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11 May 2016

Vice President Hatcher
Fair Work Commission
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By Email **chambers.hatcher.vp@ fwc.gov.au**
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Dear Vice President Hatcher

AM2014/93 - 4 Yearly Review of Modern Awards
Group 1C - Vehicle Manufacturing, Repair, Services and Retail Award 2010

This submission is filed on behalf of the Motor Trades Organisations in accordance with the Directions issued by the Full Bench on 6 May 2016.

Yours faithfully

WJ Chesterman
Industrial Relations Manager
For and on Behalf of the MTA NSW, MTA SA and MTA WA

IN THE FAIR WORK COMMISSION
AT MELBOURNE

MATTER NO: AM2014/93

s.156 - 4 Yearly Review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010

OUTLINE OF SUBMISSIONS ON BEHALF OF THE MOTOR TRADES ORGANISATIONS

IN THE FAIR WORK COMMISSION
AT MELBOURNE

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s.156 - 4 Yearly Review of modern awards

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OUTLINE OF SUBMISSIONS ON BEHALF OF THE MOTOR TRADES ORGANISATIONS

Introduction

1. This outline of submissions has been prepared by and is filed on behalf of the Victorian Automobile Chamber of Commerce (**VACC**), the Motor Traders' Associations of NSW (**MTANSW**) and the Motor Trade Associations of South Australia (**MTASA**) and Western Australia (**MTAWA**), (collectively, the **Motor Trades Organisations**).

2. The outline is filed pursuant to orders made by the Full Bench on 13 April 2016[1] in anticipation of a final hearing to be held on 23 and 24 May 2006.

3. For the reasons set out in these submissions, the Motor Trades Organisations submit that:

    a. Proposed variations to the coverage provisions of the *Vehicle Manufacturing, Repair, Services and Retail Award 2010* (**VMRSR Award**) which remove manufacturing, assembly, fabrication and similar activities from the award are unnecessary, inappropriate and should not be made;

    b. Proposed counterpart variations to the coverage provisions of the *Manufacturing and Associated Industries and Occupations Award 2010* are unnecessary, inappropriate and should not be made;

    c. There is overwhelming industry support for maintaining the VMRSR Award as the principal award regulating the terms and conditions of employment for

[1] [2016] FWCFB 2334

employers and employees in the diverse motor vehicle industry, including those engaged in "manufacturing";

d. The "provisional view" expressed in the statement of the Full Bench made on 2 November 2015[2] is not consistent with the evidence, the legislative scheme and principles applicable to the four yearly review or the objects of the *Fair Work Act 2009* (Cth) (**FW Act**); and

e. The statutory objects of the four yearly review can be adequately achieved by making appropriate variations to the VMRSR Award by consent or, in the absence of consent, by arbitration.

4. In addition to these submissions the Motor Trades Organisations rely upon the evidence contained in witnesses statements of (collectively, **Attachment 1**):

Number	Name	Position	Organisation
1.	Robert James Lucas	Chief Executive	Caravan Trade & Industries Association of Victoria
2.	Nicholas Rowe	Director	Vin Rowe Farm Machinery
3.	Geoffrey Lowe	Managing Director	Proven Products Pty Ltd
4.	Geoffrey Green	Managing Director	Arctic Truck Bodies Pty Ltd
5.	Paul McFadden	Human Resources Manager	Yamaha Australia group
6.	William Andrews	Managing Director	Royan Truck & Trailer Repairs
7.	Peter Morelli	Proprietor	MARS Transport
8.	Pat Hall	Proprietor	Raw Performance
9.	Robert Cuming	Director President	Christies Beach Marine Pty Ltd Boating industry Association of SA
10.	Mark Flynn	Director Deputy Chairman	Coast Yamaha Pty Ltd Motorcycle Industry Association of SA
11.	Lisa Day	Group HR Manager and Marketing Director	JJ O'Connor & Sons

[2] [2015] FWCFB 7275

Relevant industrial history

5. The Vehicle Industry is a diverse but unique and identifiable industry comprising retail, repair, services, wholesaling and manufacturing sectors.

6. Prior to award modernisation, the *Federal Vehicle Industry Repair, Services and Retail Award* (**RS&R Award**) was one of two principal federal awards operating in the Vehicle Industry nationally. The other was the *Vehicle Industry Award* (**VIA**).

7. These two principal awards have a significant history of coverage across the vehicle manufacturing and the repair, services and retail sectors of the industry. This history and context is a matter which must be given significant weight in the 4 Yearly Review[3].

Vehicle Industry Award (**VIA**)

8. The historical origin of the VIA dates back to the earliest awards, including the awards which applied to coachmakers.

9. The Federal VIA commenced operation in 1953. It was derived from the *Metal Trades Award 1952* as a response to what was then an emerging and growing post-war vehicle manufacturing industry.

10. The VIA initially covered the major high-volume vehicle manufacturers and other businesses associated with the vehicle industry sector including vehicle body building, chassis modification and assembly.

11. Due to the specialised nature of their operations the major vehicle manufacturers (Ford, GMH, Mitsubishi, Toyota, Nissan etc) had by the late 1960s moved to specialised 'in house' enterprise awards and enterprise agreements which included wage levels and conditions of employment which substantially departed from those which applied to the majority of small businesses which populated the vehicle industry.

12. By the late 1970s it was recognised that it was inappropriate to have component manufacturers, vehicle body builders and other businesses engaged in the assembly and repair of vehicles covered in the same award as the major vehicle

[3] see *4 Yearly Review of Modern Awards: Preliminary Jurisdictional Issues case* [2014] FWCFB 1788 at [24] and [60.3]

manufacturers. The scope clause in the VIA was varied to exclude any company that *'operates a discrete enterprise /house award'*, (clause 1.5.3.).

13. The VIA was simplified in 2000. At that time the VIA applied to businesses in the States of New South Wales, Victoria, Queensland, South Australia and Tasmania.

14. At the time of award simplification in 2000, the coverage of the VIA was as follows:

The VIA covers subject to exceptions referred to below:

1.5.1 (a) *'every operation carried on within or in connection with a plant principally concerned with the manufacturing, assembling or repairing of carriages, carts, wagons, trucks, motor cars, motor cycles, railway cars, tram cars, side- cars or other vehicles or parts or components thereof in wood, metal and/or other material and in other plants as to all such operations except the making or repairing of motor engines or parts therof'.*

The VIA does not apply:

1.5.1(b)(i) *to an employee in New South Wales engaged in the manufacture, assembly, maintenance and repair of rolling stock;*

1.5.1(b) (ii) *to an employee who on 12 July 1971 was engaged in the manufacturing and/ or assembling of metal parts, components or accessories of motor vehicles and was bound to observe.., the award known as the Metal Trades Award 1952 as varied or the Metals and Associated Industries Award, as varied*[4]

1.5.1(b) (iii) *to an employer bound to observe... the Vehicle Industry - Repair, Services and Retail - Award 1983 as varied*

1.5.3 *any company that operates under a discrete enterprise / house award*

15. On 31 October 2001 the scope and coverage clause of the VIA was varied so that it extended to other vehicle business operations more directly associated with businesses operating in the vehicle repair and services sectors of the Vehicle Industry. The variation applied to:

[4] This exclusion applied to component manufacturers who are members of AiG and covered by *the Metals and Associated Industries Award* . These employers tend to be volume process manufacturers who have historic links with the first tier vehicle manufacturers.

'1.5.4 (a) *The organization of employees and employers respondent specified in clause 1.6.5 in respect to every engineering, metal working and fabricating operation carried on within or in connection with an establishment of an employer whose undertaking is principally concerned with the manufacture, assembly, repair, reconditioning, maintenance and / or distribution of vehicle servicing of motor vehicles, agricultural machinery or implements.*

1.5.4(b) *Sub clause 1.5.4(a) shall not apply to an employer who is bound by any of the following awards, or any awards made in replacement of such awards:*

- *The Metal Industry Award 1984 Part 1*
- *The Vehicle Industry' Repair, Services & Retail Award 1983*
- *The Agricultural Implement Making Award 1980.*

16. This Award variation[5] in effect incorporated into the VIA the scope clause from the *Retail Motor Industry (Metals) Award 1993* (which was also derived from the *Metal Trades Award 1952*). The businesses covered by the *Retail Motor Industry (Metals) Award 1993* had originally been covered by Part II of the Metal Trades Award 1952, but later split from that award as their interests were aligned with the vehicle industry and they had little interaction with the metals and manufacturing industry.

17. Indeed, while the VIA can trace its origins to the *Metals Trades Award 1952*, the simplified VIA had long ceased to have any nexus with the metal industry, particularly *the Metal Trades and Associated Industries Award*. Decisions of the Australian Industrial Relations Commission recognised that the VIA does not have a nexus with the Metals Award[6].

18. The VIA sat outside the Metals industry for more than half a century. The VIA operated independently and served the vehicle manufacturing industry well, and during its life evolved to meet the specific needs and conditions of the vehicle manufacturing industry.

19. The post-war industry focus of the VIA was an important historical development. It is note-worthy that the rationale for delineation between the vehicle industry and the metals industry has never been seriously questioned by any of the principal employer groups or unions[7].

[5] PR910783, Commissioner Foggo, 31 October 2001
[6] PR920882; Commissioner Foggo, Melbourne, 2 August 2002, paragraph [107], page 22
[7] As remains the case today (see discussion below)

20. By reason of evolution, by the time of Award modernisation in 2008, the VIA mainly covered small to medium size specialised businesses engaged in component manufacturing and engineering operations in vehicle body building, chassis modification and accessories fitting. These activities are regarded as “second stage manufacture”; in contrast to “first stage manufacture” which is engaged in by high-volume manufacturers of complete cars, trucks and buses.

21. VIA-covered businesses primarily deal with vehicles at the assembly or post-production stage.

22. Businesses typically covered by the VIA included those engaged in:

- commercial body building including the fabrication, assembly and fitting of components which fits onto a vehicle chassis (e.g. the tray, van or other specialist type bodies);
- trailer and caravan building;
- redesigning, assembling or fitting accessories to special purpose vehicles such as emergency service vehicles (i.e. ambulances, fire vehicles, police and special mobile response vehicles), and the other special purpose vehicles;
- vehicle chassis modifications, alterations and fabrication of composite parts;
- manufacturing of after-market products such as panels, rollbars and tow bars etc;
- vehicle restoration, such as complete motor vehicles and trams;
- manufacture and assembly of seats for buses, trams and trains;
- spring making, manufacture of headlights, batteries and transmissions;
- reconditioning and/or assembly of parts, components, sales and repair operations;
- fitting of components such as mudguards, turntables, trailer attachments, bullbars and other accessories.

23. Employers in the Vehicle Industry have common interests with each other, whether they are in manufacturing or in the repair, retail and services sector. Businesses covered by the VIA often had significant interaction with businesses covered by the RS&R Award. The scope clause of the VIA had evolved over a number of decades to recognise the interrelationship between vehicle manufacturing and retail and repair activities.

The RS&R Award

24. The *RS&R Award* was created in 1968 and since then has been the primary Award operating in the repair, services and retail (**RSR**) sector of the Vehicle Industry.

25. Before 1968 businesses engaged in the repair, services and retail sector of the Vehicle Industry were covered in Part II of the *Vehicle Industry Award* which had been operating since 1953. Prior to 1953, businesses in the RS&R sector were mainly covered by a mixture of federal and state occupational awards.

26. The *Motor Vehicle Salesman Interim Award 1970* was subsequently incorporated into the *RS&R Award* in the 1970's. Since then the *RS&R Award* has maintained a separate section which deals exclusively with the working arrangements for persons principally engaged in the sale of "vehicles" (as defined[8]). The hours of work and remuneration arrangements for salespersons are different to other categories of employees covered by the Award.

27. The *RS&R Award* also contained different working arrangements for businesses involved in fuel retailing due to the unique operating arrangements applying to employees working in this essential service area. There is a long history of award variations tailored to these unique businesses and working conditions.

28. The *RS&R Award* was consolidated in 1974, 1976 and again in 1980.

29. A related *Federal Vehicle Industry Repair, Services and Retail (Long Service Leave Award) 1977* was established and remained a separate award following the 1996 award simplification process.

30. In 1990 the *RS&R Award* merged with *the Vehicle Industry Repair, Services and Retail Award (Part II – Tyre Retail and Service Centre) Award* (which was formerly covered by the *Rubber, Plastic and Cable Making Industry Award*). Another separate section, this time recognising special provisions for employers principally engaged in tyre fitting, repairing and re-treading processes, was created in the *RS&R Award.*

31. By the time of award modernisation, the *RS&R Award* covered a diverse but related range of vehicle business activities. These businesses can be broken up into four (4) main categories:

[8] Definition of "*vehicle*" extends to motor cars, commercial vehicles, farm machinery and agricultural implements, motor cycles, trailers and wagons, small engines, leisure vehicles, (e.g. vessels of all sizes down to jet skis), bicycles, earth moving equipment and caravans etc.

1. *'vehicle'*
   This term is broadly defined to include motor cars, commercial vehicles, farm machinery and agricultural implements, motor cycles, trailers and wagons, small engines, leisure vehicles, (e.g. marine vessels of all sizes down to jet skis), bicycles, earth moving equipment and caravans.

2. *'repair'* includes:
   the repair of vehicles, components, parts and related products.

3. *'services'* covers:
   fuel retailing; distribution; automotive services, vehicle, parts or component storage; roadhouses and café establishments attached to fuel or vehicle retail outlets; finance or lease services attached to retail of vehicles, vehicle hire; towing services; vehicle dismantling, vehicle transport and storage, wholesale and retail of parts, accessories, components, courtesy vehicle services.

4. *'retail'* is defined as:

   retail sale of vehicles, parts, components and related products; fuel retailing or services via retail outlets or via the web.

32. Most employers in the vehicle, repair, services and retail sector rely on the *RS&R Award* as the primary industrial instrument for award regulation. The Award is sufficiently broad to cover most of their employees, (the exception being clerical employees). The award system represents the simplest way for employers engaged in predominantly small and medium-sized businesses to understand and apply wages and conditions of employment covering their employees.

33. The *RS&R Award* was simplified in 2002. Like the VIA, it has been subject to all Test Case, National Wage and Fair Pay Commission decisions over the years.

Award Modernisation 2008-2009

34. In March 2008, pursuant to section 576C of the *Workplace Relations Act 1996* (Cth) (**the WR Act**) the Minister for Employment and Workplace Relations requested the Commission to undertake award modernisation[9].

35. The aims of award modernisation, among others, included creating a comprehensive set of modern awards which, in accordance with section 567A of the WR Act:
    a. must be simple to understand and easy to apply, and must reduce the regulatory burden on business; and

[9] Request under section 576C – Award Modernisation – consolidated version at 26 August 2009

b. together with any legislated employment standards, must provide a fair minimum safety net of enforceable terms and conditions of employment for employees; and
c. must be economically sustainable and promote flexible modern work practices and the efficient and productive performance of work; and
d. must be in a form that is appropriate for a fair and productive workplace relations system that promotes collective enterprise bargaining but does not provide for statutory individual employment agreements; and
e. must result in a certain, stable and sustainable modern award system, for Australia.

36. Pursuant to the Minister's direction, when modernising awards the Commission was to create modern awards "*primarily along industry lines*"[10] but could create modern awards along occupational lines where appropriate.

37. Furthermore, the Commission was directed to have regard to the desirability of "*avoiding overlap of awards and minimising the number of awards that may apply to a particular employee or employer."*[11]

38. The Commission was requested to complete the award modernisation process by 31 December 2009.

39. A seven member Full Bench of the then Australian Industrial Relations Commission (**AIRC**) split the award modernisation process into four stages.

40. In the initial determination of priority industries for the Part 10A award modernisation process, the vehicle manufacturing industry was included with other industries proposed for consideration with the metal and manufacturing industries.[12]

41. However, the AMWU[13], supported by the AiG[14] and others, argued that vehicle manufacturing should continue to be covered by its own industry-focussed award and not be consolidated with any proposed manufacturing award.

42. Responding to these submissions, the Commission expressly determined that any proposed manufacturing modern award would not include vehicle manufacturing. As

[10] Minister's request para 4
[11] Ministers Request para 9
[12] [2008] AIRCFB 550 at [41]
[13] AMWU submission AM2008/5; 1 Aug, 2008, para 5
[14] AiG submission , Stage 1 priority awards; 1 Aug 2008

a consequence the Vehicle Awards were allocated to Stage 3 along with numerous other federal awards. The Full Bench said[15]:

> "[59] *A separate exposure draft award for the vehicle manufacturing industry, as sought by a number of parties, has not been prepared at this stage. The vehicle manufacturing industry will be further considered in Stage 3 of the award modernisation process along with the vehicle industry (repair, services and retail)...."*

43. The award modernisation process for the *RS&R Award* commenced in February 2009 when the Full Bench asked interested parties to file submissions and Draft Exposure Awards.

44. In written submissions[16] to the Full Bench. VACC proposed that both the RS&R and the VIA should be integrated into one Award. VACC cited the interaction between businesses traditionally covered by the VIA and those covered by the RS&R Award. VACC cited numerous examples of businesses whose activities straddled the two awards and the difficulties occasioned by having to deal with multiple award coverage.

45. Furthermore, VACC contended that the creation of a single award was consistent with the objects and principles of the Award Modernisation Request. In particular, VACC submitted that integration of the two awards would bring about a practical outcome, improved flexibility, certainty of coverage, avoid overlap of awards and recognise and maintain common conditions.

46. VACC drew the attention of the Full Bench to the historic development of the two awards, and reminded the Commission that prior to the introduction of the Federal Vehicle Industry Repair, Services and Retail Award 1970 (there was an interim RS&R Award created in 1968) both the RSR and Vehicle industry sectors had been part of a single Vehicle Industry Award prior to 1968.

47. In consultation sessions facilitated by the Commission (Gay C), VACC and other employer organisations consistently agitated and argued for the integration of the two awards into a single award[17].

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[15] [2008] AIRCFB 717

[16] Award Modernisation consultations AM2008/61 (RS&R Award) and AM2008/62 (Vehicle Manufacturing Industry), Submissions filed on 6 March 2009, 21 April 2009 and 12 June 2009.

[17] See VACC letter to Commissioner Gay dated 31 March 2009

48. On 22 May 2009, the Full Bench released a Draft Exposure Award titled the "*Vehicle Manufacturing, Repair, Services and Retail Award 2010*" accepting the integration of the VIA and *RS&R Award* as advocated by VACC. In its decision of 22 May 2009 the Full Bench set out the reasons for adopting this approach:[18]

> *[224] We publish a draft Vehicle Manufacturing, Repair, Services and Retail Award 2010. The proposed award is intended to deal comprehensively with the vehicle manufacturing sector and the repair, services and retail sector. It is our preliminary view that there will be operational benefits in having one industry award as there are many common conditions. Where necessary separate provision is made for distinct parts of the industry. Given the nature of much post-production and after-sale modification of specialised vehicles, it is anticipated that access to a single source of industrial regulation will assist employees and employers alike.*
>
> *[225] The draft award does not markedly depart from the provisions of the existing pre-reform awards and existing conditions for employees involved in the sale of fuel and other vehicle related retailing have been adopted. We have decided not to include the pay and classification provisions from the Clerks Modern Award or from any other award. It is our view at this stage that clerks should not be covered by the vehicle industry award.*
>
> (underlining added for emphasis)

49. On 4 September 2009 the seven-member Full Bench[19] handed down its decision in relation to all Stage 3 Awards. Introducing its decision, the Full Bench said that its Stage 3 decision should be read in conjunction with earlier decisions concerning award modernisation. Specifically[20]:

> *"...We emphasise that in all cases we have attempted to produce a modern award which properly takes all of the relevant criteria, objectives and other matters into account. In this context we repeat what the Commission said in its decision concerning transitional provisions on 2 September 2009:*
>
> > *[3]...within the constraints of existing safety net award provisions, our approach has been to rationalise existing award provisions along logical industry and occupational lines."*

[18] [2009] AIRCFB 450
[19] [2009] AIRCFB 826 per Giudice J, Lawler VP, Watson VP, Watson ADP, Harrison SDP, Acton SDP and Smith C
[20] Supra at [3]

50. Commenting in relation to the material upon which it made its Stage 3 decision, the Full Bench said[21]:

> *"We emphasise however that the parties have not been restricted in the material to which they can refer in the proceedings to date and all the submissions, proposals and material which have been advanced as to the contents of modern awards have been taken into account....As we indicated in our statement of 26 June 2009, review or variation of the substantive terms of modern awards should be dealt with by an application to vary.[22]"*
> (underlining added)

51. The Full Bench then unequivocally confirmed the adoption and its endorsement of an integrated Vehicle Manufacturing, Repair, Services and Retail Award[23]:

> *Vehicle Manufacturing, Repair, Services and Retail Award 2010*
>
> *[270] There has been widespread support for an integrated vehicle industry award to apply as reflected in the exposure draft – the Vehicle Manufacturing, Repair, Services and Retail Award 2010 (the Modern Vehicle Award). In adopting that course we have accepted a number of changes in the exposure draft arising from the parties' submissions, so that the modern award generally accords with the structure and content of the antecedent awards.*
>
> *[271] Consistent with unification of the vehicle awards, and notwithstanding the representations of the Shop, Distributive and Allied Employees Association, we have preserved the existing classification structures, including provisions as to the retailing of fuel and other commodities through the console operations which characterise modern service/petrol stations and which have been the subject of review in several earlier Commission proceedings. Similarly, we have accepted the need, given the specialised functions of the award requiring driving, for the retention of the current driving classifications. An appropriate exclusion will appear in the RT&D Modern award.*
>
> *[272] As to coverage it is important that the making of the new award not unsettle the relationship which has existed satisfactorily for many years between the awards of the vehicle industry and the award regulating manufacturing. The fact of complementary exclusion provisions in the Modern Vehicle and the Manufacturing Modern awards is intended to*

[21] Supra at [5]
[22] It is to be noted that so such application has been made by any party to vary the *Vehicle Manufacturing, Repair, Services and Retail Award 2010* since it was made.
[23] [2009] AIRCFB 826

<u>have this effect.</u> Where claims have been made for additions to the scope of coverage of the Modern Vehicle Award, to include, for example, boats and bicycles, our approach has been to maintain the status quo.

[273] Further submissions were made as to the existing record keeper classifications and as to the specialised skills and industry specific functions required of employees so classified. As it remains our view that such employment comes within the scope of the Clerks Modern Award these classifications have been removed from the award.

[274] We have been assisted by the parties' further submissions as to apprenticeships and the obsolescence of several provisions. The parties have also advised that it is their intention, after the Modern Vehicle Award comes into operation, to seek the assistance of Fair Work Australia in dealing with a number of outstanding issues, including finalising levels 7 and 8 of the repair, services and retail classification structure.

(underlining added)

52. The modern *Vehicle Manufacturing, Repair, Services and Retail Award 2010* (**VMRSR**) has successfully operated across employers and employees in the vehicle industry since 2010. The Modern award has proven itself very well suited to the structure and needs of the vehicle industry.

Understanding the vehicle industry circa 2016

53. The Australian vehicle industry is one of the most diverse and competitive in the world.

54. The "*Automotive Environmental Scan 2015*" published by Auto Skills Australia with the assistance of the Commonwealth Government (**Attachment 2**) reveals that there are a diverse variety of sectors and activities that in aggregate comprise what is commonly regarded as the vehicle or automotive industry[24]. These are:

a. motor vehicle and motor vehicle parts manufacturing;
b. motor vehicle and motor vehicle parts wholesaling;
c. motor vehicle, parts and tire retailing;
d. automotive repair and maintenance;
e. agricultural, mining and lifting machinery;

[24] "Automotive Environmental Scan 2015" Published by Auto Skills Australia with the assistance of the Commonwealth Government through the Department of Education and Training at page 5

f. fuel retailing;
g. motor vehicle hiring;
h. motorsport;
i. outdoor power equipment;
j. bicycles;
k. marine.

55. A recent Senate Economics Committee report "*Future of Australia's automotive industry*", December 2015 (**Attachment 3**) also confirmed that the Australian automotive industry is extremely diverse and encompasses a broad range of disparate activities. These activities include "*upstream*" (development and construction of motor vehicles including design, testing, engineering, manufacturing and assembly of motor vehicles and associated components) and "*downstream*" (activities relating to the distribution and use of motor vehicles including sales and finance, servicing and repair, provision of fuels, recycling and disposal and aftermarket activities). The industry embraces at least motor vehicles, motorcycles, buses, trucks, specialist vehicles, caravans and trailers.

56. Based on Australian Bureau of Statistics (**ABS**) data recorded at June 2015, there were 62,441 registered businesses operating within the automotive industry nationally that were actively trading[25] (**see Attachment 4**).

57. For the year ended June 2014, aggregate employment for the industry was recorded at 383,806 persons. In gross domestic product (GDP) terms the industry as a whole accounted for approximately $38.3 billion or 2.5% of Australia's annual GDP[26].

58. The industry is globally exposed. The total value of exports for the industry in 2013 was $3.81 billion.

59. ABS data as at June 2015, shows the national total of businesses (by activity) is as follows:

- Motor Vehicle Manufacturing - 442 (0.7% of the automotive industry);

- Vehicle manufacturing other than pure manufacturing (i.e. Motor Vehicle Body and Trailer Manufacturing, Automotive Electrical Component Manufacturing, Other Motor Vehicle Parts Manufacturing, Agricultural

[25] See "Counts of Automotive Businesses by Sector and Employment Size Ranges" ABS – June 2015
[26] Automotive Environmental Scan 2015 at page 5 and Table 1

Machinery and Equipment Manufacturing) - 3,491 (5.6% of the automotive industry);

- The rest of the automotive industry – 58,508 (93.7% of the automotive industry)

60. Motor vehicle manufacturing enterprises are mostly comprised of non-employing businesses (sole traders), followed by small businesses (1-19 employees). Contrary to perception, pure vehicle manufacturing is not dominated by just a few very large employers.

61. The repair, service and repair sectors of the industry covers the vast majority of automotive-related businesses (93.7% of businesses) and employees (approximately 86.2% of the total automotive workforce nationally) as shown in the table below[27]:

	2014-15	Proportion
Motor Vehicle and Motor Vehicle Part Manufacturing	48750	13.8%
Motor Vehicle and Motor Vehicle Parts Wholesaling	29075	8.2%
Motor Vehicle Retailing	70125	19.9%
Motor Vehicle and Tyre Retailing	27925	7.9%
Fuel Retailing	33900	9.6%
Automotive Repair and Maintenance	143125	40.6%
Total	352900	100%

62. With the impending closure of domestic car manufacturing in 2017, high-volume manufacturing of vehicles for retail sale will no longer play a key role in the industry. The new composition of the industry - sales, service and repair of motor vehicles and components - will represent more than 95% activity[28] in the foreseeable future. In its transition towards its new structure, the industry will remain economically significant, employing around 340,000 people after 2017.

63. After the closure of domestic car manufacturing, it is expected that the industry will continue to have a manufacturing presence primarily through the assembly and manufacture of heavy vehicles, agricultural, mining and lifting machinery, vehicle bodies and trailers, and other related activities.[29] [30]

[27] Source: ABS Labour Force, Australia, Detailed, Quarterly (Cat. No. 6291.0.55.003)
[28] Automotive Environmental Scan 2015 at page 2
[29] Automotive Environmental Scan 2015 at page 4
[30] See also Senate Economic References Committee final report "*Future of Australia's automotive industry*", December 2015 (**Attachment 3**) at paragraph 2.14

64. Automotive manufacturing extends far beyond the production of cars and automotive components. For example, Australia has a robust and sustainable truck manufacturing industry with three local manufacturers building just over 5,100 cab chassis in 2014. In addition, at least a further 29,000 trucks sold each year require second stage modification to supply ancillary equipment and complete their on-road configuration. There are literally hundreds of second-stage manufacturing companies—from major trailer manufacturers and tanker builders to the smaller companies making everything from specialist bodies to hydraulic for tippers and garbage collectors.[31]

65. The example above says nothing of the numerous businesses involved in the manufacture, assembly, fabrication, sale, servicing and repair of caravans, agricultural equipment, marine vessels, recreational vehicles and so on.

66. Business consolidation and structural adjustment are features of an industry in transition. That the industry is in a state of massive transition and is confronting unprecedented challenge is undeniable. The industry is currently high on the list of priorities for state and federal policy makers.

67. The Senate Economic References Committee final report is instructive as to the challenges facing the industry and government. Recommendations of the Report reveal an industry in the midst of sweeping change.

68. According to the *Automotive Environmental Scan 2015* the following effects of transition are currently being felt within the industry:

- decline of independent/unincorporated businesses, particularly within automotive repair and maintenance;
- emergence of new business models;
- concentration of market power within specific sectors;
- constant technological change; and
- challenges with job roles, skill development and training[32].

69. New business models are emerging within the industry, driven by fears of competition and the desire for greater market share or power among competing businesses. New business models and arrangements are aimed at driving greater economies of scale and securing price advantages in the supply of goods and services.

[31] Senate report at 4.53 -4.55

[32] Automotive Environmental Scan 2015 at page 10

70. These new business models see industry participants expanding or diversifying away from their traditional roles and markets. Horizontal and vertical integration is occurring across sectors of the industry in a host of different ways. The witness statements filed with these submissions attest to just some of these developments.

71. Indeed, diversification of the industry is being actively encouraged. For example, the Commonwealth government's *Automotive Diversification Program* is a $20 million program that provides grants to assist Australian automotive supply chain companies to diversify away from their reliance on domestic automotive manufacturing.

72. The industry faces a challenging business environment. A national survey of 500 automotive businesses published in the *Automotive Environmental Scan 2015* reveals that the majority of businesses (40.1%) were experiencing variable business conditions across most automotive sectors. More than a quarter of businesses (26.2%) reported below-average growth and 10.7% reported is experiencing poor business conditions. Less than a quarter of all businesses reported positive (18%) for buoyant (5%) conditions.[33]

73. In order of importance, the key issues for the industry, identified by participants [34]are:

- maintaining profitability;
- economic conditions;
- government policy/regulation;
- labour costs; technological change; and
- business survival over the next 1 to 5 years.

74. The key labour issues identified by the industry are:

- attracting skilled workers;
- achieving productivity improvements with current staff and skills base; and
- adoption of higher skill levels across the workforce.

75. There is a significant shortage of skilled workers across all sectors of the vehicle industry[35], a significant driver of which is the difficulty of attracting labour from

[33] Automotive Environmental Scan 2015 Figure 1, page 13
[34] Automotive Environmental Scan 2015, Figure 3, page 15
[35] Automotive Environmental Scan 2015, Table 4, pages 16-17

other industries and the declining number of people entering automotive trades. There is an imperative to ensure those who enter and work the industry are (multi-) skilled to meet the diverse and changing demands of the industry and its emerging businesses. As businesses themselves diversify, so too must employees.

76. The *Senate Economics Committee* noted that in all parts of the automotive industry, technological change will profoundly reshape roles in the workforce and the skills required by workers to undertake these roles. Its Report noted, for example, that in future an automotive trade specialist will need to be multidisciplinary - part mechanical engineer, part chemical engineer, part structural engineer, part computer engineer, part mathematician, as well as specialising in hydraulics, diagnostics, information technology, electrical systems and other systems[36].

77. Multi-skilling employees is a pressing priority for employers as their businesses change shape. The witness statements attest to the need for multiskilling in a practical context.

78. From a policy perspective there is an imperative to ensure cohesion within the vehicle industry and to recognise the importance of all sectors pulling in the same direction. Specifically, the Senate report noted that :

> *"Whereas in the past the different sectors of the automotive industry have been considered as separate, developing an overarching vision for the industry is essential to align common interests and prioritise areas where action is most needed. Conceptualising the industry as consisting of more than just cars can also open opportunities for a more managed transition."*[37]
>
> (underlining added)

Evidence of diversity in the industry

79. Although only a snapshot, the witness statements filed with these submissions provide valuable and critical insight to the both the diversity of the vehicle industry and its community of interest.

80. The witness statements reveal that the range of jobs carried out by people employed in the vehicle industry include:

[36] Senate report at paragraphs 3.68-3.69
[37] at paragraph 1.29

- manufacture and assembling, sales, repair and servicing of caravans, trailers, motor homes and various combinations of RVs[38];
- agricultural and farm machinery assembly, pre delivery, sales, service and repair, manufacturing utility trays, trailers, sprayer tank extensions, welding, assembling, spray painting[39];
- agricultural vehicle and spare parts sales, assembly, maintenance and workshop repairs[40] ;
- retail and service of a wide range of recreational and industrial products from motorcycles to power generators, marine boat manufacture, wholesale and retail part sales, fitting accessories, technical advisory support and finance[41];
- truck and trailer repairs, fibre glass repairs, manufacture of truck bumper bars, front walls and checker plates for the back of chassis; modifications to horse floats, motor homes and boats[42];
- manufacture of specialised truck bodies for government, semi-government, and private contractors[43];
- manufacture of suspension system parts including shock absorbers, shock springs and fork springs for motorcycles[44];
- manufacture of boats, spray painting, detailing, installation, service and repair and accessory fitters, spare parts sales, administration, and selling of boats[45];
- manufacture and repair of trailers, tray tops and semitrailers for the automotive industry, sale of automotive parts accessories and off road components to retail and other clients[46];
- pre delivery, assembly, sales, repairs and service of motorcycle and leisure craft such as jet skis[47];
- manufacture and building high performance engines for clients seeking race or road vehicles and car detailing[48].

81. Most businesses are diverse and the activities of the businesses may vary from time to time for a number of reasons including economic conditions, customer requirements[49] and seasonal peak periods[50].

[38] Robert Lucas VIC, paras 13
[39] Lisa Day VIC, paras 8-12
[40] Nicholas Rowe VIC, para 9, 11
[41] Paul McFadden NSW, para 3-5
[42] William Andrews NSW, para 2
[43] Geoffrey Green NSW, para 3
[44]Geoffrey Lowe NSW, para 6
[45] Rob Cuming SA, para 10
[46] Peter Morelli SA, para 1
[47] Mark Flynn SA, para 4-6, 10, 11
[48] Pat Hall SA, para 1
[49] William Andrews NSW, para 2; Pat Hall SA, para 5

82. Vehicle industry businesses often seek to partner with their customers to provide for a range of their needs from manufacturing, assembly, and fabricating to retail, repair and servicing[51] or plan to do so in the future[52].

83. Businesses have moved away from the model of being solely repair, solely retail or solely manufacturing[53].

84. Businesses engaged in repair, service and retail also undertake assembly and modifications to vehicles particularly in relation to agricultural and farm machinery[54].

85. Employees tend to be versatile and multi-skilled as their work varies frequently depending on client needs[55].

86. Employees in the vehicle industry are often required to undertake both repair and manufacturing work on the same job[56]. Any distinction between manufacturing and repair is artificial – there is no *bright* line.

4 Yearly Review of Modern Awards: Preliminary Jurisdictional Issues case [2014] FWCFB 1788

87. On 17 March 2014, a five member Full Bench of the Commission issued a decision dealing with a number of jurisdictional and procedural issues related to the 4 Yearly Review of modern awards mandated by section 156 of the FW Act.

88. The decision laid down the principles which should frame the Commission's review of all modern awards, including the *Vehicle Manufacturing, Repair, Services and Retail Award 2010*.

89. There is no requirement for the Commission to complete the Review with undue haste which could lead to unfairness and injustice.[57]

90. In addition to section 156, a range of other provisions in the FW Act are relevant to the 4 Yearly Review: s.3 (objects of the Act); s. 134 (the modern awards objective);

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[50] Lisa Day VIC, para 14
[51] Lisa Day VIC para 23
[52] Pat Hall SA, para 1
[53] Geoffrey Lowe, paras 11 - 12
[54] Nicholas Rowe VIC, para 11-14, 17,18; Lisa Day VIC, paras 8-12
[55] William Andrews, NSW, para 5; Geoffrey Green, para 7; Rob Cuming SA para 7
[56] William Andrews NSW, para 5; Paul McFadden NSW, para 10, 13
[57] [2014] FWCFB 1788 at [2]

Divisions 3 (terms of modern awards) and 6 (general provisions relating to modern award powers) of Part 2-3; s. 577 (performance of functions and exercise of powers of the Commission); s. 578 (matters the Commission must take into account in performing functions and exercising powers); and Division 3 of Part 5-1 (conduct of matters before the Commission).[58]

91. Section 578 requires that the Commission in performing functions or exercising powers must take into account, inter-alia, (a) the objects of this Act, and any objects of the part of this Act; and (b) equity, good conscience and the merits of the matter.[59]

92. Section 578 also directs attention to the objects of the FW Act and s.15AA of the *Acts Interpretation Act* 1901 requires a construction that would promote the purpose or object of the FW Act is to be preferred to one that would not promote that purpose or object.[60]

93. A number of the provisions in the FW Act that are relevant to the Review operate to frame and constrain the breadth of the Commission's discretion in s.156. In exercising its powers in a Review the Commission is exercising "modern award powers" (see s.134(2)(a))[61]

94. The Four Yearly Review is broader in scope than the Transitional Review of modern awards completed in 2013. The earlier review was dealing with a system in transition. The Transitional Review did not involve a fresh assessment of modern awards and the Tribunal did not revisit issues considered as part of the award modernisation process unless there were cogent reasons for doing so.[62]

95. The Commission is obliged to ensure that modern awards, together with the NES, provide, among other things, the need to ensure a "stable" modern award system (s. 134(1)(g)).

96. The need for a "stable" modern award system suggests that a party seeking to vary a modern award in the context of the Review must advance a merit argument support of the proposed variation. Where a significant change is proposed it must be supported by a submission which addresses the relevant legislative provisions and be accompanied by probative evidence properly directed to demonstrating the facts supporting the proposed variation. [63]

[58] [11]
[59] [12]
[60] [14]
[61] [17]
[62] [19] and [60.3]
[63] [23] and [60.3]

97. When conducting a Review the Commission is to have regard to the historical context applicable to each modern award. Awards made as a result of the award modernisation process conducted by the former Australian Industrial Relations Commission (AIRC) under Part 10A of the *Workplace Relations Act 1996* (Cth) were deemed to be modern awards for the purposes of the FW Act (see Item 4 of Schedule 5 of the Transitional Act). Implicit in this is a legislative acceptance that at the time that they were made the modern awards now being reviewed were consistent with the modern awards objective. The considerations specified in the legislative test applied by the AIRC in the Part 10A process is, in a number of important respects, identical or similar to the modern awards objective in s. 134 of the FW Act. In the 4 yearly Review the Commission is to proceed on the basis that prima facie the modern award being reviewed achieved the modern awards objective at the time it was made[64]. (underlining added)

98. Whilst noting that the Commission is not bound by principles of stare decisis, the Full Bench observed that it has generally followed previous full bench decisions. The Commission should only depart from an earlier decision cautiously and only when compelled to the conclusion that the earlier decision is wrong. The occasions upon which departure from previous authority is warranted are infrequent and exceptional[65].

99. The 4 Yearly Review should not proceed in isolation unencumbered by previous Commission decisions. The Commission should take into account previous decisions that are relevant to any contested issue. Previous Full Bench decisions should generally be followed, in the absence of cogent reasons for not doing so. [66] [67]

100. The modern awards objective applies to the performance or exercise of the Commission's "modern award powers". It follows that the modern awards objective applies to the 4 Yearly Review. [68]

101. The modern awards objective is directed at ensuring that modern awards together with the NES, provide a fair and relevant minimum safety net of terms and conditions, *taking into account* the particular considerations identified at paragraphs134(1)(a) to (h). The obligation to take those considerations into account means that each of the matters must be treated as a matter of significance in the decision making process.

[64] [24] and [60.3]
[65] Nguyen v Nguyen (1990) 169 CLR 245 at 269
[66] [27] and [60.3]
[67] Cetin v Ripon Pty Ltd (t/as Parkview Hotel) (2003) 127 IR 205 at [48]
[68] [29]

102. To take a matter into account means to evaluate it and give it due weight, having regard to all the circumstances[69].

103. There is a degree of tension between some of the s.134(1) considerations and the task of the Commission is to balance them and ensure that modern awards provide a fair and relevant minimum safety net of terms and conditions.[70]

104. In relation to variations, the Act reveals a legislative intent that modern awards only be varied where it is **necessary** to achieve the modern awards objective. There is a distinction to be drawn between actions which are necessary in those which are desirable. That which is necessary must be done, but that which is desirable does not carry the same imperative for action[71].

105. In the 4 Yearly Review the proponent of a variation to a modern award must demonstrate that if the modern award is varied in the manner proposed that it would only include terms to the extent necessary to achieve the modern awards objective. What is "necessary" in a particular case, is a value judgement based on an assessment of the considerations in s.134, having regard to the submissions and evidence directed to those considerations.[72]

106. The Commission will proceed on the basis that prima facie the modern award being reviewed achieved the modern award objective at the time it was made[73].

107. Section 160 provides that the Commission may vary a modern award to "remove an ambiguity or uncertainty or to correct an error". This provision continues to be available during the4 Yearly Review, either on application by a party or on the Commission's own initiative.[74]

108. Special criteria apply to changing coverage of modern award or revoking modern awards (see s. 163 and 164, also see the notion appearing under s.156(2)).

109. If the Commission is to contemplate changing the coverage of an existing modern award in the 4 Yearly Review, the requirements set out in section 163 must be satisfied.[75]

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[69] Nestle Australia Ltd v FCOT (1987) 16 FCR 167 at 184 per Wilcox J; cited with approval in Elias v COT (2002) 123 FCR 499 at [62] per Elias J and CFMEU v FWA (2001) 195 FCR 74 at [103] per Katzman J

[70] [33]

[71] Shop, Distributive and Allied Employees Association v National Retail Association (No2) (2012) 205 FCR 227 per Tracey J; see also adoption by a Full Bench of the Commission in *Security Services Award 2010* 4 Year Review [2015] FWCFB 620

[72] [60.5]

[73] [60]

[74] [51] and [60.9]

[75] [53]-[54] and [60.10]

110. In particular, the Commission must not make a determination varying a modern award so that certain employers or employees stop being covered by the award unless the Commission is satisfied that they will instead become covered by another modern award that is **appropriate** for them (s.163(1)).

111. In order to found a case for an award variation it is usually necessary to advance detailed evidence on the operation of the award, the impact of the current provisions on employers and employees covered by it and the likely impact of the proposed changes. Such evidence should be combined with sound and balanced reasoning supporting a change. Ultimately, the Commission must assess the evidence and submissions against the statutory tests, principally whether the award provides a fair and relevant minimum safety net of terms and conditions and whether the proposed variations are necessary to achieve the modern awards objective. These tests encompass many traditional merit considerations regarding proposed award variations[76].

112. A case for change to a modern award as part of the review process requires cogent and compelling evidence. A substantive case for change is required. The more significant the change, the more detailed the case must be.

VMRS&R Award – 4 Yearly Review

113. Set out below is a brief chronology of the Commission's 4 Yearly Review to date:

DATE	PROCEEDINGS	NATURE OF PROCEEDINGS
13 May 2014	Hearing before His Honour President Ross – all Group 1 Modern Awards	Identification of issues raised by parties for each modern award parties want to progress during the 4 Yearly Review on single award issues.
4 June 2014	Conference before DP Gooley	Major parties to the VMRSR Award directed to provide draft determination of award issues to be pursued during the award stage of the 4 review.
19 June 2014	Conference before DP Gooley	Conference on Award issues identified by the major parties.

[76] See *Security Services Award 2010* 4 Year Review [2015] FWCFB 620 at [8]

15 Oct 2014		First Exposure Draft of the VMRSR Award 2014 released by the Fair Work Commission.
6 Nov 2014	Hearing before SDP Watson	Hearing to set timetable for review of the First Exposure Draft of the VMRSR Award.
17 Nov 2014	Full Bench hearing Justice Ross, President Vice President Hatcher SDP Hamberger Commissioner Bissett Commissioner Bull	Review of the substantive issues raised by the major parties in relation to the VMRSR Award. The Full bench directed the parties to confer in relation to proposed variations sought in respect of the Award. The parties were directed to provide a written report to the Commission identifying the position of all parties in respect of the variations sought, including an indication of which issues would require arbitration
18 Dec 2014		Joint report of the parties provided to the Commission. Joint report prepared after conferences including the AWU, AMWU, SDA, AiG, ABI, AFEI, MTA(NSW), MTA(SA) and VACC. The joint report identified proposed award variations, agreed and not agreed.
19 Jan 2015	Full Bench Directions hearing SDP Watson SDP O`Callaghan Commissioner Cribb	Directions hearing to set dates for filing of written submissions on substantive issues and reply submissions.
10 Feb 2015	Conference before Commissioner Bissett	Status report on substantive issues discussed by the major parties post the 17 November 2014 Full Bench hearing.
10 August 2015	Full Bench hearing Vice President Hatcher SDP O'Callaghan Commissioner Cribb	Hearing on substantiative variations filed by the major parties as a result of original directions issued by the Fair Work Commission on 19 January 2015. The Full Bench directed interested parties to the VMRSR Award to further confer in relation to particular questions raised about proposed variations to the award.

29 Sept 2015		Following conferences between the interested parties, a further joint report was filed with the Commission. The report expressly included the views of all parties and identified the areas of consensus and disagreement.
2 Nov 2015	Full Bench issues Statement[77] Vice President Hatcher SDP O'Callaghan Commissioner Cribb	Full Bench expresses, amongst other things, its "provisional view" that the vehicle manufacturing sector should be removed from the VMRSR Award and placed in the *Manufacturing and Associated Industries and Occupations Award 2010*. Full Bench directs that 2 new exposure drafts of the awards be produced which excise manufacturing as per the provisional view expressed above.
November 2015		AMWU (Vehicle Division)[78], AMWU (National office)[79], VACC and MTAs of NSW, SA and WA[80] correspond with the Commission and express concerns about the provisional views contained in the Full Bench statement and the basis of such views.
24 Dec 2015	Full Bench issues Statement[81] Vice President Hatcher SDP O'Callaghan Commissioner Cribb	Directions made for the filing of evidence and submissions in relation to the proposed exposure drafts.
4 March 2016	Full Bench issues Statement[82] Vice President Hatcher SDP O'Callaghan Commissioner Cribb	Exposure drafts of two awards published, giving effect to the provisional view expressed in the 2 November statement: *Manufacturing and Associated Industries and Occupations Award 2016* *Vehicle Repair Services and Retail Award 2016* Directions given for the filing of submissions and evidence in relation to the

[77] [2015] FWCFB 7275
[78] Letter dated 9 Nov 2015 from David Smith to VP Hatcher
[79] Letter dated16 November 2015 from Paul Bastion, national Secretary to VP Hatcher
[80] Letter dated 20 Nov 2015 from Bill Chesterman to VP Hatcher
[81] [2015] FWCFB 8979
[82] [2016] FWCFB 1229

		new exposure drafts.
7 April 2016		Correspondence from the AMWU seeking an adjournment of the further hearings proposed for 23 and 24 May 2016. Application for adjournment supported by AiG, VACC and MTAs of NWS, SA and WA.
13 April 2016	Full Bench issues Statement[83] Vice President Hatcher SDP O'Callaghan Commissioner Cribb	Final hearing of the matter confirmed for 23 and 24 May 2016, but directions given to extend the time for filing and serving submissions and evidence.

Change in Award coverage – the Full Bench "provisional view"

114. In its Statement issued on 2 November 2015, the Full Bench[84]:

(a) indicated that it has "*provisionally formed the view*" that the vehicle manufacturing sector should be removed from the VMRSR Award;

(b) expressed the further "provisional view" that the manufacturing sector should be placed in the *Manufacturing and Associated Industries and Occupations Award 2010* (**Manufacturing Award**);

(c) informed the parties of its intention to publish

(i) a new exposure draft of the VMRSR Award which "*on a provisional basis*", will not contain the current Section 2 - Vehicle manufacturing employees (Section 2), or any part of it; and

(ii) a new exposure draft of the Manufacturing Award which will incorporate the manufacturing sector.

115. The underlying premise for the Full Bench provisional view is set out at paragraph [2] of the Statement, wherein the Full Bench says:

> *"At the hearing [on 10 August 2015], it became apparent that the VMRSR Award, both in its current form and in the exposure draft, was unduly complex and difficult to understand. We consider that, to a significant degree, this*

[83] [2016] FWCFB 2334
[84] [2015] FWCFB 7275 at paras [2]-[4]

difficulty is the result of the inclusion of disparate industry sectors within the same award...."

Changing the award coverage is neither necessary[85] nor appropriate[86]

116. It is submitted that the proposed alteration to the coverage clause of the VMRSR Award is not necessary to achieve the objects of the Act.

117. Further, the Manufacturing Award is not an appropriate award to cover vehicle manufacturing employers and employees.

118. It is respectfully submitted that the premise of the Commission's provisional view is unsound.

119. The VMRSR Award is not unduly complex and it is not difficult to understand – at least for those employers and employees who are covered by it and apply it. To the extent the Full Bench may perceive difficulties with or complexities in the Award, those difficulties are not the result of the inclusion of disparate sectors in the one award.

120. As set out earlier in this submission, the Modern VMRSR Award was created on 4 September 2009. The VMRSR Award was the product of a Full Bench decision following receipt of a considerable body of evidence. The Full Bench decision[87] to create the new integrated VMRSR Award, incorporating two vehicle awards[88] was based on the outcome of award consultation sessions, numerous submissions filed by a broad cross-section of employers and Unions and involved the then Australian Industrial Relations Commission reviewing seven draft exposures which had been tendered in consultation proceedings by both employers and unions.

121. The modern VMRSR Award met the modern awards objective. The Commission should conduct its 4 Yearly Review on that basis[89].

122. It is respectfully submitted that the underlying industrial rationale for the VMRSR Award is as sound today as it was in 2009. The MTA Organisations do not believe any of the principal industrial parties contend otherwise.

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[85] See footnotes [50], [51]
[86] s.163(1)
[87] AM2008/25-63 [2009] AIRCFB 826. 4 September 2009 at paragraph 270
[88] Federal Vehicle Industry - Repair, Services and Retail Award 2002 [AP824308CAV] and the Vehicle Industry Award 2000 [AP801818CRV]
[89] see footnote [52] above

123. During the 4 Yearly Review of the modern VMRSR Award, not one of the principal parties has advocated for the changes in coverage proposed by the Commission.

124. During the 4 Yearly Review of the modern VMRSR Award, none of the principal parties has expressed undue concern about the terms or conditions in Sections 2, 3 or 4 of the Award.

125. None of the variations which have been discussed by the parties and proposed to the Commission in the Review relate to or require the excision of sections 2, 3 and 4 of the Award.

126. There have been no issues of any significance that have arisen in the application of the Award since the modernisation decision as to warrant a review of that earlier Full Bench decision.

127. No party with an interest in the vehicle industry or the general manufacturing industry argues that the interests of the vehicle industry, its employers and employees would be advanced by removing manufacturing from the VMRSR Award.

128. No party has submitted that section 134 (the modern awards objective) or section 156 (4 Yearly Review of modern awards) of the FW Act support excision of vehicle manufacturing from the VMRSR Award.

VMRSR Award is not unduly complex

129. The Motor Trades Organisations respectfully do not share the Full Bench view that the VMRSR Award is "*unduly complex and difficult to understand*", such as to justify disaggregation of the Award.

130. While it is conceded that the VMRSR Award is complex, it is respectfully submitted that it is not unduly so.

131. None of the relevant parties has contended that complexity in the VMRSR Award is insurmountable and none of the parties have contended that complexity arises from there being disparate industry sectors in the one award.

132. Disagreement between the parties about the content of specific clauses or the terms of proposed variations, is simply disagreement between the parties. It should not be regarded as evidence of undue complexity.

133. During the 4 Yearly Review process on single award issues, there have in fact been very few award variations sought by any party to Section 2 of the Award. Whilst the current VMRSR Award has been the subject of proposed award variations, they have predominantly been confined to the RSR sector in Section 1.

Impact on employers and employees of removing manufacturing from the VMRSR Award

134. Not only have principal parties not sought removal of manufacturing activities from the Award, the industry is strongly opposed to it.

135. The Motor Trades Organisations believe it is important to maintain the integration of both sections of the general vehicle industry in the one industry award, in particular, because of the historic, practical and economic interaction between businesses in the vehicle manufacturing and the vehicle repair, services and retail sectors.

136. There is ample evidence that many vehicle industry employers conduct mixed operations where employees might be engaged in manufacturing or assembling or fabrication and similar functions on one day and then repair or service or retail functions on another. The nature of the industry is such that workplaces and workers are flexible and arrange their activities to meet the needs of clients.

137. The Award continues to meet the operating needs of the vehicle industry as envisaged by the Award Modernisation Full Bench in September 2009. Completely removing one section of the existing Award runs the risk of creating instability in the general vehicle industry due to uncertainty of award coverage.

138. Section 2 of the VMRSR predominantly covers small and medium-sized businesses. The Motor Trades Organisations believe that removing section 2 and relocating it to a comprehensive and complex award such as the Manufacturing Award will not assist businesses and could in some cases lead to uncertainty and duplicity of over award coverage. The variation of the modern VMRSR Award by the complete removal of Section 2 has the potential to create coverage issues, which the award Modernisation Full Bench clearly sought to avoid in its 4 September 2009 decision. [90]

139. Each of the witnesses on whose evidence the Motor Trades Organisations rely explains the likely impact on their business of any change in award coverage. It will be seen that the opposition to implementation of the Commission's "provisional view" comes from many sectors of the vehicle industry.

[90] AM2008/25-63 [2009] AIRCFB 826 4 September 2009 at paragraph 272

140. The broad scope of the Award has evolved and it works well in an industry that has diverse workplaces. It is simple and straightforward to apply one Award across a whole business when there is a diverse range of employees[91].

141. Employees often do not neatly fit only into the RSR section of the Award[92]. The current Award allows businesses in the industry to adapt to changing times[93].

142. Having to apply two Awards in vehicle industry workplaces will lead to extra work and confusion for employers and may result in compliance issues[94].

143. The conditions under the Manufacturing Award are different from the current VMRSR Award. If the Award is split, employers would have to reach individual agreements with the manufacturing employees in their business but not others in relation to some working conditions (such as overtime). This creates extra work and confusion[95].

144. Businesses in the vehicle industry pay their employees according to the predominant role they fulfil in the workplace. Their actual work may be a combination of manufacturing and repair work[96].

145. Having all operational roles under the one award prevents disputes about terms and conditions of employment[97].

146. Having manufacturing, repair and retail in the same award allows for flexibility to move around different parts of the business and industry[98].

147. Having manufacturing, repair and retail in the same award makes it easy for businesses to diversify in order to protect the businesses from the peaks and troughs of the economic cycle[99].

148. By reason of the above, the Commission should conclude that removing the manufacturing section from the VMRSR Award is likely to have an undesirable and

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[91] William Andrews, NSW, paras 6-9; Geoffrey Green NSW, para 11
[92] Geoffrey Lowe NSW, para 9; Paul McFadden NSW, para 14
[93] Nicholas Rowe VIC, paras 2-6
[94] William Andrews NSW, paras 6,7,10; Paul McFadden NSW, para 15; Geoffrey Lowe NSW, para 21; Nicholas Rowe VIC, para 20; Robert Lucas VIC, para 19; Pat Hall SA, para 8 (iv); Mark Flynn SA, para 12; Peter Morelli SA, para 5 (bullet point 4)
[95] Geoffrey Green NSW, para 10; Geoffrey Lowe NSW, paras 15,18
[96] Geoffrey Green NSW, para 7,8
[97] Geoffrey Lowe NSW, para 8; Lisa Day VIC, para 28; Robert Lucas VIC, para 20
[98] Geoffrey Green NSW, para 9; Nicholas Rowe VIC, para 19; Lisa Day VIC, para 31
[99] Rob Cuming SA, para 8

costly impact on these employers. It will not add stability to the scheme of award regulation.

149. A single award covering a broad cross section of employees and classifications operating in both sectors operates well.

150. In our submission this arrangement should not be displaced in the absence of compelling reasons and cogent persuasive evidence.

Status of disputed variations to the VMRSR Award

151. The Motor Trades Organisations accept that appropriate variations should be made to the VMRSR Award to ensure that it meets the objectives of the 4Yearly Review.

152. During the period of the 4 Yearly Review process, the principal parties to the award have engaged in consultation, conferences and hearings to identify issues and propose variations. A number of proposed variations have been agreed.

153. As for the issues which remain in contention, the position of the respective parties is set out in the Table attached (**Attachment 5**).

Final disposition of the 4 Yearly Review

154. It is submitted that the 4 Yearly Review of the VMRSR Award could be finalised by the Commission in the following manner:

(a) a determination by the Commission that the removal of manufacturing and related activities from the VMRSR Award is neither necessary nor appropriate;

(b) a determination by the Commission that the VMRSR meets the modern awards objectives set out in s.134 of the FW Act;

(c) the exposure draft of the *Vehicle Repair, Services and Retail Award 2016* issued on 22 April 2016 form no further part of the 4 Yearly Review;

(d) amendments to the exposure draft of the *Manufacturing and Associated Industries and Occupations Award 2016* issued on 4 March 2016 to reflect removal of manufacturing from the VMRSR Award not proceed;

(e) the Commission reconsider the exposure draft of the VMRSR Award issued on 4 November 2015 and consider the parties' submissions in relation to that draft;

(f) That exposure draft should be finalised by –

(i) making the variations agreed between the parties; and

(ii) where variations have not been agreed, they should be arbitrated in favour of the VACC/MTAs position.

Jonathan Forbes
Aickin Chambers

Date: 11 May 2016

WJ Chesterman
on behalf of VACC, MTANSW, MTASA and MTAWA

Index of Attachments

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards
(AM 2014/93)
Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: **Robert James Lucas**

Address: c/- Unit 8/88 Dynon Road, West Melbourne, Victoria 3003

I, Robert James Lucas, Executive Manager, c/- Unit 8/88 Dynon Road, West Melbourne Victoria in the State of Victoria 3003 state as follows:

1. I am the Chief Executive of the Caravan Trade & Industries Association of Victoria (the **Association**). I have been in my current role for five years.

2. I have over 25 years' experience in a number of industry and business organisations in roles including industrial relations, membership services and education and training.

The Association

3. The Association has been the peak body representing the Caravan Trades Industry since 1952. It is registered in Victoria under the Trade Union Act 1958. We currently have 243 members who fall under four main headings. They are:

   - Manufacturing/Assembly (Motorhome, Campervans, Caravans and other RV Products
   - Caravan Dealers (Retail) and Retailers (Caravan and RV Accessories),
   - Service and Repairs (Servicing and repairing Motorhomes, Campervans, Caravans and other RV products)
   - Suppliers to the industry.

Background to the Caravan industry

4. The Caravan Trade in Australia can trace its history back to the 1920's. It wasn't until after the war and advent of affordable cars that travelling and the industry came in vogue. Initially, the industry was mainly a cottage industry with bespoke design and manufacture.

5. In the mid to late 1950's and into the 1960's a number of people commenced mainstream production facilities and the modern caravan industry was born.

6. In the early 1970's up to 70,000 caravans were being made and sold throughout Australia. South Australia was at that time a significant centre for production, later to be overtaken by Victoria. The reason for this was that the main suppliers to the industry were based in Victoria.

The Caravan Industry today

7. The Caravan Trade industry is now a sophisticated, professional and growing industry that is developing into being recognised around the world for its design and innovation strategies. Governments of all types are recognising the industry is a vital part of the Australian industry.

8. In Victoria the industry is now recognised as one the state's most important industries, as evidenced by the industry`s inclusion in the Victorian Government Future Industries Strategy.

9. In 2012, the industry for the first time created a 10 year Industry Growth Blueprint aimed at creating a world class Caravan Industry. The industry is under considerable pressure from international competition. However, the Association is assisting the industry to ensure employment numbers and contribution to the Victoria economy is sustained.

10. Production statistics reveal that 23,000 new units were made in 2015 around Australia. The product range for the industry includes the following:
    - Motor homes
    - Campervans
    - Caravans
    - Pop Top Caravans
    - Camper Trailers
    - Tent Trailers
    - Fifth Wheelers and
    - Slide ons

11. The key statistics for our industry are as follows (please note only Victorian statistics for the trade are available at present):

Victorian Industry

- 90% of all RV products are manufactured or assembled in Victoria (23,000+ units per annum)
- 70% of all RV Manufacturers reside in Victoria
- Trade Industry is worth **$1.4 billion per annum** (Just Victoria alone)
- Over 5000 employees
- 800 Trade businesses
- 143,000 caravans and RV products are registered in Victoria (largest fleet in Australia)
- Contribute $453 million in salaries directly into the Victoria economy
- 110,000 people attend consumer shows each year (Victorian Caravan, Camping & Touring Super show, Melbourne Leisurefest, Bendigo Caravan and Camping Leisurefest and Border Caravan & Camping Expo)
- The Association launched the National Caravan Industry Training College in 2015 (an Australian First)

Australian Statistics - (Industry Research)

- 85% of Australians have gone caravanning and camping at least once in their life
- 7 million Australians have had caravanning or camping experience in the past 2 years.
- Campervans and Motorhomes have travelled 607 million kilometres in 2010,
- The Largest user group is 35-49 years old, making up 50% of travel in the sector
- 90% of all site nights (camping) in the sector are in regional Australia
- Expenditure by caravanning and camping consumers in 7 billion annually
- The economic value of the industry amounts to $17.44 billion annually.
- As of 31st January 2015, there are 528,869 caravans and motorhomes registered for on road use in Australia. This is an increase of 27% since 2008
- In the year ending 31st January 2013, caravans experienced the largest growth of any vehicle type in Australia.

Structure of the industry

12. The Caravan Trade industry is predominantly comprised of small sized businesses as defined by the Australian Bureau of Statistics ie fewer than 20 employees. However, there are several companies employing close to 1000 employees and some medium sized companies employing over 50 employees.

13. The industry unquestionably views itself as being part of the broader vehicle industry as it manufactures/assembles trailers, motorhomes and various combinations of RV product. The retailers of our industry consider that they sell a vehicle, particularly those that sell motorhomes as they required by law to have Licensed Motor Car Trader status. Our service and repair members only service and repair industry product and once again see themselves as part of the broader vehicle industry.

14. As our industry is predominantly comprised of small business, very few employ full time HR/IR staff. Most are heavily reliant on the Association and larger industry bodies for assistance in award matters and for the general HR information needed to conduct their companies and businesses.

15. It is common for Association members to have an interest in two or all three of the main sectors of the industry namely (i) manufacturing (ii) retail and (iii) service and repair. What is very common in our industry is have an RV dealer with a service and repair section.

16. When considering the structure of our industry and the activities of its businesses and employees, it is important to understand that "manufacturing" often predominantly involves assembling parts to form a vehicle. Caravans are defined in many pieces of legislation as trailers. When it comes to building a motorhome the skills and tasks are akin to vehicle body building. Building a caravan is made up of many assembling processes where various parts are assembled in a defined process.

Award Coverage

17. Since 2010 the Caravan Trade industry employers and employees have been covered by the Vehicle Manufacturing, Repair, and Service & Retail Award. This coverage has provided stability in the industry as our members are clear about which award applies and which one does not. The benefits for our industry of having one principal award cannot be under-stated. Having one award means common interpretations which leads to greater certainty in compliance and less potential for industrial disputation.

18. Over the past 4 years the Association has developed a training structure that uses the nationally recognised Training Packages for our industry. In developing these packages we have aligned them to the Vehicle Manufacturing, Repair, and Service & Retail Award 2010.

Impacts of change

19. It is never easy to look into the future and determine the full and exact outcomes of any change. However we can expect the following consequences if manufacturing and related activities are excised from the Award:

- Employer confusion as to any new award , its coverage and employment classifications; this will give rise to compliance issues
- Our members will not relate to another award that is not vehicle based
- Our training scheme could well be placed in jeopardy as it is aligned to the Vehicle Manufacturing, Repair, and Service & Retail Award 2010;
- There is likely to be duplication of award coverage at an enterprise level;
- The efficiencies gained at an enterprise level by having one award will be lost.

20. Other considerations might include:

- Pay and conditions differentials creating pressure at a sensitive time[i] in the growth of the industry
- Such confusion as to cause industrial disputation when there is none now.

Signed by:

: ..... Date: 6 May 2016

Robert James Lucas

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards
(AM 2014/93)

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: Nicholas Rowe
Address 3 Endeavour Street, Warragul, Vic 3820

I Nicholas Rowe, Director of Vin Rowe Farm Machinery Pty Ltd, c/- 3 Endeavour Street, Warragul in the State of Victoria 3820 state as follows:

1. I am a Director of Vin Rowe Farm Machinery Pty Ltd (the Company). I have worked in the Company for 11 years. I originally started as the Company's Business Manager before becoming a director in 2011. The Company operates in West Gippsland and throughout Australia.

2. The Company was established in Warragul in 1961. At this time Warragul was one of the most intensive dairying areas in Australia. The business was established as a David Brown tractor farm machinery dealer and later became a New Holland Tractor and Hay Machinery dealer. In the mid-1970s with the discontinuance of milk contracts and a general downturn in dairy farming the Company diversified into importing and selling specialist machinery to vegetable growers across Australia.

3. Whilst still heavily involved with the dairy farming industry the company began to specialise in vegetable planting and harvesting equipment (for example, potato planters and harvesters and carrot harvesting equipment).

4. The Company became the Australian importer for the Norwegian company, Underhaug (manufacturer of potato machinery) and distributor for ASA Lift (a Danish vegetable machinery manufacturer).

5. As a result of the increase in the Company's importing/distribution business it became increasingly difficult for the Company to adequately service the market as a sole business which necessitated a setting up of a specialist farm machinery dealer network within Australia. These other farm machinery dealers sell the products we import and will generally order our products following an order from their own customers.

6. Over the years the Company has established relationships with a various overseas manufacturers of machinery. The company imports machinery from The Netherlands, Belgium, Austria, Italy, Germany, Denmark, the USA and New Zealand.

7. Aside from the vegetable machinery mentioned above, the Company imports two wheel tractors from Italy, tillage equipment from Austria, hay feeding equipment from New Zealand, feed mixing equipment from the USA and other various equipment from the countries above. This equipment is either sold direct to the end user being the farmer or contractor or via other farm machinery businesses or agents.

8. The Company in its' own right as a local retailer, also has contact with other Australian farm machinery importers as well as some local farm machinery manufacturers. The business is an agent for Kubota Tractors, Krone Hay Equipment, Kuhn Farm Machinery, Goldacres Sprayers and Duncan Drills, to name a few.

9. The Company employs 25 people made up of four administration staff, four agricultural vehicle salespeople, three spare parts employees, one maintenance person, ten workshop technicians and three directors. The basic structure of the business is that three directors oversee managers in the administration, spare parts and service departments. These managers oversee the staff in each department. Payroll functions are handled by the Administration Manager. The three directors deal with most HR issues. The Company is open from 8.00am to 5.30pm Monday to Friday and 8.00am to 12.00pm on Saturdays. The Company has been a member of the Victorian Automobile Chamber of Commerce (VACC) since 1971.

10. I have read the proposed changes to the coverage clause of the Vehicle Manufacturing, Repair, Services and Retail Award 2010 as it relates to "manufacturing, assembling, fabricating, installing, servicing, repair of engines and agricultural machinery or implements".

11. Although the Company is not involved in manufacturing farm machinery, like any farm machinery dealer it is required to assemble machinery to varying degrees. "Assembly" can take many forms and may be as simple as fitting wheels to a tractor or mower that has been delivered in a box. Other examples include putting together hay machinery which has also been delivered in a crate much like a slightly more complicated IKEA assembly. This "assembly' is undertaken by trained diesel mechanics and trades assistants whose main responsibilities are the service and repair of farm machinery. Depending on the size and complexity of the machinery assembly could take as little as ten minutes or as long as a week.

12. Apart from very big machinery (which is rolled on and rolled off ships) a large proportion of our imported product arrives at our premises in shipping containers. In order to fill containers most efficiently often machines are 'knocked down' and require some re - assembly.

13. With regard to some of our imported products, technicians can be required to undertake some modification to suit a particular customer's requirements or working conditions. For example, with the vegetable machinery we import, sometimes the digging mechanism that comes from the factory may not be suitable for a particular farmer's soil. In this instance, we may be required to make adjustments or do some minor fabrication to strengthen the mechanism.

14. In addition to importing, distribution and retailing of farm machinery the Company is also heavily involved in provision of parts, service and repairs. The main roles of the staff in the Company revolves around the sales and service of farm machinery as well as the sale of spare parts. Aside from administration staff, most employees are involved in selling or preparing for sale and repairing farm machinery.

15. The Company`s main operating functions of sales, repair and services and parts are covered by the Vehicle Manufacturing from the Vehicle Manufacturing, Repair, Services and Retail Award 2010. The administrative staff are covered by the Clerks- Private Sector Award 2010.

16. If the removal of the existing clause in the Vehicle, Manufacturing, Repair, Services and Retail Award 2010 which I referred to results in a potential cross over of award coverage requiring our service employees to be covered by another Award when they are engaged in assembly work, this would cause some confusion and extra work for our business. The Company has traditionally had its major business operating activities such as machinery sales, repair and servicing of farm machinery and parts covered by an award which covers the farm machinery sector.

17. Our industry exists primarily to sell and service farm machinery to farmers and contractors. The nature of this equipment requires some skill in assembly and modification, the main role of Service Technicians is to diagnose and repair customer's machinery using spare parts supplied by various manufacturers.

18. The increased sophistication of modern farming equipment requires technicians to be skilled in a number of areas including IT, Hydraulics and electrical wiring. While machinery always needs to be assembled, there is less need for fabrication or modifications as machinery becomes more technical.

19. The Company has always worked under the one award and this has seemingly worked well from an administration point of view. As an industry, it is very common for technicians to move into sales or spare parts later in their career and having the one award has always been advantageous.

20. The splitting of service staff out from the rest of the company's award coverage will no doubt cause extra administration work and the possibility of confusion over conditions and entitlements.

Signed by:

: .....

Nicholas Rowe

Date: 5/5/16

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: **Geoffrey Lowe**

Address: 81 Boronia Street, North Albury in the State of New South Wales

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I, Geoffrey Lowe of 81 Boronia Street, North Albury, do hereby affirm:

1. I am Managing Director of Proven Products Pty Ltd at 81 Boronia Street, North Albury.

2. I have been the Managing Director of Proven Products since 1985. I worked as a mechanic with the company for many years before my management role commenced.

3. Proven Products joined the Motor Traders' Association of New South Wales (MTA) in 1973. Since that time, I have been an active member of the association. I was elected to the governing council in 1993 and since that time I have held various positions on the governing council. Currently, I sit on the Executive Board as a Country Vice President. My role on the Board and on the governing council has been to oversee and make decisions regarding the policies and processes of the MTA and approve membership applications.

4. The content of the Vehicle Manufacturing Repair Services and Retail Award 2010 reflects the diversity of the vehicle industry. The Award covers all aspects of the vehicle repair, services and retail sector and manufacturing. This includes repair and servicing of vehicles, service stations, dealerships, vehicle manufacturing and retail sale of parts.

5. The Award has a long history and has evolved to meet the needs of multi-faceted enterprises, reflecting the nature of the industry. The different sectors of the industry are catered for under the Award with specific provisions that have been designed to meet the needs of each sector of industry. This of course includes

manufacturing activities. Another example of this is for dealerships, where clause 44 of the Award specifically covers sales people's employment.

6. Proven Products, manufacturers of 'Ikon Suspension', manufacture suspension system parts including shock absorbers, shock springs and fork springs for motorcycles. The company employs nine employees and our hours of operation are Monday to Friday.

7. Of our workforce, 50% are manufacturing staff, whilst a further 25% are required to perform duties that are a mix of manufacturing and retail in nature. The remaining employees are engaged in clerical and managerial roles.

8. Having all operational roles covered by the Vehicle Award, is convenient and removes the potential for workplace disputes about award coverage or terms and conditions of employment. The employees under the Vehicle Award can expect the same or very similar conditions.

9. The roles of our employees' do not always fit neatly into the repair, service and retail section or the manufacturing section of the Award. The employee's work and our business activities vary from time to time. My business is not the only business that benefits from the current Vehicle Award structure. The model that our business operates under is not suited to the removal of the manufacturing section of this Award.

10. Prior to 2001, my business was concerned more with importing and wholesale, and we operated out of Sydney. The import-wholesale model was more suited to separate vehicle manufacturing and vehicle retail awards that applied at the time. At the time it was common for businesses to be either wholesale or retail but not both. This leant itself to separate Awards applying to such separate activities, but this is not how we conduct business anymore. We need to have the combined vehicle and manufacturing award.

11. The current phase of the business has been operating since 2001, in Albury. The new model, a fully rounded process of manufacture, retail, and wholesale with installation, precipitated the move from Sydney, as manufacture and retail were better achieved outside of the city. We also provide servicing and repair of the suspension parts that we make. Consumers are able to send us a part, where we repair it and then send it on to be reinstalled.

12. Our business cannot be defined as purely retail nor manufacturing, and with the added repair service, we need to have a combined Vehicle and Manufacturing

Award. This business model is not a one off, as there are hundreds of businesses in country that follow a similar process. Having manufacturing under the Vehicle Award allows us to run our businesses consistently and competitively.

13. As can be seen in the previous paragraph, the most important role that the manufacturing section of the Vehicle Award has, in terms of my own business, is that I can set the duties that transcends a pure manufacturing role and lies between this and retail, services or mechanical aspects of the Vehicle Award. I can do this without the added worry that I have classified my employees incorrectly because the classification structure R1 to R4 and R6 of the repair services and retail section match the relevant levels V1 to V5 under the manufacturing section.

14. It is important to have consistent conditions across a business' workforce. If we are required to classify some employees under a different award with different conditions, this will create an added complication. Under the current Vehicle Award, I can set the hours of work and meal breaks I want my worker's to have (subject to appropriate consultation when changes take place), and I do not have to set a minimum hours of engagement for my part time or casual employees. I can set these when the employment contract is signed as a condition of employment and I do not have to enter into a negotiation with these employees, as long as the arrangement that I require is within legal requirements.

15. If we are required to move to the Manufacturing Award, we would be required to renegotiate the meal break and hours or work arrangements because this is by agreement under the Manufacturing Award, the minimum hours for part time staff because currently there is no minimum under the Vehicle Award; and closely look at the classification structure as it is completely different to our current structure. These are added complications that are both unnecessary and disruptive.

16. In its current form, the modern Vehicle Award has provided and continues to provide an acceptable method for classifying employees and primarily similar conditions across all the relevant segments of our industry.

17. I understand how the Vehicle Award works and I believe the industry values it. Most of the businesses that use the manufacturing section of the Vehicle Award are vehicle tradespeople. I myself am a trade qualified mechanic. I understand how the provisions under the current Award interact and facilitate the operations of the relevant sectors of the vehicle industry. As a whole the Vehicle Award has taken into account the needs of the industry and the essential provisions are consistent for all classes of employee including rates of pay, thus allowing easier transfer between manufacturing and retail selling and repair activities.

18. Looking at the Manufacturing Award the ordinary hours of work are limited to Monday to Friday – Saturday and Sunday ordinary time work only by agreement. Whilst this provision would not affect me, I know that there are businesses in the industry which operate, as ordinary hours, on Saturdays.

19. Furthermore, under the Manufacturing Award, the employees have different conditions, namely a casual has a 4 hour minimum and a part-time employee has a 3 hour minimum, where as in the Vehicle Award there is no minimum period of engagement per day. There is also a difference to allowance rates, where the Leading Hand rates are much higher under the Manufacturing Award. These differences would significantly affect the day to day running of businesses in this industry and the Vehicle Manufacturing Award should stay complete as it is.

20. The Vehicle Award structure meets the needs of the industry with the first 32 provisions applying commonly and then specific sector provisions in Section 1 and Section 2. This practical approach is supported by my company because it meets our needs and, based on my experience, it suits the other sectors of the vehicle industry.

21. The MTA each year runs 10-15 training courses on the Vehicle Award and effectively trains employers to understand and use the different sections of the Award. Overall, it is my belief that the exercise of moving the manufacturing section of the Vehicle Award would be a costly and disruptive. The industry knows how the Award runs. Employers of Vehicle Award covered employees understand how it can be applied to their employees, particularly where they are required to perform duties that are sometimes manufacturing and sometimes repair, service and retail. The MTA would be forced to waste resources training businesses conducting manufacturing on a whole new award, and how to handle the movement of employees from one award to another when they perform variously repair, service and retail or manufacturing work. Rather than simplifying matters this change will only make matters more complicated and uncertain.

Affirmed by Geoffrey Lowe on this 6th day of May 2016 in Albury, New South Wales.

Geoffrey Lowe

~~Justice of the Peace~~

Paul Leonard Gibney
2/346 Griffith Road
LAVINGTON NSW 2641
An Australian Legal Practitioner
within the meaning of the
Legal Profession Uniform Law
(NSW and Victoria)

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: **Geoffrey Green**

Address: 166 Eldridge Road, Condell Park in the State of New South Wales

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I, Geoffrey Green of 166 Eldridge Road, Condell Park, do hereby affirm:

1. I am the proprietor of Arctic Truck Bodies Pty Ltd trading as A.H. Peters and Picca Bodies of 116 Eldridge Road, Condell Park.

2. The business has been established since 1890. I took over as proprietor of this business in 2003 with William Beeston.

3. Our business is primarily a manufacturer of specialised truck bodies for government, semi-government, and private contractors including Roads and Maritime Services, Sydney Water Corporation, Rail Corporation, Federal and State Police and local councils.

4. Truck dealerships provide 90% of our work. Generally, we liaise with the dealerships after they have taken orders from these organisations. When the retailer has a customer that requires a certain body or mounted piece of equipment, they send the specifications to our business and we manufacture it to order. If customers have highly specialised designs for their vehicles, our business will deal directly with them. For example we have provided this service for Sydney Water Corporation.

5. Our business has fifteen employees. Many of these are employees are employed from Silverwater Correctional Centre.

6. Ten percent of the work that we do is repair work. We repair truck bodies, usually 'Pantecs', some of steel fabrication and sometimes fibreglass.

7. My employees are expected to fulfil both repair and manufacture duties. If there are a lot of repairs to be done, my employees will move to the repair role and that will become their predominant activity for a period; if they are required to manufacture,

they stay there. There is an obvious cross over of repair, manufacture, and retail work in our business.

8. My employees are paid as welders under the manufacturing section of the Vehicle Manufacturing Repair Services and Retail Award 2010 as this is the principal role performed. This Award has been covering my employees for many years. We are used to the conditions of this Award and it fits well with business operations. We know that when we hire a new employee, they will be granted similar conditions to the businesses in which we deal.

9. The consistency between the Award and our business needs will be lost if the manufacturing section were to be removed from the current award. I know that the manufacturing 'welders' that are classified under the distinct section, have the same conditions as the 'welders' under the vehicle repair section. I provide a service to the inmates of Silverwater Correctional Centre, it is important to me that they are given the same employment conditions as vehicle manufacturers as they would have if they were vehicle mechanics, repairers or salespeople. This flexibility can assist them to move into other sectors of the vehicle industry when they are released from prison.

10. Our business operates from 6:30 am to 3:00 pm Monday to Thursday and 6:30 am to 12:30 pm Fridays. I invite my employees to work overtime every Saturday, unless there is a public holiday long weekend in which we all have the preceding Saturday off. I am able to have my employees work ordinary time on Saturday's if they schedule a day off during the working week. I am able to do this under the Vehicle Award because the ordinary span of hours includes Saturday up to 12 noon under the manufacturing section and any time Saturday or Sunday under the retail section. Under the Manufacturing Award, I would have to reach separate agreement with my employees to do this.

11. It is the nature of the Vehicle Industry that businesses, such as mine, are required to meet complex and variable customer needs. In my experience I have noted that the vehicle industry businesses provide many different services to customers, and work together to provide an interlocking network of business relationships. Ultimately, for a business like mine to effectively participate in the industry or engage in retail or repair as well as manufacturing, we need a versatile Award that spans the entire industry. Cutting out the manufacturing section of the Vehicle Manufacturing repair Services and Retail Award would inhibit the flow of work and create unnecessary confusion.

Affirmed by Geoffrey Green on this 3rd day of May 2016 in Condell Park, New South Wales.

Geoffrey Green

Justice of the Peace (155971)

SATYENDRA SINHA
Justice of the Peace in and
For the State of NSW
Reg. No. 155971

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: **Paul McFadden**

Address: 489-493 Victoria Rd, Wetherill Park in the State of New South Wales

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I, Paul McFadden of 489-493 Victoria Rd, Wetherill Park, do hereby affirm:

1. I am Human Resources Manager for the Yamaha Australia Group at Wetherill Park in NSW. I have worked for Yamaha Australia for sixteen years.

2. Yamaha has been operating in Australia since 1983. The Wetherill Park facility was purchased by Yamaha to distribute Yamaha products and spare parts in 1989. In 1990, Wetherill Park became the Yamaha Australia Head Office.

3. Over the years, the company has diversified and grown in areas such as marine boat manufacture, wholesale part sales and marinas. Yamaha offers a wide range of recreational and industrial products from motorcycles to power generators. The company is as diverse as the Vehicle Manufacturing, Repair, Services and Retail Award 2010 (**the Award**) under which it employs and classifies most of its employees.

4. Yamaha is continually looking to develop business opportunities in Australia, as such our team is diverse and well trained. Across Australia we employ 315 staff. We engage in import and distribution. We have a large dealer network that sell and service Yamaha brand products, amongst other brands. Our employees provide advisory support and administration services that are targeted to different needs. We hire tradespeople to provide technical support to our dealer's mechanics, fitters of accessories and warranty problems.

5. We also engage people to offer finance solutions for customers.

6. In 1989, Yamaha through the operations of a subsidiary company, Southwind Marine Products Pty Ltd, located at Ourimbah, started manufacturing fibreglass boats.

7. We employ some people to work in manufacturing activities. Six people are employed for manufacturing purposes and to fit parts made for purpose. For example, we have the contract to fit and alter motorbikes sent from Japan for the police force. Our employees are required to wire the extra batteries and lights into the motorcycles. A further example of manufacturing that happens in our business is the customisation of golf carts.

8. Whilst there is only a small portion of the business engaged in manufacturing, the availability of that classification in the Award is important to the company. The work performed by these employees is integral to company's business operations.

9. I am concerned that the Fair Work Commission is looking into separating the Vehicle Manufacturing Repair Services and Retail Award so as to remove the manufacturing section and have it absorbed into the Manufacturing Award.

10. I strongly believe that it is in the best interest for Yamaha Australia and others to have a single encompassing Award that aligns with the needs and interests of the industry. Taking manufacturing, assembly and other similar activities out of the Award, will not fit the industry because there is no distinct line between manufacturing and repair.

11. There are opportunities for more manufacturing to be done here. Just because Ford and Holden have decided to send their manufacturing off-shore, does not mean that there is no potential for vehicle manufacturing in Australia. Yamaha may look to bring more manufacturing services to Australia in the future, and we know other industry participants are currently researching and developing models to test the viability of such a process here. It does not make sense to split the current Vehicle Award.

12. Even though Yamaha Australia is focussed on aftermarket part distribution, finance and technical support, I believe that the future of vehicle manufacturing in Australia is viable, and that Yamaha, as a leader in part manufacture and motorcycle assembly on the global stage, must support the entire industry.

13. The industry is complex and the lines between each part are not distinct.

14. Not all employees can be neatly categorised as repair, retail, manufacture or service, therefore the industry needs a broad Award to cover all facets of the industry. As it stands the current Vehicle Award is able to provide just that. But if the Fair Work Commission removes the manufacturing section from the current Vehicle Award,

this will upset the structure that is working. It will introduce instability and I cannot see how this will benefit the industry.

15. Removing the manufacturing section from the current Vehicle Award will mean that there are new and different employment conditions that will have to be interpreted and applied in the one workplace. At the moment there are similar conditions across the whole vehicle industry workforce. Reclassifying manufacturing staff under a different Award will add conditions that may interfere with the running of a business.

16. It is not beneficial for the industry to lose the manufacturing section from its Award. It would be costly for business and would have the potential to create conflict in the industry. It is important for the Award to stay as it is for continuity and ease.

Affirmed by Paul McFadden on this 3rd day of May 2016 in Wetherill Park, New South Wales.

Paul McFadden

Christine Coleman
JP 179750

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: William Andrews

Address: 340 Copland Street, Wagga Wagga, New South Wales

I, William Andrews, at 340 Copland Street, Wagga Wagga in the State of New South Wales affirm as follows.

1. I am Managing Director of Royans Wagga Pty Ltd trading as Royan Truck and Trailer Repairs. I have been in a managerial position in the Wagga Wagga branch since 1992 and the Managing Director of the company since 2010.

2. The Company branches all over the eastern seaboard including Brisbane, Melbourne, and Newcastle. Our company is a leader in truck and trailer repairs, fibre glass repairs and we manufacture truck bumper bars, front walls and checker plates for the back of chassis. We also do modifications to horse floats, motor homes and boats, usually at the direction of the owner but sometimes direct from the dealer.

3. The Company employs two hundred and fifty people across six branches. The biggest sites, Sydney and Melbourne, are mainly focussed on repairs and with a small percentage, around 5%, being manufacture. The smaller sites: Wagga Wagga, Dubbo and Newcastle, are engaged at about 80% repair and 20% manufacture work.

4. At the Wagga Wagga branch there are thirty five employees. At the moment, the breakdown of tradespeople includes eight welders (Body Makers), five mechanics, four spray painters, and two panel beaters. They are expected to carry out duties that are often associated with their main role- repair. Sometimes, one or more of my welders will be engaged in manufacturing work, whilst the others continue repairs.

5. The versatility of my staff is well established. I have a couple of body-making employees who have specialist experience in intricate steel folding and bending. As the workflow requires, they will go back and forth between manufacturing and

repairing as necessary. The nature of welding often cannot be classified as being either manufacture or repair. Often a vehicle repair will require a part being made.

6. As a business, we value the diverse application of the Vehicle Manufacturing Repair Services and Retail Award because it is uncomplicated and straightforward. I do not need nor do I have the time to learn the provisions of a separate award, especially, when the current Vehicle Award suits my business so well.

7. Classifying my employees has never been a problem because I am able to list their duties and say as a matter of fact, that they are to be classified under the Vehicle Manufacturing Repair Services and Retail Award because it is capable of classifying manufacturing, repair, and service roles. Adding another Award would complicate matters and a waste of time as the system works well for us now.

8. The hours of operation for my business are Monday to Friday 8 am to 5 pm and we work overtime on Saturdays, when the workload of the business requires it. Employees can make up their hours on Saturdays, if they have been away during the week. The flexibility of the Award allows me to operate my business in this fashion. I cannot see the point in changing something that has been working well for so long.

9. Under the Vehicle Award, the span of hours in the manufacturing section covers till noon on Saturdays, and under the repair and service section it includes any time Saturday, and there is no requirement to reach an agreement. Under the Manufacturing Award, I would have to reach agreement for hours worked on Saturday. Reaching an agreement with each employee, if a branch wide negotiation failed, would be harmful to business operations.

10. The Manufacturing Award differences with a new classifications structure, hours or work and meal break provisions are too important to my business to ignore. For me, there is no real repair and manufacture distinction in my business. Being able to classify these employees in one Award removes any confusion.

Affirmed by William Andrews on this 3rd day of May 2016 in Wagga Wagga, New South Wales.

William Andrews

~~Solicitor~~

Ruth Emily Hensgen
Justice of the Peace
Reg No: 205992
23 Gurwood Street 2
Wagga Wagga NSW 2650

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: Peter Morelli
Address: Sturt Highway, Barmera, SA 5345

I, Peter Morelli of PR & CM Morelli Pty Ltd trading as MARS Transport, state as follows:

1. I currently run a business which manufactures and repairs trailers tray tops and semitrailers for the automotive industry and have been in business for over 20 years. The other sector of my business is the sale of automotive parts accessories and off road components to retail and other clients.
2. I also deal directly with the other automotive businesses in the repair, services and retail sectors of the motor industry – all of whom, along with myself, attend Motor Trade Association zone meetings in the Riverland from time to time. Lobbying for issues across the industry, whether legislative , industrial relations, design, standards , taxation, protections for business and dealing with red tape are a vital part of such meetings and the Riverland zone is very active in voicing their concerns.
3. I have been advised that the Fair Work Commission in its current Four Year Review of modern awards is examining the Vehicle Manufacture Repair Services and Retail award 2010. In particular, I am advised that one of the considerations in such review of this Award is whether to maintain the award in terms of existing coverage of industry sectors or whether to split functions such as all components of manufacturing into another award.

4. I am asked whether this introduction of two or more awards in the Vehicle Industry, would affect:-

    - businesses operating in this sector of the industry
    - and in particular my operation
    - and if so, how would it affect it and what are my thoughts on this.

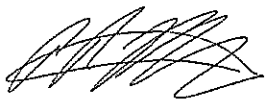
5. My opinion is as follows:-

- Yes it would affect my business if my manufacturing operation fell under another award.
- In particular, depending on the economic circumstances in a given year, my multi skilled workshop staff does more manufacturing in good economic times when orders are received to manufacture a wide range of such equipment. By contrast, when orders are low, clients tend to bring equipment in for repair and the majority of staff are engaged in repair of such specialised trailers or other equipment.
- Furthermore I have a reasonably large parts and accessories operation in the Riverland on the same site and part of the same business.
- I would object to increasing the number of awards applying to my business as we already have enough red tape burdening small business and time spent trying to ensure compliance.
- I would point out in South Australia there are other MTA Members in Metro Adelaide who also engage either predominately in manufacture of aftermarket bodies for automotive vehicles or manufacture and repair the same..
- In my business I have a total of 20 staff including those directly involved in various stages of manufacture and also involved in cross skilling including repairs, maintenance, and servicing .
- The nature of the Riverland is such that as small businesses we have diversified our products to enable us to survive peaks and troughs, receive a greater share of profits (from such diversification) and not always be dictated to by the larger

manufacturers, by producing specialised products to suit our conditions or client needs.

- This has led to a diversification in our business operations providing staff with broader skill sets, more job satisfaction, and learning new skills. I constantly face skills shortages and the need for upskilling which highlights the nature of this business.
- The range of people I employ include those involved in manufacture assembly, painting, service repair and accessory fitting, spare parts sales and administration.
- All of these employees are engaged under the Vehicle Manufacture Repair Services and Retail award 2010 and the classification structure broadly provides similar conditions for those involved in manufacture, mechanical or other repair, spray painting, accessory fitting, welding, parts and equipment sales.
- At present I have minimal staff involved in administration (approximately two clerical personnel) who fall under another award known as the Clerks Private Sector Award 2010. The rest of the employees fall within the Vehicle industry award or are award free.
- I would voice my objection and disappointment if the Fair Work Commission were to split my business operations in respect of the vehicle industry into different awards based on whether employees were involved in manufacture / re manufacture of products or whether they undertook repairs, service, spray painting etc.
- I would respectfully suggest that if there is a problem the Fair Work Commission simply sectionalise this important multi-faceted vehicle industry award.

In conclusion, as a business operator with diversified operations, I urge the Commission to recognise the importance of continuing to be covered by a single industry award for the reasons stated.



Dated: 2/05/2016

Peter Morelli
Director of PR & CM Morelli Pty Ltd trading as MARS Transport.

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: Pat Hall
Address: 30 Petrova Avenue, Windsor Gardens, SA 5087

I, Pat Hall of Raw Performance Industry, 30 Petrova Avenue, Windsor Gardens, SA 5087, do affirm the following:

1. I currently run a business which manufactures and builds high performance engines for clients seeking race or road vehicles. I have been in the present business for over 14 years and worked for a similar automotive business doing an apprenticeship there and gaining appropriate base skills and knowledge over 10 years approximately. I also have a Car Detailing business operated separately on the same site. Next year I am expanding my operations to provide repair of high performance vehicles by way of speciality wheel alignment, fitting tyres etc. and thereafter a paint shop with the aim of providing a one stop shop from manufacture to repair, maintenance and servicing.

2. My engine manufacturing business, the predominate activity, is different from engine reconditioners who essentially remanufacture or rebuild engines and add on components to current manufacturer specifications. I have an office in Indianapolis, which under my brand produces components and car bodies as required – using licensed contractors.

3. The point of difference (from traditional engine reconditioners / remanufacturers) is that our sector of the automotive industry actually design and build a race engine, undertake testing to measure performance (measured as horsepower at the flywheel) and this involves very concise specifications on many components to ensure power is not lost through use of inappropriate componentry. Other components in this process include transmissions, clutches manifolds, suitable head assemblies, exhaust headers (common terminology extractors) etc. which are either sourced elsewhere or re manufactured or modified to suit here in Australia.

4. Obviously specialised skills, knowledge and experience are vital for specialty/high performance manufacture and only master tradespersons capable of acquiring such high level skills are employed as the risk of producing inferior quality products and the cost of mistakes seriously damages business reputation and clientele.

5. This business involves design and manufacture and consultation to meet customer specifications and avoid any misunderstandings as to performance prior to commencing work – which may vary from manufacture of the complete engine and componentry to one which is partially built, tested and contains specifications to allow the client to complete the assembly.

6. I have been advised that the Fair Work Commission in its current Four Year Review of modern awards is examining the Vehicle Manufacture Repair Services and Retail award 2010. In particular, I am advised that one of the considerations in such review of this Award is whether to maintain the award in terms of existing coverage of industry sectors or whether to split functions such as all components of manufacturing into another award.

7. I am asked whether this introduction of two or more awards in the Vehicle Industry, would affect:-

- businesses operating in this sector of the industry
- and in particular my operation
- and if so, how would it affect such business and what are my thoughts on this.

8. My opinion is as follows:-

(i) Yes, the introduction of an additional non-automotive industry award would affect my business to the extent that another award may contain different conditions and obviously my vehicle detailing and future expansion of operations would be under a separate award.

(ii) In particular, in my view, our staff and skill requirements and conditions of employment are closely allied with the automotive/vehicle sector and our business is directly involved with clients who directly work with vehicles whether they are trade or retail.

(iii) Furthermore the engines and components require high level tuning performance and fault diagnosis all of which come under the umbrella of automotive skill requirements.

(iv) I would object to either increasing the number of awards or changing the award applying to my business as we already have enough red tape burdening small business and time spent trying to ensure compliance with another award just adds to this.

(v) I would point out in South Australia there are other MTA Members in Metro Adelaide who also engage either predominately in manufacture of aftermarket or specialised high performance engines or components for automotive vehicles so what is the purpose in changing the familiar award?

(vi) In my business I have a total of six productive staff presently, including some directly involved in various stages of manufacture and also involved in cross skilling including repairs maintenance and servicing.

(vii) All of these employees are engaged under the Vehicle Manufacture Repair Services and Retail award 2010 and the classification structure broadly provides similar conditions for those involved in manufacture, mechanical or other repair.

(viii) At present I have minimal staff involved in administration who fall under another award known as the Clerks Private Sector Award 2010. The rest of the employees fall within this Vehicle industry award or are award free.

(ix) I would voice my objection and disappointment if the Fair Work Commission were to split my business operations in respect of the vehicle industry into different awards based on whether employees were involved in manufacture / re manufacture of products or whether they undertook predominately repairs service of these high performance engines.

In conclusion, I urge the Commission to recognise the importance of continuing to be covered by a single industry award for the reasons stated.

Affirmed by Pat Hall on this the 4th day of May 2016.

.....

Pat Hall of Raw Performance Industry

Date...4/5/2016

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: Rob Cuming
Address: 19 Sherriffs Road, Lonsdale SA 5160

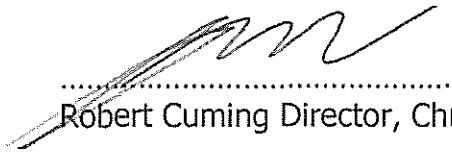
I, Rob Cuming of 19 Sherriffs Road, Lonsdale in the State of South Australia state as follows:

1. I currently serve as President of the Boating Industry Association of SA in one capacity and also run a business which manufactures trailerable boats repairs and services both outboard / inboard motors and sells services and supplies both boats and parts/accessories to retail and other clients.
2. I have been advised that the Fair Work Commission in its current Four Year Review of modern awards is examining the Vehicle Manufacture Repair Services and Retail award 2010. In particular, I am advised that one of the considerations in such review of this Award is whether to maintain the award in terms of existing coverage of industry sectors or whether to split functions such as all components of manufacturing into another award.
3. I am asked whether this introduction of two or more awards in the Vehicle Industry, would affect:-
    - businesses operating in this sector of the industry
    - and in particular my operation
    - and if so, how would it affect it and what are my thoughts on this.
4. My opinion, including relevant outline of the boating industry is as follows:-
5. By way of background, I manufacture trailerable boats, sell service and repair both boats in general and outboard and inboard engines relevant to this sector of industry.

6. There are other members of the Boating Industry Association in this state who also manufacture their own brand of trailerable boats as well as sell and service them - for example there is one such operation in the Fleurieu region.
7. In my business I have a total of 24 staff including 13 involved in various stages of manufacture with some of them also involved in cross skilling including repairs maintenance and servicing of boats.
8. The nature of the boating industry is such that whilst there are franchised dealers for solely selling and servicing larger Australian and overseas produced boats, as small businesses we have diversified our products to enable us to survive peaks and troughs, receive a greater share of profits (from such diversification) and not always be dictated to by the larger manufacturers, producing specialised products to suit our conditions or client needs.
9. This has led to a diversification in our business operations providing staff with broader skill sets more job satisfaction and learning new skills full stop in terms of skill sets I have found that by way of example, motor mechanics who have done the small engine mechanical apprenticeship are able to cross skill with inboard motors and similarly those with other mechanical backgrounds in light vehicles, equally learnt the different fault diagnoses required to repair service recondition / rebuild outboard engines and components.
10. The range of people I employ include those involved in manufacture of boats, spray painters, detailer, installation, service repair and accessory fitters, spare parts sales, administration, and selling of boats.
11. All of these employees are engaged under the Vehicle Manufacture Repair Services and Retail award 2010 and the classification structure broadly provides similar conditions for those involved in manufacture, mechanical or other repair, spray painting, accessory fitting, welding, part sales and detailing.
12. By contrast boat sales persons fall under the classification motor vehicle salespersons and the classification for motor vehicle/ boats sales person has quite specific conditions in terms of hours of work, wage and commission structure, employment arrangements and applicable penalties.

13. I note that the Award has a quite specific section dealing with such boat salespersons due to the nature of their work and the diversification needed to service potential clients both during the week and on weekends when necessary.
14. At present I have minimal staff involved in administration who fall under another award known as the Clerks Private Sector Award 2010. The rest of the employees fall within this Vehicle industry award or if managerial, are award free.
15. I would voice my objection and disappointment if the Fair Work Commission were to split my business operations in respect of the vehicle industry into different awards based on whether employees were involved in manufacture / re manufacture of products or whether they undertook repairs service detailing spray painting etc.
16. In fact at some times of the year potentially employees could fall under the manufacturing section and at other times under the repair section of the industry.
17. I would respectfully suggest that if there is a problem the Fair Work Commission simply sectionalise this important multi-faceted vehicle industry award as happens with the boat /vehicle salespersons or the service station sector of the industry which also have unique conditions under the current Award.

In conclusion, as a business operator with diversified operations, I urge the Commission to recognise the importance of continuing to be covered by a single industry award for the reasons stated.



..... Date 27/4/16.

Robert Cuming Director, Christies Beach Marine Pty Ltd

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards

Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: Mark Flynn
Address: 212 Main South Road, Morphettville SA

I Mark Flynn, of 212 Main South Road, Morphettville in the State of South Australia state as follows:

1. I am a director of Coast Yamaha Proprietary Limited. I am also Deputy Chairperson Motorcycle Industry Association of SA which operates as a Trade Division within the Motor Trade Association of SA Inc.

2. I have been advised that the Fair Work Commission in its current four yearly reviews of modern awards is examining the Vehicle Manufacture Repair Services and Retail award 2010. In particular, I am advised that one of the considerations in such review of this award is whether to maintain the award in terms of existing coverage of industry sectors or whether to split manufacturing functions into another award.

3. I have given consideration to whether this introduction of two or more awards in the Vehicle Industry, would affect:-

   - businesses operating in this motorcycle sector of the industry;
   - in particular my operation; and
   - if so how would it affect it.

4. All motorcycle and leisure craft such as jet skis come into Australia in different stages of assembly. No motorbike or leisure craft product comes fully assembled ready for sale.

5. In fact all smaller sized automotive vehicles in our sector of the industry come into Australia as components manufactured and part assembled only and may require speciality items/accessories to be manufactured and assembled to suit our customer's requirements.

6. In my business and the industry generally, all motorised bikes and jet skis take up to 2 to 5 hours to build/assemble the body engine etc. into a useable or drivable unit

7. I also have franchises for the sale, servicing and repair of Outdoor Power Equipment including Generators. This is common in the industry. There are real synergies with this type of product as they are small engines which once assembled checked and pre delivered, fit easily into our sales service and repair operation.

8. In my experience motor industry businesses are constantly looking for diversification to immunise against inevitable patchy economic conditions and to retain highly skilled staff that cannot be replaced in the short to medium term which can affect business viability.

9. Whilst small business may not have highly standardised training systems common in larger vehicle and component manufacture, there is a diversity of highly skilled staff in our sector of the vehicle industry:- staff training and common automotive competencies in both traineeships and apprenticeship (small engine) enable our skilled assemblers, technicians and service personnel to learn through cross skilling, honing their fault finding and diagnostic skills and ability to slot outdoor power equipment.

10. I employ 15 staff of which there are 5 in service, 4 mechanics, 2 with roles in assembly pre delivery and manufacture, testing and checking prior to presenting them for sale.

11. The remainder of staff are involved in sales of all of these products, spare parts, administration and management.

12. Introducing multiple awards into my business will create confusion and burdensome administration. Due to the diverse nature of my small business and the activities undertaken by employees, an employee could fall into different awards depending on activities performed at any time of the day or week. The extra red tape involved in checking terms and conditions, appropriate classifications and inevitable changes in duties would impact my business adversely.

13. I clearly find it easy to deal with the predominant vehicle award in respect of the range of tasks skill sets and functions within my business.

14. Within the current vehicle award there are on my understanding, two very different sets of conditions in terms of hours of work, penalties, employment conditions – those applying to motor cycle/vehicle salespersons and the remainder of manufacture/repair/parts sales/service operations.

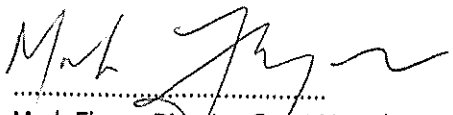
15. The fact that motorcycle vehicle sales person have unique conditions in terms of trading hours commission structure and general employment arrangements is not an issue under this award. Salespersons have always had a specific section encompassing these conditions - we have learnt to treat

them differently by their very nature. But they are part of the industry and are appropriately in the one award.

16. The Clerks Private Sector Award is a second award applying to select administrative/ clerical operations. However this award has been in place for many years and while the hours work and conditions are different from the vehicle award it is an issue we have learnt to deal with as it is a distinctively different role and doesn't cross over in to the mechanical side of our business.

17. By contrast having to split the business operations into different awards based on say assembly - and in some cases re-manufacturing products - from the repair service and retail is an additional burden on small business that I do not wish to have. Employees perform a range of duties which are necessary for the effective operation of the business and it is appropriate that their work be covered by a single award.

18. As a small business operator with diversified operations I urge the Fair Work Commission to recognise the importance of having one award for the industry in which I operate for reasons stated.



Mark Flynn, Director Coast Yamaha Pty. Ltd. Date: 27/04/2016

IN THE FAIR WORK COMMISSION
MELBOURNE

MATTER NO: AM2014/93 4 yearly review of modern awards
(AM 2014/93)
Group 1C – Vehicle Manufacturing, Repair, Services and Retail Award 2010
AM2014/93

Witness Statement of: **Lisa Day**

Address: 1243 Warne Road Culgoa, Victoria 3530

I, Lisa Day, 1243 Warne Road Culgoa Victoria, Group HR Manager & Marketing Director, state as follows:

1. I am Group HR Manager & Marketing Director of JJ O'Connor's & Sons Pty Ltd trading O'Connor's, (the **Company**). I have worked with the Company for ten years beginning in marketing and then moved into the Human Resource Manager position approximately five years ago. Prior to working with O'Connor's, I worked in Event Management and sponsorship for a non-profit research and development group, The Birchip Cropping Group.

2. I am a member of the Executive Group for the business which comprises the Managing Director, Chief Financial Officer (CFO), Group Sales Manager, Group Aftersales Manager, Group HR Manager/Marketing Director and the son of the MD. As an Executive body we are responsible for the business operations and report to the Board on a quarterly basis.

Profile of the Company

3. The Company has developed a high profile in the agricultural machinery industry throughout the Wimmera, Mallee district and across three states. The Company commenced operations in Birchip, Victoria in 1964. It now operates six Case IH agriculture and farm machinery dealerships and one Mitsubishi vehicle dealership in Warracknabeal. The agriculture and farm machinery dealerships are in Birchip, Horsham, Shepparton, Warracknabeal, Corowa and Bordertown. The Company has been a member of VACC since July, 1996.

4. The Company`s primary role is to sell and support Case IH Agriculture and Farm Machinery. Case IH farm machinery and equipment is the Company`s main franchise. It commenced operations in the USA in 1984. The company was originally founded as the Case Corporation in the 19th century.

5. Case IH specialises in agricultural equipment and also advanced farming systems which involves the design and management of flexible farming systems designed to adapt and respond to change to maximise profitability of a farm.

6. The company manufactures tractors, harvesting equipment, tillage, planting, seeding, balers, loaders, mowers, application equipment such as sprayers and fertiliser applications and sells advanced farming system on an international basis. Case IH manufactures farm machinery equipment out of approximately 17 locations spread throughout the USA and in Argentina, Brazil, Canada, Austria, Turkey and Iran.

Nature of the Company's operations

7. The Company has a long standing, strong relationship with Case IH and communicate regularly with them across all facets of the business. The Company has very good relationships with all our other suppliers including tillage providers Horsch / Muddy River, Ausplow, Gason and Bourgault, sprayer provider Croplands, Manitou telehandlers, Macdon, Lely and Iveco.

8. The Company also operates an engineering department located at the Horsham dealership. O'Connors have set up an engineering workshop and spray paint booth. This department manufactures utility trays, trailers for combine fronts, sprayer tank extensions increasing the capacity of the tanks from 4000 litres to 6000 litres.

9. This work is undertaken specifically for Australian farming practices and the Company carries out these tank extensions for other Case IH dealers in South Australia and NSW. Various repair work includes stainless steel welding on sprayers, general welding of cracks and repairs on combines and fronts, machining damaged parts on various applications.

10. The Engineering Department also fabricates Comb Trailers, Ute Trays, Tandem Trailer, Frames and Bracketry for aftermarket parts on machinery. The Ute Trays are being produced for local car dealerships, ute trays for walk in customers, Comb Trailers to other Case IH dealers, Patriot Tank Extensions to other Case IH dealers and Tandem Trailers to other businesses and the general public.

11. The work generated through the engineering department originates from customer requests when they buy a vehicle or the type of farm machinery I have set out above. There is also a growing number of customers outside our customer base who are engaging the services of our Engineering Department including other Agricultural Machinery Dealers, people who have not purchased vehicles through us but want us to build their utility tray etc.

12. Pre-delivery and assembly work is carried out by our Service Department on all new equipment coming in. Assembly of combine fronts contributes to a large part of the Service Departments workload. This work is carried out by a combination of qualified service technicians, apprentices and tradespeople and Trades Assistants. The engineering department fabricate mudguards for pre-delivery purposes as well as front end loader attachments. The spray painter located in our own paint booth works with the service department in the reconditioning of equipment.

Composition of the Company

13. The Company currently employ 150 staff in a variety of roles. These staff are employed in the following areas:

- Service Department comprising of Service Managers, Workshop Foreman
- Service Administration, Qualified Service Technicians, Apprentice service technicians, school based apprentices, qualified car technicians, General Duties Hand, Detailers
- Parts Department comprising of Parts Managers and Parts Interpreters
- Sales Department comprising of Sales Consultants and sales administration and motor vehicle salespersons (Mitsubishi)
- Precision Agriculture – Manager and PA technicians
- Technical Support Specialist
- Product Support Specialist
- Engineering including spray painter, welders
- Administration
- Marketing
- Human Resources
- Payroll
- Assistant Accountants
- Branch Managers
- Executive – MD, CFO, Group Sales Manager, Group Aftersales Manager & Group HR Manager/Marketing Director

The Company's operating hours and award coverage

14. Business operating hours are 8.00 am to 5.30 pm, however during peak periods (harvest and sowing) the Company offers after hours service support. This service is offered until approximately 11pm at night and resumes at 6 am the following morning. Service Technicians and Parts Interpreters work on a roster system during these peak times.

15. The majority of Employees are covered under the Vehicle Manufacturing, Repair, Services and Retail Award 2010. Other award staff involved in clerical and administrative roles are covered under the Clerks - Private Sector Award 2010. As the HR Manager I am responsible for the strategic Human Resource Management for the entire organisation.

16. An HR Officer has been recruited who will be responsible for the administration of HR particularly focusing on end to end employment responsibilities. The administration of payroll is the responsibility of a dedicated payroll officer working closely with the Chief Financial Officer and HR Manager.

Impact of any award change

17. I am aware of the proposed changes to the coverage clause of the Vehicle Manufacturing, Repair, Services and Retail Award 2010 as it relates to "manufacturing, assembling, fabricating, installing, servicing, repair of engines and agricultural machinery or implements".

18. The concerns I have about the proposed changes is that they have the potential to have the following consequences.

19. The Company's business operations encompasses many areas and does have diversity within its departments and the service each department offers. We offer service, repair, sales and manufacturing as part of an entire package to our valued customers. When a customer purchases a new piece of machinery, for example, a Case IH self-propelled sprayer once the deal has been completed by the Sales Consultant and we take delivery of the new machine, it then goes through our workshop for pre-delivery.

20. Depending on the extras the customer has ordered this can take up to three weeks. The pre-delivery involves the Service Department, Engineering Department and our Precision Agriculture Department. The Parts department are also involved in pre-delivery being responsible for ordering and distributing all necessary parts for the machine.

21. Once the machine is ready it is delivered on farm to our customer by the sales team member. The customer is shown through the operating functions of the machine. Approximately 2 weeks later our Product Support Specialist visits the customer to ensure correct set up and maximum efficiency have been achieved. They also answer any operational and technical questions the customer may have.

22. Following this the customer has access to support whenever it is required. We also offer special customer training days throughout the year to assist with operation and technical aspects of the machine.

23. The purchasing of agricultural equipment is only the first step in a long relationship we strive to establish with our customers. Our organisation is set up to support our customers and to partner with them in their business. Sales are usually the first step and then our aftersales business becomes instrumental in consolidating the relationship and also Precision Agriculture and manufacturing.

24. The Precision Agriculture department partner with our customers to improve efficiency and accuracy. One of the largest products sold and supported is Real Time Kinetic (RTK) guidance steering systems allowing 2cm repeatable accuracy.

25. The Company has dedicated the necessary resources to become the market leaders in Precision Agriculture hardware sales and support, having established a 90 plus tower RTK reference station network - the largest network in the Southern Hemisphere.

26. We employ a Precision Agriculture Department Manager and two PA technicians who are responsible for installing all PA equipment and supporting it including break downs, trouble shooting, operational assistance and delivering training to customers. They work closely with both the Service Department and Sales Department.

27. The PA manager also assists the Sales team in the selling process for the technical issues that may arise with the customer. The manager also has to attend field days and customer days to promote and market the product as well as being responsible for research and development.

28. From an organisation point of view, the Company have worked very hard with our staff to ensure they work together as one organisation with the same end goal. The impact of any award split would have a very negative effect on our staff and on our administration processes. If we had to have different awards and conditions split amongst the team it would be extremely confusing and would create angst within our staff group.

29. Business operations rely heavily on positive climatic conditions and have faced some very challenging times with drier years. The Company has had the ability to retain all staff throughout more difficult economic times due to the size of our organisation and the diverse nature of the O'Connor business.

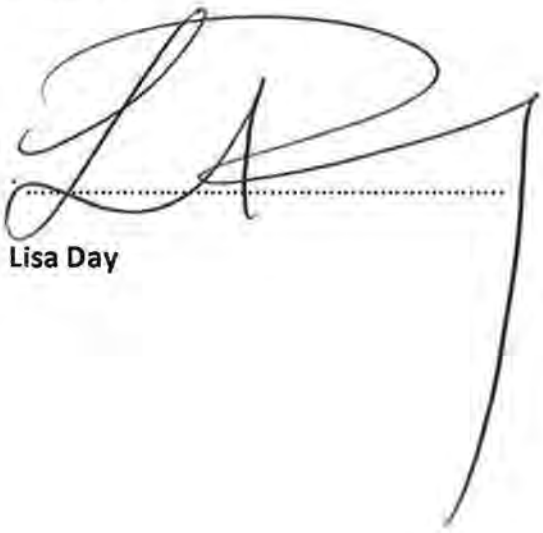
30. We have been able to move Service Technicians to different dealerships within our network to assist in busier areas and to ease the burden of surplus technicians in a quiet service department. In 2015 we were fortunate to pick up some business reconditioning combine fronts in the Horsham dealership and this allowed us to use service technicians, assemblers and engineering department staff from other dealerships to assist with this workload.

31. The ability to move staff freely between departments as required has assisted us greatly in the past to retain talent and keep staff motivated and focussed.

32. The biggest challenge we face in our business is recruitment and attracting talent. Our dealerships are located in small country towns which do not offer the facilities, lifestyle and choice of employment bigger centres do. We are committed to becoming the Employer of Choice and we are also committed to our apprenticeship program and growing our own staff.

33. Any change to awards and conditions would only have a negative impact on our dealerships due to added complexity or confusion surrounding the practical application of an award across a diverse business operation spread across six geographically distinct business locations.

Signed by:



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Date: .....

Lisa Day

Automotive Environmental Scan 2015

ASA
AUTO SKILLS AUSTRALIA

The Environmental Scan
Context, purpose and audience

Rapid advances in technology, seismic shifts in global demography and rise of the conscientious consumer are just some of the factors that have left economists and policymakers recognising the limited relevance of historical trends and data as a reliable indicator of the future.

Attempts to predict industry's future workforce and skill development needs can be particularly fraught as industries continue to evolve, converge or re-locate and as new job roles emerge while others become obsolete.

Leading developed nations are establishing 'early warning systems' to quickly detect the onset of trends and building agile vocational training systems capable of responding to issues once identified. Environmental Scans have been conceived on this basis.

Specifically, the Environmental Scan identifies the macro and micro factors currently impacting on the skill needs of the workforce and its composition, it considers how well the national training system, its products and services, and industry itself are responding.

Grassroots evidence and real-time intelligence from across Australia are what sets the Environmental Scan apart from other reports in the national training system. It captures intelligence gathered from on-going visits and conversations with industry, key stakeholders, regulators and critically, the people doing the jobs across the sectors, and who experience firsthand the impact of change. It also draws on a range of topical sources such as the latest industry, enterprise and government research, and international developments. A detailed methodology can be found at Appendix B.

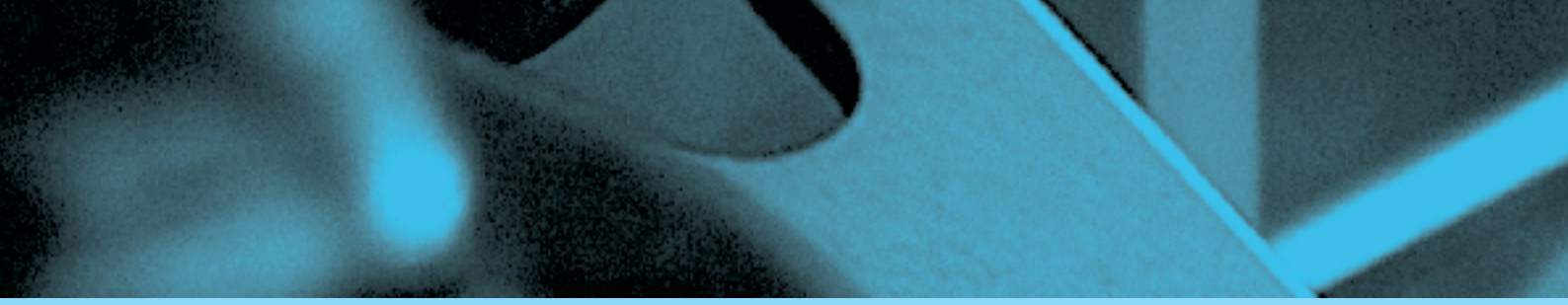
As a document limited in size, the Environmental Scan does not seek to capture every issue within every sector. It is a snapshot of a continually evolving story that is intended to alert and inform a wide audience and enhance their capacity to act.

The Environmental Scan's formal audience is the Department of Industry, the Australian Workforce and Productivity Agency and the National Skills Standards Council although its relevance extends far beyond and continues to be used extensively by state and territory governments, industry bodies, enterprises and many other stakeholders involved in skills and workforce development.

Environmental Scans are produced annually by Australia's Industry Skills Councils as part of their broader role in gathering industry intelligence and undertaking high-quality analysis of the skills needs and profile of the current and future workforce.

Australian Government
Department of Education and Training

The 2015 Environmental Scan has been produced with the assistance of funding provided by the Commonwealth Government through the Department of Education and Training.



Contents

Executive Summary

The Australian motor vehicle market is one of the most competitive in the world. There are more than sixty passenger vehicle brands on sale within a market that purchases just over one million new vehicles annually.

Whilst Australian consumers have a greater level of product choice than most, the challenge for industry is keeping abreast of the technology being introduced into the market and providing suitably trained technicians to repair and service these products.

The impending closure of domestic car manufacturing in Australia presents an opportunity for all industry stakeholders and government to re-evaluate the future context, scope and identity of the automotive industry.

As manufacturing will no longer play a key role, the focus of all stakeholders needs to be on the new composition of the industry – the sales, service and repair of motor vehicles and components, which will represent more than 95% of all activity.

Critical issues such as technological change, skills and training challenges, business consolidation and the transitional impact caused by structural adjustment within manufacturing are the industry priorities that require policy attention.

As the industry continues its transition towards a new business landscape, it will still remain a significant economic entity that will employ around 340, 000 people after 2017. With the nation's on-road stock of vehicles approaching 18 million and the continual addition of almost half a million extra vehicles a year, this can only have positive effects on career prospects and future employment within the industry.

KEY MESSAGES ARISING FROM THE 2015 E-SCAN

- It is time for government and stakeholders to formulate a cohesive policy framework around the new identity of the automotive industry. This will require an understanding of the critical issues facing each sector as well as clearly defined policy outcomes that are measurable and can be implemented.

- The pace of structural adjustment and business consolidation is rapidly accelerating. This is most prominent within the Automotive Repair and Maintenance sector, where independent small business operators are exiting in increased numbers due to factors such as:
  - rising business operation and administrative costs
  - the adoption of longer vehicle warranties and fixed price servicing for virtually all vehicle brands and makes
  - technological change and the inherent difficulties for independent repairers in accessing vehicle service and repair information from original equipment manufacturers (OEM) and their affiliated dealerships
  - the requirement to invest in costly capital equipment and the continual upgrading of skills in order to diagnose, service and repair ever-changing and complex vehicle technologies
  - industry moves towards the national grading of shops and training standards within the Automotive Body Repair sector by peak industry bodies and insurance companies.
- New business models – such as joint ventures and duopolies – are emerging in the drive to obtain a competitive advantage within the Retail, Wholesale and Automotive Repair and Maintenance sectors. This will yield greater market power and possibly lead to further business churn.
- Rapid technological change within motor vehicles is placing greater demands on the skills base of the workforce. Training providers will require better access to contemporary vehicle technologies, as well as better-qualified teaching staff who can effectively train in these technologies and actively engage students in a classroom environment.

* The Australian Bureau of Statistics (ABS) has made recent changes to its methodology for the labour force survey collection. This has resulted in increased volatility of labour force estimates as well as revisions to data by ABS. These changes have impacted on employment estimates for automotive as well as other industries, making yearly comparisons less reliable. It is likely that on-going volatility of labour force estimates will be observed in the near future, with the implementation of further changes to ABS methodology as a result of the findings of an independent technical review.

- Auto Skills Australia labour force modelling of skills demand and supply indicates lower levels of shortages across the industry compared with last year. A national shortage of approximately 16,359 people is forecast as at October 2014. Vehicle mechanical and vehicle body trades account for the bulk of this with national shortages of 5,716 Light Vehicle Mechanical Technicians, 1,567 Heavy Vehicle Mechanical Technicians, 2,700 Body Repair Technicians and 1,900 Vehicle Refinishing Technicians.
- The apprenticeship system remains the industry's preferred model of skills formation. However, the huge expansion of training providers and competition for students has affected the ability of many RTOs to deliver services of the standard expected by the business and general community. Of particular note is the diminishing ability of RTOs to service regional areas and thin (low volume) training markets. Training options in critical skilled trades such as automotive electrical, marine, motorcycle, engine reconditioning and bicycle mechanical are rapidly disappearing within RTOs because of low student numbers and the costs associated with running such courses.

Section 1
Latest Industry Intelligence

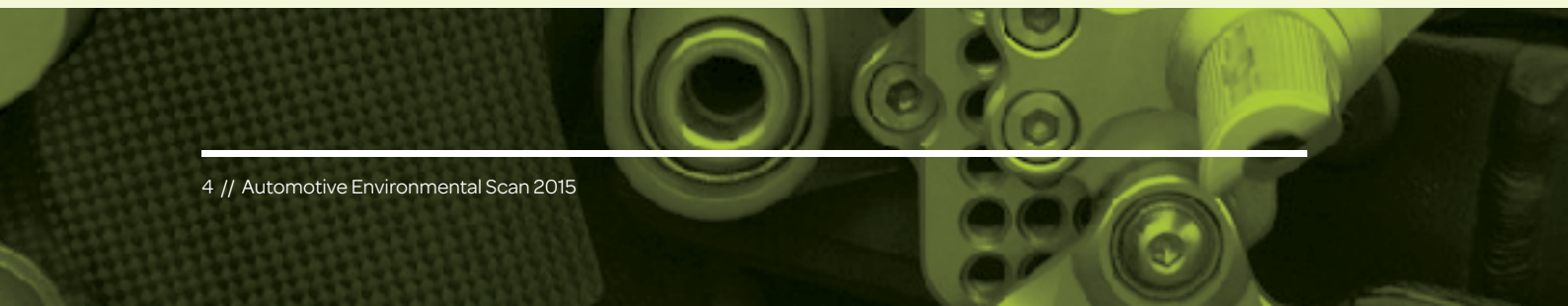
A new vision for automotive

With the closure of domestic car manufacturing fast approaching, it is appropriate to re-evaluate what the automotive industry will represent to Australia beyond 2017. Perceptions and agreement about the future context, scope and identity of the automotive industry must be established now to arrive at a common understanding among stakeholders, the community and government.

This will help promote clarity, a future vision and cohesive industry policy. To this extent, recent business and political initiatives towards a Senate inquiry into the automotive industry are a positive step forward.

Beyond the Productivity Commission's forecast of the direct loss of 40,000 jobs through the closure of domestic car manufacturing, the automotive industry will still remain a significant economic entity employing around 340,000 people after 2017. The new 'face' of the industry will be the sales, service and repair of motor vehicles and components, which will represent more than 95% of activity. The industry will continue to have a manufacturing presence through the assembly and manufacture of heavy vehicles, agricultural, mining and lifting machinery, vehicle bodies and trailers and other related activities.

Critical issues such as technological change, skills and training challenges, business consolidation and the transitional impact caused by structural adjustment within manufacturing must now be viewed as industry priorities that require policy attention.



Australia's motor vehicle fleet continues to grow by a net 450,000 vehicles or 2.5%[1] every year, with no signs of slowing. At this rate, the stock of motor vehicles will pass 18 million nationally during 2015. Such strong growth can only have positive effects on career prospects and future employment.

INDUSTRY OVERVIEW

Current composition of the automotive industry

Auto Skills Australia (ASA) has always defined and measured the automotive industry in conjunction with industry and stakeholder participation. To this extent, there is a diverse variety of sectors and activities that in aggregate comprise the automotive industry. These are:

- Motor Vehicle and Motor Vehicle Parts Manufacturing
- Motor Vehicle and Motor Vehicle Parts Wholesaling
- Motor Vehicle, Parts and Tyre Retailing
- Automotive Repair and Maintenance
- Agricultural, Mining and Lifting Machinery
- Fuel Retailing
- Motor Vehicle Hiring
- Motorsport
- Outdoor Power Equipment
- Bicycles
- Marine.

A key problem that profoundly affects the compilation of data for the automotive industry is that several sectors – outdoor power equipment, motorsport, bicycles and marine – are not separately identified or measured in official statistics as provided by the Australian Bureau of Statistics (ABS). These limitations concern the ANZSIC and ANZSCO industry and occupational classifications, which continue to work poorly for the automotive industry. The rapid pace of technological change in motor vehicles and ever-changing job roles have further eroded the relevance of these classifications.

While past dialogue between ASA and the ABS has indicated that a major structural review of ANZSCO is scheduled for 2016-17, this is by no means a certainty. It is quite probable that automotive and many other industries will have to rely on these antiquated statistical classifications for the foreseeable future. This necessitates the use of complex and time-consuming methodologies to estimate values for different sectors.

Economic contribution

Table 1 presents an overall economic summary of the automotive industry as derived by ASA in accordance with identified industry scope and coverage.

For the year ended June 2014, aggregate employment for the industry was recorded at 383,806 persons. In gross domestic product (GDP), the automotive industry as a whole accounted for approximately $38.3 billion or 2.5% of Australia's annual GDP in current prices ($1.52 trillion[2]) in 2012-13.

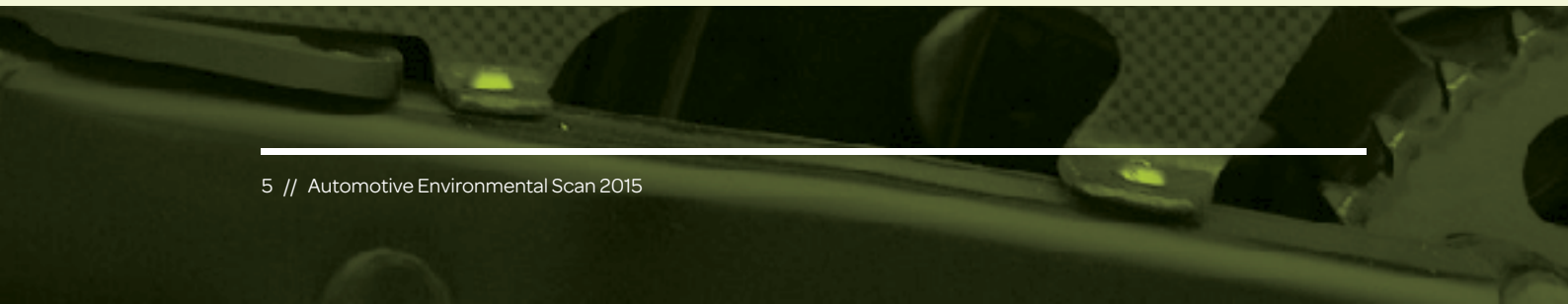
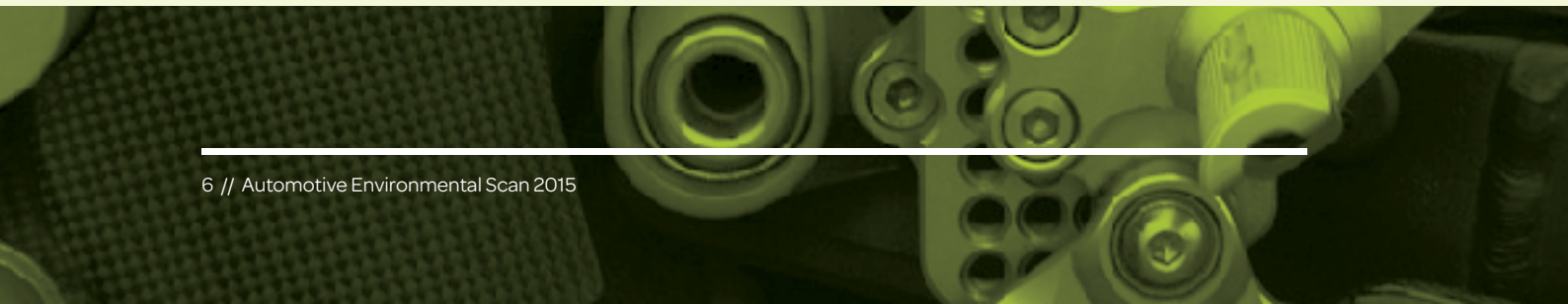


Table 1: Automotive industry economic summary.

	2013-14		2012-13	
ANZSIC CODE	INDUSTRY SECTOR	EMPLOYMENT (NO.)	ANNUAL TURNOVER ($M)	INDUSTRY VALUE ADDED ($M)
2311, 2312 2313, 2319	Motor Vehicle and Parts Manufacturing	48,175	20,068	4,782
2399, 2462, 2491, 2461	Other specialised machinery and equipment manufacturing	12,200	8,680	2,170
350	Motor Vehicle and Parts Wholesaling	24,900	53,872	5,889
391	Motor Vehicle Retailing	68,850	49,405	7,436
392	Motor Vehicle Parts and Tyre Retailing	23,775	20,451	2,139
400	Fuel Retailing	36,975	37,362	2,863
6611	Motor Vehicle Passenger Car Rental & Hiring	7,300	2,850	1,783
941	Automotive Repair and Maintenance	149,550	22,890	10,500
4241	Bicycle Retailing	4,792	2,600	554
4245	Marine Equipment Retailing	3,389	2,089	222
4231	Outdoor Power Equipment*	3,900*	1,000*	NA
TOTAL		**383,806**	**221,267**	**38,338**

Source: ABS data. *Note: Official ABS employment estimates for this sector are unavailable. Anecdotal industry estimates are provided.
NA: Estimates not available.



In regards to Table 1, it must be advised that the ABS has made a number of significant changes to its methodology for the labour force survey collection over the past 12 months or more. These changes have resulted in highly volatile employment estimates in 2014, along with revisions to time series data. Alterations include:

- Changes to the benchmarking of the Labour Force Survey (LFS)
- Changes to questions on "job search" and other changes to the LFS questionnaire
- Changes to the LFS supplementary survey program
- Expanding the use of on-line forms (e-forms)
- Lowering of response rates

These changes have impacted on employment estimates for automotive as well as other industries, making comparisons with prior years less reliable. In response to intense media and public pressure over the volatility of ABS estimates, an independent technical review into the LFS was conducted in late 2014. The review found 16 key recommendations in regards to the LFS, which the ABS has agreed to fully implement. Until the recommendations of the review are implemented, LFS estimates will continue to exhibit volatility and users of this data are therefore advised to exercise caution.

Exports and imports

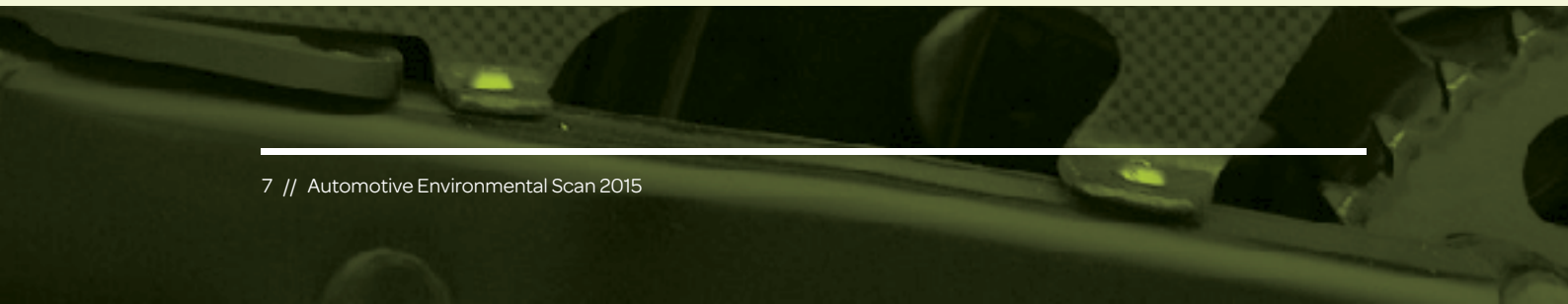
The total value of exports for the industry in 2013 was $3.81 billion, an increase of 2.4% over 2012. Motor vehicles accounted for 58.2% of total exports in 2013 and parts 41.8%.

The largest market for Australia's automotive exports is the Middle East, which accounts for 39%, followed by the North American Free Trade Association (16%), New Zealand (14%), the Association of South East Asian Nations (5%), the European Union 27 (5%), Republic of Korea (4%), China (4%), and others (13%).

Table 2: Total automotive trade, 2010 to 2013.

	2010 ($m)	2011 ($m)	2012 ($m)	2013 ($m)
Motor vehicle exports	2,091	1,673	2,147	2,219
Motor parts exports	1,464	1,577	1,572	1,591
Total automotive exports	**3,555**	**3,250**	**3,719**	**3,810**
Motor vehicle imports	22,796	21,133	26,401	25,590
Motor part imports	7,473	7,861	8,403	8,099
Total automotive imports	**30,268**	**28,994**	**34,805**	**33,689**

Source: Department of Foreign Affairs and Trade (DFAT), STARS Database 2013.



By contrast, the total value of Australia's automotive imports in 2013 was nearly $33.7 billion, almost nine times the value of automotive exports. Motor vehicles accounted for the bulk of total imports (76%) with parts at 24%.

Japan represents the largest source of automotive imports (28% by value in 2013), followed by the European Union (23%), the Association of South East Asian Nations (18%), the North American Free Trade Association (14%), Republic of Korea (8%), China (5%) and others (4%).

Industry and business structure

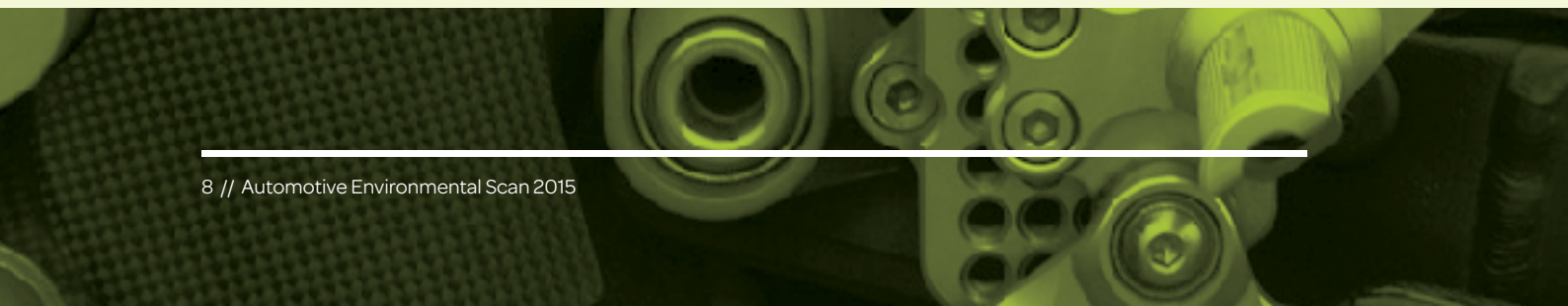
Table 3 shows as at June 2013, there were 64,772 registered businesses operating within the automotive industry nationally that were actively trading and submitting Business Activity Statements (BAS). This represents a net contraction of 2,772 businesses or 3.7% over June 2012 and is the largest industry contraction observed to date.

The structural composition of this net decrease shows that non-employing businesses (sole trader/partnership) represented the majority of the loss (-1,811) followed by small businesses with between 1 to 19 employees (-1,068). The medium-size business segment (20 to 199 employees) actually grew by 103 businesses over the period, as did the large business segment (200 or more employees) which grew by four businesses.

While virtually all sectors of the automotive industry recorded fewer businesses operating for the period, the decrease was particularly pronounced within the Automotive Body, Paint and Interior Repair sector and Other Automotive Repair and Maintenance sector, which contracted by 630 and 765 businesses respectively. These two sectors combined accounted for slightly more than half (50.3%) of the total industry net business losses for the period. The only sector that recorded a net increase in the number of business was the Bicycle Retailing sector, which grew by 14 businesses.

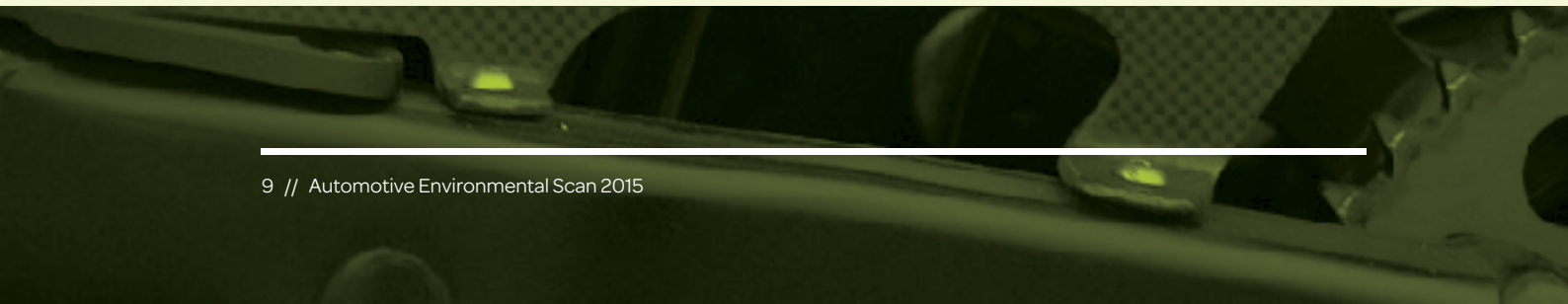
Table 3: Counts of Automotive Businesses by Sector and Employment Size Ranges – June 2013

	NON-EMPLOYING (NO.)	1-19 EMPLOYEES	20-199 EMPLOYEES	200+ EMPLOYEES	TOTAL	CHANGE FROM LAST YEAR
Motor Vehicle Manufacturing	248	180	48	5	481	-48
Motor Vehicle Body and Trailer Manufacturing	505	653	145	7	1,310	-39
Automotive Electrical Component Manufacturing	142	109	16	3	270	-13
Other Motor Vehicle Parts Manufacturing	379	439	102	13	933	-55
Agricultural, Mining and Lifting Machinery Manufacturing	844	1016	197	18	2075	-63
Car Wholesaling	675	430	41	11	1,157	-109



	NON-EMPLOYING (NO.)	1-19 EMPLOYEES	20-199 EMPLOYEES	200+ EMPLOYEES	TOTAL	CHANGE FROM LAST YEAR
Commercial Vehicle Wholesaling	122	119	30	6	277	-18
Trailer and Other Motor Vehicle Wholesaling	120	90	19	0	229	-14
Motor Vehicle and New Parts Wholesaling	1,036	1,396	127	5	2,564	-173
Motor Vehicle Dismantling and Used Parts Wholesaling	352	574	21	0	947	-74
Car Retailing	1,928	1,904	737	33	4,602	-170
Motor Cycle Retailing	338	515	25	0	878	-90
Trailer and Other Motor Vehicle Retailing	235	260	35	0	530	-13
Motor Vehicle Parts Retailing	729	1,184	46	3	1,962	-109
Tyre Retailing	540	1,492	68	0	2,100	-58
Fuel Retailing	1,103	2,568	217	3	3,891	-105
Marine Equipment Retailing	443	470	24	0	937	-39
Passenger Car Rental and Hiring	913	482	46	9	1,450	-74
Automotive Electrical Services	1,497	1,611	27	0	3,135	-117
Automotive Body, Paint and Interior Repair	4,882	5,838	218	6	10,944	-630
Other Automotive Repair and Maintenance	9,191	12,386	173	3	21,753	-765
Bicycle Retailing	20	900	137	0	1,057	+14
Outdoor Power Equipment*	60	1230	0	0	1,290	-10
Total Businesses	**26,302**	**35,846**	**2,499**	**125**	**64,772**	**-2,772**

Source: ABS Counts of Australian Businesses, including Entries and Exits, June 2013 (Cat. No. 8165.0).



KEY ISSUES AND TRENDS AFFECTING THE AUTOMOTIVE INDUSTRY

Business consolidation

The trend of business consolidation (as shown in Table 3) was reinforced in discussions held by ASA with industry during 2014. The pace of structural change is rapidly increasing and this is in line with forecasts made by ASA in previous years. While small businesses comprise more than 95% of the automotive industry, this proportion is estimated to fall to 84% by 2020, according to modelling conducted by ASA.

The process of structural adjustment will have implications for both industry stakeholders and consumers. In particular, stakeholder evidence shows the following effects are already being felt within the industry:

- The decline of independent /unincorporated businesses, particularly within the Automotive Repair and Maintenance sector
- The emergence of new business models
- The concentration of market power within specific sectors
- Constant technological change
- Challenges with job roles, skills development and training.

The decline of the independent operator

Although the imminent closure of passenger vehicle manufacturing in Australia is common knowledge, there is far less awareness of the ongoing closure of small businesses particularly within the Automotive Body Repair and Other Automotive Repair and Maintenance sectors.

Independent sole proprietor/partnership businesses within these sectors are finding it increasingly difficult to continue trading due to several factors, including:

- rising business operational and administrative costs
- the adoption of longer vehicle warranties and fixed price servicing for virtually all vehicle brands and makes
- technological change and the inherent difficulties for independent repairers in accessing vehicle service and repair information from original equipment manufacturers (OEM) and their affiliated dealerships
- the requirement to invest in costly capital equipment and the continual upgrading of skills in order to diagnose, service and repair ever-changing and complex vehicle technologies
- industry moves towards the national grading of shops and training standards within the Automotive Body Repair sector by peak industry bodies and insurance companies.

A critical development at the time of writing was the signing of a data-sharing agreement among key industry stakeholders to facilitate access for independent repairers to all information required for the diagnosis, repair, servicing, periodic monitoring and reinitialising of vehicles in line with the information manufacturers provide to their authorised dealers and repairers.[3]

Signatories to this agreement have also agreed to develop protocols relating to vehicle data access and ownership, which is particularly important given the progressive uptake of vehicle telematics technologies that enable the transmission of data relating to vehicle use, performance and diagnostics.

While this development may influence many small independent businesses to remain in the industry, overall trends point towards fewer independent repairers over time, which ultimately will lead to less choice for consumers. Although this may be the case, there are also counter arguments to the effect that many of these businesses are marginal, under capitalised, under-resourced and often portray a negative stereotype of the industry through unappealing, unsafe and 'dirty' workshop environments.

Proponents argue that a modern, clean, safe and efficient corporatised workshop that is able to invest in capital equipment and skills training is the way forward for the industry, both in terms of image, career prospects and ability to attract future recruits, even if it ultimately means fewer 'players' within the market.

The emergence of new business models

Fierce competition within key sectors of the industry, such as Motor Vehicle and Parts Retailing, Wholesaling, and Automotive Repair and Maintenance is being manifested in the desire for greater market share or power among competing businesses.

The drive to obtain a competitive advantage is leading to the establishment of new business models or arrangements aimed at deriving greater economies of scale and hence price advantages in the supply of goods and services. Key examples of these include:

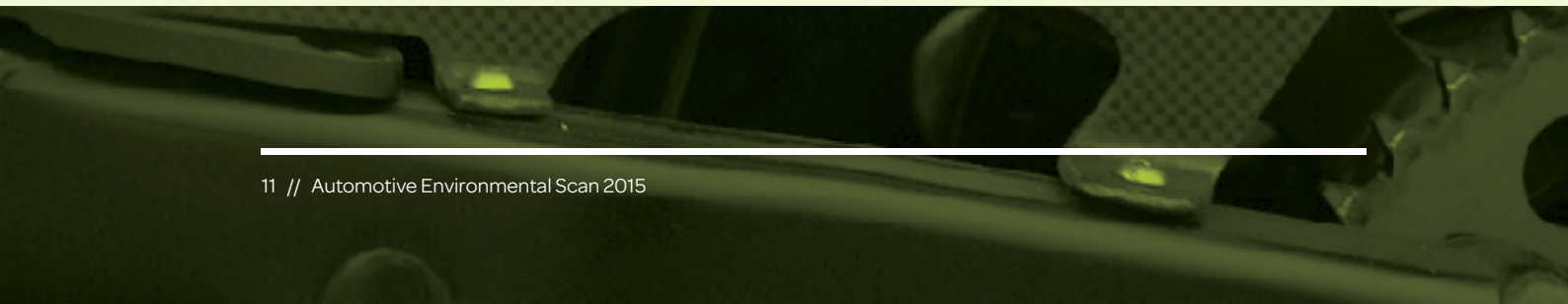
- the establishment of joint ventures between major entities in the automotive parts/aftermarket sector. Industry stakeholders claim this has the potential to influence the supply of automotive parts within the Heavy Vehicle and Light Vehicle Body and Mechanical Repair subsectors
- the emergence of duopoly arrangements within the Automotive Motor Vehicle Auction and Salvage Auction subsectors
- the direct sales of engines and parts by large parts suppliers to markets traditionally in the realm of the Engine Reconditioning subsector
- growth in the parallel import selling of OEM branded tractors and motorcycles by international-based auction houses and private business consortiums in Australia
- reports of unbalanced franchisee/franchisor arrangements in the Motor Vehicle Retail sector leading to pressure on dealerships for facility upgrades and other targets that can affect future viability.

Although such developments are essentially the product of a competitive marketplace, they may lead to further business churn and perhaps even the emergence of new sales models for businesses within these sectors in the future.

Technological change, skills and changing job roles

The increasing complexity of motor vehicles – as evidenced through the merging of electronic and mechanical technologies, intelligent transport systems, navigation, tracking and infotainment systems and the embedded network of computerised controls that manage these technologies – is placing greater demands on the skills base of the workforce.

The mechanic of yesteryear worked with less complex vehicle technology and could fix almost every problem across a broad range of motor vehicles; today's automotive technician is more likely to be a specialist. With the rate of technological change, it is difficult for even an experienced technician to keep up with the required technical knowledge without constant upskilling and training.



A key problem area within the current skills base that is often raised by industry is the absence of effective practical skills in vehicle diagnostics. This involves troubleshooting or fault-finding skills, along with the appropriate action to repair the problem. Even with the use of diagnostic scan tools in modern vehicle servicing that raise diagnostic trouble codes (DTCs) for particular vehicle faults, there is still a large element of misdiagnosis or failure to adequately pinpoint the real source of particular vehicle problems. This failure has led to a culture of parts replacement within the industry, which has helped foster a recent boom in the automotive parts supply sector. A key example that is often raised is the replacement of the oxygen sensor, which is one of the most frequently replaced items on a car, yet only around 15% are actually found to be faulty.[4]

Discussions with industry stakeholders have revealed deep concerns regarding such practices. It has been expressed that diagnostic scan tools are not a panacea for today's generation of vehicles and technicians. They simply indicate a problem area, but do not necessarily pinpoint what the problem actually may be. This requires a deeper understanding of the workings of vehicle systems and electrical theory and electronics, including the conditions that caused the fault code to be displayed. This often necessitates the effective use of specialised equipment such as oscilloscopes, multimeters and scan tools that capture live data and snapshots for analysis.

In the absence of such knowledge, many technicians are removing and replacing whole parts or vehicle components on the basis of a diagnostic scan tool trouble code reading, often at great cost to the consumer. The source of the problem, however, may have been a faulty wire or connector or some other simple solution. This has led to a marked increase in the level of consumer dissatisfaction concerning misdiagnosis of vehicle faults, as reported in the media. This is manifested through the inconvenience to the consumer of undertaking multiple visits to a dealership to fix a problem and often higher service costs for parts that are often not covered by the vehicle warranty.[5]

Traditionally there has been a divide been mechanical and electrical technicians, with a general reluctance by many to cross over into each other's space. The integration of mechanical and electronic technology in modern vehicles has changed this balance. Many vehicle service and repair workshops now expect a mechanical technician to have competency in all but the most complex of electrical and mechanical tasks, particularly in the case of independent workshops. Staff in these workshops are required to work on a variety of different vehicle brands, as distinct from the service department of an OEM-affiliated dealership that may specialise in only one or a limited number of brands.

To address these issues, in consultation with industry ASA has developed qualifications and units of competency that precisely reflect the job role within a contemporary automotive service and repair workplace. These units of competency contain very descriptive knowledge requirements that include underpinning knowledge and demonstrable performance evidence that can be observed in the training facility or the workplace. ASA has also ensured that units of competency contain the appropriate training resources and diagnostic tools for analysing contemporary vehicles, so that students can gain an effective understanding of the diagnostic process.

As vehicle technologies evolve further and with the increased adoption of hybrid and battery electric vehicles over time, it is likely that there will be a greater segmentation of skills within the automotive industry with narrower and deeper specialisations in vehicle brands or technologies being the norm.

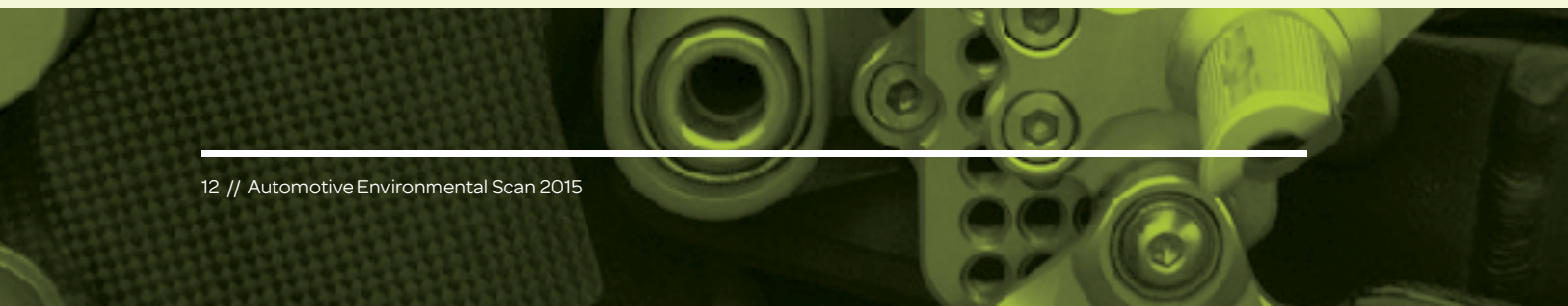
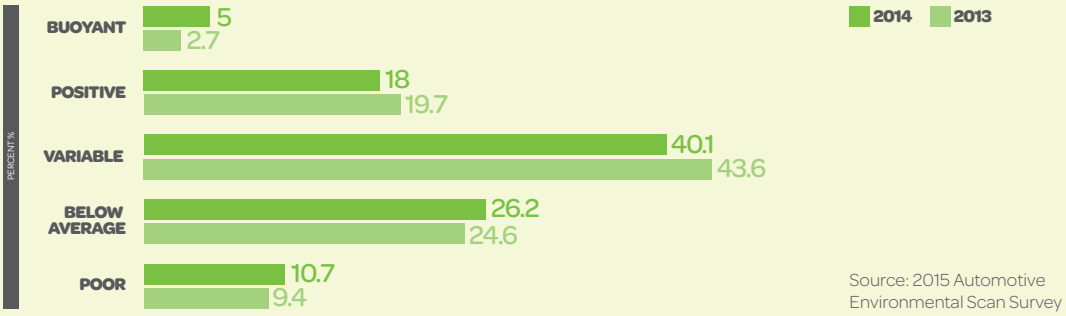


Figure 1: Reported business conditions in the automotive industry.



Source: 2015 Automotive Environmental Scan Survey

Policy issues

It is clear that all sectors of the automotive industry are undergoing fundamental change. The fact that there will be no car manufacturing beyond 2017 now requires the focus to shift to other areas of the industry. The spotlight needs to be placed on areas that have usually been overlooked but will be central to the composition of the industry in the future.

Federal moves towards a Senate inquiry into the automotive industry are one step in the right direction towards a fresh approach where manufacturing no longer plays a key role.

What is particularly required is:

- a cohesive policy framework for the entire industry
- an understanding of the critical issues facing each sector
- a clear understanding of policy direction for industry stakeholders
- clearly defined policy outcomes that are measurable and can be implemented.

There has been a considerable investment in skills and expertise across all sectors of the automotive industry over a long period of time. This should be viewed and used as a strategic asset for future generations.

Current business environment

A national survey of 500 automotive businesses conducted by ASA during October 2014 (the 2015 Automotive Environmental Scan Survey) revealed that the majority of business respondents (40.1%) were experiencing variable business conditions across most automotive sectors. More than one-quarter of respondents (26.2%) reported below average growth, followed by 18% reporting positive business conditions and 10.7% experiencing poor conditions. A small proportion of respondents (5%) reported buoyant business conditions.

These responses are displayed in Figure 1 and represent a slight deterioration in business conditions over the previous year. A small level of variability was observed in responses across states and territories. Business intelligence conveyed to ASA through industry and stakeholder meetings supports these overall findings. In terms of business responses by sector, buoyant and positive responses were highest within the Bicycle sector and were lowest within the Passenger Vehicle Manufacturing, Vehicle and Parts Retail and Wholesale sectors.

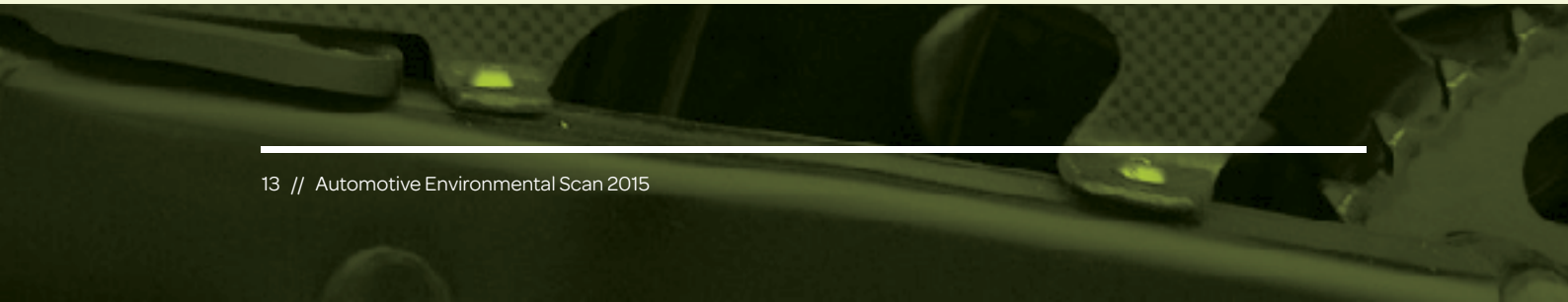
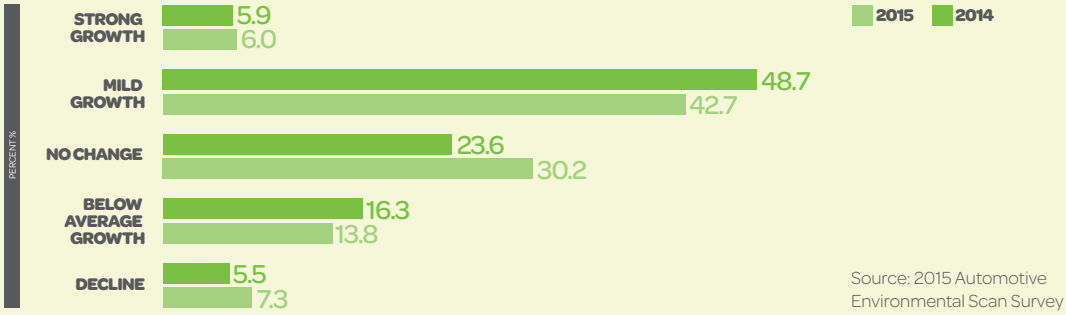


Figure 2: Business expectations for 2015, automotive industry.



Source: 2015 Automotive Environmental Scan Survey

Business expectations

In terms of business expectations for 2015, results from the E-Scan survey were broadly analogous with the previous year's results, with the majority of respondents (42.7%) cautiously expecting mild growth. Expectations for strong growth were highest among the Outdoor Power Equipment and Bicycle sectors, whereas declining business expectations were most prevalent within Motor Vehicle and Parts Manufacturing sectors and the Heavy Vehicle sector.

Key business issues

Figure 3 shows the survey results for key business issues affecting the automotive industry. In order of importance these are:

- maintaining profitability
- economic conditions
- government policy/regulation
- labour costs
- technological change
- business survival over the next one to five years.

These particular issues have consistently been identified by automotive businesses over the past four years of the survey. Consultations with business enterprises and industry stakeholders nationally also supported these findings. A new observation, however, is that business survival over the next one to five years is now listed as a significant issue for many respondents.

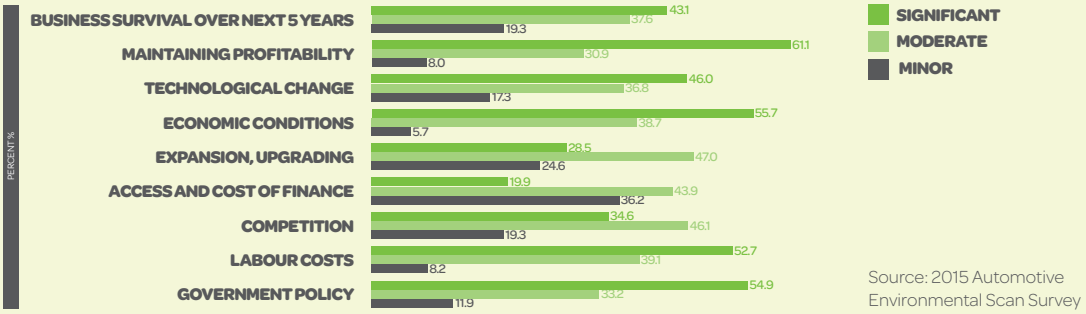
Key factors underpinning these responses include the regulatory impost on businesses by government, the closure of passenger vehicle manufacturing operations, the lack of access to technical repair information for many independent repairers, drought conditions affecting sales of agricultural machinery in many rural and regional areas, and heightened concerns over the possibility of changes to new or used car import regulations.

Key labour issues

Key labour issues as identified by respondents to the E-Scan survey include:

- attracting skilled workers
- achieving productivity improvements with current staff and skills base
- adoption of higher skill levels across the workforce.

Figure 3: Key business issues.



Source: 2015 Automotive Environmental Scan Survey

These issues have also been consistently reported over the past four years of the survey. Consultations with stakeholders confirmed that the industry continues to struggle to compete with other industries such as building and construction and mining and resources for skilled labour. As a consequence, the use of imported labour, such as 457 visa category labour, has gained a foothold among many businesses.

Other factors affecting the industry's ability to attract new entrants include negative community stereotypes about the image, pay and working conditions and the fact that more students are going on to university studies rather than considering a trade career. The irony is that with rapid technological advances in motor vehicles, the automotive industry requires a higher calibre of skilled worker than at any time in the past, yet the most suitable students with maths, science, IT and English skills are lured to a university education. Unfortunately, this leaves a cohort of under-achieving students from which employers have to choose.

Apprentice hiring intentions

Results from the E-Scan survey indicated that the majority of business respondents (57%) did not employ any apprentices, which was a slight increase on last year (53%). Furthermore, only 25% of all respondents reported any intention of hiring apprentices over the next 12 months, with the majority of these (60%) indicating they intended to hire only one apprentice.

Reduced hiring intentions were also confirmed during consultations with industry. For the first time, many within the Heavy Vehicle sector, which has been a strong recruiter of apprentices, indicated that they would not be hiring any apprentices during 2015 as a result of tighter-than-expected market conditions. The majority of respondents (56%) also reported that government incentives were not a critical factor in their decision to employ an apprentice.

Training and workforce development

The survey results clearly showed that the economic situation is affecting apprentice recruitment. The upskilling of existing employees was more of a training priority for most businesses, particularly product or proprietary training where 84% of respondents reported using it in the workplace over and above the national training qualifications. Most respondents (53%), however, also indicated that they did not have any formal plans in place to develop their workforce in the next 12 months, which is in contrast to last year where the majority (55.8%) indicated they had plans to develop their workforce.

Skills shortages

Table 4 shows the results of modelling undertaken by ASA of key skill shortages within the Australian automotive industry. Results from the E-Scan survey were combined with ABS labour force data to derive numerical estimates of skill shortages as reported by business respondents during October 2014. Overall, 40.6% of the 500 respondents reported experiencing skills shortage. This represents almost a 8% reduction over reported shortages from last year and is the lowest proportion of skill shortages recorded over the past four years of the industry survey.

Intelligence provided by stakeholders indicates that there has been some flow of labour back towards the industry as a result of the end of the mining and resources boom. Along with ongoing business rationalisation, consolidation and the recruitment of imported labour by many businesses, this may account for the declining proportion of reported skill shortages.

The occupations reported in Table 4 are not a complete list of all occupations reported to be in shortage, but represent the most numerically significant results from the modelling undertaken. Total skilled labour shortages are estimated at approximately 16,359 nationally, which represents a decrease in the demand for skilled labour of 5,441 positions compared to last year.

The Automotive Repair and Maintenance sector contained the highest proportion of skill shortages, within which Light Vehicle Mechanical Technicians and Body Repair Technicians represent the most significant skill shortages (5,716 and 2,700 persons respectively). Other skilled occupations recording notable shortages include Vehicle Refinishng Technician, Heavy Vehicle Mechanical Technician, Automotive Electrical Technician, Spare Parts Interpreter, Motor Vehicle and Parts Salesperson and Bicycle Mechanical Technician.

Although 40.6% of all survey respondents reported that they were affected by shortages of skilled labour, when asked about their expectations over the next 12 months 55% reported that they expected to be affected by skill shortages. Expectations of mild growth in the economy and competition for skilled labour with other industries were cited as key factors in this response.

Table 4: Key national skill shortages by sector and occupation, October 2014

SECTOR	REPORTED OCCUPATIONS IN SHORTAGE	NATIONAL SHORTAGE ESTIMATE (NUMBER)
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter Salespersons	552 325
Motor Vehicle Retailing	Vehicle Salesperson	618
Motor Vehicle Parts and Tyre Retailing	Spare Parts Salesperson Spare Parts Interpreter Tyre Fitter	412 374 190

Table 4: Key national skill shortages by sector and occupation, October 2014 (Continued)

SECTOR	REPORTED OCCUPATIONS IN SHORTAGE	NATIONAL SHORTAGE ESTIMATE (NUMBER)
Automotive Repair and Maintenance	Light Vehicle Mechanical Technician Heavy Vehicle Mechanical Technician Mobile Plant Technician Service Advisor Body Repair Technician Vehicle Refinishing Technician Automotive Electricial Technician Motorcycle Mechanical Technician	5,716 1,567 216 313 2,700 1,900 623 150
Bicycle Retailing	Bicycle Mechanical Technician	553
Marine Equipment Retailing	Marine Mechanical Technician	150
Outdoor Power* Equipment	Outdoor Power Equipment Technician Salesperson	NA NA

Source: 2015 Automotive Environmental Scan Survey; ABS Labour Force data. NA: No skill shortages were recorded within this sector.
*Estimates are not available for this sector due to lack of ABS data.

Consistently from year to year, the top three reasons given by respondents for current and future skilled labour shortages include:

- the attraction of existing labour towards other industries (e.g. the mining, resources and construction industries)
- not enough people entering automotive trades
- the poor quality of available candidates.

Most respondents (75%) did not see low wages as a major issue contributing to skills shortages and this has been a consistent observation across surveys.

Most businesses reported increased labour costs, loss of profit and an inability to expand and reach their goals as direct consequences of persistent skill shortages over recent times.

OTHER TRENDS

Motor vehicle retailing

As outlined in Table 1, the Motor Vehicle Retailing sector recorded strong employment growth over 2013-14. After a couple of poor results in October and November 2014, trend sales of new motor vehicles grew strongly (3%) in December 2014 to be approximately 1.1 million for the year, which is around 1% lower than 2013. It is likely that discounting from car dealers and consumer concerns that car prices could rise as the Australian dollar falls may have influenced the late surge in sales.

Passenger vehicle sales rose 2.8% in December but declined by 7.1% over the year, while sales of commercial vehicles grew strongly in December (6.5%) to record a modest increase over the year. The growth in commercial vehicle sales was spread across the states, with Queensland and Western Australia recording the highest growth (10%) followed by growth of between 5% and 7% in the other mainland states.[6]

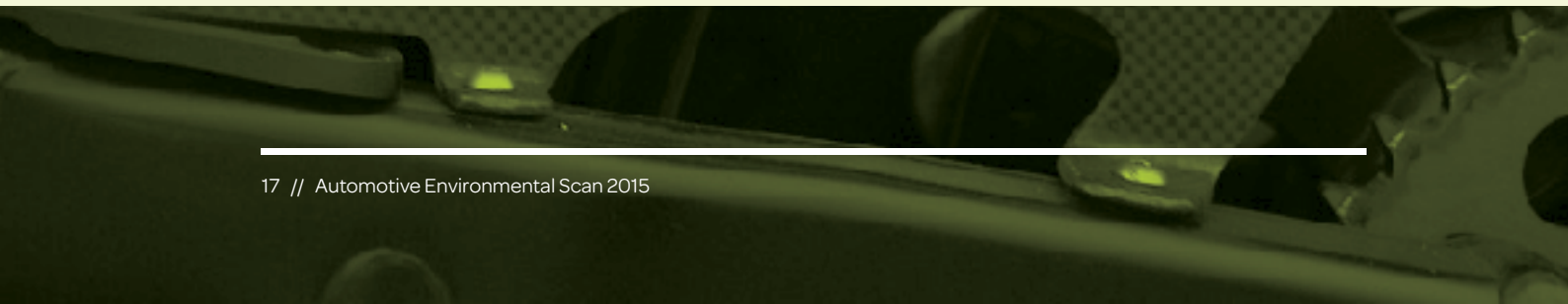
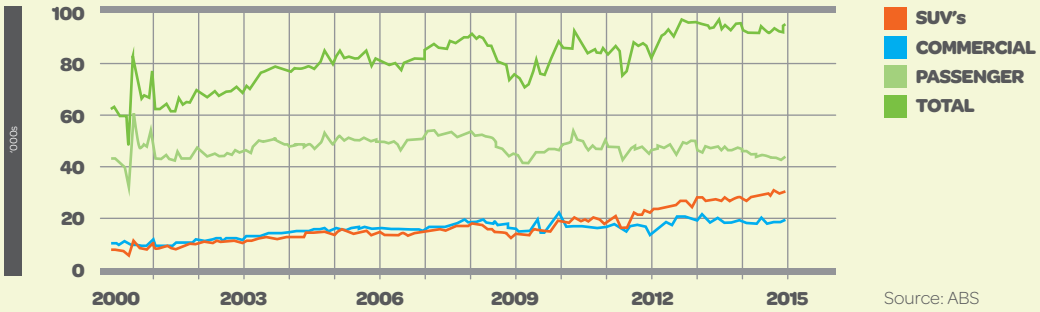


Figure 4: Australian motor vehicle sales, 2000-14.



Source: ABS

Overall vehicle sales continue to show a trend increase in Victoria and New South Wales, but are well down in the mining states compared to peaks achieved earlier as shown in Figure 5. Trend sales of motor vehicles in Western Australia have fallen by approximately 20% over the past two years.

Bicycles

The Bicycle sector recorded a modest increase in employment in 2013-14, but the business environment remained challenging with bicycle imports down by almost 10% over the year. The parts and accessories sector is extremely susceptible to offshore purchases, which are easily transportable and cost less because they do not carry the GST or import duties imposed on Australian importers and retailers.

Although the Bicycle sector has experienced a significant turnover of shops, averaging approximately 5%, retail business numbers remain relatively stable as new stores keep opening. It is also reported that bicycle wholesalers are taking a more active role in the management of retail stores.

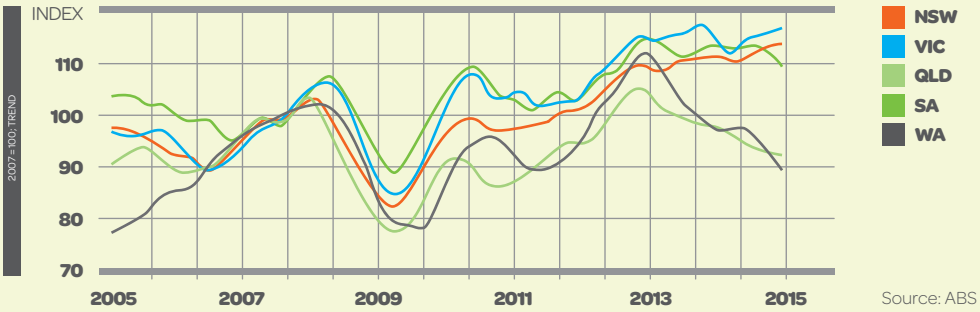
Of key concern to the sector is that bicycle mechanical technicians remain in critical shortage and that the growth in the number of people cycling has not been reflected in growth within the sector. Furthermore, it is claimed that government decisions affecting the retail and training environment have had an adverse impact on the Bicycle sector, with industry concerns around the quality of support for road-going vehicles being reduced due to these decisions.[7]

Marine

The Marine sector covers a range of skills and occupations, from boat building to marine mechanical technicians, designers, salespeople, training specialists and tourism operators. Commonly across the sector there is a shortage of people entering to take up a career. Although the sector had modest growth in sales revenue (1.5%), employment contracted by 5% and the future development of the workforce is a growing concern.

Recent and ongoing changes to VET coupled with the challenges of increasing costs of living have led to a reduction in the number of apprentices. The Boating Industries Alliance Australia (BIAA) State of Industry Survey, conducted in December 2014, indicated a reduction in apprentice training positions of almost 15%. Approximately 28% of companies supported apprentices, with the vast majority of these (85%) employing one or two apprentices, with less than 3% employing more than 10 apprentices.

Figure 5: Australian motor vehicle sales by state, 2005-14.



Source: ABS

It is claimed that past decisions to reduce on-the-job training within some sectors have contributed towards a shortage of skilled people and a drop in the number of training providers supporting the sector as a whole. The complexity of the VET environment is also a concern, particularly for the trade associations tasked with supporting the sector. Efforts to bolster capabilities to engage with skills councils, training providers and policy makers will be prioritised in 2015.

The key focus over the next three to five years is the marketing of the Marine sector as a viable and worthwhile option for those seeking careers and the rewards that come with success. This will demand a well-educated and well-trained workforce.[8]

The vocational education and training (VET) environment

Auto Skills Australia is responsible for the development and maintenance of two Training Packages that contain the vocational qualification requirements for the automotive industry. These are Automotive Manufacturing (AUM) and Automotive Retail, Service and Repair (AUR). There are 57 qualifications embedded within the latest version of these Training Packages and there are 242 registered training organisations delivering these qualifications.

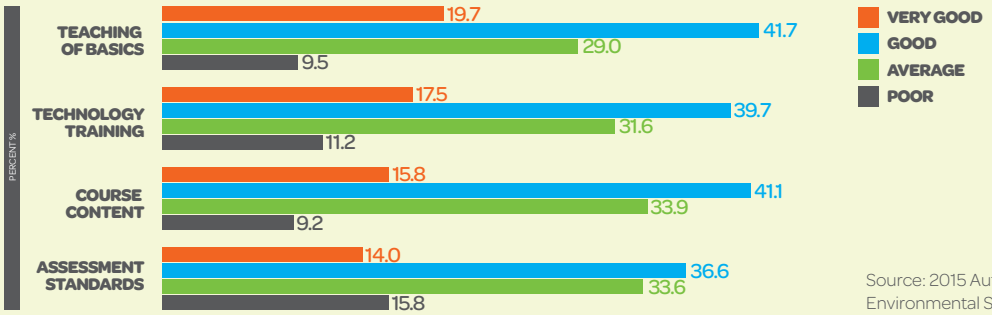
Industry satisfaction with training

Industry perceptions and use of vocational education and training are key indicators for the overall performance and quality of the VET system. Stakeholder intelligence compiled from the 2015 E-Scan survey indicated a good level of satisfaction across a range of key measures (see Figure 6).

The results shown in Figure 6 are broadly in line with last year's industry survey results, with one notable observation being a 4.5% decline in the proportion of respondents that considered the teaching of basics by training providers as being 'very good'. Assessment standards still remain the least favoured aspect of the training system.

While these overall results remain positive, the use of the training system among industry remains divided. Estimates compiled by ASA indicate that on average around 47% of automotive businesses actually use the national training system. The high concentration of sole proprietor businesses within the industry is a major contributing factor, given that many of these operators have no time or resources to allocate towards upskilling or training. With the increasing attrition of such operators as described earlier, it is to be expected that the proportion of automotive businesses engaging with the VET system will increase over time.

Figure 6: Automotive industry satisfaction with training providers.



Source: 2015 Automotive Environmental Scan Survey

Business forums conducted by ASA nationally also revealed other insights as to why some employers choose to remain disengaged from the VET system. These include:

- dissatisfaction by some employers with RTOs lack of access to technology
- a disconnect between training at RTOs and what is required in the workplace
- the disappearance and lack of access to many courses, especially in regional areas
- dissatisfaction with the early completion of many apprenticeships.

In addition to the use of national training qualifications, 40% of respondents also reported that they regularly used proprietary or product training within the workplace. This adds to the notion that there is distinct population of businesses that have an active training focus or mentality. Evidence shows that it is these businesses that invest in training that are best equipped to manage the transitions affecting the industry and emerge stronger as a result.

Graduates' satisfaction with training

Results from the 2014 Survey of Student Outcomes undertaken by the National Centre for Vocational Education Research (NCVER) showed that of all VET graduates, automotive graduates had among the highest levels of satisfaction with the quality of their training (91.7% satisfaction). Automotive graduates were also among the highest employed after completion of training, with 86.4% being employed after completing training in 2014, which was above the average for all VET graduates (77.6%).

Although these results are quite positive, it is estimated that up to 46% of automotive graduates are in a different occupation group six months after completing their training. This implies that there is significant job churn among graduates. Although this may not be ideal for some employers, it reflects the portability and flexibility of the AUR and AUM qualifications, which are valued across other job roles and industries.

VET policy issues and recommendations

The Australian apprenticeship system in partnership with RTOs and industry has been the primary model of skills formation and delivery in the automotive industry over the past 100 years or more and continues to remain the preferred model of skills development.

Automotive apprentices and trainees are also used across other industries such as mining, building and construction and transport and logistics. However, the ability of RTOs to deliver effective skills training in key areas such as heavy vehicles and mobile plant is contingent on being able to access sufficient funding and resources to invest in specialised equipment. Without such appropriate financial support, the quality of future skills delivery in these and other specialised areas could be at risk.

Another area of concern is in the provision of pathways between the VET sector and universities. Having appropriate course articulation between RTOs and universities is a desirable objective in helping raise educational aspirations and outcomes for many students. Additionally, this could also lead to enhanced career opportunities within the workforce.

In practice, however, existing articulation arrangements between the VET and higher education sectors are quite weak. There is little in the form of unified pathways and evidence of such applications remains inconsistent. Furthermore, there is a lack of information and transparency surrounding these matters and this limits student transitions between VET and university. Regrettably, these issues are even observed within 'dual sector' institutes. A key factor in this regard is the separate funding and regulatory arrangements that exist between the VET sector and higher education.

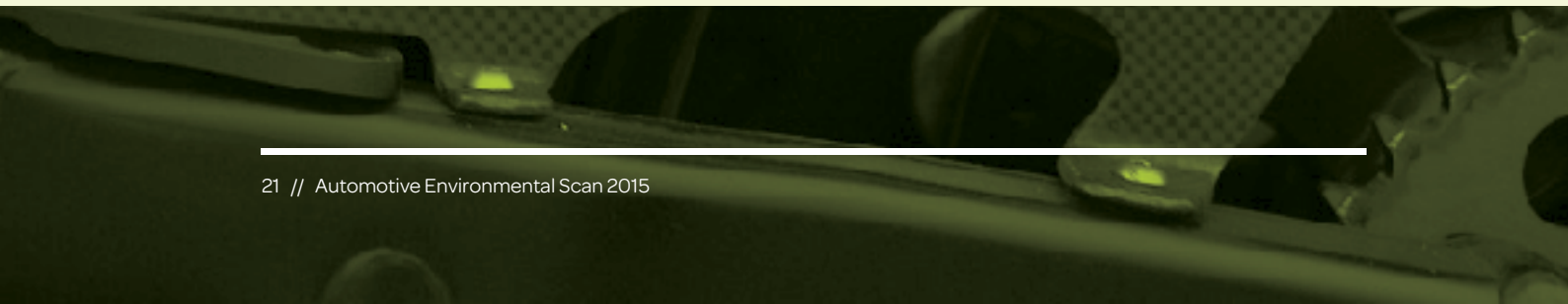
In recent years, the operation of a competitive training market has also seen the number of registered training organisations (RTOs) increase from approximately 3,000 in 2011 to around 5,000 in 2013-14.[9] This huge increase has been predominantly driven by the growth of private RTOs. Essentially, the situation now is that there are too many RTOs delivering training in what is a very crowded market.

Within this saturated training environment, the competition for students has affected the ability of many RTOs to deliver courses and provide services as expected by the business and general community. Of particular note is the diminishing ability of RTOs to service regional areas as well as thin (low volume) training markets. The provision of training in critical skilled trades such as automotive electrical, marine, motorcycle, engine reconditioning and bicycle mechanical are rapidly disappearing within RTOs due to low student numbers and the costs associated with running such courses.

In many regional areas, an RTO is the only post-school education facility available to the local community, necessitating the provision of a wide range of courses covering the needs of both regional employers and the wider community.

Another issue that has emerged within this crowded RTO environment is what has been referred to as 'cherry picking'. This relates to the alleged practice of many RTOs whereby they pick out and deliver the cheapest and least resource intensive units within a VET qualification and offer these to students at a cheaper rate. This practice often makes the delivery of full qualifications by the larger RTOs unviable.

Recent studies conducted by NCVER also indicate that parents may hold the key to young people's aspirations and this can have a direct impact on students' educational and job outcomes.[10] Developing policies and interventions that successfully leverage the influence of parents may yield a substantial pay-off with respect to changing or raising the educational and occupational aspirations of young people. This may be particularly important in the context of dealing with persistent skill shortages.



Section 2 Identified Workforce Development Needs

NEW SOUTH WALES AND ACT

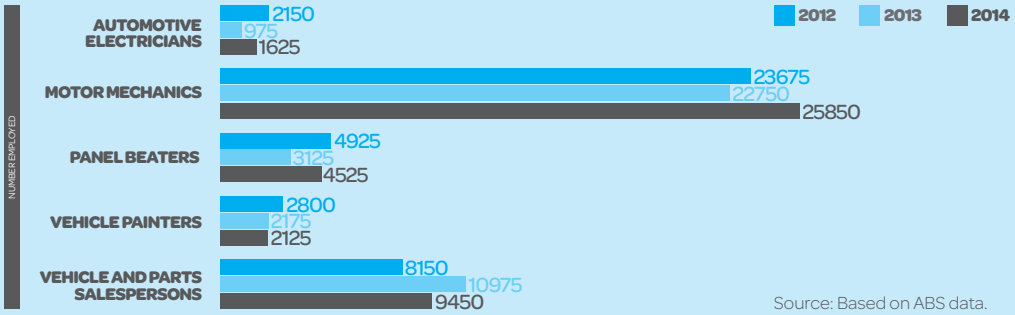
According to ABS data, New South Wales (NSW) recorded a total workforce of 92,980 people employed within the automotive industry in 2013-14. The Australian Capital Territory (ACT) recorded employment of 3,145 people within the industry over the same period (Tables 6 and 7). Annual aggregate industry employment growth was estimated at 1.3% for NSW and 12.9% for ACT in comparison with 2012-13 estimates supplied by ABS.

Table 5: Summary snapshot, automotive industry, New South Wales

STATE SUMMARY STAPSHOT	
Employment	92,980 people
Motor vehicle fleet, January 2014	5,102,352 vehicles
Average age of motor vehicle fleet	9.6 years
Number of automotive businesses	18,402
Employer-sponsored 457 visa Motor Mechanics as at September 2014 (NSW)	310 people
Employer-sponsored 457 visa Motor Mechanics as at September 2014 (ACT)	20 people

Source: Based on ABS, NCVER and Department of Immigration and Border Protection data.

Figure 7: Number employed in key occupations, NSW, year ending February



Source: Based on ABS data.

At the business level, the latest available Australian Bureau of Statistics (ABS) data (2012-13) shows a net decrease of 779 automotive businesses within NSW compared with the previous year. Approximately half of this decrease occurred within the Automotive Repair and Maintenance sector, comprising almost wholly sole traders and small businesses within Vehicle Servicing, and the Body, Paint and Interior Repair subsectors.

The ACT by contrast also had far fewer business closures, with only 24 fewer businesses recorded as at June 2013 compared with June 2012.

A key trend shown in Figure 8 is that employment of Motor Mechanics in the ACT for the year ending February 2014 is less than half the number employed over the same period in 2012. Employment of Panel Beaters, however, has quadrupled in the ACT over the same period.

For automotive apprentices, NSW and ACT had similar trend patterns of declining numbers of apprentices and trainees in-training as well as annual commencements (Figures 9 and 10). Automotive apprentices and trainees are at their lowest levels of any period over the past four years.

Industry forums and stakeholder meetings conducted by ASA in NSW and ACT indicate some key issues of concern around the state of the industry and specific workforce development requirements.

In NSW, industry stakeholders reported declining levels of business activity for small and independent automotive repair workshops, with many business operators saying they were in survival mode. This was attributed to many factors, including:

- the greater reliability of modern motor vehicles
- the proliferation of extended vehicle service intervals
- the adoption of capped price servicing for virtually all vehicle brands and makes along with lengthy new vehicle warranties
- customers delaying or neglecting scheduled vehicle servicing for vehicles that are out of warranty, often to the point of experiencing major mechanical failures or serious safety issues
- difficulties for independent repairers in obtaining access to vehicle service and repair information from original equipment manufacturers (OEMs) and their dealerships. This is being exacerbated by moves among some OEMs to eliminate vehicle service log books
- challenges for existing business models through the rise of new business conglomerates within automotive parts and other key sectors
- the vertical integration of vehicle body repair work within insurance company operations.

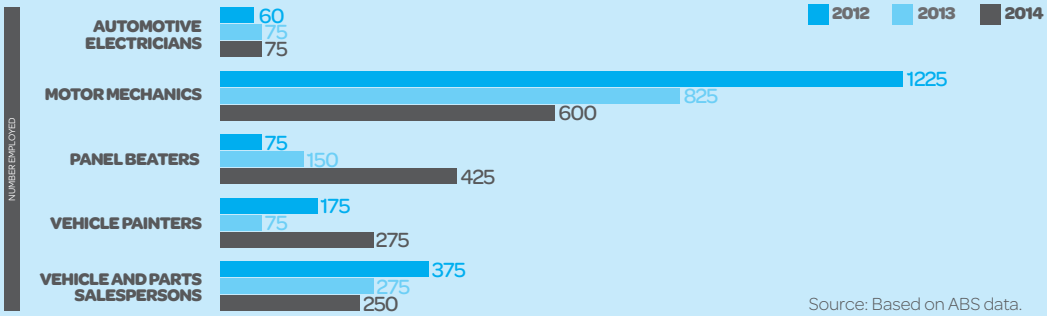
Although the Automotive Repair and Maintenance sector is facing significant challenges, other sectors are faring much better. The Vehicle Body Building subsector reported positive business conditions as a result of ongoing growth in vehicle freight and the upgrading of rail infrastructure across NSW.

This has resulted in significant levels of capital investment within the subsector to satisfy volume and quality requirements for vehicle bodies and trailers, in accordance with the standards imposed by the national heavy vehicle regulator. Positive business conditions were also reported within the Recreational Vehicle subsector, with a growing demand for caravans and motor homes among retirees that has in some cases caused bottlenecks in vehicle supply.

In the ACT, a rather different business environment prevails. Being an economy heavily based on the public service, the ACT is reported to be experiencing heightened levels of consumer and business uncertainty as a result of budgetary changes that are affecting public servants. This has translated into:

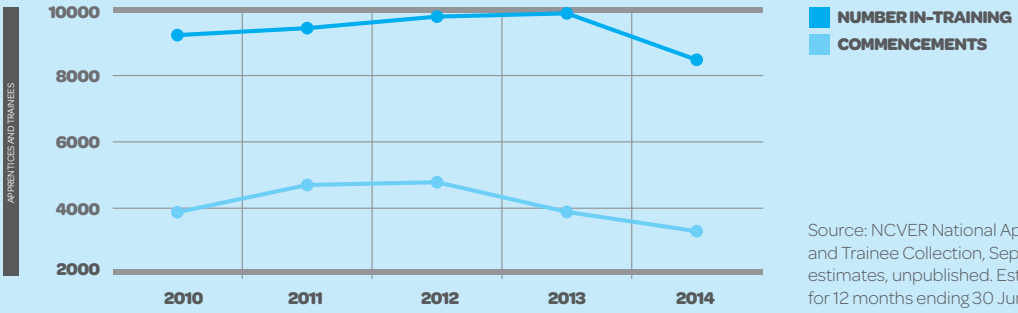
- reductions in consumer expenditure on vehicle upkeep and purchases
- reports of up to a 50% decrease in turnover in car servicing at some dealerships
- vastly reduced levels of apprentice hiring by businesses as a result of significant decreases in the volume of work.

Figure 8: Number employed in key occupations, ACT, year ending February



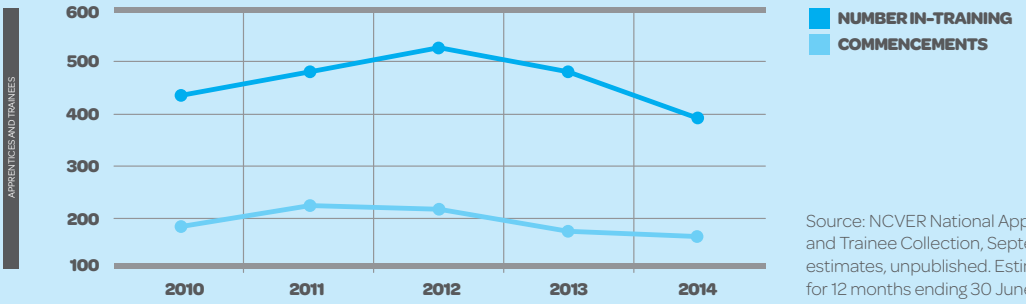
Source: Based on ABS data.

Figure 9: Apprentices and trainees, AUR Training Package, NSW



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

Figure 10: Apprentices and trainees, AUR Training Package, ACT



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

Table 6: Sector profile, automotive industry, NSW

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	6,925	723	-30
Motor Vehicle and Parts Wholesaling	5,600	1,604	-141
Motor Vehicle Retailing	18,275	1,762	-118
Motor Vehicle Parts and Tyre Retailing	4,675	1,218	-27
Fuel Retailing	8,475	1,421	-49
Automotive Repair and Maintenance	43,325	10,736	-396
Passenger Car Rental and Hiring	2,300	421	-14
Bicycle Retailing	1,295	265	+10
Marine Equipment Retailing	850	252	-14
Outdoor Power Equipment Retailing*	1,260*	NA	NA
TOTAL	**92,980**	**18,402**	**-779**

Source: ABS data. *Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

Table 7: Sector profile, automotive industry, ACT

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	50	9	-6
Motor Vehicle and Parts Wholesaling	75	35	0
Motor Vehicle Retailing	475	61	-1
Motor Vehicle Parts and Tyre Retailing	325	38	-1
Fuel Retailing	200	21	-4
Automotive Repair and Maintenance	1,700	334	-13
Passenger Car Rental and Hiring	145	12	-3
Bicycle Retailing	109	22	+1
Marine Equipment Retailing	9	6	+3
Outdoor Power Equipment Retailing*	66*	NA	NA
TOTAL	**3,145**	**538**	**-24**

Source: ABS data. *Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

KEY WORKFORCE DEVELOPMENT REQUIREMENTS

Consultations with industry stakeholders across NSW and ACT revealed a common set of workforce development priorities resulting from the current business environment and the national VET system. These included:

- strengthening of diagnostics skills among automotive technicians and apprentices, including the ability to interpret and work with live data
- the need for workers to keep abreast of technological change by constantly upgrading their technical knowledge and skills through attending OEM product training courses and other means
- the need for automotive technicians to be appropriately cross trained in both mechanical and electronics skills
- the need to have appropriate ratios of apprentices to skilled tradespeople on the workshop floor to ensure effective training and supervision of apprentices
- exploration of the concept of developing separate automotive qualifications for entry into OEM-affiliated dealerships versus independent automotive service and repair workshops.

Current skill shortages

Results from the 2015 Automotive Environmental Scan Survey were modelled in conjunction with ABS labour force data by ASA to derive estimates of key skill shortages for NSW and ACT combined (see Table 8).

The skill shortages identified in Table 8 are not a complete list of all occupations reported as being in shortage, but rather the most critical and numerically significant shortages as identified by NSW and ACT respondents in the E-Scan survey.

In addition to these skill shortages, Transmission Specialists were also identified within industry forums as being in shortage in NSW for light and heavy vehicles.

On average, approximately 44% of survey respondents in NSW and ACT indicated that they were experiencing skill shortages, with a higher proportion (57%) expecting shortages over the next 12 months.

The key factor raised by all respondents was that the shortages related to good-quality, competent and experienced tradespersons, who are very difficult to source within the labour market. They do not relate to shortages of apprentices, as industry demand for apprentices has been significantly curtailed by the tough business environment.

Barriers to overcoming skills and labour shortages

The survey results indicate several key barriers associated with skills and labour shortages within NSW and ACT. These include:

- difficulties in attracting and retaining skilled automotive labour
- difficulties in luring the right candidates into automotive trades
- the prohibitive cost of constantly upskilling staff
- the movement of skilled automotive labour towards other allied industries.

Many business operators said that skill levels observed in both qualified tradespersons and apprentices were deficient. The complexity of modern vehicles is thought to be beyond the technical capabilities of many workers as well as new entrants, particularly diagnostics and repair work.

Table 8: Priority skill shortages – NSW and ACT combined

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Motor Vehicle Body and Trailer Manufacturing	Welder/Fabricator	78
Automotive Repair and Maintenance	Light Vehicle Mechanic	2,561
	Diesel Motor Mechanic	576
	Panel Beater	1,329
	Vehicle Painter	886
	Automotive Electrician	217
	Vehicle Trimmer	60
	Motorcycle Mechanic	100
	Service Adviser/Manager	130
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	200
	Parts Salesperson	102
	Administration	55
Motor Vehicle Retailing	Salesperson	250
	Car Detailer	139
Motor Vehicle Parts and Tyre Retailing	Spare Parts Salesperson	117
	Spare Parts Interpreter	98
	Tyre Fitter	190
Bicycle Retailing	Bicycle Mechanic	120
Marine Equipment Retailing	Marine Mechanic	58
Outdoor Power Equipment*	Small Engine Mechanic	NA
	Salesperson	NA
Vocational Education and Training	Automotive Teacher	Reports of shortages across training providers

Source: 2015 Automotive Environmental Scan Survey; modelled ABS labour force data.
* Estimates not available for this sector.

A contributing factor, according to industry, is the fact that many people directed towards an automotive career, particularly through the school system, are often the wrong candidates. As a result of such poor advice or direction, the attrition rate for automotive apprentices is unacceptably high (almost 50%) and this has been the case for many years.

It was also reported that skilled automotive tradespersons were still being lured towards the mining and resources and building and construction industries in the search for greater monetary rewards, which affects the available supply of skilled labour and further contributes to skill shortages.

Solutions and potential sources of labour

The industry is highly critical of the role of school careers advisers and the information they provide to students. There is a belief that many careers advisers are not specifically trained for the position and not abreast of the skill and technical requirements of the automotive industry. Many continue to believe that automotive trades are for students with poorer academic abilities or those who are unable to complete their secondary education. Consequently, they will steer such underachieving students towards automotive trades.

The technological sophistication of modern vehicles requires apprentices with proficiency in maths, science, IT and English. It is this type of apprentice who will be best placed to understand the operation of complex computerised mechanical and electrical systems inherent in motor vehicles. Unfortunately, such higher-achieving students are steered towards university, not just by careers advisers but also by their parents.

It is critical that negative perceptions and stereotypes about the automotive industry are corrected within the school and home environments. This will require a concerted education and marketing campaign with widespread industry stakeholder participation. Automotive businesses will not accept students without Year 11 or Year 12 credentials and this message needs to be widely understood within the community. Many automotive employers have also suggested the need for national aptitude tests that incorporate a literacy and numeracy assessment as a compulsory requirement to qualify apprentices before they are offered an apprenticeship contract.

Many business operators are showing greater creativity in the strategies and incentives used to attract and retain skilled labour. This could involve the use of monetary and non-monetary rewards, training incentives, career pathways and other initiatives. The Heavy Vehicle sector actively uses such strategies to its advantage and is reported to have much better retention rates.

VICTORIA

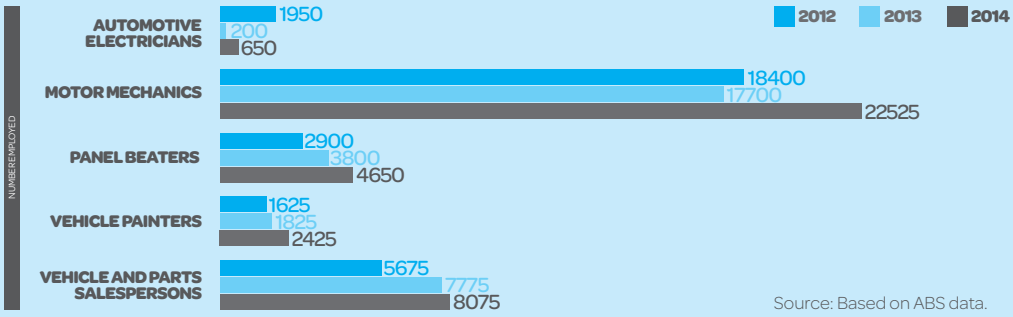
Victoria's automotive workforce grew by 1,454 or 1.5% during 2013-14. Total industry employment was recorded at 100,687 for the period and remains the largest of any state. This situation will change when motor vehicle and parts manufacturing operations cease at the end of 2017. On current trends, modelling undertaken by ASA indicates that Victoria's total automotive workforce will reduce to approximately 87,000 after the closure of manufacturing operations.

Table 9: Summary snapshot, automotive industry, Victoria

STATE SUMMARY STAPSHOT	
Employment	100,687
Motor vehicle fleet, January 2014	4,483,098 vehicles
Average age of motor vehicle fleet	10.2 years
Number of automotive businesses	15,834
Employer-sponsored 457 visa Motor Mechanics as at September 2014	700 persons

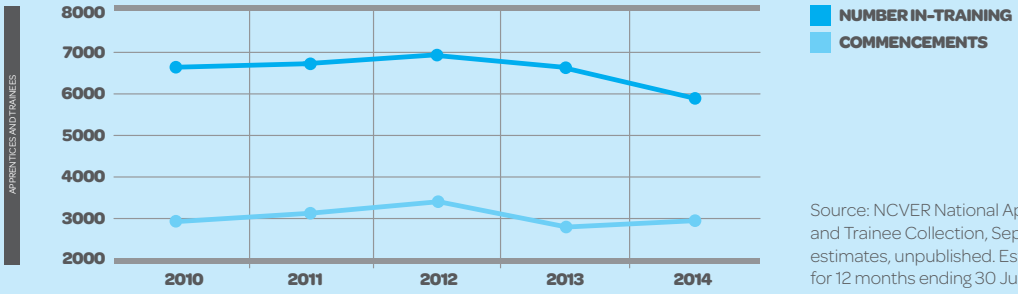
Source: Based on ABS, NCVER and Department of Immigration and Border Protection data.

Figure 11: Number employed in key occupations, Victoria, year ending February



Source: Based on ABS data.

Figure 12: Apprentices and trainees, AUR Training Package, Victoria



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

Table 10 shows the distribution of employment across the automotive industry in Victoria. According to ABS data, apart from the Automotive Repair and Maintenance, Motor Vehicle Retailing the Bicycle Retailing sectors, all other automotive sectors experienced a decline in employment, in comparison to the previous year.

At the occupational level, ABS data also shows that for the year ending February 2014, there was a large increase in the number of Motor Mechanics employed in Victoria in comparison with the same reference period over previous years (Figure 11). Victoria also has more employer sponsored 457 visa Motor Mechanics than any other state (700) (Table 9).

Figure 12 shows that the number of apprentices and trainees in-training within the AUR Training Package in Victoria has fallen by approximately 1,000 since 2012. Annual commencements have also fallen, but by a lesser magnitude.

At the business level, the latest available data (2012-13) shows a net reduction of 490 automotive businesses. Business losses were observed in virtually all sectors, with the Automotive Repair and Maintenance and Motor Vehicle and Parts Wholesaling sectors recording the highest losses (255 and 102 respectively).

Sole proprietors with no employees accounted for the bulk of these business closures, particularly within the Vehicle Repair and Maintenance and Vehicle Body Repair subsectors. Reasons for these closures include an inability to keep up with technological change, a lack of investment in capital equipment and training, the rise of competitive new business models, and age-related retirements.

It must be acknowledged that data for the number of businesses by sector (Table 10) relates to the previous financial year (2012-13) and is therefore a lagging indicator. The fact that total industry employment has risen means that ongoing business consolidation and rationalisation is not necessarily a negative outcome. The health of any industry is not just attributable to the number of businesses within it, but the actual performance of those businesses.

Table 10: Sector profile, automotive industry, Victoria

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT END JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	24,425	984	-42
Motor Vehicle and Parts Wholesaling	8,400	1,498	-102
Motor Vehicle Retailing	18,400	1,551	-24
Motor Vehicle Parts and Tyre Retailing	4,625	914	-24
Fuel Retailing	5,200	901	-19
Automotive Repair and Maintenance	34,950	9,167	-255
Passenger Car Rental and Hiring	1,897	371	-19
Bicycle Retailing	1,430	295	+5
Marine Equipment Retailing	490	153	-10
Outdoor Power Equipment Retailing*	870	NA	NA
TOTAL	**100,687**	**15,834**	**-490**

Source: ABS data. *Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

Current skill shortages

Results from the 2015 E-Scan survey were modelled in conjunction with ABS labour force data to derive estimates of key skill shortages for Victoria (see Table 11). The skill shortages in Table 11 are not a complete list of all occupations reported as being in shortage, but rather the most critical and numerically significant shortages as identified by Victorian respondents in the survey. Stakeholder intelligence gathered within industry forums in Victoria supports these results.

Compared with previous years, skilled labour shortages have reduced in Victoria and this is also the case in other states and territories. Victoria has also moved towards a greater reliance on imported labour (457 visa workers) than any other state or territory. Business consultations indicate that this preference for imported labour is associated with difficulties in sourcing appropriately skilled technicians locally, as well as claims that imported workers have a better work ethic, productivity and skills base than many locally trained technicians.

Table 11: Priority skill shortages, Victoria

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Automotive Repair and Maintenance	Light Vehicle Mechanic	1,206
	Diesel Motor Mechanic	390
	Panel Beater	588
	Vehicle Painter	420
	Automotive Electrician	125
	Motorcycle Mechanic	50
	Mobile Plant Technician	42
	Service Advisor	80
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	145
	Parts Salesperson	59
Motor Vehicle Retailing	Vehicle Salesperson	252
	Finance and Insurance staff	90
Motor Vehicle Parts and Tyre retailing	Spare Parts Salesperson	128
	Spare Parts Interpreter	85
Bicycle Retailing	Bicycle Mechanic	140
Vocational Education and Training	Automotive Teacher	Reports of shortages across public and private training providers

Source: 2015 Automotive Environmental Scan Survey; modelled ABS labour force data.

Overall, 36% of Victorian survey respondents reported experiencing skill shortages within the occupations identified in Table 11. This represents the lowest proportion of skill shortages recorded for Victoria over the past four years of the survey. Over the next 12 months, 50% of all Victorian respondents expect to be affected by skill shortages in line with business expectations of mild growth and increased consumer confidence and spending.

Barriers to overcoming skills and labour shortages

Survey respondents reported that the key barriers contributing to skill shortages in Victoria were:

- a lack of sufficient new entrants into the automotive trades
- the attraction of skilled automotive labour towards other industries
- the poor quality of candidates within the labour market

- negative perceptions concerning the automotive industry
- increasingly complex trade and knowledge requirements
- lack of access to OEM technical information.

Industry constantly reinforced the need to have the right candidates entering the automotive trades in both technical repair and sales roles. Respondents said that too often new entrants did not have adequate technical knowledge, diagnostics skills, literacy and numeracy, work ethic, productivity and other key workplace requirements. It was also reported that automotive technological development had outpaced our capacity to train entrants, requiring imported labour to fill skill shortages and contributing to the declining number of apprentices and trainees.

Other intelligence gained from industry forums supported the notion that there were two distinct levels of skill shortages – high-end technicians or master technicians and apprentices. Many master technicians employed within car dealerships were reported to have left their positions, either in search of a lifestyle change or in the hope of establishing their own businesses and specialising in a particular vehicle brand or technology.

Other industry stakeholders also reported a lack of affinity between automotive trainers and students within the VET system, which has had an adverse effect on the delivery of course material and student engagement. This is largely due to some trainers' inability to understand the needs or connect with their younger students and compounded by their limited or outdated knowledge of technology while trying to teach a generation that is very technologically savvy.

Solutions and potential sources of labour

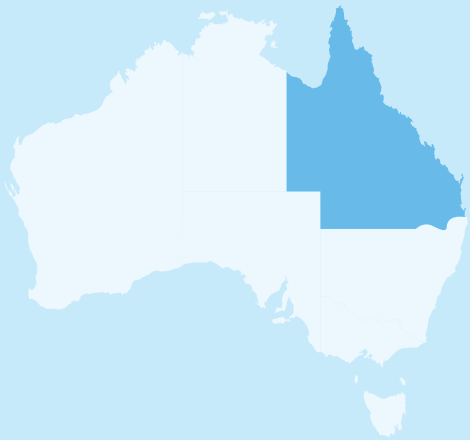
Although alleviating skill shortages is not a straightforward exercise, industry stakeholders raised several suggestions that should be considered as part of any potential solutions.

Attracting high-calibre entrants may require an awareness campaign to promote the industry's attractive features and benefits. The components could include:

- a marketing and awareness campaign undertaken as a joint venture by all stakeholders. This would focus on promoting the diversity of career prospects to the education sector and broader community. This would be timely given the impending exit of the car manufacturers
- educating all stakeholders, including government, that the automotive industry is technologically more complex than ever before. This means there are greater demands on training to ensure that students are properly trained with appropriate resources
- improving the quality and quantity of training delivery. Accelerated training programs that reduce nominal training hours are not favoured by industry
- improving the credentials of teaching staff by employing or attracting professionals of a high calibre who are working in the industry. This would require targeting individuals with knowledge and expertise in their respective fields and offering attractive incentives.

Lack of access to OEM technical repair information may be overcome through independent repairers building strategic partnerships with OEMs and their affiliated dealerships, with the purpose of sharing information and best practice. There are successful examples of such partnerships within the business community that have led to favourable outcomes for all parties.

A final key point is that the demographics of the modern apprentice are changing. Typically, new entrants are older (21 or more years) than in the past. This change needs to be reflected in remuneration and government assistance, such as a wage supplement.



QUEENSLAND

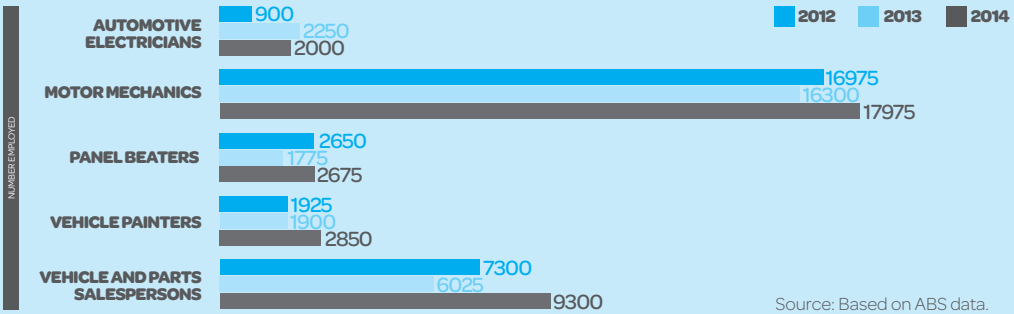
According to ABS data, Queensland recorded a total workforce of 92,564 people employed within the automotive industry in 2013-14. Whilst this level is much higher than previous years, this estimate must be used with caution given the changes and increased volatility observed with ABS labour force data, as detailed in Section 1. Industry employment growth is shown to be strongest within Automotive Repair and Maintenance, Fuel Retailing and the Motor Vehicle Retailing sector in Queensland.

Table 12: Summary snapshot, automotive industry, Queensland.

STATE SUMMARY STAPSHOT	
Employment	92,564 people
Motor vehicle fleet, January 2014	3,705,400 vehicles
Average age of motor vehicle fleet	9.6 years
Number of automotive businesses	13,675
Employer-sponsored 457 visa Motor Mechanics as at September 2014	380 people

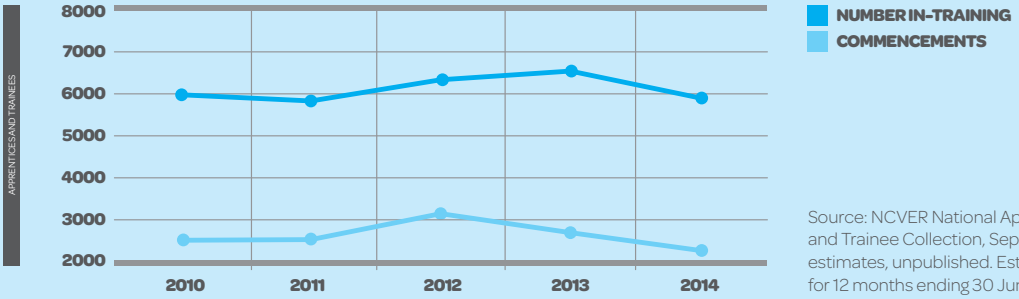
Source: Based on ABS, NCVER and Department of Immigration and Border Protection data.

Figure 13: Number employed in key occupations, Queensland, year ending February



Source: Based on ABS data.

Figure 14: Apprentices and trainees, AUR Training Packages, Queensland.



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

At the business level, the latest available data (2012-13) shows a net loss of 754 automotive businesses within Queensland, of which more than half were within the Automotive Repair and Maintenance sector (Table 13). Sole proprietor businesses with no employees comprised the bulk of closures, particularly within the Vehicle Body Repair and Vehicle Mechanical Repair subsectors. Although business data is a lagging indicator, it demonstrates a pattern of business consolidation and rationalisation within these sectors as well as industry wide.

Discussions with industry stakeholders revealed a positive business environment within the Light Vehicle subsector. Business and consumer confidence were reported as rising, which has led to an increase in vehicle servicing and more spending on mechanical repairs by consumers.

Stakeholders supported the findings that business consolidation is increasing within the Vehicle Body and Mechanical Repair subsectors and that many small independent repairers have become unviable. Reasons for this include a lack of capital investment and skills training to meet the needs of servicing and repairing modern vehicles; lack of access to OEM technical information; rising business costs; and a failure to comply with industry standards.

In the past six months there has been a downturn in business conditions within the Heavy Vehicle sector. Sales of trucks have decreased slightly compared with last year and while apprentice intake for the sector remains high, indications are that it will not hire as many apprentices over the next 12 months unless business conditions improve.

Business consolidation is also reported to be increasing, with many smaller transport companies being acquired by larger and more dominant players. These big companies often have internal workshops and do not require the services of external parties. These circumstances have produced a small surplus of labour within the sector.

Table 13: Sector profile, automotive industry, Queensland

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT END JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	7,550	695	-42
Motor Vehicle and Parts Wholesaling	5,425	1,119	-89
Motor Vehicle Retailing	17,700	1,337	-82
Motor Vehicle Parts and Tyre Retailing	7,675	934	-61
Fuel Retailing	13,225	779	-27
Automotive Repair and Maintenance	36,350	7,965	-413
Passenger Car Rental and Hiring	1,700	346	-24
Bicycle Retailing	941	185	-5
Marine Equipment Retailing	1,298	315	-11
Outdoor Power Equipment Retailing*	700	NA	NA
TOTAL	**92,564**	**13,675**	**-754**

Source: ABS data. *Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

Table 14: Priority skill shortages, Queensland

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Automotive Repair and Maintenance	Light Vehicle Mechanic	921
	Diesel Motor Mechanic	138
	Panel Beater	397
	Vehicle Painter	295
	Automotive Electrician	135
	Transmission Mechanic	50
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	112
	Parts Salesperson	65
Motor Vehicle Parts and Tyre retailing	Spare Parts Salesperson	62
	Spare Parts Interpreter	81
Bicycle Retailing	Bicycle Mechanic	145
Vocational Education and Training	Automotive Teacher	Reports of some shortages across training providers

Source: 2015 Automotive Environmental Scan Survey; modelled ABS labour force data.

Current skill shortages

ASA modelled results from the 2015 E-Scan survey in conjunction with ABS labour force data to derive estimates of key skill shortages in Queensland, as shown in Table 14.

The skill shortages identified in Table 14 are not a complete list of all occupations reported as being in shortage, but rather the most critical and numerically significant shortages as identified by Queensland respondents in the E-Scan survey.

Industry stakeholders also reported that dual trade technicians were particularly sought after, especially within the Heavy Vehicle sector. The demand is for technicians with both mechanical and electrical skills who can effectively diagnose and repair vehicle faults.

Overall, 33% of Queensland survey respondents reported experiencing skill shortages within the occupations identified in Table 14. Over the next 12 months, 43% of all respondents indicated that they expected to be affected by skill shortages.

Barriers to overcoming skills and labour shortages

Key barriers to overcoming skills and labour shortages as reported by industry in Queensland include:

- the attraction of labour to other industries (mining and resources, building and construction)
- the lack of sufficient new entrants
- the poor quality of available candidates
- low wages.

Industry stakeholders reported that while there was now some movement of automotive labour from mining and resources back towards the automotive industry, this transition had not necessarily been smooth. With the ever-increasing pace of technological change, industry noted that tradespeople such as diesel fitters (mobile plant technicians) were struggling to cope with the diagnostics skill requirements. This is due to the fact that these workers were primarily replacing parts while working in mining and are severely challenged when called on to fix machinery on the side of the road.

It was also suggested that consistency with training plans is a problem across the state. Some training plans that can be delivered in Brisbane are not capable of delivery in Cairns or other regional cities. The quality of young people entering automotive trades is an issue of concern, especially in their literacy and numeracy abilities, poor hand and tool skills and a general lack of work readiness.

Solutions and potential sources of labour

Since 2012, commencements of apprentices and trainees within the AUR Training Package have steadily fallen, as shown in Figure 14. The required entry level for apprentices is now so high that many apprentices quickly realise that the trade is beyond their capabilities or does not meet their expectations, so they leave.

It is imperative that these new industry norms are communicated and marketed effectively within the education sector and to the broader community. This would help clarify expectations and requirements for new entrants and better target the calibre of applicants required. Such strategies should be jointly developed and implemented by all industry stakeholders.

Some stakeholders advocated the greater use of the career profiling and matching tools such as the 'Harrison Assessment' within the education sector. Use of such online assessment tools by schools, students and employers could help all parties gain a better understand of students' skills, passions and interests as well as their suitability for certain trades.

ASA's development of the AUR12 Training Package has sought to address concerns about the inconsistency of training delivery by training providers. In consultation with industry, all qualifications within the Training Package have been restructured to provide an expanded set of core units of competency. This will ensure greater rigour within the qualifications as well as greater consistency in their delivery by training providers across all states.

SOUTH AUSTRALIA

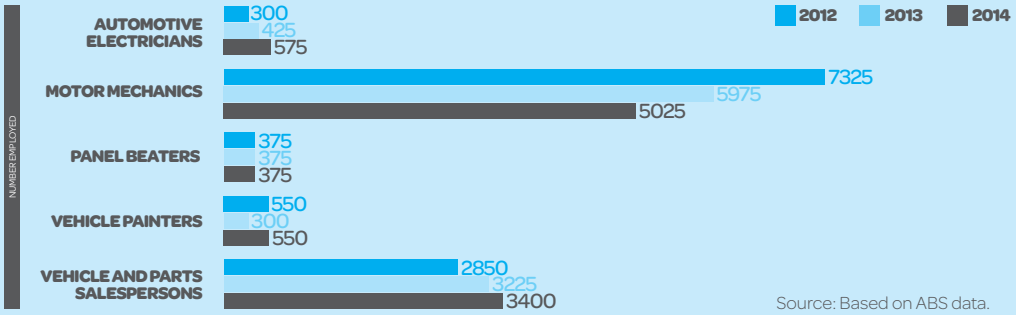
According to ABS data, South Australia recorded a total workforce of 26,820 people employed within the automotive industry in 2013-14. This represents a reduction in employment of 2,488 in comparison with the previous year. Reduced employment levels were recorded across most industry sectors, particularly Automotive Repair and Maintenance, Motor Vehicle Retailing and Fuel Retailing. The only sectors that recorded positive growth were Motor Vehicle and Parts Wholesaling and Motor Vehicle Parts and Tyre Retailing.

Table 15: Summary snapshot, automotive industry, South Australia

STATE SUMMARY STAPSHOT	
Employment	26,820 people
Motor vehicle fleet, January 2014	1,326,232 vehicles
Average age of motor vehicle fleet	11.3 years
Number of automotive businesses	4,403
Employer-sponsored 457 visa Motor Mechanics as at September 2014	50 people

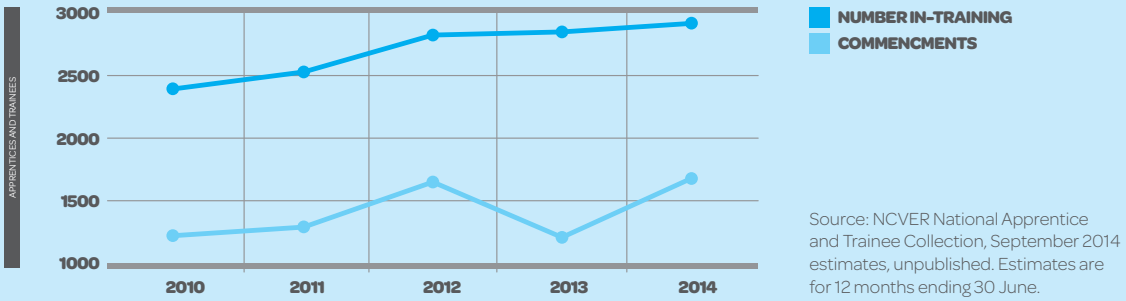
Source: Based on ABS, NCVER and Department of Immigration and Border Protection data.

Figure 15: Number employed in key occupations, South Australia, year ending February



Source: Based on ABS data.

Figure 16: Apprentices and trainees, AUR Training Package, South Australia



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

At the business level, data for 2012-13 shows a net reduction of 233 automotive businesses in South Australia. While business losses were recorded across almost all sectors, the majority of losses (67.8%) were within the Automotive Repair and Maintenance sector (see Table 16). As observed in other states, business losses were mainly confined to small businesses, particularly sole proprietor and micro-businesses within the Vehicle Mechanical and Vehicle Body Repair subsectors. Figure 15 illustrates the impact of this decline at occupation level, with a 31.4% decrease in the number of Motor Mechanics since 2012.

Tight business conditions, constraints in accessing OEM technical servicing and repair information, new industry standards for vehicle body repair workshops, the costs of capital equipment and skills training along with the retirement of many small business operators are all cited as reasons for business consolidation within the sector.

A positive development is that the number of apprentices and trainees in-training has been rising steadily over the past four years, as shown in Figure 16. South Australia is the only state to exhibit this trend.

Current skill shortages

ASA modelled results from the 2015 E-Scan survey in conjunction with ABS labour force data to derive estimates of key skill shortages in South Australia, as shown in Table 17.

Overall, 39.2% of survey respondents reported that they were affected by skill shortages and this represents the lowest proportion recorded for the state over the past four years of the survey. Furthermore, 46% of all respondents expected to be affected by skill shortages over the next 12 months. The skill shortages identified relate to fully qualified and good-quality tradespersons.

Barriers to overcoming skills and labour shortages

Key barriers that contribute to skill shortages as reported by the South Australian industry include:

- a lack of sufficient new entrants
- competition for labour from other industries (mining and resources, building and construction)
- the poor quality of available candidates.

Table 16: Sector profile, automotive industry, South Australia

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT END JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	5,300	236	-15
Motor Vehicle and Parts Wholesaling	3,300	362	-19
Motor Vehicle Retailing	3,675	514	-15
Motor Vehicle Parts and Tyre Retailing	3,100	351	-13
Fuel Retailing	2,700	232	-9
Automotive Repair and Maintenance	7,450	2,504	-158
Passenger Car Rental and Hiring	375	85	-3
Bicycle Retailing	380	73	0
Marine Equipment Retailing	270	46	-1
Outdoor Power Equipment Retailing*	270	NA	NA
TOTAL	**26,820**	**4,403**	**-233**

Source: 2014 Automotive Environmental Scan Survey; Modelled ABS labour force data.

Although data shown in Figure 16 indicates that apprentice numbers have risen steadily over the past four years, the quality is poor, according to industry. Deficiencies in literacy and numeracy, inability to grasp technical concepts, poor diagnostic skills and poor work ethic were just some of the problems industry said were inherent with apprentices and even qualified tradespeople in many cases.

Industry stakeholders reiterated the need for a better standard of entrant. The technological sophistication of modern motor vehicles requires the higher-achieving school leavers, yet these candidates are being steered towards university or other industries. Unfortunately, this leaves a cohort of underachieving students for the automotive industry to choose from, which contributes to the high rate of apprentice attrition.

Table 17: Priority skill shortages, South Australia

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Automotive Repair and Maintenance	Light Vehicle Mechanic	438
	Diesel Motor Mechanic	139
	Panel Beater	153
	Vehicle Painter	125
	Mobile Plant Technician	85
	Automotive Electrician	40
	Transmission Mechanic	20
	Agricultural Mechanical Technician	50
Motor Vehicle Manufacturing – Bus , Truck and Trailer	Vehicle Body/Coach Builder	15
	Welder	15
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	37
	Parts Salesperson	40
Motor Vehicle Parts and Tyre Retailing	Spare Parts Salesperson	34
	Spare Parts Interpreter	39
Bicycle Retailing	Bicycle Mechanic	38
Vocational Education and Training	Automotive Teacher	Reports of shortages across training providers

Source: 2014 Automotive Environmental Scan Survey; Modelled ABS labour force data.

Solutions and potential sources of labour

Industry stakeholders advocated some key strategies that could assist in the attraction and retention of skilled labour, such as the marketing of the industry in the education sector and to parents as a viable career. Such a campaign should be a coordinated joint effort among industry stakeholders, with a view to raising general community awareness of the variety of career paths and showcasing the modern face of the industry.

Industry also reiterated the need for licensing automotive trade occupations. Industry felt this would help lift skill levels, vehicle safety and improve the overall standard and image of automotive tradespersons.

Finally, it was suggested that the standard of trade teachers needed to be addressed. More experienced and competent people who are working within the industry need to be attracted into trade teaching roles. This would require specific targeting and better remuneration.

WESTERN AUSTRALIA

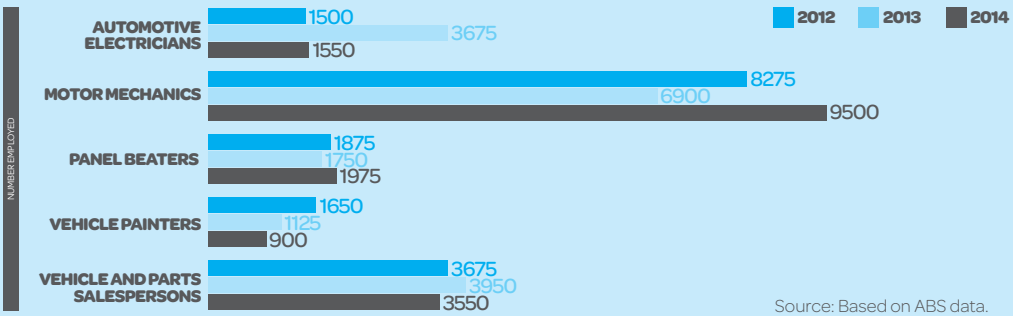
According to ABS data, Western Australia recorded a total workforce of 44,303 people employed within the automotive industry in 2013-14. Whilst this level is higher than previous years, this estimate must be used with caution given the changes and increased volatility observed with ABS labour force data, as detailed in Section 1. Whilst employment growth was strongest within the Automotive Repair and Maintenance and Fuel Retailing sectors, reduced employment levels were recorded within Motor Vehicle Parts and Tyre Retailing and the Motor Vehicle and Parts Wholesaling sectors.

Table 18: Summary snapshot, automotive industry, Western Australia

STATE SUMMARY STAPSHOT	
Employment	44,303 people
Motor vehicle fleet, January 2014	2,142,307 vehicles
Average age of motor vehicle fleet	10.3 years
Number of automotive businesses	6,592
Employer-sponsored 457 visa Motor Mechanics as at September 2014	490

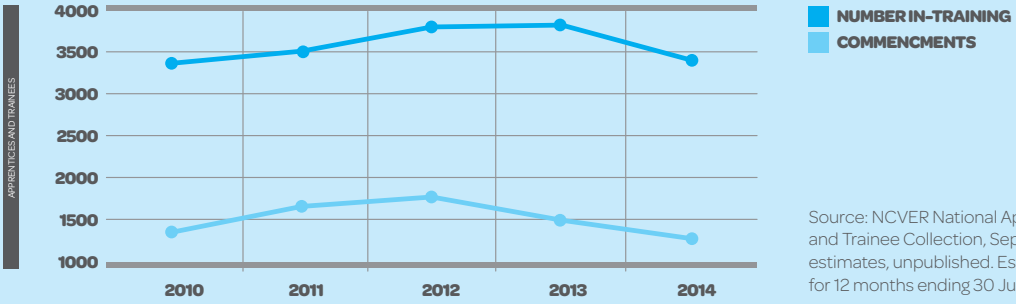
Source: Based on ABS, NCVER and Department of Immigration and Border Protection data.

Figure 17: Number employed in key occupations, Western Australia, year ended February



Source: Based on ABS data.

Figure 18: Apprentices and trainees, AUR Training Package, Western Australia



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

Population growth continues to be a key driver of economic growth in Western Australia, but indications are that it is no longer providing the same boost to economic activity as previous years. With the end of the mining and construction boom, it is expected that this will lead to more balanced growth within the state.

At the business level, records for 2012-13 revealed that there was a net loss of 346 automotive businesses. The majority of these losses (65%) were observed within one sector, Automotive Repair and Maintenance. As in other states, these losses were primarily confined to sole proprietors and micro-businesses within the Vehicle Mechanical and Vehicle Body Repair subsectors. In contrast, medium-size automotive enterprises (20 to 199 employees) actually grew within the sector.

These trends are indicative of the industry consolidation that is being observed nationally. Many small business operators are facing extreme pressure and struggling to remain viable. Technological change, access to OEM technical repair information, new industry standards for vehicle body repair workshops and a host of other factors outlined earlier are creating a new landscape where economies of scale and investment in capital equipment and skills training are the new benchmarks.

Figure 18 shows that overall numbers of apprentices and trainees in-training have declined over the past 12 months; annual commencements have shown a steady decline over the past two years.

Current skill shortages

ASA modelled results from the 2015 E-Scan survey in conjunction with ABS labour force data to derive estimates of key skill shortages in Western Australia, as shown in Table 20.

The skill shortages shown in Table 20 are not a complete list of all occupations reported as being in shortage, but rather the most critical and numerically significant shortages as identified by Western Australian respondents in the 2015 E-Scan survey.

Table 19: Sector profile, automotive industry, Western Australia

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT END JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	3,425	292	-21
Motor Vehicle and Parts Wholesaling	1,525	460	-28
Motor Vehicle Retailing	7,850	582	-31
Motor Vehicle Parts and Tyre Retailing	2,700	499	-29
Fuel Retailing	5,800	336	+5
Automotive Repair and Maintenance	20,875	4,035	-225
Passenger Car Rental and Hiring	700	165	-11
Bicycle Retailing	430	88	0
Marine Equipment Retailing	600	135	-6
Outdoor Power Equipment Retailing*	398	NA	NA
TOTAL	**44,303**	**6,592**	**-346**

Source: ABS data. *Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

Overall, 32% of respondents reported that they were affected by skill shortages. This represents the lowest proportion of skill shortages recorded for the state over the past four years of the survey. Furthermore, 43% of respondents expected to be affected by skill shortages over the next 12 months. The key issue is the lack of quality skilled labour. Industry stakeholders reported that while there were qualified tradespeople within the labour market, their skills were of a low calibre.

Barriers to overcoming skills and labour shortages

Key barriers as reported by industry that contribute to automotive skill shortages in Western Australia include:

- competition for labour from other industries (mining and resources, building and construction)
- a lack of sufficient new entrants
- the poor quality of available candidates
- negative perceptions of the automotive industry.

Table 20: Priority skill shortages, Western Australia

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Automotive Repair and Maintenance	Light Vehicle Mechanic	413
	Diesel Motor Mechanic	220
	Panel Beater	200
	Vehicle Painter	152
	Automotive Electrician	75
	Marine Mechanic	30
	Mobile Plant Technician	64
	Service Adviser	83
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	43
	Parts Salesperson	44
Motor Vehicle Retailing	Vehicle Salesperson	90
Motor Vehicle Parts and Tyre retailing	Spare Parts Salesperson	45
	Spare Parts Interpreter	50
Bicycle Retailing	Bicycle Mechanic	100
Vocational Education and Training	Automotive Teacher	Reports of shortages across some training providers

Source: 2014 Automotive Environmental Scan Survey; modelled ABS labour force data.

Industry stakeholders also reported that employer engagement with the apprenticeship system was mixed. Although apprentice recruitment within the Heavy Vehicle sector remains relatively stable, there is greater variability within the Light Vehicle Mechanical and Vehicle Body Repair subsectors. This is largely due to movements within the business cycle, as well as ongoing business consolidation and industry restructuring.

Some employers reported concerns around the standard of teaching within TAFE and in particular the lack of student engagement in the classroom environment. The lack of personalised attention and failure to connect with today's generation of students was seen by many as a contributing factor towards compromised knowledge and skills transfer within the TAFE environment. Consequently, many small business operators prefer to employ 457 visa category workers instead of hiring apprentices or locally trained technicians.

Solutions and potential sources of labour

Although labour shortages are lower in Western Australia compared with previous years their impact, particularly for small business, can be significant. Industry stakeholders advised ASA of several strategies that could assist in the attraction and retention of skilled labour as well as strengthen the quality of skills within the workforce.

These include:

- Better support for employers to hire apprentices through the peaks and troughs of the business cycle. This could take the form of employer subsidies or tax breaks that relate specifically to the training and retention of apprentices for a specified time.
- The effective marketing and promotion of the industry in the education sector and to parents as a viable career option. This should be a long-term and coordinated joint effort among industry stakeholders to showcase the modern face of the industry and dispel negative community perceptions about automotive trades.
- Better screening of potential entrants at school level. The technology associated with modern motor vehicles requires proficiency in maths, science IT and English. Successful completion of Year 11 or Year 12 is a now an industry requirement.
- The calibre of teaching staff within TAFE requires attention. TAFE needs to employ or attract high-quality professionals who are working in the industry. This means targeting individuals with knowledge and expertise in their respective fields and offering attractive incentives.

TASMANIA

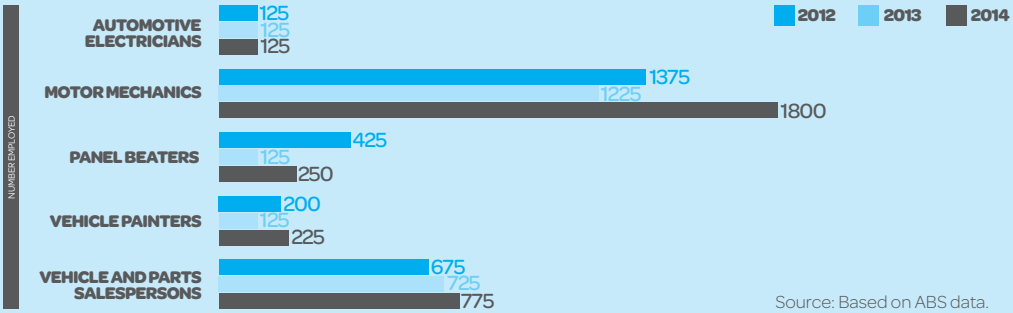
Over the past few years, Tasmania has endured difficult economic conditions that have had an adverse impact on the business environment and the health of the economy. Although Tasmania still lags the mainland states on economic growth, there are encouraging signs that its economy is improving. The Tasmanian jobless rate has fallen from 8.2% in August 2013 to 6.8% in December 2014 and there are positive signs in building and construction activity.

Table 21: Summary snapshot, automotive industry, Tasmania

STATE SUMMARY STAPSHOT	
Employment	7,710 people
Motor vehicle fleet, January 2014	442,575 vehicles
Average age of motor vehicle fleet	12.5 years
Number of automotive businesses	1,324
Employer sponsored 457 visa Motor Mechanics as at September 2014	0

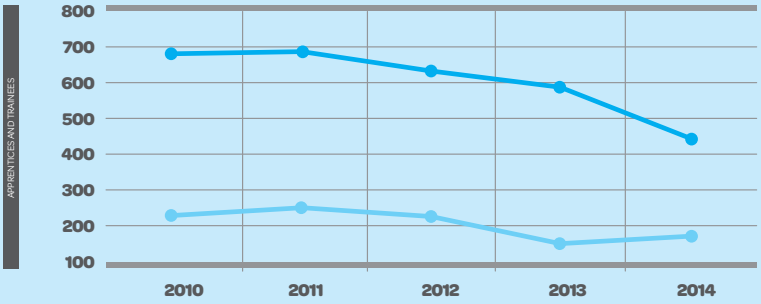
Source: Based on ABS, NCVER and Department of Immigration and Border Protection data.

Figure 19: Number employed in key occupations, Tasmania, year ended February



Source: Based on ABS data.

Figure 20: Apprentices and trainees, AUR Training Package, Tasmania



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

These improved conditions have had a positive impact on the automotive industry. Industry stakeholders reported a moderate improvement in business conditions in Hobart, particularly in the Mechanical Repair sector. Consumer confidence appears to be rising, which has led to increased spending on vehicle servicing and a rise in apprentice recruitment by businesses.

Conditions within the Vehicle Body Repair sector are less favourable, with ongoing restructuring and consolidation creating a very competitive business environment. This has been detrimental for many small businesses in Hobart and Launceston, especially those that have not invested in capital improvements and skills training.

Activity within the Heavy Vehicle sector remains subdued as a result of a prolonged slowdown within the forestry industry. Business conditions within the Recreational Vehicles sector are also challenging, given that motor homes and caravans are a luxury item. Increased costs to transport recreational vehicles from the mainland and higher rates of stamp duty have created an uneven trading environment for businesses within the sector.

Overall, total employment within Tasmania's automotive industry was recorded at 7,710 for 2013-14. Table 22 shows the distribution of employment across industry sectors.

ABS business counts data shows there were approximately 59 net automotive business closures, but this data is for 2012-13 and is therefore a lagging indicator. Nevertheless, it illustrates that business consolidation is continuing, particularly within the Automotive Repair and Maintenance sector which experienced a net loss of 41 businesses over the period.

Figure 20 shows that the number of apprentices and trainees in-training within the AUR Training Package has fallen significantly over the past four years. An encouraging sign, however, is that annual commencements within the Training Package have risen over the past 12 months, in line with positive business and consumer sentiment.

Table 22: Sector profile, automotive industry, Tasmania

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT END JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	350	37	+2
Motor Vehicle and Parts Wholesaling	375	57	-9
Motor Vehicle Retailing	1,875	139	+1
Motor Vehicle Parts and Tyre Retailing	500	75	-5
Fuel Retailing	1,175	155	-3
Automotive Repair and Maintenance	2,975	696	-41
Passenger Car Rental and Hiring	160	31	-2
Bicycle Retailing	115	114	+1
Marine Equipment Retailing	100	20	-3
Outdoor Power Equipment Retailing*	85	NA	NA
TOTAL	**7,710**	**1,324**	**-59**

Source: ABS data. *Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

Table 23: Priority skill shortages, Tasmania

SECTOR	OCCUPATION	ESTIMATED SHORTAGE
Automotive Repair and Maintenance	Light Vehicle Mechanic	99
	Diesel Motor Mechanic	34
	Mobile Plant Mechanic	25
	Service Adviser	20
	Automotive Electrician	11
Motor Vehicle Retailing	Vehicle Salesperson	26
Motor Vehicle Parts and Tyre Retailing	Parts Salesperson	11
	Parts Interpreter	6
Vocational Education and Training	Automotive Teacher	1-2

Source: 2014 Automotive Environmental Scan Survey

Current skill shortages

ASA modelled results from the 2015 E-Scan survey in conjunction with ABS labour force data to derive the estimates shown in Table 23 of key skill shortages in Tasmania.

The skill shortages identified in Table 23 were confirmed in discussions with industry stakeholders during forums held in Tasmania as part of the E-Scan process. Coach builders were also reported to be in shortage by industry stakeholders.

Overall, 45.1% of Tasmanian survey respondents reported that they were affected by skill shortages, with 51% expecting that skill shortages would affect their business operations at some point over the next 12 months.

The skill shortages identified related to qualified and experienced tradespersons, who were very difficult to find. Stakeholder consultations conducted in Launceston also revealed that due to the lack of sufficient qualified tradespeople, employers were advertising for third or fourth-year apprentices, which is unprecedented.

Barriers to overcoming skills and labour shortages

Industry stakeholders have identified several key barriers that they believe contribute to automotive skill shortages in Tasmania. These include:

- a lack of sufficient people entering automotive trades
- the attraction of labour to other industries (mining, building and construction)
- the poor quality of available candidates.

The lack of sufficient entrants is a key problem affecting all states and territories. In Tasmania, subdued economic conditions over a prolonged period have affected the demand for apprentices, with flow-on effects to the wider community.

Other barriers raised by industry included:

- the lack of diagnostics skills training, particularly at Certificate IV level, to complement the use of scan tools in modern vehicle servicing

- a lack of sufficient on-the-job training for apprentices due to the time and business constraints faced by employers
- the presence of very thin training markets in Tasmania, such as engine reconditioning, meant that a lot of automotive training was not available
- the culture of parts replacement rather than the repair of vehicle components, which industry reported as affecting the quality of skills and knowledge within the workforce
- the lack of individual attention for students within the TAFE environment. Industry believes this is impeding the progress of students, which has further implications for apprentice attrition rates.

Solutions and potential sources of labour

With an emerging upturn in the economic environment, employers may be better placed to offer apprenticeships. There is some evidence that this is beginning to occur, but it needs to be augmented by support from all stakeholders to be sustained in the long term.

To ensure the quality of students' overall training, there must be an open line of communication between those delivering training in the classroom environment and those responsible for training in the workplace. In addition, the development of the student's skills may be monitored by a regular skills audit conducted in the workplace. Often this is not effectively put into practice because of business and time constraints.

Students spend limited hours in a formal classroom setting, so it may be appropriate for employers to revise their expectations of apprentices' knowledge base and be more realistic about their calibre. This would highlight the need for employers to engage in more rigorous training and assessment of the apprentice's skills base.

The automotive industry is complex and constantly evolving. The demands on training are greater because the knowledge and knowhow of yesteryear are being quickly superseded by technological change. The industry's skill base is more diverse and employers should not expect that training in a specific area can be applied in all situations.

NORTHERN TERRITORY

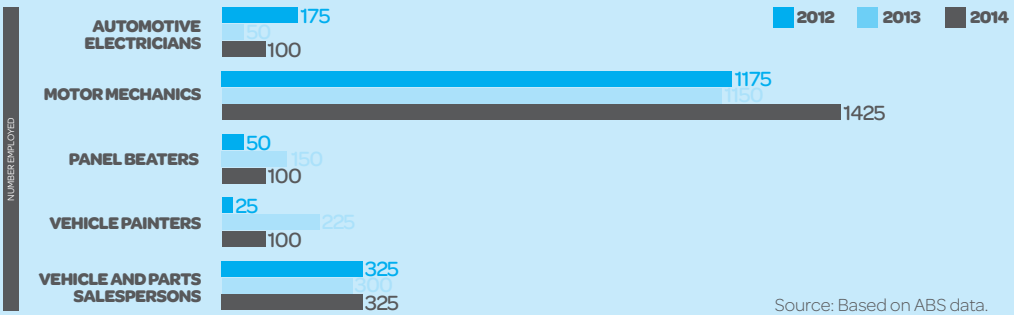
The Northern Territory has the best-performing economy in the nation and the lowest unemployment rate (3.6% in trend terms). While the strength of the economy is supported by major gas projects, economic growth is 1% lower for the Northern Territory compared with last year.

Despite the high growth, residents have been leaving the Northern Territory in large numbers. Population data shows the NT experienced its largest four-year net loss through interstate migration, with 8,000 residents leaving between December 2009 and March 2014. There is some suggestion that cost of living pressures driven by the resources boom has created a two-speed economy, which is driving out many residents and discouraging new arrivals.

Table 24: Summary snapshot, automotive industry, Northern Territory

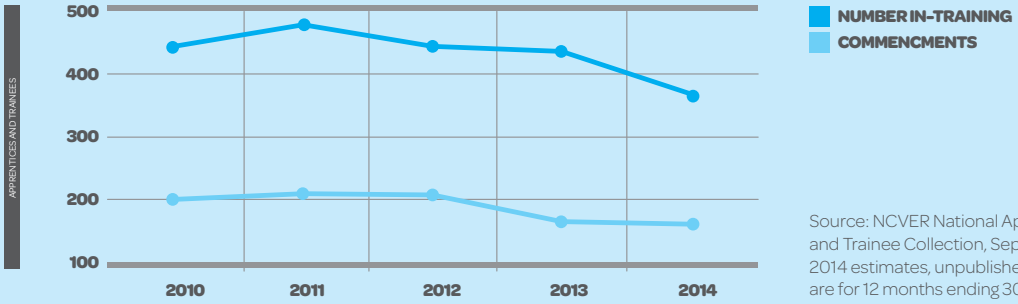
STATE SUMMARY STAPSHOT	
Employment	3,464 people
Motor vehicle fleet, January 2014	152,177 vehicles
Average age of motor vehicle fleet	8.9 years
Number of automotive businesses	624
Employer sponsored 457 visa Motor Mechanics as at September 2014	40

Figure 21: Number employed in key occupations, Northern Territory, year ending February



Source: Based on ABS data.

Figure 22: Apprentices and trainees, AUR Training Package, Northern Territory



Source: NCVER National Apprentice and Trainee Collection, September 2014 estimates, unpublished. Estimates are for 12 months ending 30 June.

These economic trends have had a negative impact on the automotive industry. ABS data shows aggregate industry employment at 3,464 in 2013-14 (Table 25). This represents a decrease of 320 in employment over the previous year. Reductions in employment were observed in Fuel Retailing, Motor Vehicle and Parts Wholesaling and Motor Vehicle Parts and Tyre Retailing. Whilst some employment growth was recorded in other sectors, this was not sufficient to counteract overall industry losses. At the business level, ABS business counts data shows that there was a net loss of 19 automotive businesses during 2012-13 which is the lastest data available.

Figure 21 shows that Motor Mechanic is the only occupation that has grown markedly in the NT in the past three years. Apprentices and trainees in-training, however, have fallen significantly since 2011 and are at their lowest level in five years. A similar decline is also evident in annual commencements of apprentices and trainees (see Figure 22).

Current skill shortages

ASA modelled results from the 2015 Automotive Environmental Scan Survey in conjunction with ABS labour force data to derive the estimates shown in Table 26 of key skill shortages for the Northern Territory.

The skill shortages identified in Table 26 are not a complete list of all occupations reported as being in shortage, but rather the most critical and numerically significant shortages as identified by Northern Territory respondents in the survey. Discussions with industry stakeholders also confirmed these as being key skill shortages. All skill shortages listed relate to quality and experienced labour, which is difficult to source.

Barriers to overcoming skills and labour shortages

Industry stakeholders identified several key barriers that contribute to automotive skill shortages in the Northern Territory. These include:

- difficulties in attracting quality skilled labour to the Northern Territory due to remoteness, climate, high cost of living and other factors
- difficulties with workforce retention and skills utilisation due to high job churn and competition with the mining, resources and construction industries
- industry concerns around the quality of existing training delivery
- low levels of student engagement with the classroom environment.

Table 25: Sector profile, automotive industry, Northern Territory

SECTOR	EMPLOYMENT YEAR ENDING JUNE 2014	NUMBER OF BUSINESSES AS AT END JUNE 2013	CHANGE IN NUMBER OF BUSINESSES FROM PREVIOUS YEAR
Motor Vehicle and Parts Manufacturing	175	15	-1
Motor Vehicle and Parts Wholesaling	175	33	-3
Motor Vehicle Retailing	575	64	-3
Motor Vehicle Parts and Tyre Retailing	200	33	-7
Fuel Retailing	200	46	+1
Automotive Repair and Maintenance	1,900	392	-11
Passenger Car Rental and Hiring	60	19	+2
Bicycle Retailing	50	12	0
Marine Equipment Retailing	90	10	+3
Outdoor Power Equipment Retailing*	39	NA	NA
TOTAL	**3,464**	**624**	**-19**

Source: ABS Labour Force Statistics; ABS Counts of Australian Businesses, including Entries and Exits (Cat. No. 8165.0).
*Note: Official estimates for this sector are unavailable. Anecdotal national industry employment estimates are provided and apportioned by state according to ABS state population distributions. NA: Estimates not available.

Table 26: Priority skill shortages, Northern Territory

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Automotive Repair and Maintenance	Light Vehicle Mechanic	78
	Diesel Motor Mechanic	70
	Panel Beater	33
	Vehicle Painter	22
	Automotive Electrician	20
Motor Vehicle Manufacturing – Bus, Truck and Trailer	Welders/Metal Fabrication	10
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	15
	Parts Salesperson	15
Motor Vehicle Parts and Tyre Retailing	Spare Parts Salesperson	15
	Spare Parts Interpreter	15
Bicycle Retailing	Bicycle Mechanic	10

Source: 2014 Automotive Environmental Scan Survey; Modelled ABS labour force data.

Solutions and potential sources of labour

The main constraints affecting the NT labour market – remoteness and competition for skilled labour – are difficult to overcome and require multi-faceted approaches and solutions.

Key measures must target remuneration, career prospects, lifestyle benefits and other incentives. Stakeholders have advised of the need for:

- relocation assistance or rental assistance, subsidised health insurance and other incentives to offset the high cost of living
- regular use of financial and non-financial rewards to help prevent persistent job churn
- industry promotion of automotive trades as lifelong careers with specialised skill requirements that are portable, internationally recognised and in constant demand. This should be marketed particularly in the education sector and broader community.
- strengthening the quality of local training delivery through better resources and better qualified and technologically up-to-date teachers. This would improve teaching standards and facilitate better student engagement in the classroom, which is reported to be a key factor in the high attrition rate of apprentices.

Section 3
Current impact of training packages

STAKEHOLDER ENGAGEMENT STRATEGY

Auto Skills Australia (ASA) relies on intelligence from industry and the vocational education and training (VET) sector to ensure that its Training Packages are contemporary and meet the needs of automotive workplaces.

This information is obtained through structured consultation arrangements that seek to engage a broad range of key stakeholders including industry and its peak bodies, unions, government and registered training organisations. The specialised nature of the industry demands that qualifications, and engagement with stakeholders, are targeted around specific job roles and work functions. ASA has carefully developed its consultation structures to reflect distinct industry sectors and to attract the right expertise to the most appropriate advisory groups.

An illustration of these consultation structures is provided in the following diagram.

National Training Advisory Committee
The National Training Advisory Committee is a cross-sector committee that is formed by the Chairs of the sector-specific Advisory Committees. This committee has a primary role in ensuring that the work of the Advisory Committees is communicated across the various industry sector groups.

A critical function for this group is the consideration of national vocational training issues that have the potential to affect the industry broadly and in particular between closely articulated sectors.

Sector-specific Advisory Committees
These committees meet twice a year to provide direction and guidance on the needs of the sector. Membership includes high-level personnel representing stakeholders from specific industry areas. Projects identified through these committees are recorded on the Training Package Continuous Improvement Plan and published monthly on the ASA website.

There are 10 of these committees providing advice to ASA.

Training Package Reference Groups
Training Package Reference Groups form small working groups whose focus is to work with ASA Training Package specialists to examine the technical detail and content of units of competency and align them to contemporary industry practice. These groups are also involved in informing the content for new qualifications and for alerting ASA where applied technical skills and knowledge requirements in industry are changing.

Training Package Reference Groups inform Advisory Committees, but their work is focused on the Training Package Continuous Improvement Plan and the provision of contemporary advice to ASA on the content of a qualification. This includes the technical specification of training standards and the requirements for assessment to meet the needs of the workplace.

RTO Engagement
There are a number of feedback and engagement strategies applied by ASA to ensure good engagement with RTOs. In particular ASA has established the National Automotive Registered Training Organisations Focus Group (NARF) and Automotive Registered Training Organisation Forums.

National Automotive Registered Training Organisations Focus Group

Automotive Registered Training Organisation Forums

National Automotive Registered Training Organisations Focus Group
The National Registered Training Organisations Focus Group (NARF) has a primary role in ensuring that the development of Training Package companion volumes (implementation guides) are fit for purpose and communicated across the various automotive training providers.

The focus group plays an important role in providing advice for the development of implementation guides and for informing the development of ASA professional development programs to assist in the implementation of the automotive Training Packages.

Automotive Registered Training Organisation Forums
Automotive Registered Training Organisation (RTO) Forums are conducted in all states and territories on an annual basis. These forums provide an opportunity to seek feedback from RTOs on Training Package implementation issues.

These forums also provide an opportunity for ASA to clarify changes to Training Packages and to provide updates on VET policy, latest industry information, future Training Package work and other related ASA projects.

TRAINING PACKAGE UPTAKE

ASA is responsible for the development, maintenance and continuous improvement of two national Training Packages:

- AUM Automotive Manufacturing Training Package
- AUR Automotive Retail, Service and Repair Training Package.

These Training Packages provide a framework of qualifications aligned to occupations across the breadth of the automotive industry. The provision of trade and non-trade qualifications has been an underpinning feature of the industry since the development of the motor car and a culture of trade training has persisted throughout this time. Demand for automotive qualifications remains positive and total student enrolments within the two Training Packages are now at their highest level in the past four years.

It is expected that demand for training will continue to grow based on an expanding vehicle fleet and the emergence of specialisations across several automotive sectors. Tables 35 and 36 demonstrate the uptake of national qualifications between 2010 and 2013.

In addition to the use of national qualifications to support workforce development needs, it is also understood that a considerable amount of training is still undertaken via Skill Sets and state-accredited courses that do not appear on the national qualifications data count.

Many enterprises also provide specifically tailored and non-accredited training to their personnel and this is also not reflected in the course completion statistics. It could be conservatively estimated that industry undertakes at least 50% more non-accredited training than is reflected in the national course completion figures.

Table 35: National uptake of ASA Training Packages – student enrolments across all training years

	2010	2011	2012	2013
Total (combined AUR & AUM enrolments)	40,060	40,827	44,072	45,636

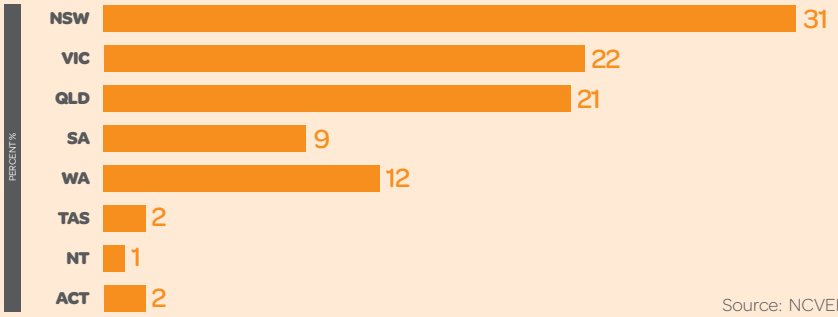
Source: NCVER Student Collection

Table 36: Commencements – combined AUR and AUM Training Packages

	2010	2011	2012	2013
Apprenticeships – school based	1,191	854	944	1,006
Other school-based training	2,029	1,765	2,221	2,577
Apprenticeships – non-school based	12,097	11,269	12,630	11,636
Other training – not apprenticeships	4,972	6,079	6,861	9,618
Domestic fee-for-service training	1,108	1,408	2,237	2,241
International fee-for-service training	458	489	409	328
TOTAL AUR & AUM commencements	21,855	21,864	25,302	27,406

Source: NCVER VOCSTATS database. Note: Apprentices includes trainees

Figure 23: State/territory distribution of apprentices and trainees in training, combined AUR and AUM Training Packages, 2009-13



Source: NCVER VOCSTATS database

Distribution of training by state/territory

The distribution of apprentices and trainees undertaking automotive qualifications is broadly aligned to the population distribution by state. This reflects a dispersed network of automotive workplaces with greater density in higher population locations, as displayed in Figure 23.

It should be noted that the data provided in the tables in this section, which are derived from the National Centre for Vocational Education Research (NCVER), only reflect workers' participation in nationally accredited qualifications.

In addition to the use of national qualifications, a large amount of training occurs on a fee-for-service basis either as full qualifications or around specific units of competency required for specific job functions. The emergence of Skill Sets (specific units or clusters of units endorsed by industry) has led to an increase in upskilling, particularly where job roles have a regulated component. It is expected that this trend will continue as more Skill Sets are developed over time.

Skill Sets have only recently been coded in a similar manner to national qualifications and consequently accurate data on the use of Skill Sets is unavailable at this point in time. It is expected that this will be available for future E-Scans.

WORKFORCE DEVELOPMENT ISSUES

Barriers to training

Employers surveyed by Auto Skills Australia in the development of the 2015 E-Scan reported a range of barriers to their businesses providing training for employees. Cost and lost productivity due to time off-the-job were by far the two main barriers reported, as illustrated in Table 37.

These responses are reflective of the variable business and economic environment affecting many employers within the automotive industry. Many small to medium-sized enterprises, which make up the majority of the automotive industry, are simply reluctant to hire new apprentices and trainees due to economic uncertainty and reduced levels of consumer spending on vehicle servicing and maintenance.

Reports made to ASA during the E-Scan consultation processes indicate that many employers are managing by working longer hours with existing staff levels and resources in order to maintain productivity. Indications are that nervousness around business prospects and the global economic environment will continue to dampen the desire among many employers to hire new apprentices and trainees in the coming year.

Table 37: Employer-reported barriers to providing training for employees

REASON FOR NOT PROVIDING TRAINING	% OF EMPLOYERS
Cost	48.2
Productivity lost due to time off-the-job	37.6
No barriers at all	28.3
Lack of employee interest	22.3
Lack of access or choice of training providers in the employer's location	20.0
Concern that employees will become more attractive to other employers	16.3
Lack of flexibility in course delivery	15.0
Administrative requirements too complex	10.5
Employees already have the required skills	10.3
The likelihood of employees not completing the training	9.0
Insufficient employee language, literacy or numeracy	5.0
Benefits of training cannot be applied to my business	3.0

Source: 2015 Automotive Environmental Scan Survey

Key labour issues

The results of a national survey conducted by ASA of 500 employers within the automotive industry indicate that the key labour issues affecting employers over the next 12 months will be:

- 'attraction of skilled workers' (56.2%)
- 'achieving productivity improvements with current staff level and skills base' (47.7%)
- 'adoption of higher skill levels across the workforce' (39.6%).

The least relevant labour issue reported by employers was 'managing an ageing workforce', where 24.6% rated it as an issue of significance. These results are displayed in Table 38.

Employers have indicated a preference in the current business environment for consolidation of their existing workforce. Attraction of labour still remains a critical issue for many employers, but only suitably qualified workers are sought.

Employers have also indicated that due to the slowing of the mining industry, movement across sectors of the automotive industry has changed direction and workers are looking to return to their former sectors of work.

Employers are often wary of returning workers, stating that they may be de-skilled following extended time in the mining industry. They often were performing mundane, repetitive work and now need extra training to return to work in sectors that are subject to rapid technological change. Therefore, the skilling of this labour force is a key challenge for the industry and for Australia more broadly.

Table 38: Key labour issues facing employers

	EMPLOYER RATING (% RESPONSES)		
	SIGNIFICANT	MODERATE	MINOR
Attracting skilled workers	56.2	24.1	19.7
Achieving productivity improvements with current staff level and skills base	47.7	40.2	12.1
Adoption of higher skill levels across the workforce	35.8	44.3	19.9
Workforce retention and skills utilisation	29.2	39.5	31.4
Attracting apprentices	27.4	30.3	42.3
Managing an ageing workforce	24.6	34.5	40.9

Source: 2015 Automotive Environmental Scan Survey

AUTOMOTIVE MANUFACTURING TRAINING PACKAGE

The Automotive Manufacturing Training Package contains seven qualifications comprising 98 industry-specific units of competency aligned to occupations across two sectors:

- Vehicle Manufacturing Bus, Truck and Trailer
- Vehicle Manufacturing Passenger Vehicle

Forty-six registered training organisations (RTOs) have the Training Package on their Scope of Registration (qualifications that they have authority to deliver and assess).

Progress

During 2012-13, ASA reviewed and restructured all the units of competency in the Automotive Manufacturing Training Package to reflect the new standards for training packages. This work incorporated industry feedback highlighting the requirement for units of competency to more accurately reflect industry expectations and contemporary workplace practice.

This work resulted in the reduction of industry-specific units of competency from 103 to 98.

Uptake

The uptake of qualifications from this Training Package has started to decrease over the past year, as shown in Tables 39 and 40. This is due to the anticipated downsizing of Ford, Holden and Toyota car manufacturing operations in Australia. Until the industry reinvents itself, the future uptake of automotive manufacturing-related qualifications is unclear.

The data in Tables 39 and 40 is drawn from NCVER reports and only details results for nationally accredited training. It does not reflect state-accredited training or enterprise-specific, non-accredited training.

Table 39: AUM Training Package – student enrolments

	2010	2011	2012	2013
Enrolments	498	510	692	635

Source: NCVER Student Collection

Table 40: AUM Training Package – apprentice and trainee commencements, year ending 30 June

	2011	2012	2013	2014
Commencements	353	258	198	192

Source: National Apprentice and Trainee Collection, September 2013 estimates, unpublished

AUTOMOTIVE RETAIL, SERVICE AND REPAIR TRAINING PACKAGE

The Automotive Retail, Service and Repair (AUR) Training Package contains 57 qualifications comprising 646 industry-specific units of competency aligned to occupations across eight sectors. These are:

- Mechanical and Specialisation
- Mechanical Heavy Vehicle
- Vehicle Body
- Auto Electrical
- Outdoor Power and Equipment
- Marine
- Bicycles
- Sales, Parts, Administration and Management.

There are 242 RTOs that have the Training Package on their Scope of Registration.

Progress

During 2014, three qualifications were replaced by new qualifications and 35 new units of competency were developed. In addition, two qualifications were reviewed and restructured as part of an industry skills council (ISC) upgrade to the Training Package.

The new qualifications and units of competency were developed in the new standards for training packages while the ISC upgrade involved adding units to the elective banks of existing qualifications that remained written to the previous standards for training packages.

Table 41: AUR Training Package – student enrolments

	2010	2011	2012	2013
Enrolments	39,562	40,317	43,380	45,001

Source: NCVER Student Collection

Table 42: AUR Training Package – apprentice and trainee commencements, year ending 30 June

	2011	2012	2013	2014
Commencements	13,977	15,333	12,556	11,968

Source: National Apprentice and Trainee Collection, September 2013 estimates, unpublished

Uptake

The Automotive Retail, Service and Repair Training Package remains one of the most widely used within the VET sector. Student enrolments have remained consistently high over the past four years, as shown in Tables 41 and 42.

It is expected that use of this Training Package will grow as occupational outcomes and career pathways become more readily identified and as the vehicle fleet in Australia expands along with a growing population.

Continuous improvement

Throughout 2014-15 all units of competency in the AUR Training Package are being reviewed and streamlined to conform to the new standards for training packages. There are 646 units of competency that will be reviewed in this project. The expectation is that this work will result in clear outcomes and increased rigour in the units of competency.

Section 4
Future directions for endorsed components of training packages

The national vocational education and training (VET) system provides the framework through which industry and registered training organisations collectively deliver training and assess the competency of individuals. This system provides the structure for training and assessment pathways that enable the growth of organisations and individuals through vocational skills development.

Continuous learning in the Automotive industry

The rapid technological changes in vehicles, often driven by regulatory compliance and public demand, mean that technicians need to update their skills and knowledge on more than merely a regular basis. New technology often means new tools to work with, incurring extra cost that has just become part of being an automotive technician.

ASA analyses job roles in the industry and develops and maintains the qualifications that recognise those roles. The complex nature of the modern automotive industry may result in more sharply defined roles within the industry as workplaces carve out niches of expertise leading to a number of qualifications that recognise specialisations. The industry may already be moving away from the traditional all-rounder in metropolitan areas, but this is a necessary role in workplaces outside of cities. The ability of the technician who works on all the systems of a vehicle, and often across a range of vehicles types, to update their skills and knowledge will become more difficult as time goes by.

Educating the Training Provider, learner and industry

Training is sometimes seen by industry as the responsibility of the training providers with little or nothing to do with employers. In these highly competitive times, training providers are turning to employers to assist the facilitation of training and assessment models that are cost-effective while still providing good outcomes.

This is approach is evident in thin markets where there are small numbers of people to be trained – often in areas that are vital to the rest of the industry – and financial sustainability of this training is difficult.

Close relationships between employers and training providers seem to be the key to successful outcomes in these instances.

New directions for the Automotive Manufacturing sector

Australia's automotive manufacturing industry is undergoing significant change. As we see passenger vehicle manufacture in Australia wind down we can expect changes to both the structure and form of the this sector of the industry.

Component manufacturers face ongoing adjustment pressure and rationalisation and at this point there is no clear direction for the continuous improvement of the automotive manufacturing training package. As the industry adjusts and changes to roles become well-defined, there is the expectation that the training package will undergo extensive modification.

Working towards national consistency

There are a number of job roles that the industry would like to see as consistent across state and territory jurisdictions. Working with stakeholders in areas such as vehicle roadworthiness will identify the qualifications, skill sets and/or units of competency that would form the basis of the necessary training and assessment recognised by all jurisdictions.

Automotive trainers

Attracting suitable people into the roles of automotive trainers and assessors is seen as vital to the growth of the industry. It would be useful to identify and chart pathways through the industry that demonstrate the broad scope of possibilities for individuals to enter into these roles.

Bringing it all together

Rapid technological change, strengthened industry/training provider partnerships and identifiable pathways to bring more industry people in the training space are challenges facing the industry.

Table 43: Summary of national VET regulatory reforms that affect the automotive industry

VOCATIONAL EDUCATION AND TRAINING REGULATORY REFORM UPDATE		
REFORM OBJECTIVE/PROGRESS	EFFECT OF REGULATORY REFORM ON ASA QUALIFICATIONS	INFORMATION
New standards for training packages The Standing Council on Tertiary Education, Skills and Employment (SCOTESE) endorsed new standards for training packages, developed by the National Skills Standards Council (NSSC), on 16 November 2012. (Note that the NSSC referred to in this document has been dissolved and its ongoing functions will be delegated to the Australian Industry and Skills Committee, which is to be established.) The purpose of the new standards is to ensure Training Packages are of high quality and meet the workforce development needs of industry, enterprises and individuals. The standards apply to the design and development of Training Packages by Industry Skills Councils (ISCs). The standards replace the Training Package Development Handbook (which includes the previous training package development and endorsement process). The new standards implement the agreed recommendations from the joint COAG/NQC VET Products for the 21st Century Report, endorsed by the Ministerial Council for Tertiary Education and Employment. Under the new standards there will be a strengthened quality assurance process that will include all components of a Training Package put forward to the endorsing body for endorsement. The national register of information on training packages, qualifications, courses, units of competency and registered training organisations – training.gov.au – will publish streamlined training packages upon their endorsement.	ASA has reviewed and restructured the AUM Training Package to reflect the new standards. The AUR Training Package is being reviewed to incorporate the new standards. ASA seeks to continue a positive engagement with the endorsing body and in particular with the passage of automotive Training Packages through the new standards. By 31 December 2015, all Training Packages will meet the new standards.	More information: http://www.industry.gov.au/skills/TrainingPackages/Pages/default.aspx

VOCATIONAL EDUCATION AND TRAINING REGULATORY REFORM UPDATE		
REFORM OBJECTIVE/PROGRESS	EFFECT OF REGULATORY REFORM ON ASA QUALIFICATIONS	INFORMATION
Improving VET system information SCOTESE agreed on 7 June 2013 to the implementation arrangements for the unique student identifier (USI) and strengthening the national VET data collection through enhanced reporting of training activity. These two initiatives are part of a suite of reforms being pursued by federal, state and territory governments to support better information about VET and underpin improvements to quality and access to training across the VET sector, to the benefit of all Australians. The initiatives are designed so employers and individuals can make more informed choices about training options, individuals can get records of training they undertake regardless of where it occurred, industry can know the skills being developed in the training sector, and governments can develop more targeted policies and better direct funding to training priorities.	New RTOs are required to comply with the Standards from 1 January 2015 and existing RTOs from 1 April 2015.	If you require any further information about the standards for RTOs, go to: http://www.asqa.gov.au/vet-registration/comply-with-your-obligations/total-vet-activity-reporting.html http://www.usi.gov.au/About/Pages/default.aspx
New standards for RTOs 2015 New national standards for RTOs and regulators were released in 2014. The Standards for Registered Training Organisations 2015 will be implemented from 1 January 2015 for prospective RTOs and from 1 April 2015 for existing RTOs. ASQA can delegate regulatory responsibility to high-performing registered training organisations (RTOs) to manage their own scope of registration. Delegates will no longer have to apply to ASQA each time they add or withdraw a new qualification, unit of competency or accredited course. From 1 July 2014, when a new or revised training package is released, ASQA will identify all qualifications and units of competency that have been endorsed as being 'equivalent' to a current training package product. ASQA will automatically update a training provider's scope of registration with the new, equivalent training product. Financial viability assessments will cease as a requirement for re-registering existing RTOs	ASA is carefully considering the policy requirements around equivalency of qualifications and units for the new training package components being produced for the new standards for training packages.	If you require any further information about the standards for RTOs, go to: http://www.asqa.gov.au/

VOCATIONAL EDUCATION AND TRAINING REGULATORY REFORM UPDATE		
REFORM OBJECTIVE/PROGRESS	EFFECT OF REGULATORY REFORM ON ASA QUALIFICATIONS	INFORMATION
Vocational education and training reform In November 2013, the Department of Industry established a VET Reform Taskforce. The purpose of the taskforce is to work with state and territory governments, RTOs, industry groups, employers and other stakeholders to build a better VET system, led by industry. Formal consultations, face-to-face and via webinar, are underway. There are several other ways to have a say about VET reform.		If you require any further information about the VET reform, go to: http://www.vetreform.industry.gov.au/

Appendices

APPENDIX A

REPORT ON PREVIOUS CONTINUOUS IMPROVEMENT ACTIVITY

Automotive Training Packages

AUM AUTOMOTIVE MANUFACTURING TRAINING PACKAGE				
BRIEF SUMMARY OF CHANGES	INDUSTRY IMPERATIVES/ RATIONALE FOR CHANGE	DATE SUBMITTED TO ENDORSING BODY SECRETARIAT	DATE ENDORSED BY ENDORSING BODY OR ISC UPGRADE	DATE MADE PUBLIC THROUGH TGA
Work on items within the AUM Continuous Improvement Plan that may affect the structure of qualifications will begin in 2015 as the industry comes to terms with the changes in automotive manufacturing.	N/A	N/A	N/A	N/A

AUR AUTOMOTIVE RETAIL, SERVICE AND REPAIR TRAINING PACKAGE				
BRIEF SUMMARY OF CHANGES	INDUSTRY IMPERATIVES/ RATIONALE FOR CHANGE	DATE SUBMITTED TO ENDORSING BODY SECRETARIAT	DATE ENDORSED BY ENDORSING BODY OR ISC UPGRADE	DATE MADE PUBLIC THROUGH TGA
Revision of the Certificate III in Marine Mechanical Technology	Industry requested a review of the structure of the qualification to allow the choice of different engine and transmission repair units in negotiated training plans.	8 December 2014	8 December 2014	16 January 2015

AUR AUTOMOTIVE RETAIL, SERVICE AND REPAIR TRAINING PACKAGE				
BRIEF SUMMARY OF CHANGES	INDUSTRY IMPERATIVES/ RATIONALE FOR CHANGE	DATE SUBMITTED TO ENDORSING BODY SECRETARIAT	DATE ENDORSED BY ENDORSING BODY OR ISC UPGRADE	DATE MADE PUBLIC THROUGH TGA
Revision of the Certificate III in Heavy Commercial Vehicle Mechanical Technology	Industry requested a review of the structure of the qualification to allow the choice of different transmission repair units in negotiated training plans.	8 December 2014	8 December 2014	16 January 2015
Revision of the Certificate IV in Vehicle Loss Assessing	The qualification was reviewed and rewritten to the new standards for Training Packages in accordance with the Department of Industry requirements.	8 December 2014	8 December 2014	16 January 2015
One new skill set for Percussive Drill Maintenance and Advanced Systems Diagnosis	Industry had identified a gap in the supply of trained maintenance staff for the underground mining industry.	N/A	N/A	9 February 2015
Eleven new Loss Assessing-specific units and their assessment requirements were written to the new standards for Training Packages	The units were reviewed and re-written to the new standards for Training Packages in accordance with the Department of Industry requirements.	8 December 2014	8 December 2014	16 January 2015

AUR12 AUTOMOTIVE RETAIL, SERVICE AND REPAIR TRAINING PACKAGE				
BRIEF SUMMARY OF CHANGES	INDUSTRY IMPERATIVES/ RATIONALE FOR CHANGE	DATE SUBMITTED TO ENDORSING BODY SECRETARIAT	DATE ENDORSED BY ENDORSING BODY OR ISC UPGRADE	DATE MADE PUBLIC THROUGH TGA
ISC upgrade of Certificate II in Automotive Vocational Preparation – twenty new units written and added to the elective bank to augment the qualification	Request from end-users in schools and RTOs in some jurisdictions to increase the volume within the qualification.	N/A	8 December 2014	16 January 2015
ISC upgrade of Certificate II in Automotive Steering and Suspension – four units of competency added to the elective bank to augment the qualification.	Request from industry to add wheel alignment and steering & suspension inspection units to the qualification.	N/A	8 December 2014	16 January 2015

APPENDIX B

BIBLIOGRAPHY

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3. Source: Australian Aftermarket Association (AAA) 16 December 2014 - A Win for Australian Car Owners - Vehicle Data Sharing http://www.aaaa.com.au/news.asp?id=196
4. Source: Auto Skills Australia, 2015 E-scan forums
5. Source: Auto Skills Australia, 2015 E-scan forums
6. Source: Callam Pickering, Business Spectator Why car sales might not stay on course for long, 19 January 2015 http://www.businessspectator.com.au/article/2015/1/19/australian-news/why-car-sales-might-not-stay-course-long
7. Source: Bicycle Industries Australia
8. Source: Boating Industries Alliance Australia
9. Source: https://training.gov.au/
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METHODOLOGY

Actions taken to develop the 2015 Automotive Environmental Scan

Auto Skills Australia Ltd used a range of strategies and processes to develop the 2015 Automotive Environmental Scan. The aim of the E-scan was to integrate a contemporary statistical analysis of the automotive industry, with maximum engagement and qualitative contribution from stakeholders. Intelligence gathering was undertaken from July to December 2014.

The processes used to inform the E-scan included:

- Conducting a series of forums and focus group discussions with industry stakeholders in each state. These stakeholders included both national and state industry associations and peak bodies; state industry advisory training bodies; registered training organisations and state training authorities. Valuable intelligence was gained from these forums on conditions within the industry in each state. The forums were held during September and October 2014.
- The development of a national industry employer survey (the 2015 Automotive Environmental Scan Survey), designed to capture detailed quantitative and qualitative labour market information in each state. The survey was conducted during October 2014 and is discussed in more detail below.
- Discussions during October and November 2014 with representatives of motor vehicle manufacturers on the state of the automotive manufacturing industry.
- Regular consultations with ASA training package specialists concerning developments in national automotive training qualifications.
- Consultations with ASA industry sector advisory committees and ASA Board members concerning intelligence about various automotive sectors.
- Use of the latest ABS and NCVER data and conducting time series modelling of estimates.
- Use of automotive research publications, industry reports and on-going monitoring of media reports.

2015 AUTOMOTIVE ENVIRONMENTAL SCAN SURVEY

The 2015 Automotive Environmental Scan Survey was designed by ASA to capture crucial quantitative and qualitative information on the state of the automotive labour market and other important issues in each state. The survey data was instrumental in verifying or validating the qualitative and anecdotal evidence presented by many stakeholders during forum group discussions.

Given that the automotive labour market was the prime focus, the survey was disseminated to automotive businesses in each state. The survey included a cross section of businesses in each state within each relevant ANZSIC code and industry activity as listed in Table 1.

Sample Size and Level of Accuracy

A sample size of 500 automotive businesses was selected within the survey. Given that the national population of automotive businesses is approximately 64,772 (ABS: Counts of Australian Businesses Cat. No. 8165.0), a sample size of 500 businesses allowed for a 95% confidence level with the data, or a 4.4% margin of error according to the formula:

$$\text{MARGIN OF ERROR} = 1 / \sqrt{\text{sample size}} = \frac{1}{\sqrt{n}}$$

Note: 'n' is always used to stand for sample size (or number)

The margin of error can be described as the amount by which the percentage or proportion obtained from the sample, a sample statistic, will differ from the population percentage or proportion.

Therefore, with a sample size of 500, the margin of error is:

$= 1 / \sqrt{500}$

$= 1 / 22.36$

$= 0.044$

$= (\pm)\ 4.4\%$

Therefore if 50% of business respondents sampled claim to be affected by shortages of skilled labour, one can be 95% confident that the true value for the whole population falls between 50 ± 4.4, that is, in a range from 45.6% to 54.4%.

APPENDIX C

OCCUPATIONS AND QUALIFICATIONS IN DEMAND TABLE

NOTE: The information contained in the following table is presented on the basis of industry sector and occupation, according to the newly restructured qualifications and job roles within the Automotive Retail, Service and Repair Training Package (AUR) and the Automotive Manufacturing Training Package (AUM).

In many cases, the ANZSCO codes and occupations used by the Australian Bureau of Statistics do not accurately represent or match the revised job roles and qualifications within AUR and AUM. As such, a best fit of ANZSCO codes to AUR and AUM qualifications and occupations has been presented in the table below. Where there are no appropriate ANZSCO codes available, none are recorded.

MECHANICAL AND SPECIALISATION SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
321211 Motor Mechanic (General)	Automotive Air Conditioning Serviceperson; Automotive Specialist – Air conditioning.	AUR20212 Certificate II in Automotive Air Conditioning Technology	Mild shortages were identified for this occupation across some states.
899916 Mechanic's Assistant	Automotive Vehicle Serviceperson; Automotive Serviceperson; Automotive Underbody Serviceperson.	AUR20512 Certificate II in Automotive Servicing Technology	No shortages reported for this occupation.
321211 Motor Mechanic (General)	Automotive Underbody Serviceperson; Automotive Vehicle Serviceperson.	AUR21212 Certificate II in Automotive Underbody Technology	No shortages reported for this occupation.
321211 Motor Mechanic (General)	Automotive Braking Systems Serviceperson; Automotive Braking Systems Specialist.	AUR21312 Certificate II in Automotive Braking Systems Technology	No shortages reported for this occupation.
899414 Radiator Repairer	Automotive Radiator Repair Serviceperson; Automotive Radiator Repair Specialist.	AUR21412 Certificate II in Automotive Cooling System Technology	Mild shortages were identified for this occupation in some states.

MECHANICAL AND SPECIALISATION SECTOR CONTINUED			
ANZSCO CODE AND OCCUPATION	**INDUSTRY SECTOR AND OCCUPATION TITLES**	**TRAINING PACKAGE QUALIFICATION**	**JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)**
323214 Metal Machinist (First Class)	Automotive Engine Cylinder Head Reconditioner; Automotive Engine Reconditioner Cylinder Head Specialist; Automotive Engine Reconditioner.	AUR21512 Certificate II in Automotive Cylinder Head Reconditioning	Mild shortages were identified for this occupation, particularly in QLD and SA.
321211 Motor Mechanic (General)	Automotive Driveline Serviceperson; Automotive Driveline and Transmission Specialist.	AUR21612 Certificate II in Automotive Driveline System Technology	No shortages reported for this occupation.
899413 Exhaust and Muffler Repairer	Automotive Exhaust Fitter and Repairer; Automotive Exhaust Fitting Specialist.	AUR21712 Certificate II in Automotive Exhaust System Technology	No shortages reported for this occupation.
321211 Motor Mechanic (General)	Automotive Steering and Suspension Serviceperson; Automotive Steering and Suspension Specialist.	AUR21812 Certificate II in Automotive Steering and Suspension System Technology	No shortages reported for this occupation.
899415 Tyre Fitter	Automotive Tyre Fitter-Light Vehicles; Automotive Tyre Fitter-Heavy Vehicles; Automotive Tyre Fitter-Agricultural Equipment.	AUR21913 Certificate II in Automotive Tyre Servicing Technology	A national shortage of 190 tyre fitters is estimated by ASA, with shortages prevailing in most states according to results from the 2015 Automotive Environmental Scan Survey.
899415 Tyre Fitter	Senior Tyre Fitter; Tyre Fitter Supervisor; Tyre Fitter Leading Hand.	AUR32613 Certificate III in Automotive Tyre Management	See above.

MECHANICAL AND SPECIALISATION SECTOR CONTINUED			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
321211 Motor Mechanic (General)	Automotive Light Vehicle- Mechanical/ Repair Technician; Light Vehicle Mechanical Technician.	AUR30612 Certificate III in Light Vehicle Mechanical Technology	Automotive light vehicle mechanics represent the most critical skill shortage within the automotive industry. ASA has estimated a current shortage of 5,716 light vehicle mechanics nationally, which is prevalent across all states and territories including regional and remote areas.
321211 Motor Mechanic (General)	Automotive Manual Transmission Drivetrain Technician; Automotive Automatic Transmission Drivetrain Technician; Drivetrain Technician.	AUR31612 Certificate III in Automotive Drivetrain Technology	Mild shortages were identified for this occupation in some states.
321211 Motor Mechanic (General)	Automotive Alternative Fuel Technician; Automotive Light Vehicle Repair Technician; Automotive Heavy Vehicle Repair Technician.	AUR32012 Certificate III in Automotive Alternative Fuel Technology	Mechanical diagnostics skills are widely sought after by automotive businesses and constitute and a critical skill shortage nationally.
321213 Motorcycle Mechanic	Automotive Motorcycle Repair Technician.	AUR30812 Certificate III in Motorcycle Mechanical Technology	ASA has identified a national shortage of 150 motorcycle mechanics, which are required in most states.
321211 Motor Mechanic (General)	Automotive Light Vehicle Underbody Repair Technician.	AUR32512 Certificate III in Automotive Underbody Technology	Low level shortages were recorded for this occupation across some states..
321211 Motor Mechanic (General)	Automotive Lead/ Master Technician; Automotive Technical Advisor.	AUR40212 Certificate IV in Automotive Mechanical Diagnosis	Advanced diagnostic skills are highly sought after by automotive businesses in response to increasingly complex vehicle systems/technologies.

MECHANICAL AND SPECIALISATION SECTOR CONTINUED			
ANZSCO CODE AND OCCUPATION	**INDUSTRY SECTOR AND OCCUPATION TITLES**	**TRAINING PACKAGE QUALIFICATION**	**JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)**
321211 Motor Mechanic (General)	Automotive Overhauler.	AUR40812 Certificate IV in Automotive Mechanical Overhauling	No shortages reported for this occupation.
	Automotive Technical Advisor	AUR40212 Certificate IV in Automotive Mechanical Diagnosis	Some shortages in QLD.
321211 Motor Mechanic (General)	Performance Vehicle Technician; Automotive Performance Enhancement Master Technician.	AUR40412 Certificate IV in Automotive Performance Enhancement	No shortages for this occupation.
321211 Motor Mechanic (General)	Advanced Diagnostic Technician; Automotive System Designer.	AUR50212 Diploma of Automotive Technology	Some shortages reported. Advanced diagnostic skills are highly sought after by automotive businesses in response to increasingly complex vehicle systems/ technologies

MECHANICAL HEAVY VEHICLE SECTOR			
ANZSCO CODE AND OCCUPATION	**INDUSTRY SECTOR AND OCCUPATION TITLES**	**TRAINING PACKAGE QUALIFICATION**	**JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)**
321212 Diesel Motor Mechanic	Agricultural Mechanical Technician.	AUR30412 Certificate III in Agricultural Mechanical Technology	Some shortages have been reported within this occupation, particularly in SA.
321212 Diesel Motor Mechanic	Heavy Commercial Vehicle Technician; Heavy Vehicle Mechanic.	AUR31114 Certificate III in Heavy Commercial Vehicle Mechanical Technology	The results of the 2015 Automotive Environmental Survey indicate a major national shortage of 1,567 heavy vehicle mechanics, with shortages occurring in every state and territory. Heavy vehicle mechanics are particularly sought after by the mining and resource industries and many are attracted towards these industries, thus creating shortages for the automotive industry.

MECHANICAL HEAVY VEHICLE SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
323211 Fitter (General)	Mobile Plant Technician; Heavy Vehicle Mobile Equipment Mechanic.	AUR31212 Certificate III in Mobile Plant Technology	A national shortage of 216 mobile plant technicians has been estimated by ASA. There is an increased demand for this qualification due to the diagnostics components within the qualification.
323211 Fitter (General)	Diesel Fitter; Diesel Fitting Mechanic.	AUR31212 Certificate III in Mobile Plant Technology	Diesel fitters were identified as a skill shortage, particularly in regional and remote areas of QLD, according to advice from industry stakeholders.
323214 Metal Machinist (First Class)	Automotive Engine Reconditioner.	AUR31312 Certificate III in Automotive Engine Reconditioning	Mild shortages have been identified for this qualification. The lack of sufficient training providers delivering training within this specialised field is seen by stakeholders as a key factor for these shortages.
321212 Diesel Motor Mechanic	Automotive Heavy Vehicle Diesel Fuel Technician; Diesel Fuel Specialist.	AUR31412 Certificate III in Automotive Diesel Fuel Technology	Low level shortages were reported within this specialised occupation.
321212 Diesel Motor Mechanic	Diesel Engine Technician.	AUR31512 Certificate III in Automotive Diesel Engine Technology	The results of the 2015 Automotive Environmental Scan Survey indicate major shortages within this occupation/specialisation across all states and territories.
321211 Motor Mechanic (General)	Automotive Automatic Transmission Technician; Automotive Manual Transmission Drivetrain Technician; Drivetrain Technician.	AUR31612 Certificate III in Automotive Drivetrain Technology	Some shortages have been identified within this occupation, particularly in SA, based on stakeholder reports and the results of the 2015 Automotive Environmental Scan Survey.
721311 Forklift Driver	Automotive Forklift Repair Technician; Automotive Forklift Mechanic.	AUR31712 Certificate III in Forklift Technology	Limited shortages for this occupation have been reported by stakeholders.

MECHANICAL HEAVY VEHICLE SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
	Heavy Commercial Trailer Technician.	AUR31812 Certificate III in Heavy Commercial Trailer Technology	Mild shortages have been recorded for this occupation in some states.
	Elevating Work Platform Technician.	AUR31912 Certificate III in Elevating Work Platform Technology	No shortages reported for this occupation.
321211 Motor Mechanic (General)	Heavy Vehicle Automotive Alternative Fuel Technician.	AUR32012 Certificate III in Automotive Alternative Fuel Technology	Mild shortages have been recorded for this occupation in some states.

VEHICLE BODY REPAIR SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
324111 Panelbeater	Vehicle Body Repair Assistant; Vehicle Paint-Less Dent Repair Assistant.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.
324311 Vehicle Painter	Vehicle Painter Assistant.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.
324212 Vehicle Trimmer	Vehicle Trimming Assistant.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.
899412 Autoglazier	Vehicle Glazing Assistant.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.
621911 Materials Recycler	Vehicle Dismantler.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.
811111 Car Detailer	Vehicle Detailer.	AUR20912 Certificate II in Automotive Body Repair Technology	Limited shortages were reported for this occupation.
324111 Panelbeater	Vehicle Body Assembler.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.

VEHICLE BODY REPAIR SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
899412 Autoglazier	Vehicle Window Tinter; Vehicle Tinter.	AUR20912 Certificate II in Automotive Body Repair Technology	No shortages reported for this occupation.
324111 Panelbeater	Vehicle Body Repair Technician; Vehicle Body Restoration Technician; Heavy Vehicle Body and Chassis Repair Technician; Panelbeater.	AUR32112 Certificate III in Automotive Body Repair Technology	Results from the 2015 Automotive Environmental Scan Survey indicate a national shortage of 2,700 body repair technicians. These shortages are present in every state/ territory except Tasmania.
899412 Autoglazier	Automotive Glazing Technician; Vehicle Glazier; Windscreen Repair Technician.	AUR32212 Certificate III in Automotive Glazing Technology	No shortages reported for this occupation.
323212 Vehicle Trimmer	Motor Trimming Technician; Vehicle Trimming Technician; Marine Trimming Technician.	AUR32312 Certificate III in Automotive and Marine Trimming Technology	Some shortages of vehicle trimmers have been identified, particularly in NSW and ACT.
324311 Vehicle Painter	Vehicle Refinishing Technician; Vehicle Spray Painter; Vehicle Refinishing Technician- Heavy Vehicle and Industry.	AUR32412 Certificate III in Automotive Refinishing Technology	ASA has forecast a national shortage of 1,900 vehicle refinishing technicians for 2014/15. Shortages within this occupation are present in all states and territories except Tasmania.

VEHICLE BODY REPAIR SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	**INDUSTRY SECTOR AND OCCUPATION TITLES**	**TRAINING PACKAGE QUALIFICATION**	**JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)**
512111 Office Manager	Automotive Workshop Manager; Automotive Master Technician and Workplace Supervisor; Workplace Loss Assessor Advisor; Estimator; Workplace Technical Advisor Panel and Paint; Group Team Leader; Customer Service.	AUR40712 Certificate IV in Automotive Body Repair Technology	Limited shortages have been reported for these occupations across states.
599612 Insurance Loss Adjuster	Vehicle Loss Assessor – Light Vehicle; Heavy Vehicle; Commercial Vehicle; Agricultural and Plant Equipment; Recreational Vehicle; Motorcycle.	AUR40512 Certificate IV in Vehicle Loss Assessing	No shortages reported for these occupations.

AUTOMOTIVE ELECTRICAL SECTOR			
ANZSCO CODE AND OCCUPATION	**INDUSTRY SECTOR AND OCCUPATION TITLES**	**TRAINING PACKAGE QUALIFICATION**	**JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)**
899411 Motor Vehicle Part and Accessories Fitter (General)	Automotive Electrical Component Installer; Electrical Accessory Fitter.	AUR20412 Certificate II in Automotive Electrical Technology	No shortages reported for this occupation.
321211 Motor Mechanic (General)	Automotive Air-Conditioning Serviceperson.	AUR20412 Certificate II in Automotive Electrical Technology AUR20212 Certificate II in Automotive Air Conditioning Technology	Mild shortages were reported for this occupation across some states.

AUTOMOTIVE ELECTRICAL SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
899411 Motor Vehicle Part and Accessories Fitter (General)	Automotive Electrical Trainee / Assistant.	AUR20412 Certificate II in Automotive Electrical Technology	No shortages reported for this occupation.
321111 Automotive Electrician	Automotive Electrical Technician; Automotive Electrical Diagnostic Technician; Automotive Electrician.	AUR30312 Certificate III in Automotive Electrical Technology	A national shortage of 623 automotive electricians is forecast by ASA with demand for this occupation present in all states and territories.
512111 Office Manager	Automotive Electrical Workshop Manager / Service Manager; Automotive Electrical Master Diagnostic Technician.	AUR40612 Certificate IV in Automotive Electrical Technology	Limited shortages reported for this occupation.
321111 Automotive Electrician	Automotive Electrical Workshop Technical Service Adviser.	AUR40612 Certificate IV in Automotive Electrical Technology	Limited shortages reported for this occupation.
321111 Automotive Electrician	Automotive Electrical Master Technician.	AUR40612 Certificate IV in Automotive Electrical Technology	Limited shortages reported for this occupation.

OUTDOOR POWER EQUIPMENT SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
321214 Small Engine Mechanic	Outdoor Power Equipment Serviceperson; Outdoor Power Equipment Service Technician.	AUR20812 Certificate II in Outdoor Power Equipment Technology	No shortages reported for this occupation.
321214 Small Engine Mechanic	Outdoor Power Equipment Repair Technician; Outdoor Power Equipment Technician.	AUR30713 Certificate III in Outdoor Power Equipment Technology	Mild shortages were reported for this occupation within the 2015 Automotive Environmental Scan Survey.

MARINE SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
321214 Small Engine Mechanic	Marine Serviceperson; Marine Service Technician.	AUR20612 Certificate II in Marine Mechanical Technology	No shortages reported for this occupation.
321214 Small Engine Mechanic	Marine Mechanical Technician; Marine Technician.	AUR30512 Certificate III in Marine Mechanical Technology	A national shortage of approximately 150 marine mechanical technicians is forecast by ASA, with shortages being most prevalent in NSW and WA.

BICYCLE SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
899911 Bicycle Mechanic	Bicycle Assembler; Bicycle Serviceperson; Assistant Bicycle Mechanic; Bicycle Service Technician; Bicycle Sales Assistant.	AUR20312 Certificate II in Bicycle Mechanical Technology	Bicycle repair technicians/mechanics are identified as a strong skill shortage nationally according to stakeholder reports. Using results from the 2015 Automotive Environmental Scan Survey, ASA has estimated a national shortage of 553 bicycle mechanics. Shortages are present in all states and territories except TAS and NT.
899911 Bicycle Mechanic	Bicycle Repair Technician; Bicycle Mechanic.	AUR30212 Certificate III in Bicycle Workshop Operations	See above.

AUTOMOTIVE ADMINISTRATIONS AND SALES SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
599 Miscellaneous Clerical and Administrative Workers	Clerical/Office Assistant; Service Department Receptionist; On-line Receptionist; Data Entry Assistant.	AUR20112 Certificate II in Automotive Administration	Limited shortages reported for this occupation.
542 Receptionists	Receptionist.	AUR20112 Certificate II in Automotive Administration	Limited shortages reported for this occupation.

AUTOMOTIVE ADMINISTRATIONS AND SALES SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
621611 Service Station Attendant	Service Station Attendant/ Salesperson; Sales Assistant.	AUR21112 Certificate II in Automotive Sales	Limited shortages reported for this occupation.
621111 Sales Assistant (General)	Bicycle Salesperson.	AUR2031 2 Certificate II in Bicycle Mechanical Technology AUR21112 Certificate II in Automotive Sales	Mild shortages have been reported for bicycle salespersons.
621111 Sales Assistant (General)	Outdoor Power Equipment Salesperson.	AUR21112 Certificate II in Automotive Sales	Low levels of shortages reported for this occupation.
512111 Office Manager	Office/Sales Administration.	AUR30112 Certificate III in Automotive Administration	Limited shortages reported for this occupation.
591116 Warehouse Administration	Warehousing and Distribution Administration; Bicycle Administration; Marine Administration; Outdoor Power Equipment Administration;	AUR30112 Certificate III in Automotive Administration	No shortages reported for this occupation.
591116 Warehouse Administration	Motorsport Administration; Vehicle Servicing and Repair Administration.	AUR30112 Certificate III in Automotive Administration	Limited shortages reported for this occupation. Limited shortages reported for this occupation.
621312 Motor Vehicle Parts Interpreter	Parts Interpreter.	AUR31012 Certificate III in Automotive Sales	Parts Interpreters have been reported as major skill shortage nationally by industry stakeholders. Using data from the 2015 Automotive Environmental Scan Survey, ASA has estimated a combined shortage of parts interpreters across the parts wholesaling and retailing sectors of 926 persons

AUTOMOTIVE ADMINISTRATIONS AND SALES SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
621311 Motor Vehicle Salesperson	Vehicle Salesperson; Aftermarket Salesperson; Aftermarket Senior Salesperson.	AUR31012 Certificate III in Automotive Sales	ASA has identified a national shortage of 618 vehicle salespersons according to stakeholder reports and results from the 2015 Automotive Environmental Scan Survey.
621311 Motor Vehicle Salesperson	Farm Machinery Salesperson; Motorcycle Salesperson; Outdoor Power Equipment Salesperson; Marine Salesperson.	AUR31012 Certificate III in Automotive Sales	Low levels of shortages reported for this occupation.
621311 Motor Vehicle Salesperson	Bicycle Salesperson.	AUR31012 Certificate III in Automotive Sales	Mild shortages have been reported for this occupation.
131112 Sales and Marketing Manager	Business/Sales Manager.	AUR40112 Certificate IV in Automotive Management AUR50112 Diploma of Automotive Management	Limited shortages reported for this occupation.
149212 Customer Service Manager	Customer Service Manager.	AUR40112 Certificate IV in Automotive Management AUR50112 Diploma of Automotive Management	Low levels of shortages reported for this occupation.
149212 Customer Service Manager	Workplace Manager; Parts Manager.	AUR40112 Certificate IV in Automotive Management	Low levels of shortages reported for this occupation.

AUTOMOTIVE ADMINISTRATIONS AND SALES SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
	Dealer Principal; Automotive Directorship.	AUR50112 Diploma of Automotive Management	Low level shortages have been reported for this occupation.
131112 Sales and Marketing Manager	Operations Manager; Area Manager.	AUR50112 Diploma of Automotive Management	Limited shortages reported for this occupation.
131112 Sales and Marketing Manager	Marketing Manager; Purchasing Manager.	AUR50112 Diploma of Automotive Management	No shortages reported for this occupation.
149212 Customer Service Manager	Automotive Service/Repair Manager.	AUR50112 Diploma of Automotive Management	Limited shortages reported for this occupation.
149212 Customer Service Manager	Automotive Aftermarket Manager.	AUR50112 Diploma of Automotive Management	Low levels of shortages reported for this occupation.
131112 Sales and Marketing Manager	Automotive Retail Sales Manager.	AUR50112 Diploma of Automotive Management	Low levels of shortages reported for this occupation.
131112 Sales and Marketing Manager	Automotive Warehouse Manager.	AUR50112 Diploma of Automotive Management	No shortages reported for this occupation.

AUTOMOTIVE MANUFACTURING SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
832211 Product Assembler	Product Assembler; Vehicle Body Assembler; Component Assembler.	AUM20113 Certificate II in Automotive Manufacturing Production - Passenger Motor Vehicle	Limited shortages reported for this occupation.
591116 Warehouse Administrator	Warehouse and Material Logistics.	AUM20113 Certificate II in Automotive Manufacturing Production - Passenger Motor Vehicle	No shortages reported for this occupation.

AUTOMOTIVE MANUFACTURING SECTOR (CONTINUED)			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
832211 Product Assembler	Automotive Manufacturing Production Worker.	AUM20113 Certificate II in Automotive Manufacturing Production - Passenger Motor Vehicle	No shortages reported for this occupation.
324211 Vehicle Body Builder	Automotive Body Builder.	AUR20213 Certificate II in Automotive Manufacturing Production - Bus Truck and Trailer	No shortages reported for this occupation.
832211 Product Assembler	Automotive Manufacturing Production Worker.	AUR20213 Certificate II in Automotive Manufacturing Production - Bus Truck and Trailer	No shortages reported for this occupation.
832211 Product Assembler	Component Assembler.	AUR20213 Certificate II in Automotive Manufacturing Production - Bus Truck and Trailer	No shortages reported for this occupation.
839311 Product Examiner	Automotive Manufacturing Technician.	AUM30113 Certificate III in Automotive Manufacturing Technical Operations - Passenger Motor Vehicle	No shortages reported for this occupation.
324211 Vehicle Body Builder	Vehicle Body Builder.	AUM30113 Certificate III in Automotive Manufacturing Technical Operations - Passenger Motor Vehicle	No shortages reported for this occupation.
324211 Vehicle Body Builder	Coach Builder Technician.	AUM30113 Certificate III in Automotive Manufacturing Technical Operations - Passenger Motor Vehicle	Low level shortages reported for this occupation.
832211 Product Assembler	Sub-Assembly Technician.	AUM30113 Certificate III in Automotive Manufacturing Technical Operations - Passenger Motor Vehicle	No shortages reported for this occupation.

AUTOMOTIVE MANUFACTURING SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
839311 Product Examiner	Automotive Manufacturing Technician.	AUM30213 Certificate III in Automotive Manufacturing Technical Operations - Bus, Truck and Trailer	No shortages reported for this occupation.
324211 Vehicle Body Builder	Vehicle Body Builder.	AUM30213 Certificate III in Automotive Manufacturing Technical Operations - Bus, Truck and Trailer	Results from the 2015 Automotive Environmental Scan survey indicate a mild shortage of vehicle body builders/coach builders within bus, truck and trailer manufacturing.
324211 Vehicle Body Builder	Coach Builder Technician.	AUM30213 Certificate III in Automotive Manufacturing Technical Operations - Bus, Truck and Trailer	Low level shortages reported for this occupation.
832211 Product Assembler	Sub-Assembly Technician.	AUM30213 Certificate III in Automotive Manufacturing Technical Operations - Bus, Truck and Trailer	No shortages reported for this occupation.
832211 Product Assembler	Lead Technician (Bus Truck and Trailer; Lead Technician (Passenger Vehicle).	AUM40113 Certificate IV in Automotive Manufacturing	No shortages reported for this occupation.
832211 Product Assembler	Line Manager.	AUM50113 Diploma of Automotive Manufacturing	No shortages reported for this occupation.
133512 Production Manager (Manufacturing)	Automotive Production Manager; Automotive Production Supervisor.	AUM50113 Diploma of Automotive Manufacturing	No shortages reported for this occupation.

MOTORSPORT SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
	Race Team General Hand.	AUR21012 Certificate II in Motorsport Technology	No shortages were reported by employers for this occupation.
	Motorsport Vehicle Technician; Number Three Mechanic.	AUR30912 Certificate III in Motorsport Technology	No shortages reported for this occupation.
	Motorsport Service/Pit Crew Member.	AUR30912 Certificate III in Motorsport Technology	No shortages were reported by employers for this occupation.
	Master Technician; Motorsport Pit Crew Coordinator.	AUR40312 Certificate IV in Motorsport Technology	No shortages were reported by employers for this occupation.
	Advanced Diagnostic Technician, Motorsport.	AUR50312 Diploma of Motorsport Technology	No shortages were reported by employers for this occupation.
	Motorsport Team Manager.	AUR50312 Diploma of Motorsport Technology	No shortages were reported by employers for this occupation.
	Motorsport Design Technician.	AUR50312 Diploma of Motorsport Technology	No shortages were reported by employers for this occupation.

VET IN SCHOOLS/ PRE-VOCATIONAL SECTOR			
ANZSCO CODE AND OCCUPATION	INDUSTRY SECTOR AND OCCUPATION TITLES	TRAINING PACKAGE QUALIFICATION	JUSTIFICATION/EVIDENCE (QUALITATIVE AND/OR QUANTITATIVE)
	Entry Level Training- All Sectors Excluding Manufacturing.	AUR10112 Certificate I in Automotive Vocational Preparation AUR20712 Certificate II in Automotive Vocational Preparation	These pre-vocational qualifications at the Certificate I and Certificate II level provide multiple pathways for students into the automotive industry.
	Entry Level Training- Manufacturing Sector	AUM10113 Certificate I in Automotive Manufacturing	

IN COMPILING THIS REPORT, ASA WOULD ALSO LIKE TO ACKNOWLEDGE THE ASSISTANCE AND SUPPORT OF OTHER STAKEHOLDERS IN THE DEVELOPMENT OF THE E-SCAN, INCLUDING AUTOMOTIVE CHAMBERS OF COMMERCE, INSTITUTES, UNIONS, TRAINING ADVISORY BODIES, TRAINING AUTHORITIES AND REGISTERED TRAINING ORGANISATIONS.

A A Recycling Pty Ltd
A G Leech Mitsubishi
Active Automatic Transmissions
Affordable Tyres & Servicing
Airport Toyota
AJ & AJ Murphy - Cloverdale Motors
Al Palmer Repairs Penrith Pty Ltd
Alfa-Men
Allied Mechanical Repairs
Allround Tire Mart
Alpine Motor Group Pty Ltd
Ansen's Tyre and Auto
ARB Hoppers Crossing
Artini Crash Repairs
Ashmore Automotive Smash Repairs
Australian Trade Commission
Automotive Holdings Group - East Coast
Autopersonnel Australia Pty Ltd
Autospark Canning Vale
Aylett Automotive
Balcatta Panel & paint
Barrie Auto Electrics Pty Ltd
BCC Brisbane Transport
Bee-Ems Car Service Centre
Berry Motor Group
Bertoli Agricultural and Industrial
Berwick Enterprise Automotive
BF Panels
Blackshaws Motor Body Repairs Pty Ltd
BM Tech Automotive
BMW Group Australia
Boating Industry Association of Victoria
Bob Jane T Marts Newcastle
Bocchino Pty Ltd
Bog Cog Off Road
Bohman Automotive
Brisbane Transport Brisbane City Council
BS Stillwell Ford
Bunbury Holden
Bunbury Honda / Kia
Business Enterprise Centre at Kangan Institute
Cadden Investments - Cranbourne Holden
Caltex Forest Hill
Camden Haven Panel Works
Canberra Bodyworks
Canberra Motorcycle Centre
Car Tech Steering and Suspension
Carsons Car Care
Casino Smash Repairs
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Central Queensland University
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City West Yamaha
CJD Trucks
CMV Group
Cologne Motors
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Crankshaft Rebuilders
Cummins South Pacific
CWC Auto Services
D & L Morrison Machinery
D'Alberto Motors
Dandenong Nissan & Kia
Danics Auto & Tyre Service Centre
Denis Barr Automotive
DENSO Automotive Systems Australia
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Derek Steen's Auto Care
Dickson Mechanical and Muffler Service
DJ Motors Services Pty Ltd
Donald Gorringe Reconditioning & Spare Parts P/L
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Doyles Auto Marine Trimmers PL
Drever Automotive Services
Dukes Body Works
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Engineering and Automotive Training Council Inc
Epping Motors
Erider All Electric Transportation
Euro Commercial Repairs
Exclusive Auto Centre
Fitzroy Motors
Fluidrive Automatic Transmissions
Frasers Automotive Services
Fyshwick Tyre Service
Galston Service Centre
Gibbsy's Automotive
Glen Forrest Motors
Goldfields Institute of Technology - Esperance
Gordon Turner's Motorcycles
Gordon Tyler Smash
H & M Ferman
Hand Brake Turn Sunshine
Harris Accident Repair Centre
Hastings Deering (Aust) Ltd
Helensburgh Car Services
Hewitts Spanners and Sparks Automotive
Hi Style
Hickeys Pty Ltd
Highlands Pit Lane Pty Ltd
Hitachi Construction Machinery (Australia) Pty Ltd
HPF Auto Service Centre
Hume Smash Repairs
Hunter TAFE
Hunts Marine
Hyundai Motor Company Australia
IAG
IAME (Inc) SA

Ierace Automotive
In Style Automotive
J B Scott Pty Ltd
Jackmans Garage
Jacksons Auto Repairs
Jaws Automotive
Jax Tyres Orange
JCB Construction Equipment Australia
Jelaba Pty Ltd Lalor Park Service Station
Jindabyne Auto Repairs
Joondalup Smash Repairs Pty Ltd
Kangan Institute
Kennedy's Auto Repairs Pty Ltd
Kevin Peucker Diesel Service
KG Motors
Kidman Way Auto Body Repairs
Kimberley Trailer Parts
Kings Panels
Knights Upholstery / Austarps
Komatsu
LANN Management Enterprises
Lardner Mechanical Repairs Pty Ltd
Lauries Kotara Automotive Services
Lennox Automotive Repairs
Leo St Automotives
Liebherr - WA
Lismore Service Centre Pty Ltd
Lou and Ros Automotive Repairs
LP Body Works
LPG Taxis Combined Services
LR Prestige Performance
Macs Diesel Service
Major Motors Pty Ltd
Manning Smash & Auto Repairs
Marque Restoration and Motor Repair
Maximum Torque Global Training Solutions
McMillan Body Repairs Pty Ltd
Mechanika Motors
Mercedes-Benz Ballarat
Mick Splat Auto Repairs
Midas Car Care Hobart
Midlands Truck Spares Pty Ltd
Mitchell Truck Repairs
Muhling Marine - WA
Mullumbimby Tyre Service
Musico Smash Repairs
Muswellbrook Holden
N & M Pizzingrilli Pty Ltd
Naracoorte Automotive Services
National Truck Spares Pty Ltd
Neils Mobile Repairs
New Coolstore
New England College of Technology
New Power Motors
Newport Auto Repairs
Noordeman Diesel
North Melbourne College
Northside Smash Repairs
Nowra Truck and Tractor Repairs Pty Ltd
Ocean Reef Service Centre
Owen Toyota
PACCAR Australia

Pacnak Pty Ltd.
Pat Kinsela Motorcycles
Petersens Garage Pty Ltd
Pinjarra Auto & Mechanical
Players Smash Repairs Pty Ltd
Plaza Automatics
Polo Smash Repairs
Port Macquarie Best Tyres and Auto Services
Portland Motor Mechanics
PR Smash Repairs
Practic Automotive Services
Prestige Auto Salon
Prestige Fleet Pty Ltd
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Q & K Panels
R & A Saunders Auto
R McClintock & Co Pty Ltd
Radleys of Hamilton
Ramset Bros Pty Ltd
RC Barber & Son Pty Ltd
Regatta Motor Body Repairs
Rellim Group Pty Ltd
Revesby Motors
Richards Tyres
Rod Pether Motors
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Romsey British Automotive
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Sayers Smash Repairs
Sindaco Air Brake Company Pty Ltd
Smart Automotive Services
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Southwest Diesel
Southwest Insitute of Technology
Specialist Car Centre
SSHT Pty Ltd
Statewide Group Training
Steve Jarvin Motors
Steves Automotive Services & Repairs Pty Ltd
Stillwell Trucks - The Truck Centre
Stirling Engine Reconditioners
Summit Smash Repairs
Sunraysia Institute of TAFE
Super Moto
Sutherland Shire Automotive Centre
Swan Hill Toyota
Sydney Driveline service Pty Ltd
TAFE NSW
TAFE NSW - Taree
TAFE NSW - Western Sydney Institute
TAFE SWSi
Talbott Auctions Australia
Taskers Garage
TasTafe
The Careers Education Association of Victoria
The Head Stud Development Company Pty Ltd

The Rust and Smash Shop
TJR Management Pty Ltd
Tom's Pro-Lube
Tony Carsburg Holden
Tony Leahey Motor Group
Town & Country Mechanical Repairs
Toyota Material Handling Aust Pty Ltd
Toyota Motor Corporation Australia
Trakka Pty Limited
Transtate Tyres and Suspension Services
Truck Centre (WA) Pty Ltd - Geraldton Branch
Tuggeranong Auto Electrics
Turn2 Work Force Solutions Pty Ltd
Tyrepower Glen Innes
Tyrepower Traralgon
Ultratune Erina
Unlined Charter
Verdon Bros Pty Limited
Vetassess
Victorian Automobile Chamber of Commerce
Vim Tech Automotive Engineers Pty Ltd
Volksmuller Pty Ltd
Wales Truck Repairs
WBHO - Civil
Westar Truck Centre
Westernport Automotive Services
WesTrac
Westrans Services WA Pty Ltd
Westruck Commercial Refinishing
Westside Honda
Whittaker Contracting
Wholesale Suspension
William Adams
Winfield Automotive
Winkleys Service Centre
Wollondilly Smash Repairs
Woodford Service Centre
Woolgoolga Service Centre
Yendon Smash Repairs

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The Senate

Economics References Committee

Future of Australia's automotive industry

Driving jobs and investment

December 2015

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Senate Economics References Committee

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Senator Sean Edwards (Deputy Chair)	South Australia, LP
Senator Sam Dastyari (Chair until 22 October 2015)	New South Wales, ALP
Senator Matthew Canavan	Queensland, NATS
Senator the Hon. Kim Carr (until 14 May 2015)	Victoria, ALP
Senator Jenny McAllister (from 14 May 2015)	New South Wales, ALP
Senator Nick Xenophon	South Australia, IND

Substitute Members

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Senator John Madigan	Victoria, IND
Senator Ricky Muir	Victoria, AMEP
Senator Janet Rice	Victoria, AG
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Senator Penny Wright (until 10 September 2015)	South Australia, AG

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Executive summary

Australia is a country that relies heavily on the automotive industry to overcome the tyranny of distance and achieve its potential through connecting people and places.

With a growing population and aspirations of increasing economic growth and prosperity, there is no doubt that Australia's automotive industry will remain critically important.

Australia has a long history of excellence in automotive manufacturing, industrial engineering and design. While automotive manufacturing is declining due to announced closures in motor vehicle production in 2016 and 2017, the future of automotive engineering and manufacturing is not in the hands of the car makers alone.

Australia will have an automotive industry after 2017; government policy will determine its size and its shape. What is crucial now is that governments act to preserve the industrial capabilities of the automotive supply chain. A redefinition of the industry is also required to recognise and support the role of all sectors, including but not limited to: motor vehicle production; component making; aftermarket manufacturing; engineering and design; servicing and smash repairs; retail motor trades; sales support; and training.

This inquiry was established to develop a policy framework and identify areas where the government could act to assist all sectors of the industry address the challenges and harness any opportunities arising during this period of change.

Interim report

The interim report focused on two areas the committee considered needed immediate action—a comprehensive and coordinated policy framework and reforms to the main automotive manufacturing assistance program, the Automotive Transformation Scheme.

Policy development

Reflecting the changing industry dynamics, the committee recommended that governments take a wider approach to defining what constitutes the automotive industry and facilitate policy development aimed at fostering the growth of industry as a whole.

Recommendation 1

The committee recommends that the Australian Government work with stakeholders—across industry, unions and state and territory governments—to develop an internationally competitive automotive industry policy framework for the entire industry, recognising the strategic role the industry can continue to play in a diversified economy.

Reforming the Automotive Transformation Scheme

Given the imminent cessation of passenger vehicle production in Australia, the committee considered it important to propose amendments to the Automotive

Transformation Scheme in the interim report. Implementing these amendments as soon as possible will give affected business the best opportunity to manage the transition and develop viable and sustainable business models.

Recommendation 2

The committee recommends that the Australian Government maintain the current level of Automotive Transformation Scheme (ATS) funding through to 2020-21 as provided for in the ATS Act, and allow current underspends in the ATS to be brought forward from stage 1 (ending 2015-16) to stage 2 (ending 2020-21).

Recommendation 3

The committee recommends redefining the ATS into a broader, automotive-related advanced manufacturing, engineering and design program that is intended to maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and jobs growth.

Recommendation 4

The committee recommends that the object of the Automotive Transformation Scheme Act be updated to better reflect the current situation within industry and the need for targeted support for diversification and transformation activities, particularly in the automotive manufacturing supply chain. The new object should specify that the ATS is designed for the promotion and growth of advanced automotive industries in Australia, including: components and materials, new technologies, engineering and design for both domestic and offshore customers when that work is performed in Australia.

Recommendation 5

The committee recommends that the ATS rules and eligibility criteria should be amended to encourage further investment in research and development (R&D) so that manufacturers can continue to secure complex design and engineering work and to provide greater support for diversification initiatives, including (but not limited to):

- **amend the ATS rules to allow for the claiming of R&D relating to products and services for non-automotive industry sectors to facilitate the transition of manufacturers out of motor vehicle production;**
- **amend the ATS rules to allow for the claiming of R&D and engineering services across the registration categories for both domestic and offshore automotive customers when that work is performed in Australia;**
- **amend the definition of automotive services so that the concept of eligible automotive services is broader than passenger motor vehicles and light commercial vehicles (and covers all modes of mobility);**

- **remove the once a year registration requirement to allow for ease of movement between ATS registration categories as the transition within the industry progresses; and,**
- **amend the ATS rules to allow motor vehicle producers to remain eligible for the scheme, even in the event of declining production volumes.**

Final report

The final report explores what is required for the industry as a whole to reach its potential. Once again the issue of developing a framework for industry development and coordinating government involvement is explored.

In addition, there are number of specific areas that the committee considers important in their own right. The downstream automotive sectors face challenges arising from changing business models, technological developments and the need to attract and retain skilled workers. Automotive manufacturing needs assistance to retain as much activity in Australia as possible, and there are opportunities to expand automotive manufacturing in other areas, such as the automotive aftermarket and the truck industries, if the policy settings are conducive. In addition, the motorsport and motoring enthusiast sectors are significant contributors to the automotive industry and should be encouraged to expand their activities.

Policy framework revisited

The committee reiterates its support for the development of a unified industry voice through the establishment of an Automotive Industry Taskforce and a coordinated government approach to the industry.

Recommendation 6

Government must recognise that the automotive industry will endure. Given this recognition, the committee recommends that the government devote the necessary resources across a range of government departments to ensure the process of transformation continues. This includes a redefinition of the automotive industry to recognise and support the role of all sectors, including, but not limited to, motor vehicle production, component making, aftermarket manufacturing, engineering and design, servicing and smash repairs, retail motor trades, sales support and training.

Recommendation 7

The committee recommends that the Australia Government support the establishment of an Automotive Industry Taskforce—with representatives from industry, unions and governments—to facilitate a collaborative and coordinated approach to developing and implementing a national automotive policy framework which encompasses all sectors of the industry.

The Automotive Industry Taskforce would also build on the work of the AutoCRC and the Automotive Australia 2020 Roadmap Project. It would develop strategies to understand and meet the challenges and opportunities associated with alternative fuels and emerging technologies as they affect the

automotive industry, including electrification, light-weighting, gaseous fuels and fuel cell technologies, car sharing, telematics and autonomous vehicles.

The Automotive Industry Taskforce should also examine the findings of this committee inquiry and report back to government with further recommendations for action and strategies to address the issues raised over the course of this inquiry.

Recommendation 8

The committee recommends that the government urgently develop and implement a comprehensive and coordinated strategy to:

- **avoid a social and economic catastrophe arising in those areas most affected by the closure of vehicle manufacturing; and,**
- **address the unprecedented structural adjustment occurring across the retail service, repair, recycling and associated sectors.**

Sales, service and repair sectors

With the reduction in automotive manufacturing, the downstream sectors will account for around 95 per cent of all activity within the Australian automotive industry after 2017.

The sales, service and repair sectors are all facing unique challenges as they adjust to rapid technological change, the emergence of firms in some sectors that have significant market power, and ensuring that workers have the training and skills they need. The committee has proposed a set of recommendations to cover the issues raised by stakeholders.

Recommendation 9

Given the consolidations and closures in the automotive and related industries, the committee recommends that a close examination of the operation of the Franchising Code of Conduct be undertaken as part of the next scheduled review of the code, with particular regard to the automotive sectors, including new cars, motorcycles, farm and industrial machinery and fuel retailing franchising arrangements.

Recommendation 10

The committee recommends that the current restrictions and requirements on the parallel importation of both new and used vehicles be maintained.

Recommendation 11

The committee recommends that the government continues to work with industry to ensure suitable access to manufacturer information by independent automotive service and repair businesses. The committee notes the progress that has been made through the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) and recommends that the Commonwealth Consumer Affairs Advisory Council undertake a review of the Code no later than three years after commencement.

Recommendation 12

The committee recommends that an independent inquiry into the smash repair industry be undertaken to examine the relationships between insurers, parts suppliers and smash repair businesses, and inform an appropriate policy response.

Recommendation 13

The committee recommends that the government recognise the vital role of training in this sector and support a comprehensive, industry-wide approach to assist the automotive sector to redesign and implement training courses that reflect the needs of employers and give workers the skills they require.

Due to the unprecedented structural adjustment across all sectors of the automotive industry, changes to training and skills development VET packages in the automotive fields should be put on hold for a period of 12 months. During this time, Auto Skills Australia and a coordinated alliance of national industry sectors should undertake the necessary work to recast all qualification requirements, including for new skills occupations. Owing to their national reach and previous experience, the committee suggests that the Motor Trades Association of Australia is the most suitably qualified organisation to led and coordinate this work.

Recommendation 14

The committee recommends that the government, through the Council of Australian Governments (COAG), work with state and territory governments to identify and address barriers for mature workers seeking to enter the automotive industry as apprentices.

Recommendation 15

The committee recommends that the mentoring program for automotive apprentices developed under the Australian Apprenticeships Mentoring Program and the Australian Apprenticeships Advisers Program be reinstated.

Automotive manufacturing

Automotive manufacturing is an integral part of advanced manufacturing activities more broadly as the technologies and skills associated with automotive manufacturing and readily diffused into other manufacturing applications. The committee believes that the government should set policies that encourage diversification, growth and innovation in Australian automotive manufacturing. In addition to proposed reforms to the ATS, the committee recommends some changes to the Automotive Diversification Programme and considers the government should give consideration to providing targeted incentives to modernise Australia's truck fleet.

Recommendation 16

Subject to any changes to the Automotive Transformation Scheme after 2017 and providing no existing registered companies are adversely affected by changes to the scheme, the committee recommends that a proportion of the funding

available under that Automotive Transformation Scheme (for example, from underspends in the scheme) be allocated to manufacturing diversification programs such as the Automotive Diversification Programme.

Recommendation 17

The committee recommends that the activities eligible for assistance under the Automotive Diversification Programme be expanded to include support for research and development, engineering and product development, commercialisation, feasibility studies, site relocation and/or consolidation activities and marketing activities. In particular, the committee recommends that grants for the appointment of export managers plus on-costs on 50:50 matched basis be included as an eligible activity under the Automotive Diversification Programme.

Recommendation 18

The committee recommends that the government undertake a feasibility study of the proposal put forward by the Truck Industry Council to modernise Australia's truck fleet. Pending a favourable evaluation, government should seek to implement this proposal as a matter of priority to assist the automotive manufacturing industry to adjust to cessation of passenger motor vehicle production in 2017 and as part of the broader reform agenda to reduce carbon emissions.

Motor sport and motoring enthusiasts

Motor sport and motoring enthusiasts activities are a significant and growing part of the Australian automotive industry and provides an opportunity for further growth and development. However, there are barriers to the expansion of these sectors to which potential solutions should be explored.

Recommendation 19

The committee recommends that the government undertake an independent review of the Specialist and Enthusiast Vehicle Scheme (SEVS) to ensure that:

- **the scheme is meeting its stated objectives;**
- **the eligibility criteria for importation are appropriate; and,**
- **the compliance and monitoring processes do not undermine the integrity of the scheme.**

Recommendation 20

The committee recommends that the government, through COAG, pursue reform options to harmonise vehicle modification regulations and adopt a consistent national approach to compliance and enforcement with vehicle regulations. A critical part of this work will be the harmonisation of emerging federal, state and territory legislation and regulations designed to deal with the arrival of autonomous vehicles and driving systems.

Chapter 1

Background to the inquiry

1.1 On 25 November 2014, the Senate referred an inquiry into the future of Australia's automotive industry to the Senate Economics References Committee for inquiry and report by the first sitting day in November 2015.[1] On 9 November 2015, the reporting date for the inquiry was extended to 1 December 2015.[2]

1.2 The terms of reference for the inquiry are:

> The future of Australia's automotive industry, with particular reference to:
>
> (a) maintaining the capacity for Australia to engage in advanced manufacturing, by ensuring skills and industrial capabilities that have been sustained by the automotive industry are not lost;
>
> (b) reducing Australia's dependency on commodity exports by diversifying the country's economic base, noting the importance of advanced manufacturing, including the automotive industry, in this diversification;
>
> (c) the role of all sectors of the automotive industry, including, but not limited to, motor vehicle production, component making, after-market manufacturing, engineering, servicing, retail motor trades, other forms of sales support, and the training of apprentices, in supporting an advanced broad-based economy;
>
> (d) the special difficulties faced by component makers in the transition to global supply chains and to other forms of manufacturing, especially as a result of the closure announcements made by the motor vehicle producers;
>
> (e) new technologies influencing the automotive industry, both in Australia and internationally, especially new and developing forms of propulsion, such as hydrogen, electric engines and hybrid engines;
>
> (f) new business models for the industry, including employee share models and attracting international venture capital and private investment;
>
> (g) the possible effects of early closure of motor vehicle producers, including risks and consequences for the industry, skills, capabilities and the broader economy, including social consequences, and what policy actions could mitigate or exacerbate these risks and consequences;
>
> (h) the need to synthesise and consolidate the findings, recommendations and knowledge of other reviews and inquiries pertinent to the automotive industry, in order to identify key policy inconsistencies, regulatory burdens and factors for growth and investment;

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1 *Journals of the Senate*, No. 67, 24 November 2014, pp. 1823–24.

2 *Journals of the Senate*, No. 123, 9 November 2015, p. 3307.

(i) the importance of long-term, stable employment for workers in the automotive industry, and the need for greater access to transitional training and career opportunities; and

(j) any other related matters.[3]

1.3 Given the broad scope of the inquiry and the variety of aspects to consider, the committee resolved to release an interim report on what it considered to be the most vulnerable part of the industry at this time—automotive component manufacturing and vehicle production.

Conduct of inquiry

1.4 The committee advertised the inquiry on its website and in the *Australian*. The committee also wrote directly to component suppliers, vehicle manufacturers, government agencies, industry groups and associations, academics and other interested parties drawing attention to the inquiry and inviting them to make submissions.

Submissions and public hearings

1.5 The committee received 38 submissions, all of which are publicly available. The submissions and answers to questions on notice are listed at Appendix 1. The committee has held five public hearings:

- 10 March 2015 in Melbourne;
- 13 March 2015 in Adelaide;
- 15 April 2015 in Canberra;
- 1 October 2015 in Adelaide; and
- 8 October 2015 in Melbourne.

1.6 A list of witnesses is provided at Appendix 2. References to the Committee Hansard are to the Proof Hansard and page numbers may vary between the Proof and Official Hansard transcripts.

1.7 The committee thanks all the individuals and organisations who assisted with the inquiry, especially those who made written submissions and appeared at hearings.

Background to inquiry

1.8 Australia's automotive industry is currently undergoing a major structural realignment. This realignment is due to the fact that the last locally produced motor vehicle is set to roll off the production line by the end of 2017. After this time, without new manufacturing investment, the majority of the Australian automotive industry's activities will relate to vehicle use—that is, predominantly sales, servicing and repairs.

1.9 The Australian Government has long supported local motor vehicle production through a variety of co-investment and assistance programs. Currently, the main government support program to assist domestic motor vehicle production is the

3 *Journals of the Senate*, No. 67, 24 November 2014, pp. 1823–24.

Automotive Transformation Scheme (ATS). The ATS provides government co-investment to companies involved in local vehicle manufacturing (motor vehicle producers, automotive component producers, automotive machine tool and automotive tooling producers and automotive services providers).

1.10 The ATS as it was originally designed is intended to support investment and innovation in the Australian automotive industry and assist it to become economically sustainable. It commenced on 1 January 2011 and is legislated to operate through to 31 December 2021.

1.11 Following the decision of local vehicle producers to cease manufacturing in Australia by the end of 2017, the Australian Government publicly stated its intention to reduce funding available under the ATS. A number of measures were announced to amend the ATS:

- The 2013–14 MYEFO included a measure to reduce capped funding available under the ATS by $500 million over the 2015–2017 calendar years.
- The 2014–15 Budget included a measure to terminate the scheme on 1 January 2018, thereby saving a further $400 million.

1.12 Legislative amendments embodying these measures were introduced into the House of Representatives on 24 September 2014 and the provisions of the bill were referred to the Senate Economics Legislation Committee on the following day.

1.13 The committee reported back to the Senate on 24 November 2014 and recommended that the government monitor the allocation of funding and investment in automotive research and development towards fostering resilience and diversification among business and industry.

1.14 A dissenting report by Senators Carr, Madigan, Muir and Xenophon expressed the view that:

> …by seeking to amend the Act in this way the Government is: displaying a reckless disregard for the future of the tens of thousands of Australian men and women who are employed directly in automotive manufacturing; jeopardising Australia's advanced manufacturing capabilities; and courting serious long-term economic damage.[4]

1.15 They proposed an alternative recommendation that the Senate Economics References Committee undertake an inquiry to develop a policy framework for the future of Australia's automotive industry covering all sectors. This inquiry fulfils that recommendation.

Scope of this inquiry

1.16 Australia's automotive industry is diverse and encompasses a range of disparate activities which can be characterised broadly into upstream and downstream sectors. Upstream activities relate to the development and construction of motor

4 Senate Economics Legislation Committee, *Automotive Transformation Scheme Amendment Bill 2014 [Provisions]*, November 2014, p. 28.

vehicles and include activities involved in the design, testing, engineering, manufacturing and assembling of motor vehicles and their associated components. Downstream activities relate to distribution and use of motor vehicles and include sales and finance, servicing and repair, provision of fuels, recycling and disposal, and aftermarket activities.

1.17 The scope of this inquiry was not just limited to passenger motor vehicles but also included motorbikes, sports utility vehicles (SUVs), buses, trucks, specialist vehicles (such quad bikes and racing vehicles), caravans and trailers.

1.18 Interactions between the automotive industry and other industries are also examined, including, for example, opportunities for component manufacturers to diversify into other advanced manufacturing industries that may be outside the automotive industry.

Interim report on the future of the Automotive Transformation Scheme

1.19 The interim report focused on the immediate imperative to assist the automotive manufacturing sector adapt through reforming the Automotive Transformation Scheme to an environment where there may be no local vehicle production.

1.20 The three remaining local vehicle manufacturers all have plans in place to manage the wind-down and eventual cessation of production, including strategies to assist workers find alternative employment.

1.21 By contrast, many automotive component manufacturers have faced ongoing difficulties as production volumes have decreased and associated demand for their products has fallen. At current levels of production, many component makers are struggling to remain viable and have significantly reduced output and employment.

1.22 The cessation of local vehicle manufacturing will have a profound effect on economic activity and employment in Victoria and South Australia in particular. If such consequences are to be avoided or, at the very least minimised, then this issue needs to be addressed as a matter of urgency.

1.23 Consistent with the original intention of providing industry support, the government needs to assist affected businesses through to the end of vehicle production and beyond, where required. In its current form, however, it would appear that the ATS is not an adequate support mechanism to achieve this.

1.24 In April 2015, the Australian Government announced that it would not seek to reduce funding under the ATS. While the committee welcomed this decision, it recognises that current production levels and investment by eligible participants of the ATS are unlikely to exhaust the available funding.

1.25 As a result, the interim report considered options to support component manufacturers and assist affected businesses to explore new business activities and/or markets while the opportunity still exists to harness the skills and knowledge of employees and existing industrial capabilities. Unless alternative advanced manufacturing activities are in place before vehicle production ceases, these

capabilities and the skills and knowledge embodied in these workers may be lost from the Australian economy forever.

1.26 The recommendations from the interim report are numbered 1 to 5.

Final report on the broader automotive industry

1.27 While the interim report was narrowly focused, this final report explores what is required for the industry as a whole to reach its potential.

1.28 By late this decade, the Australian automotive landscape will be fundamentally different. The vast majority of the automotive industry activity is likely to be associated with downstream activities. According to the Motor Trades Association of Australia:

> …ninety five per cent of the automotive industry will be the sectors who sell, service, repair, recycle and support motor vehicles (passenger/commercial), heavy vehicle transport, farm and industrial machinery and others.[5]

1.29 Whereas in the past the different sectors of the automotive industry have been considered as separate, developing an overarching vision for the industry is essential to align common interests and prioritise areas where action is most needed. Conceptualising the industry as consisting of more than just cars can also open opportunities for a more managed transition.

1.30 In addition to setting out a broad policy framework, there are a number of specific areas of the automotive industry that the committee considers important to explore in their own right. The downstream automotive sectors face challenges arising from changing business models, technological developments and the need to attract and retain skilled workers. Automotive manufacturing needs assistance to retain as much activity in Australia as possible, and there are opportunities to expand automotive manufacturing in the truck industry if the policy settings are conducive. In addition, the motorsport and motoring enthusiast sector are significant contributors to the automotive industry and should be encouraged to expand their activities.

1.31 The recommendations from this report are numbered 6 to 20.

Structure of this report

1.32 This report comprises 5 chapters.

- Chapter 1—provides background to the inquiry;
- Chapter 2—outlines future trend affecting the automotive industry;
- Chapter 3—examines issues relating to the sales, service and repair sectors;
- Chapter 4—explores automotive manufacturing and options to support this industry; and,
- Chapter 5—considers the role of motorsport and motoring enthusiasts.

5 *Submission 30*, p. 3.

Chapter 2

Future trends affecting the automotive industry

2.1 This chapter highlights the reliance Australia has on automotive transport and the unprecedented change facing the industry. It explores the need for a comprehensive and coordinated approach to policy development that fully incorporates all aspects of the sector and relevant government agencies.

Australia will continue to depend on automotive transport

2.2 Australia is a country that relies heavily on the automotive industry to overcome the tyranny of distance and achieve its economic potential through connecting people and places. Automotive transport also plays an integral role in establishing, maintaining and developing social connections and relationships.

2.3 While it is true that the majority of the population live in capital cities and generally have access to public transport, they still value the benefits provided by owning and using automobiles and related vehicles. The automobile is even more valued in regional and rural Australia, where it is generally the only form of transport available. The importance of the automotive industry to individuals is reflected in the fact that there are almost as many vehicles in Australia as people aged old enough to drive them.[1]

2.4 The automotive industry is also integral to moving the vast majority of Australia's freight task and, even when not used for the majority of a journey, is still essential in providing the final link in the supply chain. Indeed, the Motor Trades Association of Australia commented that:

> By 2020, we will have a national fleet of 20 million vehicles…We have no plan B in this country, despite assertions to the contrary. There is no massive public transport infrastructure planned. There are no massive alternatives to our reliance on road transport planned. So it is here to stay, and it is here to stay for the medium to longer term.[2]

2.5 With a growing population and aspirations of increasing economic growth and prosperity, there is no doubt that Australia's automotive industry will remain critically important.

Industry undergoing unprecedented change

2.6 While the future of the automotive industry in one form or another is assured, the industry has been, and will continue to be, subject to significant changes which will transform almost every facet of the industry. The industry will be shaped by a

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1 In January 2015, there were an estimated 18 million vehicles registered in Australia compared to a population estimate of 18.5 million people aged 17 years and over in June 2014. Australian Bureau of Statistics, *Australian Demographic Statistics*, Cat. No. 3101.0, December 2014 and Australian Bureau of Statistics, *Motor Vehicle Census*, Cat. No. 9309.0, July 2015.

2 Mr Richard Dudley, *Committee Hansard*, 8 October 2015, p. 5.

variety of different socioeconomic forces, including globalisation, environmental protection policy, rapid technological advances, workforce shortages and changing skill requirements, and shifting consumer behaviour.

2.7 As in almost every other area of society, technological developments and their adoption are likely to be the most influential source of change to the Australian automotive fleet. The MTAA explained the profound affect that technology is having on the automotive industry:

> Technology applied to motor vehicles has increased significantly over the last decade and has included the integration of mechanical, information and safety systems, and the increasing use of alternative construction materials in response to safety, efficiency and consumer demands.[3]

2.8 The development and widespread adoption of alternative fuels and propulsion systems is challenging long held beliefs about the infrastructure needs required to support the automotive fleet and the skills and information required to enable such vehicles to be serviced. While the uptake of electric vehicles in Australia has been relatively slow to date, improvements in range and the continued scale roll out of accessible charging infrastructure will undoubtedly increase the attractiveness of such vehicles to consumers. Overcoming similar infrastructure and information requirements will be necessary if there is to be wide-scale adoption of hydrogen and fuel cell technologies.

2.9 Intelligent Transport Systems (ITS) is another example of a profound technological change that will revolutionise the automotive industry in the near future. As the AutoCRC outlined:

> During the next decade, vehicle-to-vehicle and vehicle-to infrastructure will provide platforms for a smarter and more productive transport system…
>
> Progressive deployment of Intelligent Transport Systems (ITS) technology will drive higher levels of productivity…through better just-in-time freight delivery; fuel cost savings and more efficient intermodal transport. It can also greatly enhance the driving/transport experience by providing accurate and adaptive route selection and real-time parking identification.[4]

2.10 The AutoCRC also highlighted the potential for Australian business to contribute to the development and implementation of these technologies:

> Australia has companies that are at the leading edge of this transport revolution and we also have some of the world's best researchers in areas such as sensor development, traffic management, optimisation, telecommunications, complex systems, control systems and artificial intelligence…Australia's strategic challenge is to rapidly and cost-effectively capture the productivity benefits that will flow to technology leaders and early adopters. Australia has a rare opportunity to capitalise on

3 *Submission 30*, p. 18.

4 *Submission 34*, p. 3.

> its existing intellectual assets and its deep experience in transport and mobility, to participate in the formation of the global ITS industry.[5]

2.11 The committee was pleased to learn that an Australian company, Codha Wireless, is exporting locally manufactured wireless sensor systems for use in the emerging ITS market through sales of five generations of on-board and road-side equipment.[6]

2.12 In the context of automotive manufacturing, the importance of technological developments to future sustainability was recognised in the *Australian Automotive 2020 Roadmap* ('Roadmap') in 2010. The Roadmap highlighted four areas—vehicle electrification, gaseous fuels, light weighting applications, and data and communication systems—where there appeared to be significant opportunities for Australian manufacturers to develop a strategic capability and a competitive edge in the global automotive industry.[7] And in the 5 years since the release of the Roadmap, a number of local manufacturers, such as Codha Wireless, have been able to harness the opportunities presented by these trends.

2.13 But change is not just driven by technology and change is not universally beneficial.

2.14 The automotive manufacturing industry will be severely affected by the cessation of vehicle production in 2017. While some automotive manufacturing will remain, generally focused on supplying the aftermarket, it will only be a shadow of its former size.

2.15 The committee holds deep concerns not only about the future of automotive manufacturing but manufacturing more generally in Australia. Professor Goran Roos outlined the role of the automotive industry in increasing economic complexity which, in turn, contributes to a country's wealth.

> Different industries have different complexities. The automotive industry has a high level of complexity. Countries like Germany and Japan have extraordinarily high complexity. They have a complexity which is something like 200 per cent of the complexity of Australia. That means their ability to create wealth is substantially higher…
>
> The relevance to automotive of this is that automotive is the largest chunk at the moment of the Australian industrial structure with the highest level of complexity. That means, when that disappears, Australia's complexity will be reduced…[8]

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5 *Submission 34*, p. 3.

6 Ms Julie Holmes, South Australian Department of Planning, Transport and Infrastructure, *Committee Hansard*, 1 October 2015, p. 4; and Cohda Wireless, *History and Background*, http://cohdawireless.com/About/HistoryBackground.aspx (accessed 19 November 2015).

7 AutoCRC, *Automotive Australia 2020—Technology Roadmap*, Draft 6, 23 June 2010.

8 *Committee Hansard*, 13 March 2015, p. 33.

2.16 And the size of the manufacturing sector is fast approaching a critical level. According to Mr Gavin Smith, President of Robert Bosch Australia, the manufacturing sector:

> …has shrunk to something just above six per cent of GDP—the lowest in the developed world—and this is before the auto sector reduces… Below six per cent it is deemed there is no manufacturing sector that is able to be retained.[9]

2.17 Automotive manufacturing plays a pivotal role in supporting the broader manufacturing industry by providing an environment where innovative processes and workforce skills can be developed and transferred.

2.18 The committee also heard concerns about how change in the downstream sectors is making it harder for independent small businesses to continue trading. For example, some independent mechanical repairers are experiencing difficulties in reliably and affordably accessing repair and service information from manufacturers. The complexity of modern motor vehicles is driving automotive technicians to become specialists in specific models or repair processes.[10]

2.19 Such changes will have significant impacts on the skill requirements of workers in the sector which are currently not being adequately met through industry training programs.

2.20 In addition, the automotive industry also faces an image problem and much has been said about the 'death' of the automotive industry in light of the impending closure of passenger vehicle manufacturing. However, the automotive industry will continue to employ over 340,000 Australians after 2017 and there are currently over 15,000 skilled vacancies in the sector.[11] This image problem is adversely affecting the ability of the industry to attract and retain skilled technicians.

2.21 'End-of-vehicle-life', namely what happens to the more than 400,000 vehicles that come off the road each year, is another important policy area in the downstream sectors that requires attention. The committee notes that the MTAA and members of the Auto Parts and Recyclers Association of Australia (APRAA) are planning a trial of an end-of-vehicle-life project that seeks to gather information to inform a holistic approach to dealing with vehicle recycling. The Department of the Environment should look at and support moves by industry to improve end-of-vehicle-life management.

Recommendation 6

2.22 Government must recognise that the automotive industry will endure. Given this recognition, the committee recommends that the government devote the necessary resources across a range of government departments to ensure the

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9 *Committee Hansard*, 1 October 2015, pp. 14, 18.

10 MTAA, *Submission 30.1*, pp. 35–36.

11 MTAA, *Submission 30.1*, p. 14 and Auto Skills Australia, *Automotive Environmental Scan 2015*, p. 3.

process of transformation continues. This includes a redefinition of the automotive industry to recognise and support the role of all sectors, including, but not limited to, motor vehicle production, component making, aftermarket manufacturing, engineering and design, servicing and smash repairs, retail motor trades, sales support and training.

Coordinated policy approach required

2.23 In order to overcome these challenges and harness the opportunities, the automotive industry requires a comprehensive and coordinated approach from government. For too long, government policy around the automotive industry in Australia has focused on the manufacturing of passenger motor vehicles.

2.24 While the committee appreciates the importance of automotive manufacturing, greater emphasis needs to be placed on better supporting the industry as a whole. The announced closure of vehicle manufacturing in Australia provides additional impetus to develop a new approach to appropriately assist the entire industry through the transition period and beyond.

2.25 The interim report clearly articulated the rationale for taking a broader approach to defining the industry for public policy to foster the growth of the industry as a whole. The committee concluded that:

> …an overarching and internationally competitive policy framework is necessary to ensure that Australia remains a prosperous nation supported by a broad-based economy.[12]

2.26 Recommendation 1 from the interim report called on the government to work with stakeholders to develop an internationally competitive automotive policy framework for the entire industry. To achieve this, government departments should coordinate their efforts to attract new automotive investment and maintain existing skills and capabilities.[13]

2.27 The committee reiterates the importance of that recommendation and the support that stakeholders have provided. The MTAA, for example, submitted that whole of industry solutions are needed:

- for automotive industry sectors to adopt improved self-regulation, pursue greater business acumen and revitalise industry partner relationships;
- to unite peak automotive industry bodies behind issues common to the whole of industry—be it manufacturing, retail, service, repair, recycling or motoring;
- for industry and government partnerships to improve the integration and coordination of services and policy initiatives; and

12 Senate Economics References Committee, *Future of Australia's automotive industry: Interim report,* August 2015, p. 21.

13 Senate Economics References Committee, *Future of Australia's automotive industry: Interim report,* August 2015, p. 21.

- for interventions that improve regulatory and economic reform and mitigate the social impacts arising from industry restructure and job losses.[14]

2.28 But the industry itself has not necessarily presented a united front:

> The automotive industry is characterised by diversification, segmentation, fragmentation, specialisation, and wide geographic distribution. It has sometimes proved difficult, if not impossible, to drive wholesale nation-wide change.[15]

2.29 Recognising this, industry stakeholders have been proactive in organising themselves. The MTAA organised and facilitated the Australian Automotive Summit (the Summit) in August 2015 which brought together key industry leaders, policy makers and government to talk about the future of the industry and determine strategies so Australia can retain an active but different automotive industry.[16]

2.30 Following the Summit, the MTAA proposed the establishment of an Automotive Industry Taskforce (the Taskforce) to represent the industry as a whole. The membership would include representatives from relevant government portfolios and members drawn from senior leadership roles in the manufacturing, engineering, design, retail, service, fuel, repair, recycling, aftermarket and other automotive sectors.

2.31 According to the MTAA, the Taskforce would enable coordinated policy responses to changing industry operations, strengthen government partnerships, guide government intervention and support a longer-term policy framework that charts a future road map for a sustainable industry.[17]

2.32 By representing the industry through a united voice, the committee considers that the proposed Taskforce has the potential to overcome some of the challenges for policy makers in developing strategies to understand and meet the requirements of this diverse industry, and its businesses and employees. The Taskforce could build on and employ an approach similar to the model used to develop the *Australian Automotive Roadmap 2020*.

Recommendation 7

2.33 The committee recommends that the Australia Government support the establishment of an Automotive Industry Taskforce—with representatives from industry, unions and governments—to facilitate a collaborative and coordinated approach to developing and implementing a national automotive policy framework which encompasses all sectors of the industry.

2.34 The Automotive Industry Taskforce would also build on the work of the AutoCRC and the Automotive Australia 2020 Roadmap Project. It would

14 MTAA, *Submission 30.1*, p. 29.

15 MTAA, *Submission 30*, p. 3.

16 MTAA, *Submission 30.1*, p. 21.

17 S*ubmission 30.1*, p. 29.

develop strategies to understand and meet the challenges and opportunities associated with alternative fuels and emerging technologies as they affect the automotive industry, including electrification, light-weighting, gaseous fuels and fuel cell technologies, car sharing, telematics and autonomous vehicles.

2.35 The Automotive Industry Taskforce should also examine the findings of this committee inquiry and report back to government with further recommendations for action and strategies to address the issues raised over the course of this inquiry.

2.36 One of the key themes to emerge from the Summit workshops was a lack of knowledge and coordination among government departments with a role in the automotive industry.[18]

2.37 While the Department of Industry, Innovation and Science generally takes the lead role in policy affecting the automotive industry, there are a large number of the other departments with responsibilities that are associated with the industry in one form or another. These departments and their responsibilities include:

- Department of Infrastructure and Regional Development—responsibility for vehicles, roads and motor vehicle standards;
- Department of the Treasury—responsibility for taxation (e.g. fuel excise), small business, and competition and consumer affairs;
- Department of Employment—responsibility for employment services and workplace relations;
- Department of Education and Training—responsibility for training and skills development;
- Department of the Environment—responsibility for pollution and waste, including end-of-vehicle-life management; and
- Department of Foreign Affairs and Trade—responsibility for trade.

2.38 Given the sheer number of government portfolios that affect the automotive industry and the feedback from stakeholders from the Summit, a more coordinated government approach to policy development is warranted.

2.39 Indeed, it is imperative that government departments also develop a coordinated government strategy to deal with the impending job losses and economic impacts following the wind-down and cessation of passenger vehicle manufacturing.

2.40 At the hearing on 15 April, the committee was disappointed to discover that there was no government department or agency which seemed to be able to articulate an overarching approach and/or specific details about how the government was responding to the impending crisis in Victoria and South Australia.

18 MTAA, *Submission 30.1*, p. 24.

Recommendation 8

2.41 The committee recommends that the government urgently develop and implement a comprehensive and coordinated strategy to:

- **avoid a social and economic catastrophe arising in those areas most affected by the closure of vehicle manufacturing; and,**
- **address the unprecedented structural adjustment occurring across the retail service, repair, recycling and associated sectors.**

Chapter 3

Sales, service and repair sectors

3.1 This chapter explores issues relating to the sales, service and repair sectors. It also examines issues related to the training and the maintenance of a workforce to support these sectors.

Background

3.2 Demand for new vehicles and maintenance services has risen consistently as an ever increasing number of vehicles traverse Australian roads. There are over 17.6 million motor vehicles in Australia and the number of registered motor vehicles is increasing by 2.5 per cent annually, or by around 450,000 vehicles per year.[1] Almost all of these vehicles require servicing and some vehicles may need significant repairs or even replacement.

3.3 Notwithstanding the significant demand for services, many businesses within the downstream automotive sectors are expected to face significant adjustment, or complete restructure, in the short to medium term. According to the MTAA, change is being driven by a number of factors including:

> …globalisation, environmental protection policy, rapid technology advances, workforce shortages and changing skill requirements, shifting consumer behaviours and the maturation, or decline, of business life-cycles…[2]

3.4 And these structural changes are resulting in the following effects already being felt within the industry:

- the decline of independent businesses, particularly within the automotive repair sector;
- the concentration of market power through the emergence of new business models;
- constant technological change; and
- challenges with job roles, skills development and training.[3]

3.5 While some of these developments are essentially the product of a competitive marketplace, stakeholders have raised concerns that businesses in some sectors are being adversely affected by the emergence of vertically integrated and dominant firms that are exerting market power by dictating contract terms.

3.6 But parts of the downstream automotive sector are facing different sets of challenges and, as such, it is prudent to consider them separately.

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1 Australian Automotive Aftermarket Association, *Submission 5*, p. 2.

2 *Submission 30.1*, p. 33.

3 MTAA, *Submission 30.1*, p. 33.

Sales

3.7 The authorised dealer network generates revenue in excess of $72 billion and employs over 66,000 people in more than 4,700 dealerships.[4]

Franchising

3.8 The Australian new car market is the most open and competitive in the world where 67 brands offering over 400 models compete for annual sales of just over 1.1 million new car sales.[5] By comparison, the average number of sales per brand is double in Canada, almost three times higher in the United Kingdom and more than 15 times higher in the United States.[6]

3.9 While this vast array of choice at competitive prices is of benefit to consumers, it means that margins on new car sales in Australia are relatively low. According the Mr Steven Moir from the Motor Trades Association of Western Australia:

> The dealership we were at this morning is probably a $10 million to $15 million establishment. It did not have a lot of choice in that investment. He [the franchisee] has to make that investment to keep that franchise. Now, you would have to sell a lot of cars to get a return on that investment.[7]

3.10 As such, dealerships are increasingly reliant on all aspects of their business, including servicing and car parts sales, to remain viable and get a reasonable return on their investment.[8]

3.11 And concerns were raised about the conduct of franchisors. Mr Moir submitted that:

> There is also no doubt that there is harsh and what I would consider unconscionable conduct being carried out now by franchisors. If I use the motorcycle industry as an example: we had a meeting of motorcycle franchisees last month. The majority of those people were asked to sign two-year contracts, which required up to a million dollars' investment in their franchises. This is simply not a viable business model going forward…
>
> It is fair to say that that behaviour also transposes across to automotive dealers.[9]

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4 Australian Automotive Dealer Association, *Submission 3*, p. [1]; Federal Chamber of Automotive Industries, *Submission 9*, p. 7.

5 Federal Chamber of Automotive Industries, *Submission 9*, p. 2; Motor Trades Association of Australia, *Submission 30.1*, p. 14.

6 Federal Chamber of Automotive Industries, *Submission 9*, pp. 2–3.

7 *Committee Hansard*, 8 October 2015, p. 8.

8 MTAA, *Submission 30*, p. 19.

9 *Committee Hansard*, 8 October 2015, p. 8.

3.12 While the introduction of the Franchising Code of Conduct earlier in 2015 was seen as a positive move in terms of increasing the transparency of agreements and empowering both sides of the franchise equation, it is likely that many franchising issues will continue to persist, particularly given the Code of Conduct was not retrospective.[10]

Recommendation 9

3.13 Given the consolidations and closures in the automotive and related industries, the committee recommends that a close examination of the operation of the Franchising Code of Conduct be undertaken as part of the next scheduled review of the code, with particular regard to the automotive sectors, including new cars, motorcycles, farm and industrial machinery and fuel retailing franchising arrangements.

Parallel imports

3.14 Concerns about parallel vehicle imports and regulatory restrictions on importation have been raised by various stakeholders.[11]

3.15 The parallel vehicle import issue has been considered by a number of inquiries over the last 5 years including the Productivity Commission's *Review of Australia's Automotive Manufacturing Industry*, the Harper *Competition Policy Review* and the Department of Infrastructure and Regional Development's *Review of the Motor Vehicle Standards Act*.

3.16 The Productivity Commission (PC) recommended that restrictions on the importation of second-hand vehicles be progressively relaxed with net benefits to the community primarily arising from lower prices and/or improved product specification (vehicle features) as well as increased product choice and availability for vehicle buyers.[12] That said, the PC also recommended that any changes to the existing importation framework:

- not be implemented until local vehicle manufacturing ceases in 2018;
- give reasonable advance notice to affected individuals and businesses;
- be preceded by a regulatory compliance framework that includes measures to provide appropriate levels of community safety, environmental performance and consumer protection;
- be limited to vehicles imported from countries that have design standard which are consistent with those recognised by Australia; and

10 *Committee Hansard*, 8 October 2015, p. 8.

11 See, for example, Insurance Australia Group, *Submission 21*; Australian Fleet Lessors Association, *Submission 25*; and National Automotive Leasing and Salary Packaging Association, *Submission 26*.

12 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, March 2014, p. 160.

- be initially limited to vehicles manufactured no earlier than five years prior to the date of application for importation.[13]

3.17 In addition, a recommendation was made to accelerate the harmonisation of Australian Design Rules with the United Nations Economic Commission for Europe (UNECE) Regulations and the mutual recognition of other appropriate vehicle standards. Further, all Australian governments should justify any existing and future jurisdictional deviations from UNECE Regulations through comprehensive and independent cost benefit analysis.[14]

3.18 Similarly, the Harper Review concluded that relaxing parallel import restrictions would deliver net benefits to the community, provided appropriate regulatory and compliance frameworks and consumer education programs were in place. It endorsed the PC's recommendation that parallel import restrictions on second-hand cars should be removed, subject to the transitional arrangements outlined by the PC.[15]

3.19 The Department of Infrastructure and Regional Development released a discussion paper in September 2014 but has yet to release a final report.[16] The Assistant Minister for Infrastructure and Regional Development, the Honourable Jamie Briggs, announced in April 2015 that:

> Cabinet has now agreed to consider possible options to reduce restrictions on the personal importation of new vehicles after further public consultation is undertaken. The Australian Government is not inclined to take the same approach with used vehicles.[17]

3.20 Insurance Australia Group was supportive of the government's proposed approach to increase competition in the new car market but noted that this change could delay servicing and smash repair times for some vehicles if parts supply and availability is limited.[18]

3.21 A number of stakeholders opposed the relaxation of regulations restricting the second-hand vehicle imports and questioned whether there would actually be a net benefit to consumers and the economy from such reforms. According to the Australian Fleet Lessors Association (AFLA):

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13 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, March 2014, p. 163.

14 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, March 2014, p. 163.

15 Professor Ian Harper, Peter Anderson, Su McCluskey and Michael O'Bryan QC, *Competition Policy Review*, Final Report, March 2015, pp. 177–178.

16 Department of Infrastructure and Regional Development, *Review of the Motor Vehicle Standards Act 1989*, https://infrastructure.gov.au/vehicles/mv_standards_act/ (accessed 10 September 2015).

17 *Motor Vehicle Standards Review—Safer roads and better cars*, Media Release, 16 April 2015.

18 *Submission 21*, p. 6.

> Should the Government materially alter existing policy in the importation of second-hand vehicles in Australia it has the potential to produce profound and long lasting direct and flow-on impacts.[19]

3.22 AFLA noted that the Australian car market is one of the most competitive in the world and the benefits from relaxing second-hand imports restrictions may be limited.[20] They questioned the assumption that prices for second-hand vehicles would be lower and went further to suggest that, over the course of ownership, consumers may be worse off if vehicles are compliant with Australian Design Rules but are not fit for Australian conditions and require modification or repair.[21]

3.23 The National Automotive Leasing and Salary Packaging Association (NALSPA) submitted that the overall costs of owning an imported vehicle may be higher in the long run:

> …a consumer buying a personally-imported new vehicle or an imported second-hand vehicle is likely to face a range of issues, including potentially higher repair, maintenance and insurance costs, as well as difficulties in determining whether such a vehicle is 'fit for purpose' for Australian conditions.[22]

3.24 The MTAA contended that:

> …consumers who buy vehicles sourced directly from overseas are often immune to the caution that is usually applied and available when buying a car through a regulated environment which provides protection. Equally on the promissory note of cheaper costs, consumers can be blind to the many complex customs, transportation, finance, insurance, warranty and service and repair support issues that may arise.[23]

3.25 In response to the Productivity Commission's findings, Mr Robert Bryden highlighted a number of downsides to the parallel importation scheme used in New Zealand—the administration costs are significant, unscrupulous operators can emerge, 'used' cars may undermine the legitimate new car market, and new car prices may increase.[24]

3.26 Given the concerns raised, the committee does not support the widespread relaxation of restrictions and requirements on the parallel importation of new and used vehicles. It considers that the potential detriment to consumer welfare from relaxing these restrictions outweighs any potential benefits.

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19 Australian Fleet Lessors Association, *Submission 25*, p. 2.

20 Australian Fleet Lessors Association, *Submission 25*, p. 3.

21 For example, cars may require modifications to fuel systems, cooling capacity, suspension and/or tyre specifications to suit Australian conditions.

22 *Submission 26*, p. 8.

23 *Submission 30*, p. 31.

24 *Submission 38*, p. 4.

3.27 The committee notes the Australian Government's response to the Harper Review not to relax parallel import restrictions on second-hand vehicles:

> Following consultation as part of the review of the *Motor Vehicles Standards Act 1989* and having regard to consumer protection and community safety concerns, the Government has decided not to proceed with reducing parallel import restrictions on second-hand cars at this time.[25]

3.28 While the committee welcomes this announcement, it is not clear whether the government is still considering relaxing the restrictions on the parallel importation of new vehicles, where the same concern regarding consumer protections apply.

3.29 However, the committee considers that there may be scope for reforming the processes associated with the importation of specialist and enthusiast vehicles. These issues are considered in chapter 5.

Recommendation 10

3.30 The committee recommends that the current restrictions and requirements on the parallel importation of both new and used vehicles be maintained.

Servicing and repairs

3.31 The servicing and mechanical repair sector has been subject to a variety of factors which are making it increasingly difficult for the traditional small business service model to be sustainable. Some of the main factors contributing to remaining viable include:

- rising business operational and administrative costs;
- the adoption of longer vehicle warranties and fixed price servicing for virtually all vehicle brands (up to 7 years for some models);
- technological change and difficulties for independent repairers to access relevant information from manufacturers and dealerships; and
- the requirement to invest in costly capital equipment and the continual upgrading of skills to diagnose, service and repair ever changing and complex vehicles and components.[26]

3.32 Many of these issues affect independent repairers disproportionately and these independent repairers make up a significant proportion of repairers in Australia.[27]

3.33 The MTAA reports that small businesses have taken a variety of different approaches to adapt to this new business environment:

> Some independent mechanical repairers have decided it is already too hard and have adapted to changing circumstances by specialising in one or a few

25 *Australian Government Response to the Competition Policy Review*, 24 November 2015, p. 13.

26 MTAA, *Submission 30.1*, p. 33.

27 Commonwealth Consumer Affairs Advisory Council, *Sharing of repair information in the automotive industry*, 27 November 2012, p. 28.

> marques and making the necessary investment in the specific training, tools, equipment and facilities to service those marques. Some have already left the industry, while others are trying to survive by maintaining current business models and practices, despite them becoming increasingly unsustainable.[28]

3.34 Other industry participants are diversifying to remain viable. Mr David Roscio, founder of KPM Motorsport, told the committee that:

> We saw 10 years ago that we needed to move away from normal car work, because that will be dead in the next 5 to 10 years. We moved into tuning and supporting motorsport vehicles…
>
> We have seen the writing on the wall, firstly, with the workshop and now the aftermarket. So we have been diversifying in several areas.[29]

3.35 The 'one-stop-shop' model of service repair is under significant pressure and the role for independent mechanical repairers to provide competition and consumer choice is becoming increasingly difficult to maintain. Increasing specialisation is also having flow on effects for the workforce as discussed later in the chapter.

3.36 And this situation is only going to intensify as technological developments are increasingly incorporated in automotive applications:

> As vehicle technologies evolve further and with the increased adoption of hybrid and battery electric vehicles over time, it is likely that there will be a greater segmentation of skills within the automotive industry, with narrower and deeper specialisations in vehicle brands or technologies becoming the norm.[30]

3.37 The Commonwealth Consumer Affairs Advisory Council (CCAAC) has noted that:

> …the viability of the independent repair sector is in the interests of consumers, repairers and manufacturers.[31]

3.38 It is likely that this may have significant implications for securing servicing and mechanical repairs in regional and rural locations.

Access to information

3.39 Another emerging issue of concern for independent repairers, and ultimately the consumer, is how can the information needed to service and repair contemporary motor vehicles be reliably accessed and at what cost. The MTAA reports that independent vehicle repairers (both mechanical and smash repairers) are effectively

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28 *Submission 30.1*, p. 35.

29 *Committee Hansard*, 1 October 2015, pp. 38–39.

30 MTAA, *Submission 30.1*, p. 36.

31 *Sharing of repair information in the automotive industry*, 27 November 2012, p. iv.

prevented from accessing repair and servicing information from motor vehicle manufacturers.[32]

3.40 The committee notes that a review of this issue was undertaken by the CCAAC in 2012. The review concluded that:

> …the accessibility of repair information has the potential to become a barrier to entry in this market going forward.[33]

3.41 The CCAAC encouraged the industry to expedite the development of an industry-led outcome within a reasonable period of time that ensures there is an avenue to reasonably access repair information.[34]

3.42 The committee notes that the members of the Federal Chamber of Automotive Industries (FCAI), the MTAA, the Australian Automobile Association, the Australian Automotive Aftermarket Association (AAAA) and the Australian Automotive Dealer Association (AADA) signed an *Agreement to Access Vehicle Service Repair Information* (the Agreement) in December 2014.[35] The Agreement aims to provide a safeguard to consumers that service and repair information is available in a timely manner to the repairer of their choice at a fair and reasonable cost. The Agreement set a 12 month timeline to review whether it has made a meaningful impact on the availability of repair and service information.

3.43 In addition, the Federal Chamber of Automotive Industries released the *Voluntary Code of Practice—Access to Service and Repair Information for Motor Vehicles* (the Code) in February 2015. The objectives of this code include the provision of an information pathway and a fair means of access to repair information that may be used by parties outside the Authorised Dealer network. An initial review of the Code must be conducted within 18 months of commencement.[36]

3.44 Reflecting on the progress made, the MTAA submitted that:

> Although there has been progress towards such an outcome, there is a need for continual monitoring of the capacity of independent vehicle repairers to have access (at reasonable cost) to vehicle manufacturing repair and service information. Without such information, consumer choice will be limited and independent business restricted to servicing and repairing old cars.[37]

3.45 The AAAA reported in September 2015 that only nine of the 68 car brands sold in Australia were offering some level of data access. The AAAA has also set up

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32 *Submission 30.1*, p. 36.

33 *Sharing of repair information in the automotive industry*, 27 November 2012, p. iv.

34 *Sharing of repair information in the automotive industry*, 27 November 2012, p. 29.

35 *Agreement to Access Vehicle Service Repair Information*, December 2014, http://www.fcai.com.au/library/publication/agreement_on_access_to_service_and_repair_information_for_motor_vehicles.pdf (accessed 26 November 2015).

36 FCAI, *Voluntary Code of Practice—Access to Service and Repair Information for Motor Vehicles*, February 2015, p. 2.

37 *Submission 30.1*, p. 37.

an online incident reporting portal to allow repairers to monitor how well vehicle makers are meeting their obligations under the Agreement.[38]

3.46 Given that the industry has worked together to develop a voluntary solution, the committee considers it prudent to give both the Agreement and Code a period of time to be implemented before a formal and independent evaluation is undertaken. As such, it considers that CCAAC should undertake a follow-up review of access to repair and service information beginning no later than three years after commencement of the Code.

3.47 It behoves industry to gather evidence of any systemic failing of the Agreement and Code and to present these findings to the relevant authorities. In the face of such evidence, a more timely review of these arrangements may be warranted. The committee notes the work of the AAAA in setting up an online incident reporting system, which helps to address this requirement.

Recommendation 11

3.48 The committee recommends that the government continues to work with industry to ensure suitable access to manufacturer information by independent automotive service and repair businesses. The committee notes the progress that has been made through the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) and recommends that the Commonwealth Consumer Affairs Advisory Council undertake a review of the Code no later than three years after commencement.

Service and repair warranties

3.49 The issue of who is responsible for service and repair warranties was raised by some stakeholders in submissions and during the committee's visit to downstream businesses.

3.50 These concerns relate to the operation of Australian Consumer Law with regard to which party bears responsibility when replacement parts fail. The Engine Reconditioners Association of Victoria (ERA Victoria) submitted that:

> …the current law actually disadvantages the consumer, and helps the importers and suppliers avoid responsibility in regards to warranty by placing the onus and expense back on the engine reconditioner.[39]

3.51 Similar concerns were raised by the owner of an independent mechanical service establishment who told the committee that consumers purchased parts from a third party and when they asked his business to fit the part, it was his business that was ultimately responsible if the part prematurely failed.

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38 *Holden Leads in Sharing Repair Data with Workshops*, 24 September 2015, http://www.aaaa.com.au/news.asp?id=217 (accessed 26 November 2015).

39 *Submission 33*, p. [3].

3.52 These two examples appear to be representative of a systemic issue with how the Australian Consumer Law is applied to the automotive sector. The issue was succinctly described by the ERA Victoria:

> Cars or trucks are far from the simple item that can be replaced with another from stock or returned and refunded in full…
>
> Automotive warranty issues are complicated; they involve complex manufactured goods within which even a small defect can cause failure.[40]

3.53 And it is the repairers that are not getting fair treatment as consumers and part suppliers are protected:

> The overall result is that the repairer is actually taking on the risk of ACL guarantee costs which should be borne by the replacement part manufacturer/importer. Often the repairer does not contribute in any way to the failure of the part yet bears much of the consequences and costs to rework the job and ensure that the ACL protects the consumer.[41]

3.54 The committee notes that a review of the Australian Consumer Law will commence in 2016 and considers that this issue should be part of that review to establish whether the law is operating in a way that unfairly disadvantages automotive servicing and repair businesses.[42]

Smash repairs

3.55 A number of stakeholders indicated the difficulties facing the smash repair industry, predominantly related to the market power of insurers, vertical integration and the supply of 'safe' parts, and access to information (as discussed above).

3.56 A number of participants highlighted the unconscionable conduct and misuse of market power by some car insurers (which are effectively the purchases of smash repair services on behalf of their customers). Mr Geoffrey Gwilym, Executive Director of the Victorian Automobile Chamber of Commerce, outlined how the car insurance market has become increasing concentrated:

> If you went back 20 or 30 years there might have been 40 insurers in the market and there were relationships between insurers and repairers…
>
> It looks and appears that we are heading towards an environment of two or three dominant insurers in the market.[43]

3.57 According to the MTAA, two powerful players effectively control 80 per cent of the market. In addition, these insurers are vertically integrating their activities by

40 *Submission 33*, Attachment 1, p. 4.

41 *Submission 33*, Attachment 1, p. 4.

42 Australian Consumer Law, *Review of the Australian Consumer Law*, http://consumerlaw.gov.au/review-of-the-australian-consumer-law/ (accessed 21 November 2015).

43 *Committee Hansard*, 8 October 2015, p. 4.

'writing off' cars, harvesting their parts to supply the repairers and then are also involved in running some repair shops.[44]

3.58 As a result, the dominant insurers dictate the prices they are prepared to pay for work, they can also effectively determine the availability of work and the quality of the repairs allowed.[45] Mr Gregory Patten, Chief Executive Officer of the Motor Traders' Association of New South Wales, summarised the situation:

> There are large controlling and influential insurance companies who now control the policy holders. They direct where the work goes and they also formulate agreements with some repairers so that individuals cannot compete in a fair and open marketplace to win work. We have found that part of the arrangements that are now being put in place today…allows insurance companies to set unrealistic repair rates. That encourages a lot of small businesses to do work probably not at a professional and acceptable standard, but they need to do this to keep their doors open to keep employing staff.[46]

3.59 Of particular concern to the committee was the implication that the safety of repairs was being compromised by the market power of insurers. In this regard, Mr Patten provide some examples:

> In the modern-day technology, the older types of technique of stretching out chassis rails…with the new materials weakens the materials, and they really need to be replaced. But to meet that dollar value of the repair cost, a few repairers might carry out the older technologies and older methods of repair. Therefore, once the vehicle is back on the road, those major components do not have the strength in them anymore.[47]

3.60 Similarly for repairs to door skins:

> Instead of replacing a whole door shell that has an intrusion bar in it, if the car has been hit on the side and it has intrusion bars, the [repair] allowance might be to replace the door skin and not the actual intrusion bar.[48]

3.61 For its part, Insurance Australia Group submitted that:

> Repairers conducting repair work authorised by IAG have autonomy to order, procure and fit the necessary parts in accordance with the above guidelines. There are some circumstances where IAG may specify to a repairer that a particular type of part be fitted (for example, new genuine parts in newer cars) before issuing an authority to proceed with repairs. However, once IAG has assessed a proposed repairer quote and issued an

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44 *Submission 30.1*, p. 54; Mr Geoffrey Gwilym, *Committee Hansard*, 8 October 2015, p. 5.

45 *Submission 30.1*, p. 54.

46 *Committee Hansard*, 8 October 2015, p. 3.

47 *Committee Hansard*, 8 October 2015, p. 3.

48 Mr Greg Patten, *Committee Hansard*, 8 October 2015, pp. 3–4.

> authority to proceed, the sourcing of the replacement parts specified and their installation lies with the repairer.[49]

3.62 The issues affecting the sustainability of the smash repair industry and the relationships between repairers, insurers and car parts suppliers are complex and very difficult to unbundle. The committee considers that a more comprehensive and systemic review of the structure, conduct and performance of the smash repairs market is warranted and should be undertaken as a matter of priority.

Recommendation 12

3.63 The committee recommends that an independent inquiry into the smash repair industry be undertaken to examine the relationships between insurers, parts suppliers and smash repair businesses, and inform an appropriate policy response.

Automotive skills and training

3.64 A flexible and appropriately skilled workforce is an important contributor to a well-functioning automotive industry. Continued investment in human capital is essential to meet the demands of Australian consumers and the requirements in keeping the national vehicle fleet moving.

3.65 But within the downstream automotive industry, there have been persistent skill shortages for over a decade.[50] The *Automotive Environmental Scan 2015*, the most recent industry report by Auto Skills Australia, concluded that:

> A national shortage of approximately 16,359 people is forecast as at October 2014. Vehicle mechanical and vehicle body trades account for the bulk of this [shortage]…[51]

3.66 And there is an expectation that these workforce shortages will deepen as economic conditions improve. The MTAA reports that some of the key reasons for the continued labour shortages include competition for workers from other industries, the overall poor quality of many available candidates, and a lack of practical hand skills or exposure to basic trade technologies in school years.[52]

3.67 As a result, the main workforce challenges faced by the industry are:

- attracting skilled workers;
- achieving productivity improvements with the current staff and skills base;
- adoption of higher skill levels across the workforce (including upskilling); and
- facilitating the uptake of mature age workers and training.[53]

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49 *Submission 2*, p. 3.

50 Mr Geoffrey Gwilym, *Committee Hansard*, 8 October 2015, p. 7.

51 Auto Skills Australia, *Automotive Environmental Scan 2015*, p. 3.

52 MTAA, *Submission 30.1*, p. 39.

53 MTAA, *Submission 30*, p. 20.

3.68 As in other parts of the automotive industry, technological change will profoundly reshape roles in the automotive workforce and the skills required by workers to undertake these roles. At the heart of this change is the increasing complexity and incorporation of new technologies in vehicles.

> The increasing complexity of motor vehicles—as evidenced through the merging of electronic and mechanical technologies, intelligent transport systems, navigation, tracking and infotainment systems and the embedded network of computerised controls that manage these technologies—is placing greater demands on the skills base and workforce.[54]

3.69 And as a result, automotive trade specialists will increasingly need to be multidisciplinary—part mechanical engineer, part chemical engineer, part structural engineer, part computer engineer, part mathematician, as well as specialising in hydraulics, diagnostics, information technology, electrical systems and other systems.[55]

3.70 The rate of technological change means that it is difficult for even an experienced technician to keep up with the required technological knowledge without constant upskilling and training.[56] This has flow-on effects to the quality of the service that is delivered to the consumer.

> A key problem area within the current skills base…is the absence of effective practical skills in vehicle diagnostics. This involves troubleshooting or fault-finding skills, along with the appropriate action to repair the problem. Even with the use of diagnostic scan tools in modern vehicle servicing, there is still a large element of misdiagnosis or failure to adequately pinpoint the real source of particular vehicle problems. This failure has led to a culture of parts replacement within the industry…[57]

3.71 And such issues are only going to become more prevalent in the future as the complexity of vehicles increases.

Formal training mechanisms

3.72 Given the technological change and new business models facing the industry, it is imperative that skills development and formal training mechanisms equip workers with the knowledge and practical skills to undertake their roles. Some of this training is undertaken through the formal mechanisms, some is achieved through vehicle manufacturers but the vast majority is undertaken 'in-house' by employers directly.

Vocational education and training (VET)

3.73 The national vocational education and training (VET) system provides the framework through which industry and registered training organisations collectively deliver training and assess the competency of individuals. This system provides the

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54 MTAA, *Submission 30*, p. 18.

55 MTAA, *Submission 30*, p. 21.

56 MTAA, *Submission 30.1*, p. 41.

57 MTAA, *Submission 30.1*, p. 41.

structure for training and assessment pathways that enable the growth of organisations and individuals through vocational skills development.[58]

3.74 However, the use of VET training systems remains divided with just over half of all businesses choosing not to engage with the system. Consultations by the MTAA with employers raised significant issues relating to the quality, diversity and delivery of formal VET qualifications across Australia:

> Employers have expressed concern over the general quality of training, lack of delivery or training provider options in most regions, lack of available technology and infrastructure with training providers, limited collaboration across the industry and public providers, limitations on post-trade training.[59]

3.75 Concerns were also raised of a disconnect arising between the training provided at some registered training organisations and what is required in the workplace.[60]

3.76 But the structure and delivery of VET training in the automotive industry is changing in some states. Mr Moir indicated that new delivery models were being implemented:

> In New South Wales and Western Australia we have moved away from the traditional TAFE model of delivery to an employment based delivery model. This has a couple of advantages. One is that the apprentice is trained in the workplace by a qualified trainer. It also assists in keeping up to date with the latest technology that is coming in to the industry.[61]

3.77 It would appear that the VET system as it applies to the automotive industry should be reviewed to ensure that qualifications and training are recast to align more closely with future automotive and consumer requirements. In doing so, it is important that the adoption of new qualifications and training standards is flexible enough to incorporate appropriate skills as required for emerging technologies.

Apprenticeships

3.78 In addition to the VET system, apprenticeships are an important mechanism by which people enter the industry and receive training. According to the MTAA:

> Employers are strongly supportive of the apprentice system linked to competency based progression and a national qualification framework.[62]

3.79 Given the relatively low attractiveness of the automotive industry, facilitating the uptake of apprenticeships by older workers may be one way to address current shortages and meet future demand. Despite an appetite for employers to take on older

58 Auto Skills Australia, *Automotive Environmental Scan 2015*, p. 67.

59 MTAA, *Submission 30.1*, p. 41.

60 MTAA, *Submission 30.1*, p. 40.

61 *Committee Hansard*, 8 October 2015, p. 8.

62 *Submission 30.1*, p. 42.

workers as apprentices, it is difficult to do so when there is limited support from governments and employers have to pay adult apprentice wages over the four year training period. According to Mr Gwilym:

> There are many adults who do seek to transition into industries like automotive, and often there are barriers at the state level, and this is normally found in terms of, 'You already have a high-level qualification; we can't fund you to do an apprenticeship'…
>
> All that stuff needs to go. There need to be exemptions for adults coming into apprenticeship, who transition.[63]

3.80 The retention of apprenticeships is also a significant factor contributing to workforce shortages. Traditionally, only around half of automotive apprentices actually finish their training. In response, some of the industry skills councils developed a national mentoring program to boost apprentice retention. Mr Moir outlined the effect that program had:

> …in Western Australia's experience, we had three mechanical trained people doing our mentoring. They were also qualified mentors. The success rate was well into high 80 per cent retention as opposed to the traditional 50 per cent, so it did have a very real effect on turning it around predominantly in the areas where a lot of these young people were suffering at home. The mentors were able to help them manage that plus the work-life process.[64]

3.81 Despite the success of this program, the government has decided to roll the program into the apprenticeship centres program. Mr Gwilyn was not supportive of the change noting that:

> Our [MTAA's] view is that that [change] will not provide the outcomes that we need…It will not be facilitated by automotive people; it will be facilitated, potentially, by people who are selling cake decorating in the morning, welding at lunchtime and underwater spaghetti knitting in the afternoon.[65]

Committee view

3.82 The committee believes that reforming training systems for the automotive industry is necessary to ensure that Australia has enough skilled workers to meet the demand for automotive services. Developing and implementing strategies and actions to address workforce sustainability challenges and technological change should be a priority for the proposed Automotive Industry Taskforce (Recommendation 1).

3.83 The committee is also concerned that the future of Auto Skills Australia is unclear given the important role that this organisation has played, and will continue to

63 *Committee Hansard*, 8 October 2015, p. 7.

64 *Committee Hansard*, 8 October 2015, p. 3.

65 *Committee Hansard*, 8 October 2015, p. 2.

play, in understanding the automotive workforce and identifying trends and future needs.

Recommendation 13

3.84 The committee recommends that the government recognise the vital role of training in this sector and support a comprehensive, industry-wide approach to assist the automotive sector to redesign and implement training courses that reflect the needs of employers and give workers the skills they require.

3.85 Due to the unprecedented structural adjustment across all sectors of the automotive industry, changes to training and skills development VET packages in the automotive fields should be put on hold for a period of 12 months. During this time, Auto Skills Australia and a coordinated alliance of national industry sectors should undertake the necessary work to recast all qualification requirements, including for new skills occupations. Owing to their national reach and previous experience, the committee suggests that the Motor Trades Association of Australia is the most suitably qualified organisation to led and coordinate this work.

Recommendation 14

3.86 The committee recommends that the government, through the Council of Australian Governments (COAG), work with state and territory governments to identify and address barriers for mature workers seeking to enter the automotive industry as apprentices.

Recommendation 15

3.87 The committee recommends that the mentoring program for automotive apprentices developed under the Australian Apprenticeships Mentoring Program and the Australian Apprenticeships Advisers Program be reinstated.

Chapter 4

Automotive manufacturing

4.1 This chapter examines the future of automotive manufacturing in Australia and some policy responses to ensure that as much manufacturing capacity is retained and utilised following the cessation of vehicle production in 2017.

Future of automotive manufacturing

4.2 As noted in chapter 2, the manufacturing industry is an important contributor to economic growth and development. It is the fifth largest industry employer in Australia and employed 922,400 people in February 2015, which represented 7.8 per cent of total employment.[1] However, this contrasts with February 1995 when the industry was the largest employer in Australia—employing 1.08 million people and accounting for 13.4 per cent of all employment. The level of manufacturing in Australia is set to decline further with the cessation of passenger motor vehicle production.

4.3 Automotive manufacturing is an integral part of advanced manufacturing activities more broadly as the technologies and skills associated with automotive manufacturing are readily diffused into other manufacturing applications, such as defence, aerospace materials, renewables, biopharmaceuticals and medical devices (to name a few).

4.4 In contrast to much of the doom and gloom associated with the cessation of motor vehicle production, the committee was pleasantly surprised to learn that there were many businesses actively taking on the challenge of seeking new markets and/or diversifying their manufacturing activities to improve the viability and sustainability of their operations after 2017.

4.5 Even in a highly competitive international environment, some automotive manufacturers have been able to secure new work. Nissan Casting Australia is an example of one such business which exports all of its production:

> What sets us apart is a drive to exceed our customers' expectations on new project works, in regard to innovation, offer solutions to their problems, manage the complexity, be reliable, deliver a quality product the first time and achieve the shortest possible project-introduction timing…Our factory has been awarded more manufacturing work, and we have not won this based on cost.[2]

4.6 But even a successful operation like Nissan Casting Australia needs to fill a funding gap of $1 million (of a total investment of $4 million) to cover the capital investment required to make castings for the next generation LEAF electric vehicle.

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1 Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly*, Cat. No. 6291.0.55.003, May 2015.

2 *Committee Hansard*, 8 October 2015, p. 38.

4.7 Some component makers have seen the writing on the wall for a number of years and sought new applications for their processes and workforce. For example, Mr Brian Hughes, Managing Director of Composite Materials Engineering, described his business diversification process:

> With the announcement of the decision of GM [General Motors], which was our major customer, in December 2013 to close, we decided that we needed to ramp up a diversification program that we had been on for a number of years. At that time we were 70 per cent automotive…Our business is now split through a number of industries—building around 40 per cent and autos 30 percent. We are the No. 1 in the world and we export over 30 per cent of product—of our business and total exports—to the confectionary industry. In the last six months we have signed all of the leading multinational and international confectionary companies…We are making it all here in Melbourne and exporting it…[3]

4.8 In addition to expanding its production of diodes for the global group, Robert Bosch Australia has had some success in diversifying its engineering activities:

> We are now undertaking R&D [research and development] for non-automotive third parties, we have established a global centre of competence in Melbourne for trailer safety, and we are beginning to work on the application of automotive technologies into adjacent industries, for example rail and marine.[4]

4.9 Indeed, the future of automotive manufacturing may not just be limited to component production. There are a number of different organisations working towards the establishment and manufacture of low-volume, niche motor vehicles in Australia. For example, RED Automotive Technologies, a spin-off from Applidyne Australia, is seeking to build a premium off-road capable sports utility vehicle, with an electric propulsion system that places a motor on each wheel.[5] Similarly, Simmonds Global is in the process of developing a detailed business plan for the production of a specialist vehicle in Australia.[6]

4.10 Some stakeholders indicated that one of the main barriers to the development of a niche motor vehicle is the nature and application of the Australian Design Rules (ADRs).[7] Tomcar Australia advised the committee that it:

> …faces an incredible amount of bureaucracy and legislation trying to get our vehicles compliant for general road use…The current ADR scheme is expensive and limited to vehicle manufacturers who can afford to carry the testing and crash tests on their vehicles.[8]

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3 *Committee Hansard*, 8 October 2015, p. 10.

4 *Committee Hansard*, 1 October 2015, p. 13.

5 RED Automotive Technologies, http://www.redautotech.com/ (accessed 22 November 2015).

6 *Submission 22*, p. 2.

7 See, for example, Mr Robert Bryden, *Submission 38* and Tomcar Australia, *Submission 12*.

8 *Submission 12*, p. [4].

4.11 A number of stakeholders urged the committee to continue and increase government support for those parts of the manufacturing industry (including business that have diversified and new entrants) that will continue to operate after 2017. For example, Mr Gavin Smith, President of Robert Bosch Australia, reflecting on the experience in other countries of rebuilding automotive manufacturing, commented that:

> …don't let it all go. If it all goes it will likely never come back. Hold onto all that can be possibly retained, because from the ashes something can rise. If the ashes are scattered on the four winds then it is much harder.[9]

4.12 The Australian Automotive Aftermarket Association (AAAA) noted the significant potential for the component manufacturers supplying the aftermarket to expand production and absorb some of the workforce if assistance was available.[10]

4.13 Given the right policy settings and incentives, there would appear to be a relatively bright future for Australian automotive manufacturing, and advanced manufacturing more broadly, if some of the current barriers to investment can be overcome.

Policy settings are important

4.14 Realising the potential of the automotive manufacturing industry requires the government to set policies that give businesses the certainty to invest and assist them to overcome some initial challenges to realising new opportunities. As such, the policy environment for encouraging manufacturing and innovation more broadly is an essential element of a diverse economic base.

4.15 A number of stakeholders highlighted the interactions between policies to support automotive manufacturing and innovation in manufacturing more broadly, particularly advanced manufacturing. For example, the Ai Group advocated for government policy to support innovation across a range of manufacturing activities, not just automotive activities:

> While the imperative to innovate extends well beyond manufacturing, transformation and innovation in this industry is particularly urgent for Australia…Australia requires a coordinated and clear government policy, aimed at promoting opportunities for new industrial directions.

4.16 And, along with other stakeholders, Business SA highlighted the importance of commercialisation to drive the outcomes of innovation into tangible goods and services:

> The future of advanced manufacturing will also rely heavily on Australia's ability to increase the commercialisation of research for industrial purposes…Enabling the auto-component supply chain to better leverage

9 *Committee Hansard*, 1 October 2015, p. 15.

10 *Submission 5*.

> university resources to diversify will also help provide a future beyond auto related manufacturing.[11]

4.17 Stakeholders provided mixed reviews of the outcomes of partnerships with universities. Mr Paul van de Loo, Technical Director of Applidyne Australia, noted that:

> Where we tend to fall over with our university engagement is the sense of urgency and timing. In our business, we live in a very fast moving segment, where clients come and want results even more quickly than we think is possible. Where it would be very tempting to get a university postgraduate student or final year project running on a particular aspect of that project, we find that generally the timeframes preclude it.[12]

4.18 By contrast, Precision Component, a 50 per cent joint partner in the Heliostat SA solar thermal electricity generation project, considered their relationship with the University of South Australia to be excellent:

> …the experience that Precision Components and Heliostat SA have through research and industry collaborations is an excellent one. It is not very common, and there should be a lot more done to support those initiatives.[13]

4.19 The committee notes that a Senate inquiry into Australia's innovation system is underway. The issues paper for that inquiry highlighted that collaboration 'between universities and business is firmly on the innovation agenda'.[14] As such, the committee believes that the recommendations from the innovation inquiry may also be relevant to automotive manufacturing.

4.20 Policy consistency was also highlighted as an important factor in encouraging long-lived capital investment in manufacturing processes. For example, the political stoush over the funding associated with the Automotive Transformation Scheme has created a level of uncertainty that is not conducive to a smooth transition. According to the Federation of Automotive Products Manufacturers:

> The industry urgently needs funding certainty to maximise its chances of charting a path to the cessation of Australian volume production without an uncontrolled collapse of the supply chain…
>
> As the industry operates on a just-in-time basis…certainty of funding provides a fundamental cornerstone of this requirement.
>
> Further, with the commercial banking system employing ever more stringent lending practices to this industry, the importance of the certainty

11 *Submission 10*, p. 3.

12 *Committee Hansard*, 1 October 2015, p. 31.

13 Mr Darin Spinks, *Committee Hansard*, 1 October 2015, p. 31.

14 Senate Economics References Committee, *Australia's Innovation System—Interim report*, August 2015, Attachment 1, p. 8.

> that ATS funding provides to the supply chain is even more important than ever.[15]

4.21 As a relatively small part of a large multinational, Robert Bosch Australia is largely dependent on the decisions of its international parent, which is starting to ask questions about the policy regime in Australia:

> …I am answering more questions in the last six months about the outlook for Australia, the policy stability in Australia and the extent we can accept the risks of investing in Australia. I was called to a teleconference recently and asked what is going on with the legislated scheme for automotive transformation being killed off five years early despite activity continuing. I was asked why Australia is, up until recently, looking to reduce spending on R&D rather than increasing it.[16]

4.22 Policy makers also need to be cognisant of possible unintended consequences arising from assistance measures. For example, the AAAA noted that:

> There is a genuine concern from our members, and other sectors of the automotive industry, that an easy (but ineffective) option is to simply pay the PMV [Passenger Motor Vehicle] [component] producers to diversify **into our segments.** This would be the ultimate insult. To replace the dominant paradigm of a narrow focus on PMV with a program of funding these companies to compete against us is unfair, anticompetitive, unwise and insulting.[17]

4.23 The availability of raw materials and other inputs into the manufacturing process is a limiting factor in the decision for many businesses to invest in manufacturing in Australia. Many of the inputs to Australian manufacturing are imported, despite the raw materials coming out the ground here. Mr Gavin Smith outlined the problem well:

> The case for manufacturing complex products in Australia will fail if the components are predominantly coming from overseas. It is far more sensible to ship in a finished product produced in a lower cost country than to bring in all the parts and assemble it at high cost for a relatively low-volume domestic market.[18]

4.24 On this point, Mr Smith urged the government to 'pick winners' and make strategic decisions about how to facilitate globally competitive conversion of raw materials into semi-finished products that are inputs needed to support complex manufacturing in strategic industries or sectors.[19]

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15 *Submission 17*, p. 10.

16 Mr Gavin Smith, *Committee Hansard*, 1 October 2015, p. 18.

17 Australian Automotive Aftermarket Association, *Submission 5*, p. 9 (emphasis in original).

18 *Committee Hansard*, 1 October 2015, p. 14.

19 *Committee Hansard*, 1 October 2015, p. 14.

Policy options to support automotive manufacturing

4.25 This section seeks to take a broad view on how government can best support automotive manufacturing and secure the jobs that depend on it.

Automotive Transformation Scheme (ATS)

4.26 The interim report focused on the Automotive Transformation Scheme (ATS) which is the main government support program to the local automotive industry. The ATS is a legislated and funded government program that requires redefining and updating to ensure that it can continue to support local manufacturers to grow and prosper.

4.27 In the interim report, the committee made various recommendations to amend the ATS rules and eligibility requirements to support manufacturers to continue to secure complex design and engineering work, and provide greater support for diversification activities.

4.28 Stakeholders supported the committee's recommendations to redefine the ATS and widen eligibility for support under this program. Mr Gavin Smith outlined the opportunities of a reformed scheme:

> The industry does not end because three vehicle manufacturers leave. There are still component companies here who are doing things, who will continue doing things and they should be supported through that period, as was legislated. But there are also companies today that may not be eligible who perhaps could be and they can grow, they can introduce new development and new manufacturing with the support that that scheme could provide.[20]

4.29 The committee believes that the funding allocated to support the automotive industry should be spent, in full, on supporting the industry and its constituent businesses. It is disappointing that the government continues to shirk its responsibility to the sector and refuses to support local manufacturing by widening the eligibility criteria for the ATS. As such, the committee reiterates its support for Recommendations 2 to 5 from the interim report and calls on the government to implement them as a priority.

Automotive Diversification Programme (ADP)

4.30 The Automotive Diversification Programme (ADP) is a $20 million programme that provides grants to assist Australian automotive supply chain companies to diversify out of the domestic automotive manufacturing sector. The ADP is planned to run for four years, commencing in the 2014–15 financial year and has $20 million in funding, including $18 million in competitive merit-based grants.[21]

4.31 The Federation of Automotive Products Manufacturers (FAPM) raised a number of concerns about the operation of the ADP. It was concerned that funding

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20 *Committee Hansard*, 1 October 2015, p. 16.

21 *Automotive Diversification Programme Ministerial Guidelines 2015*, p. 2.

constraints may lead to high merit projects not receiving the funding needed. Funding could be sourced from reallocating some of the projected underspend from the ATS.[22]

4.32 FAPM was also concerned that a number of activities essential to a successful diversification process—such as research and development, commercialisation, feasibility studies, site relocation and/or site consolidation, and marketing activities—are not rewarded through the ADP.[23]

4.33 A number of stakeholders noted the significant costs associated with building export markets. For example, Mr Hughes indicated that Composite Materials Engineering invested significantly to establish the market supplying confectionary businesses:

> In relation to exporting and finding a new market… you do not just wake up and find it. You have to actually invest in the time to go and do it…To create that market we put a guy into Europe last year for six months, full-time. We covered every bill and we spent just under $100,000 because we needed the work.[24]

4.34 Recognising the significant costs associated with establishing export markets, FAPM also called for funding under the ADP to be available for the appointment of export and marketing managers on a 50:50 basis.[25]

4.35 The committee considers that the ADP is an important support initiative for component suppliers to diversify. Refinements to the ADP, in conjunction with the recommendations previously proposed to the ATS, would better assist the industry transition.

Recommendation 16

4.36 Subject to any changes to the Automotive Transformation Scheme after 2017 and providing no existing registered companies are adversely affected by changes to the scheme, the committee recommends that a proportion of the funding available under that Automotive Transformation Scheme (for example, from underspends in the scheme) be allocated to manufacturing diversification programs such as the Automotive Diversification Programme.

Recommendation 17

4.37 The committee recommends that the activities eligible for assistance under the Automotive Diversification Programme be expanded to include support for research and development, engineering and product development, commercialisation, feasibility studies, site relocation and/or consolidation activities and marketing activities. In particular, the committee recommends that grants for the appointment of export managers plus on-costs on 50:50 matched

22 *Submission 17*, pp. 16–17.

23 *Submission 17*, pp. 16–17.

24 *Committee Hansard*, 8 October 2015, p. 14.

25 *Submission 17*, p. 17.

basis be included as an eligible activity under the Automotive Diversification Programme.

Retaining engineering and development skills

4.38 The retention of core skills and capabilities, particularly engineering and product development, is essential if Australia is to maintain and grow its manufacturing activities. Crucial to this is the ability to transform ideas into tangible outcomes. Traditionally, however, Australia has not been successful at doing this as described by Mr Smith:

> We do lots of good research but we are no good at commercialising it.[26]

4.39 Recognising this problem, FAPM proposed an approach based on the German Fraunhofer method of application-oriented research as a way to increase the collaboration between research and development centres (including universities) and industry. According to FAPM:

> This concept involves utilising the core knowledge and skills of displaced (or soon to be displaced) automotive engineering and purchasing staff to identify opportunities and build business cases for new product development. This process is designed to provide SMEs [small and medium enterprises] with access to skills and know-how previously beyond their reach.[27]

4.40 These specialist skills are expensive to develop and maintain, and retaining and redirecting them wisely could be considered a prudent investment in Australia's manufacturing sector. The proposal is to establish a mechanism by which opportunities for engineering services or componentry supply suitable for the Australian industry can be identified and fostered. Industry Growth Centres, especially the Advanced Manufacturing Growth Centre, would be well placed to support such a model for industry and research and development collaboration.[28]

4.41 The proposal would address two pressing policy objectives:

- the efficient identification of diversification opportunities; and
- support to preserve, nurture and grow the high-end engineering capability of the Australian automotive industry.

4.42 The committee agrees that there is merit in exploring alternative options for improving links between automotive manufacturing businesses and research and development organisations. It also acknowledges that this issue should be considered in conjunction with the recommendations from the broader inquiry into Australia's innovation system.

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26 *Committee Hansard*, 1 October 2015, p. 18.

27 *Submission 17*, p. 17.

28 FAPM, *Submission 17*, pp. 17–18.

Affected regions may need additional support

4.43 The Australian and Victorian Governments have provided some targeted support for the regions most heavily affected by the closure of local vehicle production, most notably in North Melbourne and Geelong. Some stakeholders argued for more government assistance to support affected regions to manage the transition.

4.44 The South Australian Government noted the concentration of automotive manufacturing in the northern suburbs of Adelaide and the relative disadvantage this region already experiences. As the closure of GM Holden effectively represents the closure of an entire industry in the region, affected workers are likely to have great difficulty being absorbed by the labour market.

4.45 The South Australian Government is in the process of developing a Northern Economic Plan to build on existing strategies to build the South Australian economy and create employment. In their submission, the South Australian Government concluded that:

> Northern Adelaide requires a coordinated and collaborative approach across all levels of government, the community and industry to adjust and recover from the closure of the automotive industry.
>
> The South Australian Government recommends that the Commonwealth Government [use] unspent ATS funds to establish a targeted Commonwealth Government structural adjustment program in consultation with the State and Local Government and local communities, which would focus on the hardest hit areas such as northern Adelaide.[29]

4.46 Further, LeadWest submitted that Melbourne's west will be significantly affected by the exit of Toyota Australia's Altona manufacturing plant but, as yet, this region has not been supported like neighbouring regions, such as Melbourne's north and Geelong.[30]

4.47 In order to ameliorate the effects of the local vehicle manufacturing ceasing, it may be necessary for governments to evaluate whether further targeted regional assistance programs are required.

Aftermarket testing facility

4.48 In addition to providing direct industry assistance, the AAAA put forward a proposal for an 'Automotive Aftermarket Lab' to support the maintenance and growth of automotive engineering and research and development activities. The Lab would assist aftermarket manufacturers to reduce product development costs and time to market.[31]

4.49 The Automotive Aftermarket Lab would be modelled on an existing facility in the US, the Specialty Equipment Market Association (SEMA) Garage. This facility

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29 *Submission 32*, p. 14.

30 *Submission 29*, pp. [1, 8].

31 *Submission 5*, p. 12.

provides access to the high-tech tools and equipment required to take products from initial concept through to product launch, and has facilities for aftermarket-part certification.[32]

4.50 The AAAA noted that most testing of Australian components occurs in the US and Europe as there is no such facility in Australia.[33]

4.51 Various stakeholders, including component manufacturers and motorsport workshops, indicated that they would be interested in utilising an Automotive Aftermarket Lab if it were available. Mr Peter Langworthy, Managing Director of Dana Australia, reflected on a recent development experience:

> Certainly an entity such as this would provide a forum for companies like ours, at an efficient cost, to go in and develop products specifically for local and imported vehicles. We would certainly utilise it greatly.[34]

4.52 While the committee can see the potential benefits from establishing a specialised Automotive Aftermarket Lab, it considers that the development of such as facility should be developed and funded by the industry itself.

Enhancing truck manufacturing

4.53 Automotive manufacturing extends beyond the production of cars and automotive components. Australia has a robust and sustainable truck manufacturing industry with three local manufacturers building just over 5,100 cab chassis in 2014. These trucks are not merely assembled in Australia but manufactured, as the local content, by value, exceeds the imported content. This local content is designed and tested specifically for Australian conditions.[35]

4.54 Unlike high volume car manufacturing, truck production lines are less automated and allow for a high degree of customisation to suit the end task of the vehicle. According to the Truck Industry Council,

> …a heavy truck plan can be profitable when production levels are in the order of 1,000 units per annum, with each unit value (retail cost) averaging more than $150,000.[36]

4.55 In addition, at least a further 29,000 trucks sold each year require second stage modification to supply ancillary equipment and complete their on-road configuration. There are hundreds of second-stage manufacturing companies—from major trailer manufacturers and tanker builders to the smaller companies making everything from specialist bodies to hydraulic for tippers and garbage collectors.[37]

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32 *Submission 5*, p. 12.

33 *Submission 5*, p. 13.

34 *Committee Hansard*, 8 October 2015, p. 17

35 Truck Industry Council, *Submission 30*, p. 6.

36 *Submission 30*, p. 6.

37 Truck Industry Council, *Submission 30*, pp. 6–7.

4.56 And the truck manufacturing industry has prospered without government assistance for at least 3 decades.[38]

4.57 Recognising the need to expand manufacturing activity in Australia, the Truck Industry Council (TIC) put forward a proposal to modernise Australia's truck fleet:

> The Truck Industry Council proposes a policy option that could be considered to ensure Australia's future capacity to engage in advanced manufacturing, while at the same time modernising Australia's truck fleet, making the fleet safer, cleaner and greener.[39]

4.58 The TIC highlighted that around 30 per cent of the truck fleet, or some 175,000 trucks were manufactured before 1996 and, as a result, predate any Australian exhaust emission laws or regulations. Indeed, it would take 60 of today's trucks to equal the exhaust emissions of one pre-1996 truck.[40]

4.59 To achieve this, the TIC proposed the provision of investment allowances to accelerate the adoption (and local manufacture) of new trucks that are compliant with current emissions standards (that is, ADR 80/03 based on Euro 5 standards).[41]

4.60 The TIC acknowledged that these incentives would have to be funded and proposes that a reprioritisation of the fuel tax credit rebate would fund much, if not all, of the investment proposal. Currently, the fuel tax credit rebate is payable to all on-highway truck operators, irrespective of the emissions standard of the truck. There would also be substantial benefits arising from avoided health costs, avoided fatalities, reductions in emissions and direct savings by operators.[42]

4.61 As the demand for trucks would increase, the TIC estimates that:

> Such a measure could reasonably lead to an additional 3,300 trucks being manufactured here in Australia each year for the next five years and a 66 per cent increase in local production, providing a valuable stimulus to Australia's automotive industry.[43]

4.62 Noting that not all operators would be in a position to invest in new trucks, the TIC also proposed a scheme whereby a smaller investment allowance could be provided to operators which upgraded fleets through the purchase of used trucks that meet less onerous emissions standards (such as Euro 3 or 4 standards).[44]

4.63 Subject to further evaluation, the committee supports the proposal by the TIC to modernise Australia's truck fleet. It is attracted by the broad array of benefits across a variety of areas and by the redirection of existing funding.

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38 Truck Industry Council, *Submission 30*, p. 1.

39 *Committee Hansard*, 8 October 2015, p. 23.

40 *Committee Hansard*, 8 October 2015, p. 24.

41 *Submission 30*, p. 9.

42 *Committee Hansard*, 8 October 2015, pp. 24–25.

43 *Committee Hansard*, 8 October 2015, p. 24.

44 *A National Truck Plan for Australia*, Version 4.0, 30 July 2013, p. 27.

Recommendation 18

4.64 The committee recommends that the government undertake a feasibility study of the proposal put forward by the Truck Industry Council to modernise Australia's truck fleet. Pending a favourable evaluation, government should seek to implement this proposal as a matter of priority to assist the automotive manufacturing industry to adjust to cessation of passenger motor vehicle production in 2017 and as part of the broader reform agenda to reduce carbon emissions.

Chapter 5

Motorsport and motoring enthusiasts

5.1 This chapter explores the role of motorsport and motoring enthusiasts to the Australian automotive industry and examines specific barriers to the expansion of these activities.

Importance of motorsport and motoring enthusiasts

5.2 Motorsport and motoring enthusiast activities are a significant and growing part of the Australian automotive industry and the economy more broadly. Motorsport is deeply embedded in Australian culture and it adds to community cohesion and development. The Confederation of Australia Motorsport (CAMS) submitted that motorsport is the fourth most watched sport in Australia behind Australian Rules football, horse racing and rugby league.[1]

5.3 In 2013, motorsport in Australia generated $2.7 billion in direct industry output, $1.2 billion in value add, and over 16,000 jobs. Each participant spends, on average, around $60,000 on motorsport vehicle purchases and modifications, and a further $13,000 a year participating.[2] Motoring enthusiasts are also strong supporters of the automotive aftermarket and the products and services it provides. According to the Motoring Advisory Council (MAC):

> Australia continues to create people that possess the passion and enthusiasm for automotive products. It is crucial that the automotive market keeps a foot hold within the Australian economy by building on what we do well now and looking forward to developing technologies of the future.[3]

5.4 As a significant contributor to the economy, the motorsport and motoring enthusiast activities provides an opportunity for further growth and development. In particular, motorsport is an established platform for innovation, creativity, design and niche manufacturing.[4]

Challenges facing the expansion of this sector

5.5 The issues that affect the motorsport and motoring enthusiast sectors cut across many parts of the automotive industry, including infrastructure, manufacturing, retailing and regulation. There are also considerable linkages between these sectors and the automotive aftermarket which can work together to retain skills and jobs in Australia.

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1 *Submission 7*, p. 2.

2 CAMS, *Economic Contribution of the Australian Motor Sport Industry*, 2013, pp. 5, 20 and Mr Eugene Arocca, *Committee Hansard*, 8 October 2015, p. 36.

3 *Submission 35*, p. 2.

4 CAMS, *Submission 7*, pp. 2–3.

Investment in motorsport infrastructure

5.6 In many respects, there is the potential for Australia to become a motorsport leader in the Asia-Pacific region given the experience and talent that exists here.

5.7 One of the major constraints to the expansion of the motorsport industry is access to facilities. The Confederation of Australia Motorsport (CAMS) faces difficulty getting access to tracks as around 95 per cent are owned by private operators and it costs $10,000 to get a track to do a come-and-try-day.[5] According to Mr Eugene Arocca, Chief Executive of CAMS:

> We really suffer immeasurably from a lack of infrastructure.[6]

5.8 And the flow on benefits from having accessible infrastructure are large:

> …if you build more tracks, you get more participation and when you get more participation, you get more economic activity…What we really do need is a knock-your-socks-off track with a fantastic industry park next to it, and you will have everyone from car manufacturers to overseas participants wanting to use that area or use that experience.[7]

5.9 CAMS has proposed a Motorsport Centre of Excellence (the Centre) to develop and train new and emerging driving and engineering talent. The Centre would ideally be based at one of the major existing permanent race track facilities and offer high quality training and development opportunities to expand the number of junior participants. It could also provide courses in the management of motor sport events and training for officials and participants. With an established track record, the Centre could also be used to offer motorsport education, training and innovations to international visitors.[8]

5.10 Mr Arocca highlighted the parallel between this proposal and the Silverstone Park model:

> Right next to the Silverstone track in the United Kingdom is a fantastic, innovative engineering and motorsport development park…We invite the committee to look at the opportunities that might exist in Australia in a regional area where we could create a track, build into that an industry element which would be supported by the aftermarket industry, the automotive industry and the motorsport industry.[9]

5.11 The committee recognises the important role that motorsport plays in the broader automotive industry and supports, in principle, the industry's efforts to increase participation by developing more facilities and a Motorsport Centre of Excellence.

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5 Mr Eugene Arocca, *Committee Hansard*, 8 October 2015, p. 34.

6 *Committee Hansard*, 8 October 2015, p. 35.

7 Mr Eugene Arocca, *Committee Hansard*, 8 October 2015, pp. 35–36.

8 *Submission 7*, pp. 3–4.

9 *Committee Hansard*, 8 October 2015, p. 33.

Importation of specialist and enthusiast vehicles

5.12 The Specialist and Enthusiast Vehicle Scheme (SEVS) enables the importation of makes and models, both new and used, into Australia providing they have not already been sold domestically as new cars in full volume. SEVS has been operating for over a decade and, according to the Auto Services Group:

> ..for the most part, has successfully enabled enthusiasts to access rare and unusual vehicles through networks operating outside the official channels.[10]

5.13 Diversity is the cornerstone of the enthusiast community and a well-functioning SEVS is an important mechanism for achieving this diversity.

5.14 Vehicles imported through SEVS must be made compliant with Australian Design Rules relevant to the year of manufacture. This work is completed by a Registered Automotive Workshop (RAW). Due to restrictions on the vehicle eligibility of SEVS as well as limits on the number of vehicles each RAW can comply each year, the total number of vehicles imported through SEVS represents less than one per cent of new vehicle sales.[11]

5.15 There are concerns about the long term viability of SEVS and the businesses that import vehicles through this scheme. Auto Services Group indicated that:

> Of the approximately 800 models currently listed on the SEVS eligibility register, less than 25 per cent of them are being regularly imported for sale in Australia. Lack of supply and the expense and time-consuming testing procedures required to comply new models are the most common complaints from the importing industry. Compounding the problem, new vehicle distributors have become more adept at putting certain models onto the market in a manner that prevents them from becoming eligible for import via SEVS.[12]

5.16 The Motoring Advisory Council (MAC) and the Auto Services Group submitted that SEVS cannot be sustained in its current form.[13] Auto Services Group proposed a number of actions which could potentially improve the sustainability of the scheme:

- increase the number of vehicles each Registered Automotive Workshop can comply in any 12-month period;
- variants not sold in Australia should be considered for eligibility (providing it meets SEVS criteria), even if the model is already sold here in full volume;
- the current pre-1989 rule is changed to a 25-year rule with a rolling date;

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10 Auto Services Group, *Submission 36*, p. 4.

11 *Submission 36*, p. 4.

12 *Submission 36*, p. 4.

13 *Submission 35*, p. 6 and *Submission 36*, p. 4.

- vehicle manufacturers have 6 months, instead of the current 18 months, from overseas release to commence an Australian delivery of new models, or these models become eligible for importation through SEVS;
- testing procedures for eligible models be drastically reduced to cut red tape—compliance requirements to be determined by age and country of first sale rather than model-by-model;
- SEVS criteria revised and refined to reflect current trends and changing societal expectations;
- SEVS eligibility determined by an industry-panel rather than a Minister's delegate having sole authority; and
- all SEVS-complied vehicles inspected by a third-party body (with the cost borne by the importer) prior to registration to ensure the integrity of the system, rather than the current practice of random audits by government inspectors.[14]

5.17 A review of SEVS was proposed by the Federal Chamber of Automotive Industries in its response to the *Review of the Motor Vehicle Standards Act 1989* with an aim to develop appropriate entry criteria to meet the intention of SEVS.[15]

5.18 Given that the committee does not support the relaxation of parallel vehicle imports, it considers that there is a case for SEVS to be independently reviewed.

Recommendation 19

5.19 The committee recommends that the government undertake an independent review of the Specialist and Enthusiast Vehicle Scheme (SEVS) to ensure that:

- **the scheme is meeting its stated objectives;**
- **the eligibility criteria for importation are appropriate; and,**
- **the compliance and monitoring processes do not undermine the integrity of the scheme.**

National harmonisation of vehicle standards

5.20 A number of stakeholders were concerned that differences between jurisdictions in relation to the regulation and enforcement of vehicle standards were frustrating for motoring enthusiasts and detrimental to parts of the automotive manufacturing industry. For example, the MAC contended that:

> With sensible reform, the unrealised potential of the aftermarket and motor sport industries is simply staggering. The full growth potential both

14 *Submission 36*, p. 5.

15 *FCAI Response to the 2014 Review of the Motor Vehicle Standards Act*, 25 November 2014, p. 3.

> domestically and internationally within niche markets can be unlocked with sensible nationally consistent regulatory reform.[16]

5.21 Regulatory restrictions on the ability of motoring enthusiasts to modify vehicles are limiting the potential of the industry significantly. State based inconsistency and enforcement around modifications creates layers of confusing red tape and paperwork.

5.22 Issues also arise with the legality of modifications when enthusiasts travel interstate where there are different regulations. The MAC's view is that:

> It is lunacy that an Australian vehicle owner can drive a legally certified vehicle in their home state, but then be deemed defective in another.[17]

5.23 These cross border issues are exacerbated when inspections of, and judgements about, vehicles are generally undertaken by people with insufficient training with respect to rules surrounding vehicle modifications.[18] Mr Peter Styles, Chairman of the MAC, described the situation faced by many enthusiasts:

> At the moment, the state based inconsistencies and the layers of regulations created in every state are too hard for the community and the industry to bear…you pass from one state into the next, and your control measures and your guidance change. They are the same ADRs but are interpreted differently by the states. How can business deliver products and models that are economically viable when they cannot even sell to the neighbouring state or the person driving the vehicle may not be able to drive it into the next state?[19]

5.24 Mr Styles went on to provide an example of a Sydney-based company that manufactures a muffler system that enables the user to vary the noise associated with the exhaust. The technology was subsequently banned by regulators in some states despite similar technology being allowed on certain production vehicles.[20]

5.25 The MAC offered a regulatory and compliance solution to improve national consistency based on existing frameworks.

5.26 The National Code of Practice for Light Vehicle Construction and Modification (VSB14) is considered by the MAC to be a 'fair, effective, transparent and easy to follow mechanism for determining the requirements of vehicle modification'. As it is only a model law, however, states have chosen to put their own layers of regulation on top or not apply it at all. The MAC believes that if VSB14 was adopted consistently by all states and territories, there would be significant compliance cost savings.[21]

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16 *Submission 35*, p. 14.

17 *Submission 35*, p. 15.

18 *Submission 35*, p. 15.

19 *Committee Hansard*, 8 October 2015, p. 19.

20 *Committee Hansard*, 8 October 2015, p. 20.

21 *Submission 35*, pp. 15–16.

5.27 The Vehicle Safety Compliance Certification Scheme (VSCCS) is used in New South Wales and allows a licensed certifier to assess vehicles and modifications in specific licence categories.[22] The MAC contended that the VSCCS model reduces the regulatory code from state and territory road authorities and enables governments to reallocate and strengthen compliance operations.[23]

5.28 The MAC considered that harmonising regulations through incorporating VSB14 into the National Road Safety Strategy and the Motor Vehicle Standards Act, and adopting a measured approach to certification nationally, based on the VSCCS, would reduce compliance costs and deliver significant efficiencies and effectiveness in the enforcement sphere. In addition, it is proposed that this approach be applied to personal imports with modifications, thus offering further opportunities to cut unnecessary red tape burdens.[24]

5.29 In summarising the benefits of harmonisation, the MAC contended that:

> For state and territory governments, this presents an opportunity to realign resources by implementing better systems that harmonise with personal imports an engineer certified modifications to assure regular checks for vehicle safety occur.[25]

5.30 More broadly, Mr Robert Bryden outlined how relaxing regulations could benefit the wider industry:

> Encouraging the growth of the aftermarket industry in Australia will occur with the removal of ADR [Australian Design Rules] impediments and also through the adoption of inexpensive Certification procedures and National Regulation, removing the anti-industry discretion used by Registration Authorities and Police in some jurisdictions.[26]

5.31 The committee recognises that there may be potential benefits from harmonising vehicle modification regulations between states and adopting a national approach to compliance and enforcement by people who are appropriately qualified. Recognising that these are predominantly state issues, however, it is probably an issue more appropriately pursued through the Council of Australian Governments.

Recommendation 20

5.32 The committee recommends that the government, through the Council of Australian Governments, pursue reform options to harmonise vehicle modification regulations and adopt a consistent national approach to compliance and enforcement with vehicle regulations. A critical part of this work will be the

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22 NSW Roads and Maritime Authority, *Vehicle Safety Compliance Certification Scheme (VSCCS)*, http://www.rms.nsw.gov.au/business-industry/examiners/vsccs/ (accessed 24 November 2015).

23 *Submission 35*, p. 16.

24 *Submission 35*, pp. 15–16.

25 *Submission 35*, p. 16.

26 *Submission 38*, p. 16.

harmonisation of emerging federal, state and territory legislation and regulations designed to deal with the arrival of autonomous vehicles and driving systems.

Senator Chris Ketter

Chair

Government Senators' Dissenting Report

1.1 As announced on 10 March 2015, and reiterated in Government Senators' dissenting comments in the interim report released on 19 August 2015, the Government will not make changes to the current Automotive Transformation Scheme (ATS) legislation.

1.2 The ATS programme will conclude at the end of 2017 when Holden and Toyota end their Australian manufacturing (following Ford in 2016). The Government's decision gives component makers certainty to transition their businesses to cope with the decline in production as a result of the independent decisions of the car makers to leave Australia. This means that the original $300 million legislated cap on funding for each of the years from 2015 to 2017 remains in place.

1.3 The industry has indicated that it is likely to draw down $175 million of the $500 million that has been restored to the legislated cap for the period 2015–2017.

1.4 The Government will continue to support component makers in transitioning their businesses to cope with the decline in production as a result of the independent decisions of the car makers to end manufacturing in Australia.

1.5 While the Committee's report makes a number of recommendations to assist the automotive sector transition to other industries, the report largely ignores the steps the Government is already taking to address this.

1.6 The Government is supporting Australian industry through a range of specific programs targeted at manufacturing industries.

1.7 The $20 million Automotive Diversification Programme will help automotive supply chain firms enter new markets. To date, there have been two completed grant rounds with 21 successful applicants awarded $12.4 million, leveraging a total investment of $33.6 million. A third round of applications closed on 17 September 2015 and is currently being assessed by an independent expert panel.

1.8 The $60 million Next Generation Manufacturing Investment Programme will accelerate private sector investment in high value non-automotive manufacturing sectors in Victoria and South Australia. On 13 November the Government announced the successful Victorian tenders. This resulted in eleven Victorian companies sharing in $27.4 million of support, which is expected to leverage a total of $75 million in investment. On 3 August 2015, South Australian Minister Kyam Maher and Hon Ian Macfarlane MP announced the results of the South Australian Round awarding $28.3 million to 15 businesses creating over 430 new jobs. Complementary investment by each business will take the total investment in new manufacturing capability to over $72.5 million.

1.9 As an open economy, Australia needs to engage with the complex task of economic reform and restructuring, particularly addressing underlying issues of efficiency and productivity. In this regard, support to Australian industry, including automotive component manufacturers, is provided through the successful completion of the Trans Pacific Partnership, the Free Trade Agreements with China and with

Japan and with South Korea. These agreements are opening up supply chains for Australian businesses who previously had suffered disadvantages in accessing overseas markets.

1.10 We endorse the comments in the majority report about the impressive record of Australia's truck manufacturing sector and the fact that it has developed into a robust and sustainable industry without government assistance. We do not, however, support the proposal to deny fuel tax credits to on-highway truck operators who operate trucks manufactured before 1996 (recommendation 18). This would be a costly and economically damaging way of reducing carbon emissions relative to the Emissions Reduction Fund, the centrepiece of the Australian Government's policy suite to reduce carbon emissions.

1.11 On-highway truck operators who operate trucks manufactured before 1996 represent almost one third of the truck fleet. Many of these are sole operators. To push up costs, and reduce the profitability and employment prospects of these businesses in this way would be harmful to a vital element of Australia's transportation sector. This policy is inconsistent with the Coalition Government's commitment to ensuring that Australian small businesses are both supported and not subjected to unnecessary regulatory and cost imposts. Further, the policy would have adverse impacts on the wider Australian economy though the adverse impacts on transportation costs that would flow through to other sectors.

1.12 Coalition Senators note that the Committee has also made recommendations in relation to the Franchising Code of Conduct (recommendation 9), the service and smash repairs industries (recommendations 11–12), training and re-employment (recommendations 13–15), specialist and enthusiast vehicles (recommendation 19) and regulatory arrangements for aftermarket modifications (recommendation 20). The Government should consider the merits of these recommendations in its response.

Senator Sean Edwards
Deputy Chair

Senator Matthew Canavan
Senator for Queensland

Additional comments from the Australian Greens

1.1 The Australian Greens recognise that there are significant challenges facing the industries and workforce of Australia's automotive manufacturing sector.

1.2 This senate inquiry into the future of Australia's automotive industry has elicited important evidence demonstrating how these challenges will impact the various businesses, workers and communities engaged with automotive manufacturing currently.

1.3 The committee report provides a set of strong recommendations following the committee's inquiry into the issues facing Australia's automotive industry. The Greens support these recommendations, but wish to highlight a number of areas where the majority report fails to emphasise timely and future-proofing action in order to insulate against the collapse of key industries.

1.4 The Greens put forward additional comments to the inquiry's interim report. In these additional comments to the final report we will reiterate our earlier proposed recommendations, but we will endeavour not to repeat previously submitted additional comments.

1.5 The Australian automotive components industry is in crisis and without prompt action there is a real prospect most of the components industry will not survive the transition. Successive governments' lack of action to support transition in the industry could see the component sector collapse and the big car makers leave early, with potentially devastating consequences for hundreds of thousands of workers and their families.

1.6 As noted in our additional comments to the inquiry's interim report, electric mobility is the future. By joining the shift to electric and alternative-fuel vehicles Australia will reap enormous benefits in the economy and the environment. Electric vehicles are cleaner and can be powered by renewable energy. They can contribute to electricity demand management by providing battery storage to the grid. Over the coming decades electric vehicles will join internet, mobile communications and distributed energy in transforming our economy and society. The government can play a role in creating a domestic market for electric vehicles.

1.7 The Greens echo the majority recommendation to redefine the Automotive Transformation Scheme into a broader, automotive related advanced manufacturing, engineering and design program that is intended to maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and jobs growth. However, we believe there should be a timeframe placed on this recommendation to ensure this occurs as a matter of urgency, given the imminent exit of the major automotive manufacturers.

1.8 Opportunities would be missed if a new plan wasn't put in place soon. Ford's planned exit in 2016 together with shrinking forward orders in the component sector frees up savings in the Automotive Transformation Scheme which could be redirected and spent on a longer-term jobs plan.

1.9 The Greens support the recommendation to broaden the object of the Automotive Transformation Scheme to drive diversification and transformation activities. We consider complementary industries, for example electric or alternative fuel vehicles and renewable energy technologies should be given priority support.

1.10 We note the majority recommendation for government to urgently develop and implement a coordinated strategy to avoid social and economic catastrophe associated with the closure of vehicle manufacturing. We would add to this recommendation that such a strategy must have a level of guidance based on the evidence presented to the committee. For example, we would see value in highlighting issues as skills and job transitions, community support and services, and appropriately targeted economic stimuli for communities facing downturn following the exit of 'Big 3' manufacturers.

1.11 The Greens note the recommendation to conduct a review of Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles. We believe that the voluntary nature of the Code should be a key aspect of that review, as the committee heard evidence that so far this Code had poor take-up and impact in its first year. The Greens submit that this review should be undertaken as soon as possible, and making this Code mandatory should be under strong consideration.

1.12 In summary, the Greens do not oppose the intent of the recommendations in the committee's report, but we believe they are not sufficiently forward thinking. We would adopt those recommendations, but would modify them to incorporate the following, as foreshadowed in our additional comments in response to the inquiry's interim report.

Recommendation 1

1.13 The Greens recommend the ATS and its governing legislation be amended to:

- **Continue support to currently eligible ATS recipients**
- **Establish a Green Car Transformation Scheme and redirect the estimated $800m ATS underspend towards the scheme.**
- **Broaden the eligibility for new entrants to the scheme by removing current requirements for Australian component manufacturers to be producing components for Australian major vehicle producers to be eligible for assistance.**
- **Focus assistance on auto parts makers that are seeking to be part of the local or global supply chain for electric vehicles or vehicles not powered by fossil fuels.**
- **Provide support for any new major vehicle producers that are established and invest in Australia that intend to produce electric vehicles or vehicles not powered by fossil fuels.**
- **Extend the above assistance beyond the current and proposed government end date for the ATS for the next ten years until 2025.**

- **Favour new applicants who commit to hiring workers made redundant from existing car or component makers.**
- **Increase transition assistance to workers in the industry.**
- **Enable eligible participants to receive payments in quarterly instalments referable to the expenditure incurred in the preceding quarter.**

Recommendation 2

1.14 In addition to the above measures, the Greens recommend:

- **Establishing a fund to support incentives and infrastructure support to encourage the purchase and rollout of electric vehicles in Australia.**
- **Immediately placing on the Council of Australian Government's agenda the development of a policy framework for electric and alternative fuel vehicles including:**
  - **implementation of consumer incentives for electric vehicle ownership including, registration rebates or cash-backs, tax credits as well as significant targets for government fleets;**
  - **putting in place a regulatory environment that supports electric vehicles such as regulation of deployment and the setting of competition and policy standards; and,**
  - **maximising energy opportunities through appropriate regulation, such as requiring "smart" charging sourced through renewable energy.**
- **The Government, like the US and Germany, should commit to a near term target for the take up of electric vehicles in Australia.**

Senator Janet Rice

Australian Greens Senator for Victoria

Additional Comments by Senator Nick Xenophon

There is still petrol in the tank of Australian automotive manufacturing

1.1 We can't afford to give up on car making in Australia. I endorse the majority report of the committee, and commend the collaborative approach the committee took to this inquiry. I especially wish to thank Senators Carr, Madigan and Muir for their role in this inquiry.

1.2 I still hold hope for an Australian Automotive sector, seeing numerous opportunities amidst current structural changes within the industry.

1.3 I have previously highlighted the innovative work being done by Australian manufacturer Supashock in my state of South Australia and the potential synergy between a domestic automotive manufacturing industry and local shipbuilding.

1.4 More recently, I have met with Australian companies Ethan Automotive and Red Automotive Technologies, and Belgian company Punch Corporation who want to be part of a revival of the auto sector.

1.5 Mr Matthew Newey, the chief operating officer of Ethan Automotive, fully believes cars can be made profitably in Australia stating that the ‘success in this market requires an agile low-volume facility and an entirely new manufacturing infrastructure.’

1.6 The Punch Corporation has been successful in reinstating a GM plant in Strasbourg where it now makes high quality transmissions for Audi, BMW and GM.

1.7 I commend the Chair for also maintaining hope, identifying 'opportunities to expand automotive manufacturing in other areas, such as automotive aftermarket and the truck industry if the policy settings are conducive' and additionally recognising 'the motorsport and motoring enthusiast sector are significant contributors to the automotive industry and should be encouraged to expand their activities.'

1.8 GM-Holden themselves, maintains hope for a domestic automotive industry stating they are 'very open' to the prospect of their main automotive plant being used by other companies in a push to revive the car industry.’

1.9 The Abbott Government, however, seemed to hold no hope for the future of a domestic car manufacturing industry with its announcement on 10 March 2015 that it will not make changes to the current Automotive Transformation Scheme (ATS) legislation.

1.10 I am hopeful that the Turnbull Government, with Industry and Innovation Minister Christopher Pyne, will take a radically different approach and be supportive of projects to revive car manufacturing in Australia post 2017.

1.11 It's critical that the government embraces the potential of new car making firms in Australia because that is the best way to ensure the automotive supply chain does not collapse post 2017.

1.12 As Mr Newey points out the British automotive industry, and its 'powerful partnership' with government, is a prime example of the recovery of what was a dying local industry. Why should Australia be any different?

1.13 Thomas A. Edison hit the nail on the head – 'our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time.'

1.14 I urge the government not to give up on an industry which, on many fronts, offers huge potential given the right conditions and one of those right conditions is a much more conducive exchange rate, around 70 cents to the US dollar. With real political will and a concerted effort by industry we can create those right conditions to revive car making in Australia. Let’s try just one more time.

Nick Xenophon

Independent Senator for South Australia

Additional comments by the Australian Motoring Enthusiast Party

1.1 The Australian Motoring Enthusiast Party formally offer the following comments as a follow up to the report for the consideration of the Senate committee.

1.2 We congratulate the committee on recognising the value of motorsport, enthusiasts and the aftermarket within the wider automotive industry, and calling attention to areas of growth potential.

1.3 We call on the federal government for funding to support the Confederation of Australian Motorsport (Submission 7) to undertake a feasibility study to establish a Motor Sport Centre of Excellence for motor sport training and development, including scope to pursue automotive innovation, design, and niche manufacturing opportunities in partnership with the AAAA as highlighted by the MAC (Submission 35, sections A-3e, A-4c, and section D-4). As a nation, this is an excellent initiative to assure we stay invested in product R&D. Chapter 5 did not make a recommendation in this regard. We seek more commitment from the findings.

Recommendation 1

1.4 The AMEP recommends that the government provide funding to undertake a feasibility study to establish a Motor Sport Centre of Excellence for motor sport training and development. The AMEP believes that this initiative would also provide wider opportunities for automotive innovation, design and niche manufacturing.

1.5 We congratulate the committee on the findings relating to SEV's scheme, but request expansion to include broadening of the eligibility criteria for the Specialist and Enthusiast Vehicle Scheme to provide access to a wider choice of eligible makes and models. Our community remains hopeful that a wider range would be available in the future, as current limitations are caused by base model variants offered to the Australian market. The current wording of Recommendation 19 could be improved to address this concern.

Recommendation 2

1.6 The AMEP recommends that the eligibility criteria for the Specialist and Enthusiast Vehicle Scheme (SEVS) be broadened to provide access to a wider choice of eligible makes and models.

1.7 We feel that opportunities around specialist and enthusiast vehicle manufacturing in Australia have been under stated by the inquiry. The submission by Rob Bryden (Submission 38) and the MAC (Submission 35, section D-3) highlighted this area to the inquiry based on the success realised in the UK since wind up of their vehicle manufacturing industry. We recommend consideration as part of chapter 4 and expansion for a new recommendation from the report as it requires substantial policy revision and wider support.

Recommendation 3

1.8 The AMEP recommends that the government reduce the barriers to the manufacturing of special and enthusiast vehicles by adopting a similar regulatory framework to that used to rebuild the automotive industry in the United Kingdom.

1.9 We request that a national PR campaign would also be necessary as part of the Senate report findings to promote and encourage careers in the automotive industry as part of Recommendation 13.

Recommendation 4

1.10 The AMEP recommends that a PR campaign be undertaken for automotive vocations to encourage careers in the automotive industry.

1.11 We support the removal of the financial burdens imposed on vehicle importers by prior importation schemes as a mechanism to protect domestic vehicle manufacturing, after it winds up in 2017, as well as the removal of the luxury car tax.

1.12 We feel that the findings leading up to Recommendation 10 do not give balance to the debate on parallel imports. We request that the committee give balance to the debate by inclusion of comments from the Auto Services Group (Submission 36) and the MAC (Submission 35, sections A-5a and D-3), or consider removing it all together as the findings appear skewed.

1.13 The Recommendation 10 finding did not allow opportunity to revisit the issue from 2018, after manufacturing ceases, as it was originally intended by the Harper Review and the Productivity Commission reports. The party suggests that recommendation 10 be revised and expanded.

Recommendation 5

1.14 The AMEP recommends that further independent and objective research prior to manufacturing wind up in 2017 should explore the impacts (both positive and negative) of increased competition by allowing a suitable volume of broader parallel imported near new used vehicles into Australia. From 2018, after wind up of domestic vehicle manufacturing, the findings should be reviewed with a view to finalizing Australia's policy position for the future.

1.15 We support Recommendation 11 to review the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) by an independent body. However, we feel that the proposed timeframe of three years after commencement would delay the review unnecessarily and believe that sufficient time has passed for the review to be undertaken immediately.

Recommendation 6

1.16 The AMEP recommends that an independent review of the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles be undertaken immediately.

1.17 We request that taskforce covered by Recommendation 7 be commissioned to investigate the economic value of automotive aftermarket components, motorsport

technology, bus, truck, mining, recreational vehicles and defence land transport manufacturing (AAAA, Submission 5). This is crucial to assist with good automotive policy formation.

Recommendation 7

1.18 The AMEP recommends that the proposed Automotive Industry Taskforce be commissioned to investigate the economic value of automotive aftermarket components, motorsport technology, bus, truck, mining, recreational vehicles and defence land transport manufacturing.

1.19 We request funding of a feasibility study to assist the AAAA to formulate a business model for industry to fund the establishment of an Australian Automotive Aftermarket Lab (Submission 5). Establishing testing and prototyping facilities in Australia would be a meaningful contribution to expanding this industry and supporting the maintenance and growth of automotive engineering and R&D. We are seeking a government commitment to this initiative rather than outright funding.

Recommendation 8

1.20 The AMEP recommends that the government provide funding to undertake a feasibility study into the establishment of an Australian Aftermarket Automotive Lab.

Senator Ricky Muir

AMEP Senator for Victoria

Appendix 1

Submissions and additional information received

Submission Number	Submitter
1	Products That Work
2	Department of State Development, Government of South Australia
3	Australian Automotive Dealer Association L
4	Ford Motor Company of Australia Limited
	• 4.1 Supplementary to submission 4
5	Australian Automotive Aftermarket Association
	• 5.1 Supplementary to submission 5
	• 5.2 Supplementary to submission 5
6	Swinburne University of Technology
7	Confederation of Australian Motor Sport
8	Victorian Government
	• 8.1 Supplementary to submission 8
9	Federal Chamber of Automotive Industries
	• Attachment 1
	• 9.1 Supplementary to submission 9
10	Business SA
	• Attachment 1
	• 10.1 Supplementary to submission 10
11	AMWU
12	Tomcar Australia
13	Toyota Australia
14	Robert Bosch Australia Pty Ltd
15	Applidyne Australia Pty Ltd
16	Department of Industry and Science
17	Federation of Automotive Products Manufacturers
18	City of Greater Dandenong
19	Mr Shegasen Govender
20	Truck Industry Council
21	Insurance Australia Group (IAG)
22	Simmons Global

23 PrefabAUS

24 Victorian Trades Hall Council

25 Australian Fleet Lessors Association

26 National Automotive Leasing and Salary Packaging Association

27 Turn 2 Work Force Solutions

28 Australian Productivity Council Pty Ltd

29 LeadWest Ltd

30 Motor Trades Association of Australia Limited and Australian Motor Industry Federation

31 Ai Group

- Attachment 1

32 South Australian Government

33 Engine Reconditioners Association of Victoria (ERA Vic)

- Attachment 1
- Attachment 2

34 AutoCRC Ltd

35 Motoring Advisory Council

36 Auto Services Group

37 Mr Jeff Leddin

38 Mr Robert Bryden

Answers to questions on notice

1. Answers to questions on notice from a public hearing held in Melbourne on 10 March 2015, received from the Department of Economic Development, Jobs, Transport and Resources on 30 March 2015.

2. Answers to questions on notice from a public hearing held in Adelaide on 13 March 2015, received from Professor Göran Roos on 30 March 2015.

3. Answers to questions on notice from a public hearing held in Adelaide on 13 March 2015, received from Professor Göran Roos on 2 April 2015. Those sources referenced are available from the committee secretariat upon request.

4. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Employment on 5 May 2015.

5. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Australian Motor Industry Federation on 6 May 2015.

6. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Industry and Science on 7 May 2015.

7. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Education and Training on 13 May 2015.

8. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Social Services on 15 May 2015.

9. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Foreign Affairs and Trade on 22 May 2015.

10. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Human Services on 10 June 2015.

11. Answers to questions on notice from a public hearing held in Adelaide on 1 October 2015, received from Applidyne on 26 October 2015.

Appendix 2

Public hearings and witnesses

MELBOURNE, 10 MARCH 2015

ALBERT, Mr Mark, Managing Director, MTM Pty Ltd

CHARITY, Mr Stuart, Executive Director, Australian Automotive Aftermarket Association

DE KONING, Mr Carl, Business Development Manager, Automotive, Quickstep Automotive Pty Ltd

GREEN, Dr Michael, Director, Industry Programs, Department of Economic Development, Jobs, Transport and Resources

GRIFFIN, Mr Jim, National President, Federation of Automotive Products Manufacturers

HUGHES, Mr Brian, Managing Director, Composite Materials Engineering

KIWAN, Mr Mounir, General Manager, Federation of Automotive Products Manufacturers

MEEK, Mr Jason, Acting Deputy Secretary, Business Engagement, Department of Economic Development, Jobs, Transport and Resources

REILLY, Mr Richard, Chief Executive, Federation of Automotive Products Manufacturers

WEBER, Mr Tony, Chief Executive, Federal Chamber of Automotive Industries

WELLS, Mr Ashley, Director of Policy, Federal Chamber of Automotive Industries

WILSON, Mr Robert, Managing Director, Palm Products

WONG, Mr Christopher Jason, Manager, Industry Programs, Department of Economic Development, Jobs, Transport and Resources

YATES, Ms Lesley, Senior Manager: Government Relations and Advocacy, Australian Automotive Aftermarket Association

ADELAIDE, 13 MARCH 2015

CAMILLO, Mr John, South Australia State Secretary, Australian Manufacturing Workers' Union

EVANS, Mr Tony, Australian Manufacturing Workers' Union

HARRY, Mr John, Chief Executive Officer, Salisbury Council

KENNEDY, Mr Shaun, General Manager Planning, Strategy and Compliance, City of Playford

KIWAN, Mr Mounir, General Manager, Federation of Automotive Products Manufacturers

LOWE, Mr Gregory Ross, President, Central Region, Federation of Automotive Products Manufacturers

MAHER, Mr Kyam, Minister for Automotive Transformation, South Australia

PIRO, Mr Len, Chief Executive, Automotive Transformation Taskforce, Department of State Development, South Australia

REILLY, Mr Richard, Chief Executive, Federation of Automotive Products Manufacturers

ROOS, Professor Nils Goran Arne, Private capacity

SKLADZIEN, Dr Tom, National Economic and Industry Adviser, Australian Manufacturing Workers' Union

SMITH, Mr David, Vehicle Division National Secretary, Australian Manufacturing Workers' Union

SPOEHR, Associate Professor John Douglas, Executive Director, Australian Workplace Innovation and Social Research Centre, University of Adelaide

TYLER, Mr Phil, Director, Automotive Transformation Taskforce, Department of State Development, South Australia

CANBERRA, 15 APRIL 2015

BERNE, Mr Brendan, First Assistant Secretary, Trade Investment and Economic Diplomacy Division, Department of Foreign Affairs and Trade

CHESWORTH, Mr Peter, Head of Division, Sectoral Growth Policy Division, Department of Industry and Science

DAWSON, Ms Philippa Joy, General Manager, Trade, Australian Trade Commission

DUDLEY, Mr Richard, Chief Executive Officer, Australian Motor Industry Federation; and Executive Director, Motor Trades Association of Australia

GROWDER, Mr Michael, Free Trade Agreement Legal Issues and Advocacy Branch, Free Trade Agreement Division, Department of Foreign Affairs and Trade

HALBERT, Ms Cath, Group Manager, Payments Policy Group, Department of Social Services

KIDD, Ms Margaret, Group Manager, Labour Market Strategy Group, Department of Employment

LOVELOCK, Mr Grant, Branch Manager, Skills Funding and Apprenticeship Policy Branch, Department of Education and Training

RICHARDS, Dr Gary, General Manager, Advanced Technologies Branch, Sectoral Growth Policy Division, Department of Industry and Science

RYAN, Ms Melissa, General Manager, Participation Division, Department of Human Services

ADELAIDE, 1 OCTOBER 2015

CAIRNEY, Mr Richard (Rick), Director of Policy, Business SA

FIORINOTTO, Mr Oscar, Managing Director, Supashock

HOLMES, Ms Julie, General Manager Safety and Policy Programs, Department of Planning, Transport and Infrastructure

KIWAN, Mr Mounir, Corporate Affairs Manager, Robert Bosch Australia

McCANN, Mr Kevin, Managing Director, Volvo Car Australia Pty Ltd

McKENNA, Mr Andrew, Senior Policy Adviser, Business SA

NALATO, Ms Isabel, Director of Business Development, Supashock

ROSCIO, Mr David, Founder, KPM Motorsport

SMITH, Mr Gavin, President, Robert Bosch Australia

SPINKS, Mr Darrin James, Managing Director, Precision Components Australia Pty Ltd

VAN DE LOO, Mr Paul, Technical Director, Applidyne Australia Pty Ltd

WALDRON, Mr Gerard, Managing Director, ARRB Group Ltd

MELBOURNE, 8 OCTOBER 2015

AROCCA, Mr Eugene, Chief Executive Officer, Confederation of Australian Motor Sport (CAMS)

BROWN, Mr Malcolm John, Vice-President, Group Trucks Technology, Volvo Group Australia

COOPER, Mr Brian, New Projects Manager, Engineering Department, Nissan Casting

Australia Pty Ltd

DONOVAN, Mr Peter, Executive Director, Motor Trades Association of the Northern Territory; Motor Trades Association of Australia

DOZIER, Mr Christopher Michael, Managing Director, PACCAR Australia

DUDLEY, Mr Richard, Chief Executive Officer, Motor Trades Association of Australia

GRASSO, Mr Ronald Stewart, Head of Corporate and External Affairs, APC-ANZ, CNH Industrial

GWILYM, Mr Geoffrey, Executive Director, Victorian Automobile Chamber of Commerce

HUGHES, Mr Brian, Managing Director, Composite Materials Engineering

ILLMER, Mr Paul Kelly Robert, Director, Sales, Strategy and Support, Volvo Group Australia

LANGWORTHY, Mr Peter, Managing Director, Dana Australia Ltd

McMULLAN, Mr Anthony J., Chief Executive Officer, Truck Industry Council

MOIR, Mr Stephen, Chief Executive Officer, Motor Trade Association of Western Australia

PATTEN, Mr Gregory, Chief Executive Officer, Motor Traders' Association of New South Wales; Motor Trades Association of Australia

SPINDLER, Mr Markus, General Manager, Nissan Casting Australia Pty Ltd

STYLES, Mr Peter John, Chairman, Motoring Advisory Council

UNERKOV, Mr Paul, Chief Executive Officer, Motor Trade Association of South Australia

Counts of Automotive Businesses by Sector and Employment Size Ranges – June 2015

ANZSIC Industry Label	Non Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Motor Vehicle Manufacturing	226	172	36	8	442
Motor Vehicle Body and Trailer Manufacturing	548	681	136	8	1373
Automotive Electrical Component Manufacturing	163	130	20	3	316
Other Motor Vehicle Parts Manufacturing	401	442	87	10	940
Agricultural Machinery and Equipment Manufacturing	381	418	63	0	862
Car Wholesaling	680	428	50	7	1165
Commercial Vehicle Wholesaling	141	109	35	6	291
Trailer and Other Motor Vehicle Wholesaling	118	90	17	0	225
Motor Vehicle New Parts Wholesaling	1026	1367	125	9	2527
Motor Vehicle Dismantling and Used Parts Wholesaling	421	603	19	0	1043
Car Retailing	1987	1811	670	26	4494
Motor Cycle Retailing	291	512	21	3	827
Trailer and Other Motor Vehicle Retailing	218	258	39	0	515
Motor Vehicle Parts Retailing	816	1236	49	3	2104
Tyre Retailing	540	1521	59	0	2120
Fuel Retailing	1145	2768	198	9	4120
Marine Equipment Retailing	395	459	15	0	869
Passenger Car Rental and Hiring	1037	460	45	8	1550
Automotive Electrical Services	1548	1584	21	0	3153
Automotive Body, Paint and Interior Repair	5024	5891	230	0	11145
Other Automotive Repair and Maintenance	9383	12805	166	6	22360
Total	26489	33745	2101	106	62441

Source: ABS Counts of Australian Businesses, including Entries and Exits, June 2015 (Cat. No. 8165.0)

Status of *disputed* VMRSR substantive variations negotiated between parties during 2014/2016

KEY

Exposure Draft version 4 November 2015

Current VMRSR Award

Parties involved:

- Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union known as the 'Australian Manufacturing Workers Union' – Vehicle Division (AMWU)
- Australian Workers' Union (AWU)
- Shop, Distributive and Allied Employees Association (SDA)
- Australian Industry Group (AIG)
- Australian Business Industrial & NSW Business Chamber (ABI)
- Australian Federation of Employers and Industries (AFEI)
- Motor Traders Associations (MTA) New South Wales and South Australia
- Victorian Automobile Chamber of Commerce (VACC)

This summary should be read in conjunction with the last summary of substantive issues posted on the FWC website on 7 August 2015.

All MT organisations have been consulted in preparation of this document.

KEY

Exposure Draft version 4 November 2015

Current VMRSR Award

Status of *disputed* VMRSR substantive variations negotiated between parties during 2014/2016

Variation	Variation sought	Status	Motor Trade Organisations Position
2	Proposed variation to amend clause 31.1/33.1 regarding classifications and wages applicable to drivers.	Remains **disputed.** Parties provided suggested amendments/proposals. • **VACC - MTA PROPOSAL** o The proposal by MTA's and VACC is **supported** by the AMWU, SDA and AWU. o The proposal is **not supported** by the AIG, ABI or AFEI. • **AIG PROPOSAL** o The proposal of the AIG is **supported** by ABI and AFEI. o The proposal of the AIG is **not supported** by the AMWU, SDA, AWU, MTA's, or VACC organisations. • **AMWU PROPOSAL** o The proposal of the AMWU is **supported** by the SDA and AWU. o The proposal of the AMWU **not opposed** by the MTAs or VACC, however the MTA's note that this proposal is convoluted, and doesn't address the need to clarify existing clause 31.3 so as to address a similar problem. o The proposal of the AMWU is **not supported** by the AIG, ABI or AFEI. AIG submits that AMWU's proposed clause is unclear in its intent or operation. Further, it does not adequately address the concern raised by Vice President Hatcher. **See Report to Full Bench dated 29 September 2015** **See report to Full Bench dated 18 December 2014**	• **VACC** support amendment. • **MTANSW** support the amendment. • **MTASA** support amendment. • **MTAWA** support amendment.

KEY

Exposure Draft version 4 November 2015

Current VMRSR Award

3	Proposed variation to vehicle salespersons' remuneration in clause 44.9/38.5.	The proposed clause remains **disputed** as to drafting, but is agreed in principal. • This variation remained disputed from 2014 **(see Report to Full Bench dated 18 December 2014).** • After numerous conferences between the parties, various clauses were drafted. The VACC/MTAs, AMWU and SDA in principal, agree on the intent of the clause, namely an all-up remuneration package consisting of salary and commissions which compensate the employee. • AIG took the view that the weekly wage alone satisfied 38 hours or more. • In the Full Bench proceedings on 10 August 2015, the Bench sought clarification on the proposed changes to the clause, explanations were provided by way of report **(see Report to Full Bench dated 29 September 2015).** In the report the proposed clause 44.9/38.5 is set out. • The Full Bench raised issues with the 'reconciliation' of hours worked over the last 3 monthly period. Accordingly, the AMWU SDA, AWU MTAs and VACC agreed and **proposed** a clause 44.9 (a)(iii)/38.5(d). o The proposal was not **opposed** by ABI o The proposal was **not supported** by AFEI o The proposal was **opposed** by AIG. **See Transcript from 10 August 2015** **See Report to Full Bench dated 29 September 2015** • The VACC also drafted a clause which was circulated during discussions. Drafted clause dated 17.2.15 is as follows:	• **VACC** support the amendment and have provided a draft clause in earlier discussions between parties. • **MTANSW** support the amendment and settled the terms of the draft with VACC. • **MTASA** supports the amended provision which is very similar to the provision proposed by VACC/MTA's. • **MTAWA** support.

KEY

Exposure Draft version 4 November 2015

Current VMRSR Award

		44.9 Remuneration *(a) A vehicle salesperson will be paid the minimum hourly rate under clauses 33.4 or 33.7 for all hours worked* ***up to and exceeding 38 hours per week*** *(**"minimum remuneration")**. Where applicable:* *i. any penalties payable under clauses 44.4 (a) and 44.4(b) will apply instead of the minimum hourly rate of pay; and* *ii. any penalties payable under 44.4(c) will be paid in addition to the minimum hourly rate.* *(b)* ***Minimum remuneration*** *payable to a vehicle salesperson in a week will be the total number of hours required by the employer to be worked,* ***paid in accordance with clause 44.9(a).*** *(c) An employer's obligation to pay the* ***minimum remuneration*** *will be met by the payment in clause 44.9(a) and any commission negotiated under clause 44.9.* *(d) An employer, will at least every three months ensure compliance under clause 44.9(c) above, and make any necessary payments within 21 days after the last day of the relevant month.*	

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Status of *disputed* VMRSR substantive variations negotiated between parties during 2014/2016

8	Inconsistency between clause 11.1(a) and proposed variation to clause 37(a)(i)/43.1	Remains in **dispute** as the current exposure draft contains reference to console operators in clause 11.1 and 'option'/discretion of employer in 37.1 The proposal to remove reference to console operators in clause 11.1(a) is supported by AMWU & SDA. All parties understand that the exclusion should be removed. **See SDA Submission 25 March 2015** **See Transcript from 10 August 2015** **See Report to Full Bench dated 29 September 2015**	• **VACC** agree with exclusion in 11.1(a) to be removed. • **MTASA** agrees in principle with exclusion in 11.1(a) to be removed. **MTASA** notes however that although exclusion is agreed there is still drafting issues with these clauses. In particular, that the exclusion in 37.1(a)/43.1(a) should apply to *all* of driveway attendants, console operators and roadhouse attendants. The new 37.1 does not refer to duration of breaks i.e. 30/60 minutes, etc. Finally, the 6 hour extension for meal breaks to be taken is lost for these classifications (see 11.1(c)) which is not agreed. • **MTANSW** agree with exclusion in 11.1(a) to be removed. The removal of the exclusion needs to be dealt with by appropriate drafting changes to clause 37.1. • **MTAWA** support.

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Status of *disputed* VMRSR substantive variations negotiated between parties during 2014/2016

9	Calculation methodology for casuals in service stations clause 36.	In 10 August 2015, the SDA was **not proceeding** with the variation to increase casual rate to 37.5% for work Monday to Friday shifts. Parties remain in **dispute**. • The SDA sought to increase the traditional formula used to adjust casual rates for driveway attendants, roadhouse attendants level 2, console operators and roadhouse attendants level 4. The proposed increases will effect casual rates for these classifications from Monday to Friday. They only sought to increase Saturday and Sunday rates for console operators and roadhouse attendants level 4. • The SDA's main argument rests on the fact that the formula introduced into the award in 1994 is the incorrect formula. **See Transcript from 10 August 2015** **See Report to Full Bench dated 29 September 2015**	
10	12 hour shifts clause 37.4/33.4	The AMWU proposed an amended clause for 37.4 as outlined in the Report to Full Bench dated 29 September 2015. The parties remain in **dispute**. • The amended is sought to accommodate and provide an opportunity for employers particularly in the mining industry not to breach the maximum shift length clause. • **AMWU PROPOSAL** o The AMWU proposed an amended clause. o The SDA **supports** the AMWUs proposed clause. o The MTAs and VACC **do not oppose**. • **AIG PROPOSAL** o The AIG proposed an additional provision if the clause was inserted into the award, which provides minimum effective date of employer contracts subject to the provision. o The AIG proposed clause is **supported** by ABI and AFEI	• Not opposed by **VACC.** • Not opposed by **MTANSW.** • Not opposed by **MTASA.** • Not opposed by **MTAWA.**

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		○ The AIG proposed clause is **opposed** by AMWU, SDA, MTAs and the VACC. **See Report to Full Bench dated 29 September 2015**	
13	Annual leave clause 29.7/22.5	The parties remain in **dispute** about this clause despite numerous conferences and draft clauses proposed. • Parties agree a shiftworker is not entitled to double loading /double dipping ○ clause 29.7(a) states "…employee will *also* receive…" • It is relevant to note that the clause is an amalgamation of the VRSR and VIA. • Parties are in dispute about what is considered an 'all-purpose allowance' and therefore paid on annual leave. ○ The VACC's view is tool allowance, leading hand and first aid are payable. • **AMWU PROPOSAL** ○ The AMWU provided a proposed clause 29.7 in its **reply submissions dated 13 May 2015.** ○ This proposal is **opposed** by AIG ○ MTAs and VACC **oppose** the drafting • **AIG ROPOSAL** ○ The AIG provided a proposed clause 29.7 in its **submissions dated 14 April 2015.** ○ AMWU **do not agree** with the AIG position • **VACC/MTA PROPOSAL** ○ The last draft clause circulated by the MTAs was as follows: **renumbered to 22.5 to reflect exposure draft published 19.2.2015. Drafted 27.2.15.*	• **VACC** believes clause requires amendment to clarify what is meant by 'all-purpose allowance'. VACC contends: Tool allowance, first aid and leading hand allowance are all-purpose allowances. • This is the **MTANSW** view as well. The double dipping shift work issue is an AIG issue. • **MTASA** have no issues with clause. • **MTAWA** support other MTAs.

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		22.5 Payment for period of leave *(a) Instead of the base rate of pay as referred to in s.90(1) of the Act, an employee under this award, before going on annual leave, must be paid the wages they would have received at the employee's ordinary time rate of pay for the ordinary hours of work the employee would have worked during the relevant period of leave.* *(b)For the purposes of clause 22.4 (a), the amount of wages to be paid for annual leave includes any over award payment and where applicable, the first aid allowance.* *(c) During a period of annual leave an employee will be paid a loading calculated on the wage prescribed by paragraph (a), on the following basis:* *(i) Day workers* *Employees who would have worked on day work only had they not been on leave—17.5% loading.* *(ii) Shiftworkers* *Employees who would have worked on shiftwork had they not been on leave—17.5% loading or the shift loading, whichever is the greater, but not both.* *(d) The employee is not entitled to payments in respect of overtime, special rates or any other payment which might have been payable to the employee as a reimbursement for expenses incurred.*	

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