



Monday, 4 September 2017

Steven Arthy
Principal Scheme Analyst
Insurance Commission
Queensland Treasury
Level 26, 1 William St Brisbane

Email: steven.archy@maic.qld.gov.au

Dear Mr Arthy,

**Review of the limits to apply to CTP premiums
for the
assessment period commencing 1 January 2018**

1. Introduction

1.1 The Motor Trades Association – Queensland (MTA Queensland) notes that the Motor Accident Insurance Commission (MAIC) has commenced the review of the limits to apply to Compulsory Third Party premiums for the assessment period commencing 1 January 2018.

1.2 The MTA Queensland responds to your invitation to make a submission to your Review of the Limits to Apply to Compulsory Third Party (CTP) on factors influencing premium components and to comment on trends and impacts relevant to the Commission’s determination of premium floors and ceilings across the 24 Class of Vehicles ranging from cars and station wagons through to trailers.

1.3 The comments contained in this submission are confined to the views and issues from the perspective of the MTA Queensland.

2. The Submission

2.1 The MTA Queensland is cognisant that the MAIC has a statutory duty under the terms of the *Motor Accident Insurance Act 1994* (the Act) Section 13A (5) to “obtain an actuarial review of current trends that could affect the financial soundness of the scheme”.

2.2 Maintaining prudential standards must be and should be the priority of MAIC, but as Section 3 (b) of the Act indicates it is appropriate for MAIC in making its determination of premium floors and ceilings utilise judgment that takes into consideration “affordability” impacting industry and business and families and individuals living costs.

2.3 As indicated in previous submissions, affordability must be considered in the context of “cost of living” which currently is a predominant concern for Queensland households. We submit, that in the decision making process, the MAIC take into consideration such matters:

- That wage growth remained low but was expected to increase a little as conditions in the labour market improved (Reserve Bank Board Minutes, 1 August 2017);

Motor Trades Association Queensland

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- The increase in vehicle registration by 3.5 per cent from July 1 2017 - almost double the rate of inflation - announced in the 13 June 2107 State Budget;
- The ongoing financial impact of the National Insurance Injury Scheme (NIIS) Levy (effective from 1 July 2016) of \$34.50 (6 months) or \$69 (12 months); (Vehicle Registration Notice CTP Insurance Class: 1).
- Queensland residential customers disconnected for non-payment 2016-17 - electricity - 7,176 (Australian Energy Regulator statistics);
- Queensland residential customers disconnected for non-payment 2016-17 - Gas -368 (Ibid);
- Queensland customers on hardship programs March qtr 2017- electricity -19,443 (Ibid);
- Queensland residential customers with debt March qtr 2017 - electricity - 39,774, average debt \$567 (Ibid);
- Queensland residential customers with debt March qtr 2017 - gas - 7,428, average debt \$361 (Ibid);
- Queensland small business customers with debt March qtr 2017 - electricity - 3,604, average debt \$1,712 (Ibid);
- Queensland small business customers with debt March qtr 2017 - gas - 581, average debt \$1,126 (Ibid);
- The Westpac Melbourne Institute Index of Consumer Sentiment declined by 1.2% in August from 96.6 in July to 95.5 in August. The consumer mood has deteriorated over the last year with August marking the ninth consecutive month where pessimists outnumbered optimists. This succession of weak reads has not been seen since 2008; and
- Business closures and job losses - e.g. Ipswich Abattoir and Chicken Factory closures with up to 900 job losses and Ostwald Bros (Toowoomba) in voluntary administration with 500 jobs at risk; and a seasonal unemployment rate fluctuating between 6.2 and 6.5 per cent.

2.4 The financial consequences of the combined increase in the motor vehicle registration due to the Queensland Government's fee increase and the additional NIIS Levy in the compulsory third party premium must be balanced against household concerns about utility charges, continuing slow wage growth, constrained business circumstances and fluctuating unemployment.

2.5 We continue to draw attention to the technological advancements in the automotive sector and the safety of new motor vehicles mitigating the third party personal injury risk profile.

3. Recommendation

3.1 The MTA Queensland after consideration of the MAIC Statistical Information and prevailing automotive industry and consumer economic circumstances, recommends that CTP premiums for all vehicle classes remained unchanged in the near term.

4 The MTA Queensland background

4.1 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 up to \$21 billion annually. It is an industrial association of employers incorporated pursuant to the *Industrial Relations Act* of Queensland. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

4.2 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.

5 Conclusion

5.1 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

A handwritten signature in black ink, appearing to read "Brett Dale", with a small flourish at the end.

DR BRETT DALE
Group Chief Executive