAN—Sure. They do not currently. It is not possible today for us to bring in those vehicles with ESP. That is not because in Australia we have chosen not to, and we have been working and are continuing to work with our parents in Korea to develop that technology for the Accent for this market, specifically for the right-hand-drive market.

Mr MULDER—Can I ask a question. In relation to a run-out model, how long does that take before that run-out model ceases to be delivered into Australia for instance?

Mr HERSHMAN—Sure. Our last production month for Trajet, for example, was April this year.

Mr MULDER—April this year.

Mr HERSHMAN—The last cars would have landed towards the end of may. They would be running out and there would probably be—I do not know the numbers, but I would suggest that there is not a huge number left.

Mr MULDER—Yes. And the Terracan?

Mr HERSHMAN—It would be similar.

Mr MULDER—Okay.

Mr KOCH—Are they going to be replaced, Ben, by different models or will we see an upgrade of the remaining models?

Mr HERSHMAN—Sure. That is obviously slightly commercially sensitive, but there will be a people mover of sorts and there will be some of the equipment or the safety equipment we have been talking about will be available.

The CHAIR—As you can hear, the ESC, we have heard a lot about it in our travels overseas. You are probably aware that in America it will be mandatory by 2011.

Mr HERSHMAN—Yes.

The CHAIR—Mandatory in the EU by 2012. Obviously this is one piece of technology which, as we understand, it is a piece of technology that is not that expensive. When do you estimate that Hyundai will have ESC across the board on all models standard?

Mr HERSHMAN—I cannot answer that directly. What I can tell you is that, if I may lead into the answer to your question, we current fit ESP to 20 of our 39 variants and the 39 include the Terracan and Trajet. We expect by January 2008 that will be 56 per cent and by mid next year to end of next year it will climb through the 60 per cent barrier. The difficulty, to answer your question, it comes down to the commercial reality of it. You have a situation where we are proactively making the technology available across the board. We acknowledge that in a couple of our own products we do not have that available, and in Accent we currently do not either, but in the other 70 per cent we do. Yet the consumer, if we bring that technology in as standard in today's market and our competitors do not, it is not quite as cheap as you may be indicating or thinking; puts the commercial pressures on in terms of meeting the demand from the public and what they are prepared to pay.

The CHAIR—The pack that you outlined before which is ESP, side curtain airbags and—

Mr HERSHMAN—And traction control.

The CHAIR——traction control.

Mr HERSHMAN—Yes.

The CHAIR—Obviously we know that the curtain airbags, anything to do with airbags is very expensive.

Mr HERSHMAN—Yes.

The CHAIR—You take out curtain airbags and the traction control, you said a price of 1290.

Mr HERSHMAN—With the side airbags.

The CHAIR—Yes, that is 1290.

Mr HERSHMAN—Yes.

The CHAIR—I would assume that the bulk of that 1290 would be from the airbags and the traction control. I am estimating that you are left with about \$400 which would be the cost of the ESP, maybe less.

Mr HERSHMAN—Yes. I—

Mr du PREEZ—It is very hard to answer that.

Mr HERSHMAN—Yes. I cannot divulge the actual numbers, if that is okay.

The CHAIR—Sure. That is all right.

Mr HERSHMAN—What I would say is that you have under-called it.

The CHAIR—Right. Thank you.

Mr HERSHMAN—The problem we have is that if you have a \$30,000, \$35,000, \$40,000 motor car and you want to add—shall we take \$1,290 as a number, or \$1,000, there is a smaller impact on a recommended retail price. If you do that to a car that is \$14,990 and you add \$1,000, you immediately can say goodbye to the potential consumer. That is what we were—we wanted to be proactive. I use Getz as the prime example because I do not believe that there is—is there another competitor in the like segment offering a stability control program? I do not think there is. We have taken a stance to do that and try to do it in a proactive way. But we have also tested the waters by stocking the vehicles, by promoting it. We have decided not to withdraw that safety pack. We are keeping it going. We are persisting because we see the long-term benefits of being proactive in the market as well. But, ultimately, particularly as you go towards the more price sensitive end of the market, if I can use that term, it is very much a point where we are not seeing the take-up.

Mr WONG—Can I add something there. This make of vehicle, this model in the market, selling for 16990 to come with the option for curtain airbags, but in the whole range they have no ESC at all. I am supporting Ben's point of view. There are models out there that do not provide ES—

The CHAIR—Two wrongs do not make a right, though.

Mr WONG—I know. I explain to you, reinforce the situation we are in.

The CHAIR—Sure.

Mr LEANE—Who would be—and if we are talking your lowest price range car as in the Getz, what other model would be your major competitor in Australia?

Mr HERSHMAN—Within Getz there is not one.

Mr LEANE—Yes.

Mr HERSHMAN—Sorry, you mean with or without ESP?

Mr WONG—Yaris.

Mr HERSHMAN—Yaris from Toyota.

Mr WONG—Yes.

Mr LEANE—What do they sell—

Mr WONG—Holden Barina.

Mr HERSHMAN—Starting at \$14,990.

Mr LEANE—Right.

Mr HERSHMAN—They tend to be about \$1,000 more than Getz roughly, give or take \$1,500 depending on how many doors and transmissions.

Mr LEANE—Yes.

Mr HERSHMAN—The Holden Barina sits a little bit less than us.

Mr MULDER—Can I ask a question: in relation to the manufacturing line and the decisions that have been made by marketing departments in terms of what they want to have on the sales floor, how many years out are we talking? When you make these decisions about what is going to go into a particular vehicle, safety equipment, luxury features, what do you make your decisions for, three years ahead, four years ahead?

Mr HERSHMAN—I could not be specific on that. Again, that is probably commercially sensitive. But I would suggest we are not very different to other manufacturers and I would suggest the sorts of numbers you were indicating are sensible lead times. To add to that would be to say that we are a wholly owned subsidiary of Hyundai Motor Company Korea and we are very proactive and well respected as a country and a market in terms of our input to HMC. We regularly travel there and provide information on the market and also information such as what we are discussing today. We are not a lone distributor—

Mr MULDER—Yes.

Mr HERSHMAN—who is told, 'Which colour car would you like to order?' We have a proactive involvement in the development, to a certain extent, of the car. We are lucky in that sense.

The CHAIR—In terms of vehicles that may be already fitted with this piece of technology, is there any despecification going on when they come to our shores?

Mr HERSHMAN—What do you mean by that, sorry?

The CHAIR—For example, if ESP is fitted on a vehicle, there may be some instances where it is switched off and then said that this is now an option that you can purchase.

Mr HERSHMAN—No. We do not—I think I know what you are—

The CHAIR—Do you despecify any vehicles?

Mr HERSHMAN—No. I know what you are referring to and I will clarify that. For example, are you saying that we have ESP modules or electronic boxes within the car that are switched off? No. No, I do not believe we do.

Mr WONG—You cannot do that because ESP, the system is an integrated system that, like the ABS, is a hardware. You cannot have the hardware in there—

Mr HERSHMAN—Yes. You are right.

Mr WONG—like an additional sensor in the vehicle.

Mr HERSHMAN—It has an array of sensors.

Mr WONG—Yes.

Mr HERSHMAN—To Mr Wong's point, you would not spend the money fitting—

The CHAIR—How is it that all the vehicles in New Zealand have ESP and we do not?

Mr HERSHMAN—Because there is a difference between—what you are suggesting, correct me if I am wrong, is that hypothetically could a car be brought in with the electronic module for ESP plus all the wiring and the sensors and the manufacturer turn that off?

The CHAIR—Yes.

Mr HERSHMAN—Okay. We do not do that. The New Zealand example is, take Getz for example: we bring in Getzs without ESP but we also bring in some with the ESP system built in. We can pick that in the same way that we could select whether the factory puts in electric windows versus wind-up windows, for example. We do not despecify the car, if that is what you are suggesting. Is ESP available on Getz from the factory? The answer is yes. Do we put it in all our Getzs? Do we choose to put it in all the Getzs we bring to Australia? No. We put them in those Getzs that we then market as Getz Protectz cars.

The CHAIR—So why does—

Mr HERSHMAN—Does that answer your—sorry.

The CHAIR—To a certain extent it does. Why do the Hyundai vehicles in New Zealand have all fitted standard ESP?

Mr HERSHMAN—Because in New Zealand—and I know a little bit about this. In New Zealand—

The CHAIR—From an engineering point of view I am curious to know.

Mr HERSHMAN—Okay. In New Zealand they are a different distributor to that in Australia. In New Zealand the take-up by the consumer is ahead of—

The CHAIR—If it is standard, of course take-up will be higher.

Mr HERSHMAN—Yes. But what I mean is that it is within the industry; from my understanding, that is what—there is more of a consumer acceptance to spend the money.

The CHAIR—Right.

Mr KOCH—Can we suggest that there is not despecification, but under specification.

Mr HERSHMAN—We do not believe we under-specify the cars in the marketplace in Australia today. On the contrary we think we, in certain cars, we over-specify them by taking a proactive stance to offer the stability control technology where other manufacturers decide not to do that.

Mr MULDER—Are you equipping to market demands, is that what you are saying?

Mr HERSHMAN—We are equipping to market demands, absolutely, based on some of the commercial comments we made before about what the consumer's take-up rate would be. What would happen if we equipped all Getzs with ESP, how our sales would fall away because today, as we speak at the end of 2007, the market, being the consumers, would not accept that. Whereas in New Zealand our distributor or our colleagues in New Zealand have found that they have been able to do that. We cannot do that. We have tested that here through Protectz. We categorically deny we do not do anything as you define “despecify”. We do not do that and we would not do that. We do not “under-specify” vehicles. We believe we offer what the market demands. On the contrary, we believe we take a proactive approach by bringing in vehicles and marketing and spending money on them and training our sales people on trying to get ESP better understood. We have tried to play a role over the last two years to offer ESP. Another example if I may: Sonata, which is a medium, large size vehicle, it is a sedan; you may or may not be familiar with it.

Mr KOCH—Commodore size?

Mr HERSHMAN—Commodore size.

The CHAIR—Luxury—

Mr KOCH—Yes.

Mr HERSHMAN—When we launched that car in July 2005, we took a position to launch—we did not launch the whole range, but we launched an engine version of that with ESP as standard. Now, again, that particular version was in the late \$20,000s, early \$30,000s. But we did that as standard. We were the first to do that in that kind of priced area. I am talking late 20s through to late 30s. That is something that we proactively did. We did not have to do that.

The CHAIR—That is only on the V6s though.

Mr HERSHMAN—It is only on the V6.

The CHAIR—Yes.

Mr HERSHMAN—Since then we have put it onto the 2.4 cylinder Elite and there are plans to do other things next year. My point is that we have over the last two to three years at Hyundai we have not ignored the issue. We have taken what we believe is a proactive step—steps in the right direction to do that—to introduce it, to start to educate, to include it in product training videos. We spent a lot of money on product training videos, as well as actual live face-to-face, that the sales people can take videos away and refresh their minds on those things. They include very large sections on safety technology and what we include in the features, the advantages and benefits of safety technology. Particularly, obviously, ESC or ESP at the moment is of prime interest and curtain airbags are a close second because of the

benefits they have with incoming glass and things like that.

Mr KOCH—Ben, is there a recognised age profile who purchase Getz that you can identify or is it right across the board?

Mr HERSHMAN—It is right across the board. Getz is bought by young people with their first car, through to parents buying a car for their young adults who have just got their drivers licence through to second cars in the family.

Mr KOCH—There is no recognisable—

Mr HERSHMAN—There is no dominant—

Mr KOCH—broad demographic?

Mr HERSHMAN—No, by demographic, no.

Mr KOCH—If that is the case with your Getz who makes up the .3 of one per cent who might be safety conscious?

Mr HERSHMAN—It is spread again. It is from people who are retiring, for example, or retirees who may potentially see it as their last car or second to last car, through to people buying their young adult a car. There is no real defined—

Mr KOCH—It is not recognisable.

Mr HERSHMAN—No. It is often people who, say, have an interest in cars or do their research and understand that the technology is worth investing in that type of thing. The majority of consumers out there, we do our best to try and educate them in this through various ways. We obviously talk about it specifically in our brochures and our marketing material but it is not a specific demographic that does not get it or that does get it. It is very much an individual type of thing.

Mr KOCH—On your i30 you are demonstrating, it is approximately 10 per cent who put the safety package on the car.

Mr HERSHMAN—Yes. We offer two there. If I may touch on that, there are three trims in the i30. There is an entry level trim at \$18,990 and we offer a Protectz Pack on that which includes the stability control, the traction control and the extra airbags. On our mid-range car, again we took a proactive approach there, we included the curtain airbag system and side airbag system as standard in the mid-trim. We did that for a product called Elantra. The new version of that was launched October last year. It is over a year old. That was again a way that we could—to answer someone's question—start to include these features as standard but where we felt the market would buy into them. We were not in the position commercially to put them in at the bottom end but we put the extra airbags in on the mid-trim. The Protectz Pack is available for that version, and that version it is the stability control and the traction control and the price is reduced appropriately. That is there are two Protectz Packs for both Elantra and I30.

Mr KOCH—The cost of the stability control alone?

Mr HERSHMAN—With the traction control. It is packaged.

Mr KOCH—It is packaged. You cannot have one without the other.

Mr HERSHMAN—It is \$990.

Mr KOCH—For the package.

Mr HERSHMAN—Yes.

The CHAIR—Something else in America that they have is a star rating on vehicles. Every vehicle must be tested through a vigorous testing program whereby they are given a certain star rating. People can then make an informed judgment about whether they want to buy a car that is safe. They go and have a look at the ratings of that particular vehicle and if it is a four or five star they purchase it. We have a voluntary Stars on Cars program here that is done by ANCAP. Is Hyundai participating in that program.

Mr HERSHMAN—I might ask my colleague Mr Wong to comment on that.

Mr WONG—At the moment, no, we are not, but we are working with—we communicated with ANCAP and we discussed about this. The Stars on Cars thing can be, in my opinion, misleading. You look at it this way: I am not criticising. You are talking about one crash test and then you publish the result and there is more in safety that crashing the car into the wall. You have to look at the total vehicle structure in multiple crashes. At the moment, all I can say is we are still considering what to do with Stars on Cars.

The CHAIR—Do you think that the wider public might think you are hiding something by not participating in it?

Mr WONG—No, we are not hiding anything.

Mr HERSHMAN—No, not at all.

Mr WONG—If you look at the website it is there. When a customer phones me and says—someone in customer relations says, 'Hey, what is the latest result on i30?' and I say, 'Unfortunately ANCAP in Australia has not tested it.' You can go to the European NCAP website to have a look at it. It is a four star vehicle rating. I say to them, 'Please tell the customer advice. If they can please option vehicle with curtain airbags.' We are not hiding from anything. We promote safety. Currently we are working with the federal government on a joint research program on vehicle crash safety.

Mr du PREEZ—Can I say something, and that is the Europeans, the Americans, they are very different testing regimes in terms of the star rating system and we have found that they are fairly inconsistent in terms of a particular model that may be crash tested in America and their criteria would be different to what we apply down here.

The CHAIR—Which one is tougher, do you think?

Mr du PREEZ—The Americans are very tough, there is no doubt about that. But having said that when you look at what we do down here in terms of our own system, the consumers tend to latch onto—European manufacturers use this a lot with their five star crash-tested models. But a lot of that does not translate directly into a car manufactured for this market and tested under these conditions, because you can run a test in Europe and get a five star result, and run the test here because the criteria are different and you will not get the same result. We have had that with a number of our models. There was an RTA brochure that was published on Accent where the car was improved.

Mr WONG—Now, you are talking about a used car safety rating, that is the one. I have been in vehicle safety for a long time, crash testing for a long time. If you look at it, compare US and the Australian way of crash testing, US has full barrier crash test and they have side impact where they have a bigger side impact barrier compared to the Euro and Australian NCAP. I know of a make of vehicle that can meet Euro NCAP five star but to go to US it cannot make US five star because you have a full crash barrier. It is designed specifically for the offset crash test and when it hit the American barrier, full crash, full barrier, it could not do it. That is why it is not sold in America.

Mr du PREEZ—The important thing to bear in mind there, clearly, what Ben and Hee-Loong do for our companies, they go to Korea, they give the designers and the engineers feedback on what this market wants and what we can introduce in this market. But having said that when you look at, as I said, those type of examples, there is no consistency around the world in terms of the different levels of testing. It is a marketer's dream out there to hand out five stars for this or four stars for that and unfortunately our experience so far has been that we have had mixed feelings about what they have done so far here because there is not that level of consistency and what Hee-Loong is saying, the difference between a full-on crash test or an offset crash test is massive. The factory ask us what we need to do to make sure that our cars would pass those tests, but when you look at it, it comes back to costs and dollars as well because the design features that have to go into that car, specifically to meet a European crash test or an American crash test, may not succeed here. There has to be a return on that somewhere, we are in business.

The CHAIR—We have spoken a lot about ESC. Obviously safety is the buzz word and over the course of the next five to 10 years there is going to be a lot of concentration by consumers about how safe is the vehicle that they will purchase either for themselves or for their children. We have spoken about ESC and you have taken on board how important that piece of technology will be for not only this state but indeed for the country. What other safety technology is Hyundai thinking about over the course of the next five years? What other piece of technology will you have in your vehicles to make you stand out to the rest of the vehicle manufacturers?

Mr HERSHMAN—Sure. Excuse me for referring to notes as we discuss it. The first comment I would like to make is that we will continue proactively with our stance on stability control and hopefully that has been made very clear.

The CHAIR—You said 60 per cent by 2010.

Mr HERSHMAN—I was saying by early next year, 56 per cent of our variants will have it fitted—that is our estimation—by January 2008.

The CHAIR—By 2010?

Mr HERSHMAN—I cannot predict whether it will be more or less than 60 per cent but all I can comment is that as we bring in new models—and we have some next year—we will be seeing more variants having stability control added as standard. Mr Mulder's point there, Terracan and Trajet will drop off the market and one of those products will be replaced and that product will have stability control where Trajet does not. Sonata is a product that we were talking about. You mentioned yourself, V6s were the ones fitted; 2.4 top of the range, we have added it since. Through next year we expect to add it across the bottom models as well. I cannot give you a percentage, and the reason I will not do that is very simple: we are in constant discussions with our parent company over which of the multitude of models that they are developing for the world that we would bring into Australia, and at the moment we are in a key, critical stage in that.

Now, depending on which avenue we go down, it would also depend on which ones would have those features as fitted, and so on and so forth, and what type of commercial arrangement we would have with the factory and so on. It would not be fair or qualified for me to say we would meet X per cent in 2010. All I can communicate to you is that we are heading in the right direction.

The CHAIR—We want what New Zealand has; nothing more, nothing less.

Mr MULDER—In relation to the technology that currently exists within the Burnley and Domain tunnels, the operator of those tunnels to be able to override a radio in a car and transmit messages, safety messages particularly, do your cars have that technology on board? Are they all capable of receiving those radio transmitted messages?

Mr WONG—Yes, all radios have.

Mr HERSHMAN—The answer is yes. To go back, Mr Chairman, to your other question about what we have in the pipeline, if I may—and please stop me if you want further explanation on the terms—but adaptive cruise control which will appear on Hyundai's new luxury flagship product which will be launched in North America. That product is not going to come to Australia, as I speak, but to let you know that Hyundai will introduce adaptive cruise control. Is anyone not sure what that is?

The CHAIR—We know what that is.

Mr HERSHMAN—Great. Hyundai are considering that for other markets.

The CHAIR—What we want to know is here, Australia. I do not want to know what is in America.

Mr HERSHMAN—That is okay, and I am happy not to answer the question, but the point is that—

The CHAIR—If you cannot answer it, you cannot answer it.

Mr HERSHMAN—Okay.

The CHAIR—It is up to you but—

Mr HERSHMAN—I can—

The CHAIR—the specifics are, what we want to know is not what you are going to do for New Zealand or North America or Korea, what we want to know is what technology you intend on bringing here.

Mr HERSHMAN—Sure. I have four points—one of them I have mentioned which will be introduced into the marketplace, and there are three others which have not been confirmed for the marketplace but which Hyundai Motor Co. R and D centre or research and development centre is investigating for Hyundai motor cars. I am happy to show those to you but I cannot tell you whether they are going to North America, Korea, Australia, because they are new technologies that they are researching at the moment. When things are in R and D you do not necessarily know if they are going to be—you can be pretty confident they are going to the Korean market, but you cannot be sure whether they are going to make it overseas. We are not going to tell you something that is not true and say, 'Yes, it's coming.'

We do not know.

Mr KOCH—In five years time, setting aside the other technologies that may be going to be put in place, would you envisage that that percentage of take-up in your Getz model will grow much from the point of view of ESC and curtain airbags away from the present, what I would say is nearly zero? That is an entry point, and I assumed—and I did not ask before—what percentage of your car sales are at that level?

Mr HERSHMAN—Sorry, what do you mean?

Mr KOCH—Out of the units you sell in Australia where would Getz fit in that?

Mr HERSHMAN—We sell—and I am approximating—1,500 Getzs a month.

Mr KOCH—Out of what sales for Hyundai Australia?

Mr HERSHMAN—Out of 4,000 to 5,000, roughly—

Mr KOCH—So you are looking at 30 per cent.

Mr HERSHMAN—So out of 1500 Getzs a month we would sell again roughly under 10 a month with the safety technology, that ESP technology pack.

Mr KOCH—That is right. In five years time do you forecast or project what those patterns may or may not do?

Mr HERSHMAN—I do not, but I am happy to make comment on that.

Mr KOCH—Yes, if you would.

Mr HERSHMAN—Sure. We believe stability control will follow the same type of trend as anti-skid braking if nothing else changes.

Mr KOCH—Across all models?

Mr HERSHMAN—Yes. If nothing else changes, ie, if the government, for example, was to launch some massive education program you would obviously accelerate the uptake. But a bit like the anti-skid braking system, if it follows a natural pattern of application—and you are starting to see it now. We launched it in most of our models, or at least make it available; Holden Commodore launched—and I do not mind saying this is public knowledge—with ESC as standard; for example, Toyota Camry have just added it in. If it carries in its current, natural progression we believe that ESC would almost do what ABS has done, and through consumer demand, government demand, fleet companies or organisations with OH&S policies, specifically stating that they must have this technology in the car, and then of course one competitor doing something and another competitor matching it and so on. We also believe that there are steps that can be taken to accelerate the introduction or the number of vehicles with ESC fitted to the road, but we do not believe—

Mr KOCH—They are all the reason that may progress, yes, I certainly agree with that. Are you prepared to forecast where that .3 of one per cent might be on the model Getz in five years time?

Mr HERSHMAN—Again I probably could not. I cannot because we cannot predict that, apart from make analyses of what ABS has done. ABS is fitted on almost all of our cars

as standard; there is one variant it is not. Five years ago it would not have been, and I would suggest the same would be true of other manufacturers. For example, Toyota Yaris was launched with ABS but correct me if I am wrong the previous model, the Echo, did not have it as standard on all models. Yes, Hyundai's position is clear, it is proactive towards stability control, recognising there are other technologies in R and D centres of companies around the world, but stability control is clearly a very beneficial safety technology.

Mr WONG—Can I add something. In Korean roads vehicle safety I find that the take-up rate of ESP and the take-up rate of curtain airbags increases as the price of the vehicle increases. People who buy a vehicle at less than \$15,000 say, 'That will do. I'm fine with it.' Those people who buy a vehicle in the \$25,000 market say, 'I think I can spare a few hundred dollars.'

Mr KOCH—A different buying pattern.

Mr WONG—That is right. If the government can contribute to educating people to then say, 'We demand ESP or else we don't buy your car,' that is a different story. That is the demand there. The same thing—I was driving the car home, my kids look at me and say, 'Daddy, your car has no curtain airbags.' I say, 'Next one I will get it.'

Mr MULDER—Because in reality if indeed there is a new range of cars comes out of say, China, for instance and they do have a low range car with none of these safety equipments on board then market forces would dictate that you have to try and hold your market share in that arena, would it not?

Mr HERSHMAN—Yes, absolutely.

The CHAIR—Thanks very much for that, it is very useful.

Mr HERSHMAN—Can I add one point.

The CHAIR—Sure.

Mr HERSHMAN—I have three points written here in one sentence—and obviously your inquiry is incredibly important. I have consumer knowledge, government knowledge and public awareness and education. We talked a lot about what we are doing with ESP but it is not to increase the acceleration, accelerate the take-up. It is not just what the manufacturers will do, it is about what a whole bunch of stake-holders can do to advance that.

The CHAIR—Thank you very much.

Mr KOCH—We accept that. We look to you to take the lead then.

Mr HERSHMAN—We are. We have been. Thank you very much.

Witnesses withdrew.

Hearing suspended.