



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, 10 AUGUST 2006

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE

PARTICIPATION

Thursday, 10 August 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, Mrs May, 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

ANDERSON, Ms Janice, Director, Skills Initiatives Section, Department of Education, Science and Training 1

JOHNSON, Mr Ben, Branch Manager, Skills Branch, Department of Education, Science and Training..... 1

WHITE, Ms Linda, Branch Manager, Australian Apprenticeships Services Branch, Department of Education, Science and Training 1

Committee met at 11.26 am

ANDERSON, Ms Janice, Director, Skills Initiatives Section, Department of Education, Science and Training

JOHNSON, Mr Ben, Branch Manager, Skills Branch, Department of Education, Science and Training

WHITE, Ms Linda, Branch Manager, Australian Apprenticeships Services Branch, Department of Education, Science and Training

CHAIR (Mr Barresi)—I declare open the final public hearing for this inquiry—although, I think I might have said that once before! I call the representatives of the Department of Education, Science and Training. Although the committee does not require you to give evidence under oath I advise you that these hearings are formal hearings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. I remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Before I ask you to make introductory remarks I need to state very clearly that we only received your submission this morning; it arrived fairly late. I do not know the reason for that—whether there was a mix-up at our end or your end—but the fact is that we received it late. We have not had a chance to go through it in the detail that we would normally go through these things. That in itself is very disappointing. So we are not going to be able to go through your submission in any form of great detail; we are going to be pretty much led by your comments at this stage. I do not know what happened there.

Mr Johnson—I can certainly indicate that it was not a delay on the committee's part. The submission, as I understand it, was only formally cleared earlier this week and provided to the secretariat within the last couple of days. So there has not been a delay on the committee's part; it has been a process of seeking internal clearance with the department and with the minister's office.

CHAIR—As a result of that, I will state that there could very well be a need for us to have further dialogue, whether it be face-to-face or through correspondence, on anything that you might be saying today or that we consequently come across in your submission.

Mr Johnson—We certainly appreciate that.

CHAIR—Who would like to go first?

Mr Johnson—I was proposing to lead off with a brief introductory statement noting your comments, Mr Chair, to cover the broad framework of the submission and to particularly focus on the Australian government's role and the department's role in providing support to strengthening training in the automotive components manufacturing industry. I would like to start by thanking the committee for extending this further last public hearing to the department. As indicated, the department would be very keen to provide supplementary information following this morning's discussion, or further meetings with the committee or the secretariat to follow through on other issues. The committee would be clearly aware that, in such a highly competitive and economic environment in which the Australian economy finds itself, the

challenge of finding skills for a range of industry areas is the key driver of focusing the industry on forward investment—probably no further than in the manufacturing sector, of which the automotive component sector is obviously a key player.

In terms of the Australian government's role, I want to touch briefly on three themes for the committee. One clarifies the Australian government's role in providing national policy leadership within the training sector. I will touch briefly on the broad range of initiatives that the Australian government and the department are directly responsible for administering, which go to the heart of trying to foster increased uptake of structural nationally accredited training and refer also to the work that the Council of Australian Governments is progressing in trying to build a more flexible national training market.

With the committee's indulgence I will run through those briefly for a few minutes. I thought it might assist in opening up some lines of questioning for the committee. The Australian government has a clear national policy leadership role in the training sector, particularly in the context of post-compulsory education and training. The states and territories have a clear, direct responsibility largely for funding and planning for the implementation and delivery of training in the vocational and technical education area. The formal structured multilateral agreement between the Australian government and the states and territories is the Skilling Australia's Workforce Agreement, and the planning processes around that agreement necessitate the states and territories developing their own annual vocational education and training plans which will determine how the states pursue the purchasing of training arrangements. Very directly, the states will initiate and engage in planning processes with industry, including representatives of the automotive components industry at its state and territory level, undertake activities around looking at forecasting skills planning and skills needs processes and determine within their relevant jurisdiction the priority that they will accord in purchasing training hours or training places in that industry area. Without trying to overly simplify it, that is the broad process by which the Australian government provides funding under the Skilling Australia's Workforce Agreement for the states to purchase that training delivery.

Clearly the focus of the last 18 months post the government's announcement in 2004 about the integration of the Australian National Training Authority's functions into the department has been trying to drive stronger reform within the national training system jointly within the states to strengthen industry leadership in the planning and engagement process. The states nonetheless remain the entity, if you like, that is directly responsible for purchasing training hours, whether it be from public training providers, technical and further education institutions or private training providers in a range of industries. Under the Skilling Australia's Workforce Agreement, the Australian government has required that all states and territories increase the number of Australian apprentices in national priority areas, that they increase engagement with industry and their planning and priority setting processes and that they increase a range of activities designed to improve the flexibility of training delivery, principally by public training providers into the training market. The mechanisms for driving that policy dialogue are quite clearly providing advice to the Ministerial Council for Vocational and Technical Education, and the ministerial council is informed by a national industry skills committee with national representatives from industry and the National Quality Council, which principally provides advice around training, product development and quality assurance.

The important emphasis, in touching on that broad framework, is just to indicate that the Australian government directly also has a range of responsibilities in funding particular initiatives to improve training uptake. The committee would be familiar with the illustration of the Australian Apprenticeships Incentives Program, which is a significant investment by the Australian government in providing incentives to employers to encourage them to take on apprentices and trainees into structured training.

We have a range of other programs which bring the Australian government's levels of investment in the training sector to record levels over the last 10 years. In broad terms, the Australian government is investing almost \$10.8 billion in training over the next four years. Whilst a significant proportion of that—approximately \$5 billion of those funds—will flow through to the states under Skilling Australia's Workforce Agreement arrangements, there are a significant number of programs such as the Australian apprenticeships program; the National Skills Shortages Strategy initiative, which I can expand on for the committee later this morning; the Industry Training Strategies Program; and engagement in contractual arrangements with industry skills councils, which have objectives around providing improvements in the development of training products for industry so that training products are designed and informed by industry input and can be customised and adapted to meet the changing needs of industry segments. We can support direct partnering with industry under the National Skills Shortages Strategy to assist them in developing strategic or innovative pilots to look at reskilling of existing workers, accelerated training delivery and the like.

The third area that I just mentioned previously and that it is important that the committee considers in the context of this inquiry is the work that the Council of Australian Governments approved in February this year, around driving forward a set of reforms to improve a national approach to Australian apprenticeships training and skills recognition. There are six key areas of activity that COAG is focusing on delivering by December this year. I will not go through them in detail now, but I am happy to draw them back into the discussion as relevant or indeed to provide more information to the secretariat.

CHAIR—Thank you, Mr Johnson. Ms White or Ms Anderson?

Ms White—I did not have anything to say. I am here to answer any questions you may have about Australian apprenticeships, Australian apprenticeship centres, the incentives program and so on. I am the person who looks after those programs.

CHAIR—Do you want to give us a run-down on the incentives program at this stage?

Ms White—The incentives program is—

CHAIR—Actually, I had better stop you. Ms Anderson, did you have any opening comments?

Ms Anderson—No, I am fine, thank you.

Ms White—The Australian Apprenticeships Incentives Program is, I suppose, one of the largest programs looked after by DEST. Over the next four years, it has an estimated budget of \$2.06 billion. The incentives are for certificates II, III and IV, and, in the last budget, incentives were extended to diploma and advanced diploma qualifications. The incentives are structured so

the lower level qualifications such as certificate II have a lower level of incentive paid to the employer. Certificates III and IV, which are the trade level, have the highest amount of incentives, and the diploma and advanced diploma will have the same level of incentives as those provided to the trades. The program also includes benefits for Australian apprentices, including living away from home allowance. There is disabled assistance and also the Commonwealth Trade Learning Scholarship, which is two payments of \$500 made to apprentices training in skills shortage areas, automotive being one of those areas.

That program is administered by Australian apprenticeship centres. They are organisations located all over Australia. We have 74 contracts in place with organisations all over Australia which explain that program to employers, make the payments and so on. They are also involved in the signing up of Australian apprenticeships, marketing Australian apprenticeships and a number of other roles that they perform for us and state governments.

CHAIR—When did the incentives program first start—that is, for which period is the \$2.06 billion?

Ms White—That is for the four years from this year on.

CHAIR—So it is a new scheme?

Ms White—No, it is not. There have been incentives for employers since around the 1970s, I believe. The actual program as it stands today came in on 1 January 1998, and it replaced two different incentive programs that were in place. We previously had an incentives program just for apprentices, which was called the CRAFT scheme—the Commonwealth rebate for apprentices in full-time training—and also a scheme called ‘incentives for employers of trainees’.

CHAIR—That means there is a history of this program—

Ms White—Yes, that is correct.

CHAIR—which means you must have a lot of data available about the uptake of the incentives. Is there any information you can give us about the uptake of the incentives for those occupations that would fall within the industry group that we are looking at?

Ms White—Certainly. I have not brought those figures with me, but I can pull those from our database from 1998 onwards. If that would be of use to the committee, I am certainly happy to provide that.

CHAIR—Yes, and the trend line of how it is going. The reason I am asking is that I noticed in your submission that, of the Australian apprenticeships eligible to attract incentives, which are on page 4—and I know it is under the higher level qualifications—there is only one that would have even a remote connection to what we are doing, and that is the diploma of engineering.

Ms White—Yes. Those incentives were part of the last budget. The reason that that particular list of qualifications was selected to attract the higher incentives was that, first of all, it was targeted to priority industries for the Commonwealth, and certainly automotive would get

through that gate. But these were the only qualifications that are currently approved in states and territories to be delivered as an apprenticeship pathway. So, even though in the training package there are diplomas and advanced diplomas in this industry, it is my understanding that they are not attracting the incentives because you cannot currently do them as an apprenticeship in any state or territory.

Mr Johnson—I just draw your attention to appendix C of the submission. It is at page 36. You may not have that in front of you, but that does in part respond to your question. It gives the committee an outline of the uptake of new apprenticeships from the certificate level II to IV range from 2000 to 2005.

CHAIR—Right. Yes, I have seen it.

Ms White—It does not tell you how much we have paid in incentives, though, and I am certainly happy to pull that data out for you.

CHAIR—Are employers pretty knowledgeable about these incentives being available?

Ms White—Given that it is a longstanding program, my understanding is that employers are well versed on it. Certainly the Australian apprenticeships centres are where an employer would go to get quite detailed information, and staff from the centres would personally visit the employer.

Mrs MAY—On the centres, I think you said in your opening statement, Ms White, that we do not have stand-alone centres. Do we have people representing the Australian government as centres for information? Can you explain how that works?

Ms White—It is a tendered program. Organisations tender to deliver those services on behalf of the Commonwealth, and there are a range of different sorts of organisations. Some may be community organisations; some may be organisations that also have group training, or registered training organisations and so on. There is no reason why an industry specific organisation could not tender as part of that process, but we do not have a centre that specialises in the automotive industry. The centres have to go out and market all industries and visit all sorts of employers. In their contracts they are also bound to give us a business plan of how they are going to service industries that have particular skill needs. So as part of the tender they would have submitted those plans to us and they have to report to us against those plans.

Mrs MAY—And how long are the contracts for?

Ms White—The contracts started on 1 July 2006 and they go to 30 June 2009, and this is our fourth round of contracts. So these organisations have been in place since 1 May 1998.

Mrs MAY—Have most been successful in receiving new contracts?

Ms White—We have eight organisations that are not continuing from the last contract round and we have two new ones that have joined the market.

CHAIR—I want to get into some other issues, but I think this is important here—this is also very good evidence for our next inquiry, by the way. So you will be back.

Mr Johnson—I look forward to it.

CHAIR—Would the ease or the difficulty of an employer accessing the incentives vary according to the industry type? Is it easier or harder for someone in the traditional trades to access this incentive?

Ms White—It shouldn't be. The incentives are not industry specific, per se. In terms of them accessing incentives, an Australian apprenticeship centre has to go out to conduct the sign-up of the training contract with the employer and the Australian apprentice. At that sign-up visit, which should happen on the very first day of employment, or even before they start, the Australian apprenticeship centre will explain to the employer what incentives they may be entitled to and possibly even leave them with the claim forms and so on for them to submit their claim. So it should be the same for every employer.

Mr Johnson—Probably an important thing to say is that the incentives relate to an employer and trainee's commitment to sign up to a nationally recognised qualification by an apprenticeship. So it only supports structured training in that way. So in part, the answer to your question may be that where industry is investing in informal or non-structured training they would not be eligible for these incentives.

CHAIR—That is where it makes it difficult then. While the criteria are the same across all industries, not all industries are as well-prepared and as well-structured in their training as others.

Ms White—So if industry is not using the Australian apprenticeship pathway, which includes traineeships and apprenticeships, this incentives program does not apply. If they are accessing off-the-job training or a structured course of some sort and having it delivered in their workplace but the people are not signed up to a training contract, the incentives would not apply.

CHAIR—In your estimation are the automotive industry and the automotive component industry prepared? I note, Mr Johnson, your comment that one of the objectives of the ANTA functions moving into the department etcetera was to focus on strength in the industry leadership. There has been some comment that perhaps industry has not provided that leadership from the point of view of training.

Mr Johnson—I will go quite pointedly to the development of training products because the training products obviously guide the availability of certain training pathways, whether it be through a structured apprenticeship or traineeship or through informal training. The Australian government has continued an initiative which was taken forward by ANTA in 2004 to look at rationalising and strengthening industry advice to the development of training products. The committee is probably aware that the Australian National Training Authority was working towards the establishment of 10 national industry skills councils which subsumed, broadly, a range of former functions of national ITABS or other industry associations which might have provided advice to that industry. The Australian government minister has declared 10 of those industry skills councils and automotive currently sit outside that formal framework.

The department has a current contract directly with Automotive Training Australia to provide oversight in developing and reviewing the two national training packages of relevance to the automotive component industry, but that contract is also conditional on Automotive Training Australia working towards joining one of the industry skills councils by the end of this year. So in part we certainly are aware that there are tensions within different parts of industry about how well that engagement representation might be made. The Automotive Training Australia association is arguably very well placed to inform and review the relevance of training products for its industry.

CHAIR—So it would be fair to say that the industry has, up until recently, not been as engaged in this process as perhaps other industries have been?

Mr Johnson—I probably am not able to make that comment. Frankly, I am not trying to be evasive. Our history indicates that the industry has a reasonable record of engaging in structured training. Looking at a number of the other submissions the committee has already received, clearly one of the challenges faced within the industry is around upskilling the existing workforce and looking at trying to draw other individuals into that industry area.

Mr BRENDAN O'CONNOR—I only received the submission this morning, so I have not read it. I understand and accept what you said—that it was due to the tardiness of the department, not the secretariat of the committee. But already from the questions that have been asked it is really useful information for us. I might take up the proposal that the chair mentioned earlier—perhaps subsequent to today—through the chair and the secretariat, about asking questions of you with respect to the submission and any other matters that might arise. Given the lateness of the submission, my preference would be that the department would be an early witness, and would make a submission on time and would make one early. We would talk to the department and probably talk to other important witnesses of the industry and maybe even then recall the department to reflect upon what has gone on. Is there any particular reason why the department chose not to enter into this process earlier? We have effectively added on some public hearings for the department to engage with the committee but it has been not the best response. Is there a particular reason, or do you have no reason at all?

Mr Johnson—I have to acknowledge that comment, Mr O'Connor. By way of information for the committee, I have only returned to this role in recent weeks. I am aware that earlier drafts of a submission for the committee were prepared back in February or March this year. There has been ongoing review and development of the submission within the department and in negotiation with the minister's office. I certainly accept the point that the committee is making that the department has been grossly inadequate in providing the submission to you with so little time.

I am not aware of any specific reason for the delay other than a keen interest by government to ensure that the submission covered a broad range of initiatives which are still going forward. As an illustration, when the submission was originally prepared the Council of Australian Governments meeting was occurring in the middle of February—and clearly a key critical component of the work that has still been evolving over recent months is the work taken forward by COAG. And there have been a number of other election commitments and actions by government, some of which have been announced in the budget, and other measures.

I am happy to provide further information to the committee subsequent to this but my assessment is that there was really no other direct reason than those.

Mr BRENDAN O'CONNOR—I do not have any questions. But I might take that up that offer, Mr Johnson. And I would like to record that I am personally disappointed at the failure of the department to really assist the committee properly. But I am glad that you are now involved and I will take up that offer.

CHAIR—You have put together a good submission. It is just that it would have been great to be able to go through it.

Mrs MAY—I would like to have the opportunity to read the submission. I, too, have not read it.

Ms HALL—I have; it is comprehensive.

CHAIR—Can you just explain to me a little bit more about Automotive Training Australia? Is that an RTO? What is it, as an organisation: who owns it; who controls it? How long has it been running? Some of the work you are doing there is interesting and it is interesting that they need to report back within a certain period of time.

Mr Johnson—My understanding, and I will have to follow this up for the committee, is that Automotive Training Australia is, in effect, one of the former national ITABs—the industry training advisory bodies. Again, part of the process that ANTA initiated in trying to consolidate industry advice and training product development was to bring those industry training advisory bodies and other industry consultative mechanisms under the umbrella of the new industry skills councils. So Automotive Training Australia remains a former national ITAB, for want of a better description. I could provide the committee with further detail about its ownership; I do not have that with me this morning.

CHAIR—Automotive Training Australia declined to make a submission.

Mr Johnson—Just to explain briefly for the committee—I am conscious of the time—the particular body of work that ATA has been engaged to undertake is, as I said, to review the two key training packages that are relevant to the automotive components manufacturing industry: the automotive industry manufacturing training package and the automotive industry training package. The review of the automotive industry manufacturing training package is due to be completed by November and ATA is progressing that work. So on behalf of the committee we can seek any further information about the progress on that work, as relevant, as well.

CHAIR—And those packages will look at the two key issues of reskilling and accelerated learning?

Mr Johnson—The packages themselves are groups of competencies, or skills sets, if you like, that are contained within a qualification. Broadly, a qualification in the automotive sector is a cluster or group of competencies that have been developed by industry working directly with employers and training organisations to define what particular skills sets an individual needs to

undertake activities in the workforce. They are developed into competencies, and in turn the qualifications are developed as groupings of those competencies.

The issues that you touched on, Chair, about initiatives around addressing innovative approaches to looking at training delivery or skills assessment, recognition of prior learning and activities of that nature are not within the purview of ATA, nor indeed industry skills councils. Again, we can provide further detail to the committee that the industry skills councils roles are chiefly around providing responsibility for the development of training products and reviewing existing training packages.

I am conscious that the submission, while reasonably comprehensive, does not give the committee significant detail on the National Skills Shortages Strategy. There is information in here, but we will provide supplementary information to the secretariat in the next day or so about the National Skills Shortages Strategy, because those sorts of initiatives are where the Australian government has a direct role in trying to partner with industry to drive more innovative approaches on training.

CHAIR—In the supplementary submissions and evidence you will provide, while I know it is difficult for you—we have had some dealings with this industry now—it would be great if you could break down whatever information you have into this particular industry group. Even the information that you have here on topic 2, voc-ed reforms, about the toolkits, the scholarships and the prevocational training places—if we are able to get some sort of sense of how much of that is actually going into this industry.

Ms White—I can certainly break down the Commonwealth trade learning scholarship and the toolkits by industry and by the actual qualifications. I will do that for you.

CHAIR—I appreciate that. You heard my earlier comments: what you have provided is good, but we really do need some time to digest it.

Mr Johnson—The department will certainly make itself available at the committee's discretion to answer any further questions.

CHAIR—My assessment—and it is my assessment as the chair only—is that the difficulties that we have experienced in getting information from this industry might very well have been experienced by yourselves. Thank you very much.

Resolved (on motion by **Mrs May**):

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

Committee adjourned at 11.57 am