



1 February 2019

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

MTA Queensland pre-budget priorities – 2019-20 Federal Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) responds to the Assistant Minister for Treasury and Finance Senator the Hon Zed Seselja's invitation to submit suggested priorities for consideration in the preparation of the 2019-20 Commonwealth budget. The Association's submissions are confined to matters that have direct relevance to the automotive industry's value chain participants and their collateral business interests including vocational education and training programs.

2. Australian Government's Economic Plan

2.1 The Association supports the Government's pursuit of a responsible and prudent fiscal policy which seeks to maintain the economy's long-term growth performance and bring robust discipline to the management of public sector debt. The MTA Queensland acknowledges the major parameters of the Government's fiscal program including:

- Keeping the economy strong
- Support for small and medium-sized businesses
- Strengthening corporate and financial regulators
- Investing in infrastructure to support economic growth, assist in managing urban congestion and enhance productivity
- Resolving workforce shortages in regional and rural areas
- Placing downward pressure on power bills
- Guaranteeing essential services
- Pay down public sector debt.

3. Budgetary context

3.1 As indicated in prior year prebudget submissions, the Association has presented a strong view that there is a compelling case for wide-ranging tax reform to increase productivity. Such a reform program should have the competence to restructure the Goods and Services Tax (GST), review revenue measures to compensate for the fiscal consequences of the uptake of automated vehicles and alternatively powered vehicles on State and Commonwealth revenue receipts e.g. the decline in forecast petrol and diesel excise; maintain direct tax relativity with third country taxation regimes; and benchmark strategic peripheral and collateral business compliance costs.

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4 Comments

Instant Asset write-off

4.1 The MTA Queensland welcomes Prime Minister Morrison's 29th January 2019 instant asset write-off announcement extending the scheme to June 2020 and increasing the threshold for eligible assets purchases not exceeding \$25,000 in value. We note the intention to introduce legislation to give effect to the program when Parliament resumes.

4.2 The instant asset write-off program is utilised by motor trades' businesses to upgrade or retire superseded or obsolete hardware/software, equipment and tooling. It would be advantageous for a sector confronting digital and technological transformations, to have a more robust fiscal policy forecast to enable longer term decision making and planning across the entire budget cycle.

Access to credit small business

4.3 Access to credit from the major banking institutions is a cause for some concern as it acts as limitation to capital investment intended to enhance business capacity and facilitate technological innovation. The revelations during the Hayne Royal Commission Hearings that the nation's major financial institutions have acted inappropriately and possibly illegally in the execution of their business dealings should not result in a policy response that imposes unwarranted costs, hardships and unintended consequences on collateral small businesses.

4.4 The level of business investment in Australia in large part, is dependent on borrowings with investments financed by undistributed earnings or equity raisings which have been relatively modest. It is important that Australian businesses, particularly SMEs regain confidence in the finance system and receive assurances that investment capital and prudent business finance will continue to be available on fair and equitable terms.

4.5 The Association recognises that the Government has announced the Australian Business Securitisation Fund to invest up to \$2 billion in warehousing and the securitisation market to provide significant additional funding to smaller banks and non-bank lenders to on-lend to small business on more competitive terms.

5 Priorities for consideration

Training and Skills

5.1 The Association submits that a high priority for automotive value chains' businesses is the development of a skills base relevant to the forecast widespread uptake of autonomous and electrically powered vehicle technologies and the re-skilling of the existing internal combustion engine (ICE) workforce to service vehicles that will range from autonomous and electrical industrial and commercial transport to alternatively powered regular private and public transportation. It is our experience both as an Industrial Organisation of Employers and as a Registered Training Organisation in the motor trades sector that the supply of skills for both current and forecast motor trade technology occupations is insufficient to meet anticipated demand.

5.2 From the perspective of the MTA Queensland, the apprenticeship system remains the industry's preferred model for skills development. It is appreciated the Expert review of Australia's vocational education and training system is underway and intended to guide strategic decisions for

incorporation into the forthcoming budget and out years. It would be highly desirable for the industry training system to continue to be funded over the budget cycle and for the industry to be involved in developing training packages so that they are directly relevant to the sector.

5.3 We urge the retention of the Industry Specialist Mentoring for Australian Apprentices program for which the MTA Queensland is provider. Our experience that this is an excellent program in providing support for the development of technical skills, supporting off-the-job learning needs, career and pathway advice and confidence building.

5.4 Any new vocational education and training system initiatives in the MTA Queensland's view, need a heavy focus on policies that have the competence to address the deeply concerning decline in apprenticeship enrolments and the perceived general disinterest by contemporary student cohorts to recognise the real value of pursuing a trades-oriented career.

Luxury Car Tax

5.5 It has been the Association's strategic view, that the Luxury Car Tax (LCT) is incompatible with sound economic management and is inconsistent with the Government's stated objective to reform and restructure the taxation system to promote micro-economic reform. This tax should be abolished as the Commonwealth budget is forecast to return to surplus this financial year and the revenue imperative no longer supports its retention.

5.6 Our understanding is that the task of budget repair will be substantially completed in the forthcoming budget therefore any vestige of justification for this iniquitous task no longer exists. Further, Australia now imports its vehicle requirement and any justification for this tax derived from industry policy has been extinguished. The LCT acts as an unjustified quasi tariff that mitigates micro-economic reform. As a policy, the LCT conflicts with Free Trade Agreements e.g. South Korea, China and Japan and has the consequence of potential disputation in FTA negotiations with Great Britain.

Regulatory Reform

5.7 For the motor trades, compliance costs and regulatory obligations are a major impost and an increased focus on deregulation appears to be a worthwhile policy goal. This would be consistent with the policy focus on regulatory reform presently applying at all levels of government. Despite best efforts, seemingly the level of regulatory burden continues to escalate. There needs to be ongoing regulatory simplification to redundant, unnecessary and excessively regulatory compliance regimes and streamlining of administrative and procurement processes to enhance productivity and intranational national competitiveness.

Taxes and Charges

5.8 MTA Queensland acknowledges the prudent and responsible fiscal disciplines that require revenues to cover recurrent expenditure. In particular the Government needs to consider the pathway to transit from an excise revenue collection to a motoring user taxation base to ensure that funding for transport infrastructure can be maintained and grows in response to demand. The Association recommends that any increase in excise, duties, taxation, fees are "capped" to an increase not exceeding the national Consumer Price Index.

Energy Policy

5.9 Energy affordability (electricity and gas) continues as a major economic burden and concern for the automotive value chain. As a consequence, 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.

5.10 Essentially, the supply of energy is a State responsibility. The Australian Government's role primarily should be one of ongoing oversight of energy policy in the national interest ensuring that markets operate fairly making access certain and affordable for all consumers - industry, business and households. This is a matter that impacts our national interest affecting national security, therefore the Australian Government must take a defining leadership role.

Telecommunications

5.11 E-commerce and digital communications is now the norm rather than the exception with businesses in the automotive value chain requiring the technical requirements and competence to transact business and communicate via digital platforms. Queensland is a decentralised state and businesses from the capital to regional cities, small regional and rural towns require functional, reliable and expeditious communications infrastructure that is essential for productivity, competitiveness, compliance obligations and the transaction of business.

5.12 Businesses, consumers and individuals equally require a telecommunications network system that that can be accessed with confidence, certainty and securely. Enterprises dependent on ASDL connections need assurances that these shall remain reliable and not prone to disruption. In the 21st century mobile telephone communications should be highly efficient and 'blackspots' minimal. A telecommunications network system that functions consistently for safety purposes, business, consumers and individuals should be considered an essential service in a modern 21st century nation.

5.13 The National Broadband Network overall has not met expectations. There is an urgent need for its reputation to be restored to its original "nation building" status delivering capable and efficient infrastructure for all users.

Infrastructure

5.14 In the future, autonomous vehicles will form a significant part of the private transport fleet and mobility. In the medium to longer terms there must be investments in smart road technologies such as traffic monitoring networks that would form the essential infrastructure of a road user pricing policy for national highways and roads of national importance. The Association supports ongoing investments in road transport infrastructure that contribute to productivity, growth and social amenity.

Harmonisation of regulations and motor vehicle registration

5.15 As a general submission the MTA Queensland strongly urges the harmonisation of vehicle regulations and registrations metrics across the states and territories of the Commonwealth. This is particularly relevant in the context of the new generation of technology being introduced e.g. hybrid, plug-in-electric and autonomous vehicles. This technological revolution would benefit from harmonisation and similarly the motoring public would benefit from a standardisation of motor vehicle operating regulations.

5.15 Through the Council of Australian Governments we support a consensus that an effective programme to deregulate and to dismantle compliance regimes and costs that do not contribute to the protection of stakeholders. This should be a prioritised as an industry support measure for this sector.

6. Conclusion

6.1 The MTA Queensland's view is that the 2019-20 budget should represent a statement of the Government's fiscal priorities dominated by a confirmation that it will pursue fiscal responsibility and continue with its stated economic plan in the interest of all Australians.

7 Background

7.1 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.

7.2 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.

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

Thank you for your deliberation.

Yours sincerely



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