



MTAA RESPONSE TO:

# The Treasury Economic Reform Roundtable

Industry consultation

July 2025

[mtaa.com.au](https://mtaa.com.au)



# Introduction

The Motor Trades Association of Australia (MTAA) welcomes the opportunity to contribute to Treasury's Economic Reform Roundtable 2025. As the national peak body representing over 15,000 automotive businesses across Australia through state and territory motor trades associations, MTAA offers a uniquely informed perspective on reforms to boost productivity and economic resilience.

The automotive industry contributes approximately \$40 billion to Australia's GDP and employs more than 360,000 people. It delivers essential services in every region spanning vehicle sales, servicing, repairs, recycling, and fuel supply. Despite this footprint, the sector faces structural challenges that impede productivity growth, including workforce shortages, rising costs, outdated tax settings, and regulatory fragmentation.

To align with the Australian Government's broader economic reform objectives, MTAA proposes a coordinated set of reforms that focus on six themes: skills and workforce development, technological readiness, tax and investment incentives, regulatory streamlining, the transition planning for zero and low-emission vehicles (ZLEVs) and regional resilience.

## **The productivity potential of the automotive sector**

The automotive sector is one of Australia's most economically significant, geographically dispersed, and socially essential industries. With a footprint that spans every community it plays a vital role not only in generating employment and revenue, but also in enabling productivity across nearly every other sector of the economy. It is also made up of largely small to medium sized businesses and comprises around 70,000 enterprises, making it one of the largest industry sectors in Australia by business count.

Specifically, the automotive sector's contribution to Australia's productivity is twofold:

- Direct productivity gains: through innovation in service delivery, diagnostics, and parts logistics.
- Enabling productivity across the economy: by maintaining a safe, reliable, and accessible transport fleet for businesses and consumers.

Despite its importance, the sector faces challenges that have constrained its productivity potential. These include:

- Severe skills shortages in servicing, diagnostics, and body repair.
- Underinvestment in digital tools and training, especially in small businesses.

- Outdated tax and regulatory frameworks, which deter capital investment and uptake of ZLEVs.
- Fragmented policy and regulatory settings across jurisdictions, leading to inefficiencies and compliance burdens.
- Lack of strategic national planning for the transition to low-emission vehicles, risking capacity shortfalls and stranded assets, particularly in regional and rural areas.

Unlocking the full productivity potential of Australia's automotive sector will require a coordinated national policy response. This includes investment in workforce development, support for EV transition infrastructure and equipment, modernised taxation and incentive structures, and reduced regulatory duplication. Doing so would not only strengthen the sector itself but deliver economy-wide productivity gains by ensuring Australia's transport and logistics backbone remains safe, efficient, and future-ready.

Our recommendations to achieve this are outlined below.

## 1. Unlocking workforce productivity through skills and training reform

Australia's automotive workforce is technically skilled, with most tradespeople undertaking four-year apprenticeships. But with technology evolving rapidly, including EVs, hybrid systems, ADAS, and telematics, the sector urgently needs a modernised skills pipeline.

MTAA recommends:

- **National pathway programs:** Fund industry-led secondary school programs to promote automotive trades and create a consistent, nationwide strategy to encourage youth and female participation, especially in regional areas.
- **Mentoring and retention schemes:** Invest in industry-led mentoring programs to increase apprentice completion rates. Only 50% of apprentices nationally complete their trade. This must improve.
- **Increase employee and employer incentives:** Boost support under the Australian Apprenticeships Incentive System to encourage increased commencements and address the administrative burden of accessing the scheme.
- **Support mature-aged apprentices:** Introduce tax relief or subsidies for employers hiring apprentices over 21, especially in rural areas where labour shortages are more acute.
- **Reduce the Skilling Australians Fund (SAF) Levy:** Halve the SAF levy for businesses that demonstrate a commitment to training and skilled migration.
- **Recognise Prior Learning (RPL):** Provide additional funding to streamline the RPL process and enable faster workforce development from existing and emerging workers.
- **Support private EV training programs:** Co-invest in industry-run training centres, such as EV Centres of Excellence, to boost EV readiness across the workforce.

## 2. Supporting automotive businesses in the EV transition

The transition to ZLEVs must not overlook the readiness of the automotive retail sector, that is the dealerships, workshops, and small businesses that service Australia's 21 million-strong vehicle fleet.

MTAA recommends:

- **Tooling incentives:** Introduce tax offsets or direct subsidies for small automotive businesses investing in EV-specific equipment, including hoists and battery safety gear.
- **Technician support:** Offer a \$3,000 tool allowance to eligible automotive technicians to help purchase essential EV servicing tools.
- **Asset write-off extension:** Extend the instant asset write off and increase it to a total of \$50,000 to assist automotive retailers invest in EV related equipment for their businesses.

These initiatives will not only create jobs and infrastructure but also support Australia's broader emission-reduction goals.

### 3. Modernising automotive taxation for economic efficiency

Australia's automotive tax regime contains legacy distortions that suppress investment, hinder technology uptake, and penalise consumers. Reform is overdue.

MTAA proposes the following tax reforms:

- **Consider reintroducing the FBT exemption for Plug-in Hybrids (PHEVs):** PHEVs play an important transitional role and their FBT exemption should continue.
- **Implement a nationally consistent road-user charging regime:** Implement a nationally consistent road-user charging regime to avoid a patchwork of policies employed by individual states and territories.
- **Abolish the Luxury Car Tax (LCT):** Originally designed to protect local manufacturing, the LCT is now outdated and discriminatory. It penalises consumers purchasing safer, fuel-efficient, or family-sized vehicles that exceed the outdated threshold.

If abolition of the LCT is not politically viable, the following reforms should be implemented:

- Raise the LCT threshold to \$150,000.
- Exclude accessories from the threshold calculation.
- Reduce the LCT rate from 33% to 25%.
- Create separate LCT categories for BEVs and PHEVs with higher thresholds.
- Revisit LCT fuel efficiency rule changes (the recent halving of the fuel efficiency threshold to 3.5L/100km will inadvertently hinder hybrid uptake).
- Introduce accelerated depreciation for ZLEVs (allow 50% first-year depreciation for ZLEV purchases to stimulate fleet and business uptake and reduce long-term emissions).

### 4. Productivity gains through regulatory simplification

Automotive businesses face a patchwork of overlapping rules across state, territory, and federal jurisdictions. This adds cost and complexity, especially for small businesses.

MTAA calls for:

- **A nationally legislated and mandatory Motor Vehicle Insurance and Repair Industry Code of Conduct:** Strengthen and enforce the Code to address significant concerns regarding the power imbalance between repairers and insurers.
- **A COAG review of regulatory duplication:** Undertake a national audit of compliance burden in the automotive sector to identify areas for harmonisation.
- **Unified standards and licensing:** Align training, vehicle safety, and licensing requirements across jurisdictions to reduce compliance complexity.
- **Simplified access to incentives:** Streamline application processes for SMEs accessing training, technology, and energy efficiency support.

## 5. Transition planning: Internal Combustion Engines to ZLEV

The phasing out of internal combustion engine (ICE) vehicles will profoundly affect tens of thousands of automotive jobs and businesses. A national roadmap is urgently required.

MTAA proposes a National Automotive Transition Plan that includes:

- **Skills & RTO capacity building:** Ensure sufficient training infrastructure exists to meet the future demand for EV diagnostics, high-voltage safety, and battery servicing.
- **Support for workshops:** Provide grants and tax offsets to help small businesses acquire necessary EV servicing tools and safety equipment.
- **End-of-life policy framework:** Establish a product stewardship scheme for end-of-life vehicles, tyres, and batteries to ensure environmentally responsible disposal as the ZLEV fleet grows.
- **Battery recycling and processing incentives:** Develop domestic capacity for battery processing to capture valuable rare earth minerals and reduce reliance on imports.
- **Improving SME access to capital and innovation support:** SMEs dominate the automotive sector but often lack access to finance, innovation grants, and R&D incentives due to restrictive eligibility criteria.

MTAA recommends:

- **Widen access to R&D incentives:** Recognise "non-traditional" innovation, including custom tooling, software calibration, or diagnostic innovation developed by small repairers and parts manufacturers.
- **Automotive inclusion in SME capital programs:** Ensure that future government-backed finance or technology adoption programs actively include auto retail, repair, and recycling businesses.

## 6. Regional resilience through automotive investment

Automotive businesses are often anchor employers in regional towns, supporting both employment and essential transport services.

MTAA recommends:

- **Digital infrastructure expansion:** Prioritise digital connectivity upgrades to ensure remote businesses can access vehicle data, service platforms, and training tools.
- **EV infrastructure equity:** Ensure rural and remote Australia is included in EV charging network rollouts to support local business participation and community access.

## **Conclusion**

The automotive sector is at a crossroads. With the right reform agenda focused on skills, technology, tax modernisation, and regulatory clarity it can deliver measurable productivity gains and help secure Australia's economic transition.

Treasury's Economic Reform Roundtable is the ideal platform to initiate this shift. MTAA stands ready to collaborate on the design and implementation of reforms that ensure the automotive industry continues to drive jobs, innovation, and prosperity for all Australians.

## **For more information**

If you have any questions or would like to discuss the contents of this submission, please contact:

### **Rod Camm**

Interim Executive Director

Motor Trades Association of Australia

E: [rodc@mtaq.com.au](mailto:rodc@mtaq.com.au)

M: 0409 484 05

[mtaa.com.au](http://mtaa.com.au)

