



Thursday, 14th December 2017

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

Dear Sir/Madam

MTA Queensland Priorities re Pre-Budget Submission, the 2018 - 19 Federal Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) **responds to the Assistant Minister to the Treasurer the Hon Michael Sukkar's invitation to submit suggested priorities for consideration in the preparation of the Commonwealth 2018-19 Budget.** Our comments 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.

2. Budgetary Context - Government

2.1 The MTA Queensland supports the Australian Government's economic plan to improve productivity and increase job opportunities. Specifically, the 2016-17 Federal Budget was premised on a 'plan for stronger growth to deliver more and better paying jobs, guaranteeing the essential services that Australians rely on, tackling cost of living pressures and ensuring the Government lives within its means.'

2.2 The December 2017 National Accounts data indicate that the budgetary economic strategy is 'driving growth through increased investment.' Business surveys report favourable conditions and business confidence is above the long-term average. This positivity has not flowed through to aggregate demand with consumer sentiment adversely influenced by increasing household outlays, low wage growth and more generally the political noise emanating from a preoccupation with marginal political distractions.

2.3 Critical to improving consumer sentiment, increasing demand and enhancing business conditions and confidence will be the continuation of the Infrastructure and Investment Programme, the Regional Jobs Investment package, the Building Better Regions Fund and the National Innovation and Science Agenda to achieve a return to the long-term trend rate of economic growth and enhanced job prospects. In conjunction with these investment programmes, there must be an ongoing focus on measures that will produce a comfortable and sustainable surplus to allow the nation to manage economic shocks.

2.4 The Australian Government's 10-year Enterprise Tax Plan announced in the July 2016 -17 budget has our unequivocal support. It is disappointing that the plan lacks bipartisan support for its reforms as they have the capacity to facilitate the restructure Australia's tax system for business, stimulate investment and economic growth and generate jobs. The policy measures that comprise the *Treasury Laws Amendment (Enterprise Tax Plan) Act 2016* have the competence to benefit the broad spectrum of small to medium businesses (SMEs) that are the emerging drivers of Australia's economy post the mining boom.

Motor Trades Association Queensland

Address Freeway Office Park, Building 8, 2728 Logan Road, Eight Mile Plains Qld 4113 [Postal PO Box 4530, Eight Mile Plains Qld 4113]

Telephone +61 7 3237 8777 | **Toll Free** 1800 177 951 | **Email** info@mtaq.com.au | **Website** www.mtaq.com.au

- 2.5 The views expressed in our 2017-18 budget submission are reiterated:
- That there are significant fiscal management challenges to achieve a sustainable surplus in the medium to long term;
 - that there must be policy change and fiscal repair to achieve a sustainable budgetary position across the forward estimates;
 - that the Government must take hard decisions to return the budget to surplus and to pay down debt under circumstances which include a deterioration in tax receipts due in part to declining commodity prices, and lower than expected tax receipts and wage growth; and
 - that the business sector and individuals need an expansionary budget to stimulate employment and create a multiplier and generate income and business velocity.

2.6 As an Employer Association, we continue to have the view there is an urgent need for wide-ranging tax reform to increase productivity which extends beyond the Enterprise Tax Plan. This essentially includes reform of the Goods and Services Tax (GST), revenue measures such as the fiscal consequences of the impact of automated vehicles and alternatively powered vehicles on State and Commonwealth revenue receipts e.g. the decline in forecast petrol and diesel excise, relativity with third country taxation regimes and the benchmarking of other business compliance costs.

2.7 The MTA Queensland strongly advocates for a further extension of the \$20,000 instant asset tax write-off for SMEs with an up to \$10 million annual turnover. This has proved to be an advantageous programme particularly in view of the technological transformations associated with the digital economy.

2.8 The MTA Queensland was disappointed that the introduction of policy measures extending the application of the GST to lower price values of imported goods by consumers did not take effect from 1st July 2017. We acknowledge The Australian Taxation Office's advice that the commencement date is 1 July 2018.

3. Budgetary Context - Queensland Economy

3.1 Recent reports suggest that Queensland's domestic economy is entering the upward phase of its economic cycle assisted by a strengthening of household expenditure and increased private sector investment. The rebuilding from Tropical Cyclone Debbie appears to have contributed to the increased economic activity; however, there are indications that with the exception of areas that are drought affected, broadly based economic growth has been initiated across the state.

3.2 The mining industry has stabilised after its boom with medium to long term forecast for coking coal demand being favourable. Investments are occurring in other industry sectors such as agriculture, tourism and renewables which are making worthwhile contributions to State aggregate growth. The property and construction sectors are experiencing some drag due to excess supply and a contraction in the government's public works programme.

3.3 Unemployment remains stubbornly high compared with the national average. Underemployment and associated low wages growth requires sustained and increasing economic stimulus to reverse this trend. The Australian Bureau of Statistics indicates that youth unemployment rates in all regions excepting Inner City Brisbane, the Gold Coast and Darling Downs-Maranoa are at double digit levels that must be of concern to all levels of government. The most profoundly concerning places for youth unemployment include Queensland Outback at 59.2 per cent, Wide Bay 26.4 per cent and Townsville 20.7 per cent.

3.4 The automotive value chain is undergoing significant transformations driven by digitisation and emerging technologies. Automotive industry sectors, excepting the farm and industrial machinery sector, are either maintaining current levels of profitability or report slowing sales or slowing business activity. Common to each division are concerns that include compliance, labour and input costs which are inclusive of energy expenditure. In comparison to world benchmarks, the industry operates in a business environment distinguished by relatively high compliance costs. These are generated by a complex domestic

regulatory regime, a burdensome workplace relations system, continuing skills shortages, and federal, state and local government charges cost drag.

4 Priorities for consideration

Digital Economy

4.1 There has been a paradigm shift in conducting business to digitisation and the emerging technologies. A challenge for automotive value chain businesses is the speed of the transition from traditional business operations to e-commerce and e-business. Technologies are evolving faster than skills, organisational or business uptake or investment programmes capable of installing the hard and software needed to manage these developments.

4.2 The MTA Queensland recognised the importance of transiting from traditional business operations to e-commerce and e-business and for this purpose established the *Carmageddon* initiative to inform members of emerging technologies related to the digital economy. The purpose of the initiative was to enable business model adaption; develop and implement strategies; to innovate and utilise new products to advantage their enterprises. *Carmageddon* symposiums were held bringing together experts from academia, business, law and industry to discuss industry developments and technological advancements. These symposiums, will continue to promote the need to adapt business models and practices to meet modern artificial intelligence and digitisation in the automotive value chain over the near to medium terms.

4.3 A priority Australian Government focus must be the provision of a functional, accessible and reliable digital infrastructure and the education and training for the up-skilling of business expertise and human capital to comprehend and adapt evolving technologies. Without this, the advantages of artificial intelligence, robotics, analytics and digitisation will not be fully realised. The Association notes the Australian Government has instituted the Small Business Digital Taskforce to ensure small businesses can thrive in an increasingly digital economy. This provides an opportunity for the consideration of educative programmes that encourage SMEs to invest in technologies to increase customer/consumer engagement in the digital economy to drive economic growth and generate smart jobs.

4.4 An essential to the digital economy is an internet service that incorporates speed, integrity and reliability. This is critical for business functionality, productivity, competitiveness and compliance. There is connective disparity across Australia. Some businesses have fast and reliable internet connections available whilst others can only access a limited capacity to transmit vast amounts of data rapidly and reliably. Businesses and households should not be economically or socially disadvantaged due to the lack of internet capability available on demand at reasonable cost.

4.5 Government agency budgets should provide funds for new online compliance programmes and websites generally so that these are user friendly. SMEs may not have the expertise or the time to work through the processes and must either invest in or seek external profession advice to gain access to advantageous programmes.

Training and Skills

4.6 Australia's automotive retail market is predicted to experience a wide-ranging disruption from the introduction of and consumer adoption of: hybrid and plug-in-electric (PIE) vehicle technologies, and the wide spread influence of autonomous vehicle technology replacing the petrol and diesel internal combustion engine (ICE) technologies. A priority must be the development of skills in the automotive electrical technologies and the re-skilling of the ICE workforce to service vehicles that will range from automated industrial, to commercial transport, to regular passenger and personal passenger transportation. The MTA Institute has implemented accredited courses for the servicing of hybrid fleets such as certificates in automotive technology.

4.7 The apprenticeship system remains the industry's preferred model for skills development. The Association supports the new vocational education and training system which includes the industry Skills Service Organisations that will work with industry in developing training packages. The MTA Queensland has a standing position on the strategic Industry Reference Committee.

4.8 In supporting the new vocational education and training system, it is the MTA Queensland's view that the training and skills policy requires careful and sustained focus to address the sharp decline in apprenticeship enrolments and the general disinterest by the student cohort in pursuing a trade career. The Association strongly reiterates its advocacy for the reinstatement of the Mentor Advisor Apprenticeship Programme (MAAP) which was designed by the automotive industry for the automotive industry. The MTA Institute (MTAI) through the programme had a strong involvement in promoting the automotive industry to the wider community by attending careers expos and industry events. Mentors guided over 450 apprentices through their first year of an apprenticeship, recording an extraordinary high retention rate of 95 per cent of apprentices into their second year.

4.9 In Queensland there are some 15,500 automotive value chain businesses operating within the State employing in excess of 88,500 persons. An essential requirement for these businesses is a skilled workforce that has access to training regimes that maintain the relevance of skills in a rapidly evolving technological demanding environment.

Regulatory Reform

4.10 For the motor trades, compliance costs and regulatory obligations are a major impost and an increased focus on deregulation appears to be a worthwhile policy goal. All levels of Government focus on regulatory reform. Despite their best of efforts, seemingly the level of regulatory burden continues to escalate. There needs to be ongoing regulatory simplification to reduce redundant, unnecessary and excessively complex legislative requirements, and to streamline administrative and procurement processes to enhance SMEs productivity and competitiveness.

4.11 The Australian Taxation Office (ATO) has introduced several digital compliance/regulatory reforms such as the SuperStream, myDeductions and the Single Touch Payroll System to maximise efficiency, reduce red tape and costs. Members acknowledge the efficiency of these reforms and suggest that the Business Activity Statement should be subject to on-going review to reduce compliance obligations and requirements.

Workplace Relations System

4.12 The workplace relations system underpins productivity, job creation and growth. The MTA Queensland has the view that the nation's workplace relations system needs urgent modification to remove the rigidities and complexities that negatively impinge on economic growth and future jobs.

4.13 Flexible workplace arrangements and awards that engender confidence to employ, compete and succeed are essential for productivity. Business has the inclination to employ but without change, the reservations to act on employment opportunities will remain.

Taxes and Charges

4.14 MTA Queensland acknowledges the fiscal disciplines that require revenue to cover recurrent expenditure including service delivery and the revenue impact and the transition from the ICE to hybrid and plug-in-electric vehicles through the contraction of the excise tax take. The Association recommends that any increase in excise, duties, taxation, fees and charges be "capped" to an increase not exceeding the national Consumer Price Index.

4.15 The Association advocates that the Australian Government consider the sustainability of the policy underpinning the Luxury Car Tax (LCT). With the cessation of motor vehicle manufacturing, Australia is an importer of all vehicles required by industry and the service and private sectors. The LCT although a revenue measure, acts as a false tariff. As a policy, the LCT conflicts with Free Trade Agreement with e.g. South Korea, China and Japan and has the consequence of potential disputation in FTA negotiations with Great Britain. The 2018-19 budget should signal that this tax shall be abolished when the Commonwealth budget returns to surplus. Once the task of budget repair has been completed any vestige of justification for this iniquitous tax disappears.

Energy Policy

4.16 Over the past twelve months energy affordability (electricity and gas) have emerged as major concerns for the automotive value chain. This has been so concerning that the Association established a relationship with a vendor neutral broker to procure electricity and gas rates on behalf of groups and businesses that are members. Evidence to hand, indicates that under the arrangement, some businesses have achieved significant power cost savings.

4.17 Essentially, the supply of energy is a State responsibility. The Australian government's role in reviewing holistically the regulatory, economic, investment and technology factors that impede the delivery of sustainable, affordable and secure energy sources for industry and consumers alike is applauded. There must be ongoing oversight of energy policy to ensure that it is affordable for all consumers - industry, business and households. This is a matter that impacts our national interest and affects our national security and therefore the Commonwealth should take a leadership role.

Telecommunications

4.18 E-commerce and digital communications is now the norm rather than the exception with businesses in the automotive value chain requiring the technical requirements and competence to transact business and communicate across all digital platforms. Queensland is a decentralised state and businesses from the capital to regional cities, to small regional and rural towns require functional, reliable and expeditious communications infrastructure that is essential for productivity, competitiveness and compliance obligations

4.19 Business, consumers and individuals equally require a telecommunications network system that functions consistently. Enterprises reliant on the ASDL connections need to be assured that these are dependable and not subject to outages. Mobile phone functionality must be improved and ultimately 'blackspots' eliminated. A telecommunications network system that functions consistently for safety purposes, business, consumers and individuals alike should be considered as an essential service.

4.20 The National Broadband Network overall has not met expectations. There is an urgent need for its reputation to be restored to its original "nation building" status delivering capable and efficient infrastructure for the user.

Infrastructure

4.21 The Association is supportive of the Commonwealth's land transport infrastructure programme. In specific economic circumstances, consideration could be given to a counter cyclical programme of public sector capital works and infrastructure spending to stimulate economic activity.

Harmonisation of regulations and motor vehicle registration

4.22 As a general submission the MTA Queensland strongly urges the harmonisation of vehicle regulations and registrations across the States and Territories of the Commonwealth that apply to the motor vehicle industry. This is particularly relevant in the context of the new generation of technology

being introduced e.g. hybrid, plug-in-electric and autonomous vehicles. This technological revolution would benefit from harmonisation.

4.23 Through the Council of Australian Governments we support a consensus that an effective programme to deregulate and to dismantle compliance regimes and costs that do not contribute to the protection of stakeholders. This should be a priority as an industry support measure for this sector.

5. Conclusion

5.1 The MTA Queensland's view is that the 2018-19 budget should represent a statement of the Government's fiscal priorities dominated by a confirmation that it will pursue fiscal responsibility and continue with the 'plan for stronger growth to deliver more and better paying jobs, guaranteeing the essential services that Australians rely on, tackling cost of living pressures and ensuring the Government lives within its means.'

6. The 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 \$20 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 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. The MTA Institute last financial year accredited courses to in excess of 1,600 apprentices and trainees.

6.3 We would be please to provide further comment on any matters in our submission that may require further clarification or amplification.

Thank you for your consideration.

Yours sincerely



Dr Brett Dale DBA
Group Chief Executive