



Thursday 12 August 2010

Committee Secretary
Senate Education, Employment and Workplace Relations Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Sent via: eewr.sen@aph.gov.au

Please find attached the submission of the Australian Automotive Industry Association in regards to the review of Industry Skills Councils.

The AAIA is the single largest peak body representing the interests of the Automotive Industry, with member's businesses engaged in retail, repair, servicing and manufacture of aftermarket vehicles, parts and components of all kind.

Each of the member employer organisations of AAIA (MTA-NSW, MTA-Q, VACC and TACC) represent individual employers engaged in the following enterprises:

New and Used passenger vehicle sales	Commercial and heavy vehicle sales, repair and service
Farm and agricultural machinery and implement sales, repair and service	Commercial vehicle manufacture, including trailers
Automotive electrical repair	Automotive repairs and servicing
Motor cycle and motorised bicycle sales and repair	Specialist light engine repair and retail eg mowers, chainsaws, light marine
Alternative fuels fitter and repair specialists	Parts retail and wholesale and manufacture
Engine reconditioning	Radiator and air-conditioning specialists
Towing operators of passenger vehicle, farm and agricultural vehicles and trucks	Aftermarket parts fitters and repairers eg windscreens, vehicle alarms, tinting
Motor vehicle rental and hire establishments	Specialist manufacturers e.g. custom made, vintage vehicles and modification to vehicles
Parts recyclers	Tyre retreading and sales
Body repair of all vehicle kinds	Service stations
Parts wholesale distribution	Vehicle storage, transport and detailing

The AAIA would welcome the opportunity to elaborate on our submission should you require any clarification on the issues we have raised. If further information is required, please contact Leyla Yilmaz, VACC General Manager Industrial Relations, OHS and Training on (03) 9829 1121 or lyilmaz@vacc.com.au or Danielle Andrews, MTA-NSW Training and HR Manager on (02) 9213 4216 or danielle.andrews@mtansw.com.au

James McCall
President

Australian Automotive Industry Association



Motor Trades Association of Queensland
Motor Traders' Association of New South Wales
Victorian Automobile Chamber of Commerce
Tasmanian Automobile Chamber of Commerce

**Submission to the Senate Education, Employment and
Workplace Relations Committee**

Inquiry into Industry Skills Councils

August 2010

1. Introduction to AAIA

The Australian Automotive Industry Association (AAIA) is the national Association representing 80% of repair, services and retail employers in the Automotive Industry. AAIA represents the employer organisations that withdrew their membership from MTA.

The Automotive Industry consists of:

1. The repair, services and retail sector
2. Three passenger and three major commercial vehicle Manufacturers
3. Truck, bus, trailer and aftermarket part manufacture

The single largest sector of the Automotive Industry is the repair, services and retail sector, both in terms of employment levels and industry investment in vocational training.

The Organisations represented by the AAIA have members in the repair, services and retail sector of the Industry, and to a smaller degree in the truck, bus, trailer and aftermarket part manufacture sector.

FCAI represents the major vehicle manufacturers and importers of vehicles.

FAPM represents the part and component manufacturers, which are primarily tier 1 and tier 2 manufacturers for the Automotive Industry. As the majority are not principally automotive manufacturers, these manufacturers are excluded from our comments as they do not use the automotive training packages.

2. Role of Skills Councils in the Automotive Industry

The Automotive Industry is heavily reliant on vocational qualifications. The whole Automotive Industry consists of some 400,000 employees, employed by some 100,000 employers. Less than 25% of these employees are employed in manufacture of vehicles, parts and machinery. The balance is employed in the aftermarket sector, i.e. sales, repair and various services.

The majority employees are engaged through a trade or traineeship. The trades and traineeships cover the traditional trades (motor mechanical- light, general and heavy, body making, panel beaters, spray painters, auto electricians, vehicle trimmers, parts interpreters, engine reconditioning, etc), retail, clerical and administrative and semi skilled such as detailing, drivers (trucks, buses, towing operators), wholesale and distribution and specialist fitters.

In the traditional trades and semi trade qualifications, there are two training packages utilised by the Automotive Industry. The AUR package covers the vast majority of qualifications in the traditional automotive aftermarket sector. The AUM covers the traditional manufacture qualifications. In excess of 30,000 trainees and apprentices are engaged annually in these two packages, of which 1,500 are engaged under the AUM package.

The Automotive Industry also uses to a lesser extent other training packages for specialist occupations as required, such as business services, retail services, competitive manufacture, metals and engineering, transport and distribution, assessment and workplace training, financial services and hospitality training package. However, it is important to note that the predominant packages used are the AUR and AUM Automotive training packages.

This means the role of Industry Skills Councils is important to the Industry, particularly given their primary roles, which include:

- Maintenance of national training packages,
- Industry intelligence through the development of environmental scans and
- Advice to Government on policy priorities, such as qualifications, funding, training priorities, skills infrastructure etc.

Unfortunately, the Automotive Industry has never been actively engaged in the Industry Skills Council structure since their introduction in 2003.

In 2003, pressure for the Automotive Industry to merge its training interests with the Manufacturing Skills Council (MSA) was strongly and successfully opposed by members of AAIA, MTAA, the Federal Chamber of Automotive Industries (FCAI), the AMWU Vehicle Division and various other Automotive Industry organisations.

Unfortunately, in March of 2009, the then Deputy Prime Minister, the Hon. Julia Gillard, MP, allocated the Automotive Industry to the Manufacturing Skills Council, despite the opposition from all Automotive Industry stakeholders. Following the decision the majority of key stakeholders refused to work with MSA and remained outside of the Skills Council structure. This of course meant that the work of MSA in the Automotive Industry was inefficient and of little substance.

This decision was subject to a review in late 2009, which resulted in early 2010, a further decision by the Minister, that MSA create a wholly owned subsidiary for the Automotive Industry. This decision is yet to be implemented to finally deliver to the Industry the autonomy and benefits the Industry requires.

While the decision was made by the Minister to have a separate and autonomous body, albeit a wholly owned subsidiary of MSA, the decision cannot be implemented until the existing Skills Council, the MSA, actually forms the company.

While it is understood by the Automotive Industry stakeholders, that MSA is cautiously implementing the decision, it nevertheless continues to delay the Automotive Industry's access the benefits of a national VET system.

The urgent need for a detailed review and update of the training packages, the lack of accurate national Industry intelligence and access to Government resources is now, after seven years, damaging the commitment of Industry to training and business growth.

Subsectors of the Industry, while vitally important, even through very small in size, cannot access relevant training from RTOs. RTOs lack resources to service the Industry and the training packages lack the flexibility to work with alternative quality training arrangements.

Until 2008, the Automotive Industry had limited support from Automotive Training Australia (ATA) (the last remaining national ITAB which predates Skills Councils). Through ATA, some Government funding was obtained for the 2005 review of the training packages. With support from Industry funding, a resource stricken ATA was nevertheless, successful in exerting sufficient pressure to secure acceptance of the 2005 packages and their subsequent implementation, the last of the changes were implemented in 2008. This meant that by the time the packages were introduced in 2008, they were already three years out of date.

The Industry self funded the remainder of its own training activities and special projects, such as Industry data collection, promotion of trades, employment initiatives etc. Unfortunately, this meant that the delivery of these projects was inconsistent and of varying qualities, as each Organisation varies in their capacity to devote resources to such projects.

The Industry needs an independent Skills Council where it can freely engage with the many Automotive Industry stakeholders to ensure the collective voice of Industry is heard. Most importantly, the Automotive Industry requires the assurance that its needs will be addressed on matters of training, without interference or restraint from any other industry. An autonomous Automotive Skills Council will enable the Automotive Industry Organisations to work together, to develop the resources required on a national level, to support and promote relevant training, leading to genuine employment outcomes.

3. 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;

The effectiveness of ISCs in relating to State and Territories and rural and regional Australia, while we have not had any positive experience, believes that this experience would vary between Skills Councils. The experience of the eastern seaboard States is that State Industry Training Advisory Boards can be effective in meaningful consultation with key stakeholders at a local level, which in our view, can only enhance the work of a national Automotive ISC. MSA appears to have been unable to develop an effectual relationship with all state ITABs. One reason for the ineffectual relationship is the unreasonable time frames for response, and no indication whether any feedback received was in fact taken into account.

The Automotive Industry is made up of predominantly small business scattered across all of Australia, both regionally and in metropolitan areas. The role of Industry Organisations is to consult its members and collate collected material in a balanced way to ensure the interests of the whole Industry is promoted, protected and secured. In addition, the Industry is heavily regulated and coexists closely with a range of other Industries such as oil companies, the insurance industry, defence, transport, farming, construction etc. Without a strong knowledge of the Industry at a local level, no ISC would successfully serve the needs of the whole Automotive Industry.

In relation to the role and effectiveness of ISCs, the fundamental principles should be:

- Genuine engagement with Industry- despite its size as an Industry or the size of employers
- Genuine engagement/ consultation with Organisations that rightfully represent their members. All too often, we have observed a reliance on state ITABs or RTOs in the first instance, and to refer individual employers to the ISC. This process is not Industry engagement and consultation.
- Engage with State and Territory ITABs where possible, to ensure local intelligence is captured for environmental scans, workforce development etc, and to ensure intelligence captured at the national level, is validated
- Reasonable time frames for response, particularly where Organisations must obtain feedback from a large and diverse group of employers
- Consultation with other key stakeholders such as regulatory bodies. To do this we recommend that the ISC engage specialists with well rounded Industry experience to ensure relevant bodies and organisations are consulted where necessary

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

No specific comment is made in relation to accountability; suffice to say that often the distinctive role of various training bodies can be blurred. To Industry it can appear that the area of responsibility is unclear, thereby it seems wastage of resources occurs. Whether this is actual fact, or perception, it is a problem.

(c) Corporate governance arrangements of ISCs;

The structure of ISCs varies, some ISCs have an Industry representational model, while others have a bipartite model. The decision making process within an ISC could compromise corporate governance arrangements. Failing to engage with key Industry stakeholders, unreasonable timeframes which prohibit genuine consultation, and receipt of feedback that is not transparently balanced, in our view, compromises corporate governance.

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

AAIA supports an approach where funding is allocated on a transparent basis, taking into account relevant factors such as:

- costs associated with delivery of relevant services
- numbers of employees utilising VET
- the connection between VET services and job outcomes

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

No comment.

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

No comment.

(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

The identification of issues by Government, whether supported by Industry or not, appear to be driven by a one size fits all approach.

The Automotive Industry had implemented many years ago strategies around sustainability. While these strategies were never embedded in training packages in totality, the pressure is now on the Automotive Industry to adopt lean manufacturing principles to address sustainability by way of a specific unit of competency. This in our view does not take into account practical and achievable practices in the workplace. Further, particular needs for the Industry are ignored.

(h) Any related matters.

(i) Voice of Industry

The Automotive Industry has observed that often either Skills Councils purport to represent Industry or bodies such as Skills Australia, when consulting with Industry, tend to speak to Chairs of each ISC.

Industry Skills Councils do not represent Industry, Skills Councils are a mechanism to co-ordinate consultation with State ITABs and Industry Organisations to draw in the views and needs of Industry, to provide Government with critical information, so that funding and policy can be determined according to Industry need. The practice of extending the scope of Skills Councils confuses their role and places them in situations where they attempt to represent Industry, to the dissatisfaction of Industry.

(ii) The Role of Developing and Implementing Workforce Development Products and Services

The extension of responsibility to an ISC to develop and implement workforce development products and services is unreasonable, given that successful products and services require working with individual employers. In the Automotive Industry, as most employers are micro in size, no ISC would have the capacity to deliver nationally on an enterprise level. This in our view would also be similar in other industries where most employers are small in size.

We consider that the role of the ISC is to develop national principles and guides, but the work at an individual enterprise level must be shared by those Organisations that already occupy that space. In the Automotive Industry, this space is occupied by the major Employer Organisations, which are employers in their own right, or through partnerships with state ITABs that currently effectively engage with genuine Industry representatives.

Again, these additional responsibilities on ISCs without consideration of existing bodies, that are utilised in Industry, blurs the role of each body and either wastes resources or duplicates initiatives to the detriment of Industry.

(iii) The Coverage of ISCs

In Australia, some 25 national ITABs were amalgamated into 10 Skills Councils and ultimately resulted in a further addition for the Forestry Industry. This situation granted the Forestry Industry with its own Skills Council, while it along with the Automotive Industry was one of the remaining two Industries which refused to merge with the ten established in 2003.

A comparison with similar bodies in New Zealand and the UK shows that both countries have a greater number of bodies. This raises questions over:

- Should the artificial scope of coverage of Skills Councils be reviewed?
- Is the existing structure promoting participation and ownership from Industry in VET?
- Does the current structure support a demand driven model or perpetuate a supply driven model, if Industry is disengaged?
- Should the unhappy marriages between Industries continue in the existing ISC structure?
- What can be done to improve the relationship between ISCs and state arrangements to ensure Industry intelligence is accurately captured and workforce development products and services are efficiently utilised?

The Automotive Industry would support such a review.