

MTAA response to the Commonwealth Government's Covid-19 Response Inquiry

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About the Motor Trades Association of Australia

The Motor Trades Association of Australia (MTAA) is Australia's peak national automotive retail association and represents the interests of many and varied retail motor trades businesses. It is the only membership association in Australia to represent the entire automotive retail industry.

MTAA's membership includes the Motor Traders' Association of New South Wales, the Victorian and Tasmanian Automotive Chambers of Commerce, the Motor Trade Association of South Australia and Northern Territory, the Motor Trade Association of Western Australia, and the Motor Trades Association of Queensland.

MTAA members represent new and used vehicle dealers (passenger, truck, commercial, motorcycles, industrial and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing businesses (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.

List of recommendations

- 1** That the automotive retail sector be regarded a vital and essential stakeholder with a permanent position on any future advisory body administered by the National Coordination Mechanism (NCM).
- 2** That the Commonwealth take sole responsibility for industry support mechanisms during any future pandemic or major national event.
- 3** MTAA seeks the support of the Independent Panel, and the Department of Prime Minister and Cabinet, to have automotive retail participants declared by the Federal Government and the NCM, as an essential service in the event of future pandemics, natural catastrophe, or black swan event.
- 4** Exempt automotive dealer franchises and large automotive retailers from any future staffing and turnover thresholds associated with future pandemic business relief payments and apply a methodology of applying relief under a profit assessment scheme.
- 5** Ensure all automotive retailers are eligible for any future Federal Government or state subsidies related to pandemic relief payments, regardless of their ANZIC code.
- 6** That the Independent Panel recommends that it is a priority to review processes related to the arrival of imported vehicles to speed the route to market.

1. Introduction

MTAA welcomes the opportunity to provide a response to the Commonwealth Government's COVID-19 Response Inquiry (the Inquiry) and notes the following submission works within with the terms of reference. The submission aims to provide a whole-of-government analysis in recognition of the wide-ranging impacts of COVID-19 across the automotive retail sector. The following submission has a deliberate focus on the industry impacts of COVID-19 policy developed by the Commonwealth and how those policies conflicted, or overlooked, by various states and territories.

MTAA regards the Inquiry to be a milestone in MTAA's longstanding advocacy for specific automotive industry protections in the instance of another pandemic or black swan event. Many members of the automotive retailing sector, who survived the period 2020-2022 are still in recovery mode, brought on by complicated and severe shutdowns and inequitable trading policies imposed by federal and state governments. The residual effect of these policies are still being felt nationally, as businesses experience severe labour, supply chain and skills shortages.

The pandemic also underscored the critical and essential contribution of the automotive retail chain to keeping Australia moving – more so than ever in times of crisis. Thought needs to be given as to how global automotive retail supply chains can be protected to safeguard against another debilitating global event, noting many supply chains have still not fully returned to post 2019 levels.

MTAA looks forward to working with the Inquiry's Independent Panel, Ms Robyn Kruk AO, Professor Catherine Bennett, Dr Angela Jackson and the Taskforce within the Department of the Prime Minister and Cabinet (PM&C). MTAA also makes available the insights of member businesses to the Independent Panel and PM&C for further discussion and case studies on how National Cabinet's pandemic responses impacted their businesses.

2. Governance

Governance including the role of the Commonwealth Government, responsibilities of state and territory governments, national governance mechanisms (such as National Cabinet, the National Coordination Mechanism, and the Australian Health Protection Principal Committee) and advisory bodies supporting responses to COVID-19

MTAA notes that the National Cabinet was established in 2020 to oversee the health and economic response to the pandemic. As a result, the Council of Australian Governments (COAG) was abolished.¹

MTAA supported the introduction of a National Cabinet as automotive retail industry participants, and the greater cohort of Australian industry, sought decisive actions and agile policy reform to help manage the pandemic, assisting industry to continue to trade, but importantly, to help deal with the scourge of COVID-19 as it affected the well-being of many Australians.

Added to this, it is MTAA's view that COAG, in its then form, would have been weighed down by multiple levels of government and become overly politicised to the extent that it could have proven to be a roadblock to the introduction of urgent pandemic reform measures.

2.1 State and federal policy conflict

The position of the National Cabinet was for the states and territories to maintain primary responsibility for public hospitals, public health, and emergency management – including the imposition of lockdowns and spatial distancing restrictions. The Commonwealth had primary responsibility for income and business support

¹ Judy Skatsoon, Councils sidelined as COAG abolished, (2020) ,<https://www.governmentnews.com.au/councils-fear-being-sidelined-as-coag-abolished/>

programs. Coordination of these responsibilities was critical.² During 2021, significant variations in COVID-19 policy responses between Australian states and territories emerged. It became apparent that different, general policy strategies were being employed across the various states.³ Confusion and difficulties ensued when local, state-based policy measures conflicted with federal edicts. For industry with cross border and international trade elements this proved to be severely challenging.

2.2 Industry and community were right to be concerned at the dynamic of the National Cabinet

The MTAA supports the practice of the various State Premiers (or delegate Minister) to be authorised to make decisions on behalf of their government in relation to matters that were to be considered by the National Cabinet. What Australians required at the time of the pandemic was sensible and prudent decision-making designed to limit the effect of COVID-19 and protect the Australian economy. Unfortunately, what Australian industry and community saw was depreciatory behaviour by many State Premiers over issues as mundane as 'who was doing a better job'.⁴ This type of politicking from the National Cabinet in times of national emergency can never be permitted to occur again. For instance, a prolonged public spat between Victoria and New South Wales over vaccine supplies and public health restrictions shook industry and community confidence in the national response.

2.3 The MTAA position on future industry pre and post pandemic engagement with government.

For future pandemic, or black swan events that require emergency convening of the National Cabinet, it is MTAA's position that the Commonwealth take overarching responsibility for industry facing policy via the National Coordination Mechanism (NCM). MTAA research conducted in 2021 highlighted that the automotive retail sector comprised of 72,521 registered businesses and was estimated to grow to 74,981 by the end of 2023.⁵ This sector employed 384,810 Australians,⁶ and contributed \$39.35 billion, (or 2.1 per cent) Gross Domestic Product.⁷ Those same businesses sold, serviced, repaired or dismantled Australia's vehicle fleet of 19, 805, 331 motor vehicles.⁸ These figures alone dictate that the automotive retail sector should be regarded as a vital cog in maintaining the wellbeing and welfare of the nation.

For the NCM to meet its stated purpose and be truly agile, the MTAA is well positioned to be the designated conduit between the NCM, and government, in coordinating the transport maintenance and supply of Australia's 19,805,331 motor vehicles. It is our firm view that MTAA be appointed as a permanent stakeholder on any future advisory bodies administered by the NCM. MTAA and other essential service providers cannot risk the automotive sector being crippled via exposure to confusing planning and policy edicts, along with a dearth of coordination by the states that was enabled by an absence of harmonisation in crisis responses implemented by various states.

The Australian Government Crisis Management Framework' (AGCMF) states the overarching objectives of crisis management are to protect human life and critical infrastructure; support the continuity of everyday

2 Stephen Duckett & Anika Stobart, Grattan Institute, *Australia's COVID-19 response: the four successes and four failures*, (2020), <https://grattan.edu.au/news/australias-covid-19-response-the-four-successes-and-four-failures/> [5].

3 Toby Phillips et al, University of Oxford, *Variation in policy response to COVID-19 across Australian States and Territories* (2022), <<https://www.bsg.ox.ac.uk/research/publications/variation-policy-response-covid-19-across-australian-states-and-territories>>,[3].

4 Rob Harris and Annika Smethurst, Sydney Morning Herald, 'After early success, has bickering got in the way of national cabinet?', (2021), <<https://www.smh.com.au/politics/federal/after-early-success-has-bickering-got-in-the-way-of-national-cabinet-20210902-p58o5x.html>>,[11].

5 Steve Bletsos, Motor Trades Association of Australia(MTAA), *Directions in Australia's Automotive Industry: An Industry Report*, (2021), 8 [3].

6 Ibid 16 [1].

7 Ibid 16 [3].

8 Australian Bureau of Statistics, *Motor Vehicle Census*, Australia 31 January 2020.

activity; and, as far as possible, protect property and the natural environment.⁹ Without access to a reliable supply chain, a dependable car parc of motor vehicles, which includes essential services, the objectives and the role of the NCM will not be met.

The MTAA supports, in principle, the objectives of the AGCMF and acknowledges that crisis management is complex and challenging.

MTAA Recommendation

1. That the automotive retail sector be regarded a vital and essential stakeholder with a permanent position on any future advisory body administered by the NCM.
2. That the Commonwealth take sole responsibility for industry support mechanisms during any future pandemic or major national event.

2.4 Summary of the future governance of the National Cabinet

MTAA has always held the view that Australia requires clear and cohesive government planning, along with the highest levels of coordination via the National Cabinet. It is imperative that governments across the country learn the lessons from managing the pandemic and adopt an inclusive approach towards industry groups and its policy advocates as they engage with health experts in the implementation of best practice strategies to mitigate the economic chaos, health risk, and social disruptions.

9 Australian Government, Australian Government Crisis Management Framework Version 3.3, (2023), <https://www.pmc.gov.au/sites/default/files/resource/download/australian-government-crisis-management-framework_0.pdf>,5,[5].



3. Automotive retail as an essential service

Support for industry and businesses (for example responding to supply chain and transport issues, addressing labour shortages, and support for specific industries).

MTAA regards the sale, service, repair, and supply of parts for heavy, commercial, light vehicles, including motorcycles and farm and industrial machinery, as essential. If other essential services are to operate efficiently and effectively – especially during a time of crisis, they require access to retail and repair businesses. Confusion reigned within the first stages of industry shutdown as to who could trade. This was a direct result of unclear, conflicting and confusing mandates.

This was exacerbated by various state government restriction notices, where terms such as ‘restricted or permitted operations’ were confusing, and at times impossible to interpret. The community and industry held serious misgivings and remained cynical as to how concessions in some states were granted to the building and construction industry (and dog groomers) that permitted them to trade, while others were forced to closed. To this end, the MTAA argues that the automotive retail supply chain is an essential service, during times of disaster, crisis, or event where jurisdictional governments and the Commonwealth Government may need to define, describe, proclaim and/or enact essential service provisions.

MTAA regards the automotive supply chain as essential services defined by:

- *Essential Services Act 1988 (NSW)* Part 1, Section 4, Clause 1, (l) .
- *Essential Services Act 1958 (Victoria)* Section 3, Clause (a), (b) and (g).
- *Essential Services Act 1981 (SA)*, Section 2, Interpretation, and;
- Companion legislation where it exists in other jurisdictions.

MTAA argues there is no rationale as to why this position could not be taken as correct on interpretation of law or regulation. Without automotive retail supply chain services, other deemed essential services cannot be assured.

Those essential services that rely on the automotive retail sector include:

- The production, supply, or distribution of any form of energy, power, or fuel or of energy, power, or fuel resources
- The public transportation of persons or the transportation of freight (including the provision of rail infrastructure for those purposes)
- The provision of fire-fighting services
- The provision of public health services (including hospital or medical services)
- The provision of ambulance services
- The production, supply, or distribution of pharmaceutical products, of garbage, sanitary cleaning, or sewerage services
- The operations of law enforcement agencies.

Further to this, MTAA also points to the United States Department of Homeland Security (DHS) and its Cybersecurity and Infrastructure Security Agency (CISA) definitions of essential services as revised in March 2020.¹⁰ CISA is the United States Government risk advisor.

CISA provides guidance on essential critical infrastructure workforce requirements and describes the Transport and Logistics sector’s essential services as:

- Employees supporting or enabling transportation functions, including dispatchers, maintenance and repair technicians, warehouse workers, truck stop and rest area workers, and workers that maintain and inspect infrastructure (including those that require cross-border travel)

¹⁰ CISA, Memorandum on identification of Essential Critical Infrastructure Workers during Covid-19 response ,(2020),< <https://www.cisa.gov/sites/default/files/publications/CISA-Guidance-on-Essential-Critical-Infrastructure-Workers-1-20-508c.pdf>> 8.

- Employees of firms providing services that enable logistics operations, including cooling, storing, packaging, and distributing products for wholesale or retail sale or use.

Mass transit workers

- Workers responsible for operating dispatching passenger, commuter and freight trains and maintaining rail infrastructure and equipment.
- Maritime transportation workers - port workers, mariners, equipment operators.
- Truck drivers who haul hazardous and waste materials to support critical infrastructure, capabilities, functions, and services to automotive repair and maintenance facilities.
- Manufacturers and distributors (to include service centers and related operations) of packaging materials, pallets, crates, containers, and other supplies needed to support manufacturing, packaging staging and distribution operations.

Postal and shipping workers, to include private companies

- Employees who repair and maintain vehicles, aircraft, rail equipment, marine vessels, and the equipment and infrastructure that enables operations that encompass movement of cargo and passengers.
- Air transportation employees, including air traffic controllers, ramp personnel, aviation security, and aviation management.

MTAA reiterates that each of the above essential workers would be unable to fulfil their roles and responsibilities without the automotive retail and repair sector.



MTAA recommendation

3. MTAA seeks the support of the Independent Panel and the Department of Prime Minister and Cabinet, to have automotive retail participants declared by the Federal Government and the NCM, as an essential service in the event of future pandemics, natural catastrophe, or black swan event.

4. Turnover threshold criteria and complex criteria attached to government relief packages

An eligibility requirement of many of the Federal Government's COVID-19 relief packages was a threshold criteria of \$50 million for businesses.

Research conducted by MTAA member, the Victorian Automotive Chamber of Commerce (VACC), revealed that at the height of the 2020 Victorian lockdown, it was estimated that 74 per cent of automotive dealers, nationally, did not qualify for three of the key relief packages (i.e. Boosting Cash Flow for Employers, apprentice subsidy and commercial tenancy packages).

The provision protections mandated under the National Cabinet Mandatory Code of Conduct for SME Commercial Leasing Principles during COVID-19 and apprentice wage subsidies announced by the Federal Government were not made available for many high turnover businesses in this sector due to aggregated turnover, insufficient loss of business turnover (required in some instances to be more than 70 per cent reduction) or high staff levels. Quite often high turnover businesses equate to high employment levels. Employment levels were subsequently impacted and confusion ensued due to conflicting policy positions emanating from government.

While recognising stimulus and assistance measures cannot be designed for every industry and business, MTAA argues there should be consideration for the Federal Government to assist industries that have high turnover and low margins – such as new car dealers – when applying for relief or stimulus packages. MTAA would suggest that any future pandemic relief packages introduced by government not solely be based on turnover but also include an opportunity for high turnover businesses, such as a franchise vehicle dealerships, to apply for, and receive, relief under an annual profit assessment criterion.

Many in the automotive retail sector were unable to qualify for assistance (i.e. the Victorian Cost Assistance Program) as a result of poorly identified Australian and New Zealand Standard Industrial Classification codes (ANZSIC). The ANZSIC codes should not be used as a loophole by government for the purposes of denying assistance to industry.

MTAA Recommendation

In light of the above, MTAA recommends that the Independent Panel agree to the following:

4. Exempt automotive dealer franchises and large automotive retailers from any future staffing and turnover thresholds associated with future pandemic business relief payments and apply a methodology of applying relief under a profit assessment scheme.
5. Ensure all automotive retailers are eligible for any future Federal Government or state subsidies related to pandemic relief payments, regardless of their ANZIC code.

5. The closure of state and international borders and how it impacted the supply chain

The pandemic had a major impact on the automotive parts supply chain – resulting in parts manufacturing factory closures, shipping and port delays, redirection of parts to different jurisdictions and forecasting errors.

Many Original Equipment Manufacturers (OEMs) suffered from lockdown paralysis and lived in fear of snap pandemic related restrictions. In some states such as Victoria, supply of pre-sold vehicles and components was diverted to other states by OEMs.

VACC data from its 2021 response to the Productivity Commission Inquiry into Vulnerable Supply Chains revealed that 95.73 per cent of Victorian automotive dealers experienced a disruption in the supply of mainstream dealer stock or the supply of a new car, motorcycle, commercial vehicle, farm machinery or automotive part.¹¹ Conversely, 97 per cent of repairers experienced delays in obtaining automotive replacement parts, which ranged from one to six months.

MTAA recommendation

6. That the Independent Panel recommends that it is a priority to review processes related to the arrival of imported vehicles to speed the route to market.

6. Employment flexibility

Many businesses enjoyed the employment flexibility associated with the JobKeeper program initiated under the COVID-19 Relief Package. Many MTAA members remain grateful to the government for introducing JobKeeper, it was the one key initiative that kept their businesses operating during the COVID pandemic, ensuring they survived, maintaining as many employees as possible.

The conditions attached to JobKeeper at the time provided eligible industry employers the right to make directions, to request, or to reach agreement with their JobKeeper payment eligible employees.

Mechanisms to better target future responses to the needs of particular populations (including across genders, age groups, socio-economic status, geographic location, people with disability, First Nations peoples and communities and people from culturally and linguistically diverse communities)

Designate culturally appropriate and safe spaces for First Nations people to isolate if tested positive for COVID-19, especially in regional and remote communities, where home quarantine is not possible or appropriate.

¹¹ VACC, VACC response the Productivity Commission Inquiry into Vulnerable Supply Chains (2021), <<https://vacc.com.au/Portals/0/Submissions/VACC%27s%20response%20to%20the%20Productivity%20Commission%27s%20Inquiry%20into%20Vulnerable%20Supply%20Chains.pdf>> 9 [1-4].

