



15th April 2019

The Hon Scott Morrison MP
Prime Minister
Member for Cook
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

CC
Mr Andrew Hirst
Federal Director
RG Menzies House

Dear Prime Minister Morrison

Queensland Motor Trades – Policy Initiatives for the incoming Government

As the Prime Minister and Leader of the Liberal National Coalition parties you are in the process of enunciating the policies and initiatives your government would implement to take our nation forward over the next electoral cycle. The Motor Trades Association Queensland (MTA Queensland) as an Association of Employers in conjunction with its training entity the MTA Institute (MTAI) submits a framework of policy positions relevant to the growth of the nation's automotive sector.

Context

This submission is presented at a time when there is increasing pessimism about the growth prospects for Australia's economy. This has incited a rise of populist and protectionist policy solutions that are a profound cause for concern. The automotive value chains are experiencing - and will continue to do so for the next decade - arguably the most severe disruptions to their businesses by the uptake of emerging technologies and digitisation of any sector in Australia's economy. In this economic environment, businesses are looking to the in-coming government for policy programs that provide long-term certainty enabling confidence to invest, expand, maintain and create the enterprises and jobs of the future. To achieve a business environment conducive to investment and expansion, equitable reform of the income and company taxes and workplace relations systems should be priorities in a new government's policy agenda.

Fiscal structural reform should constitute a priority for an incoming government ensuring a budget surplus is achieved and debt is responsibly managed. Such a reform program should have the competence to restructure the Goods and Services Tax, review the impact and incidences on revenue measures and compensate for the fiscal consequences of the uptake of automated vehicles and alternatively powered vehicles on Commonwealth and State revenue receipts e.g. the decline in forecast petrol and diesel excise; and benchmark strategic peripheral and collateral business compliance costs.

Motor Trades Association Queensland

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Based on the forecast economic conditions that Australia’s business sector will face, the MTA Queensland submits the following priority issues for consideration.

Industry Skills and Training

Over the last several electoral cycles, the nation’s trade and vocational training system and its underpinning policies have lacked the foundational educational competence to attract the human capital required to meet the skills requirements of the automotive sector. Queensland’s Department of Employment and Training data indicates the profound decline in the number of apprentices in training. See graph below:

Graph 3 - Industry Trend – apprentices in training



Data provided by DET – as at 30/6/17

Across Australia, the Department of Jobs and Small Business research predicts that in relation to the motor fleet industry alone ‘in the five years to 2022, job roles will become available for 42,000 motor vehicle and parts salespeople, 27,000 motor mechanics, 10,000 vehicle parts and accessories fitters, 9000 panel beaters, 8000 vehicle painters, 2000 vehicle body builders and trimmers and 2000 automotive electricians’ (Burgess, M: Pop the Bonnet, Courier Mail, 3 November 2018). The most recent automotive value chain data (Directions in Australia’s automotive industry – an Industry Report, on behalf of independent State and Territory Motor Trades Associations 2017) indicated ‘Skill shortages are at their highest levels ever recorded, with a total shortage of 27,377 skilled personnel. This shortage is forecast to grow to 35,083 during 2017/18 before moderating to 31,202 in 2018/19.’

As at September 2018, in Queensland there were 5,512 automotive sector apprentices in training. The Queensland Training Ombudsman’s January 2018 *Review of group training arrangements in Queensland* identified that from 2010 to 2017 the automotive sector as having a continuing need for apprentices and having a relatively stable line of apprenticeship requirements. In the context of the priority skills shortages, ‘the apprentices in training pipeline’ has an insufficient capacity to meet the forecast demand of the automotive value chain.

The MTAI was established in 1975 to provide the automotive sector with the skill sets required to meet projected current and future demands, but has experienced challenges in meeting these goals because of the diffidence of students towards apprenticeships and traineeships. The MTAI is the premier provider of automotive vocational training in Queensland delivering leading edge courses to students and ins supplying a skilled workforce for the automotive value chain and related industries.

The phenomena of the declining student interest in apprenticeships and traineeships has been the subject of a number of federal and state government reviews and investigative fora. Our considered view based on experience, is that there must be recognition by policy-makers of the foundational educational

requirements for students to enter the automotive trades. Entry points into the automotive industry from school lacks transparency. The general view is that there is a need for these to be promoted and highlighted. Vocational Education and Training (VET) in schools is one of these entry points and industry has reported there is a predisposition that highly credentialed applicants are not entering the industry through this trade pathway due to a lack of definition about the prerequisites for applicants to succeed in this vocation.

There must be a paradigm shift towards secondary school students having the pre-requisite knowledge of the academic requirements (science, technology, english and mathematics (STEM)) to enter the trades equivalent to those required to matriculate for an undergraduate qualification. Unlike a university degree, ranking is not relevant for students to enter a technical course or apprenticeship.

Anecdotal information indicates that schools do not effectively promote the skills requirements or the academic qualifications required for students to enter the trades. We strongly support Professor Billett's statements: 'we need to change negative views of the jobs VET and education serves to make it a good post-school option', and 'schools should better inform young people about VET as a post-school option and include entrance into VET as an important performance indicator' (Professor of Adult and Vocational Education Griffith University Stephen Billett, The Conversation: October 4 2018).

To achieve this outcome in addition the announcements you have made the MTA Queensland recommends your consideration of the following to be included in your policy framework:

- Establishing defined academic pathways incorporating gradings and authority subjects (STEM) enabling secondary students to enter apprenticeships with greater confidence, enhanced capability to complete courses and successfully to qualify as tradespersons in their selected automotive fields;
- addressing the pre-requisite academic requirements e.g. the foundation skills of literacy, numeracy and digital proficiency for a secondary school student to enter or complete a trade apprenticeship;
- resourcing the apprenticeship and traineeship system with the learning environments and the instructors with the skill sets to equip students for the new industry dynamics which includes the emerging technologies, digital literacy, innovation, and automation; and
- the recognition of the 'automotive value chain' as a 'key industry area'.

To ensure the forecast demands for human capital in Australia's economy are met there must be ongoing recognition and support by the government for quality vocational training delivered by Registered Training Organisations and accessible in all jurisdictions of the Commonwealth.

Automotive fleet

Australia's automotive fleet over the next two decades will transition from internal combustion engines (ICEVs) to Plug-in electric vehicles (PIEVs), Battery electric vehicles (BEVs) and hydrogen fuel cell vehicles. The Australian Bureau of Statistics Motor Vehicle Census 31 January 2018 indicated that there were 19.2 million registered motor vehicles in Australia. The average age of vehicles in the national fleet was 10.1 years in 2018, substantially unchanged from 2015.

Approximately one million new motor vehicles are sold nationally each year. The common political policy across the major parties envisages electric vehicles (EVs) occupying at least half of the new car market by 2030. Such approach is supported by the Association if it is premised on the free operation of market supply and demand drivers.

Government agencies have done much 'mobility' preparatory policy work for the introduction of non-fossil fuel vehicles into Australia's automotive market. The MTA Queensland has been a conscientious and consistent supporter of the introduction of alternatively powered vehicles lodging written submissions and participating in fora whenever such an opportunity arises. It is critical in the election policy process that the

impacts of the uptake on government fiscal programs, infrastructure programs, industry restructure and consumer cost and benefits of the uptake of PIEVs, BEVs and hydrogen fuel cell vehicles are clearly articulated e.g.:

- federal budgets e.g. decline in fuel excise revenues;
- taxation reform: e.g. the abolition of the Luxury Car Tax which is an impediment to the up-take of EVs;
- state budgets e.g. adjustments to registration and insurance fees;
- impact margin calls on the financing arrangements floor plans as the values of ICEVs depreciate;
- franchised dealers e.g. adjusting to sales of EVs without a 'trade-in' of an ICEVs;
- second-hand dealers e.g. adjusting to an over-supply of second-hand ICEVs and business closures;
- recycling businesses e.g. the disposal of some 20 million ICEVs over the longer term;
- finance and insurance brokers e.g. the decline in value of ICEVs;
- collateral consumer issues e.g. decline in value of the ICEV as an asset;
- Infrastructure roll out e.g. charging stations and road reform for connected vehicles;
- environmental benefits e.g. the uptake of EVs will significantly reduce carbon emissions; and
- environmental consequences for the disposal of end of life batteries from EVs.

The economic and social challenges and the technological dynamics associated with 'mobility' has been a priority consideration for the MTA Queensland. The Association has collaborated with stakeholders including academia to progress understanding of the emerging technologies and digital disruptions so the membership and the automotive value chain generally can access the intellectual capital needed to meet the future demands of the sector; have the capability to adjust business models to the new sectoral business dynamics; and create a new and more effective business modus operandi. This collaboration formed the basis for three *Carmageddon* symposiums to provide sectoral leadership with an advanced understanding of present and future disrupters to the value chain, to bridge the knowledge gap on the digital economy and the emerging technologies in this sector and highlight the need for a skilled workforce to service industry demands.

On a practical basis, the Association established a mobility/transportation/automotive innovation hub (MTA/iQ) the first in Australia specifically directed towards advanced automotive technologies - at the MTA Queensland's Jack Brabham Automotive Centre of Excellence. The objective of the hub, is to equip members so they are prepared for the consequences of digital disruption, better able to manage the impact of emerging technologies and to equip start-ups to pursue innovations relevant to the automotive sector.

Small / Medium Business support

The MTA Queensland was a contributor to the House of Representatives Standing Committee on Economics and has presented extensive evidence before that Committee. We support the key recommendations of that Committee which reported earlier this month:

- reducing the company tax rate in Australia to 25 percent for all companies by 2026-27
- setting the instant asset write-off at \$25,000 for SMEs on an ongoing basis (the Federal 9 April Budget increased the instant asset write-off to \$30,000 for the coming financial year and is welcomed)
- continuing the Australian Government's focus on improving electricity reliability and price
- reviewing the Export Market Development Grants scheme to ensure that the level of funding is sufficient to assist local small and medium-sized Australian businesses to increase their engagement in the global marketplace
- enhancing National Broadband Network customer outcomes
- continuing to streamline business engagement with government through projects such as the National Business Simplification Initiative

- considering options for streamlining small business engagement with government on workplace relations matters to foster an environment that encourages businesses to take on that first employee then more employees in order to grow their businesses
- considering recommitting to the National Science and Innovation Agenda for another four years.

Over the duration of the next government, the MTA Queensland urges a comprehensive and broad reform of taxation, workplace relations regimes, and all business-related policies to cut red tape and costs encouraging productivity improvements and entrepreneurialism.

For the motor trades sector compliance costs and regulatory obligations are major imposts. The incoming government should strive to make “red tape reduction” a priority to facilitate productivity and stimulate economic growth. It would be highly desirable for all proposed government regulations to be accompanied by a Business/Consumer Impact Statement.

Regulatory entities such as the Australian Competition and Consumer Commission, Fair Work Australia and the Board of Taxation decisions, rulings and determinations have a marginally more profound impact on the small / medium business sector. The Association lends its strong support for the initiative to give small business a greater voice in economic decision making by mandating representation on key regulatory bodies affecting small business.

Workplace Relations

It would be highly desirable for amendments to be made to the *Fair Work Act* to support productivity and job growth by removing disincentives. The unfair dismissal laws and the general protection claims in the *Fair Work Act* should be reviewed to remove the onerous requirements on small / medium businesses in relation to the dismissal of an employee. The current unfair dismissal measures impact on small / medium business owners and make them overly cautious to employ, therefore limiting job creation.

Taxation

The taxation system must be fair and equitable to business and their employees. Within this framework taxation levels should be maintained as low as possible to stimulate business and employment growth and to generate economic growth with benefits for the Australian economy and community with benefits for Australia’s economy.

Infrastructure

The sequence of drought, floods and cyclones in recent years have accelerated the physical depreciation of the national highway infrastructure. Inefficient road infrastructure detrimentally impacts productivity and imposes unnecessary and avoidable costs through delays to logistics, damages vehicles and are detrimental to safety. Ongoing funding to upgrade and maintain the essential national highways is critical for safety, connectivity, wellbeing and productivity.

Energy Policy

Over the past twelve months energy affordability (electricity and gas) has emerged as major concerns for the automotive value chain. This has been so concerning that the Association established a relationship with a vendor neutral broker to procure electricity and gas rates on behalf of groups and businesses that are members. Evidence to hand, indicates that under the arrangement, some businesses have achieved significant power cost savings.

Essentially, the supply of energy is a State responsibility. The Australian government’s role in reviewing holistically the regulatory, economic, investment and technology factors that impede the delivery of sustainable, affordable and secure energy sources for industry and consumers alike is applauded. There is a strong case for ongoing oversight of energy policy to ensure that it is equitable affordable for all consumers

- industry, business and households. This is a matter that impacts our national interest and affects our national security and therefore the Association welcomes the Commonwealth's leadership in this regard.

MTA Queensland Background

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 15,500 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$20 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.

Australia's first automotive hub, the MTA/Q, has been established in specially prepared space at the corporate office. The hub is an eco-system that supports innovation for the automotive industry.

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 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brett Dale', is positioned above the typed name.

Dr Brett Dale DBA
Group Chief Executive Officer
MTA Queensland