



SUBMISSION

MTA Member Survey

Premier's COVID-19 Industry Response and Recovery Council

24 April 2020

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2. Background

The Motor Trade Association SA/NT (the MTA) is an employer organisation representing the interests of over 1,200 members and their more than 15,000 employees in the automotive retail, service and repair sector throughout metropolitan and regional South Australia (SA) and the Northern Territory (NT).

Eighty per cent of these businesses employ less than 20 employees. The automotive retail, service and repair sectors in SA and the NT add more than \$3 billion to the economy annually and employ over 30,000 people.

The MTA also operates a Training and Employment Centre in SA, comprised of both our Registered and Group Training Organisations. It is the automotive industry's training provider of choice with more than 900 apprentices in training and is the largest employer of automotive apprentices in South Australia with 500 employed through over 240 host businesses.

As a representative body, the MTA has 12 divisions representing the full range of trades within the automotive industry including:

- Australia Automotive Dealers Association
- Automotive Dismantlers
- Auto Repair and Engineering
- Body Repair Specialists
- Commercial Vehicle Industry Association
- Farm and Industrial Machinery Dealers Association
- Licensed Vehicle Dealers
- Motorcycle Industry Association
- Towing Services
- Service Stations
- Tyre Dealers
- Vehicle Rental

3. Executive Summary

Since March 2020, the Coronavirus (COVID-19) pandemic has had a crippling effect on economies at a global, national and local level.

As progressive restrictions and shutdowns of the Australian and South Australian economy took place in response to COVID-19, the 24/7 news cycle continued to report on global shutdowns and lockdowns of intense severity.

The public has been told on a daily basis to stay at home and limit their day to essential activities such as shopping for food, collecting medicine and going to work, where working from home is not possible.

Throughout all of this, the automotive sector has remained open for business, but at the cost of a reduction in customers. These are customers who are now fearful of engaging with the broader economy, who are suffering a reduction in their household incomes and who are choosing to defer decisions to transact with the automotive industry.

While travel and hospitality sectors have been forced to close, general retail sectors are following suit, and there is a sense that while some residual business activity exists within the automotive industry, that our members will soon lose their remaining customers, their employees and potentially their businesses altogether.

The following submission summarises the views of the MTA's members. Between Friday, 17 April and Wednesday, 22 April 2020, the MTA reached out to survey 100 members across each of its 12 divisions, receiving a total of 97 responses.

Members were surveyed about a range of topics including the impacts of COVID-19 to trade and staff, the assistance offered by Governments, as well as what the future may hold.

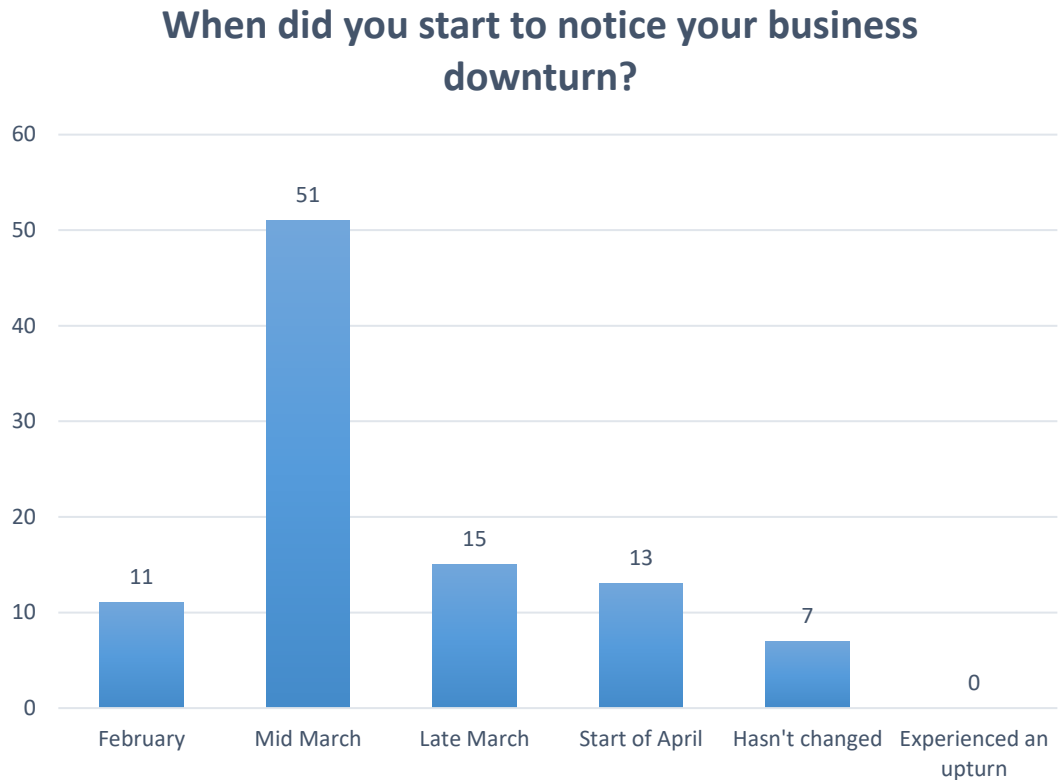
The findings reinforce a concerning decline in economic activity due to a lack of customers, with more than three quarters of members surveyed indicated that they have experienced a drop of at least 20 per cent, and more than one third have experienced a drop of between 40 and 60 per cent.

While JobKeeper has prevented even more significant job losses due to COVID-19, the survey shows that an estimated 400 to 1,600 employees have been laid off or stood down in the automotive industry in South Australia.

Despite this, there are some signs of hope with roughly a third of businesses indicating that conditions are stabilising to a "new normal" of decreased business activity. Businesses are also using this time to improve their processes, adopt new technology and upskill their staff.

4. Survey results

Impacts of COVID-19 to automotive industry trade



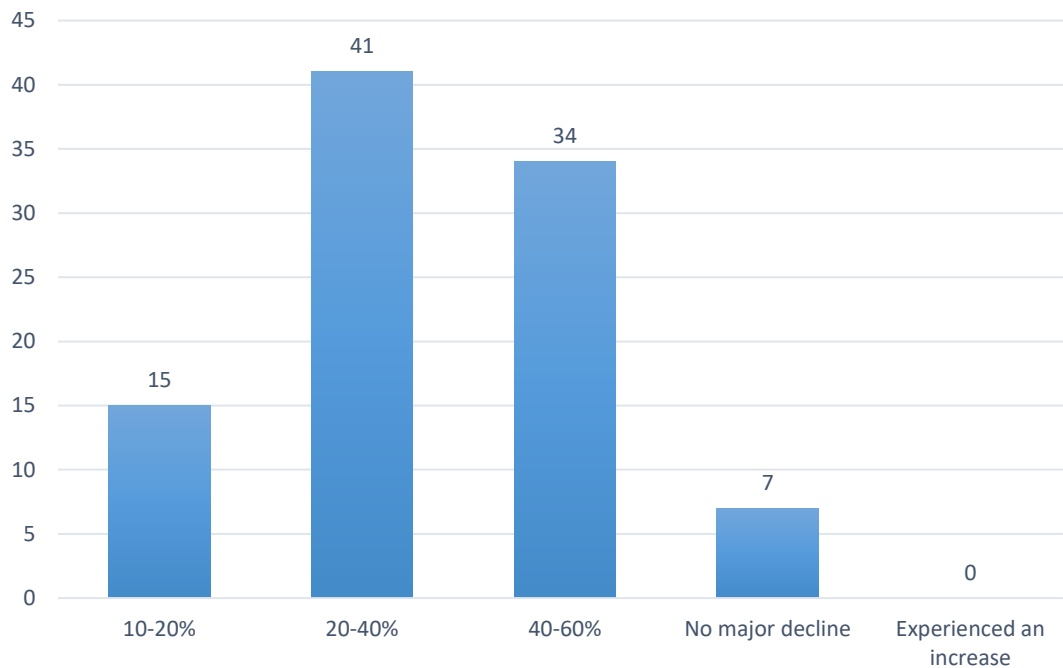
Since mid-March, as restrictions and shutdowns of the Australian and South Australian economy have taken place in response to COVID-19, the majority of our members have experienced a downturn in business activity and revenue.

The 24/7 news cycle showing various stages of shutdowns and lockdowns abroad and even interstate are having a real impact not just on business activity but more importantly, consumer behaviour. While travel and hospitality sectors have already been wiped out, general retail sectors are following, and there is a sense that while some residual business activity exists within the automotive industry, that our members will soon lose their remaining customers.

Consumers are being told on a daily basis to stay at home and limit their day to essential activities such as shopping for food, collecting medicine and going to work, where working from home is not possible.

The member experience outlined above is consistent with some of the most severe restrictions announced by Governments in response to the emerging local COVID-19 pandemic.

How much has your business turnover decreased by?

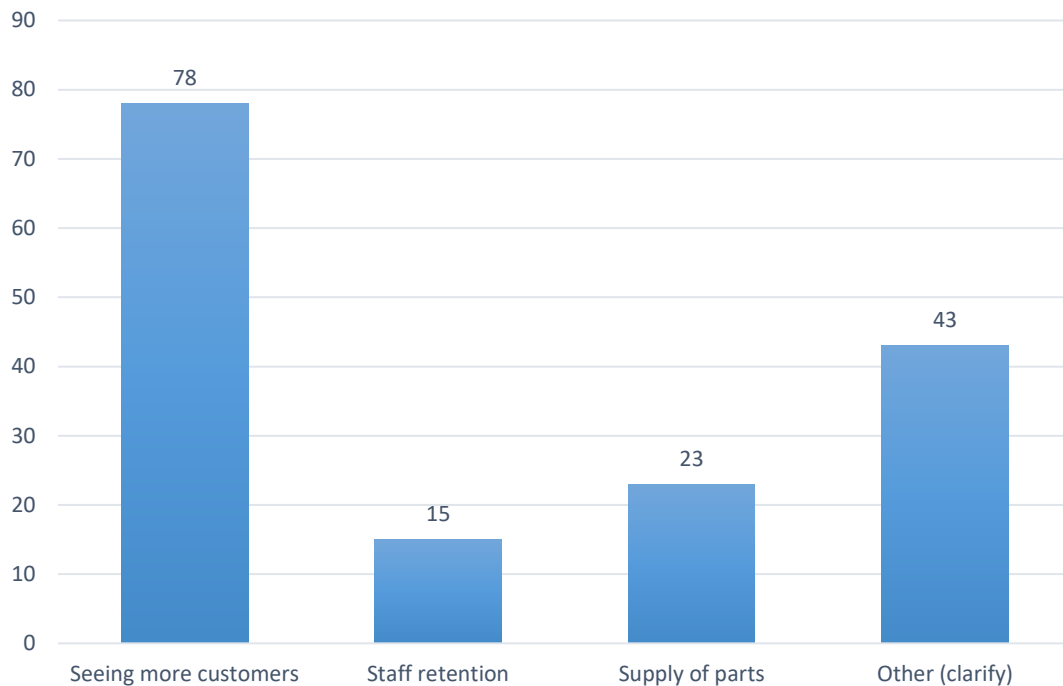


More than three quarters of members surveyed indicated that they have experienced a drop of at least 20 per cent, and more than one third have experienced a drop of between 40 and 60 per cent.

At the time of the survey, this places a significant proportion of the automotive industry within the ballpark of receiving assistance through the JobKeeper Payment.

Our members are reporting that bookings are down across the industry and cancellations are increasing. As consumers are worried about contracting COVID-19, they are receiving mixed messages about where they can engage with the economy, they face household financial pressures, and are consequently delaying decisions to service their car or purchase a new vehicle, for example.

What are the current major issues you face?



The impacts of the COVID-19 pandemic are demonstrating that business as usual will be disrupted for the foreseeable future. Our members across all divisions (78 out of 97 respondents, or 80 per cent of respondents) have experienced a major downturn in customer numbers.

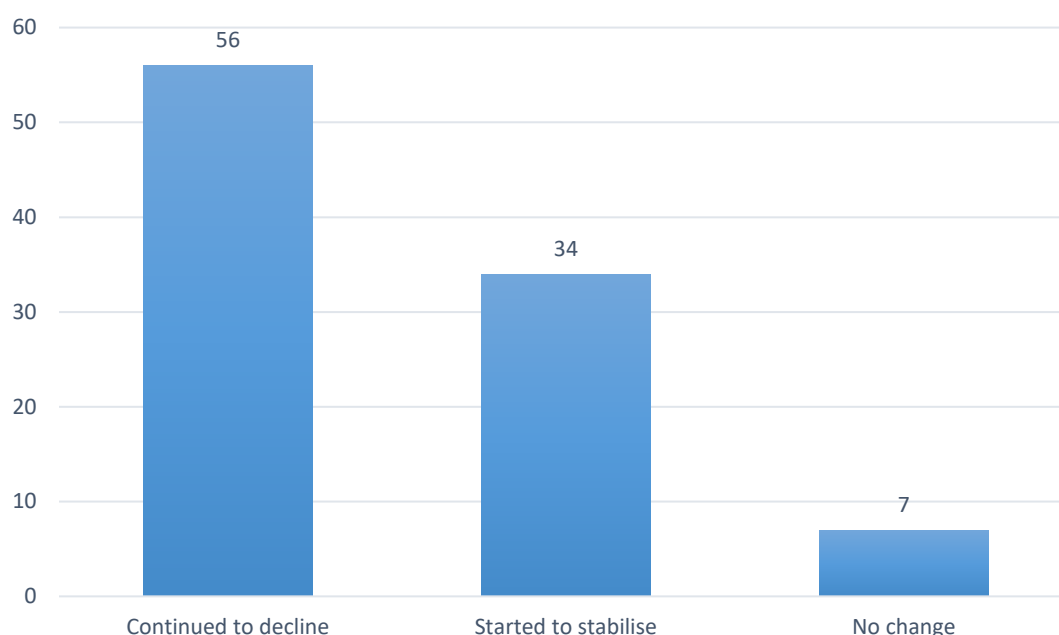
For business owners cash flow is key, and in the absence of customers businesses are making decision about where they can minimise costs to their businesses in the interests of getting to the other side of the crisis, while retaining as many staff as possible.

Members are also experiencing issues with their supply chains and access to inputs required to conduct their businesses, as suppliers move to skeleton staffing in response to COVID-19.

During these uncertain times, members have also been grappling with many other unprecedented business issues including:

- customers or trade clients cancelling pre-existing orders or supply arrangements;
- staff having to self-isolate following close contact with a confirmed COVID-19 case;
- splitting teams to reduce proximity and implement social distancing measures;
- mental health and staff morale/performance issues;
- lack of tourists in regional areas; and
- a decrease in vehicles on the roads has resulted in a downturn in accident and breakdown towing, and consequent repairs.

Has your business continued to decline or has it stabilised?



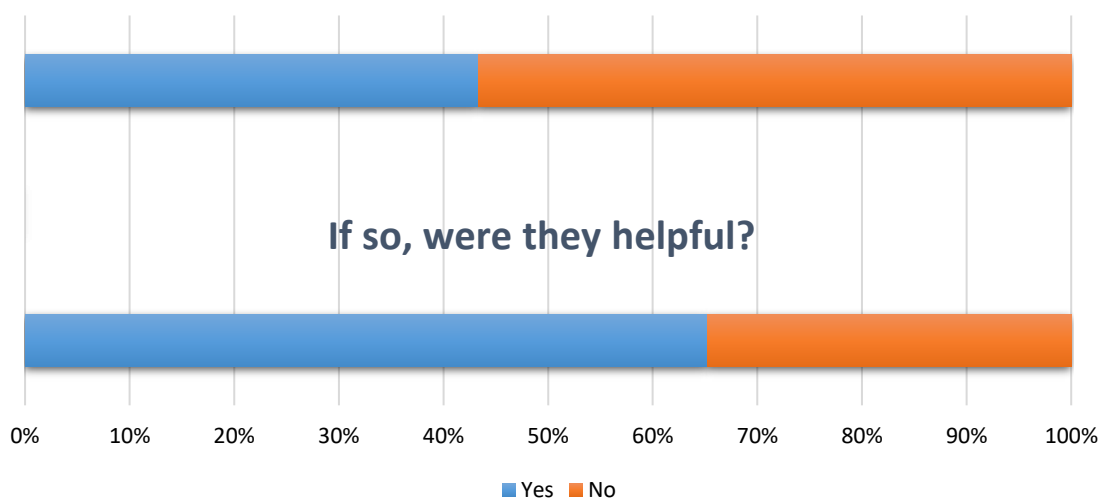
The impacts of COVID-19 continue to have serious ramifications for the automotive industry, 58 per cent of survey respondents are experiencing a continued downturn in business, despite government measures.

Five out of six of the businesses that reported no change in business are from the Farm and Industrial Machinery Dealers Association (SA) division, which has benefited from an increased focus on farm to supermarket supply chains and the increase to the instant asset write-off threshold to \$150,000.

However, concerns have now been raised that machinery orders will be cancelled as delivery will occur after 30 June 2020 due to disrupted international supply chains, falling outside the criteria for the increased write-off threshold. Furthermore, the one other business (AADA) that reported no change in business during the survey period was due to pre-COVID-19 orders being delivered in March and expressed caution with regard to the next business quarter.

For those that responded that conditions have started to stabilise, this reflects a move towards a “new normal” of continued reduced business activity, but without further deterioration.

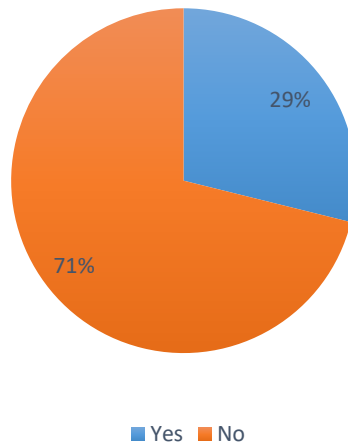
Have you engaged your bank regarding assistance?



43 per cent of survey respondents indicated that they had contacted their financial institution seeking assistance with loan deferrals or access to new COVID-19 related loans.

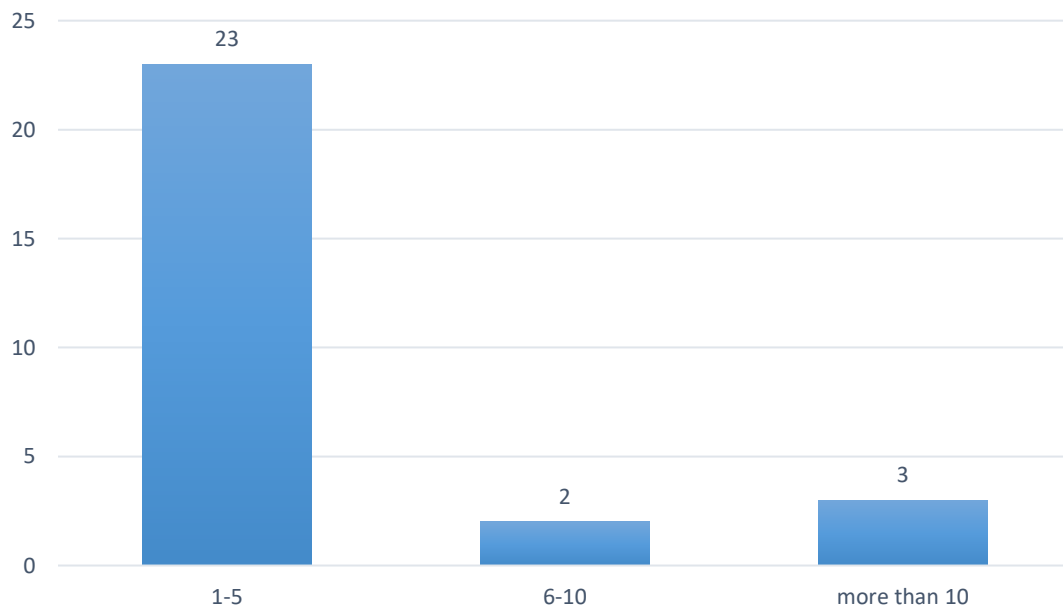
Of those members who contacted their financial institution for assistance, 65 per cent found their bank to helpful in meeting their business needs.

Have you let go or stood down any staff?



29 per cent of businesses surveyed, across all twelve divisions indicated they have had to let go or stand down staff in response to the business impacts of COVID-19.

If you have stood down staff, how many?

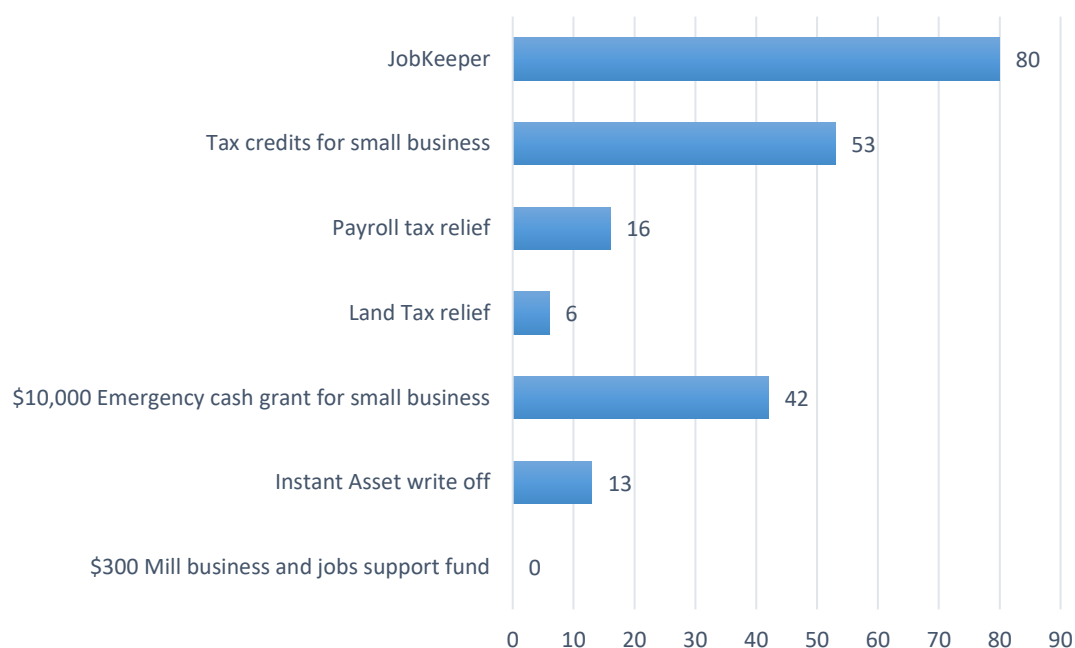


The Automotive Industry in South Australia employs approximately 30,000 individuals¹, with MTA members responsible for employing over half of that number.

As a representative sample, this equates to approximately 400 to 1,600 employees in the automotive industry who have lost their jobs or are not working.

¹ <https://www.mtaa.com.au/directions-in-australias-automotive-industry-2017>

Which of the following Government initiatives is the most useful for your business?



The MTA acknowledges that the State and Federal Governments have announced a range of measures to assist businesses through tax credits, wage subsidies, support for apprentices, payroll tax relief, land tax relief and emergency cash grants for small businesses.

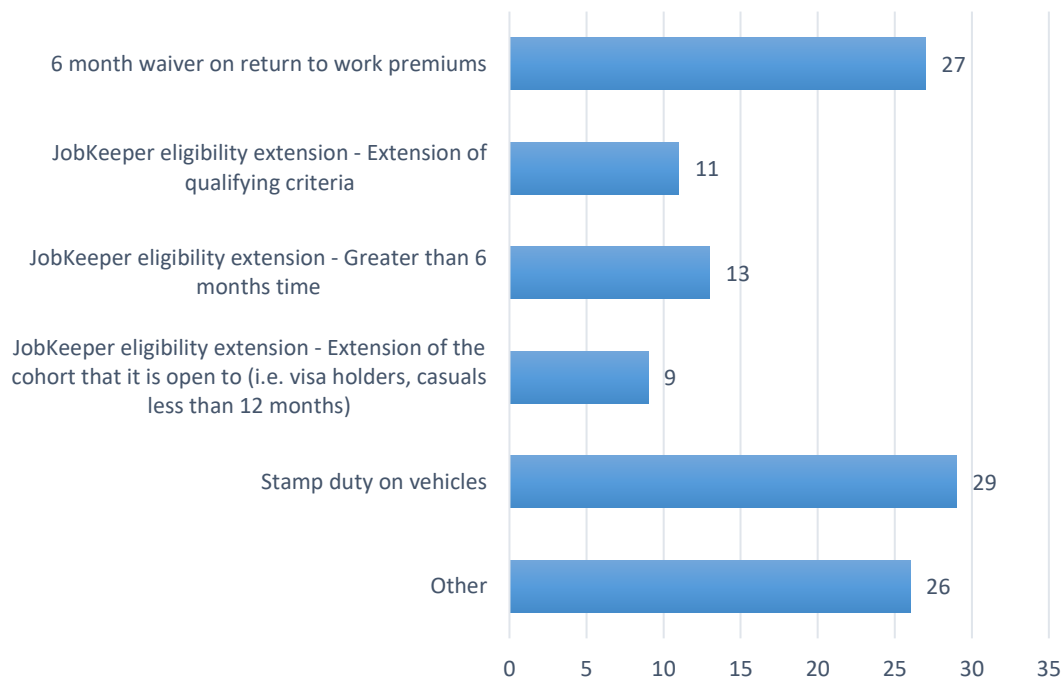
Overwhelmingly the Commonwealth Government's JobKeeper Payment was identified as the key lifeline for the automotive industry and the hundreds of automotive apprentices employed across South Australia. Subsidising the wages of existing apprentices to the effect of \$1,500 per fortnight has eclipsed the 50 per cent apprentice wage subsidy which was earlier announced by the Commonwealth Government.

While the State Government's commitment to deferrals on land tax and payroll tax are commendable, members have identified (outlined below) that more needs to be done to reduce the ongoing cost of doing business and keeping South Australian's employed.

In this regard, tax credits for small and medium sized businesses, delivered through the PAYG system, as well as the State Government's \$10,000 cash grant for small businesses, have been identified by members as being beneficial to the automotive industry.

Ultimately, however, there will come a time when the cost of opening the door will exceed that of the support offered by the Government if there are no customers to support business operations.

Are there any other business assistance items you would like the Government to consider?



The MTA's discussions with its members have revealed that consideration needs to be given to the waiver, rather than deferral, of business costs, fees and charges, as well as expanding relief measures to include all businesses, as it is clear that the COVID-19 pandemic's effects are economy wide, and not limited to small and medium sized businesses.

Some of the potential savings measures that MTA members identified as being beneficial to the automotive industry in South Australia included:

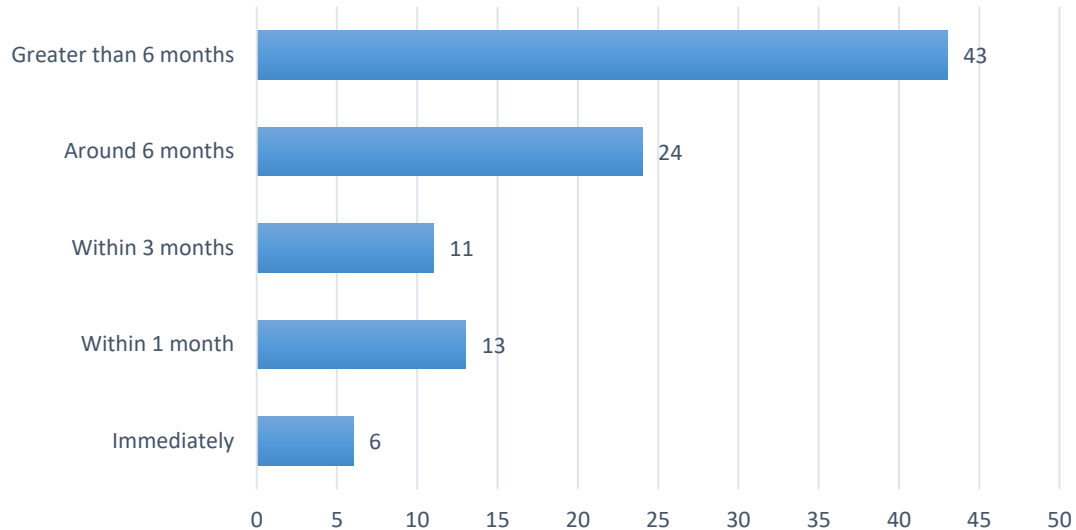
- 6 month waiver on Return to Work premiums;
- JobKeeper eligibility extension – extension of qualifying criteria
- JobKeeper eligibility extension – greater than 6 months time
- JobKeeper eligibility extension – extension of the cohort that it is open to (i.e. visa holders, casuals less than 12 months);
- 12 month stamp duty rebate for motor vehicles;
- reductions in registration fees while retaining CTP ;
- 6 month waiver on contributions to the Second-hand Vehicles Compensation Fund;
- extension of 6 month land tax waivers for privately owned land;
- expansion of payroll tax waivers to businesses with group annual wages above \$4 million;
- review of payroll tax penalty rates;
- insurance premium relief;
- Council rates relief;

- grants to undertake upskilling during downturn in business;
- provision of personal protective equipment (PPE) such as masks and hand sanitiser; and
- red tap reduction when dealing with Government.

Further relief for payroll tax, land tax and Return to Work premiums have a net benefit to businesses across the state, whereas a stamp duty rebate on motor vehicles, reductions in registration fees and a waiver on contributions to the Second-hand Vehicles Compensation Fund are more directly targeted at the automotive industry.

In the longer term, the measures and priorities recommended by the automotive industry may evolve towards driving additional consumer or economic activity, but at present the message from our industry is that businesses want to make it through this uncertain period without losing their business and the staff they employ.

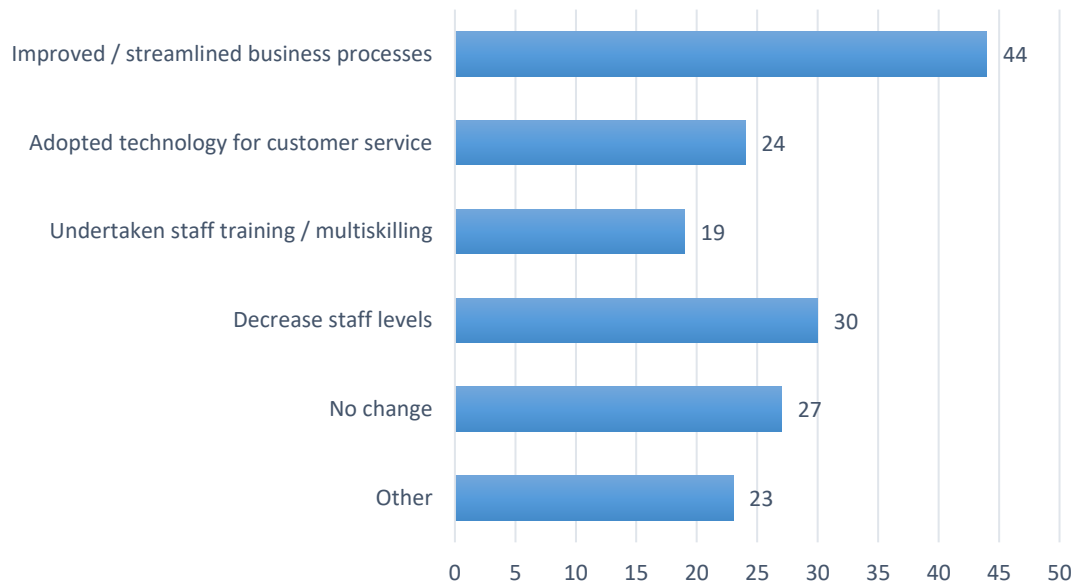
**If the Government were to release restrictions,
when do you think your business turnover would
return to normal levels?**



The impact of COVID-19 upon the automotive industry has left the majority of business owners uncertain about the future and their ability to stay afloat and continue to employ staff.

69 per cent of the survey respondents believe that it will take 6 months or more for business turnover to return to normal levels, following a release of government imposed restrictions. Only 6 per cent of MTA members responding to the survey believe that their business turnover will return to normal levels immediately.

How have you changed your business in preparation for the future?



The MTA's discussions with its members has identified that there has been a considerable modification to business processes and practices in response to COVID-19. While COVID-19 has been the great disrupter, businesses have made the most of these opportunities to adjust and prepare for the future despite the economic downturn.

Improved and streamlined business processes were the most commonly cited activity mentioned, followed by decreasing staff levels.

Members have also modernised their businesses and adapted to change through the use of new technology, business plans and moving to online training, meetings and services.

In addition to the changes identified above, members have:

- taken up the opportunity to attend to outstanding tasks, where ordinarily there has been no time to do so;
- undertaken maintenance and improved presentation of the business/workspace;
- pivoted to providing "at home" services (e.g home quoting and assessment for crash repair services); and
- provided additional automotive services in addition to their core business (e.g. licenced vehicle dealer undertaking mechanical work).

5. Submission Contact

For further information relating to this submission please contact:

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