

List of Recommendations and the Australian Government Response — *Shifting Gears: Employment the Australian automotive components manufacturing industry*

Recommendation 1

1. The Committee recommends that the Australian Bureau of Statistics publish disaggregated data on the automotive industry to the level of the automotive component manufacturing sector.
2. Support in principle. The Australian Bureau of Statistics already publishes data to the level of the automotive component manufacturing sector. Both the five-yearly Census of Population and Housing and the annual Manufacturing component of the Australian Bureau of Statistics' Economic Activity Survey provide estimates of employment at the required level of detail. The most recent Census data available refers to August 2001, with data for August 2006 to be released in the second half of 2007. The most recent Economic Activity Survey data refers to 2004–05 and is published in *Manufacturing Industry: Business Performance by ANZSIC Class, Australia 2001-02 and 2004–05* (ABS cat. no. 8221.0). The data is available free of charge.
3. The Australian Bureau of Statistics' Labour Force Survey currently codes and disseminates industry information at a level which only allows analysis of the automotive industry as a whole. This information is available quarterly.
4. The Australian Bureau of Statistics considers this level of industry disaggregation to be appropriate for the Labour Force Survey given the sample size of the survey and the size of industry groups in general.

Recommendation 2

5. The Committee recommends that, as a matter of priority, the Department of Education, Science and Training clarify the position of Automotive Training Australia and Manufacturing Skills Australia in representing the needs of the automotive components industry.
6. Support in principle. A 15 month consultation process is currently being undertaken on industry training advisory arrangements. The role of the ATA will also be considered in this consultation process.

Recommendation 3

7. The Committee recommends that the Australian Government Minister for Vocational and Technical Education, raise as a matter of priority at the next Ministerial Council on Vocational and Technical Education the issue of skills and training within the automotive components manufacturing industry in order to establish a unified and coordinated approach across all levels of government to the skills and training needs of the industry.

8. Support in part. It remains a priority for the Government to ensure a unified and coordinated approach across all levels of government to addressing skills and training needs for industry. The Minister for Vocational and Further Education will continue to pursue this through the Ministerial Council. In the case of ATA, work is already underway. ATA is currently developing training packages for the automotive industry. The Government will be concerned to ensure that any ATA proposal has genuine industry support.

9. Consultation is a primary requirement for the national endorsement process and must be fully documented. ATA will be responsible for managing the continuous improvements of the Automotive Retail, Service and Repair Training Package and the Automotive Manufacturing Training Package until the automotive industry is formally represented by an Industry Skills Council.

Recommendation 4

10. The Committee recommends that the Department of Education, Science and Training ensures that the automotive industry manufacturing training packages review take into account:

- processes for recognition of on-the-job training;
- access to these and other such arrangements for any future displaced workers;
- current skills needs and strategies to address future skills shortages within the industry; and
- integrated training across the supply chain to facilitate transferability across industry sectors.

11. Support in principle. The Australian Government funds ten Industry Skills Councils to develop, continuously improve and support the implementation of

industry specified, high quality, nationally recognised Training Packages and related training products and services that meet the current and future skills needs of employers and to ensure consistency across Australia.

12. The development of a new or reviewed Training Package involves extensive industry and other stakeholder consultation and validation which aim to ensure that the final product will meet industry training needs. Consultation is a primary requirement for the national endorsement process and must be fully documented. Automotive Training Australia will be responsible for managing the continuous improvements of the Automotive Retail, Service and Repair Training Package and the Automotive Manufacturing Training Package until the automotive industry is formally represented by an Industry Skills Council.

Recommendation 5

13. The Committee recommends that the Australian Government pilot the 'Concept 2 Creation' Program as developed by the Northern Advanced Manufacturing Industry Group in other areas of concentrated manufacturing employment and consider mechanisms to ensure access to ongoing funding for these programs.

14. Supported in principle. The Australian Government supports a range of programmes and projects designed to encourage secondary school students to consider vocational education and careers, including:

- Careers Advice Australia
- Australian Technical Colleges
- National Skills Shortages Strategy.

15. The manufacturing sector is an active participant in all of these programmes at a local and national level.

Recommendation 6

16. The Committee recommends that the Australian Government support the consolidation of existing training resources to enable the establishment of a centralised teaching foundry to service the casting industries.

17. Support in principle. The Australian Government has provided \$33.5 million in assistance to the CAST Cooperative Research Centre at the University of Queensland under the Australian Government's Cooperative Research Centres Programme.

18. A centralised teaching foundry may be eligible for funding under the National Infrastructure Programme for the vocational and technical education sector operated by the Department of Education, Science and Training. Capital funding is provided to enable construction, refurbishment, replacement, major maintenance and equipping of vocational and technical education training facilities, primarily for public sector training organisations. States and territories are responsible for strategic planning for their vocational education and training infrastructure and under the Agreement must provide details of planned activity in their strategic infrastructure plan.

19. The Australian Government currently provides \$170 million annually allocated across jurisdictions on an historical population share formula.

Recommendation 7

20. The Committee recommends that the Australian Government include automotive engineering as a national priority area for higher education fee concession schemes.

21. Reject. The Australian Government is investigating ways to encourage increased participation in science, engineering and technology at all levels of the education system to secure the supply of skills to the labour market. This is a large and complex issue. There is no simple solution.

22. The Department of Education, Science and Training has established a Science Awareness and Education Committee to look at strategies across all levels of the education system to encourage participation in science, engineering and technology.

23. The Prime Minister announced the Skills for the Future package in October 2006. The package includes 500 extra engineering places at universities to commence in 2008, on top of 510 new engineering places at universities commencing this year.

24. Australian Government initiatives to promote science, engineering and technology at a secondary school level include:

- the Australian School Innovation in Science, Technology and Mathematics project to fund innovative teaching (\$34 million over seven years);
- other projects led by Questacon, CSIRO and the Australian Academy of Science to improve teaching of maths and science and increase schoolchildren's awareness in these areas; and
- encouraging promotion / information to improve awareness of the range of science, engineering and technology careers available.

25. There is no evidence of a simple link between the cost of study and demand for particular subjects. Prospective students are motivated by other factors – most importantly, interest in particular fields.

26. Some areas of engineering have shown strong growth in university enrolments in recent years and there is some evidence that industry collaborations (such as cadetships) have helped boost the numbers of students in these areas.

Recommendation 8

27. The Committee recommends that the Australian Government investigate options to encourage the retention of local and foreign-born engineering graduates within Australia, including measures to facilitate entry into the workforce in areas of skills shortages.

28. Support in principle. The Government will continue to review temporary and permanent migration arrangements to ensure they are responsive to the genuine skill needs of Australian industry, do not represent an impost on the Australian economy, and complement domestic recruitment and training initiatives.

29. In addition to the Migration Occupations in Demand List which targets the General Skilled Migration categories to the skill needs of Australian industries (and which at September 2006 included electrical engineer, mechanical engineer, automotive electrician and motor mechanic), the Australian Government announced in May 2006 that it would explore options for a new temporary visa to enable overseas students who graduate in Australia with a tertiary degree to work in Australia for 18 months.

30. There is currently a range of visa arrangements which would enable foreign-born engineering graduates — ie., international students who have graduated from Australian institutions — to remain in Australia on either a temporary or permanent basis (subject to their meeting the relevant criteria). Broadly speaking these options are:

- through employer sponsored temporary or permanent visa classes;
- through the General Skilled Migration visa classes which select applicants on the basis of characteristics which will enable them to integrate readily into the Australian skilled labour force.

31. The eligibility criteria for these visa options are well publicised. In order to obtain a visa, application must meet the criteria prescribed in the Migration Regulations for the particular visa class.

Recommendation 9

32. The Committee recommends that the Australian Government support the establishment of an automotive component manufacturing leaders forum to develop strategies aimed at improving recruitment and overcoming stereotypes surrounding the image of the industry.

33. Reject. The Government established the Automotive Industry Strategic Group (AISG) in August 2005. The AISG is a motor vehicle producers and automotive component manufacturers' leaders' forum to consider ways of enhancing the Australian automotive industry's capabilities and competitiveness, including industry awareness issues and skills shortages.

Recommendation 10

34. The Committee recommends that the Australian Government commission a national study on the post-redundancy outcomes for workers in the automotive industry which takes into account:

- employment, educational and social outcomes for those individuals accessing a formal labour adjustment program; and
- employment, educational and social outcomes for those individuals made redundant in the automotive component manufacturing sector not covered by a labour adjustment program.

35. Reject. There is sufficient administrative data from several Labour Adjustment Packages to indicate that these Packages are operating efficiently. A large-scale and complex study as recommended, would require considerable additional resources and may not generate additional useful information on the operation of Labour Adjustment Packages.

Recommendation 11

36. The Committee recommends that the Australian Government develop a general labour adjustment program for the automotive component industry that focuses on:

- provision of training and employment support strategies to assist employees while they are still employed;

- targeted training to up skill displaced workers into areas of skills needs;
- addressing the concerns of the wider community about the impact on regions where the automotive components industry is a major employer; and
- provision of support to companies along the supply chain to promote sustainability in the industry.

37. Reject. Government policy provides that all workers who have had their retrenchment confirmed are eligible for immediate job search support assistance with a Job Network member. In some cases, depending on the level of need, individuals may immediately qualify for an additional level of support.

38. In particular situations the Government has decided to provide additional assistance to retrenched employees. In making these decisions the Government takes into consideration the circumstances and likely impact of the situation for the individuals and local communities concerned.

39. Given the record high demand for labour and the demand for skills that many employees in the industry possess, such industry-wide assistance would be inefficient and wasteful in some cases. Instead, it is recommended that the Government continue to assess the need for additional employment assistance on a case-by-case basis.

Recommendation 12

40. The Committee recommends that the Australian Government review R&D assistance available to automotive component manufacturers to assess whether it is commensurate with incentives offered internationally.

41. Reject. Under the Automotive Competitiveness and Investment Scheme (ACIS) components producers receive ACIS credits based on domestic production, investment in plant and equipment and research and development. ACIS will provide a total of \$7.2 billion in assistance over the period 2001–2015. In addition, the Government has allocated \$38 million for the Cooperative Research Centre for Advanced Automotive Technology (AutoCRC). The automotive industry can also receive assistance under the Enhanced Project By-Laws Scheme, the R&D Tax Concession, the COMET program and tariff concession orders.

Recommendation 13

42. The Committee recommends that the Australian Government extend R&D assistance to work undertaken by Australian based automotive component manufacturing subsidiaries of multinational companies where it can be demonstrated that the work is to be undertaken in Australia to benefit Australian products.

43. Support in principle. Under current ACIS administration arrangements, subsidiaries of multinational companies are already eligible to claim for R&D undertaken in Australia.

Recommendation 14

44. The Committee recommends that the Australian Government commit to progressing, in partnership with industry, the stage two development of the Automotive Centre of Excellence in Melbourne. This may necessitate some Government start-up funding and addition to coordination support.

45. Support in principle. As a public provider, the Automotive Centre of Excellence may be eligible to access Australian Government funds through the National Infrastructure Programme for the vocational and technical education sector.

46. Capital funding is provided to enable construction, refurbishment, replacement, major maintenance and equipping of vocational and technical education training facilities, primarily for public sector training organisations. States and territories are responsible for strategic planning for their vocational education and training infrastructure and under the Agreement must provide details of planned activity in their strategic infrastructure plan.

47. The Australian Government currently provides \$170 million annually allocated across jurisdictions on an historical population share formula.

48. The Australian Government has already provided \$38 million in assistance to the Cooperative Research Centre for Advanced Automotive Technology (AutoCRC) and includes participants from the components sector. Any assistance provided to the Automotive Centre of Excellence should ensure that duplication between programmes is avoided.

Recommendation 15

49. The Committee recommends that the Australian Government support the development of automotive component industry specific trade facilitation to ensure that Australian component manufacturers are able to access foreign markets.

50. Support in principle. The Government has adopted, with the Automotive Industry Strategic Group (AISG), a TEAM Australia strategy to more effectively identify and secure emerging opportunities in international supply chains. AISG has representatives of the Australian motor vehicle producers, component manufacturers and the South Australian and Victorian Governments. Discussions have included strategies to overcome impediments to Australian component exporters being able to supply to a manufacturer's affiliates overseas.

51. TEAM Australia Automotive is a consortium of the Industry Capability Network, Victorian and South Australian Governments, Austrade and the Federation of Automotive Parts Manufacturers. It has gained Australian Government funding to assist in funding a Detroit-based automotive consultant, who will seek component and other opportunities. This consultant commenced from 1 March 2007.

52. Invest Australia and Austrade, along with State Governments, are pursuing opportunities in China. Austrade also assists State Governments, industry associations and individual exporters to seek opportunities.

Recommendation 16

53. The Committee recommends that the Australian Government, in partnership with industry, renew and communicate its vision for the automotive component industry that sets out the priority issues and measures to establish Australia as a niche market for innovation and investment.

54. Support in principle. The AISG provides a forum for regular communication between industry and State and Australian Governments to identify and consider priority issues. The AISG had endorsed the TEAM Australia strategy to ensure the position of Australia components and car makers in the global supply chains of the international automotive industry.

Recommendation 17

55. The Committee recommends that the Australian Government reintroduce reporting on the level of local components in locally manufactured vehicles, consistent with World Trade Organization obligations.

56. Reject. Consistent with Australia's World Trade Organization obligations, there are no local content requirements for domestically manufactured vehicles. Reporting of local content in Australian manufactured vehicles may therefore raise World Trade Organization issues and detract from the ability of domestic vehicle manufacturers to maintain competitiveness.

Recommendation 18

57. The Committee recommends that the Australian Government review of Automotive Competitiveness and Investment Scheme in 2008 consider:

- current eligibility categories and priorities; and
- the effectiveness of the scheme in assisting the Australian industry to best position itself to be globally competitive and self-sustaining in the long-term.

58. Support in principle. The Australian Government notes that the Government's response to the Productivity Commission review of automotive assistance in 2002, released on 13 December 2002 by the Treasurer, announced that: "The Productivity Commission will undertake a further inquiry in 2008 to determine whether changes are warranted to the legislated tariff reductions in view of conditions in the international trade environment."

59. The review will consider a wide range of issues.