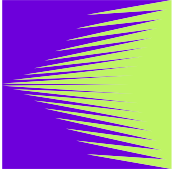


8 February 2006



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

Dear Secretary,

### **Re: Inquiry into Employment in automotive component manufacturing**

Thank you for your invitation to comment and provide some insight from the experience of our organisation on these matters to your committee.

#### **Context**

The Australian automotive industry plays a major role in the Australian Manufacturing scene but is a minnow in the global scene. Current global over production of vehicles is larger than the local output by a factor of 10. (FAPM / Ai Group report: the Victorian Automotive Components Industry – Competitiveness, profitability and the Future – March 2005)

The local Industry is vulnerable to:

- MVP's Globalised Supply Chains.
- Weakening domestic supplier base.
- Increased product sophistication and technological change.
- Pressures to reduce costs/cycle times.
- Shortage of skilled people and changing skills profile.
- Limited R&D and training funding.

There is a risk that if we are unable to manage these threats our industry will be seriously eroded within 15 years.

Alternatively there are opportunities available for the industry in collaboration with Government and other stakeholders to protect the niche-manufacturing base we currently enjoy.

A number of proposals in the public domain present opportunities to enhance our relevance within the global automotive manufacturing scene through demonstrating best practice against international benchmarks

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## **Kangan Batman TAFE and Automotive Industry**

Kangan Batman TAFE is a large multi-campus training organisation based in Victoria with major specialisations in automotive (40% of provision to the industry in Victoria) and aviation. We are well respected in the automotive industry with many graduates holding senior positions within the automotive industry.

In terms of the issues the committee is investigating we are pleased to provide some data and insights which may be useful in your deliberations.

One important input to the committee is the recent study around the Automotive Centre of Excellence proposal in Victoria completed by the Automotive Industry Strategic Advisory Group (AISAG) funded by FAPM and the Victorian Government. (Attachment 1)

In response to the terms of the reference highlighted in your letter our inputs are mainly aimed at Issues 2 and 4 in your listing, although it is clear, that all issues are inter related and need to be seen in that context.

### **Issue 2**

#### Emerging skill shortages and appropriate recruitment and training strategies.

I would refer you to the report (Attachment 2) conducted by CWCC for the Victorian Automobile Chamber of Commerce (VACC) and funded by DEST (Enterprise & Career Education Foundation) in 2002. Although targeted at the Repair, Service and Retail (RS&R) sectors and trades training of the automotive industry it could easily have been superimposed on the automotive component sector or for that matter in many similar manufacturing environments.

This report “Skills and Segmentation in the Retail Motor Industry” addresses the key challenges of technology and globalisation facing the RS&R sector of the automotive industry resulting in increased competition between businesses and changes in jobs and skills. The project focussed on examining the changes in skills, careers and labour market issues in the context of segmentation over the next 3 – 5 years.

Data confirms that segmentation is a key issue in terms of skills, jobs, career paths and labour market issues in the sector. There is an increasing gap in skill sets between areas and this will have implications for labour market entrants. It raises the question concerning the ability of the single traditional entry path through apprenticeship to meet future trade skill needs.

This data has clear implications for both targeting and skilling future labour market entrants. Just as skills, jobs and career paths are segmenting, so the approaches to targeting labour market entrants and training need to be segmented accordingly. In this context there is also an increasing urgency to address widely held perceptions on the industry in order to attract new skilled entrants.

In response to this report, partnerships involving VACC, CWCC, Kangan Batman TAFE, Toyota and Holden were implemented in Victoria in 2005. These were partly sponsored by DEST, Victorian Government Dept of Education, and Industry.

Skill shortages were analysed, skill sets were understood, and segmented. Subsequently targeted sourcing was undertaken to meet these requirements. Training arrangements were made that were radically different to existing models and traditional approaches corresponding to the targeted participants and programs.

KBT now offers, with the VACC, the RS&R industry a range of quite distinct options for the entry level training of their apprentices and trainees. These options provide flexibility in sourcing, recruitment, training options, and outcomes that meet the targeted requirements of an individual business or enterprise. (Attachment 3)

If Australia is to become a smart, niche, long term player in automotive component manufacturing we need to smartly understand and innovatively source, recruit and train our people and the approach undertaken in these projects provides evidence of such an alternative.

#### **Issue 4**

##### Measures to support skills development, innovation and investment in the industry.

The attached report (Attachment 1) completed by the Automotive Industry Strategic Action Group in Victoria responds to this issue and is commended to you as valuable input into your deliberations.

As the report details, Industry seeks support from government in a number of areas including the underpinning infrastructure provided by education and training opportunities which are responsive to Industry requirements. The development of the ACE is seen as the opportunity to bring together disparate projects and proposals into a dedicated automotive precinct. (Refer P12 on project background).

Key to the concept is the primacy of industry in commissioning research and educational organisations to participate on industry's terms.

An anecdote which sums up the broad education, training and R&D scene in Australia and the need for direction as recounted by a CEO of an Australian owned component manufacturer is very telling and I will recount it as follows:

“If I want to design, develop and produce an innovative new cup, saucer and spoon with assistance from Australian Unis etc I start by realising they are all too fractured and don't have the skills, interest or expertise to do the lot. So I get Uni X to design the cup, Uni Y the saucer and Uni Z to do the spoon. They all complete a wonderful job but when I put them together they don't work together as a cup, saucer and spoon. Brilliant job but a waste of resources and lacking in industry responsiveness”.

“I have little input into the Uni and its directions as I am only a bit player in their research program. I understand that, I don't like it, but that's the outcome I get”.

Another CEO down the road of a multi-national component manufacturer moves the design to their parent company home base where they have Tokyo University or Kettering University (both automotive centric) who complete the design as one and take the market.

This leads to a fundamental change that we need in Australia about understanding that for our key industries to remain competitive we must realise what we do well (our competitive advantage). We then need putting in place supporting infrastructure to continually push that

advantage. Our education, training and research infrastructure are of high but decentralised standard. In an increasingly globally connected world we require concentration and integration, physical and / or virtual, of effort.

If we had an automotive centric precinct which pulled together the limited resources (see below – extracted from AISAG report) we have in Australia and responded to the industry in design, development, R&D, training and prototyping then we would have some of the important underpinning infrastructure which would give us a sound base to alter the current drift from Australia, especially for Australian owned component manufacturers. Hence the discussion around a precinct or as discussed an ACE provision.

The value of an ACE lies in the extent to which it can:

- . strengthen the automotive industry's, and the wider manufacturing sector's, manufacturing and engineering capabilities to ensure they can compete globally;
- . improve education & training and research & development outcomes through promoting critical mass and network effects;
- . position Australia as a globally significant centre of excellence in the automotive industry, particularly in the areas of collaborative engineering services and niche manufacturing;
- . showcase Australia's automotive expertise;
- . position Australia as a supplier a high quality education and training (including distance delivery) services for the automotive industry;
- . build the industry's image to allow it to attract the talented employees that it needs;
- . broker best practice product design and manufacturing outcomes;
- . improve linkages (both physical and virtual) between industry stakeholders; and
- . allow high facility and equipment costs to be shared.

## **ACE – Recommended Elements**

In terms of supporting Industry's response, the following elements should be included:

### **A. Innovation Support, by including -**

- AutoCRC (Auto R&D, \$100 million over 7 years incl \$38.5 million in Fed. Government funds)
- VPAC (high end computational support)
- Offices for R&D providers eg CSIRO (entry point)

### **B. Education / Training**

There is a need to complement the KB TAFE (Stage 1 & 2) activity with auto specific higher education in engineering/manufacturing and management – the facilities will allow the provider(s) of choice to supply these services, providing a pathway from certificate to PHD in Auto related competencies. – a process is required to identify the gaps and the program to implement. An initial provider(s) of choice should be selected based on vision, speed, responsiveness, and commercial arrangements.

### **C. Promotion & Communication**

A neutral place to meet and highlight Industry activity –

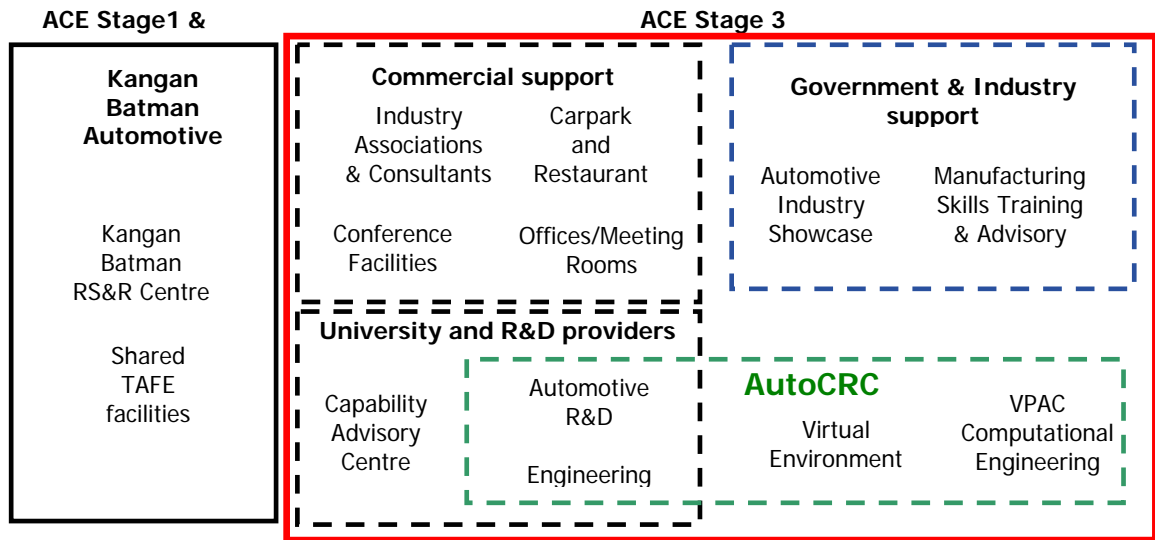
- Manufacturing Skills Training & Advisory Centre
- Automotive Industry Showcase
- Capability Advisory Centre

To support this it would be desirable to add key auto and related associations (VACC RS&R, FAPM, FCAI, TIFA, SAE Aust) providing offices and meeting rooms that can be leased at equal or better than market value.

**D. Other commercial services**

Conference rooms, the restaurant and carpark identified in KB ACE Stage 3 commercial building design (Lyon Architects) should be maintained due to their independent commercial support and source of revenue.

**Fig 1 – Recommended ACE Elements**



I commend the report (AISAG) to you as a view from FAPM members in particular in terms of a significant measure that has support to assist with skill development, innovation and investment for the automotive component industry.

Yours sincerely

**Phillip Murphy**  
*General Manager – Industry Liaison*  
*Kangan Batman TAFE*