



Thursday, 4 September 2014

Mr Neil Singleton
Insurance Commissioner
Motor Accident Insurance Commission
Queensland Treasury & Trade Department
GPO 1083
Brisbane QLD 4001

Email: neil.singleton@treasury.qld.gov.au
Fanny.Lau@maic.qld.gov.au

Dear Mr Singleton,

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 2015.

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. Submission

2.1 The MTA Queensland is cognisant that the MAIC has a statutory duty under the terms of Section 13A(5) to "obtain an actuarial review of current trends that could affect the financial soundness of the scheme". Maintaining prudential standards must be and should be the priority of MAIC but as 13(A)4 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.

2.2 As indicated in our 4th June 2014 submission, affordability must be considered in the context of "cost of living" which is the predominant concern for Queensland households. This is due largely to the increasing cost of utilities - power and water - , insurance premiums and the fluctuating fuel

Motor Trades Association Of Queensland

Address Building 8, 2728 Logan Road
Eight Mile Plains Qld 4113

Email info@mtaq.com.au

Website www.mtaq.com.au

Postal PO Box 4530 Eight Mile Plains Qld 4113

Tel (07) 3237 8777 **Toll Free** 1800 177 951

prices. In addition consideration must be given to business confidence and its employment capability.

2.3 Members of the MTA Queensland across their diverse range and the decentralised businesses have understanding of business conditions and the consumer sentiment across the State. The anecdotal advice from Members - and consistent with the views expressed in the Reserve Bank Board (RSB) statement of 2 September 2014 - is that there has been consolidation of business confidence and an upswing in consumer confidence.

2.4 The RBA's decision to hold the cash rate at the historic low of 2.5 percent for the 13th month in a row indicates that the national growth around 2-3 percent is subdued. Economic commentators are predicting that the cash rate will not change until the first quarter of 2015 further entrenching the sentiment of subdued growth. The Deloitte Queensland Index growth forecasts around 3 percent growth for this financial year (2014-15) and increasing to six percent in 2015 - 16 when major gas projects come online.

2.5 A significant consideration must be Queensland's increasing unemployment, currently at (s.a.) 6.8 per cent up from 6.3 per cent in July 2014. The State's youth unemployment (15-24 years) is averaging 13.7 per cent with a high of 20 percent at Cairns and Ipswich. The outlook for unemployment is that it will remain stubbornly high for the near to medium term.

2.6 Considering the automotive value chain, and exemplifying new motor vehicle sales for the last financial year (Australian Bureau of Statistics s.a) there has been a decrease of 1,362 units from 19,962 to 18,580. The most recent data for the month of August indicates a continuation of the downward trend of 6 per cent for new motor vehicle sales compared with the previous month and 10 per cent over the year. The outlook is that the market will remain soft. This indicates that in this sector of the automotive value chain, business is subdued and employment opportunities limited.

2.7 Until July 2015, registration fees - excluding CTP - on private use cars weighing less than 4.5 tonnes will remain frozen as part of the LNP's 2012 election policy commitment. Incremental CTP increases for these vehicles have not been a consumer issue but in the event registration fees are unfrozen the cost of CTP will be a consumer issue.

2.8 The MTA Queensland suggests that the MAIC take into consideration when making its determinations:

- The 2014-15 increase in power prices for the average household of 13.6% (\$191 annual) but with the removal of the carbon tax the increase is estimated at 5.4% or \$76;
 - It should be noted that in the March quarter 2014 the Queensland Competition Authority reported that there were 33,610 disconnections compared with 31,098 in the December quarter 2014.
- The 2014-15 increase in water prices of 4.3% (\$71 annual);
- The substantial increases in home and strata title insurance premiums (200-800%) over the past 3 years in north Queensland;
 - The Chamber of Commerce and Industry Queensland (CCIQ) Insurance Report indicates that on average businesses have reported that insurance costs make up 5.74 per cent of their overall operating costs. The CCIQ's Pulse survey has identified insurance premiums as third biggest constraint on Queensland businesses.

2.9 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;
- the decreasing frequency and claim propensity (Accidents from 1 July 2003 to 31 June 2014) as indicated in the MAIC Statistical Information (p.5);
- the increasing premiums in Average Class 1 filed from 2011-2012 to date as indicated in the MAIC Statistical information (p.4); and
- the uncertainty pertaining to the National Disability Insurance Scheme and the potential consequences for Queensland's CTP as indicated in the April 2014 National Injury Insurance Scheme: Motor Vehicle Accidents Consultation Regulation Impact Statement.

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 Queensland. In Queensland there are some 14,291 automotive value chain businesses employing in excess of 73,000 persons.

4.2 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.

4.3 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 of Technology (MIT). The MIT is the largest automotive apprentice trainer in Queensland employing 26 trainers based from Cairns to the Gold Coast and Toowoomba and Emerald. MIT last financial year accredited courses to in excess of 1500 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



Kellie Dewar
General Manager