2026–27 Pre-Budget Submission

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MOTOR TRADES ASSOCIATION OF AUSTRALIA

Introduction

The Motor Trades Association of Australia (MTAA) welcomes the opportunity to present its 2026–27 Pre-Budget Submission. MTAA represents the automotive retail sector through its state and territory associations, whose members include automotive dealers, repair and service businesses, recyclers and dismantlers, towing operators, service stations, and the broader automotive supply chain.

Together, these members comprise tens of thousands of predominantly family-owned small businesses forming part of a sector that employs more than 320,000 Australians. They deliver the essential mechanical, repair, collision, tyre, servicing, recycling and specialist functions that keep Australia's transport system safe, reliable and economically productive. These businesses directly determine how quickly Australians can get back on the road after accidents, how affordable motor insurance remains, and whether regional and remote communities can access safe vehicle repairs without travelling hundreds of kilometres.

Australia's automotive industry is one of the most geographically dispersed, economically essential, and socially impactful industries in the nation. It provides the backbone of transport productivity, supports every supply chain, every business, and every household, and is central to enabling Australia's transition to a low-emission future.

Yet the sector faces mounting challenges: severe and persistent skills shortages, rapidly evolving technology requiring major retraining and equipment investment, rising business operating costs, an apprenticeship system that lacks adequate support, a migration program unable to meet urgent workforce gaps, and structural issues across insurance, taxation, regulatory systems, and the circular economy.

This submission outlines the measures the Australian Government should adopt to ensure the country maintains a productive, safe, skilled, and future-ready automotive industry. At a high level, the MTAA recommends the Government focus on:

- Ensuring fair insurance practices for small body repair businesses
- Strengthening the automotive workforce through improved training pathways, incentives, and recognition of emerging trades
- Reforming skilled migration to address immediate and structural labour shortages
- Supporting small businesses to invest in EV-ready equipment and infrastructure
- Modernising taxation and road-user charging settings to encourage cleaner vehicles and support sustainable transport funding

- Clarifying Australian Consumer Law obligations to improve regulatory certainty across the automotive supply chain
- Embedding circular economy principles, including national stewardship schemes for tyres and end-of-life vehicles

MTAA proposes the following recommendations for the 2026–27 Federal Budget. These measures are designed to stabilise the automotive workforce, strengthen small business viability, accelerate the transition to new technologies, and ensure the regulatory and economic settings underpinning the sector are fit for purpose.

MTAA recommendations

Insurance reform

1. Introduce a mandatory national Motor Vehicle Insurance & Repair Code of Conduct, administered by the ACCC or ASBFEO

Skills, training & workforce development

2. Undertake a redesign of the apprentice incentive program
3. Provide targeted financial support for mature-aged apprentices
4. Invest in reforming the Recognition of Prior Learning (RPL) system for automotive trades
5. Review CRICOS delivery models and introduce capstone testing for automotive trade qualifications

Skilled migration reform

6. Modernise and simplify employer-sponsored skilled migration pathways for automotive trades
7. Update Commonwealth Skilled Occupation List (CSOL) classifications to reflect genuine shortages
8. Reduce the SAF levy for employers who train apprentices and sponsor migrants
9. Introduce a regionally adjusted or sector-specific Temporary Skilled Migration Income Threshold (TSMIT)

EV transition

10. Introduce EV tooling and equipment incentives for small businesses
11. Provide a $3,000 EV technician tool allowance
12. Continue the DRIVEN Charger Rebate Stream and expand the eligibility criteria
13. Introduce accelerated depreciation for zero and low emission (ZLEV) fleets

14. Shift New Vehicle Efficiency Standard compliance from importation to point of sale

Tax reform

15. Abolish the Luxury Car Tax or implement major reforms (higher threshold, lower rate, exclude accessories, EV-friendly settings)

16. Lead a nationally consistent road-user charging framework

17. Extend Fringe Benefits Tax concessions for plug-in hybrids and ZLEVs

Australian Consumer Law

18. Provide clarification to automotive businesses, manufacturers and consumers on their rights and obligations under the Australian Consumer Law

Circular economy & sustainability

19. Establish a national End-of-Life Vehicle (ELV) product stewardship scheme

20. Implement a mandatory co-regulated national tyre stewardship scheme

Australia's automotive sector is ready to support the Australian Government's ambitions for productivity, clean energy transition, workforce participation, and supply-chain resilience. Targeted support in the 2026–27 Budget will ensure the sector continues delivering economic and social value in every region of the country.

Insurance reform

Australia's motor insurance market is increasingly characterised by significant power imbalances between insurers and the small, independent repair businesses that deliver vehicle repairs.

As insurers consolidate and adopt more centralised and digital claims management models, repairers face growing commercial pressure that can affect repair quality, workplace safety and consumer choice. When repairers are forced to accept unrealistic timeframes or cost-driven repair methods, the result is delayed vehicle returns, compromised safety outcomes and higher long-term insurance costs for motorists. Reform is needed to rebalance insurer–repairer relationships.

Recommendation 1: Introduce a mandatory national Motor Vehicle Insurance & Repair Code of Conduct

Relationships between motor insurers and automotive repair businesses are increasingly strained, with growing evidence of power imbalances that undermine safety, fairness and consumer outcomes. While MTAA and the Insurance Council of Australia (ICA) are currently working collaboratively to update the existing voluntary code, this process alone will not address the systemic issues facing the sector.

Key concerns raised by MTAA members include:

- Increased use of remote claim review tools and desktop assessments, driven in part by AI
- Repairers being subjected to unrealistic, cost-driven or unsafe repair procedures
- Limited dispute resolution mechanisms that lack independence and enforceability

These issues disproportionately affect small and family-owned repair businesses and can compromise vehicle safety and consumer choice. MTAA therefore recommends the introduction of a mandatory national Motor Vehicle Insurance & Repair Code of Conduct, administered by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) or the Australian Competition and Consumer Commission (ACCC).

A mandatory Code is required to ensure consistent standards, enforceable protections and fair commercial conduct across the industry.

Workforce, training, and skills development

Australia's automotive industry is facing one of the most severe skills shortages across the entire economy. In 2023–24, the sector recorded an estimated deficit of more than 38,000 skilled positions, including mechanics, diesel technicians, auto electricians, panel beaters, refinishers, tyre technicians, dismantlers, collision repair specialists, and emerging EV-related roles.[1]

Shortages are chronic, structural, and worsening. MTAA member surveys show acute and persistent skills shortages across the automotive industry, with the average vacancy fill rate at just 39% in 2023 and severe difficulty filling technician and trade roles, underscoring the challenges employers face in recruiting and retaining qualified staff.[2] These workforce gaps are a major driver of extended vehicle repair times, insurance claim backlogs and rising premiums, particularly in regional and outer-suburban Australia where alternative repair options are limited.

Recommendation 2: Undertake a redesign of the apprentice incentive program

The substantial reduction in employer wage subsidies from up to $28,000 during the COVID period to just $2,500 today, together with the reduction of the Australian Apprentice Training Support Payment (AATSP) to $2,500, is significant and occurs at a point of heightened skills pressure for the automotive industry. These changes risk further suppressing apprenticeship commencements at a time when demand for skilled technicians remains acute.

Apprenticeships require significant investment from employers, including wages, supervision, training time, equipment and lost productivity. Employer incentives have historically played a critical role in offsetting these

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1 Motor Trades Association of Australia (MTAA), *Directions in Australia's Automotive Industry: An Industry Report 2021* (Summary), 2021. Available at: https://www.mtansw.com.au/site/DefaultSite/filesystem/documents/2021%20Directions%20in%20%20Australias%20Automotive%20Industry_Summary_pp.pdf

2 Deloitte Access Economics, Automotive Skills Shortages Report, 31 May 2024. Available at: https://cdn.prod.website-files.com/67b4118dae546758106b43ce/69360d6310d2dad8c04e191f_Deloitte%20-%20Automotive%20Skills%20Shortages%20Report%20-%2031%20May%202024.pdf

costs and encouraging businesses, particularly small and medium enterprises, to take on apprentices. Reducing these incentives weakens the capacity of employers to expand training pathways and sustain apprentice intake.

While incentives for clean-energy apprenticeships will remain at higher levels, the majority of vehicles requiring service and repair over the coming decade will continue to be conventional petrol and diesel models. Reducing support for traditional automotive trades while prioritising clean-energy incentives creates a policy misalignment that does not reflect current fleet composition.

The Business Council of Australia (BCA) has also warned that Australia's skills shortage crisis cannot be addressed without stronger employer support.[3] One in three occupations across the economy now report skills shortages, and Jobs and Skills Australia has identified that around 38 per cent of shortages occur in vocations requiring a VET pathway. The BCA has called for a redesign of the Australian Apprenticeships Incentive System (AAIS) to provide higher and more consistent wage subsidies that better reflect the true cost of training apprentices. MTAA supports this request.

In the interim, the Australian Government should revert the AATSP and the Priority Hiring Incentive to the most recent subsidy level of $5,000 help businesses hire and retain apprentices.

Recommendation 3: Support mature-aged and female apprentices

Rural and regional employers often rely on mature-aged workers to meet critical labour needs, particularly in sectors like automotive where the local skills pipeline is limited. Mature-aged applicants often bring valuable life experience, reliability and foundational skills, yet the significant wage increase that applies once an apprentice turns 21 creates a substantial cost barrier for employers. This is especially challenging for small, low-margin businesses that dominate regional economies and cannot absorb higher first-year wage costs.

Further, women remain significantly underrepresented in many trade-based industries, particularly in sectors such as automotive. Barriers such as limited access to mentoring, workplace culture challenges, lack of flexible arrangements, and perceptions about gender roles continue to discourage participation. Targeted incentives and support for employers who recruit and retain female apprentices would help address these barriers.

To address this gap, MTAA recommends targeted tax offsets for employers who take on mature-aged and female apprentices. s.

Recommendation 4: Strengthen Recognition of Prior Learning (RPL) and qualification assessment

The current Recognition of Prior Learning (RPL) framework is inconsistent, slow, and often costly, creating unnecessary barriers for experienced workers seeking to transition into the automotive workforce. This has become a critical issue as the sector confronts severe skills shortages and rapidly evolving technologies.

Funding is needed to modernise and streamline RPL processes across automotive trades. This should include the development of nationally consistent assessment tools, simplification of training package requirements,

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[3] Business Council of Australia, "Falling apprenticeship numbers calls for redesign of incentive program, according to Business Council," Business Council of Australia, 29 January 2025, https://www.bca.com.au/our-insights/media-releases/falling-apprenticeship-numbers-calls-for-redesign-of-incentive-program-according-to-business-council/ (accessed 24 January 2026).

and a reduction in administrative burdens for employers and candidates. Improved systems must also ensure that assessments can be completed in a timely and efficient manner. Strengthened RPL pathways would enable skilled workers to have their existing competencies formally recognised more quickly, allowing them to enter the workforce at the appropriate skill level.

A successful example of this approach already exists through the Occupation Recognition Service delivered by MTA SA/NT in partnership with the South Australian Skills Commission. This program provides a practical pathway for experienced automotive technicians who do not hold formal qualifications to have their skills assessed by a registered training organisation. Upon successful assessment, participants receive a recognition certificate from the Skills Commission, validating their competencies and supporting workforce participation.

This model represents a faster, less onerous, and more accessible solution to recognising the skills of experienced technicians. Expanding and adapting similar programs at a national level would help address skills shortages more effectively, improve workforce mobility, and ensure industry-ready workers can be deployed where they are most needed.

Recommendation 5: Review CRICOS delivery models and introduce capstone testing for automotive trade qualifications

MTAA recommends the Australian Government strengthen the integrity and safety of automotive trade qualifications by introducing mandatory independent capstone testing and undertaking a targeted review of delivery models used under the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

Capstone assessments are intended to provide a final, holistic validation that a student has achieved genuine trade-level competence across safety-critical diagnostic, repair and procedural tasks. Where training, assessment and capstone testing are designed, delivered and marked by the same Registered Training Organisation (RTO), there is an inherent conflict of interest and limited assurance of assessment integrity.

Comparable safety-critical trades such as electrical, plumbing and gas fitting already require independent final assessments prior to licensing. These models recognise that qualifications alone are insufficient without independent verification of practical competence in occupations where public safety is directly at risk.

Evidence provided to MTAA indicates that some CRICOS-delivered automotive qualifications are being completed through compressed, classroom-heavy delivery models with limited supervised workplace exposure. These approaches are not aligned with the intent of the AUR training package, which assumes sustained, hands-on participation in a real workshop environment to develop and assess job-ready competence.

To address these risks, MTAA recommends that the Government:

- Introduce capstone assessments for automotive Certificate III trade qualifications
- Undertake a CRICOS-specific review of delivery methods for automotive trade qualifications
- Ensure CRICOS delivery models are demonstrably equivalent to domestic apprenticeship pathways in terms of practical skill acquisition and safety outcomes

A CRICOS-specific review, combined with independent capstone testing, would protect international students, employers and consumers, restore confidence in Australia's vocational education system, and ensure automotive trade qualifications reflect genuine, job-ready competence.

Skilled migration reform

Automotive labour shortages are structural and long-term, and domestic training alone cannot meet demand, especially as the transition to zero and low-emission vehicles accelerates. Our recommendations for essential skilled migration reform are outlined below

Recommendation 6: Streamline and modernise skilled migration pathways

The employer-sponsored visa system is overly complex, costly, and slow, particularly for small businesses without HR support. Automotive businesses report they are unable to navigate the system, reducing their competitiveness and access to vital skills.

A reformed system should:

> Provide faster processing for priority automotive occupations

> Reduce migration costs for small employers

> Simplify documentary requirements

> Allow industry bodies to provide labour market verification

Recommendation 7: Update skilled occupation lists

The Commonwealth Skilled Occupation List (CSOL) continues to misclassify several critical automotive occupations, such as tow truck drivers, tyre technicians and specialist service roles, as "No Shortage," despite consistent national evidence to the contrary.

As outlined in MTAA's migration submission, these shortages are structural, persistent, and affecting business operations across all states and territories. Incorrect classifications restrict employer access to skilled migration pathways and prevent businesses from addressing vacancies that cannot be filled locally.

Updating the CSOL to reflect genuine labour market conditions is essential. Reclassifying these roles as shortage occupations would enable employers to stabilise service capacity, maintain safe and reliable transport operations, support insurance and recovery functions, and ensure sufficient workforce depth to train apprentices. Aligning the CSOL with industry evidence is a practical step toward a more responsive and effective skilled migration system.

Recommendation 8: Reduce the Skilling Australians Fund (SAF) levy

The SAF levy disproportionately impacts small and medium automotive businesses, many of which already operate on tight margins while carrying significant workforce development responsibilities. These businesses invest heavily in training apprentices, upskilling existing staff and sponsoring skilled migrants to address critical labour shortages.

The levy, while intended to support national training objectives, often functions as an added financial burden on the very employers who are contributing most to Australia's skills pipeline.

A more equitable approach would recognise and reward employers who actively invest in apprenticeships and workforce development. MTAA recommends a 50 per cent reduction in the SAF levy for employers who demonstrate a sustained commitment to hiring and training apprentices or who directly sponsor skilled migrants.

Recommendation 9: Introduce a regionally adjusted or sector-specific Temporary Skilled Migration Income Threshold (TSMIT)

The current TSMIT applies uniformly across Australia, despite significant variations in regional labour markets, wage structures and cost pressures. While the existing threshold may be appropriate for high-wage metropolitan centres, it creates a substantial barrier for regional and lower-wage economies and for essential service sectors such as automotive, where margins are tight and wage relativities are critical.

MTAA recommends the introduction of a regionally adjusted or sector-specific TSMIT that better reflects local labour market conditions and prevailing award rates. A more flexible threshold would enable employers in regional areas to access skilled migrants without being forced to pay significantly above local wages, which can distort workplaces and undermine retention of existing staff.

EV transition

Australia's EV transition is progressing, driven by the NVES, consumer demand, global market shifts, and federal and state subsidies. Yet the transition cannot succeed unless the thousands of small automotive businesses servicing the fleet are equipped, trained, and supported.

Without a reliable and affordable servicing and repair network, the transition risks slowing as consumer confidence weakens. Higher servicing costs, longer wait times, and limited access to qualified EV technicians, especially in regional areas, create a different kind of EV anxiety beyond range. This includes uncertainty about whether a vehicle can be repaired quickly, safely, and at a reasonable cost. Ensuring widespread and timely access to competent EV servicing is therefore not only a workforce and safety issue, but also a critical enabler of ongoing EV uptake.

Recommendation 10: Introduce EV tooling and equipment incentives for small businesses

The transition to EV servicing requires automotive workshops to make significant investments in new equipment and infrastructure. To safely and effectively service EVs, businesses must acquire high-voltage isolation equipment, battery lifts and handling systems, insulated tools, fire-resistant storage and containment solutions, specialised diagnostic equipment, and, in many cases, upgraded hoists and modified workshop layouts. This investment can total upwards of $100,000 per workshop.

These requirements impose substantial upfront costs on small businesses, many of which operate on tight margins and lack the capital capacity to invest ahead of demand. To support a safe and orderly transition, the Federal Budget should provide targeted capital grants, rebates or tax offsets specifically for EV-related tooling and equipment of up to $25,000 per eligible business.

Recommendation 11: Provide a $3,000 EV technician tool allowance

Further to above, technicians must obtain a new suite of insulated and high-voltage tools to work safely on EVs. MTAA recommends the introduction of a national $3,000 EV technician tool allowance to accelerate workforce upskilling, improve safety outcomes and ensure the service sector is prepared for the growing EV fleet.

Recommendation 12: Continue the DRIVEN Charger Rebate Stream and expand the eligibility criteria

The Australian Government's DRIVEN Charger Rebate Stream will play an important role in supporting the automotive sector's transition to zero-emissions vehicles by assisting eligible dealerships and independent workshops to install EV charging infrastructure.

Access to on-site charging is increasingly necessary across a range of automotive activities, including vehicle sales and demonstrations, servicing, diagnostics, repair operations and customer handover. However, we are aware that industry uptake of the DRIVEN program to date has been limited, indicating that current program settings may not be fully aligned with the operational realities of the broader automotive sector

Many automotive businesses, particularly small, regional and family-owned operators, continue to face barriers to participation, including high upfront capital costs, electrical capacity constraints, site-specific upgrade requirements, and uncertainty around future charging standards and vehicle technologies. These challenges are not confined to dealerships and workshops alone but extend across other automotive service streams that are critical to EV adoption, including service stations and mixed-use automotive sites.

MTAA recommends that the DRIVEN program be reviewed and refined to improve accessibility, including consideration of extending eligibility to a broader range of automotive businesses such as service stations. Any extension of the program beyond its current 2027–28 end date should focus on reducing participation barriers, supporting future-proofed installations, and providing greater certainty to automotive businesses planning long-term investment in EV readiness.

Recommendation 13: Introduce accelerated depreciation for ZLEV fleets

Australia currently does not have a targeted accelerated depreciation incentive for electric vehicles. Introducing such a measure, such as an enhanced first-year depreciation deduction for zero and low-emission vehicles, would reduce the upfront cost of fleet renewal, stimulate EV uptake, and support business investment in cleaner transport.

MTAA recommends the introduction of an accelerated depreciation allowance for zero and low-emission vehicle fleet purchases. This initiative would:

- Increase the bulk purchase of zero and low-emission vehicles, supporting the Federal Government's legislated emissions reduction targets

- Enable businesses to cycle vehicles through their fleets more quickly, bringing used EVs to market sooner and helping to expand the second-hand EV market
- Improve affordability and consumer confidence by increasing the availability of lower-cost used EVs
- Support automotive dealers and service businesses in managing the transition to a low-emissions vehicle fleet

Recommendation 14: Shift New Vehicle Efficiency Standard compliance from importation to point of sale

MTAA recommends that compliance with the New Vehicle Efficiency Standard (NVES) be assessed at the point of sale rather than at vehicle importation, to ensure original equipment manufacturers (OEMs) are appropriately accountable for the distribution of their vehicles.

Under the current framework, NVES compliance is triggered at importation, allowing manufacturers to manage compliance by distributing vehicles into dealer networks regardless of retail demand. Dealers typically acquire vehicles wholesale upon arrival, meaning vehicles are counted toward compliance before any sale to an end customer has occurred, despite OEMs retaining control over production volumes, model mix and supply decisions.

Shifting NVES compliance to the point of sale would better align regulatory responsibility with those entities that control vehicle supply and emissions performance. This approach would strengthen the integrity of the NVES, ensure compliance reflects real consumer outcomes, and reinforce manufacturer accountability for delivering compliant vehicle fleets to the Australian market.

Tax reform

Australia's automotive tax settings have not kept pace with rapid changes in vehicle technology, pricing and consumer demand. Taxes designed for a previous generation of internal combustion vehicles now risk distorting the market, discouraging investment in safer and lower-emissions vehicles, and undermining the transition to a modern vehicle fleet.

Comprehensive reform is needed to ensure automotive taxation delivers fair outcomes for consumers and businesses.

Recommendation 15: Abolish the Luxury Car Tax or implement major reforms

The Luxury Car Tax (LCT) no longer reflects contemporary market or consumer realities. It penalises Australians who choose safer, more efficient vehicles, disadvantages families requiring larger vehicles, and discourages the uptake of electric and low-emission vehicles at higher price points.

The tax is also anchored to a threshold established more than two decades ago and has failed to keep pace with changes in vehicle pricing, technology and consumer needs.

If full abolition of the LCT is not feasible, MTAA recommends comprehensive reform, including:

- Increasing the LCT threshold to $150,000
- Excluding accessories from LCT calculations
- Reducing the LCT rate to 25 per cent
- Purpose-built LCT thresholds specifically for ZLEVs (BEV, PHEV and HEV), rather than reliance on an outdated fuel-efficiency test designed for internal combustion vehicles

These reforms would modernise the LCT, improve affordability, and better align vehicle taxation with Australia's emissions reduction and safety objectives.

Recommendation 16: Lead a nationally consistent road-user charging framework

MTAA recognises that work is already underway across jurisdictions to consider the future of road-user charging as the vehicle fleet transitions toward zero and low-emission technologies. Multiple government and advisory reviews, including by Infrastructure Australia and the National Transport Commission, have identified that traditional fuel excise revenues are likely to decline as electric vehicle uptake grows, and that alternative, technology-neutral road-user charging frameworks should be considered to ensure sustainable investment in road infrastructure.

However, the current approach remains fragmented, with the risk that uncoordinated state-based schemes could create regulatory complexity, compliance burdens for motorists and businesses, and inconsistent pricing signals. A nationally consistent framework, led by the Commonwealth in partnership with states and territories, is essential to provide certainty, equity and efficiency.

MTAA recommends the Australian Government take a leadership role in developing a harmonised road-user charging model that is transparent, technology-neutral and aligned with emissions reduction objectives. Any future framework should avoid disincentivising EV uptake in the short term, provide clear long-term signals to consumers and fleets, and ensure that funding for road infrastructure remains fair and sustainable as the vehicle mix evolves.

Recommendation 17: Extend FBT concessions for plug-in hybrids and ZLEVs

MTAA recognises that the Electric Car Discount has been highly effective in accelerating early uptake of ZLEVs through fleet, novated leasing and salary-packaging channels.

These channels play an important role in introducing new vehicle technologies to the Australian market. They support early demand, improve residual values, seed the used-vehicle market and provide broader consumer confidence. From the perspective of automotive trades, this pipeline is essential in creating a predictable flow of vehicles into workshops over time.

However, MTAA also acknowledges concerns regarding the fiscal cost of the Electric Car Discount and the need for government to ensure policy settings remain affordable, targeted and defensible. As the ZLEV market matures, policy settings should evolve toward more refined, cost-controlled and transitional measures.

Abrupt or unpredictable policy changes risk undermining business confidence and delaying necessary investment in skills, equipment and safety systems across the automotive service sector. This is particularly relevant for small and regional businesses, which face higher adjustment costs and limited access to capital.

MTAA therefore encourages government to consider policy refinements that balance fiscal discipline with the need for transitional support, rather than pursuing the abrupt withdrawal of the Electric Car Discount.

Australian Consumer Law

Recommendation 18: Provide clarification to automotive businesses, manufacturers & consumers on their rights & obligations under the Australian Consumer Law

MTAA notes that since 2024, the Australian Government has progressed work on ACL reform, including through the Australian Consumer Law Review and broader commitments to strengthen consumer protections and address unfair trading practices. However, while reform activity is ongoing, key areas of uncertainty identified by industry remain unresolved.

In particular, Treasury proposals to increase penalties and expand enforcement powers risk imposing disproportionate detriment on businesses if they are not accompanied by greater clarity around core consumer guarantee concepts. The definitions and application of "acceptable quality", "major failure", "durability" and "rejection periods" remain principles-based and uncertain in practice. Both consumers and businesses continue to lack clear guidance on the reasonable lifespan of products and the point at which a defect constitutes a breach of consumer guarantees, particularly for complex and high-value goods such as motor vehicles and automotive parts.

There is also a continuing lack of clarity around supplier indemnification under section 274 of the ACL. While the provision is intended to ensure manufacturers indemnify suppliers for losses arising from consumer guarantee claims, its practical operation remains inconsistent. Many suppliers, particularly those retailing second-hand vehicles or parts, continue to experience delayed, disputed or refused indemnification, creating uncertainty, cash-flow pressure and legal risk for businesses that act in good faith to remedy consumer claims.

This uncertainty is compounded by the entry of new and overseas-based vehicle manufacturers into the Australian market, where supply chain responsibilities, indemnification processes and enforcement expectations are often unclear. Without clearer statutory guidance and stronger regulatory oversight, suppliers and consumers risk being left disadvantaged, contrary to the intent of the ACL.

MTAA supports continued ACL reform but emphasises that any changes must deliver clearer guidance on consumer guarantees and supplier indemnification, improve certainty across the supply chain, and ensure responsibility is fairly allocated.

Circular economy, stewardship & sustainability

Australia's automotive circular economy settings have not kept pace with growing vehicle volumes, increasing material complexity and the transition to ZLEVs. Mandatory stewardship frameworks are required to support resource recovery, create new markets, and ensure sustainability outcomes align with the realities of the modern automotive fleet.

Recommendation 19: Establish a national End-of-Life Vehicle (ELV) scheme

Australia currently lacks a coordinated, regulated framework for managing end-of-life vehicles, resulting in inconsistent practices, lost material value and avoidable environmental harm. Poor end-of-life vehicle management also contributes to unsafe second-hand parts re-entering the market, increasing safety risks and undermining consumer confidence in vehicle repairs. In contrast, international leaders such as Germany, the United Kingdom and South Korea operate national ELV schemes that mandate vehicle recovery, set clear recycling targets and support investment in advanced dismantling and materials recovery infrastructure.

Because end-of-life vehicles are disproportionately generated in outer-suburban, regional and remote Australia, where vehicles remain in service longer and replacement cycles are slower, an ELV scheme would naturally drive investment, employment and new industrial activity into regional communities. Facilities for dismantling, battery processing, metal recovery and materials separation are well suited to regional locations, creating stable, skilled jobs and supporting local economic diversification.

A co-regulated and mandatory national ELV scheme would provide regulatory certainty and establish consistent standards across all jurisdictions. It would significantly improve recovery and recycling rates for high-value materials including metals, plastics, rubber, glass and textiles, while reducing illegal dumping and unsafe disposal practices.

Importantly, as the vehicle fleet electrifies, a national scheme would enable the safe handling, storage and recycling of EV batteries, high-voltage components and critical minerals.

An effective ELV framework could also support domestic circular-economy industries, improve consumer transparency around vehicle disposal, and ensure environmental and safety outcomes keep pace with technological change. MTAA recommends the Government progress a co-regulated and mandatory national ELV product stewardship scheme as a priority reform.

Recommendation 20: Implement a mandatory co-regulated national tyre stewardship scheme

Australia's tyre recovery and recycling ecosystem remains fragmented and constrained by the limitations of a voluntary stewardship model. Free-riders, inconsistent participation and uneven regulation across jurisdictions continue to undermine responsible operators and limit investment in higher-value circular outcomes. As outlined in Recommendation 16 (National End-of-Life Vehicle Scheme), Australia requires a coordinated national framework to manage vehicle-derived waste streams. A mandatory co-regulated national tyre stewardship scheme should be progressed in parallel as a critical, complementary reform.

Tyres represent one of the highest-volume and highest-risk waste streams arising from end-of-life vehicles and ongoing vehicle use. A regulated national scheme would eliminate free-riding, provide stable funding for recovery and recycling, and align tyre management with broader ELV system objectives.

Priority actions should include:

- Supporting advanced recycling technologies such as devulcanisation, high-quality pyrolysis and recovered carbon black
- Harmonising operator standards, licensing and enforcement across all states and territories
- Supporting domestic manufacturing that utilises tyre-derived materials
- Preparing regulatory and processing systems for emerging EV-specific tyre waste streams

Consistent with the proposed ELV framework, market development is essential to long-term success. Government procurement and infrastructure programs should be leveraged to stimulate stable demand for tyre-derived materials in civil engineering and construction applications, including rubberised asphalt, lightweight fill, retaining wall blocks, road safety barriers and specialist industrial flooring.

Together, national ELV and tyre stewardship schemes would provide an integrated, end-to-end circular economy framework for Australia's automotive sector.

Conclusion

The automotive sector is essential to Australia's economic resilience, workforce participation, regional employment, transport safety, emission reduction goals, and technological transformation. These reforms will reduce insurance premiums, shorten vehicle repair times, improve road safety, and ensure regional Australians are not left behind as the vehicle fleet modernises. They will also create new recycling, dismantling and clean-energy jobs in regional and outer-suburban communities, in line with the Government's national waste, recycling and net-zero objectives.

The 2026–27 Budget presents an opportunity for the Commonwealth to:

- Reinvigorate the skills pipeline
- Modernise the migration system
- Equip small businesses for the EV transition
- Deliver fairer insurance and regulatory systems
- Modernise taxation
- Improve sustainability through national stewardship schemes

MTAA stands ready to work with the Government to implement these reforms and ensure Australia maintains a productive, innovative, and future-ready automotive industry. Please get in touch with Todd Loydell, MTAA Executive Director to discuss this submission further (todd.loydell@mtaa.com.au).

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