MTAA 2024-25 pre-budget submission

January 2024

MOTOR TRADES ASSOCIATION OF AUSTRALIA

MTAA Contact

Matt Hobbs
CEO
Motor Trades Association of Australia
0419 608 845 | matt.hobbs@mtaa.com.au | mtaa.com.au

About the Motor Trades Association of Australia

The Motor Trades Association of Australia (MTAA) is Australia's peak national automotive association. MTAA's membership includes the Motor Traders' Association of New South Wales, the Victorian and Tasmanian Automotive Chamber of Commerce, the Motor Trade Association of South Australia and Northern Territory, the Motor Trade Association of Western Australia, and the Motor Trades Association of Queensland. The Commercial Vehicle Industry of Australia (CVIAA) is an industry specific, national association within the MTAA.

MTAA represents new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), tyre dealers and automotive dismantlers and recyclers.

The automotive industry is a vital contributor to Australia's economy, employing approximately 385,000 people across 13 sectors and 52 trades, and contributing 2.1 per cent of Australia's Gross Domestic Product (GDP). The automotive industry is also one of the largest employers of apprentices and trainees nationally, and the majority of automotive businesses (96 per cent) are small and family-owned enterprises.

Contents

Introduction

The Motor Trades Association of Australia thanks the Treasury for the opportunity to provide a submission outlining the pre-budget priorities for the Australian automotive retail industry.

In light of increasing economic pressures being faced by both government and industry, the following submission details 16 recommendations across the areas of tax reform, energy and environment, industry support and skills and training.

MTAA appreciates that the Federal Government is managing unprecedented levels of debt amid an environment of inflation and increasing cost-of-living pressures. However, the following submission presents recommendations for achievable reform, which would provide industry efficiencies and better economic outcomes for business, government and consumers.

List of recommendations

Recommendation 1

That there be a provision for accelerated depreciation on zero and low-emission vehicle purchases for both individual and fleet purchasers.

Recommendation 2

That the base rate entity company tax rate criteria be expanded to include companies with an aggregated turnover threshold of $100 million.

Recommendation 3

That the Luxury Car Tax (LCT) be abolished to stimulate sales of zero and low-emission vehicles and improve reductions in vehicle emissions.

Recommendation 4

That the Federal Government lead a nationally consistent and coherent approach to road-user charging, and road related investment, that includes a 7,500-kilometer exemption for Licensed Motor Car Traders who use ZLEV trading stock for demonstration purposes.

Recommendation 5

That the DCCEEW be provided with resources dedicated to working on the delivery of a formal and nationally mandated Certificate of Destruction process, which would be central to any accreditation program for ELV treatment businesses.

Recommendation 6

That the Federal Government increase funding for the installation of ZLEV charging stations and charging ports across Australia.

Recommendation 7

That the Federal Government accelerate the development of hydrogen charging infrastructure in Australia.

Recommendation 8

That automotive retail businesses are incentivised via tax offsets or carbon credits to invest in new tools and safety equipment for electric vehicles, including new hoists, safety equipment for workers.

Recommendation 9

That automotive retail businesses, independent retail fuel outlets and workshops who invest in charging station infrastructure, with a focus on regional Australia, become eligible for financial assistance on the installing of electricity power grid supply and charging station infrastructure.

Recommendation 10

That existing fuel retailers who install electric vehicle charging stations become eligible for accelerated depreciation on the charging station asset.

Recommendation 11

That the Federal Government allocate funding to conduct a comprehensive, external review of the implementation of the RVSA and its related online platform ROVER – as a matter of priority.

Recommendation 12

That the Federal Government allocate funding to establish an independent Ombudsman to address complaints or outstanding issues related to ROVER applications.

Recommendation 13

That funding be made available to support an industry-led mentoring program to increase automotive repair, service and retail apprentice completion rates, which also supports the inclusion of First Nations Peoples, women in non-traditional trades, and culturally and linguistically diverse people.

Recommendation 14

That funding be allocated for the reintroduction of the BAC with a 15 per cent employer wage subsidy in the first year of an apprenticeship or traineeship for a two-year period.

Recommendation 15

That the Federal Government commit to funding national industry school pathway programs led by automotive industry groups to encourage young people to undertake a career in automotive.

Recommendation 16

That the Skilling Australians Fund Levy be reduced to half of the current rate for businesses who demonstrate a strong investment in training by employing apprentices and sponsoring migrants.

1 TAXATION

1.1 Accelerated depreciation on zero and low-emission vehicle purchases

There are many social, environmental, and financial benefits in operating zero and low-emission vehicles (ZLEVs) compared to conventional internal combustion engine vehicles. However, ZLEVs are generally more expensive than equivalent sized petrol and diesel vehicles, which is slowing and impeding the acquisition of ZLEVs.

To offset the higher upfront acquisition cost of ZLEVs, MTAA recommends accelerated depreciation be available to purchasers, in conjunction with the standard depreciation business guidelines. An accelerated depreciation rate of 50 per cent would not only substantially improve the acquisition rate of ZLEVs for business use, it is also anticipated to improve the rollout of ancillary services required to support a significant fleet of ZLEVs in the general market and ultimately provide more affordable ZLEV vehicles into the secondhand market.

Recommendation 1

That there be a provision for accelerated depreciation on zero and low-emission vehicle purchases for both individual and fleet purchasers.

1.2 Company tax rate

The progressive changes to company tax rates for base rate entities have been welcomed since 2017/18; however, more needs to be done for medium and large-sized businesses. The current aggregated turnover threshold is $50 million. MTAA proposes to double this amount to $100m, which would capture the significant majority of businesses in Australia.

In the absence of broader income tax and indirect tax reform, increasing the base rate entity aggregated turnover threshold will benefit companies. A lower company tax rate for more companies is often associated with increased production, increased employment, increased productivity and wages, and increased international competitiveness. The lower company tax rate for base rate entities should not just be applicable for small companies. The MTAA supports the vital role all businesses play in Australia, and wants to ensure a healthy vibrant sector for companies of all sizes, regardless of turnover.

Recommendation 2

That the base rate entity company tax rate criteria be expanded to include companies with an aggregated turnover threshold of $100 million.

1.3 Luxury Car Tax

The Luxury Car Tax (LCT) was introduced in 2001 to encourage buyers to purchase locally manufactured vehicles over of imported prestige vehicles. The end of passenger vehicle manufacturing in Australia now makes this tax redundant.

The LCT is also leading to undesirable environmental outcomes. Zero and low-emission vehicles (ZLEVs) are generally more expensive than equivalent sized petrol and diesel vehicles, with many ZLEVs exceeding the LCT threshold. This distorts the market by penalising potential buyers of ZLEVs, thus contributing to lower sales of ZLEVs and poorer environmental outcomes. MTAA strongly recommends that the Federal Government make provisions for the removal of the LCT in the 2024-25 Federal Budget to boost the uptake of ZLEVs.

Recommendation 3

That the Luxury Car Tax (LCT) be abolished to stimulate sales of zero and low-emission vehicles and improve reductions in vehicle emissions.

1.4 Road User Charging

As the number of ZLEVs expands within the Australian vehicle fleet over the coming years, revenues from fuel excise will decline considerably, thus affecting the capacity of the Federal Government to maintain adequate levels of investment in road infrastructure.

To date, there remains a lack of clarity as to the Commonwealth's role in road-user charging (RUC) moving into the future. As such, MTAA strongly advocates for the implementation of a nationally consistent road-user charging regime to avoid a patchwork of policies employed by individual states and territories. The RUC scheme should be linked to a vehicle's registration, using a technologically enabled, auditable revenue collection process. Funds collected via the RUC should be allocated in a similar manner to the existing fuel excise, which includes upgrading and maintaining Australian roads. Funds should also be allocated toward meeting the infrastructure needs required to support greater uptake of ZLEVs.

MTAA further recommends that any national road user scheme should include a 7,500 km exemption for Licensed Motor Car Traders for ZLEV vehicles used for demonstration purposes.

Recommendation 4

That the Federal Government lead a nationally consistent and coherent approach to road-user charging, and road related investment, that includes a 7,500-kilometer exemption for Licensed Motor Car Traders who use ZLEV trading stock for demonstration purposes.

2 ENERGY AND ENVIRONMENT

2.1 Next steps in progressing the implementation of an End-of-Life Vehicle scheme

In 2022 MTAA and the Victorian Automotive Chamber of Commerce were awarded a $1 million Federal Government grant, funded through the National Product Stewardship Investment Fund in pursuit of establishing an End-of-Life Vehicle (ELV) program to Australia. The government grant was awarded jointly to MTAA and the Federal Chamber of Automotive Industries (FCAI) with VACC appointed as the MTAA project director.

The project is administered by both the MTAA and FCAI as a 'cradle to grave' research project. MTAA members retail and dismantle ELVs and FCAI members represent vehicle manufacturers who import their vehicles into the country.

Presently, it is estimated that 850,000 vehicles meet their end of life in Australia annually. This amounts to 1.360 million tonnes of waste that requires processing in Australia annually. Nationally, over 408,000 tonnes of motor vehicle waste are sent to landfill each year.

The ELV project work was completed in April 2023, with a business plan currently before Department of Climate Change, Energy, the Environment and Water (DCCEEW). Australian and international dismantlers, waste management industry participants and other key stakeholders eagerly await the next steps to be taken by DCCEEW.

MTAA believes there is an opportunity for the Australian government to take the leading role in the area of world's best practice waste management by the establishment of a nationally recognised, mandated Certificate of Destruction (CoD). The CoD would be issued to any person or entity presenting a vehicle for final destruction and be available on each jurisdiction's vehicle registration platforms for verification.

Strong evidence exists to support the implementation of a CoD, as it is widely viewed as a vital administrative pre-requisite for any ELV scheme. MTAA has recently witnessed the issues associated with locating hazardous vehicles during the Takata Airbag Recall in 2018. Many thousands of vehicles were thought to have been scrapped, yet there was no formal process to validate a specific number.

Few ELVs follow any formal retirement process, which raises a number of significant issues including:

- Risks of environmental damage—with no current regulatory requirements to ensure that the vehicle is appropriately de-polluted to prevent the release of hazardous gases into the atmosphere or the transfer of toxic liquids and other materials to land fill and/ or waterways.
- Vehicle crime—the National Motor Vehicle Theft Reduction Council (NMVTRC) estimated that related 'theft-for-scrap' accounts for more than 50 per cent of total stolen vehicle costs per annum – at around $28.6m. This figure excludes the large costs of policing and costs to judicial system.
- Significant risks of vehicle rebirthing due to not knowing which vehicles, and their associated identifiers, have been destroyed.
- Uncertainty of status for hundreds of thousands of vehicles with state and territory vehicle registrations, and the challenges this poses in establishing and operating a successful ELV product stewardship scheme.

In order to implement a workable, government-led ELV scheme and overcome the formal vehicle retirement obstacles, MTAA recommends that the DCCEEW be provided with resources dedicated to working on the delivery of a national solution for a CoD that will work within a national ELV scheme.

It is MTAA's view that DCCEEW is well positioned to coordinate the establishment of a CoD rollout, working in conjunction with the state and territory vehicle registration agencies and National Exchange of Vehicle Driver Information System (NEVDIS).

Recommendation 5

That the DCCEEW be provided with resources dedicated to working on the delivery of a formal and nationally mandated Certificate of Destruction process, which would be central to any accreditation program for ELV treatment businesses.

2.2 ZLEV infrastructure funding

The transformation of our transport fleet from fossil fuels to zero and low emissions technologies requires a strong and well-developed infrastructure network that not only meets the medium-term needs of motorists, but also accounts to the future needs of the sector.

The task of rolling out sufficient electric vehicle charging stations has commenced. However, the scale required to adequately service an increased ZLEV car parc may not be fully appreciated by government. Current modelling suggests the current rate and size of investment will not meet the future needs of a Zero and Low Emission Vehicle (ZLEV) fleet. A recent report by Deloitte[1] states that in order to meet the projected demand for EV public charging, Australia will need to build, on average, eight new public EV chargers every day from now until 2033. This equates to 31,500 public EV chargers required nationwide.

1 Deloitte (2024). 'EV Charging Infrastructure - The Next Frontier' https://www.deloitte.com/au/en/Industries/infrastructure/analysis/ev-charging-infrastructure-next-frontier.html

Consideration should also be given to the charging requirements of future electric or hydrogen powered heavy vehicle fleets. Appreciating the complexities and cost associated with hydrogen as a fuel source, the Federal Government should give consideration as to how hydrogen may be part of the future energy mix and its related infrastructure needs.

MTAA therefore recommends:

Recommendation 6

That the Federal Government increase funding for the installation of ZLEV charging stations and charging ports across Australia.

Recommendation 7

That the Federal Government accelerate the development of hydrogen charging infrastructure in Australia.

3 INDUSTRY SUPPORT

3.1 Supporting the transition of the retail automotive sector in light of increased ZEV uptake

Federal, state and territory governments have set ambitious targets to reduce carbon emissions by 2050. These targets rely on increasing Australia's reliance on naturally sustainable energy sources such as wind, solar and back up hydro schemes, developing large scale battery storage systems and transforming electricity distribution networks.

However, to fully achieve Australia's targets of carbon emissions reduction relies heavily on the transformation of the transport sector.

Transport contributes 19 percent of Australia's carbon emissions, the third largest, and of that passenger and light commercial vehicles contribute 60 percent of emissions. Addressing this sector to offset Australia's emissions output is crucial to achieving government aims.

However, transforming the automotive sector to a low emissions future requires a multi-faceted approach beyond simply increasing the number of ZLEVs imported into Australia. Transforming the sector requires a whole-of-industry approach that brings the hundreds of thousands of businesses in the sector along the journey and provides the requisite support to assist those businesses transitioning to new technologies.

Incentivising businesses will also provide avenues for creating jobs, increasing infrastructure, and providing consumers with greater knowledge and information on electric vehicles to assist in helping motorists make the best-informed choice.

Therefore, MTAA recommends:

Recommendation 8

That automotive retail businesses are incentivised via tax offsets or carbon credits to invest in new tools and safety equipment for electric vehicles, including new hoists, safety equipment for workers.

Recommendation 9

That automotive retail businesses, independent retail fuel outlets and workshops who invest in charging station infrastructure, with a focus on regional Australia, become eligible for financial assistance on the installing of electricity power grid supply and charging station infrastructure.

Recommendation 10

That existing fuel retailers who install electric vehicle charging stations become eligible for accelerated depreciation on the charging station asset.

3.2 Provide funding to conduct a comprehensive, external review of the implementation of the Road Vehicle Safety Act 2018 and its related IT platform ROVER

Industry has expressed their serious and on-going concerns regarding the implementation of the Road Vehicle Standards Act 2018 (RVSA) and Road Vehicle Regulator (ROVER) IT system, which underpins the certification and approval of vehicles for the Australian market.

Some of these concerns relate directly to the RVSA and subordinate legislation, while others relate to the implementation arrangements, which includes the ROVER IT system and functional arrangements between government and industry.

Problems encountered by users of the system have a very real impact on the supply of new vehicles and their parts into the Australian market. These problems, to date, have resulted in increased costs, confusion, increased processing times, and substantial industry frustration.

MTAA respectfully acknowledges the Department's ongoing efforts to address some industry feedback and functionality. However, based on the scale of issues identified, it is considered unlikely the system can be made fit-for-purpose without a significant and costly overhaul.

For these reasons, MTAA is calling for funding to be made available to conduct a comprehensive, external review of the implementation of the RVSA and its related online platform ROVER – as a matter of priority.

In addition to the review, MTAA recommends the establishment of an independent Ombudsman to address complaints or outstanding issues related to ROVER applications.

Recommendation 11

That the Federal Government allocate funding to conduct a comprehensive, external review of the implementation of the RVSA and its related online platform ROVER – as a matter of priority.

Recommendation 12

That the Federal Government allocate funding to establish an independent Ombudsman to address complaints or outstanding issues related to ROVER applications.

4 SKILLS AND TRAINING

4.1 The importance of mentoring

The issue of retaining automotive apprentices after completion remains a challenge for the industry. Added to this, retaining apprentices from year one to the completion of their apprenticeship is difficult and the focus of industry has invested heavily to seek a resolution to this issue.

National data shows that across all trades, for every two apprentices who start their trade, only one will complete and attain their trade qualifications.

Providing a federally supported, industry-led mentorship scheme is considered imperative to improve apprenticeship completion rates, and ensure they are suitable to enter the workforce on completion. The effectiveness of automotive apprenticeship mentoring programs is well established and acknowledged to be an essential component of support for those in first- and second-year apprenticeships. Victoria, South Australia, Northern Territory and New South Wales motor trades associations have all implemented highly successful mentoring programs over the past ten years, which have demonstrated a significant increase to retention rates.

For example, MTAA member Motor Trade Association SA/NT (MTA SA/NT), has received limited program support from state and territory governments to provide dedicated resources for an Automotive Industry Mentor Program. The program boasts more than 400 program apprentices in South Australia and 110 in the Northern Territory. Of this cohort, approximately ten per cent is considered at higher risk of discontinuing their apprenticeship – consequently being lost to the automotive industry. Through the MTA SA/NT mentoring program, the association has been able to secure a retention rate of over 97 per cent of first- and second-year apprentices in South Australia, and 98 per cent in the Northern Territory.

Recommendation 13

That funding be made available to support an industry-led mentoring program to increase automotive repair, service and retail apprentice completion rates, which also supports the inclusion of First Nations Peoples, women in non-traditional trades, and culturally and linguistically diverse people.

4.2 Apprentice wage subsidy and training completion incentives

The automotive industry is facing the most serious skills shortage in its history. There is an estimated skilled labour deficit of 38,700 positions across the industry in 2022/23, which is forecast to rise even higher in 2024/25. With more than one million zero and low-emission vehicles projected to be on Australia's roads by 2030, the pressure on automotive businesses to secure skilled labour to meet the changing mix of vehicles on-road, will only intensify over the decade. To this end, it is imperative that the Federal Government continue to support the industry through initiatives that will boost automotive apprenticeship commencements and completions, as well as skilled migration.

The Boosting Apprenticeship Commencements (BAC) wage subsidy and the Completing Apprenticeship Commencements (CAC) wage subsidy programs have provided valuable support to businesses and Group Training Organisations to take on new apprentices and trainees. These support packages also contribute to the development of a much-needed skilled workers pipeline for the automotive industry.

Given the success of these programs, and the fragility of many businesses still emerging out of the COVID period, MTAA argues that the government should commit to reinstating the BAC, with a 15 per cent wage subsidy in the first year of an apprenticeship or traineeship to provide greater certainty for employers.

MTAA therefore recommends the following:

Recommendation 14

That funding be allocated for the reintroduction of the BAC with a 15 per cent employer wage subsidy in the first year of an apprenticeship or traineeship for a two-year period.

4.3 School Pathways programs

Encouraging young people into automotive careers in a clean economy is important to address ongoing skills shortages in the long term. A proven program is to employ School Pathways Coordinators who work with public and private secondary schools in Australia to promote opportunities in the automotive industry and ensure automotive trades are attractive to school leavers. A key element of this engagement is to develop and deliver engaging and interactive activities, designed for maximum participation. These include virtual reality spray painting simulators and pit stop tyre changing competitions.

Current programs are successfully being run in Queensland, South Australia and Victoria, but additional government support is required for a national program to enable greater reach into more schools (particularly in rural and regional areas) and provide additional learning aids. The MTAA recommends grant funding to support a school pathways program that acquaints students with industry activities, along with work experience and school-based apprentice opportunities.

By supporting industry groups, these school pathways programs can be tailor-made to suit the local automotive sector needs for skills and focus on areas that are in demand.

Recommendation 15

That the Federal Government commit to funding national industry school pathway programs led by automotive industry groups to encourage young people to undertake a career in automotive.

4.4 Skilling Australians Fund (SAF) Levy

Whilst it is acknowledged that there is a community expectation that those utilising the skilled migration program demonstrate a commitment to training Australians, MTAA has serious concerns with the SAF levy.

These concerns include:

- The excessive quantum of the levy
- The upfront fee collection
- An inadequate refund policy

The lack of an alternative to the levy when strong investment by the sponsoring employer in training is evident.

MTAA contends that for employers who demonstrate evidence of a strong investment in training by employing apprentices and sponsoring migrants, that the training levy should be reduced to half of the current rate for these businesses. Furthermore, this approach was proposed by the Joint Standing Committee on Migration in its Interim Report in relation to its Inquiry into Australia's Skilled Migration Program.

Recommendation 16

That the Skilling Australians Fund Levy be reduced to half of the current rate for businesses who demonstrate a strong investment in training by employing apprentices and sponsoring migrants.

MOTOR TRADES ASSOCIATION OF AUSTRALIA