MOTOR TRADES ASSOCIATION OF AUSTRALIA

Representing the retail automotive industries throughout Australia

FEDERAL ELECTION BLUEPRINT 2024

mtaa.com.au

THE MOTOR TRADES SECTOR IS A CRITICAL BACKBONE OF THE AUSTRALIAN ECONOMY

$39.35 BILLION[1]
GDP CONTRIBUTION P.A.

1,216,780[2]
NEW VEHICLES SOLD

2.1%[1]
OF AUSTRALIA'S GDP

2,074,535[3]
USED VEHICLES SOLD

762,777[1]
VEHICLES SCRAPPED

97%[1]
SMALL & FAMILY-OWNED ENTERPRISES

[1] MTAA Directions in Australia's Automotive Industry – An industry report 2021
[2] VFACTS 2023
[3] AutoGrab 2023

MTAA MEMBERS SELL, SERVICE, REPAIR, FUEL AND MAINTAIN AUSTRALIA'S 21.2 MILLION STRONG MOTOR VEHICLE FLEET.

7,893
AUTO REPAIRERS & ACCESSORY BUSINESSES

2,622
CAR DEALERS

1,762
BODY REPAIRERS & TOWING OPERATORS

1,196
TYRE DEALERS

726
FARM & INDUSTRIAL MACHINERY DEALERS

631
COMMERCIAL VEHICLE BUSINESSES

405
MOTORCYCLE DEALERS

279
SERVICE STATIONS & CONVENIENCE STORES

219
AUTO DISMANTLERS & RECYCLERS

15,733
TOTAL MEMBERS

CONTENTS

FORWARD

Matt Hobbs, CEO

Australia's automotive industry boasts a rich history spanning over a century, enduring various trials and triumphs. Throughout this period, the sector has made enormous contributions to the Australian cultural landscape keeping the nation's drivers moving while being a major employer and economic contributor.

The automotive industry is always evolving, yet it is the current landscape that presents a unique and profound shift, set to redefine the sector for years to come.

The emergence of electric, connected and autonomous vehicles is bringing visible changes to the automotive value chain, especially in retail and aftermarket sales – the members the MTAA represents.

The transition to future mobility brings a multitude of challenges, including skills shortages, evolving business models, substantial equipment investment, and uncertainty regarding the future vehicle mix. These shifts will profoundly impact the automotive sector, which is primarily composed of small and medium businesses.

Representing over 15,000 businesses, MTAA members range from dealers to repairers, tow truck operators to service station businesses and every automotive retail business in between. These organisations are experiencing the challenges and opportunities arising from the electrification and automation of transport firsthand every day.

The MTAA represents these members through the various state-based motor trade organisations, including 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.

One of the most pertinent policy issues facing our members and the automotive sector more widely in the transition to zero and low emission vehicles (ZLEVs) is the forthcoming introduction of the Australian Government's New Vehicle Efficiency Standard (NVES).

The MTAA supports the NVES as an essential tool to reduce Australia's transport emissions. However, as a representative of predominately small to medium sized businesses, we are concerned about its potential impacts to our members who now face additional business risks arising from potential manufacturer exits or adjustments to sales channels (as we have seen with the shift to an agency model by some manufacturers) among others.

What is certain is that the NVES will have wide-ranging structural impacts on our industry. MTAA analysis shows that six of Australia's top 10 selling automotive brands will have to make significant and immediate adjustments to their model ranges to meet the Government's target. This will flow onto the dealer network and likely result in cost imposts on dealers, job losses and potential closure of dealerships across Australia. These impacts will be amplified in regional Australia.

In this context, there are several areas government should focus on to support the sector to effectively transition. We appreciate the support provided to date through areas such as charging grants and expanded apprentice incentive support, however there is more to be done to assist our industry adapt in a rapidly changing world.

Supported by extensive consultation with state and territory MTAs and their members, our election blueprint presents a comprehensive set of practical recommendations designed to assist automotive retailers in navigating this critical period. We eagerly anticipate collaborating with the incoming government, opposition and crossbench members and senators to realise these proposals and support the industry's transition towards a sustainable future.

RECOMMENDATIONS

Our blueprint calls on the next Australian Government to:

01. EXPAND AUTOMOTIVE SKILLS AND TRAINING SUPPORT

02. UPDATE AND STRENGTHEN THE MOTOR VEHICLE INSURANCE & REPAIR INDUSTRY CODE OF CONDUCT

03. ENSURE FAIR AND EFFECTIVE IMPLEMENTATION OF THE NEW VEHICLE EFFICIENCY STANDARD

04. SUPPORT AUTOMOTIVE BUSINESSES & APPRENTICES TO INVEST IN EV EQUIPMENT & TOOLING

05. STRENGTHEN THE FRANCHISING CODE OF CONDUCT

06. IMPROVE THE EFFECTIVENESS OF CONSUMER GUARANTEE & SUPPLIER INDEMNIFICATION PROVISIONS UNDER THE AUSTRALIAN CONSUMER LAW

07. UNDERTAKE AUTOMOTIVE TAX REFORM

08. ESTABLISH AN END-OF-LIFE VEHICLE PROGRAM

09. EXPAND THE MOTOR VEHICLE SERVICE & REPAIR INFORMATION SHARING SCHEME

10. ESTABLISH A NATIONAL APPROVED VEHICLE EXAMINERS SCHEME

RECOMMENDATION 1

EXPAND AUTOMOTIVE SKILLS & TRAINING SUPPORT

The Australian automotive sales, service and repair industry is dominated by skilled tradespeople who typically complete a four-year apprenticeship to equip themselves with the skills and knowledge to be successful in the industry.

This deep skills base makes many positive contributions to the Australian economy, both in the automotive industry and in other occupations that require high level technical skills. The training of apprentices and the promotion of the apprenticeship system remains a foundation for skills training in the industry and remains a major attraction for young people looking to begin a technical career.

However, the automotive industry faces growing skills shortages that are threatening the ability of the sector to support Australian drivers, particularly as they transition to driving ZLEVs. In 2022-23 there was an estimated skilled labour deficit of 38,700 positions across the automotive sector which is forecast to rise even higher in 2024-25.

The MTAA recently commissioned Deloitte Access Economics to analyse skill shortages facing the industry. The report found that there are acute skills shortages across the sector in all key occupations.

A survey completed by 500 automotive businesses revealed that over 2,000 vacancies were advertised in 2023 of which less than 800 were filled, with an average industry fill rate of just 39%. This is well below Jobs and Skills Australia's threshold for determining if an occupation is in shortage (67%).

Skill shortages were prevalent across all states and territories, and in general were worse in regional locations compared to metropolitan regions. With more than one million ZLEVs 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.

The MTAA welcomed the recent move to expand automotive apprentice and employer support through the New Energy Apprenticeships Scheme, but further support is needed to develop a much-needed skilled worker pipeline with a particular focus on EVs.

Encourage young people to enter the automotive sector

Encouraging young people into automotive careers is critically important to address ongoing skills shortages in the long term. A proven program is delivered by 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.

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 resources.

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

Provide assistance to retain automotive apprentices

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 also difficult with the sector investing heavily to address 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 engage fully in the workforce on completion of their training. To be successful it needs to be based in industry, with direct connection to employers and apprentices.

Increase the employer-apprentice hiring incentive

The Priority Hiring Incentive has decreased from up to $15,000 to a maximum of $5,000. Given employers are creating jobs and opportunities for apprentices, we believe that the hiring incentive of $15,000 should be reinstated and linked to retention to encourage apprentices to complete their training.

Reduce the training levy for automotive employers

The MTAA supports the recommendation in the Joint Standing Committee on Migration Interim Report on Australia's Skilled Migration Program, that those employers who demonstrate evidence of a strong investment in training and/or sponsoring skilled migrants should have their training levy reduced by half.

We contend that such a move would assist the industry to invest in training and in skilled migration.

Increase support for mature aged apprentices

Additional support should be provided to employers engaging mature aged apprentices. Regional employers in particular often take on mature age apprentices due to a lack of other options, but the reality is the wage difference once they turn 21 can be cost prohibitive for employers. Tax incentives or direct subsidies to alleviate the financial pain of engaging a mature aged apprentice should be considered.

Provide additional support for existing and emerging automotive workers

Funding is required to support co-ordinated skilling pathways for existing and emerging workers with the monies directed to Recognition of Prior Learning (RPL), development of automotive EV skill sets and any other industry identified and recommended skilling pathways.

Further, the VET Workforce Blueprint currently in development should prioritise addressing recruitment challenges for automotive trainers.

We also recommend the Government work with industry to streamline the assessment of qualifications of skilled migrants.

KEY STATISTICS

Automotive businesses experiencing a shortage of skilled labour 52%

Average industry fill rate 39%

Fill rate for EV technician 41%

Estimated skilled labour deficit

38,700 (2022-23)

Light vehicle mechanics shortage

17,509 positions (2020-21)

RECOMMENDATIONS

Fund 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

Commit to funding national industry school pathway programs to be led by automotive industry employer groups to encourage young people to undertake a career in automotive

Halve the Skilling Australians Fund Levy for businesses who demonstrate a strong investment in training by employing apprentices and sponsoring skilled migrants

Ensure the VET Workforce Blueprint currently in development addresses automotive by prioritising recruitment challenges for automotive trainers

Increase the Priority Hiring Incentive to the original amount of up to $15,000 and link it to apprentice retention

RECOMMENDATION 2

UPDATE & STRENGTHEN THE MOTOR VEHICLE INSURANCE & REPAIR INDUSTRY CODE OF CONDUCT

There are an estimated 4,500 automotive body repairers in Australia with most of their work funded (in whole or part) by insurance firms. These repairers often face contentious and at times prohibited and unrealistic requests from insurers. This power imbalance needs to be addressed through a mandatory national body repair code of conduct.

The Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Conduct is only mandatory in NSW and South Australia. It is recommended therefore that a national body repair code of conduct be mandated with an independent chair to swiftly resolve disputes.

Body repairers are currently encountering several challenges in their interactions with insurers. For instance, insurers are bypassing the need for skilled assessors by outsourcing these evaluations overseas. Furthermore, the existing Code lacks enforcement mechanisms, which limits accountability towards insurers.

In regions like NSW, while the Fair Trading Act mandates signing a Code of Conduct, there are no penalties for non-compliance, resulting in a lack of accountability.

In December 2022, Dr Michael Schaper was appointed to conduct an independent review of the MVIRI Code of Conduct with his final report received in May 2023. The report provided 15 recommendations in response to the review's terms of reference which focused on the following areas:

1. The effectiveness of dispute resolution processes under the MVIRI Code
2. Awareness and accessibility of the Code
3. Compliance with the Code
4. Governance of the Code and the Code of Conduct Committee
5. Other issues pertinent to the effective governance and operation of the Code

A range of stakeholders were consulted in the review process, including government bodies, regulators, members of the Code Administration Committee, as well as the insurance and repair industry. A copy of Dr Schaper's report can be found on the Motor Vehicle Insurance and Repair Industry Code of Conduct website as well as the MTAA and Insurance Council of Australia websites.

In the review, Dr Schaper noted that there was a need to consider whether the Code should remain voluntary in nature. However, given recent and potential future legal changes within various states and the Code being currently in a state of transition (a mandatory code is currently being considered in Tasmania for instance), he suggested it would be timely to consider mandating the Code during the next review.

As a growing issue amongst repairers, the MTAA considers a mandatory code to be an urgent tool in protecting body repairers from insurer behaviour and requests the Australian Government work with the MTAA to mandate the MVIRI Code of Conduct nationally.

RECOMMENDATION

Introduce a mandatory national body repair code of conduct with an independent chair to swiftly resolve disputes that addresses body repairer's rights, given the contentious and at times prohibited and unrealistic requests from insurers

RECOMMENDATION 3

ENSURE FAIR & EFFECTIVE IMPLEMENTATION OF THE NEW VEHICLE EFFICIENCY STANDARD

The passage of the New Vehicle Efficiency Standard 2024 Bill in May 2024 signified an important moment for the Australian automotive industry and marked a significant step forward in the sector's collective journey towards decarbonisation.

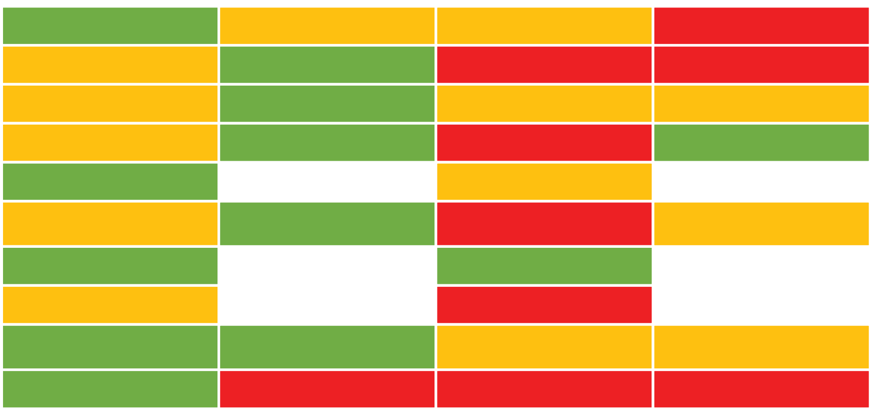
It is undeniable however, that complying with the New Vehicle Efficiency Standard (NVES) will present substantial challenges for some car companies. Our assessment based on publicly available information indicates that of the top 10 brands, 60% will need to make significant changes to their model line-ups to meet their 2025 and/or 2029 emission reduction targets.

TOP 20 BRAND ASSESSMENT - TARGET STATUS BY VEHICLE TYPE

Make	2023 Sales	No. Dealers (Dec 2022)
TOYOTA	132,859	278
MAZDA	82,482	141
KIA	76,120	144
HYUNDAI	72,675	171
MG	58,346	83
MITSUBISHI	46,843	194
TESLA	46,116	0
SUBARU	46,114	118
VOLKSWAGEN	34,449	107
NISSAN	30,877	187

2025 TARGET: 141g CO2 2025 Passenger | 210g CO2 2025 Commercial

2029 TARGET: 58g CO2 2029 Passenger | 110g CO2 2029 Commercial



MAJOR CHANGES; HIGH DIFFICULTY | SOME CHANGES; MODERATE DIFFICULTY | NO CHANGES NEEDED

Ensure ongoing monitoring and review

Given the rapidly evolving industry environment, it is crucial that the NVES remains current and fit for purpose in driving genuine emissions reduction while continuing to ensure Australians can access the light vehicles they want and need.

One way to ensure this is achieved is by continuously monitoring and making adjustments in response to the evolving landscapes in the United States and Europe. The United States, for example, recently relaxed their passenger car, light-duty truck, and medium-duty vehicle targets for model years 2027 through 2032. The Australian scheme must adjust to reflect these changes as they occur.

The Government has opted for a single review of the NVES in 2026. We believe this is insufficient given the rapid rate of industry change and shifting government agendas being seen internationally. We request therefore that the NVES be reviewed every two years.

Deliver an effective and user-friendly administrative system

The 2024-25 Federal Budget allocated $84.5 million to support the implementation of the NVES and improve the functionality of the Road Vehicle Standards Act's online portal, ROVER.

ROVER requires significant funding to improve its underlying system with industry increasingly frustrated by the lack of functionality that substantially increases business costs and time.

Despite undergoing various 'upgrades', the system has remained unfit for purpose, necessitating a complete rebuild to meet the needs of industry and the obligations of the Government.

The MTAA requests the Australian Government address the following five areas as they relate to the ROVER system:

1. Immediately reinstate case managers within the Department of Infrastructure, Transport, Regional Development, Communications and the Arts to verbally liaise with the industry on open applications to help ease the ongoing backlog of applications
2. Allocate adequate funding to rebuild the ROVER system to meet its stated objectives
3. Establish a ministerial-led steering committee of select industry participants to inform and guide the system rebuild
4. Conduct the legislated RVSA Implementation Review, as a matter of priority, by an independent organisation, and not an internal departmental review – anything less than a comprehensive, external review would carry no credibility with industry
5. Establish an independent ombudsman, or other dispute resolution mechanism, to address complaints and outstanding issues related to applications

We call upon the Australian Government to utilise the Federal Budget funding to ensure a more effective and user-friendly ROVER system that will enhance industry's capabilities and streamline compliance processes.

Amend the NVES compliance point to point of sale

The current compliance point under the NVES occurs upon the vehicle's importation into Australia and its entry into the Register of Approved Vehicles, not upon its sale to a customer. This arrangement could potentially expose dealers to substantial financial risk. For instance, a car company could push stock onto dealers to meet NVES compliance. Dealers typically purchase the vehicles wholesale upon arrival at the port thereby placing them in a position where they must shoulder financing costs until the vehicles are sold.

RECOMMENDATIONS

Increase the review frequency of the NVES to ensure the scheme reflects the rapid rate of industry change and shifting government agendas being seen internationally

Utilise budget funding to fix ROVER to deliver a more effective and user-friendly system that will enhance industry's capabilities and streamline compliance processes

Change the NVES compliance point to when a vehicle is sold to a customer instead of at the point of importation

RECOMMENDATION 4

SUPPORT AUTOMOTIVE BUSINESSES & APPRENTICES TO INVEST IN EV RELATED TOOLING AND EQUIPMENT

Transforming the automotive sector to a low emissions future requires a multi-faceted approach beyond simply increasing the number of ZLEVs imported into Australia.

The sector needs a whole-of-industry approach that brings the hundreds of thousands of small to medium sized businesses along the journey by providing the requisite support they need to transition to new technologies.

Incentivising these businesses to invest in their dealerships, workshops and facilities in preparation for the growing number of ZLEVs expected to hit Australian roads will provide avenues for creating jobs, increase infrastructure, and provide consumers with greater knowledge and information on EVs to assist in helping motorists make the best-informed choice.

We request that the Australian Government provide automotive retail businesses with direct subsidies or tax offsets to invest in new tools and safety equipment for EVs, including new hoists and safety equipment for workers.

In addition, we request a $3,000 tool allowance be provided to each eligible automotive technician to support them to assemble the necessary tools needed to service and repair EVs.

Finally, we also request that the instant asset write off for businesses be extended beyond 30 June 2025 and increased to a total of $50,000.

RECOMMENDATIONS

Provide automotive retail businesses with direct subsidies or tax offsets for investment in new tools and safety equipment for EVs, including new hoists and safety equipment for workers

Provide a $3,000 tool allowance to eligible automotive technicians to support technicians to assemble the necessary tools needed to service and repair EVs

Extend the instant asset write off and increase it to a total of $50,000 to assist automotive retailers invest in EV related equipment for their businesses

RECOMMENDATION 5

STRENGTHEN THE FRANCHISING CODE OF CONDUCT

The automotive retail sector is evolving with new ways of doing business emerging. In the face of this change, all automotive industry franchisees deserve a fair go.

The power imbalance between franchisors and franchisees is substantial and growing and is not being adequately addressed by the Franchising Code of Conduct (the Code).

Most automotive companies distributing vehicles in Australia are controlled by overseas parents with sophisticated business models and typically impose substantial capital investment requirements, stringent tooling standards, and other expectations on their dealers.

Automotive franchise dealers continually invest in their facilities, staff, and equipment, contributing to goodwill and creating employment opportunities for many Australians. It is crucial to shield them from misconduct and opportunistic actions. The Code should prioritise the protection of these franchisees, who are mostly small to medium-sized enterprises.

The MTAA believes the standards of conduct in the automotive franchising sector need to be raised by strengthening the Code.

We welcomed the Australian Government's response to the Independent Review of the Franchising Code of Conduct led by Dr Michael Schaper (the Schaper Review) issued in May 2024. With the Government agreeing or agreeing in principle to all of Dr Schaper's 23 recommendations, it has recognised that a fairer balance between franchisees and franchisors needs to be struck.

The recommendation to include other classes of automotive retailers including motorcycle, truck, farm, industrial machinery dealers and automotive aftermarket service and repairs was welcomed given these businesses were previously not captured in the same way under Part V of the Code.

We were also encouraged that the Government will clarify that service and repair work performed by motor vehicle dealerships is within the scope of the Code.

We now urge the Australian Government to accept and incorporate all of Dr Schaper's recommendations when rewriting the Franchising Code in 2025 with an emphasis on recommendation four, that is that service and repair work conducted by motor vehicle dealerships should be explicitly captured by the Code.

We acknowledge however, there is further work required to ensure the Code is fit for purpose in a rapidly changing automotive retail environment. With Australia's shift to EVs, evolving vehicle sales channels and new business models, and the implementation of Australia's first ever fuel efficiency standards, dealers are being adversely impacted with the power imbalance widening between them and their franchisor.

A strengthened Code is therefore a necessary step to drive greater competitiveness, sustainability, and productivity in the sector as it undergoes the biggest transformation in its history. The updated Code should address the following:

1. Protecting goodwill

The current Code is ineffective in protecting the goodwill of retail automotive franchisees who establish and operate their dealerships by making substantial investments of time, money, effort and entrepreneurial skill while taking financial risks.

The protection of goodwill in the franchising sector has been the subject of discussion for many decades and the time has come for reform.

2. Protecting against emerging trends

Franchisor opportunism is leading to the conversion of franchise dealers into agents, a practice not currently protected against by the Code.

This issue was the subject of a recent case in the Federal Court of Australia where a vehicle distributor (Mercedes-Benz) converted dealer agreements to agency agreements. In dismissing the dealer's claims, the presiding Justice Beach called for reform of the Code.

Another instance of this practice is exemplified by Honda, who transitioned its dealers from franchise models to agency arrangements, resulting in approximately 30% of franchisees not having their agreements renewed.

MTAA members do not necessarily have a negative position on the agency model. Our position revolves around the enforced or unilateral change of the business model on current franchisees and the egregious nature of some franchisors in forcing current franchisees to accept an agency model under a take it or leave it perspective.

There are some dealers entering new agreements with new market entries under an agency model. This is fair and reasonable as those dealers are aware of the terms of agreement with that franchisor from the outset.

3. Protecting all automotive franchise and agency dealers

Aftermarket repairers do not have the same protections as automotive dealers under the Code with other classes of members such as motorcycle, truck, farm, and industrial machinery dealers afforded no protections under the Code at all.

The interests and need for protection of these businesses under Part V of the Code cannot continue to be ignored.

We therefore request the Australian Government implement Dr Schaper's recommendation on this issue and include these additional automotive retailers in the Code without delay.

4. Amend Unfair Contract Terms and Unfair Trading Practices criteria

The Unfair Contract Terms (UCT) regime became law in December 2023. The MTAA supports the UCT regime application to a wider class of small businesses.

We acknowledge that the expanded definition of "small business" would apply to businesses that employ 100 people or less or any business with an annual turnover of less than $10 million.

The MTAA calls on the Australian Government to increase or remove the threshold employee and decrease or remove turnover criteria as many industry participants working under a franchise system do not meet this criteria. This fair change recognises that all businesses can often face the same challenges when it comes to experiences of unfair trading.

It is important to note that especially in the new vehicle dealership sector that turnover does not equate to profit.

We strongly advocate that all UCT and Unfair Trading prohibitions are extended to all businesses not just "small business" within the current definition.

RECOMMENDATIONS

Strengthen the existing Franchising Code of Conduct to address the unique challenges and significant power imbalance facing automotive sector franchisees by:

- **Extending protections** – Protections offered to dealers under Part V should be applied to all automotive franchise and agency systems including aftermarket service providers, repairers, and motorbike and farm machinery dealers
- **Mandating protections for service & parts agreements** – Service and parts agreements should sit within the protective umbrella of the Code as per recommendation four of the Schaper Review
- **Compensating goodwill** - Recognising the right of franchisees to compensation for their investments
- **Introducing minimum agreement terms** - New car, motorcycle, truck and farm machinery dealers receiving a minimum five-year term for their dealer agreements to provide greater certainty

Extend all UCT and Unfair Trading prohibitions by applying them to all businesses not just "small business" within the current definition

RECOMMENDATION 6

PROVIDE CLARIFICATION TO AUTOMOTIVE BUSINESSES, MANUFACTURERS & CONSUMERS ON THEIR RIGHTS & OBLIGATIONS UNDER THE AUSTRALIAN CONSUMER LAW

The Australian Consumer Law (ACL) should provide vital protections for consumers and business, and guidance on accepted standards of commercial behaviour.

It should be developed based on underlying principles of certainty and clarity, and simple and streamlined provisions, the avoidance of unreasonable compliance burdens and proportionate penalties. As such, our view is that:

1. The ACL should not impose unreasonable compliance burdens on businesses, and any penalties imposed should be proportionate to the extent and identified customer harm; and
2. The ACL is clear and certain.

The Treasury's Regulatory Impact Statement proposals will result in disproportionate detriment to business if increased penalty provisions are introduced without providing additional clarity on the concepts of acceptable quality, major failure and rejection periods.

Further, the concepts of' "major fault", "durability" and "rejection period" are too uncertain and require clarification. In particular, both consumers and business require guidance on the time periods for which products should reasonably be expected to last before a part or product defect amounts to a breach of the consumer guarantees.

The current ACL discriminates greatly against traders who retail second-hand or used products. This is exacerbated by manufacturers often refusing to indemnify a supplier who retails their product as a used or second-hand product and remedies a scenario under the ACL.

This is confounding for industry and consumer who quite often have an expectation that these used products must have new like performance. This is an unintended consequence of the ACL and must be addressed with sensible and clear guidance from the ACCC.

The end result of this false consumer expectation is that industry is subjected to many actions in courts and tribunals that are spurious or misguided and advice provided to consumers from consumer groups that are opportunistic and wrong on many occasions. Consumers are also let down by the uncertainty of the ACL and bad advice.

There is also considerable concern over how new overseas based entrants to the new car motor vehicle market will treat both the industry and consumer under the protections afforded to them under the ACL. Section 274 of the ACL must be reinforced with those new market entrants, suppliers and consumers not left disadvantaged.

RECOMMENDATIONS

Ensure that businesses are not unfairly impacted by proposed changes to the ACL by providing protections and balance for both consumers and business and important guidance on accepted standards of commercial behaviour, particularly for consumer guarantees

Clearly define how used motor vehicles and second-hand products are to be treated under the ACL

ACCC to reinforce manufacturer indemnity protections to suppliers under the ACL, especially to new entrants to the Australian market

RECOMMENDATION 7

UNDERTAKE AUTOMOTIVE TAX REFORM

In a changing automotive environment it is critical that legacy taxes are modernised to reflect an evolving vehicle mix while ensuring the tax system remains fair in the face of new technologies entering the market.

The MTAA recommends that a review of all federal automotive taxes takes place to ensure the system remains fit for purpose. The areas we recommend the Australian Government focus on as part of this review are outlined below.

Introduce accelerated depreciation on zero and low-emission vehicle purchases

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

To offset the higher upfront purchase cost of ZLEVs, the MTAA recommends accelerated depreciation be available to purchasers, in conjunction with the standard depreciation business guidelines.

An accelerated depreciation rate of 50% would not only substantially improve the acquisition rate of ZLEVs for business use, it could also 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 second-hand vehicle market.

Remove the Luxury Car Tax

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

The LCT is currently leading to undesirable environmental outcomes based on the size and type of vehicles purchased under the scheme.

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.

The MTAA strongly recommends that the Australian Government make provisions for the removal of the LCT to boost the uptake of ZLEVs.

If this does not occur, at a minimum, we call upon the Government to extend the eligibility of hybrid vehicles for the LCT concession beyond the current cessation date of 30 June 2025. The move, that will change the definition of a fuel-efficient vehicle from a fuel consumption figure of under 7.0L/100km to 3.5L/100km, will penalise everyday family hybrids, contradicting the Government's aim to encourage more households to shift to lower emission vehicles.

Extend the FBT concession for plug-in hybrids

From 1 April 2025, plug-in hybrid electric vehicles (PHEVs) will not be considered a ZLEV under FBT law and will no longer be exempt from FBT.

This technology will continue to have a critical role to play in reducing transport CO2 emissions for at least the next decade and we therefore encourage the Government to extend the exemption beyond its current end date.

Implement a nationally consistent road-user charging regime

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

To date, there remains a lack of clarity as to the Australian Government's plan in regard to road-user charging (RUC). The 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.

RECOMMENDATIONS

Introduce accelerated depreciation on zero and low-emission vehicles for both individual and fleet purchasers

Abolish the LCT to stimulate sales of ZLEVs and improve reductions in vehicle emissions

If the LCT is not abolished, at a minimum, **extend the eligibility of hybrid vehicles for the LCT concession** beyond the current cessation date of 30 June 2025

Extend the FBT concession for plug-in hybrids beyond April 2025

Lead a nationally consistent and coherent approach to road-user charging, and road related investment, that includes a 7,500 kilometre exemption for Licensed Motor Car Traders who use ZLEV trading stock for demonstration purposes

RECOMMENDATION 8

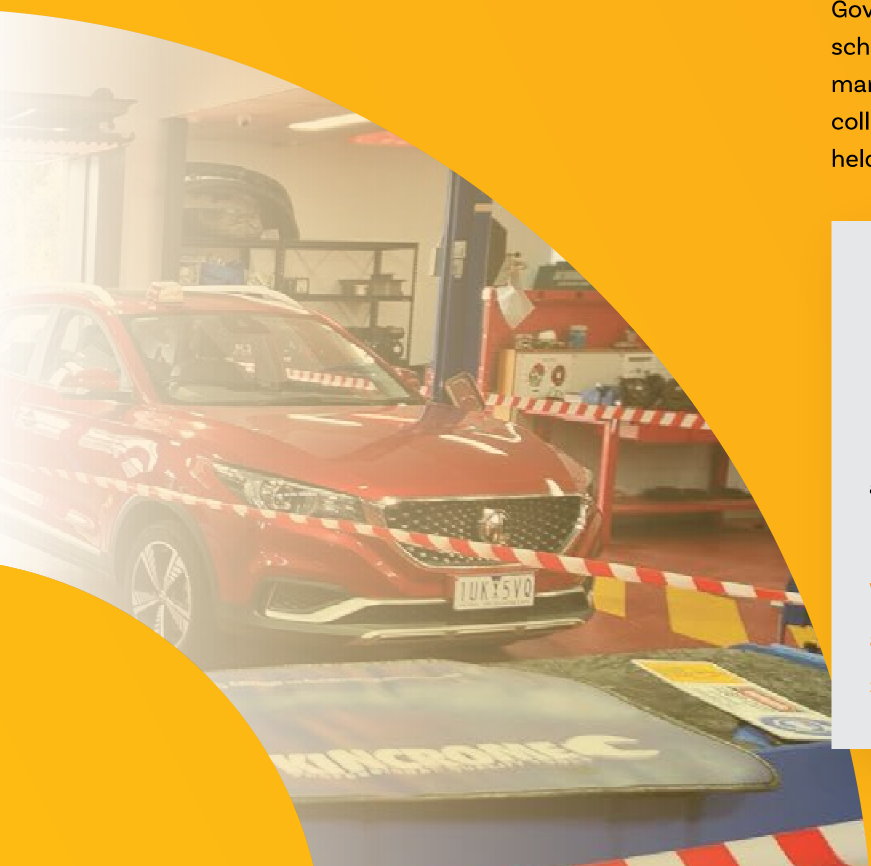
ESTABLISH AN END-OF-LIFE VEHICLE PROGRAM

Australia currently does not have an end-of-life vehicle (ELV) product stewardship program for light vehicles. This is despite 4.6% of all road vehicles reaching their end of-life each year (~850,000 vehicles) amounting to ~1,360,000 tonnes of waste annually.

There is no single legislative instrument that exists to capture the end-to-end vehicle lifecycle in Australia, let alone a single instrument that prescribes the management of ELVs. This has resulted in a nationally inconsistent approach to ELV management.

Approximately 1,465 vehicle dismantling and used parts wholesaling businesses operate in Australia with the majority being small operators. Once an ELV reaches one of these dismantlers they undertake a process of depollution to remove hazardous components and dismantling to harvest parts and/or individual materials for resale. The vehicle is then crushed or baled and typically transported to a metal processor for shredding.

This process allows for the recycling of the remaining ferrous and non-ferrous metals, with the remaining material sent to landfill as automotive shredder residue (ASR).



In Australia, this process typically achieves a resource recovery rate of ~70% of the average weight of an ELV, however the electrification of vehicles will influence the material composition over time.

The Australian Government expects almost 20 million vehicles to come off Australian roads and be replaced by ZLEVs. Given the lack of an ELV program, this represents a looming environmental catastrophe that will negate any emission reduction benefits achieved via the NVES.

To this end, the MTAA implores the Government to urgently develop and implement a co-regulated end of life vehicle scheme for Australia that could be under-written utilising the legislative reform measures of the Product Stewardship Act 2011.

A tangible first step on the journey for ensuring effective vehicle product stewardship is for the Government to develop and implement a mandatory scheme for tyre recycling to ensure that all tyre manufacturers, importers, distributors, retailers, collectors, recyclers, and associated businesses are held to the same standard.

RECOMMENDATIONS

Implement an effective end of life vehicle product stewardship scheme for Australia by replicating the approach of leading global jurisdictions such as Germany, Korea and the UK

Work with industry to implement an effective mandated tyre stewardship scheme

RECOMMENDATION 9

EXPAND THE MOTOR VEHICLE SERVICE & REPAIR INFORMATION SHARING SCHEME

The implementation of the Motor Vehicle Service and Repair Information Sharing Scheme in July 2022 has enabled independent automotive repairers access to vehicle manufacturers repair information.

The culmination of many years of industry advocacy and independent market studies found that the establishment of a mandated scheme was necessary to ensure a fair and level playing field while enabling consumers to have their vehicles diagnosed, repaired, serviced, modified or dismantled safely and effectively by an Australian repairer of their choice.

Australia's first right to repair legislative framework is considered a world leading instrument, however it falls short in that it only covers passenger and light goods motor vehicles.

The MTAA recommends the Government expand section 57BA provisions of the Competition and Consumer (Motor Vehicle Service and Repair Information Sharing Scheme) Act 2021 to include motorcycles, heavy vehicles and recreational vehicles.

The MTAA also supports the Productivity Commission recommendation in its Right to Repair Inquiry report published on October 2021 to introduce a repair supplies obligation on agricultural machinery. This would require manufacturers to provide access to repair information and diagnostic software to independent repairers on fair and reasonable commercial terms. This obligation should be implemented through an extension of the Motor Vehicle Scheme.

RECOMMENDATIONS

Expand section 57BA provisions of the Competition and Consumer (Motor Vehicle Service and Repair Information Sharing Scheme) Act 2021 to include motorcycles, heavy vehicles and recreational vehicles

Introduce a repair supplies obligation on agricultural machinery that requires manufacturers to provide access to repair information and diagnostic software to independent repairers on fair and reasonable commercial terms

RECOMMENDATION 10

ESTABLISH A NATIONAL APPROVED VEHICLE EXAMINERS SCHEME

The MTAA calls upon the National Heavy Vehicle Regulator (NHVR) to prioritise the harmonisation of state-based Approved Vehicle Examiner Schemes.

An AVE is approved to certify vehicle modifications by a state or territory transport department.

The existing approach, whereby each jurisdiction determines its own standards and entry requirements for their AVE Scheme has led to significant disparities across states. This fragmented system has resulted in an uneven playing field with certain states imposing stringent entry requirements and rigorous ongoing obligations while others maintain lower barriers to entry.

The patchwork of schemes further increases red-tape, costs and complexity for operators who operate across multiple jurisdictions. Harmonisation is essential to ensure consistency of standards, fairness and a level competitive environment across all jurisdictions.

RECOMMENDATIONS

The National Heavy Vehicle Regulator prioritise the harmonisation of state-based Approved Vehicle Examiner (AVE) Schemes, by implementing a national AVE Scheme

CONCLUSION

The MTAA looks forward to working with the incoming government, opposition and crossbench members and senators to achieve a vibrant and thriving automotive retail sector that contributes to a clean energy future while employing a growing number of Australians.

We would welcome the opportunity to provide further information on any of the points and requests outlined in this blueprint. Please get in touch with our CEO, Matt Hobbs to discuss.

M: 0419 608 845
E: matt.hobbs@mtaa.com.au

MOTOR TRADES ASSOCIATION OF AUSTRALIA

Representing the retail automotive industries throughout Australia

650 VICTORIA STREET, NORTH MELBOURNE VIC 3051

T 03 9829 1250 | M 0419 608 845

mtaa.com.au