



22 January 2020

Hon Jacklyn Trad MP
Member for South Brisbane
Deputy Premier
Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships
GPO Box 611
Brisbane Qld 4001

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Dear Treasurer

MTA Queensland Priorities - Pre-budget Submission - the 2020-21 Q'ld Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) submits issues and priorities on behalf of the State's automotive value chain for your consideration in drafting the 2020-21 State Budget. Our comments are confined to matters having direct relevance to businesses participating in the automotive sector. Importantly, these include the challenges of providing skilled human resources to meet current and future demand of this sector and therefore considerations of the levels of fiscal support for vocational training.

2. Budgetary Context - Economic

2.1 The State Budget will be brought down in circumstances where the national economy is facing head winds, and the international economy has to weather the vagaries of the China/United States trade tensions which appear to have some resolution.

2.2 The recent major natural bushfire disasters in New South Wales, Victoria and South Australia are likely to attract Commonwealth fiscal priority attraction. This leaves Queensland to contend with the ravages of drought and the aftermath for bushfires and previous cyclone damage.

2.3 The MTA Queensland as a registered organisation of employers recognises the Queensland Treasury's economic projections in the Mid-Year Fiscal and Economic Review which forecasts economic growth for 19-20 will be 2.50 per cent and rising in 2020-21 to 2.75 per cent. This suggests that the rate of economic growth for the next financial year is likely to be slightly below the long-term trend and a continuing weakness in consumer demand is likely to put pressure on the rate of employment across most sectors of the economy.

2.4 The forecast economic indicators suggest that the moderate economic performance will be transmitted to regional and rural economies by the sustained adverse climatic conditions impacting agricultural performances, as Queensland transitions to a more broadly based economy following the contraction in investment in the State's resource sector.

Motor Trades Association Queensland

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2.5 Queensland's projected Net Financial Liabilities continue as a source of concern with public sector debt forecast to reach \$91.8 billion by 2020-21. The implementation of a debt retirement plan through the Queensland Future Fund set a pathway that enables total borrowings to be responsibly managed. The debt servicing, however, imposes limits on the government's scope to implement budget priorities.

2.6 There is a general view that the level of public sector debt significantly impacts the government's ability to fund: new public sector infrastructure; enhance services delivery; support rehabilitation after natural disaster; and the other budget priorities that confront this state from time to time.

2.7 The automotive value chain looks to the State Budget to provide certainty in the economic environment; increase consumer and business confidence; and to stimulate economic growth so that the private sector is encouraged to commit to new investments and increased employment.

3. Budgetary Context - Automotive value chain

3.1 In common with Australia's retail sector and the national automotive market, the State's automotive value chain is experiencing a sustained weakness in consumer demand with year on year sales figures showing a 9 per cent contraction in demand for new motor vehicles. It appears this pattern in consumer demand will challenge the automotive sector in 2020-21 and is likely to persist over the budget cycle.

3.2 The Association does request that government take account of the contribution the automotive industry makes to the economic performance of the State. The impact that is made through logistics transport; private transport; servicing through the support businesses of fuel retailing and delivery; tyre, wheel and battery fitting; the provision of mechanical, diagnostic, panel beating services; and the contributions of franchised vehicle dealerships. These are essential to the operation, further development and growth of urban and regional economies as well as lead sectors particularly tourism, agriculture, resources and construction.

3.2 The automotive value chain is facing ongoing restructuring following the dismantling of Australia's automotive manufacturing industry. In addition, the automotive sector will face both economic rationalisation and economic opportunities from wide ranging disruption arising from emerging vehicle technologies.

3.3 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, continuing skills shortages, and Federal, State and Local Government charges that result in cost drag.

3.4 The view within Queensland's automotive value chain is that conditions are possibly the most demanding experienced since the mid-21st century without signs of improvement in the near term. In these circumstances it would be appropriate for the State Budget to reflect the severity of economic conditions and provide significant relief from taxes and stamp duties in order to stimulate consumer demand and underpin economic growth to ensure any further deterioration is avoided.

4 Priorities

4.1 Any ranking of priority issues for the automotive value sector would categorise “*Skilling and workforce*” amongst the most significant items.

Training

4.1.1 The MTA Queensland’s commitment to training acknowledges the status of this priority, as does the commitment of significant financial and human resources to developing advanced and efficient automotive trade training infrastructure and capability in this State. The Association’s training model is delivering the current and future skills base that is needed to service the State’s economic growth into the future.

4.1.2. The automotive value chain is in a technological transitional phase, transforming from the internal combustion engine to the uptake of hybrid, plug-in-electric; partial autonomous; and fully autonomous technology options. Skillsets must evolve with the emerging technologies to service both the sector and consumers. The information from employers is that there is an absence of skills to meet the demand. There are inhibiting factors in attracting students to the automotive value chain trades. As stated in previous submissions to State Agencies, there must be increased emphasis on the pathways that identify to high school students the prerequisite competencies of numeracy, literacy, and technology to pursue a traineeship/apprenticeship and a trade career. This would ameliorate the high drop-out rate at the high-level certifications.

4.1.3 The Association recognises that the future lies in the skills that are instilled in the successors of the present technicians and the managers of the automotive value chain. Five initiatives are proposed for this purpose:

(1) Autocamp support and funding for school holiday pilot programs. These are non-accredited courses for male and female school students aged between 14-17 years conducted over three consecutive days and limited to class sizes of twenty. The MTA Institute has held five auto camps to provide students with prerequisite auto trade competencies advice and hands-on experience in a range of different automotive skills, from emerging technology such as Hybrid/Electric Vehicles to the principles and maintenance of automotive assets. Programs have been oversubscribed and feedback indicates they provide relevant experience for students that have an interest in an auto value chain career such as electronics, engineering, manufacturing etc.

(2) Mentoring program funding. These programs invest in matching people to jobs and facilitating the apprentice’s/trainees’ progression. A recent national program secured significant benefits for individual participants and for Queensland’s automotive 1st and 2nd year apprentices; achieving an overall retention rate of 81 per cent. The outstanding results from the mentoring program warrants consideration of broader application and fiscal support by the State.

(3) Maintain current investment in priority 1 and 2 qualifications, and ensure that funding is responsive to technological change by recognising global trends through higher levels skills investment (i.e. skill sets and non-accredited training).

(4) Provision of incentives for qualified trades persons to become Vocational Education and Training (VET) trainers/assessors to enable increased access to a skilled and decentralised VET workforce to train the future Queensland workforce.

(5) Funding support to existing skills programs that include:

- Promotion of skills for entrepreneurship/innovation
- Inclusion programs (i.e. support of women in trades)
- Engagement with employers on skills utilisation and productivity

4.1.4 The MTA Institute supports businesses in regional and remote areas of Queensland with opportunities to obtain additional qualifications, accreditations and skills. The State Training Budget must recognise the quality training undertaken by Registered Training Organisations such as the MTA Institute in servicing the needs of the motor trades across Queensland and the critical role RTOs perform in the State's economy.

4.1.5 The Association will continue to work closely with government and its relevant agencies to ensure that the delivery of automotive training complements both demands of the government's economic and industry policies and meets the skilling needs of the automotive value chain.

Innovation Programs

4.1.6 The Association supports the government's policies and programs to diversify the economy, create employment and the head line Advance Queensland Fund/Program to facilitate investing in the state's future by harnessing innovation.

4.1.7 The MTAiQ (Innovation Hub) within the MTA Queensland precinct incorporates a community of entrepreneurial minds that coalesce, collaborate and develop ideas into commercial outcomes for the automotive sector. Established in November 2017 it assists existing and new start-up automotive businesses to develop business models to capitalise on those opportunities linked to new technology. It is geared solely at the automotive industry and has been pivotal in the development of new innovations such as refueller and the ACE electric vehicle cargo van.

4.1.8 The government has a suite of grants programs applicable to small business and for start-ups at various phases of development. The feedback is that the grants programs relative to start-ups are narrow in their application, time restricted and onerous. The MTA Queensland submits as a priority that the government revisit grants programs that apply to start-ups to make access simpler and open to availability.

Taxes, Charges, Duties

4.1.9 In view of the significantly challenging economic conditions across the declared drought and fire disaster areas, the MTA Queensland submits proposals for general application – that is, to include all business and consumers in declared drought and fire disaster areas:

(1) Near term relief by substantially discounting business and private vehicle registration fees for twelve months commencing from the beginning of 2020-21 financial year. The feedback from businesses in these areas, is that there is substantial cancellations of service, repairs and orders. Only work that is necessary is being booked in or service provided. New and pre-owned motor vehicle sales have stalled and agricultural Farm Machinery Dealerships in Queensland they are experiencing their toughest period in history.

(2) A moratorium on stamp duties levied on general insurance policies, workers compensation, and motor vehicle insurance policies for twelve months commencing from beginning of the 2020-21 financial year for business and consumers in declared drought and fire disaster areas.

(3) The abolition of the premium motor vehicle duties introduced on 1 July 2018 which effectively increased the amount of vehicle registration duty payable on vehicles valued above \$100,000 by \$2 per \$100 of dutiable value (excludes heavy vehicles).

(4) With the exception of adjustments for inflation, other taxes, fees and duties should not be increased.

6 Conclusion

6.1 The Association reiterates that within the Queensland automotive value chain business conditions are the most demanding experienced since the mid-21st century and without any signs of improvement in the near term. Business confidence is subdued. The State Budget should reflect the severe economic circumstances and provide relief from taxes, fees, charges and duties to stimulate consumer demand and support economic growth.

6. The MTA Queensland background

6.1 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.

6.2 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.

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

6.4 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.

Thank you for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Dale". The signature is fluid and cursive, with a small horizontal line at the end.

Dr Brett Dale DBA
Group Chief Executive
MTA Queensland