



24th March 2017

Research Director
Finance and Administration Committee
Parliament House
George Street
Brisbane Qld 4000

Email: fac@parliament.qld.gov.au

Dear Research Director

Re: Trading (Allowable Hours) Amendment Bill 2017

1. Introduction

1.1 The Motor Trades Association – Queensland (MTA Queensland or the Association) responds to the Queensland Parliamentary Finance and Administration Committee’s invitation for submissions to its Inquiry into the *Trading (Allowable Hours) Amendment Bill 2017* (the Bill). The MTA Queensland’s comments are on behalf of its motor vehicle and machinery dealers as defined in the *Trading (Allowable Hours) Act 1990* and comprising the vehicle retail sector.

1.2 The Association has considered the draft Bill which represents the Queensland Government’s decision to accept in full, 12 of the 13 substantial deregulation recommendations of the Trading Hours Reference Group’s *Review of Queensland’s Trading (Allowable Hours) Act 1990* (the Review). The exception was the exclusion of 1 city and 22 major towns¹ without Sunday/public holiday trading from the deregulation in what otherwise would have been a state-wide deregulation of trading hours for non-exempt shops. In this instance, industrial organisations and any other organisations including local governments may make application to the Queensland Industrial Relations Commission to adopt the legislative provisions. These provisions do not apply to motor dealerships in these areas.

1.3 The Association is cognisant of the Government’s motor vehicle dealer deregulation policy rationale, including:

- ‘sales of caravans and motor vehicles are governed by specific QIRC trading hours’ orders which do not permit shops selling those goods to open on Sundays and most public holidays in any area of the State. This results in an inconsistency where generally non-exempt shops have long since been allowed to trade on Sundays and most public holidays by the QIRC, while non-exempt shops selling motor vehicles and caravans in the same area are not allowed to trade on those days. (The Review, p.30);

¹ Mt Isa, Warwick, Goondiwindi, Chinchilla, Kingaroy, Stanthorpe, Roma, Childers, Blackwater, Bowen, Ayr, Charters Towers, Proserpine, Mission Beach, Cloncurry, Weipa, Nanango, Oakey, Home Hill, Pittsworth, Blackwater, Charleville, and Longreach

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

- Independent studies on the relaxation of trading hours have projected an economic benefit to Queensland ranging from \$200 million (Queensland Competition Authority, 2013) and \$253 million (Henry Ergas, 2014) (Palaszczyk, A, Premier, 'Retail trading hours overhaul a win for jobs consumers and workers', Media Statement, 14th February 2017); and
- the Commonwealth's March 2015 *Competition Policy Review* Final Report (p.1) stated that trading hours generally was one of top five issues raised in submissions to the Draft Report (but it seems not in the context of a specific reference to the motor vehicle sector).

1.4 We are conscious of the parody propagated ad nauseam across many media platforms: 'You can buy a boat on a Sunday but you can't buy the car to tow it. ...But you can buy car parts. So potentially you could buy enough parts to build a car, so long as you didn't build it in a car lot and drive it out of a car dealership.' This superficial statement is intended to attract publicity but is not a basis on which policy should be formulated. For consumers making the significant investments in a boat and a car, there are major considerations and these are not impulse purchases.

1.5 The MTA Queensland's policy recently reaffirmed by the motor vehicle membership of the Association is for the current 1990 *Trading Hours – Non-Exempt Shops Selling Motor Vehicles State Order* (Vehicle Order) as prescribed in the October 27, 2016 iteration continue in force without any changes. As indicated in our 14th November response to the Review a 'survey was undertaken to ascertain the contemporary view of the Association's motor vehicle sector membership on trading hours. It indicated 90% support for the retention of the existing Vehicle Order.'

1.6 The Association recently tested support for this policy stance at an industry fora in respect of the deregulation proposed in the Bill. The consensus view of the Membership and stakeholders at these fora was that the existing Vehicle Order should be retained.

1.7 For almost 90 years the MTA Queensland has been providing product and service to consumers through much innovative and technological change and policy adjustments.. The anecdotal advice from the motor vehicle dealers is that there has been no overt agitation from consumers for Sunday trading. In fact it is rare for a consumer to ask if a dealership is open on a Sunday.

1.8 It is noted that the Review Report provides no empirical evidence of consumers seeking Sunday trading for the motor vehicle dealer sector. Generally, consumers research the vehicle brand, model and price range on the internet. The purchase decision is likely to be made from this research followed by a visit to a dealership for inspection, test drive and subsequent purchase.

1.9 The MTA Queensland's policy stance was articulated in its submission to the Review (MTA Queensland submission, *Review of Queensland's Trading (Allowable Hours) Act 1990*, 14th November 2016):

- (a) *The Association recommends trading hours be evaluated in the context of a holistic industry policy which includes the industrial relations framework and employment policy to provide for a robust evaluation of the trading hours for the motor vehicle sector.*
- (b) *That the Association is unaware of any significant breaches of the Order by relevant dealerships or of any groundswell of public opinion seeking a change to the current provisions.*
- (c) *That an MTA Queensland survey of its motor vehicle sector membership indicated 90% supported the retention of the existing Vehicle Order.*
- (d) *That the MTA Queensland trading hours' policy is for no change to the 1990 Trading Hours – Non-Exempt Shops Selling Motor Vehicles State Order.*

(e) *That the process for special displays or exhibitions for the motor vehicle sector be subjected to reform with the aim of reducing the associated red tape and the process ameliorated to the extent it is not 'costly and time consuming.'*

1.10 The MTA Queensland recommends that the Bill be 'amended' to provide for the retention of the 1990 *Trading Hours – Non-Exempt Shops Selling Motor Vehicles State Order*. The deregulation in respect of the State Order should not proceed unless simultaneous and appropriate amendments are made and stapled to industry and industrial relations provisions that apply to the motor vehicle sector.

2 Submission

Trading Hours - an integral element of Industry Policy

2.1 The MTA Queensland reiterates its views to the proposed motor vehicle dealer's trading hours deregulation articulated in its 14th November 2016 response to the Review.

'The MTA Queensland is of the view that a fundamental weakness and a significant limitation of Review was that the evaluation of trading hours was undertaken in isolation of and separate from holistic industry policy which includes the industrial relations framework that is critical for employment policy. Emphasising the limitation was a rider to the terms of reference was that 'matters concerning the structure and level of penalty rates ...are not within the scope of the review' (Trading Hours Reference Group, p. 4).

Trading hours considered as a single industry policy pillar may meet the requirements of competition policy and big business but for small/medium enterprises (SMEs) that operate across the State in the motor vehicle sector it would be anathema putting at risk their businesses, livelihoods and employees. In a deregulated motor vehicle sector market, SME's may be compelled to compete or risk trade diversion to larger entities that over the medium to longer terms threaten the viability of their businesses. '

2.2 Failure to evaluate trading hours as an 'industry policy' including stapling of the industrial relations framework and employment policies has the potential to place small/medium/enterprises (SMEs) at a risk of suffering damage or losing business opportunity that could eventually result in a significant increase in business difficulties and insolvencies in this sector.

2.3 It is noted the Review Report indicates there were sixty submissions from motor industry retailers and staff. There were fifty-five opposing Sunday trading raising issues including: – impact on family life; – drive up costs; – reduce staff satisfaction; – public has more than enough time to buy cars now with internet sales and available trading hours; – high wages bills, dealers can't afford overtime rates for Sundays; – new vehicle market is limited and extending trading hours will not amount to increase in sales; and increase in hours will mean increase in staff numbers (The Review, p.69). It is noted that submissions from the motor dealer sector comprised more than one-third of the 179 submissions received. Within the body of the Review Report there was the conspicuous absence of empirical evidence from consumers that related to Sunday trading for motor vehicle dealers.

Motor Vehicle sector

2.4 In Queensland there are approximately 1,022 motor vehicle dealers with a turnover of \$14 billion with 60,000 direct employees.

2.5 Competition in the motor vehicle sector is now regional, national and in some cases international due to online trading / internet trades. In addition, horizontal entry into the car market has occurred through salary packaging enterprises offering motor vehicles in cost-effective financial and taxation

structures and companies using fleet purchases to provide vehicle fringe benefits for their employees - which seemingly do not operate on a Sunday.

2.6 Within the motor vehicle sector there is the likelihood that increasing economies of scales will be required to sustain profitability in the motor vehicle sector and this is likely to lead to further economic consolidation. In the 2015-16 financial year, 23 dealerships exited the sector (Australian Bureau of Statistics (ABS) Counts of Australian Businesses, February 2017). Spatially, the value of real estate is changing significantly and dramatically in the capital cities and the opportunity costs of continuing to hold large vehicle inventories on valuable sites will be a difficult business decision to justify.

2.7 The proposed deregulation of the motor vehicle retailing market coalesces with ongoing technological change and a systemic decline in new motor vehicle sales. ABS data (Sales of New Motor Vehicles, Australia, February 2017) indicates that the last month in which Queensland new motor sales broke through the 20,000 ceiling (trend 20,100) was January 2013. From November 2015 on a trend basis, there has been a steady decline to 18,706 new motor vehicle sales.

2.8 Sales of new motor vehicles are expected to decline over the next five years, as the shift in consumer preference towards smaller, fuel-efficient vehicles reaches maturity. Additionally, sluggish growth in real household discretionary income is expected to further impact demand for the industry's products. Overall, industry revenue is forecast to fall at an annualised 0.5% over the five years through 2021-22 (Windle, P Motor Vehicle Dealers in Australia Australian Industry Reports (ANZIC) IBIS World).

2.9 The proposed deregulation of trading hours for the motor vehicle sector will not increase business or the business outlook as indicated in 2.8. The existing number of vehicle sales currently achieved in six days will be spread over a 7-day period having a detrimental direct impact on dealer's operating costs which will ultimately impact on the consumer or will have to be absorbed by the dealer. These are circumstances that are damaging to all stakeholders.

2.10 The proposal to deregulate trading hours has the potential to put at risk the viability of dealerships, threaten livelihoods and destabilise employee arrangements. In a deregulated motor vehicle sector market, SMEs may be compelled to compete or risk trade diversion to larger entities, a circumstance that over the medium to longer terms threaten the viability of their businesses.

2.11 Staffing arrangements for motor dealerships is complex. Increasing the number of salespersons and professional staff to fill positions for Sunday trading cannot be done on impulse. Under the *Motor Dealers & Chattel Auctioneers Act 2014* a person must be registered to work as a salesperson for a motor dealer and must meet strict criteria to be issued with a registration certificate. A prerequisite for registration is undertake and pass training courses from a recognised provider.

2.12 Central to the sales process of a dealership is the business manager. The position requires the person to have undertaken extensive training on sales, product, credit and finance criteria and systems. This is the person that provides the finance options and takes applications from customers. In dealerships where there may be one accredited business manager, any move to Sunday requires a balance of authorised and trained staff which cannot be 'picked off trees'.

2.13 It is the practice of dealerships across the State to contribute to community events and organisations (charitable, social, sporting, schools etc.) A dealership in a regional town centre indicated that its contributions (in-kind and donations) to community funds from its own resources total \$270,000 per annum. The anecdotal advice is that the impact of Sunday trading is likely to be negative. Increased Sunday trading expenses and the resulting overcommitted resources potentially will erode financial and in-kind donations to local community organisations and events. Such contributions are likely to decrease or cease from small dealerships.

2.14 The State Government's aim with the 'overhaul of Queensland retail trading hours' has the 'aim of creating 1,000 new jobs, cutting red tape for business and increasing choice for consumers' (Grace, G, Minister, 'Palaszczuk Government targets 1000 new jobs with trading hours overhaul', Media Statement 1 March 2017). In terms of the motor vehicle dealer sector, the anecdotal information is that the proposed deregulation will accrue little, if any, additional economic benefit to the State.

Industrial Relations

2.15 The single and largest group of employees in the motor vehicle sector that will be affected by the proposed changes to trading hours are motor vehicle salespersons. Business managers, finance and insurance salespersons, aftermarket salespersons and administration staff will be impacted - but in lesser numbers.

2.16 The award covering motor vehicle salespersons is the Vehicle Manufacturing Repair Services and Retail Award 2010 (the Award). It provides that motor vehicle salespersons are not entitled to payment for overtime – e.g. hours in excess of 38 per week – even though universally, salespersons work more than 38 hours per week. The commissions paid to salespersons have been regarded as compensating them for the additional hours worked. Results from a previous MTA Queensland survey found that any competent salesperson will earn around double their retainer in commissions. This leaves them better remunerated than if they were paid the award rate for 38 hours plus overtime at the standard award rate of time and a half for the first three hours and double thereafter.

2.17 The Award makes provision for salespersons to be given a day and a half off per week or three days per fortnight – thus limiting the potential maximum hours they can work. Some dealerships employ salespersons on a five (5) day week – thereby granting them more time off than allowed by the award. This is being done to give them a better work-life balance and to retain experienced employees not keen on working excessive and unsociable hours.

2.18 Seven-day trading (if introduced and the option to open is adopted) will not change the award requirement that salespersons be given the proscribed time off. It will mean however, that rostering over seven days will be necessary - subjecting salespersons to the inevitable spectra of having to work on a Sunday. Unless dealerships increase the number of salespersons employed it will mean that the existing staff will almost certainly be forced to work additional hours. Dealership overheads certainly will increase without any guarantee that sales will increase.

2.19 Member's comments in fora and in surveys indicated that under the existing regime it was difficult to compel salespersons to work on a Saturday. This situation could be expected to be compounded in respect of the Sunday trading scenario. Anecdotal evidence suggests that many members of the public welcome accessing a vehicle sales yard without the presence of salespersons.

2.20 The often-repeated mantra that the extended hours will not force any dealership to trade on seven days ignores the competitive pressure that dealerships will face once one dealer in a particular area decides to open on a Sunday.

2.21 Family owned motor vehicle dealerships, whilst recognising there is discretion to open have been strident in articulating the negative aspects about the concept of Sunday trading. A priority for a dealer principal is employee life-style balance. This is particularly so in the instance of staff working early mornings or late evenings to meet the needs of consumers.

One regional dealer principal is on the record stating that the dealership would "definitely not" be adopting the practice of Sunday trading as child care arrangements for Saturdays have already exhausted family options. 'It goes against everything we believe in. We're about creating a lifestyle for staff so that they work hard during their current hours and still get some time with their family.'

Summary

2.20 The unequivocal recommendation of the motor vehicle dealer sector is that the Bill be amended to provide for the retention of the 1990 *Trading Hours – Non-Exempt Shops Selling Motor Vehicles State Order*.

3 MTA Queensland background

3.1 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. It is an industrial association of employers incorporated pursuant to the *Fair Work (Registered Organisations) 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.

3.2. 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 (MTAI) - 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 MTAI last financial year accredited courses to in excess of 1,600 apprentices and trainees.

4 Closing Comments

4.1 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



Dr Brett Dale DBA
Chief Executive Officer