



Monday, 16 May 2016

Hon Curtis Pitt MP
Member for Mulgrave
Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport
GPO Box 611
Brisbane Qld 4001

Email: Treasurer@ministerial.qld.gov.au

Dear Treasurer

MTA Queensland Issues and Priorities Pre budget Submission - the 2016 - 2017 Qld Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) **submits issues and priorities for consideration during the preparation of the 2016-17 State Budget.** Our comments are confined to matters that have direct relevance to our automotive industry value chain membership and their business interests which includes vocational training.

2. Background

2.1 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 13,000 automotive value chain businesses employing in excess of 90,000 persons generating in excess of \$14.5 billion annually. It is an industrial association of employers incorporated pursuant to the *Industrial Relations Act* of Queensland and the *Fair Work (Registered Organisations Act)*. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

2.2 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering all aspects of the retail motor trades industry through the MTA Institute (MTAI). It is the largest automotive apprentice trainer in Queensland employing 35 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTAI last financial year accredited courses to in excess of 1,600 apprentices and trainees.

3. Budgetary Context - Government

3.1 The MTA Queensland is aware that the State Government faces difficult financial decisions due to the debt levels and the challenging fiscal circumstances in the near to longer terms. The Mid Year Fiscal and Economic Review indicated the accumulation of fiscal deficits of \$41 billion and gross borrowings that are likely to exceed \$80 billion in 2018-19.

MTA Queensland

Address Freeway Office Park, Building 8, 2728 Logan Road, Eight Mile Plains, Qld 4113 **Postal** PO Box 4530, Eight Mile Plains, Qld 4113
Tel (07) 3237 8777 **Toll Free** 1800 177 951 **Email** info@mtaq.com.au **Website** www.mtaq.com.au

3.2 Managing Queensland's accumulated debt position- and as an Association supporting private enterprise businesses throughout Queensland, we note your Government's 'Debt Action Plan'. The State Budget must present this as a transparently credible plan to achieving a fiscal surplus to pay down debt and establish responsible economic and fiscal management to ensure confidence. April's National Australia Bank Monthly Survey implied mixed economic circumstances for Queensland with business confidence on current performance indicators slumping to the lowest level of mainland States. On a trend basis, however the confidence outlook was the highest of Australian States. In terms of economic performance rankings, Commsec's April *State of the States* report indicated that Queensland was in 'fifth spot on the economic performance rankings and seventh ranked on economic growth.'

3.3 The automotive value chain looks to the State Budget to provide the certainty and the confidence to grow the economy and encourage business to invest and employ.

3.4 We support the Government's policies to diversify the economy and create employment and the head line Advance Queensland Fund/Program to facilitate investing in the State's future by harnessing innovation.

4. Budgetary Context - Automotive value chain

4.1 The Association does request that the Government take notice of the contribution the automotive industry makes to the economic performance of this State. The logistic transport, private transport or servicing through the support businesses of fuel retailing and delivery, tyre, wheel and battery fitting and provision, mechanical, diagnostic, panel beating services and vehicle dealerships are essential to the operation, further development and growth of the tourism, agriculture, resources and construction sectors. As indicated in 2.1, the automotive value chain in Queensland has some 13,000 businesses employing in excess of 90,000 persons generating in excess of \$14.5 billion annually.

4.2 The automotive value chain is facing ongoing restructuring due to dismantling of Australia's automotive manufacturing and the structural changes arising from the Free Trade Agreements which will result in tariff levels on imported cars reduced to zero. There is also the likelihood that the automotive sector will face both economic rationalisation and economic opportunities as a result of these processes.

4.3 The automotive value chain operates in an economic environment distinguished by relatively high compliance costs in comparison to world standards. 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.

4.4 Overall, the view within the Queensland automotive value chain is that business conditions are slowly returning to the long term trend but this is likely to take some time to achieve and may not be attained in the life of the current budget cycle.

4.5 Labour conditions are improving but skills shortages remain an ongoing reality for the automotive value chain. The resource sector's downturn and the possibility that some of the skill labour release by the resources sector could be absorbed by the automotive value chain have not been observed.

5 Issues and Priorities

5.1 The priorities for the MTA Queensland include addressing the issues of deflation, imposts on business (taxes and charges) payroll tax, regulatory compliance, insurance premiums, and workers compensation.

Deflation

5.2 Deflation evident in the recent Australian Bureau Statistics Consumer Price Index underscores the challenges in framing the State Budget to ensure imposts are contained to give industry the best opportunity transitioning to a broad based economy. It is critical that the Government does not over react to an index based on a relatively short statistical period, which when examined shows that while there was a 'headline' deflation, it was mostly generated by collapsing motoring fuel and fresh fruit costs. The 'underlining' rate of inflation indicated that there was resilience in the economy. An appropriate policy response would be a light touch incorporating a regimen of public service efficiencies to control both outlays and increases in non-service employees.

5.3 Essential for the recovery in aggregate demand and non-inflationary full employment and a successful transition from a mining dependent economy to a services and broad based economy, requires the public and private sectors working together to effect the transition.

Taxes, Charges, Duties

5.4 With the exception of adjustment for inflation, taxes, fees and duties should not be increased. The MTA Queensland specifically requests consideration of a moratorium on the payment of stamp duties on business and household insurance policies.

5.5 Although not part of the budget process we draw attention to the increasing costs that are a drag on profitability and as a consequence an impediment on productivity and employment:

- Energy costs (electricity and gas) have escalated to level where they are impacting on the viability of business.
- Steeply rising gas prices due largely to tightening demand brings into focus the consideration of a gas reservation policy.
- Natural disasters have driven a surge in insurance premium costs. Members, particularly in the north, are reporting that the affordability of insurance and increasing premiums is a major business consideration and a constraint on profitability.

5.6 Referring to the power costs for regional businesses proposed for 2016-17, these have the potential to impede profitability and competitiveness and indirectly impact on the State Budget. Regional small businesses have real concerns with the Queensland Competition Authority's Regulated Electricity Prices draft determination which proposes 'in 2016-17, typical customers on the main small business tariff (tariff 20) can expect an increase of \$197 or 9.3 per cent in their annual bill. Typical small business customers on the seasonal time-of-use tariff (tariff 22A) can expect an increase of \$569 or 13.6 per cent.' These proposed power costs will cause alarm for regional small businesses that in 2015-16 saw prices reducing.

5.7 In framing the State Budget, consideration must be given to the net additional cost to Compulsory Third Party insurance of \$32 per vehicle as a consequence of the National Injury Insurance Scheme and the consequences for small/medium businesses. Although it is for an altruistic purpose, it is cost that both business and consumers alike must contend with. Additional imposts would not be conducive to increasing productivity.

5.8 Attention is drawn to an anomaly with the Government's approach to environmental sustainability. On the one hand the private sector installation of solar panels is in receipt of grants/subsidies yet service stations needing to comply with a Government 'biofuel mandate' must fund the transitioning costs from their own business budget. In this instance, business is burdened with paying to implement Government policy without any monetary return. Consideration should be given to a contestable program to assist in the installation/upgrade of equipment.

Payroll

5.9 To assist small/medium sized businesses to employ, increase productivity and revenue returned to the State Budget, the current payroll tax threshold of \$1.1 million should be progressively lifted.

Regulatory Requirements

5.10 Some headway had been made in cutting regulatory requirements e.g. *the Motor Dealers and Chattel Auctioneers Act 2014* which resulted in administrative forms reduced from 14 to three and under the *Environmental Protection Act 1994* the streamlining and integration of regulatory requirements for specific automotive businesses. Much more however, needs to be done to cut regulatory requirements that impede productivity or discourage new businesses or business expansion.

5.11 Economic efficiency and productivity must be the priority in determining regulatory requirements. A thorough on-going investigation and repeal of all business regulations is needed to determine those that are unnecessary or simply nuisance measures without clear benefit.

Training

5.12 The MTA Queensland regards its commitment to training as one of its most important priorities and has committed significant financial and human resources to developing the most advanced and efficient trade training infrastructure and capability in the State. The model is delivering the current and future skills base that is needed to service the economic growth aspirations that the Government has stated.

5.13 The Association will continue to work closely with the Government and its relevant agencies to ensure that the delivery of automotive skilling complements both demands of Government economic and industry policies and meets the skills needs of the automotive value chain. The Association recognises that the future of this sector lies in the skills that are instilled in the successors of the present technicians and the managers of the automotive value chain.

5.14 The MTAI provides a training model that allows employers and students the flexibility and consistency of one-on-one training to maximise learning outcomes and as such an important role in delivering skills and training. The MTAI is committed to servicing regional Queensland and remote areas of Queensland by supporting businesses in these locations through training outcomes. The State Training Budget must recognise the quality training undertaken by Registered Training Organisations such as MTAI in servicing the needs of the motor trades across Queensland.

Infrastructure

5.15 The sequence of drought, floods and cyclones have accelerated the physical depreciation of National and State highway infrastructure. It is our experience that inefficient road infrastructure detrimentally impacts productivity and imposes unnecessary and avoidable costs through delays to logistics, damage to vehicles and are detrimental to safety. We submit that consideration be given to additional funding to upgrade and maintain the essential highway infrastructure.

Workers Compensation

5.16 The Association urges that WorkCover continue to provide a scheme with competitive premiums that ensures affordable compensation for those genuinely injured at work and encourages business to invest and employ more staff.

Harmonisation of regulations

5.17 As a general submission the MTA Queensland strongly urges the harmonisation of regulations of the automotive sector across the States and Territories of the Commonwealth.

6 Conclusion

6.1 The MTA Queensland appreciates that the 2016-17 State Budget is framed under mixed economic circumstances. We seek your careful consideration of any adjustments to taxes and charges or other imposts that may impair fragile business growth and development.

Thank you for your deliberation.

Yours sincerely



BRETT DALE
Chief Executive Officer
MTA Queensland



KELLIE DEWAR
General Manager
MTA Queensland