



21th May 2019

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

Email: treasurer@ministerial.qld.gov.au

Dear Treasurer

MTA Queensland Priorities - Pre-budget Submission - the 2019-2020 QLD Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) appreciates this opportunity to submit issues relative to the state's automotive value chain for consideration in drafting the 2019-20 State Budget. These comments are confined to matters that have direct relevance to the performance of the State's automotive industry value chain and business priorities which includes enhanced vocational training and increased apprenticeship take-ups.

2. Budgetary Context – Public Sector

2.1 The December 2018 Mid-Year Fiscal and Economic Review projected the state's economy would grow 3 percent in 2018-19 and 2¾ percent in 2019-20. This is consistent with the Reserve Bank Board's May 2019 Monetary Policy Statement forecast for the national economy to grow by around 2¾ per cent in 2019 and 2020.

2.2 The 2018-19 State Budget revised forecast of a net operating surplus of \$524 million, is an improvement from the \$148 million forecast in June. This is a positive outcome, largely achieved because of the forecast increase in coal royalties of \$749 million – up from \$3.522 billion to \$4.261 billion. The Queensland Resources Council has estimated that for the period to 2020-2021, coal royalties have been revised upwards by an estimated \$1.8 billion. Offsetting the projected increases in coal royalties is the forecast reduction in GST revenues of more than \$770 million over the 2021-22 period.

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

2.3 Queensland's accumulated debt position (General Government and Public Non-financial Corporations sector) is forecast to reach \$83.9 billion by 2021 -2022. The considered view within the automotive and related industry sectors is that this level of this debt is substantial and a concern considering the size of the State. This will have consequences for fiscal management including reduced government options for investment in new infrastructure and social overhead capital, the provisions of for contingencies for natural disasters or other merit order state priorities. A transparent public sector debt reduction strategy is needed to ultimately provide relief from the limitations that debt servicing places on budget priorities.

3. Budgetary Context - Automotive value chain

3.1 The automotive value chain is experiencing significant disruptions that are both structural and technological. The structural disruption has the consequence of impacting the business model that has underpinned dealership economics. Perhaps the most profound impact will be the fading and diminution of prime marketing areas by the impact of electronically based transactions. Although franchise agreements are likely to continue as the basis for spatial market zoning, there is no longer legal or economic enforceability for this zoning.

3.2 There is the likelihood that increasingly the economies of scale required to sustain profitability in the automotive industry will come under threat. This is likely to lead to further economic consolidation. Spatially, the value of real estate is changing significantly and dramatically in the capital cities. The opportunity costs of continuing to hold large vehicle inventories on valuable sites will be a difficult business decision to justify.

3.3 The current development of an automotive precinct at the Brisbane airport is likely to focus much of the value chain on this hub. Ultimately, this will have the effect of converting existing suburban dealerships for one brand into boutique showrooms for multiple brands. The hub at the airport will have at its disposal innovative physical and electronic marketing infrastructure. This will link into a virtual online world seamlessly connecting the various showrooms and service facilities with each other and with customers either at home or within a specific business property. Pop-up dealerships/stores are trading in some of major retail centres and this trend is likely to intensify in the future.

3.4 In respect of technology disruptions, the change from fossil fuels as the main energy source for transportation and the progressive displacement of the internal combustion engine means that society and the economy will undergo fundamental transformations. The advent of plug-in electric cars, hybrid vehicles and autonomous vehicles is likely to impose quite profound changes on the automotive value chain's business model that has stood since the mid twentieth century.

3.5 In the MTA Queensland's 2018-19 Budget submission, we expressed a view that business conditions within the Queensland automotive value chain were slowly returning to the long-term trend. At this time, prior to the 2019-20 Queensland State Budget, the economic outlook for motor trade businesses is subdued. Reasons for this are several and include: constrained consumer spending; the tightening of lending practices, environmental factors such as drought and flood; the transformations underway from internal combustion engine vehicles to plug-in and battery electric vehicles and hydrogen fuel cell vehicles; and the price and range of electric vehicles on the market.

3.6 New vehicle sales are an economic indicator of household, business, and industry consumer sentiments and demand. For the first quarter of 2019 relative to same period in 2018, new motor vehicle sales fell 5.9 percent equal to 3,374 units. Nationally, for the same period the decline was 7.9 percent or 265,538 units which was the lowest level of sales activity for the first quarter since 2014. New motor vehicle sales have shown a consistent decline month on month over the past year.

4. Priorities

4.1 The priority issues for the MTA Queensland include:

Small and Medium enterprises (S&ME)

4.1.1 The 2018-19 Queensland State Budget included initiatives to grow the S&ME sector through the Advancing Small Business Queensland Strategy. It is our experience the Small Business Digital Grants Program; and Small Business Entrepreneur Grants Program have proven to be helpful to those Association members who have taken advantages of these facilities.

4.1.2 As indicated in 3.5, the economic outlook for motor trades' businesses is subdued for a combination of factors that include the significant technological and digital transformations and disruptions occurring in the sector. The forecast is this circumstance will continue in the longer term and the disruption is likely to become more profound.

4.1.3 To assist the automotive sector's medium scale business enterprises, the Association supports the continuation of initiatives under the Advancing Small Business Queensland Strategy. Priorities to assist the automotive value chain to transition the disruptions associated with global digital and technological revolution over the longer term include:

- lifting the payroll exemption threshold particularly for medium scale businesses;
- with the exception of adjustments for inflation, taxes and fees; stamp duties should remain unchanged until business conditions normalise. The MTA Queensland specifically requests consideration for a moratorium on the imposition of stamp duties on business and household insurance policies.

4.1.4 Although not a part of the budget process, attention is drawn to costs that are a drag on business performance and as a consequence an impediment on productivity and employment:

- Energy costs (electricity and gas) have escalated to levels where they impact the viability of many businesses.
- Natural disasters have driven a surge in insurance premium costs. Members, particularly in the north, are reporting that the affordability of insurance and increasing premiums is a major business consideration and a threat to business sustainability.

Regulations

4.1.5 Sector regulation occurs across the three levels of government for the automotive value chain. Regulatory requirements have increased exponentially in line with digitisation, transparency and legislative obligations. Each level of government implements programs to reduce red tape, but the outcomes are comprised by new waves of statutory compliance requirements.

4.1.6 Economic efficiency and productivity must be an important priority in determining regulatory requirements. A thorough and on-going review of all business regulations is needed to determine those that are unnecessary or simply nuisance measures without clear benefit and these should be repealed as a matter of priority.

4.1.7 As a general submission, the MTA Queensland urges where appropriate, the harmonisation of regulations for the automotive sector across the States and Territories of the Commonwealth.

Industry Skills and Training

4.1.8 The MTA Queensland's commitment to training is an important priority, having invested significant financial and human resources to developing the most advanced and efficient trade training infrastructure and capability in the State. The MTA Institute (MTAI) had its genesis in 1975 and over the past 44 years has consistently delivered leading edge trade courses to students providing the automotive value chain with a skilled workforce to service the State's automotive private and commercial transport fleets and industrial machinery sectors.

4.1.9 The MTAI model is delivering the skills base to service both internal combustion engined vehicles and plug-in electric cars, hybrid vehicles and autonomous vehicles for the transport logistics needed to service the economic growth aspirations that the government envisages for this State.

4.1.10. Over the past year we have engaged with *Jobs Queensland* on the future of work and the role of vocational education and training participating in fora and presenting detailed submissions. The recent *Expert Review of Australia's Vocational Education and Training System* (The Review) is instructive in detailing the contribution of Registered Training Organisations (RTO) in Vocational Education and Training (VET). For example:

- Over 60 per cent of all VET students received their training at a private RTO in 2017. The next largest group were trained at Technical and Further Education institutions (TAFE) (16 per cent). Conversely, around 30 per cent of students who were studying a VET qualification did so at a TAFE.
- TAFEs received around 72 per cent of government funding in 2017 and trained about 49 per cent of total government-funded VET students. Non-TAFE providers received about 28 per cent of government funding and trained just over half of government-funded students.
- In terms of student cohort size, TAFEs had the largest student cohorts with an average estimated 16,600 students per TAFE compared with an average of 808 students per private RTO. However, there are also private RTOs with large student cohorts.

4.1.11 The MTA Queensland, as an independent RTO, draws attention to the finding that independent RTO's receive less funding than TAFEs, however trains over half of the government funded students.

4.1.12 From our perspective, we agree with the Review's concept (Simpler funding and skills matching, chapter 5, p. 66) 'the current funding arrangements for vocational education and training are a major frustration for RTOs, industries, employers and apprenticeship coordinators.' We support recommendation 5.1 from the Review which states that:

The Commonwealth and the States and Territories agree to develop a simpler, nationally consistent funding policy for all government-subsidised qualifications, which provides confidence and certainty to trainees, industry, employers and all funded providers, public or private.

4.1.13 The MTA Queensland draws attention to the funding per training hour of \$11.91 for Certificate III in Light Vehicle Mechanical Technology which is the primary qualification in the Automotive, Retail, Service and Repair Training Package. The general policy is for funding per training hour to be increased by the equivalent of the consumer price index (CPI). We submit that consideration be given to increasing the funding per training hour above the CPI at a time when training to manage a paradigm technological change is a critical component in the training syllabus.

4.1.14 In the Association's 2018-19 submission, we expressed a concern Queensland is without a State-based auto skill training advisory entity to advise the strategic national industry committee on the State's auto training demands and the investment for heavy vehicles, commercial road transport, public road transport buses and heavy machinery. It is our experience that this omission impedes training outcomes for the automotive sector in this State. The MTA Queensland submits as a priority that a State-based auto-skills training advisory entity be funded and established to advise the strategic national industry committee on the sector's training priorities; the required investments and to gather market intelligence to enable Queensland to maintain relativity with the other States and Territories in the automotive sector.

4.1.15 The MTAI supports businesses in regional and remote areas of Queensland with opportunities to obtain additional accreditations or skills. The State Training Budget should recognise the quality training provided by RTOs such as the MTAI in servicing the needs of the motor trades across Queensland.

Innovation Programs

4.1.16 The MTA Queensland has within its precinct, established November 2017, Australia's first Automotive Innovation Hub. It has attracted a wide range of start-ups and interest from corporations in pursuing innovation programs. The Association supports the government's policies and programs to diversify the economy and create employment and the headline Advance Queensland Fund/Program to facilitate investing in the State's future by harnessing innovation. The innovation policy settings and grants programs are sound and should continue to be funded and where appropriate expanded in the up-coming budget.

5 The MTA Queensland background

5.1 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. 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.

5.2 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.

5.3 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 in excess of 35 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTA Institute last financial year provided accredited courses to in excess of 1,600 apprentices and trainees.

6 Conclusion

6.1 The MTA Queensland appreciates that the 2019-20 State Budget is framed amidst steady economic growth projections. This economic circumstance requires a light touch to any adjustments to taxes and charges or other imposts that may impair the business growth and development underway.

Thank you for your deliberation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brett Dale', with a small horizontal line at the end.

Dr Brett Dale DBA
Group Chief Executive
MTA Queensland