



MTAA



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Motor Trades Association of Australia 2020 / 2021 Budget Submission

*Driving the Australian
Economy*

An Industry partnership proposal
between the Commonwealth and
the Automotive Sector

MTAA National Industry Associations





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Foreword:

The Automotive sector and the multiple industries within it, are undergoing unprecedented structural adjustment brought about by external global influences including: automation, the rapid application of advanced technology, market consolidation and the influence of powerful dominant market participants, changing consumer behaviours to vehicle purchasing and use, and increasing pressures and demands on the automotive sector for increased action in sustainable environment and energy management.

Modern motor vehicles are now highly complex, integrated, and increasingly inter-connected products. Increased safety, efficiency, environmental, mobility and connectivity outcomes are being achieved with increasing reliance on computerisation, often with multiple global third-party Original Equipment Manufacturers (OEMs) creating and supplying technologies particularly in advanced systems and sub-system integration.

This changing environment requires new thinking and new approaches. The automotive sector and the industries in it from manufacturing, retail, service, repair, fuel, tyres, farm and industrial machinery, dismantling, and recycling, to name but a few, stand ready to help reshape Australia's ongoing reliance on road transport and how we live work and travel across our vast nation.

Change is strengthening legacy issues including: skills shortages to meet current and near future national vehicle fleet sale, service and repair demands; a coordinated and consistent approach to the identification and planning for new requirements, jobs and professions; a need to ensure fast and meaningful improvements to automotive contribution to protecting the environment and giving automotive business and Australians operating them the chance to grow.

Change is also providing significant opportunities provided policy and regulatory settings are agile and governments and industry are prepared to partner and facilitate their realisation.

MTAA Limited is the national association of participating State and Territory Motor Trades Associations and Automobile Chambers of Commerce Members, and discrete national industry associations that exist under the MTAA umbrella providing unparalleled coverage and access to the nation's automotive and related businesses. Together these businesses ensure the nation's ongoing reliance on vehicle transport and the mobility of a fleet fast approaching 20 million vehicles.

In this 2020-21 Budget Submission the MTAA and its Members suggests a government industry partnership to address critical policy and regulatory issues, increase readiness to seize opportunities, and provide consistency and surety in efforts to address the needs of a strong economy, more resilient nation, and improved wellbeing for all Australians.

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Executive Summary

The Motor Trades Association of Australia (MTAA) proposes a comprehensive funding and program delivery partnership with the Commonwealth government as the cornerstone to its Budget Submission for the 2020 / 21 fiscal year and next three to five budget cycles.

The MTAA and Members acknowledge that the Treasury is the pre-eminent economic adviser to the Government, and that its purpose is to support and implement informed decisions on policies for the good of the Australian people, consistent with achieving strong, sustainable economic growth and fiscal settings. MTAA and Members also notes the major parameters of the Government's fiscal program including:

- Building a stronger economy and securing a better future for all Australians;
- Delivering more jobs;
- Lowering taxes for hard-working Australians, backing small business and improving the integrity of the tax system;
- More support for older Australians and more investment in the healthcare system;
- More funding for education and skills;
- Investing in economic and community infrastructure;
- Reducing emissions whilst helping households and businesses lower their energy bills; and
- Taking action to support farmers and their communities to recover and rebuild after natural disasters.

While recognising the efficiencies and effectiveness of whole-of-economy strategies, processes and programs, MTAA respectfully suggests new thinking and a new approach is required to maximise success and delivery mutually beneficial outcomes. MTAA suggests this can be achieved through a determined partnership between the Commonwealth and MTAA and Members by increased scope, capacity and capability to tailor whole-of-economy programs and initiatives to specific automotive sector requirements in a funded partnership plan.

The automotive sector and industry proposal outlined in this Budget Submission identifies and prioritises key policy and regulatory work, suggests government's funding contributions and MTAA and Member contributions in return for this investment. These industry contributions will realise increases in apprenticeships, traineeships, potential development of new and emerging professions and jobs, new businesses, and deliver new programs to increase consumer safety, protection and security, better waste management and improved environmental protection.

A government / automotive sector partnership with MTAA and Members will be consistent with Government's fiscal priorities and target three critical areas:

- Training, skills and jobs
- Regulatory Reform
- Tax Reform and incentives

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The 2020/21 and subsequent Federal Budgets provides an opportunity to grow the Australian economy by driving further growth in the automotive sector and industries within it. The automotive industry needs the Federal Government to support the transition to innovative technologies such as electric and autonomous vehicle transport, whilst supporting the proper and sustainable skilling of our skilled workforce, facilitating better conditions for small and medium sized automotive businesses to grow and employ, and improving environment outcomes resulting in a stronger economy and more job opportunities.

The request of funding of more than \$33million over three budget cycles is recognised as a considerable investment, but one that will deliver significant ongoing benefits to Australians an ultimately significantly contribute to a stronger economy and sounder environment.

MTAA Members as service providers to thousands and thousands of Australian automotive businesses has very limited capacity to tackle national economy wide skilling, business improvement and policy and regulatory reform on their own. 96.5% of automotive businesses are small businesses with little to no capacity to increase financial contributions to deal with national issues of critical importance. Without adequate Commonwealth funding to facilitate meaningful reform and change, the significant opportunities and enhanced contributions to a stronger economy, sustainable environment and wellbeing of Australians cannot be realised.

Summary of Recommendations

Training, skills and jobs

Recommendation 1:

That current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated, with a view to strengthened and improved balance between the design and skills content and links between funding and requirements of VET as per the Joyce Report.

Recommendation 2:

Strengthen industry governance and strategic leadership arrangements within the VET sector, including a review of the role of the AISC within this process.

Recommendation 3:

*That funding of **\$10million** is allocated to MTAA over 3yrs be allocated in the 2020/21 Federal Budget for the continuation of the Industry Specialist Mentoring for Australian Automotive Apprentices (ISMAA) program to be provided by MTAA members because of the proximity to and understanding of the mental health and welfare issues relating specifically to automotive apprentices.*

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Recommendation 4:

That funding of **\$3 million** is allocated to MTAA in the 2020/21 Federal Budget to purchase next generation hybrid, electric, hydrogen and other emerging vehicles and componentry for automotive apprentice training. This will be in a specific program to be delivered by MTAA Member Registered Training Organisations to ready the wider automotive servicing, repair and recycling industries for rapidly evolving vehicle technologies, and innovative and advanced training methods including artificial Intelligence and new and emerging technologies.

Recommendation 5:

That the vocational student hourly rate for automotive training be increased by 35 per cent or \$3.00 per student per hour.

Recommendation 6:

That an increase in funding of 35 per cent be made available to Group Training Organisations that demonstrate capacity and capability to meet high standards for apprentice placement and retention.

Industry association training providers should also be individually recognised and not included in 'private' provider classification.

Recommendation 7:

That a financial allocation \$500,000 is made in the 2020-21 Federal Budget to develop nationally consistent training and certification requirements for heavy vehicle roadside inspectors to a minimum Certificate II level in Automotive Servicing Technology qualification or equivalent.

Recommendation 8:

That the Skilling Australians Fund levy be reduced by at least half for temporary and permanent employer nominated visas. Suggested levy be reduced to \$600.00 for small businesses and \$900 for large businesses.

Recommendation 9:

That a refund of the Skilled Australians Fund Levy is provided to employers in all cases where their application has not been successful.

Recommendation 10:

That funding of \$8 million be allocated over three years starting with the 2020/21 Budget for the MTAA and Members to roll out a coordinated specific automotive careers pathways program to secondary schools across Australia based on existing programs by MTAA Members to promote automotive trades as a career of choice.

Recommendation 11:

That all automotive trades are recognised on the National Skills Need List.

Recommendation 12:

That the review of Additional Identified Skills Shortage payments be finalised.

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Recommendation 13:

That funding of \$250,000 be allocated in the 2020/21 Budget for a nationwide automotive trainer program targeting the identification of those who have retired from automotive industries, are planning to leave or seek a change of career direction and the development of a specific program to bring these professionals into the automotive training environment.

TOTAL FUNDING REQUEST FOR TRAINING SKILLS AND JOBS

TOTAL FUNDING REQUEST
\$21.75 million + other budget measures over 2-3 budget cycles

Regulatory Reform:

Recommendation 14:

That the government allocate a co-contribution of \$250,000 for the establishment of an industry-led advisory body to administer the mandatory scheme for sharing motor vehicle service and repair information.

Recommendation 15:

That funding of \$10million over 2 years is allocated starting with the 2020-21 Federal Budget to pilot the establishment and operation of Accredited Treatment Facilities for End of Life Vehicles, the establishment of a multi jurisdiction / industry taskforce to develop and finalise policy legislative and regulatory requirements and to develop a self-sustaining funding model to incentivize consumers and cover ongoing regulatory costs for the coordinated national proper disposal of end-of-life vehicles.

Recommendation 16:

That retail motor industry participants are exempted from Hayne Recommendation 1.7 and be able to trade under the current Point of Sale exemption.

Recommendation 17:

That the Federal Government provide addition funding of \$1million to AFSA for further development of the Personal Property Security Register (PPSR) for the purposes of increasing vehicle recall information on a PPSR Search Certificate and the exploration of a single vehicle identification and trace database that can be used for multiple purposes.

TOTAL FUNDING REQUEST FOR REGULATORY REFORM

FUNDING REQUEST
\$11.25million over 2-3 budgets

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Tax Reform impacting automotive

Recommendation 18:

The funds of \$250,000 be allocated for the formation of a government interagency and industry taskforce to review the Luxury Car Tax, the fuel excise and other automotive land transport taxes and levies to identify sources of replacement revenue and alternative processes such as road user charges.

Recommendation 19:

Abolish the Luxury Car Tax.

Alternatively the 2020/21 Budget reflect adjustments to the LCT revenue as a result of implementing: **Raising** the threshold to between \$100,000 - \$125,000; **Reducing** the tax to 20% or less; **Removing** accessories as part of the purchase price and **Replacing** revenue by including true luxury items in a redefined tax.

Recommendation 20:

That funding be included in the 2020/21/22/23 budgets for continuation of the instant asset write off scheme at levels of 2019/20.

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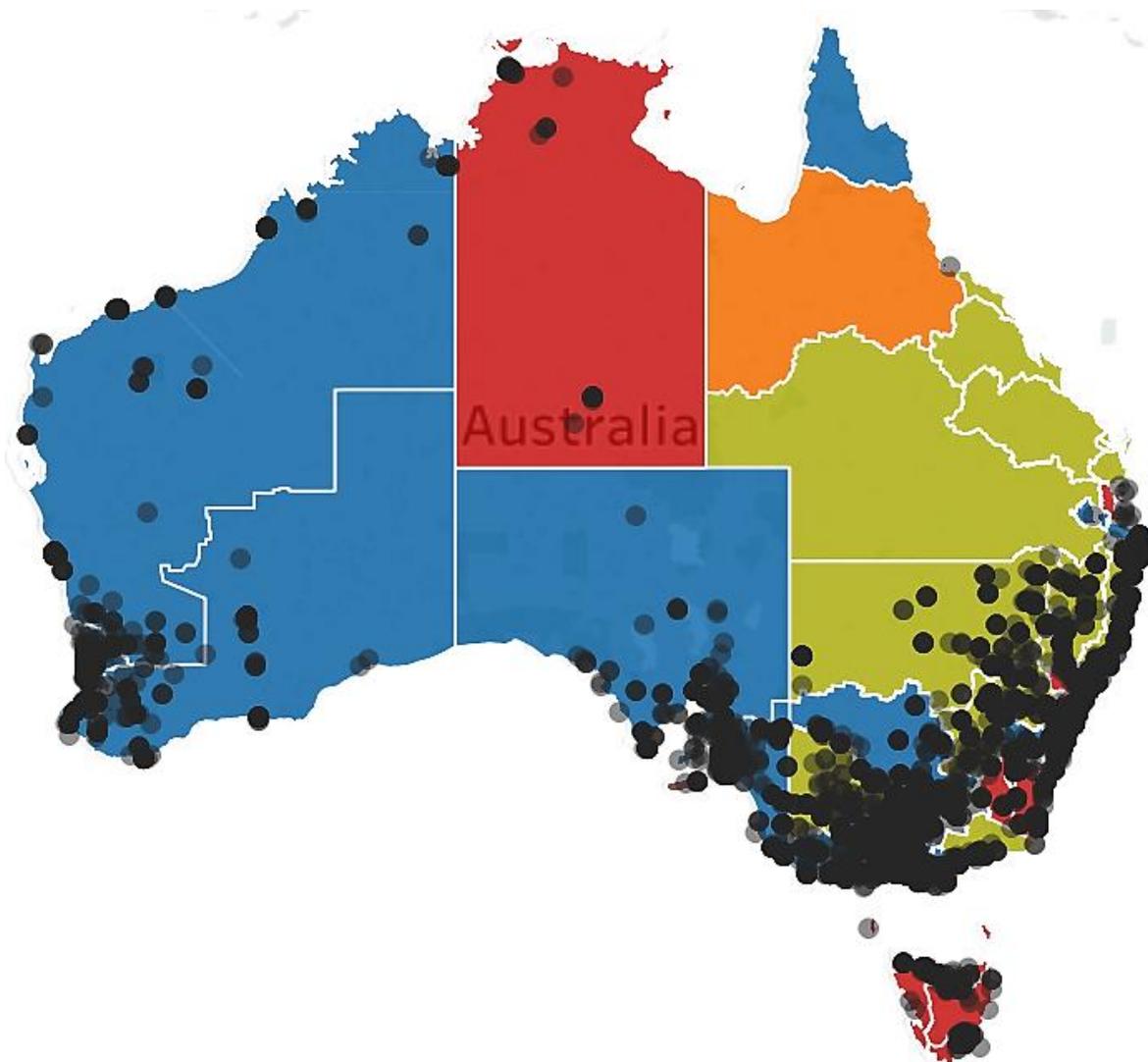
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About the MTAA and Members

MTAA Member constituents include automotive retail, service, maintenance, repair, dismantling recycling and associated businesses, that provide essential services to a growing Australian fleet of vehicles fast approaching 20 million (expected by 2020) that has rapidly advancing technological systems and capabilities.

MTAA Limited Members have almost all industries (more than 95%) of the automotive sector represented as business member constituents. This allows MTAA Limited Members the ability to understand the operations, issues, concerns and risks of participating automotive industries.

MTAA Member business constituents are in almost every community across the nation:



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MTAA Members are the only industry associations representing the entire automotive supply chain including but not limited to:

- *New car retailing (including service)*
- *Used car retailing (including some who service)*
- *New and used motorcycle retailing (including service and recycling / dismantling)*
- *Vehicle body repair (smash repair)*
- *Independent automotive servicing*
- *Service station and convenience stores (franchise and independent)*
- *Auto recyclers, dismantlers and part suppliers*
- *Farm and industrial machinery retailing (including service and in some cases dismantling and recycling)*
- *Tyre retailing, retreading and recycling*
- *Towing*
- *Bus and coach*
- *Heavy vehicle*
- *Specific service professions including glass, transmission, engine replacement and reconditioning, brakes, steering, automotive electrical and air- conditioning*
- *Vehicle Rental*

Most MTAA Limited members are also automotive sector training providers and possess extensive operations and facilities in apprenticeship training and skills development and post trade qualifications.

In many jurisdictions MTAA Members are the largest employers of automotive apprentices and trainees and significant contributors to the long-term sustainability of the Australian automotive sector and the nation's reliance on road transport.

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Automotive sector	Major activities	Per cent of Industry business population
Automotive Repair and Maintenance	Light and heavy vehicle mechanical service and repair; vehicle body, paint and interior repair; automotive electrical services; mining machinery service and repair; mobile plant and equipment service and repairs.	54.0%
Motor Vehicle Retailing	New and used car, motorcycle, truck, trailer and other motor vehicle retail sales.	8.3%
Motor Vehicle and Parts Wholesaling	Car, commercial vehicle, trailer and other motor vehicle wholesale sales; motor vehicle dismantling, recycling and used part wholesaling.	7.6%
Motor Vehicle Parts and Tyre Retailing	Original equipment and aftermarket retail sales of vehicle parts and tyres.	6.2%
Fuel Retailing	Retailing of petrol, LPG & CNG, oils and service station operation.	6.0%
Motor Vehicle and Parts Manufacturing	Specialist vehicles; bus and truck manufacturing; vehicle body and trailer manufacturing; automotive electrical components and other vehicle parts manufacturing.	4.4%
Towing Services	Accident, trade, heavy vehicle and other towing services	3.6%
Passenger Car Rental and Hiring	Hiring, leasing or renting of passenger cars without drivers.	2.3%
Agricultural Machinery Retailing and Repair	Retail sales, service and repair of agricultural machinery and equipment	2.0%
Outdoor Power Equipment	Sales, service and repairs of outdoor power equipment.	1.9%
Bicycles	Retail sales, service and repair of bicycles	1.4%
Marine	Sales, service and repair of marine engines	1.2%
Other specialised machinery and equipment manufacturing	Manufacturing of bicycles, motorcycles, mining and construction equipment, lifting & materials handling equipment, agricultural machinery & equipment	1.2%

Source: ABS and modelled industry data

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Section 1: Training, skills and jobs

Task 1: Genuine Industry-led Training

The automotive sector is one of the largest employers of apprentices and trainees in Australia, with almost 30,000 apprentices and trainees commencing annually in vocational automotive training.

The apprenticeship system remains the automotive sector's preferred model for skills development. It is appreciated that a review of Australia's vocational education and training (VET) system is currently underway, and that as part of a \$525 million *Skills Package – delivering skills for today and tomorrow*, the Australian Government has announced the establishment of the National Skills Commission's (NSC), which will oversee the Government's investment in VET and drive long-term improvements in the system. It is highly desirable for automotive sector training to continue to be funded over budget cycles and for all automotive sector industries to be involved in developing training packages, via MTAA and Members so they are directly relevant to the sector.

The MTAA and Members consider any new vocational education and training initiatives advocated by the NSC need a strong focus on policies and funding that will address the concerning decline in apprentice enrolments and the general disinterest of current school leavers in pursuing a trade career.

Industry feedback received by MTAA from Member organisations who are among the largest if not the largest automotive training providers in the nation, indicate that current programs of industry engagement are very limited, with little industry consultation occurring towards qualification and skills design.

This has resulted in qualification design and skill selections that are unrepresentative of the actual needs industry, thus depriving students of the real skills that are required in the workplace. There is also a perceived lack of transparency in decision making relating to the design and skills content of training packages and qualifications.

MTAA and Members strongly suggest that if Australia is to be well positioned for the significant changes in automotive and mobility then current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated.

MTAA strongly suggests there needs to be a strengthened and improved balance between the design and skills content and links between funding and requirements of VET as per the recent Commonwealth Government commissioned 'Joyce Report'.

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The industry is calling for a skills framework that genuinely places industry at the centre of the national vocational education and training (VET) system. This should include a skills advisory council with the commensurate knowledge, affinity and understanding of the industry needed to inform the development of VET qualifications and programs.

This function has been outsourced to consulting firms who have only a superficial understanding of the automotive industry, which subsequently affects the efficacy and quality of the training offered.

The creation of the Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) has not delivered the desired quality of industry engagement or input towards the design and content of VET training packages. The composition of many IRCs is quite narrow and the overall performance of the of AISC as an industry governance body for VET has been disappointing.

MTAA also believes that the AISC has failed in its strategic leadership role as an advisory body to COAG regarding the operation of the VET system.

Recommendation 1:

That current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated, with a view to strengthened and improved balance between the design and skills content and links between funding and requirements of VET as per the Joyce Report.

Recommendation 2:

Strengthen industry governance and strategic leadership arrangements within the VET sector, including a review of the role of the AISC within this process and that the adequacy of the Additional Identified Skills Shortage (AISS) payment is reviewed.

Industry Deliverables

- Better balance between the design and skills content and links between funding and requirements of VET as per the recent Commonwealth Government commissioned 'Joyce Report'
- Improved outcomes for apprenticeships with industry held accountable for delivery.
- Improved specific qualifications designed to meet industry and consumer demands.
- Increased ability and flexibility to deliver against changing environments

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Task 2: Apprenticeship Mentoring

The automotive sector has struggled to attract and retain new workers over the past decade or more. This outcome is fueled by: diminishing workforce and increased competition; a sector age profile resulting in significant retirements over the next decade and a lack of replacement; an imbalance in emphasis of university education versus vocational education causing negative perceptions about trade careers; negative perceptions about the industry and the type of work involved; and increasing social and welfare issues impacting younger generations embarking on apprenticeships and traineeships.

Research shows that such negative perceptions are often misguided and are largely promulgated through advice received from parents, peers and even school career advisors. The automotive sector continues to compete for a diminishing pool of available apprentices against other industries.

Automotive employers have also witnessed a mismatch between their skill needs and the caliber of students being channeled towards automotive careers through schools and the VET system.

Given the rapid pace of technological change within motor vehicles, including electrification, vehicle safety and connectivity and the development of autonomous vehicle technologies, automotive employers are in need of higher performing students with sound STEM skills (science, technology, engineering and math skills) in to order to understand, program and repair these technologies.

There is still a perception however amongst school career advisors, that automotive trades are for the less academically inclined, therefore such students, including many with learning difficulties, are steered towards automotive trades, whilst higher achieving students are encouraged to undertake tertiary studies. This mismatch of skills demand and supply is an ongoing source of frustration for both automotive employers and students, resulting in both high attrition rates for employees and contributing towards ever increasing skill shortages for automotive businesses.

Attributes of current generations also create critical issues in terms on retaining an apprentice or trainee once they have been secured. Mentoring has become a critical service by MTAA members. Without mentoring the efforts to secure apprentices and progress them to full, rewarding and long-term careers becomes difficult.

MTAA Members have achieved remarkable results in apprentice retention with the assistance of dedicated government funding and partnership arrangements. But these achievements are again under threat.

The *Industry Specialist Mentoring for Australian Apprentices (ISMAA)* program commissioned by the Government in the 2017-18 Federal Budget, is due to expire on 31 December 2019.

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The ISMAA program has helped provide intensive support to apprentices and trainees in the first two years of their training in industries that are undergoing structural change, such as the automotive industry. Compounding structural changes in the industry are significant and debilitating skills shortages that have persisted for over a decade. Specialist mentoring programs have been shown to lift apprentice retention and satisfaction rates and consequently this important government action is seen as crucial in the Australian VET landscape and particularly for trade apprentices.

MTAA has significant concerns regarding the continuation of the program by shifting its delivery to apprenticeship support activities, provided through Australian Government established apprenticeship centres. History has shown that where these services are separated from direct industry involvement they fail. Previous attempts to deliver similar programs through apprentice centres have provided poor results for industry and similarly for trade apprentices.

MTAA can provide clear evidence to support this observation. Every time the Commonwealth Government has partnered with MTAA and its Members, industry leading improvements in apprentice retention rates have been secured. When government has moved the goal posts away from MTAA and Member industry led mentoring services, these improvements have then been lost along with the considerable intelligence and experience gained from successful program implementation.

The MTA is a provider of the Mentoring Program which is delivering a 90% retention rate from 50% prior to the program for over 400 automotive apprentices in SA. It is our experience that this is an excellent program, designed to support employed apprentices, helping them to overcome barriers and giving them the best chance of obtaining their qualifications and increasing future employment opportunities.

MTAA can draw on statistical evidence that shows below 50% retention is lifted to high 80's and 90's percentiles across all States and Territories when MTAA and its members are funded and engaged in delivery of mentoring services. For example, MTAA Member, the MTA of South Australia is a provider of the Mentoring Program which is delivering a 90% retention rate from 50% prior to the program for over 400 automotive apprentices in South Australia. It is the experience of MTAA Members that an industry delivered mentoring program achieves the levels of support to employed apprentices, helping them to overcome barriers and giving them the best chance of obtaining their qualifications and increasing future employment opportunities.

MTAA members have acute and singular knowledge of the intersect of social and welfare issues including mental health impacting automotive apprentices and are best placed because of their training capability and services to automotive businesses to deliver ongoing mentoring services. MTAA and Members strongly advocates for the provision of apprentice mentoring service to be delivered and managed through industry organisations.

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MTAA Members, the Victorian Automobile Chamber of Commerce and the MTA-SA have conducted research that clearly demonstrates mentoring support in the early years of training is crucial in helping increase the retention rates of new apprentices in the workplace, and to this extent the ISMAA program has made a positive contribution.

The program, when industry led, also effectively complements other Australian Government support for apprentices, trainees and their employers through the Australian Apprenticeships Incentives program, Trade Support Loans and the Australian Apprenticeship Support Network.

Of critical importance is that funding and service delivery is consistent, coordinated and provided over at least three budget cycles and length of the apprenticeship term. MTAA therefore recommends that funding be allocated within the 2020-21 Federal Budget for the continuation of the ISMAA program for a further three years and allocated the MTAA and Members for implementation.

Recommendation 3:

That funding of \$10million is allocated to MTAA and members over the next three budgets starting in the 2020/21 Federal Budget for the continuation of the Industry Specialist Mentoring for Australian Automotive Apprentices (ISMAA) program to be provided by MTAA members because of the proximity to and understanding of the mental health and welfare issues relating specifically to automotive apprentices.

Industry Deliverables

- Sustained retention rates including achievement of Key Performance Indicators for automotive apprentices
- Consistent, coordinated and managed national approach to automotive apprentice support
- Development of longer-term strategies to deal with mental health and other social welfare issues identified through MTAA Member delivered mentoring program
- Opportunity to actively identify and use retired automotive professionals in mentoring roles.

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Task 3: Training currency and emerging technologies

Industry feedback received by MTAA Members, and in particular VACC, indicate vocational training providers are ill-equipped at providing automotive training of a standard acceptable to industry and in-line with Australia's modern vehicle fleet.

An increase in funding is required so that training providers including MTAA Members can purchase up-to-date vehicles and componentry that is equivalent to what an apprentice experiences in the workplace. Delivering training that incorporates the latest in automotive technology including hybrid, electric, hydrogen and other emerging propulsion systems, as well as increasing computerisation will enable the apprentice to acquire the relevant skills and knowledge to meet the immediate and future needs of employers and the expectations of Australian consumers.

The ability of MTAA and Member organisations to source such vehicles is difficult because manufacturers (all internationally based) are concentrating on their own needs and due to a depressed new car sales environment. Being able to properly train apprentices in latest technologies will enable more automotive businesses to meet the challenges of a changing fleet and consumer expectations of being able to exercise choice in who services and repairs their motor vehicle.

Commensurate with this funding injection for new capital equipment is the requirement to adjust the vocational student hourly rate from its current low level. MTAA recommends that a 35 per cent increase in the student hourly rate or \$3.00 per hour is necessary to help meet these objectives.

MTAA maintains that poor funding for the Australian VET system is a key limitation to the delivery of quality vocational training.

In 2019 MTAA and Member VACC examined in detail automotive vocational education and training in the United Kingdom. While there are differences in the approach, governing legislation and regulation in training and skills, there are also stark common issues including:

- Rising skills shortages
- Inability to attract youth to automotive trades
- Inability to attract women
- Pressure on apprenticeship duration and content
- Trend to manufacturer specific training as a means of keeping servicing, repair etc. within the manufacturer's control.

Automotive training providers in the UK get nearly three times the funds than in Australia to deliver apprenticeship training than Australia at £18,000 for a Cert III and £12,000 for a traineeship. Australia's funding for apprenticeship training has fallen in real terms for over a decade, and serious adjustment is needed if Australia is to meet requirements of a society dependent on motor vehicles.

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Recommendation 4:

That funding of \$3 million is allocated to MTAA in the 2020/21 Federal Budget to purchase next generation hybrid, electric, hydrogen and other emerging vehicles and componentry for automotive apprentice training. This will be in a specific program to be delivered by MTAA Member Registered Training Organisations to ready the wider automotive servicing, repair and recycling industries for rapidly evolving vehicle technologies, and innovative and advanced training methods including artificial Intelligence and new and emerging technologies.

Recommendation 5:

That the vocational student hourly rate for automotive training be increased by 35 per cent or \$3.00 per hour.

Industry Deliverables

- Apprentices trained in the latest technologies and componentry.
- Increased capability and capacity to cater for consumers shifts to alternative fueled vehicles and changes forecast to the national vehicle fleet.
- Increased capacity to train more apprentices and to be adequately compensated for training costs.

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Task 4: Support for Group Training Organisations (GTOs)

MTAA Members are among the largest, if not the largest automotive sector training providers in the nation. Many operate Group Training Organisations and Registered Training Organisations and provide training and skills development for the specific needs of their thousands and thousands of automotive business constituents.

VET policy and funding pendulum have swung between public and private priorities by multiple governments across the Commonwealth and State and Territory jurisdictions with significant changes impacting sector and industry specific providers such as MTAA Members. MTAA Members have long demonstrated effective and efficient relationships with TAFE and other industry providers, yet often face difficulties by being regarded as private providers rather than the unique role they perform for the automotive sector and specific industries within it.

Industry training providers should be separately identified and recognised in government policy and funding determinations. They should not be regarded as private

Group training is a vital component of Australia's skill formation system. GTOs improve the quality and range of training available to apprentices and trainees, particularly within small and medium business. GTO's also generally experience much higher retention rates for apprentices and trainees, with some averaging over 90 per cent apprentice retention. This has resulted in more favourable labour market outcomes for apprentices and employers.

MTAA and Members believe that high performing GTOs need to be recognised and better supported in their role in helping young people achieve that initial start in their chosen field. This is particularly important given that the introduction of new labour hire laws has now placed an additional regulatory burden on GTOs.

MTAA therefore recommends that the work of high performing GTOs be recognised and further incentivised through a 35 per cent increase in government funding. This funding should only be made available to high performing GTOs that are able to demonstrate meeting specific targets for apprentice and trainee placement and retention. This policy will help encourage and reward best practice in training and skills delivery.

Recommendation 6:

That an increase in funding of 35 per cent be made available to Group Training Organisations that demonstrate capacity and capability to meet high standards for apprentice placement and retention.

Industry association training providers should also be individually recognised and not included in 'private' provider classification.

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Industry Deliverables

- Incentivised Group Training ensuring proper recognition of the role GTOs play in supporting young people enter and achieve career ambitions.

Task 5: National Heavy Vehicle Regulator Inspector Training

As the National Heavy Vehicle Regulator (NHVR) rolls out its cohort of heavy vehicle roadside inspectors, it is imperative each inspector is adequately trained to perform the task at hand. MTAA Members have reported of a lack of consistency and technical capability across jurisdictions. This has led to instances where vehicles have been taken off the road for minor infringements due to the inspector's lack of technical competency.

Given the nature of the position and related safety requirements, MTAA its members and its affiliated division the Commercial Vehicle Industry Association (CVIA, argue that pre-training be undertaken to ensure all inspectors are both competent and confident to perform this role and it is consistent across jurisdictions.

Chain of Responsibility legislation in Australia dictates that the NHVR has a duty of care to road users and its employees. As such, all inspectors should be trained to a minimum Certificate II level in Automotive Servicing Technology or equivalent nationwide.

The MTAA, Member organisations including CVIA are calling for financial allocations in the 2020-21 Federal Budget to provide for curriculum framework development, administrative oversight and related services - on a national coordinated basis – ensuring all NHVR roadside inspectors are equipped with highest level of relevant technical training.

Recommendation 7:

That a financial allocation \$500,000 is made in the 2020-21 Federal Budget to develop nationally consistent training and certification requirements for heavy vehicle roadside inspectors to a minimum Certificate II level in Automotive Servicing Technology qualification or equivalent.

Industry Deliverables

- Nationally consistent training for heavy vehicle inspectors with the appropriate level of qualifications.

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Task 6: Skilling Australians Fund Migration Training Levy

The MTAA and Members seeks a reduction in skilled migration costs to business to reduce critical automotive skills shortages.

Accessing skilled labour from overseas is essential in addressing temporary skills shortage while trying to bolster intake of apprentices, trainees and mature age entrants from a diminishing labour pool. Skilled migrants provide a conduit for future workforce development, in addition to the immediate benefit in fulfilling an employment need in the industry.

Despite the recognised benefit of accessing migrant skilled labour, the Skilling Australians Fund (SAF) levy required to be paid by employers nominating workers under the temporary and permanent employer sponsored migration programs, represents a high and prohibitive cost burden. MTAA Member the VACC, has conducted research indicating that the Skilling Australians Fund (SAF) levy has acted as both an administrative and financial barrier towards the uptake of skilled migration within the automotive industry.

While the MTAA and Members recognises that the purpose of the SAF levy is for employers to contribute to the broader skills development of Australians, it is recommended that there be a halving of the levy (currently \$1,200 per visa year for small business and \$1,800 per visa year for large business). MTAA members would also like to see levy reductions for businesses which demonstrate a strong commitment to engaging local apprentices, in recognition of their contribution to domestic skilling.

In addition to these costs, there is also an upfront levy for employers using the permanent Employer Nomination Scheme of \$3000 for small business and \$5000 for large business. Both these levies have adversely impacted on business access to skilled migrants. Furthermore, sponsoring employers cannot obtain a refund of training levy if their application is unsuccessful other than on health or character grounds. A refund of the training levy should be available in all cases where the application has not been successful.

MTAA and Members therefore recommends that the SAF levy be reduced by at least half for both temporary and permanent skilled employer nominated visas and that refunds are provided to employers for any unsuccessful applications.

Recommendation 8:

That the Skilling Australians Fund levy be reduced by at least half for temporary and permanent employer nominated visas Suggested levy be reduced to \$600.00 for small businesses and \$900 for large businesses.

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Recommendation 9:

That a refund of the Skilled Australians Fund Levy is provided to employers in all cases where their application has not been successful.

Industry Deliverables

- Increased capacity and capability to address critical skills shortages while addressing longer term strategies to secure increased apprentices and mature age entry into automotive professions.
- Improved consumer outcomes in terms of greater choice and potential reduced waiting time for service provision.

Task 7: National Automotive Careers pathways program

MTAA Member Associations conduct various programs within limited resources to try and address the imbalance provided by university versus vocation education options presented to young Australians in secondary schools. These are undertaken to highlight the careers available, to change perceptions about those careers and where they may lead.

These initiatives are limited in reach and scope due to resource availability and the myriad of issues needing to be addressed within each jurisdiction, education systems and across the nation and the fragmented nature of the automotive sector where industries within the sector are competing for a diminishing labour pool. Nevertheless, where possible MTAA Members engage with other automotive suppliers and market participants but continue to face significant blockages in targeting young Australians and increasing apprentices.

A significant hurdle is a nationally consistent ongoing campaign that over time can build awareness and momentum that addresses perceptions and translates into increased apprentices.

MTAA and Members have highlighted the critical skills shortages and difficulties attracting apprenticeships. One solution is a coordinated national approach to increasing awareness and informing secondary school participants of the careers available in automotive, the increasingly high-tech nature of these jobs, and the potential for eventually starting and successfully moving into small business.

MTAA and Members will develop and implement a national school pathways program that targets secondary schools, education systems with the specific objectives of attracting more young Australians to automotive apprenticeships and simultaneously address misconceptions regarding vocational education.

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Recommendation 10:

That funding of \$8 million be allocated over three years starting with the 2020/21 Budget for the MTAA and Members to roll out a coordinated specific automotive careers pathways program to secondary schools across Australia based on existing programs by MTAA Members to promote automotive trades as a career of choice.

Industry Deliverables

- Addressing imbalance between university and vocational education for automotive careers.
- Increase awareness and understanding of automotive careers and address misconceptions or perceptions about automotive careers
- Increase apprentices coming into automotive jobs.

Task 8: National skills list and recognition of skills shortages

There is currently a shortage of qualified labour for eight automotive industry skills listed on the National Skills Need List (NSNL), namely, automotive electrician; diesel motor mechanic; motor mechanics (general); motorcycle mechanic; panel beater; vehicle body builder; vehicle painter; and vehicle trimmer.

MTAA has significant concerns with the methodologies applied in determining skills shortages at a Government level and the impact these have on the formation and determination of skills shortage lists.

For example, a significant concern is a reliance on job advertisement data to prove or disprove whether a skilled professional is in short supply. The reliance on such a measure is a complete disconnect with intelligence obtained by MTAA members from their business constituents. MTAA Member research reveals many automotive industries have moved away from formal job advertisements (electronic or otherwise) for a range of automotive professions due to increasing costs, poor quality and / or reliability of candidates and range of other issues. It is the preference of many businesses in most automotive industries to obtain staff from other businesses by 'word of mouth' often offering higher salaries and conditions.

MTAA and Members have also conducted detailed analysis and research on the magnitude and type of skills in shortage across all automotive sector industries. This is detailed in the table on the following page. This considered research including thorough analysis of ABS data sets, industry available information and statistics and surveys of more than 1000 businesses nationwide.

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MTAA believes there are differing views between this data and data relied on by government departments that are used to inform decisions on national skills shortages. MTAA believes this is a critical issue that is blurring an accurate picture of the scale and impact of skills shortages in the automotive sector and this must be addressed.

As part of the 2019-20 Budget, the Government established an Additional Identified Skills Shortage (AISS) payment to boost the supply of skilled workers in occupations experiencing national skills shortages. The MTAA requests on behalf of Members that the AISS payments be reviewed by Government as part of the 2020-21 Budget. The AISS payments for employers currently do not apply to 7 out of the 8 automotive trades currently listed on the NSNL, with only vehicle painters identified to receive the incentive payment.

The MTAA and Members are concerned that other automotive trades that are suffering a skills shortage are not able to receive the AISS payments for apprentice commencements, especially light vehicle technician, diesel mechanic technician, panel beater and automotive electrician. In this regard, the MTA is still awaiting outcomes from the Federal Government review of AISS payments.

SECTOR	Occupation	2016/17 Shortage (No.)	Projected 2017/18 Shortage (No.)	Projected 2018/19 Shortage (No.)
Automotive Repair and Maintenance	Light Vehicle Mechanic	12,943	16,656	14,799
	Vehicle Spray Painter	2,320	2,985	2,653
	Panel Beater	2,304	2,965	2,634
	Heavy Vehicle Mechanic	1,973	2,539	2,256
	Automotive Electrician	1,530	1,969	1,749
	Vehicle Detailer	295	380	337
	Motorcycle Mechanic	234	301	268
	Mobile Plant Mechanic	167	215	191
	Mechanic-Farm Machinery	145	172	186
	Vehicle Trimmer	126	162	144
	Engine Re-conditioner	101	130	115
Automotive glazier	91	117	104	
Motor Vehicle Retailing	Motor Vehicle Salesperson	2,243	2,886	2,565
Motor Vehicle Parts and Tyre Retailing	Motor Vehicle Parts and Accessories Salesperson	785	1,010	897
	Tyre Fitter	718	924	821
	Spare Parts Interpreter	625	804	715
Outdoor Power Equipment	Mechanic- Outdoor Power Equipment	381	491	436
Vehicle Manufacturing -Bus, Truck & Trailer	Vehicle Body Builder	149	110	70
Marine	Marine Mechanic	98	126	112
Bicycles	Bicycle Mechanic	24	31	50
Other	Miscellaneous	125	110	100
Total Shortage		27,377	35,083	31,202

Source: 2016/17 Automotive Industry National Survey; ABS data; modelled estimates.

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Recommendation 11:

That all automotive trades are recognised on the National Skills Need List.

Recommendation 12:

That the review of Additional Identified Skills Shortage payments be finalised.

Task 9: National shortage of skilled automotive trainers

MTAA and Members are increasingly aware of a shortage of trainers for automotive training and skills development. It has been reported to MTAA Members that this is occurring across both private and public training providers.

This is occurring at a time when many automotive industries are experiencing a high turnover of people leaving the industry due to rationalization, consolidation and retirement. There is an opportunity through the development and implementation of a program to identify and place suitably qualified automotive professionals in training positions.

The program would create a database of potential trainers to offset the shortages being experienced.

Recommendation 13:

That funding of \$250,000 be allocated in the 2020/21 Budget for a nationwide automotive trainer program targeting the identification of those who have retired from automotive industries, are planning to leave or seek a change of career direction and the development of a specific program to bring these professionals into the automotive training environment.



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Section 2 Regulatory Reform

Task 10: Mandated scheme for Access to motor vehicle service and repair information

On 29 October 2019, the Australian Government committed to progressing Primary Legislation to implement a mandatory scheme for sharing motor vehicle service and repair information.

The Automotive sector peak representative organisations have been asked to consider the potential for an industry-led body to assist Government with administering the scheme and to ensure manufacturers, repairers and consumers had a voice in developing the scheme, keeping it effective and relevant, contains compliance monitoring measures and dispute resolution processes.

On 26 November 2019, these organisations reached consensus to establish an industry body as well as agreement on the need to develop a technical committee as part of the body to provide technical expertise. Industry also agreed that such a body should be:

- be established with industry agreement at the request of Government;
- begin with seed-funding and then be self-sustaining;
- require legal support (to navigate insurance, etc.);
- will provide advice to Government;
- assist in administering the legislation;
- be core-focused and cognisant of boundaries of roles and responsibilities;
- report to Government and Members;
- raise awareness amongst members;
- provide advice and direction on definitions;
- be involved in subsequent reviews of the legislation;
- co-opt expertise from other organisations as required;
- develop a Constitution to outline how to appoint an Independent Chair.

It was the unanimous view of industry representatives that Government be asked to consider a co-contribution to establish the industry advisory body and that allocation be made for this purpose. It is the industry view that ongoing financial support will not be required as the body will become self-sustaining as the access to repair information is realised and through a security data registration program. The rationale for the co-contribution request is considerable and includes:

- The benefit to Australian Consumers
- The benefit to the Commonwealth Government of the industry body undertaking dispute resolution and access delivery mechanisms
- The precedential nature of having industry assist in administering Commonwealth Government legislation
- The ongoing costs that industry organisations will each incur in meeting the intent of the legislation
- The not-for-profit nature of some of the industry organisations, and
- Organisations have already invested significant time and resources on this issue.

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MTAA therefore sincerely requests that the Federal Government provide a co-contribution of \$250,000 to establish an industry-led body to administer the mandatory information sharing scheme for motor vehicle service and repair information, with the knowledge that this body will become self-sustaining.

Recommendation 14:

That the government allocate a co-contribution of \$250,000 for the establishment of an industry-led advisory body to administer the mandatory scheme for sharing motor vehicle service and repair information.

Industry Deliverables

- Resolution to a long-standing consumer choice issue
- An industry body to assist in the implementation and administration of government policy and legislation.
- Assistance with dispute resolution

Task 11: End of Vehicle Life policy and regulation

Over 750,000 vehicles each year reach the end of their economic life, creating more than one million tonnes of waste.

The regulatory framework for vehicles entering Australia and being used on the road is very effectively managed by the Commonwealth and the States and Territories. However, once a vehicle ceases to be registered, government oversight ceases. Importantly, the vehicle owner has no obligations regarding how it is disposed of, other than to comply with laws concerning the general handling of waste materials.

Many businesses in Australia process ELVs and each jurisdiction applies a regulatory framework to such operations. While some businesses operate exclusively as vehicle dismantlers and recyclers, others do this as part of a broader scrap processing business. It is possible for businesses and individuals to operate illegally for extended periods despite law enforcement efforts.

Changing economics and fluctuating prices for scrap materials affect the viability of parts recyclers. This creates a disincentive for recyclers to invest in best practice treatment facilities. In addition, the lack of any obligation on owners to recycle vehicles significantly depresses volumes available, further reducing the incentive for recyclers to invest.

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The environmental imperative

At present, while the best automotive recycling businesses recover parts from ELVs for reuse and then recycle the remainder of the vehicle, considerable material still goes to landfill.

Many vehicles are not handled by such operations. Vehicles that are processed outside better practice operators, or are dumped, contribute to soil and groundwater pollution and increase the need for landfill. While most of the atmospheric pollution comes from the operation of vehicles, some of the chemicals used in modern vehicles also have an atmospheric impact if released when a vehicle is dismantled or destroyed.

Materials that are not recycled are lost to the economy. However, recycling materials potentially reduces the need to extract the same or replacement materials, therefore reducing the impact on the environment.

Some regulatory change is occurring, but it is not delivering meaningful environmental benefits. Meanwhile, economic pressures are reducing the attractiveness of the automotive recycling sector to business.

This problem will only get worse. More vehicles are entering the market. The material composition of these vehicles has increasing proportions of valuable materials (particularly metals other than steel and aluminium) and plastics which should either be recovered or disposed of appropriately.

Overseas jurisdictions have and are acting. Most OECD countries including Japan, the European Union and others have regulatory frameworks in place that are ahead of Australia. They acknowledge that a sound ELV strategy is essential to good environmental and economic management and contributes to meeting environmental obligations under international law.

The United Kingdom provides one example, where cradle to grave oversight requires a Certificate of Destruction from an Approved Treatment Facility (ATF) before the owner's obligations regarding a vehicle are discharged. Each ATF must meet high standards for environmental disposal of waste.

Australia does not have a national policy dealing with end-of-life vehicles (ELVs). Such a policy vacuum leaves the auto recycling sector vulnerable to rogue traders and environmental breaches.

The emergence of illegal vehicle wreckers who operate outside the regulatory guidelines is also a serious problem across all jurisdictions and has the capacity to make lawful vehicle recycling operations unviable. The effects of such practices include tax evasion, and non-compliance with environmental protection and occupational health and safety laws. It is constantly reported by MTAA Member automotive dismantling and recycling business constituents that illegal operators provide components to the black market, supporting underground and often illegal operations.

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Illegal vehicle recycling is funding an Australian black market that has links to international illegal traders and other illegal business activities.

MTAA is raising this concern with the Black Economy Task Force and believes that a properly constructed ELV policy and regulatory framework, complete with an amalgamation of data sources into a single database will significantly assist in stamping out such behaviours and their considerable cost to the Australian economy.

Landfill is also a serious concern for this sector. The variation in quality, quantity and consistency of plastics, along with the extent to which plastic is distributed throughout the vehicle, make it difficult to determine what is worth recycling. The recycling process is costly, and plastic is in direct competition with other more valuable materials such as steel and aluminum. As a result, most of the plastic recovered from vehicles (over 200,000 tonnes per annum), is sent to landfill.

Proposed solution

MTAA and Members propose the development and introduction of consistent national policy and regulations for ELV management. MTAA and Members and the Australian Auto Parts and Recyclers Association (APRAA) (under the MTAA umbrella of specific industry organisations) have spent considerable resources over the past two years analysing:

- the auto recycling industry in Australia and internationally;
- international laws and regulations;
- decommissioning processes utilised across different business models in Australia and overseas;
- environment obligations and the consistency and / or inconsistency of those obligations across jurisdictions;
- the costs of decommissioning and potential costs associated with a proposed regulatory framework;
- the involvement and incentivisation of consumer;
- high level investigations of potential for domestic auto waste recycling, and
- financial modelling for an incentive program to encourage proper decommissioning.

This research has utilised several universities and business schools and expert external consultants.

In the process of this research and information gathering, MTAA, Members and APRAA coordinated and cemented an international Memorandum of Cooperation with nine countries and their Automotive Recycling Associations. This valuable resource is assisting with identifying lessons learned and matters to avoid in the delivery of an internationally consistent, but Australian solution.

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The MTAA proposal comprises four high level elements:

- A policy and regulatory framework that creates the law and regulations for the efficient and effective processes required for uniform national decommissioning and recycling end of life vehicles.
- The development and implementation of regulated and Accredited Treatment Facilities (ATFs) to 'pipeline' end of life vehicles and the issuance of a formal and legally recognised Certificate of Destruction (CoD).
- Seize opportunities to address black economy and law enforcement issues by combining current data to trace vehicles through their life into a single national database, and
- Incentivisation of the last owner of the vehicle to dispose of it in accordance with the legal and regulatory requirements.

It is envisaged that to become an Accredited Treatment Facility, a recycler business will need to comply with a national standard for environmentally acceptable dismantling and recycling. The concepts are simple. However, without further work, there remain some uncertainties. It is essential that detailed work is undertaken to explore these.

Any reform will need to overcome issues and objections as well as testing the viability of the approach from an economic perspective.

- The introduction of personal responsibility will need to take account of the retrospective impact on currently registered vehicles and the equity issues arising from this.
- Better disposal practices will come at a cost. Mandating the regime will introduce scale and certainty for recyclers, bringing costs down, but the reform must resolve cost considerations.
- The reform will need to prevent easy ways for vehicle owners to avoid their obligations.
- An administrative framework will need to be set up by governments.
- The parts recycling industry will need to be encouraged to invest in the equipment and processes required of an ATF. Without businesses making this investment, the reform will fail.

MTAA suggests it now has enough information and identified process to trial Accredited Treatment Facilities as a 'proof of concept'. The trial will require selected professional auto dismantlers and recycler businesses of MTAA Members to adopt uniform environmental obligations and meet the requirements of a proposed accredited and regulated treatment facility. Most of the requested funds will be assigned to the development of standards, required tools and equipment, environmental safeguards and identification of end user markets for auto waste.

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In addition, work will be carried out to quantify and qualify the anticipated environmental benefits including reduced landfill, savings to local and State and Territory Governments, opportunities for new recycling businesses and reuse of auto waste products in downstream products. this element with results informing other parts of the reform program.

It is further suggested that a multi jurisdiction taskforce be established to develop and finalise policy legislative and regulatory requirements and determine the most appropriate self-funding model.

Recommendation 15:

That funding of \$10million over 3 years is allocated starting with the 2020-21 Federal Budget to:

pilot the establishment and operation of Accredited Treatment Facilities for End of Life Vehicles 'proof of concept', and

Establish of a multi jurisdiction / industry / government taskforce to develop and finalise policy legislative and regulatory requirements and identify and develop a self-sustaining funding model to incentivize consumers and cover ongoing regulatory costs for the coordinated national proper disposal of end-of-life vehicles.

Industry Deliverables

- Australia effectively and properly dealing with automotive recycling
- Potential opportunities for new businesses in auto recycling and downstream product manufacture from auto waste.
- Reduced landfill and more coordinated use of auto waste
- Potential to address law enforcement and illegal operations returning improved outcomes to the Australian economy.

Task 12: Hayne Royal Commission Recommendation 1.7— Removal of point of sale exemption

MTAA on behalf of Members and their new car retailing constituents maintains that the exemption of retail motor vehicle dealers from the operation of the National Consumer Credit Protection (NCCP) Act should not be removed.

Removing the point of sale exemption will require third party vendors to acquire an Australian Credit License. This is impractical and a major impost on an industry already suffering poor trading conditions.

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Importantly, the removal of the point of sale exemption will provide another roadblock to consumers ability to access appropriate motor vehicle financing with potentially disastrous consequences for the retail automotive industry.

The decrease in new vehicle sales is already being felt with the decline in sales currently at 8.8%. The decline in sales is largely attributable to the current regulatory approach to financing, which is hurting sales. This sales decline will impact future GST income estimates and other taxes and duties impose by the states.

MTAA requests that the Financial Services Reform Implementation Taskforce must not agree to remove the point of sale exemption for retail automotive industry participants. In addition, there has been no government Regulatory or Business Impact Statement conducted by the Taskforce that has provided an evidence portfolio that necessitates that the government should support this decision.

Recommendation 16:

That retail motor industry participants are exempted from Hayne Recommendation 1.7 and be able to trade under the current Point of Sale exemption.

Task 13: Personal Property Security Reform

The Personal Property Security Register (PPSR) is a vital tool for industry and consumers in the sale or acquisition of any motor vehicle. The Australian Financial Security Authority (AFSA) are the administrators of the PPSR.

As part of the Australian Government announcement of the Takata Airbag Recall, AFSA agreed to MTAA Member recommendations that the PPSR be updated to provide consumers and industry with information about whether a car has affected Takata Airbags and is under Recall. The PPSR will now advise if the vehicle searched is identified as part of the compulsory Takata recall on a search certificate.

MTAA Member, VACC, believes that enhancements should be made to the PPSR that will allow for all recalls announced by vehicle manufacturers to be made available on a PPSR search certificate. This will provide greater surety to industry in retailing and acquiring vehicles to and from the public as well as provide consumers in the private to private sales market with valuable information.

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MTAA is of the view that the PPSR along with vehicle identification, registration and other databases mentioned in the End of Vehicle Life task, could be amalgamated into one comprehensive database that would track and trace all vehicles in the national fleet 'from cradle to grave' providing invaluable information to law enforcement, revenue, environmental and other requirements.

Recommendation 17:

That the Federal Government provide addition funding of \$1million to AFSA for further development of the Personal Property Security Register (PPSR) for the purposes of increasing vehicle recall information on a PPSR Search Certificate and the exploration of a single vehicle identification and trace database that can be used for multiple purposes.

Section 3 Tax Reform and Incentives

Task 14: Examination of automotive related taxes including the Luxury Car Tax

MTAA recommends that government interagency and industry taskforce is commissioned to review the taxes, levies and charges applicable to the automotive sector and road transport.

Pressure is mounting on the sustainability of the fuel excise tax given predicted changes of the national fleet with the likely uptake of more electric, hydrogen and other vehicles. Debate has already commenced regarding the viability of moving towards a road user charging system as a replacement to fuel excise and the myriad of matters that would need to be addressed if this proposed alternative charging regime were to materialize.

Similarly, the Luxury Car Tax (LCT) is widely recognised as an anomaly and constraint on the economy by more than just the automotive industry. MTAA and Members support recent legislative measures by Federal Government that increase both the proportion and maximum LCT refund available to primary producers and tourism operators.

However, this is only tinkering with a tax that repeated reviews and investigations have concluded should be abolished due to its market distortion characteristics and the manufacturing industry is was largely designed to protect no longer exists.

The LCT remains an unfair and discriminatory tax that penalises both motor car dealers and consumers. This discrimination has been compounded even further through additional luxury car taxes imposed by Victoria and Queensland that set a dangerous precedent for the rest of the country.

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With the Budget now in and forecast to remain in surplus, there is no revenue imperative to support the retention of the Luxury Car Tax (LCT) and the vehicle tariffs that are applied to new cars sourced from countries with which Australia does not have a Free Trade Agreement.

These are redundant protectionist imposts and should be abolished. Furthermore, the taxes are inconsistent with the Government's stated objective to reform and simplify the taxation system. Abolition of these imposts will lead to an increase in vehicle sales, an increase in GST revenue and employment opportunities. The LCT also directly undermines Australia's free trade agreements that have been negotiated for the importation of motor vehicles.

In an era where new motor vehicle sales have been in decline by eight per cent for the past 18 months and dealer margins have been squeezed to just 1.5 per cent, there is little justification for any luxury car tax, let alone the double luxury car tax impost served on a large section of the automotive industry.

MTAA's policy position is that the LCT must be abolished. However, the MTAA also recognises the revenue windfall the Commonwealth obtains with very little if any input cost. The loss of this revenue cannot be ignored.

It is for this reason the MTAA also advocates an alternative solution if abolition is not supported.

MTAA refer to this alternative strategy of the 'Four R' proposal.

- Raise** the threshold to between \$100 and \$125K
- Reduce** the tax to 20% or less
- Remove** accessories and their inclusion in the purchase price of the vehicle, and
- Replace** lost revenues from these measures by refocusing the LCT not as an automotive tax, but a Luxury Tax.

There are many other products and things that can be regarded as truly luxury items, and these should be included in a broader ranging tax that targets them.

Further exploration of the full costs and impact of this should be a primary outcome of the suggested taskforce.

Recommendation 18:

The funds of \$250,000 be allocated for the formation of a government interagency and industry taskforce to review the Luxury Car Tax, the fuel excise and other automotive / land transport taxes and levies to identify sources of replacement revenue and the potential of alternative processes such as road user charges.

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Recommendation 19:

Abolish the Luxury Car Tax.

*Alternatively the 2020/21 Budget reflect adjustments to the LCT revenue as a result of implementing: **Raising** the threshold to between \$100,000 - \$125,000; **Reducing** the tax to 20% or less; **Removing** accessories as part of the purchase price and **Replacing** revenue by including true luxury items in a redefined tax.*

Task 15: Extension of the current instant asset write off scheme

From 1 July 2020, the Australian Taxation Office's instant asset write-off threshold of \$30,000 will revert to \$1,000.

The MTAA and Members urges an extension of the current scheme, as it is utilised by motor trades businesses to upgrade or replace obsolete technology, equipment and tooling. The automotive industry is facing digital and technological transformations not previously seen, and to have more long-term certainty in this regard would enable longer term decision making and planning.

Recommendation 19:

That funding be included in the 2020/21/22/23 budgets for continuation of the instant asset write off scheme at levels of 2019/20

End of Submission

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