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Fair Work Commission

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ANNUAL WAGE REVIEW 2022-23

The Australian Automotive Dealer Association (AADA) is pleased to provide a submission for the Annual Wage Review 2022-23.

The AADA is the peak automotive industry body which represents Australia's franchised new car Dealers. There are approximately 1,500 new car Dealers in Australia that operate some 3,000 new vehicle Dealerships. Franchised new car Dealers employ more than 59,000 people directly and generate more than \$59 billion in turnover and sales with a total economic contribution of over \$14 billion.

The AADA acknowledges that wages must keep track with rising cost of living and inflation, and as part of the Annual Wage Review the Fair Work Commission is required to *"establish and maintain a safety net of fair minimum wages"*. However, the Fair Work Commission must also take into account certain social and economic factors and consider the current economic landscape in which the Review is undertaken.

Over the last two and a half years Australian new car Dealers have faced increasing external pressures which have limited their ability to absorb increases in business running costs, including wages. The lingering effects of Covid-19, inflation challenges and labour shortages have all contributed to higher input costs for businesses and a significant increase in minimum wages could undermine business confidence.

The AADA considers that when making the wages determination for 2022-23, the Fair Work Commission should take into account external pressures faced by new car Dealers whose employees are largely covered by industry awards. These pressures include measures contained in franchise agreements such as capped price servicing, along with current labour market shortages and supply chain issues.

New car Dealers largely operate under a franchise model, where they enter into agreements with large multi-national car manufacturers to purchase new vehicles and sell them to consumers. As part of these agreements, Dealers also provide a variety of other services, including undertaking maintenance and repairs, with many car manufacturers offering capped price servicing for their vehicles. Capped price servicing is where a customer is provided fixed maximum charges when vehicles are serviced within a set period after purchase. Generally, the manufacturer sets these maximum charges, but the Dealer is responsible for undertaking servicing at that set price, which



means that increased input costs for undertaking these services are solely borne by new car Dealers.

New car Dealers are also experiencing deep shortages of availability of skilled people, particularly the technicians who play such a crucial role in maintaining and servicing the nation's vehicle fleet. These labour shortages are contributing to higher recruitment and employment costs for new car Dealers, and the more competitive labour market has driven up wages for employees in the automotive industry. New car Dealers operating in regional or remote areas have been disproportionately affected by recent wage increases because of the additional challenges they face in recruitment and employee retention and anything further than a modest increase to minimum wages would have a significant impact on these businesses.

Supply chain issues which have plagued the industry for the last 24 months are also having a significant impact on new car Dealers. An increase in new vehicles arriving with biosecurity risk material contamination coupled with the capacity of the commercial companies to manage the surge in contaminated vehicles arriving at the border is creating a backlog currently estimated at 60,000 vehicles, of imported vehicles awaiting clearance through Australian ports. The industry is also continuing to navigate a global semi-conductor shortage which has impacted the supply of new cars to the Australian market and pushed out wait times for new car deliveries.

As such, the AADA encourages the Fair Work Commission to consider the effects of increases in minimum wages on businesses when making the wages determination for 2022-23. The Fair Work Commission should also consider the above impacts in relation to new car Dealers which are primarily Australian privately-owned and family businesses and how any changes would affect their competitiveness in a changing industry dynamic.

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.

Yours Sincerely,



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