

VACC Submission

2018-19 Victorian Pre-Budget Submission

January 2018



ABOUT VACC

The Victorian Automobile 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), and automotive dismantlers and recyclers.

In addition to VACC, its sister organisations – the Motor Trade Associations, represent the automotive industry for their respective states.

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EXECUTIVE SUMMARY

The Victorian Automobile Chamber of Commerce (VACC) welcomes the opportunity to make a pre-budget submission as preparations are made for the 2018/19 Victorian State Budget.

Amongst its industry roles, VACC is charged with a responsibility to communicate to government where budgetary and planning matters adversely affect operations within industry, and in particular amongst VACC member businesses.

VACC believes that strong fiscal management that encompasses a lowering of net debt relative to GSP should remain a core objective of the Victorian Government. A lower net debt position over the Budget forward estimates helps Victoria to maintain its prized AAA credit rating, acts as a buffer against economic shocks and is critical in supporting business confidence, investment, employment and productivity. VACC commends the Victorian Government on its recent economic performance and downward revisions to net debt over the Budget forward estimates.

This submission presents many recommendations that addresses the need for measures to assist the predominantly small to medium sized businesses that dominate the retail motor industry. Among these include additional reform of the payroll tax system in Victoria and further efforts to reduce the administrative burden on businesses, including measures to reduce the rising cost of energy and utilities that are financially crippling many small businesses at present.

VACC also advocates the need for reform of the *Duties Act 2000*, as undertaken within other states, to exempt the payment of duty on loan and courtesy vehicles by Licenced Motor Car Traders (LMCTs). Additionally, there is also the need for a modern electronic-based vehicle roadworthy certificate system, to replace the antiquated paper-based vehicle roadworthy certificate system still used in Victoria.

The theft of fuel from service stations and convenience stores (fuel drive-offs) remains a major problem affecting hundreds of Victorian businesses every day and costing several millions of dollars in revenues to Victoria annually. VACC urges the Victorian Government to recognise fuel theft as a criminal activity, and support the common use of service station camera/fuel theft technology and its integration with real-time number plate theft data, in order to address this serious issue.

VACC also urges that the Victorian Government allocate appropriate funding within the 2018-19 Budget to improve regulation and prosecution of unlicensed motor car traders. This includes a broad audit of non-licenced personnel and enterprises that are trading in vehicles, vehicle parts and vehicle recycling.

Whilst passenger car manufacturing has now ceased, it is not beyond all possibility that the assembly of electric vehicles may become a viable business option in the future. Given the inherent residual engineering capacity that is available in Victoria, VACC urges that the Victorian Government allocate resources to investigate the feasibility of electric vehicle assembly in Victoria, including measures to attract appropriate investment and facilitate the establishment of such operations for the benefit of Victoria, and by extension Australia.

Investment in apprenticeship training remains a key priority for the automotive industry and many other industries. There has been a steep reduction in recent years in government expenditure on vocational education and training, and this has manifested into declining numbers of apprentices and trainees commencing in automotive and other trades. This has created severe shortages of skilled personnel in what is a critical period for the automotive industry as it transitions to electric and autonomous vehicles. VACC therefore recommends the Victorian Government allocate greater investment in apprenticeships and the VET system within the 2018-19 State Budget.

Amongst other matters, this submission also advocates the need for Victorian Government to allocate funds towards the implementation of minimum literacy and numeracy standards throughout all Victorian primary and secondary schools, and invest more heavily in STEM programs. This will help strengthen problem solving skills, innovative and creative thinking and digital skills amongst future generations that are necessary to adapt to a rapidly changing world.

RECOMMENDATIONS

Recommendation 1:

In line with the recommendation of the Henry Tax Review (Australia's Future Tax System, 2010), to abolish payroll tax altogether in Victoria, or raise the payroll tax threshold immediately to a level that is competitive with most major states.

Recommendation 2:

That the Victorian government continue to work much further to reduce the administrative burden on businesses, including measures to reduce the rising cost of energy and utilities that are financially crippling many small businesses at present.

Recommendation 3:

That the Victorian Government remove the grand final public holiday from Victoria's public holiday list.

Recommendation 4:

That funding allocations are made within the 2018-19 Victorian Budget towards the development and implementation of an electronic roadworthy system, similar to the model used in NSW, that also encapsulates electronic storage of vehicle odometer readings to improve consumer protections.

Recommendation 5:

That the Victorian Government undertake reform of the Victorian Duties Act 2000, with the intention of removing the Duty applicable to loan and courtesy vehicles for Licensed Motor Car Traders.

Recommendation 6:

To recognise and classify fuel theft as a criminal matter for Victoria Police, and to support the common use of service station camera/fuel theft technology and its integration with real-time number plate theft data.

Recommendation 7:

That the Victorian Government allocate appropriate funding within the 2018-19 Budget to improve regulation and prosecution of unlicensed motor car traders. This includes a broad audit of non-licensed personnel and enterprises that are trading in vehicles, vehicle parts and vehicle recycling.

Recommendation 8:

The Victorian Government provide priority support to local automotive suppliers that are in the process of transitioning to other markets that can offer continuing employment to their workers.

Recommendation 9:

The Victorian Government allocate resources to investigate the feasibility of electric vehicle assembly in Victoria, including measures to attract appropriate investment and facilitate the establishment of such operations for the benefit of Victoria, and by extension Australia.

Recommendation 10:

That the Victorian Government fund a campaign and engage with industry to promote the value of apprenticeships to employers, job seekers, parents and students.

Recommendation 11:

That the Victorian Government acknowledge the underfunding of vocational education and training and set goals to increase VET funding in Victoria.

Recommendation 12:

That the overall cost burden associated with businesses employing apprentices is reduced through the provision of improved support measures and incentives to employers.

Recommendation 13:

That automotive trade-based apprentices qualify to receive vehicle registration discounts as per other trades.

Recommendation 14:

That funds within the 2018-19 Victorian Budget be allocated towards the implementation of minimum literacy and numeracy standards throughout all Victorian primary and secondary schools.

Recommendation 15:

That teachers should have specialised skills in STEM before being able to teach STEM programs.

Recommendation 16:

That the Victorian Government invest more heavily in STEM programs to improve STEM proficiency in schools.

Recommendation 17:

That the use of motorcycles and scooters be allowed in bus lanes in order to reduce the high rate of motorcycle and scooter accidents on Victorian roads. This will allow these vehicles a degree of separation from general traffic.

Recommendation 18:

That the Victorian Government, in accordance with other jurisdictions such as QLD, SA and WA, allow the use of mopeds (50cc two-wheeled vehicles that are limited to 50 kilometres per hour) in Victoria by individuals possessing a full motor vehicle drivers licence.

Recommendation 19:

That the Victorian Government provide greater resources to improve technological connectivity in outer regional Victoria. This will enhance the use of new technology farm machinery for individuals and communities with a specific need to interconnect with other equipment and infrastructure.

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1. INDUSTRY BACKGROUND

The automotive industry is a significant contributor to the Victorian economy. Across all its constituent sectors it employs approximately 103,000 Victorians within 17,961 individual businesses, the majority of which are small and family owned businesses. In aggregate, these businesses contribute \$9.7 billion in industry value added to the Victorian economy, or approximately 2.6 per cent of Victoria's Gross State Product (GSP) (Table 1).

The automotive industry is also one of the largest employers of apprentices and trainees in Victoria, with around 9,000 apprentices and trainees commencing annually in automotive trades.

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 over the next decade to a new era of electric and autonomous vehicles.

Table 1: Victorian Automotive Industry, Economic Summary 2015/16

Industry Sector	Employment (No.)	Businesses (No.)	Industry Value Added (\$b)
Automotive Repair and Maintenance	31,971	9,576	2.4
Motor Vehicle Retailing	18,331	1,471	2.0
Motor Vehicle and Parts Manufacturing	24,618	1,210	1.0
Fuel Retailing	6,925	1,036	0.8
Motor Vehicle Parts and Tyre Retailing	6,167	974	0.6
Motor Vehicle and Parts Wholesaling	7,054	1,537	1.5
Passenger Car Rental and Hiring	2,152	437	0.5
Outdoor Power Equipment	1,169	323	0.1
Marine Equipment Retailing	560	138	0.1
Bicycle Retailing	1,280	281	0.3
Towing Services	751	606	0.1
Agricultural Machinery Retailing and Repair	1,832	372	0.3
Total	102,810	17,961	\$9.7 billion

Source: VACC - Directions in Australia's Automotive Industry: An Industry Report 2017

KEY POSITIONS

2. THE ECONOMY AND FISCAL POLICY

VACC commends the Victorian Government on its management of the Victorian economy to date. The Victorian economy has strengthened since the 2017-18 Budget, with real GSP growth remaining above trend and supported by robust population and employment growth, low interest rates and a generally supportive global economic environment.

VACC also notes that relative to the 2017-18 Budget, net debt to GSP has eased over the budget forward estimates. The latest projections show that net debt as a proportion of GSP is expected to be 5.1 per cent as at June 2018, increasing to 5.7 per cent by June 2021. This represents a welcome reduction in net debt from 6.0 per cent of GSP over the period, as forecast in the 2017-18 Budget. Reassuringly, these lower debt levels will ensure that Victoria maintains its AAA credit rating.

Whilst there are some risks associated with government projections, particularly in terms of taxation revenues, population growth and demand for government services, VACC believes that the fact that Victoria will enter 2018-19 in a good financial position allows the government considerable leeway to address key issues affecting Victoria's automotive industry and wider business community, as presented in this submission.

3. REDUCING COSTS FOR VICTORIAN BUSINESSES

Whilst VACC commends the Victorian Government on recent reforms to payroll tax, it is still the case that for many small and medium size automotive businesses, payroll tax remains a considerable financial and regulatory impost and this acts a disincentive towards business investment and employment growth.

A key problem is the fact that Victoria's current payroll tax threshold of \$650,000 remains well below that of most other states. Our most comparable state, New South Wales has a payroll tax threshold of \$750,000, and Victoria will not reach parity with New South Wales until four years' time. VACC believes that the current policy of gradually increasing Victoria's payroll tax threshold by \$25,000 per annum is slow in delivering meaningful reductions in business costs and administration.

VACC urges greater reform on payroll tax from the Victorian Government in the 2018-19 Budget. Specifically, VACC recommends that the Victorian Government:

Recommendation 1:

In line with the recommendation of the Henry Tax Review (Australia's Future Tax System, 2010), abolish payroll tax altogether in Victoria, or raise the payroll tax threshold immediately to a level that is competitive with most major states.

Other key costs that remain relatively high for Victorian businesses include energy and utility charges, waste levies, workers compensation premiums and other regulatory costs including the annual grand final public holiday, that erode the competitive position of Victorian businesses relative to other jurisdictions.

Recommendation 2:

VACC recommends that the Victorian government continue to work much further to reduce the administrative burden on businesses, including measures to reduce the rising cost of energy and utilities that are financially crippling many small businesses at present.

Recommendation 3:

That the Victorian Government remove the grand final public holiday from Victoria's public holiday list.

4. ELECTRONIC ROAD WORTHY CERTIFICATES

VACC members have reported increased levels of frustration through the continuing use of an antiquated, paper-based vehicle roadworthy certificate (RWC) system in Victoria. The paper-based RWC system poses numerous impediments and inefficiencies for automotive businesses and consumers. This includes unnecessary red tape and productivity losses for automotive repairers, and likely inefficiencies for VicRoads.

New South Wales has successfully adopted an electronic (E-Roadworthy) system and this has streamlined operations for automotive businesses within that state. A further benefit of moving to an e-Roadworthy system is that it has the potential to stamp out odometer fraud which is a detriment to consumers, automotive businesses and Victoria Police. This can be achieved by the simultaneous electronic database storage of vehicle odometer readings as part of an e-Roadworthy system. This would help alleviate odometer fraud as the database could be checked in real time for odometer reading integrity. Whilst the current paper based RWC system in Victoria captures information such as vehicle odometer readings, these are not included within VicRoads motor vehicle records.

It can also be expected that as the implementation costs associated with an e-Roadworthy system are capitalised over time, there is the expectation of significant downstream savings available for the Victorian Government, VicRoads and Victorian automotive businesses.

VACC recommends that:

Recommendation 4:

Funding allocations are made within the 2018-19 Victorian Budget towards the development and implementation of an electronic roadworthy system, similar to the model used in NSW that also encapsulates electronic storage of vehicle odometer readings to improve consumer protections.

5. REFORM OF THE DUTIES ACT 2000

A key anomaly that has come to the attention of VACC is the treatment of *loan or courtesy vehicles* within the *Duties Act 2000*.

The Duties Act charges duty on an application for registration or transfer of registration of a motor vehicle, unless an exemption applies. Duty is calculated on the dutiable value of a motor vehicle.

Sections 231 (1) and 231 (2) (a) (ii) of the Duties Act provide exemptions from duty for licensed motor car traders (LMCTs) for vehicles that are used as *demonstrator vehicles*. Demonstrator vehicles are motor vehicles that are available and used for demonstration to prospective purchasers for sale of vehicles of the same class. This exemption reflects the Victorian Government's position that motor vehicle dealers should not be disadvantaged in relation to the payment of duty compared to other businesses, simply because the essence of their business is the acquisition and sale of motor vehicles.

Whilst demonstrator vehicles are exempt from duty under the *Duties Act*, *loan or courtesy vehicles* are not exempt from duty, and this represents a key anomaly and unnecessary financial cost for LMCTs and consumers. A *loan vehicle* is where a motor vehicle is provided by the dealer to a customer while their vehicle is being serviced or repaired.

It is often the case, that LMCTs provide loan or courtesy vehicles on the same basis or interchangeably with demonstrator vehicles. That is, whilst a customer's vehicle is being serviced they are often supplied with a newer loan vehicle of the same or higher class for the purposes of marketing and up-selling that newer vehicle to the customer. This is particularly the case when a demonstrator vehicle of the same vehicle class may not be available. The sale of the loan vehicle will attract duty however, whereas a demonstrator vehicle will not, even though the respective purposes of each vehicle are the same.

This anomaly has been recognised and rectified within other jurisdictions. Most recently, the Tasmanian Government as part of its business red tape reduction program, instigated a legislative amendment to the Tasmania Duties Act 2001, (*Amendment (Motor Vehicle Industry Red Tape Reduction) Act 2016*) – to exempt LMCTs from the payment of duty on courtesy vehicles. This amendment is embodied within *Section 204 (2)(a) and (b) of the Tasmania Duties Act 2001*, which states that licenced motor vehicle traders are exempt from Duty where:

(2) A motor vehicle is acquired for an exempted use if the motor vehicle –

(a) is a new motor vehicle and it is acquired for use as a demonstrator vehicle or as a courtesy vehicle, or for use both as a demonstrator vehicle and as a courtesy vehicle; or

(b) is a used motor vehicle and it is acquired for resale in the ordinary course of business

VACC believes that the Victorian Government should instigate reform of the Duties Act in Victoria, similar to that undertaken by Tasmania, as a fast track option to rectify the costly anomaly faced by Victorian automotive businesses and consumers.

VACC strongly recommends that the Victorian Government act to:

Recommendation 5:

Undertake reform of the Victorian Duties Act 2000, with the intention of removing the Duty applicable to loan and courtesy vehicles for Licensed Motor Car Traders.

6. CRIMINALISATION OF FUEL THEFT

The theft of fuel from service stations and convenience stores (fuel drive-offs) is a major problem affecting hundreds of Victorian businesses every day and costing several millions of dollars in revenues to Victoria annually. Victoria Police acknowledge the severity of the problem, however are essentially limited in their capacity to respond or make any meaningful impact on a crime which has reached crisis proportions.

This issue is a continuing source of angst and frustration for VACC members, and VACC has long argued that the Victorian Government must take this issue more seriously and take enhanced measures to reduce the problem.

Advice received from VACC member businesses indicates that the severity of the problem is related to the fact that in the eyes of the law fuel theft is not classified as a criminal activity, but rather a civil matter, hence limiting police responses to fuel thefts when notified.

Recent trials in Victoria of the Auror software system have demonstrated that the data captured greatly assists Victoria Police with more serious crime. The expansion of this system to common practice from a trial program requires that fuel theft be recognised as criminal activity that is to be taken seriously with the full force of the law.

VACC therefore strongly urges the Victorian Government to act to address this costly criminal issue through the following measures:

Recommendation 6:

To recognise and classify fuel theft as a criminal matter for Victoria Police, and to support the common use of service station camera/fuel theft technology and its integration with real-time number plate theft data.

7. REGULATION OF UNLICENSED MOTOR CAR TRADERS

VACC urges the Victorian Government to make allocation in the 2018-19 Budget for improved regulation and prosecution of unlicensed motor car traders. Legitimate licensed motor car traders (LMCT's) are reportedly finding it more difficult to achieve sustainability against unfair competition from growing numbers of operators who have no obvious or outward appearance of compliance with regulatory requirements or established industry standards. This issue has gained prominence in recent years with a proliferation of enterprises working under the guise of scrap metal dealers, who are actually dealing in the sale and dismantling of motor vehicles.

By their nature and business design, unlicensed traders avoid regulation and its associated costs, with limited oversight by the state government. Such widespread non-compliance assists unscrupulous operators to launder stolen vehicles through motor wreckers or scrap metal dealers with little or no risk.

VACC has on many occasions advised the Victorian Government and the Victorian Law Reform Commission on these matters, however discussions held to date have not resulted in any significant change and this situation has further encouraged the growth of a secondary and unregulated car parts market.

To protect the sustainability of legitimate licensed motor car traders, ensure regulatory compliance (including environmental, health and safety and employment conditions) as well as protect industry standards, VACC recommends the following:

Recommendation 7:

That the Victorian Government allocate appropriate funding within the 2018-19 Budget to improve regulation and prosecution of unlicensed motor car traders. This includes a broad audit of non-licensed personnel and enterprises that are trading in vehicles, vehicle parts and vehicle recycling.

8. TRANSITIONAL ASSISTANCE FOR AUTOMOTIVE SUPPLY CHAIN COMPANIES

VACC acknowledges the planning and support measures provided to date by the Victorian, South Australian and Federal Governments in response to the recent closure of passenger car manufacturing operations in Australia.

It is the case however, that in order for remaining industry transition measures to be effective, they must be focussed on the needs of automotive businesses within the supply chain and their direct employees who have left the sector. This is particularly critical in locations such as Broadmeadows, Dandenong and Geelong that are already subject to very high levels of unemployment.

VACC recommends that:

Recommendation 8:

The Victorian Government provide priority support to local suppliers that are in the process of transitioning to other markets that can offer continuing employment to their workers

9. INVESTIGATE THE FEASIBILITY OF ELECTRIC VEHICLE ASSEMBLY IN VICTORIA

Over the next decade, the transition to electric and autonomous vehicles will impact on Australia's automotive industry and the general community at large. Whilst this will be a challenging period for the industry, VACC believes that the uptake of electric vehicles can also present new growth opportunities for automotive businesses, particularly for Victoria.

Whilst passenger car manufacturing has now ceased, it is not beyond possibility that the assembly of electric vehicles may become a viable business option in Victoria in the years ahead. Electric vehicles have far fewer components - around 17 moving parts as opposed to around 2,000 moving parts in a petrol engine - thus greatly streamlining the manufacturing process overall and eliminating the need for costly processes such as engine casting, tooling and the creation of component parts.

Given the inherent residual engineering capacity that is available in Victoria, business models involving the importation of electric motors and the assembly of electric vehicles from Completely Knocked Down packs (CKDs) using robotics and other automated processes may be a viable a business opportunity that should be explored by the Victorian Government. In addition, there are also potential business opportunities pertaining to the inspection, safety, maintenance, disposal and replacement of lithium-ion batteries.

VACC believes that these options and opportunities should be investigated for the future benefit of the Victorian economy, including the transition of workers and suppliers affected by the closure of vehicle manufacturing in Victoria. It is VACC's recommendation that:

Recommendation 9:

The Victorian Government allocate resources to investigate the feasibility of electric vehicle assembly in Victoria, including measures to attract appropriate investment and facilitate the establishment of such operations for the benefit of Victoria, and by extension Australia.

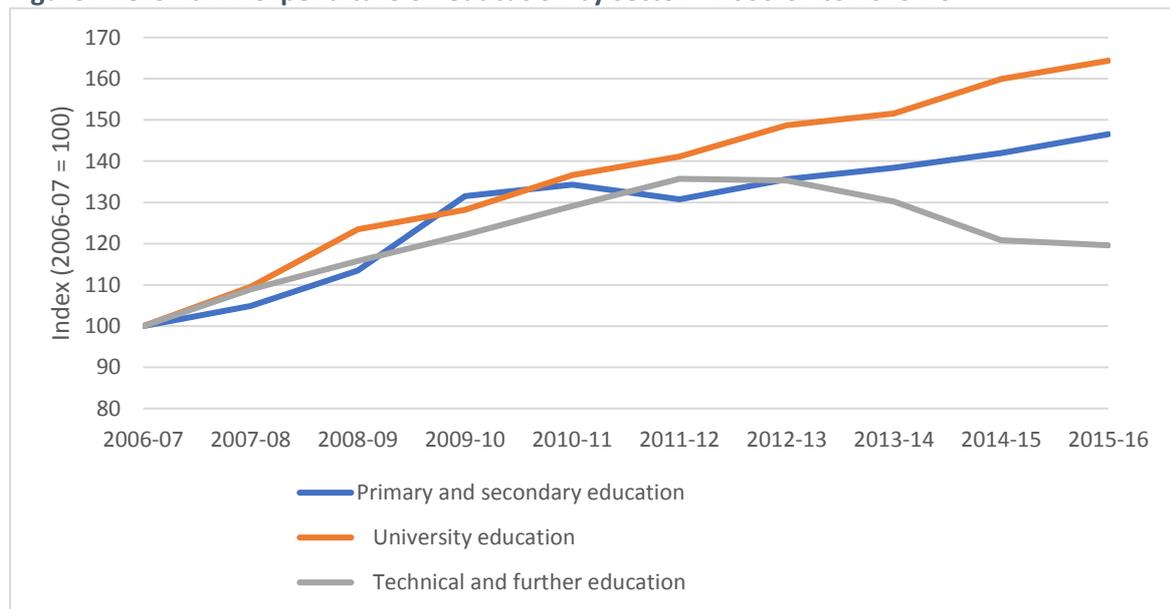
10. INCREASED FOCUS ON APPRENTICESHIP TRAINING

Industry-led apprenticeship training continues to remain the main source of skilled labour for automotive businesses. Given that the automotive industry is on the verge of unprecedented technological change, as seen through the rapid transition towards electric and autonomous vehicles, the importance of relevant and up-to date-training for the industry is critical.

Despite this industry need, VACC observes that the proportion of funding across all levels of government towards Vocational Education and Training (VET), as seen through the funding of TAFEs, has been declining annually since 2012/13. By contrast, government expenditure in primary, secondary and tertiary education has been rising over the period as shown in Figure 1.

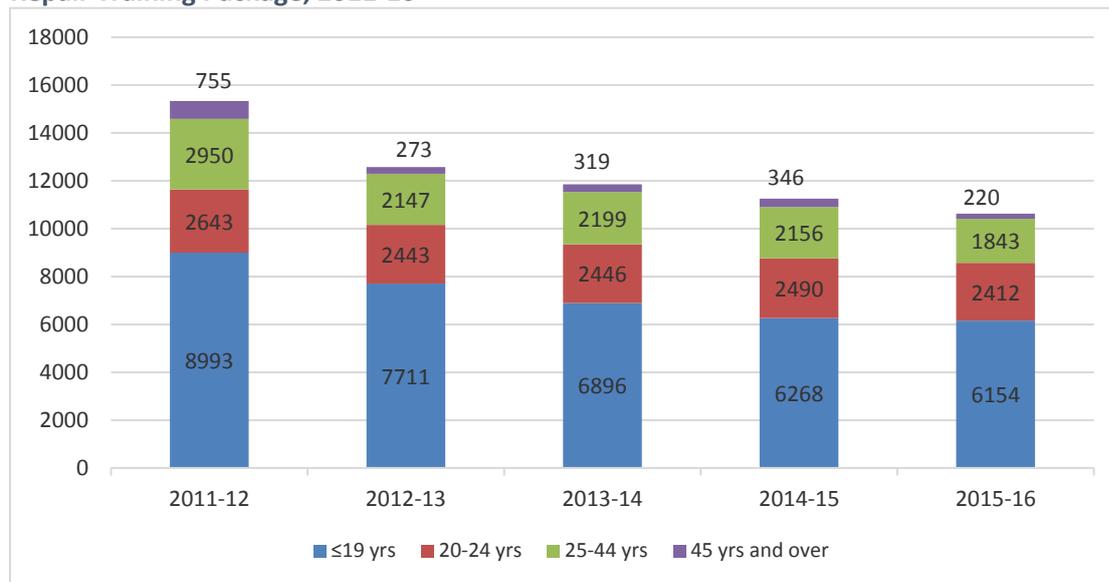
VACC has witnessed a strong correlation between the decline in VET funding and a reduction in annual commencements of automotive apprentices and trainees over the respective period. This decline is particularly pronounced within the younger age cohort (19 years and below) as shown in Figure 2.

Figure 1: Growth in expenditure on education by sector – 2006-07 to 2015-16



Source: ABS Government Finance Statistics, Australia, Cat. No. 5518.0.55.001

Figure 2: Apprentices and Trainees National Commencements - Automotive Retail, Service and Repair Training Package, 2011-16



Source: VACC - Directions in Australia’s Automotive Industry: An Industry Report 2017

The consequences of these interrelated outcomes have been immense for the automotive industry. The automotive industry is currently experiencing a national shortage of 35,000 skilled workers and automotive businesses have described this as major obstacle to business expansion, productivity and employment growth. This shortage of skilled labour has also exacerbated customer waiting times for vehicle servicing and repairs, the sourcing of vehicle parts, and has increased labour costs for many businesses. It is estimated that the automotive industry requires approximately 14,000 new entrants nationally every year, to balance natural attrition levels with business demand within the automotive labour market.

Annual apprentice and trainee commencements within the automotive industry are currently at 10,629 which is well below industry requirements and this training deficit has persisted since 2011/12. For many small business employers, the total costs involved in engaging an apprentice have also become very prohibitive and are a key barrier to apprentice uptake within the labour market. These issues will only be compounded with the transition to electric and autonomous vehicles and will place further stresses on the VET system, businesses and the labour market.

VACC therefore views investment in VET as a critical priority for the Victorian and Federal Government. There has been a lack of consistency in national policy leadership in VET, including a lack of cohesion between States and the Federal Government on VET funding objectives that has hindered reform in apprenticeships and the VET system more broadly. With higher education uncapped and demand driven, more school leavers are opting for university and more training providers are gravitating to the higher education system as it has greater funding certainty. The VET system has therefore effectively become the poor cousin to higher education and the perception of its value is much lower than the reality. Both education systems are equally valuable, however current policy and funding levels are disadvantaging the VET system, and by extension apprenticeship up-take.

VACC therefore proposes that the Victorian Government allocate greater investment in apprenticeships and the VET system within the 2018-19 State Budget. Specifically, VACC recommends the following:

Recommendation 10:

That the Victorian Government fund a campaign and engage with industry to promote the value of apprenticeships to employers, job seekers, parents and students

Recommendation 11:

That the Victorian Government acknowledge the underfunding of vocational education and training and set goals to increase VET funding in Victoria

Recommendation 12:

That the overall cost burden associated with businesses employing apprentices is reduced through the provision of improved support measures and incentives to employers

Recommendation 13:

That automotive trade-based apprentices qualify to receive vehicle registration discounts as per other trades.

The adoption of the above measures will not only increase the attractiveness of apprenticeships and trade careers across all industries, but also help arrest the slide in apprenticeship and trainee commencements by reducing the cost of apprentice hiring and incentivising the uptake of apprentice employment amongst small and medium sized businesses.

11. LITERACY AND NUMERACY

The Victorian economy, along with most advanced economies, is being transformed through the emergence of new technologies, changing job roles and skills requirements. In the automotive industry, this is epitomised by the transition to electric and autonomous vehicles and the rise of new skills and job roles aligned with these new technologies.

It is universally recognised that a key element that will underpin technological transformation across all industries is the quality and teaching of literacy and numeracy skills towards students, and particularly the quality of science, technology, engineering and maths (STEM) skills taught in schools. The teaching of STEM skills is acknowledged as an area where Australia lags internationally compared to other developed countries. A contributing factor to this situation is the disparity in the curriculum and teaching standards of STEM skill subjects across Australian schools and jurisdictions.

Whilst some State and Federal Government assistance has been provided towards the teaching of STEM programs in schools in recent years, further support is required for teachers within the classroom. Currently, a minority of Victoria's primary school teachers have an educational background in a STEM discipline. In 2011, only 16 per cent of Year 4 students were taught science by a teacher who specialised or majored in science, and only 20 per cent had a teacher who specialised in mathematics. More recently in the *State of Our Schools 2016 Report*, it was revealed that 51 per cent of schools reported having maths and science classes taught by teachers who were not fully qualified in these specialist areas.

The result of these deficiencies has been that Victorian secondary school graduates are often ill-equipped or unsuitable to meet both the expectations of employers and requirements of specific job roles, and this acts as a disincentive for employers to hire young people.

This is also seen as a contributing factor towards the declining commencement rates of young people within the automotive industry, as well as other industries.

VACC asserts that the Victorian Government can and should play a greater role in addressing these critical issues. VACC therefore recommends that:

Recommendation 14:

Funds within the 2018-19 Victorian Budget be allocated towards the implementation of minimum literacy and numeracy standards throughout all Victorian primary and secondary schools.

Recommendation 15:

That teachers should have specialised skills in STEM before being able to teach STEM programs.

Recommendation 16:

That the Victorian Government invest more heavily in STEM programs to improve STEM proficiency in schools.

These measures will help strengthen problem solving skills, innovative and creative thinking and digital skills amongst future generations that are necessary in order to adapt to a rapidly changing world.

12. OTHER MATTERS

VACC also recommends that the Victorian Government consider and provide remedies to the following matters affecting automotive businesses and the general community in Victoria:

Recommendation 17:

That the use of motorcycles and scooters be allowed in bus lanes in order to reduce the high rate of motorcycle and scooter accidents on Victorian roads. This will allow these vehicles a degree of separation from general traffic.

Recommendation 18:

That the Victorian Government, in accordance with other jurisdictions such as QLD, SA and WA, allow the use of mopeds (50cc two-wheeled vehicles that are limited to 50 kilometres per hour) in Victoria by individuals possessing a full motor vehicle drivers licence.

Recommendation 19:

That the Victorian Government provide greater resources to improve technological connectivity in outer regional Victoria. This will enhance the use of new technology farm machinery for individuals and communities with a specific need to interconnect with other equipment and infrastructure.