



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE
RELATIONS AND EDUCATION

Reference: Workforce challenges in the transport industry

MONDAY, 4 JUNE 2007

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

**SENATE STANDING COMMITTEE ON
EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION**

Monday, 4 June 2007

Members: Senator Troeth (*Chair*), Senator Marshall (*Deputy Chair*), Senators Barnett, Birmingham, George Campbell, Lightfoot, McEwen and Stott Despoja

Participating members: Senators Allison, Bartlett, Bernardi, Boswell, Brandis, Bob Brown, Carr, Chapman, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Fielding, Forshaw, Hogg, Humphries, Hutchins, Johnston, Joyce, Ludwig, Lundy, McLucas, Ian Macdonald, Mason, McGauran, Milne, Moore, Murray, Nash, Nettle, O'Brien, Patterson, Payne, Polley, Robert Ray, Sherry, Siewert, Stephens, Sterle, Trood, Watson, Weber, Wong and Wortley

Senators in attendance: Senators Barnett, Marshall and Troeth

Terms of reference for the inquiry:

To inquire into and report on:

Workforce challenges in the Australian transport sector, with particular reference to the following:

- current and future employment trends in the industry;
- industry needs and the skills profile of the current workforce;
- current and future skill and labour supply issues;
- strategies for enhanced recruitment, training and retention; and,
- strategies to meet employer demand in regional and remote areas.

WITNESSES

BROWN, Mr Kevin, Executive General Manager, People, Qantas Airways Ltd	19
COX, Mr David Henry, Executive General Manager, Qantas Engineering, Qantas Airways Ltd	19
GOW, Mr Neil, National Manager, Government Relations, Australian Trucking Association	31
MANTHORPE, Mr Michael, Group Manager, Labour Market Strategies Group, Department of Employment and Workplace Relations.....	56
McAULIFFE, Ms Jenny, Manager, Human Resources, Australasian Railway Association.....	41
NEVILLE, Mr Ivan, Assistant Secretary, Labour Supply and Skills Branch, Department of Employment and Workplace Relations.....	56
PICKETTE, Mr Rod, Communications and Research Officer, Maritime Union of Australia.....	1
SHELLEY, Ms Colette Mary, Assistant Secretary, Industries Branch, Department of Employment and Workplace Relations.....	56
ST CLAIR, Mr Stuart, Chief Executive Officer, Australian Trucking Association	31
WHITING, Mr Garry, Manager, Rail Careers, Australasian Railway Association.....	41

Committee met at 9.02 am**PICKETTE, Mr Rod, Communications and Research Officer, Maritime Union of Australia**

CHAIR (Senator Troeth)—I declare open this final public hearing of the committee’s inquiry into workforce issues in the transport industry. The Senate has given the committee broad terms of reference to look at current and future employment trends in the transport industry. We are considering the skills profile of the current workforce, current and future skill and labour supply issues, strategies for improved recruitment, training and retention and ways of meeting employer demand in regional and remote areas. The committee is due to report in August 2007. All witnesses appearing before the committee are protected by parliamentary privilege with respect to their evidence. Any act by any person that operates to the disadvantage of a witness in providing that evidence is treated as a breach of privilege. Witnesses may request that part or all of their evidence is heard in private. I also remind witnesses that giving false or misleading evidence to the committee may constitute a contempt of the Senate. I welcome any observers to this public hearing. We will commence proceedings by welcoming Mr Rod Pickette, from the Maritime Union of Australia. Thank you for your submission. Do you wish to make any amendments or alterations?

Mr Pickette—There are two minor points: at page 2, paragraph 2.1, the fifth dot point, there is a typographical error. It says ‘a high fluke efficiency’ but it should have said a ‘high fuel efficiency’.

CHAIR—Yes, I did wonder what that meant.

Mr Pickette—At point 5 of our submission, we have incorrectly referred to the Skills Council as ‘TDT Australia’. That was the previous body. It is now the Transport and Logistics Industry Skills Council. That applies to the heading at paragraph 5 and in the body of 5.1. Other than those two corrections, we do not wish to make further changes to our submission.

CHAIR—I now invite you to make an opening statement, after which committee members will ask questions.

Mr Pickette—The first thing I would like to do is to add a bit more context to our submission. I would then like to raise a few issues about the transport policy environment. I want to refer to the Prime Ministerial Task Group on Emissions Trading. I also want to refer to a report of the Australian Petroleum Production and Exploration Association, which was released after our written submission was made. I want to make a couple of further comments on occupational health and safety, as there have been some developments in that regard, and I also want to refer to the International Labour Organisation convention, the maritime labour convention, which is due to come before the parliament some time in the next couple of months.

We set out some context to the industry in our original submission, but I would like to remind senators that about 99 per cent of Australia’s merchandise trade is moved by sea. Australia has the fifth largest shipping task in the world in terms of tonnage and kilometres travelled. Our international maritime trade has increased significantly over the decade—increasing from 408 million tonnes in 1994-95 to 681 million tonnes in 2004-05. Over the next 20 years, containerised trade is forecast to triple and non-containerised trade is expected to double. Whilst

about 30,000 ship visits were made to Australian ports in 2004-05, in 20 years that is expected to be around 54,000—so almost a doubling of ship visits to Australian ports. The Australian Petroleum Production and Exploration Association—which I will refer to from hereon as APPEA—estimated in a discussion paper it released last year that at least 20 to 30 new LNG tankers will be required to service the growing LNG trade in Australia. I provide that context to give further depth to the policy environment in which we are operating.

I will now shift from the shipping side to the ports sector. There is a new environment being created by corporate changes in the ports sector. Last year, as many of you will know—and I think we referred to it in our original submission—both the major Australian stevedoring operators were taken over by new terminal operators. DPW, Dubai Ports World, took over the former P&O ports—which had been part of the Australian maritime industry for many years—and Toll took over the Patricks terminals. This year, only a month or two ago, the Queensland government announced that Hutchison Port Holdings has been given preferred tenderer status as a third operator in the port of Brisbane. So we have had major structural change in the ports sector and the stevedoring sector. There is a significant amount of infrastructure development going on in the port of Brisbane. The New South Wales government is expanding the port of Botany. South Australia has further container port development in hand. Melbourne is undergoing channel deepening and a broad strategic plan for the development of that port. In addition, there is a major program of ports infrastructure planned in Western Australia to cope with the expected resources developments.

I make those points because, in our original submission, we said that maritime employment is growing and that that growth is occurring in spite of what we consider to be an appropriate policy environment and in spite of any effective maritime shipping policy. I reemphasise that point because, since we lodged our submission in November last year, there have been some important policy references to shipping—and this is a very good sign that perhaps there is a shift taking place. Shipping gets virtually no attention in the national transport policy consideration, as I am sure you are aware, Senators. We think that is a major omission, and I will indicate why in a moment. By way of background, on 3 May, the maritime press reported on a statement by the new executive director of the Association of Australian Ports and Marine Authorities, David Anderson, that the Australian transport chain should prepare for the re-emergence of coastal shipping as a formidable alternative to road and rail. In the week of 19 May, starting with a front-page article in the *Australian*, there was a flurry of articles about shipping which some of you might have seen. Whilst not all of that might have been flattering to the MUA, it was nevertheless a signal that shipping was getting some attention in the national transport policy discussions. We think that is a good thing.

The *Financial Review* also picked up on that during that same week. On 21 May, during Senate estimates hearings of the Senate Standing Committee on Rural and Regional Affairs and Transport, an officer of the department advised the committee that a report on Australian shipping by the Australian Maritime Group—a group of Commonwealth and state maritime officials that reports to the ministerial body, the Australian Transport Council—was very close to being finalised. The officer said that it was anticipated that the report would be made public and, following that public release, there will be a period of consultation. As far as we know, that is the first significant piece of work on shipping by the federal bureaucracy in the last decade, and that is a particularly positive sign. I ask the committee to urge the department to release that report. I would also suggest that, if there is an opportunity—although this is the last hearing—the

committee call the department to give some evidence about that report, because we think it is a very significant report and very timely.

On 22 May, the shadow transport minister, Martin Ferguson, issued a statement that Labor was committed to a strong, efficient, domestic shipping industry that offers fair pay and working conditions to Australian workers and the responsible use of single and continuous voyage permits. He went on to say that Labor in government:

... will undertake a review of coastal shipping policy as requested by the shipping industry to improve the efficacy of the current cabotage regime—with the objectives of sustaining a viable and efficient domestic shipping industry, decent wages and conditions for working Australians, responsible use of single and continuous voyage permits, and safety and security in our ports and shipping lanes.

That is a very positive development from the Labor opposition.

On 23 May—you can see it all happened in May—the Executive Director of the Australian Logistics Council, Hal Morris—and I think the ALC has made a submission to this committee—was reported as saying that coastal shipping was missing from the national transport policy agenda in favour of rail and road reforms and that the ALC was concerned at the lack of attention paid at the Commonwealth level to the development of coastal shipping as an alternative transport mode. So this is not just the view of the MUA or the maritime unions.

Over that same week, it is important to note that Australia hosted a meeting of the International Bargaining Forum—this is a body of the major Japanese, Korean and European shipowners—as well as the International Transport Workers Federation, who were in Australia to commence negotiations on an international bargaining agreement for seafarers internationally. There is already an agreement in place; this is a renegotiation of the agreement, last concluded in 2005, and covers around 4,000 flags of convenience vessels throughout the world and about 100,000 seafarers. It is a major international collective agreement. Those negotiations were held in Australia, which I think is indicative of the importance that the international maritime industry places on Australia as a shipping nation.

Very importantly, probably of critical importance: on 24 May the parliamentary secretary with responsibility for maritime transport, De-Anne Kelly, is reported to have indicated not in her prepared speech to the Regional Ports in Focus 2007 conference but in questions—I was not there, so I am reporting from the maritime press, in this instance Lloyd's List DCN—that the federal government was looking at a means of supporting the growth of Australia's coastal shipping industry and that it wanted to see coastal shipping take a greater role in the freight task over the next 20 years. That was a magnificent statement by De-Anne Kelly, and we look very much forward to working with the government in developing that shipping policy. She said that the government was looking at ways to grow coastal shipping, taking into account the needs of Australian shipowners and shippers. That is fair enough—of course we have to take into account the shippers—but she did make specific mention of the shipowners. She said that she did not think that there will be a final policy framework until next year. 'It is a very complex area,' she was reported as saying. 'We'll seek the views and opinions of those across the industry, including the Maritime Union of Australia, to get a way forward.' That is a very positive indication from the parliamentary secretary with responsibility for maritime transport, and we

very much look forward to working with the government and the parliamentary secretary in developing that policy.

That was the first statement on shipping policy since the landmark statement that the former transport minister, John Anderson, made back in 2004. We consider that the shipping policy that was announced at that time by former Minister Anderson was rather regressive. He basically said, 'We're going to continue to rely on the coastal trading permit system' and, although he mentioned that the government would consider amending the current tax arrangements for Australian seafarers, there has been no government initiative on that since that time. As I said, that statement was made back in 2004—and we waited three years until Mrs Kelly's statement on 24 May. With those other statements I mentioned, I think Ms Kelly's statement does signal a shift in the thinking around shipping policy in this country.

On the downside, we noted that the Commonwealth department of transport did not make a submission to this inquiry, and we find that disappointing. We note that, over recent years, there has been a decline in the maritime policy capability within the department of transport, and we think that needs to be rectified. That is not to be at all critical of the staff who are there. We have a very good working relationship with the department and the officers and we will continue to develop that relationship. Through no fault of their own, it seems that the resources are not being allocated to develop that maritime transport capability.

We also note—and I think the committee has raised some questions about this issue—that the corridor strategies that were developed by the department, whilst mentioning shipping as part of the corridor transport mix, made no reference to shipping in any one of those 24 corridor strategies when it came to looking at the way forward. We think that the department's work on those strategies was out of step with the views of the Australian Logistics Council, the Association of Australian Ports and Marine Authorities and the Australian Shipowners Association, who have been consistently talking about the need for a more detailed maritime policy for some time.

We mentioned in our submission that we had commissioned some research work on the shipping industry and that we would make that available to the committee. Regrettably, that report is not yet completed. We expect it to be completed by around the end of June. Whilst no decision has been determined by the national council of the union as to whether we would release the full report, we would certainly be prepared to make the key findings available to the committee, but I do not know whether that will meet your time frame. It certainly will not be in the public arena until post 1 July.

I will draw attention to a couple of findings in the draft report. Two of the key findings are that container shipping is in fact competitive with other transport modes on the longer haul routes. One of the issues we were looking at was the relative competitiveness of coastal shipping. The report found that, on the longer routes, container shipping is highly competitive. The report went on to say that there are potential opportunities for coastal shipping in bulk commodity transport if integrated into manufacturing supply chains. Essentially, the report said that, if we could get stronger integration between the policies and strategies of some of our major manufacturing industries and the shipping component, as a key transport mode, at the early stages of investment and strategic thinking within those key industry sectors, a much greater role could be found for shipping.

Thirdly, the report said that there are opportunities in niche markets, like the heavy-lift market for example, to service the offshore oil and gas industry. In fact, we have a couple of Australian companies that are either expanding or prepared to expand and invest—companies like Seacorp, operating out of Fremantle, and Perkins Shipping, operating out of Darwin. Those companies are domestic, Australian, home-bred companies that are already investing in Australian shipping. They are investing, despite what we think of as a comprehensive shipping policy and a lack of encouragement to Australian shipping in the transport policy area.

One of the third key findings of the MUA's shipping report that we commissioned was that the Productivity Commission's conclusion in its report on road and rail infrastructure pricing is probably flawed in that the consultants that undertook the research for us believe that the Productivity Commission did not take adequate account of the capital costs of road infrastructure in concluding that there was no subsidisation of road infrastructure. I am summarising the Productivity Commission report and our report in very broad terms here. But it did take issue with that finding of the Productivity Commission, and we will be able to talk about that matter when the report is released.

It also showed that intermodal handling costs are relatively high for shipping, and I do not think that is any surprise to anyone. We are very competitive across a whole range of issues. In fact, as I think the committee has noted in its discussion with other people appearing before it, it does not cost anything to have a shipping lane. It does not require any upkeep and there are no original infrastructure costs. But, because of the very high capital costs of unloading a vessel and transferring the cargo to the shore, there is a reasonably high cost relative to the other transport modes. We think there ought to be an opportunity to take a closer look at that. So I just make very brief reference to those key findings.

I mentioned the Prime Minister's task force—and I am coming to the end of my opening submission; I appreciate your giving me the opportunity. The Prime Minister's task force made mention of transport as being the fourth largest sectoral emitter of greenhouse gases in the Australian industry mix and that it is the sector with the fastest rate of growth of emissions. The other key proposal in that report is that the emissions model would in fact include transport fuels. So transport is not excluded; it is included. The committee came up with a very inclusive report as far as industry sectors are concerned.

We think that suggests that the economics of the industry and the relative competitiveness of the transport modes will change under an emissions trading scheme. This suggests that there will need to be a close involvement of the shipping industry in the development of an emissions trading scheme and that it will have impacts on employment and training, that they will be two key implications from an emissions trading scheme.

We have actually pre-empted the outcome of the Prime Minister's task force, and we are just about to commission some work on shipping and emissions. We have been talking to an internationally recognised academic institution that we are hoping to commission to do a study. It will not be completed until the end of this year, but we are hoping that that will look very closely at the issue of shipping emissions and take into account the proposed emissions trading model and give us an idea of where that will leave shipping in the transport mix. So, again, we have undertaken some very important work so that we can contribute to the policy debate around this very important issue of climate change.

I mentioned the AAPEA organisation in my earlier opening statements. On 16 April AAPEA released a report entitled *Australia's upstream oil and gas industry strategy: a platform for prosperity*, which some of you might be aware of. There was a very important proposal in that report relating to skills and meeting the labour force needs of the industry. I will just make a quick reference to that. AAPEA put forward some proposals for both government and industry. On the industry side they said:

Industry to continue to work with governments in identifying skills requirements, training needs and qualifications, including shorter apprenticeships for trade skilled positions based on demonstrated competency and knowledge.

They went on:

There needs to be a better understanding of the extent and nature of skills shortages and future trends and to have a look at the ...

I am just looking for the particular provision. I cannot put my finger on that particular recommendation but it was essentially that work needs to be done on looking at both supply and demand in terms of the skill needs of the offshore oil and gas industry. Of course, there is a very big shipping component, right through from the exploration, through to the construction, production and transportation stages of oil and gas in the offshore sector. So the labour requirements have a very big shipping component. But they were talking about the need to work with the training institutions, to get a good handle on supply and demand and the capacity of the training institutions to deliver that training. We would strongly support that proposal, and we would hope that the committee might be prepared to take that up, have a look at that in its final report and see if some resources might be devoted to it, for example, from DEST, the Department of Education, Science and Training, to see if we cannot take up the AAPEA suggestion and get the industry parties together.

We have been making efforts to work with the offshore industry on a labour plan. We estimate that there will be a shortage of around 500 seafarers in the offshore oil and gas industry over the next 10 years—although the time frame will depend on when some of those major projects come on stream, like the Gorgon or Pluto LNG projects. We noted last week that ConocoPhillips was talking about expanding the LNG plant at Darwin, possibly piping in gas from the Browse field in the north-west of Western Australia. All that has a shipping component.

Depending on the timing of those projects, we estimate nevertheless that there is a shortage of around 500 seafarers. We have made an assessment of the cost of seafarer training for an integrated rating. We think it costs about \$50,000 to train an integrated rating, from the time of recruitment through to their getting their integrated rating qualification. It takes about 15 to 18 months to train an integrated rating. It costs about \$50,000 each, which does not take into account the training institution costs—the teaching and the bricks and mortar—but all the other costs, salaries, living away from home, and so on: the actual course costs. For 500 seafarers, that is a total of about \$25 million, if my estimates are any good. Over 10 years it is about \$2.5 million per annum. We are not talking about a huge number of employers in our sector, unlike perhaps the transport workers, or the road transport industry, as outlined by the TWU, or the rail industry, outlined by the RTBU, where there is a multiplicity of employers and contractors and so on. We have a much smaller number in the maritime sector. So let us say it is spread over 20

employers. That is a cost of about \$125,000 each per annum over a 10-year period. We are not talking about insurmountable costs.

We are not talking about an insurmountable problem. Yet, unless it is tackled we will have a skills shortage and it will lead to solutions which we do not believe are in the best interests of the nation. We are certainly opposed to the introduction of foreign labour when there are other alternatives. We have found that there is not an overly huge problem in trying to recruit people to undertake seafaring occupations. Whilst it has its challenges as an occupation, as you well know from your previous evidence, we have found that people are prepared to undertake seafarer training, but it needs commitment to recruit and to commit the resources and to bring those together to coalesce with the training institutions and the industry.

There is one major problem—and I will just about finish on this—and it is the contractor relationships in the industry. You have to understand that it is not the Woodsides, who might be the operators of, say, a Pluto LNG project, that are the employers of the seafaring labour; it is the labour supply companies that supply the labour. They are not in a position to know their labour requirements until they win a contract for the provision of shipping services, say, to a new LNG project or a new exploration or drilling program. Until they win a contract, they believe that they are not in a position to commit to investment in training. We might say that is a short-sighted approach, but we can understand that from their point of view. It does take a whole-of-industry approach and we believe the major players, many of whom are foreign oil and gas megamajors like the ConocoPhillips and the ExxonMobils, have to be brought to the table to play a much greater role in this process because they are the ultimate beneficiaries. I just point out those things.

We support the views put by the Australian Shipowners Association, both in their written submission and the evidence given, that there are some impediments to training. They referred to the poaching issue, some inequities in the state-Commonwealth funding arrangements for training and some weaknesses in the Commonwealth's training model introduced last year.

On occupational health and safety, just since we lodged our submission there have been two further deaths at Australian ports. They are two further deaths too many. We have proposed, and it was considered at the Australian Safety and Compensation Council meeting on 16 May, that there be a new national stevedoring OHS standard for the stevedoring industry. I have not heard the outcome of that ASCC meeting yet, but I understand that the parties—that is, the Commonwealth, the state, the employers and the unions through the ACTU and ACCI—did commit to preparing a discussion paper. We hope that that is a positive move designed to bring the parties together to see what the best approach is. We certainly hope that this committee would support that development of a new OHS standard.

CHAIR—I do appreciate the comprehensive nature of your submission, but perhaps you could wind up in a couple of minutes to give us time to ask you questions.

Mr Pickett—I will wind up on this point. The final thing I want to mention is that the ILO Maritime Labor Convention agreed in February 2006, which the Howard government supported at the ILO, will be tabled in parliament this year as a key step in the ratification process. We certainly think that will have a significant impact on employment of seafarers on the Australian coast. We hope that the committee takes note of that and that, ultimately, the key issue will be

the resourcing of the Australian Maritime Safety Authority, which will have the port state control responsibility to ensure compliance with that new international convention. It will need to be adequately resourced to fulfil that function.

In conclusion, we say that workforce challenges are intrinsically linked to government policy and I noted those new policy developments. We hope that our hopes will be fulfilled on this occasion. We urge the committee to recommend that shipping and maritime policy be given greater policy attention in the transport policy mix. We hope that you will note that the emissions-trading scheme will have an impact because it will cover transport fuels. We urge the committee to note the APPEA proposal on addressing skills shortages in the offshore oil and gas industry. And we urge the committee also to support retention of the Seacare scheme of workers compensation and we outlined that in our original submission. We also urge the bringing about of greater female participation in the industry. We think that further research, study and some definite policy proposals are needed to increase female participation as part of increasing the overall participation rates in the labour market. We certainly hope that the committee will continue to support the Transport and Logistics Industry Skills Council. That is my opening statement. Thank you, Senators, for the indulgence.

CHAIR—Thank you very much for that very comprehensive submission and your remarks, Mr Pickette. In this inquiry we certainly have noticed the necessary nature of sea transport. I assure you that we will not be overlooking it in our deliberations, because we certainly were able to look at port operations in most of the major capital cities we visited to see what an important role the operations play.

In your submission you talked about the importance of maritime operations being coordinated with operators in other transport modes, as in road and rail, where they intersect at the ports. We can certainly see this in several ongoing situations in Australia at the moment, not only with operators but also with customer groups—in particular, commodity producers such as bulk handlers and so on. Has your union or the seafaring sector engaged in any discussion or activity with other transport operators to develop a mode of cooperation or collaboration in transport activities?

Mr Pickette—As you know, the state governments have the principal responsibility for port strategy. We have been talking to all the states and to the Northern Territory about this, and we have been making submissions to various inquiries. There have been a number of inquiries in New South Wales, and there is another inquiry by IPRT, the Independent Pricing and Regulatory Tribunal of New South Wales, that we are putting a submission to this week. It is looking at the pricing arrangements that interface between the wharf and other transport modes in moving freight off ships and into the transport and logistics chain. We have been talking to the state governments principally but also working with our colleagues in the TWU and the RTBU, the other transport unions. That has been our principal mechanism for working with the parties to address those key intermodal issues.

CHAIR—Do you have a representative on the transport and logistics council?

Mr Pickette—No, we do not.

CHAIR—On the skills council?

Mr Pickette—On the Transport and Logistics Industry Skills Council, yes. In fact we have just upgraded our representation to the national deputy president of the Maritime Union, so we have heightened our level of participation on the board of the Transport and Logistics Industry Skills Council.

CHAIR—Is that council handling that idea of collaboration? Is it giving it sufficient prominence, in your estimation?

Mr Pickette—We think there is a bit of work to be done within the skills council, but on the whole we are very supportive of the concept of the skills council. Provided it is adequately funded so that it can get on with its job with some reasonable degree of surety about its funding base and its task, we are very happy with it. As I said, we have increased our board level representation to try to help steer that process. I think the TWU has as well. I believe the national secretary of the TWU is on the board. From a union perspective, we have upped our participation on that skills council. But that really is a little different from what I thought your original question was about—that is, that interface.

CHAIR—I intended to cover both your participation as a union at the actual action point where road and rail intersect with ports and also in the boardroom of the transport and logistics council.

Mr Pickette—I think I have answered both, really. We are working through the state governments as far as the arrangements for that transport interface at the port level, and we are working through the industry skills council to ensure that the skills and the competency sets are available to underpin the training that is going to be necessary for the more sophisticated workforce requirements that exist at the ports. There is no doubt that the technology used in moving cargo around a port is highly sophisticated. It might not look it if you just stand there and look at it.

CHAIR—We have seen some evidence of it in our tours of ports.

Mr Pickette—Yes, I am sure you have gone into the control rooms and seen the technology at work.

CHAIR—Are you satisfied that the attraction of the industry is such that there is no difficulty in getting a workforce to work in those occupations?

Mr Pickette—Certainly in the port sector there has not been a major issue in attracting new entrants to the industry. We argue that the maintenance of very effective collective bargaining agreements has been a major factor in attraction and retention of labour. There is a very small turnover on the port sector. In that sector, as you know, there are a small number of employers who are very easy to deal with and very professional in their operations. We have never had an issue with the Patrick Corporation—before it was taken over by Toll. We have negotiated three enterprise agreements since the major dispute in 1998 and they were all very effective enterprise bargaining outcomes. We do not believe that there is a major attraction and retention problem in the ports. It is a little bit more difficult for seafarers for Australian shipping.

CHAIR—Yes, I was going to ask you about that next.

Mr Pickette—It is a little bit more difficult in the shipping side because that has its downside in terms of the nature of the work, as the committee is well aware. Even so, I know some of the submissions have pointed out major recruitment problems. We believe that if the employers try hard enough and they work with the labour markets there are in fact opportunities. Whilst we might have low unemployment across the country, it is not even in all segments of the labour market and sections of the labour market—for example, the Western Australian Indigenous community. The oil and gas industry is showing some real leadership here in working with the Western Australian and Commonwealth governments around bringing Indigenous people into the industry.

I mentioned women. In the port sector—but not so much in the shipping—there are very attractive opportunities. Again I give credit to the shipping and the stevedoring employers. They have worked hard; but there are still some impediments there. They need to be overcome and we believe they can be overcome.

CHAIR—We have talked about that with the operators of the ports we have visited. As well, in some of the other sectors such as air employment and train employment we have seen quite effective use of simulator training for other parts of the transport industry. Where you talk about a trainee having to gain a certain amount of sea time, do you think there is any role to be played by simulator training as an effective supplementary training option?

Mr Pickette—There could well be. To my knowledge it is not something we have given a huge amount of thought to—whether it may be used for the segment of the industry that my union covers—that is, the integrated ratings. I know that the Maritime College, for example, has simulator training and a fairly heavy investment has been put into that. I know that in the tug sector a number of the companies use it. For example, Svitzer, which is now the biggest Australian tug operator since it took over Adsteam, has major simulator training in Europe. Whether it is in fact going to put the Australian seafarers who will be operating its tugs through that program I am not sure because it is a very new takeover. We certainly think that simulator training can play a role, but there still needs to be a significant component of the training with real live at sea training.

CHAIR—Absolutely. I am not suggesting that it would take the place of real live training.

Mr Pickette—That is why it is so important, in our view, to maintain a very strong shipping industry; because how do you get the sea time if you do not have a domestic coastal shipping industry? Where are these people going to get their sea time training?

CHAIR—Are you aware that the minister for immigration has just announced an industry group to look at the use of 457 visas in, I think, the trucking industry or the land transport industry? I think that was announced last week. You might like to take an interest in that for your information.

Mr Pickette—We certainly will. I was not aware of that announcement.

CHAIR—It did come through last week and it had some relevance to our inquiry because that is an issue that has come up quite often.

Mr Pickette—Certainly. We raised it in our preliminary submission.

CHAIR—Yes, I did notice that.

Senator MARSHALL—You talked earlier about the substantial investments that are taking place in most of the major ports around this country. My understanding is that those investments are really around bigger, higher-capacity international shipping. Is that right?

Mr Pickette—The investment in port infrastructure, or superstructure as it is often called—the cranes and the mobile equipment on the wharf—is principally directed at the international ships that come to Australia and, as I am sure you are aware, those ships are increasing in size.

Senator MARSHALL—If that investment is around larger, higher-capacity international shipping, does that help or does it have the potential to hinder coastal shipping arrangements? Are they competing forces or are they compatible?

Mr Pickette—If we are talking principally about international container shipping, we would say they are compatible. If international container shipping is moving towards larger capacity ships, and the hub and spokes model of global shipping continues to develop in the ways that it has, then it seems to us that there are opportunities for those bigger ships to offload and for one or a number of Australian ports to become what we might call traditional transshipment ports. This would then open up opportunities for coastal shipping to fan out from those transshipment points and to deliver large numbers of containers around the coast to the points where they can be distributed to their end users. We think that that major development is compatible with the development of a domestic shipping industry which can feed off that international development, but that does take some transport planning.

Senator MARSHALL—That is what I am asking—whether planning has taken place. I am looking for an assurance that the infrastructure investment is also assisting, or potentially assists, the local industry.

Mr Pickette—From the way I have outlined it, it does. If we move away from container cargo—for example, the roll-off roll-on cargo and also the specialist cargo—that requires a different type of port development and perhaps that is where there is a lag in investment. A lot of it tends to be, as I think you are alluding to, attached to meeting our international trade arrangements through the larger vessels. Another component of Australian coastal shipping is non-container shipping—bulk commodities, roll-on roll-off type cargoes and so on. Specialist cargo like the heavy lift all needs particular port requirements and perhaps we have lagged in investment in that regard. I think this stems partly from the fact that there really has not been a nationally integrated approach to port planning. We are very pleased to see that the Labor Party has committed to a body called, I think, Infrastructure Australia to have a close look at Australia's infrastructure needs and to get some national infrastructure planning. That could be the foundation for some better strategic planning for our entire port sector and to ensure that it integrates with the coastal shipping industry.

Senator MARSHALL—For investment in training, you indicated roughly that there was a requirement for 500 seafarers. Over what period of time was that for?

Mr Pickette—It is a little difficult to tell because we do not know quite when some of these major projects might come on stream. The evidence suggests that the great window of opportunity—for example, in our LNG industries—is in the period 2010-15. We are talking, effectively, about a 10-year window. Somewhere in that 10-year period there will be a peak demand for seafarers that will require—this is just the offshore oil and gas industry, not the bluewater sector—between 500 and perhaps 800 additional seafarers at peak demand over that five- to 10-year period out from now.

Senator MARSHALL—You also identified a problem that is common across all industries, and that is labour hire companies that simply take the labour that has already been trained and then supply it to different companies. Given that you mentioned it I thought I might give you an opportunity to talk a bit more about it, because if we could find a solution to this in your industry we might be able to translate it elsewhere. The problem is always that companies that have an investment strategy in training provide that only to have workers poached by labour hire companies that rarely provide any investment in training whatsoever. I guess it is a simple argument that they do not carry the burden, training is costly and if people stay it is a good investment, but of course the other side of that is that the industry needs the overall training otherwise everyone is in trouble. It is about everyone needing to play the game and to have a commitment to training. It is one of those areas where it is hard to see how the market will ever deliver a solution until it is too late. The market will react through absolute necessity when there is a severe skills shortage. It is difficult to get the market to react, in this sense, in advance and to actually look at training needs into the future. What sort of work have you been involved in to try and get a sustainable training regime that looks at future needs, as opposed to reacting to past needs?

Mr Pickette—As I alluded to earlier, we have had discussions over the last 12 to 18 months with bodies like the Australian Mines and Metals Association, which is the industry association representing those offshore labour and shipping supply companies like Total Marine Services, just to name one. We have been talking to them and we have been talking to the majors like Woodside to try and get an industry-wide solution and to bring in the training providers and the state governments, particularly the Western Australian and NT governments who have the major offshore responsibility within their waters. So we have been working with each of those players, but regrettably the reaction has not been as positive as we would have liked. We first set about asking if we could get some labour demand projections. We would have thought that, given all of the resources available to the industry associations and to government, it would not be rocket science to be able to look at the forward planning in our sector. It might be different in road transport where you have thousands of suppliers, but here we have big, major oil and gas projects. We know when their final investment decisions are going to be taken—they plan those FIDs months in advance. For example, we have known that Woodside said their final investment decision on Pluto would be in the second half of 2007—and we have known that for a year. We know that after they take that final investment decision they will then start to ramp up construction and so on, and they would know exactly how many service ships they are going to require. So it ought to be very possible, if the parties get together to plan the demand, to look at how to meet it on the supply side—that is, what are the necessary recruitment strategies and what type of labour are we requiring.

I mentioned that the period of training for an integrated rating is 15 to 18 months. The lead times in our industry are long enough to train now to have those integrated ratings ready when

the shipping is required to service those major oil and gas projects. So it is not rocket science, but it takes a will, and there is not any will at the moment because we do not think there is any leadership, particularly from government. We have been talking only recently to the department of industry, which is responsible for industry policy for LNG and offshore oil and gas. They referred us to the department of education and training, so we will be talking to that department, and we regularly talk to the department of transport. We are doing our best but we are having to work with a wide group of parties. We would like to see government take a much more proactive leadership role to bring the parties together, to knock a few heads together and to get us on the pathway to success. That is why I mentioned the APIA proposal, because I thought that it was a very good one that came from the industry itself.

Senator MARSHALL—I know you are not laying the blame for this totally at the government's feet. It is an industry that has been around for a long time. It is an organised industry and it has strong, historical employer organisations. I think it is a little bit too easy to suggest that the government is responsible for the industry's failure. If anything, the government should be pointing out to the industry that it has failed and demanding answers from the industry. I am not sure that it should be the government's responsibility to resolve the issues for the industry.

Mr Pickette—Not necessarily resolve—that is why I used words carefully—but a leadership role. I think there is no harm in governments bringing key parties together to get a process kick-started and then to provide some incentives for those parties to keep the process moving.

Senator MARSHALL—Isn't the incentive for industry that they have a skilled ready workforce when required? That is the incentive. Surely that is what all industries should be on about. I guess I am looking for innovative ways, if you have had any thoughts about this, on how these issues may be resolved. This industry, not having a lot of employers like some industries and being rather focused but trained and skilled, would probably be a good case study to look at how to resolve some of these problems for broader industry. But even as an industry with few employers who understand the difficulties, it still has not been able to resolve this issue. Will it take an industry type of levy? What is being considered in the industry to resolve this problem? Are people simply saying that it is too hard?

Mr Pickette—Unfortunately there is too much buck-passing and, at the moment, the current policy environment does, regrettably, provide a bit of an out through the 457 visa process. We have industries, including the offshore oil and gas industry, asking the federal government to make the process of importing foreign labour easier. If the policy settings are not right and government is not providing that leadership, and while I agree with you that it is not government's responsibility, you would hope, expect and think that part of sensible business planning would be that companies make these commitments. It is in their best interests.

The Gorgon project is now estimated to cost 25 per cent more than its original estimated cost, and labour is a component of that cost increase through having to pay higher prices due to shortage of supply of qualified labour right across the professions. Surely that indicates that there is a failure on the industry's part to commit to the forward planning that is required. I have not got any sort of magic pudding or single policy solution, but I do believe that there does need to be leadership around this issue.

The proposal that we put to both the Western Australian and Northern Territory governments is the formation of an industry development council. The Western Australia government has had one called the Oil and Gas Industry Co-Ordination Council that was chaired by Premier Carpenter before he became premier; I think it is now with Deputy Premier Ripper. In the Northern Territory we proposed, and we are hoping that Chief Minister Martin will agree to, the formation of an industry development council for the oil and gas industry for the Darwin-Timor Sea area. We are proposing that they have cabinet appointed senior executives of those major companies that will be the ultimate beneficiaries to bring them together with the training providers, government agencies, representatives of the employers and the workforce, including contractors and the shipping supply companies, to put a plan together. I do not think that is too difficult. It does not necessarily require financial incentives or a new structure to the training system. It requires leadership and impetus to get a process moving and to stop the buck-passing.

Senator MARSHALL—Let us briefly move to 457 visas. I have always had a view that the abuse of this visa type application comes because of the way that it is managed. I do not have an in principle objection to the use of this visa for demonstrated needs, but the trouble is that the right questions are not asked. The question needs to be asked: ‘What have you done to try to fill the vacancy with local labour and why have you failed?’ If there are legitimate efforts being made and you just cannot fill the position, 457 visas could well be used under those circumstances. But the next question ought to be: ‘What are you doing to ensure that you are not going to run into this problem again?’ A visa classification is supposed to be for short-term gaps in skilled labour. If your industry wished to use 457s, yet it was a condition of use that the industry itself—not a government department—actually determined the proper process to ensure that this was not going to happen again, that we would not have the skills shortage, then that may resolve both the problems we have with the abuse of 457s and also, in many instances, the skills shortages by making the industry address the shortages in the first place. Could you comment on that and on how you see them used in your industry?

Mr Pickett—To date there has not been a huge use of 457s in the maritime industry, although more are used in the officer and engineering areas where, not only in Australia but worldwide, there is a greater shortage of those categories of seafarers. But I take your point. I think you are right, and my understanding is that the COAG working group is looking at this 457 visa issue. In fact the issues paper I think raised the question of the criteria that might attach to the circumstances under which 457 visas would be applicable as part of the labour market testing, of which there is almost nil now. If that could be beefed up it might be part of the solution, but I do not think it is going to be the whole solution because I am not confident that the bar—the criteria—will be set high enough to require individual employers to have committed significantly to their own training before they are entitled to access foreign labour.

Coming back to the key point that I made—and this is clear in the submissions of our colleagues in the TWU and RTBU—it is the contractual nature of the employment. As I said earlier, these seafarer labour supply companies do not win a contract until towards the end of the planning process. So we have to find a way where we commit all the parties in the supply and demand chain, not just the employer of the labour, because the employer of the labour is the labour hire company and they do not know whether they are going to win the contract from Woodside for the Pluto project or from Chevron for the Gorgon project until late in the planning process. But what I am pointing out to you is that the planning process has a long enough lead time to bring the parties together to plan for that. It might require some form of guarantee by the

majors—the Woodsides, the Shells, the ExxonMobils, the Chevrons, the ConocoPhillipses. It might require up-front commitments—almost bank guarantees—to the labour hire companies that have to undertake the training that they will not be left out of pocket and that there will be a way of moving that labour to another employer if they have oversupplied, if they have overtrained.

Senator BARNETT—I thought I would ask you up-front whether you think the ABC's *Bastard Boys* was as biased as people say it was?

Mr Pickette—It was a very balanced program.

Senator BARNETT—I thought you might say that.

Mr Pickette—Mind you, it came in May, the same time as this other flurry of policy activity.

Senator BARNETT—Yes. There was a flurry there and I do remember the front page of the *Australian* and the flurry that was caused by the ship sitting out there with not much to do. I want to touch on simulated training and, as a senator from Tasmania, on the importance of the Australian Maritime College. They have a simulator there that they use for training purposes. How important is that training and how important is the Australian Maritime College and the services it provides?

Mr Pickette—The Maritime College is critically important. Regrettably, it seems to have been forced into a position of having to focus its training on people from overseas, with a diminished focus on meeting the needs of Australian seafarers. Nevertheless, it is a very important part of the training institution mix. After all, there are only three training institutions that deliver integrated rating training in Australia: the AMC, Newcastle TAFE and Challenger TAFE in Western Australia. We would like to see the AMC expand. Its location is a bit of an issue, for example, in relation to the offshore oil and gas industry. Maybe it should have an annex in the north of Australia somewhere and maybe that could be integrated with the PNG Maritime College or integrated with new training required for the East Timorese as they enter into the oil and gas industry.

Senator BARNETT—You mentioned the Prime Minister's Exports and Infrastructure Taskforce report in May 2005 in your submission and a couple of times in your presentation. In the report they have described the regulatory framework as 'adversarial, cumbersome, complicated, time consuming, inefficient and subject to gaming by participants'. Does the MUA accept that and does it take on its share of responsibility for the outcomes of that report?

Mr Pickette—We are not a regulator. There is some truth in what that Prime Minister's task force found in terms of the regulatory arrangements. The MUA commissioned the National Institute of Economic and Industry Research to undertake research on the shipping industry. One of its findings was around that issue of the port infrastructure. We think that does require a closer look. Further work needs to be done on that to find where there are opportunities for productivity improvement and efficiency gains in that section of the transport and logistics chain. We would not disagree with that. What we say, though, is that the labour force must be involved in that process and that it should be based on the maintenance of labour standards under our ILO obligations.

Senator BARNETT—On the issue of productivity in your sector, it would seem that since the major reforms—or major upheaval, as you might refer to it—back in 1998-99 or thereabouts on shipping and crane rates et cetera there has been a big jump, an improvement, in crane rates, vessel working rates, ship rates and so on. Do you accept that there has been major improvement since then as a result of that?

Mr Pickette—Yes. We are very proud of the workforce's contribution to the productivity improvement in the port sector. We are prepared to accept that that productivity has tapered, that the rate of improvement in productivity performance has tapered off. It is still increasing. But that is why we say that there need to be mechanisms to work through getting that next burst of labour and overall productivity improvement in the port sector. We want to be part of that.

Senator BARNETT—I notice the Department of Employment and Workplace Relations report recommends quite strongly, for the transport industry generally and I think it includes shipping and ports, a more flexible workplace relations arrangement to provide increased productivity. Would you disagree with that approach? I noticed in your submission you referred to your industry-wide agreements and the importance of the award based arrangements. Where does the importance of flexibility in the workplace fit in your vision of the future?

Mr Pickette—I mentioned the three enterprise bargaining rounds that have taken place and negotiations have opened for the fourth EBA since the 1998 waterfront dispute. Each of those enterprise bargaining outcomes provided substantial flexibility for the employer in labour utilisation and in a range of factors to assist the employer to get greater productivity out of the workforce. We have been party to that. Provided that core labour standards were respected and that the workforce was involved in the negotiations around new technologies and new forms of work organisation, we are more than happy to look at flexibilities. We are not so sure that we go along with the Department of Employment and Workplace Relations' view of flexibility—that has been a bit of a problem in the labour force over recent years.

Senator BARNETT—In your submission you talked about increasing permanent labour and decreasing casual labour and about how good that was. I assume from what you have said that it is very good for your industry. On the other hand, flexibility is important for any industry sector. I wonder what role you see for casuals and for labour hire or contract labour arrangements in your industry, if any.

Mr Pickette—I have already talked about shipping where frequently it is a labour hire company or a combination of a ship operator and labour hire company that provides the employees for shipping. So we already have a form of labour hire and that form of flexibility on the shipping side. A considerable number of port related functions are outsourced, not necessarily to labour hire companies but to specialist maintenance providers, for example, who in turn may use labour hire to meet their needs. So we already have that sort of flexibility. We do not say that there should be no casuals; that is not what we are saying. We are saying that the mix has to be right and that ensuring the maintenance of both income and employment security is a critical underpinning to build the capability of the workforce. With casual labour, it might not be available when the employer needs them on the waterfront, and that can be any time of the day or night—seven days a week, 24 hours a day—when a ship might come in. You have to have that labour available. There is a cost for scurrying around to find itinerant casuals and, as the employers agree, it is an inappropriate way to recruit and hire your labour.

Senator BARNETT—I will finish with a question highlighting the importance of competition. I want your views on how we compare with international best practice and productivity in your sector. Can you give some feedback on that based on your experience?

Mr Pickette—I have not got research in front of me to give you international comparisons, but the one key issue that we always have to be careful about is comparing like with like. Even Melbourne port, which has our biggest container throughput in Australia, is a relatively small port by international port standards. If you take Singapore, Hong Kong or any of the new Chinese ports or the European ports, by comparison the Australian ports are relatively small in their throughput, although increasing. If we compare the international measures of port productivity with like ports internationally, Australia compares very well.

Senator BARNETT—I guess it is a matter of how you compare, and you are talking about apples and apples. But have you got comparisons with other ports around the world, no matter the size, for crane rates, shipping rates, labour productivity rates and vessel working rate?

Mr Pickette—I have not got any specific information with me, but there is some data available. It is not something that we have done any recent research of our own into, but the data that is available does show that Australian ports compare favourably. That is not to say that there cannot be improvement. I have outlined that we are prepared to be a part of a process of improvement. That is essential to the future prosperity of our workforce.

Senator BARNETT—That is very heartening to hear. Can you give me the percentage breakdown of gender balance for your industry?

Mr Pickette—I cannot give you much in seafaring, but in the port sector around three to five per cent are women in Australia's container stevedoring ports.

Senator BARNETT—Are you trying to increase that?

Mr Pickette—Absolutely. It is one of those industries that requires, probably like many, a critical mass to build the culture of female participation, and we want to build that.

Senator BARNETT—It is good to hear that. Wherever this committee has been, the issue of image has come up. This is a serious issue for your industry in that it needs to be attractive to new and young people. Have you made efforts to work with key stakeholders to improve the image to attract new employees and workers to your industry?

Mr Pickette—Yes—the officials of the MUA now wear suits!

CHAIR—We were not implying anything else, Mr Pickette.

Mr Pickette—We have not been part of any specific process, but we have supported the efforts of the Australian Logistics Council and particularly the Australian Shipowners Association. We did mention in our submission that we like the UK Sea Vision proposal, which brings together all facets of the industry with the sole purpose of raising the community understanding of shipping and the maritime industry as a whole. Perhaps that is a concept that could be considered by the industry.

Senator BARNETT—I will leave it with you because the feedback that I am getting is that it is a very important issue.

Mr Pickette—Underpinning the attractiveness of the industry must be employment and income security—they are two of the most critical issues. If you have income and employment security, people will be attracted to the industry.

CHAIR—Thank you for your submission and your remarks, Mr Pickette.

[10.19 am]

BROWN, Mr Kevin, Executive General Manager, People, Qantas Airways Ltd

COX, Mr David Henry, Executive General Manager, Qantas Engineering, Qantas Airways Ltd

CHAIR—Welcome. Thank you for your submission. Do you wish to make any amendments or alterations?

Mr Brown—Yes. I will make some opening remarks and I am going to table a document that we have supplied to your staff. We did make a detailed submission. For an organisation of 37,000 employees, there are a number of distinct challenges that face the aviation industry as part of the transport segment. In those remarks you will see there are some comments about, and some numbers relating to, apprentice training and apprentice numbers, both historical and current, to update the submission that we made. Additionally, there are further remarks regarding the issue of 457 visas, which we did not comment to in our submission. There are some further comments about pilot pipelines—subsequent to our submission we have announced our intention to further invest in the area of pilot training in Australia and I will be commenting on that this morning, if that is of interest to you. Clearly, as an employer that invests \$280 million in training each year, we are particularly interested in the aviation sector and the specific skilled subsegments of our workforce there, mainly but not exclusively pilots and engineering. Our training investment per annum reflects our job growth over the last seven years and, obviously, supplying a pipeline of skilled Australians to continue to grow this business is essential for the performance of the organisation.

CHAIR—Thank you for that and for the additional information. Do you wish to make an opening statement?

Mr Brown—No, my comments really reflect the document, and in fact it is covered in there. I am happy to take questions.

CHAIR—Thank you for the additional apprentice numbers; that is useful. Why have the costs of obtaining and maintaining a pilot licence increased in the past five years? Obviously the cost of that training is a significant disincentive. I know that one of my own children at one stage thought he would like to be a pilot, but the cost of training and the dislocation were such that he did not go on with it. I feel sure that that must be the case for many students. So why have the costs gone up like that, and what solutions do you see to that problem, apart from the one you have outlined here?

Mr Brown—I think that the cost question impacts both the individuals and the organisations involved in pilot training. At an individual level, the requirement for multitype aircraft has increased. In that case, individuals are required to have the relevant licence for the aircraft that is flying those operations. The consequence is that, individually, to get in the game, if you like, people on average need to spend somewhere between \$50,000 and \$100,000 per person to equip themselves such that, when they go to apply for a job, they are competitive in the job interview.

That cost is borne by the individual. It varies according to which part of the industry you want to work in: jets versus regional carriers; international carriers versus domestic operators. Underpinning that cost increase over the last five years has been, as I said, a number of aircraft types, the licensing requirements and indeed the competitive nature of the industry. Additionally, our experience internally of costs and training costs is driven largely out of the simulators and largely out of the requirements to pay the checkers, if you like. The cost of the people who are doing the training is going up disproportionately to manpower costs in Australia. The cost of the people who are checking the quality of those skill sets is increasing again, on top of that. So you have a manpower cost increase coupled with an asset cost increase. In our case, at Qantas we have had to buy a number of new simulators to go with our aircraft. To give you an indication of the cost of those, for every new fleet type it probably costs us somewhere between \$10 million and \$15 million to introduce a new simulator.

CHAIR—Yes, we did see them in our inspection at Sydney, and we were very impressed by the size and the fact that you provide them, but I also appreciate the technical complexity of them.

Mr Brown—So if our costs are reflective of the industry—some of them are; not all of them are—then what you see is cost pressure.

CHAIR—I see in your additional comments that you are intending to partner with the local arm of an international aerospace technology provider and an Australian university to invest in the development of a pilot training school. That is certainly one solution. Have you envisaged any other solutions to that impending pilot shortage?

Mr Brown—I think that there is a demand issue and a supply issue. We have yet to make this announcement; we are just indicating to the committee today that it is our intention in the next month to formalise this announcement.

CHAIR—I see.

Mr Brown—Obviously it has progressed sufficiently for us to publicly take a position on it. In terms of the supply part of the equation for pilots, it will represent a significant enhancement to the number of slots or seats that you could train a pilot for, for all of Australia. It is not a Qantas-only initiative.

Clearly there are going to be supply issues particularly in the Mideast, in our view, and also in Asia and in various parts of the marketplace within Australia as well. But on a global basis Australian pilots have been both very mobile and highly regarded outside of Australia, not exclusively but largely due to the reputation of Qantas, I would say—I would acknowledge that. When you go to the Mideast you hear about a lot of Australians working up there as pilots and when you go up into Asia, particularly with Cathay, you will see a number of Australian pilots flying on those aircraft. So when you talk about the pilot shortage globally, (1) it is a global phenomenon and (2) it has certain particular traits within Australia.

In relation to the supply question, the announcement that we are about to make will assist with that. It is not a Qantas-only solution, in that the entire industry requires better prescribed policy settings and framework to enable lots of young men and women who want to fly to find a way to

viably get from the intention into the employment seat flying an aircraft. We will assist with that through the initiative we are about to announce, but clearly this is a greater challenge than just for Qantas.

In relation to the demand side of the equation, I think there are a number of challenges. One is the global growth and the second, as I have acknowledged, is that Australians are well regarded overseas and so we feed more than Australia. That says something about the policy settings to encourage those pilots to come home. The diaspora goes both ways. From an attractiveness perspective in terms of demand, we offer fairly well paid jobs and long tenure. I think they are part of managing the demand side of the equation for Qantas specifically. We have a good reputation. I think they are key elements in continuing to manage the demand side of the challenge.

More broadly than that in terms of demand, clearly it is about making sure that we utilise our pilots as efficiently as we can and that, for the price we pay, the hours that they fly are safe and within fatigue conditions. It is about managing the fatigue consequences of how we utilise our pilots and continuing to ensure we can fly within the regulatory framework that CASA prescribes but utilising them as efficiently as we can within that.

CHAIR—At the intake end of applicants for traineeship, you have noted that not all positions are filled. We noted this when we visited the engineering workshops in Sydney. In what way is the quality of applicants lacking? Where do they fall down in the requirements that you would like to see and what do you think might be the reasons for that?

Mr Brown—We are approached by quite a large pool of pilots. Whilst we say we are very selective I would describe any of our candidates who get close to being hired but do not make it on the basis of lack of skills as being not far enough up in terms of their skill base. They meet an absolute test; it is just a comparative test as to whether or not they get selected. When we announced the creation of Jetstar we had more than 3,000 applicants for the pilot positions. A number of those were not qualified, so you have to cull out those who are very aspirational in their views of their skills and abilities. We are very committed to training but I am not sure we really do want to train up a baggage handler to turn them into a pilot. We culled those out, and the number of real applicants, in our view, was probably 800 to 900 for approximately 150 positions. So I would say on the record that there are ample qualified pilots in Australia currently. In the future there will be continued growth in the requirement for pilots, both domestically and globally, and that will put additional pressure on supply. At the moment we are finding that we have more than enough skilled applicants, so the fact that they do not get appointed reflects the degree of competitive supply.

CHAIR—What about in the other parts of your workforce, such as traineeships for the engineering part of the workforce, the automotive skills and so on that you need in your workshops?

Mr Cox—In the submission we noted about a 75 per cent success rate in filling the positions we advertise. I think the general reaction from the broad community in applying for those positions is consistent with what we have seen in other submissions about the perception that some of these jobs are not as attractive as they were in the past. We are working to address that through a number of strategies. We get out on the road and we are trying to get into other forums

to advertise. We are working with some of the TAFEs to get out into the high schools before people make career decisions and lock themselves in. And we are also looking to broaden the base of people we talk to and work with—for example, older apprentices, mature age apprentices, women, Indigenous apprentices—in order to address that issue.

CHAIR—So you are satisfied that you are getting the people you need?

Mr Cox—We are satisfied that we are able to fill the positions, but it is increasingly challenging and we have to work harder and broaden the base.

CHAIR—That is interesting. There are differences in regulations between Australian states—

Mr Cox—Yes.

CHAIR—and between Australia and foreign countries. Are they an impediment to effective training and recruitment?

Mr Cox—I think they are an impediment to training and they are an impediment to the competitiveness of the business.

CHAIR—Could you give us some examples, perhaps.

Mr Cox—Here are two straightaway. I think the current work by CASA to move to more internationally harmonious regulation can only be to the good of the Australian industry and its competitiveness. I think also that, just to take one example, the consistency of OHS, occupational health and safety, legislation on a national basis again has got to aid the competitiveness of the Australian business. Wherever you can bring consistency across a relatively small population relative to our competitors, it has to be a step forward in both how easy it is to train people and how easy it is to move people between states and locations. We have a geographic footprint that goes right across Australia. And then, from a management and a competitive point of view, it does simplify and improve your competitiveness. Again, we have a great deal of complexity in engineering simply to manage the difference between different types of legislation between the states.

Senator MARSHALL—Just on that, before I come back to what I wanted to ask: are you talking about the sort of day-to-day occupational health and safety issues or about occupational health and safety issues specifically targeted to your industry?

Mr Brown—At the moment, we have three states in which we self-insure and three states in which we do not self-insure. I was just counting in my head. We have eight audits required on a state basis, regardless of whether the business crosses boundaries—state based reviews every year by some external body or another—and that requires us to put a whole team together for each of those. For instance, David runs our engineering business, but on a state basis they are quite unaware about how we structure our organisation and quite ambivalent about the difference between an engineer working in Perth versus one of our catering staff working in Perth, and they are very different skill sets. So that requires us, eight times a year, each time we go through one of these very extensive audits, to take management time offline, prepare the whole business for a state based audit, get through that audit and then come back to the day-to-day operating and

running of it and continue to maintain relationships with each of the WorkCover authorities in the various states. It is an extremely time-consuming activity.

Senator MARSHALL—Is the audit you are talking about to comply with your self-insurance status?

Mr Brown—Some of them are for self-insurance and some of them are for the satisfaction of meeting standards as required by the various states, so it is a mix. It is a very time-consuming activity. Of course, it goes to the heart of how you maintain a safe employment environment, which certainly is our greater focus at Qantas. I would much prefer to spend our time ensuring a safe work environment for our employees than to spend our time managing the various authorities and constituencies that we have to react to. In that regard, we have done a good job of reducing our injury rates. But it is an enormous, time-consuming effort.

If we do move our staff—we closed our Sydney heavy maintenance base a year ago, for example, and we do actually move a number of our engineering staff; indeed not just engineering staff but also several of our other employment groups around the country for career purposes—at that stage you have to put anyone you move back into a new induction program. Particularly if it is management staff or a line maintenance management position, for example, it is a good move for them individually, a good move for their career development and a good move for the skills across Australia, but we have to put them back through a whole different system and regime within the state that they move to.

Senator MARSHALL—I would be interested if you could provide some more information, not necessarily now, about the obvious impediments. Maybe I am wrong and you can correct me, but I understand the occupational health and safety legislation regimes are fairly similar; there are our some differences, but, on the whole, the day-to-day operations and standards applied are virtually identical.

Mr Cox—I think what Kevin is saying, though, is that, yes, that is right philosophically—and you could include environmental legislation in the same group—but you are not audited against the philosophy; you are audited against the detailed legislation. That is where the extra effort goes in, because there are always interpretations of and differences in legislation at the detailed level and you have to be across all that detail. That is where the effort goes.

Senator MARSHALL—All right. In the extra part of your submission you talk about 457 visas. I want to talk about that but also, more importantly, the issue you have raised in that, where you say: ‘However, given the extended period of time required to train aircraft engineers and poaching by other companies that do not train their own engineers, we’ve used this avenue, the 457 avenue, as a source of labour where there is a gap in locally available skills at a particular point in time.’ This is an issue which I see time and again across many industries, where some employers—particularly in your case, because you are the dominant employer in this industry—who do invest a lot in training and skills development see that investment simply being picked up, in effect for nothing, by others who make no such commitment. Then, of course, when you do not continue to train, to provide that market surplus, they scream and shout and complain about skills shortages, but they have not in most instances really made any contribution at all. Do you see a solution for that? How could that actually be managed so that people do not simply use you as the training source for the industry at cheap cost?

I wanted to ask you specifically about 457 visas, so maybe I will talk about that too and you might be able to answer both at once. I do not have a problem with the use of 457 visas, firstly, if people can actually demonstrate that they have made an effort to engage local staff and, secondly, if it is a short-term measure—if people say, ‘Well, there is a skills shortage now that I need temporary workers to fill, but this is what I intend to do to fill that gap myself into the future.’ In those circumstances, I think a lot of the abuse of 457 visas would go, and people who do not do any training would not be able to say, for instance, ‘There’s a skills shortage because Qantas don’t train my aircraft engineers anymore, so I’m going to get them from overseas instead of making the commitment myself.’ That is the overall context. Do you have any ideas about how this might be resolved?

Mr Brown—I think the nexus you draw between those two issues is very real, particularly for a market leader, such as in the position we play in the Australian community and the aviation sector. Let me comment on the 457 visa issue first. We historically have applied for between 100 and 200 visas a year. That is out of 37,000 employees, just to put it into perspective. Every now and then it seems to hit the media as a bit of an interesting issue in the eyes of the community. But, if you dig into that, we only end up utilising somewhere between 100 and 120, say. Now, those numbers have moved around a little bit in the last three or four years. If you look at why we apply for X number but use Y, it is very much about that heart of the issue—wanting to exhaust the existing skill base in Australia. Clearly, acquisition costs are less, and that is a good incentive to find our own before we start looking offshore.

Secondly, there are certain brand attributes that go with our organisation that we clearly want to adhere to, where possible. In other words, it is better for us to hire a local resident if we can. But if we cannot, having exhausted those opportunities, we are unashamed in our requirement to go outside. Relative to that, 120 visas a year, suggest that we are fairly modest in our utilisation of them. What are some examples of those? Where do we need them? The maintenance of our Hercules aircraft, where there were some very specific skills required—David can comment on them in a minute—so we brought them in for Qantas Defence Services. We could not find that skills set in Australia. The only place to acquire them was actually out of the Defence department, which was deemed to be unhelpful, because all you are doing is moving the same number of bodies around the chairs to supply the same requirement, if you like, out of the government. So we were very conscious in making that decision.

Another one is in Jetstar, where we have applied for a number of visa positions for Japanese speakers. We have actually been out and advertised. We have interviewed a whole lot of people. Many of those positions have been filled by people already resident in Australia, some by Australian citizens, but our requirement on the current two routes that Jetstar flies to Japan is quite specific—the customers are not going to fly on the airline if we cannot speak their language—so we have currently got an application pending for about 20 of those. That will probably grow over time. Our only other alternative is to go offshore and source, which we are not as keen to do. But they are the levers that are available to an international footprinted business.

When it comes to the issue of how we manage or mitigate the training cost to Qantas when we seem to be training the world for the world—certainly at times training our competitors to come back at us—that is a very vexed question. I would not say we sit here with a simple answer as to how you deal with that. At the end of the day, they are our staff. There is an employment

relationship which we are very pleased with. Despite some of the noise that occasionally gets run in the media, we are a responsible employer if you look at our attrition rates and our turnover rates. Part of this is us doing the right thing and continuing to invest in training.

What you can expect to see over the course of the next two to three years is us getting clearer with employees. We will be saying: 'If we invest that amount of money in you up-front, then we expect a return in terms of your commitment to this organisation and longevity in the job.' This is not with a view to handcuffing to the organisation, but rather being clear about what that employment deal is. We have not always been as clear on that, with the result that we can spend over \$100,000 internally on training of some engineers or potentially—it depends on the point they are at in their career—upwards of \$200,000 on training of pilots to see them jump across the pond. We will build over time some clarity in the expectation of those people, because I think it is quite a reasonable ask for an employer like us to say: 'If we invest in you, we expect you to stay. In the event that you leave, we will put some further consequences for you within that.' We have not done that yet. That is a piece of work we need to do to deal with the phenomenon, otherwise we are training the industry.

Senator MARSHALL—I guess that is one approach. I will have to think about that. I am looking for any innovative ways that you might see could be an obligation back to the industry. If people want to be part of the industry, and there is probably no real restriction on that, why shouldn't players in the industry have to contribute to the training costs of the industry, especially in your industry where it could effectively be measured very easily in terms of the maintenance sector in particular or pilots? You would know, based on current projections, how many aircraft engineers you will need, roughly, over the next 10, 15 and, I dare say, 20 years, and have made some projections for that. Other players in the industry ought to know that and ought to know their share. Why should there not be some obligation for them to contribute to training?

Mr Brown—I will hand over to David, but I will make one comment. It is a perfectly logical expectation that people can figure out the size of their business 10 years out, but the nature of an open-sky setting domestically is that anyone can set up. We are about to see the emergence of another carrier, despite the fact that history is writ large with the fact that when there are more than three carriers in Australia the industry does not do well and one passes into the annals of history. That does not stop people trying in this industry, and we have 38 carriers competing with us internationally. It is very hard to predict the size and shape of your industry and the aviation sector, largely because of external shocks and the competitive policy settings that we operate within. We are not complaining about that. We are not here today to say we think that that is wrong. We are just saying that it is a very competitive industry. It says as much about breaks given to competitors as it says about the environment within which Qantas operates. The consequence of that is, whilst we have huge aircraft orders ahead, I do not think there is anyone at Qantas who can predict with great confidence how many of those we are going to turn into real aircraft that are down on the ground being maintained with the bags and meals getting put on the flights. The days of having the ability to tightly prescribe the number of aircraft, the routes you will fly, the capacity of the market share and where the market is going to evaporated five to 10 years ago in this industry.

Mr Cox—I was just going to add that, whilst you can have your own views about the fairness of it, with Ansett leaving the market and military training down substantially from what it has

been historically, it is true that Qantas is the predominant provider of the workforce in this sector. At the end of the day, Kevin is right: you can only look to your own business, plan for that business as best you can and retain as many staff as you can. We have been reasonably successful in our retention rates. Looking to what other businesses can do, I think the main challenge for them is, as Kevin said, around the planning for it and looking to the broader infrastructure that is available for that through TAFEs and initiatives like Aviation Australia up in Queensland. That has done something to broaden the base. But at the end of the day, we are responsible for Qantas engineering and its needs and have put a pretty solid plan in place to protect that.

Senator BARNETT—Thanks for your submission and your comments today. They are very much appreciated. I notice from your submission along similar lines to what we have just been discussing in terms of your investment in engineering, maintenance and training of your people, you have indicated some \$300 million—that is a very major amount of money—and you are going to spend a further \$50 million in 2006-07 in maintenance and training of your people. Is that correct?

Mr Cox—The \$300 million is the investment in facilities in Australia over the last five years, and the \$50 million is the investment in facilities going forward. That has been predominantly in things like the Brisbane heavy maintenance hangar, our Rolls Royce engine shop in Sydney, the development of the Avalon facility, and then the IT and training that goes with that. That training has been everything from straightforward skills building training to business development and commercial skills, because the base of what you need to do to have a competitive business in Australia has broadened dramatically over the last 10 years as we have faced globalised competition.

Senator BARNETT—Is there any way you can break down your investment in training per se?

Mr Cox—The annual direct cost of training for engineering and maintenance is about \$40 million and the total cost with indirect consequences is about \$65 million per annum.

Mr Brown—Qantas spends a minimum of \$280 million a year on training.

Senator BARNETT—Over the last five years has that been pretty consistent or has it gone up or down?

Mr Brown—It tracks proportionally to the size of our organisation. We have grown 7,000 jobs in about seven years, so you have seen an increase of about 20 per cent over that period. We get some small-scale advantage of size, but it is very small. At the end of the day you still have to release people. They have to be backfilled by someone to do the job. You have to pay them to be in the room. You have to pay the instructors to teach them.

Senator BARNETT—I see from your submission that there has been a shortfall in quality applications which you have received for traineeships. I am also interested to know what happens to them once you have trained them. I understand a lot of them are picked off by competitors in the transport industry generally. What proportion stay with Qantas? Of those, what is the average duration of their employment?

Mr Cox—Our apprentice attrition rate is about seven per cent to eight per cent per annum. That means that, roughly speaking, about half the people who start with us at the beginning of their apprenticeship end up in a job with Qantas.

Senator BARNETT—About half?

Mr Cox—I do not have any recent data to show whether it is ticking over but, anecdotally, you do get the sense that there are a few more people now being picked up by the non-aviation industry, because that is when skills are at the highest relative to the remuneration gap for other alternatives. Ultimately, if they stay with us, they can end up in quite well-paid jobs, but in that early stage of their career, other sectors pick up people and give them a fair lift in wages in a very short space of time.

Senator BARNETT—In terms of competitors in the aviation industry rather than the non-aviation industry, how many do they pick up?

Mr Cox—You are talking from 50 to 60 up to 100 people annually. It can be a relatively small number. The critical thing is that they are critical jobs. If you have a line maintenance base and you lose two or three of your skilled people out of that base, that can absolutely change the dynamic of that base. Poaching does not have to be large numbers—if it is targeted it can have a disproportionate impact. That is what we are seeing at the moment. We have had a number of MRO businesses and businesses around Australia target our very skilled people—someone who we might have invested a year's specialist training in to understand a certain piece of equipment and then we lose that person—and it can really set you back.

Senator BARNETT—Likewise is it fair to say you pick up other people in the aviation industry at the end of their training? Would you say it is quid pro quo?

Mr Cox—Given that we are now probably half of the industry, maybe more than that, it is hard to see where numbers of good quality people will come from. We do occasionally, but the flow is more generally away rather than towards us.

Senator BARNETT—When you say you are half the industry, I think your submission says that Qantas is about 30-odd per cent.

Mr Cox—I was thinking of Qantas Engineering; we have 6,000 employees in Australia. I do not know what the total aviation support industry is in Australia, but I would guess it is less than 20,000 people.

Senator BARNETT—Just on that 32 per cent Qantas market share—

Mr Cox—That is the international business market share. Qantas Airlines flying against Singapore, Emirates and so forth, are down from about 40 per cent 10 years ago. We are under about 32 per cent now.

Senator BARNETT—What is the domestic per cent?

Mr Cox—Domestic is 66 per cent, last time I heard the number.

Senator BARNETT—That is for Jetstar?

Mr Cox—That is the total Qantas group market share. That is Qantas Link, Jetstar—

Senator BARNETT—Your submission says that you are looking for \$1.5 billion in cost efficiency savings over the next two years. Where will that come from and will that be outsourcing or will it be offshore? For example, you have a base in London for maintenance and pilots et cetera. Where are those efficiencies going to be mostly made?

Mr Cox—I think to get a number like that, you are going to have to go across the full range of possible initiatives. Obviously we will explore the ones you mentioned. We are also investing heavily in change programs in Australia. My business has heavily invested in things like Lean, Six Sigma and training to allow people to carry out their jobs far more efficiently within the current Qantas footprint. There is a wide range of programs.

Mr Brown—Approximately a third of that number will come through what we loosely call alternative business models. Most of that is Jetstar flying—not all of it. Over the planned period as Jetstar grows with a different cost base, that gives us an advantage. We are growing both Qantas and Jetstar; we are just growing Jetstar faster. They do have a differential cost base through parts of their business, not just labour. I guess the second large group for the \$1.5 billion cost savings are overhead and distribution costs. We are changing and moving a lot onto the net and moving a lot off phone and onto internet et cetera.

In an airline the three big costs are financing, fuel and labour. But there is a fourth one, which often does not get spoken about, and that is distribution of sales. There has been a large amount of work going on there. The third category is around our labour initiatives, which are largely about getting people to work harder and smarter and changing how the work gets done. Last year we announced the closure of the Sydney heavy maintenance base on the basis that we really needed three maintenance bases not four because you get scale and utilisation of skills. You have referred to our announcement of the opening of our London cabin crew base, where we now have about 800 flight attendants on the basis that they fly out of London, down and back up, as against us taking them from Sydney all the way up.

Senator BARNETT—So you have 800 based in London?

Mr Brown—Actually, no; sorry—that is an exaggeration. We actually have about 450 based in London. We have about 800 based overseas, of whom 450 are in London. Again, if we look at where we fly, it makes sense. We have an international footprint. But it is those three buckets of initiatives—the fourth one being distribution changes—that we are going to target and through which we will hopefully achieve \$1½ billion of cost savings.

Senator BARNETT—And were these changes agreed before the more recently publicised takeover matters, or are these since then?

Mr Brown—No. We announced these prior to that but they got clouded in the hysteria of the APA bid. This is now the fourth year we have announced forward-looking cost programs. We have delivered the previous \$1½ billion already. So as we exit this year we have delivered that and there is now an additional overlay program.

Senator BARNETT—I noticed that one of your strategies is that you have 44.5 per cent of Orange Star, which is based in Singapore and is a sort of the Jetstar type operation, I understand. Is that part of your strategy—to grow overseas in terms of equity interests in other airlines?

Mr Brown—Yes. Orange Star is the holding company that holds the investments we have in two subsidiary businesses up there. For all intents and purposes, we have a large stakeholding in Jetstar Asia. It is made up of some complex legal structures. And we have recently announced our minority investment in Pacific Airlines which is based in Vietnam. You can expect to see additional announcements throughout the Asia region. That is exclusively because of the growth opportunities—as they say, 2½ billion people can't be wrong—between China and India.

One of the two largest growth areas in the aviation sector is the Middle East. But what that is, effectively, commercially, is attracting other carriers' passengers to go through the Middle East—in other words, taking them off someone else and putting them on our aircraft. The other area for growth in absolute numbers of travellers is Asia. Europe is growing through low-cost carriers, and their emergence has stimulated the market, much like Jetstar has done in Australia, of people who would not fly otherwise. But the largest growth sector, without a doubt, over the next 10 to 15 years will be Asia, and Qantas's desire is to be in the game to play.

Senator BARNETT—And where is your base for that? Is it Singapore?

Mr Brown—At the moment we are based in Singapore for Jetstar Asia, and Pacific Airlines is going to be based in Vietnam.

Senator BARNETT—In Hanoi?

Mr Brown—Both Hanoi and Ho Chi Minh City, as a domestic and an international operation. We are a minority shareholder in that but strongly providing operational support, including providing pilots, engineers and commercial managers.

Senator BARNETT—I appreciate your comments on that. I wanted to just touch on the pilot training school that you mentioned in your opening statement. I know you made a statement last week foreshadowing your intention to partner with an Australian university. How quickly is this going to come online in terms of pilot training?

Mr Brown—You can expect to see an announcement in the coming week, and that will shortly be followed within months by the creation of the business. What we are going to do is to move a number of the internal training operations out into that business. In a sense, a lot of training is already done within Qantas. The aim here is to continue to provide that as a backbone for this operation but then provide expanded capacity to handle people outside of the current Qantas workforce.

Senator BARNETT—You have indicated in your submission that this could be enhanced by further government support for training initiatives and support infrastructure. What does that effectively mean?

Mr Brown—There are two parts to this story. One is the depreciation schedule which we often continue to suffer through. Our asset base for training is significant, as I mentioned earlier.

The simulators are very expensive creatures but get depreciated using the airline depreciation schedule, no problem. But here we will seek to depreciate them faster.

Historically, our competitors have been able to depreciate at shorter cycle times than us and therefore get a commercial benefit out of that. We have spoken several times to the government in regard to depreciation arrangements for Qantas and, at the moment, simulators are caught within that. An accelerated depreciation cycle would assist us to be competitive. Singapore run their own flight training centre and write their SIMS off over—it depends on who you believe—six to eight years. You would need to confirm that number yourselves but there are various views out there as to how they handle that. That would be one. The second one is the greater framework which touches on the earlier question about training. In Australia, it is the framework for promoting trade or vocational skills—even though they are very specialised in the case of pilots or engineers—and creating the framework that harmonises at a federal level because there are many initiatives happening, only some of which bear fruit. Most of those initiatives fail to sufficiently take into account the cost an individual has to go through to get into some of these specialised skill areas. In a sense, HECS provided that through the higher education system. Many, but not all, of our pilots and TAFE people are coming through the vocational skills areas that employers like us have to provide ourselves. A provision of a policy framework enables people to defer their tax or take loans—there are a variety of levers available to individuals. At a company level the largest issue is depreciation.

CHAIR—Thank you, your submission and remarks have been very useful and informative.

Proceedings suspended from 11.01 am to 11.18 am

GOW, Mr Neil, National Manager, Government Relations, Australian Trucking Association

ST CLAIR, Mr Stuart, Chief Executive Officer, Australian Trucking Association

CHAIR—Welcome, and thank you for your submission. Do you wish to make any amendments or alterations?

Mr St Clair—No, I do not think so at this stage.

CHAIR—I invite you to make an opening statement after which we will ask questions.

Mr St Clair—Thank you very much. We appreciate the opportunity to be before the Senate this morning in the inquiry into workplace challenges in the Australian transport sector. As most people would know, it is a significant sector employing a large number of people. It has grown at a substantial rate and, if the figures and the reports are correct, it intends to double over the next 20 years with the freight task. Like so many industries, when we head towards full employment in Australia we find it difficult to obtain skilled people.

The profession of heavy vehicle drivers has changed dramatically over the last 20 years and, in particular, over the last five to 10 years a much more professional approach has been taken by both operators and drivers. We find that the importance of adequate and proper training is coming to the fore.

We are also very much aware that, with the changes in technology happening now in modern heavy vehicles—with many more moving towards automatic transmissions in particular—it has become more attractive for women to enter our industry as heavy vehicle drivers. We have noticed that the standing of women in the mining industry, through their handling of much of the very heavy machinery and their capacity to be a bit more gentle, shall we say, with machinery of that size, is starting to flow over to our industry. As I said, the technology that is coming into these vehicles is making them much easier to drive and much more driver friendly. The capacity to be able to attract women into the industry is paramount to us because it has been one that has not had a lot of women in it.

The Australian Trucking Association, as you are aware, is the peak national body for trucking in this country—in other words, for those who move freight by road. It is an organisation that began in 1989-90 following the horrific bus and heavy vehicle accidents of Clybucca and Kempsey on the mid north coast of New South Wales. Industry got together to have a peak body based here in Canberra. It is made up of state and sector associations right around Australia. It also has the Transport Workers Union as an initial member of the association going back 15 years. It has seven of the largest trucking or logistics companies as part of its body. It is a foundation of safety and, through that, you have this significant emphasis on driver training and the importance of recognising that truck driving, particularly at the heavy end, is a very highly skilled business. Vehicles are valued at about half a million dollars each and the loads on them can be worth anything up to a million dollars, so you want fairly highly trained people behind the wheel.

We are getting anecdotal reports from both our members and our associations' members around the country that many trucks are parked on the side of the road at night-time because of a shortage of drivers. We have also anecdotally found, particularly in regional areas where we have substantial trucking operators—and I am sure you found this on your trips around Australia with this committee—that there is competition for drivers from the mining industry in particular. While that is localised in certain regions, it has certainly had its effect. My colleague Mr Gow is probably more aware of many of these things than I am.

CHAIR—Would you like to speak now, Mr Gow?

Mr Gow—No, not at this stage, thank you.

Senator MARSHALL—One of the changes of technology you mentioned was a change to full automatic gearing on trucks. What other technology and design improvements have made truck driving less physically demanding and are they contributing to making the job more attractive?

Mr St Clair—If you have an opportunity, we run a program of putting our members of parliament into a truck in a safety drive each year and it works exceptionally well with both federal, state and local government authorities. There have been significant changes to the actual drivability of the vehicle itself, in other words, the quietness of the vehicle. Inside these new vehicles now it is a very quiet workplace. It is very important to look at the ergonomically designed seats that they have there and the fact that all the mod cons are within them. They are fully air-conditioned or climate controlled. There is significant support in such things as AVS braking systems. Quite a number of newer vehicles have electronic stability control in them, as well as cruise control, which is good certainly for ease of driving, but it has its downsides. The cabin ambience itself is significantly better than it has been. There have been the appointments inside the cabin—so we have seen the ride, the comfort of the seats and the ambience inside the cabin, such as the quietness, to be quite significant factors in attracting people into the vehicles themselves.

Mr Gow—I will just add the loading side of the operation to that. Over the last years there has been the consolidation of freight either onto pallets or into containers which of course are loaded by forklifts. The days of manual loading are over—and are obviously limited too by OH&S arrangements for lifting things. So the consolidation of the freight is there with pallets and containers. The advent of e-business has also often meant that the supporting documentation for keeping track of the load that is on the truck is done electronically between businesses rather than involving drivers in a lot of paperwork. So the business systems that have evolved have made the driving itself easier as well as the accountability side, and these things have contributed to the business becoming more attractive or easier.

Senator MARSHALL—Coincidentally, I just happened to come across a program on pay TV this weekend about hazardous chemical transportation. Most companies seem to have moved to a system where the truck itself is constantly monitored in terms of its location and speed. Even the engine revolutions, the braking pressure and all sorts of engine activity, which are not necessarily displayed on the screen, are constantly monitored. I thought this was a substantial step in terms of the technology and the monitoring. The justification in the program was that it was about hazardous chemicals, but the implication of the program was that this will simply

move to all trucking businesses into the future. Where are we at in Australia with that sort of technology, and what sorts of challenges does that give us?

Mr St Clair—Australia has always been quick to take up those sorts of technologies. We are finding that the arrangements in place ensure we have a turnover of fleet, so you not only get the more modern technologies coming into your fleet but also you pick up the safety features, which to us are vitally important. So you need to have a process of turning the fleet over so that you have the increase in newness that you will get with technology. A couple of weeks ago there was a truck show, which is held every two years in Brisbane, where all the new technology from Europe, North America, Japan and places like that was on display. In particular there were alternative fuels and hybrid trucks, but also on show was the general technology of what is available in the vehicles today, not only through the engine management systems, which is recording all those sorts of details, but also in things such as cruise control to have automatic braking. So often we have an issue with trucks coming off the tops of hills and drivers tend sometimes to forget that the middle pedal is a brake. If you are on cruise control now with new vehicles it will automatically brake, so you will have that sort of control. There is a radar system that comes out of the front of the truck to detect where the next vehicle is in front and whether or not it is going to slow down quickly. It will start to assist your braking mechanisms very much quicker than what was being done by a normal vehicle or a normal driver.

We see some of the technology that is coming in as a great assistance, not only to the driver but also to the operations manager, where a lot of the larger fleet operators have all their trucks live on a screen. It is quite extraordinary to go into some of these operations and see that happen so that they know exactly where the trucks are. It demonstrates the importance of being able to program warnings into the truck; for example, to assist drivers if there have been changes to speed limits. Quite often there are challenges to the drivers. For example, if they are going over the same piece of road every night, quite often the speed zones will change during the day. We are seeing some operators being able to put into their monitoring systems the ability to recognise where those sorts of things are and to alert the driver if they are either exceeding the speed limit or coming into an area where the speed limit has changed. We see that, in turn, being a greater influence on the industry: more efficiency and more productivity, but overriding all of that is better safety.

Mr Gow—To give you a broad view of the advent and incorporation of that technology, it is really the advent of electronic engines, as distinct from the older mechanical engines, from the early 1990s that brought with it the computerisation of the fuel and other systems in the truck that my CEO talked about. It has penetrated roughly 50 per cent of the total number of heavy vehicles in Australia, but virtually 100 per cent of the high utilisation line-haul trucks. So, as you have mentioned, those computers in the truck are very powerful. They gather and store data about all of the things you have mentioned, and that data can be downloaded in the workshop. When a truck comes in, mechanics do not pull up the bonnet and look under it—they go to the cab and plug their laptop in. They can see what has been going on with the engine after servicing, which has had challenges within the service industry. But these people are, of course, not swinging off spanners any more; they are swinging off laptops and need to have those skills as well. So it has become much more technically challenging on the maintenance side. But that is good because so many young people are into computers and the fact that you can do the analysis and diagnostics on a truck with a computer is an attraction to many young people, and is used on the maintenance side of the industry.

Those engine management systems, as they have been referred to—the computers in the trucks that look after all of that—are also able to be downloaded by enforcement authorities, so you have police running around with their laptops as well. Provided they have the software for the different brands of trucks they too can examine what a truck has been doing. So the computerisation of trucks in the electronic engines has been a real revolution in the industry and will only get more complex, I am sure.

Senator MARSHALL—How much do other road users—cars and other vehicular traffic—impact upon the productivity and efficiency of truck driving professionals? Is that improving or getting worse? Is it an area where you see there needs to be better awareness education?

Mr St Clair—There are roughly 400,000 trucks in Australia and there are about 13 million motor cars, motor cycles, push-bike riders and pedestrians who use the road at the same time. When you look at the number of heavy vehicles that are on the roads and the safety performance of the industry, while we have a long way to go we have made substantial inroads. There are a number of reasons for that. The vast majority of professional drivers out there are just that; they are professional drivers. The old image of a truck driver to a certain degree has gone, and so it should have. The ATA has just completed a competition in Australia with Scania, one of the major European manufacturers of heavy vehicles, to find Australia's young Australian truck driver of the year. It was inaugural in Australia although it has been run in 37 countries around the world now. We had 1,600 applications from people around Australia to compete in this particular event, and they are all under 40, so it was interesting to see the age group. We held finals in each of the capital cities around Australia. I have been involved on the periphery of the industry for 40 years, and the professionalism of our young people coming through the 16 finalists in each state, women as much as men, is quite extraordinary. They treat it as a significant profession. They dress in a manner that is appropriate for the type of work that they do, and they are conscious of on-road performance, which is what our industry is all about. It takes that one truck driver out there, who is either too close or behaves in a manner that is inappropriate, to give everybody else in that industry a bad name. We have taken a great deal of heart from the significant change in professionalism by drivers generally across Australia in the heavy vehicle field.

Senator MARSHALL—I was thinking more about the rest of the drivers impacting upon their efficiency. In my travels around Australia I am lucky enough to have cruise control. You set that at the speed limit and you are forever having people who want to overtake you get in front of you and actually go slower than you were going in the first place. You often see signs on the backs of trucks saying, 'If you can't see my mirrors, I can't see you,' and there is that general education. But, as to the impact on the rest of the road traffic, what I was trying to get a picture of is how much the ignorance about the need of truck drivers driving their loads affects the efficiency and productivity. If there were more education about how trucks operate while people were getting their licences or doing any other courses, would that have any significant impact upon the productivity of truck drivers?

Mr St Clair—It certainly would. Our belief is that there should be a section within that licensing system so that people who are going for normal motor vehicle licences have an awareness of heavy vehicles out there that they are sharing the road with—talking about braking distances, overtaking or just sharing the road. We have ourselves run as an industry a number of programs about sharing the road, trying to get the message out there to the public.

There is always the challenge on the highways in particular, where cruise control is employed, that if the vehicle is a new vehicle and is monitored to 100 kilometres an hour then that is what it is travelling at—100 kilometres an hour. We find with quite a number of older-car drivers and older cars that, while their speedo might show that they are doing 100 kilometres an hour, they are in fact probably doing either low-90s or mid-90s, and a truck goes past them and they are instantly either concerned or intimidated because the truck has gone past or they have a view that the truck is speeding, whereas in fact it is not—it is simply behaving in a manner that is appropriate at that particular time.

I still drive, and I try and go away for a week or two at a time with a loaded heavy vehicle just to physically see what happens on the roads. I think that, generally speaking, the majority of people using the roads are of a sharing kind, but you will always get those people, whether they are on motorcycles or indeed in motor cars, who just do not have any regard for the fact that you are in a heavy vehicle. They will cut in front of you while there is a gap between lights or crossings or even when you are slowing down in school areas. If you happen to be in a heavy vehicle and in a school zone, it is important to get down to 40 kilometres an hour. It sometimes takes a little time and therefore you are applying the reduction of speed facilities prior to getting to that 40 zone. But I certainly believe in, and I think generally we would support very strongly, a targeted program within the licensing structure to teach people who are going to get their licences the importance of sharing the road with heavy vehicles and what that means.

Senator MARSHALL—I have one last question in respect of owner-drivers, the cost pressures involved in gearing up to buy a heavy rig and some of the contractual arrangements around and how they impact upon safe driving techniques, given the added pressure of meeting the truck repayment and your other costs. Do you see a shift away from owner-driving back to more permanent employment, or do you see some of the companies that engage drivers on the owner-driver type system being more conscious of some of those cost pressures they face?

Mr St Clair—Absolutely. The owner-driver position is very strong in Australia. While we see shifts from time to time, I think the owner-driver still performs a huge amount of the task here in Australia. But often the professional relationship between the prime contractor and the subcontractor is much closer. Part of that is because of the size of the freight task and the fact that, unless you look after your suppliers—and these people are suppliers—you will not have them. The deal should be that all parties should be adequately recompensed and should be able to survive. If that does not occur, two things will happen. Firstly, things such as maintenance or cost pressures on owner-drivers will become more than difficult, and that puts the loads and the name of the whole industry generally at risk. Secondly, you will not have anyone to carry your freight. Over the last few years we have seen a much closer relationship to ensure that the business of being an owner-driver is understood much more before people come into it. It is easy for people to go out and buy a truck. Often when they buy one they then ask: ‘What am I going to do with it?’ That becomes a challenge. As we go around Australia we are finding that a large number of owner-drivers run a very professional, efficient, productive and safe business out there.

Senator MARSHALL—Are there courses on business management? Do you provide them or do you know of any? These are small business people and often it may be their very first small business. Firstly, does your organisation provide training for them with respect to their business needs in this industry? Secondly, do you provide template contracts and do a cost analysis of

what people need to charge per hour or per kilometre—however you do it—to recover their costs on the road?

Mr St Clair—We do not do anything to do with costing at all. That is the position of the ATA, so anything to do with prices or wages we do not get involved in at all. Much of that is done by our member associations at a state or sector level. There are programs run by either individual companies or manufacturers to ensure that there is a business plan in place for people who want to go into industry. Many of the truck suppliers themselves will have programs in place to ensure that if someone wants to go into the industry there is some small business support that they can get. Regarding the Scania competition and this young Australian truck driver, it is fine for someone to win it, but how do they now run the business? Support is being given to those people, and it is being done on a fairly wide-ranging basis.

Mr Gow—Certainly, we are formalising advice in a publication with Scania's sponsorship to be available to all owner-drivers, not just to the winner of this year's competition. The other thing is that a lot of information is available from peers, so, understandably, the ATA encourages people who are in the industry or who are entering the industry to join an association. There are a number of state based trucking associations under various names and sector based associations. Broader than that, there are other associations which can assist people, often small business groups et cetera, either based regionally or state based, which can provide some of those skills. A lot of the assistance comes from the member associations that are directly providing those member services in many areas, not just the costing areas you have mentioned. But a big pressure on owner-drivers is regulatory issues—the paperwork that is involved for regulation, as distinct from their business paperwork. As much assistance is needed to get through that maze as it is just on the costings and repayment side of the business. Indirectly, of course, a key role of our association nationally and the associations that are based on a state basis is to ensure that that regulation is common-sense, it is simple to administer and at minimum cost to businesses, particularly because of the impact on owner-drivers. Ideally, they need to be on the road and in their truck making a dollar, not meeting a whole lot of red-tape arrangements that might be required for them to run their business. Fortunately, there is an awareness of this issue, particularly through the COAG process, but getting streamlined regulation and harmonised regulation between different states on the amount of load you can put on your truck and what the other requirements are chews up a lot of business time, and it has a particular impact on owner-drivers.

CHAIR—Your Getting Ready for the Road Project is designed in part to attract mature age workers to the industry. I note the employment of farmers in that. Is that just replacing ageing workers with other ageing workers? If so, how does it lessen the longer term skills shortage?

Mr St Clair—Often, people leave our industry because they feel that it is too hard or that they are getting to an age where they do not want to change gears anymore. A colleague of mine of a similar age said this when he got into a new vehicle: 'How long has this been going on? I think I'll go back to driving.' He said that because it is a much easier thing to do now. We as an industry need to ensure that we investigate every source possible for people for our industry—and that can be people returning to our industry or coming into it fresh—irrespective of their age. We found that, particularly regionally with the devastation of the drought over the last few years, driving has provided an opportunity for people to come in who otherwise may not have been able to be gainfully employed. They have at least found a new way to put food on the table

at the end of the day. We have found that many of those younger people are staying in the industry. Regionally in Australia we have significant trucking operators operating out of small and reasonably sized country areas. They need to be supported in every way possible to ensure that they do continue, because they provide those opportunities. The importance of that cannot be overstated.

As Mr Gow said, the days of having to get out and change tires and pick up the bonnet and load the truck by hand—all of those issues—are gone. Most vehicles have service contracts. If you end up with a flat tire, you simply ring an 1800 number and someone turns up in the middle of the night while you are asleep and changes it. Engine management systems can be looked at and repaired via satellite. It is quite a different game than what it was.

CHAIR—You mentioned in your opening remarks trucks being stranded by the roadside because there are literally no people to drive them. In an instance like that, how long might a truck sit there before there is someone to drive it? Long-term, ongoing employment is one thing, but short-term assistance, such as that where you have to get someone tonight or tomorrow to drive the truck, is another thing. How would you propose handling that?

Mr St Clair—Operators can have a look at their scheduling programs. Those programs need to be far more family friendly. Many of them are making them that way. You can have what are known as shuttle services where people do short legs but are able to return home overnight. They have found that that is more attractive to people and has helped retain people in the industry. Many more are doing that all the time. A lot of freight is moved overnight. It is a good time to be on the road. It is a demand driven supply issue. Many of those trucks simply stay in the yard. It is an issue when you have to shift the freight. With the doubling of the freight task, what we as an industry are looking at are much more productive vehicles, rather than simply doubling the number of vehicles. More productive—and safer—vehicles will be able to do the job.

Mr Gow—Can I make a comment on those questions? The Getting Ready for the Road Project was a project which reflected current government policy to look at that pool of people who are on some sort of government support arrangement, whether they be mature, have a disability, are part of the Indigenous population or are on some sort of parental support program. There is a pool of people there which the government—understandably—is looking at to see how they can get them into employment or into more employment. The Getting Ready for the Road Project looked at not only mature age workers but people in those other categories. There is the potential to pursue that, and we encourage our members to engage with the Job Network to see who there is in the long-term unemployed pool in their areas—not necessarily only mature age people but others—who can be brought in, not just as drivers, but as workshop and administrative staff as well. That is only one part of a strategy to try and maintain employment.

On the issue of not having enough drivers for trucks, I am not advocating a relaxation of driving hours. We have just been through a whole national inquiry into that matter, and we would expect and hope for national uniform legislation over the next couple of years. Often, there are regulatory constraints as distinct from employment constraints that mean that trucks cannot move on. Once somebody gets to their 12 hours of driving with the breaks, they cannot drive until they have a six-hour break. In order to address that, staged driving—which has been mentioned—not only addresses the regulatory requirement but makes things much more amenable for workers. For example, someone who, say, lives in Melbourne can drive to Wagga,

do a changeover and get back home that night, while the person who lives in Wagga can drive the truck up to Goondiwindi and be back home next night. A bloke or woman out of Brisbane can do the next leg. The whole thing has gone from Melbourne to Brisbane with three different drivers, and they are all at home for the night. The other thing that has made it attractive, too, has been the willingness of businesses to employ two drivers for a long haul. That makes it possible for couples to work and travel together, and that is having good employment outcomes as well.

Senator BARNETT—I thank the Australian Trucking Association for your submission and for the very good work that you and your members do all around the country—it is most appreciated. I am interested in your views on regulation and the impact of increasing regulation and what we can do about it. What are the major concerns that you have in that area? I assume that in part you are referring to the state and territory laws impacting on the free movement of your members across the country.

Mr St Clair—The biggest challenge that drivers face—and let us talk from their perspective—is that, because there is lack of harmony between the states, if you are driving from Melbourne to Brisbane or from Melbourne to Perth regularly you go through different jurisdictions. Each of the jurisdictions alters the regulations that are proposed nationally in some small manner. That means that the driver has to make sure that he or she is complying with different regulations—in three states if they are a line haul driver. That makes things extraordinarily difficult. Many of our more seasoned drivers often complain that they have had enough of all the paperwork and the lack of consistency between jurisdictions. We spend an inordinate amount of time at the ATA working with the National Transport Commission to come up with an agreed set of legislation for driving hours or other things. As Mr Gow said, we have just finished six or seven years of working out new national fatigue regulations. These are yet to be implemented in the states. They will start in about September of next year. But there are already indications that there will be differences between each of the states.

Let us have a look at more specific things that affect a driver. One of the issues that we have been very strong on with both the Commonwealth and the state jurisdictions is the importance of rest areas for drivers to be able to comfortably and appropriately pull over into so as to be able to match their driving hours with their rest time. The challenge of not having enough of them is one that all governments face—it costs money; we understand that. But we also understand that all moneys that are attributable to expenditure on heavy vehicles in Australia are recovered from the industry each year. We are going through that process at the moment. As an industry, we believe that that is an appropriate, fair and proper way of doing it.

The challenge is making sure that we have enough rest areas for people to pull over. If there are not enough, then there should be, for example, some reasonable steps if you are 10, 15 or 20 minutes over. You have planned your stops, and it is most appropriate to have plans for these sorts of things. You will often get to a rest area where you had planned to pull over and it is either full of heavy vehicles, because of the sheer number that is growing on the roads, or has our friends with their touring caravans. They are entitled to get off the road and have a rest, and often they do not quite get off the road in the sense of making room for other vehicles to come in. Keep in mind that the length of a B-double is about 26 metres and a new vehicle is about 35 metres long. So we need to make sure there are adequate rest places. That gives the driver some confidence to know that he will be able to conform to the regulations in that particular state. But

it is of concern that there does not appear to be a will by many of the jurisdictions to actually have uniformity across all the states.

Senator BARNETT—What can we do to encourage that to happen? In particular, can you cite any examples or be more specific about the red tape impeding more effective and efficient transport services? Are we looking at occupational health and safety laws in particular or any other aspect? Can you perhaps provide any examples?

Mr St Clair—In New South Wales in particular, drivers need to comply with three different sets of driving rules, as understand it. There are working hours contained within occupational health and safety regulations, there are working hours and driving hours contained in transport law and there are now working hours contained in industrial relations regulations. All three of those do not necessarily match and many have a concern as to whether you can actually comply with all three at one time. That makes it very difficult for the driver, particularly an owner-driver—he and his partner could be planning their trips and work—because they tend to do more of the long haul rather than shuttle work. They would say, ‘What do we have to comply with?’ In New South Wales there is still not any clear guidance as to what sort of set of logbooks they should have—is it a paper based, is it electronic based? There are some moves afoot by technology engineers to have electronic logbooks within the trucks themselves, which may or may not have some appropriate ways. That would be one thing that is causing enormous frustration for drivers.

Mr Gow—I would like to add to Stuart’s comments. At this stage we very much look to the COAG process to resolve some of these problems. COAG is on the record, out of its communiqués over the last 12 months, to look at regulatory reform matters in general to try to reduce the regulatory burden as much as possible, but it is also on the record to look specifically at bringing in a national set of heavy vehicle driving hours and fatigue management laws, as has been mentioned, in 2008. There are aberrations now, including the use in Queensland of driver demerit points for logbook type offences as distinct from the use of road transport law for logbook type offences, which would involve penalties, not only for the driver but possibly for the owner of the truck, if it is an employee driver, and even for the person who owns the freight on the back, through chain of responsibility laws. Let’s give that a chance. A lot of work was done to develop the chain of responsibility provisions through the national reform process. So at this stage it is up to the many governments in Australia to deliver what has been undertaken through the COAG process by next year and hopefully we will then have a nationally uniform set of driving and fatigue management laws in Australia.

Senator BARNETT—That is helpful information. I was on the Hume Highway and the Barton Highway over the weekend and I noticed some of the long haul trucking operators. They were men. I am interested to know about women. You talked about the merits of increasing the number of women in your industry. What is the status quo—perhaps a percentage breakdown? Secondly, what are you doing to encourage women into the industry?

Mr St Clair—We did discuss that a little at the beginning of the session where we talked about it. One of the major innovations has been new technology, in particular automatic gearboxes coming in more and more to heavy vehicles. When I say automatic gearboxes, these are manual gearboxes that are changed by a computer. The computer detects when it is time to

change a gear both up and down, depending on the amount of pressure laid either on the brake pad or on the accelerator. It is quite a—

Senator BARNETT—I will have a look at that. Did you provide a percentage breakdown?

Mr St Clair—No. It is very difficult to get a percentage. As I mentioned earlier, we held a young Australian truck driver competition and we found that of the 16 finalists out of 1,600—16 finalists in each state—in Queensland two out of 16 were women; in Victoria, two out of 16, I think, were women; and one out of 16 in Western Australia. I am not sure whether that is a percentage we should look at but we are certainly hearing that more and more women are looking to come into our industry.

CHAIR—I would appreciate it if you could later provide the committee with the fatigue reform outline that you said, I think, was different in each state.

Mr St Clair—Sure.

CHAIR—We would like to have a look at that to see what is being undertaken and that would be a help to us.

Senator MARSHALL—Or if there are any other examples like that that we can point to.

Mr St Clair—Yes.

CHAIR—Yes, that would be helpful. Thank you for your appearance before us today, it has been very informative.

[12.02 pm]

McAULIFFE, Ms Jenny, Manager, Human Resources, Australasian Railway Association

WHITING, Mr Garry, Manager, Rail Careers, Australasian Railway Association

CHAIR—Welcome.

Mr Whiting—Before we begin, I want to thank everyone for being here. I think the effort that the senators have made to get around the country has been excellent. Bryan Nye, who is chief executive of the ARA, was scheduled to appear but the change in date, unfortunately, clashed with some overseas travel.

CHAIR—Thank you for that and for your submission. Do you wish to make any amendments or alterations?

Mr Whiting—No, we are happy with the submission.

CHAIR—Do you wish to make an opening statement?

Mr Whiting—Firstly, as I said, it is great to see this inquiry happening and to see it focusing on the people in transport and the current employment challenges that managers face across the country. The ARA is the peak employer group and we have in excess of 180 representatives across Australia and New Zealand. I have a year book here that you may have already accessed.

CHAIR—We can table that, thank you.

Mr Whiting—As the witnesses before us mentioned, what you probably may not be aware of—and it is not covered in that book—is that across the country transport is growing significantly. Rail particularly has had a really strong resurgence. Stuart mentioned the doubling of freight which obviously has a big impact on our industry. The resources boom is a large impact on our industry in that we carry something like about 40 per cent of general resource commodities. The cost of capital city congestion and rail being seen as a greener alternative is now bringing into focus the value of urban transport, and we are seeing a lot of growth there.

Also across the industry we are currently seeing something like a 30-year peak, we would estimate, in infrastructure investment. There are obviously revenues related to that that say companies are having good times, and we are expecting that to go on for some time.

All of that is occurring in the context of also currently having one of the hottest employment markets across the country. So companies are seeing growth and also dealing with a very competitive employment market. We have some anecdotal evidence that we should expect some issues around the ageing workforce over the next 10 years or so. The trouble is we are not quite sure where that works.

That is some context for the industry and where it is coming from. My understanding is the same as what the senators have seen as they have gone around the country and visited specific companies. I have seen operators at firsthand trying to grapple with the challenges that sit in front of them at the moment in terms of transport employment. I know you have seen companies using state-of-the-art technologies, particularly around driver simulations and things like that to train people. You have seen a lot of companies using national qualifications to upskill roles that are not traditionally in that area, such as people in stations yards and even drivers themselves—traditionally, that is not seen as a qualification. But companies are going through processes trying to encourage formalisation of that role. Also, while we do not have strong evidence of a large influx, there is some evidence of companies encouraging females into non-traditional roles such as trades apprentices and even, to some degree, in the driving area.

It is for these reasons that we have companies at the moment dealing with a lot of difficulties. So the ARA were very excited to hear in February 2006, as mentioned, the COAG announcements around human capital. COAG came out and said that, in the skills area, they wanted to do some work on advancing reform in the national arena. This industry went through that process, analysed it and consulted widely with our member companies. We came back with a number of priorities, which we outlined in our submission, and I would really like to just flag the top three that we highlighted in that submission. One is the adoption of national licensing. Two is the removal of time based barriers. We think that, with the sophistication that sits around the capability development issues of today, apprenticeships and modules and other time-based thinking that was around when these systems were implemented is really of another era and we have moved on from there. So reform is required. Three is improved data sharing, because we have anecdotal evidence but we do not have very strong data to tell us what the issues are.

The others pieces of analysis we listed in our submission are important to us—we see them all as adding value across the skills and capability area—but we have really focused our requests today on those three high priorities, so I wanted to reiterate those. The ARA really believe that improvements in these areas can add significantly to assisting companies who are trying to meet the challenges of the current employment environment. It would reduce a lot of the complexity that exists around moving people from state to state and issues such as that. So we would really advocate that this particular inquiry encourage COAG to reignite those issues. We feel that the level of interest around them may be waning, and we would want to see that re-energised because we think those issues make a lot of sense. There is good logic to them and they provide a lot of effectiveness.

To support that statement, I would like to talk a little bit about how the ARA have actually been leading the rail companies by doing as much as we can to deal with the transport challenges. As I mentioned, Jenny is here as a part of the board of directors for the incorporated Rail Skills and Career Council, which was established in 2005. We started looking at the issues around attraction and retention of staff within the industry.

In 2006 we released a fairly extensive report called *The changing face of rail*. I am sure you have had copies of that, but I can make sure that you have more if you need them. I would also like to table that. It highlighted that the industry has issues around ageing in the general workforce and that small numbers of young people and females come into the industry. Also, we have higher attrition rates in those two target groups than we have in the general workforce, so we see some issues in terms of turnover and attraction at that level. We also have some anecdotal

evidence that says that the current environment is counter-attractive to that audience, so it actually pushes them away to some degree. So this report highlights for us a number of challenges that we are trying to get to the bottom of. We need to get more clarity and put strategies in place to deal with them. In response to that, one of the initiatives that the ARA has put together with the Rail Skills and Careers Council is to update the strategic plan to deal with the people related issues. Again, I would like to leave some copies here because there is quite a bit of detail in that.

I will quickly talk through some of the things that we are doing. Basically, as I said, the industry has gone through the issues of the Council of Australian Governments in a rather structured way to put back to the government a considered response about what it is looking for from governments around those issues. We have completed a specific rail industry remuneration report for the second time which helps employers better understand what they need to do to be competitive in the salary market. We have continued to run a new managers induction program which brings new management expertise into the industry and obviously facilitates better assimilation for those people. We have continued to run specialist networking forums, we have established online job access forums to help members attract people, we have undertaken some major mentoring pilots and we are now looking to establish a bit of a flagship graduate program, because that is a fairly urgent area of need in the graduate area. More importantly, we have now launched a particular project to get better data. We have found a range of intelligence out of *The changing face of rail* report, but we really need to drill deeper into that so we have launched a major initiative around that as well.

Those are just a number of the industry related activities that we are doing and you have experienced companies firsthand and heard that the industry is trying to do the best it can to meet the challenges faced in the current employment environment. As well as that, we work very much across the various logistics supply chains, you might say, with areas such as the Australian Logistics Council, the Chartered Institute of Logistics and Transport, the sea freight councils, the Trucking Association, who were here earlier, and a number of state based employer groups. We do that very clearly because we are looking to collaborate where appropriate, obviously work at an industry level where appropriate and have companies do their bit where appropriate, because the current environment is such that companies can develop and access the talent they need. There is a hot employment market out there, but if they work a bit harder and are a little bit more innovative they will get the skills required to do the job. From some of the anecdotal evidence, we believe that it may not be the same situation into the future.

To conclude, I would really like to reiterate that this inquiry could take back to COAG the initiatives that we have highlighted and reinforce that they will be of benefit to the industry. I know they are not easy tasks to get through in terms of the levels of stakeholders and the collaboration required, but, clearly, if this Senate inquiry could put its weight behind that we would very much appreciate it. Thank you very much.

CHAIR—Thank you very much. I hope you will pardon my ignorance, but when you talk about full mutual recognition of licences being the highest priority, what sorts of licences are you talking about? Is it a licence to be a train driver or a licence to operate a rail company?

Mr Whiting—The specific COAG announcement talked about high-priority skill shortage areas. Electricians are obviously most important to this industry, but there were five employment categories, including, I think, plumbing. I would have to come back with a full list.

CHAIR—I just wanted to clarify that.

Mr Whiting—It is actually very specific in terms of the types of licences and the categories of employment.

CHAIR—Could you give us an idea of how your ideal of full mutual recognition would operate?

Mr Whiting—At the end of the day, a licensing process should be recognised by all states. At the moment you have to relicence, effectively. Nobody is pretending that there are not local rules and local inductions required, but, at the end of the day, a professional electrician should be recognised in every state.

CHAIR—So there would be a new standard—I do not necessarily mean one that is a lot higher, but nevertheless it would be one that operates across the board?

Mr Whiting—If you have done it once then you—

CHAIR—Senator Marshall knows a great deal more about this than I do.

Senator MARSHALL—There has been full mutual recognition in the electrical trade for 15 years.

Mr Whiting—Not the state licensing. You still have to reapply for state licensing.

Senator MARSHALL—Yes, you have to have the state licence in each state, but each state has to recognise each licence so it is simply a matter of saying, ‘I am now in Victoria so give me a Victorian licence because I have one from another state.’

Mr Whiting—Yes. You are right—you can say it like that and say that it is not a complicated process, but we are really arguing about the necessity of that.

CHAIR—How would things change from what Senator Marshall has described?

Mr Whiting—You still have to reapply. It is a level of paperwork and administration.

CHAIR—I see what you mean.

Senator MARSHALL—You need to have each state’s licence—

CHAIR—It is the process.

Senator MARSHALL—so the state laws can actually operate to you. But there is no requirement. You do not have to sit another exam or do extra qualifications or anything like that.

Mr Whiting—No.

Senator MARSHALL—It is simply a matter of applying for it. It is automatic. There is no question that it will be given.

Mr Whiting—Yes. For those very reasons we would argue: what is the point of it? I do not mean to be disrespectful, but I just think it is a piece of paperwork—

CHAIR—That you do not need to deal with?

Mr Whiting—that does not seem to make a lot of sense.

CHAIR—Right. What about a national regulation system? What sorts of regulations are they and how would you see such a system operating?

Mr Whiting—Which one is that?

CHAIR—In your submission you talked about a single national regulation system.

Mr Whiting—If you want to be a national operator and, from a Qantas perspective, if you want to be a national operator in this industry, you need to register with each state to operate in that state. The industry is moving down the path of a harmonisation process—the previous witnesses talked about it in terms of COAG looking at that. We would be very much looking for some energy to accelerate the move on those processes.

Ms McAuliffe—Can I add to that. With the regulations, a business such as ours which is across four borders sits before four regulators each year. In my portfolio of training and development we provide certificates of competency to our staff to say that they are credited to work in our business. We have to completely retrain people when they step across the border. It is not just a signal electrician or a base electrician. If you are a track vehicle operator—where you get into a four-wheel drive and go on the rail—it is a four-day training course in South Australia. It is also a four-day training course in New South Wales.

CHAIR—And you have to have that South Australian certificate to operate in South Australia?

Ms McAuliffe—Correct. When we took up in New South Wales some years ago—and we had employees who had this qualification for 20 years; it is an absolute insult to them—you need to go through your whole training again for the four days to be certified to work in that state to do the same work with the same rail because of the different regulations.

CHAIR—Thank you for clearing that up.

Senator MARSHALL—How often does that happen, though? I understand that based on what you have said there does not seem to be any great logic to that. Is this something that

happens every day or does it happen once a year? This is just so that I can get a picture of the scale of the problem as well.

Ms McAuliffe—It depends on your portfolio of work. If we had our colleagues here from Pacific National and other people that cross borders, you would have engineers, other expertise and even basic track maintenance workers that may step across the border. Some of our staff who work for our services company in South Australia step across the border into New South Wales and have to have retraining in safe working and many aspects. It is not something that happens for 10 staff once a year; it is quite often, and it is for dozens of staff per small group—your engineers, your track maintenance people and your signal electricians.

Mr Whiting—When you look at some of the infrastructure work that is occurring in, say, south-east Queensland at the moment, those projects will finish at a point in time. That may coincide with new work that is happening, maybe in Perth, or new infrastructure work in Melbourne or somewhere in New South Wales or Victoria for the east. So all of a sudden you have pools in the workforce that will probably shift because of their expertise, and contracts to implement this. Those set-up companies now have to almost redo a whole range of things. As Jenny said, it is not just about business inefficiency; it is insulting to the individual. The person is very competent but the regulations locally will say, ‘Sorry, you’ve got to go back to class.’

CHAIR—That needed to be explained. Regarding urban passenger journeys on rail, in my home state of Victoria we have an interesting situation at the moment of extreme overcrowding on passenger rail services in the Melbourne metropolitan area, and the system is simply unable to cope with it. That is for a variety of reasons, but what would your association see as the long-term trend in urban passenger journeys? I would think as a sometime commuter that, with increased petrol prices and the green or environmental emphasis, this should be a great opportunity to consolidate urban passenger interest in travelling on trains. Is it related to the employment issue? How would you see it?

Mr Whiting—You are right about the petrol price issue. While we do not have industry-wide data, we have explanations from a number of companies that said they have experienced strong increases in patronage—

CHAIR—I think it is 20 per cent in Melbourne over the last two years.

Mr Whiting—directly related to fuel prices and things like that. All the evidence around that suggests that that is not going away soon. So you would think we would see a lot of growth in that area, which is what I said in my opening statement. The solution for Melbourne might be different from that for Brisbane and for other states. There was an article in the *Age*—I just happened to be in Melbourne last week—that highlighted the long-term vision and planning that comes out of WA. So the Western Australian government has a fairly long term strategy about what it wants to do with rail infrastructure and talks specifically about a railway between Perth and Mandurah. I think you would have met with the Public Transport Authority in WA?

CHAIR—Yes, we did.

Mr Whiting—That overarching body does not just look at rail in isolation; it looks at the supply chain process of rail and bus—obviously when you are talking freight it is rail, truck,

ship, whatever. The combined and integrated planning is where it really starts. What we are experiencing at the moment is quite a bit of, if you like, catch-up in terms of infrastructure. As I said, we are at a 30-year peak, so you would think that obviously there is a bit of catch-up going on in there. But right now it is about the planning process for how to take those environments forward. The solutions for this industry often have a long lead time, which is why at the moment our employers are not overly nervous about skills shortages. They have pockets of issues and they have to work a bit harder and be a bit smarter to get the right people, but at the end of the day they are seeing that some investigation of this area is critical to making sure we do not get to a crisis point.

CHAIR—To make sure that in the next 30 years that momentum will be able to be kept up by what is put in place in, say, the next five years, for argument's sake.

Mr Whiting—Correct. So, getting back to your solution to the Melbourne urban congestion, I would encourage all levels of government to do better planning in this area and, again, for you to urge that in your reporting process. Because it is a no-brainer. It is something for the future: better systems. Obviously at the moment in the Sydney metropolitan network there are large amounts of investment going on. Again, in south-east Queensland there are large amounts of investment happening in that environment and of course in the Perth area as well. Across the board, infrastructure planning, a combination of modes and planning cycles like that, will not just greatly improve the business environment; communities and government would also get a lot of benefit out of it.

CHAIR—Senator Marshall.

Senator MARSHALL—Could you explain some more about the COAG recommendation, which is measure No. 2 in your submission:

Apprentices to be certified as competent without the need to make special application when they have demonstrated competency to industry standards.

I imagine it is a flow-on of our previous discussion, but if you could explain—

Mr Whiting—It is a little bit different. These were announcements that came out in February 2006. There was a lot of energy put into them as being sensible things to do to reform the training agenda on a national stage. We looked at them and thought, 'That looks great.' In fact, we got quite excited. What we are talking about here are transfers of mature-age transfers of apprentices, and we are getting quite a few people making mid-life career changes. They might either have a trade and want to do another trade or have lots of life experience and skills and want to do a trade. The indentured system, which was fantastic at the time, was set up for apprentices to be indentured for four years. It was a time based and modular based process, which was appropriate at the time, but training systems have moved on. TAFEs and a whole range of people can take somebody and turn them around in a much shorter time. But you then have to go through the various state training and licensing authorities, which say, 'There is a time based component to that.' That is what that second measure is about.

Senator MARSHALL—I would like to know which authorities. If you have to meet all the competencies in a trade through recognition of prior learning, that has to be tested in some

way—which you have included there. You talk about the licensing authorities, but there are only two licensed trades as I understand it—that is, electrical and plumbing—unless you are talking about internal industry type licensing.

Mr Whiting—No. That is where these particular issues were targeted. This industry uses a lot of those people. So we are not bringing a new agenda to the forum; we are simply highlighting the fact that these things were identified by broader industry groups, and we looked at them and thought they made a lot of sense. We wanted to support them at the time and now we are bringing them back to this agenda because our understanding is that the passion or the energy when COAG announced these recommendations in February 2006 is waning somewhat and it has not quite achieved the outcomes that were promised back then. That is the truth of the issue.

Senator MARSHALL—I am not convinced that that is actually a problem. My understanding is that, however people get their trade training signed off on—whether it is by recognition of prior learning or being fast-tracked through competency assessment, which is regularly done—once the trade training is presented to the licensing authority, the licence is granted, subject to any extra requirements of the licence itself.

Mr Whiting—My understanding is that there is a time component of that. I can validate that for you because, as I said, this issue came up quite recently in the mining industry. I will have to extract the details and come back to you with them.

Senator MARSHALL—I guess my experience is effectively Victorian based so maybe I am not seeing the big picture.

Mr Whiting—It might be different.

Senator MARSHALL—That is true. The government is to establish new labour market data-sharing arrangements. That seems fairly simple—

Mr Whiting—It does, but, again, I am not seeing a lot of activity around that.

Senator MARSHALL—What sort of data are you looking for?

Mr Whiting—We have gone into a process now where we really need to extract data about this industry. We have developed a lot of support out of DEST, but when I am looking for detailed information—and there are a lot of people in different environments doing work in this space—it does not come to me readily. I feel like I am talking to the right person, who should be able to help me, and the right sort of department, but for some reason I am getting a little bit of this and a little bit of that. I am not accusing anyone of anything; it is simply that nobody has access or there is no coordination in this area. That is probably the best way to put it. I think that there is a lot of data out there but it is just not that easy to access from an industry perspective. A number of our larger companies—

Senator MARSHALL—So you are not asking for data that has not been done; it is simply being able to get access to it.

Mr Whiting—Yes. A lot of our larger companies put specialist people into roles to do something with this, but the smaller operators do not necessarily have the capacity to carry that overhead, and right now it is an incredibly hot issue. I would imagine that Mr St Clair's owner-operators would be very interested in support in this area as well. These COAG recommendations were put on the table and they looked like commonsense and like they were very practical, and we have brought them back here because the information we have is that that enthusiasm to cooperate has waned somewhat.

Senator MARSHALL—Again on the COAG recommendations in your submission, I would like a broader understanding of your measure No. 4. My understanding is that in many of the trades it is already well and truly acknowledged which countries' trade training programs will meet Australia's criteria. I know that, if you do your electrical trade in Ireland or most of the northern European countries or North America, it is automatically recognised and there is no issue. But there are countries where a person might call themselves an electrician but they are not what we would consider an electrician, and it is automatically not done and that is already well known. I understand that in most of the traditional trades that works already. So is it something more than that?

Mr Whiting—It is. At this stage they are looking at a pilot where they will allow people with immigration intentions to do a pre-assessment so they understand, before they even migrate, the gaps that exist between the qualification in their country and the qualification in Australia. Ideally, you would like to think that that person might then start moving into some sort of development process to bridge that gap. Usually there is some sort of time delay between somebody deciding that they are going to emigrate and then finally migrating. So it could be useful as a part of getting them, if you like, job ready for when they hit our shores. Certainly, that understanding is important, and we are here to reinforce that initiative as being useful to this industry. We thought it was a good one and that is why we brought it back here, because we do not want to lose these things.

Senator MARSHALL—If someone is an immigrant and it is identified that they are halfway towards being an electrician in terms of the way we would measure it here, would the companies in your industry that you represent be willing to then take them on in a role to complete that training?

Mr Whiting—I would imagine that they definitely would. That would be the sort of intelligence that they would be looking for at the time of recruitment. Understanding that gap and understanding the path that person is going down in terms of closing that gap is absolutely where they would need to take them. Again, that is why we would think that it would be an excellent initiative and we are really looking for reinforcement of that.

Ms McAuliffe—Some of the businesses currently do that. We bring senior electricians from Ireland or England, for example, and there is a gap and we put them through a contractual arrangement whereby they have to get through a certain amount of training. We give them a temporary employment contract and there is substantial training provided. Businesses are doing that, but it is very hard to know what their skill already is. They might have a ticket that says they are a senior electrician, but we need a skills check prior to them coming across.

Senator BARNETT—Thanks very much for your submission today and for your comments. It is appreciated. You have discussed in large part this idea of a single national regulation system to cut back the red tape and allow you to get on with running the businesses and your operations more effectively. Are there any additional comments you want to make in terms of how that system could be set up to run effectively?

Mr Whiting—I am not sure that I can talk about how it would run, because at the moment the industry is working—as the gentlemen before us were working—through the COAG process and through the NTC for a harmonisation process. I would like to draw the attention of this Senate inquiry to a report that was released by BTRE. It highlights some of the approaches that other countries in the developed world have taken to rail regulation, which is what the report focused on. That report was *Optimising harmonisation in the Australian railway industry* and is known as report 114. It cites examples of how the current co-regulation model that Australia is into is different to that used by a number of other countries for their rail regulation. Just like our predecessors here before you, a number of people in our industry get a little bit nervous about the implementation of regulation, because everyone might agree on something at a high level but then the implementation might vary quite markedly, and, if you are operating across state borders, that will have a significant impact on you. The best example I could find in that report was about driver-only operations.

Senator BARNETT—What did it say?

Mr Whiting—Basically, anywhere around the country a company can have a single long-distance train driver at the machinery, if you like; but when you come to the New South Wales border you have to put an extra driver on.

Senator BARNETT—You have to put an extra driver on at the New South Wales border?

Mr Whiting—Only in New South Wales.

Senator BARNETT—That is quite an impediment to a seamless system.

Mr Whiting—I am not advocating one over the other, because I do not have the expertise, but it does seem a bit silly that the same train, with the same load, operating on almost the same track, crosses some fictitious line such as a border and all of a sudden you have to do something like add another person—or take a person off, I guess, if you are going the other way. As I said, this report is quite new; it has only been out for a year or so. What is probably amusing to add to that is that I had a conversation with the operations manager who was involved in the very first train to go from Melbourne to Adelaide with the same train crew; prior to that, they used to have to change train crews at the border. Victorian drivers were not allowed to drive in South Australia; South Australian drivers were not allowed to drive in Victoria. Unfortunately, that change occurred only in 1996. That is not long ago.

Senator BARNETT—No.

Mr Whiting—The only reason I wanted to highlight that—and it was told to me as a fairly amusing story—is to make a point about the amount of development that has occurred in this particular business. Coming from being state entities, which is what the industry used to be,

separate and not integrated state entities, to being a national business, I suspect there is a lot of work to be done on this industry.

Senator BARNETT—So where will it be done? You mentioned COAG.

Mr Whiting—Just like the gentlemen who gave evidence before us, at the moment we are pinning our hopes on collaboration. Just like the gentlemen before us, we have seen signs of that not quite working in terms of the spirit in which it was first suggested and its intent. So we would like to see some stronger energy or some sort of mechanism to encourage greater collaboration. That would be nice, because clearly it creates impediments—

Senator BARNETT—The example of the extra driver required at the New South Wales border is a sad indictment of the industry—

Mr Whiting—It is.

Senator BARNETT—and the lack of collaboration, clearly. Are there any other specific examples that you would want to share with the committee?

Mr Whiting—Again, it is a bit like the Qantas level. At a high level if you want to be a national operator in this industry—some of these occur to all operators—you have to deal with seven occupational health and safety acts and nine workers compensation acts; if you are a rail operator, you have to deal with six rail safety acts and six environmental acts—these are just acts of parliament. Out of those, you have to make your own interpretations and figure out how you do business. Yes, there are some synergies and, yes, you will find that evidence for this will be used for evidence for that but it creates an audit regime, which can be a little daunting sometimes.

Senator BARNETT—It is a very heavy burden to bear, I can see.

Mr Whiting—People have tried some innovative solutions like bringing all the auditors together and doing the audit once and things like that, but it is a bit of a tragedy that we even have to go down that path.

Ms McAuliffe—I will give you an example of drug and alcohol testing. We are required to drug and alcohol test all of our staff, and it is zero tolerance. When you cross the borders, there are different rules. We cannot target test in Victoria if we think someone may be on drugs but we can precommencement test. We can do tests randomly in the different states, but a rule like that could get you undone for doing a test and then carrying out a disciplinary process. Trying to put together policies on long service leave acts and the different requirements is amazing, when you are trying to employ people across different states.

Senator BARNETT—That is difficult and it is one of the reasons and motivations behind the new workplace relations system that came in last year. You have indicated in your submission that you have noted that a more contemporary approach to workplace relations is supported. Is that what you mean—a national approach?

Ms McAuliffe—Absolutely.

Mr Whiting—For us, that particular statement is more about how we believe our companies need to manage their workforces. It is not so much about making a statement about government policies in terms of the right and wrongs; in this particular document it is about how we believe the way of the future for all companies and all employees is to be a better employer, to be a more engaged employer. That is what we are talking about when we talk about contemporary workplace relations. It is about having the workforce very much engaged with, if you like, the goals and aspirations of the individual company. That is the sort of thing we were focusing on in that document.

Senator BARNETT—But, as an entity working across state borders, you now have a national IR system that you can work within and that is the purpose of it—and I note the increase in jobs and higher wages and things like that but I am not getting into that now. The system that has been set up allows you to cut through those different awards and regulations that applied to the various states.

Mr Whiting—Absolutely. Sorry; as I said, I want to make a distinction between the statement we made and what we were doing in that part but, if you like, it is time Australia moved beyond the Federation system that it started with. In rail, there is a very good example of that: it started as state government departments in a range of states and that was entirely appropriate. They were building and developing communities, and it went on for 100 years or more. That was a great thing.

Senator BARNETT—What are some of the employment relationships that are employed in your industry?

Mr Whiting—This particular industry, probably like others, has a variety. There are people with individual contracts. I would suggest, without any real evidence, that the large majority of the employees are represented through unionised agreements.

Ms McAuliffe—Union collective agreements.

Mr Whiting—Yes. I think that is the majority, but we also have employers who use other instruments.

Senator BARNETT—Thank you very much for that feedback.

CHAIR—Just before I pass to Senator Marshall: you have also provided in that list of COAG measures, measure No. 5—Enabling school based New Apprenticeships through removal of legislative, regulatory and education barriers. Can you give us an instance of each one?

Mr Whiting—I do not know that I could go through all of them in detail here and now—

CHAIR—No, but just an example of each one.

Mr Whiting—We have looked at traineeships within the transport and logistics area, and they get recognised by various states. I noted with interest that a gentleman came to you in Sydney with quite a bit of detail about how this industry has put together something that has been recognised in New South Wales, almost recognised in Queensland and not yet recognised in

Victoria. I cannot remember the detail of what that was, but this is part of the issue. If you are a national employer and you want to use school based traineeships, you have to virtually line every state government up and get them to agree that that is okay. It might not seem like a really big deal but, at the end of the day, it is something else you have got to do on top of your day job. These are emerging areas for our industry. We do not have a lot of these. It is not the established, traditional trades area. These are emerging areas, and we have got some companies moving forward with them at a rate of pace, and we have got some states adopting them quite readily.

CHAIR—So it is more the level of difference between each state, given that you would like these to be transferable rather than the apprenticeships themselves.

Mr Whiting—The issue is that you need to get them registered in each state. If you have got a national employer who has got people in Queensland and they want to do the same thing in New South Wales—

CHAIR—So he has to do that in at least three or four states.

Mr Whiting—Yes.

CHAIR—All right. Thank you.

Senator MARSHALL—I want to come back to some of my earlier questions. I am still not quite clear where the problem is, and I need to be if we are to make some recommendations about trying to fix some of these things. With the example you used about track safe working between different states: I may be wrong but wouldn't that be a function of the individual company, who either owns the track or manages it, under their own internal safe working procedures?

Mr Whiting—That is how the outcome is delivered, but the six rail safety acts determine what you must achieve, if you like, at some level. That is where the variation occurs.

Senator MARSHALL—So in each state the objects of the legislation are different?

Mr Whiting—Yes.

Senator MARSHALL—In terms of track safety?

Mr Whiting—In some ways, yes.

Ms McAuliffe—There would be slight differences but you would need to do the retraining. A registered training organisation will not provide you with a certificate of competency if you have not done the training for the particular state. It is a big money-earner for the RTOs.

Senator MARSHALL—So that is actually where the problem is. They have failed to recognise prior learning and competency as opposed to a legislative requirement to say that you have not—

Mr Whiting—At the heart of it is a legislative requirement. You are right in that there are probably downstream issues that add on to that, but at the heart of it are the variations in the regulation.

Senator MARSHALL—What other examples do you have? I am actually interested in this, but it does occur to me that each company now also has their own. I have seen this just as often as not too; it is not just a problem within different states. Companies say: ‘This is the standard. This is what we apply in terms of this operating procedure. We do not care whether you come from a rail system in a different state, whether you are based in a different state or a different country. You will comply with our internal policies and practices.’ We can make recommendations about the state-federal relationship and some difficulties about that, but is it also a problem between companies?

Mr Whiting—I would have to accept that there is an extension of the problem when it comes down to the companies; there is no doubt about it. I guess I would make the same comment I made last time: at the heart of it is the variation in the regulations or the acts that starts to drive that behaviour. If you are a national company, you can do some level of alignment but, at the end of the day, you still have to meet the variation in the acts. As the previous speakers said, we do have at the moment—this industry is no different—a number of the state bodies coming together saying, ‘We want to lock arms and collaborate, harmonise and make it easy for industry.’ They are genuinely doing that. Then when you get down to the implementation there is a little bit of variation here, a little bit there, and a bit more there, and the thing starts to unravel and becomes six completely different aspects of the legislation.

Senator MARSHALL—What is the feedback? How is that then fed back into the COAG system? I suspect people go into the COAG system and, if they say they want to harmonise the regulations or laws, that is what they intend to do.

Mr Whiting—Of course, so do I.

Senator MARSHALL—I accept that it obviously does not always then show itself in the end result. What is the process of going back in? I know I went through this process as an electrician many years ago. Ultimately, the states did not align themselves; it was just done. I cannot recall the process by which it was done but, at the end of the day, it was completely harmonised and it has been for a long time, even to the extent where it includes New Zealand.

Mr Whiting—Some of our members are expressing the point that what you really need is a national body. What occurs now is that you have NTC, the National Transport Commission, which consults with industry and creates a forum for you to say, ‘Here is what we want.’ That can be specifically or broadly. They have a range of different levels where you can do that. The states obviously come together in good faith with the right intentions to walk away and make it as simple as they can for industry but then somewhere along the process it tends to get lost. There are a lot of stories about that. Some people say, ‘We’ve been around that many times and we keep going around in circles.’ What we really should be pushing for is a single body that has the overarching carriage to say, ‘Black is black.’ If there are local issues, they need to be escalated through that.

Senator MARSHALL—Thank you. I think that has clarified some of my concerns. I do note your comments about the Federation moving on.

Mr Whiting—We can only hope.

CHAIR—Thank you very much for appearing before us today.

Mr Whiting—Thank you very much for the interest you have shown in your hearings around the country. I know it is most appreciated.

Proceedings suspended from 12.52 pm to 2.03 pm

MANTHORPE, Mr Michael, Group Manager, Labour Market Strategies Group, Department of Employment and Workplace Relations

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

SHELLEY, Ms Colette Mary, Assistant Secretary, Industries Branch, Department of Employment and Workplace Relations

CHAIR—Good afternoon. I welcome witnesses from the Department of Employment and Workplace Relations. Thank you for your submission. Do you wish to make any amendments or alterations to it?

Mr Manthorpe—No.

CHAIR—I invite you to make an opening statement, after which we will ask some questions.

Mr Manthorpe—I will make a short opening statement. First of all, I would like to thank the committee for inviting the Department of Employment and Workplace Relations to talk about our submission. The transport sector is clearly critical to the operations of the Australian economy and is a very important employer in its own right. Before drawing out a few points from our submission, I would like to take a moment to update some of the data that we included in it. Labour market conditions at the national level have remained strong. The latest labour force data for April 2007 show that seasonally adjusted employment increased by 49,600 in the month to stand at 10.4 million, its highest level on record. This is an increase of 309,600 or 3.1 per cent in the year to April 2007. The seasonally adjusted unemployment rate fell in April 2007 to 4.4 per cent, its lowest level since November 1974. And the seasonally adjusted participation rate increased to 64.9 per cent, which is 0.4 percentage points higher than 12 months previously.

In relation to the transport industry, we indicated in our submission that the Australian Bureau of Statistics labour force data showed that a record 412,500 people were employed in the sector as at August 2006. The latest ABS labour force data, to February 2007, show that employment in the industry in February 2007 has declined very slightly to 404,200. However, as we note in our submission, employment levels by industry need to be treated cautiously as there can be a high degree of statistical variability. Our conclusion is that employment in the industry remains strong.

In our submission we note that employment in the transport industry is expected to grow by about 0.7 per cent per annum through to 2010-11. We note that the industry is largely a male-dominated industry. About 75 per cent of employees are male, compared to about 55 per cent for all industries. We note, too, that the industry, with an average age of 41.8 years, has an older age profile than that for all industries, with an average age of 39. Certain sectors of the industry range as high as 49½ years for road passenger transport. The skill profile for the industry is relatively low compared with other industries. For example, Bureau of Statistics data show 50.7 per cent of workers have no post-school qualification, compared with 42.6 per cent for all industries.

These characteristics mean that the government's employment services, which are principally there to support the unemployed and people re-entering the workforce, are well placed to assist the industry to meet its labour needs. The Job Network is already placing significant numbers of people in the industry. For example, in the nine months to March 2007 the Job Network has already placed 9,420 truck drivers in the road transport area, over 19,000 store people and over 1,100 bus and tram drivers. However, more can be done to assist the transport industry meet its recruitment needs, and the department is working with employment service providers to identify opportunities for placement of the Welfare to Work groups—people with disabilities, parents, the mature aged and the very long term unemployed—into the sector. As noted in our submission, we have also funded several projects through the employer demand demonstration projects initiative to provide training and entry-level support for job seekers to get into the road transport sector. We are keen to work with the transport industry and employment service providers to develop more employment opportunities for the Welfare to Work target group.

We would be very happy to take questions from the committee.

CHAIR—Thank you very much, Mr Manthorpe. We have heard from a range of industry and government authorities during the course of the inquiry and they have the view—industry more so and government less so, I think—that industry and government share responsibility for training and retraining workers in the industry. I would be interested in the department's view about who should have the responsibility for training and retraining workers in the industry and how current arrangements work in this regard. What is the snapshot at the moment?

Mr Manthorpe—I can start answering that question and my colleagues might like to chip in with their own thoughts. The first thing I need to say is that there is only a degree to which DEWR can talk about the training system. That resides principally in the purview of the Department of Education, Science and Training. Nevertheless, I can make some general comments on that. We would say that training is something that is substantially an employer responsibility, but that is not to say that government has no role to play in ensuring that the workforce is able to meet its needs or that employers in the workforce are able to meet their needs. From an employment and workplace relations perspective and from the perspective of seeking to increase workforce participation we certainly see a place for DEWR and the contracted service providers that we purchase—the Job Network which I mentioned in my opening remarks—but also the other providers of government employment services with whom we contract.

We see a place for them working with employers to try to ensure that people who are unemployed or are re-entering the workforce after a period of inactivity or unpaid activity are provided with adequate preparation to help them get into work. Sometimes that can involve training, so the Job Network has at its disposal the Jobseeker Account, funds available through the Employment Preparation Service and so on to provide targeted and tailored assistance to potential employees to make their way into an industry such as transport or any other industry. We see a role for government facilitating that entry into the workforce and, in some cases, providing some support to individuals to help them make that transition, which might include some training.

Beyond that, more in the DEST space—and, as I said, I am reluctant to go into too much detail on that—there are certainly moneys available through the various apprenticeship

incentives and initiatives that the DEST portfolio runs to provide some further forms of assistance to employers. Again, that is in the context of recognising that there is a degree of joint responsibility around ensuring we have a trained workforce. I think if DEST were here they would also argue that a significant share of the responsibility rests with employers.

CHAIR—Thank you. Ms Shelley, do you have anything to add anything?

Ms Shelley—I do not have anything to add.

CHAIR—I think you detailed in your submission the Getting Ready for the Road Project in which 79 jobseekers completed training but of which only 26 have commenced employment. I am sure that the other jobseekers had various other opportunities, but could you tell us about the wrap-up for that particular program.

Mr Manthorpe—We think of the program as being somewhat successful. I think that is how I would describe it. I agree that 26 out of 70 or thereabouts is not an outstanding success rate in getting people into the truck driving occupation. Nevertheless, it does provide a model that I think we can learn from and keep working at. We have continued our dialogue with people such as the Trucking Association and are keen to talk with individual firms about ways in which a model like that can be further worked up or adjusted to achieve a better success rate. Having said that, you are right, I am sure that a number of those people who did not end up as truck drivers would have gained something from the training and other assistance would have been provided to them.

CHAIR—Yes. I can think of some other government employment programs in which the initial success rate for jobseekers was not very high but, in the succeeding months, often the skills they had learned in the program then turned into an ability to find a job if not in that area then in some other area.

Mr Manthorpe—Absolutely. That is right.

CHAIR—Has DEWR had any formal interdepartmental contact with the Department of Transport and Regional Services with a view to looking at these labour resource issues?

Mr Manthorpe—Not in recent memory. I think not.

CHAIR—We did approach the Department of Transport and Regional Services but, in the context of departmental territory, they thought that an employment inquiry should more probably be centred on yourselves, but there do seem to be some particularly unique factors in the transport industry which I thought they might have been interested in.

Mr Manthorpe—We certainly talk to the education department about some of these matters, probably more so than the transport department because there are questions about how one can most effectively ensure that the interventions we might come up with or fund sit with the interventions that DEST funds. Making sure that that all works effectively is something that we talk to them about.

Mr Neville—The Department of Transport and Regional Services is certainly aware of some of the work we do in trying to get a measure of the shortages and the difficulties that some employers are having. Three or four months ago I gave a presentation to the relevant parts of the department about what we were doing in that area.

CHAIR—I should add that we did not get a blanket ‘no interest’ from them; we did receive some words from Mr Taylor which indicated that they certainly were aware of the problem. Perhaps that is something to be explored later.

Senator MARSHALL—I would like to follow up on that. What sort of interaction do you have with DOTARS about these issues that impact on the transport industry?

Mr Neville—From my own perspective, the most recent contact I have had with DOTARS was when I was invited to give a presentation to the chairs of the area consultative committees on our findings in relation to the shortages that currently exist in the industry.

Senator MARSHALL—With a view to what?

Mr Neville—It was really just DEWR providing them with information. I am not aware of what they did with that information.

Senator MARSHALL—Do they have a policy overview that would impact upon employment issues in the industry?

Mr Manthorpe—I would have thought it would be fairly limited. They are certainly not in the direct business of employing people in the transport industry. We have tended to want to work direct with employers and employer groups around some stuff, and I think we will want to continue to do that. That is not to say there might not be some value in us initiating some more active engagement with them. I do not have a problem with that as a proposition. Perhaps we should.

Senator MARSHALL—It is just interesting that you opened with the comment that this industry is clearly critical to the Australian economy. The department that has overall responsibility for the transport sector in a policy sense—and I am not saying that they are responsible for getting the trains to run on time—has taken what I consider to be a very disappointing attitude to assisting this committee with its work, or even fulfilling its obligations to the committee to provide a reasonable submission and to appear before it. I am not asking you to necessarily comment on that, but I am just trying to understand whether I should be critical. Where do your responsibilities stop and where do theirs start?

Mr Manthorpe—Our responsibilities are around the effective operation of the labour market. We are very committed to trying to do whatever we can in that space, and that includes in this industry as in any other industry. I do not think there is much more I can add and, as you will appreciate, I am reluctant to comment on what might or might not have motivated DOTARS to participate.

Senator MARSHALL—If you sense an implied criticism of them I think that would be accurate. Next time you are having some interdepartmental contact you might pass that on to them.

CHAIR—It is a disappointment more than perhaps a criticism.

Mr Manthorpe—As the Commonwealth bureaucrats appearing before you today, we certainly hear what you say and we note that.

CHAIR—Thank you.

Senator MARSHALL—The Australasian Railway Association submission talked about a number of things which I want to get your view on. They have three major concerns and they would like COAG to deal with one which concerns the inability of the government to establish proper labour market data sharing arrangements. Their concern is that the data is not in a usable form for their industry. They are not asking for new data. I wonder whether you are aware of those issues and, if so, is there something happening to address them?

Mr Manthorpe—I was not aware of those issues until I heard them raised and until I read the submission from the railways association. Would it assist the committee if we gave a snapshot of the data we have and how accessible it is?

Senator MARSHALL—Yes.

Mr Manthorpe—Mr Neville, could you do that.

Mr Neville—To start with we rely very much on the ABS data. The ABS has pretty good time series information relating to this particular industry. I guess the problem that most users, including us, would face is that, when we look at a specific occupation, such as a truck driver, a truck driver might be employed in the transport industry but might also be employed in manufacturing, retail or mining. So you are really spreading the occupation data across a wide range of industries. The other concern that we have is that when we get below very broad level data, so below the transport industry into rail, road or whatever, we experience fairly significant variability in those estimates and they do jump around a lot. It is very hard to decipher what is happening whether it is something real in that particular industry or whether it is statistical noise. But that said I think the ABS does provide some pretty reasonable information.

We also have our own set of information that we compile. We produce some projections of what is going to happen in particular industries out four or five years. But, like any series of projections, they are always going to be exposed to both upside and downside risks depending on what is happening in the economy or more globally. So, while we are reasonably satisfied with what we do, we are never going to get those projections completely accurate. We certainly are aware of some of the concerns that have been raised by the rail industry in relation to our projections.

Our last set of projections which go out to 2010-11 show a decline in rail transport of about two per cent per annum. In our projections we are obviously talking about rail employment not activity. Rail activity may well be picking up. Of course, the industry is going to be a little closer

to what is going on than we are, but if we look at the case of employment in rail transport over the last 12 months, there has been a fairly substantial fall in rail transport employment; it has been down 20 per cent. If we look at a two-year period, there has also been a pretty steep decline and even if we go back over the last 10 years there has been a four per cent decline in rail transport employment. We take all of that into account. Given what has happened over the last 10 years we believe that our projection of a decline of two per cent over the next four or five years is perhaps not unrealistic, but, having said that, we certainly acknowledge that there will be some upside risks.

So the ABS is a big supplier of data. We have our own information but I guess, like any industry, we would always like more information and I am sure the industry would like more information. But to the best of my knowledge there is not a concerted effort being made to try to get better and more reliable information for the industry.

Senator MARSHALL—That is where I want to go to now, because we have a skills shortage. When you break that down I think sometimes it is a little bit overstated and, as you say, there is statistical noise in some parts. Clearly, it is a tight labour market in the skills area. Industries that are seeking to ensure that they can do some long-term planning in terms of their training needs and making business decisions about it need to be able to rely on information that is essentially collected by government.

I used to be chair of an industry training board for many years, and we used to do a lot of this work ourselves and provide that information. The industry had direct input through that process. For example, if the rail industry were to approach government and say, ‘This is the information we are specifically looking for which will enable us to do some longer term skills training analysis and needs,’ would you provide that? If so, how do they go about achieving that outcome?

Mr Neville—Part of the issue will be what sort of information the industry is particularly looking for. If we are looking at trying to get information on what is going to happen in the future, then that is always going to create problems. It is very difficult in our view to get an accurate sense of, say, whether a particular industry needs another 300 truck drivers over the course of the next four or five years. We would be certainly happy to hear from the industry, but I am not really sure whether or not we are going to be able to satisfy their requirements.

Senator MARSHALL—I do not want to be argumentative, but I want to understand the role government will play in this in terms of assistance. Mr Manthorpe, you also said that you thought the view would be that employers have the primary responsibility of delivering their own skills needs and employment outcomes but government has some role. I am trying to work out what ‘some role’ is. In terms of data gathering and things that governments can do and generally do well, isn’t that the role that you will play?

Mr Manthorpe—We can do if the data exists to gather. I will give you a sense of some things we can do in this space and where perhaps it gets into the realm of not readily doable. At the moment, Mr Neville and his team conduct surveys of employers who have recently advertised in a wide range of professional trades, semiprofessional occupations, so as to assess which occupations are today in shortage on the basis of what employers can tell us now about their current and recent experience. That feeds into the preparation of what is known as the MODL,

the Migration Occupations in Demand List, which in turn is used by the immigration department and the education portfolio to determine aspects of the way in which the skilled migration system works and aspects of how certain education and training programs operate.

In addition to that, we undertake in regions of Australia surveys of employers to help us provide insight into not just the high-skilled occupations but the labour market more generally in particular locations. We do that work to support our Better Connections workshops that we run in local areas to bring together employers, our employment service providers and perhaps training providers and other groups—chambers of commerce; all those sorts of groups—at a local level to talk about the state of their particular local labour market and what might be done to make it work as effectively as possible. But those things are essentially surveys of what is currently the position. It gets much harder to project with any precision what the position might be going forward.

We can make broad projections about industry growth. We can make broad estimates of what sorts of skill areas might remain in demand going forward. The *Australian Jobs* publication, which Mr Neville has—and we would be happy to provide a copy of it to the committee—identifies occupations that on the best available information look like they are going to be in strong demand going forward. But it gets very difficult to go beyond that to a level of specificity which says, ‘There’s going to be a need for 400 truck drivers in Brisbane in five years time.’ We do not have a means of getting that data, and I do not think anybody else does. We are always happy to talk to industry associations. We would be very happy to talk to the rail association, the Trucking Association or anybody else to help them understand what there is. If there is more that we can provide, we would be only too happy to look at it, but there is some limit to that—I think that is the story.

Mr Neville—I would like to add to that. Mr Manthorpe has talked about the regional surveys that we currently run. From 2007-08 we will also be running some industry based surveys. We will be collecting information on current experiences and we would certainly be happy to talk to the rail industry about running a survey of that nature in their particular industry if it would provide them with information that they do not currently have. Again, this is about what is currently happening in the industry rather than what the future requirements of the industry will be.

Mr Manthorpe—Finally, at the risk of taking too much airspace on this topic, the other matter I should mention regarding our work in this area, precisely because of the tightness of the labour market and the demands that external players are making on us for information about all the sorts of questions that you and they are quite legitimately asking, is that the government has put more money into our skills research program for the next four years. There was an amount in the budget this year of, I think, \$1½ million for each of the next four years to help us gain more information and get more insight into regions, occupations, industries and so on.

Senator MARSHALL—The other area I want to talk to you about is the harmonisation process at COAG in terms of regulations, legislation and different standards across different states. There has been a lot of evidence given about some of the difficulties with that, in terms of requirements about lengths of time, loads and issues that relate to that, including some training issues about recognition of different skills between states and people having to, I guess, double-up on that. In some cases, I am sure there are good reasons why there are differences. I am not

expecting you to go through every instance and say that there is a good reason or not a good reason. There is supposed to be a process to harmonise all these things through COAG. There seems to be some frustration from industry that, while there seem to be good intentions, ultimately it does not actually happen. So can you explain to me the role of the department in trying to ensure that, once decisions are made at COAG, they are actually implemented? What is the process for following up if they are not implemented appropriately?

Mr Manthorpe—It might depend on what type of regulation you are talking about as to whether or not DEWR, DOTARS, DEST or whoever has a role. Are you able to be a bit more specific?

Senator MARSHALL—I could be specific on some issues, but that probably would not help with my general question. This is the way I understand it: there is COAG and COAG identifies a number of issues which ought to be harmonised which would deliver productivity efficiency gains across the board. Then the states seek to harmonise the legislation, regulations et cetera so that there is equivalency in each state and you do not have problems when you approach the border, in the recognition of qualifications, speed limits, the amount of load you can actually carry and for how long in different states, et cetera. If it is not your department, who takes the whole of government approach in saying, ‘There are some COAG objectives.’ Where does it then go—into a black hole? Some of the frustration that seems to be coming out from industry is that good intentions do not translate to implementation.

Mr Manthorpe—I would be hopeful that there is not a black hole into which COAG decisions fall. I am sure that the good people who sit around the COAG table also hope that there is not a black hole. In respect of transport regulation, I think that in the end that would sit more with the Transport portfolio than it would with us. So, if there are facets of that that you would like some answers about as a committee, we could take that on notice and pursue those with Transport and either seek to come back with some response cleared through them or suggest that they correspond directly with you. In areas such as load limits, speed limits and so on, I would be confident that DEWR does not have a role and I would imagine that Transport would. In areas such as occupational licensing, qualifications and the like, I think the responsibility principally rests with DEST. At the risk of putting him on the spot, Mr Neville might be able to assist in that area.

Mr Neville—The state governments would probably also have a role to play in terms of licensing requirements.

Senator MARSHALL—Yes. There are only two licensed trades, as I understand it, and I thought those problems were resolved many years ago. In that area we identified the issue of actually having to hold the particular state licence, even though by virtue of having one in another state or in New Zealand you were automatically given a licence. But because it is a state regulatory regime they wanted you to hold the particular state licence. I think that is maybe slightly inefficient but probably fair enough if they have the legal responsibility for administering the licence obligations. But there is the example of people in the railways having track maintenance competencies in one state then moving to another state and, there being overarching legislation to say that each state has to have its own standard, even though the people may be competent—because they are doing exactly the same thing—they have to sit the training course to be approved as having the competencies. Would you handle those issues?

Mr Manthorpe—I do not think so.

Ms Shelley—No.

Mr Manthorpe—No. I think that is a state licensing issue, and to the extent that there is a shift—you are right; there is a COAG agenda around trying to harmonise those sorts of matters, but I think that is principally in DEST's territory.

Senator MARSHALL—The impression that I got was that these were not issues that were being complained about for the first time. They were actually recognised and there was an intention to harmonise them, but nothing happened. I think a lot of those issues are very much legitimate and would fall to the new federation I guess we need to have, if there is one at all. I think as a member of the committee I would like to say, 'These are issues, and someone needs to be following up on them and they should be resolved.' And quite frankly these are issues that should not be happening—unless there is a good reason, and there may well be when we go into it, but it is hard to imagine what a good reason would be at this point.

Mr Manthorpe—Senator, notwithstanding the legitimacy of the issues you are raising, I do not think they are DEWR issues. But would it assist the committee if we undertook—

Senator MARSHALL—But you are the only department that wants to come before us!

Mr Neville—We enjoy it so much, Senator!

Mr Manthorpe—Yes!

CHAIR—You finished on Thursday and you are back on Monday.

Mr Manthorpe—That is right; we do not spend enough time up here! We would be happy to take some soundings from DEST and DOTARS in particular about issues of COAG led harmonisation as they relate to the transport industry and provide some further advice to you in the next several weeks if that would be useful, perhaps by way of some sort of supplementary submission or a letter to the committee—something of that kind that simply seeks to clarify where those matters are up to, what issues are being considered and that sort of thing.

CHAIR—Thank you, that would be very useful, Mr Manthorpe.

Mr Manthorpe—I will see what I can do.

Senator MARSHALL—Thanks, Chair.

CHAIR—Senator Barnett.

Senator BARNETT—The Australian Railway Association and, I think, the Australian Trucking Association, at least in part, expressed similar concerns about the red tape and regulatory quagmire they face when they cross the New South Wales border, with operators jumping on and off. The Railway Association were referring to that. They recommended one national system. They referred to occupational health and safety, workers compensation and a

whole range of other state and territory licences, permits and approvals that applied to the industry. They also referred to the COAG process. Just to follow on from what Senator Marshall was talking about, how do you see that panning out? Can you share some sort of prognosis for not just the short term but the longer term as to how that is going to pan out? Some pretty serious issues were raised by them with our committee and they need to be dealt with in a comprehensive manner. What is your prognosis?

Mr Manthorpe—Frankly, I think it is much the same as where I have just got to with Senator Marshall. I think these matters live outside the immediate purview of the people who are sitting at the table. We can make some inquiries about those aspects and include them in the material that we will provide subsequently.

Senator BARNETT—I will move on to the other issue you raised in your submission, the merits of a more flexible workplace relations system. You referred to the number of AWAs in the transport and storage industry at four per cent between 1997 and September 2006, equating to 38,327 AWAs, of which 5,420 have been lodged under Work Choices. How important is that, firstly, in providing a more flexible workplace relations system and, secondly, in encouraging women into the workforce? This has been raised pretty much wherever we have been and certainly it has been raised again today. They want to encourage women, but, under the arrangements as they have been, they are moving more to permanent rather than casual employment, and there seems to be not as much flexibility as possible for women to enter the workforce. Can you respond to those two questions?

Ms Shelley—Your first question, in relation to how important are they: they are very important. Flexibility is important in all industries. The transport industry and different sectors within the industry are no different. It is the type of flexibility that you can get within agreement-making and within AWAs, to which you have referred, which lends itself to encouraging women to join the industry. It is not that different from the flexibilities that are available through AWAs in other industries. The government has touched on this on a number of occasions—things like being able to get more flexible hours and being able to arrange with your employer to pick your children up from school. Those issues, which might seem to be very basic, can be the key to getting people back into work and particularly to retaining people. For women coming back from maternity leave those sorts of flexibilities are essential, and in some areas they are available only through negotiating an AWA.

Senator BARNETT—I think you were referring at least in part to family-friendly provisions in AWAs, which provide an opportunity for women and others to work in that type of environment.

Ms Shelley—Yes. The department has put out a number of case studies in relation to flexibility—certainly in the restaurant and catering industry. One was put out a bit more broadly recently—flexibilities available through agreement-making, and then there was one specific to family-friendly provisions in agreements.

Senator BARNETT—Yes. You also referred to the ‘forward thinking’ report—as I call it: the *Workforce tomorrow* report, which showed that there would be a 195,000 position shortfall over the next five years in the number of positions that we will not have that we should have. The report said that it was due at least in part to the ageing of the population. What is being done to

address that, and do you think the more flexible workplace arrangements will assist in addressing the problems which have been highlighted in the report?

Mr Manthorpe—Yes. To put the figure of 195,000 in context, the *Workforce tomorrow* study was trying to examine the impact on the working population of ageing. If all other things are equal, what is the effect of the fact that we have a bulge of people gradually working their way through the labour market and out the other end? The effect was modelled to be equivalent to 195,000 employees. There are two responses of roughly equal importance that need to be made. One is to do what can be done to keep people in the workforce, and part of that story is around flexible work practices and AWAs and all the rest of the things that Ms Shelley pointed to. But part of the story is also around increasing workforce participation amongst groups that are less substantially represented in the workforce now—hence the Welfare to Work reforms, the reforms that will be drawing increasing numbers of parenting payment recipients into the labour market from 1 July this year, and so on.

It is a bit unrealistic, for example, for the transport or the trucking industries to think that they are going to be able to recruit a lot of single mothers to drive trucks if there are not pretty flexible working arrangements in place for them around how the work is organised, and so on. In some contexts that might prove insurmountable, but in other contexts there might be ways in which it can be done. There is a need for flexibility for employees and there is also a need to draw more people into participation in the workforce.

Senator BARNETT—Yes. That report has given us a global overview, but in the transport and storage industry more generally can you advise us about the ageing of the workforce? It seems to us, when we have spoken to different sides and visited different states and so on, that it is clearly an issue for the industry.

Mr Manthorpe—It is, and it is a little more pronounced in this industry than in others in the sense that it is one of the relatively older industries overall. In occupations like trucks-driving and passenger transport it is particularly pronounced, so it presents a challenge for this sector. The whole economy has a challenge, and this industry has a somewhat more pronounced challenge.

Mr Neville—In our submission we indicated that some 42 per cent of workers in the transport industry are now aged 45 and over, so they are in the group that is inexorably moving towards retirement. That is a higher proportion than in most industries.

Senator BARNETT—That leads to my next question, which relates to the image problem. The industry has had problems with recruiting people to work in it—young people in particular, as well as women. What about the image problem as far as the industry is concerned? Does either your department or the government have a role in assisting the industry to better sell itself as a profession and as an opportunity for men and women to work in?

Mr Manthorpe—I think we can help. It is principally a matter for the industry, just as it is for any industry. It is interesting that in this fairly tight labour market a lot of industries feel that their circumstances are special and unique and government should do something to help them. Just as you are inquiring into this sector, there is a committee that has been looking at the tourism industry. It, too, is struggling to keep people and it, too, is concerned that people are

going off to work in the mines or that other pressures are bearing down upon them—everyone feels that. But there are some specific things that we could do to help. As I mentioned earlier, we are very happy to work with industry associations and through the Job Network locally or write large to try and find opportunities for people to get into this sector.

We could, for example, look at ways in which we could promote jobs in this sector to our providers of employment services. We produce a little booklet of publicity material for our employment service providers in which we could easily promote jobs as a truck driver, train driver or whatever it might be. There are things we could do like that that are reasonably simple and low cost. We would be happy to do that.

Mr Neville—But part of our role is to also provide information on the types of jobs that are available and the prospects of a particular industry. This is clearly an industry where job prospects are very good. Publications like ‘Australian Jobs 2006’, to which Mr Manthorpe referred earlier, I think go some way towards spreading the word about the availability of positions in particular industries.

Senator BARNETT—Finally, there was a reference earlier today from the MUA to the flurry of interest and media feedback on the port capacity or incapacity in May this year. Do you have any feedback on the port incapacity that we experience in parts of Australia and how consequences of that may be flowing through to the transport employment?

Mr Manthorpe—Not really, I do not think, other than what we too see in the newspapers.

Senator BARNETT—Okay. Thanks.

Senator MARSHALL—How many new AWAs in the industry have those family friendly conditions you were talking about?

Ms Shelley—I do not have those figures with me but I can take that on notice and give you some detail.

Senator MARSHALL—Are you aware of some figures?

Ms Shelley—There would be figures, but I do not have them with me.

Senator MARSHALL—Where would those figures be?

Ms Shelley—I am just thinking of some of the case studies that have been done. I would need to go back and look at those and see which ones covered the industry.

Senator MARSHALL—So you believe that there are figures about—

Ms Shelley—Not so much actual figures as instances of particular provisions.

Senator MARSHALL—So there may have been a case study—

CHAIR—That could be put in, if necessary?

Ms Shelley—Yes.

CHAIR—They are able to be inserted—

Ms Shelley—Yes. That is what the case studies that have been done have been about.

Senator MARSHALL—So you are not aware of how many AWAs actually contain family friendly provisions?

Ms Shelley—No, and I do not believe I said that.

CHAIR—No.

Senator MARSHALL—That is what I asked.

Ms Shelley—I do not have figures, but I can go back and explore the case studies as to what provisions—

Senator MARSHALL—If they are just case studies about what might be able to be in an AWA, we have already travelled that path. Can you tell me how many women have entered the industry on AWAs since the introduction of Work Choices?

Ms Shelley—I will have to take that on notice.

Senator MARSHALL—Would those figures be available?

Ms Shelley—I would need to look at the employment figures since the workplace relations reforms came in by gender.

Senator MARSHALL—Have you done any research or are you aware of any research that has been conducted on the link between AWAs and greater flexibility?

Ms Shelley—Specific research in this industry?

Senator MARSHALL—No. If there is any in this industry that would be good, but in any industry.

Ms Shelley—I would need to take that on notice.

Senator MARSHALL—What about any research being conducted into AWAs and the link to greater productivity?

Ms Shelley—There has been research on that. I do not have it with me. I will need to take that on notice and give you a more comprehensive response.

Senator MARSHALL—If you would, that would be new information for us. It might have been conducted since last week! Are you able to tell me how many AWAs in the industry provided for a wage increase?

Ms Shelley—No, I am not.

Senator MARSHALL—Apart from the official DEWR line about AWAs, do you have any evidence at all to suggest that AWAs do any of those things that you suggested earlier?

Ms Shelley—They provide greater flexibility to the employer and the employee because of the fact that they allow you to tailor arrangements. It is not a one-size-fits-all arrangement.

Senator MARSHALL—Apart from the fact that they could potentially do that, if both parties were able to negotiate that and it was agreed on, you do not have any evidence or research to suggest that it is happening. The only evidence that we have of what is happening with AWAs is that they are actually removing protected award conditions. That is the only evidence we have.

Senator BARNETT—Chair, I would ask the senator to reword that. I would dispute that and he is putting assertion to the witness's fact.

Senator MARSHALL—Maybe you could point me to some other evidence.

Senator BARNETT—I am more than happy to. I will follow up when you have finished asking questions.

CHAIR—I think this is an area of discussion beyond the scope of this particular committee inquiry.

Senator MARSHALL—Except that it was introduced by Senator Barnett. I did not want to leave the DEWR line which has been tested time and time again. While Senator Barnett may say it has passed the test, I think all academic evidence suggests otherwise. I will leave it there.

CHAIR—On page 21 of your submission you have said:

The DEWR research programme is based on occupations rather than industry using the Australian Standard Classification of Occupations to define occupation.

Therefore, even though you may be well able to provide us with some figures, it would probably not be feasible to draw conclusions about the industry as a whole, given that you would be quoting from occupations. Is that correct?

Ms Shelley—I think that is correct.

Mr Neville—The reference in our submission relates to the skills in demand research that we undertake. That is very much occupation based rather than industry based.

CHAIR—That is what I mean. Are there any further questions?

Senator BARNETT—No. I could respond to the senator's comments earlier but I think we have had some discussion about it and the witnesses are aware of the ABS statistics referring to the wages differential between AWAs and those on awards, but I will not go into that any further.

CHAIR—Thank you very much for appearing before us today. If you could provide the things that you said you are able to follow up on within the next few weeks that would be very useful.

Committee adjourned at 2.57 pm