COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE PARTICIPATION

Reference: Employment in the automotive component manufacturing sector

THURSDAY, 25 MAY 2006

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE PARTICIPATION

Thursday, 25 May 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 Baker, 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

Committee met at 11.19 am

CROTTY, Mr Philip, Acting Director, Automotive Project Team, Department of Employment and Workplace Relations

FRANKIS, Mr Peter, Director, Industry Strategies Taskforce, Department of Employment and Workplace Relations

NEVILLE, Mr Ivan, Assistant Secretary, Labour Supply and Skills Branch, Department of Employment and Workplace Relations

WATSON, Mr Stuart, Assistant Secretary, Building Industry Branch, Workplace Relations Implementation Group, Department of Employment and Workplace Relations

WOODHEAD, Ms Clare, Director, Labour Market Analysis Section, Department of Employment and Workplace Relations

CHAIR (Mr Barresi)—I declare this public hearing open and I welcome the witnesses from the Department of Employment and Workplace Relations. The inquiry arises from a request to the committee by the minister to look into employment in the automotive component manufacturing industry. We received your submission a while ago. Twenty-six submissions have been received in total. We are grateful that you have agreed to come and talk to us.

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. It is also customary to remind you at this time that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament.

We have read your submission, No. 11. Some of us may find it a little difficult to recall everything about it, but this will be an opportunity for us to have a fairly wide-ranging discussion about not only those issues that were raised in the submission but also some of the things we have uncovered in our public hearings to date. I trust you have kept yourself abreast of some of the submissions that have come in, and particularly some of the evidence that we heard in South Australia, which was pretty useful. Do you want to make any introductory remarks?

Mr Neville—Chair, I think I have been nominated to make a few opening comments. On behalf of the Department of Employment and Workplace Relations, we appreciate the opportunity to talk with the committee this morning about our submission. We believe that the automotive industry as a whole is a significant contributor to the Australian economy in terms of total economic activity and total merchandise exports. The automotive component manufacturing sector is a vital part of that industry. It employs more than 35,000 people and has linkages to all areas of the economy. As such, its importance reaches well beyond the workers directly employed in that industry.

Accordingly the ongoing viability of the sector remains a priority as we see it. However, the sector does continue to face significant challenges. There are rising production costs, excess capacity, increased competition from overseas producers with greater economies of scale. In addition, a number of local manufacturers have overseas parent companies facing some financial difficulties. The Australian labour market remains strong despite some easing in employment growth. We have an unemployment rate currently at 5.1 per cent, which is a near record low. We have a participation rate of 64.3 per cent—again, a near record high. Forward indicators do, however, suggest that there may be some slowing in employment growth in the short to medium term.

The automotive component sector is a difficult one to get up-to-date information on. The ABS does not collect regular labour market data for that sector. The most recent data at this level of detail is from the 2001 census and, given the changes in the labour market that have occurred over the past five years, we believe that that data are not all that useful. The ABS makes more current data available for the broader motor vehicle and parts manufacturing industry, but the component manufacturing part accounts for only a little under 50 per cent of that broader industry. A lot of the data in our submission relates to that slightly broader sector rather than specifically to component parts.

Employment in motor vehicle and parts manufacturing has increased by 20 per cent over the last five years—in fact, by 20 per cent over the last 12 months. I think the increase in employment in the last 12 months is notable, given the announcements about retrenchments that have occurred, so the reductions in output in staffing are there but that does not seem to be flowing through to the employment statistics.

The outlook for the sector remains a little uncertain. New motor vehicle sales have risen strongly over the last three or four years, but in the year to April this year sales are down by 3.3 per cent. That decline may ultimately affect hiring intentions in the sector. In addition, trade vacancies in the automotive sector have fallen fairly significantly in the last 12 months. The Department of Employment and Workplace Relations produced some information on job prospects for the next four or five years. A number of the occupations that we cover in our job prospects information relate to this particular sector and some of those occupations in our view have good prospects ahead. It is also worth noting that a number of occupations with significant employment in this sector currently are in shortage. That is determined by the skills in demand research that is undertaken by the department.

Finally, through Job Network, additional assistance is provided to retrenched employees from selected industries beyond the Job Search support which is normally provided to newly retrenched workers. The details of two labour adjustment programs specifically aimed at Mitsubishi and Holden are outlined in our submission.

CHAIR—I will begin with a general comment. One of the things that we have found very difficult in conducting this inquiry, particularly with the automotive component sector, is really getting them to tell us what the issues are and some of the challenges in the sector. A lot of the evidence we are receiving is from industry associations—and we still have to meet with some of the IAs—the union sector or the automotive manufacturers themselves, rather than from the component industry sector. Are you finding the same level of difficulty as a department in getting through to that level of the industry in terms of some of the information and what some of their needs and issues are?

Mr Neville—From our point of view, we deal with industry associations and the industry itself as they approach us with some of their particular issues rather than necessarily seeking to go out and have discussions with them. Clearly, there are issues around the retrenchments that have occurred in the industry in the last 12 months or so and, particularly through our South Australian office, we have been dealing with the companies and the employees affected. But more generally beyond that, we have contact with employers in relation to the difficulty they are facing in filling vacancies as part of our skills shortage research work. But whether the industry and the relevant industry associations are more difficult to obtain information from than any other industry, I do not think I am really in a position to comment.

CHAIR—I do not think it is the industry associations that are the problem. I think it is the actual companies themselves in that sector, in the automotive component sector. You made a couple comments in your submission about the future of the industry perhaps being in the development of niche markets. In your opening statement just now you spoke about a 20 per cent growth in employment in the automotive sector in the last 12 months. That is fine, but is that in the broad auto sector or can you narrow a lot of these comments down to the component sector? That is the area that we are really struggling to get down to—that component sector.

Mr Neville—I think it is fair to say that we are probably struggling ourselves to get really up-to-date, fine-level information on what is happening in the component sector, mainly due to the fact that we rely very heavily on the ABS for our data on particular industries and we just cannot get up-to-date data at that fine-level detail on the component manufacturing industry. A lot of the comments that we have incorporated in our submission relate to the broader motor vehicle and parts manufacturing sector.

CHAIR—So if there has been a 20 per cent increase in employment in the auto sector in the last 12 months, we are making an assumption that that will flow on to the component sector?

Mr Neville—I do not think we are in a position to make that assumption at all.

CHAIR—You do not know then?

Mr Neville—I guess what we are saying is that employment in the broader sector has increased fairly substantially over the past 12 months. There may be parts within that sector that have declined, but overall there are opportunities in the automotive sector in terms of employment growth over the last 12 months.

CHAIR—Similarly, you commented that some sectors have a shortage. Are you able to identify what those sectors are?

Mr Neville—In terms of our research on occupations that are in shortage, it is very much on an occupation basis rather than on an industry basis. We come up with a list of occupations that are in shortage rather than a list of occupations in a particular industry that are in shortage. We stress the point about the occupations being in shortage in order to note that if there are displaced workers from the component sector there may well be shortages in other industries which can pick up some of these displaced workers.

Mr BRENDAN O'CONNOR—You mentioned in your opening statement that the sector's future is uncertain, which is pretty much what we heard when we spoke to the industry itself. Can you be more specific than that? What are the characteristics that would have the department conclude that it is uncertain? We understand the challenges that it has, the competitive pressures that are growing. Can you also answer whether—you may have mentioned this; I was distracted because I was reading parts of your submission—the automotive component sector could survive if the automotive industry itself were to either decline rapidly or be lost to us.

Mr Neville—In answer to your first question about the uncertain future, there are a number of drivers. First, there is obviously the state of the Australian economy. Obviously, the economy has been performing very strongly over recent years, but there has been some easing in employment growth in recent times. Our forward indicators do suggest that that easing in employment growth will continue and that may have an impact on this particular sector. There are other implications, though. Clearly, issues such as the price of petrol impact on people's decision in terms of purchasing cars. There are issues such as the exchange rate and the financial viability of the parent companies of some of the local manufacturers. There really are quite a number of unknowns that we are not really in a position to make any substantive comment on in terms of the viability or the future of the sector.

As far as your second question is concerned, again that is probably a very difficult question for the Department of Employment and Workplace Relations to respond to. It might be something that the department of industry is better placed to respond to. But to an extent it comes down to the efforts made by individual companies in the component manufacturing sector to continue, and what possibilities there might be as far as exports are concerned. But if the automotive sector as a whole in Australia went through a period of downturn, there would obviously be some impact on the components part of that sector. But I think that is an issue that the department of industry would be better placed to respond to.

CHAIR—It is not just a downturn in the industry which Mr O'Connor is referring to in terms of impact; there is also the recent production of the Holden, the General Motors car. General Motors is introducing a car in Australia. It is selling a car in Australia, so the industry itself is vibrant. But if you look behind the figures, you realise that the new Holden car has only 54 per cent local componentry in it compared to 72 or 74 per cent of the current model. On the surface, the industry is okay, but for the auto components sector there are major ramifications to it. Is that kind of level of analysis of skills and of the future of the industry too difficult to identify? Is that what you are saying, or is it that you just do not do it?

Mr Watson—I would like to comment on the industry's diversification. We conduct a range of ongoing visits. We try to understand the operations of the industries we look after. Obviously, automotive and the ACP sector is one of those industries that we target. We are seeing some evidence of companies trying to diversify so as not to be totally reliant on the next contract for the next model coming. Obviously, production levels going up and down has an impact on the number of parts you are purchasing, just in time pressures on component makers. If you are making only 100 cars that day, you need only a hundred parts. Those sorts of things have an impact.

It is important for companies to be flexible in the way they target the people that work for them and their skills to allow them to support that diversification. My colleague wrote a note to say that we understand from one of the industry associations that 91 per cent of ACP product sales are to the manufacturers. There is obviously a high risk in terms of dropping production and the impact on them. Companies probably need to be very flexible about the way they work with their people and the skills they identify within their organisations to allow them to continue that process of diversification, so that if they do go down a path of niche targeting, they are able to do high quality parts and send them to the MVPs, but also so that their businesses continue to be successful by making other products and targeting other parts of the economy.

Mr VASTA—With the skills training for these people, is that because of the constraints now placed on that industry? Has that affected the skills approach?

Mr Watson—I would suggest that if you have got a customer who buys 91 per cent of your goods then probably you target your training towards that customer. I think there is probably a transition where you need to build in some other things. I do not think there are restrictions on training approaches. I just think it is the nature of the way the industry operates and the contractual arrangements that create quite a rigid tier arrangement in the system. As well, there is the cyclical nature of the contracts. There is never any long-term certainty when you are dealing with purely contractual arrangements like that.

Mr BRENDAN O'CONNOR—We will ask the question of the other department, which seems fitting, but you are appearing before us at the moment so we will ask you. There may be a very simple answer to this. How do you define the two sectors? A car is just made up of parts. That is what a car is. You can look at the manufacturing of the vehicle and then at the other sector that supplies to that sector to finish the product. But given, as the chair has indicated, in the case of Holden, that there has been an increase in the importation of parts, how does the department—if it does at all—delineate between what is in fact car making as opposed to component making?

Mr Watson—In terms of data identification we look to other sources.

Mr Neville—The definition that we would use and the data that we would get from the ABS are very much based on a formal industry classification. However these industries are defined within what is called the Australian and New Zealand Standard Industrial Classification, that is the definition that we would use.

Mr BRENDAN O'CONNOR—When it comes down to it, the only thing you need is the actual frame of the vehicle and you can say you are making a car, while 80 per cent of it could be provided to that company. In fact, it seems the most simple question, but I am not sure if you can answer it.

Mr Neville—I am not sure that this portfolio is really in a position to talk specifically about that.

Mr BRENDAN O'CONNOR—Yes, but you can see the point. We keep talking about these two sectors but it seems rather blurred.

CHAIR—We will hear from the industry department next week. They will be going over some of these issues.

Mr BRENDAN O'CONNOR—I just wanted to foreshadow it.

Mr Watson—We do it reasonably simply. If you are assembling a car then you are not a component maker. The component makers, tongue in cheek, will not call them car makers but car assemblers.

Mr BRENDAN O'CONNOR—You are providing a service of assembling rather than making anything.

Mr HAYES—Going back to matters I think you answered in response to Mr Vasta's question, one of the things that has come through at this stage is why there is some uncertainty in some sectors of the componentry industry. People talk about the shortage of skills. One of the things that has come across to us is that there has been a decline in investment in training at this stage, perhaps because of the uncertainty itself, and what sort of market they are going to target as well as a whole host of things. Do you monitor any of that? Does that come through you?

Mr Watson—We have a visits program, as I commented earlier in answer to the chair's question. We like to understand how businesses operate. Anecdotally, I would not say I had any indication of a lack of commitment to training. The component makers that are operating know that the car makers have very low tolerance for quality issues or operational issues. As I said, anecdotally, we do not collect any information but I would say they are committed to training their people.

Mr HAYES—What was coming across to me is that I think there are some views about what market they are eventually going to be in. In terms of supplying in the future, is it going to be in the automotive market here, or is it going to be somewhere else in terms of componentry matters? That has underpinned their uncertainty.

Mr Watson—Even the elements of importing parts of their components, if I can put it in that way, and doing some minor assembling themselves. That is part of the diversification and the changing role of the industry, I think, over time.

Mr HAYES—I was just wondering whether that is some sort of barometer whereby, at a practical level, that part of the industry sees itself saying, 'We don't invest in this because we're not quite sure where we are going to go in the future.'

Mr Watson—I am not aware of any data or any longitudinal stuff that we could make any comparisons with.

Mr BAKER—One thing that has come out of the inquiry is that there are such diverse opinions about this industry. There is excitement about the industry moving forward, while some of them are just putting their hands in the air. I think that really came through. I am interested in what relationship you have with some of these companies. We spoke to Mitsubishi and Holden. They were very level and deadpan. Yet when we talked to some of the other companies, such as Bosch, they were very excited about different component manufacturing. As the chair mentioned, we are producing a car here, yet a high percentage of the components are coming from overseas. What relationship does the department have with promoting and developing the skills based training et cetera that we need in order to move this industry forward within Australia?

Mr Watson—I am reticent to say none because obviously we are interested in training and the operations—

Mr BAKER—What about the success or failure of the Mitsubishi and Holden packages, which you would obviously be aware of? That involves retraining, reskilling and redeployment. There are so many mixed messages out there.

Mr Watson—Just before Peter talks about labour market adjustment, in trying to understand the industry, because of the model cycles, different component makers are in different parts of their contract cycle. People at the beginning of the contract know they have certainty for this model going on, so they probably will be more positive people. People facing tender or recontracting probably will not be. In terms of competitive advantage, it seems that the people who are more positive around their opportunities are diversified and consider they still have a technology edge in that the particular element of the vehicle they are producing is something that they have particular expertise in. With seat assemblies, it is too expensive to bring in seats and they get damaged, for example. That part of the component industry will probably be more positive in terms of the future. Peter will speak about skills and labour market adjustment.

Mr Frankis—We would probably use the indicator from the labour adjustment packages, the two that we are familiar with. With those workers, 72 per cent in the case of Mitsubishi and at the moment 62 per cent in the case of Holden have been able to find additional employment. I would say that is a reasonable indication that there is a demand for those skills within that area. It is a proxy measure but it does give an indication.

CHAIR—It is not the total picture, though. We heard from the guys in South Australia that while the raw figures in terms of employment outcomes may be high, there was some criticism about the kind of jobs they were going to. There was not an exact match between the skills that they had developed over, say, 15 or 20 years of working in their industry and the job that they went to.

Ms HALL—The committee was told that people who were previously employed by Mitsubishi or Holden—I forget which one but I think it was Mitsubishi—now had the flexibility to go out and find themselves a job running their own lawn mowing business in comparison to previously being employed in a full-time position with Mitsubishi. We were advised that that 70 per cent figure included people who had returned to work and training within that area. I think that is rather a skewed picture that you just gave us.

Mr Frankis—I would suggest that the population of ex-Mitsubishi workers is probably older. We know that some of them took opportunities to develop other careers and some of them started their own business. My point is that this is a measure of perhaps where the industry is. It perhaps suggests that there is work there and that people can find it.

CHAIR—With respect to all the services provided—and I am referring to the Department of Human Services, the state government of South Australia and their departments, including the economic department—that kind of holistic intervention during the redundancies was fantastic.

There was universal praise for it. With a bit of tweaking and tuning, there have been improvements along the way. There is no question about that. I refer to another sector where there have been mass redundancies—the telecommunications sector. It is fair to say that many in that sector have been picked up by the telecommunications sector. Quite a few have been picked up because of the increase in the number of competitors. However, with the automotive sector, they are moving from an automotive manufacturer in the case of Mitsubishi and General Motors and there are only three other players they can go to, so the opportunities are very limited. The alternative is the component sector and the component sector itself is being squeezed. There are dynamics there which are not in force in other sectors as well.

Mr Neville—One of the points that we make is that there are opportunities in other sectors. Some of these people have skills that are very much in demand in other sectors. If we take the case of some of the trades positions, if you are a welder, welders are in short supply in many sectors and there are opportunities for any displaced workers with some of those skills to work in other sectors.

CHAIR—That is a trade skill. Certainly, recognition of prior learning is incredibly important. That was one of the areas where there was some criticism—that there was an attempt to have a recognition of prior learning but, as has been mentioned, a lot of those in Mitsubishi are older workers and it has not been easy, even if there is a piece of paper stating, ‘This person can, and has, these following skills.’ It actually has not been accepted by the industry. Some of the component manufacturers said to us that it is not a straight transfer across, because what they want in the automotive component sector is not necessarily someone who has worked in the auto sector. Whether there is some further assistance that the department or the other agencies can provide in terms of training and Job Network to bridge that transition, I do not know. Have you looked at that?

Mr Frankis—The government has made the decision about the level of assistance that is provided in Mitsubishi and in Holden. That includes substantial components of training and reskilling. We look at the expenditure patterns in those labour adjustment packages and we see that, for training, there is a significant investment. On an individual level I would answer, yes, I believe that is the case. On a sector or industry-wide level, our package is designed to get individual workers back into individual jobs. The package tends to work at that level rather than on a macro level.

CHAIR—Are there any recommendations that we should be making which will help in that regard? Obviously if they have worked in the automotive sector and they do not exactly have all the skills that the automotive component sector needs, they might have 10, 15 or 20 per cent of what is required, even just simply industry knowledge. Are there recommendations we can make which cut across departments in terms of skills training to help bridge that gap? Otherwise what is happening is that these automotive component companies, when there is a vacancy, are going outside.

Mr Watson—Perhaps more by way of observation, it takes us almost back to the first question in terms of understanding the industry. We have this thing called the automotive component industry but you could be involved in sewing, you could be a metal worker, you could be an electrician, you could be a computer programmer, you could be sewing seat covers. The range of skills across the industry is enormously diverse. The more you talk to component makers, the more it becomes clear that this is a very complex arrangement. So, by way of observation, if the committee felt that a recommendation was required, understanding the industry and the skills of the industry is really important, as is an acceptance that it is a very complicated and diversified arrangement that they have got.

Ms HALL—In your opening statement you made some very definite comments about the fact that there were skills shortages. Later, you said that the data you have is very vague and you cannot really commit yourself to any definite statements about the industry. I am a little confused as to why on the one hand you can make some definite statements but on the other hand when we ask you some very precise and specific questions, you do not have the answers to them.

Mr Neville—I think the definite statements about the skills in demand are there. The department has been involved in researching skills in demand for 25 or 30 years.

Ms HALL—But within the industry?

Mr Neville—No. It is a broad coverage.

Ms HALL—That is right.

Mr Neville—I think I may have indicated in one of my earlier responses that the way we do our skills shortage research work is very much on an occupation basis rather than on an industry basis. The point I am making is that, for some of the occupations that are relevant to the component sector—and there are quite a number of people employed in some of these occupations—elsewhere or across the labour market some of these occupations are in shortage. We certainly have no information to say that in this particular sector these occupations are in shortage, but across the labour market some of these occupations are in shortage and therefore there may be opportunities for any displaced workers with those skills or qualifications to move into another sector.

Ms HALL—Your actual knowledge of the industry is limited. That is what you are saying to us. You really do not know much about this industry at all.

Mr Neville—In terms of the demands for skills, in terms of the number of people specifically employed in this part of the automotive industry, we do not have terribly up-to-date information. Again, I think that was a point I made in my opening remarks.

Ms HALL—Do you have any information?

Mr Neville—The information that we have on employment, for instance, in that particular sector is from the 2001 census. Given the changes in the labour market that have occurred in the last five years, we believe that there should not be too much reliance put on what was happening at the time of the last census.

Ms HALL—Given that it is fairly common knowledge that the large car market is contracting and that the automotive component industry is very strongly attached to the major players, does the department believe that there needs to be some sort of a policy or initiative to encourage the big players—Holden, Mitsubishi and Toyota—to support the Australian component industry, given that profit margins are smaller and the market is shrinking? Maybe there needs to be some initiative by government to—

CHAIR—That is probably a question for the industry department, to be fair.

Mr Neville—That would be our response—that it is outside our portfolio responsibilities. The department of industry would be better placed to respond to that question.

Ms HALL—Okay, I will take that up next week. My final question refers to the last page of your submission, in the conclusion, where you state:

> The Government's Workchoices legislation and new Fair Pay Commission will play a vital role in addressing the skill needs in the automotive component manufacturing sector—

yet you cannot identify that they are actually needed—

> by ensuring appropriate and specific rates of pay are determined for each category ...

Can you explain to me what this means and how the Work Choices legislation will increase employment initiatives within the car component industry? Is it by lowering wages and therefore making the industry more competitive, or is it in some way that I am missing?

Mr Watson—We consider that Work Choices will provide opportunities to the automotive component makers and also the motor vehicle producers in the same way it will to all employers—that is, an opportunity to set workplace arrangements relevant to the particular workplaces and increase flexibility within those workplaces. In terms of flexibility, I refer back to some earlier comments I made in terms of the companies' capacity to diversify and maybe, if the need arises, to have the capacity to ease their reliance on the contracts. I made the point about the 91 per cent purchase of product by the motor vehicle producers. In terms of wage setting, wage setting is not about reducing wages. I would not agree with your statement that—

Ms HALL—It was a question.

Mr Watson—I would not agree with your question about reducing wages. It is about making sure that wages set are appropriate to the workplace. Different workplaces require different levels of skills and people should be remunerated for their productivity, their outputs and their operations in the workplace. I think Work Choices is of advantage for a whole range of reasons but particularly for the opportunity it provides in terms of flexibility for the industry.

CHAIR—Mr Watson, just on that point, obviously it is a statement of expectation, but the legislation has now been in effect since the middle of March. Is there any evidence to date that some of that is actually happening? Are there new certified agreements or AWAs that have been registered that lend support to that expectation, or is it still too early?

Mr Watson—I do not have access to any reports or documents that I can provide the committee with to answer that question, but in many senses the automotive component industry and the motor vehicle producers were, if I can use the term, the first cabs off the rank. There were a high number of enterprise agreements expiring at around this time but a lot of those are still under negotiation and in the process of going through the system. I would not like to say it is not too early to tell because that would suggest that we have data that we can provide to you or that we have done work on it. Obviously, we maintain contact with the industry as part of our interest in understanding the industry, but I have not got anything to provide to you formally, no.

Mr BAKER—I refer to a statement I made in Adelaide: one of the huge issues facing the industry is that, if you look at international standards, it is one car per 1½ minutes off the production line whereas in Australia it is currently about 2½ minutes. Do you have any ideas on how we can assist the industry to increase that productivity?

CHAIR—Once again it is a question for the industry department. Ask it next week.

Mr BAKER—You never know; we might have a very smart individual over there.

CHAIR—They probably all have very good opinions on it. In your submission you also talk about the migration occupations in demand list as a way of addressing skills needs. There are shortages in the industry and you have mentioned that. There are trade vacancies in the sector. Are there skills that the automotive industry is currently importing from overseas under the migration occupations in demand list?

Mr Neville—That is not a question that this portfolio can answer. We do the research work that underpins the migration occupations in demand list, but who actually comes in as part of the skilled migration program is a department of immigration issue rather than one for this department.

CHAIR—I refer to page 31 of your submission. It is partly related to what Ms Hall mentioned about the workplace relations system and removing industrial relations barriers for school based part-time new apprentices entering the sector. Is there any evidence to date that we are seeing an uptake of school based apprenticeships coming into the sector?

Mr Watson—I do not have any evidence that I can provide. With the implementation of something like Work Choice or workplace relations reform, as agreements expire and as practices come up for discussion, I think it will be an evolutionary process. I do not have any specific information.

CHAIR—Obviously, it is the government's contention—and I do not dispute it although Ms Hall and Mr Hayes may—that that has been a barrier to having school based part-time new apprenticeships. The other barrier, which is undisputed, I would say, across the country, is a section of the sector itself. If we are able to remove one of those barriers, which is the industrial barrier, I am just wondering whether there has been a change taking place. I have got an automotive manufacturing technology centre in my electorate, in one of the schools, as a way of breaking down the stereotyping of grease and dirt and people saying, 'You don't want to go into that sort of occupation.'

Ms HALL—The kids in my area love it.

CHAIR—They still struggle to attract the kids, even though the facility is there. You do not have any evidence at the moment that there has been a discernible change in the take-up?

Mr Watson—No, but obviously, in order to attract people into the industry, get them into the training and articulate them into the industry, removing those barriers is important. No, I do not have any evidence that I can provide.

CHAIR—In your submission you mention the number of redundancies that have taken place—2,478 employees are expected to be retrenched from the sector between February 2005 and September 2007. We are halfway through that period of expectation. Have you adjusted your expectations of redundancies?

Mr Frankis—In terms of the Mitsubishi and Holden adjustment packages, we are continuing to monitor that but we do not have any updated information that we can provide on the automotive component industry. I can provide you with the number of redundancies that have occurred in both Mitsubishi and Holden as at 19 May, if that goes to the question.

CHAIR—I think we got that from the department in South Australia. I guess it is more in terms of forward expectations

Mr Frankis—Yes.

CHAIR—Because it says ‘automotive component manufacturers redundancies’.

Mr Frankis—Yes.

CHAIR—Once again, going back to Ms Hall’s question, if you make a statement that this is going to be in the automotive component sector, and you do not have the figures for that sector, you really are talking about the automotive industry itself, and that is not what the focus of this inquiry is about. You have no figures for the automotive component sector itself?

Mr Frankis—We have not revised those beyond our submission.

Mr HAYES—I received a letter in my office a week or so ago in relation to an automotive component manufacturer and supplier. I think they have an industrial agreement that expires in September. What was put to me, and I am trying to achieve some confirmation, is that beyond September at their work plant, the employer may be relieved from having to pay redundancy at the expiration of this agreement because of the implications of the new Work Choices legislation. Are you seeing any of that?

Mr Watson—Did you say the employer was relieved—

Mr HAYES—The suspicion is that the employer is waiting until September to effect redundancies. September is the date that coincides with the expiry of their agreement, or 90 days after the expiry of their agreement. I am asking whether that employer might be relieved from making redundancy payments because of Work Choices. Are you seeing any evidence of that occurring?

Mr Watson—The short answer is no. It is difficult to answer in detail without knowing about the specific situation. If you wanted to seek our advice on that, I would encourage you to do so.

Mr HAYES—I should send you a letter on that?

Mr Watson—I think it is important to make sure that everybody is behaving under the law.

Mr HAYES—That is the point. The view is that the law says that they can make redundancy redundant at the moment, if it is for operational reasons.

Mr Watson—We can certainly provide you with some advice on that once we get a handle on the situation. There is an expectation that everybody behaves lawfully and any suggestion that it is unlawful behaviour will be investigated fully. The department has established an independent agency to investigate that sort of thing.

CHAIR—Based on the experience in South Australia with Mitsubishi and General Motors with the labour adjustment, what changes, if any, are you making to the kind of intervention that the department is going to be involved in? I am not talking just in terms of the department but in terms of the entire service delivery side of it. Are there any changes expected? For example, we heard that one of the distinguishing issues was having a Job Network provider on-site rather than off-site. There are a number of others but you have had a chance now to look at that experience. Do you expect to make some changes? What are they?

Mr Frankis—Certainly, the different ways in which the two labour adjustment packages worked have been both interesting and have led us to towards a better practice. These may be obvious, but there are things such as providing affected workers with information early. One of the things that we know was highly valued in the Mitsubishi program was having touch screens available on-site. We think that is a very positive measure. If it is possible to do that, we would certainly do that. The other thing was making sure that Job Network members attend worksites and are available at times that are convenient for workers. You would have heard that we had Job Network workers attending during periods outside of shifts, so that workers could attend. Providing them with clear information has been a very positive thing.

What we have demonstrated also is that Job Network members are capable of working together cooperatively and we have seen that particularly in the Mitsubishi situation. We have seen some good cooperative work with Job Network members. The final thing that is large in my mind is that the approach of being able to target assistance to the needs of individual workers has been very positive and has generated good outcomes. Rather than instituting an across-the-board training program—and it goes to Stuart’s point about the variety of occupations and skills—by using Job Network services, we are able to provide a service that is individually tailored to the needs of those workers. That means we can provide individual assistance and direct their training.

CHAIR—I have two comments in response to that—and it sounds good. The first one is that I think a greater focus on RPL at an individual level is something that needs to be attended to.

Mr Frankis—Yes.

CHAIR—Secondly, one of the other criticisms that was made relates to that old story—you can lead a horse to water but you cannot make it drink. The services are there. Some were accessing them in depth and others were not. The Job Network providers and all the other service agents that were there were only responding to the actual demand that was made by the individual rather than perhaps the individual being fully alerted to all the services that were available. You might find that one person had total access to everything and they had the full range, and it was fantastic, and another person did not know what to ask for or look for. Consequently, they only got what they asked for, which was very little. Perhaps those ones were the ones that needed the greatest help because they had been out of the marketplace for a lot longer.

I am not sure whether there is some way in which you can perhaps direct the information package at the time of redundancies in such a way that everyday knows exactly what is available. You know the story—you tell people once. They are probably only listening to the first sentence you spoke. They are probably tuning into walking out the gates and going home. It might be a matter of repeating what is available to them.

Mr Frankis—I would agree that it is important to emphasise the need to communicate, particularly at times that are difficult for workers as they are leaving. I would say that the uptake of the assistance packages has been very high. At Mitsubishi, out of all of the workers, 84 per cent registered for assistance. The process after that registration is that they are then able to contact Job Network members and arrange for further information. But I do agree that it is important that people do receive that information in a timely fashion and also that it is repeated. All the workers that are affected receive information packs at the point that they are doing that. As you would have heard in South Australia, the companies have been supportive of the package and have made time available. Those are all important things, but I would agree that the communication is very important.

Ms HALL—Do they have group information sessions that are mandatory for all retrenched staff to attend? If that was the case, you could ensure that all the retrenched workers would get that information.

Mr Frankis—I understand that was the case in Mitsubishi and in Holden—that all affected workers were provided with an information session and were advised of that. Again, that is my understanding.

CHAIR—We thank you for appearing before us a second time. We appreciate that.

Resolved (on motion by **Mr Hayes**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

CHAIR—I declare the public hearing closed.

Committee adjourned at 12.17 pm