

Motor Trades Association of Australia

# Annual Report 2001



*Presented by the President  
Mr Ian Field*





# From the President

## *Mr Ian Field*

### **Two Thousand and One**

*I have now completed my first year as President of the Motor Trades Association of Australia. It has been a time of significant change for the Association and for the many tens of thousands of businesses it is our duty to represent.*

*My predecessor Mr Bob Allen noted last year that we were living in a time of quite momentous political and economic change. That has continued unabated and business in the retail motor trades has found it necessary to continue to adjust to new market forces and an ever-increasing pressure on our profitability and capacity to invest and grow.*

*We have seen the effects of taxation reform and noted that the market for new vehicles over the last twelve months has exceeded 800,000 for only the second time in Australia's history. Consumers have never had a better market for new products, nor a better range at a better price.*

*However, while the outlook for consumers is good, it must be said that business conditions in our three largest sectors of the trades, franchised new vehicle sales, petrol retailing and crash repair, have all been subject to major adverse market changes. These changes have required careful attention and much diligent work by those responsible for the conduct of MTAA's activities including both our honorary office bearers and our professional officers.*

*Over the course of the year MTAA and those who undertake duties to support it have identified a range of matters which require active consideration at the highest levels of Government. Motor vehicle retailing is undergoing the most dramatic change, though there are equally serious problems in the petroleum retailing sector and in the body repair sector.*

*In considering the future of franchised new vehicle retailing MTAA has already drawn the attention of the regulatory authorities to market changes which significantly impact on competition and consumer choice. These include:*

- continuing international amalgamations, rationalisations, mergers and acquisitions by vehicle manufacturers thereby reducing inter-brand competition at the manufacturer level;*
- the desire by manufacturers to capture additional profit from the dealer network by reducing margins, reducing brand distribution costs and by shifting cost and capping returns;*
- the acquisition by a leading manufacturer of all dealerships in a single city in so-called joint venture arrangements which are either designed to, or have the incidental effect of, eliminating or significantly reducing intra-brand competition;*
- the establishment of one super dealership controlled by the maker/distributor and the relegation of current dealerships to service centre arrangements thus reducing intra-brand competition;*

- *the acquisition by foreign controlled interests of formerly Australian-owned dealerships and the development of Australia-wide network arrangements;*
- *the imposition of terms and conditions on franchise renewals which are designed to introduce de facto solus trading operations for dealerships holding multiple franchises for certain makes, such terms and conditions being designed to eliminate intra-brand competition;*
- *the imposition of additional dealership costs by insisting on the development of separate service and finance facilities for brands operating in multi-franchise dealerships; and*
- *the continuing non-renewal of major dealerships preparatory to further dealership rationalisations following from international mergers by manufacturers.*

*These changes are not just matters of abstract contemplation. They have affected many dealers of the highest reputation including some who have built their family businesses over decades. Australia cannot afford to lose a vibrant and competitive sector of small and medium enterprise to the whims of international vehicle manufacturers who misguidedly see opportunities to shift costs onto and reduce margins for the retailer.*

*In the petroleum sector MTAA has been forced to accept changes to retail operations which in recent years have, in direct contravention of the spirit of Federal legislation, driven thousands of families out of their business and handed control of all elements of the oil market to vertically integrated multi-national corporations. This has not been a welcome development for either consumers or the small businesses which formerly provided superior service to the consumer.*

*MTAA has also observed the massive changes that have taken place in the body repair sector; changes which have accelerated since the demutualisation of our major insurance companies. Those companies can no longer claim to be representatives of consumers and insureds. They represent only shareholders interests and they seek solely to maximise profits and their share price. Repairers are bearing the brunt of this and it is MTAA's duty to defend their interests with the greatest vigour.*

*The work of MTAA is not all defensive or responsive only to adverse market conditions. During the year MTAA has taken positive and enduring steps towards improving the retail motor trades. The Association has cooperated with the Government in developing a landmark programme of careers information products designed to encourage young people into the retail motor trades and positive work is being undertaken to address skill shortages. These projects mark a new and welcome addition to the range of activities undertaken by the MTAA Federation on behalf of its members.*

*The work mentioned above has also followed on from a major education programme, undertaken with welcome Federal Government support, to educate the sector about the implications of the new tax system. The Government's assistance in these programmes was most welcome.*

*Finally I should make mention of the developing role of the MTAA Superannuation Fund. This Fund is becoming increasingly central to the activities of the whole Federation. A great responsibility lies on the shoulders of those who have given so many hours of their time to carefully administer and manage the Fund. I thank them for their tireless efforts.*

*My report seeks to set out the wide range of continuing activity undertaken by MTAA on behalf of the retail motor trades. The workload is always heavy and new issues constantly emerge. In the forthcoming months that workload will increase as MTAA prepares to become involved in the activities surrounding the 2001 Federal election. MTAA shall as usual be seeking undertakings from all parties to support measures which will help the*

*small business sector become an even better contributor to the general welfare of the Australian nation. MTAA will be seeking the agreement of candidates to a range of proposals and policy settings. MTAA will be seeking to assist candidates who support our endeavour and our free enterprise philosophy. If men and women with those views are elected to our national Parliament then MTAA believes that the nation will be better served and become more prosperous as a result. I for one look forward to participating in that process and an ongoing involvement with those elected to high office.*

*May I take this opportunity to thank my predecessors for the leadership and wisdom they brought to the Association over the thirteen years just concluded. I hope that I can be adjudged to be a worthy successor to them. Let me thank my colleagues at this table and in our Member bodies for their voluntary assistance freely given and finally may I thank the Executive Director of the Association Michael Delaney and his dedicated staff at the MTAA National Secretariat for all their help and assistance over what has been a quite momentous time in the public affairs of the Association and the nation.*

**Ian Field**  
*President*

*19 September 2001*



# Motor Trades Association of Australia

*The Motor Trades Association of Australia (MTAA) is the national peak body for the whole of the retail, service and repair sectors of the Australian automotive industry. The Association is a federation of the motor trades associations and the automobile chambers of commerce in each state and territory as well as the Service Station Association Ltd (SSA Ltd) and the Australian Automobile Dealers Association (AADA). The Association is an unlisted public company having limited liability.*

## **MEMBERS OF THE MTAA FEDERATION**

*The Australian Automobile Dealers Association (AADA)  
The Motor Trades Association of the ACT (MTA ACT)  
The Motor Traders Association of NSW (MTA NSW)  
The Motor Trades Association of the Northern Territory (MTA NT)  
The Motor Trade Association of South Australia (MTA SA)  
The Motor Trades Association of Queensland (MTA Q)  
The Motor Trade Association of Western Australia (MTA WA)  
The Service Station Association Limited (SSA Ltd)  
The Victorian Automobile Chamber of Commerce (VACC)  
[incorporating the Tasmanian Automobile Chamber of Commerce]*

*The Association's affairs are directed by a Board on which each of the Member bodies is represented.*

## **The role of the Association is to:**

- *raise awareness in the community of the trade's significant contribution to Australia's economy through its more than \$88 billion turnover and its employment of over 230,000 Australians;*
- *convey and promote to governments the interests of the trades;*
- *promote improved working relationships and practices with motor trades' unions;*
- *provide information about the trades on behalf of the Members of the Association, to governments, the public and the trades' employees;*
- *work with governments in planning the future of the retail motor trades and their role in the economy and other areas of national planning;*
- *extensively enhance training and to develop work opportunities within the trades in co-operation with education and training authorities, the unions and government generally; and*
- *promote and enhance the reputation of the trades with their customers as well as with the general public.*

## **Affiliated Trade Associations (ATAs)**

*Under its Memorandum and Articles of Association, MTAA has a number of Affiliated Trade Associations (ATAs) which represent particular aspects or activities of the retail motor trades. These ATAs are as follows:*

*Australian Motor Body Repairers Association (AMBRA)  
Australian Motorcycle Industry Association (AMIA)*

*Australian National Towing Association (ANTA)*  
*Australian Service Station and Convenience Store Association (ASSCSA)*  
*Automotive Transmission Association of Australia (ATAA)*  
*Australian Tyre Dealers and Retreaders Association (ATDRA)*  
*Engine Reconditioners Association of Australia (ERA of A)*  
*Farm Machinery Dealers Association of Australia (FMDAA)*  
*National Brake Specialists Association (NBSA)*  
*National Radiator Repairers Association of Australia (NRRAA)*  
*National Steering and Suspension Association (NSSA)*  
*National Vehicle Airconditioning Association (NVAA)*

*All of the ATAs referred to are composed of the relevant sections of each of the MTAA Member bodies and are represented nationally, as national entities, by MTAA.*

### **Australian Automobile Dealers Association (AADA)**

*The Australian Automobile Dealers Association (AADA) is the national peak body for the new vehicle retail sector of the Australian automotive industry and a Member of MTAA. The Association is a federation of the Automobile Dealers Associations in each state and territory. AADA is an unincorporated association. AADA's affairs are directed by a Board on which each of the Member bodies is represented. The role of AADA, in addition to that of MTAA, is to:*

- *encourage, promote and protect the interests of the retail motor dealer business in Australia and to preserve the interests of Members;*
- *hold an annual national convention for retail motor dealers and/or their employees;*
- *cultivate and obtain reciprocal relations with like associations, both nationally and internationally;*
- *establish and maintain contact with the legislatures of the Commonwealth and of the states and territories and of the Australian governments to promote, support and protect the interests of the Association; and*
- *conduct seminars, educational programs or other meetings for the purposes of improving the knowledge and understanding of new vehicle franchise dealers of business, economic and related matters.*

### **Australian Service Station and Convenience Store Association (ASSCSA)**

*The Australian Service Station and Convenience Store Association (ASSCSA) is an ATA of MTAA, administered by an Executive Committee comprised of representatives from the Service Station and Convenience Store Divisions of the state and territory association Members of the MTAA Federation. The ASSCSA Executive Committee makes recommendations to the MTAA Board of Directors on matters related to the Australian retail petroleum trade; it is the peak trade body representing service station owners and operators at a national level.*

*ASSCSA has played a pivotal role in the development of petrol-related policies by all levels of Australian government. The Association, in conjunction with MTAA, has made a number of submissions to inquiries into the retail petroleum trade.*

*ASSCSA also appoints, from time to time, a number of working parties designed to address issues relevant to the interests of service station owners and operators, such as operational and fair trading issues. ASSCSA also co-ordinates a number of advocacy campaigns on petrol matters. These campaigns are undertaken by the MTAA Member bodies.*

## **Australian Motor Body Repairers Association (AMBRA)**

*The Australian Motor Body Repairers Association (AMBRA) is also an ATA of MTAA. Over the course of the year 2001 AMBRA has met on a number of occasions for the purpose of developing strategies to respond to significant change in the sector and the problems that have arisen since the imposition of the new tax system and in light of the major problems which have arisen following the rationalisation and demutualisation of insurance companies.*

*Extensive consideration has been given to the drafting of a Code of Conduct to regulate the commercial arrangements between insurers, repairers and consumers.*

## **National Secretariat**

*The Association's affairs are managed by a small, highly-skilled and united team, led by Executive Director, Michael Delaney. The full-time personnel are as follows:*

<i>Executive Director:</i>	<i>Michael Delaney, BA (La Trobe), JP</i>
<i>Deputy Executive Director:</i>	<i>Geoff Gardner, BA (Melbourne)</i>
<i>Senior Policy Officer:</i>	<i>Sue Scanlan, B Com (Ag) (Lincoln, NZ)</i>
<i>National Manager – Marketing and Business Development</i>	<i>John Jones</i>
<i>Executive Officer (Superannuation):</i>	<i>Paul Watson, Dip FP (Deakin), CD</i>
<i>Executive Officer (Property)</i>	<i>George Kochel</i>
<i>Policy Officer:</i>	<i>James Burke, BA Hons (ANU)</i>
<i>Executive Officer (Administration/Accounts)</i>	<i>Kim Mihalyka</i>
<i>Executive Officer (Minutes Secretary/Meetings)</i>	<i>Susan Mulligan</i>
<i>Administration Officer (Superannuation)</i>	<i>Nirmali Wijayatilake</i>
<i>Administration Officer:</i>	<i>Nikki Brown</i>
<i>Business Development Manager – New South Wales</i>	<i>Graham Millar</i>
<i>Business Development Manager – New South Wales</i>	<i>Andrew Gledhill</i>
<i>Business Development Manager – Victoria</i>	<i>Dianne Chitty</i>
<i>Business Development Manager – Victoria</i>	<i>Scott Harris</i>
<i>Business Development Manager – Queensland</i>	<i>Diedre Bell</i>
<i>Business Development Manager – Queensland</i>	<i>Peter Jones</i>
<i>Business Development Manager – Western Australia</i>	<i>Richard Stuttard</i>
<i>Business Development Manager – South Australia</i>	<i>Craig Walker</i>



# National Affairs

## **The New Tax System**

*The key development in relation to the New Tax System in the past year was the surprise but most welcome announcement in the Federal budget of the immediate bringing forward of the input tax credits for businesses purchases of new motor vehicles. Until that announcement motor vehicles were the only good or service subject to the GST which did not attract input tax credits. The denial of input tax credits had had a significant impact on the market and business purchases and commercial vehicle leasing lagged significantly behind what they might otherwise have been. While there has been some rebound in commercial vehicle leasing since the Budget announcement, as described later in this report, new vehicle sales for the first two months of the current financial year have been sluggish.*

*A matter of great concern to many businesses which became tax collectors for the first time has been the time and effort required to complete the quarterly Business Activity Statement (BAS). From the moment that the legislation was announced it was clear that the ATO had been able to devise a system of collection which required almost prodigious effort to complete. It remains a matter of resentment for small business operators, including those in the retail motor trades, that they should bear this burden without any recompense for their work.*

*Despite the recent announcement of major changes in the BAS and some additional flexibility regarding its completion, it is clear that the GST is unpopular with many in small business and had some effect on the slow-down in the national economy.*

## **ACCC Price Monitoring – Demands Made of New Vehicle Dealers**

*Following the introduction of the new tax system the Federal Government gave the ACCC wide ranging and coercive investigative powers to ensure that price changes following the introduction of the GST conformed with the changes expected to occur as a result of the ACCC's own price modelling.*

*In the case of new motor vehicles the ACCC had announced in the first half of 2000, via its published price guide that it expected that the price of new cars would fall between 6.6% and 8.0% following the introduction of the new tax system. At the time the guide was released MTAA/AADA took issue with it and publicly disputed whether such price movements would occur. In view of the likelihood that such movements would not take place MTAA/AADA took the opportunity to draft and circulate a Dealers Bill of Rights which was designed to ensure that dealers were not entrapped by the ACCC in litigation deriving from the ACCC's new "powers" to prosecute for so-called "price exploitation".*

*When the September 2000 quarter CPI figures were released they showed that, according to the Australian Bureau of Statistics, new car transaction prices had fallen by only 2.4%, not as the ACCC predicted, 6.6%. This was despite falls in the manufacturers' list prices of that same 6.6%; on average. The ACCC then set out to investigate the matter and sent out Notices of Demand issued under s75AY of the Trade Practices Act to several dozen dealers around Australia, including some of Australia's largest firms.*

*Dealers sought advice from MTAA/AADA and from state and territory Members regarding their rights and the compliance obligations and MTAA/AADA and, separately, VACC entered into negotiations as to the time required for compliance, the nature of the information sought and the propriety of the ACCC's actions. As a result, the ACCC withdrew its original Notices and issued new Notices which significantly reduced the scope of its inquiries and allowed dealers sufficient time to comply. The cost of such compliance however remained heavy and the ACCC continued to assert its rights to seek and obtain the information.*

*The ACCC having received the information, sought clarification in some instances and then having considered the information quite extensively decided to take no further action. It should also be noted that while the ACCC's behaviour resulted in no action being taken it caused many dealerships to incur significant unrecoverable costs in complying with the Notices of Demand. Additional significant and unrecoverable expenditure was also incurred by both the MTAA and VACC in representing dealers interests in this matter.*

### **Continuing Problems with the New Tax System**

*Despite the fact that the New Tax System has been in operation now for about 15 months there remain a number of issues which either cause administrative and cash flow difficulties or confusion in the market for motor vehicle dealers. Since the GST was imposed there has been considerable criticism of the arrangements required to account for input tax credits on items acquired from unregistered (non ABN holding) sellers. In its 2001/2002 Budget Submission to the Government, the Association submitted that the 'current legislative provisions relating to the purchase of used goods from unregistered purchasers is unwieldy, time-consuming, unwarranted and, most important, unnecessary for the efficient administration of the taxation system. When ANTS was introduced it provided for notional GST input credits in respect of the purchase of second hand goods from unregistered parties. It was decided to do so apparently because the Treasury and the taxation authorities believed that without such an arrangement there was potential for the creation of fraudulent GST input credits'.*

*However MTAA believes that what has been created is a system which has produced substantial additional costs to small businesses and horrendous compliance issues for motor dealers who are the largest single sector dealing in used goods.*

*The Association therefore proposed to the Government 'that business purchases of used goods from unregistered sellers for the purpose of resale should trigger an actual input tax credit in the same way as a purchase from a registered seller.' However while the Association believes that such a change would have no impact on Government revenue, and while each side of politics has expressed some sympathy for resolving the problem, neither has given any commitment to do so if it is re-elected or elected at the forthcoming Federal election. The matter will be a key issue to be pursued during the course of the Motor Trades Electoral Action Committee activity to be undertaken during the Federal election campaign.*

*Dealers report also that there is considerable confusion in the market place regarding GST liability on vehicles sold to charities and to the disabled. To add to the confusion on this matter the Australian Taxation Office issued a fact sheet which sought to explain the arrangements that have been put in place to ensure compliance with the GST legislation which while it covers eligibility for GST-free purchases in some detail it makes no reference to the conditions that are attached to the disposal of the vehicle and the taxation consequences of the disposal. It is the view of the MTAA National Secretariat that urgent attention should be paid to the complicated rules associated with exemption from the GST for charities. In particular the tax treatment for disposal of vehicles should be addressed as a matter of priority.*

### **Business Taxation – The Next Steps**

*Following the imposition of the Goods and Services Tax, the changes to personal taxation and the reforms to Capital Gains Tax, the Federal Government has been giving consideration to a number of measures that were recommended by the Ralph Review of Business Taxation (RBT).*

*That consideration led to a Government announcement in June 2001 which was widely interpreted as being a decision to abandon its plans to reform entity taxation (chiefly the proposal to tax trusts and companies in a similar manner) and to delay the introduction of the tax value method of accounting for company profits.*

*It was believed then that some new proposals for reform of business taxation would emerge prior to the 2001 Federal election. However, in the view of the National Secretariat, it seemed unlikely that any swingeing new imposts would be proposed to be placed on*

*business especially as the Opposition has also announced that reforms to entity taxation would only proceed if there was bi-partisan support for such measures.*

*In the 2001/02 Federal Budget the Government simply re-affirmed the new lower rates of company tax and the end of Financial Institutions Duty. As well, agreement has more recently been reached between contractors and the ATO regarding the proposals in the RBT affecting the alienation of personal income.*

*However, by July 2001, the Government had formally announced that it would still proceed to introduce, if possible, Option 2 of the Ralph Review of Business Taxation; the so-called Tax Value Method (TVM), by which company profits would be assessed on changes in asset values.*

*The responsibility for preparing the business community for this change has been given to the Board of Taxation chaired by Mr Dick Warburton. The Board, whose Secretariat is largely comprised of Treasury officials, has been pursuing strategies designed to revive the proposal and obtain the endorsement of the business community for it. These strategies have involved:*

- "road-testing" the proposal on selected businesses. Thus far the businesses chosen have been Qantas, Telstra and Australia Post but it is understood that small and medium-sized enterprises will eventually be selected for scrutiny;*
- the convening of a Consultative Conference of industry representatives, independent tax experts and officials from the Board, the ATO and the Treasury. Small Business was represented at the Conference by a representative of the Small Business Coalition; and*
- the publication, on 4 September 2001, of the Consultative Conference Papers and rejoinders to those papers from the Board's TVM Legislative Group.*

*Parallel with this activity MTAA's National Secretariat has continued to liaise with those involved in technical discussions with the Board of Taxation regarding the likely impact of the TVM. The most recent matter to emerge followed a meeting of the Small Business Coalition (SBC) which discussed "road testing" arrangements. The SBC is now proposing to write to the Board expressing certain concerns. The MTAA National Secretariat believes that in addition to expressing concern about "road testing" the view of the Board should be sought regarding the capacity that the TVM would create for increased taxation collection arising from future Government administrative decisions regarding the treatment of asset values and in particular the possible taxation of unrealised gains in asset values. Concern must be raised at any change to the taxation arrangements which is likely to lead to a further diminution of the capacity of business to invest for future growth.*

*It is to be hoped that the Board of Taxation will respond to these concerns in a timely fashion in order that the issues associated with the introduction of the TVM are able to be clearly understood and business is able to make a rational decision to support or not the proposed new taxation arrangements for company taxation.*

### **Matters Arising from the Federal Budget 2001/2002**

*Of all the measures announced in the Federal Budget on 22 May, the one which directly affected the retail motor trades was the decision to allow business purchasers to claim full input tax credits for purchases of new motor vehicles as from 23 May 2001. MTAA sought such a measure in its 2001/02 Budget Submission and wholeheartedly welcomed the decision which ensured that at last motor vehicles were to be treated the same as all other goods and services subject to GST. The unfair and discriminatory treatment of motor vehicles had contributed to a slump in sales in the early months of 2001.*

*The revenue effect of the measure will be to cut some \$700 million from the GST revenue passed to the states and territories. But, notwithstanding this it is a measure that will provide much-needed stimulus to the Australian economy and it will be of immeasurable benefit to*

*Australia's vehicle manufacturers, retail motor traders and to business purchasers who will now be able to commit to significant capital expenditure for their businesses. Small business in particular will be a significant beneficiary of the measure.*

*Car sales rose in the wake of the budget but were sluggish in July and August. It remains to be seen whether this is symptomatic of some underlying weakness in the market.*

### **The Continuing Quest for Fair Trading**

*Since the establishment of the Association, the securing of a fair trading environment for retail motor traders has been the highest priority. Three years ago, the Trade Practices Act was amended to introduce the new provision on unconscionable conduct and to allow for the introduction of the mandatory Franchising Code of Conduct. At that time there was an expectation that the amendments would change the behaviour of, among others, the suppliers to our trades. In some respects that has happened. Franchisees now get reasonably detailed disclosure documents and the introduction of the Franchising Code of Conduct has seen a number of smaller, less ethical, franchisors fall foul of the enforcement powers of the ACCC and the Courts. Landlords, too, have been put on notice by the ACCC that unconscionable conduct will not be tolerated. While that can only be to society's benefit, the direct gains for retail motor traders have been less tangible. For whatever reason the behaviour that motivated our involvement in the whole fair trading debate seems to have not been restrained by the outcome of that debate. In the latter part of this year the Parliament passed amendments to the Trade Practices Act which provide, among other matters, greater power to the Australian Competition and Consumer Commission to take representative actions on behalf of small business and to seek declarations on the operation of the Act; but more needs to be done.*

*We have no law which says that a company can't retail below the cost at which it supplies other retailers, we have no rules in the petroleum sector which ensure maximum competition at wholesale. There appears to be no limit on how and to what extent suppliers can introduce new arrangements or alter our agreements in many ways without consulting us and without our consent.*

*This misuse of market power is not confined to any one sector of our trades. It is also not isolated to the retail motor trades; independent grocers face similar problems; as do many other retailers. Of course on top of all of that, small businesses are on their own in any attempts at negotiating with their suppliers. There would seem to be no easy solution to all of this, but one must be found or there will be fewer and fewer small businesses out there. That issue will be one of the bigger challenges facing the next government.*

### **Amendments to the Franchising Code**

*It was reported last year that the Franchising Policy Council had, at the request of the Government conducted a Review of the operation and effectiveness of the Franchising Code of Conduct. The Government announced its response to the Council's Review in early October 2000 and it was expected that the changes to the Code arising from the Review would have taken effect from 1 July 2001.*

*However the proposed changes to the Code were not officially approved by the Government until the end of June and will now take effect from 1 October 2001. The Code is being amended to provide for a short-form disclosure document for franchisors with an estimated annual turnover of less than \$50,000; the removal of the existing requirement for a franchisee selling or assigning its franchise to another franchisee to provide a disclosure statement; to allow reasonable costs of an audit of marketing and cooperative funds to be deducted from the fund itself; and to provide for a range of technical amendments. The Government has also made some amendments to the dispute resolution processes including requirements for parties attending mediation to have the authority to enter into agreements to resolve disputes. If mediations are not concluded within 30 days, that mediator can issue a certificate advising that the parties were not able to reach an agreement. It is hoped that both of these changes will limit the opportunities for parties to 'drag out' mediation proceedings.*

*It is of course true that the Government's response to the Code Review (and these consequent amendments) does not go as far as MTAA proposed or as it would have wished. However, it seems that in relation to the dispute resolution processes the Government is sending some signals that some parties have, in the past, not been treating the mediation process as the Government intended it to operate. Of course there are other areas of the Code that MTAA believes needs strengthening. One of those is the termination at will, and without just cause, issue and another is the question of coverage of farm machinery dealers. These are matters that the Association continues to pursue*

### **Review of Aspects of the Regulation of Proprietary Companies**

*Since the passage of the Corporations Law in 1996, MTAA has been concerned at the onerous reporting requirements placed on many enterprises in our sector. As a result MTAA has continually called for these requirements to be reviewed in accordance with the undertakings given when the legislation was first passed into law. Finally, after much representation by MTAA, in 2000 the matter was referred to the Parliamentary Joint Statutory Committee on Corporations and Securities for review. The Committee issued its report in March this year and in doing so recommended changes to the current financial reporting arrangements for proprietary companies which if adopted would reduce costs and red tape for those caught in the net of the changes introduced in the First Corporate Law Simplification Act (1995). While the Committee's report was a vindication of MTAA's dogged pursuit of reform in this area, parliamentary inertia has meant that there has been no Government response to the recommendations. MTAA will vigorously lobby candidates during the election campaign for the adoption of the Committee's recommendations in order to secure a better deal for small businesses.*

### **Small Business Coalition and Small Business Forum Developments**

*The Small Business Coalition (SBC), of which MTAA is a member, continued to meet during 2001 to examine and discuss a variety of issues of concern to the small business sector. Among the topics discussed during 2001 were the difficulties of small business caused by the Business Activity Statement and other GST compliance issues, the Franchising Code of Conduct, the definition of a 'small business', electronic commerce, fair trading and superannuation matters. A matter of particular interest has been the proposed new Tax Value Method (TVM). Through its close consultation with the small business representative on the newly created Board of Taxation, the SBC has been closely involved in negotiations on this issue.*

*The SBC and the Small Business Forum (SBF) continue to be highly regarded by the Federal Government as an important source of advice on small business matters and MTAA remains committed to working with both bodies to pursue the interests of members. Both of these fora enable MTAA to put concerns directly before Ministers and officials.*

### **MTAA Liaison Activities**

*During the course of the year MTAA has been required to pursue the interests of retail motor traders on a wide range of issues. Pursuit of our interests necessarily involves direct contact with large numbers of Ministers, Opposition spokespersons, and representatives of minor parties and independents holding the balance of power in the Parliament. As well, considerable informal contact with staff members of all parliamentarians and key officials in the administration is a crucial and ongoing part of the daily business of the National Secretariat. Many of the issues about which personal representations have been made are detailed in this report.*

*Of particular concern over the year have been the effect of the transitional arrangements on the market for new vehicles, as well as the continuing changes occurring in the retail petroleum sector, the policy proposals being considered to deal with the question of imported used motor vehicles, the intense pressures being placed on automotive body repairers by insurance companies and superannuation policy. There has however been a wide range of additional issues about which consultation and discussion have been undertaken. These range from formal avenues of discussion, including attendance at meetings of the Australian Competition and Consumer Commission's various consultative and advisory committees, attendance at the Small Business Forum convened by the Minister for Employment, Workplace Relations and Small Business and appearances before relevant Parliamentary, Government Party and Opposition Caucus Committees.*

*The MTAA National Secretariat has at all times made known its willingness to respond to questions, to prepare and submit to all sides of politics material relevant to the development of policies of importance to retail motor traders, and to take the opportunity, whenever and wherever it is offered, to inform elected representatives and officials of MTAA's concerns. At all times our concerns have been treated with respect and they have often been the subject of intense and extended discussion. Such discussions have often led to requests for further clarifying material. Where possible all such requests are met as soon as possible.*

*This process is an integral and central part of the role and duties of MTAA's National Secretariat. It is often, almost inevitably, carried out with discretion and without publicity. Its purpose is to inform and educate and such purpose is often at odds with the seeking of publicity or public debate on the matters under consideration. In this respect the long experience of the Secretariat staff in dealing with Government and the administration serve the National Secretariat well in the pursuit of its interests.*

*Given the range of issues and their importance to the automotive sector this aspect of MTAA's work is at the heart of the National Secretariat's activities and in the past year it has again continued the detailed and intensive liaison activities which have been a high priority of the Association, since the its establishment in 1988.*

### **Federal Industrial Council (FIC)**

*The Federal Industrial Council of the Retail Motor Trades (FIC) has continued to represent the interests of MTAA Members in all industrial relations matters including award negotiations and the development of the Federal Government's workplace relations policy. Notwithstanding recent changes to the workplace relations legislation FIC believes that there are additional areas of the unfair dismissals legislation which require reform. FIC supports the retention of Australian Workplace Agreements as an option within the industrial relations system and will be seeking to ensure that any changes to the status of AWA's will protect those agreements already registered under the current legislation.*

# Petroleum Matters

## **Senate Economics References Committee Inquiry into Petrol Matters and the Fitzgibbon Bill**

*In October 1999 the Senate referred the provisions of the Fair Prices and Better Access for All (Petroleum) Bill 1999 (the Fitzgibbon Bill), the practice of multi-site franchising by the oil majors and aspects of the Petroleum Retail Marketing Sites Act to the Senate Economics References Committee for inquiry. The Committee was originally to report its findings to the Senate on 24 November 1999, however the reporting date was extended a number of times and the Committee finally reported in March 2001.*

*MTAA's activities in relation to the Committee's inquiry were reported on in last year's Annual Report and do not require repeating here. The Committee (which was Chaired by Senator Shayne Murphy (ALP, Tasmania)) in a majority report recommended that the Fitzgibbon Bill be reintroduced and passed by the Parliament. The Committee, having heard much about the so-called unconstitutionality of the Bill, also recommended that the Bill be amended to ensure that there was no doubt that it would apply only to new franchise agreements. Mr Fitzgibbon has said on a number of occasions that the Bill was never intended to have retrospective application. During the course of the inquiry both the oil majors and the Government continued to assert that there were 'constitutional' difficulties with the Bill.*

*The Committee also recommended that the Government should amend the Petroleum Retail Marketing Sites Act 1980 so that no more than 10 sites may fall under the control of any individual multi-site franchise operator. The Committee also further recommended that the Government examine the adequacy of the provisions in the Sites Act relating to 'related bodies corporate' with a view to bringing the definitions in the Act into line with Australian Accounting Standards. Perhaps predictably the Government Senators on the Committee submitted a dissenting minority report recommending that the Fitzgibbon Bill not be reintroduced into the Parliament and that the Government should instead re-introduce the Petroleum Retail Legislation Repeal Bill 1998 and adopt the majority recommendations of the earlier "Crane" inquiry.*

*As yet there has been no official response from the Government to the Senate Economics References Committee report, nor to the earlier report by the Senate Rural and Regional Affairs and Transport Legislation Committee (the Crane Committee) into the Government proposal to repeal the petroleum legislation. It would seem highly unlikely that there will now be a response from the Government before the election.*

## **Compliance with the Petroleum Retail Marketing Sites Act 1980**

*For some time now ASSCSA/MTAA has been paying particular attention to the administration of, and level of compliance with, the Petroleum Retail Marketing Sites Act 1980. The Act is administered by the Department of Industry, Science and Resources and the Executive Director has advised the Department on various occasions that MTAA expects the Act to be properly administered and enforced.*

*Earlier this year the Government advised MTAA that it would not be taking any action against BP for breaches of the Sites Act through its multi-site franchise operations. The Government advised that BP had been required to make a technical amendment to its franchise agreement and that having been done the Government was satisfied that the BP multi-site franchise agreement fulfilled the requirements of the Petroleum Retail Marketing Franchise Act 1980. Despite the fact that fuel was being sold on a commission basis, the company was not then required to declare the sites as part of its quota.*

*The Government has, during the course of this year, been collecting evidence in respect of Mobil's alleged breaches of the Sites Act and has for some months now been negotiating with the company with a view to seeking consent orders from the Federal Court. Those negotiations remain on-foot.*

*MTAA is advised that the Government is shortly to announce that the four oil majors have agreed to put in place compliance programs in relation to their reporting obligations under the Sites Act. While it is heartening to see that the companies will now have internal processes which will 'check' on their Sites Act reports and reporting procedures one could suggest that it has all come about too late, and that the Government should have done much of this work two decades ago.*

### **Government Inquiries into Petroleum Tax and Price Volatility**

*There was in the early part of this year considerable consternation in the community about petrol prices and while prices have recently fallen from their earlier highs, the price of petrol remains a matter of concern to many motorists. Such was the outrage about petrol prices that the Government decided it had to be seen to be doing something to alleviate the burden of high fuel prices for motorists and thus it announced in March 2001 that excise would be reduced by 1.5 cents per litre and that indexation of fuel excise would be forever removed.*

*At the same time the Prime Minister announced two new inquiries into petrol pricing; one dealing with price volatility and the other with fuel taxation. The Australian Competition and Consumer Commission (ACCC) was asked to examine the feasibility of placing limitations on petrol and diesel retail price fluctuations throughout Australia. In June the Commission issued a discussion paper which proposed a range of options for dealing with retail price fluctuations, ranging from a public education campaign (to educate consumers about the price cycle) to variously, retail and wholesale price regulation, to a terminal gate pricing system which provided for access but no price discounting. MTAA and a number of the Member Associations made submissions to the ACCC supporting the introduction of a terminal gate pricing arrangement. At the time of writing the ACCC is continuing its work on this inquiry, but it would seem that no date has been set for the Commission to report to the Government.*

*The second inquiry announced by the Prime Minister was the Fuel Tax Inquiry. The Government has now appointed a three person Committee to conduct the inquiry (Mr David Trebeck, Mr John Landels AC and Mr Kevin Hughes). The Committee has issued an issues paper and is presently seeking submissions. The fuel tax inquiry is not due to report to the Government until March 2002.*

*It should be remembered that these inquiries were announced at a time when the Government was experiencing quite a lot of difficulty with the electorate over petrol prices and it had to be seen to be doing something.*

*During its five and a half years in Office, the Government has at every point made it clear that it wishes to see less regulation of the petroleum market. It would seem unlikely therefore that the Government will support a recommendation from the ACCC for increased regulation of the petroleum market. The ACCC itself has given every indication over the years that it supports the current marketing arrangements. It would then be difficult for the Commission to recommend anything which might see an end to the discounting cycle.*

*In relation to the Fuel Tax Inquiry, the National Secretariat and others had quite some expectation on the release of the terms of reference for the inquiry that this would be a wide ranging inquiry into fuel taxation, including looking at some of the structural difficulties facing the industry. However with the release of the Inquiry Issues Paper it has become clear that this is a much more narrowly focussed inquiry than had at first been thought. The reality would seem to be that MTAA's concerns about marketing and pricing arrangements in the industry will not be central to the Inquiry Committee's deliberations.*

## **OilCode Negotiations**

*In terms of the introduction of a mandatory code of conduct for the oil industry, the year has ended where it started; which of course has disappointed many petroleum resellers. The Government has indicated that it will take no further action on petroleum 'reform' until the industry parties can agree on the future of the Sites Act. ASSCSA/MTAA has made it clear in the past that its support for the introduction of a mandatory code is not to be at the expense of losing the Sites Act in its entirety and it remains committed to that position.*

## **Development of National Fuel Standards**

*The Association's monitoring of the development of mandatory national fuel standards has continued during the year. The Fuel Quality Standards Act was passed by the Parliament at the end of 2000 and comes into effect on 1 January 2002. The Government has this year finalised its position on the fuel parameters for both petrol and diesel, but has yet to determine its position on the blending of ethanol with fuel. The Government is currently finalising regulations about the compliance, sampling of fuel and record keeping requirements under the Act and it is likely that these will have some impact on service station operators.*

*In a somewhat surprising development during the year it appeared that the Government intended moving away from its initial position that use of Methyl Tertiary Butyl Ether (MTBE) be banned in fuel supplied or imported into Australia. Fuel importers claimed that if the use of MTBE was banned they would not be able to source competitively priced fuel to import into Australia. This led to concerns among sectors of the Government that that would discriminate against importers and thus reduce competition in the fuel market.*

*MTAA urged the Government, on environmental grounds, to impose a ban on the use of MTBE. The Government however after some deliberation announced that the use of MTBE in domestically produced and imported fuel would be banned from 1 January 2004. Bans on the use of MTBE which currently exist in some states are unaffected by the Government's decision.*

*One of the issues which was raised last year in consultations on fuel standards was that there was a need to also regulate those components of petrol and diesel which affect the operation of the vehicle. The fuel parameters dealing with these operability issues are also expected to be finalised in the near future and to come into effect on 1 January 2002.*

*It is anticipated that in addition to contributing to lower fuel emissions over time, these fuel standards will assist in the elimination of fuel substitution practices. Once the standards come into effect it will be illegal to sell fuel which does not meet the standard – that includes fuel that contains a substance that is not permitted by the standard (such as toluene) or substances in greater quantities than is permitted under the standard (for example, fuel which has a higher sulfur content than the standard allows). It is to be hoped that the unfair trading advantages which unscrupulous operators get from engaging in fuel substitution will be eliminated by the introduction of these standards.*



# Automotive Body Repair Matters

*The relationship between repairers and insurance companies has, in recent times, been severely tested as the major insurance companies reposition themselves in the market place. Demutualisation of major insurance companies, particularly of NRMA Insurance, has been a major influence in this changing relationship. The companies have embarked on a series of acquisitions and mergers which has resulted in the emergence of a few very large insurance companies. The over-riding concern of the companies now appears to be increasing shareholder value; whatever the cost.*

*In recent years, automotive body repairers have been required to make substantial capital investments in their businesses to meet environmental and occupational, health and safety standards and also to be able to provide the quality of repairs required by both insurance companies and the owners of the vehicles requiring repair. That capital investment has largely been accepted by automotive body repairers as being necessary if they wish to remain in business. Equally, though, those repairers expected that they should be allowed to earn a return on that investment.*

*However, automotive body repairers have for some time now been the subject of commercial behaviour by insurance companies, principally by NRMA Insurance and its subsidiaries, which has in our view severely impacted on their ability to provide quality repairs to vehicles, caused unnecessary damage to small businesses and had little or no impact on premiums; which appear to continue to increase.*

## **Fallout from the GST**

*At the time of the introduction of the GST, NRMA Insurance (and some other insurance companies) significantly reduced the margin they allowed repairers for parts; this had such an impact on repairers, particularly in New South Wales, that many found their viability severely threatened. Some subsequent assessments are that repairers' gross profits have been reduced by up to 50 per cent as a result of NRMA Insurance's unilateral action. At the same time, SGIO, in Western Australia, reduced the materials component of the paint rate, in anticipation of paint costs falling on the introduction of the GST. Unfortunately for repairers paint costs did not fall; in fact they rose. SGIO however has not increased the hourly paint rate it allows repairers. Again this severely impacts on repairers viability; and of course allows the insurer to keep its costs down.*

## **NRMA/SGIO/SGIC**

*More recently SGIC (South Australia) and SGIO both of which are now owned by NRMA Insurance announced (and indeed have done so) that they would be conducting tenders for their repair work in respectively South Australia and Western Australia. MTAA and its Members have serious concerns about those tender processes. The Companies proposed that body repairers submit times and rates for repair work in advance of accident occurrences or assessments, without allowing repairers any consideration for differences between models, makes and size of vehicles. Repairers were being asked to complete the tender document for repair times and rates without any knowledge of the range of vehicles that they will actually be asked to repair.*

*The situation was further exacerbated in that repairers believed that SGIO and SGIC employees were suggesting pricing levels which would be acceptable to the Companies. Repairers in relation to these tender documents were in a “no-win” situation. Either they priced consistently with the pricing levels which were ‘suggested’ to them or they would not get further work from the insurer. If they did price at the rates and times suggested then it is likely, that over time, their businesses will be unviable. MTAA, MTA WA and MTA SA and the repairers themselves believe such conduct to be in breach of the unconscionable conduct provisions of the Trade Practices Act. The Association has raised its concerns about these tender processes with the Australian Competition and Consumer Commission.*

*These tender processes of NRMA Insurance seem to repairers to not be about providing quality repairs for vehicles, but about providing the cheapest repairs. That is not in the interests of the owners of vehicles, who have a right to have their vehicles restored to their pre-accident status and who have an expectation that that will indeed happen, or our small business repairer members who do not want to see the quality of their repairs and the safety of their customers’ vehicles compromised.*

*MTAA fears that the recent round of mergers and acquisitions in the insurance sector and the conduct of the large market players, such as NRMA Insurance, in seeking to reduce their costs through tender processes will inevitably lead to rationalisation in the automotive body repair sector. That will mean loss of employment in the sector, the loss of apprenticeship opportunities as remaining repairers seek to reduce their own costs in an effort to remain viable and in the long term a loss of skills in the sector.*

*Following representations to all members of Parliament MTAA has been advised by Senator Nick Sherry (ALP, Tasmania), that, in his capacity as Deputy Chair of the Senate Select Committee on Superannuation and Financial Services, he proposed and his Committee has now agreed, to examine the issue of the treatment of body repairers by NRMA Insurance. A formal announcement of this inquiry may take place as soon as the day of the MTAA Annual General Meeting.*

*The proposed inquiry will provide a significant opportunity for public scrutiny of the activities of NRMA Insurance and its behaviour towards body repairers. MTAA will be making a major submission on behalf of body repairers and it is to be hoped that the Committee will also seek to hold public hearings in the capital cities thus providing an opportunity for individual repairers to make known their problems direct to our Federal parliamentary representatives.*

## **Development of a Crash Code**

*As part of the Association’s pursuit of securing a fair trading environment for retail motor traders MTAA and the Australian Motor Body Repairers Association (AMBRA) have long supported the introduction of a code of conduct to regulate relations between insurers, consumers and repairers.*

*MTAA has been seeking support for the introduction of a ‘crash code’ from Federal parliamentarians, the Australian Competition and Consumer Commission and insurance companies themselves. Until recently the insurance companies had shown little interest in discussing any such code at all. However, the ACCC has recently indicated a renewed interest in the issue and has taken steps to seek the views of the Insurance Council of Australia on the matter.*

*In addition, one major insurer, AAMI has taken action unilaterally to introduce a Code of Conduct for its dealings with repairers. MTAA was requested by AMBRA to make representations to AAMI to seek to have discussions with a view to obtaining changes to the Code to bring it into line with MTAA’s draft Crash Code. It is clear however from AAMI’s response that it has no interest in discussing its Code and is not prepared to include in it provisions which would take account of the interests of consumers and of their relations with the repairer. AAMI claims that it will consult widely with those repairers with whom it is engaged. In these circumstances there would seem to be no point in seeking to discuss the matter further with AAMI.*

*MTAA will however make clear to any interested parties or persons that its view is that the AAMI code provides no protection for the consumer interest and seeks simply to maintain the hegemony of the insurer over those repairers with whom it contracts for work.*



# Automotive Matters

## State of the Market

*At the end of July 2001, new motor vehicle registrations for the year to date had risen 2.16 per cent, from 434,382 in 2000 to 443,761 in 2001. However the figures for the month of July 2001 showed a decline of 13.38 per cent, from 78,986 registrations in 2000 to 68,417, indicating a slowing of the strong growth of the previous three months. Year-to-date registrations of passenger vehicles rose 3.5 per cent from 358,228 in 2000 to 371,174 in 2001.*

*Registrations of vehicles in New South Wales declined by 2.2 per cent over the year to date, from 151,883 vehicles in 2000 to 148,617 in 2001. Registrations declined in the Northern Territory by 9.1 per cent, from 4,540 vehicles in 2000 to 4,127 in 2001 and in the ACT by 2.2 per cent. Year-to-date registrations grew in Victoria by 5.3 per cent, from 114,694 vehicles in 2000 to 121,056 in 2001; in Queensland by 3.6 per cent, from 82,773 vehicles in 2000 to 85,886 vehicles in 2001; in South Australia by 7.4 per cent, from 25,862 vehicles in 2000 to 27,936 vehicles in 2001; in Western Australia by 1.2 per cent, from 39,728 vehicles in 2000 to 40,207 vehicles in 2001 and in Tasmania by 4.2 per cent, from 7,399 vehicles in 2000 to 7725 vehicles in 2001.*

## Specialist and Enthusiast Vehicle Scheme

*On May 8, 2000, the Government announced the introduction of a new scheme for the management of the importation of used motor vehicles called the Specialist and Enthusiast Vehicle Scheme (SEVS), which will replace type (bulk) approval of compliance with the Australian Design Rules with a system of vehicle-by-vehicle inspection and approval through registered workshops. MTAA has been monitoring the progress of the introduction of the legislation that is proposed for that purpose. Legislation, in the form of a Bill making amendments to the Motor Vehicle Standards Act, was finally introduced into the House of Representatives in June 2001 and has been the subject of considerable debate in the Government party room since that time, including about so-called concerns on the alleged effect of the new schemes on dozens of "small businesses", in effect the importers whose abuse of the current arrangements has caused the Government to act.*

*Following the introduction of the amending Bill and in response to the backbench disquiet, the Government sought MTAA's agreement to a further compromise in the proposals whereby those already operating would be allowed to continue their current approvals for a further year. MTAA advised that it was prepared to accede to this proposal in order to ensure that the legislation was passed during the current Parliament.*

*In late August MTAA was advised by the Government that the Bill would be considered before the end of that month and that the ALP would support the Bill. However the ALP has since advised MTAA that it would only agree to give the Bill urgent passage through the Parliament if it were first able to see and approve the associated Regulations setting out details of the SEVS and RAWs schemes and if the legislation, including the associated Regulations, was referred to and approved by the relevant Senate Legislation Committee. However, as it now seems increasingly likely that there will only be two more Parliamentary sitting weeks before the Parliament is prorogued for the 2001 election, the passage of the SEVS/RAWs legislation is still subject to a very delicate political process.*

*Since the report on the operation and administration of the Motor Vehicle Standards Act was made public, MTAA and the officers of the National Secretariat have sought to make resolution of this issue a matter of the highest priority for the Federal Government. MTAA has been assiduous in making every possible representation and seeking to explore every avenue for redress of this situation. In doing so the Association has worked closely with the Federal Chamber of Automotive Industry and the vehicle manufacturers and new vehicle importers in seeking to ensure that the solutions proposed are adopted.*

*However, given the imminence of the election and the progress made thus far, it may be that this issue will not be resolved to our satisfaction and the retail motor trades will again need to seek assurances from the major political parties of their willingness to act to end the current scheme and stop the abuses of it which continue to occur.*

### **Automotive Retailing**

*The President referred in his introduction to the fact that the Association has drawn to the attention of the Australian Competition and Consumer Commission changes in the new motor vehicle market which have had significant impact on competition and consumer choice. As well MTAA has been monitoring developments taking place in Europe where the European Commission is currently considering what, if any arrangements, might be put in place when the current regulatory arrangements relating to franchise arrangements in the new vehicle sector come to an end. The European Commission has issued a work description for a study on the impact of possible future legislative scenarios for motor vehicle distribution. Among the matters to be considered are intra-brand and inter-brand competition*

*The ACCC is aware of the European Commission's activity and has expressed interest in the issue and acknowledged that, while the Australian Commission had given consideration to certain developments in the market, on a case by case basis, it had not undertaken any comprehensive examination of these developments. As a result the ACCC has agreed to consider a paper setting out the details of recent market developments referred to in the President's introductory remarks.*



## Other Activities

### Training Matters

Throughout 2001, Automotive Training Australia (ATA), of which MTAA is a founding shareholder, worked to address the skills shortage in the retail motor trades. ATA has had a most successful year financially and is expanding and increasing quality relationships with enterprises and associations. A special effort has gone into enhanced relationships with state and territory Industry Training Advisory Boards (ITABs). The effort has been rewarded in a greater understanding of respective roles and, as a consequence, the positive elements of a cohesive national network are being achieved. ATA continued to produce valuable support materials including an aftermarket training package, a bus, truck and trailer package, a CD-ROM based diagnostics training package and the "Career Video Capsule" to assist New Apprenticeship Centres and Registered Training Organisations.

An important part of the effort to address skills shortages was the DETYA-funded Career Industry Information Partnership Programme (CIIPP), one of the initiatives overseen by the National Retail Motor Industry Taskforce. The CIIPP was focused on school students in aiming to help address skills shortages by:

- improving the perceptions of students, their parents, teachers and career advisers in the educational system regarding the image of the industry;
- developing and distributing better careers information; and
- promoting automotive employment, training and career options.

The CIIPP web site [www.autocareers.com.au](http://www.autocareers.com.au) is attracting positive comment and usage. The regional pilots in Bunbury and Townsville continue to attract attention. Some very positive outcomes have been achieved. A new school-based automotive program at a secondary school in Townsville is a direct result of the pilot. MTAA is currently seeking additional funding to replicate the pilot programs.

Ongoing industry support needs to be considered to ensure the momentum gained through the funded period of the CIIPP project is not lost.

### MTAA Super Fund

Despite the difficult investment markets that characterised 2000-01, it was a year in which the MTAA Superannuation Fund (MTAA Super) achieved credible returns for its members while at the same time remaining focussed on continuing to improve its services to members and employers. The Fund's assets under management grew to \$1.3 billion during 2000-01 and the Fund's membership stood at 187,000 members and some 32,200 employer-sponsors, including 13,500 active employer-sponsors.

The past year was a difficult one for investment markets, resulting in most funds crediting lower returns to members than in previous years. Against this background, MTAA Super has again achieved returns equal to or better than many similar super funds. MTAA Super's Secure option has credited 4.95%, while the Balanced option credited 6.5% and the Growth option credited 5.5%.

*Over three years the average crediting rate for the Secure option has been 5.57%, for the Balanced option 9.4% and the Growth option 11% per annum. Over five years, the average crediting rate for the Balanced option has been 11.33% per annum.*

*Over the longer term, the Fund continues to exceed its stated investment objectives by crediting rates which are well ahead of inflation and compare very favourably to similar superannuation funds.*

*One of the major initiatives undertaken by the Fund during the year was to employ eight capital city-based Business Development Managers (BDMs) and increase the number of Customer Service Advisers (CSAs) to provide an even more comprehensive service to members and their employers. This initiative has been well received by all of the Fund's stakeholders and has already translated into new business being generated for the Fund and an improved business relationship being fostered between the Fund and its principal sponsors - the MTA Member bodies.*

*The Fund engaged several private equity and specialist investment managers during the year and among other acquisitions purchased the new Mildura Base Hospital in Victoria. These investments collectively assist the Trustee to continue to achieve its investment strategy of optimising the Fund's long-term returns while lowering investment risk and management costs. Further details of the Fund's investment performance, assets and related information can be found in the Fund's 2000-01 Annual Report to Members.*

*Another key objective of the MTAA Fund is to assist employers by making the administration of their superannuation obligations "hassle-free". To that end, the Fund has introduced a number of e-commerce facilities that provide for on-line transactions allowing employers to make contribution payments securely and cost effectively online. This facility has recently been extended to include Bpay and Eftpos facilities.*

*The Fund's website ([www.mtaasuper.com.au](http://www.mtaasuper.com.au)) has recently been reviewed and improved. Amongst other uses, the website continues to prove popular for downloading copies of current Fund publications, including our Key Features Statement and Member and Insurance Handbooks, each of which this year received gold awards in communication excellence.*

*Over the next 12 months the Fund will be providing to its members and employers additional value adding products and services to complement the already successful low cost home and business loans, free investment planning advice and comprehensive life, disability and income protection insurance.*

*The first of these will be a bank-style transaction account for everyday banking. This will be followed by personal loans and a low interest credit card. We believe these new products will prove to be popular with the Fund's existing members and employers as well as being attractive to potential new members.*

*To ensure the Fund understands what its members and their employers want from MTAA Super in the future, a comprehensive market research exercise was recently conducted. The results of this research will be used to continue to improve the Fund's services and products to its members and employers.*

### **MTAA House**

*MTAA House remained fully tenanted during 2001 with two new smaller tenancies being established on the ground floor following the departure of Tower Technology. On the third floor Access Economics extended its tenancy area following the relocation of Custom Fleet to one of the new smaller tenancies on the ground floor. The second of the smaller tenancies is occupied by the Australian Coal Association.*

*It is expected that under the current tenancy agreements, MTAA House will remain fully tenanted for the foreseeable future.*

## **D-Auction**

*D-Auction is a company established by Macquarie Bank for the purposes of conducting an Internet based dealer-only auction of "off-lease" vehicles from Macquarie Bank's fleet leasing business. During the year Macquarie Bank officials made presentations to AADA Directors, MTAA Directors and virtually all AADA Divisions among MTAA's Member bodies setting out details of the proposal and encouraging dealer involvement.*

*Since its inception Macquarie Bank has been interested in selling a 25% share in the business to MTAA or one of its associated entities. After careful consideration of the proposal being offered by Macquarie Bank, the Directors of MTAA House Pty Ltd agreed in July to take up a 25 per cent holding in D-Auction. As a Director of MTAA House Pty Ltd the President of MTAA has been appointed the company's representative on the Board of D-Auction.*

## **Affiliated Trade Associations**

*MTAA continued to support and assist its Affiliated Trade Associations throughout 2001. From a network of small business operators working through their local associations, and related collectives, important matters of public policy and concern are directed through the state and territory motor trades associations and automobile chambers of commerce so that they may be considered by MTAA.*

*This process is an essential element in ensuring that MTAA continues to represent the interests of retail motor traders at a national level. The National Secretariat has during the past year introduced a regular program of meetings or telephone conferences for the various ATAs to increase awareness and understanding at the national level of the particular issues affecting those sectors of the trades.*

*Once again the Australian Service Station and Convenience Store Association and the Australian Motor Body Repairers Association were the most active of the Associations in this process and, given the seriousness of the issues confronting those two sectors, it seems likely that this will continue.*

## **The Presidents of the Motor Trades Association of Australia Awards**

*The President of the Motor Trades Association of Australia Awards are intended to celebrate academic excellence and to secure for the MTAA Federation original works of scholarship and research of direct relevance to the Australian motor trades in the broad areas of public policy with which it is concerned.*

*Under a Memorandum of Understanding signed by the Presidents and the Australian National University (ANU), the following prizes are awarded by the MTAA;*

*a prize for the best consultancy report by a student in the Master of Public Policy Program;*

*a prize for the best graduating student for the degree of Bachelor of Arts (Policy Studies);*

*a prize for the best report by a student enrolled in the Australian National Internships Program (ANIP);*

*a prize for the highest mark in the unit "Pressure Groups and Australian Public Policy"; and*

*one bursary for a student in each of the Public Policy Program and ANIP awarded on the basis of merit and need.*

*Due to the bringing forward of the MTAA Annual General Meeting this year, the University was unable to select the Awards recipients in time for the prizes to be presented at the Meeting. It is anticipated that the prizes will be presented to the winning students at the AADA Annual General Meeting which is to be held in early December 2001.*

## **Assistance from Member Bodies**

*MTAA could not operate without the co-operation, assistance and enormous support of its founding Member bodies. It is through this co-ordinated effort that the retail motor trades have secured excellent representation at the national level.*

*Member Associations and Chambers of Commerce have continued to provide the National Secretariat with both resources and advice at the highest levels, often at short notice, on major issues which affect our trades. Additionally, the Member bodies have generously hosted a wide range of national meetings and provided the management and administrative resources to services the large number of Allied Trade Associations which MTAA represents at the national level.*

*MTAA thanks its Executive Director and the Directors, Executive Directors and all staff of each of the Member Associations and Chambers. Without their efforts and support, the National Association would not have been able to establish its reputation for excellence and credibility which it has achieved and intends to maintain.*



# Financial Statements