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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE
RELATIONS AND WORKFORCE PARTICIPATION

Reference: Employment in the automotive component manufacturing sector

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE

PARTICIPATION

Thursday, 30 March 2006

Members: Mr Barresi (*Chair*), Mr Brendan O'Connor (*Deputy Chair*), Mr Baker, Ms Hall, Mr Hayes, Mr Henry, Mrs May, Mr Price, Mr Randall and Mr Vasta

Members in attendance: Mr Barresi, Ms Hall, Mr Hayes, Mr Brendan O'Connor and Mr Vasta

Terms of reference for the inquiry:

To inquire into and report on:

Employment opportunities and challenges in the Australian automotive component manufacturing sector with a focus on the following issues:

- Current and future employment trends in the industry;
- Emerging skill shortages and appropriate recruitment and training strategies;
- Labour adjustment measures required to assist redeployed and affected workers; and
- Measures to support skills development, innovation and investment in the industry.

WITNESSES

APPS, Mr Michael, Executive Director, Bus Industry Confederation of Australia..... 1

SMITH, Mr Peter, Council Member, Bus Industry Confederation of Australia 1

Committee met at 11.14 am**APPS, Mr Michael, Executive Director, Bus Industry Confederation of Australia****SMITH, Mr Peter, Council Member, Bus Industry Confederation of Australia**

CHAIR (Mr Barresi)—I declare open this public hearing of the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation inquiring into employment in the automotive components manufacturing industry. The inquiry arises from a request to this committee by the Minister for Employment and Workplace Relations. Written submissions have been called for and we have received approximately 22 at this stage. We started the program of public hearings and informal discussions last week in Melbourne, so this is day 2 of our public hearings. We welcome members of the Bus Industry Confederation.

Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. We like to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We have received your submission and gone through it, but would you like to make a brief opening statement? Then perhaps we could go on to some questions. Who would like to start off?

Mr Apps—I will start off. Just quickly, the Bus Industry Confederation represents not only bus and coach operators but also the bus and coach manufacturing sector. It is a highly misunderstood component of the industry. The bus and coach manufacturing is made up of chassis suppliers, which are largely European based—the Volvo-Scania of the world—and then a range of Australian based companies that are body builders or body manufacturing companies and build the frames from the ground up. We also represent approximately 50 what we call first- or second-tier product providers, who provide everything from windscreens to seats—companies such as Southport Engineering.

One of the challenges for the Bus Industry Confederation has been getting accurate information, particularly on the manufacturing sector. The national body was established just short of four years ago. So I wanted to clarify first of all the difficulty in obtaining that information. One statement that I made in our submission was that there were 2,000 directly employed and 1,000 indirectly employed in the manufacturing sector. I have since been corrected after some discussions: directly and indirectly, the bus manufacturing sector employs about 10,000 people.

CHAIR—That is a big variation there, Michael!

Mr Apps—It is, but I based my numbers on a survey we did probably in the first year, and these fellows were very reticent at that time about providing a lot of information and had not thought too much about the indirect side. The 2,000 directly employed is approximately right and then there is one for every four indirectly employed, which is a fairly common formula. I would also like to say that industry is seeing a problem in relation to the skills shortages in a range of areas—and we can come back to those when you ask questions—but it also suffers from a retention issue, largely because of the seasonal nature of the industry, which I identified

in the submission. We have identified a couple of views or approaches we think might be appropriate in relation to recruitment and training strategies and we are happy to answer questions on those. We might leave it at that.

CHAIR—Peter, do you want to make any comments?

Mr Smith—We are basically a manufacturer of components for the automotive industry, but I say the automotive industry is wider than just cars. It takes in trucks, buses, coaches, earth-moving equipment, trains and trams. They basically all employ similar trades and they all use the same skills training resources.

CHAIR—Right. Maybe that is a good place to start, with that comment, Peter, because, when I looked through your submission and went down the list of the emerging skills shortages, I thought, ‘How would they be any different to the skills shortages in the general auto components industry?’ I would have thought they would have been pretty well similar.

Mr Smith—I believe the skills shortages are similar and this is why they occur: there used to be two streams for secondary schooling—a tech school scheme and a high school scheme—and now there is basically one stream of education, so even the careers teachers themselves do not have any manufacturing experience. Therefore the career path they push to most students is virtually, ‘Go to university or do VCE.’ The students do not get much exposure to anything before they get to year 10—the fourth year of high school.

CHAIR—There are a whole lot of other issues and problems there. I will stick to a particular line at the moment, and then we will go into the other area you are referring to, which is very valid. The point I was trying to make is that when I looked at that list it did not seem any different to the general industry, so my thought was, ‘Why would the bus industry—the heavy transport industry—be even more adversely affected than the general industry?’ That is a line that was used in your submission as well, Michael. You refer to seasonality and you refer to low margins, but surely there is cross-employment between the two. Does that take place—as one creates redundancies, the other one picks them up? Do people move from one area to the other?

Mr Apps—I think the nature of the local bus manufacturing industry—its low margins and its seasonality—means that while we are seeing people coming in they are actually going out, because they are attracted to what you might call the bigger end of manufacturing. I think that is a key issue. The skills shortages, I would agree, are common across the board. In many senses, though, we probably have a bigger retention issue in the context of keeping people in the industry. The seasonality factor is probably the major driver. The ups and downs see people having to go in and out. The seasonality is not an easy issue to address, because it is largely based on state government contracts and tenders for the building of buses.

CHAIR—What kinds of agreements would these people be on if it is seasonal? For example, in your situation, Peter, what sort of employment agreements do you have?

Mr Smith—We have individual EBAs, and I think that is pretty much the trend for the smaller companies. We have just finished a train contract to build 76 trains. At the end of it we have put off some people, but as we are in a pure industry like that we know that the main contractor will put off his labour workforce at the end of the contract but keep his front-end

project management people. We went from 1996 to about 2002 without a major rail project, but because we are very diverse in what we do we have been able to stay in manufacturing. But there are companies that are not able to do that.

CHAIR—So every time there are these seasonal fluctuations you and others in your situation have to go through a redundancy program—

Mr Smith—Yes.

CHAIR—and the costs that are involved in that?

Mr Smith—They are normally costed into the projects, because they do not know if they are going to have projects one behind the other.

Mr VASTA—Why don't you use contract labour or other skilled engineers?

Mr Smith—The bigger companies do that, but there is a cost to doing that and we normally put our labour on. We dabble in automotive—we do a little bit in that industry, not a lot. We work with buses, trains and trams. We started out with a bus passenger information system and then went to the next level of that sort of technology. We do stations, and we did Southern Cross Station. We formed a relationship with a UK design company and modelled our passenger information system on Paddington station's. From there we went to the passenger information system in the trains and we have now bid for another project for the PPP in Sydney. We have probably got until the beginning of 2007 before that job starts, so we have got to scavenge around and find other jobs to keep us in business for that period of time.

CHAIR—You mention that one of the variations is seasonality and the figures that are in your submission indicate that production can vary from 600 to 1,200 buses per annum. That is an incredible variation. What has the trendline been over the last 10 years? Has that been the case or have you seen some variations to that?

Mr Apps—No, that is pretty much the case at the moment. We are probably at the 1,200 point. In fact all the body manufacturers are so busy that they cannot service the market. Four years ago when I first started there were probably 600 buses. If we were to look back, it has varied between 800 and 1,000. That broadly is a trend which is very difficult for them to deal with. There are really two bus body manufacturers and then nine to 10 small, fairly niche market, bus body manufacturers, and those fluctuations are difficult to deal with.

CHAIR—So there is a production output at the moment around 1,200. What about the imports? What are those numbers?

Mr Apps—Currently we do not see any fully imported vehicles coming in. There are a couple here and there but—

CHAIR—Are you worried about Malaysia and China?

Mr Apps—That is an issue. We are not concerned about fully built-up imports in the sense of competition. We are worried about the compliance and certification process relating to those and

the effectiveness of DOTARS in managing the process and ensuring that those vehicles coming in meet current Australian design rules and that the compliance regime is as stringently applied to them as it is to the Australian manufacturers. We have no issue of competition but sometimes they are able to bring those vehicles in much cheaper because they are not meeting Australian design rules, which in many ways are the best in the world in a safety sense.

CHAIR—But, just going back to what you said just then, the imports are pretty low at the moment?

Mr Apps—Very low at the moment. Two companies are looking to come in.

CHAIR—You cannot give me a figure—

Mr Apps—All the chassis are European and are imported. Of the fully built-up vehicles, I think there are three in the country at the moment.

Mr BRENDAN O'CONNOR—You talked about unit production being anywhere between 600 and 1,200 or thereabouts per annum and the chair went on to ask you then about how that affects employment arrangements. What would the peaks and troughs of labour demand be during that period? You talk about the skills shortage, but why would you be in an industry if the employment were to be very precarious? You would go elsewhere to find certain work with the skills that you have. How much does the demand for workers peak and trough through that period? For example, do you have to reduce the number of employees you have at a given time and are they aware of when they are likely to be off?

Mr Smith—A couple of years ago when they were doing the Anzac frigates in Melbourne, we were 50-odd kilometres away on the other side of Melbourne and our labour was getting poached and more money was being paid to get our workers to go and work on the frigates. When there are plenty of big projects on people do move around and when there are not big projects they tend to stay employed. We have a very high retention rate for our employees by most standards I would think—

Mr BRENDAN O'CONNOR—Your company?

Mr Smith—Yes. Basically we train our apprentices and we have a working relationship with the three local schools. I talk at the careers days and I offer plant visits to our manufacturing facilities to students and their careers teachers. I am a member of the local learning network—

Mr BRENDAN O'CONNOR—What is the average employment life of an employee of your company?

Mr Smith—We have been going for 22 years and probably the average life of an employee at the company is getting up to around seven or eight years.

Mr BRENDAN O'CONNOR—How many apprentices would you take on each year?

Mr Smith—This year I have taken on two as school leavers and one who was a labourer who worked for me. We have probably had one of the best results we could have had. I have left the

labourer on the money that he was getting as a labourer—I have not put him back to apprentice's pay—and I believe that at the end of the time the loyalty that I will achieve from that employee will make him a valuable employee to the company in the longer term. As part of the deal, because he is already in his mid-20s and I am quite happy with the learning progress that he is making, I believe that instead of the four-year apprenticeship we will probably release him at 3½ years as a bonus for him at the other end of the scale.

They have been allowing us to do things like that. Of the other two apprentices that I have put on, one has done year 10 and one has done year 12. Officially, from the beginning of this week, we can now pay a set rate. The minimum pay for a year 10 apprentice was about \$6.30 an hour. If they have done year 12, they have shifted the rate of pay up more realistically with their age bracket. So that has come into effect. That is one of the initiatives from Victoria over the last few months.

Mr BRENDAN O'CONNOR—What proportion of your work is undertaken by permanent employees? I understand that you would have different types of labour. You would possibly have temporary, contract, casual and permanent. How much of your work is undertaken by, if you like, nonpermanent labour because of the peaks and troughs and also the need for flexibility?

Mr Smith—Out of a workforce of 55, during the peaks of the contract we had contractors to bring us up to about 60.

Mr BRENDAN O'CONNOR—And casual labour?

Mr Smith—Contractors and casual labour.

Mr BRENDAN O'CONNOR—That is a small proportion really.

Mr Smith—Yes.

Mr Apps—It is interesting: Peter's company, as a first-tier provider to the body manufacturer, has a deal more possible stability because he is always servicing the number of buses that are coming along and he has a broader range.

Mr BRENDAN O'CONNOR—I was going to say, Michael, that industry would be a little different to that, of course. If peaks and troughs are so different, I imagine there would have to be a much greater proportion of work undertaken by people who cannot have permanent ongoing work. Would that be right?

Mr Apps—Yes.

Mr BRENDAN O'CONNOR—Do you know what the breakdown, the proportion, of that would be?

Mr Smith—I would have thought that the more realistic figure for a company that had a couple of hundred employees would be up to as many as 50 contractors or casual employees for those peak loading periods. Out of that 200, they would probably have fixed term contracts to match their project, as well, for quite a few people.

Mr BRENDAN O'CONNOR—Do you rely largely on state government tenders? Is that a large part of it?

Mr Smith—Yes.

Mr BRENDAN O'CONNOR—You mentioned the problem of lateness, which affects the work. Can you explain that?

Mr Smith—We have just about finished a rail project that we did in Victoria. We were hoping for a 505-bus tender. It would come out progressively over five years, with 50 buses in the first year and about 90 in the following years. We were hoping to start that job in March. The tender was supposed to be announced in December, and it has not been announced still at today's date. I need lead times for material and everything, so my best start date for that job now would be probably July. It is hard to cashflow and plan around jobs like that.

Mr Apps—That is a particularly interesting aspect, that those tender processes are subject to the vagaries of state government budgets, politics and elections. An example would be the 500 buses that Peter spoke about. There was a previous tenderer. A company was geared up with a view that they were possibly going to win that tender, and then it was delayed for over 12 months. So people were brought in, the work never arrived and they were pushed out. This is an ongoing issue which is difficult to deal with in the context that each state government tenders separately for these kinds of jobs, and the timing can vary depending on the particular transport minister or treasurer.

Mr HAYES—That is largely a product of the specific business you are in. Your main clientele is going to be the government, and you have to be flexible to the vagaries of their tendering processes. I am interested in your apprentices. You have explained how you go to schools and facilitate an easier pattern for bringing people in. What is the general experience of the industry? As I understand it, all of those involved go through group training, so they source their apprentices through a group training provider as opposed to directly employing apprentices.

Mr Smith—Yes. I have had a diverse experience of it. I started off with group training. I started with four or five employees and we grew with group training over many years—for about the last 17 years. It has only been in the last three or four years that I have directly employed my own apprentices. It was mainly because our numbers went up and we had the ability to do our own administration of it.

Mr HAYES—Has employing your own apprentices had an impact on your ability to retain staff?

Mr Smith—Yes.

Mr HAYES—When they have graduated as tradesmen, are they likely to stay because they have been employed there as apprentices? What has been your experience?

Mr Smith—The first apprentice I had was virtually non-rotated. They have gone through phases of having the rotation of apprentices to other companies. Companies have taken them for the duration of a contract then put them back into group training. I have found that with the

apprentices that I retain from day one to the end of their apprenticeships I get a better retention rate. They have the training that we look for.

Mr HAYES—The industry has suffered in terms of retaining people. The turnover seems pretty high in your industry, generally.

Mr Smith—Yes. We probably have a very high retention rate compared to industry standards. I spend a lot of time at schools. I also support the Beacon Foundation No Dole pledge for three schools, which means that you either stay at school or get a job. Our company takes people for work experience throughout the year. When we get young people in for work experience, the first question I always ask them is: ‘What do you want to do when you leave school?’ Most of them in are in year 10 or year 11 and they do not have an answer to that. That is the problem. They all like the sexy part of our business—electronics. They want to be electronics engineers. They come and work in our electronics area for a short term. We take them out into the factory, into the metal-bashing side of our business or the fancier aluminium area. In turn, most of them prefer the other side of it. The fancy bit is what they learn at school.

We have a very diverse business, so we try to make sure that if they are there for a week they spend at least a day in each different area of our business. One lad came in and had to do his work experience. After four hours he said, ‘I’m going to do graphic arts. I’m not interested in this.’ I said, ‘That’s no problem. We can cater for you.’ So we got him up at the office doing design work and he designed a lot of the forms that we have in our computer system these days. We do not typecast people. We have an open mind and we shift them to where they want to go. Normally, after doing work experience, they become my next year’s apprentices.

I have an easy track to get apprentices. Everyone around me says they cannot get apprentices, but they will not put the effort into the schools and they will not have work experience. There is a company down the road that is heavily into the truck and automotive area. He says work experience is a waste of time. I just laugh at him because I get my workforce and retain them, whereas he has difficulty getting his workforce. I think that is where the homework needs to be done.

As a group of manufacturers we have formed an alliance called the South-East Melbourne Manufacturing Alliance, or SEMMA. We have made requests through south-east networks to the government and have had funding to get relief teachers. We took two busloads of careers teachers to manufacturing sites. They could not believe that these industries existed right under their noses and that there were more than 4,000 people employed in the local area. So there are very good opportunities. Some around our way are in pharmaceuticals. There was a fibre optics plant that had a clean room that was like a laboratory, and then there was manufacturing.

But the old days of dirty manufacturing, in my opinion, have all but gone. I remember when I did some work once I had to stand under the edge of a hut to eat my lunch; we did not have a lunchroom. I do not want my employees to have that sort of work environment; hence, we have a very good environment, probably at the top end of the scale in that we retain our employees.

CHAIR—Michael, in your submission, you also mention that one of the issues that affect your industry, apart from seasonality and government tender contracts, is legislation such as

‘accessible transport standards’. What is that? Is that something to do with the conversion of vehicles to handle access by the disabled? I am a bit confused by that one.

Mr Apps—It confused me as well!

Mr Smith—Through the United Nations, there is a disability act which states that, by 2020, passenger transport has to have access for the disabled. That requires the removal of step access from buses, trams, trains et cetera.

CHAIR—That is why we have buses which now move down to the kerb level.

Mr Apps—Yes.

CHAIR—How would that affect your business? That is simply an extra requirement that has to be brought into the production process, isn’t it?

Mr Smith—It probably means that the governments have to authorise private operators to upgrade their fleets at a faster rate than they did 10 years ago.

CHAIR—That is the other thing; you mentioned that the current age of the fleet is also a consideration. Are the age requirements too short?

Mr Apps—The point was that the accessible transport standards that have been introduced have a compliance time frame that bus and coach operators have to meet. However, on the other side of that equation, we have a serious problem with the age of the fleet, because bus and coach operators are not able to replace the vehicles because the cost of capital in their state government contracts is not included as part of that process. The price is screwed down. But federal legislation, on the other hand, has a requirement that the fleet be, for example, 25 per cent compliant with the accessible transport standards by 1 January next year. The industry does not have the capacity to financially meet that, and on the manufacturing side it generates an over-demand.

So you have those dynamic factors—the age of the fleet, the financial ability of the operator to fund upgrades and the ability of the bus manufacturing industry to meet the requirements for those who can fund it. State governments are, funnily enough, able to fund their own buses—there are government owned buses—to do it. So the bus manufacturing industry gets geared up to meet it. On the other side, the private operators do not have the capacity to meet those requirements, so you have this dynamic with the age of the fleet not being able to be reduced because of the financial ability, plus you have manufacturers not able to actually meet the demand.

CHAIR—Yes, I understand the tensions there.

Mr Apps—It is up and down.

CHAIR—So you have the requirements of meeting federal legislation in terms of the standards, yet the upgrades cannot be built into the contracts.

Mr Apps—No.

CHAIR—Have you had discussions with various state government purchasing authorities about changing that?

Mr Apps—We have had a range of discussions. State governments have actually recognised the problem now. For example, the Tasmanian government are now seeking an exemption to the accessible transport standards because they cannot possibly fund the vehicle replacement program; however, it is a requirement of the act. So they will get an exemption, no doubt, and that will extend it for five years. On the other hand, New South Wales and Victoria, which have a fairly positive contractual arrangement with bus and coach operators, will meet the requirements. So we have those discussions. We have had these discussions and we have written to Minister Ruddock. We have had the same discussions with state ministers of transport to try and work out how we actually meet the requirements of the legislation but at the same time get the appropriate funding to replace the fleet. But if we were actually able to do so then we would run into the problem of the manufacturing sector not being able to meet the requirement anyway. So we have sort of been painted into a corner because of it. At the end of the day, I guess accessible transport standards are a state issue after the legislation has been introduced—that is, in a sense, the argument of the Commonwealth at the moment. We would not necessarily agree with that.

Mr VASTA—On that topic, the Brisbane City Council have just purchased a far greater fleet of buses, and a lot of them are starting to be electric. Is there some federal requirement that made alternative fuels to diesel more viable? Is there some kind of incentive that government is able to give to make buses cleaner and more environmentally friendly?

Mr Apps—That is a big question. We have just been through a process of fuel excise reform, which in some senses you could argue has actually reduced the incentive to use alternative fuels because the price differential will not necessarily be there in the future. Brisbane Transport has a government owned fleet. They are inclined not to be so concerned about the extra maintenance costs required for alternative fuel vehicles. They are not as concerned about the lower reliability and durability of the engines with the use of that fuel so are more inclined to take advantage of the environmental message they can send. Private operators in general, now that the price differential has been taken away, are less inclined to look at alternative fuels. On the other side, we have been looking at very much cleaner diesel—lower sulfur content diesel—and Euro 4 and Euro 5 engines, which deliver as good emissions performance as alternative fuels anyway. So we are subject to government policy and react in that way.

Mr VASTA—It is a dynamic area.

CHAIR—Michael, early on you mentioned the concern about the imports coming in not meeting the strict certification levels that you guys have to fulfil. Is that a fear, or is there evidence in that regard? I would have thought that anything coming to Australia in the area of transport would have to meet the local standards. Peter smiles. It is one thing to have a fear about it, but it is another thing to have evidence to say it is actually happening.

Mr Smith—There is one place in Australia that does all the seatbelt testing, and you have to put your chassis rail or your seat-mounting system and your seat on the rail and test it. It is

\$25,000 to do a test and no importers have done it here in Australia yet. What it means is that we do not know if the bus would pass or would not pass.

CHAIR—How do you know that they did not do the testing before it came to Australia?

Mr Smith—They have no documentation that you could see to support it, to my knowledge.

Mr Apps—I think the issue is that the compliance and certification process is really set up for large volume production—cars—and not for a two-stage manufacturing process, so the compliance regime in Australia for built vehicles is quite different. However, we have to fit within that existing regime. I think it is also important to recognise that it is very much a paper based system and that you are able to tick and flick the box and it is accepted by DOTARS as being the truth. However, we are subject in Australia, because we are much easier to check on. You audit in the factory. What we are asking and what we have been asking is: is the same scrutiny being applied to these companies, has DOTARS been to China and audited their factory before they come, what is happening when they arrive and are they being checked?

Another important issue is that, whilst DOTARS is responsible for Australian design rules, all imported vehicles—new or second hand—are required to be 100 per cent compliant with accessible transport standards. However, there is certainly no police system or overview of who looks after that issue, because DOTARS do not have responsibility for it. The accessible transport standards live with the Attorney-General, and even very recently we have seen 15-year-old vehicles, which were previously allowed to come in without meeting current ADRs, getting into the country despite the fact that they did not meet accessible transport standards. So how that compliance regime is actually monitored and policed is our concern. We do not necessarily have the evidence face up, but I do have anecdotal evidence that two vehicles have been brought in from Malaysia and checked out by a worker in one of my member coach companies, and his view was that they were nowhere near compliant and the purchaser sent them back to Malaysia. They got into the country. So it is an issue of how that policing is managed.

CHAIR—Regarding this two-stage process, if I am importing the chassis and I have to verify on paper that it meets the Australian certification standards, I then have to wear the liability of it not being correct. Are there strict penalties for doing that?

Mr Apps—The company can lose its certification. So the chassis supplier has to put in his compliance regime and state that it meets the current Australian design rules—so that comes from Europe. In many senses, they have the easy stage. The bus manufacturer then has to build the specific bus that is highly specified to a particular operator's requirements. They have to build it to a whole range of ADRs, and that goes in on the top. But, because the system is set up for a fully built vehicle and it is a computer based system, it can go in and the two may not necessarily gel. So we find that it is a difficult area to manage.

Ms HALL—Have there been any cases where anyone has been prosecuted for incorrect certification, and if so what sort of punitive approach was taken?

Mr Smith—We are a supplier and do not have a lot of information along those lines. But I do know that we also have to comply in one of our businesses to front underrun protection. Our company sends it out to an engineer to get it certified and tested at an arms-length transaction to

make sure that we have the paperwork in place before we sell it. One of my competitors has gone broke a couple of times in his previous life, and he lives in a rented house. I was speaking to him and he said, 'I'm having a bit of trouble doing my paperwork.' In other words, he is doing his own manufacturing, testing and paperwork. He is not even third-party accredited. He has no ISO accreditation for the business. It is basically a backdoor operation, and he has nothing to lose if someone sues him. We are a reputable company, we have 55 employees and we are not interested in doing that. He will sell his product cheaper than us and jeopardise our business, to be honest about it, but I do not believe there is much legal recourse that we can take.

CHAIR—Wouldn't you as a confederation have certain requirements of those manufacturers and suppliers in your industry to do the right thing, particularly if they are members of your confederation?

Mr Apps—We do. I am unaware of any prosecutions in relation to Australian—

Ms HALL—So there have been none?

Mr Apps—I am unaware of any. There have certainly been audits undertaken of companies, but they were more done in the context of going to have a look at a vehicle because of some queries based on the computer based certification process. They have questioned it and checked it out, and I am unaware of anyone who has lost their certification to build buses. However, the system is subject to rort, and there are fly-by-nighters who apparently are providing product, usually in the aftermarket or to the market, that gets through the requirements of the Australian design rules.

CHAIR—You mentioned the difference in rates of pay in your industry and those that people in your industry are going to. I would have thought that in this kind of market, if you really need those skills, you would be paying them at the same rate as well. If you are paying them \$19 to \$20 per hour and they can get work for \$25 per hour, you are going to lose them. So isn't there pressure on you to increase your rate of pay?

Mr Apps—That is a fair comment. However, the low margins that are built into a fairly competitive industry do not necessarily allow that.

CHAIR—But what about the cost of losing them and then having to recruit all over again and retrain? There are a lot of costs there.

Mr Smith—Mine being a small company, I take that into consideration. Larger companies do not take that into consideration any more. There was an article in the *Melbourne Age* a few weeks ago about Ford. They were whinging about their ability to get apprentices. I was embarrassed that they had fewer apprentices in the maintenance area than what I employ. They are a company of 6,000 people and mine is a company of 55. They are not putting the money into their future, to be honest. You were saying you lose people on \$20 an hour if they can get work for \$25 an hour. Most times they are going off to drive an excavator. In our case, Scoresby Freeway is absolutely soaking up the labour. I do not know how many hours a week they work. I know of a person that is working there and earning close to \$2,000 a week driving trucks and graders. He is a printer by trade. He left the printing trade to drive a truck. They also leave our metal trades and automotive trades to do the same thing.

CHAIR—And in a year and a half's time they will not have a job.

Mr Smith—Exactly. But that is a fact of life.

CHAIR—It will probably be even less than that. They will be scaling it down within a year.

Mr Smith—Yes. But people are going off and doing it. A tradesman employed at my place earns anywhere between \$700 and \$1,000 a week. I cannot put my wages up to compete against Scoresby.

CHAIR—No, of course not.

Mr Smith—But I do offer them a long-term and stable work environment. On top of that, I have my supervisors and leading hands doing certificate IV in competitive manufacturing at the moment. So I am giving them more skills transferable inside our industry.

CHAIR—You mentioned that the industry is struggling to attract the necessary skills for apprenticeships. I take it that salary is a big issue. What are you doing as a confederation, Michael, to promote the industry and the vocations available?

Mr Apps—To be honest, I do not think the industry has done enough in the past, and that has become a focus over the last 12 months. We are currently working with the Transport and Logistics Centre, which is an organisation jointly funded by the ministry of transport and the federal government to establish career pathways. There is a career pathway strategy. We are looking at these vocational based opportunities, such as the SELLEN activity, to try and educate and give an understanding at the school level, before year 10, so that people understand the opportunities within the manufacturing sector. We are in the process of defining our national strategy for apprenticeship skills and job retention so the industry can be proactive. The industry has not been in the past. It has certainly let itself down. That is part of my challenge. Pulling this document together in my view highlights where the industry is not in the context of what it has been able to do. They are the challenges, and that is why we were happy to put in a submission and at least provide information on where we are coming from.

CHAIR—That is great. As an aside, this week I think the minister for education or the minister for vocational education—I am not sure which one—announced scholarships for careers teachers to go out into industry and spend time out there to give them a much broader view. I was looking through the list. There are none in my electorate, but I think there were one or two out in the south-eastern part of Melbourne. You may want to look at that and make sure that you are able to attract those people to come out and see your industry.

Mr Apps—We will do that. Thank you.

CHAIR—If they are given an incentive to do it, they might as well go and do it.

Ms HALL—I was very interested in that compliance issue. You picked that up, Chair.

CHAIR—Thank you, Peter. Obviously you are an exemplary employer, which is great to hear about and see. It was great to meet with you. Thank you very much for coming from Melbourne

to be with us today. It is much appreciated. We are going to be doing a bit of a roadshow over the next couple of months as well and going out into industry. It is a good story you have personally, if not as an industry. It is great. Thank you, too, Michael.

Mr Apps—It was unfortunate that Mr Hoffman could not make it because he is probably at the other end of the spectrum as a body manufacturer out of Macksville up on the North Coast of New South Wales. Hopefully you might be able to visit his factory as part of the exercise.

CHAIR—Okay. Thank you too, Michael, for coming in and for your submission.

Mr Smith—I would be happy to offer further help on careers in manufacturing if you have functions in Melbourne.

Resolved (on motion by **Ms Hall**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.00 pm