



MTA*i*Q | **LEADING AUTOMOTIVE INNOVATION**

SUBMISSION

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Committee Secretary

Education, Employment and Training Committee

Parliament House

Brisbane QLD 4000

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Review of Trading (Allowable Hours) Act 1990

Introduction

The Motor Trades Association of Queensland (MTA Queensland) welcomes the opportunity to provide input to the *Review of Trading (Allowable Hours) Act 1990*. With a membership that spans the broad motor industry across the state, trading hours are an important consideration for MTA Queensland.

The overall changes made to the Act in 2017 brought a simplification of trading hour arrangements that were overwhelmingly welcomed across the industry in Queensland. At the same time MTA Queensland was grateful that existing motor vehicle sales trading hours arrangements, as provided for in the 1990 *Trading Hours – Non-Exempt Shops Selling Motor Vehicles State Order*, were retained.

The decision to retain the existing motor vehicle sales arrangements, that essentially preclude Sunday trading by motor vehicle (and caravan) dealers, reflected not only the likely adverse impact of any extension of trading hours on businesses and their employees, but also a changing motor vehicle sales market that is providing customers with ever increasing options to purchase a new or used vehicle.

These impacts were summarised in MTA Queensland's 2017 submission on the *Trading Hours (Allowable Hours) Amendment Bill*. A copy of that submission is attached.

Since the 2017 Review, changes to the motor vehicle sales market have accelerated. The shift to, and enhancement of, internet sales platforms by manufacturers and dealerships has grown along with customers' use of the internet to research and 'narrow down' their choice of vehicle.

At the same time the industry has come under significant financial pressure as a result of the COVID-19 pandemic and continuing tightening of operating margins. Had Sunday trading been in place there is little doubt there would have been a much greater impact on the industry.

With the more recent upheaval in the labour market as a consequence of COVID-19, the absence of Sunday trading has assisting in retaining staff that might otherwise have left for industries that allow a better work-life balance.

These changes, along with a more fundamental restructuring of the industry as a result of global technological advances and climate policies will result in a very challenging motor vehicle market over the coming years.

In these circumstances MTA Queensland believes that any extension of trading hours to permit Sunday trading would be detrimental to impacted businesses and their employees whilst not providing any meaningful benefit to customers. MTA Queensland's submission focuses on this matter.

Issues

Increased consumer purchase options

In its 2017 submission to the *Trading (Allowable Hours) Amendment Bill*, MTA Queensland identified the increasing use of alternative motor vehicle sales platforms. Since that time the use of the internet by manufactures, dealers and customers has accelerated markedly.

A number of manufacturers now market and sell their new vehicles (or at least some models) through the internet, which reduces the need for physical showrooms to be visited by customers on multiple occasions. While attending the dealership to finalise a customer's purchase and provide the vehicle delivery orientation is still valuable, the advances in internet capability means customers are able to take a 'virtual' inspection and test drive. This shift to online research, inspection and some sales has been accelerated by the recent introduction to

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the market of electric vehicles. A new product and marketing paradigm is sweeping the industry.

The recent adoption of the agency sales model by a number of manufactures (e.g., Honda, Mercedes Benz) also means customer engagement is increasingly through vehicle manufacturers with dealerships more responsible for vehicle delivery and service and repair.

The internet, in part, has also sparked an increase in the role of brokers and other intermediaries negotiating the purchase and/or salary packaging of vehicles on behalf of customers.

The net result of these changes means customers are visiting used and new vehicle dealerships on fewer occasions. While attending a dealership to finalise a purchase is still an important and valuable aspect of the customer relationship, feedback from members indicates these changes are having a significant impact on dealership 'foot traffic'. It is no surprise, then, that members report little interest from customers to expand trading hours or to trade on Sundays. The current arrangements are overwhelmingly meeting customer needs.

Increased costs - not increased sales or employment

Partly as a consequence of the fundamental changes sweeping the industry a significant consolidation is underway. The number of vehicle dealerships has declined in recent years. The decision by General Motors in 2020 to exit the Australian new vehicle market exacerbated this trend. The more recent decision by Honda Australia to adopt the agency model has seen its dealer numbers slashed. These decisions have impacted the viability of some dealership showrooms and car yards.

The additional costs of Sunday trading would add to what has been a deteriorating financial environment as a result of increasing cost burdens and declining revenue sources. A national study by Deloitte has highlighted new dealer profit margins decreased from 2.2 per cent in 2015 to 0.9 per in 2019. More than a third operated at a loss in 2019.

Like many other businesses the industry was significantly impacted by COVID-19. While there has been some recent improvement in business conditions following the disruption caused by COVID-19, vehicle sales nationally remain at pre-pandemic levels. Members also have concerns around the medium-term outlook for new and used car sales once government stimulus measures (like accelerated vehicle depreciation) cease.

The very strong advice from members outlined in MTA Queensland's 2017 submission was that any expansion to permit Sunday trading would simply spread existing sales volumes whilst incurring additional staffing and other operating costs. This remains the case.

Aggravating skill shortages

At this time of major disruption to the labour market as a consequence of the pandemic, members also report difficulties in attracting and retaining staff to support existing trading

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hours. The costs of recruiting, training and staffing to meet additional Sunday trading hours would simply add to these difficulties. Sales staff, for example, need to be licensed in Queensland which entails the completion of accredited units from nationally recognised training programs. These costs would need to be borne by dealerships and/or staff.

The requirement to find additional staff to operate on Sundays would simply add to existing skill shortages that have been building for a number of years and aggravated by COVID-19. MTA Queensland's national counterpart, the Motor Trades Association of Australia, in its *Directions in the Automotive Industry* report highlighted that 52% of automotive businesses in Australia are experiencing a shortage of skilled labour. Some 57% of businesses in Queensland are experiencing skills shortages. The shortages are greater still in regional areas (60%).

While the shortages are greatest among automotive technicians, there is also a shortage of motor vehicle salespeople and motor vehicle parts and accessories salespeople. These are the staff most likely to be required to work on Sundays.

Members have also expressed concern at the impact on sales employees who already work long hours. Any expansion to Sunday trading would adversely impact work-life balance for dealers and their staff. This would be felt particularly amongst smaller and family-owned businesses.

Because skill shortages are currently a feature of many sectors of the economy, there is real concern that employees who do not wish to work on Sundays will move to other industries where there is a better work-life balance. This will simply add to the burden of trading on Sundays.

No choice but to trade on Sundays

While dealers would have the option of trading (or not) on a Sunday were it legislated, the reality is that the very competitive nature of the industry (highlighted above) would compel them to pursue Sunday trading despite the financial implications.

It is also the case that vehicle manufacturer franchise agreements generally require their dealers to operate during legislated trading hours. Even for those dealers whose brands do not have such terms, the 'control' manufacturers exercise means they can vary agreements with little 'push back' due to the power imbalance between manufacturers and new car dealers in Australia.

If Sunday trading was legislated in Queensland there is little doubt new car dealerships would come under pressure to open on Sundays and this would likely have a knock-on effect across all dealership types. This has been the experience elsewhere in the country.

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Increased trading hours not supported by the industry or employees

To inform its previous submission on this matter, MTA Queensland undertook a survey of its relevant members on trading hours. This survey indicated 90% support for the retention of the existing Vehicle Order. Direct feedback from industry members and employees to the previous review also overwhelmingly supported the retention of the existing trading hours. Current advice from MTA Queensland's new and used car divisions indicates 96% support no change to trading hours.

Many dealers and their also play an important role in supporting their communities. Any expansion to Sunday trading may adversely impact these relationships, particularly in regional communities.

Recommendations

No changes to motor vehicle sales trading hours. The provisions included in the 1990 *Trading Hours – Non-Exempt Shops Selling Motor Vehicles State Order* should be retained.

Any further consideration of motor vehicle sales trading hours be undertaken in consultation with the industry and include detailed social and economic impact assessments.

Background

The Motor Trades Association of Queensland (**MTA Queensland**) is the peak body representing the interests of employers in the retail, repair, and service sectors of Queensland's automotive industry. MTA Queensland has been performing its vital representative role for the automotive industry since 1929. In Queensland there are some 15,500 automotive businesses employing more than 90,000 people, that generate more than \$20 billion annually. The Association represents and promotes issues of relevance to all levels of government. In 2019 MTA Queensland was announced as an ABA100 winner in The Australian Business Awards and a finalist in the Lord Mayor's Business Awards, for Business Innovation.

The **MTA Institute (RTO 31529)** is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket sectors of the automotive industry. The MTA Institute is the largest independent automotive training provider in Queensland, employing experienced trainers who are geographically dispersed from Cairns to the Gold Coast and Toowoomba to Emerald. In the last year, the MTA Institute delivered accredited courses to more than 2,000 students. The MTA Institute is the first trade RTO in Australia to be approved under the ITECA Industry Certification Program and was the winner of the Small Training Provider of the Year at the 2019 Queensland Training Awards.

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MTAiQ, Australia's first automotive innovation hub established by MTA Queensland in 2017, is an eco-system that supports innovation and research for the motor trades.

Yours sincerely



Rod Camm
Group Chief Executive Officer