

ANCAP Submission:

**New Car Retailing Industry – a market study by
the Australian Competition & Consumer Commission**

November 2016

The Australasian New Car Assessment Program (ANCAP) welcomes the opportunity to provide feedback on the Australian Competition & Consumer Commission (ACCC) *Issues Paper: New Car Retailing – a market study* (October 2016).

ANCAP is Australasia's leading independent vehicle safety advocate. ANCAP provides consumers with transparent advice and information on the level of occupant and pedestrian protection provided by different vehicle models in the most common types of crashes, as well as their ability – through technology – to avoid a crash.

ANCAP is supported by all Australian and New Zealand motoring clubs, the Australian Government, the New Zealand Government, Australian state and territory governments, the Victorian Transport Accident Commission, IAG and the FIA Foundation.

Background

In recent years, vehicle safety technology has developed at a rapid pace, and in parallel, consumer demand for safety has increased. The level of safety offered by most modern vehicles is now well exceeding the standard required by regulation and ANCAP has played an instrumental role in influencing this. Independent, comparable vehicle safety information is available for consumers with 92 per centⁱ of the new car market now covered by an ANCAP safety rating.

The availability of independent comparable safety ratings presents an opportunity for vehicle brands and motor vehicle dealers to leverage sales. ANCAP safety ratings are promoted as an important aspect of vehicle performance and there is significant consumer demand for ANCAP safety ratings (nine in ten new car buyersⁱⁱ) to be presented at the point-of-sale – an important consideration given 68 per cent of vehicle owners are not aware of the safety rating of their carⁱⁱⁱ, and further, 39 per cent of those who have just purchased also not aware^{iv}. There is no regulation however requiring or governing the display of vehicle safety ratings at the point-of-sale or in advertising.

The Australian Design Rules (ADRs) as set by the Australian Government establish the national regulatory standards under which new cars are able to be sold in Australia. The ADRs cover aspects such as vehicle safety, anti-theft and emissions.

As required under the ADRs, vehicle emission and fuel consumption information must be available to consumers at the point-of-sale. In contrast however, point-of-sale information relating to vehicle safety is not required under the ADRs. The ACCC Issues Paper notes that vehicle safety is captured by the ADRs and will therefore not be covered in the market study into new car retailing however, ANCAP believes the display and portrayal of safety information at the point-of-sale and in advertising must be considered.

ANCAP is concerned that the issues for exploration within the market study into new car retailing disregards the importance of vehicle safety rating information as a key element in the new car buying process – an element which has the potential to be exploited by the new car retailing industry for competitive advantage.

Consumer Appetite

During the new car purchasing process, various claims are made to consumers by vehicle brands and motor vehicle dealers about fuel consumption, carbon dioxide (CO²) emissions, noxious emissions and vehicle performance. So too are claims relating to vehicle safety. These attributes in turn serve to inform and influence vehicle purchasing decisions.

ANCAP's most recent brand tracking consumer survey showed that approximately one third of new car buyers had received safety information from vehicle brands / dealers prior to purchase, and this information played a role in the purchasing decision of 88 per cent of those recipients.

ANCAP's consumer research also revealed consecutive gains in consumer and dealer appetite for independent safety information. Safety continues to be the most important purchasing attribute of Australian new car buyers, above price with seven in ten buyers ranking safety as their top priority compared with five in ten who opt for price as the primary factor.

Chart 1 of the Issues Paper (page 16), *Factors considered when buying a motor vehicle, 2012*, shows safety is considered well above emissions in relation to purchasing attributes. This presents a strong case for vehicle safety be provided the same weight as fuel consumption, emissions and car performance in this important industry review.

The Issues Paper also states "*it is important that consumers receive accurate information about fuel consumption and emissions*". ANCAP agrees with this and considers this statement should extend to include information about vehicle safety.

Misinformation

With consumers factoring safety as such an important consideration in their purchasing decision, new car buyers are increasingly seeking independent safety information from ANCAP. On most occasions, the information sought serves to validate the information provided by vehicle brands and dealers provided at the point-of-sale. Of concern however, are the significant number of consumer queries fielded by ANCAP which question the vehicle safety information provided at the point-of-sale. The information provided to the consumer by the dealer representative is often at odds with the official safety rating published by ANCAP and could be either incorrect or misleading.

Example 1

From: [IDENTIFICATION WITHHELD]

Sent: Sunday, 15 May 2016 12:15 AM

To: ANCAP Safety Ratings <ancap@ancap.com.au>

Subject: Safety Rating for a Tucson Highlander 2.0 CRDi diesel AWD automatic

Hello Ancap,

I was just wondering if you were going to test the diesel version of the Hyundai Tucson? I did see that the petrol 2.0 GDi 2WD only scored a 4/5 which has me very worried about my recent purchase. I have already been in 2 very serious car accidents and I told the dealership I only cared about safety and they pointed me to the Tucson Highlander 2.0 CRDi diesel AWD. They assured me that it had a 5 Ancap rating, I thought they just had the results earlier than the net. Sorry I'm rambling I'm just worried about my car.*

Example 2

From: [IDENTIFICATION WITHHELD]

Sent: Thursday, 14 May 2015 5:19 PM

To: ANCAP Safety Ratings <ancap@ancap.com.au>

Subject: Kia Carnival MY16 ABCAP Rating

Dear Madam/Sir,

I have noted the ANCAP 4 star rating for the MY15 Kia Carnival.

I have been advised by a sales person at Kia that the MY16 (due for release very soon) now has a 5 star rating. Can you comment.

In Examples 1 and 2, the advice provided by dealer representatives was incorrect. The ratings noted by both consumers were correct.

In many cases, claims of a vehicle's safety rating or safety features are being marketed by vehicle brands with little to substantiate those claims.

The vehicle to which Example 4 refers was independently crash tested by ANCAP in 2015. Testing revealed the relative safety offered by this vehicle was inferior when compared to the majority of its market competitors, scoring a 3 star ANCAP safety rating. The reference to “added safety” is a veiled and unqualified statement.

Each of these examples demonstrate that varying representations are being made to consumers about vehicle safety – verbally and through approved brand materials – which are in no way monitored, regulated or independently substantiated. As consumer purchasing decisions are being influenced by such claims, it is important that any claims made are accurate, particularly when it comes to the safety of vehicle occupants and the wider community.

Vehicle Safety Consideration

ANCAP strongly believes the ACCC should include vehicle safety information in its market study of the new car retailing industry.

The following questions posed in relation to fuel consumption, CO² emissions and noxious emissions at Appendix D of the Issues Paper are considered appropriate if applied in the context of vehicle safety:

Q24: What information is communicated to consumers about the [VEHICLE SAFETY] of cars they purchase (i.e. from manufacturers, dealers, government guides, labels etc.)? How is this information provided to consumers?

Q25: Are consumers aware that [VEHICLE SAFETY RATINGS] are designed to be comparative? Is this made clear to consumers at the point of sale or elsewhere? Are there any ways in which consumer understanding could be improved?

Q26: What processes (e.g. training or education) are in place to ensure that dealers or sales staff are knowledgeable about, and don't mislead consumers about, the [VEHICLE SAFETY INFORMATION / RATING] of a new car?

Q29: To what extent do claims relating to [VEHICLE SAFETY] affect consumer purchasing decisions? Please provide examples.

Q30: Are you aware of any examples of claims by dealers or manufacturers (through websites, TV, print etc.) that are made to consumers about [VEHICLE SAFETY] that are potentially false, misleading or deceptive?

Q31: Do you have suggestions of how claims made to consumers about [VEHICLE SAFETY] could be improved?

Q54: Are consumers aware of the differences between the build date, model year and compliance date of a car? How are consumers informed of these differences? Do these dates align with consumer expectations, and if not, how might consumers be affected?

Vehicle safety could be considered as either an additional standalone element, alongside that of fuel consumption, emissions and car performance; or as a sub-element of ‘car performance’. Relative safety of new vehicles varies from model to model in a similar manner to emissions and fuel consumption, so incorporating safety within car performance presents a simple means for its inclusion.

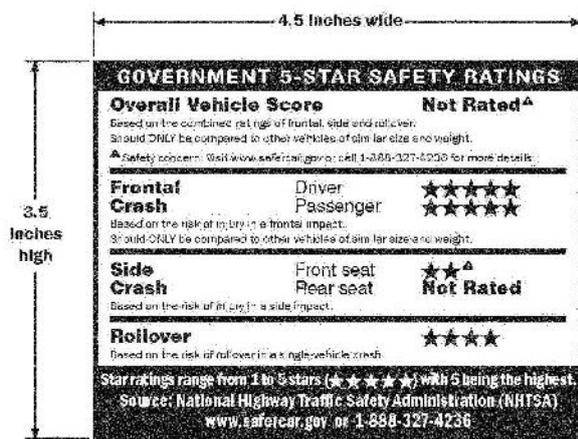
Presentation of safety ratings at the point-of-sale

ANCAP and its member organisations have for many years encouraged the voluntary application of vehicle safety ratings at the point-of-sale through the provision of relevant rating labels and marketing material. Where assisted by jurisdictional ‘Stars on Cars’ partners in both South Australia and Western Australia, these voluntary efforts have proved successful with increased website visits and consumer enquiries received from those jurisdictions. Feedback received supported the presence of point-of-sale safety information with 89 per cent of consumers interested in ANCAP safety ratings displayed on all vehicles, and 97 per cent of participating new car dealers acknowledging the Stars on Cars program as beneficial^v.

While it should rest with market feedback to determine the most appropriate means for point-of-sale communication of safety ratings on new vehicles, the United States’ experience can be viewed as an example.

Administered by the National Highway Traffic Safety Administration (NHTSA) – the organisation through which the very first New Car Assessment Program (NCAP) was formed – NHTSA requires all new passenger vehicles to be labelled with safety rating information prior to sale. The NHTSA NCAP program, like ANCAP, provides consumers with information about crashworthiness, crash avoidance and other areas that improve the safety of new vehicles.

Two versions of the NHTSA label, known as the ‘Monroney Label’ are in use – one for vehicles which have been tested and rated; the other for vehicles which have not been rated.



NHTSA Monroney label (rated)



NHTSA Monroney label (unrated)

With ANCAP safety ratings available for over 230 current new car models, covering 92 per cent of the Australian light vehicle market by sales volume, there is clear justification for the introduction of vehicle safety labelling at the point-of-sale to assist in eliminating consumer confusion or vehicle brand / dealer misinformation.

This point-of-sale reference will provide consumers with accurate and comparable information on the relative safety of new vehicles in a similar means to the fuel consumption and CO² labelling.

Summary

As part of the ACCC’s market study into the new car retailing industry, considerable emphasis is being placed on false, misleading and deceptive practices in fuel consumption, carbon dioxide emissions, noxious emissions and car performance.

Increasing consumer appetite for safer vehicles and vehicle safety information presents another facet which can and should be leveraged by vehicle brands and their dealer representatives to ensure consumers are buying the safest cars possible. Of concern however is the competitive advantage which may be deceptively gained through misinformation in order to secure a sale.

ANCAP is seeking a revision of scope of the market study to provide equal weight to the issue of the importance of accurate and consistent vehicle safety information at the point-of-sale.

ⁱ VFACTS sales data, January to June 2016.

ⁱⁱ ANCAP Brand Tracking Consumer Awareness Survey, 2016.

ⁱⁱⁱ RAC WA eNews poll, June 2016.

^{iv} ANCAP Brand Tracking Consumer Awareness Survey, 2016.

^v SA Department of Planning, Transport & Infrastructure *Stars on Cars* Phase 3 evaluation, August 2012.