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Senate Standing Committees on Economics Inquiry into the future of the Australian automotive industry

Interim Submission by the Motor Trades Association of Australia with the Australian Motor Industry Federation

Dear Dr Dermody,

The following is an Interim Submission to the Senate Standing Committee on Economics Inquiry into the future of the Australian automotive Industry.

The Federation on behalf of its Members thanks the Committee for the opportunity to make this Interim Submission and remains available to assist the Committee and the Secretariat with its Inquiry.

Please do not hesitate to contact the undersigned should you require any additional clarity or further information.

Yours Sincerely,

Richard Dudley
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Overview of Industry Trends and Issues

Senate Standing Committees on Economics Inquiry into the future of the Australian automotive industry

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May 2015

Automotive Industry Strategy – Objectives themes and further work

The Motor Trades Association of Australia Limited (MTAA) and the Australian Motor Industry Federation (AMIF) thanks the committee for the opportunity to provide this interim submission to the current inquiry into the Australian automotive industry. We also welcomed the opportunity to provide evidence to the Committee at a hearing in Canberra on 15 April 2015.

MTAA /AMIF understand the necessity for the Senate Inquiry into the Automotive Industry to have broad Terms of Reference. The Committees' initial focus on the immediate issues of vehicle manufacturing plant closures, the transformation and structural adjustment resulting and the role of government programs such as the Automotive Transformation Scheme (ATS) is also understood.

MTAA /AMIF address these aforementioned issues elsewhere in this interim submission.

After the last car manufacturing plant closes in 2017, ninety five percent of the automotive industry will be the sectors who sell, service, repair, recycle and support motor vehicles (passenger / commercial) heavy vehicle transport, farm and industrial machinery and others.

MTAA / AMIF will continue through the Inquiry process, with the National Automotive Industry Summit on 19 and 20 August 2015, and beyond; to concentrate its energies to these sectors that have largely been ignored in previous inquiries, reviews and policy determinations.

So complex, so many, and so varied, are the issues currently or potentially impacting the future of the Australian automotive industry and sectors within it, MTAA /AMIF have developed key objectives, themes and future work programs to assist its thinking, that of its members, their constituents, other industry organisations and work of the Senate Committee.

These themes, or their areas of investigation, or both, may change as further consultation, outcomes of the Industry Summit and work proceeds. It is why this submission is described as interim.

Theme 1 - New Business Models

MTAA /AMIF Objective:

- *The availability and ability to access new business models arising from structural adjustment of industry sectors to ensure long term sustainability and the sale, service, repair and recycling of the national motor vehicle fleet.*

Further work:

Industry will develop innovative approaches to the new business models including:

- **Identifying the risks and opportunities associated with each model;**
- **The impact the models will have on employment, industry support, innovation, investment, skills development, competition, car manufacturers, suppliers and the automotive supply chain.**

Theme 2 – Sustainability

MTAA / AMIF Objective:

- *An end-of-vehicle-life policy which captures product stewardship programs and other regulations for the effective, efficient and environmentally friendly recycling of motor vehicles*
- *Clarity on future policy in relation to telematics and data capture, ownership and accessibility.*

Further Work:

The focus of the industry will be to:

- **Work with governments to determine adequate schemes to address recycling including appropriate communication and promotional arrangements;**
- **Determine the impact of technologies on skills and other career pathways and the ways the national skills and training system can address best practice and reviewing delivery and infrastructure to meet the emerging needs;**
- **Conduct further consultation with relevant stakeholders on the potential for bringing forward the introduction of more sustainable car systems;**
- **Including the potential of trial sites for electric and other alternate cars in targeted regions of Australia.**

Theme 3 - Skills and the Future Workforce

MTAA / AMIF Objective:

- *Current skills shortages are addressed*
- *Future skills and job requirements are identified*
- *National training systems meet future requirements.*

Further Work:

There is a significant body of work that industry will embark on in the skills and the future workforce area including:

- **A future model and funding arrangement for apprenticeships;**
- **Reform of public and private delivery of qualifications, including infrastructure;**
- **Options and drivers for post-trade pathways;**
- **Moving toward industry owned and controlled advisory arrangements and a training standards body;**
- **Career advice and support options in the new employment and training provider systems;**
- **Integration of company and proprietary training into the national training system;**
- **Addressing the costs of apprenticeships, cost benefit models and alternative support options for governments and industry; and**
- **Form of adult training subsidies.**

Theme 4 - Whole of industry approach

MTAA / AMIF Objective: *A coordinated national industry approach to address structural adjustment; reform agendas; identified opportunities for global supply chain participation; and impacts arising from application and convergence of new technologies and directions*

A complimentary Government Policy Framework that plans for the future of the global automotive industry and Australia's reliance on road transport.

Consultations throughout 2015 will involve a host of AMIF/MTAA members, sectoral associations, non-member associations and other organisations critical to the development of an industry wide approach. The Summit will be a key part of this with many organisations invited to attend the event to ensure broad stakeholder engagement. An important focus in 2015 will be determining industry's views on the potential role a National Automobile Industry Taskforce could have on bringing the industry together and being a focal point for the Federal Government to address industry issues and monitor the roll out of any industry agreed national strategies. This will be further examined with employers and industry throughout 2015.

It is also becoming evident that there is a lack of knowledge and coordination of Government Departments with a role in the automotive industry. Appearances at early hearings into this Inquiry have revealed disconnects in an understanding of the automotive industry.

Theme 5 - Taxation and User Charging

MTAA / AMIF Objective:

A simplified, sustainable, efficient, and effective, taxation and / or user charging system for the Australian automotive industry, small business participants and the motoring public.

Further work will be done with industry to:

- **Determine a sustainable policy on user charging and its potential impact on the Australian automotive industry;**
- **Investigate the potential uses of GPS, data technologies and other tracking devices for planning, security, infrastructure investment and other purposes;**
- **Investigate other taxation issues impacting the industry.**

Theme 6 – Infrastructure

MTAA / AMIF Objective:

Future proof Infrastructure planning and investment that takes into account the application of current and emerging technologies, propulsion systems, data, and continuing reliance on road transport.

Further Work:

Further discussion needs to take place on:

- **A sustainable investment strategy for roads and related infrastructure in Australia;**
- **An Australian approach to electric cars and other innovations, including potential regional sites.**

Theme 7 - Improving Competiveness and Transparency in the Industry

MTAA / AMIF Objective:

Comprehensive policy incorporating final decisions on tax reform, competition, motor vehicle standards, small business initiatives and other reforms or initiatives arising from the automotive inquiry.

Further Work:

Further work and consultations will be undertaken on:

- **Examining the options for a competition review into the anti-competitive behaviour within the Australian automobile industry and options for addressing employer and industry concerns, particularly small business;**
- **The effectiveness of existing codes of conduct and proposed reforms;**
- **The impact of new business models and the opening up of the Australian market on local industry.**

Role of MTAA/AMIF

The Australian Motor Industry Federation (AMIF) is the national peak body of the nation's automotive retail, service, repair and recycling industry, and will be subsumed into the Motor Trades Association of Australia (MTAA) again in July 2015.

As the public face of the industry it is responsible for the delivery of advocacy and representation with key Federal Government and Commonwealth Department stakeholders.

AMIF/MTAA members are:

- Motor Traders Association of New South Wales
- Victorian and Tasmanian Automobile Chambers of Commerce
- Motor Trades Association of South Australia
- Motor Trades Association of Western Australia
- Motor Trades Association of the Australian Capital Territory
- Motor Trades Association of the Northern Territory

Trade specific input is provided to AMIF through Member's constituents and their representation on National Industry Sector Committees (NISC), which are consultative in nature, and provides AMIF's Members and AMIF with the detailed technical advice needed to create effective policy positions and responses.

There are a number of NISC's that sit within AMIF and Member structures. These Committees have a long and successful history of policy input through AMIF Members and continue to be very active at state and national levels. The purpose of the Committees is three-fold; to act in an advisory capacity to the Federation and its Members on sector specific issues, to promote and advance the sector and sector specific technologies, and to provide and disseminate technical information to Members. The following are the prominent NISCs:

Motor vehicle Retailing

Each State and Territory Motor Trades Association and Automobile Chamber of Commerce has new car franchised motor dealer and used car dealer members. New car franchised motor dealers and used car dealer sectors are undergoing significant change with a consolidation of the number of dealerships, increases in multi-franchise, multi-site operations, and the emergence of public motor dealer companies with multiple dealerships. Franchising arrangements are a critical issue for the sector.

Australia is the most competitive market in the world with more than 67 brands and almost 400 model variants competing for 1.1million sales per annum with a population of over 23 million Australian consumers. This compares with 38 brands competing for 15.5million sales with a population of more than 315million. Ad-hoc policy decisions such as previously considered changes to Fringe Benefit Tax rules and current considerations to relax restrictions on parallel imports can have a significant impact on the entire automotive industry.

Australian Automobile Repairers Association (AARA)

AARA is the NISC for Independent Mechanical Repairers. Significant issues are impacting this important sector that provides consumers a choice for the servicing of their motor vehicle. The sector is another undergoing unprecedented change and structural adjustment detailed further in this submission. Failure to understand the significance of these changes could result in a lack of capability to services a national fleet fast approaching 20million vehicles.

Australian Motor Bodies Repair Association (AMBRA)

Automotive body repairers are largely dependent upon 'outside' entities for their workflow, income and viability. Virtually all work carried out by an automotive body repairer is the subject of a claim made against a motor vehicle insurance policy. In these circumstances, the relationship between the repairer and the insurer, while invariably skewed in favour of the insurer, is an important element of the repairer's business. To address this imbalance AMIF co-administers the Motor Vehicle Insurers and Repairer Code of Conduct, which proscribes a transparent and cooperative relationship between insurers and repairers.

Australian Motorcycle Dealers Association (AMDA)

Under the umbrella of MTAA /AMIF, the Australian Motor Industry Association (AMDA) NISC represents the interests of motorcycle retailers and repairers. The motorcycle-retailing sector is constantly dealing with inconsistent approaches to standards and regulations and the impacts resulting from the consolidation of dealerships increase of multi-franchise operations and significant franchise agreement issues.

Automotive Parts Recyclers of Australia (APRAA)

APRAA, through AMIF, seeks to work cooperatively with government agencies responsible for developing and applying policies with a view to encouraging greater recycling of suitable products. It is well placed to do this as its own APRAA Accreditation Program has, since 1997, provided Australian automotive recyclers with a universally recognised accreditation program that provides auto parts recyclers with standards of business presentation, environmental standards, occupational health and safety, customer service and parts traceability. This is a sector where significant business growth opportunities and improved environmental outcomes might be achieved through a renewed focus End-Of-Vehicle life policy.

Australian Service Station and Convenience Store Association (ASSCA)

ASSCA provides a platform for issues relating to the retail fuel sector including independent fuel retailers. Significant participants in the Oil Code and have been fighting issues surrounding potential market power abuse, particularly with 'shopper docket' schemes.

Australian Tyre Dealers and Retreaders Association (ATDRA)

There are a range of issues that face this sector of the industry including the quantity and disposal of waste tyres within the Australian marketplace. After almost two decades, the industry has recently launched the Tyre Product Stewardship program to provide an environmentally sustainable solution to this issue.

Farm and Industrial Machinery Dealers Association of Australia (FIMDAA)

Years of severe drought followed by above average rainfalls in many parts of Australia has had a severe impact upon the farm machinery sector, with many farm machinery dealers experiencing a substantial downturn in sales and diminished business cash flows. The difficult trading environment associated with drought conditions has placed significant pressure on the ability of farm machinery dealerships to continue to operate, despite being acknowledged as an important part of the regional employment landscape and a critical aspect of the Australian government's food and food product export aspirations. The sector is dealing with significant issues created by parallel importation, movement of machinery between state and territory jurisdictions and inconsistent policy and regulatory imposts.

Engine Reconditioners Association of Australia
The Engine Reconditioners Association represents professional specialist services where modifications or entire engine repair or replacement is warranted on parts of the national vehicle fleet.

There are other important sectors and professions also represented by MTAA / AMIF and its State and Territory Member organsiations as outlined in the next section.

Industry Overview

Current composition of the Automotive Industry

There is a diverse variety of sectors and activities that in aggregate comprise the automotive industry. These include:

- Motor vehicle and motor vehicle parts manufacturing
- Motor vehicle and motor vehicle parts wholesaling
- Motor vehicle, parts and Tyre Retailing
- Automotive Repair and Maintenance
- Engine reconditioning
- Agricultural, plant, mining and Lifting Machinery
- Defence and emergency vehicles
- Vehicle transportation
- Vehicle towing and salvage
- Vehicle modification and manufacture of specialist vehicles
- Fuel Retailing
- Motor Vehicle Hiring
- Motorsport
- Outdoor Power Equipment
- Bicycles
- Marine.

Unprecedented change will profoundly reshape the automotive retail service, repair and recycling industry over the next decade. The rapid pace of technological change in motor vehicles, evolving job roles and rapidly changing business models will ultimately lead to an erosion of current industry classification and a recasting of the industry sectors to reflect a contemporary industry environment.

Economic Contribution

The economic summary of the automotive industry as derived by Auto Skills Australia (ASA), in accordance with identified industry scope and coverage, shows that for the year ended June 2014, aggregate employment for the industry was recorded at 383,806 persons. In gross domestic product (GDP), the automotive industry as a whole accounted for approximately $38.3 billion or 2.5% of Australia's annual GDP in current prices ($1.52 trillion) in 2012-13.

Observations of the last three Automotive Environment Scans (2013-15) indicate a positive trend in terms of the volume of personnel working in the industry. This should not be surprising given the annual growth to the national fleet of registered vehicles at around 450,000. Current employment levels across all sectors of the industry are 382,806 which is an increase on the previous years of around 22,000 personnel. Some distortions in the recent figures are evident and these are due to the reclassification of some automotive occupations by the ABS.
Demand for skilled labour in the industry remains high and this is reflected in a decade long skills shortage, a scenario that is unlikely to change without serious intervention in the coming years. The 2015 Environmental Scan reports shortages across all automotive occupations remain around 21,000 personnel, with the areas of vehicle body and mechanical trades feeling the brunt of these shortages.

Beyond the Productivity Commission's forecast of the direct loss of 40,000 jobs through the closure of domestic car manufacturing, the automotive industry will still remain a significant economic entity employing around 340,000 people after 2017. The new 'face' of the industry will be the sales, service and repair of motor vehicles and components, which will represent more than 95% of activity.

The industry will continue to have a manufacturing presence through the assembly and manufacture of small scale specialist road and off-road vehicles, heavy vehicles, agricultural, mining and lifting machinery, vehicle bodies and trailers and other related activities.

Exports and Imports

The total value of exports for the industry in 2013 was $3.81 billion, an increase of 2.4% over 2012. Motor vehicles accounted for 58.2% of total exports in 2013 and parts 41.8%. The largest market for Australia's automotive exports is the Middle East, which accounts for 39%, followed by the North American Free Trade Association (16%), New Zealand (14%), the Association of South East Asian Nations (5%), the European Union 27 (5%), Republic of Korea (4%), China (4%), and others (13%).

By contrast, the total value of Australia's automotive imports in 2013 was nearly $33.7 billion, almost nine times the value of automotive exports. Motor vehicles accounted for the bulk of total imports (76%) with parts at 24%. Japan represents the largest source of automotive imports (28% by value in 2013), followed by the European Union (23%), the Association of South East Asian Nations (18%), the North American Free Trade Association (14%), Republic of Korea (8%), China (5%) and others (4%).

Industry and Business Structure

As at June 2013, there were 64,772 BAS registered businesses operating within the Australian automotive industry nationally. This represents a net contraction of 2,772 businesses or 3.7% over June 2012 and is the largest industry contraction observed to date. The structural composition of this net decrease shows that non-employing businesses (sole trader/ partnership) represented the majority of the contraction, followed by small businesses with between 1 to 19 employees. The medium-size business segment (20 to 199 employees) actually grew by 103 businesses over the period, as did the large business segment (200 or more employees) which grew by four businesses. While virtually all sectors of the automotive industry recorded fewer businesses operating for the period, the decrease was particularly pronounced within the Automotive Body, Paint and Interior Repair sector. These sectors have undergone extreme structural change, due mainly to the imposition and control of large multi-national insurance companies who have been dominant in the automotive market in recent years.

The retail, service, repair and recycling sectors of the Australian automotive industry will continue to face significant adjustment, or complete restructure, in the short to medium-term. This will profoundly reshape business models, products and service provision and consumer/stakeholder relationships. As a result of this adjustment, some businesses will be forced to exit the industry, while others will need to adapt to seize opportunities for growth and long–term sustainability. Change is already impacting on a number of sectors of the industry, as the effects of globalisation; environmental protection policy; rapid technology advances; workforce shortages and changing skill requirements; shifting consumer behaviours; and the maturation, or decline, of business life-cycles converge to create a period of unprecedented restructuring and economic upheaval.

Automotive Transformation Scheme and closure of vehicle manufacturing

Currently, almost all government support to the automotive sector is being delivered through the Automotive Transformation Scheme (ATS). This is in spite of more widespread and disruptive industry restructuring in other parts of the industry. This is reflective of the traditional government view in Australia of giving preference to the vehicle manufacturing sectors of the industry, despite the relative size and contribution of the retail service and repair sectors.

The proposed reduction of the ATS will reduce the period of the scheme by three years from 2020 to 2017. Reducing the ATS support to this or other sectors of the industry is not supported by MTAA/ AMIF.

Around 340,000 Australians will continue to be employed in the industry post 2017. However almost every sector in the automotive supply chain and in particular the retail, service, repair and recycling are undergoing structural adjustment as a result of unprecedented generational change.

It is for this reason that MTAA /AMIF believe the ATS should be re-examined and broadened in its application and support. It is clear that apart from structural adjustment there will be new opportunities for growth and participation in global supply chains.

When all of the issues impacting the automotive industry are properly considered, it would seem logical for the Government to preserve the ATS and future allocations for the original length of the scheme. To do so would promote Government's contribution to a sustainable and successful Australian automotive industry in all of its guises.

AMIF/MTAA argue strongly that the ATS be maintained in order to meet automotive industry research and development aspirations, product innovation and delivery, business regeneration and skills training and development as essential foundations for a revitalised industry after the cessation of automobile manufacturing.

This will allow the Australian Government to signal both locally and internationally that through the ATS the Australian automotive industry is repositioning itself, rather than closing down. By collaborating with various industry participants, the Australian Government can identify and secure the future of a restructured and revitalised automotive industry.

Trends affecting the Automotive Industry

The Australian automotive landscape is in the midst of unprecedented transformational change with the announcements by the three Australian Motor Vehicle Producers to cease volume vehicle manufacturing by the end of 2017. Coherent policy development and a response from government are crucial to maintain over 100 years of mature industry capability. This must balance three key objectives:

- Management of the industry to avoid an uncontrolled collapse before the end of 2017;
- Securing a greater understanding from governments, consumers and other key stakeholders on the diversity of the industry and potential for the future contribution to the overall Australian economy;
- Provision of time and an environment to allow industry participants to either build a future in the post-2017 period that is not dependent upon local vehicle manufacture, or to plan for an orderly exit from the industry.

The automotive industry is characterised by diversification, segmentation, fragmentation, specialisation, and wide geographic distribution. It has sometimes proved difficult, if not impossible, to drive wholesale nation-wide change. The combined impacts of globalisation, increasing environmental concern; shifting consumer behaviour; a unique automotive market, rapid application of significant technology advances; automotive systems integration; workforce shortages; changing occupation and skill requirements; and a distinct lack of whole-of-industry public policy (rather than just automobile manufacturing); have created a period of unprecedented change that has dramatically impacted traditional business models, product and service provision and consumer relationships.

These changes will profoundly reshape the automotive retail service, repair and recycling industry over the next decade. Some businesses will not survive, others will adapt and seize opportunities either locally or off-shore. Greater communication and education on these changes is required to ensure that the actions that need to be taken for industry to remain effective, viable and sustainable and to mitigate potential social and economic impacts, are understood. Done well, this will allow time and opportunity for displaced workers to re-skill, find alternative employment and where possible, retain skillsets and technologies that have been built-up in the automotive supply chain. This will continue to generate economic wealth for the country.

With the closure of domestic car manufacturing fast approaching, it is appropriate to re-evaluate what the automotive industry will represent to Australia beyond 2017. Perceptions and agreement about the future context, scope and identity of the automotive industry must be established now to arrive at a common understanding among stakeholders, the community and government. This will promote clarity, a future vision and cohesive industry and government policy. To this extent the following themes are being used to group and consider key issues and trends affecting the automotive industry, to assess the impact of those changes, and to consider the threats and opportunities to be managed to ensure long-term sustainability and the minimisation of negative social outcomes arising from industry restructure.

With this in mind, MTAA/AMIF decided to take a leadership role in developing a clear and determined roadmap for the future of the industry in Australia. MTAA/AMIF has established a number of key engagement processes across 2015:

- Consultation across industry on the future of the industry and the development of clear themes to focus on across 2015;
- The use of these themes as real business input into the broad part of the Senate Inquiry into the future of the Automotive industry in Australia;
- Promote and further consider these key themes and possible actions at the upcoming Australian Automotive Industry Summit to be held in Canberra on 19 and 20 August 2015. The Summit will bring together key industry leaders, policy makers and government to talk about the future of the industry and determine strategies to address the challenges in the best way so Australia can retain an active but different automotive industry;
- Conduct further engagement with industry, employers and other key stakeholders nationally on the way forward and prioritisation of actions;
- Hold a Taskforce meeting with government late in 2015 on the outcomes of the significant work undertaken and the feedback from employers on the way forward.

The automotive must determine the best way to approach the future and how best to positon itself from 2016 and beyond. The Senate Inquiry provides a significant opportunity to do this.

The seven key themes

Industry has considered all key issues and likely impacts and has determined that there are seven emerging key themes which must be addressed. Some of these are long-standing platforms of industry and will continue to be. Others are more recent and will play a more significant role in determining what the industry looks like in Australia in the future, and how developments will impact on productivity, business operations, employment, skills and other parts of the economy.

Some of the themes identify different risks, opportunities and challenges across the industry. These will need further clarification over 2015. Responses may be different for different groups reflecting their varying sectoral needs. AMIF/MTAA will work co-operatively with a range of industry and sector organisations, companies, government agencies and other key stakeholders to develop a comprehensive approach for each theme. Responses must be meaningful across all of industry, be reasonable for all involved, and therefore not raise unrealistic expectations from employers.

The themes are:

1. ***New Business Models***
   - **Types of operations in the 2020s and beyond**
   - **Impacts of investment arrangements and opportunities**
   - **Directions of insurers and franchises**
   - **The establishment and recognition of a new vibrant Australian motor industry**
   - **How to meet increasing, divergent and more demanding customer needs**
2. ***Sustainability***
   - **Different cars and their challenges (e.g. electric, hybrid)**
   - **Strategic approaches to recycling of cars and other products**
   - **Impacts of new technology**
3. ***Skills and the Future Workplace***
   - **The effectiveness of the national training system in meeting industry needs**
   - **Traineeships, apprenticeships and cadetships**
   - **Types of work and skills required in the 2020s**
   - **Recognition of the 400,000 strong workforce**
   - **Linkages to other education and higher education systems**
   - **Mature age workers**
4. ***Whole of industry approach***
   - **Whole of industry approach to future challenges of common concern**
   - **Whole of government approach to policy formation as it impacts the automotive industry**
   - **Parts manufacturers and other advanced manufacturing and engineering opportunities**
   - **Diversity and breadth of the sectors**
   - **Global supply chains**
   - **Parallel importation of vehicles, motorcycles and farm machinery**

5. ***Taxation and User Charging***

- **Car road user charges and approaches**
- **GST and fuel excise – trade-offs and opportunities**
- **Net benefits to approaches and budgetary impacts for governments and consumers**

6. ***Infrastructure***

- **Roads and other requirements for existing cars and other vehicular travel**
- **Impact of new types of cars and their infrastructure requirements**
- **Conversion points, the growing vehicle fleet and infrastructure challenges**

7. ***Improving Competiveness and Transparency in the Industry***

- **The impact of practices of insurance companies**
- **Possible ACCC inquiry on market power**

Theme 1: New Business Models

Business Rationalisation and Consolidation

Structural change represents the single biggest issue and future challenge facing the entire Australian automotive industry in both manufacturing and non-manufacturing sectors. This change will be both a cause for concern as well as provide optimism for many business operators and stakeholders.

In automotive retailing, Australia is the most competitive market in the world. This places increased pressure on already lean margins and has resulted in dealership consolidation and a move to public entities from the once traditional family-owned and operated dealerships. In addition to these challenges, global trends are further complicating the Australian automotive industry - growing urbanisation, environmental challenges, and shifting consumer behaviours, in part driven by access to information communications technology (ICT), and the convergence of ICT and mobility, all contribute to the challenges facing the automotive industry worldwide.

This structural adjustment will have implications for both industry stakeholders and consumers. In particular the following effects are already being felt within the industry:

- The decline of independent/unincorporated businesses, particularly within the Automotive Repair and Maintenance sector. Independent sole proprietor/partnership businesses within these sectors are finding it increasingly difficult to continue trading due to several factors, including:
    - rising business operational and administrative costs;
    - the adoption of longer vehicle warranties and fixed price servicing for virtually all vehicle brands and makes;
    - technological change and the inherent difficulties for independent repairers in accessing vehicle systems;
    - service and repair information from original equipment manufacturers (OEM) and their affiliated dealerships;

- the requirement to invest in costly capital equipment and the continual upgrading of skills in order to diagnose, service and repair ever-changing and complex vehicle technologies;
- moving towards the national grading of body repair shops and a continuing segmentation of businesses in the body repair industry;

- The emergence of new business models;
- The concentration of market power within specific sectors;
- Constant technological change;
- Challenges with job roles, skills development and training.

The following issues have consistently been identified by automotive businesses as key issues affecting the automotive industry:

- maintaining profitability;
- economic conditions;
- government policy/regulation;
- labour costs;
- technological change;
- business survival over the next one to five years;
- broadening of the competitive market (parallel impacts).

Factors underpinning these issues include the regulatory impost on businesses by government, the closure of passenger vehicle manufacturing operations, the lack of access to technical repair information for many independent repairers, drought conditions affecting sales of agricultural machinery in many rural and regional areas, and heightened concerns over the possibility of changes to new or used car import regulations.

Business survival over the next one to five years is now a significant issue. Small businesses, which comprise more than 94% of the industry, face great pressure, in particular sole proprietor businesses which account for 41% of the industry. Within this cohort, it is automotive body, paint and interior repair businesses that are closing in greatest numbers. These closures are expected to escalate significantly over the coming years. There are several key factors affecting the rate of closures within the automotive body repair subsector and these include:

- Reductions in vehicle accident rates;
- Application and integration of passive and active safety systems;
- The cost of equipment and training required to repair modern vehicles;
- Insurance company requirements;
- Slump in consumer spending.

Some independent mechanical repairers have decided it is already too hard and have adapted to changing circumstances by specialising in one or a few marques and making the necessary investment in the specific training, tools, equipment and facilities to service those marques.

Some have already left the industry, while others are trying to survive by maintaining current business models and practices, despite them becoming increasingly unsustainable. The role of the regional or rural service provider is becoming increasingly difficult as they struggle to keep pace with rapidly changing technology and a continuing pressure to increase the volume of vehicles repaired at lower cost.

For independent service providers the number and variety of available marques and models, along with the rapid application of technological advances, is forcing a rethink of traditional business models and a move toward specialisation.

There are emerging issues to be addressed, including who owns the information being generated by today's contemporary motor vehicles and how that information can be reliably accessed and at what cost. For the repair sector the use of new materials, advanced methods of construction and the application of technologies that minimise the risk of collision, are fundamentally changing how the sector may operate in the future. All will require significant increases in business acumen and an exploration of alternative business models and processes to survive.

The Emergence of New Business Models

Fierce competition within key sectors of the industry, such as Motor Vehicle and Parts Retailing, Wholesaling, and Automotive Repair and Maintenance is manifested by the desire for greater market share or power among competing businesses.

The drive to obtain a competitive advantage is leading to the establishment of new business models or arrangements aimed at deriving greater economies of scale and consequently price advantages in the supply of goods and services. Examples of these include:

- The establishment of joint ventures between major entities in the automotive parts/ aftermarket sector. Industry stakeholders claim this has the potential to influence the supply of automotive parts within the Heavy Vehicle and Light Vehicle Body and Mechanical Repair subsectors;
- The emergence of duopoly arrangements within the Automotive Motor Vehicle Auction and Salvage Auction subsectors;
- The direct sales of engines and parts by large parts suppliers to markets traditionally in the realm of the Engine Reconditioning subsector;
- Growth in the parallel import selling of OEM branded tractors and motorcycles by international-based auction houses and private business consortiums in Australia;
- Reports of unbalanced franchisee/franchisor arrangements in the Motor Vehicle Retail sector leading to pressure on dealerships for facility upgrades and other targets that can affect future viability.

Although such developments are essentially the product of a competitive marketplace, they may lead to further business churn and the potential emergence of new sales models for businesses within these sectors in the future. AMIF have alerted government to the potential creation of organisations that dominate and dictate terms to the body repair supply chain. This trend must be the subject of further scrutiny in the future.

A Leaner Automotive Industry

Beyond 2017, Australia's automotive industry will predominantly comprise of sales, servicing and repair activities. Ongoing structural change will result in far fewer independent or unincorporated automotive body, service and repair businesses. Those enterprises seeking to remain in the industry will need to have innovation at the core of their business models, along with modern workshop facilities, ongoing investment in staff training and capital equipment, and a keen customer focus and service outlook.

Further Work

Industry will develop innovative approaches to the new business models including:

- Identifying the risks and opportunities associated with each model;
- Managing the impact that new business and supply chain models will have on employment, industry support, innovation, investment, skills development, investment, competition, and car manufacturers, suppliers and the automotive supply chain.

Theme 2: Sustainability

Impacts of New Technology

New technologies are influencing the automotive industry, both in Australia and internationally, in particular new and developing forms of propulsion, such as hydrogen, electric engines and hybrid engines. Technology applied to motor vehicles has increased significantly over the last decade and has included the integration of mechanical, information and safety systems and the increasing use of alternative construction materials in response to safety, efficiency and consumer demands. The increasing complexity of motor vehicles – as evidenced through the merging of electronic and mechanical technologies, intelligent transport systems, navigation, tracking and infotainment systems and the embedded network of computerised controls that manage these technologies – is placing greater demands on the skills base of the workforce.

The rapid application of this innovation is driving change in all sectors of the automotive industry and the mechanical and motor body repair sectors in particular. The traditional business model of a 'one-stop-shop' to service all makes and models of vehicle is under significant pressure. The mechanic of yesteryear worked with less complex vehicle technology and could fix almost every problem across a broad range of motor vehicles. Today's automotive technician is more likely to be a specialist dealing in specific vehicle model types or highly specific repair processes. This occupational narrowing is being driven by businesses trying to find sustainable business models that bring both high levels of productivity with reduced investment risk, as the vehicle market broadens and becomes more technologically complex.

Given the rate of technological change, it is difficult for even an experienced technician to keep up with the required technical knowledge without constant upskilling and training. In order to maintain viability, dealerships are increasingly becoming reliant on servicing as a significant part of their overall return on investment. As this requires additional investment in facilities, specialist diagnostic tools, training and skills development, the role for independent mechanical repairers to provide competition and consumer choice is becoming increasingly difficult for them to maintain.

As vehicle technologies evolve with the increased adoption of alternate propulsion systems and integrated information communication technology, it is likely that there will be a greater segmentation of skills within the automotive industry, and narrower and deeper specialisations in vehicle brands or technologies becoming the norm.

Strategic approaches to recycling of cars and other products

Metal recycling, capture and re-use/sale of some components and parts and capture, and in some cases re-use of fluids and gases, are all contributing to increasing sustainability and decreasing environmental impact. Many technologies are aimed at improving environmental outcomes and are a high priority of car manufacturers, fuel providers and other automotive and related sectors. Billions of dollars are being invested in alternative propulsion technologies including hybrid, electric and hydrogen fuel cells. Most manufacturers embrace the need for change and are developing products to address changing consumer demands driven by higher environmental awareness.

On the compliance front, State and Territory Motor Trades Associations and Automobile Chambers of Commerce has anticipated the need for more integrated and co-ordinated products to assist businesses meet regulatory requirements and societal demands for the comprehensive management of environment impacts. *GreenStamp* is a nationwide accreditation program designed to assist automotive businesses not only meet obligations, but exceed them. This initiative has been industry led and has born significant environmental benefits, both for the industry and the broader community. *GreenStamp* is evidence of a dedicated commitment by the Motor Trade Associations to drive positive change in the industry and to improve societal views on the way the industry is tackling important environmental challenges. This program will be further refined and will transition from a State and Territory based scheme to a national program, but, still delivered and administered by AMIF members.

Despite this there remains a vacuum in overarching industry policy and appropriate industry and government response in Australia with opportunities to better align Commonwealth and State environmental regulations and requirements.

A coordinated, consistent, incentivised, approach to the significant issue of End-of-Vehicle life is an opportunity to create better environmental outcomes, transparency and employment.

Future Work

The focus of the industry will be to:

- Work with governments to determine adequate schemes to address recycling including appropriate communication and promotional initiatives;
- Determine the impact of technologies on skills and other career pathways and the ways the national skills and training system can address best practice and updating delivery and infrastructure to meet the emerging needs;
- Conduct further consultations with relevant stakeholders on the potential for bringing forward the introduction of more sustainable car systems including potential of trail sites for electric and other alternate cars in targeted regions of Australia.

Theme 3: Skills and the Future Workforce

Key Labour Issues

Key labour issues identified by the Sector include:

- attracting skilled workers;
- achieving productivity improvements with the current staff and skills base;
- adoption of higher skill levels across the workforce;
- upskilling;
- mature age workers and training.

Other factors affecting the industry's ability to attract new entrants include negative community stereotypes about the image, pay and working conditions in the industry, the lack of government subsidisation in relation to adult apprentices and the fact that more school leavers are going on to university studies rather than considering a trade career. Consistently the key reasons given for current and future skilled labour shortages include:

- the attraction of existing labour towards other industries (e.g. the mining, resources and construction industries);
- expectations of mild growth in the economy;
- not enough people entering automotive trades;
- the overall poor quality of many available candidates;
- a lack of practical hand skills or exposure to basic trade technologies as young people move through their school years.

Skills Shortages

There is significant work available for retail motor traders; however there are shortages of skilled labour. According to the 2012/13 industry Environmental Scan there is a shortage of 19,000 skilled mechanics alone in Australia. The Automotive Repair and Maintenance sector contains the highest proportion of skill shortages, within which Light Vehicle Mechanical Technicians and Body Repair Technicians represent the most significant skill shortages. Other skilled occupations recording notable shortages include Vehicle Refinishing Technician, Heavy Vehicle Mechanical Technician, Automotive Electrical Technician, Spare Parts Interpreter, Motor Vehicle and Parts Salesperson and Bicycle Mechanical Technician. These occupations are not a complete list of all automotive trade occupations reported to be in shortage, but represent the most numerically significant results from the modelling undertaken.

Training and Workforce Development

Training packages and certification requirements of 34 specific automotive trade qualifications are currently changing to reflect a rapidly evolving environment. While the core requirements of these professions will remain, there is an increasing and urgent need to attract greater numbers of people to motor trades professions and for training and qualifications development to keep pace with a rapidly changing environment. Critical will be ongoing work to change long held perceptions of what motor trades involve and require. Today's automotive trade specialists need to be part mechanical engineer, part chemical engineer, part structural engineer, part computer engineer, part mathematician, along with further specialisations in hydraulics, diagnostics, information technology, electrical systems, and other systems.

Investment in human capital remains essential in order to meet the demands of Australian consumers and the requirements in keeping a 17 million strong (and growing) national vehicle fleet moving. The upskilling of existing employees is more of a training priority for most businesses - particularly product or proprietary training where they are required to apply skills in the workplace over and above the national training qualifications.

According to the Environmental Scan most business (56%) indicated that they did not have any formal plans in place to develop their workforce in the next 12 months.

Apprentice Hiring Intentions

Results from the ASA Environmental Scan indicated that the majority of business respondents did not employ any apprentices. Only 25% of all respondents reported any intention of hiring apprentices over the next 12 months. Reduced hiring intentions were also confirmed during consultations with industry. For the first time, many within the Heavy Vehicle sector, which has been a strong recruiter of apprentices, indicated that they would not be hiring any apprentices during 2015 as a result of tighter-than-expected market conditions.

Engagement with the Vocational Education and Training (VET) Sector

The use of the training system among the industry remains divided. Estimates compiled by ASA indicate that on average around 47% of automotive businesses actually use the national training system. The high concentration of sole proprietor businesses, training system complexity , dissatisfaction with the training, inability to find suitable apprentices, and businesses being burnt and therefore not investing again (e.g. poaching of employees), are contributing factors, given that many of operators have no time or resources to allocate towards upskilling or training.

Business forums conducted by ASA nationally also revealed other insights as to why many employers choose to remain disengaged from the VET system. These include:

- dissatisfaction by some employers with Registered Training Organisations lack of contemporary experience with modern technology;
- a disconnect between training at RTOs and what is required in the workplace;
- the disappearance and lack of access to many courses, especially in regional areas;
- dissatisfaction with the early completion of many apprenticeships (under four years), rather than genuine competency based progression.

During industry consultations, employers raise concerns with the quality, diversity and delivery of formal VET qualifications across Australia. Employers have expressed concern over the general quality of training, lack of delivery or training provider options in most regions, lack of available technology and infrastructure with training providers, limited collaboration with industry across the industry and public providers, limitations on post trade training and interest in cost savings over quality service delivery.

In addition to the use of national training qualifications, 40% of respondents also reported that they regularly used proprietary or product training within the workplace. This adds to the notion there are businesses that have an active training focus or mentality, even though this training is informal and not aligned to national training standards. Evidence shows that it is these businesses that invest in training and are best equipped to manage the transitions affecting industry and emerge stronger as a result. However, work needs to be done in better connecting manufacturer and proprietary training into the national training system.

Technological Change and Changing Job Roles

The rapid application of technology and other change impacts are forcing new skills development and qualifications across more than 50 different professions in the automotive industry. With the rate of technological change, it is difficult for even an experienced technician to keep up with the required technical knowledge without constant upskilling and training.

An emerging issue often raised by automotive businesses within the current skills base is the absence of effective practical skills in vehicle diagnostics. This involves troubleshooting or fault-finding skills, along with the appropriate action to repair the problem. Access to technical information and cost factors of the time taken to properly diagnose, may also be considerations.

Even with the use of diagnostic scan tools in modern vehicle servicing there is still a large element of misdiagnosis or failure to adequately pinpoint the real source of particular vehicle problems. This failure has led to a culture of parts replacement within the industry, which has helped foster a recent boom in the automotive parts supply sector.

Ensuring Skills in the Automotive Sector are not lost

A major social and economic concern is the potential loss of employment opportunities for skilled workers once local auto-manufacturing finishes in 2017and future skills and job roles are identified.

There will be a considerable number of tradespeople who will find it very difficult to find alternative work which demands such skills. While in theory such workers can be retrained, the reality is that alternative job opportunities will be scarce. Furthermore, highly skilled workers from the automotive sector will also be competing with less skilled auto-workers for the same limited pool of jobs. However, substantial retraining of these people will need to occur to ensure they adequately are equipped for working in other parts of the industry and governments are investing substantially in this area.

There is also the question of manufacturer (dealer) training which is an important factor in training which sits outside the national training system but is something that the industry is heavily reliant on. This training is usually provided to the dealership by the vehicle manufacturer and forms the primary basis for vehicles being serviced and repaired in a dealership. It is critical this training is incorporated into the national system. Methods through which this training can be better recognised and articulated through national standards should also be explored.

Is the apprenticeship model still the best and how does it fit in the future industry

Employers are strongly supportive of the apprenticeship system linked to competency based progression and a national qualification framework. However, as trades become more complex, trade skills as a generalist will be more challenging. Coupled with the increased cost in employing and training an apprentice this means that over time the apprenticeship program will need to be adjusted to take into account entry points and specialisation.

Public funding of the apprenticeship system is variable across states with no real national approach and this impacts in different ways on different sectors of the industry.

Increases in wages, conditions and other costs for apprentices, particularly mature aged apprentices, in recent times have led to significant issues relating to recruitment of new apprentices into the system. New ways of minimising costs associated with this important aspect of the skilled entry level arrangements need to be addressed.

Automotive Skills Australia

Unlike many other Australian industries, the automotive industry has established its own Industry Skills Council with limited public funding support. Recent decisions by the federal Government have left the future of these arrangements unclear and the future of ASA, and an industry driven training system, up in the air. Given the huge changes predicted for the industry over the next five years, it is important that any transitional arrangements can address the needs of the industry without impetus being lost.

Future Work

There is a significant body of work that industry will embark on in the skills and the future workforce area including:

- A future model and funding arrangement for apprenticeships;
- Reform of public and private delivery of qualifications, including infrastructure;
- Options for post trade pathways;
- Toward an industry owned and controlled industry advisory arrangement and training standards body;
- Career advice delivered by industry;
- Integration of company and proprietary training into the national training system;
- Addressing the costs of apprenticeships, cost benefit models and alternative support options for governments.

Theme 4: Whole of Industry Approach

Policy issues

It is clear that all sectors of the automotive industry are undergoing fundamental change. The fact that there will be no car manufacturing beyond 2017 now requires the focus to shift to other areas of the industry. The spotlight needs to be placed on areas that have been overlooked historically, but will be central to the composition of the industry in the future.

The automotive industry needs to consider direction towards a fresh approach where manufacturing no longer plays a key role. While there appears to be general agreement on the importance of the industry to the national economy and Australian society, views differ considerably on future support and/or intervention, and there is an overarching lack of understanding on the entire industry.

This lack of understanding and coordination and disjointed approach to policy impacting the automotive industry, has been clearly evident during hearings by the Senate Committee conducted to date. There needs to be improved mechanisms for those developing and implementing policy affecting the entire automotive industry, to coordinate and improve transparency of decision making.

Policy development have been largely been 'ad-hoc' and reactive to single issue economic or environmental drivers.

What is particularly required is:

- cohesive policy framework for the entire industry;
- an understanding of the critical issues facing each sector;
- clear understanding of policy direction for industry stakeholders;
- clearly defined policy outcomes that are measurable and can be implemented.

If consumer demands for services are to continue to be met, then the domestic automotive policy debate needs to be widened to include the automotive retail, service, repair and recycling sectors, and for an inclusive policy framework for the entire industry to be developed. The Australian domestic industry is not just automotive manufacturing! Unfortunately, many politicians and public servants focus on this aspect of the industry exclusively. A temptation may arise for future government to focus only on automotive advance manufacturing. This will repeat the same mistakes of the past.

This is often challenged by the ongoing, and often strained, relationships within the industry. Motor body repairers, for example, are also contending with an insurance industry vertically integrating their business from policy sale to vehicle repair. In some locations, the opening of 'mega shops' has stripped hundreds of repairs out of the motor body industry and hastened the exit of some businesses, even though there are still large volumes of work. The ability to address this and other issues is made difficult by a lack of consistent and co-ordinated licensing and regulation across the country. The approach by regulators varies and industry itself has different positions in each state over regulation. Some States, NSW and WA, have licensing for repairers, the remainder do not. Some states have mandatory vehicle inspections, others do not.

There is also a lack of consensus by industry on issues like licensing, leading to frustration by other stakeholders and other parts of the industry itself. As it is unlikely to ever get uniform pragmatic government solutions to these issues, industry must impose self-regulation, adopt value added services, increase business acumen and, where necessary, potentially even advocate change to business models or services. There must also be improved services to identify and assist those who either by choice, or for other reasons, exit the industry.

There is a need to tackle the challenges facing the industry and develop a cohesive and socially aware policy response that supports *Whole of Industry Solutions* for the purpose of:

- Automotive industry sectors adopting improved self-regulation, pursuing greater business acumen and revitalise industry partner relationships;
- Uniting Peak Automotive Industry bodies behind issues common to the whole-of-industry - be it manufacturing, retail, service, repair, recycling or motoring;
- Industry and Government must partner to improve the integration and co-ordination of services and policy initiatives;
- Interventions to improve regulatory and economic reform and to mitigate the social impacts arising from industry restructure and job losses.

Future Work

- Consultations throughout 2015 will involve a host of AMIF/MTAA members, sectoral associations, non-member associations and other organisations critical to the development of an industry wide approach.
- The Summit will be a key part of this with many organisations invited to attend the event to ensure all of industry is involved.
- It is also important to determine industry's views in 2015 on the potential role a National Automobile Industry Taskforce. Whether it could bring the industry together to engage with Government to address industry issues and monitor the roll out of any industry agreed national strategy.
- The support for a National Automobile Industry Taskforce will be further examined with employers and industry throughout 2015.

Theme 5: Taxation and User Charging

Excise Tax

The use of and indexation of excise tax is contentious. When GST was introduced in 2001 excise tax was lowered, but GST applied on top of the excise tax and is criticised by many as double dipping by Government."

Only 25% of excise tax collected in Australia goes to roads infrastructure and repairs. 75% goes to general Australian government revenue. This needs to change. More tax collected from industry and consumers needs to be directed back to building roads infrastructure and its maintenance.

Luxury Car Tax (LCT)

The introduction of the Luxury Car Tax (LCT) initially intended to protect production of Australian made vehicles, However, with development of new technologies most marques catering to families and small business incorporated additional safety and comfort features including Australian built cars resulting in an unfair tax, by simply adding cost to a vehicle "deemed" in the luxury car value threshold. Industry continues to argue that it should be abolished as the tax influences decisions based on price, rather than safety and/or comfort. Further, the continuation of the LCT regime reflects poorly in Australia and is inconsistent with other Australian Government initiatives that are designed to increase trade with our trading partners and build fair trade environments that are not hampered by tariff or non-tariff trade barriers, such as the LCT.

User Charging

A common debate continues to rage on whether road users should pay for infrastructure as they are the beneficiaries, or whether government should partly fund. However, all consumers benefit from improved road infrastructure (e.g., faster and more efficient delivery of goods especially with the massive increase of on-line purchases being delivered by both private courier and Australia Post).

The latter issue has significant financial issues caused by this rapid change in consumer buying habits and preferences.

If user charging is to be equitable it should in theory be levied at the level and volume of user activity to be perceived as fair and equitable.

Global Navigation Satellite Systems (GNSS) tracking all cars by way of a vehicle mounted sensor is an accurate method to measure vehicle usage and use of toll roads. This could in principle be used for tolling by distance, insurance, vehicle emission tax (potentially), speed limit enforcement, and other tolling factors.

GNSS has community issues for road pricing. Privacy remains a primary concern as it allows government and private enterprise to know where a vehicle (and its owner) is at all times in real time. The Dutch government has recently stopped its use for these reasons.

In contrast to that view, Australia has a very high penetration, in global terms, of mobile device technology which allows the private sector ISPs 24/7 access to the GPS data of their clients whether at home, walking or in a motor vehicle. Australia's national security and police institutions also have access to this via a simple legal avenue.

A time of use (TOU) charging mechanism could use GNSS to not only increase charges in "peak hours" but also when congestion is high. This would be expected to discourage non-vital motor vehicle use at those times. In many countries, and especially parts of Europe, taxis and other vehicles already have access to this technology and there is no reason this "congestion notification" technology could not be available in the home, the vehicle or the office. One well known use of TOU charging is Sydney's Harbour Bridge which charges higher tolls in peak hours encouraging non-vital crossings to be timed to avoid the increased costs. Trains in Sydney, whilst public transport, use TOU pricing for tickets.

The proceeds of user charging (tolls) are primarily used to repay long term infrastructure debt. There have been many instances where private/public partnerships (PPPs) have been a financial disaster through multiple causes. In any case, proceeds of user charges from roads infrastructure need to be channelled back into roads infrastructure and no other unrelated uses.

Whilst the large majority of Australians live in cities, those people often travel longer distances to their place of work, often in heavily congested traffic, given poor roads infrastructure and, in the main, poor public transport options. Australian voters are very focussed on fuel pricing and government decisions on road infrastructure. Decisions related to these issues impact on potential residential developments in Australian cities and the efforts of state governments to accommodate their citizens.

Taxation Reform

MTAA/AMIF believes that the current tax system is negatively impacting its member constituents and the motoring public. This requires examination within the context of the recent Tax System Review.

The tax system must be simplified, effective, efficient and equitable. User charging requires examination as does the duplication of taxes across state borders.

Small business sustainability and growth in the retail, service, repair, recycling and associated sectors of the Australian automotive industry are inextricably linked to both the Commonwealth Tax System, and State and Territory tax regimes and the imposition and inconsistency of these regimes on small business.

The compliance burden is largely driven by the requirement to comply with State/Territory Governments and the Commonweal system

AMIF suggests the current Taxation Review must examine how the national tax system can be broadened, flattened, and potentially increased to offset revenue reductions by States and Territories giving up business growth inhibitors such as payroll tax and stamp duty. The Luxury Car Tax (LCT) should be abolished with the revenue loss offset through a simplified tax structure.

AMIF suggests there remains room for improvement in the 'paperwork' (be it on-line or hard copy) or more commonly referred to as "red tape", with a more critical examination of tax compliance requirements. This should be done in the context of the resource constraints of small business to manage multiple jurisdiction systems.

There is capacity to seize opportunities for a streamlining of taxation and user charges for motor vehicles and this could include greater use of current and emerging data technologies that are available in many modern vehicles.

Future Work

Further work will be undertaken with industry to determine:

- A sustainable policy on user charging and its potential impact on the Australian Automotive industry;
- The potential uses of GPS and other tracking devices for planning, infrastructure investment and other purposes;
- Additional taxation issues and options which impact the industry.

Theme 6: Infrastructure

Given the state of the Australian national Budget it is unlikely that public funding will be sufficient for future roads infrastructure unless directly linked to the sale of public assets, for example electricity assets. It is important to have community debate on how these critical infrastructure assets are realistically funded.

Governments and the superannuation industry, in particular industry superannuation funds, have both looked at the burgeoning assets of the funds and how they may be used to build the Australian economy, whilst not unduly affecting the retirement benefits of fund members. The assets managers of these funds are also looking at diversification of investments in light of the diminishing opportunities available to them. Governments should seek to engage with the superannuation industry to assess the benefits to both parties in the investment of superannuation assets to assist in building Australia's road infrastructure.

Private/public partnerships (PPPs), whilst lacking a good recent track record in infrastructure, should be seriously reconsidered with superannuation fund partnerships. All Australians will ultimately gain from infrastructure construction and they will ultimately have to pay something towards the cost.

There needs to be better institutional arrangements around the provision and delivery of road infrastructure. This includes rigour and transparency around the prioritisation of infrastructure - not building roads for political expediency. This together with a broader application of user charging needs to transform the way Australia funds its future road infrastructure.

New motor vehicle types and their effects on infrastructure

The vision of electric vehicles and to a lesser extent their relationship with solar battery charging has in recent years captured the imagination of the media, sustainability 'experts' and the community. Given the slow progress to popular and affordable electric vehicles in the marketplace there is still work to be done. Despite this, we believe the issues of cost and practicability will be overcome in the next decade. Some issues include:

- The view that Australia is a big country and we drive too far to allow for a single battery charge to meet our needs need serious review. In Sydney data indicates that less than 10% of cars travel more than 100km a day. The median value is reported as 35km a day;

- How far can an electric vehicle travel on a single charge? This is an ongoing development issue and is likely to change over time. Tesla, arguably the global leader in terms of electric vehicles, claims some 380km range in its battery use. Other more affordable models claim 65km to 160km range. There are many variables including the use of regenerative braking, low resistance tyres for better 'roll', cold weather climate etc. that will affect how far an electric vehicle will travel on a single charge. However, as a whole, the numbers suggest that electric vehicles would work in Sydney and importantly without significant investment in dedicated electric vehicle infrastructure.

Future Work

Further discussion needs to take place on:

- A realistic examination of a sustainable investment strategy for roads in Australia;
- An Australian approach to electric cars and other innovations, including potential regional sites.

Theme 7: Improving Competiveness and Transparency in the Industry

General overview

Over recent years there has been a considerable gain for retail motor traders and, therefore, a flow on to consumers and the Australian economy through developments in competition policy over the past two decades.

The retail motor industry in Australia is one of the most heavily regulated sectors of the Australian economy. The Australian industry is also among the most competitive in the world and the recognition of the automotive skills base in Australia is reflected in the many countries that employ Australian trained automotive technicians.

There is considerable and increasing concern over the extent of competition in the industry. Employers have been increasingly vocal in calls for urgent investigation into the central issues of unconscionable conduct and misuse of market power within the automotive industry.

This investigation should include how smaller traders might be able to access more equitably the existing provisions around matters that might involve constructs such as unconscionable conduct, or misuse of market power under various regulatory and investigative bodies such as the Australian Consumer and Competition Commission.

Many sectors of the industry have suggested in recent consultations that areas such as unconscionable conduct, misuse of market power, creeping acquisitions, cartel conduct and the like remain central to any review or vigilance around competition policy now or in the foreseeable future.

Key Issues

Adverse structural developments in the industry will potentially see international market power used to dominate the Australian supply of spare parts, crash repairs and the re-cycling of “written off” cars. It is the Industry’s assessment that these business alignments which have just been put in place, potentially jeopardise many of the small business operators

There needs to be an examination of the competition provisions and the special protections for small business to ensure that efficient businesses can compete effectively and receive incentives to invest in future innovation.

Consideration also needs to be given to whether the misuse of market power provisions effectively prohibit anti-competitive conduct and are sufficient to address the breadth of matters expected of them, capture all behaviours of concern, and support the growth of efficient businesses regardless of their size.

A national investigation should also focus on whether the framework for industry codes of conduct (with reference to State and Territory codes where relevant) and protections against unfair and unconscionable conduct, provide an adequate mechanism to encourage reasonable business dealings, particularly in relation to small business.

A major issue facing body repairers is exposure to the market power of insurance companies. The process used by major insurers to allocate damaged vehicles for repair, and the prices they are prepared to pay, reduces the availability of work and the quality of repairs allowed. This can affect the financial viability of repairers, particularly those that are not part of an insurer's network. However, insurance work for many crash repairers attracts significantly lower hourly rates than private work, and repairers have had to absorb increases in general overheads, labour costs and GST to retain the work. Due to fragmentation in the industry and un-even business management skills in costing, quoting and negotiating, insurance companies are likely to continue to dominate the industry.

A lack of effective transparent policy planning leads to ad-hoc policy outcomes with unintended consequences. Recent examples have included the cash for clunkers initiative, plans to change the Fringe Benefits Tax application to motor vehicles and more recent suggestions by the Productivity Commission and Harper Competition Review to relax restrictions on used vehicle imports and new vehicle imports by individuals. This has led to some public debate on loosening the provisions of the Motor Vehicle Standards Act with a view to introducing motor vehicle parallel imports.

Having particular regard to parallel imports, if, there was a policy framework for the automotive industry which was future orientated, anticipated potential changing consumer behaviours, the interdependencies and interrelationships of the automotive industry and other factors, then the potential benefits and consequences of such decisions may be better understood before it is made.

At the moment, and without the benefit of a Regulatory Impact Statement, it would appear that while Government has understood the potential consumer risk posed by the relaxation of restrictions on used cars there remains a need to investigate thoroughly the potential impacts of a decision to relax restriction on the individual importation of a new vehicle.

MTAA / AMIF contends that consumers who buy vehicles sourced directly from overseas are often immune to the caution that is usually applied and available when buying a car through a regulated environment which provides protection. Equally on the promissory note of cheaper costs, consumers can be blind to the many complex customs, transportation, finance, insurance, warranty and service and repair support issues that may arise. Such consumers will not be afforded the protection of the manufacturers warranties supplied in Australia.

Personal or parallel imported new vehicles are likely to become orphaned, unloved and problematic for their importers and subsequent owners in the future.

In a complex industry with increasingly complex products, there is no room for isolated independent policy decisions which do not take into account their impact on the whole of the industry or consumers need.

Future Work

Further work and consultations will be undertaken on:

- Examining the options for a competition review into the anti-competitive behaviour within the Australian automobile industry and options for addressing employer and industry concerns, particularly small business;

- The effectiveness of existing codes of conduct and proposed reforms;

- The negative impacts of new business models that lead to the opening up of the Australian market further through the importation of parallel imported vehicles;
- The degree to which the importation of parallel imported farm machinery and off-road motorcycles damages local business and consumer confidence in automotive enterprises.

National Secretariat
May 2015

Further information on this interim submission can be obtained by contacting the National Secretariat of the Motor Trades association of Australia and the Australian Motor Industry Federation at admin@amif.com.au