



24 August 2020

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

To Budget Policy Division

Re MTA Queensland – supplementary priorities prebudget submission – 2020-21 Federal Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) responds to the Minister for Housing and Assistant Treasurer the Hon Michael Sukkar's invitation to submit further priorities for consideration in the preparation of the 2020-21 Commonwealth budget. The Association's submissions are confined to matters that have direct relevance to the automotive industry's value chain participants and their collateral business interests including vocational education and training programs.

2. Industry Overview

2.1 The 2020-21 Federal Budget will be shaped by the challenges of restarting and rebuilding the economy in the midst of the Covid-19 health crisis and the uncertain economic and fiscal outlook. The Commonwealth Government's \$289 billion of investments in economic support for businesses, households and workers has set the foundation for growth. In particular, the JobKeeper support measures has enabled many businesses to survive the economic fallout of the Covid-19 pandemic.

2.2 Direct feedback from members engaged in the automotive trades is that the economic stimulus measures has proved to be vital in sustaining businesses. A recent MTA Queensland COVID-19 Automotive Industry Survey indicated that 83 percent of businesses applied for some form of government support including JobKeeper and Apprentice Wage Subsidies. Currently with some exceptions, economic recovery is evident in part, with businesses rehiring and lifting hours to meet the gradual upturn in business. This can be illustrated by an overview of the business outlook of the eleven divisions that comprise the MTA Queensland:

Automotive Dealers (new car dealers): The sector has incurred successive months of negative growth in long-term weak market conditions. High end brand vehicles seem to be an exception.

Automotive Engineers (mechanical repairers): Generally, businesses with transport, agricultural, and emergency clients are experiencing good trading conditions. On the other hand, some suburban mechanical repairers are experiencing mixed conditions.

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Automotive Parts Recyclers (parts recyclers): The sector is experiencing strong trading conditions with clients accessing second-hand parts to repair/maintain household cars or restore specialist vehicles due to impacts on global supply chains for new parts. The anecdotal information includes clients having the time to attend to motor vehicle repairs or restoration work assisted by funds from government measures e.g. the draw-down of superannuation by eligible individuals. N.B. In the long-term, this is an important sector, particularly regarding end of life vehicle recycling of internal combustion engines and their replacement with electric vehicles. High state and local government recycling fees are impediments.

Automotive Remarketing (used car dealers): Generally, the sector is experiencing satisfactory trading conditions. The anecdotal information includes clients with funds from government assistance measures e.g. the draw-down of superannuation by eligible individuals.

Engine Reconditioners: Similar to Automotive Parts Recyclers.

Auto Collision (paint and panel/towtrucks): Similar to Automotive Parts Recyclers, although some smash repairers claim the hourly repair rates paid by insurers are at uneconomically low levels causing a significant contraction across the sector and reducing consumer choice.

Farm and Industrial Machinery Dealers: Generally, these sectors are experiencing strong trading conditions but anticipate severe disruption from global supply chains.

Motorcycle Industry: Generally, this sector is experiencing satisfactory trading conditions.

Rental Vehicle Industry (Rental Vehicles): There has been strong demand for rental vehicles for logistic purposes e.g. home deliveries, supplies, freight and for mining industry services due to Covid-19 social distancing. The rental sector servicing the tourism industry is depressed due to the 'lock-down' and closed borders.

Service Station and Convenience Stores: The sector has just recently experienced an upward trend in fuel sales from increased business and household mobility. There is empirical evidence of investments in new service stations in regional and urban areas.

2.3 Excepting new motor car dealers and rental businesses servicing the tourism industry, generally, the automotive trades are experiencing a gradual return to business trading conditions. The anecdotal information from members is that the respective trades have benefited from the government's economic stimulus measures with increased business activity but recognise these are finite. There are concerns, that business activity will slow as benefits from economic stimulus measures decline but there is optimism for improving business conditions.

2.4 The business outlook for the new car dealer sector and the rental vehicle businesses serving the tourism sector, is quite grim. New car dealers are experiencing slow sales probably due to households preferring to pay down debt, or maintain existing vehicles, or upgrade to used later models or to wait for competitively priced electric vehicles. The travel restrictions (interstate and international) are significant impact on the rental vehicle market servicing the tourism industry.

2.5 COVID-19 has impacted global manufacturing and supply chains which is emerging as a significant concern for the Farm and Industrial Machinery dealers and other equipment and parts traders. The full effect has not yet been felt but is emerging based on limited global and local stock and current supply chain timelines.

2.6 The automotive value chain is a strong link in Team Australia. As business conditions improve, the innovative thinking of automotive businesses that has driven them successfully for more than a century will ensure, a strong return and contribution to the nation's economy. For Queensland alone, the automotive value chain (pre COVID-19) employed approximately 88,000 persons and generated in excess of \$21 billion annually. Going forward, the balance must be for the government's policy settings to be responsive to the needs of industry and for automotive businesses to respond with entrepreneurialism and innovations that advantage the economy.

2.7 The MTA Queensland commends the government for its economic responses to the Covid-19 pandemic. Going forward, whilst resilience is apparent it is important that there is continued help to businesses to rebuild through the recovery phase.

3. Budgetary Context

3.1 The Association's prior prebudget submissions indicated there is a compelling case for wide-ranging tax reform to increase productivity. Such a reform program should have the competence to evaluate revenue options needed to compensate for the fiscal consequences of the uptake of automated vehicles and alternatively powered vehicles on State and Commonwealth revenue receipts e.g. the decline in forecast petrol and diesel excise and fuel taxes; maintain direct tax relativity with third country taxation regimes; and benchmark strategic peripheral and collateral business compliance costs.

4 Priorities for Consideration

Instant Asset Taxation Write-off Provisions

4.1 The MTA Queensland urges the continuation of the instant asset write-off program which is utilised by motor trades' businesses to upgrade or retire superseded or obsolete hard/software, equipment and tooling. The Association seeks commitment that this concession will be retained for the duration of the Budget cycle. This would be advantageous for the automotive value chain to have a more robust fiscal policy forecast to enable longer term decision making and planning to assist with sectoral adaption to digital and technological transformations.

4.2 The government's March economic stimulus package increased the instant asset write off threshold from \$30,000 to \$150,000 and expanded access to include businesses with an aggregated annual turnover of less than \$500 million (up from \$50m) until 31 December 2020. The instant asset write-off provision is a beneficial program particularly when economic conditions for investment are less favourable.

Training and Skills

4.3 The MTA Queensland commends the recent review of the Australian Qualifications Framework and the Commonwealth Government's \$585.3 million skills enhancement package 'Delivering Skills for Today and Tomorrow'. The new vocational education and training initiatives, ideally should focus on investing funds in human capital and the occupational outcomes that grows productivity. Such initiatives should include policies and funding that have the competence to address the decline in apprenticeship enrolments and the perceived general diminishing enthusiasm by contemporary student cohorts to recognise the 'real value' of pursuing trades-oriented careers.

4.4 As an Industrial Organisation of Employers in the motor trades sector, the Association submits: a high priority for industry training programs are increasing the supply of skills for both current and forecast motor trade occupations to sufficient levels to meet the automotive values chain's anticipated demand. The development of a skills base relevant to the forecast widespread uptake of autonomous and electrically powered vehicle technologies and the re-skilling of the existing internal combustion engine workforce to service vehicles (that will range from autonomous and electrical industrial and commercial transport to alternatively powered regular private and public transportation), must be addressed if the economy's productivity performance is to be enhanced.

Programs for delivery by third parties

4.5 It is the Association's experience that there is beneficial value in programs delivered by third parties to assist businesses with e.g. digital literacy to increase revenue, create jobs and be innovative in new products or services or mentoring to support job learning or development of technical skills.

4.6 The MTA Queensland has delivered two government programs that has brought excellent outcomes for participants and value for funds invested. We seek consideration of utilising third parties such as industry organisations and their expertise to be program delivery agents where appropriate. By way example:

The Mentoring Program funding. Such programs invest in matching people to jobs and facilitating the apprentice's/trainees' progression. The recent national Industry Specialist Mentoring for Australian Apprentices program secured significant benefits for individual participants and for Queensland; achieving an overall retention rate of 81 per cent – exceeding the 75 per cent target set for the program. The outstanding results from the mentoring program warrants consideration of broader application and fiscal support. Industry experience confirms this was an excellent program providing support for the development of technical skills, supporting of-the-job learning needs, providing career and pathway advice and is a confidence building curriculum.

Ongoing funding for the Australian Government's Small Business Digital Champions project. The contract extends over two years, requiring to establish 'a trusted digital advisory service to promote the benefits of 'going digital' to members or specific groups. This includes providing advice on technical trends and the technology adoption of: hardware; software; digital training; online content development; online digital planning and coaching support. Integral to this project is the one-on-one interactive services to discuss digital resources. Evaluations of the program indicate the program is achieving excellent outcomes for many small businesses who are either time poor or lacking in digital literacy.

Regulatory Reform

4.7 The Association supports the Federal Government's deregulation agenda particularly the intended regulatory compliance regimes on businesses. In submissions to Federal Government Agencies, the Association has strongly advocated that compliance costs for the motor trades are a major impost and relief was necessary. There is a strong case for ongoing regulatory simplification to redundant, ineffectual and excessive regulatory compliance regimes and streamlining of administrative and procurement processes to enhance productivity and restore intranational and national competitiveness. We support the development of a framework for occupational licences to be automatically recognised across jurisdictions.

Infrastructure for the Autonomous Vehicle Fleet

4.8 In the future, autonomous vehicles will form a significant part of the private transport fleet and mobility. The Association is supportive of the National Transport Commission's agenda which includes working towards a nationally-consistent framework that supports innovation and safety. In the medium to longer terms, there must be investments in smart road technologies such as traffic monitoring networks that would form the essential infrastructure of a road user pricing policy for national highways and roads of national importance. The Association supports ongoing investments in road transport infrastructure that contribute to productivity, growth and social amenity.

Industrial Relations

4.9 We note the current roundtable on industrial relations reforms focusing on improving job security, workplace productivity and wages. The priority issues from the perspective of the automotive value chain include: reexamining small business unfair dismissal laws, reducing the complexity of employment awards and reevaluating enterprise bargaining rules.

Telecommunications

4.10 E-commerce and digital communications require functional, reliable and expeditious communications infrastructure for compliance obligations and to drive efficiencies, productivity and competitiveness.

4.11 Businesses, consumers and individuals equally require a telecommunications network system that can be accessed with confidence, certainty and securely. As the 2020s emerge, telephone communications should be highly efficient and 'blackspots' minimal – yet they exist in rural and regional Queensland. A telecommunications network system that functions consistently for safety purposes, business, consumers and individuals should be considered an essential service in a modern 21st century nation.

4.12 The National Broadband Network overall has not met expectations. There is an ongoing need for it to deliver efficient infrastructure for all users and customer satisfaction.

Luxury Car Tax (LCT)

4.13 The MTA Queensland's has advocated consistently for the LCT to be abolished. In view of its anticipated longevity due to the changed budgetary circumstances arising from the COVID-19 economic impacts, revenue from the LCT should be applied to support the new employer Incentives for Australian Apprenticeships (IAA) to take effect from 1 January 2021 consistent with a training levy to be administered by industry. Australia now imports its vehicle requirements and any validation for this tax derived from industry policy has been extinguished but directing funds for an automotive related purpose would make the LCT more acceptable to the industry.

Taxes and Charges

4.14 MTA Queensland acknowledges the prudent and responsible fiscal disciplines that require revenues to cover recurrent expenditure. In particular, the Government needs to consider the pathway to transit from an excise revenue collection to a motoring user pays taxation base to ensure equity and that funding for transport infrastructure can be maintained and grows in response to demand.

Small Business Management Deposit Scheme

4.15 In the March 2020 supplementary submission to the Federal Budget, we outlined a view from our Farm and Industrial Machinery Dealers that Australia's small business sector could benefit substantially from a Small Business Management Deposit Scheme (SBMDS). It would operate on the same principles as the very successful Farm Management Deposit Scheme and would be expected to deliver similar benefits to the economy and small business sector.

4.16 In resubmitting the submission, the MTA Queensland envisages the SBMDS would replicate the legislative and regulatory framework already existing for the FMDS. This would manage unintended consequences as well as providing savings in implementation, time and costs. Administrative arrangements could both adopt and utilise existing FMDS structures and procedures again resulting in start-up and operating cost savings.

4.17 The opportunity to borrow extensively from the successful FMDS model enables this submission to be brief. There is however one major issue that differentiates the SBMDS that requires attention. That is the definition of 'eligible small businesses.' The MTA Queensland suggests that it would be appropriate to apply the definition in the *Corporations Act 2001* that stipulates that a 'small proprietary company' if it satisfies at least two of the below criteria:

- an annual revenue of less than \$50 million
- less than 100 employees at the end of the financial year, and/or
- consolidated gross assets of less than \$25 million at the end of the financial year.

4.18 The MTA Queensland recognises the several economic support measures introduced to assist small business through and beyond the Covid-19 pandemic. We are of the view that the proposal builds resilience and merits consideration.

5. Conclusion

5.1 The automotive value chain will look to the Federal Budget to provide the certainty and confidence to grow revenue, create jobs and innovate as the nation recovers from the Covid-19 once-in-a-century shock.

6 MTA Queensland Background

6.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State. There are some 15,500 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$21 billion annually. It is an industrial association of employers incorporated pursuant to the *Fair Work Act 2009*. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

6.2 Australia's first automotive hub, the MTA/Q, has been established in specially prepared space at the corporate office. The hub is an eco-system that supports innovation for the automotive industry.

6.3 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald.

Thank you for your deliberation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brett Dale', written in a cursive style.

Dr Brett Dale DBA
Group Chief Executive
MTA Queensland