

VACC Submission

# **2020-21 Federal Pre-Budget Submission to Treasury**

20 December 2019



## ABOUT VACC

The Victorian Automobile Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,300 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), and automotive dismantlers and recyclers.

The 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.

## CONTACT DETAILS

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## RECOMMENDATIONS

### **Recommendation 1:**

*That the government allocate seed funding of \$250,000 in the 2020-21 Federal Budget for the establishment of an industry body to administer the mandatory information sharing scheme for motor vehicle service and repair information.*

### **Recommendation 2:**

*That funding is allocated within the 2020-21 Federal Budget towards the development of a national program aimed at the proper disposal of end-of-life vehicles.*

### **Recommendation 3:**

*That current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated with a view to strengthening the level of industry engagement towards the design and skills content of VET qualifications.*

### **Recommendation 4:**

*A strengthening of industry governance and strategic leadership arrangements within the VET sector, including a review of the role of the AISC within this process.*

### **Recommendation 5:**

*That funding be allocated within the 2020-21 Federal Budget for the continuation of the Industry Specialist Mentoring for Australian Apprentices (ISMAA) program for a further two years.*

### **Recommendation 6:**

*That funding is allocated within the next Federal Budget for Registered Training Providers to purchase up-to-date vehicles and componentry for automotive apprentice training.*

### **Recommendation 7:**

*That the vocational student hourly rate for automotive training be increased by 35 per cent or \$3.00 per hour.*

**Recommendation 8:**

*That an increase in funding of 35 per cent be made available to Group Training Organisations that demonstrate meeting high standards for apprentice industry placement and retention.*

**Recommendation 9:**

*That financial allocations are made in the 2020-21 Federal Budget for the training of heavy vehicle roadside inspectors to a minimum Certificate II level in Automotive Servicing Technology qualification or equivalent.*

**Recommendation 10:**

*That the Skilling Australians Fund levy be reduced by at least half for temporary and permanent employer nominated visas.*

**Recommendation 11:**

*That a refund of the Skilled Australians Fund Levy is provided to employers in all cases where their application has not been successful.*

**Recommendation 12:**

*The Federal Government remove the Luxury Car Tax, or at a minimum increase the Luxury Car Tax threshold to \$125,000.*

**Recommendation 13:**

*That retail motor industry participants are exempted from Hayne Recommendation 1.7 and be able to trade under the current Point of Sale exemption.*

**Recommendation 14:**

*That the Federal Government provide addition funding to AFSA for further development of the Personal Property Security Register (PPSR) for the purposes of increasing vehicle recall information on a PPSR Search Certificate.*

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## KEY POSITIONS

### 1. ADVISORY BODY - ACCESS TO VEHICLE REPAIR INFORMATION

On 29 October 2019, the Australian Government committed to progressing the design of a mandatory information sharing scheme for motor vehicle service and repair information. The HON Michael Sukkar MP, Minister for Housing and Assistant Treasurer announced that it would be implemented in primary legislation to provide flexibility in its design as well as a robust dispute resolution process.

The Minister also asked industry representatives to consider the potential for an industry-led body to assist Government with administering the scheme and to ensure manufacturers, repairers and consumers had a voice in developing the scheme, keeping it effective and relevant. It was considered the body could also assist in the dispute resolution process.

On 26 November 2019, the peak automotive sector organisations met to consider the Commonwealth Government's request to explore the potential for an industry-led body matters raised during the industry round table on 29, October 2019. There was unanimous consensus to establish an industry body as well as agreement on the need to develop a technical committee as part of the body to provide technical expertise.

Industry representatives agreed that such a body should be:

- established with industry agreement at the request of the Government;
- begin with seed funding and then be self-sustaining;
- require legal support (to navigate insurance, etc);
- will provide advice to Government;
- assist in administering the legislation;
- be core focused and cognisant of boundaries of roles and responsibilities;
- report to Government and Members;
- raise awareness amongst members;
- provide advice and direction on definitions;
- be involved in subsequent reviews of the legislation;
- co-opt expertise from other organisations if and when required;

- develop a Constitution to outline how to appoint an Independent Chair.

It was the unanimous view of industry representatives that Government be asked to consider a co-contribution or 'seed funding' to establish the industry advisory body and that allocation for this purpose be included in the 2020/21 Federal Budget. It is the industry view that ongoing financial support will not be required as the body will become self-sustaining as the access to repair information is realised and through a security data registration program.

The rationale for the co-contribution request is considerable and includes:

- the benefit to Australian consumers;
- the benefit to the Commonwealth Government of the industry body undertaking dispute resolution and access delivery mechanisms;
- the precedential nature of having industry organisations meeting the intent of the legislation;
- the ongoing costs that industry organisations will incur in meeting the intent of the legislation;
- the not-for profit nature of the industry organisations, and
- organisations have already invested significant time and resources on this issue.

VACC therefore sincerely requests that the Federal Government provide a co-contribution of \$250,000 to establish an industry-led body to administer the mandatory information sharing scheme for motor vehicle service and repair information, with the knowledge that this body will become self-sustaining.

**Recommendation 1:**

- *That the government allocate seed funding of \$250,000 in the 2020-21 Federal Budget for the establishment of an industry body to administer the mandatory information sharing scheme for motor vehicle service and repair information.*

## 2. END-OF-LIFE VEHICLE PROGRAM

Australia does not have a national policy dealing with end-of-life vehicles (ELVs). Such a policy vacuum leaves the auto recycling sector vulnerable to rogue traders and environmental breaches.

The emergence of illegal vehicle wreckers who operate outside the regulatory guidelines is a serious problem across all jurisdictions and has the capacity to make lawful vehicle recycling operations unviable. The effects of such practices include tax evasion, and non-compliance with environmental protection and occupational health and safety laws. It is constantly reported that illegal operators provide components to the black market, supporting underground and often illegal operations. Illegal vehicle recycling is funding an Australian black market that has links to international illegal traders and other illegal business activities.

Landfill is also a serious concern for this sector. The variation in quality, quantity and consistency of plastics, along with the extent to which plastic is distributed throughout the vehicle, make it difficult to determine what is worth recycling. The recycling process is costly, and plastic is in direct competition with other more valuable materials such as steel and aluminium. As a result, most of the plastic recovered from vehicles (over 200,000 tonnes per annum), is sent to landfill.

Countries including Germany, South Korea, Japan, the United Kingdom and Norway have implemented regulated ELV policies. They acknowledge that a sound ELV strategy is essential to good environmental and economic management and contributes to meeting environmental obligations under international law.

Recognising the environmental and economic concerns associated with the disposal of ELVs, VACC recommends that Federal Government allocate funding in the 2020-21 Federal Budget towards the development of a national ELV program.

**Recommendation 2:**

- *That funding is allocated within the 2020-21 Federal Budget towards the development of a national program aimed at the proper disposal of end-of-life vehicles.*

### 3. VOCATIONAL EDUCATION AND TRAINING

#### Genuine Industry-led Training

The automotive industry is one of the largest employers of apprentices and trainees in Australia, with almost 30,000 apprentices and trainees commencing annually in vocational automotive training.

Industry feedback received by VACC indicates that current programs of industry engagement are very limited, with little industry consultation occurring towards qualification and skills design. This has resulted in qualification design and skill selections that are unrepresentative of the actual needs industry, thus depriving

students of the real skills that are required in the workplace. There is also a perceived lack of transparency in decision making relating to the design and skills content of training packages and qualifications.

The industry is calling for a skills framework that genuinely places industry at the centre of the national vocational education and training (VET) system. This should include a skills advisory council with the commensurate knowledge, affinity and understanding of the industry needed to inform the development of VET qualifications and programs. This function has been outsourced to consulting firms who have only a superficial understanding of the automotive industry, which subsequently affects the efficacy and quality of the training offered.

The creation of the Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) has not delivered the desired quality of industry engagement or input towards the design and content of VET training packages. The composition of many IRCs is quite narrow and the overall performance of the of AISC as an industry governance body for VET has been disappointing.

VACC also believes that the AISC has failed in its strategic leadership role as an advisory body to COAG in regard to the operation of the VET system.

VACC therefore recommends:

**Recommendation 3:**

- *That current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated with a view to strengthening the level of industry engagement towards the design and skills content of VET qualifications*

**Recommendation 4:**

- *A strengthening of industry governance and strategic leadership arrangements within the VET sector, including a review of the role of the AISC within this process.*

### Apprentice Mentoring

The *Industry Specialist Mentoring for Australian Apprentices* (ISMAA) program commissioned by the Government in the 2017-18 Federal Budget, is due to expire on 31 December 2019.

The ISMAA program has helped provide intensive support to apprentices and trainees in the first two years of their training in industries that are undergoing structural change, such as the automotive industry. Compounding structural changes

in the industry are significant and debilitating skills shortages that have persisted for over a decade. Specialist mentoring programs have been shown to lift apprentice retention and satisfaction rates and consequently this important government action is seen as crucial in the Australian VET landscape and particularly for trade apprentices.

VACC has concerns that a continuation of the program would be bundled into apprenticeship support activities, provided through Australian Government established apprenticeship centres. History has shown that where these services are separated from direct industry actions they fail. Previous attempts to deliver similar programs through apprentice centres have provided poor results for industry and similarly for trade apprentices.

VACC strongly advocates for the provision of apprentice mentoring service to be delivered and managed through industry organisations.

VACC research shows that this mentoring support in the early years of training is crucial in helping increase the retention rates of new apprentices in the workplace, and to this extent the ISMAA program has made a positive contribution.

The program, when industry led, also effectively complements other Australian Government support for apprentices, trainees and their employers through the Australian Apprenticeships Incentives program, Trade Support Loans and the Australian Apprenticeship Support Network.

VACC therefore recommends that funding be allocated within the 2020-21 Federal Budget for the continuation of the ISMAA program for a further two years.

#### **Recommendation 5:**

- *That funding be allocated within the 2020-21 Federal Budget for the continuation of the ISMAA program for a further two years.*

#### **Training Currency**

Industry feedback received by VACC indicates that vocational training providers are ill-equipped at providing automotive training that is of a standard acceptable to industry and in-line with Australia's modern vehicle fleet.

An increase in funding is required so that TAFEs can purchase up-to-date vehicles and componentry that is equivalent to what an apprentice experiences in the workplace. Delivering training that incorporates the latest in automotive technology enables the apprentice to acquire the relevant skills and knowledge to meet the immediate and future needs of employers.

Commensurate with this funding injection for new capital equipment is the requirement to adjust the vocational student hourly rate from its current low level. VACC recommends that a 35 per cent increase in the student hourly rate or \$3.00 per hour is necessary to help meet these objectives. VACC maintains that poor funding for the Australian VET system is a key limitation to the delivery of quality vocational training. A recent VACC VET study tour to the UK identified that

automotive trade apprenticeship training is at least double the funding level of that in Australia. Australia's funding for apprenticeship training has fallen in real terms for over a decade, and serious adjustment in this is needed.

**Recommendation 6:**

- *That funding is allocated within the next Federal Budget for Registered Training Providers to purchase up-to-date vehicles and componentry for automotive apprentice training.*

**Recommendation 7:**

- *That the vocational student hourly rate for automotive training be increased by 35 per cent or \$3.00 per hour.*

**Support for Group Training Organisations (GTOs)**

Group training is a vital component of Australia's skill formation system. GTOs improve the quality and range of training available to apprentices and trainees, particularly within small and medium business. GTO's also generally experience much higher retention rates for apprentices and trainees, with some averaging over 90 per cent apprentice retention. This has resulted in more favourable labour market outcomes for apprentices and employers.

VACC believes that high performing GTOs need to be recognised and better supported in their role in helping young people achieve that initial start in their chosen field. This is particularly important given that the introduction of new labour hire laws has now placed an additional regulatory burden on GTOs.

VACC therefore recommends that the work of high performing GTOs be recognised and further incentivised through a 35 per cent increase in government funding. This funding should only be made available to high performing GTOs that are able to demonstrate meeting specific targets for apprentice and trainee placement and retention. This policy will help encourage and reward best practice in training and skills delivery.

**Recommendation 8:**

- *That an increase in funding of 35 per cent be made available to Group Training Organisations that demonstrate meeting high standards for apprentice placement and retention.*

**National Heavy Vehicle Regulator Inspector Training**

As the National Heavy Vehicle Regulator (NHVR) rolls out its cohort of heavy vehicle roadside inspectors, it is imperative each inspector is adequately trained to perform the task at hand. VACC is aware of instances where vehicles have been taken off the road for minor infringements due to the inspector's lack of technical competency.

Given the nature of the position and related safety requirements, VACC (and its affiliated division the Commercial Vehicle Industry Association (CVIA)) argue that

pre-training be undertaken to ensure all inspectors are both competent and confident to perform this role.

Chain of Responsibility legislation in Australia dictates that the NHVR has a duty of care to road users and its employees. As such, all inspectors should be trained to a minimum Certificate II level in Automotive Servicing Technology or equivalent.

The VACC and CVIA are calling for financial allocations in the 2020-21 Federal Budget to provide for curriculum framework development, administrative oversight and related services – ensuring all NHVR roadside inspectors are equipped with highest level of relevant technical training.

**Recommendation 9:**

- *That financial allocations are made in the 2020-21 Federal Budget for the training of heavy vehicle roadside inspectors to a minimum Certificate II level in Automotive Servicing Technology qualification or equivalent.*

## 2. SKILLING AUSTRALIANS FUND MIGRATION TRAINING LEVY

VACC research indicates that the Skilling Australians Fund (SAF) levy has acted as both an administrative and financial barrier towards the uptake of skilled migration within the automotive industry.

The upfront SAF levy payments of \$1200 per year for small business and \$1800 per year for large business per visa holder, are deemed to be excessive, hence despite critical skill shortages there has been very limited use of temporary skills shortage visa migrants within the automotive industry.

In addition to these costs, there is also an upfront levy for employers using the permanent Employer Nomination Scheme of \$3000 for small business and \$5000 for large business. Both these levies have adversely impacted on business access to skilled migrants. Furthermore, sponsoring employers cannot obtain a refund of training levy if their application is unsuccessful other than on health or character grounds. A refund of the training levy should be available in all cases where the application has not been successful.

VACC therefore recommends that the SAF levy be reduced by at least half for both temporary and permanent skilled employer nominated visas and that refunds are provided to employers for any unsuccessful applications.

**Recommendation 10:**

- *That the Skilling Australians Fund levy be reduced by at least half for temporary and permanent employer nominated visas.*

**Recommendation 11:**

- *That a refund of the Skilled Australians Fund Levy is provided to employers in all cases where their application has not been successful.*

**3. LUXURY CAR TAX**

The Luxury Car Tax (LCT) is widely recognised as an anomaly and constraint on the economy by more than just the automotive industry. VACC supports recent legislative measures by Federal Government that increase both the proportion and maximum LCT refund available to primary producers and tourism operators.

Whilst VACC welcomes these legislative amendments that provide LCT relief for primary producers and tourism operators, VACC believes that the Federal Government must address the broader issue of removing the LCT altogether. The fact is that the LCT remains an unfair and discriminatory tax that penalises both motor car dealers and consumers. This discrimination has been compounded even further through additional luxury car taxes imposed by Victoria and Queensland that set a dangerous precedent for the rest of the country. The LCT also directly undermines Australia's free trade agreements that have been negotiated for the importation of motor vehicles.

In an era where new motor vehicle sales have been in decline by eight per cent for the past 18 months and dealer margins have been squeezed to just 1.5 per cent, there is little justification for any luxury car tax, let alone the double luxury car tax impost served on a large section of the automotive industry. The discrimination against the automotive industry is further enforced by the fact that other goods traditionally deemed as 'luxury' items such as motorboats, yachts and jewellery, are not taxed as such.

VACC therefore strongly argues that the removal of the LCT must be a key policy focus for the Federal Government, or at a minimum the LCT threshold by raised to \$125,000.

**Recommendation 12:**

- *The Federal Government remove the Luxury Car Tax, or at a minimum increase the Luxury Car Tax threshold to \$125,000.*

## 5. HAYNE ROYAL COMMISSION RECOMMENDATION 1.7— REMOVAL OF POINT OF SALE EXEMPTION

VACC strongly maintains that the exemption of retail motor vehicle dealers from the operation of the National Consumer Credit Protection (NCCP) Act should not be removed.

Removing the point of sale exemption will require third party vendors to acquire an Australian Credit Licence. This is impractical and a major impost on an industry already suffering in deplorable trading conditions.

Importantly, the removal of the point of sale exemption will provide another roadblock to consumers ability to access appropriate motor vehicle financing with potentially disastrous consequences for the retail automotive industry.

The decrease in new vehicle sales is already being felt with the decline in sales currently at 8.8%. The decline in sales is largely attributable to the current regulatory approach to financing, which is hurting sales. This sales decline will impact future GST income estimates and other taxes and duties impose by the states.

VACC therefore advises that the Financial Services Reform Implementation Taskforce must not agree to remove the point of sale exemption for retail automotive industry participants. In addition, there has been no government Regulatory or Business Impact Statement conducted by the Taskforce that has provided an evidence portfolio that necessitates that the government should support this decision.

### **Recommendation 13:**

- *That retail motor industry participants are exempted from Hayne Recommendation 1.7 and be able to trade under the current Point of Sale exemption.*

## 6. PERSONAL PROPERTY SECURITY REFORM

The Personal Property Security Register (PPSR) is a vital tool for industry and consumers in the sale or acquisition of any motor vehicle. The Australian Financial Security Authority (AFSA) are the administrators of the PPSR.

As part of the Australian Government announcement of the Takata Airbag Recall, AFSA agreed to a VACC recommendation that the PPSR be updated to provide consumers and industry with information about whether a car has affected Takata Airbags and is under Recall. The PPSR will now advise if the vehicle searched is

identified as part of the compulsory Takata recall on a search certificate.

VACC believes that enhancements should be made to the PPSR that will allow for all recalls announced by vehicle manufacturers to be made available on a PPSR search certificate. This will provide greater surety to industry in retailing and acquiring vehicles to and from the public as well as provide consumers in the private to private sales market with valuable information

**Recommendation 14:**

- *That the Federal Government provide addition funding to AFSA for further development of the Personal Property Security Register (PPSR) for the purposes of increasing vehicle recall information on a PPSR Search Certificate.*