AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

RESPONSE TO PRODUCTIVITY COMMISSION'S INQUIRY INTO FIVE PILLARS OF PRODUCTIVITY

JUNE 2025

CONTENTS

FOREWORD

The Australian Automotive Dealer Association (AADA) welcomes this opportunity to submit a response to the Productivity Commission's consultation on the 5 pillars of productivity.

The AADA represents almost 3,800 new car and truck dealers in Australia which range from family-owned small businesses to larger and publicly owned businesses, operating in regional Australia and capital cities across the country. Franchised new car and truck dealers employ more than 68,000 people directly with a total economic contribution of around $18 billion. Each year franchised new car dealers sell more than 1.6 million new and used vehicles, and complete over 44 million individual service, repair and maintenance jobs.

James Voortman
Chief Executive Officer

Section 2

PILLAR 1: CREATING DYNAMIC AND RESILIENT ECONOMY

SUPPORT BUSINESS INVESTMENT THROUGH CORPORATE TAX REFORM

The AADA supports the lowering of company tax to 25% for all businesses as per the suggestion put forward by the Australian Chamber of Commerce and Industry. Nevertheless, we continue to advocate for a complete review of Australia's automotive taxation regime. As new technologies emerge and Australians turn to lower and zero emissions vehicles, Australia's taxation regime must keep pace to ensure our system continues to be fit for purpose.

There are several automotive-related taxes at different levels of government which are often inefficient and outdated, a relic of an era when Australia manufactured vehicles, such as the Luxury Car Tax and Passenger Vehicle tariff. Each year, Australians pay tens of billions in these taxes with the Bureau of Infrastructure and Transport Research Economics reporting that in the 2022-23 financial year, almost $39 billion in road related taxes and charges were paid.

Increasing adoption of fuel-efficient vehicles, the use of alternative forms of road transport such as ridesharing services and the complete end of automotive manufacturing in Australia all demonstrate the vast technological and societal changes that the automotive sector has undergone over the past decade. This significant change in the automotive market lends itself to the need for a systematic review of how automotive taxes are captured. The AADA details key areas for reform below.

LUXURY CAR TAX

Each year, Australians pay tens of billions in motoring taxes and charges to governments, and a considerable portion of that revenue comes from the Luxury Car Tax (LCT). In the 2024-25 financial year, the government is projected to collect over $1.17 billion in LCT revenue. The threshold for the tax currently applies to vehicles that are not necessarily 'luxury cars' but are often the most appropriate vehicles for individuals in regional areas for example, a Toyota Landcruiser. It also often dissuades individuals from adding optional extras to their vehicles which seek to improve safety for fear of pushing the purchase price of the vehicle over the threshold. This tax acts counterintuitively to the Government's stated goals of improving road safety and reducing transport emissions.

The LCT was originally introduced as a means of protecting Australia's local vehicle manufacturing industry. With local manufacturing coming to an end in 2017, it just imposes unnecessary additional taxes on many vehicles, particularly more expensive lower emitting and EVs. The LCT disadvantages consumers seeking to buy new cars that deliver greater safety and environmental benefits.

The LCT also acts as a barrier to the renewal of the passenger vehicle fleet at a time when technological improvements continue to make new car models safer, more energy-efficient, and more environmentally friendly.

PASSENGER VEHICLE TARIFF

Australia is still applying import tariffs on motor vehicles that are manufactured in, or imported from countries with which Australia does not have a Free Trade Agreement (FTA). Given the growing number of FTAs, including the prospective trade agreement with the EU, we believe that the Australian public would be best served by the Government removing existing tariffs from all passenger vehicles imported into Australia.

Consumers deserve immediate relief from tariffs on new vehicles, and so does industry, particularly new car dealerships that have a disproportionate amount of product on their showroom floor which just happens to be manufactured in a non-FTA country.

STAMP DUTY

AADA is supportive of ACCI's suggestion of creating a Tax and Federation Commission to provide advice on tax reform, including better delineations of federal and state/territory responsibilities. In the automotive sector the "Vanderstock v Victoria" case in the High Court of Australia challenged the constitutionality of Victoria's Zero and Low Emission Vehicle (ZLEV) Act, deeming it the domain of the Commonwealth. We believe there may be implications for other forms of taxation such as vehicle stamp duty.

AADA is very concerned by state governments introducing their own luxury stamp duties. Victoria and Queensland have both implemented such taxes in recent years, meaning motorists in those states are subject to some of the highest rates of vehicle taxation.

IMPLEMENTATION OF A ROAD USER CHARGE

It is well established that in the near future, Australia will need to change the way in which motorists pay for roads. Improvements in vehicle technology and consumer desires to purchase more fuel-efficient vehicles, including hybrids and EVs, have seen fuel excise revenue diminishing. The commencement of the New Vehicle Efficiency Standard (NVES) and projections that more than 30% of new vehicle sales will be EVs by 2030, means it is timely for Government to look to establish an effective and equitable national road user charging system. In recent years, states have sought to establish their own state-based road user charging systems, but following the invalidation of such state charging systems, the AADA would urge the Government to take a national approach to road charging to ensure national consistency.

The AADA acknowledges the fine line to be tread when introducing road user charges on new technologies. It is important that the introduction of any new charging system is done in a way that does not discourage the uptake of hybrids and EVs, resulting in outcomes that are counterproductive to the Government's own climate goals. But with the introduction of the NVES, more people will begin to shift to lower-emitting vehicles as a cost-conscious move.

A national approach undertaken with extensive industry and community consultation can provide certainty to consumers and businesses alike about the future costs of low and zero emission vehicles and how road infrastructure will be paid for.

The AADA would urge that any new charging system which seeks to phase out fuel excise with the introduction of road user charging should be done in a technology-neutral manner across all vehicles regardless of powertrain choice.

However, whenever user/consumption charges undergo systematic change, it will inherently be a complex process, and comprehensive community consultation, education and appropriate lead times must be principles that the government works towards.

REDUCE THE IMPACT OF REGULATION ON BUSINESS DYNAMISM

With the introduction of mandatory climate-related financial disclosures under the Australian Climate-Related Financial Disclosure Framework, industries across the nation will be required to assess and disclose the financial impacts of climate-related risks and opportunities through scenario analysis and transition risk evaluation. Franchised new car dealers are no exception, and the AADA estimates that almost all new car dealer groups will be captured by reporting requirements in either Group 1, 2 or 3.

Many dealers, especially small and medium-sized dealer groups, face challenges in developing these complex climate scenarios independently and will likely seek external expertise to assist them in the development of their Climate-Related Financial Disclosure Reports. Dealership groups will face significant costs associated with complying with these requirements, and places a particularly heavy burden on group 2 and 3 businesses. Businesses captured in these groups are generally at the beginning of their reporting journey and would generally have not been required to report on climate related disclosure until this requirement. A longer implementation timeframe for businesses to meet these goals will help support improved reporting and minimise impacts on smaller and medium sized businesses.

SUPPORTING BUSINESS INVESTMENT

Investment is a critical component in driving productivity and economic growth. Previously businesses were able to access the expanded instant asset write-off and the previous temporary full expensing measure which helped encourage businesses to invest, driving productivity and economic activity. Initiatives which have historically proven effective in stimulating this much needed investment.

Franchised new car dealers make substantial investments in facilities, machinery, and equipment to improve their ability to sell, service and repair vehicles for the community they serve. These investments also have significant flow-on effects for the communities in which they operate, as they use local builders, contractors, and other service providers. Investment is not limited to cities, with dealers across the country making significant investments that benefit country towns, and regional and suburban areas. These investments are much more likely to occur if all dealers have access to investment incentives.

Currenlty there are limited investment incentives available for dealers, due to the turnover thresholds. While dealers generally fall outside of commonly used definitions of small or medium sized businesses due to employee count or turnover, dealers are often family run businesses which operate a vital function in the sale, servicing and repair of vehicles in the community. Often, they are unable to meet these threshold requirements due to turnover, but dealers have very small profit margins, directly related to the high value of the product they sell.

It should also be noted that investment incentives have helped the many businesses which depend on commercial vehicles to invest in productivity enhancing vehicles. Newer vehicles are safer, cleaner and more efficient and providing incentives for businesses to replace ageing vehicles with newer vehicles represents a benefit for society.

Coming into a period of slow productivity growth and reduced business investment, the AADA would encourage the exploration of potential investment measures aimed at spurring business investment. We would also recommend revisiting the temporary full expensing and instant asset write off by adding investment incentives and accelerated depreciation for electric vehicles and commercial vehicles. Without these measures, it is likely that businesses will defer investment decisions.

PILLAR 2: BUILDING A SKILLED AND ADAPTABLE WORKFORCE

OCCUPATIONAL LICENSING IN THE RETAIL AUTOMOTIVE INDUSTRY

Motor car traders of new and used cars and trucks are licensed and regulated in all States and Territories, mainly in the interest of consumer protection. Regulations are not uniform but share similarities, and since the introduction of the Australian Consumer Law, all States agreed to and have legislated the common provisions of the ACL. The ACL overlays all the existing State and Territory industry consumer protection measures for vehicle sales activities. Sales of vehicles have become a national activity in a national market rather than localised. Trading across State borders occurs with relative ease and registration of vehicles and transfer ownership is regulated by the States and Territories.

Two States (NSW and WA) also license and regulate automotive repair businesses and occupations, with some states also licensing vehicle sales staff. Further regulation of automotive occupations in the unregulated jurisdictions or by adding further regulations in NSW and WA should be carefully considered. Referring to best practice for regulation and the recent research: *Better occupational entry regulations (OER): Policy implication of new research*, published by NSW Productivity and Equality Commission[1], which cautions:

- *Policymakers should periodically review OER to ensure that the benefits to workers and consumers are worth the costs. These reviews should use international and interstate evidence. Policymakers should consider easing OER if:*
  - *other jurisdictions have similar safety/quality outcomes but lower OER.*
  - *the stringency of OER has increased over time but safety outcomes have remained the same or have worsened.*
  - *Regulators should also evaluate their own risk tolerance. Regulators need to have some tolerance for risk when they assess whether occupational requirements strike the right balance between promoting competition and protecting consumers.*

AADA submits that any proposals for harmonisation should not add more burdensome occupational regulations in those States that have not regulated automotive occupations. The specific legislative requirements of the Motor Dealers and Repairers Acts in NSW and WA should not be extended to automotive occupations in other jurisdictions by any blanket application of harmonisation. The introduction of new occupational licensing must be tested against an evidence base of information about public interest and the costs and benefits of proposals.

The mobility of labour across State borders should not be hampered by occupational regulation that makes it difficult for qualified persons to move to and work in another State. Mutual recognition has eased this burden, but where a person moves from an unregulated place to a State where occupational regulation requires a licence to work, then it should be easy, and completed qualifications should be accepted.

Source: Zing!nsights EV & Hybrid Vehicle Wave 3 Insights Report - November 2024

In the automotive industry, some automotive technician qualifications are obtained by completing training provided by vehicle manufacturers. Such manufacturer training qualifications should be recognised and accepted in the States that regulate automotive occupations. Employees who move should not be required to duplicate training and retrain in the regulated jurisdiction. Barriers to entry can reduce competition and reduce the pool of available labour.

REDUCED MOBILITY THROUGH INCREASED REQUIREMENTS

The NSW Motor Dealers and Repairers Act (MDRA) regulations are due to sunset on 1 September 2025. Included in proposals to amend and remake the regulations are additions of a new licensed EV Motor Mechanic classification and requirements for additional training. Only NSW licensed EV Motor Mechanics will be permitted to work on Battery Electric Vehicles (BEVs) under the new proposed classification and existing NSW licensed Motor Mechanics will be prohibited from working on BEVs unless they complete new training.

In an example of how occupational regulation can impose unrealistic and unnecessary red tape, NSW licensed technicians who have completed manufacturer BEV specific training will not have prior learning recognised and therefore must train again on skills and knowledge they have already obtained in order to comply and to continue to work on BEVs.

The proposed MDRA regulations restrict the ability of dealers to manage work and the movement of motor mechanics from interstate to NSW. The regulations will impose costs without a full examination of the reasons why further regulation is needed. Costs and benefits are not fully analysed in the RIS. Importantly, transitional arrangements were not detailed in the RIS, and the prescriptive training is likely to cost thousands of dollars in fees, lost time, and lost productivity. NSW licensed repairers and workers will be at a disadvantage compared to workers in other unregulated jurisdictions.

AADA has submitted to NSW Fair Trading requesting that the proposed further regulation of automotive work in NSW should not proceed or if the NSW Government decides to proceed that there be a 5 year transition and assistance for dealers to meet the new regulations.[2]

Section 4

PILLAR 5: INVESTING IN CHEAPER, CLEANER ENERGY AND THE NET ZERO TRANSFORMATION

The transition to net zero and lower emission vehicles has accelerated over the past few years, and with it pressures faced by businesses such as new car dealerships in supporting this transition. The New Vehicle Efficiency Standard (NVES), mandatory sustainability reporting, and capital investments required to meet consumer expectations place a significant burden on new car dealers. Beyond investing in new vehicle stock and meeting their compliance obligations, dealers are also being asked to invest in infrastructure, equipment and training, all while navigating significant changes in the market and increasing market pressures.

As the primary consumer touchpoint, dealers are able to be strong champions for this transition and play a key role in educating consumers on these new technology types through their significant and frequent interactions with consumers. However, dealers also understand the needs of their customers and want to ensure that they can continue to supply the right vehicles Australian motorists want and need. New car dealers will play an important role in supplying those vehicles to the market, as they sell the overwhelming majority of new cars in Australia. They will also be a key player in servicing, repairing and performing maintenance on these vehicles, particularly in the early years.

The impacts of these net zero policies on franchised new car dealers have recently come under the spotlight with the prospect of vehicle manufacturers trying to adapt in order to meet targets and potential to push the cost burden onto dealers. While meeting net zero goals is a near term priority, it is important not to be overambitious in terms of the heavy lifting being borne by particular parts of the industry in order to prevent dealerships from being negatively impacted.

To improve the cost-effectiveness of policies targeting a reduction in carbon emissions, government support in the form of financial incentives is key to encourage a broader uptake of lower emissions vehicles. State-based cash incentives have previously proven to be successful, for example: In July 2022, EV registrations in Queensland rose 5 times, from 9,100 at the start of the Zero Emission Vehicle (ZEV) rebate scheme to 47,600 at the end of August 2024. With a massive influx of cheap and affordable EVs, consumers now have more choice not only in the new but even in the used car market. It is therefore important to provide consistent support as we encourage the second wave of EV adopters to make the switch.

Moreover, under the franchising model, dealers have very little power in their relationships with Original Equipment Manufacturer's (OEMs), but are expected to do most of the heavy lifting when it comes to adjusting consumer preferences to meet the new standards. This results from the significant power imbalance between OEMs and dealers, with the former using their size and resources to provide one-sided, standard-form contracts, offered on a take it or leave it basis. OEMs are also trying to adapt to an evolving market by introducing non-negotiable infrastructure requirements, including those pertaining to charging infrastructure, thereby increasing the financial burden on dealers. It is therefore important for the government to offer support proportional to the costs borne by the dealers with respect to new energy infrastructure across metropolitan, rural and regional areas.

The AADA explores these key concerns in greater depth below.

SECTION 2: REDUCE THE COST OF MEETING CARBON TARGETS

New Vehicle Efficiency Standard

A key issue with the way in which the New Vehicle Efficiency Standard (NVES) has been implemented is the point at which compliance with the standard is to be met. Currently, NVES would apply to all vehicles imported and registered for approval at the port, which could have a significant negative impact on Australia's new car dealers.

Under the current franchise model most Australian manufacturers and dealers operate under, the manufacturer will import vehicles which are then wholesaled to Australian dealers to be sold to consumers. If the NVES is implemented as described above, where the manufacturer can meet its compliance obligation by importing the mix of vehicles it determines to be appropriate to meet its obligations, dealers could find themselves in an unfavourable position.

For example, a car maker could export EVs in excess to Australia to offset emissions from its less fuel-efficient vehicles and avoid having to exceed their fleet carbon limits or to accrue credits which then can be able to be on sold to competitors. This could result in a situation where dealers find themselves with excess product (particularly slower moving stock such as EVs) on their showroom floor. Franchised new car dealers have arrangements with financiers to fund vehicle inventories, commonly referred to as 'floorplan' financing.

Floorplan or vehicle bailment is a flexible form of asset financing which has been in widespread use in the industry for over 70 years. It is fundamental to the prevailing retail dealer business model and is a key factor in delivering an efficient operating cost structure to successful franchised dealerships.

If the point of compliance continues to be at the point of import, dealers become vulnerable to holding stagnant stock that they are unable to turnover. Dealers heavily invest in their businesses and, therefore, rely on ongoing franchise agreements with OEMs. This form of dependency results in a lopsided relationship that can be exploited to the dealers' disadvantage. It is therefore important that NVES is implemented in a way that incentivises manufacturers to produce more fuel-efficient vehicles which Australian consumers will purchase, instead of selling an unfavourable vehicle mix to dealers just to comply with the emission targets.

Government Incentives

With the early wave of EV adopters in Australia largely accounted for and NVES almost fully underway, continued government support in the form of financial incentives such as subsidies, tax rebates and low interest car loans are critical to encouraging broader uptake of zero and low-emission vehicles.

Government policies are known to have a direct impact on consumer behaviour, as reflected in the sharp decline in PHEV sales, following the end of the Fringe Benefits Tax (FBT) exemption, accounting for only 2.9 per cent of total vehicle sales in April 2025, down from 4.7 per cent YTD to March 2025[3]. Although all states and territories have scaled back their EV cash incentives citing growing supply of affordable EVs, there is still a need for targeted measures to influence purchasing behaviour.

Results from AADA's latest consumer sentiment survey with Zing! Insights shows that cost remains the most significant barrier to EV adoption, with 55 per cent of respondents saying EVs are too expensive.[4] While consumers are still willing to pay a price premium for an EV over other fuel types, there has been a softening in the additional amount they are willing to pay - down to 6 per cent in November 2024 compared to 8 per cent in January same year. This decline in acceptable price premium reinforces consumer sensitivity to return on investment for EVs in the long run. When combined with other concerns about high repair costs and growing economic pressures, these findings point to the need for stronger financial incentives to make cleaner vehicles more appealing and accessible.

The AADA recommends more consistent government support to target the second wave of EV adopters, particularly those living in the suburban and regional areas.

Cost of abatement

In a recent study, commissioned by the AADA and prepared by the Centre for International Economics (CIE), we analysed the potential impact of NVES on automotive dealers and found that the introduction of NVES could cost Australian dealerships anywhere between $1.1 billion to $2.1 billion between 2025-2029, highlighting the significant cost burden on dealer businesses.[5]

In order to meet the compliance targets, OEMs could either change the vehicle mix to reduce the fleet emissions, purchase credits from other OEMs who outperform the NVES target, or pay the penalty for not meeting the target. It is expected that the regulated entities will use a mix of the aforementioned strategies and more often than not, the OEMs are likely to pass on the costs to dealers and consumers to minimise the cost to themselves. This will result in greater financial challenges for automotive dealers, making NVES an expensive way to reduce carbon emissions.

Compliance with NVES will require major price adjustments, potentially pushing up prices of ICE vehicles and making EVs cheaper across different vehicle segments (passenger, SUVs and light commercial vehicles). This will increase the marginal cost of abatement substantially, as commercial and light duty vehicles will struggle to adapt to the new standards.

Under the scenario where vehicles across all segments are compliant with the NVES, the cost of abatement has been estimated to be as high as $60 per tonne of CO2, which is significantly higher than the average Australia Carbon Credit Unit (ACCU) spot price of $36 per tonne. This suggests that the policy is comparatively costly in relation to the expected emissions reduction it achieves.

Luxury Car Tax

Besides introducing incentives, the government also needs to reconsider existing taxation policies, including the Luxury Car Tax (LCT) applicable on fuel-efficient vehicles and reevaluate the definition and threshold of such vehicles to improve the cost-effectiveness of carbon reduction policies.

The tightened definition of a fuel-efficient vehicle for the LCT through the reduction of the maximum fuel consumption from 7 litres per 100km to 3.5 litres per 100 km, means an increase in the tax paid on a range of vehicles that are generally considered more fuel-efficient than average. This is counterproductive to the goals of encouraging the uptake of more fuel- efficient vehicles and should be urgently reviewed.

The AADA would call for the complete abolition of the LCT. The LCT was originally introduced as a means of protecting Australia's local vehicle manufacturing industry. With local manufacturing coming to an end in 2017, it just imposes unnecessary additional taxes on many vehicles, particularly more expensive lower emitting vehicles and EVs.

The LCT disadvantages consumers seeking to buy new cars that deliver greater safety and environmental benefits. The LCT also acts as a barrier to the renewal of the passenger vehicle fleet at a time when technological improvements continue to make new car models safer, more energy-efficient, and more environmentally friendly.

SECTION 3: NEW ENERGY INFRASTRUCTURE

The AADA understands that installing new energy infrastructure such as charging stations for low emission vehicles is critical to support the transition to cleaner powertrains. Sufficient charging infrastructure in dealerships will boost consumer confidence in new technologies including EVs and PHEVs. Moreover, convenient access to charging stations will help reduce range anxiety and improve the feasibility of EV ownership.

Under the franchise model, dealer agreements bind the relationship between the manufacturer and the dealer, often containing extensive conditions related to how the dealership will operate and even pre-requisites for installing charging infrastructure, with all the costs borne by the dealers. While the government has introduced initiatives to drive the economy to net zero, such as the Dealership and Repairer Initiative for Vehicle Electrification Nationally (DRIVEN) Program, which supports dealer businesses with installing charging infrastructure, more work needs to be done to expand the scope and uptake of the program to otherwise eligible applicants. The current rebate amount of $2,500 per charger is too low and does very little to offset the cost burden on businesses to install and operate the new energy infrastructure.

According to the Electric Vehicle Infrastructure Guidance report[6], commissioned by AADA and prepared by Energetics, capital investment in infrastructure supporting EV sales, servicing and charging is estimated to range from $130,000 for a typical regional dealer to $580,000 for a typical rural dealer, taking into account differences in fleet size, service volumes, and electrical upgrades. Dealerships located in regional and rural areas need to invest significantly more due to the lack of existing grid capabilities, as opposed to metropolitan areas. To encourage a more even uptake of electric vehicles, government support for new energy infrastructure must be delivered proportional to the costs borne by dealers. Therefore, a site-wide rebate cap of $20,000 is an inadequate incentive for dealers to meaningfully participate in the scheme.

CONCLUSION

We would be happy to meet with you to discuss our submission and participate in any further consultation. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact me.

James Voortman
Chief Executive Officer
E: jvoortman@aada.asn.au

REFERENCES

1. https://www.productivity.nsw.gov.au/sites/default/files/2024-09/20240917_NSW-Productivity-Equality-Commission-Better-occupational-entry-regulations.pdf

2. https://www.aada.asn.au/wp-content/uploads/2025/05/2025.05.30-NSW-MDRA-Regulations-2025-RIS_Final.pdf

3. https://www.fcai.com.au/market-slows-and-plug-in-hybrids-decline/#:~:text=The%20latest%20VFACTS%20data%20shows,2.9%20per%20cent%20of%20sales

4. https://www.aada.asn.au/wp-content/uploads/2025/02/2024-AADA-Wave-3-EV-Research-Report-V2.pdf

5. https://www.aada.asn.au/wp-content/uploads/2025/06/CIE-Final-Report_-AADA_-NVES-impact-on-auto-dealer-12032025.pdf

6. https://www.aada.asn.au/wp-content/uploads/2024/04/2024.04.10-Electric-vehicle-infrastructure-guidance-report.pdf

AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

CANBERRA OFFICE
Suite 3, Level 1, 42 Macquarie Street, Barton ACT 2600
PO Box 4409 Kingston ACT 2604

E info@aada.asn.au

aada.asn.au