

VACC Submission

2022-23 Victorian Pre-Budget Submission

December 2021



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.

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VACC RECOMMENDATIONS

Recommendation 1:

That the Victorian Government allocate funding in the 2022-23 State Budget to support a 50 per cent employer wage subsidy for Victorian apprentices and trainees for their first 12 months of training.

Recommendation 2:

That the Victorian Government make training delivery of zero and low emission vehicles (ZLEV) courses more viable for registered training providers (RTOs). This could be achieved by funding RTOs to deliver ZLEV training on a per class basis, rather than on a per head basis.

Recommendation 3:

That the Victorian Government make available transitional assistance to automotive businesses impacted by the change to electric vehicles, including the provision of funding for Victorian dealerships to assist with the installation of appropriate ZLEV charging platforms and infrastructure.

Recommendation 4:

That Victoria's payroll tax threshold be lifted 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 5:

The Victorian Government take a leadership role on end-of-life-vehicle (ELV) policy by allocating funding in the 2022-23 State Budget for the trial of a self-regulated ELV program. This would work to ensure the disposal of ELVs has minimal environmental impact.

Recommendation 6:

That funds be allocated within the 2022-23 State Budget to assist the delivery of an effective mentoring program and student outreach program to attract more women into the automotive industry from an earlier age.

Recommendation 7:

That the Victorian Government reform and modernise Chapter 9 of the Duties Act 2000 (VIC), to allow for a fairer trading environment for Victorian Licensed Motor Car Traders, and for the benefit of Victorian consumers.

Recommendation 8:

That the Victorian Government permit consignment selling by licensed motor car traders (LMCTs) of vehicles from members of the Victorian public

Recommendation 9:

That the Victorian Government remove Super Luxury Duty in the 2022-23 State Budget.

Recommendation 10:

That all LMCTs on the VicRoads Dealer On-line and Dealer Certification Scheme be appointed as agents for the new private entity and be compensated for carrying out work for the entity.

Recommendation 11:

That the Victorian Government increase the exemption for dealer demonstrator zero and low emission vehicles from road user charges from 1,500 kilometres to 7,500 kilometres per vehicle.

Recommendation 12:

That the Victorian Government provide resources in the 2022-23 State Budget for the vetting of automotive retail specific applications to the Victorian Civil and Administrative Tribunal (VCAT), to ascertain the seriousness, legality, nature, and likelihood of success of these applications, and to refer such cases for mediation between the parties where warranted

Recommendation 13:

That the Victorian Government reform the Victorian Civil and Administrative Tribunal Act 1998 (Vic), to allow respondents to VCAT applications that are of a malicious, opportunistic or vexatious nature, to claim for liquidated damages.

Recommendation 14:

That the Victorian Government introduce within the 2022-23 State Budget, a janitor rebate for businesses covering up to 50 per cent of their on-going cleaning costs in response to COVID-19 for a period of 12 months.

Recommendation 15:

That the Victorian Government develop and introduce a new mandatory Motor Vehicle Insurance and Repair (MVIRI) Code in Victoria.

INDUSTRY BACKGROUND

The automotive industry is a significant contributor to the Victorian economy. Across all its constituent sectors it employs over 109,000 Victorians within 18,807 individual businesses¹, the majority of which are small and family-owned businesses. In aggregate, these businesses contribute \$9.7 billion to Victoria's Gross State Product (GSP). The automotive industry is also one of the largest employers of apprentices and trainees in Victoria.

The needs of the automotive industry, from a small business perspective are many, and given the economic significance of the industry, are an important consideration within the State Budget. This is all the more critical as the industry transitions to a new era of zero and low emission vehicles (ZLEVs).

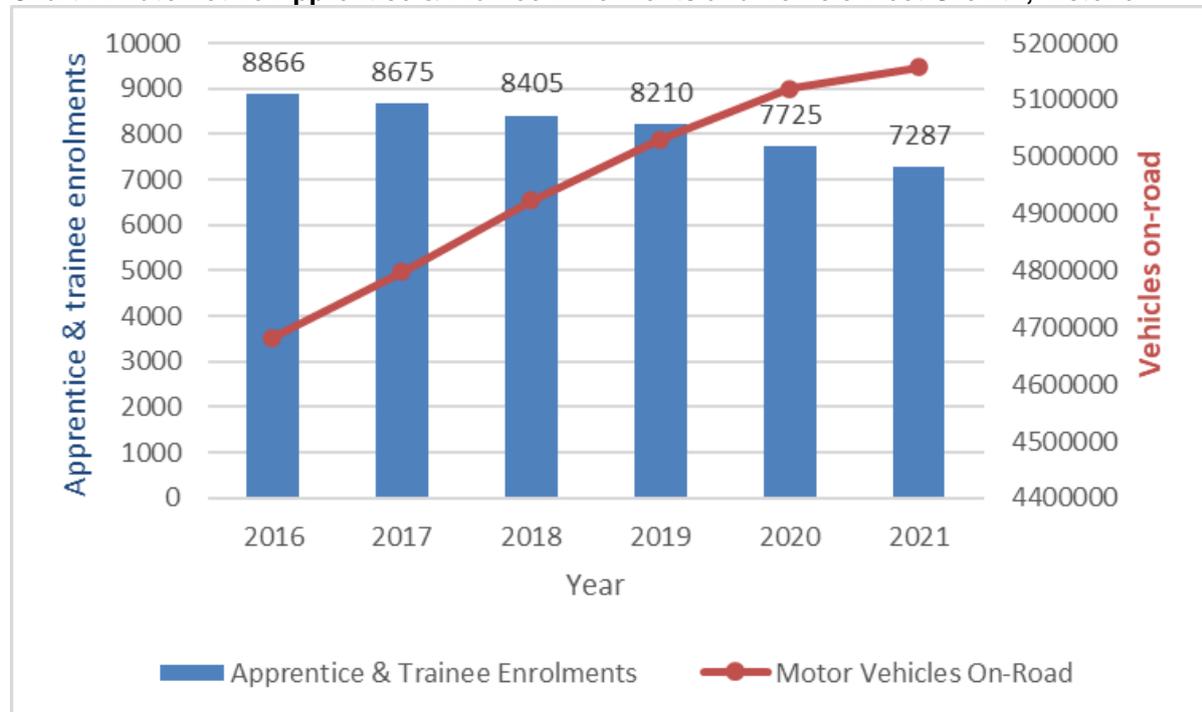
KEY POSITIONS

1. Skills & Training

Victoria's automotive industry is facing a skills shortage of unprecedented proportions. Industry research shows that there is a current shortage of around 7,200 automotive positions in Victoria², which is crippling the viability and growth prospects of thousands of automotive businesses across the state.

A key factor in this skills decline is the widening gap between the growth in the motor vehicle fleet size and annual apprentice and trainee enrolments as shown in Chart 1. Chart 1 shows that over the past six years there has been a progressive decline in annual enrolments of automotive apprentices and trainees in-training in Victoria, with almost 1,600 fewer apprentices and trainees in 2021 than there were in 2016. By contrast, the motor vehicle fleet size in Victoria has grown by approximately half a million vehicles over the same period.

Chart 1: Automotive Apprentice & Trainee Enrolments and Vehicle Fleet Growth, Victoria



Source: ABS and NCVET data

¹ Source: Directions in Australia's Automotive Industry, 2021

² Ibid, p86

Whilst the Federal Government's 50 per cent wage subsidy for first year apprentices has helped slow down this apprentice decline, this program will cease at the end of March 2022. VACC urges the Victorian Government to make a similar 50 per cent apprentice wage subsidy available to Victorian employers during 2022-23, to help stabilise apprentice numbers whilst businesses recover from the financial impacts of COVID-19.

A further issue relating to skills is the transition to ZLEVs. Victoria's target of 50 per cent of all new vehicle sales to be ZLEV's by 2030 will require an injection of resources in appropriate skills training for electric and other zero emission vehicles by registered training providers (RTOs). Regrettably, RTOs are not currently funded to deliver this training to small groups, such as four or five students. In view of the current slow transition to ZLEVs, VACC urges the Victorian Government to consider ZLEV training as a thin market and funding RTOs on a per class basis as opposed to on a per head basis. This initiative would form part of a coordinated and government funded transition plan for the industry, that would help alleviate further skills pressure in the ensuing years.

VACC therefore recommends:

Recommendation 1:

That the Victorian Government allocate funding in the 2022-23 State Budget to support a 50 per cent employer wage subsidy for Victorian apprentices and trainees for their first 12 months of training.

Recommendation 2:

That the Victorian Government make training delivery of zero and low emission vehicles (ZLEV) courses more viable for registered training providers (RTOs). This could be achieved by funding RTOs to deliver ZLEV training on a per class basis, rather than on a per head basis.

2. Industry Transitional Assistance

Electric vehicles (EVs) represent the most fundamental challenge facing Australia's automotive industry. The transition to EVs in the ensuing years will impact significantly on automotive workshop operations and their revenue base. Research from Norway shows that for an automotive workshop or dealership, EVs will result in an average revenue reduction of **42 per cent**. Furthermore, significant capital investment is required by workshops in EV tooling (approximately \$77,000) and in specialist training for EV technicians. For a dealership, there is added capital expenditure in terms of the installation of multiple fast electric charging stations and associated electricity supply, which is anticipated to cost in excess of \$160,000. There will also be added requirements for workplace safety.

A large proportion of automotive workshops will be unable to afford these significant expenditures, particularly independent workshops, and regrettably will be forced to close their businesses. Data from Norway shows a 20 per cent closure to date in the number of automotive workshops in countries resulting from the transition to EVs. For Victoria, VACC modelling indicates around 2,000 business closures and the loss of almost 6,000 people within the industry by the end of the decade³.

In view of these profound implications, VACC urges the Victorian Government to consider providing transitional support to Victorian automotive businesses in the progression to electric vehicles. This support could be in the form of financial and other assistance, similar to that provided to automotive component manufacturers impacted by the closure of domestic passenger vehicle manufacturing, that will help automotive businesses transition to the new operating environment of electric vehicles, and also mitigate business and employment losses.

It is also recommended that the Victorian Government provide funding to the Victorian dealership network, including fuel retailers, to assist in the installation of ZLEV charging platforms and infrastructure that will support the very businesses that the Victorian Infrastructure Plan will rely upon

³ Ibid, pp 68-69

to make those ZLEVs available.

Recommendation 3:

That the Victorian Government make available transitional assistance to automotive businesses impacted by the change to electric vehicles, including the provision of funding for Victorian dealerships and fuel retailers, to assist with the installation of appropriate ZLEV charging platforms and infrastructure.

3. Payroll Tax Reform

Victoria currently has the most punitive payroll tax regime of all jurisdictions. Whilst regional employers have benefitted from significant payroll tax reform in Victoria, this has not been the case for metropolitan based employers. Table 1 shows that Victoria's current payroll tax-free threshold of \$700,000 is significantly below all other jurisdictions, thereby placing Victorian businesses at a comparative disadvantage in terms of the financial and regulatory impost of employing more staff and investing for the future.

Table 1: Payroll Tax Thresholds and Rates by Jurisdiction, 2021-22

	Payroll Tax-Free Threshold (\$)	Payroll Tax Rate (%)
Victoria	\$700,000	4.85
New South Wales	\$1,200,000	4.85
Queensland	\$1,300,000	4.75
South Australia	\$1,500,000	4.95
Western Australia	\$1,000,000	5.50
ACT	\$2,000,000	6.85
Tasmania	\$1,200,000	4.0
Northern Territory	\$1,500,000	5.5

VACC urges the Victorian Government to make Victoria a more competitive place to do business by raising the annual payroll tax-free threshold to \$1.2 million. This would place Victoria at least on a par with New South Wales and restore some trading equity for Victorian businesses.

Recommendation 4:

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

4. End-Of-Life Vehicle Disposal Policy

Australia remains the only developed country without a policy on end-of-life vehicles (ELVs). An estimated 240,000 tonnes of plastic emanating from ELV's are sent to landfill every year. Victorian ELV waste represents more than one quarter (63,000 tonnes) of ELV waste nationally.

In light of the Victorian Government's 30-year infrastructure strategy, which incorporates a target of 50 per cent of all new vehicle sales being ZLEVs by 2030, a policy on end-of-life vehicles becomes all the more imperative.

Whilst plastic waste from ELVs remains difficult and un-economic to recycle, the Victorian Government can show leadership by recognising the environmental and economic benefits associated with the proper disposal of ELVs and by instigating an appropriate policy response. As a starting point, VACC recommends that the Victorian Government work towards promoting a national ELV plan, with Victoria taking a leadership role by trialling a self-regulated ELV program. A trial of this nature has the potential to deliver intelligence on best practice regarding the proper disposal of ELVs,

for which Victoria may be used as a model nationally.

Recommendation 5:

The Victorian Government take a leadership role on end-of-life-vehicle (ELV) policy by allocating funding in the 2022-23 State Budget for the trial of a self-regulated ELV program. This would work to ensure the disposal of ELVs has minimal environmental impact.

5. Supporting Women In Automotive

Female participation in the Australian automotive industry have remained largely unchanged for the past 20 years. At around 20 per cent of the workforce, women over represent their male counterparts in administration and sales related roles and are under-represented in trades and senior-level executive positions. Attrition rates for women working in the industry are also high.

With the growing body of evidence on the benefits of diversity and inclusion, as well as a changing automotive industry landscape, it is imperative that more women be encouraged and supported into the industry.

VACC's Women in Automotive network goes some way at addressing the issue by providing leadership training, resources and networking opportunities. However, there is more that can be done between government and industry to ensure talented, capable women are attracted and retained in the automotive industry.

VACC therefore recommends the following:

Recommendation 6:

That funds be allocated within the 2022-23 State Budget to assist the delivery of an effective mentoring program and student outreach program to attract more women into the automotive industry from an earlier age.

6. Modernisation of Motor Vehicle Duty In The Duties Act 2000 (Vic)

VACC contends that the current practice and methodology for the collection of motor vehicle duty in Victoria is in urgent need of reform, and places Victorian car dealers at a comparative disadvantage to that of interstate motor vehicle dealers.

VACC research shows that both in the pre and post pandemic environment, the supply of new motor vehicles is heavily biased towards the supply of new vehicle stock to other states and territories, and that the motor vehicle duty regime applicable in Victoria is a key factor in this bias. This situation has led to many Victorian consumers seeking to purchase vehicles from interstate car dealers to the detriment of Victorian dealers, which are often forced to lower their margins and profitability in order to compete.

The application of motor vehicle duty on the fitment of consumer requested accessories and aftermarket additions to new vehicle purchases, is both a source of dealer and consumer detriment in Victoria and should be removed by an amendment to the respective State Revenue Office Ruling. This is a sensible policy response and contributes to the removal of red tape burdens for consumers and industry.

VACC therefore seeks improved determinations in the application of motor vehicle duty for Victorian car dealers, that will place them on an equal footing with comparable vehicle dealership practices and with other jurisdictions. This would involve modernising the concept of motor vehicle duty as outlined in Chapter 9 of the *Duties Act 2000 (VIC)* in regard to the following:

- The collection of motor vehicle duty
- The rate of duty

- Ancillary use of demonstrator vehicles, and
- Dutiable value exemptions for aftermarket fittings at the point of new vehicle sale.

VACC therefore recommends the following:

Recommendation 7:

That the Victorian Government reform and modernise Chapter 9 of the Duties Act 2000 (VIC), to allow for a fairer trading environment for Victorian Licensed Motor Car Traders, and for the benefit of Victorian consumers.

7. Introduce Consignment Sales for Victorian LMCTS

Victoria remains the only jurisdiction in Australia that does not permit consignment selling by licensed motor car traders (LMCTs) of vehicles from members of the public. This lack of consignment flexibility for new and used car traders in Victoria, results in considerable disadvantages which include:

- The loss of a significant revenue stream for the Victorian Government through the consignment of vehicles to interstate LMCTs by Victorians
- A gain in revenue for other state/territory governments at Victoria's expense
- The creation of a less profitable and equitable trading environment for Victorian LMCTs in comparison to interstate LMCTs
- Less available vehicle stock for Victorian consumers

The impacts of these losses have been heightened substantially following the introduction of Super Luxury Stamp Duty (SLD) on premium vehicles in Victoria, which has resulted in an increased flow of vehicles being consigned to interstate LMCTs.

In order to stem this flow of Victorian vehicles interstate and maximise the opportunity for the legitimate collection of motor vehicle duty for vehicles that have been domiciled in Victoria, VACC advises the Victorian Government to create an exemption for members of the public consigning a vehicle to a Victorian LMCT.

Recommendation 8:

That the Victorian Government permit consignment selling by licensed motor car traders (LMCTs) of vehicles from members of the Victorian public.

8. Removal of Super Luxury Duty

It is a fact that luxury vehicles are taxed at a far higher rate in Victoria than most other jurisdictions. A key factor in this tax disparity is the imposition of Super Luxury Vehicle Duty (SLD) in Victoria. The imposition of SLD has resulted in a long-term decline in sales of luxury vehicles in Victoria in comparison to other jurisdictions, as shown by new vehicle sales statistics since the imposition of SLD in the 2019-20 State Budget.

Overall, Victorian motor vehicle dealers and motorists are penalised with extraordinary high rates of taxation that are applied to the sale of a motor vehicle. This tax impost is illustrated in the diagram below, which shows the taxes payable on the sale of a car with a list price of \$80,000.



Source: VADA

VACC advises that it is time to end the imposition of SLD on Victorian dealers and motorists in the 2022-23 State Budget. This will help restore sales and confidence in this segment of the market, which also includes the sale of used four-wheel drive vehicles, a category that has unwittingly been caught up in the SLD thresholds.

Recommendation 9:

That the Victorian Government remove Super Luxury Duty in the 2022-23 State Budget.

9. New Revenue Collection Agent Arrangements for LMCTS

With the pending privatisation of VicRoads Registration and Licensing operations, VACC believes the time is now suitable to appoint LMCTs who collect revenue on behalf of the Government, to be appointed as ‘agents’ under their licensing agreements and be fairly compensated for collection of those fees. The new private ownership model will undoubtedly benefit and profit from the work of LMCTs, and it is the view of industry that such benefit should be shared amongst the new entities biggest stakeholder, the retail automotive industry.

LMCTs have been used as revenue collectors of fees for VicRoads and State Revenue Office without compensation or productivity gains for a long period of time. LMCTs collect both data and revenue on behalf of the regulator, and the cost of these collections is significant and is unrelated to their core business or relationship with their customers.

While data elements such as name and address can be collected once and used for both purposes, many elements of the data set required by the regulator are not required for commercial purposes. In addition, the data gathered by the regulator must be submitted in specific electronic forms and via specific platforms, meaning this work is funded by the LMCT purely to comply with the regulatory requirement and without compensation for the costs incurred.

Furthermore, LMCTs who make payments electronically rather than via a personal visit to a Customer

Service Centre (which would create a cost burden for government) are charged a merchant fee. This is unrelated to the commercial benefit to the business, is otherwise unavoidable, and is also not reimbursed.

In promoting commercial fairness, VACC contends that an agency agreement should be entered into (similar to the agency agreement between VicRoads and Australia Post), whereby LMCT costs and merchant fees are reimbursed.

VACC therefore recommends the following:

Recommendation 10:

That all LMCTs on the VicRoads Dealer On-line and Dealer Certification Scheme be appointed as agents for the new private entity and be compensated for carrying out work for the entity.

10. Increased Exemption for Road User Charges on Dealer Demonstrator Stock

VACC has successfully negotiated with the Victorian Government for a 1,500 km exemption from the Zero Low Emission Vehicle (ZLEV) road-user charge for any first-time registered car that a Victorian Automobile Dealers Association (VADA) member is using as demonstrator, service demonstrator or trading stock.

This exemption is for the first (initial) registration period only, on a new ZLEV registered in a dealer's name. The per kilometre charge for a ZLEV vehicle is 2.5 cent per kilometre and for a plug -in hybrid at 2 cents per kilometre.

To assist Victorian dealerships to retail more ZLEVs and by consequence increase state revenues for the Victorian Government towards implementation of the Victorian Infrastructure Plan, VACC recommends that the exemption for ZLEV trading stock from the road user charge be extended from 1,500 km per vehicle to 7,500 km per vehicle. This recommended increase will provide a greater incentive to dealers to road test these vehicles with consumers and will assist the Government towards achieving a 50 per cent new car market penetration of ZLEVs by 2030.

Recommendation 11:

That the Victorian Government increase the exemption for dealer demonstrator zero and low emission vehicles from road user charges from 1,500 kilometres to 7,500 kilometres per vehicle.

11. Overhaul of VCAT Complaint Handling Procedures

The Victorian Civil and Administrative Tribunal (VCAT) is under immense strain in relation to the scheduling of complaints and cases involving the automotive retail sector. There are currently delays of up to 18 months in the scheduling of these VCAT hearings, with evidence brought before VACC revealing that a large proportion of these cases are of a vexatious nature, involving malicious consumer complaints often based on buyer's remorse.

Furthermore, there are many instances of applicants not attending the scheduled VCAT hearings, thereby adding further pressure to an already overburdened tribunal, and wasting the time and resources of both automotive retail businesses and that of the tribunal. It is evident that the purpose of many of these complaints against automotive businesses, is to inflict detriment and harm on legitimate business owners, based on buyer's remorse arising from poor consumer information and choices.

VACC contends that this an unacceptable state of affairs and cannot go on unfettered to the detriment of the system and the respective parties. To address this situation, VACC recommends that the Victorian Government fund a resource at VCAT to screen automotive retail specific applications, to ascertain the seriousness, legality, nature and likelihood of success of these applications. It is quite

possible that in most instances, many of these matters could be referred back to the regulator (Consumer Affairs Victoria) for mediation. This would help alleviate the current crisis and strain with the VCAT system.

Furthermore, VACC also recommends legislative reform to the *Victorian Civil and Administrative Tribunal Act 1998 (Vic)*, that will allow for a respondent to any application to VCAT that is malicious, opportunistic or vexatious, to have liquidated damages applied. The cost burden for industry dealing with poorly informed consumers, especially those advised incorrectly by Victorian Government funded consumer action groups, should not be absorbed by VCAT, the Victorian Government or industry.

Recommendation 12:

That the Victorian Government provide resources in the 2022-23 State Budget for the vetting of automotive retail specific applications to the Victorian Civil and Administrative Tribunal (VCAT), to ascertain the seriousness, legality, nature, and likelihood of success of these applications, and to refer such cases for mediation between the parties where warranted.

Recommendation 13:

That the Victorian Government reform the Victorian Civil and Administrative Tribunal Act 1998 (Vic), to allow respondents to VCAT applications that are of a malicious, opportunistic or vexatious nature, to claim for liquidated damages.

12. Covid Cleaning Costs Business Rebate

For businesses, the provision of a COVID safe workplace and the supply of COVID safe goods and services, is now a broad community safety requirement that is also reinforced by public expectations. As a result, added cleaning costs and safety protocols due to COVID are now an expensive entrenched cost for most businesses, and particularly for small businesses operating on low profit margins.

It is VACCs view, that businesses must receive some reimbursement for the on-going additional cleaning costs that they now endure as part of their COVIDSafe Plans. VACC therefore recommends that the Victorian Government introduce a janitor rebate within the 2022-23 State Budget, that covers up to 50 per cent of businesses on-going COVID cleaning costs, for a period of 12 months. This measure will help alleviate cost pressures on many Victorian businesses in these difficult times.

Recommendation 14:

That the Victorian Government introduce within the 2022-23 State Budget, a janitor rebate for businesses covering up to 50 per cent of their on-going cleaning costs in response to COVID-19 for a period of 12 months

13. Mandating Motor Vehicle Insurance and Repair Industry Code

A new Victorian mandated Motor Vehicle Insurance and Repair Industry (MVIRI) Code (the Code) should be developed and funded as a matter of priority to ensure a fairer trading environment for the Australian motor vehicle repair industry to address the negative behaviours of large insurers to small independent motor vehicle repair businesses. The current Code has many shortcomings. The commercial relationship between motor vehicle repairers and insurers had deteriorated to a degree where the VACC recommend that the State Government facilitate and promote the development and implementation of a new mandated Victorian industry-wide Code of Conduct, in respect of the relationship between insurers and repairers as soon as possible.

Small Business Victoria in the Department of Jobs, Precincts and Regions has undertaken initial consultations with the smash repair industry and identified concerns about anticompetitive behaviour by large insurance companies. The current voluntary national code is not working, has limitations, and

Victoria requires its own new mandated Code with changes to improve its effectiveness, especially in relation to the dispute resolution options. Regrettably, insurers have increasingly dismissed the principles outlined in the Code and instead have chosen at times to dispute repair estimation costs, unfairly cash settle customers, and delay vehicle assessments or move vehicles away from one repairer to another even when the customer has choice of repairer.

An enforceable Victorian Code provides an important basis of understanding between the parties and their respective rights and obligations, establishing a common ground and a basis for more formal regulation of the relationship. Robust alternative dispute resolution mechanisms are also required in the new Code to ensure the new Code has support and bilateral participation across the industry.

Recommendation 15:

That the Victorian Government develop and introduce a new mandatory Motor Vehicle Insurance and Repair (MVIRI) Code in Victoria.