



AUSTRALIAN
AUTOMOTIVE
DEALER
ASSOCIATION

**SUBMISSION TO THE
EDUCATION, EMPLOYMENT AND TRAINING COMMITTEE'S
INQUIRY INTO THE OPERATION OF THE TRADING
(ALLOWABLE HOURS) ACT 1990**

14 OCTOBER 2021



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FOREWORD

The Australian Automotive Dealer Association (AADA) is the peak industry advocacy body exclusively representing franchised new car Dealers throughout Australia. In Queensland, there are around 675 Dealerships which employ almost 11,500 people. The industry in Queensland generates a total turnover/sales of almost \$10.5 Billion and generates nearly \$400 Million in tax revenue. The overwhelming majority of franchised new car Dealers are either independent operators or belong to family groups and private companies.

The AADA thanks the Education, Employment and Training Committee for the opportunity to provide this submission to the inquiry into the Operation of the *Trading (Allowable Hours) Act 1990* (the Inquiry).

Our association works closely with the Motor Trades Association of Queensland (MTAQ). We share members with the MTAQ and we are very supportive of the strong advocacy they have provided on this issue over the years.

The AADA is supportive of the effectiveness of prescribing permitted hours in legislation and strongly believes that the permitted hours as currently prescribed for motor vehicle Dealers are suitable. The objectives of the Act are being met and the existing framework is adequate to regulate trading hours in Queensland.

The amendments made by the *Trading (Allowable Hours) Amendment Act 2017* retained the restriction on Sunday trading for Motor Vehicle Dealerships and this has had a positive effect on the Queensland economy and on regional Queensland. The impact of retaining this restriction has undoubtedly had a positive impact for Queensland new car Dealerships.

In the years since the amended Act commenced, the automotive industry has weathered the effects of declining new car sales, a significant reduction in finance/insurance income and a pandemic. During this period, we have often seen Dealer profitability come under severe pressure and the prohibitive costs of Sunday trading would only have added to this pressure. The Act has also had somewhat of a moderating effect on the industry's current severe skills shortage as Dealerships have managed to retain staff who would otherwise have left were they required to work on Sundays.

The AADA would urge the Committee to retain the existing arrangement to restrict Sunday trading for motor vehicle Dealerships to protect the economic health of a vital industry in the state. We have outlined the reasons in this submission why a move to Sunday trading is unnecessary and counterproductive.

We commend this submission to the Committee and would welcome the opportunity to provide further information if required.



James Voortman

Chief Executive Officer



Queensland

675 Dealerships



11,334

Dealer Employees



\$2.79 million

Community Donations



\$959.22 million

Dealer Wages



\$389.13 million

Tax Contribution



\$2.35 billion

Total Economic Contribution

AADA'S KEY POINTS

Our support for the current approach and the amendments made by the Trading (Allowable Hours) Amendment Act 2017 largely centres on the restrictions which exist on Sunday trading. Our industry is united in its belief that Dealerships should not be allowed to open on Sundays. Any change to the regime governing trading hours in Queensland should maintain the current trading hours specified for car Dealers.

We have outlined our rationale in the key points below:

THE COSTS OF OPENING ON A SUNDAY ARE PROHIBITIVE

Opening Dealerships on Sundays would require a significant increase in sales and administrative staff. The experience from our members in New South Wales is that Sunday trading does not result in increased sales volumes sufficient to absorb the labour and other costs associated with opening on Sundays.

In those states that allow Sunday trading, results on a Sunday are noticeably down both in terms of foot traffic and actual transactions. It is widely understood by those in the industry that the existing number of vehicle sales achieved is the same regardless of whether the industry would be operating on six or seven-day period. Sunday trading will have a detrimental direct impact on Dealer's operating costs which will ultimately impact on the consumer or will have to be absorbed by the Dealer.

The additional costs of Sunday trading must be put into context against prevailing industry conditions. Over the past five years we have seen many Dealerships come under financial pressure due to such factors as falling sales and regulatory changes in the finance/insurance industry. A study by Deloitte found that Dealer profit margins decreased from 2.2 per cent in 2015 to 0.9 per cent in 2019. It also found that 36 per cent of Australian Dealers were operating at a loss in 2019. While the situation has improved for Dealers over the past 12 months, margins are still very thin and subject to several factors, including operating costs which would significantly increase if Sunday trading was permitted.

THE MYTH THAT DEALERS CAN CHOOSE TO CLOSE ON SUNDAYS

Proponents of Sunday trading claim that trading on Sundays will be completely optional and Dealers can simply close their doors if they so choose. This ignores several key facts. For one, new car Dealers are franchised to multinational car Manufacturers and many elements of their business are subject to strict requirements under their franchise agreements.

Manufacturers put terms in their franchise agreements or subsidiary policy manuals which require their Dealers to trade on certain days. Some agreements that the AADA has seen extend the requirement to trade to every legal trading day. Even for those Dealers whose brands do not have such terms, Manufacturers typically have the right to unilaterally vary terms of the franchise agreement and can introduce such a policy at the drop of a hat. It is well established that there is a power imbalance between Dealers and Manufacturers and Dealers are reluctant to push back against unreasonable claims by Manufacturers due to the fear of retribution. The Dealer's best protection against being forced to trade on Sundays is the current approach being followed by Queensland.

The other factor to consider here is the domino effect. When Sunday trading was allowed in NSW, it resulted in Dealers in certain areas of Sydney opening largely because their competitors were open. We recently surveyed the members in New South Wales and the opposition to Sunday trading was almost unanimous, but many businesses are compelled to stay open either because it was a condition of their franchise agreement, or they felt they had no choice due to the fact that Dealers in the vicinity were open.

DEALERS AND THEIR EMPLOYEES OPPOSE A MOVE TO SUNDAY TRADING

There is overwhelming opposition to a relaxation of Sunday trading by both Dealers and their staff. In 2016, the MTAQ undertook a survey of its motor vehicle members which found 90% supported the current approach to trading hours.

The MTAQ have pointed out that when this issue was previously considered more than one-third of the 179 submissions lodged were from the motor Dealer sector. This is extraordinary and emphasises the level of opposition to Sunday trading.

The AADA is confident that this level of support for the status quo remains, and we have not received representations from any Dealers calling for change, in fact we have received the opposite. The reluctance to move to Sunday trading is shared by Dealers both large and small and those located in cities and regional areas.

Dealers have also reported that their staff are opposed to Sunday trading. The main concern cited by staff is deterioration in work life balance. The anxiety is most obvious among motor vehicle and aftermarket salespersons but is also shared with Business managers, used vehicle valuers and administration staff. While staff in the service departments fear that the day will come that they too will be required to work on Sundays.

SUNDAY TRADING WILL COMPOUND THE SKILLS SHORTAGE IN DEALERSHIPS

Australia's automotive industry has been battling a skills shortage for some time, but since the pandemic this has become a skills crisis. The Motor Trades Association of Australia (MTAA) recently released its Directions in the Automotive Industry report which found that 52% of automotive businesses in Australia are experiencing a shortage of skilled labour. The report also found that Queensland had the highest recorded skills shortage with 56.8% of all businesses experiencing skills shortages. The shortage is more profound in regional areas (60%). While the report found that the shortages existed mainly among automotive technicians, it also found that there was a shortage of motor vehicle salespeople and motor vehicle parts and accessories salespeople.

Employees at Queensland Dealerships value the fact that they do not have to work on Sundays. Because skills shortages exist across the economy there is significant competition for talent and employees who do not wish to work on Sundays will explore their options and likely leave to work in other industries with a better work/life balance.

Dealers fear that they will lose valuable employees under a Sunday trading regime. This will cost their businesses in terms of loss of experienced employees and the costs associated with hiring and training replacement staff. Given the time it takes to fill positions, it will also place pressure on existing staff which could lead to burn out and further staff departures.

The difficulty to attract staff is evident in parts of NSW where Dealers are finding it extremely difficult to attract and retain sales staff to businesses which are required to open on Sundays.

Section 3

CUSTOMER BEHAVIOUR IS CHANGING

The debate around Sunday trading needs to take into account the way in which modern-day customers buy vehicles as it has changed dramatically with the emergence of the internet. The pandemic and the realities of lockdowns has also seen Dealers refine processes which allow more flexibility in the way their customers shop.

Customers are completing more and more of the purchasing process online or remotely. Gone are the days of walking down the local Dealership strip and visiting numerous sites and conducting several test drives. Research is now largely conducted online. Test drives can be conducted at the Dealerships, but they can also be arranged at a customer's home or place of work. Many of the processes involved in car buying such as provision of finance can be done remotely via phone or email.

While most customers still choose to complete the transaction in the Dealership, it is commonly accepted that the process of buying a car is conducted over several days if not weeks and is made up of a series of interactions between the customer and the Dealership staff. The customer is unlikely to walk into a Dealership and complete the process from selecting a vehicle to driving away in one day.

Customers buying a car are generally not buying on impulse. It is a high value purchase, and the consumer engages in a careful considered process - the fact that a Dealership is not open on a Sunday does not deter them and is not considered an inconvenience. Feedback from members suggest it is uncommon for customers to ask whether Dealerships are open on Sundays.



CONCLUSION

We thank you for the opportunity to provide feedback to the Education, Employment and Training Committee's Inquiry Into The Operation Of The Trading (Allowable Hours) Act 1990 would welcome the opportunity to discuss this in more detail if called upon.

If you have any questions, please contact me on:

James Voortman

Chief Executive Officer

M: +61 452 535 696

E: jvoortman@aada.asn.au



CANBERRA OFFICE

Suite 1.03, Level 1, 42 Macquarie Street, Barton ACT 2600
PO Box 4409 Kingston ACT 2604

E info@aada.asn.au

aada.asn.au