



Senate Inquiry into Corporate Governance of the ISCs

CEPU Submission

August 2010

“Industry Skills Councils have achieved what neither the tertiary nor the secondary education sectors have managed to do – the development of national standards.

These standards are driven by industry and agreed across all jurisdictions, by all scales of business, and by representatives from all levels of the workforce. Critically, they are continuously improved by the ISCs to ensure the Australian workforce is trained to the levels needed by world class industry.¹

Introduction

To develop sound policy, Governments need reliable and ongoing input from industry stakeholders. Over time, Industry Skills Councils (ISCs) have built considerable insider knowledge, networks and experience. EE-Oz in particular consults a wide range of stakeholders at a Federal, State, regional and rural level. By accessing such a rich and varied source of industry intelligence, EE-Oz supports Government skills and training policy formation, work force planning and development.

In the next few years there will be dramatic changes in EE-Oz industry sectors with respect to energy efficiency and sustainability. EE-Oz industries and occupations are central to the development of new technologies that provide renewable and efficient energy solutions to combat carbon pollution. Government initiatives will continue to focus on energy efficiency solutions in this sector. With the Government’s goal to achieve a 20% share of renewable energy in Australia’s electricity supply by 2020, there is already increasing demand for trained and accredited renewable energy system designers, installers and technicians. With advances in the technology and spread of renewable energy from sources such as solar, wind and other forms of renewable energy, the demand for relevantly skilled workers will continue to increase and further shortages are envisaged. The work of EE-Oz will be central to ensuring the training packages are in place to meet the demand for relevantly skilled workers.

Training packages cannot be developed in a vacuum or as and when a problem emerges. On-going work is necessary to support relevant training outcomes. The ISC structure is a most effective way of developing these national training packages. We don’t have time to reinvent the wheel. The occupations and industry covered by the work of EE-Oz are critical to the future of the Australian economy. Nothing should be done to jeopardise this work.

¹ Industry Skills Forum Training Packages A Story Less Told
http://www.isc.org.au/pdf/training%20packages_a%20story%20less%20told%20FINAL.pdf

The CEPU

This submission is made by the Communications, Electrical, Electronic, Energy, Postal, Plumbing and Allied Workers Union of Australia (the CEPU). The CEPU welcomes the opportunity to make this submission to the Senate Inquiry into corporate governance of the Industry Skills Councils.

The CEPU supports the views expressed by EE-Oz in its submission to this Inquiry. However, we have separately addressed the questions detailed in the terms of reference. Of particular concern to the CEPU, is the ongoing training needs of our members in newly emerging green industries.

The CEPU is constituted by three Divisions, the Electrical Energy and Services Division, the Plumbing Division and the Communications Division.

The CEPU Electrical, Energy and Services Division represents the interests of skilled electrical workers in a wide range of industries including electrical contracting, manufacturing and power generation and distribution. Electrical tradespeople form the largest membership group of the Union. As such we are vitally concerned with the training and skill needs of our members. The CEPU fully supports the role of EE-Oz in the development and delivery of this training. The National Secretary of the union is the Chair of EE-Oz.

Our members perform highly skilled work which is in a state of flux. As the demand for new skills increases, the training of our members must adapt to meet the changing needs of industry. Our members work is at the forefront of change, particularly in areas of new green technology. As such their training must adapt to meet the challenge of change. EE-Oz is the organisation best placed to design training to respond to the changing needs of industry.

“The market within which Australian industry now competes is constantly evolving. Powerful new economies are emerging; cycles of change within industry sectors are more frequent ..

The skills needed to respond to this environment are well captured within industry’s Training Packages, but as the national standards for workplace performance, they must continue to evolve if they are to identify and anticipate the skill needs of each industry, enterprise and the individual. “²

Planning for future training needs is an ongoing process. To facilitate this process the Government must have permanent structures in place which draw upon *accumulated* industry expertise. ISCs are an integral part of the infrastructure to plan for future training needs.

² “Industry Skills Council Training Packages A Story Less Told”
http://www.isc.org.au/pdf/training%20packages_a%20story%20less%20told%20FINAL.pdf

CEPU Response to the Terms of Reference

(a) **The role and effectiveness of Industry Skills Councils (ISCs) in the operation of the national training system particularly as it relates to states and territories and rural and regional Australia;**

1. ISCs were conceived in 2002 under the Howard Government to better reflect the structure of work and industry. Clearly, the Government at that time saw a need to establish a network of *national* advisory bodies. The result was the current ISC network. Since then, this need has not diminished. If anything, over time the need has grown for a single industry voice in the planning and development of training.
2. In establishing the 10 Industry Skills Councils, the Federal Government sought independent, unbiased and future orientated advice on industry skill needs. With coverage shaped to match the key industry groupings in the Australian economy, ISCs are driven by the skilling priorities of their respective industries and grass-roots intelligence gathered year round.
3. While ISCs and in particular EE-Oz, operate as national bodies, of necessity they must work extensively with a range of state, territory and regional and rural organisations. With respect to EE-Oz, the extent of this engagement is detailed in the EE-Oz submission to this Inquiry and there is no need to repeat it here. Suffice to say, the level of engagement is extensive. In addition, EE-Oz requires each of the State ITABS to maintain an advisory structure in their State to gather more localised industry intelligence.
4. The CEPU believes EE-Oz is highly effective at liaising with the numerous State and Territory government departments and agencies, industry, as well as seeking input and information from regional and rural organisations.
5. Information from all sources is gathered by EE-Oz and developed into the environmental scan for our industry sector which is a key resource on industry training needs at a state, territory, regional and rural level.

(b) **accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each ISC;**

1. The core source of funding for the ISCs is public funding through DEEWR. A funding agreement or contract underpins this allocation of funding. ISCs are fully accountable to the Government for the funding received, their accounts are audited and they are required to maintain their not for profit status. A private company performing the same function for the Government would not be so accountable. Once a company successfully tendered for a project, provided it delivered according to the terms of the contract, that would be the end of the Government's scrutiny.
2. In performing work under the funding agreement, EE-Oz must report against milestones in the contract and there is a requirement to acquit against monies allocated to specific areas,

for instance there is a requirement to produce the environmental scan and to provide industry training advice to Government.

3. A further source of funding comes from other government contracts EE-Oz may win. This funding must likewise be accounted against goals and key performance indicators.
4. An additional source of funding is through successful open tender for industry initiated training projects. Again this funding is fully accounted for.
5. At each EE-Oz board meeting, the Board receives a report on the progress of all projects – timeliness, problems, whether on budget etc. If contractors have been engaged to do some or all of the project then the status of this is also reported.
6. With respect to both its core public funding and supplementary private funding, EE-Oz accounting processes are fully transparent. Accounts are audited and project funds are acquitted. Again, a private company successfully tendering for such work would not be subject to the same scrutiny.
7. As a non profit organisation, EE-Oz applies all its funds to the objects of the company which are primarily aimed at assessing training needs, identifying impediments to training and the development and refinement of training packages to meet these needs.

(c) Corporate governance arrangements of ISCs:

1. In July 2006 the corporate governance arrangements of all ISCs were reviewed by the then Department of Education, Science and Training. In the report resulting from that review a high degree of satisfaction with the corporate governance arrangements of ISCs generally was expressed. Specifically, it was stated that:

“.. the combination of employer and employee representatives on Boards appears to work well, by ensuring that IR issues do not impede Training Package development. Employer representatives have spoken of the important contribution employee representatives play in ensuring that Training Packages will work in practice, encouraging the uptake of nationally recognised training, educating people at the workplace about new Training Packages and ensuring sensible union leadership on training issues.”³

2. However, with respect to EE-Oz a performance rating of “3” for effective governance was given due to tension between some board members which had resulted in the resignation of two board members albeit from the same employer organisation.
3. Since that time these differences, which were seen to have impeded EE-Oz in its work, have been resolved and those organisations whose members resigned at that time are now re-represented on the Board and fully participate in its work. There is also a broader representation of industry interests since the Master Electricians have also joined the Board.

³ DEST “Evaluation of Industry Skills Councils”, July 2006, p.14

The Board is now functioning extremely effectively gaining optimal industry intelligence from each of the board members.

4. The EE-Oz Board has a regular AGM, directorships are reviewed every three years and there is a professional standard against which directors are measured when standing for a position on the Board. This requires the relevant knowledge of corporations law, a degree of financial acumen and a full understanding of the principles of corporate governance.
5. EE-Oz has a specific subcommittee to deal with the appointment of new directors to ensure they meet the governance requirements of the Board.
6. There is also the capacity for alternates to represent directors in their absence to ensure there is broad representation of industry.

(d) Commonwealth Government processes to prioritise funding allocations across all ISCs;

1. The CEPU confirms the statement from EE-Oz that:

“DEEWR places comprehensive reporting requirements into the Funding Agreement to prioritise funding allocations. EE-Oz’s fulfils its contractual obligations through:

- *The environmental scan*
- *Business plans*
- *Training Package Continuous improvement plans*
- *Recommendations for identification of skills shortages, industry demographics and Productivity Places advice*
- *Training implications of government and enterprise initiatives*

These documents are endorsed by industry prior to submission to DEEWR and are publicly available from the EE-Oz Website as required by the Funding Agreement.

These documents are used by the Government to prioritise policy and funding objectives both within the scope of the ISC Funding Agreements and via other projects which are awarded on a competitive basis.”

2. ISCs collectively petition the Government to give certainty with respect to budgeting and planning. The Government has given a three year commitment to funding the service level agreement.
3. Security about funding gives certainty to staff to ensure continuity and avoid loss of corporate knowledge and expertise. It enables the ISC to retain valuable staff who have accumulated industry specific knowledge and experience.
4. Current arrangements by the Commonwealth Government to commit to three year funding arrangements:
 - allows for better corporate planning;

- allows the building and continuity of industry networks; and
- gives certainty of operation to the ISC.

5. In the next few years there will be dramatic changes in EE-Oz industry sectors with respect to energy efficiency and sustainability. In particular, advances in the technology and spread of renewable energy from sources such as solar energy, wind and other forms of renewable energy, mean that the work of EE-Oz will be central to ensuring the training packages are in place to meet the demand for relevantly skilled workers.
6. The occupations and industry covered by the work of EE-Oz are critical to the future of the Australian economy. The generation of electrical power and gas is crucial to sustainability. It is vital that such an important industry sector has operational security with respect to funding and is able to bid for Commonwealth funding to design training packages which include working with renewable energy and measures to curb the impact of carbon intensive industries.

(e) **ISC network arrangements and co-operative mechanisms implemented between relevant boards;**

1. As stated above under question (a), EE-Oz maintains consultative and working networks with all relevant stakeholders in the training system. This goal is set out in the EE-Oz constitution and even it was not so enshrined, it would be impossible to do its work effectively without this level of consultation. In its submission to this inquiry, EE-Oz exhaustively list the organisations with whom it maintains this relationship. It can be seen this level of consultation has a formidable input into the work of EE-Oz.
2. Over time, EE-Oz has built considerable insider knowledge, networks and experience. By accessing such a rich and varied source of industry intelligence EE-Oz supports Government skills and training policy formation, work force planning and development.
3. As well as industry specific arrangements, the ISCs collectively also have a secretariat which directly liaise with Skills Australia give broad advice with respect to industry training needs. The ISC Secretariat makes broad picture submissions to Skills Australia and to Ministers of Education directly.
4. Skills Australia conducts regular forums each year attended by the Chairs and Executive officer of each ISC to discuss broad policy issues with respect training. This allows Skills Australia to make submissions to government to make macro changes with respect to skill formation and training needs.
5. International speakers are invited to these forums to contribute information and add depth to the debate, about what is happening with training overseas.

(f) **the accrual of accumulated surpluses from public funding over the life of each ISC's operation and its use and purpose;**

1. While ISCs such as EE-Oz can accumulate surpluses, those surpluses can only be used for the promotion and development of the ISC. There is a need to accrue surpluses to ensure the ongoing viability of the ISC. In some years a surplus is generated and in others there is no surplus.
2. Government funding is set according to specific projects. This does not give the Board the flexibility to fund research in other areas it considers worthwhile. Developing a surplus allows the Board to undertake projects which, while not directly funded by the Commonwealth, are useful to the work of EE-Oz. Due to its status as a not for profit organisation, the Board does not need a large surplus. However, it is useful to accumulate enough funds to conduct independent research and to develop resources for the sectors under the coverage of EE-Oz. For instance, to develop electronic resource material to support the training packages or to conduct internal surveys to ascertain the level of satisfaction with the training packages.
3. It should be noted that all activities of the ISCs, including those which generate a surplus, must be reported in the Annual and Financial Reports as a condition of the Funding Agreement with DEEWR. Thus the ISC is fully accountable to Government for the use of its surpluses.

(g) **the effectiveness of each ISC in implementing specific training initiatives, for example the Skills for Sustainability initiative under the National Green Skills Agreement; and**

1. The EE-Oz industries are central to the development of new technologies that provide renewable and efficient energy solutions to combat carbon pollution. Reducing energy consumption is a key to reducing carbon pollution. Government initiatives will continue to focus on energy efficiency solutions in this sector.
2. With the Government's goal to achieve a 20% share of renewable energy in Australia's electricity supply by 2020, there is already increasing demand for trained and accredited renewable energy system designers, installers and technicians.
3. Targets for the roll out of 'smart meters' aim to achieve more than 50% of meters being replaced by 2017 and incentives for grid connected solar energy systems are seeing production of photovoltaics (solar cells) double every two years.
4. Government policies will also accelerate the implementation of natural gas technologies, which have lower carbon emissions than other fossil fuels. Future technologies will include carbon capture and storage, and more economical non-fossil fuel electricity generation (ie; wind, water, solar).
5. Technicians and tradespeople in this industry will need to be able to offer informed advice about energy solutions to help consumers achieve greater efficiencies. Clearly there are significant skilling challenges for this sector.

6. There are already skills shortages in these areas and skills shortages in the energy sectors will increase with the pressure to reduce our carbon footprint. The challenge for training in the EE-Oz industries is to increase the number of new entrants and up-skill existing workers while maintaining industry, regulatory and safety standards.
7. EE-Oz has a vital role in implementing specific training initiatives aimed at environmental sustainability. EE-Oz has done and will continue extensive work in its Training Packages to address emerging skill issues. This includes monitoring new job roles and adjusting training packages to accommodate the diversity of skills required to meet the demand for environmental sustainability.⁴
8. The EE-Oz Training Packages already contain a number of stand alone units targeting environmental sustainability work practices. In addition, substantial numbers of other units incorporate environmental sustainability skill and knowledge as an aspect of competency.
9. EE-Oz is well placed to meet the demand to design training packages to meet the skill needs which will emerge with new occupations.
10. EE-Oz has undertaken and is undertaking a range of projects to examine and improve on industry specific environmental sustainability inclusions across its Training Packages. For instance, EE-Oz has done work to:
 - Align nationally endorsed competencies and industry accreditations for sustainable energy systems, particularly the Clean Energy Council accreditation for Grid connected photovoltaic systems and the National Electrical and Communications Association Ecosmart electrician.
 - Review and update units that target skills required to deliver on Government incentive schemes, such as the Renewable Energy Certificates Incentive Scheme.
 - Develop new units to cover skill needs in new technologies such as smart meters and integrated data systems, energy efficient illumination systems, integrated energy management systems and more.
 - Develop new units to cover skill needs in energy auditing and performance monitoring, assessing and providing advice on energy efficiencies, monitoring and reporting energy usage and more.
 - Develop existing workers to address skill gaps, through the Productivity Placement Program.
 - Develop Skill Sets linked to current Business Centre for Sustainable Energy (BCSE) Accreditation levels to support installation of new technologies such as grid connected photovoltaic systems and smart meters.

⁴ Environmental Sustainability An Industry Response, p.27
[Http://www.isc.org.au/pdf/FA_ISC_Sustainability_Report_Single_LR.pdf](http://www.isc.org.au/pdf/FA_ISC_Sustainability_Report_Single_LR.pdf)

- Develop specific training for our members to facilitate the green initiatives such as the installation of solar arrays for co-generation of electricity which allows the householder and industry to generate electricity.
 - Review the Certificate III in Renewable Energy (ELV) and renewable energy units to ensure it meets the needs of current and emerging applications.
 - Develop a new Certificate IV in Renewable Energy to include revised and additional units to support the development of skills for the design and installation of grid connected solar arrays and provide a specialisation pathway for both qualified electricians and apprentices.
 - Ensure that training in environmental sustainability is now embedded in the training for our apprentices.
 - Tap into international research on renewable/ sustainable energy systems and training. EE-Oz has sent an industry delegation in Europe and works closely with New Zealand on relevant training standards including Renewable/sustainable energy.
11. The CEPU is now encouraging our members to undertake training in environmental sustainability. EE-Oz has facilitated the development of post trade training in energy management systems to reduce consumption of greenhouse gases. Had this training not been designed by EE-Oz it would have been difficult for our members to acquire the new skills necessary to support the sustainability policies of the current Government.

(h) any related matters

1. In debate in the Senate on 22 June 2010, concern was expressed about the role of the ISCs in administering the Enterprise Based Productivity Placements Program (EBPPP).
2. The EBPPP provides additional training at an enterprise level to increase productivity and allows employees who want to increase their levels of skills to make an application for Commonwealth funding to access that training. Aimed at small to medium sized businesses, the program allows an employer to nominate employees to undertake the training.
3. The Commonwealth thought this program should be oversighted by ISCs. EE-Oz were confident it could deliver on this program and the Commonwealth gave us priority.
4. In the Senate, the Opposition has questioned why this Program was not put out to open tender, for instance to be done by companies such as Deloitte or KPMG.
5. The CEPU submits it would be inappropriate and inefficient to contract the work out to the private sector because:
 - ISCs are fully accountable. Private companies are not fully accountable. While ISCs can be investigated by the Government, as is the case with this Senate inquiry, private companies cannot.

- ISCs are not for profit so the Government gets more “bang for its buck” than it does with companies who must make a profit on every tender.
- the Government cannot conduct an inquiry into the operations of companies such as Deloitte and KPMG. Even though they operate for profit there is an assumption of propriety with the private sector that is being questioned in the ISCs administration of the EBPPP. ISCs are far more accountable to Government. A failure to deliver on the EBPPP would threaten their funding agreement with the Government.
- ISCs already design training packages and have the industry linkages and Board representation to ensure the proper administration of EBPPP.
- Private companies are generalists – they will tender for any program going whereas each ISC is a specialist with expert knowledge and experience in their particular industry sectors. Thus the ISCs are much better placed to design and help implement enterprise specific programs.
- To put the work of the ISCs out to open tender to any company that successfully contracts for it would make a mockery of the collective skills and experience accumulated by the industry specific ISCs.

CONCLUSION

1. ISCs are the most cost efficient way of gathering the information and designing the training packages. Tendering out when a specific problem arises is expensive because each time the wheel must be reinvented. Each time the new consultant who has tendered for the job must acquaint themselves with the industry, its problems and its training needs. They will need to consult with all the stakeholders who currently sit on for instance, the EE-Oz board. It is good policy to harness, foster and develop the Board expertise. Having that combined expertise on an ISC Board short cuts the training needs analysis – so much is already known. The Board does not have to start from square one.
2. A proper assessment of what is needed in an industry sector it is necessary to drill down into that sector. The best way to do this is through industry advisory bodies such as the ISCs comprising representatives of all the stakeholders – these people know their industry and its training needs as well as the needs of the employees in those industries.
3. The CEPU values the work of EE-Oz in helping to create and maintain an industry led national training system. The CEPU believes the work of EE-Oz is fundamental to providing timely responses to skills needs in our industry sectors and for our members. Our industry sectors in particular are facing the challenge of great change and the work of EE-Oz is crucial to ensuring that there are sufficient relevantly trained workers to meet the pressures of this change.
4. In the next few years there will be dramatic changes in EE-Oz industry sectors with respect to energy efficiency and sustainability. EE-Oz industries and occupations are central to the

development of new technologies that provide renewable and efficient energy solutions to combat carbon pollution. The demand for relevantly skilled workers will continue to increase and further shortages are envisaged. The work of EE-Oz will be central to ensuring the training packages are in place so we can meet the demand for relevantly trained and skilled workers.

9. Relevantly trained workers are required now and the demand will only increase. EE-Oz has worked hard to create the industry networks and linkages and has the experience and the track record in delivering training programs and packages necessary to deliver the skilled workforce required. EE-Oz has the confidence of the industry stakeholders.
10. Certainty of operation is required to underpin the work of EE-Oz. The operations of EE-Oz are transparent and fully accountable to Government. We don't have time to reinvent the wheel and why would we? The occupations and industry covered by the work of EE-Oz are critical to the future of the Australian economy. EE-Oz has done and is doing a great job in delivering the training packages needed to support the future growth of the Australian economy. Nothing should be done to jeopardise this work.