



29 January 2021

Budget Policy Division
Department of the Treasury
Langton Crescent
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To Budget Policy Division:

Supplementary priorities prebudget submission – 2021-22 Federal Budget

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) is pleased to respond to the Minister for Housing and Assistant Treasurer the Hon Michael Sukkar's invitation to submit priorities for consideration in the preparation of the 2021-22 Commonwealth budget. The Association's submissions are confined to matters that have direct relevance to the automotive industry's value chain participants and their collateral business interests including vocational education and training programs.

2. Overview

2.1 The Federal Government's response to the pandemic totaling \$177 billion has supported and continues to assist industry, business, households, and workers to recover and rebuild. The economic and health measures introduced since March 2020 have delivered to the nation safety, security, and the financial support to directly support employment and economic recovery. The challenge now is to increase productivity underpinned by innovative budgetary measures that takes Australia forward and pays down the debt incurred to assist the nation through the next economic cycle.

3. 2021-22 Budget Framework

3.1 The 2021-22 Federal Budget's framework will be shaped by the Economic and Fiscal Strategy (Fiscal Strategy) to achieve a strong economic recovery from the COVID-19 pandemic, to drive down unemployment, and stabilise and reduce debt over time as a share of the economy. Central to the Fiscal Strategy is the Economic Recovery Plan (Recovery Plan) to create jobs, rebuild the economy and secure Australia's future. The strategy underpinning the Recovery Plan is to remain in place until the 'unemployment rate is comfortably below 6 per cent.' Whilst the Australian Bureau of Statistics data and industry surveys indicate the Australian economy is rebounding strongly from the pandemic and business and consumer confidence is positive, the national unemployment rate hovers in the 6.6 per cent range indicating there is still some way to go to achieve the goal of six per cent.

3.2 These Strategies have proved successful in creating economic resilience and sustaining industry, business, households and workers through the once-in-a-century pandemic and the recovery phase. In particular, the JobKeeper and JobSeeker stimulus measures enabled many businesses to survive the economic fallout of the Covid-19 pandemic.

3.3 The JobMaker Plan announced in the 2020-21 Budget included initiatives to boost business activity to create jobs and support Australians back into jobs.

Motor Trades Association Queensland

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4. Industry Context

4.1 The December Mid-Year Economic and Fiscal Outlook (MYEFO) indicated the Government provided \$267 billion in direct economic and health support under the Economic Recovery Plan. Of the \$251 billion in direct economic support, over \$175 billion has already flowed to Australian households and businesses. The automotive value chain, although deemed an essential service and continued to trade if safe to do so through the COVID-19 lockdown phase, benefited from the Recovery Plan's stimulus measures. The economic stimulus measures proved to be vital in sustaining businesses. Eighty-three (83) percent of respondents to an MTA Queensland COVID-19 Automotive Industry Survey indicated they applied for some form of government support including JobKeeper and Apprentice Wage Subsidies.

4.1.1 The motor trades recognise they have a role to increase productivity, grow the economy and contribute to the nation's debt reduction. The MYEFO estimates net debt is expected to be \$691.9 billion at 30 June 2021. Over the forward estimates, net debt is projected to increase as a proportion of GDP from 34.5 per cent at 30 June 2021 to 43.0 per cent at 30 June 2024.

4.1.2 Within the motor trades, currently, with the exception of the Rental Vehicle Industry aligned with the tourism sector, early stages of economic recovery are evident, with businesses rehiring and lifting hours to meet the gradual upturn in business. New car dealers after 31 consecutive months of year-on-year decline, have experienced a positive rebound in November and December with the outlook only dampened by import supply.

5. Budgetary Context

5.1 The Association's previous prebudget submissions indicated there is a compelling case for wide-ranging tax reform to increase productivity and this remains a critical issue. A tax reform program needs to incorporate a review of the revenue options needed to compensate for the fiscal consequences of the uptake of automated vehicles and alternatively powered vehicles on State and Commonwealth revenue receipts e.g., the decline in forecast petrol and diesel excise and fuel taxes; maintain direct tax relativity with third country taxation regimes; and benchmark strategic peripheral and collateral business compliance costs. As State Government taxes and changes to excise arrangements impact on industry viability, consideration must be given to the risk to deployment of new technology and fuel sources and any Commonwealth tax reform must consider state-based taxes.

6. The 2021-22 Budget Priorities

6.1 The Association draws attention to the following priorities:

JobKeeper Scheme

6.2 The JobKeeper scheme proved to be an economic lifeline to business during the pandemic and during the recovery phase. It was effective in providing assurance to businesses and employers at a time when there was considerable uncertainty. Current Government advice is for the JobKeeper payments to cease from 28 March 2021. The Association supports this principle; however some targeted support is still needed for industries such as tourism and related support sectors, which have been severely impacted by restrictions and border closures. The Rental Vehicle Industry reports that the rental sector servicing the tourism industry is depressed due to border closures and other restrictions.

6.2.1 Uncertainty and some anxiety exists about future restrictions and lockdowns such as the snap lockdown of 2.5 million residents in Greater Brisbane from 6 pm Friday 8 January to 6 pm Monday 11 January. Until the vaccination against COVID-19 across the nation is completed the need may arise for targeted support for severely impacted businesses that meet the criteria.

JobSeeker Scheme

6.3 The JobSeeker scheme in its current settings is proving to be a disincentive for the uptake of employment at a time when employers are actively recruiting across all skill levels. Employers report that applicants appointed to fill skilled positions in the workshop or office do not ‘turn up’ for work. Seemingly, applicants go through the process of applying, being interviewed, and have no intention to commence work. Employers are frustrated that they invest in advertising the vacant position, conduct interviews and select the candidate for no outcome. At present many vacancies exist for workers with skills in the motor trades.

6.3.1 The Association is conscious that the JobSeeker Coronavirus Supplement will cease on 31 March 2021. We are of the view that consideration should be given to targeted measures to support job seekers to re-enter the workforce. Such measures must incentivise re-entering the labour force, such as such as pre-employment skills programs and industry endorsed micro credentials aligned to the needs of the workplace.

JobMaker Hiring Credit and Boosting Apprenticeship Commencements

6.4 The workforce development component of the JobMaker Plan includes the JobMaker Hiring Credit and Boosting Apprenticeship Commencements wage subsidy policies which have been beneficial to the motor trades in the recovery phase. The Association supports the extension of these policies in the 2021-22 Federal Budget to counter the uncertainty about future pandemic restrictions which is likely to remain until the finalisation of the vaccination process.

JobMaker Instant Asset Taxation Write-off Provisions

6.5 MTA Queensland urges the continuation of the instant asset write-off program which is utilised by motor trades’ businesses to upgrade or retire superseded or obsolete hard/software, equipment, and tooling. The Association seeks commitment that this concession will be retained for the duration of the budget cycle. This would be advantageous for the automotive value chain to boost productivity and enable longer term decision making and planning to assist with sectoral adaption to digital and technological transformations.

6.5.1 MTA Queensland notes that the instant asset write off threshold was increased from \$30,000 to \$150,000 and access expanded to includes businesses with an aggregated annual turnover of less than \$500 million (up from \$50m) until 31 December 2020. As indicated above, the instant asset write-off provision is a beneficial program particularly when economic conditions for investment are less favourable.

Job Maker Digital Business Plan

6.6 The \$800 million JobMaker Digital Business Plan includes funding of \$22.2 million for the small/medium enterprise and capability initiative to support small business operators take advantage of digital technologies through an expansion of the Australian Small Business Advisory Service – Digital Solutions program, a Digital Readiness Assessment tool and a Digital Directors training package.

6.6.1 The Association has experienced the value of increasing digital capability within its membership through assisting small businesses to engage with digital technology as one of 15 industry associations designated by the Australian Government as a Small Business Digital Champion. There is a need for the continuation of such a program, arising from the Commonwealth Government’s decision to mandate Peppol e-Invoicing for all Commonwealth agencies by 1 July 2022, with over 80% of invoices being able to be received electronically 1 July 2021. This implies that businesses supplying services to goods must (ideally) be Peppol e-Invoicing compliant. The MTA Queensland recommends consideration of an Peppol e-Invoicing educational support program and contestable digital transition grants for small/medium business for the uptake of Peppol e-Invoicing

6.6.2 The Association notes the JobMaker Digital Plan includes the Modernising Business Register's program. We have long supported the development of such a framework for occupational licenses to be automatically recognised across jurisdictions. The initiative would permit a business licensed in one jurisdiction to trade in the same way in another jurisdiction, without any additional application, fee, or other administrative process. The program, when implemented will make working interstate easier and less expensive.

Training and Skills

6.7 A high priority for the industry is increasing the supply of skills for both current and future occupations to sufficient levels to meet anticipated demand. Across the automotive value chain skill shortages persist, creating a drag on business growth and productivity. It is critical that current and prospective workers are able to access quality and relevant training solutions. The Association recommends prioritising and funding industry endorsed micro-credentials aligned to jobs, in addition to recognised qualifications and skill sets to meet employer demand for specific skills. Current funding models target recognised qualifications, which do not change quick enough to meet industry needs. A system of stackable industry endorsed micro credentials will ensure the development of skills aligned to jobs can be captured on the Government's National Credentials Platform.

6.7.1 As said in 6.4 the workforce development component of the JobMaker Plan includes the JobMaker Hiring Credit and Boosting Apprenticeship Commencements wage subsidy policies which have been beneficial to the motor trades in the recovery phase. The Association supports the extension of these policies in the 2021-22 Federal Budget to counter the uncertainty about future pandemic restrictions which is likely to remain until the finalisation of the vaccination process. Incentivising and supporting employers post government support programs to take on apprentices would have the effect of creating real jobs.

6.7.2 The development of a skills base relevant to the forecasted widespread uptake of autonomous and electrically powered vehicle technologies and the re-skilling of the existing internal combustion engine workforce to service vehicles must be addressed if the economy's productivity performance is to be enhanced. These vehicles will range from autonomous and electrical for industrial and commercial transport to alternatively powered regular private and public transportation. Funding skill sets and micro credentials that will enable the upskilling of existing employees is critical to driving productivity and employability.

6.7.3 MTA Queensland commends the Commonwealth Government's investment in the JobTrainer program to provide up to an additional 340,700 training places to help school leavers and seekers access short and long courses to develop new skills in growth sectors and create a pathway to more qualifications. While we support the intent of JobTrainer, many of the courses identified for funding were not supported by States. Better consultation with industry will also improve the selection of priority courses and ensure qualifications are not identified that cannot be delivered due to Training package restrictions and requirements. Due to the limited procurement evident by States, the MTA Queensland recommends the creation of a Commonwealth industry training fund to target emerging skills and support the COVID recovery.

6.7.4 We urge the reintroduction of the Industry Specialist Mentoring for Australian Apprentices (ISMAA) program. Industry intelligence confirms this program was of high quality in providing support for the development of technical skills, off the job learning needs, career and pathway advice and direct support to encourage completion. As an ISMAA provider for almost two years, the MTA Queensland delivered state-wide support to over 1,109 first- and second-year automotive engineering students. Utilising the mentoring program, an 81 per cent retention rate was achieved. If this program were applied to all active priority one apprentices in Queensland, it would be equivalent to recruiting more than 1,200

apprentices across the state annually. We strongly advocate the program's reintroduction to enable support for the duration of vocational training programs for automotive apprenticeships.

6.7.5 To attract the next generation of trades persons, the current arrangements are not appealing to parents nor to young entrants. The disparity between qualifications needs to be remedied. For example, a Certificate 3 business can be done in 6 months, whereas a Certificate 3 mechanical takes 4 years of training and study. This differential results in a sensitivity that flows through to industrial relations and wages relativities and constitute barriers that the Government should consider as obstructions to youth entering apprenticeship or training programs that are more onerous.

Luxury Car Tax (LCT)

6.8 The MTA Queensland's has advocated consistently for the LCT to be abolished. In view of its anticipated longevity due to the changed budgetary circumstances arising from the COVID-19 economic impacts, there is the opportunity in the first instance, for the threshold to be restructured by removing from the threshold the GST inclusive value and the cost of parts, accessories or attachments supplied at the same time as the car. Australia now imports its vehicle requirements and it is timely for the LCT to be reviewed to reflect this paradigm.

Fuel Excise

6.9 The decline in forecasted petrol and diesel excise and fuel taxes requires consideration of a policy process to transit from road related revenue charges (fuel excise) to a motoring user taxation base or road user charging mechanism. A new scheme needs to be developed based on real evidence of driver's use of roads, the type of vehicle (electric or low emission), traffic congestion and the impact on Australia's taxation system. In the future, autonomous vehicles will form a significant part of the private transport fleet and mobility.

6.9.1 There must be investments in smart road technologies such as traffic monitoring networks that would form the essential infrastructure of a road user pricing policy for national highways and roads of national importance. The Association supports ongoing investments in road transport infrastructure that contribute to productivity, growth and social amenity.

Regulatory Reform

6.10 The Association supports the Federal Government's deregulation agenda particularly the reducing regulatory compliance burdens on business. There is a strong case for ongoing regulatory simplification of redundant, ineffectual and excessive regulatory compliance regimes and streamlining of administrative and procurement processes to enhance productivity and restore intranational and national competitiveness. The Association notes the draft legislation to amend the Commonwealth Mutual Recognition Act 1992 to introduce automatic mutual recognition allowing a person who is registered for an occupation (approvals / registrations) in their home jurisdiction to be considered registered to perform the same activities in another state or territory, without further application or additional payment of fees. This initiative is supported.

Workplace Relations

6.11 Disincentives to productivity and job growth in the workplace relations legislative framework continue to frustrate employers. The unfair dismissal laws and general protection claims are onerous requirements on small medium businesses, making them overly cautious to employ and limiting job creation.

6.11.1 Of keen interest to the Association is the *Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2020* (currently being considered by the Senate Education and Employment Legislation Committee). The casual employment provisions are supported as these will bring certainty to

employers with a set definition of casual employment. Analysis suggests there is some retrospectivity which means that employers are now being encouraged to review their employment contracts in relation to casual employees and their patterns of work. There is some uncertainty due to the mechanisms for determining the nature of employment and a number of other arrangements, meaning it may take some time for key aspects of these changes to become clear after Decisions of the Fair Work Commission thus limiting job creation.

7. Conclusion

7.1 MTA Queensland looks to the Federal Budget to provide the certainty and confidence to grow revenue, create jobs and innovate as the nation recovers from the Covid-19 once-in-a- century shock.

8 MTA Queensland Background

8.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State. There are some 15,00 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$21 billion annually. It is an industrial association of employers incorporated pursuant to the *Fair Work Act* 2009. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

8.2 Australia's first automotive hub, the MTA/Q, has been established in specially prepared space at the corporate office. The hub is an eco-system that supports innovation for the automotive industry.

8.3 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTA Institute last financial year accredited courses to in excess of 1,600 apprentices and trainees.

Thank you for your deliberation.

Yours sincerely



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