2026/2027 MTA GROUP PRE-BUDGET SUBMISSION

Motor Traders Association of NSW | 30 January 2026

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EXECUTIVE SUMMARY

The MTA Group representing automotive businesses across NSW and the ACT and presenting recommendations applicable nationwide, welcomes the opportunity to present our priorities for the 2026-27 Federal Budget. This submission addresses critical policy areas affecting the automotive retail, service, and repair sector across Australia representing businesses that are fundamental to the nation's economic prosperity and the transition to a lower-emission vehicle fleet.

The automotive sector accounts for approximately 18 per cent of Australia's CO2 emissions. Without significant reductions in this sector, the Federal Government will not achieve its legislated net zero targets. This submission directly supports emissions reduction objectives while ensuring the industry workforce and businesses can successfully transition.

Our submission focuses on six strategic priority areas:

1. Workforce Development and Skills Investment
2. Fair Trading Frameworks for Automotive Businesses
3. New Vehicle Efficiency Standard Implementation Support
4. Zero-Emission Transition Support for Small Business
5. Taxation Reform for Automotive Retail
6. Circular Economy and Vehicle End-of-Life Management

The automotive retail sector stands at a pivotal juncture. With approximately 20 million internal combustion engine vehicles expected to transition to zero and low-emission alternatives over the coming decades, our industry faces unprecedented transformation. This transition presents both significant opportunities and substantial challenges for the predominantly small business operators who comprise our membership.

MTA Group members, representative of automotive businesses nationwide, are committed to supporting Australia's emissions reduction objectives. However, this commitment requires partnership with government to ensure automotive retail businesses, their employees, and apprentices are equipped with the tools, training, and infrastructure necessary to service, maintain, and repair the next generation of vehicles.

This submission outlines practical, achievable policy measures that will enable our sector to successfully navigate this transition while continuing to provide essential services to motorists across New South Wales and contributing to the national economy.

RECOMMENDATIONS AT A GLANCE

Priority Recommendations for Federal Budget 2026-27

PRIORITY 1: WORKFORCE DEVELOPMENT
Restore Priority Hiring Incentive to $15,000 (staged payments)
Industry-led school pathway programs | Mentoring programs
Reduce Skilling Australians Fund Levy by 50%
Mature age apprentice support | EV training infrastructure.
Establish meaningful targets and programs for women in automotive.
Seed funding for MTA Group and Women in Automotive to develop mentorship programs.

PRIORITY 2: FAIR TRADING FRAMEWORKS
Extend Unfair Trading Practices protections to all automotive franchises
Implement mandatory Motor Vehicle Insurance & Repair Industry Code
Establish mandatory national tyre stewardship scheme

PRIORITY 3: NVES IMPLEMENTATION
Implement point-of-sale compliance
Establish biennial NVES reviews

PRIORITY 4: ZERO-EMISSION TRANSITION
Instant asset write-off for EV workshop equipment
Direct grants up to $25,000 for workshop modifications
$3,000 tool allowance for EV training
Extend general instant asset write-off beyond June 2025
Extend AASRA scheme to motorcycles, caravans, and agricultural equipment.
Include body repair businesses in all EV equipment tax breaks.

PRIORITY 5: TAXATION REFORM
Reverse 2025 LCT fuel-efficient definition change (restore 7.0L/100km from current 3.5L/100km)
Abolish Luxury Car Tax as part of Australia-EU FTA
Accelerated depreciation 50% for ZLEVs
National Road user charging framework with 7,500km exemption

PRIORITY 6: CIRCULAR ECONOMY
Comprehensive ELV product stewardship scheme
EV battery stewardship framework

ABOUT THE MTA GROUP

The MTA Group encompasses the Motor Traders' Association of New South Wales (MTA NSW), the Motor Trades Association of the ACT (MTA ACT), My Trades Care (MTC), and My Trades Start (MTS).

MTA NSW

For over 115 years, the Motor Traders' Association of New South Wales (MTA NSW) has stood as the premier employers' body advocating for the motoring industry. We proudly represent over 3,200 businesses, collectively employing more than 35,000 workers. Our core mission, our raison d'être, is to elevate the industry's standing in the eyes of decision-makers and the public, thereby advancing our sector for the betterment of the economy and the motoring public.

We are highly active participants in forming legislation that sets nation-leading standards. Our expert industry advice is highly sought after by both state and federal governments. We achieve this through involvement in working groups, industry and government bodies, and skills development initiatives, including holding the Chair of the automotive jobs and skills council's strategic working advisory panel and chairing the NSW Industry Training Advisory Board.

Excellence in Automotive Training

For over 60 years, MTA NSW has been providing industry-specific training. In 1996, we formalised our commitment by becoming a nationally recognised Registered Training Organisation (RTO). Since then, we have strategically grown our training model to become the largest independent, non-profit automotive training provider in NSW, and the second-largest training provider in the state overall, after TAFE.

Our unique one-on-one training structure offers unparalleled flexibility for both employers and apprentices, ensuring highly responsive and tailored training. This dedicated approach means our apprentice completion rates consistently remain above the national average. MTA NSW achieves significantly higher than the national automotive apprentice completion rate of 57.6%, demonstrating the effectiveness of our one-on-one mentoring approach in addressing retention challenges.

Our training methodology earned significant recognition in 2024 when we received Second Place in the NSW Training Awards for Large Training Provider of the Year. Testament to the expert training received, MTA NSW apprentices have gone on to represent Australia at World Skills for the last two years.

MTA ACT

Since 1975, the Motor Trades Association of the ACT has been the indispensable industry body for the motoring industry in Canberra. We represent over 250 businesses, spanning new car dealerships, mechanical and body repair services, and even vehicle dismantling—truly representing the entirety of the automotive lifecycle in the ACT.

National Applicability

Combined, NSW and the ACT represent over 35% of the nation's Gross Domestic Product. Consequently, NSW and the ACT represent the largest automotive workforce in Australia at over 30% and the greatest number of businesses across the automotive lifecycle.

The combined fleet of over six million registered vehicles far surpasses any other jurisdiction in the country. Furthermore, NSW and the ACT are leading the nation in adopting greener transport:

- More electric and hybrid vehicles are registered in NSW and the ACT than anywhere else.
- According to the National Transport Commission, in January 2025, over 65% of all registered EVs were on NSW roads.
- By November 2025, more than 100,000 of the 260,000 electric vehicles in Australia were registered in NSW alone. Combined with the ACT, that number surpasses 115,000 vehicles.

The sheer scale of our workforce, our businesses, and our fleet provides decision-makers with the necessary volume of data and representative issues to make carefully considered choices. These decisions, informed by our insights, have the power to create highly positive impacts on industry across the entire country.

While this submission is prepared by MTA Group, the policy issues, challenges, and recommendations identified are applicable across Australia. The automotive industry faces consistent challenges nationally in workforce development, regulatory frameworks, transition support, and market conditions. The evidence base, data analysis, and proposed solutions in this submission are relevant to the entire Australian automotive sector and can inform national policy development. Where this submission references NSW-specific data, these represent proportionate estimates from national statistics and illustrate challenges consistent across all jurisdictions.

PRIORITY 1: WORKFORCE DEVELOPMENT AND SKILLS INVESTMENT

Context and Challenge

The automotive service and repair sector faces an acute and growing workforce crisis. Current estimates indicate a skilled labour shortage exceeding 38,000 positions nationally, with New South Wales experiencing a proportionate share of this deficit. This shortage is compounding as the industry simultaneously manages:

- Retirement of experienced technicians from an aging workforce
- Insufficient numbers of young people entering automotive apprenticeships.
- Emerging skill requirements associated with electric vehicle technology, Advanced Driver Assistance Systems (ADAS), hydrogen vehicles, and other new automotive technologies.
- Competition from other sectors for technically capable school leavers

The transition to electric vehicles, hydrogen vehicles, ADAS technology, and other emerging automotive technologies intensifies these challenges. While traditional mechanical skills remain essential for the existing fleet, automotive technicians must now acquire additional competencies in high-voltage electrical systems, battery management, thermal management systems, advanced sensor and camera systems, hydrogen fuel cell technology, and advanced diagnostics. This dual requirement creates unprecedented training demands.

Recent policy changes have inadvertently exacerbated workforce challenges. The reduction of the Priority Hiring Incentive from $15,000 to $5,000 has diminished the financial capacity of small businesses to take on apprentices, particularly in regional areas where wage costs and training expenses present significant barriers. More concerning, the Government has now announced a further reduction to $2,500 from 1 January 2026 for automotive and other non-housing/clean energy trades. These reductions come at precisely the moment when the industry most urgently requires an expanded pipeline of trained technicians.

This reduction disproportionately impacts regional and rural areas, where electric vehicle uptake remains lower and apprentice demand centres more on traditional automotive skills. Regional employers face the double burden of reduced incentives while capital city workshops servicing EVs retain the higher $5,000 allowance, creating an inequitable policy outcome that punishes the very areas facing the greatest skills shortages and training challenges.

MTA NSW's one-on-one training model demonstrates the effectiveness of mentoring in improving completion rates. MTA NSW achieves apprentice completion rates, exceeding the national average of 57.6%, directly demonstrating that properly resourced mentoring programs deliver measurable improvements in apprentice retention and qualification attainment.

Recommendation 1.1: Restore and Link Priority Hiring Incentive to Retention

We recommend the Commonwealth Government immediately restore the Priority Hiring Incentive to its original quantum of $15,000 per eligible apprentice. Furthermore, we recommend restructuring the incentive to link payment milestones to apprentice retention, with staged payments at 12, 24, and 36 months of employment.

The Evidence Base for Increased Incentives:

The automotive sector faces critical completion rate challenges. According to the National Centre for Vocational Education Research (NCVER), automotive and engineering trades workers achieved only a 57.6 per cent individual completion rate for apprentices commencing in 2019, meaning that 42.4 per cent of apprentices failed to complete their training. This represents a substantial loss of investment for both employers and government.

Research demonstrates that up to 71 per cent of automotive workshops report apprentice attrition before graduation, with fill rates for automotive technician positions as low as 33 per cent in regional areas. The most common employment-related reasons for non-completion include dissatisfaction with pay or working conditions (11.9 per cent) and job loss or redundancy (11.7 per cent).

International evidence strongly supports employer incentives for apprenticeship retention. The American Apprenticeship Initiative evaluation, conducted by the U.S. Department of Labor, found that:

- Employers achieved a median return on investment of 144 per cent, earning $1.44 for every $1.00 invested in apprenticeship programs.
- Two-thirds of employers (68 per cent) recouped their apprenticeship investments when considering both direct and indirect benefits.
- Employers who invested in apprenticeships experienced a remarkable 90 per cent employee retention rate after program completion.
- The median net benefit to employers over the full apprenticeship and post-apprenticeship period was $17,862 per apprentice.

Research from Germany's apprenticeship system demonstrates that high retention of apprentices (over 50 per cent) delivers critical economic benefits to employers, with the cost of recruiting a skilled worker externally estimated at twice the monthly pay for a similar worker. This makes retention of apprentices through to completion financially compelling for employers.

Australian Industry Group research found that 50 per cent of employers indicated their employment of apprentices and trainees would reduce if financial incentives were no longer available or substantially reduced. Employers overwhelmingly reported that apprenticeships are becoming too costly, with incentives forming a critical part of the economic equation even though they never address the full cost of employing apprentices.

The recent incentive reductions are particularly ill-timed given:

7. **The EV transition paradox:** While clean energy apprenticeships retain the full $5,000 incentive, EVs represent only 10 per cent of new vehicle sales. The remaining 90 per cent of the fleet requires ongoing service and maintenance by technicians trained in conventional automotive trades. Creating a policy misalignment between incentive levels and actual market needs risks creating dangerous skills gaps.

8. **The cost burden on small business:** Automotive businesses typically operate on tight margins and are predominantly small enterprises. The reduction from $15,000 to $5,000, and now to $2,500, represents an 83.3 per cent reduction in government support at precisely the time when apprentice wage costs, training fees, and workplace insurance costs continue to rise.

9. **Regional impact:** Regional automotive employers face even greater challenges, with lower applicant numbers (averaging 1.8 suitable applicants per vacancy versus higher metro rates) and higher training delivery costs. The reduced incentive makes regional apprenticeship engagement financially unsustainable for many businesses.

10. **Timing and consultation:** As noted by Australian Industry Group, these changes were announced only one month before implementation, providing inadequate time for employers to adjust workforce planning for 2026.

The case for restoration to $15,000 is compelling:

- It recognises the true cost burden on employers, particularly small businesses.
- It aligns with international evidence demonstrating strong ROI from properly supported apprenticeship programs.
- It addresses completion rate challenges by enabling employers to invest in mentoring and support structures.
- It sends a clear signal that government values automotive trades as essential to Australia's economy.
- It provides adequate support during the critical first years when employers carry the highest training burden.

Linking incentives to retention outcomes: International research on state apprenticeship incentives in the United States found that programs designed with retention-based payment milestones achieved better outcomes than those focused solely on registration. California's completion bonus model, providing $1,000 upon completion in addition to staged payments, has demonstrated effectiveness in improving completion rates.

By structuring payments at 12, 24, and 36-month milestones, the Government would:

- Incentivise employers to invest in retention strategies including mentoring and workplace support

- Ensure taxpayer funds are directed toward successful outcomes rather than false starts - Encourage employers to maintain apprentices through the critical mid-term period when attrition is highest

- Align government investment with desired policy outcomes of increased trade qualification attainment

The recent reduction of this incentive sends a counterproductive signal to employers at the very time when government policy objectives require increased investment in workforce development. Restoration of the incentive to $15,000 with retention-based milestones would demonstrate renewed commitment to trades training, recognise the substantial financial commitment employers make when engaging apprentices, and align with evidence-based policy approaches proven effective in comparable jurisdictions.

Recommendation 1.2: Establish Industry-Led School Pathway Programs

We recommend Commonwealth funding for a national automotive industry schools engagement program, delivered by automotive industry employer associations in all states and territories including the MTA Group. This program would deploy dedicated pathway coordinators to work with secondary schools across metropolitan and regional areas, promoting automotive careers and creating direct connections between students and employers.

Successful models currently operate in Queensland, South Australia, and Victoria, demonstrating proven effectiveness in increasing the number of young people considering automotive careers. A nationally consistent approach, with adequate resources to extend into regional and remote communities, would significantly expand the pool of prospective apprentices.

Recommendation 1.3: Fund Industry-Led Mentoring Programs

We recommend establishment of a federally funded, industry-delivered mentoring program specifically designed to improve automotive apprenticeship completion rates. Current completion rates across all trades remain unacceptably low, with approximately 50 per cent of apprentices failing to complete their qualification.

A properly resourced mentoring program, embedded in industry and connected directly to workplaces, would provide the support structure necessary to improve retention. The program should specifically incorporate support for groups currently underrepresented in automotive trades, including women, First Nations peoples, and culturally and linguistically diverse apprentices.

Recommendation 1.4: Reform the Skilling Australians Fund Levy

We recommend the Commonwealth Government reduce the Skilling Australians Fund Levy by 50 per cent for employers who demonstrate substantial commitment to workforce development through employment of apprentices or sponsorship of skilled migrants.

Automotive employers are significant contributors to skills development, often maintaining multiple apprentices and sponsoring skilled migrants to address workforce gaps. A levy reduction for these businesses would acknowledge their contribution and provide additional financial capacity to sustain and expand training efforts.

Recommendation 1.5: Provide Enhanced Support for Mature Age Apprentices

We recommend targeted additional support for employers engaging mature age apprentices in automotive trades. This should include direct wage subsidies or substantial tax offsets to address the higher cost burden associated with wage rates for workers over 21 years of age.

Regional automotive employers frequently engage mature age apprentices due to limited availability of school leavers. However, the significant wage differential that applies once apprentices turn 21 creates financial challenges for small businesses.

Recommendation 1.6: Invest in Low-Emission Vehicle Training Infrastructure

We recommend the Commonwealth Government extend capital funding for electric vehicle training facilities beyond public TAFE institutions to include industry non-profit Registered Training Organisations (RTO) with the industry knowledge to deliver training.

While TAFE institutions play an important role, the automotive industry has developed substantial expertise and investment in EV-specific training through the industry non-profit sector and industry initiatives. Co-investment in these facilities would maximise training capacity and accelerate the development of a qualified EV technician workforce. [1]

[1] *Comprehensive data analysis supporting Priority 1 recommendations is provided in* ***Appendix A: Automotive Apprentice Trends Analysis 2015-2025***.

Women in Automotive

According to Jobs and Skills Australia (JSA), Australia's trade sector is the most gender isolated of all occupations, and this is especially true in the automotive industry.

Across all sectors of the trades in automotive, the highest percentage of female participation is within the automotive electrical trades at nine (9) per cent. Motor mechanics (technicians) fare the worst at three (3) per cent.

Female commencements in automotive apprenticeships have not trended anywhere near the levels that should be achieved over the last decade. In 2015, 2.5% of all motor mechanic apprenticeships were female. By 2025, this has only risen to 4.5% of all apprenticeships.

Attracting more women into our industry is crucial if the industry is to address skills shortages and increase productivity.

Numerous submissions, reports, publications, roundtables and hearings over the last three years have all noted the discrepancies in the gender numbers in the industry, but all have failed to seek to establish targets or meaningful programs to increase female participation rates.

Recommendation 1.7: Establish Targets and Programs for Women in Automotive

We recommend the Federal Government work with the automotive industry to establish meaningful and achievable targets and programs to meet those targets, including:

- School education programs for parents and teachers
- Targeted programs for careers advisors
- Wrap-around programs for apprentices.
- Educational toolboxes for employers

Programs such as the MTA NSW Drive Your Future campaign can act as templates for designs.

Recommendation 1.8: Seed Funding for Women in Automotive Mentorship

We recommend seed funding be provided to MTA Group and Women in Automotive to develop mentorship programs for women in automotive to develop their careers.

PRIORITY 2: FAIR TRADING FRAMEWORKS FOR AUTOMOTIVE BUSINESSES

Context and Challenge: Extension of Unfair Contract Terms and Unfair Trading Practices Protections

MTA Group strongly welcomes the Commonwealth Government's announcement to extend protections from Unfair Contract Terms and Unfair Trading Practices to all businesses regulated under the Franchising Code of Conduct. As the then Minister for Small Business, the Hon Julie Collins MP, stated in her media release, "The Government will extend protections from Unfair Contract Terms and Unfair Trading Practices to businesses regulated by the Franchising Code, following consultation. Franchisees may be vulnerable to Unfair Trading Practices given a franchisor controls key aspects of a franchisee's business, such as branding, marketing, supply chains and operational processes.". This reform applies to automotive franchises in all Australian states and territories.

This critical reform recognises that the power imbalances affecting automotive dealerships extend across the entire franchised automotive sector in all Australian states and territories. MTA Group represents not only new and used vehicle dealerships but also franchised automotive repair workshops, tyre retailers, windscreen and automotive glass replacement businesses, quick service outlets, and numerous other franchised automotive enterprises. These businesses face similar vulnerabilities in their relationships with franchisors, including:

- Unilateral changes to operational requirements and standards
- Restrictions on supplier relationships and parts sourcing
- Arbitrary termination or non-renewal of franchise agreements
- Demands for facility upgrades and capital investments with inadequate security of tenure.
- Pressure to stock products or provide services that may not align with local market demand.

The extension of Unfair Contract Terms and Unfair Trading Practices protections to all franchised automotive businesses represents a significant step toward addressing these systemic power imbalances. However, effective implementation requires adequate resourcing and clear enforcement mechanisms.

Context and Challenge: Franchising Reform for New Vehicle Dealerships

The automotive dealership sector operates predominantly under franchise arrangements with vehicle manufacturers and importers. These relationships are characterised by significant power imbalances, with franchisees required to make substantial capital investments while operating under agreements that provide limited security of tenure.

Recent experience has demonstrated the inadequacy of existing protections under the Franchising Code of Conduct. The transition by Honda Australia to an agency model resulted in the termination of a substantial proportion of their dealer network partway through existing franchise agreements. While one dealer successfully pursued legal action, the cost exceeded $1.8 million over a two-year period, deterring other affected dealers from pursuing similar action.

The introduction of the New Vehicle Efficiency Standard intensifies these challenges. Analysis indicates that six of the top ten automotive brands face significant difficulty meeting their 2025 and 2029 emissions targets. Total penalties for NVES non-compliance are projected to reach $2.7 billion by 2029, creating downstream financial pressure on dealers.

Recommendation 2.1: Ensure Comprehensive Implementation of Unfair Contract Terms and Unfair Trading Practices Protections

We recommend the Commonwealth Government ensure that the implementation of Unfair Contract Terms and Unfair Trading Practices protections for franchised businesses includes:

Comprehensive Coverage: Explicit confirmation that protections extend to all franchised automotive businesses, including but not limited to: - New and used vehicle dealerships - Franchised mechanical repair workshops - Tyre retail and service franchises - Automotive glass and windscreen replacement franchises - Quick service franchises (oil change, brake service, etc.) - Parts retail franchises - Any other automotive retail or service business operating under a franchise agreement

Adequate Resourcing: The Government announced in the last budget that it will provide $7.1 million over two years from 2026-27 to strengthen the Australian Competition and Consumer Commission’s (ACCC) enforcement of the Franchising Code of Conduct. We recommend this funding be specifically allocated to:

- Proactive monitoring of franchise agreements across all automotive sectors
- Development of sector-specific guidance materials
- Investigation and enforcement actions targeting unfair practices
- Education and engagement activities with both franchisors and franchisees

Clear Guidance and Education: Development of practical guidance materials specifically addressing the automotive franchising context, including examples of conduct that would constitute unfair trading practices and unfair contract terms in automotive franchise relationships.

Accessible Dispute Resolution: Establishment of streamlined dispute resolution pathways that do not require franchisees to undertake costly legal proceedings to enforce their rights.

Recommendation 2.2: Strengthen Franchise Code Protections for Automotive Dealerships

Building on the Government's reforms, we recommend further amendments to the Franchising Code of Conduct to address specific vulnerabilities facing automotive sector franchisees. These amendments should include:

- Prohibition on unilateral conversion from franchise to agency models during the term of existing agreements
- Mandatory compensation frameworks for early termination of franchise agreements
- Greater transparency requirements regarding manufacturer profitability and investment intentions
- Establishment of clear dispute resolution pathways with appropriate cost-sharing provisions
- Extension of all new vehicle dealership protections to motorcycle, truck, agricultural machinery, and industrial equipment dealers

Context and Challenge: Motor Vehicle Insurance and Repair Industry Conduct

Approximately 4,500 automotive body repair businesses operate across Australia, with a substantial concentration in New South Wales equating to approximately 1,400 NSW based businesses. These businesses increasingly face problematic conduct from insurers, including outsourcing of vehicle damage assessments overseas, unreasonable restrictions on genuine parts usage, and payment delays, in a sector of the industry with an imbalance of power between multi-national and ASX listed insurers and small businesses.

Vehicle insurance in Australia singularly the largest sector of the insurance industry. Out of 86 million policies 41.4 million policies are motor vehicle related[2] generating 24.5 billion in revenue for insurance companies.

Compulsory Third Party and domestic motor vehicle insurance are the two largest revenue sources for insurers totaling $3.7b and 16.3b respectively in revenue in 2024.

Domestic motor vehicle claims are the largest in dollar terms for insurers, with $14.1b in gross claims incurred in 2024[3]

[2] Insurance Council of Australia 2024 Annual Report
[3] Insurance Council of Australia 2024 Annual Report.

The bulk of these claims rest in the body repair sector of the automotive industry, a sector dominated by small businesses who rely on insurers to pay claims for damage done to the vehicle. The demands on these small businesses come from claim push back from insurers in relation to parts and time/labour costs. Where disputes arise between repairers and insurers consumers are caught in the middle with vehicles not being able to be released or returned on time.

The body repair industry is dominated by three insurers who have market control through payment dominance to small businesses. This power imbalance currently operates without proper oversight or controls leading to shortcuts including the use of overseas assessors and algorithmic generated reports.

Recommendation 2.3: Establish Mandatory Motor Vehicle Insurance and Repair Industry Code

We recommend the Commonwealth Government mandate the Motor Vehicle Insurance and Repair Industry Code of Conduct on a national basis, with administration by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO).

The Code should be strengthened to include:

- Mandatory use of qualified Australian-based vehicle damage assessors
- Clear standards for repair specifications ensuring safety and quality.
- Defined timeframes for payment (maximum 30 days from invoice)
- Independent dispute resolution mechanism with binding determination powers
- Prohibition on unreasonable restrictions on genuine OEM parts usage
- Transparency requirements for insurer repair networks and panel arrangements
- Fair and reasonable assessment of repair costs reflecting market rates.
- Protection against unfair contract terms in repairer-insurer agreements

These elements reflect MTA Group's submissions to the Industry Consultation process and address systemic issues affecting body repair businesses nationwide.

Recommendation 2.4: Establish Mandatory National Tyre Stewardship Scheme

Following the recent parliamentary inquiry into waste tyres, we recommend the Commonwealth Government implement a mandatory national tyre stewardship scheme. This scheme should apply equally to all tyre manufacturers, importers, distributors, retailers, collectors, and recyclers, funded through a small levy applied at the point of tyre sale.

PRIORITY 3: NEW VEHICLE EFFICIENCY STANDARD IMPLEMENTATION SUPPORT

Context and Challenge

Australia's New Vehicle Efficiency Standard was explicitly designed to "bring Australia in line with US standards by 2028" (Minister King, February 2024), modeling a system "the United States has had...for fifty years." However, on December 3, 2025, the Trump administration dramatically rolled back US CAFE standards, reducing annual efficiency increases from 2% to 0.5% and eliminating compliance penalties entirely. Ford CEO Jim Farley welcomed the rollback, stating the Biden standards were "totally out of touch with market reality," while GM and Stellantis supported standards that "better align...with market realities." This US policy reversal—affecting the very system Australia modeled its NVES upon—demonstrates the critical need for regular biennial reviews. Such reviews would provide flexibility to respond to rapidly changing global conditions while maintaining Australia's emissions reduction commitments, ensuring Australian standards remain both ambitious and achievable rather than disconnected from global manufacturing realities and market conditions.

The New Vehicle Efficiency Standard represents the most significant regulatory intervention in the Australian automotive market since the end of domestic manufacturing. While MTA Group supports the objective of reducing transport emissions, implementation creates substantial challenges for automotive businesses.

Current analysis suggests significant compliance challenges for major vehicle manufacturers in meeting 2025 and 2029 targets. The administrative system supporting the NVES (the ROVER portal) remains inadequate despite previous funding commitments, with industry participants experiencing substantial delays and system failures.

Government Commitment to Point of Sale Compliance

The MTA Group strongly welcomes the Commonwealth Government's announcement that it will prioritise work to count emissions under the New Vehicle Efficiency Standard at the point of sale, rather than when a vehicle is imported to Australia. As Minister Collins stated in her media release, "The Government will prioritise work to count emissions under the New Vehicle Efficiency Standard at the point of sale, rather than when a vehicle is imported to Australia. Bringing this work forward now, ahead of a fulsome review in 2026, signals the Government's determination to ensure Australian automotive businesses in all states and territories across all states and territories are not adversely impacted by the business practices of international car companies."

This reform addresses a critical concern raised by automotive dealers regarding the current compliance point at importation. Under the existing arrangement, manufacturers could potentially push stock onto dealers to meet NVES compliance targets, transferring financial risk downstream to dealers who must then shoulder financing costs until vehicles are sold. The shift to point of sale compliance will:

- Align compliance obligations with actual consumer demand.
- Prevent manufacturers from forcing dealers to stockpile low emission vehicles.
- Reduce financial risk exposure for dealers.
- Provide more accurate data on actual vehicle usage patterns.
- Ensure emissions reductions reflect real-world vehicle deployment.

The recent actions by BYD in storing hundreds of vehicles at Jamberoo Park clearly demonstrates this risk. By warehousing imported vehicles rather than distributing them to dealers immediately, manufacturers can manage their compliance timing while dealers either face inventory shortages or are subsequently pressured to accept large stock volumes to clear manufacturer inventories. Point of sale compliance will prevent such practices.

Recommendation 3.1: Expedite Implementation of Point-of-Sale Compliance

We recommend the Commonwealth Government expedite the implementation of point-of-sale compliance for the NVES, with completion well ahead of the scheduled 2026 review. This should include:

- Comprehensive consultation with dealers, manufacturers, and importers on implementation mechanisms
- Development of clear reporting requirements and systems to track sales rather than imports
- Transition arrangements that provide adequate notice to industry participants
- Integration with existing vehicle registration and compliance systems
- Regular reporting on implementation progress

The expedited timeline demonstrates welcome responsiveness to industry concerns and will provide certainty for dealers making stock and investment decisions.

Recommendation 3.2: Increase NVES Review Frequency

Beyond the point-of-sale compliance change, we recommend the Commonwealth Government increase the frequency of NVES reviews from the currently planned single review in 2026 to biennial reviews aligned with Commonwealth budget cycles. The global automotive regulatory environment is changing rapidly, and Australia’s Standard must remain responsive to international developments.

PRIORITY 4: ZERO-EMISSION TRANSITION SUPPORT FOR SMALL BUSINESS

Context and Challenge

The transition to zero and low-emission vehicles requires substantial investment by automotive service and repair businesses in new equipment, tooling, training, and workshop infrastructure. This applies equally to mechanical repair workshops and automotive body repair businesses, both of which require specialised equipment, training, and facility modifications to safely handle electric vehicles.

Key investment requirements include high-voltage safety equipment, EV-specific diagnostic tools, battery testing equipment, workshop modifications including electrical safety systems, vehicle hoists designed for EV service work, specialised body repair equipment for EV-specific materials and construction, and ongoing training for technicians.

Recommendation 4.1: Introduce Instant Asset Write-Off for EV Workshop Equipment

We recommend the Commonwealth Government establish a dedicated instant asset write-off scheme for electric vehicle workshop equipment, tools, and facility upgrades with a threshold of $50,000 per business per financial year, available until 30 June 2030. This scheme should explicitly include both mechanical repair and body repair businesses.

Eligible expenditure should include high-voltage safety equipment, EV diagnostic tools, battery service equipment, modified or replacement vehicle hoists, electrical safety infrastructure, fire suppression systems required for EV service work, and specialised body repair equipment for electric vehicle panel repair, aluminium welding equipment, and adhesive bonding systems required for EV body construction.

Recommendation 4.2: Provide Direct Subsidies for Workshop Facility Upgrades

We recommend direct grant funding for workshop facility modifications required to meet EV service safety standards, providing up to $25,000 per eligible business. Many independent workshops operate in older buildings requiring substantial electrical upgrades, modified fire suppression systems, and other structural changes.

Recommendation 4.3: Establish EV Technician Tool Allowance

We recommend introduction of a $3,000 tool allowance available to qualified automotive technicians undertaking EV-specific training or working in workshops servicing electric vehicles. This allowance would directly support technicians in acquiring the specialised tools required for EV service work.

Recommendation 4.4: Extend Instant Asset Write-Off Beyond June 2025

We recommend extending the general instant asset write-off for small businesses beyond its current cessation date of 30 June 2025, with an increased threshold of $50,000. The automotive sector relies heavily on ongoing investment in diagnostic equipment, workshop tools, and technology systems.

Recommendation 4.5: Extend AASRA Scheme to Motorcycles, Caravans and Agricultural Equipment

We recommend the Commonwealth Government extend the AASRA (Australian Automotive Stimulus and Relief Act) scheme to include motorcycles, caravans, recreational vehicles, and agricultural equipment. We note and endorse the Treasurer's commitment to expanding the scheme to include agricultural equipment.

The automotive servicing and repair sector extends beyond passenger vehicles and light commercial vehicles. Motorcycles, caravans, and agricultural equipment represent significant sectors of the Australian vehicle fleet requiring ongoing maintenance, repair, and modernisation.

Extension of AASRA to these sectors would:

- Support regional and rural businesses serving agricultural communities.
- Assist motorcycle dealerships and service centres in upgrading facilities.
- Enable caravan and RV service businesses to invest in modern equipment.
- Ensure equitable treatment across all automotive service sectors.
- Support the broader mobility and transport needs of Australian communities.

PRIORITY 5: TAXATION REFORM FOR AUTOMOTIVE RETAIL

Context and Challenge: Luxury Car Tax Anachronism

The Luxury Car Tax represents an obsolete policy remnant from an era when Australia manufactured vehicles. With local manufacturing ending in 2017, the LCT now serves no protective purpose while generating $1.21 billion in 2026-27 through what amounts to a discriminatory tax on larger, safer vehicles and those equipped with advanced technology. The recent tightening of the fuel-efficient vehicle definition from 7.0L/100km to 3.5L/100km (effective July 1, 2025) exemplifies how the LCT has been weaponized to favor specific technologies over others, penalizing hybrid vehicles—an important transition technology—and effectively pushing consumers toward either EVs or cheaper, less safe, older vehicles.

The LCT's Technology Bias Problem: Current LCT policy demonstrates clear technology favoritism rather than technology neutrality. The 3.5L/100km threshold exclusively benefits EVs and some PHEVs while penalizing hybrid vehicles (typically 4-6L/100km) that serve as critical transition technology, large families requiring 7+ seat vehicles with advanced safety features, regional and rural buyers requiring robust vehicles for Australian conditions, buyers needing towing capacity for work, recreation, or accessibility modifications, and professional tradespeople requiring larger work vehicles with modern safety technology.

This technology-skewed approach ignores fundamental market realities: many large SUVs and commercial vehicles remain difficult or impossible to electrify with current technology, yet Australian families and businesses require these vehicles for legitimate purposes. A Toyota LandCruiser 300—dominating 62% of the large SUV segment—attracts over $10,000 in LCT despite serving critical roles in regional Australia, emergency services, and commercial applications where EV alternatives remain unviable.

The EU FTA Opportunity: LCT removal is currently on the table as part of Australia-EU Free Trade Agreement negotiations, with Prime Minister Albanese indicating hope to finalize the agreement in Q1 2026. The EU has pushed for LCT removal since 2018, viewing it as a trade barrier. With approximately 40% of LCT revenue ($480 million annually) derived from European vehicle sales, abolishing the LCT could unlock better terms for Australian agricultural exports while simultaneously removing a tax that disproportionately affects larger, safer vehicles regardless of origin, penalizes advanced safety technology and modern features, creates perverse incentives favoring dual-cab utes (LCT-exempt) over safer, more sophisticated SUVs, and disadvantages families and businesses requiring specific vehicle capabilities.

Technology-Neutral Approach: Rather than using tax policy to favor specific technologies (EVs) over others (hybrids, advanced ICE), government should allow market forces and emissions standards to drive technology adoption. The NVES already provides the emissions reduction mechanism. The LCT, originally intended to protect domestic manufacturing, now simply adds an additional 33% tax burden on vehicles above arbitrary thresholds, making safer, more advanced vehicles less accessible to Australian families and businesses. The MTA Group strongly recommends complete LCT abolition as part of the EU FTA, supporting agricultural trade interests while removing a discriminatory tax that penalizes larger vehicles and advanced technology regardless of emissions performance.

The Luxury Car Tax remains one of Australia's most anomalous and poorly designed taxes. The Henry Tax Review comprehensively critiqued the LCT in 2010, recommending its abolition on multiple grounds. Since the Henry Review, no circumstances have emerged that would justify retaining this tax.

The LCT threshold of $80,567 for 2024-25 is substantially lower than the cost of many family vehicles with advanced safety features, commercial utes used by tradespeople, and specialised vehicles for regional use.

Recommendation 5.2: Abolish the Luxury Car Tax

We recommend the Commonwealth Government abolish the Luxury Car Tax, removing this outdated impost on vehicle purchases. Abolition would remove a distortionary tax serving no coherent policy purpose, reduce the cost of advanced safety and emissions reduction technology, and encourage fleet renewal toward newer, more efficient vehicles.

Recommendation 5.3: Reform LCT if Abolition Not Feasible

If the Commonwealth Government determines that LCT abolition is not feasible, we recommend substantial reforms including increasing the threshold to at least $150,000, excluding accessories and modifications, reducing the rate from 33 per cent to 25 per cent, and creating a distinct category for battery electric and plug-in hybrid vehicles.

Recommendation 5.4: Defer Changes to LCT Fuel-Efficient Vehicle Definition

We recommend the Commonwealth Government defer the planned reduction of the maximum fuel consumption threshold for fuel-efficient vehicles from 7.0 to 3.5 litres per 100 kilometres. This reduction is premature given current market uncertainty associated with NVES implementation.

Recommendation 5.5: Introduce Accelerated Depreciation for Zero and Low-Emission Vehicles

We recommend introduction of accelerated depreciation at 50 per cent for zero and low-emission vehicles acquired by businesses. This measure would offset the higher acquisition cost, encourage business fleet transition, and create a larger pool of second-hand EVs.

Context and Challenge: Road User Charging

As zero and low-emission vehicle numbers increase, fuel excise revenue will progressively decline, creating substantial fiscal challenges for road infrastructure funding. Despite this foreseeable challenge, no clear Commonwealth policy position has emerged on road user charging.

Recommendation 5.6: Develop National Road User Charging Framework

We recommend the Commonwealth Government lead development of a nationally consistent, technology-enabled road user charging framework to progressively replace fuel excise, as endorsed by Federal and State/Territory Treasurers at their September 5, 2025 meeting. The Treasurers' joint statement confirmed agreement on reforms to road user charging arrangements for electric vehicles, emphasizing that "the design of reforms should be as simple as possible and minimise administration and compliance burden."

This framework should:

- Apply consistently across all jurisdictions.
- Link to vehicle registration systems
- Be phased to enable productivity, climate and consumer benefits of increasing EV uptake.
- Incorporate fair provisions for regional users.
- Include a 7,500-kilometre exemption for licensed motor car traders using zero and low-emission trading stock for demonstration purposes.

The Treasurers confirmed that "reforms to the treatment of electric vehicles will ensure more equitable treatment across vehicle types and provide certainty to support investment," with Federal Treasurer Jim Chalmers committing to "progress work with the states and territories and take the time to get the policy development right."

Importantly, this framework should include a 7,500-kilometre exemption for licensed motor car traders using zero and low-emission trading stock for demonstration purposes.

PRIORITY 6: CIRCULAR ECONOMY AND VEHICLE END-OF-LIFE MANAGEMENT

Context and Challenge

Australia lacks a comprehensive end-of-life vehicle product stewardship framework despite approximately 850,000 vehicles reaching end-of-life annually, generating approximately 1.36 million tonnes of waste material. Current arrangements typically achieve resource recovery rates of approximately 70 per cent, with the remaining 30 per cent proceeding to landfill.

The impending transition of approximately 20 million vehicles from internal combustion to zero-emission technology represents both an environmental challenge and an opportunity to establish proper end-of-life management systems.

Recommendation 6.1: Implement Comprehensive End-of-Life Vehicle Stewardship Scheme

We recommend the Commonwealth Government implement a mandatory, co-regulated end-of-life vehicle product stewardship scheme for light vehicles utilising the Product Stewardship Act 2011. This scheme should establish shared responsibility across the vehicle lifecycle, set mandatory recycling targets, require appropriate treatment of hazardous components, and fund recycling infrastructure development.

Recommendation 6.2: Develop Battery Stewardship Framework

Within the broader ELV scheme, we recommend particular attention to establishing a robust framework for electric vehicle battery end-of-life management. This must address safe removal and handling protocols, assessment systems to determine suitability for secondary use, recycling standards to maximise material recovery, and workforce training requirements.

Recommendation 6.3: Implement Mandatory Tyre Stewardship

Following the recent parliamentary inquiry into waste tyres, we reiterate the urgent need for a mandatory national tyre stewardship scheme. Australia generates approximately 51 million waste tyres annually, yet lacks consistent, effective arrangements for proper collection, processing, and recycling.

CONCLUSION

The automotive retail, service, and repair sector stands at a critical juncture. The transition to zero and low-emission vehicles, implementation of the New Vehicle Efficiency Standard, and rapid technological change create both substantial opportunities and significant challenges.

MTA Group members, representative of automotive businesses nationwide, are committed to supporting Australia's emissions reduction objectives and ensuring motorists across New South Wales have access to high-quality vehicle sales, service, and repair. However, this commitment must be matched by government policy settings that provide the necessary support, fair trading frameworks, and investment incentives.

We particularly welcome the Commonwealth Government's recent announcements regarding:

- Extension of Unfair Contract Terms and Unfair Trading Practices protections to all franchised automotive businesses
- Prioritisation of point-of-sale compliance under the New Vehicle Efficiency Standard
- $7.1 million in additional funding for ACCC enforcement of the Franchising Code of Conduct

These reforms demonstrate the Government's commitment to ensuring a fair and transparent automotive retail sector. The recommendations in this submission build on these positive developments and outline additional measures that will enable comprehensive industry transformation.

Implementation of these recommendations would position the automotive retail sector to successfully transition to a lower-emission future while continuing to provide essential services, maintain employment, and contribute to economic prosperity across New South Wales.

The MTA Group welcomes the opportunity to discuss these recommendations, which address challenges affecting automotive businesses nationwide, in detail and to collaborate with the Commonwealth Government in developing effective policy responses.

These recommendations reflect systemic challenges affecting automotive businesses and workers across Australia. The Federal Government has the opportunity to implement reforms that will benefit the industry nationwide, supporting thousands of businesses, tens of thousands of workers, and millions of Australian motorists.

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