



13 March 2006

The Secretary
Standing Committee on Employment, Workplace Relations and Workforce
Participation
House of Representatives
CANBERRA ACT 2600

Dear Secretary,

The Bus Industry Confederation represents bus and coach operators and bus and coach manufacturers Australia wide.

The bus manufacturing industry involves the importation of bus chassis, primarily from Europe, a small percentage of chassis are manufactured in Australia, which are then built and fitted out by bus body manufacturers.

The bus body manufacturing sector utilises Australian produced componentry and accessories to complete the vehicle. This includes such things as steel and aluminium for frames, windscreens and seats.

Approximately 1000 buses are manufactured each year which range in price from \$250,000 to 500,000.

These vehicles are medium to large buses which have 32 seats up to 57 seats.

Approximately 15% of buses are long distance charter vehicles – coaches, Route/School buses 60% and 25% School.

Accurate statistics in regard to the bus manufacturing sector are not available, however the BIC's own analysis indicated that the industry's total annual turnover is more that \$700 million which equates to approximately 1% of GDP.

This \$700 million dollar turnover is based on:

Chassis suppliers	\$350 million
Body Manufactures	\$250 million
Ancillary Providers (seats, windscreens etc.)	\$100 million

The industry directly employs over 2000 people in the chassis and body building areas with approximately another 1000 working in the ancillary providers area.

Current and future employment trends in the industry

Employment trends in the bus manufacturing sector could be described as "seasonal".

The Bus manufacturing industry is very reliant on State Government tenders for new vehicles to provide route/school and coach services.

These services are generally provided by private bus operators under a State Government contractual arrangement. These contractual arrangements vary in most States.

The key contractual differences which impact on the bus manufacturing industry are:

- the inclusion/exclusion of "capital" costs in the contract which is a key determinant of vehicle replacement today.
- The inclusion of an average age of the fleet requirement in the contract.

Some services (STA in Sydney/Newcastle/Wollongong, ACTION in Canberra etc) are fully owned by State Governments.

Approximately 3100 buses were Government owned of 70,196 registered in Australia in 2002.

The bus manufacturing sector is therefore subject to seasonal type conditions in that it has to make predictions about production based on:

- the varying vehicle replacement regimes that exist with Government contracts in each state.
- the growth of the passenger task and increasing services, which vary in each state, as can the State Governments response to the increased passenger demand.
- the current age of the fleet.
- the impacts of other legislation such as the Accessible Transport Standards.
- The requirements of the de-regulated coach/long distance/charter operator.

These conditions but most particularly the timings and delays that relate to the issuing of State Government tenders for new vehicles has serious effects on the bus manufacturing sector.

These highs and lows in the industry can see annual production vary between 600 – 1200 buses and results in shortages of skilled people in the peaks and oversupply in the slow periods through the entire manufacturing supply chain.

The effect of this has also seen companies forced into mechanising production lines to cope with price pressures from overseas products, required production capacity when sales are good and avoiding the massive costs of redundancies when sales drop off.

To compound the situation the bus and coach manufacturing industry is struggling to attract the necessary skills for apprentices because of the relative unattractiveness of the industry.

Compared to other competing sectors eg. Housing, construction, infrastructure, the industry has relatively low profit margins which make it difficult to attract skilled labour or new people eg. Boilermakers and sheet metal workers can easily be paid in excess of \$25 per hour where most in the bus building sector would struggle to offer \$19 - \$20 per hour. Added to this is the future impact of the introduction of fully built up bus imports from China and Malaysia.

Australia cannot compete with the wage rates from these countries and carry more on costs than these countries.

However what is most concerning for BIC is anecdotal evidence that suggest how easy it is for these imports to be certified and how easy it could be for off-shore factories to “cut corners” if they are not subject to the same vehicle compliance and certification processes as the Australian industry.

Emerging Skill Shortages and Appropriate Recruitment and Training Strategies.

As indicated there are skill shortages in the bus manufacturing sector.

These skill shortages exist for:

- diesel mechanics/technicians
- boilermakers
- sheet metal workers
- air conditioning mechanics
- motor trimming
- class 3 (mig) welders
- qualified fitters and fabrication area operators
- auto electricians
- fibre glassing
- automotive spray painters

Appropriate Recruitment and Training Strategies

The BIC believes that school based vocational training approaches are required for the automotive component manufacturing sector that looks beyond car manufacturing and opens up the scope for school students to better understand the variety of opportunities that exist in the vehicle manufacturing sector. This needs to be done in association with Departments of Education. I have enclosed an attachment which provides an overview of an existing, successful vocational scheme, based in Victoria. A national curriculum package for bus, truck and trailer already exists which industry is satisfied. The problem lay in achieving any 'cut through' at the school leaver level, unemployed or mature aged worker level to attract the skills required.

BIC is suggesting a return to a school based skill training approach which includes a strong focus on the vocational opportunities available.

BIC would see the training facilitated through "Centres of Manufacturing Excellence" established in key manufacturing centres as well as being supported by the existing TAFE and other training arrangements.

Measures to support skills development innovation and investment in the industry

As mentioned the BIC has identified difficulties in attracting employees to the bus and coach manufacturing sector primarily because:

- the industry is not seen as an attractive option.
- low margins in the industry equate to lower wages.
- lack of knowledge and awareness of the opportunities available in the vehicle manufacturing sector and specifically the heavy vehicle sector.

Skills development in the industry would be assisted by:

- a vocational training approach for manufacturing to be adopted in Secondary schools.
- favourable incentives for employers to engage apprentices and retain them.
- Innovation and investment in the industry would be strongly encouraged by favourable tax treatment in the form of investment allowances for bus and coach operators to reduce the age of the overall bus fleet and encourage local production.

Opportunities could also be investigated into the export opportunities that exist for the heavy vehicle manufacturing industry.

The BIC is happy to appear as a witness to the Committee to expand on the information outlined in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M Apps', written over a light grey rectangular background.

Michael Apps
Executive Director
Bus Industry Confederation