



Friday, 11 May 2018

Committee Secretary
Standing Committee on Economics
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Parliament House
Canberra ACT 2600

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Dear Committee Secretary

Inquiry into impediments to business investment

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) responds to The House of Representatives Standing Committee on Economics Chair Sarah Henderson for submissions to its inquiry into impediments to business investment in Australia.

1.2 The MTA Queensland's comments are on behalf of its constituent divisions and are confined to the terms of reference which relate to the interest of Queensland's automotive value chain. This includes franchised new car dealers, independent mechanical and motor body repairers, recyclers and other discrete automotive professions and services.

2. Submission

the interaction between regulatory frameworks across all levels of government and how the cumulative regulatory burden can be reduced to support greater business investment

2.1 There has been a long history of all levels of government concerned with the cost incurred by Small Medium Enterprises (SMEs) in meeting administrative, regulatory and information requirements. Across the past decade or so there have been many inquiries, reviews, bureaucratic resources and policy undertakings directed to reducing regulatory compliance endured by SMEs. For example, under the Commonwealth Government's Deregulation Agenda, between September 2013 and December 2016, decisions were taken that could reduce the burden of regulation by around \$5.8 billion a year, in net terms, when implemented.

2.2 Despite this, the Institute of Public Affairs research on 'red-tape' revealed that the cost to the economy of regulation by all levels of government' was an estimated \$176 billion per year' (Dr Mikayla Novak, 'Cut Red Tape to Unleash Prosperity', May 2016). This suggests, regardless of best efforts by all governments to reduce 'red-tape', the volume of regulations continue to increase. It is the Association's view that there must be ongoing regulatory reform to simplify and reduce unnecessary and excessive legislative requirements and streamline administrative and procurement processes to increase SMEs productivity and competitiveness.

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2.3 Digitisation has enhanced the potential for the streamlining of regulatory frameworks across all levels of government, yet a silo approach is evident with SMEs having to provide duplicated data / information for approvals or compliance obligations to layers of government entities or regulators. Often the process to comply or provide information is frustrated by differing reporting or formatting requirements.

2.4 The regulatory requirements by all levels of governments applying to the automotive value chain are extensive, ranging from legislative policy requirements to business operations and activities, obligations to audit and inspection responsibilities. These need significant investments in capital and resources to respond. The onus is on the SME's to comply or risk penalties. The experience of SMEs seeking approvals or exemptions is that the processing of data / information requested by government bureaucracies/entities (often) is protracted resulting in costly delays. Invariably further updated information is sought requiring further capital and resource investments.

2.5 Government entity decision making processes should be reformed to ensure that it is timely, best practice and in the interest of SME's to be profitable, create jobs and contribute to the nation's economy. The regulatory burden could be reduced with improved and timely government entity decision making, allowing SMEs' capital and resource investments to be applied to productive outcomes that advance the business.

the impact of innovation policies, at the Commonwealth and State government levels, on business investment and the role of innovation policies in encouraging greater business investment, having regard to approaches taken in other countries

2.6 The MTA Queensland has been in the vanguard in providing leadership and understanding to its membership on innovation policies and emerging technologies which apply to the automotive value chain. For this purpose, the *Carmageddon* initiative was established to inform members of emerging technologies and the digital economy to enable business model adaption; develop and implement strategies; and to innovate and utilise new products to advantage their enterprises. *Carmageddon* symposiums were held bringing together experts from academia, business, law and industry to discuss industry developments and technological advancements. These include enabling digital technologies, such as cloud platforms, data analytics, artificial intelligence, digital ledger, 3D printing, the Internet of Things and their impacts on transforming the automotive value chain economy.

2.7 From the perspective of the MTA Queensland, the prerequisite is to continue to promote the need to reinvent business models and practices to meet innovation, modern mechanisation and digitisation in the automotive value chain over the near to medium terms. The *Carmageddon* initiative as from May 2018 will be featured in the global Myriad Festival (held in Brisbane) which showcases start-ups, innovation and next-generation technology. It is presented in partnership with the State Government's Advance Queensland initiative. The MTA Queensland will be a key Myriad Festival sponsor and exhibitor where it will be showcased as an industry leader in the automotive, transport and mobility space through a combination of program content and activation displays.

2.8 Digitisation and the emerging technologies evolving within the automotive value chain, caused the MTA Queensland to invest in and establish an innovation hub -the MTAiQ -in specially designed space within its precinct. Its purpose is to cultivate a community of entrepreneurial minds that can come together, collaborate and develop ideas into commercial outcomes for the automotive sector. It brings together mentors, investors, coaches, commercial partners, and industry experts to collaborate on the digital disruption and emerging technologies. It assists existing and new start-up automotive businesses to develop business models to capitalise on those opportunities linked to new technology. It is the first in the state and the nation, geared solely at the automotive industry.

2.9 It is the Association's experience that the Queensland Government has been proactive in the innovation space through ministerial and departmental leadership and investment support from its targeted suite of Advance Queensland innovation funding programs.

2.10 It is the view of the MTA Queensland that the Commonwealth Government following its re-election in July 2016, has not lived up to the expectations fostered by its National Innovation and Science Agenda. There is a sense of disappointment that the Commonwealth Government has not been proactive in leading e.g. on the automotive and transportation evolutions that will transform consumer mobility and the delivery of products and services. Despite this, there is recognition of policy measures implemented including the investments and initiatives recently released in the 2018-19 Commonwealth Budget.

2.11 The Association is of the view that the Commonwealth Government should champion the emerging technologies and innovation which would have the positive result of attracting both increased public and private enterprise investments.

3. General Comments

3.1 The revelations of breaches of fiduciary duties revealed by the Banking Royal Commission (the Commission) has the effect of undermining confidence in the financial system. The expectation is that the Commission will propose recommendations to reform / restructure the banking and the financial advisory services in Australia. The Commonwealth Government's handling of these recommendations and any subsequent statutory and regulatory frameworks that are developed to return confidence in the banking system will be important in reestablishing confidence and stability in the Australian banking system.

3.2 The level of business investment in Australia, in large part, is dependent on borrowings with investments financed by undistributed earnings or equity raisings which have been relatively modest. It is important that Australian businesses, particularly SMEs regain their confidence in the finance system and receive assurances that investments and their borrowings can finance their business activities in a fair and equitable basis.

3.3 Should the government think it appropriate to increase the supply of capital available for innovation business investment in the Australian economy and to increase competition in the business supply market it may consider liberalising the constraints on superannuation funds (the funds). The purpose would be to allow the funds to participate in the business supply market while still maintaining the prudential requirements enforced by Australian Prudential Regulation Authority which protects the wealth of individual superannuants.

3.4 We would be please to provide further comment on any matters in our submission that may require further clarification or amplification.

4 Background

4.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State. There are some 15,500 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$20 billion annually. It is an industrial association of employers incorporated pursuant to the *Fair Work Act* 2009. The Association represents and promotes issues of relevance to the automotive industries to all levels of government and within Queensland's economic structure.

4.2 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing in excess of 35 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTA Institute last financial year accredited courses to in excess of 1,600 apprentices and trainees.

Thank you for your deliberation.

Yours sincerely

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MTA Queensland