



19th January 2017

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

Dear Sir/Madam

MTA Queensland Priorities re Pre budget Submission - the 2017 – 18 Federal Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) **responds to the Minister for Small Business the Hon Michael McCormack's invitation to submit suggested priorities for consideration in the preparation of the Commonwealth 2017– 18 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. This includes the medium-term fiscal strategy and the Budget repair strategy detailed in the December 16 *Mid-Year Economic and Fiscal Outlook 2017*. These set the policy, strategy and funding parameters the Australian Government will reference to frame the 2017 - 18 budget in a period of subdued wage growth and inflation, lower official cash rate and an economy in transition from the investment phase to the production phase of the mining boom with surplus capacity.

2.2 Bipartisan support across the nation's parliament for the legislative measures to repair the budget appears to be an important priority to provide the confidence to business and consumers that a strong and sustainable surplus will be achieved in the medium term.

2.3 Continued investment in Australia's land transport infrastructure across the nation under the Infrastructure Investment Programme, the Regional Jobs Investment package, the Building Better Regions Fund and the National Innovation and Science Agenda is essential to achieve economic growth and jobs.

2.4 The Australian Government's 10 year Enterprise Tax Plan announced in the 2016-17 budget for which a mandate was received at the July 2016 Federal election, in the view of the MTA Queensland, is a significant reform having the capacity to restructure Australia's tax system for businesses generally, drive investment and growth in the economy and generate jobs. The Association strongly supports each the policy measures in the *Treasury Laws Amendment (Enterprise Tax Plan) Bill* introduced to Parliament in September 2016 particularly as it will deliver long-term benefits to small to medium businesses (SMEs) and the Australian economy. The lack of bipartisan support for the policy measures contained in this Bill as indicated in the October 2016 Senate Economics Legislation Committee Report is a factor contributing to SMEs lack of confidence and concerns about the future business environment.

Motor Trades Association Queensland

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2.5 The MTA Queensland recommends the continuation of existing programs which have the purpose of assisting SMEs.

2.6 The views expressed in our 2016-17 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 has to 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.

2.7 As an Employer Association, we have the view there is an urgent need for wide-ranging tax reform to increase productivity which extends beyond the Enterprise Tax Plan. This should necessarily include the Goods and Services Tax (GST), revenue measures such as consideration of the impact of automated vehicles and alternatively powered vehicles on State and Commonwealth revenue receipts e.g. petrol and diesel excise and the relativity of third country taxation regimes and other business imposts.

2.8 The MTA Queensland acknowledges the introduction of policy measures extending to the application of the GST to lower price echelons of imported goods to take effect from 1st July 2017. This has been a long term policy issue for Members who are supportive of it - albeit preferring the policy to have been more robust and inclusive in its application.

3 Budgetary Context - Queensland economy

3.1 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.

3.2 Generally, Members report mixed views on business conditions across the automotive value chain. Motor Vehicle dealers have experienced a tightening of the market which is reflected in the Australian Bureau for Statistics (ABS) Queensland's Motor Vehicle sales data which has trended downwards for the entire 2016 calendar year. Agricultural machinery sales on the other hand have been buoyant, due to continuing favourable commodity prices in the grain, beef and cotton sectors remaining firm. This is likely to continue into the winter growing season of 2017, and hence should see an increase in tractor, tillage and combine harvester sales past end of the financial year 2017.

3.3 Other automotive value chain industry sectors are either steady in terms of profitability or report slowing sales or business activity and have concerns that include compliance and labour and input costs.

3.4 The December 2016 Chamber of Commerce & Industry Queensland (CCIQ) Economic Update indicates that economic conditions are improving in the State with green shoots of confidence within the business community beginning to grow particularly as the economy is beginning the transition from the mining boom.

3.5 The State's automotive value chain will benefit from the lowered official cash rate now at 1.50 per cent - an historic low. The low exchange rate currently in the vicinity of \$AUD 0.75 to the USD will be an advantage but has the impact of a double edged sword; domestic and export businesses benefit however importers are disadvantaged particularly the automotive sector which has to pass on higher costs to Australian consumers.

3.6 Unemployment remains high but there are indications it may be trending downwards. The ABS indicates the unemployment rate in the Brisbane, Logan, Moreton Bay, Gold Coast, Sunshine Coast, Darling Downs-Maranoa, Fitzroy, Mackay and Toowoomba regions are (trend) about 6.0 per cent or lower. Other regions experiencing tougher circumstances are the Ipswich, Cairns, Queensland Outback, Townsville and Wide Bay regions. Youth unemployment in many regions is at levels that must be of concern to all levels of government.

4 Priorities for consideration

Regulatory Reform

4.1 For the motor trades, compliance costs and regulatory obligations are a major impost and increased focus on deregulation appears to be required. All levels of Government focus on regulatory reform, despite the best of efforts, seemingly the level of regulations continue to rise. There must be ongoing regulatory simplification to reduce unnecessary and excessive legislative requirements, and streamline administrative and procurement processes to increase SMEs productivity and competitiveness. The Institute of Public Affairs has undertaken research on this matter which indicates that 'redtape' imposed by all levels of Government 'costs the economy an estimated \$176 billion per year' (Dr Mikayla Novak, 'Cut Red Tape to Unleash Prosperity').

4.2 The Australian Taxation Office 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 whilst welcoming these reforms have indicated that the Business Activity Statement should be subject to on-going review to reduce compliance obligations and requirements.

Workplace relations system

4.3 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.

4.4 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.

Training and Skills

4.5 In Queensland there are some 13,800 automotive value chain businesses operating within the State employing in excess of 92,000 persons. An essential requirement for these businesses is a skilled workforce that has access to training regimes that maintain the currency of these skills.

4.6 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 MTA last financial year accredited courses to in excess of 1,600 apprentices and trainees and 400 apprenticeships successfully completed.

4.7 The apprenticeship system remains the industry's preferred model for skills information. 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 guaranteed position on the strategic Industry Reference Committee. Whilst national representation is being established, there is no formal recognition or mechanism for States to determine training priorities

and investment. The preference is for the reestablishment of State Industry Advisory bodies to gather market intelligence for national advisory entities.

4.8 On 1 January 2015 the Federal Government abolished a number of skills and training programmes including the Australian Apprenticeships Mentoring Programme. The Mentor Advisor Apprenticeship Programme (MAAP) was designed by the automotive industry for the automotive industry. The MTA through the programme had a strong involvement in promoting the automotive industry to the wider community by attending careers expos and industry events. Queensland advisers delivered the “MAAP message” to more than 7,500 recipients, 5,000 school students, attended 25 Careers expo’s, conducted 85 group information sessions, contacted more than 500 employers and 1,500 teachers, parents and trainers. The mentors guided over 450 apprentices through their first year of an apprenticeship, recording a high retention rate of 95 per cent of apprentices into their second years. We submit that consideration be given to its restitution of such a programme.

Taxes and Charges

4.9 MTA Queensland acknowledges the fiscal disciplines that require revenue to cover recurrent expenditure including service delivery. The Association recommends that any increase in excise, duties, taxation, fees and charges be “capped” to an increase not greater than the Consumer Price Index.

4.10 The current Luxury Car Tax (LCT) threshold for fuel efficient cars is \$75, 520 and \$64,132 for other vehicles. The LCT policy is a relic particularly in view of the pending demise of motor vehicle manufacturing in Australia and as a consequence of the Free Trade Agreements with e.g. South Korea, China and Japan. In the current context it is redundant and without any discernible economic or equity justification.

4.11 The LCT is a tax on ‘choice’ of a motor vehicle which does not apply to any other so-called luxury items (e.g. yachts, planes, jewellery). The LCT with the advent of alternative energy and automated motor vehicles will become even more irrelevant. Unabashedly, the MTA Queensland’s policy is for its abolition. We are not alone. The final 2008 Report of Review into Australia’s Future Tax System recommended the abolition of the LCT. We recommend the Australian Government phase out the LCT initially lifting the threshold to \$150,000.

4.12 The LCT quantum for the financial year ending 2016-17 is estimated to be \$640 million. Revenue forgone could be offset through increased business activity. The Australian Government receives another \$500 million in customs duties with which we have no quarrel.

4.13 The MTA Queensland recommends the ultimate demise of the LCT in the Government’s tax reform package.

Energy Policy

4.14 Energy reliability and affordability (electricity and gas) have emerged as concerns for the automotive value chain. Whilst essentially State responsibilities the Australian government should review holistically the regulatory, economic, investment and technology factors that impede the delivery of sustainable, affordable and secure energy sources for industry and consumers alike.

Telecommunications

4.15 E-commerce and digital communications is now the norm rather than the exception with businesses in the automotive value chain having the technical requirements and competence to transact business and communicate across all digital platforms. The MTA Queensland has Members across the breadth of the State - from the capital to regional cities and to small regional and rural towns - who require

reliable and expeditious communications infrastructure that is functional and essential for productivity, competitiveness and compliance obligations.

4.16 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 as exemplified by the March 2016 Telstra meltdown. 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.

4.17 The National Broadband Network roll out has not met expectations and in the near term the rate of connections should be accelerated to increase access.

Infrastructure

4.18 In addition to the Commonwealth infrastructure programme, consideration could be given to a counter cyclical program of public sector capital works and infrastructure spending to stimulate economic activity. During periods of subdued private sector activity, as opportunities present and capacity constraints relax, capital works expenditure should be increased by reactivating postponed projects, accelerating existing programs and bringing forward planned expenditures.

Harmonisation of regulations

4.19 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. This is particularly relevant in the context of the new generation of technology being introduced e.g. plug-in-electric and autonomous vehicles. This technological revolution would benefit from harmonisation.

4.20 Through the Council of Australian Governments we support a consensus that an effective program 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 for this sector.

5 The MTA Queensland background

5.1 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 *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.

5.2 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 in excess of 35 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 Conclusion

6.1 The MTA Queensland's view is that the up-coming budget should represent a statement of the Government's fiscal priorities dominated by a confirmation that it will pursue fiscal responsibility, a commitment to meeting the social and financial obligations of a modern 21st century nation with a high

standard of living, high quality of life and emphasise policy settings facilitating the growth in jobs, economic expansion and engendering business confidence.

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

Thank you for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Dale".

Dr Brett Dale DBA
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Kellie Dewar".

Kellie Dewar
General Manager Member Services