

2024-25 Victorian pre-budget submission

January 2024



Contact



Dr Imogen Reid

Lead Strategy and Policy
VACC
ireid@vacc.com.au

About VACC

The Victorian Automotive Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,000 members in over 20 retail automotive sectors that employ over 50,000 Victorians. VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), tyre dealers and automotive dismantlers and recyclers.

VACC is also an active member of the Motor Trades Association of Australia (MTAA) and contributes significantly to the national policy debate through Australia's peak national automotive association.



Contents

Introduction	3
List of recommendations	4
1. Energy and Environment	6
1.1 Support the Victorian retail automotive industry in its transition to ZEV technology	6
1.2 Funding for an End-of-life Vehicle pilot scheme using the Victorian Circular Economy Recycling Modernisation Fund	7
1.3 Funding for an industry supported and government led inter-agency taskforce to investigate all factors of tyre stockpiling and disposal	8
1.4 Extend the Victorian Government's Circular Economy Infrastructure Fund	9
2. Taxation	10
2.1 Introducing a \$10,000 threshold for the exemption of motor vehicle duty being applied to accessories or aftermarket fitting to a new motor vehicle	10
2.2 Remove Super Luxury Duty in the 24-25 State Budget	11
2.3 Payroll tax	13
3. Access to justice	13
3.1 Introduce reform measures to the Victorian Civil and Administrative Tribunal Act 1998 (Vic)	13
4. Cost of living	15
4.1 Extend the trade apprentice free vehicle registration discount scheme	15
5. Skills and Training	16
5.1 Thin training markets	16
5.2 Changes to the current Head Start Program	16
5.3 Group training	17
5.4 Improving apprentice outcomes	17

Introduction

The Victorian Automotive Chamber of Commerce (VACC) thanks the Victorian Treasury for the opportunity to provide a submission outlining the pre-budget priorities for the Victorian automotive retail industry.

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

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



List of recommendations

Recommendation 1

The next Victorian State Budget should include transitional relief, similar to that provided under the Automotive Transition Plan (ATP) to the existing automotive retail sector to assist with the upskilling of the automotive workforce and investment in equipment and tooling as the industry transitions to a ZEV future.

Recommendation 2

That the Victorian Government provides a detailed implementation plan, including funding analysis and a business impact statement as it relates to the implementation of the Zero Emissions Vehicle Roadmap.

Recommendation 3

That the Victorian Government match the Federal Government funding of \$1 million via the Victorian Circular Economy Recycling Modernisation Fund to pilot the introduction of an End-of-life Vehicle (ELV) program for Australia.

Recommendations 4

That the Victorian Government allocate funds from the Victoria – Recycling Modernisation Fund to establish an industry-supported and government-led, inter-agency taskforce to investigate all factors of tyre stockpiling and disposal. Further, the taskforce should include a term of reference outlining a plan to assist tyre retailers and community build their capacity, capability, resilience, and responsibilities to manage waste tyres.

Recommendation 5

That the Victorian Government extend its Circular Economy Infrastructure Fund to help industry build its capacity, capability, resilience, and its responsibilities to manage priority waste. This fund should include support for skills development and programs intended to decrease the volume and mitigate the impact of tyre stockpiling on Victoria's landfill.

Recommendation 6

That the Victorian Government introduce reforms to the Victorian State Revenue Office Revenue Ruling DA-022 as it relates to the elements that contribute to a vehicle's dutiable value.

Recommendation 7

That the Victorian State Revenue Office introduces a \$10,000 value (retail) threshold exemption from motor vehicle duty for new vehicle dealers for the purposes of retailing and fitment of accessories and aftermarket parts.

Recommendation 8

That the Victorian Government abolish its Super Luxury Duty.

Recommendation 9

That the Victorian Government lift Victoria's payroll tax threshold to \$1.2 million per annum, thereby aligning more closely with other jurisdictions to ensure Victorian business competitiveness, capital investment and future jobs growth.

Recommendation 10

That the Victorian Government allocate residual annual funds from the Motor Car Traders Guarantee Fund to VACC who will utilise those funds to underwrite a Joint Venture with CAV to create a specialised automotive retail legal advice service or unit hosted by VACC for Victorian consumers and LMCTs.

Recommendation 11

That the Victorian Government lifts the threshold limit for Fast Track mediation issues in VCAT involving a dispute with an LMCT from \$10,000 per claim to an increased threshold of \$20,000 per claim.

Recommendation 12

That the Victorian Government extend its Trade Apprentice Free Vehicle Registration Discount Scheme for the 2024-25 period.

Recommendation 13

That the Victorian Government identify and implement an alternative model to incentivise the provision of vocational education and training by registered training providers (RTOs) in thin markets such as motorcycle, engine reconditioning, automotive electrical, panel and paint, vehicle parts and outdoor power equipment.

Recommendation 14

That the Victorian Government review and implement changes to the current Head Start Program to predominantly provide career advice and work experience opportunities to Year 9 and 10 students across Victoria.

Recommendation 15

That the Victorian Government continue funding of the Victorian Group Training Program past 2024.

Recommendation 16

That the Victorian Government implement, in partnership with industry, an independent validation of apprenticeship outcomes in the automotive industry.

1. Energy and Environment

1.1 Support the Victorian retail automotive industry in its transition to ZEV technology.

In 2017 the Victorian Government announced the Zero Emissions Vehicle Roadmap (the roadmap), which detailed the government's ambition to have half of all light vehicle sales in Victoria to be zero emissions vehicles (ZEV) by 2030.¹ Meeting this ambitious target will need to be accompanied with sensible policy measures and due consideration to the existing automotive retail industry.

The automotive retail industry is an essential touchpoint for consumers to purchase, repair, maintain and recycle their ZEV. The roadmap states that government is in the process of establishing industry development and a transition plan,² however, details of this transition plan are yet to be made available to industry. VACC argues it is essential that industry participants are provided adequate time to properly prepare for the mandated changes, and that automotive retail businesses transitioning from a predominantly Internal Combustion Engine (ICE) market to a ZEV market, are financially assisted, in a way similar to the assistance provided to workers in 2015 via the Victorian Labour Government's Automotive Transition Plan (ATP).

The ATP provided support for businesses affected by the closure of car manufacturing in Victoria. The Victorian Government allocated \$46.5 million towards this effort and successfully assisted businesses, workers and affected communities transition into new opportunities. The automotive retail sector was not awarded any funds as part of the ATP.

VACC makes that point that many automotive related businesses are not prepared for the changes to the market³ brought on by the transition to a majority ZEV landscape. For example, Volvo Car Australia has unveiled an ambitious plan to sell only fully electric cars in Australia by 2026 – four years earlier than its parent company's 2030 global target. Whilst this approach may be positive for some automotive retailers, other dealerships, who have invested millions of dollars in the Volvo system may suffer huge losses as they may not have the inclination, nor resources to make the transition.

Independent mechanical and other repair workshops are also at risk of being adversely affected by the ZEV transition. The importance of upskilling workforces and investing in new technologies is central to a successful transition, however, the financial outlay may be too high for some businesses to absorb – hence the need for government assistance. The Victorian Government's 'Clean Economy Workforce Development Strategy 2023-2033', which was developed to put workers 'front and centre'⁴ is an important reminder of maintaining the workforce amid the pursuit of a clean economy. It is worth mentioning that no grants were awarded to automotive retail participants under the Victorian Commercial Sector Innovation Fund (VCSIF), or New Energy Jobs Fund grant set up to assist with the decarbonisation of the Victorian Transport Sector.⁵

As the shift towards the ZEV market is inevitable, government-led policy settings must carefully consider the existing and transitional state of the still predominant ICE market. Failure from the government to support the current, still dominant ICE market to transition has already begun to impact the long-term exit strategies of many businesses.

1 DELWP, Victoria's Zero Emissions Vehicle Roadmap, (2021), https://www.energy.vic.gov.au/_data/assets/pdf_file/0036/575676/Zero-Emission-Vehicle-ZEV-Roadmap.pdf, 4, [9].

2 Ibid, 72,[3.7.1].

3 Volvo Cars Australia, Volvo Car Australia to go all electric by 2026 (2022)<<https://www.volvocars.com/au/news/electrification/Volvo-Car-Australia-to-go-all-electric-by-2026/>>,[1].

4 The Hon Gayle Tierney MP, 'Clean Economy Workforce Development Strategy 2023-2033', (2023), <VSA-CleanEconomyWorkforceDevelopmentStrategy2023-2033.pdf (content.vic.gov.au)> 4,[3].

5 Victorian Government, zero emissions vehicle grants Expressions of interest for the Commercial Sector Innovation Fund are now closed (2023), <<https://www.vic.gov.au/zero-emissions-vehicle-grants>>.

Given mainstream ICE automotive retailing outlets will be impacted as a direct result of government-led policy settings,⁶ VACC calls for the next Victorian State Budget to include transitional relief, similar to that provided under the ATP, to the existing automotive retail sector to assist with the transition to a ZEV future.

Further to this, VACC cannot overstate the importance of government regularly engaging with the retail automotive industry regarding ZEVs and the related implications associated with this transition. To date, the emphasis has been focussed on the views of energy providers, rather than those on the frontline selling, servicing and repairing ZEVs. Whilst energy providers have a role to play, they are only one part of the picture.

The risk remains that industry participants may be forced to exit their businesses and the industry due to a lack of transparency, or clarity, around the government's ZEV intentions. VACC make ourselves available to the Victorian Government to collaborate on how best to support the transition of both industry and the consumer.

Therefore, VACC recommends:

Recommendation 1

The next Victorian State Budget should include transitional relief, similar to that provided under the Automotive Transition Plan (ATP) to the existing automotive retail sector to assist with the upskilling of the automotive workforce and investment in equipment and tooling as the industry transitions to a ZEV future.

Recommendation 2

That the Victorian Government provides a detailed implementation plan, including funding analysis and a business impact statement as it relates to the implementation of the Zero Emissions Vehicle Roadmap.

1.2 Funding for an End-of-life Vehicle pilot scheme using the Victorian Circular Economy Recycling Modernisation Fund

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

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

Presently, it is estimated that 850,000 vehicles meet their end of life in Australia annually. This amounts to 1.360 million tonnes of waste that requires processing in Australia annually⁷. Nationally, over 408,000 tonnes of motor vehicle waste are sent to landfill each year with approximately 100,000 tonnes sent to landfill in Victoria.⁸

The ELV project work was completed in April 2023, with a business plan currently before the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW). Australian and

⁶ Victorian Premier, Supporting Our Automotive Industry to Secure Jobs, (7 December 2015), Media Release < Supporting Our Automotive Industry To Secure Jobs | Premier of Victoria > [3].

⁷ Deloitte, Conceptual Product Stewardship Scheme for End-of-life Vehicles in Australia, 2023, 38 [1].

⁸ Ibid, 12, [9].

international dismantlers, waste management industry participants and other key stakeholders eagerly await the next steps to be taken by DCCEEW. This is where VACC believes there is an opportunity for the Victorian government to lead a crucial stage of this development.

VACC members were the most prolific in their involvement in the ELV scoping work, as well as the key participants in the proof-of-concept stages of the project. Victorian vehicle dismantlers and recyclers are considered to be the national leaders of all facets concerning advancement in vehicle dismantling technologies, process, best practice recycling, as well as delivering the highest volume of vehicle dismantling and recycling stock available for resale or reuse. This consideration is reinforced in the world first VACC and Environmental Protection Agency Victoria (EPA Vic) 'Vehicle Dismantling Guidelines' (the Guidelines) released in 2019. Victoria is thought to be the only jurisdiction in the world to have such extensive government and industry collaboration in the development of vehicle dismantling and recycling guidelines. The Guidelines were written to align Victoria with reform measures contained within the world leading legislation Environmental Protection Act 2017 (Vic) that became law on 1 July 2021.

The safe and environmentally responsible disposal of ELVs, including batteries extracted from ZEV motor vehicles must be factored into any plan for Victoria to be emissions free by 2050. The introduction of a government led, and industry supported ELV Pilot Scheme that is funded utilising funds from the *Victorian Circular Recycling Modernisation Fund* will reaffirm Victoria as the leading state in contemporary waste management processes.

In light of the above, VACC recommends:

Recommendation 3

That the Victorian Government match the Federal Government funding of \$1 million via the Victorian Circular Economy Recycling Modernisation Fund to pilot the introduction of an End-of-life Vehicle (ELV) program for Australia.

1.3 Funding for an industry supported and government led inter-agency taskforce to investigate all factors of tyre stockpiling and disposal

Presently many Victorian automotive retailing businesses are facing critical industrial waste collection delays due to ongoing global shipping issues, labour shortages, the export ban on whole and baled tyres, and the lack of local markets able to use tyre derived products. According to Tyre Stewardship Australia (TSA), Australians generated 459,00 tonnes of waste tyres.⁹ It is estimated that approximately 33 per cent were exported for energy recovery, while 53 per cent were sent to landfill. In 2024 a much larger problem is facing industry and community due to a ban on the unrestricted export of tyres, which became law in 2021.¹⁰ As it stands, Victoria's circular economy plan is failing to keep up with demand and needs urgent attention.

VACC members who retail new and used vehicle tyres advise VACC that the cost blowout for waste tyre collection and disposal has ballooned to extreme levels since December 2021. This cost burden to industry is unsustainable. It will be consumers who will ultimately incur the financial cost, and community who will be outraged at the potential threat to our precious environment.

Industry is committed to meeting their environmental obligations; however, they face extreme difficulty accessing waste tyre collection services by a TSA accredited or approved tyre collector. This lack of access often leaves the retailer with stockpiles of waste tyres, at times above the

⁹ TSA, Australian Tyre Consumption and Recovery, (2022), < <https://www.tyrestewardship.org.au/wp-content/uploads/2022/03/TSA-Tyre-Consumption-Recovery.pdf>>, [3].

¹⁰ DCCEEW National Waste Policy Action Plan Annexure 2022, (2022), < <https://www.dcceew.gov.au/sites/default/files/documents/national-waste-policy-action-plan-annexure-2022.pdf>>, 3.

regulated limits. Consumers, or rogue tyre collector/retailers, make whatever decision they see as suiting their own purposes and often dump tyres in public parklands or roadside.¹¹ According to Sustainability Victoria, approximately 1.5 million passenger car tyres are unaccounted for in Victoria each year– potentially illegally dumped or stockpiled.¹²

Victoria has experienced various levels of illegal dumping in regional and metropolitan areas, further confirmed in dialogue between VACC and the Municipal Association of Victoria in 2023. There is an extremely high likelihood that rogue operators have re-entered the market and begun illegally stockpiling waste tyres, leading to public health risks such as the fire at the Broadmeadows Tyre recycling facility in 2016, which saw more than 100,000 tyres burnt and nearby residents and businesses evacuated.¹³ Whilst the Tyre Stewardship Scheme remains as a voluntary scheme, the very real concern for community, many Municipal Councils, Environmental Protection Agencies, law enforcement agencies, and industry is that waste tyres will continue to be a toxic threat to the environment and a drain on resources.

VACC recommends that the 2024-2025 Victorian State Budget allocate \$500,000 from *Victoria - Recycling Modernisation Fund* for an industry supported, and government led, inter-agency taskforce that will examine exactly why stockpiling is occurring, who is responsible and how it can be overcome.

The taskforce should use the legislated parameters of the new EPA Environmental Protection Act 2017 (Vic) that came into effect on 1 July 2021, while working with industry and community to solve this issue. The task force could be comprised of EPA Vic, Victoria Police, Worksafe Vic, MAV, Sustainability Victoria, VicRoads and the Department of Environment, Land, Water and Planning.

Recommendations 4

That the Victorian Government allocate funds from the Victoria – Recycling Modernisation Fund to establish an industry-supported and government-led, inter-agency taskforce to investigate all factors of tyre stockpiling and disposal. Further, the taskforce should include a term of reference outlining a plan to assist tyre retailers and community build their capacity, capability, resilience, and responsibilities to manage waste tyres.

1.4 Extend the Victorian Government's Circular Economy Infrastructure Fund

Waste tyres poses a significant hazard to the Victorian community and environment when stockpiled and sent to landfill. They can lead to fires that can cause hazardous smoke and the evacuation of communities, including airborne diseases and environmental contamination.

VACC recommends that the Victorian Government extend its *Circular Economy Infrastructure Fund* (the Fund) to help industry build its capacity, capability, resilience, and its responsibilities to manage priority waste. Extending the Fund will allow businesses to invest in much needed recycling equipment.

Fund objectives:

- Increase the recovery and local reprocessing of priority waste, and to manage those materials in line with the waste hierarchy.
- Increase the use and quality of recycled materials for remanufacturing to make new products.

¹¹ Mike Wheeler, Tyre recycling rogue operators still a blight on tyre industry, (2023), < Tyre recycling rogue operators still a blight on tyre industry - Inside Waste> [5].

¹² Sustainability Victoria, Managing tyres at resource recovery centres, < (2019), <<https://assets.sustainability.vic.gov.au/susvic/Factsheet-Waste-Tyres.pdf>>.

¹³ ABC Report 'Fire Risk posed by Waste' < <https://www.abc.net.au/news/2018-10-21/melbourne-recycling-facilities-pose-fire-risk/10368302>>.

- Increase economic development opportunities such as jobs, economic performance and growth of precincts.
- Reduce the amount and impact of waste going to landfill.
- Focus on waste tyres.

Funding aims to:

- Diversify and attract new investment to increase the quality of hazardous wastes recovered for recycling.
- Attract reprocessing infrastructure to increase the quantity of materials re-entering manufacturing streams and improving the circularity of materials.

Funds allocated to resourcing the cancelled Commonwealth Games could be redistributed to funding this important initiative. The Federal Government may also be in a position to provide match funding.

Recommendation 5

That the Victorian Government extend its Circular Economy Infrastructure Fund to help industry build its capacity, capability, resilience, and its responsibilities to manage priority waste. This fund should include support for skills development and programs intended to decrease the volume and mitigate the impact of tyre stockpiling on Victoria's landfill.

2. Taxation

2.1 Introducing a \$10,000 threshold for the exemption of motor vehicle duty being applied to accessories or aftermarket fitting to a new motor vehicle

The purpose of Revenue Ruling DA.022 (DA.022) is to clarify the meaning of dutiable value of a new motor vehicle for the purposes of the *Duties Act 2000 (Vic)* (Act).¹⁴

Using the guidance of DA.022, the provision of accessories, options, protection products and vehicle additions by the dealer, prior to registration, or included in the transaction, are all costs that form part of the dutiable value, and therefore increase the amount of motor vehicle duty paid by a consumer. These aftermarket parts or accessories can include, for example, the fitment of sunroofs, bull bars and tinted windows.

The impact of DA.022 results in the loss of revenue to automotive dealerships, as consumers often favour independent aftermarket sellers, where the duty does not apply. VACC argues that the discriminatory nature of the application of duty on one party over another, directly provides a disadvantage to the dealer and a market advantage to the independent aftermarket provider. It also limits the end-to-end delivery process and experience of the delivery of a new motor vehicle to Victorian consumers. This situation is contrary to the principles of a fair and equitable taxation system. VACC further argues that the discriminatory nature of DA.022 could also be viewed as being contrary to sections of the *Competition and Consumer Act (2010)* (Cth) as it inadvertently enables a level of anti-competitive behaviour with aftermarket suppliers being placed at a financial advantage over new vehicle franchise dealers in Victoria in delivery of identical products. In light of this, VACC recommends sensible motor vehicle duty reform to remove this anomaly.

¹⁴ SRO Revenue Ruling DA.022 July 1, 2000.

Much has changed since the original SD.004 (released in the 1980s) and revised DA.022 (which replaced SD.004 in 2000 and was re-released in 2002) were both originally written. SD.004 and DA.022 were released at a time when aftermarket providers were few in number. However, in that time the automotive aftermarket parts supply and fitment sector has grown to such an extent that in Victoria it includes the presence of corporate monoliths such as GPC Corporation, who in 2022, recorded a turnover of over USD \$22.095 billion,¹⁵ and ARB Corporation, who recorded an Australian after-tax profit of \$88 million in 2023.¹⁶ The most recent research conducted by IBIS World advises that in August 2023, the parts retailing market in Australia turned over \$6.1b.¹⁷

Compounding this situation, the aftermarket has now been supported by the Australian Federal Government's introduction of the *Motor Vehicle Information Scheme* (the scheme). The introduction of the scheme is a key policy reform that was achieved by VACC on behalf of the wider Australian automotive aftermarket vehicle service and repairer sector. The scheme has made it possible for independent retail motor service and repair providers to have access to the repair and diagnostic data of the vehicle manufacturers, once the domain of its dealer network. This is supported by the *Motor Vehicle Service and Repair Information Sharing Scheme Act 2021* (Cth).

The scheme was introduced to see fair competition for independent operators, it was never envisaged by VACC, or the Australian Government, that it be an enabler to further competition impediments for new car dealers. Access to this information has led to a much higher level of competition for dealerships, but now has highlighted the requirement to adjust state-based tax regimes to ensure a fair access to market for all industry participants.

In 2019 VACC entered into dialogue with Treasurer, Mr Tim Pallas and the Department of Treasury and Finance (DFT) regarding this issue. At the time DFT was concerned that vehicle dealers could take a windscreen or remove other parts out of a vehicle to lessen the vehicle's dutiable value. VACC views DFT's position, on this particular issue, as extreme. There are many mandated vehicle standards and state and federally based consumer laws that would render such an action by a dealer to be unlawful.

VACC argues the time is right for reform of DA.022, which includes an exemption allowing the dealer to fit a threshold amount of up to \$10,000 (retail) worth of accessories or aftermarket fitments to a new motor vehicle without increasing its dutiable value for the purposes of motor vehicle duty.

Recommendation 6

That the Victorian Government introduce reforms to the Victorian State Revenue Office Revenue Ruling DA-022 as it relates to the elements that contribute to a vehicle's dutiable value.

Recommendation 7

That the Victorian State Revenue Office introduces a \$10,000 value (retail) threshold exemption from motor vehicle duty for new vehicle dealers for the purposes of retailing and fitment of accessories and aftermarket parts.

2.2 Remove Super Luxury Duty in the 2024-25 State Budget

The impact of the Super Luxury Vehicle Duty (SLD) in Victoria and Luxury Car Tax (LCT) imposed by the Australian Government significantly affect Victorian LMCTs who retail new and used luxury vehicles.

¹⁵ 2022 GPC Annual Report.

¹⁶ ARB 2023 Annual Report.

¹⁷ Ibis World < <https://www.ibisworld.com/au/industry/motor-vehicle-parts-retailing/2184/> >.

VACC raises two major concerns with the SLD as outlined below.

The duty represents a competitive disadvantage with interstate counterparts

Victorian dealers are at a competitive disadvantage when advertising a drive-away price on a national on-line classified platform.

Bordering states of South Australia and New South Wales do not have a SLD in place, meaning cars where the SLD is not applied can be advertised for a much lower price compared with that of a vehicle advertised by a Victorian LMCT.

The SLD results in the Victorian consumer, and Victorian dealer, paying double luxury taxes for the purchase of a vehicle: a luxury tax to the state and a luxury tax to the Commonwealth (via the LCT). More specifically:

- One set of duty is applied to cars valued between \$100,001 and \$150,000 that will be charged duty of \$14 per \$200 of market value.
- The second relates to cars valued above \$150,001 that will be charged duty of \$18 per \$200 of market value.

These duties are on top of the already existing LCT rate for vehicles above the 2023-2024 LCT threshold of \$89,332.

The ratio for the availability of new and used dealer stock for luxury cars in New South Wales, compared to Victoria is 2:1.¹⁸ It is concerning that South Australia only trails Victoria behind stock on numbers by 20 per cent of total vehicles. Consumers are now simply choosing to sell and purchase vehicles priced in these thresholds across the border, resulting in the Victorian State Government losing tax receipts and other income applied to the sale of new and used vehicles. Many larger sized LMCTs who retail luxury vehicles have been forced to set up dealerships in other jurisdictions (South Australia and New South Wales) as a direct result of the SLD.

Motor vehicle tax revenue in Victoria has grown from \$2.534 billion in 2018-19 to \$3.201 billion in 2022-23 (approx. average annual growth of seven per cent from 2018-2023).¹⁹ This is over and above the four per cent growth forecast in the 2018-19 Victorian State Budget and includes period of a statewide industry pandemic shutdown. It is clearly evident that the automotive retail sector is more than paying its way.

Industry and motorists must be incentivised to continue to purchase from Victorian LMCTs. This is especially important as we enter a period of uncertainty for LMCTs, where used car prices are estimated to fall by more than 10-15 per cent in coming months.²⁰

The question of the validity of the SLD

The result of the recent High Court of Australia case *Vanderstock v Victoria*²¹ has encouraged LMCTs to revisit the issue of whether the State of Victoria has the constitutional authority to institute a duty on goods such as the SLD. The prospect of a Victorian LMCT supporting a class action to challenge the SLD is very real.

VACC member dealers are of the opinion that under Section 90 of the Commonwealth of Australia Constitution, the power to impose a 'duty of excise' rests solely with the Commonwealth Government and is not within the power of the States.

Section 90 prohibits the States from imposing custom duties and excise duties. Excise duties are taken to consist of taxes on the production, manufacture, sale or distribution of goods, whether of foreign or domestic origin.²²

18 <https://www.carsales.com.au/search> via Find your next car by state.

19 DTF State Taxation Revenue 2023.

20 Moody's Analytics sourced via < <https://www.carexpert.com.au/car-news/big-used-car-price-drops-forecast-for-2024> >.

21 [2023] HCA 30.

22 *Peterswald v Bartley* [1904] HCA 21, (1904) 1 CLR 497.

In light of the above, VACC recommends:

Recommendation 8

That the Victorian Government abolish its Super Luxury Duty.

2.3 Payroll tax

Victoria maintains the most uncompetitive payroll tax in Australia, with the lowest national threshold of \$700,000. Whilst regional employers have benefitted from significant payroll tax reform in Victoria, metropolitan-based employers remain disadvantaged when compared with other states and territories across Australia (whose threshold is at least \$1 million).

The financial and regulatory impost is significantly higher when compared across jurisdictions. Essentially a tax on jobs, VACC has long argued for Victoria's payroll threshold to be lifted, at a minimum, to \$1.2 million to align more closely with other states and territories.

Recommendation 9

That the Victorian Government lift Victoria's payroll tax threshold to \$1.2 million per annum, thereby aligning more closely with other jurisdictions to ensure Victorian business competitiveness, capital investment and future jobs growth.

3. Access to justice

3.1 Introduce reform measures to the Victorian Civil and Administrative Tribunal Act 1998 (Vic)

VACC calls for the Victorian Government to introduce reform measures to the Victorian Civil and Administrative Tribunal Act 1998 (Vic). Those reform measures should include the appointment of a resource to vet applications tendered to the Victorian Civil and Administrative Tribunal (VCAT) listed under the Goods and Services category where a LMCT is listed as an applicant or respondent. These applications must be dealt with expeditiously. This will save many cases from being heard that do not meet any of the criteria as nominated within the VCAT application guidelines or prevent nonattendance by the consumer, who traditionally, have been afforded the opportunity to reapply again for a hearing. Such consumers misuse valuable VCAT and industry resources.

The issue is exacerbated by the fact an applicant or respondent in a VCAT Goods and Services case, for a claim of more than \$10,000, can expect to wait **44 weeks** from the time they apply, to the date of their mediation or hearing.²³

LMCTs are often the victims of spurious claims in VCAT. Therefore, the purpose of the reform would be to identify and prevent malicious, opportunistic or vexatious claims being heard, which would assist in minimising delays in the access to justice for consumers and industry. Once non-conforming applications are identified, it is recommended they be withdrawn, without the need for any type of hearing, opening up the system to those with genuine grievances.

Any resource(s) dedicated to LMCT disputes could be underwritten using the residual funds and penalties collected by Consumer Affairs Victoria (CAV) that are attributed to the *Motor Car Traders Guarantee Fund* (the Fund). In 2022-23 a total of \$4.038 m was collected by CAV from LMCTs

²³ VCAT, how long does it take for a tribunal hearing, Goods and Services? (2023), <www.vcat.vic.gov.au>.

in licensing fees and penalties.²⁴ Interestingly, in the same year, residual funds from the Fund amounted to \$2,043,376.²⁵ Those residual funds are then transferred to consolidated revenue streams of the Victorian Government. As this is revenue collected from LMCTs it is logical for the residual funds to be reinvested back into industry by way of financing a dedicated resource to review claims involving a LMCT prior to being brought before VCAT.

To provide perspective, over a 17 week period in 2023²⁶, LMCTs as respondents in VCAT were responsible for 1.09 per cent of a total 20,110 VCAT cases. Overall LMCT cases accounted for approximately six per cent of all Goods and Services category applications made to VCAT over the same period.²⁷ In comparison, the construction and property maintenance sector account for over 40 per cent of VCAT hearings and IT Providers approximately seven per cent.²⁸

How to really help our most vulnerable consumers

There is an opportunity for the Victorian Government to truly assist consumers who are being directed to consumer facing organisations with regards to issues pertaining to the sale, service or repair of a motor vehicle by a LMCT. At times, these consumer groups lack an effective and/or thorough understanding of the consumer protection mechanisms associated with the *Motor Car Traders Act 1986* (Vic) (the Act) and/or the *Australian Consumer Law (2012)* (Cth) (ACL).

The default course of action taken by many consumer groups is to lodge an application in VCAT – a high-risk strategy. This is supported by a report²⁹ released in October 2023 into the failings of the LMCT sector. The research was commissioned by a group of consumer facing organisations and paid for by the Victorian taxpayer. The report should be reviewed by government as it inadvertently demonstrates how poorly our most vulnerable consumers can be represented by various consumer groups claiming to help them.

To assist in securing access to justice for all consumers and industry, VACC recommends that the government support and fund a VACC administered specialised automotive legal team, that would include a First Nations People resource, who would be hosted at VACC and assist consumers and LMCTs in any dispute. A funding mechanism can be established by redirecting the annual residual funds of the LMCT Guarantee Fund to VACC. This would assist with automotive disputes being triaged away from our overworked court system and accelerate issues that are time critical.

The proposed VACC legal team would be mentored and guided by the extensive existing internal resources and expertise inside VACC as it relates to mediation, and all facets of the Act and ACL. VACC has an unrivalled technical capacity to advise consumers on issue pertaining to service and repair of motor vehicles. This new unit would be a collaboration between CAV and VACC. Part of the terms of reference would include monthly reporting obligations to CAV and the provision of real time data collection, providing for the opportunity to measure what issues consumers and LMCTs are facing as they relate to motor vehicles. The unit would be designed to resolve the issues existing consumer facing organisations cannot resolve between consumers and LMCTs as they relate to the Act and ACL. The consumer groups' report highlighted that our most vulnerable consumers require higher levels of expertise and access to justice – both of which the report clearly demonstrates the consumer facing organisations are unable to deliver.

This approach would allow for consumer facing organisations to focus on the real issues facing the most vulnerable people in the Victorian community, such as tenancy disputes and cost of living issues – as well as other areas where social support is required. It would also create a pathway for

²⁴ Consumer Affairs Victoria, 2022-23 Annual Report, Financial Information 2022-23.

²⁵ Ibid.

²⁶ VACC, The LMCT presence in the car retailing market and VCAT,(2023),13,[6.3].

²⁷ Ibid.

²⁸ Ibid (n 21),14,[6.4].

²⁹ Report available from VACC upon request.

the Victorian Government to review the amount of funding it allocates to those organisations as the workload and resourcing of these organisations would be substantially lessened.

For example, one prominent consumer facing organisation receives annual funding of \$5.85 million from the Victorian Government and claims that 30 per cent of their calls relate to defective cars. A 30 per cent reduction to that organisation's workload would potentially save the Victorian Government funding of \$1.755 million, funds that could be used by VACC to initiate such a service in collaboration with CAV that could provide measurable outcomes for the betterment of Victorian taxpayers.

The fast-track mediation threshold.

The Fast-Track Mediation (FTM) option available to VCAT applicants who have a claim under \$10,000 is severely underutilised for LMCT claims under the Goods and Services category at VCAT. Consumer groups claim that data provided by VCAT show the average claim for a VCAT application is \$8,891.54.³⁰ VACC research shows that a total of eight FTMs involving a LMCT were conducted over a 17-week period in VCAT.³¹

Lifting the threshold for FTM in VCAT to \$20,000 per claim may help LMCTs and consumers reach resolution to more LMCT related issues, however, a promotional aspect of the FTM would need to be highlighted to improve the uptake.

Recommendation 10

That the Victorian Government allocate residual annual funds from the Motor Car Traders Guarantee Fund to VACC who will utilise those funds to underwrite a Joint Venture with CAV to create a specialised automotive retail legal advice service or unit hosted by VACC for Victorian consumers and LMCTs.

Recommendation 11

That the Victorian Government lifts the threshold limit for Fast Track mediation issues in VCAT involving a dispute with an LMCT from \$10,000 per claim to an increased threshold of \$20,000 per claim.

4. Cost of living

4.1 Extend the trade apprentice free vehicle registration discount scheme.

The success of the Victorian Government's Trade Apprentice Free Vehicle Registration Discount Scheme provides evidence for extension into the 2024/25 period. This will ease the cost-of-living pressures on Victorian apprentices and incentivises young and mature aged people embarking on a career as a tradesperson. Trades are a vital cog in the Victorian economy, at a time where skilled labour shortages are at an all-time high, it is critical that these types of incentives are maintained to help alleviate the cost-of-living pressures as well as attract new participants into the workforce.

Recommendation 12

That the Victorian Government extend its Trade Apprentice Free Vehicle Registration Discount Scheme for the 2024-25 period.

³⁰ Report available upon request from VACC.

³¹ Ibid,(n 21),15,[6.8].

5. Skills and Training

5.1 Thin training markets

In recent years, many registered training providers (RTOs) have reduced or withdrawn their automotive training offerings due to falling student demand. Training courses that were once popular, including motorcycle, engine reconditioning, automotive electrical, panel and paint, vehicle parts and outdoor power equipment, are now characterised as thin training markets, with low numbers of student commencements and a withdrawal in the delivery of these courses by many RTOs. Whilst still an emerging market, training in ZEVs can also be characterised as a thin market, given low student numbers and the limited number of ZEV training providers in Victoria.

It is critically important that the delivery of training and the transfer of essential knowledge and skills is continued for the benefit of businesses and the economy, in both traditional as well as emerging areas. Regrettably, the funding priorities and business models of RTOs are not geared towards delivering training to small groups (five or six students). This has the risk of leaving employers without an accessible skills pool – especially in regional areas – and will likely affect the uptake of new skills in ZEV servicing.

VACC urges the Victorian Government to identify and implement an alternative model for the delivery of vocational education and training in thin markets. The model needs to incentivise RTOs to deliver training on a per class basis rather than on a per-head basis, in certain programs. This initiative would help form part of a coordinated skills transition plan for the industry, that would help alleviate further skills pressure in the ensuing years.

Recommendation 13

That the Victorian Government identify and implement an alternative model to incentivise the provision of vocational education and training by registered training providers (RTOs) in thin markets such as motorcycle, engine reconditioning, automotive electrical, panel and paint, vehicle parts and outdoor power equipment.

5.2 Changes to the current Head Start Program

In order to improve careers advice in schools, the Victorian Government's Head Start Program should be directed to primarily provide careers guidance and work experience opportunities to students in Year 9 and 10. VACC argues that students should undertake multiple work experience opportunities across a wide variety of industries including key skill shortage areas, thin markets and careers in the clean economy.

Recommendation 14

That the Victorian Government review and implement changes to the current Head Start Program to predominantly provide career advice and work experience opportunities to Year 9 and 10 students across Victoria.

5.3 Group training

Group training providers continue to play a key role in ensuring Victorians have pathways into their chosen career, while being supported and mentored by experienced and dedicated Field Managers. The VACC Auto Apprenticeship program is a great example of what a group training organisation can achieve with a completion rate of over 85 per cent. For this reason, it is essential that the Victorian Government continue funding of the Victorian Group Training Program beyond 2024.

Recommendation 15

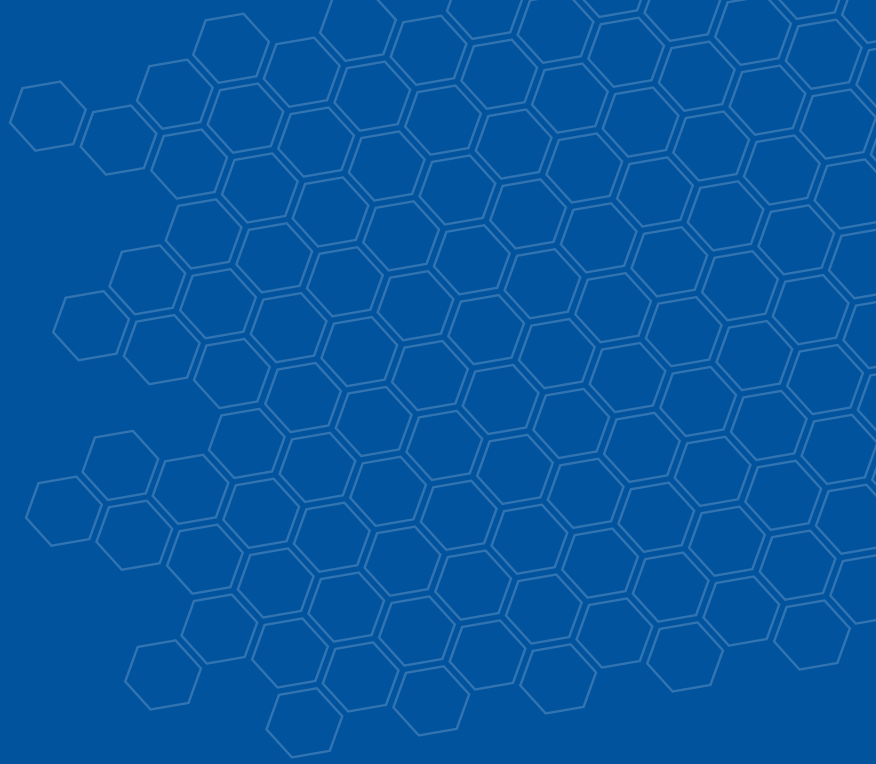
That the Victorian Government continue funding of the Victorian Group Training Program past 2024.

5.4 Improving apprentice outcomes

The Victorian Government should be committed to improving apprentice outcomes to ensure it provides relevant and reliable training to the automotive industry in the apprenticeship system. This could be achieved by implementing independent validation of apprentice progression and completions prior to the issuing of trade papers. This would provide valuable information to the government around the quality of its skills first contract providers across Victoria and ensuring a solid foundation for continuous improvement across the system.

Recommendation 16

That the Victorian Government implement, in partnership with industry, an independent validation of apprenticeship outcomes in the automotive industry.



VACC House • 650 Victoria Street, North Melbourne VIC 3051