



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE
RELATIONS AND WORKFORCE PARTICIPATION

Reference: Employment in the automotive component manufacturing sector

MONDAY, 1 MAY 2006

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE

PARTICIPATION

Monday, 1 May 2006

Members: Mr Barresi (*Chair*), Mr Brendan O'Connor (*Deputy Chair*), Mr Baker, Ms Hall, Mr Hayes, Mr Henry, Mrs May, Mr Price, Mr Randall and Mr Vasta

Members in attendance: Mr Baker, Mr Barresi, Ms Hall, Mr Brendan O'Connor and Mr Vasta

Terms of reference for the inquiry:

To inquire into and report on:

Employment opportunities and challenges in the Australian automotive component manufacturing sector with a focus on the following issues:

- Current and future employment trends in the industry;
- Emerging skill shortages and appropriate recruitment and training strategies;
- Labour adjustment measures required to assist redeployed and affected workers; and
- Measures to support skills development, innovation and investment in the industry.

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Committee met at 9.05 am

BARRETT, Mr Stephen James, General Manager, Human Resources, Mitsubishi Motors Australia Ltd

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PIRO, Mr Leonard Albert, Director, Business Development Services, Department of Trade and Economic Development, South Australia

SAPIO, Mr Lou, General Manager, Training Prospects, Services to Youth Council Inc.

CHAIR (Mr Barresi)—I declare open this hearing of the Standing Committee on Employment, Workplace Relations and Workforce Participation and its inquiry into employment in the automotive component manufacturing sector. The inquiry arises from a request to this committee by the Minister for Employment and Workplace Relations. We will be spending two days in Adelaide conducting public hearings and site inspections.

I welcome participants in the roundtable discussion here today. Although the committee does not require you to give evidence under oath I should advise you that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. It is also customary at this moment to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament.

I call on the representatives from the Department of Employment and Workplace Relations, DEWR, to give a brief overview of the Labour Adjustment Package for the benefit of the committee, and then we will have a general discussion and questions.

Ms Govan—I would like to give you a quick overview of the Labour Adjustment Package and I have handed out the PowerPoint details so that you can have a look at some of the figures that I am going to talk about.

A PowerPoint presentation was then given—

Ms Govan—I would briefly like to run through who was eligible for the package, the timeline of events and the processes we used, the elements of the package and the types of assistance—these were included in some detail in the department's February written submission so I will not go into them in detail here but I am happy to answer any questions—some employer strategies we are involved with and the outcomes for Mitsubishi, Holden and suppliers and our views about why the packages have been successful to date. If time permits I would like the opportunity to make a comment about some of the material in submissions from the Victorian Automobile Chamber of Commerce and the AMWU.

In terms of eligibility, all workers from Mitsubishi and Holden who received a redundancy, whether it was voluntary or involuntary, were eligible for the package, as were contracted workers whose contracts ceased as a direct consequence of Mitsubishi or Holden's downsizing decisions. Thirdly, any workers from Mitsubishi or Holden suppliers who we were able to confirm were made redundant as a direct consequence of Mitsubishi or Holden's downsizing decisions were eligible for the package.

The next slide will give you a list of the 10 Holden suppliers to date who are involved in the package. Both Mitsubishi and Holden have provided us with the list of every supplier they use and we wrote to all of them outlining the package and asking them to get in touch with us if they had any workers who they believed fell into this category. To date no suppliers from Mitsubishi have indicated that there have been redundancies as a direct consequence of Mitsubishi's downsizing decisions but as you can see there have been 10 with Holden, seven in South Australia and three in Victoria.

I have given you a slide which provides a quick timeline of events from 21 May 2004, which is when we first became involved in working with Mitsubishi, through to today. The key through all of this has been for the department to be available as soon possible to work with Mitsubishi and Holden and suppliers and to gather together the rest of the government agencies that needed to be involved and get information out to the workers affected as quickly as possible.

I would like to talk briefly about the Mitsubishi process, which has obviously been going longer than the Holden process. We had slightly different processes at Tonsley Park and Lonsdale because at Tonsley Park the redundancies were voluntary while at Lonsdale they were involuntary. The majority of workers at Tonsley left within a week or two of accepting a package, whereas people at the Lonsdale plant left progressively over a 15-month period. In both instances Mitsubishi established an on-site transition centre where workers were allocated case managers by Mitsubishi, who also provided them with financial advice on-site. We ensured that Centrelink and Job Network members were on-site and information from the Child Support

Agency was available on-site providing general advice about obligations and processes for the workers.

The main difference I think between the Job Network support at the two factories was that at Tonsley Park all workers were given the choice of any Job Network member anywhere across Adelaide. If they wanted to choose one close to where they lived then they had that choice. Whereas at Lonsdale, because the Job Network members were going to be working with the workers for some weeks or months before they left with the aim of trying to help them find a job even before they walked out the door, we used the four Job Network members who are all located very close to the plant.

The other difference was that we set up two touch screens at the Lonsdale plant. Our touch screens are the way that anyone who is looking for a job can access information. At any one time 70,000 to 80,000 jobs are available on Job Search. That proved to be a good move because it gave the workers a lot of confidence about the numbers of jobs that were out there. It also gave them the opportunity to update resumes online. We also provided the workers with information about a customer service line so that, if they had any concerns about the package or any worries at any time that they did not feel that either Mitsubishi or the Job Network member could answer, they could ring the department.

As I mentioned, the information about the elements of the package and the sorts of things paid for under the package have been included in the department's submission, and I am happy to come back and answer any questions about that. But I want to speak briefly about some industry specific training projects that we were involved with, firstly, with Orana Industries. This project consisted of 12 months of transport assistance to four intellectually disabled workers whose work had been outsourced as a result of changes at Mitsubishi. This enabled them to continue their employment at TNT Logistics Australia. Every weekday morning a taxi collected workers and their supervisor from pickup points in southern Adelaide and transported them to Wingfield, which is over 20 kilometres away. The transport assistance allowed workers to maintain their employment and their current supervisor-worker relationship during a period of significant change. All four workers are still employed at TNT.

We were also involved with a graduate diploma project which was assisting 10 Lonsdale workers, who were identified as not having formal qualifications in their current field of work, to complete their graduate diploma in manufacturing with the University of South Australia. We provided money for four Lonsdale workers to undertake training to work in car dealerships and we also provided funding for running a course, 'Winning interviews' as a manager training, providing training to 32 managers to assist them to become more competitive in interviews for management jobs.

You would be aware that one of the areas that workers could choose to go into if they want to start a small business was the New Enterprise Incentive Scheme or, if their business did not fit into that category, they were able to get assistance to start small businesses. To date 13 employees from Mitsubishi and Holden have set up new businesses under the New Enterprise Incentive Scheme. Some examples include one guy who is running Harley-Davidson tours. There is another one in property management, one in appliance testing and a fourth in plastering. We had available money for people who wanted to relocate, whether intrastate or interstate, to pick up work, and this has been picked up by some people. In total 32 workers have been

assisted this way. Four moved within South Australia and the rest to other states including the Northern Territory, Queensland, Victoria and WA.

We also set up some employer strategies with a number of groups who were keen to be able to access ex-Mitsubishi employees. We did some work with Motor Trade Association of South Australia, the Engineering Employers Association, the Master Builders Association, Locher Human Resources, Gold Coast Marine Industry Association, the Chamber of Commerce and Industry from Western Australia, groups from Coffs Harbour, Muswellbrook Shire Council, the Central Queensland and the Murray Hume Business Enterprise Centre. A number of these visited South Australia and had the opportunity to talk to people at Mitsubishi about the sorts of jobs they had if people were prepared to move interstate.

If I can just talk a little about the outcomes to date and the figures I have provided you with up to 21 April, you will see in the table that we have provided information for the Lonsdale plant, the Tonsley Park plant for the redundancies in 2004-05 and, separately, the recent redundancies in 2006, where people commenced leaving in February. To date, of the 667 people who were made involuntarily redundant at Lonsdale, 583 chose to register with a Job Network member. Clearly some of them chose to retire. Four hundred and eighty-seven of those have been referred to jobs, and 455 are placed in jobs, which is an outcome rate of 78 per cent placed in employment. However, we believe these figures are understated, because everyone who gets a job is not obliged to tell their Job Network member, and some did sign up for assistance through the Job Network member and subsequently decided that they would rather retire or moved onto a different benefit.

The next slide shows you the results from Holden. Obviously this package has not been going nearly as long. The first people left on 25 November, which is only five months ago, but already you can see that 60.6 per cent of the people who left Holden and signed up with a Job Network member have been placed in employment or education. In terms of suppliers, to date, 59 people have left suppliers and come under this package. Thirty-five of them have been referred to jobs, and 27 have been placed in jobs.

I have also provided you with a couple of examples of good news stories to give you an indication of the different sorts of things that people who left Mitsubishi have done. Michael was 50 years old and is now employed by Mustang Cruisers boatbuilding on the Gold Coast. He was placed through one of the employment strategies. We assisted him and his family to relocate. He had worked for Mitsubishi for over 15 years and said that, at 50, he thought he would probably never be employed anywhere. The second one is an example that some people use this as an opportunity to do something completely different. David worked in the Mitsubishi foundry for 19 years. He has now opened a new age shop, and he is surrounded by dream catchers and incense. The Job Network member was able to help him with set-up costs, such as advertising and insurance.

We can reflect on why to date the programs have been successful and will continue to be successful. We have had one lead agency—in this case DEWR—that has been able to bring together all the other relevant agencies, which has saved a lot of time for both Holden and Mitsubishi. It has been the capacity to deliver a rapid response to services, because it has been important to make sure that workers' fears are dispelled quickly. Many of the ones at the Mitsubishi Lonsdale plant had been there since they had left school. They had never applied for

a job. They had never had to write a resume. I think Mitsubishi, Holden, the state government and DEWR all ensuring that the right people were managing the process was very important. They worked particularly well together. All parties have been willing and open to sharing information. We have had the involvement of Centrelink early on, and on-site, so all workers could be reassured about how many redundancy package would affect their negotiations. We have had links to other important agencies, like the Child Support Agency, if people were making payments through there. We have had the Job Network members fully engaged and willing to do whatever it takes to help people get into work. They worked odd hours, they turned up at Mitsubishi out of standard hours to fit in with workers' hours down there. We have had touch screens on-site at Holden as well as at Mitsubishi, giving people a very early idea about the sorts and numbers of jobs that are out there. I think the flexibility of assistance has been important. Some workers have chosen to change careers and work in areas completely different to what they have before. I think the regular communication between all parties and the case management approach that Mitsubishi have had for each worker has contributed to the success.

That is what I wanted to cover in terms of a brief introduction. I am not sure if you would like me to make comments about those other submissions now or whether you would like me to take questions.

CHAIR—We will get onto the VACC and the AMWU concerns, because they certainly expressed those to us when we met with them in Melbourne. I understand it is also in the South Australian AMWU's submission today as well, so we do want to cover off on that one. Just a basic question: you said there was explanation given about redundancy payments and Centrelink obligations. What were their obligations? How much did the redundancy payments affect ongoing support?

Ms Govan—I would probably need to get you some information direct from Centrelink but, in a nutshell, if you leave a job and you have a number of weeks of long service leave, you are not entitled to benefits necessarily immediately. Centrelink have to make that determination. We thought it was important that people understood that before making a decision on what they might do with their redundancy payment.

CHAIR—So, as part of this labour adjustment package, there were no Centrelink exemptions given to the workers?

Ms Govan—No.

Ms HALL—Was there an exemption given, though, for them to be able to access Job Network providers in the way that a person on benefit would be able to, or did they have to wait until they were receiving benefit to properly access the Job Network?

Ms Govan—No, they were able to access the Job Network immediately—

Ms HALL—I thought that was the case.

Ms Govan—and, in fact, the ones at Lonsdale were able to access a Job Network member before they had left work.

CHAIR—You touched on wage subsidies as one of the features that would have been incentives for prospective employers to take them on. To what degree were they being subsidised?

Ms Govan—It was up to the Job Network member who was case managing that job seeker to determine an appropriate wage subsidy depending on the employer and the individual job seeker. We did suggest a maximum of \$4,000 per person.

Mr BAKER—How did you determine that case-by-case?

Ms Govan—The Job Network member determined it on the basis of what the employer needed and the skills and experience of the worker. For example, if the employer wished to provide some additional training, the Job Network member may have provided a wage subsidy to help with that.

Mr BAKER—So it was more external support rather than an internal wage subsidy; it was more for extra training and assistance.

Ms Govan—It was up to the Job Network member to determine in which instances they would pay for a wage subsidy and how much they would pay. That is the same with any person they are working with.

CHAIR—Going back to the tables on redundancies and numbers of those placed, for those who have not been placed, who have not retired and who have not gone on to further education, where are they at in the pipeline at the moment? Are they still on your books? Is there still work being done with them? What are the difficulties you are having with that particular cohort of retrenched workers?

Ms Govan—At the moment, there are 175 of the Mitsubishi workers who left in 2004-05 still active on the Job Network systems and, therefore, requiring some form of assistance, which is about 18 per cent. Of those 175, 102 have a job placement recorded against their names. In some cases the individuals are currently working, others have re-engaged with Job Network services, as their work was temporary or contract work, or their job search may have been delayed due to medical exemptions.

CHAIR—But will this package remain until every single one of those is employed? At what point do you draw a line in the sand and say, ‘They are now part of the general unemployment mix’?

Ms Bogosavljevic—We have some rules around eligibility but generally it is until the person finds a sustained job, and we consider that they need to be employed for at least six months, they will continue to access assistance. We have not put an end date as such on assistance. The expectation is that, until they are all employed or have sustained employability, they will continue to get access.

CHAIR—Of those who were placed, how many came back into the job search system again within that six-month period? Do you keep those records?

Ms Bogosavljevic—We do, yes. So we have quoted the amount of individuals placed, but we also have separate figures in terms of overall placement numbers. And there are a lot of people who had multiple placements. We found in a lot of cases that people did go back into the same stream of work and then realise down the track that it was not really where they wanted to go. They want a complete career change so they leave that employment, do some training and go into an area they are really interested in. So there was a bit of in and out of the program, definitely. But they were able to re-engage and take up exactly where they left off.

CHAIR—This is not meant to be a criticism, but the fact is that a number of them have had multiple job placements. Was that due to quick decision making by them and the Job Network providers in simply getting them off their books or was it simply a matter of them assessing their career paths and where they were going?

Ms Govan—I think that is a little difficult for us to answer, but one reason is the number of people who pick up work these days through labour hire.

Ms HALL—In line with that, I am sure you have figures that show how many are in full-time permanent jobs, how many in short-term jobs, how many in part-time jobs, how many in casual work and how many with labour hire. And you are looking at the churn-through effect that Phil has helped you identify. Do you have that information for us?

Ms Govan—I am sorry, we do not have that data available here. We can try to get that for you.

Ms HALL—That would be useful because quite often a person will become redundant and, as Phil so aptly identified, they will be put into the first available job by the Job Network provider. The Job Network provider obtains a stat for placing that person who, two weeks later, is back again. My question following that is: does the Job Network provider receive payment for each placement of the worker that has been made redundant?

Ms Govan—Yes. They cannot claim more than a certain number with the same labour hire firm. But the major incentive for the Job Network is to get someone into work and keep them in work because the majority of the funding is paid when someone has been employed for 13 weeks and then 26 weeks. One of the things about this package is that if the person does lose their job they go back to the same Job Network member. The same organisation continues to assist them.

Ms HALL—And if the person is unhappy with the Job Network provider that they have been placed with is there the ability for them to change it?

Ms Govan—Yes, there is. And we had a very small number that did that.

CHAIR—Certainly, the treatment that we as the Commonwealth give to the Job Network provider in this situation, in terms of the incentives and payments, is no different to a Job Network provider out in the open employment area.

Ms Govan—I am not sure I understand the question.

CHAIR—There have been no added incentives or payments to the Job Network providers for being part of the labour adjustment package.

Ms Govan—There were some differences. For a start, all the eligible people from Mitsubishi, Holden and suppliers immediately accessed intensive support customised assistance, which you do not normally get. In addition to that, the usual amount that gets paid into the Jobseeker account for each person who reaches intensive support customised assistance is \$900. In this instance, we put an extra \$450 into the Jobseeker account, which meant a total of \$1,350. Plus we put an extra \$1,960 into the Jobseeker account, which could be used specifically for wage assistance.

I think you are probably aware that, with the way the Jobseeker account works, you can spend more money on one client if they need it and less on another. So that money does not have to be used specifically for that person; but the total amount of money could be used only for people made redundant by Mitsubishi, Holden or suppliers.

CHAIR—With training prospects, are you involved with some of the up-skilling requirements here? Did you guys get involved in the recognition of prior learning and helping the redundant workers in getting jobs? Do you want to make any comments?

Mr Sapio—Yes. We were involved at some level with Mitsubishi Motors—with some of the management training that was appealing for certificate IV and diploma level in front-line management. What would you actually like me to cover?

CHAIR—I want to know what you actually did and what your experiences were. More importantly, we are hearing that the South Australian government has put together an upskilling strategy. Was that used in this case, in this situation? Looking at the name ‘Training Prospects’, I thought perhaps you were involved in some of that ongoing training and support for these redundant workers.

Mr Hutchinson—I will give just a very quick, general overview of that. We have worked closely with DEWR from the start. As you would appreciate, when the first Mitsubishi round of redundancies occurred, the Commonwealth labour market adjustment package was implemented. At that stage, the state government did not have a formal agreement with the Commonwealth to share in the package, but, working with both Mitsubishi and DEWR, my department, which has a focus on workforce, did provide a range of services in support of the Commonwealth labour market adjustment package. We had to be certain that we were not duplicating services, so there was very close cooperation between us, DEWR and the company.

I think one of the major innovations at Mitsubishi was a recognition process that was developed with both the company and the Australian National Training Authority, as it was then, and our department. There were 120 workers specifically selected into that program. It was a combination of competency testing and recognition of skills that had previously not been quantified or qualified. Of those 120 workers who would be exiting the company, 99 of them gained full qualifications, some of them at trade level, some of them at diploma level and a number of them at what we would call about certificate III level. That was 99 out of the 120. The remaining workers all received credit towards qualifications. So that was a sort of innovative approach both in terms of upskilling and as assistance for those workers to be able to match into

jobs with formal qualifications. I think one of the real side benefits was that Mitsubishi since then have recognised that as an ongoing strategy within their workforce, so that, within the workforce, workers now do have the facility to gain skill recognition through recognition services.

That was a particular instance at Mitsubishi. I think following that, with Holden's announcement, the state government did get into a formal arrangement with the Commonwealth on the labour adjustment package. The services which were being provided at Mitsubishi have been extended to the Holden situation. Skill assessment and recognition services are a key component of that. We are also looking at accelerated training, where possible, to enable workers to achieve a qualification prior to exit. There are specific skill development programs for workers to match potential job vacancies. I stress that we are doing this in conjunction and in cooperation with DEWR and the companies.

Another major area that we have looked at from a state perspective, where we have trainees in both companies—and there have been substantially large numbers—is either assisting those trainees to complete their contract of training or, in the cases where that cannot be achieved, certainly to provide statements of attainment and perhaps transfer into other traineeship opportunities.

I am a bit hesitant to quote exact numbers because there would be a slight variance given the timing of when we received the numbers. Nicola quoted April; my numbers at the moment are reflecting March. But I am quite happy to provide those types of statistics. In general, I think we have had substantial success in placement and sustainable employment. That is not to say more cannot be done, but it has been an exercise in collaboration. At Mitsubishi, while the state government did not have a formal agreement in the round of redundancies, we did work with DEWR and the company providing workers with financial services and resume preparation. We subscribe to that effort.

Following Holden's announcement, as you aware, the state government and the federal government have entered into a further package. At state government level, we have extended the conditions of that package now to the Mitsubishi situation. I think we are trying to ensure that we do have a sustainable outcome for as many of the workers as possible, but at the same time have some recognition that the existing workforces that are retained can benefit from ongoing processes. From a state government perspective, our principal objectives were of course to assist retrenched workers into new employment and provide skilling opportunities. Also, in a state labour force where we do face labour shortages as well as skill shortages, we have a clear interest in retention in the South Australian workforce. Along with DEWR, we have endeavoured to try and direct workers into areas where there might be skill shortages of a sustained nature. I am quite happy to provide figures.

CHAIR—Because of the high reliance on manufacturing in South Australia, have most of the workers who have successfully been placed in employment gone into manufacturing?

Mr Hutchinson—Given the skill profile and where workers are electing to go, you would not say that most of them have gone into manufacturing. Certainly we have tried to set up systems where the opportunities were to go back into like industries. Nicola mentioned earlier about working with various industry associations. It is something that quite clearly workers have a

choice about. While there are efforts to provide that avenue, in the end it is a choice and it goes across a range of sectors.

CHAIR—I appreciate that. But there is a skill shortage in certain occupations in manufacturing. You have workers who are probably at the more sophisticated level of training because of the investment dollars that organisations like General Motors and Mitsubishi have put into those workers. If they are not going into a manufacturing sector, what is the reason for that, apart from it obviously being an individual choice? Is there a mismatch between their skills and the skills required by the rest of the manufacturing sector?

Mr Hutchinson—I think there are a number of possible explanations.

CHAIR—What I am alluding to is the issue of pay, which is one of the criticisms that has been made.

Mr Hutchinson—Yes. There would be a number of possible explanations. Workplace conditions would be one and remuneration would be another. I think a substantial number of people would probably have looked at the manufacturing sector and decided that based on those issues and a number of other issues there was a potential for alternative careers in other sectors. I would not avoid the issues of conditions and remuneration, and perhaps the sustainability of work in the manufacturing sector was not one of the things that could be guaranteed.

CHAIR—Can we turn our minds to Mitsubishi and Holden for a minute. You have been through the process. What is the feeling within your organisation about how effective the program has been so far? If another round of redundancies were to take place—I am not saying it will—would the approach be different to what has happened in the past?

Mrs Duin—I would probably like to start with a little bit of an overview and then maybe get into some specific issues or items that related to us. The one thing that was unbelievably positive as an employer working with individuals who, through no fault of their own, were exiting an organisation was the collaboration and the types of services that were provided for our employees. They were way over and above what we as an organisation would have been able to provide. They were certainly more than what an individual would be able to access if they were to exit our organisation and walk into a Job Network or whatever.

In many respects, our employees were overwhelmed with very good opportunities to look at alternative employment. That was very beneficial in overcoming those initial anxieties that we had for the first three or four weeks. Individuals who in particular had been with us for many years—and we are talking about an average employment term of 18 years of service—were suddenly sitting down and having a look and saying, ‘I am not just a foundry worker or working in manufacturing; I am actually an individual with this range of skills.’ We were able to identify and recognise those through the RPL project that we did under ANTA. What has been very beneficial now is that that can now be extended. The value of that far outweighed the effort and energy that was put in.

The other interesting thing was that the psychology of individuals who considered themselves as continually working for one organisation until they retired had been challenged. Their thought processes had been challenged. Suddenly they were seeing other individuals who they had

worked with moving into things such as aged care, child care, health, getting lawnmowing rounds and going into a whole range of things that they had never considered before. Due to the support of the DEWR program and the additional support of other advice that the state government helped with, individuals suddenly were able to step back and say, 'Now I can actually consider a whole range of alternatives that I was never able to consider before and which had not even entered into my thought process.'

As a company, and certainly working with this from a hands-on perspective, what was very pleasing and what made a difficult situation a lot easier for us was our ability to sit down with DEWR and DFEST and quite openly discuss what our problems and issues were, what feedback we were getting from our employee base and then discuss what sort of program we could put in place and what sorts of things we could have a look at. That related to support from DEWR, certainly with the interview skills for our senior managers, who never considered that they would have to go through the interview process ever again. They were terrified of having to go through that process. It was the same with the Grad. Dip. process from the state government for our employees to undertake an extensive resume writing process. I think more than anything else it allayed people's fears. It helped them to recognise exactly what skills they did have and what skills were transferable and required by other organisations. It also did open up a whole range of thoughts and consideration of what industries they may want to go into.

CHAIR—How would you describe the effect on morale of the workers that remained at Mitsubishi?

Mrs Duin—Initially, obviously, it was a very difficult situation with morale. Lonsdale and Tonsley had different perspectives. Lonsdale employees were under a forced program that also was financially a better program than the one for those who went from a voluntary perspective. At Lonsdale there was obviously a lot of distress early in the piece. But, as the first group of individuals exited the organisation, everybody started to see what opportunities they were actually stepping into.

Within a four or five month period, the morale had gone from being the fear of 'What are we going to do; we are not going to have any opportunities' to being very positive. The job networks were on-site at hours like six o'clock in the morning, and sometimes till 10 o'clock at night, to cover our three shifts, which is a huge change in the way they managed their officers in the past. That level of support eased people's fears about moving and then also enhanced their ability to make choices.

CHAIR—So they were still working at Mitsubishi while they were getting these services?

Mrs Duin—Yes.

CHAIR—So what time frame did they have to find a job? Did they have a three-month period?

Mrs Duin—No.

Mr Barrett—In May 2004 we announced the closure of the Lonsdale facility. As both Anna and Nicola have touched on, the Lonsdale closure was a progressive closure—to the point that

the very last person left Lonsdale in March of this year. We had to manage that progressive closure. The first group finished in October of 2004, another group in December of 2004, another in March of 2005, etcetera, with the last significant numbers leaving in October of last year, and only three remaining until March of this year. In that circumstance the services were ongoing and the access to those services was staggered. We provided the ability for employees, in advance of their departure date, to commence the process of working with their case manager, with the Job Network provider, to ensure that they looked at all opportunities up to the time of departing Mitsubishi. So those services were of an ongoing nature.

Ms HALL—How do those workers who moved from their full-time employment with Mitsubishi to the flexibility of having lawnmowing rounds handle that transition and less financial security? Have you had any feedback in that area?

Mrs Duin—We haven't had a lot of formal feedback. It has been more anecdotal. Feedback has come via other employees who are friends of friends.

Ms HALL—How many people went to lawnmowing rounds?

Mrs Duin—There are three that I am aware of.

Ms HALL—You also mentioned aged care and child care. Did you run specific courses for people to get the certificate 3 in aged care?

Mrs Duin—We did not specifically, but that is where the flexibility of the Job Network program was so beneficial. An individual could sit down with their case manager and say, 'I have always had this aspiration to work in child care, but I have only ever worked in manufacturing. How do I get there? What do I need to do?' Their Job Network provider could take them through the appropriate training and assist them into the employment.

Ms HALL—So you just heard about that in the same way as you heard about it with the lawnmowing.

Mrs Duin—No, there are statistics through DEWR as to which areas. The job networks know where their individuals have gone. For example, had they gone through their Job Network provider and said 'I want to start my own business', or 'I am going to purchase a business'—a lawnmowing round, for example—their Job Network provider would have that information. Invariably they have had a degree of assistance to get there. The local BECs—the business enterprise centres—also had an involvement. We were very fortunate that a range of other services came on site to give our employees information, assistance and guidance on where they might be thinking of going so that they actually go through the process.

Ms HALL—The other question I wanted to ask relates to skills. You have had these redundancies, but there is also the other side of it. In some areas there are skill shortages within your industry. Maybe that is more in the component part. Was there any move within the industry or Mitsubishi at the time the workers became redundant to link them into training to upgrade their skills to the level where they would be able to fill those vacancies? What is the company's position on that?

Mrs Duin—That is where the RPL project was a very enlightening and positive process to go through. Our initial reasons for going down that path were certainly more about being able to give individuals the opportunity to have a document that formally recognised where they were currently at. Individuals could take that certificate of attainment even if they had not got a complete certificate and Job Network then could sit down and discuss it with them and say, ‘You only need a couple more units of competency. You are now going to be at this particular level, which is going to match with these opportunities which are the skill shortages that we have.’

Ms HALL—What happens to the money that is left over in those jobseeker accounts? Do the Job Network providers keep that or is it returned?

Ms Govan—No, it is still there at the moment because the program is not completed. The money is quarantined and only to be used on Mitsubishi, Holden and the suppliers.

Mr VASTA—It is unfortunate when an industry has to downsize, but to see the different organisations here coordinating and working together is something that should be admired and deserves congratulations. I want to say well done on this process and I want to see that dialogue kept going among all of you. Well done on that. Are there any more good news stories for us?

CHAIR—Do John or Terry from Holden have a comment to make in the same vein as Mrs Duin?

Mr Dore—I can make a couple of general comments and the Terry has some more detailed observations. The first thing that we would say is a comment about the surprise and the comfort we got from the way the agencies cooperated immediately. We were fortunate. We were able to talk to Mitsubishi who were very helpful in giving us their experiences, but to see state and federal agencies coming together literally within hours of talking to them was surprising to us and from the outset it gave us comfort to believe that this was going to work. We also worked very closely with our own union people to reassure them that this was an exercise in which we and the agencies would leave no stone unturned. Throughout the program we have had a working party of key union representatives and managers cooperating with the agencies and we have had the agencies in to explain at various stages of the process, and that was an important part of our process.

One of the other things was that we were still running a business, as was the case with Mitsubishi. We were still making cars on three shifts. To help people come off the job and to attend interviews and research their opportunities whilst (a) running the business and (b) training the rest of the work force for what would be a two-shift operation at a point in the future was a huge logistical exercise. The agencies were surprised at times, I think, about the efforts they had to go to and the hours they had to keep and the appointments they had to move and change just to be able to accommodate our requirements and the requirements of individuals working on second and third shifts as well as day shift.

The other issue that is important to recognise is our own people. Many of our employees did not realise just what skills they had and what employability they had and we and the agencies and the unions went to great lengths to remind people that they had been through substantial training that perhaps they took for granted as it was just a way of life at Holden and Mitsubishi. They went out into the work force with skill sets that many other people did not have and that

took them along a variety of paths, not just into manufacturing, where those skills were recognised and usable.

Those general issues were unique to our circumstances, and it would be interesting to hear whether the agencies echo that. We were concerned at first that we might be dealing with some inflexibility and some bureaucracy, but to the contrary: people moved heaven and earth to fit in with our requirements. Those are some overviews. Terry was much closer to the day-to-day activities and circumstances and some of the statistics of what happened to our people.

CHAIR—Would the take-out line from both organisations be that you are very satisfied with the labour adjustment package and the way in which it was implemented?

Mr Dore—It was very important to our employees. They were the ones who had a comfort in knowing that there was something out there to help them—that was critical.

CHAIR—If you had to do it all over again, would there be any finetuning? Would you make any changes to any aspect of it?

Mr Dore—Avoid it if we could.

CHAIR—We would all love that; it would be great.

Mr Cubley—We are about to go through the process again, because our package was split. Altogether, we have 1,200 people leaving: 870-something left in November last year and another 325 will be leaving in July this year. That was part of the overall plan. Certainly what we learnt from our involvement last year will be carried forward into this one.

I guess the major, positive thing that came out of the whole process was that the close on 1,200 people who were leaving were doing so through a voluntary package. We called for volunteers and utilised the services of DEWR and the state government to provide information to people when they expressed an interest and before they made a decision. There was a period of probably a month or two months in which information—including financial advice, packages offered by DEWR and training offered by the state department et cetera—was provided to the whole workforce of 5,000 so that they could decide on whether they wanted to make that choice and leave.

John mentioned before that a working party, which was a mixture of company representatives and very strong union representatives, was involved. The most pleasing thing that I saw was that the company and the union working together made it not a pleasant experience but one where people were comfortable with their leaving. When the 850 people walked out of the door in November last year, it was not a celebration but it was certainly not a time when people were super sad. People offered to go. I think they felt that they were well paid, and they were certainly well looked after.

The major thing that happened, as John mentioned, was the juggling when we went from making cars on three shifts suddenly down to two shifts and we had to move people around to accommodate those who had left. That required a fair bit of learning on the run. We were in

almost daily contact with DEWR and the state government people to make sure that our interaction with the Job Network was working effectively.

We started to change our way of doing things to fit in with what was happening and from the feedback from employees, the unions and the Job Network members. As a result, the structure that we will put in for the next group of people who are leaving will be basically the same, but we will make some changes in the organisational elements in communication with employees so that they know more up front and in the way of getting them to link in more closely with the Job Network members.

CHAIR—Have either companies been employing people during this time as well? What kind of employment growth have you had? It is a strange question, but has there been any employment at all?

Mr Barrett—Perhaps I can respond on behalf of Mitsubishi. The only employment that we have engaged upon in that time period has basically been in our interstate regional offices where there has been a turnover of some of our sales and marketing staff and, hence, we have had to replace those individuals. That has been the only area of external engagement in that time.

We have, as an organisation, also had a transfer of individuals across departments into promotional roles et cetera. We have still had some natural turnover in that time period as well within the organisation, which has provided internal promotional opportunities for employees. But, as far as external employment is concerned, there has been a very small number limited to our regional offices in Perth, Sydney, Brisbane and Melbourne.

CHAIR—And Holden?

Mr Dore—Not in South Australia. The issue is interesting, because there is still a degree of attrition. There are people outside of the program who are leaving for opportunities elsewhere. The other interesting point is that we have not had people withdraw their voluntary applications for the second tranche that Terry mentioned. So people still have a degree of confidence, if you like, that participating in this second program is sensible, that they will find work and that they are prepared to retain their volunteer status until the middle of this year.

CHAIR—Following on from Ms Hall's question earlier, if there had been internal opportunities, they would have been offered wherever possible to those who had been made redundant?

Mr Dore—Yes.

CHAIR—What was the actual redundancy package that you offered the workers? Was it in line with your enterprise agreement or was it above and beyond that?

Mr Dore—No.

Mr Barrett—On behalf of Mitsubishi, we were in the unfortunate position where we had to announce the closure of Lonsdale. Our Lonsdale plant, in line with our enterprise agreement, required us to negotiate a closure arrangement, which took some eight weeks to negotiate at the

time in 2004. As far as our Tonsley Park employees were concerned, we have a fairly longstanding redundancy agreement which has been in place for some seven years. Employees were paid in accordance with that provision. We negotiated different arrangements for the forced closure at Lonsdale.

Mr Dore—Because all of ours were volunteers, it was in line with the current enterprise agreement provisions.

CHAIR—Ms Govan, what pressure was on DEWR to extend the labour adjustment package beyond those that were listed as first and second tier supplier companies? Was there pressure to go a bit further and include other organisations who were putting their hand ups and saying, ‘What about me?’ How did you make the decision on how far out you went with the supply chain?

Ms Govan—I think that is covered in the department’s submission of February. It says:

This level of assistance is not available to component firms that restructure due to loss of contracts. However, the employees of these firms are eligible for immediate Job Search Support assistance ...

The government’s decision was that it be for the large-scale retrenchments at Mitsubishi and Holden and any suppliers who, because of that downsizing, lost business and therefore had to reduce their workforce.

CHAIR—As this inquiry is mainly concerned with the auto component industry as opposed to the manufacturing industry, I am particularly interested in whether or not the package should have a broader application and whether there has been a demand for it beyond the existing companies that put their hands up.

Ms Govan—I would need to double-check that, but I do not think there has been a demand for it.

Ms Bogosavljevic—To date, we have not had suppliers who have inquired about the package and been turned away as such. There have been some component suppliers that have retrenched people for different reasons, and I guess they have had to be dealt with slightly differently. So there is a group that has a direct link and has made redundancies directly because of the downsizing decisions by Holden or Mitsubishi. They will have redundancies down the track. We know that some of them are also having future redundancies which do not have a direct link. That is probably the only area that could be slightly confusing. But no supply companies have come to us, asked for assistance and been turned away.

Ms Govan—If any company reduces employment by 15 or more, we will go out jointly with Centrelink and provide information about the services available through the Job Network.

Mr Hutchinson—Appreciating that we do have a joint government agreement and are not in any way affecting the integrity of that agreement, there are a number of state based companies that the state government will support outside of the package, with the same conditions. That is the state government’s position. That has not caused an issue between us and the Commonwealth—for instance, the decision on the part of the state government to provide the

same type of support to ION Ltd, as well as to Mitsubishi and Holden. That has not been an issue; it has been a hallmark of the partnership that we have developed. We do understand there are different imperatives.

I would add two other things, though, at the risk of saying too much publicly. Certainly, one of the issues that we had to deal with—and I think you were alluding to it, Chair—was that we were providing a terrific program at a joint government level to a group of people who had enjoyed long-term employment, work experience and were exiting into the labour market with a high level of skills and assistance. While we were doing that, we were also dealing with another constituency of people who have been long term unemployed or are seeking to enter the workforce and do not have the same level of service. That was an issue which we had to address throughout this program. I think it is a valid one to put on record, and there may well be lessons to be learnt by both governments from the more systemic problems that we have in the labour market.

In terms of your previous question about our inquiry about manufacturing—and DEWR will have statistics of where people are heading to in the sectors—certainly in the last three months, one of the major sectors that has attracted workers to request training and assistance is the transport and logistics sector. There is a very high level of that from the workers who are exiting. That includes heavy vehicle licensing and plant operations. We would have a particular interest in that in South Australia because we do have a mineral sector, which is starting to open up. So there are allied areas to what we might consider the traditional manufacturing occupations.

Ms Govan—I will just make one point. Lou referred to job seekers who are long term unemployed. Job seekers who are long term unemployed in South Australia receive almost exactly the same assistance as Mitsubishi workers. They receive the full intensive support and customised assistance when they are unemployed for 12 months or more or if they are—

CHAIR—If they have a qualifying period of 12 months unemployment?

Ms Govan—Or if their Job Network member determines that they are highly disadvantaged.

Ms HALL—Aren't these special packages put in place because it is a whole industry that has gone down?

Ms Govan—Yes—the large numbers hitting the labour force at the same time.

Ms HALL—It is similar to the situation of BHP in Newcastle.

CHAIR—Ms Govan, would you like to now divert your attention to the criticisms made by the VACC and the AMWU.

Ms Govan—I notice that the Victorian Automobile Chamber of Commerce—

Mr BAKER—Why did they specifically point out Mitsubishi and not Holden? Why was there the differentiation?

Ms Govan—I would say that they said that about Mitsubishi because, when they wrote the submission, the Holden package had not started. I think the submission is dated February 2005. They said they had hoped to get redundant employees into the repair services and retail sector. They said that it was unsuccessful, due to a lack of coordination with Job Network and its agencies, a lack of understanding about which skills were transferable, poor matching of attendants with vacancies, a lack of support to supplement skills and a lack of interest amongst highly paid redundant employees into lower paid jobs. I would like to comment on the first four and just let you know what we did with the MTA over here—they are referred to as the sister organisation. Soon after Mitsubishi's original announcement, the MTA put out a press statement saying they expected to canvass several hundred vacancies from their members and fill 400 to 500 positions with ex-Mitsubishi workers.

In July 2004 we put in place an employment strategy with the MTA where they could either lodge vacancies through us and we would give them to all the Job Network members or they could lodge them directly with the Job Network members—whichever was easier for them. The Job Network members would send candidate information back to the MTA and the MTA would then determine whether the worker was suitable for direct referral to the employer or assess and determine whether any additional training was required to meet the employer needs. We would ensure that any such training was paid for, either through the Jobseeker account by the Job Network member or through the industry specific funds. We only received five job notifications to circulate to Job Network members from the MTA.

CHAIR—Out of how many?

Ms Govan—That is all they gave us: five vacancies. They did lodge a few directly with one Job Network member. Of the five that were sent to us, two were filled and the other three had workers referred to them. We had a look at the unfilled vacancies. One was for a salesperson in auto accessories. The individual, who was referred for but not placed in the job, was a merchandising rep and a sales assistant for a number of years before he went to Mitsubishi. So, from the Job Network member's perspective, he was clearly an appropriate referral in terms of experience and skills. I am not sure why he did not get the job.

We also, as I mentioned earlier, funded a training program for some ex Mitsubishi workers to do car dealership training. Four were provided with training and two obtained sustained work in the industry. I think some of it was probably about timing. When the Mitsubishi announcement came out there were people thinking, 'There might be 500 people walking out the door tomorrow and we can take them all.' When people leave and when vacancies are available does not necessarily always match.

Ms HALL—Have there been any reasons given as to why there have not been more vacancies referred?

Ms Govan—No. And it is something that we will follow up, given the new redundancies coming out of Holden, to see if there is more that we can do there. They certainly touch on the issue of lack of interest amongst highly paid redundant employees who were not prepared to take lower-paid jobs.

Ms HALL—But if there are no vacancies referred and no opportunity to apply for those jobs, how can that assumption be made?

Ms Govan—I do not know. In terms of the MTA and their members they have two options. Their members can lodge vacancies directly with an individual Job Network member or they can put them through the MTA and we can get them out to the whole network.

CHAIR—Certainly, the wage disparity, anecdotally, sounds like it was a factor in why a lot of them did not go across.

Mrs Duin—I am not sure that we really have hard—

CHAIR—You guys obviously pay too well—is that what the problem is?

Mrs Duin—Possibly. But that is only one consideration. If the opportunities are not there and are not communicated—and we actually did have a very rigid communication program—even with the opportunities that came direct to Mitsubishi we had an awful of a lot of organisations who telephoned us and said, ‘We have seven opportunities and we would love to bulletin them out to your people.’ Wonderful. We actually went through exactly the same channel, so it went straight through to the job networks and to DEWR. I know some individuals felt that they did not want to undertake roles that paid less; but that is only a handful. We needed to have the genuine opportunities come forward, not just people saying, ‘We have a lot of vacancies.’ Even the organisations who did come and court us from Western Australia, Queensland and New South Wales expressed a range of need or opportunities anywhere from 50 to 180 positions, yet when you have a look at the number of people who took up roles you have to question whether or not those roles were even relevant to our individuals.

Ms HALL—Ms Govan, in your presentation you stated that one of the reasons for the success of this whole process was the leadership provided by DEWR. What I would like to put to you is this: maybe that leadership could be used in resolving this issue. You could see if you could actually get your hands on some of those vacancies so you could give redundant workers a greater opportunity.

Ms Govan—Yes, we would certainly be happy to push that again, particularly given the upcoming redundancies at Holden.

CHAIR—One of the criticisms by the AMWU’s South Australian branch, whose representatives we are going to hear from later, concerns a lack of coordination over certain features of Job Network agencies. They say that perhaps we should move back to a public service structure of employment. That horse has bolted. Can you shed some light on why that would be an unfair criticism? I cannot see how that would actually resolve the problem that they have mentioned. We will have a chance to discuss this with them later, but I would appreciate your views on that one.

Ms Govan—I do not understand the criticism about Job Network members not working together. We made sure that the four Job Network members down there did work well together. We met with them regularly. They would share information. If one of them was running a training course that they thought ex-Mitsubishi workers from another Job Network member

would like to participate in, they would share that information. They are all worked very well with Mitsubishi. I would be happy to hear what the criticisms are.

Ms HALL—How were the workers allocated to Job Network providers?

Ms Govan—It was different at Lonsdale with the forced redundancies, so I will explain that one first. Each worker was given a one-page sheet on the four Job Network members down at Noarlunga and Christies Beach. The Job Network members were allowed to put in that sheet whatever they wanted to in terms of selling themselves and the way that they would provide support to those Mitsubishi workers. We provided those Job Network members with a star rating as to performance and all workers were invited to make a choice ranked from one to four. All workers at Lonsdale received their first or second choice.

Ms HALL—So each Job Network provider was competing with each other for those workers?

Ms Govan—Only on paper; they were not down there talking. There was a piece of paper which described the services that each of them would provide and it was up to the employees to choose which one they went to. The difference with Holden and Mitsubishi at Tonsley Park was that we provided them with the names and the performance rating for every Job Network member site in Adelaide and the surrounding area, in case any of them lived in the Adelaide Hills, and they were invited to make a choice.

Ms HALL—What was the percentage of those who chose Job Network providers who were not on site?

Ms Govan—Because those ones were going to leave and immediately join a Job Network member, they did not necessarily have to see them on site. Generally, they looked at the ones and took into account their performance ratings as well as their location in terms of where they lived.

Mr BAKER—Ms Govan, I refer to the job agency time line for support. Take, for example, someone who gains employment for six weeks. You did mention 13 weeks and 26 weeks. Can they continually go back to you, seeking your support as to re-employment?

Ms Govan—Yes. During that period, that first 13 weeks—and, in fact, the first 26 weeks; SYC's Training Prospects might want to respond here—they keep in touch regularly with the jobseeker to see that the job placement has been successful, to see if there are any issues and to see if more ongoing support is needed in the job.

Mr BAKER—There seems to be a contradiction between the evidence that you are giving and what we see when we read through some of the union evidence as far as coordination of the different agencies is concerned.

Ms Govan—I do not think I have seen that evidence.

Mr BAKER—What is the future of the industry? That is an easy question for you.

Mr Barrett—I would love to have a crystal ball. I would probably choose Cross Lotto or Tattslotto numbers with it! The industry is very cyclical in nature. The industry has gone through some peaks, some extremely good times, and then some extremely hard times. We are in a trough at the moment, and that is across the board, for all four local manufacturers in this country. There has been a sharp decline in the large-car segment. That is a segment where all four local manufacturers compete. That is reflected in the fact that we have had to downsize our organisation. Holden have done the same. Ford have also participated in that in the last 18 months. Subsequently, component suppliers are impacted by our decisions as well.

From a Mitsubishi perspective, we are a group of fighters. We have been through some very adverse times. Those times have been very public, which is unfortunate because when things get into the public arena it does affect the buying public's decision-making about purchase of our product versus our competitors' product, but we believe that we will ride through the trough and see positive times again. But at the end of the day it is ultimately up to the buying public. There are probably a range of factors. You cannot put your finger on one factor and say 'This is the root cause of the trough the industry is in.' Certainly petrol prices are the obvious one at the moment, but there are other factors which contribute to the state of the industry. We are hanging in there and fighting. We have had to go through some very adverse times with our redundancy programs, and we may see more of that into the future, but hopefully things will turn around for the positive.

CHAIR—Mr Barrett, I was actually going to ask a question about petrol prices, because the effect of high petrol prices on purchasing decisions has been mentioned in one or two submissions. You mentioned the move away from large passenger vehicles to small passenger vehicles. The rationalisation within the industry and the decline that is taking place certainly predated the move in petrol prices. It surely cannot be a valid reason for what we are going through.

Mr Barrett—Hence my comment that there is not a single factor that you can grasp and say, 'This is the root cause.' There is a combination of many factors which have seen the decline in the large-car segment in more recent times. However, I do believe that petrol prices certainly have been a significant contributing factor to the swing away in the large-car segment, particularly in the last six months.

Ms HALL—Have you looked to reposition yourself, to change your industry to meet the changing demands of the Australian community and to look at the overseas market?

Mr Barrett—It is a difficult issue to grapple with because not only are we competing in the local marketplace but all four of the manufacturers are part of global operations. So we are looked at in the context of parent organisations and strategies on the part of those parent organisations as to where, strategically, they should have manufacturing operations around the globe. They look at things also in the context of return to shareholders and prospects of growth within the industry and where the markets are for growth. So we are simply a small part of what is occurring on a global scale.

Mr VASTA—Is that like the Proton possibility in Malaysia, with the 380?

Mr Barrett—That is certainly a good example of it. There are no guarantees about relationships with Proton and whether or not there will be spin-off benefits for us as a local plant in Adelaide. We are certainly doing whatever we can to make sure that things like that come to fruition, because any volume is good for business and good for employment, in this state in particular. But we are heavily reliant now, as an industry, on volume, and a lot of the volume which is produced by the four manufacturers is for export. There is less volume for us in export, given that New Zealand is basically our only export country at the moment for the 380. But the export business is in decline for our three competitors as well.

CHAIR—Thank you very much, Mr Barrett. Mr Evans, my apologies for not knowing that you were there. The advice I had was that the AMWU had originally decided not to participate in the roundtable. You do have 45 minutes of dedicated time coming up shortly. You are most welcome to respond during that 45 minutes to anything that has been said, rather than trying to squeeze in a reply in the next two or three minutes. We would certainly welcome your contribution in that time we have dedicated to you. Training Prospects, I know that you have been patiently sitting there. In the remaining time that we have, are there any comments that you would like to make that may shed further light on what we are inquiring into?

Mr Edginton—The only comment I have is in respect of perhaps a criticism of not coordinating. Training, I guess, lends itself to a homogenous group wanting, for example, to be reskilled. However, each individual worker in the current environment has lots of choices to make, coming from Mitsubishi or Holden. In fact, they have an enormous range, and they become a heterogeneous group within the Job Network, with a great number of choices. So one of the skills and challenges is for training and the job networks to work together. In our experience, I believe that they have done so really well.

CHAIR—How many of the redundant workers did you actually work with?

Mr Edginton—I do not have the exact number with me today, but we can get back to you with that.

CHAIR—What type of training did you provide them with?

Mr Edginton—Our experience has been largely in the transport area. We have a large range of qualifications, but our experience has been with workers going towards transport and driving, security and construction.

CHAIR—So is it licensing training that you provide them with?

Mr Edginton—Yes.

Mrs Duin—I would just like to add something in support of the job networks and what we did in the early stages in 2004. When I say the early stages, I mean the first six to eight months. We met with all of the key Job Network management team, initially every fortnight, and then that went down to every month. We would sit in a room and talk about what particular issues had come up for employees, what sorts of services we provided and how we could streamline that, because we were really pressuring a service provider into changing some of the rules that they

had about how and when they were going to provide service, in particular. That may be one of the things that were being alluded to.

In relation to potential or perceived disparities, feedback has come from our employees about the flexibility that the job networks had in being able to apply \$X to one individual who really needed it, yet this individual had an awful lot of skills, should have been able to get almost directly into an organisation and should not have required that amount of financial support. Because most of our employees were still at work, they talked with each other and they wanted to know: 'Why did this person get this, when I can't get that?' That took quite a bit of work and communication internally, and we had a lot of issues that we needed to discuss with our employees, most certainly in that first six- to eight-month period. Then people started to get a clearer understanding of what this flexibility of service provision from the job networks really meant to an individual. But that is the only sort of negative I could suggest.

CHAIR—Thank you, Mrs Duin. We look forward to being at Mitsubishi tomorrow afternoon, and we look forward to being at General Motors this afternoon. Ms Govan, this is a last question from me: was there any particular cohort of workers that was far more difficult to place than others? The immediate one that comes to mind would be low-skilled migrant workers. Was there any particular sector or demographic group?

Ms Govan—There was not a big cohort of that particular group at Mitsubishi. Some differences between Mitsubishi and Holden, I think, were that the ones at Lonsdale generally had been there a lot longer—as Anna has already outlined—in comparison to a number of the ones from Holden, who had commenced in recent years with the advent of the third shift.

CHAIR—Thank you very much. We thank everyone for participating in the roundtable this morning. If there is further evidence that you would like to provide us with in due course, please send it through to the secretariat. We would love to get that information. Was there any information that we were to get from witnesses based on today's evidence? Did anyone commit to giving us anything then? Perhaps it was DEWR; I am not sure.

Ms Govan—We said we would get some information from Centrelink for you about it, and also that we would get you some information about the number of people who have jobs and as to whether they are full time or part time.

CHAIR—Was there anything you were going to provide us with, Mr Hutchinson?

Mr Hutchinson—We will provide some statistics on the apprenticeship and traineeship movements from the company.

Mr Barrett—I know John has made the comment on the public record, and I too would like to make the comment on the public record that, as an organisation, we are extremely grateful and very appreciative of the services that have been provided both through the Commonwealth department and the state department. We have certainly never witnessed that level of cooperation in the past and we would certainly want to encourage that in the future. We give our thanks for the services that have been provided and to the individuals in particular who have been associated with providing that service. I think that has led to what we see as a very successful program for our ex-employees.

CHAIR—We will now break for morning tea and resume with Mr Piro.

Committee suspended from 10.34 am to 10.59 am

PIRO, Mr Leonard Albert, Director, Business Development Services, Department of Trade and Economic Development, South Australia

CHAIR—Although the committee does not require you to give evidence under oath, I should advise you that these proceedings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind you at this time that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Would you care to make some opening comments before we launch into some questions?

Mr Piro—The department's emphasis is clearly the economic development aspects of the automotive industry in South Australia. We work with industry on a fairly regular basis, such as with supplier groups at Edinburgh Parks—which I believe you are going to have a look at this afternoon—as well as Mitsubishi and Holden as the major focal points for the future of the industry. I would like to talk in broad terms about the industry in South Australia, its importance, what we have done to support that and the way forward. So it probably relates a fair bit to your terms of reference No. 4.

Labour adjustment is something that the Department of Further Education, Employment, Science and Technology tend to work with. We certainly have supported that process. What we have done with the Mitsubishi closure is possibly of interest to you. I do not really have to go into the importance of manufacturing in South Australia. We are a highly intensive manufacturing state, and automotive manufacturing is of primary importance to us. The issue for us is that it is a global industry, and the future of the industry is not determined by South Australia alone or Australia alone. You asked a question earlier about the future of the industry. With global excess capacity of about 20 million in vehicle production and with Australia being less than one per cent of the global industry, the issue for us is how we establish intellectual property that we can in fact engage globally with other customers rather than just provide components for the Australian industry.

The bottom line at the moment is that the competency of our industry sits in large rear-wheel vehicles that of course are in trouble in the marketplace. The employment trends for Mitsubishi have been downward. Certainly Mitsubishi has had to rationalise employment on a number of flanks. We have also had some downturns with ion automotive, where they have, as a result of their voluntary administration, closed the Wingfield plant and shifted some production of Holden four-cylinder engines out of Plympton.

Of course you have General Motors. You asked earlier about component suppliers and how you determine who is eligible. We had a situation where Air International had some downsizing due to General Motors Holden closing the third shift and reducing their volumes, yet at the same time they closed the Golden Grove plant and shifted that production to Melbourne. So you had part of their operations eligible and another part not necessarily eligible. That gets back to the liaison between the company and DEWR.

There are a number of things I would like to mention in terms of what we are trying to do with the skills issue. One of those is looking at manufacturing upskilling. We have an automotive pre-

voc training program, we support an automotive engineering degree and an automotive CRC, and we have a number of school to industry programs as well. The cooperation between the Commonwealth and state governments has been terrific in terms of the labour adjustment packages.

I would like to also mention that we have had a very cooperative arrangement with a range of other stakeholders. When the announcement was made to close Lonsdale, the state government set up a high-level automotive committee that was chaired by Ray Grigg, who is an ex-General Motors executive in charge of Japan and previous manager at the Elizabeth plant. Under this high-level working group—which included the unions, Mitsubishi, state government and local councils—we were trying to get all the stakeholders to consolidate support and communicate across those jurisdictions.

We set up four specific working groups. One was a Lonsdale asset group, where we were trying to work with Mitsubishi. As they downsized we were trying to find alternative industries for the Mitsubishi plant. The Commonwealth, through Invest Australia, were part of that process as well. We did an assessment of the Mitsubishi Lonsdale site to look at whether it was world-class and where it sat in terms of foundries. We also spoke with a number of overseas interested parties. In the end there were three businesses that went into Lonsdale, and there will be around 300 new jobs. It was a highly successful process in ensuring that all the options were considered.

The second working group was an outplacement opportunities group, which DFEEST coordinated. Subsequently DEWR and DFEEST combined for that outplacement group, which I do not need to go into. The third was a southern suburbs industry development group, where we worked with the two local councils, Flinders University, who are down south, and the unions, to try to understand what the future direction of the southern suburbs may be in the light of the fact that Mitsubishi was such an important cog in terms of their economy. The fourth one was a Tonsley Park group, which was working just with Mitsubishi and ourselves to look at future options for Tonsley Park. So that is how we responded, and how we involved the various players.

The other thing that was important in terms of the Commonwealth-state cooperation was the announcement by the federal government and the state government—but predominantly with federal funding—to establish a structural adjustment fund for South Australia. It was a \$45 million fund designed to attract new industries to the state. As it stands at the moment, the fund is awaiting its final recommendations. I think in the end over \$200 million of new investment will be attracted and in excess of 1,000 new jobs. It was critical because it focused attention on the assets of the region south. As it turned out, jobs and investment went roughly fifty-fifty south and north. But during the process we also had Holden's announcement of 1,400 jobs, so it was not a matter of just saying that all jobs had to be in the south. But that was a very positive outcome from our point of view.

We provide a number of support mechanisms as a state government to the automotive industry in South Australia. Our submission probably covers that. The only one I would point out is Edinburgh Parks, where we have worked closely with General Motors Holden to establish a facility that will provide them with suppliers who are linked to their production facility on very short turnover cycles so that they can pull forward products on seven minute, three minute cycles into their plant. It reinforces for us where the industry might need to go in the future. The

Australian industry, although it is small, has an excellent capability and highly agile, flexible manufacturing systems. We do not do high volumes, but we are very good at low volume production. General Motors Holden, for a plant producing the number of vehicles it does, has certainly been held up within the General Motors stable.

We have established an export of automotive products agreement which the unions have signed at the Port of Adelaide to give priority access and to set up a dispute mechanism that guarantees the outflow of automotive products. So instead of going into a strike mode, or stopping the export of products, this agreement has very clear processes and guarantees tenure for exports of automotive products. The South Australian government has also established a high level automotive task force. The other task force I referred to related only to Mitsubishi. This relates to the future of the industry in South Australia and involves both Holden and Mitsubishi components and the state government. It is fair to say that dovetails with what Minister Macfarlane has established at the national level, which is a high level strategic automotive task force. I understand that the Victorian government may have something as well. Clearly these issues have to come together, and they will because Minister Macfarlane is coordinating the involvement with the other states.

The last thing I might mention is the sustainability of the industry as we go forward. We have made a couple of recommendations in regards to R&D focus for the industry. As I mentioned earlier, it is our view that the industry has to have proprietary products that it can develop on the international stage. One of the ways forward is also looking at sustainable vehicle technology. That is probably adequate by way of an introduction.

CHAIR—Thank you very much, Mr Piro. Thank you for your excellent submission. It covered a lot of issues that are very pertinent to this inquiry. I did not have the opportunity before to introduce my deputy chair, Brendan O'Connor, who has just joined us. Brendan is from Victoria and represents an electorate very much within the vicinity of the auto precinct of Victoria.

I will start with the structural adjustment fund. I think \$45 million has been put into that and, if I recall, an additional \$10 million which will be the labour adjustment package. You are envisaging \$200 million worth of investment out of that \$45 million contribution. Is that on the books already? Where is it coming from—what type of industries? Are they organisations that are relocating to South Australia? Is there investment coming from overseas as part of it? Or is this all just hope at the moment more than anything else?

Mr Piro—To put that \$45 million and the other \$10 million in context, what actually happened was that the Commonwealth announced a \$50 million package. \$10 million was for labour adjustment and \$40 million was for the structural adjustment fund. The South Australian government then announced a \$5 million top-up to the fund. We did not have a labour adjustment component for Mitsubishi. In the case of Holden there was a \$10 million dollar fund—\$7.5 million from the Commonwealth and \$2.5 from the state government.

There are a number of companies that have committed to structural adjustment projects. So it is not pie in the sky in the sense that there will be a contract that will have obligations on the company to invest to a certain amount and to employ a certain number of people. They will only be paid according to benchmark performance under that agreement. There are a couple that are

local, a number that a new businesses—new investment proposals that have come forward—and there are one of two from interstate as well. So there is a mixture of companies.

CHAIR—Keeping in mind the discussion we had earlier during the roundtable about retrenched workers going into employment, the evidence was that quite a few of them were not going into the manufacturing sector. Therefore, you have quite a lot of years of experience and skills developed—perhaps certain certificate levels of achievement for those workers in the auto industry. Would you expect that this investment will be able to absorb any future redundant workers from the auto industry principally and the manufacturing industry secondly?

Mr Piro—I do not think that this fund itself will be able to necessarily absorb future numbers, because the industry is such a big employer in South Australia. The timing of this is such that the investment will occur over the next two or three years. It is fair to say that if you lose a major component supplier or a major OEM you have a huge hit on the economy. The importance of the automotive industry is such that you have not only the OEMs but you have the supply base, as you are well aware, and you have a very significant technical and engineering base that you would lose as well. I would be very concerned if we did not look to have an automotive industry in Australia in the future. It is no coincidence that countries like China and India are moving towards establishing automotive industries because of their impact across the board.

CHAIR—My comment is made not so much in terms of the sheer numbers that will be absorbed, but also the skill level of those people. Through this investment you are actually creating opportunities where that skill level can go rather than anecdotal evidence coming through to the effect of, ‘There is no point taking that job. I’m too experienced. My conditions and my remuneration are such that it is a backward step for me.’

Mr Piro—There would be a skill match, there is no question. A number of these are manufacturing companies which work on the same principle of quality control, pull-forward systems and so on, so there would be a skill match. The issue of remuneration is an interesting one because we know for a fact that the OEMs pay at a marginally higher level than the rest of manufacturing, so that is always going to be an issue for people.

CHAIR—Can we quantify the job numbers that may come out of the \$200 million investment? Are there 800?

Mr Piro—These are, of course, subject to ministerial approval as they stand at the moment. There are six that have been approved and a number that are in the pipeline awaiting federal and state government ministers’ approval. They are approved by Minister Macfarlane at the national level and Minister Foley at the state level. The reality is that if they are all approved we are probably looking at around 1,100 jobs.

CHAIR—That is good.

Mr BRENDAN O’CONNOR—In your submission you say there is a need to protect the intellectual property of the industry. You go on to say that one of the roles a Commonwealth government can undertake in the future is multilateral or bilateral negotiations for the protection of that property. Can you expand on that need? What are the threats to the intellectual property of industry in South Australia?

Mr Piro—There is always going to be a threat in the sense that you have tier ones which are predominantly multinationals. I would say that this does not just go for South Australia; it is across the board in the automotive industry in Australia. Where you have multinationals making decisions on where their investment dollar and R&D go of course they always have the right to take that overseas when and if they choose to. We have all too few companies, in my view, that own intellectual property. A lot of it is build to spec or owned by the automotive producers themselves.

There is an instance of a company that I think has done an excellent job in the IP area in the form of Schefenacker, which do rear vision mirrors. They made a decision years ago to re-engineer their mirrors. They put a lot of research into some novel approaches. In fact, they now export 80 per cent of their product out of Australia. I understand that is a niche area, and it is also an area that is not necessarily transport punitive. But as a general statement I think I would say across the board we need to look at IP that is transportable and niche rather than broad based. As I said, there is always a threat when you have multinationals, but as I understand it, at the moment, we do not support R&D in Australia if it is a foreign owned company.

Mr BAKER—From a global perspective we are continually downsizing, as we saw only last week in the USA. From an industry perspective here in Australia, how are we positioned to retain and also move forward in the automotive component manufacturing sector?

Mr Piro—I think that relates a little to Mr O'Connor's question in terms of the IP and transportability of our product. If you look at a vehicle, you have big components like metal panels and structural areas. That is not something that we will be able to export. We can probably export the electronics component. Vehicles now have so much software and electronics in them—probably as much as an aircraft years ago. I think it has to be transportable and have something to it in terms of design or smart engineering as well. I wish I could say where our future is. I suspect it is always going to be tough if you are in the high-volume consumables, such as metal fabrication and those sorts of areas.

Mr BAKER—At what level are we operating with intellectual property on a world basis now, as far as our research and development goes? Are we making huge advances or is it pretty well status quo?

Mr Piro—I have a feeling—and I do not really have any statistics to guarantee this, but you can look at the investment that went into bringing the 380 to the market, which was \$600 million, and probably \$450 million of that occurred in Australia, and you can look at what General Motors Holden spent in bringing the VE Commodore to the market, which was \$450 million at the Elizabeth plant—the reality is that a lot of our funding to bring new products to the market is spent on process engineering, getting the plant configured, as well as tooling and those sorts of areas. I do not know that we are quite spending enough on looking at a vehicle and saying, 'This has an exported component to it and we will use this as a competitive edge in future.' I think there is probably not a lot of that going on as it stands at the moment. Predominantly we are still saying, 'We are a component supplier producing for this OEM for this market,' whereas Schefenacker and that nature of company are saying, 'We've got a product and there is a global market; we'll match it up with someone's needs globally.' They had not just a product but a very clever way of designing the product, and that was their intellectual property,

not so much the product per se. I suspect it is nowhere near as high as we need to make a competitive edge, to be honest.

Ms HALL—I just want to go back to Mr O'Connor's question. For absolute clarity: what you and the government are arguing is that overseas owned companies should be able to access R&D—

Mr Piro—Support.

Ms HALL—Yes.

Mr Piro—Yes, where that R&D funding is spent in Australia. So they are still committed to spending here, but they should be able to access—

Ms HALL—I just wanted to get it in those terms—that they access R&D concessions and ACIS as well.

Mr Piro—Correct.

Ms HALL—Thank you. You were here during the last session. How do you think the relationships with the Job Network providers work in this whole retrenchment and restructuring process?

Mr Piro—I have to say we were probably a little arms-length, in the sense that DFEEST was our agent in working with DEWR and the Job Network providers. The funding came through our department for the Holden labour adjustment funds, but we commissioned DFEEST as a deliverer for the department and for the state government. My understanding is that the relationship did work quite well. There were perhaps one or two instances, I understand, where misinformation may have flowed or the timing of things just did not quite work, but for the most part, I understand, the relationship worked exceptionally well.

Ms HALL—In South Australia you have a skilling of young people in the schools system linking into training for trades work in the automotive industry when they leave school. There has been evidence given this morning and, I think, evidence given by you supporting upskilling and RPL for workers in the industry, but I notice from your submission that you support the bringing in of skilled workers from overseas. My first question relating to that scenario is: how many full trade apprentices are trained within the industry each year? I think it is identified in your submission that there is a shortage in that area relating to this industry.

Mr Piro—I would have to say that I do not have that number precisely; I am sure DFEEST would. My understanding is about 1,000 apprentices—

Ms HALL—Apprentices and trainees.

Mr Piro—in the automotive industry. Certainly that was a figure that we got from DFEEST some time ago.

Ms HALL—I am just wondering if you might be able to give a break-up, because in your submission you say ‘trainees and apprentices’.

CHAIR—Mr Hutchinson did say he was going to get us that information.

Mr Piro—I could certainly follow that up with him, if you wish.

Ms HALL—The bringing in of skilled migrants: would you like to expand on that? We are in an environment where the industry is shrinking, yet you are still supporting bringing in workers to support certain areas in the industry.

Mr Piro—The state government does have population growth targets. Even though the industry is shrinking there are still certain areas of skilled bottlenecks, if you like, and what the industry has done is try to focus on that via migrants. The retraining issue and the upskilling issue will be continuing but they will not necessarily meet the immediate needs, so part of the issue for us is: if there is an immediate need, can we address it through migration? We have a very active migration program even for our police force and those sorts of areas, too.

Ms HALL—Is there any plan by the South Australian government to target some of those skill shortage areas through the schools based program and then through ongoing skills development?

Mr Piro—There is. In fact, the current state government at the last election announced the establishment of trade schools, which are going to focus on encouraging youth in schools to look at trades as an alternative and to do some early-stage trade development work while still at school.

Ms HALL—So you are identifying certain high schools that will be trade schools?

Mr Piro—I cannot say how that will be performed because it was announced at the last election and I understand that DFEEST is now working on how that might be given a life.

Mr VASTA—You were talking before about the good relationship between the state and federal governments and working with that. How helpful has Minister Macfarlane’s office been to the South Australian government?

Mr Piro—I understand Minister Macfarlane and Minister Foley have an excellent relationship. I think they share a mutual belief that the industry needs support and they are prepared to work together.

CHAIR—Spoken really well as a public servant, Mr Piro—I congratulate you!

Mr Piro—Did you expect anything else!

CHAIR—I have some quick questions about Edinburgh Parks, because we are running out of time and we are going to visit it this afternoon. It is novel, it sounds fantastic on paper and I am really interested in having a look at it. It is obviously modelled on something that has happened elsewhere in the world where there has been supplier and manufacturer linked together—is that

right? Based on the success of Edinburgh Parks, is there any thought by the South Australian government to embrace that model elsewhere in the state with other manufacturing industries? Why not take it down to Tonsley Park with Mitsubishi? Is there any reason GM was chosen and not Mitsubishi?

Mr Piro—GM approached us with the concept based on their experience overseas and what they had seen overseas. They were also designing for the VE launch, and that was based on having a very quick turnaround of supplies. They virtually produce a car every three minutes, so they pull forward products on that sort of a rotation. The concept is that there is a road with trucks calling in, picking up and taking straight into the plant. So what you have got there is a virtual hub or manufacturing excellence cell for automotive. In order to do it, though, you have to have a company that is working at high volumes. Unfortunately, Mitsubishi's volume as it stands now, which is around 15,000, would not necessarily justify having a hub like that.

As for whether you can do it for other industries, once again it would need to be an industry that had a unique supply chain configuration—you could argue white goods might be applicable. But the interesting part is that the local content of vehicles is in fact declining substantially, and we notice that even in the supplier park we have the capability for imports to be sold and logistically moved. Mitsubishi have a different model, which is an interesting one, where they have a company called Siemens VDO, who are living within their premises. They are coordinating delivery onto the line in a pull forward basis, as does TNT Logistics. So their model is a little bit similar, but unfortunately their volume decline has meant that they could not extend that model.

CHAIR—How easy is it for a supplier to get into Edinburgh Parks? Don't they need the contractual arrangements with GM first?

Mr Piro—Absolutely, yes. General Motors has to approve that they are a required supplier.

CHAIR—What investment contribution and ongoing commitment is there from GM to the parks, or is this all a South Australian government or taxpayers' initiative?

Mr Piro—General Motors approached us saying, 'This is what we need to be world class.' We then undertook the initiative and made the investment, and the state government recoups its investment at the sale of that facility. Edinburgh Parks is a series of parks. It is Defence land which the state government is buying off the defence department on a needs basis, but there are several precincts: there is the automotive precinct, the defence precinct and the logistics precinct.

Mr BAKER—You mentioned the productivity of production: one vehicle rolls off the assembly line every three minutes.

Mr Piro—At peak production.

Mr BAKER—At peak production. My understanding—and you might be able to correct me—is that in the UK situation one rolls off every one minute 30 seconds or one minute 40 seconds. Why is there such a difference in productivity between the United Kingdom and Australia and what are we doing to bridge that gap?

Mr Piro—I suspect you need to talk to Holden about that. I would imagine, though, that the issue is that our marketplace just is not large enough when you look at some plants overseas—and it really depends on the nature of the plant, I might add. Holden makes a large rear-wheel drive vehicle. A lot of the plants overseas with a capacity of 400,000 produce smaller cars, which are a lot quicker to assemble and do not necessarily have the same intensity. I think Holden's production is world class for a large vehicle. I am quite confident of that.

CHAIR—Thank you very much for providing evidence today. Yours was a good submission. If there is any further information that we need, we will get in touch with you and obviously we would like to get any other information that you may have in due course as well.

[11.41 am]

CAMILLO, Mr John, State Secretary, South Australian Branch, Australian Manufacturing Workers Union

EVANS, Mr Tony, Research Officer, South Australian Branch, Australian Manufacturing Workers Union

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. I also remind you that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We thank you for your submission and for appearing before us today. Would you care to make some introductory remarks before we go to some questions and answers?

Mr Camillo—Yes, Chair. I should let you know that I worked at Leyland in New South Wales back in 1973 when they were producing the P76 and the Clubman. After six or seven months I moved from New South Wales and came to South Australia. In 1978 I started work at Holden at Elizabeth and I have been in the auto industry ever since. When the Button plan was announced in the late seventies, I thought it was a waste of time. However, I have to say that now, with the auto industry having to be competitive in an international market, I think it is probably one of the best plans that have been put in place. The simple reason is that a company like Holden used to produce mufflers, dipsticks, locks, trims and seats and so on but you cannot be prolific with regard to continuous improvement and putting investment in all of those areas. Since then we have seen most of those parts go to other companies that have been working to make sure that money has been put into making very competitive component parts and so on.

Our submission to put before you is that the AMWU represents some 10,000 workers in the vehicle repair and service sector. Our membership in South Australia is roughly around 16,000. We are supportive of and endorse the AMWU national submissions. The information that we provide in the submission is to be regarded as supplementary and complementary material to provide a South Australian perspective on the industry. I refer to the jobs crisis in the Australian motor vehicle and parts manufacturing industry. Over the last two years we have lost something like 10,000 manufacturing jobs here in South Australia, mostly in motor vehicle and parts manufacturing. That is because of the high cost of petrol and the high value of the Australian dollar. Last year some 980,000 vehicles were sold here in Australia. Only 25 per cent of those vehicles were locally produced. If you compare that to the situation of some 10 years ago, you see roughly 45 per cent were locally produced. Now we see that figure is down to 25 per cent.

One of our biggest concerns is tariffs being further reduced on 1 January 2010 by 50 per cent. The car industry in Australia is fighting an uphill battle. I predict that a few car companies will end up closing down. Our submission is that tariffs be reviewed and that tariffs be frozen. The other proposal we put forward is that a new car plan be developed to respond to the high cost of petrol and the high value of the Australian dollar and that funds be put into research and development for ethanol and hybrid motors. We need to look forward for the simple reason that

we cannot continue what we have been doing. If we do not look forward, then there will be no car industry in Australia. Our submission is forward thinking and includes some of the things that will save the car industry. Those are just two of the issues we put before you.

The AMWU notes the comments by the Victorian Automotive Chamber of Commerce in its submission concerning the labour adjustment packages for the people who were made redundant from Mitsubishi. There are two issues in this regard. The first issue concerns those people who take voluntary separation packages: those people who are not forced out the gate but put up their hands and say, 'I want to leave.' An example was at Holden last year where 1,400 jobs were lost and 1,000 people put up their hands and picked up VSPs and moved on. Not that many people sought assistance because those people knew where they were going and so on. The situation at Mitsubishi is a little different. At Lonsdale, people had no choice but to be forced out the gate. We are looking at two issues: VSPs is one and the other is forced redundancy where people have no choice and they have to find employment elsewhere.

I think the comments made by the Victorian Automotive Chamber of Commerce contain some good points. I can only speak from my experience. In regard to labour adjustment packages, after Lonsdale closed down the people I spoke to—the people I meet in the streets at trash and treasure who come up to me—said, 'Really, that did not work for me.' They did not find full-time employment after they left Lonsdale. They found casual jobs that were not meaningful jobs; they got paid less and so. The verbal feedback I get is that these people are still very dissatisfied in regard to the training that we all promised them. The state government, the federal government and the unions said, 'There is all this training and we are going to help you and so.' I have to say that it has not worked. Our submission to you is that job creation should go back to the public sector. We know that over the years that has worked extremely well.

The other concern relates to the Award Review Task Force, which is looking at simplification and rationalisation of awards. Most of the classifications on the Holden production line relate to skills and training, and the opportunity to have high skills so you can be paid and rewarded for having those skills. If we go down the road of removing the classifications from the trades and nontrades in the auto industry we will be deskilling the workforce. To be world competitive, we need to make sure that workers have the skills and are trained. It is a moving force out there. You cannot keep still. Holden was on top a few years ago. They were probably No. 1. They were making a very good car. You cannot say that that is it. You always have to look at continuous improvement, and that applies exactly the same to skills. Those workers need further training to improve their skills to produce a better car, a better quality product and so on. Quite clearly, we see it as a matter of urgency that the task force does not reduce the classification for both the trades and the nontrades.

The other issue relates to the future summit workshop. Unfortunately, I was on annual leave last year when the development was done by the South Australian branch for the national summit. Tony Evans presented on behalf of the SA branch and I would like Tony to discuss the issues that were put forward to that national summit.

CHAIR—Do you have any comments, Tony?

Mr Evans—The submission details the outcomes of the national summit and goes to the details of the matters that we wanted to put forward. Just to reinforce what John has said, the

situation is that we do need to be lifting our skills levels and our innovation effort. That will not be assisted by cost-cutting or a process of stripping from awards those provisions that have been established in awards over the last 10 years by the parties which encourage and provide a framework for the development and acquisition of more skills. I know that there are some further matters that you will want to go to following on from the discussion this morning. I will leave those matters to be raised by members in questions.

CHAIR—Perhaps we can start there. You were present for the entire roundtable discussion. There were some discussions about the effectiveness of the labour adjustment packages, particularly the coordination of the various agencies and the unique model bringing the Commonwealth, the state, the employer and the various agencies together. Can you perhaps shed light on your view about the effectiveness of that particular model?

Mr Evans—We note the comments that the state and Commonwealth governments were able to coordinate their activities closely. We believe, however, that there has been some failure in the system. As John Camillo said, our key area of concern is the services that were provided to those of our members who were compulsorily redundant from Lonsdale. People who were going out on voluntary separation packages must have been of the view that there were things that they were going to do with the rest of their lives and they had other opportunities in mind. The people who were going out from Lonsdale were not in that position, so they were the key test of the effectiveness of the services that were provided to them after they became redundant. John has said that he has been approached by members whose outcomes in the labour market have not been desirable. I might say that we are aware of the long-term study that is being undertaken by Flinders University.

CHAIR—We are meeting with them tomorrow.

Mr Evans—Yes. It is our view that this story will take some years to come out. It is probably still too early to tell what the long-term impact of those job losses at Lonsdale will be, particularly in the context of future developments in the labour market in the Adelaide south. There have been a number of other company closures in the south which have impacted on the labour market there and continuing job losses as the Australian manufacturing industry is rationalised by these global and industry forces. That will also have an impact. We have people telling us when we go around that this or that has happened to them. So we are conscious that there are people who have been duded. We are conscious that we cannot put precise numbers to that. But we think that will probably become clearer as time passes.

CHAIR—The figures that were presented to us this morning by DEWR indicate that at the Lonsdale plant, which is where your biggest concern is because of the involuntary nature of the redundancies, of the 667 redundancies, 455 individuals were placed in jobs. At first glance that looks pretty impressive, particularly considering there is still ongoing work with those who have not been placed.

Putting aside your views about whether we should have Job Network or a Commonwealth public Service agency such as we had in the past—because we cannot revisit that in the immediate sense—what other fine-tuning or changes would you have made to the labour adjustment packages that were presented, particularly in their delivery? We heard this morning about the range of services that were offered—the wage subsidies and the ongoing support. Was

there anything in particular that you would look at and say that if we were to go through this again this is where the changes should be?

Mr Evans—John was not present for that session so he cannot comment on the numbers and I have not had a chance to go through them in detail. But I did note that despite those seemingly good results it was conceded that there were a number of multiple placements of people and that there had been some job churning. So I do not know that those numbers are necessarily as good as they seem on the surface.

Ms HALL—Could you give us some details of the job churning that has been taking place?

Mr Evans—I am only referring to what was said today—

CHAIR—I do not want to lose sight of my question, and that concerns changes you would make if we had to go through this again.

Mr Evans—Personally, in respect of that I think it would be desirable to have more skills development expenditure rather than wage subsidies so that you actually lift the levels of skills that are available for people to regain employment. I do note that there was some considerable effect in that respect largely driven by the department of further education and training in South Australia and we applaud that.

CHAIR—It seem to me from what Mr Hutchinson was saying today regarding the profiling of the skills and then the upskilling that the work that was involved was quite positive.

Mr Evans—Yes. Where that happened it was very positive. I just suspect that because that was not the centre of the labour market scheme—it was just one component of it—if more had been allocated then perhaps more would have been able to be done.

Mr BRENDAN O’CONNOR—Your submission goes to the concerns you have with the Award Review Task Force and the fact that the consequences would mean the removal of increments in awards which, obviously, are attached to skill acquisition and therefore possible loss of skills for the industry and less incentive to skill up. If there is a clear view and you are aware of it, what is the employers’ view on this? We have heard from an employer body in Victoria that raised reservations about the task force’s imposition upon the industry’s own interests or preference in terms of awards and therefore there was not any unequivocal support for the process according to that one employer representative. I know that you have a strong view in opposition to it, but have the employers in South Australia made their views clear and are they opposite to yours or somewhere in between?

Mr Camillo—I cannot speak on behalf of the employers but I can say that if you look back at the late 70s and early 80s there were times when employers wanted workers to work overtime and it was extremely difficult to get people to work overtime. In those days if a person worked on a job that person worked there for life. You would have found people in the late 70s and early 80s that would have been doing that job for the previous 20 to 30 years. Therefore, when it came to overtime that person could not do that job and they needed someone else and they could not fit anybody else into that job. With multiskilling and getting rewarded for it, I have not faced that

problem for the last 10 years when it comes to having someone work overtime filling that position. Therefore the quality car goes well because everybody knows how to do their job.

The only thing I have heard from employers relates to cost, for the simple reason that, if someone comes to Holden on an N10—we are talking about non-trades people—after three months, if they can do their job they move up a level in the pay structure. Then if they learn more jobs and more skills they move up another level in the pay structure. Probably the only argument I heard from employers concerns the pay level as they get rewarded for learning those skills. Therefore, I can understand the employers saying it is too much of a cost but, if you remove that—and being a production worker myself—why would you want to learn all the other skills if you are not going to get paid for it? Why would you concern yourself with regard to quality, the principles of the business and so on. You just go to work, you get paid, do your job and you go home. With the skills classification, it trains you with regard to problem solving, awareness of the product, the quality of it and the bigger picture. That is why it is really crucial. As I said, I think the employers will jump up and down because, from an entry point for the vehicle industry certificate, there might be a \$30 or \$40 pay increase in those skills.

Mr BRENDAN O'CONNOR—Staying with the Work Choices act or provisions thereof, as you now know, the act, although not entirely tested, allows employers to shed staff—effectively, sack them—by using operational reasons as one of the justifications, without paying any redundancy. It is, in effect, in lieu of redundancy, a form of sacking. Given that the industry does go through peaks and troughs and there is a history of job losses, unfortunately, does the union have fears that employers will rely upon the Work Choices act to remove its workforce without paying redundancies in the event of a downturn in the industry?

Mr Camillo—Let's be clear about that. Not all employers will go down that road, but I would say that some employers will and they will use that advantage in going down that road. The 'us and them' mentality will set in. As you have the situation now, the employees, the unions and the state and federal government would work together with regard to ensuring things are going pretty well. You do have that cooperation, especially if you talk about the auto industry in South Australia. We have cooperation between unions, the state government and employers. Look at Holden and Mitsubishi—the more there is of Work Choices, my belief is that there will be this development of the 'us and them' mentality, where workers will then end up going to work just for the sake of going to work and the employer will be out there on its own. There will not be this cooperation of working together. Under Work Choices, I do not see there is any need for cooperation, because it does not allow you that cooperation. The more the employers come out and use the big stick on the employees, the less they will want to contribute to their jobs and so on. The morale goes down and so on. Look at Mitsubishi and the tough times they have had over the last five or six years, but they still have a very loyal workforce. Mitsubishi does the right thing by the workers; the workers do the right thing by Mitsubishi. But, if they come out with a big stick approach, they will not get the cooperation of the workforce.

CHAIR—Mr Camillo, would it be fair to say that most of your members, if not all of them, in the automotive component industry working for organisations have enterprise agreements?

Mr Camillo—In the car parts, yes, and probably the first-tier suppliers, yes. For second-tier suppliers, probably only about 60 per cent, off the top of my head.

Ms HALL—Finally, on what Brendan was asking you, do you see that this will have a downward pressure on wages throughout the—

CHAIR—What is ‘this’?

Ms HALL—The Award Review Task Force. Do you think that the Award Review Task Force will have a downward pressure on wages within your industry?

Mr Camillo—It depends on the recommendation with regard to what they come up with but, if they do remove the classification, yes it would. If you just have one classification and one rate of pay, it will not go up. It will just be at one level and that is it. It does not give anybody the opportunity of improving their skills and so on. So, over a number of years, I would say yes.

CHAIR—But it is hypothetical and this is not an inquiry into Work Choices. We ought to keep that in mind; it is an inquiry into the automotive component industry.

Mr BRENDAN O’CONNOR—It is the elephant in the room, though, isn’t it?

CHAIR—No, it is not.

Mr BRENDAN O’CONNOR—It is the elephant in the room.

CHAIR—No, it is not.

Mr BRENDAN O’CONNOR—That point about it not being about Work Choices—

CHAIR—You were here for the roundtable; you understand that the big issue here is very much the effectiveness of the labour adjustment packages, and also all the work that has been to help workers remain in jobs and the skills needs of industry.

Ms HALL—I want to turn to the recommendations you made in your submission. One related to the tariff barriers and the effect that they will have on your industry. Can you expand on that a little more, and also on your suggestion for the new car plan to look at an alternative response to high petrol prices? After you have answered those I have a couple of questions I would like to ask you in relation to job network providers and the role that they have played.

Mr Camillo—With regard to tariffs, look at the chart for 10 years ago to see what was imported and what was produced in the auto industry. You can see that 10 years ago it was roughly 45 per cent. That has been on a sliding scale—every year going down. My biggest fear is that in 2010 the 25 per cent that is sold now in Australia will go lower. It has to go lower. That sliding scale has not changed one iota. I see that further reduction. It can only hurt the four car makers in Australia. They are the only ones that can get hurt. I see further job losses and even maybe more than one or two industries closing down in the long term.

CHAIR—Regarding that sliding scale going down, what is the recent history of auto component manufacturers in South Australia going offshore and then exporting back into Australia? Do you have any figures on companies that have done that in South Australia?

Mr Evans—The last model cycle had some components going offshore. The information provided by DEWR to your inquiry is quite extensive on that. There are some mixed stories about that. I was told by some delegates the other day that one of the companies that is listed in the DEWR submission as having gone offshore for the components has now bought the components back again. Cooper Standard is listed as having lost the supply of parts and those are listed as coming out of the US or Mexico but apparently the global owner of Cooper Standard has bought some of that work back to South Australia. That is a positive. On the other hand, there are some companies establishing operations in China to supply the local Chinese market and back into Australia. Thailand also figures in that.

Mr Camillo—Regarding the car plan we are putting forward, you will note that in 1970 with the oil crisis right around the world people moved away from their big Cadillacs and so on and moved to smaller cars. Unfortunately, car makers in Australia can predict what is going to happen in the next three to six months. When you produce a new vehicle you are looking at a three- to five-year plan. Mitsubishi made the decision to go to the 380 because the Australian public over the last five or six years has wanted big vehicles. So they went to the 380 to get a bigger slice of the market. I thought it was a good move at the time. No-one predicted the high cost of petrol but we have seen the sales of large vehicles since September of last year going down. It might take two or three years to start going up. It may take less time but we just have to wait and see. You cannot just wait for the Australian public to change and buy smaller vehicles; we have to do something different.

You cannot now have a small vehicle at Mitsubishi, because there is a three-year plan. We have to think further out than that. What we are putting is that we need to produce a high-grade or an ethanol motor or vehicle. It is as simple as that. If we do not do the forward thinking now, it will be too late in 12 months time or two years time. Now is the time to put the money in. Now is the time to do that research and development to get it up and running. I know some of the car companies in America are doing it. We need to be the first ones to be able to do it. From there it will be all about exporting. For the auto industry in Australia to survive, it has to export. I think we are going backwards in that area, but that is another issue.

Ms HALL—My final question relates to the statements that you have made about the Job Network providers and the fact that there has been a lack of coordination between the agencies. To what degree would the competitiveness between the agencies impact on that? What changes do you see should be put in place to improve the performance of the Job Network providers, given that, as the chair said, we are not moving back to a publicly funded CES style job agency?

Mr Camillo—One improvement is that I think we need to follow all the way through, especially with people who have been forced out of their jobs. I know some of these people have found only casual employment. Whether or not that is then classed as finding meaningful work, I do not know. Of some of the people I talk to, one guy delivers chickens and another person plucks turkeys. After working for 15 or 20 years at Lonsdale they have ended up getting these types of jobs.

Ms HALL—Are they permanent or casual jobs? Are they jobs through labour hire companies? What percentage of your members would have gone back into permanent work?

Mr Camillo—We have not been able to know that. I think Flinders University research over the next two or three years might be able to find that out. I know, from the people I talk to in the streets, there is nothing that has been positive. No-one has come out saying anything positive with regard to what has happened to them. Quite a few of them went to lower-skilled positions or found casual work. I am only going by what people have told me. With regard to getting the stats or the data ourselves, because of our resources we really have not been able to do that.

CHAIR—Mr Camillo, have you guys had any involvement in the application of the Structural Adjustment Fund for South Australia—that is, the \$45 million that Mr Piro referred to earlier on—which hopefully will result in \$200 million worth of investment? More importantly, what is your view about the long-term impact that that will have on employment prospects for your members?

Mr Evans—I will answer that, if I can. We have talked with a few companies that made applications for assistance but that has been generally after the event, so we have not been involved in the preparation of submissions or proposals. I think, whilst there have been some encouraging project developments as a result of the Structural Adjustment Fund, you would have to say that from \$45 million a \$200 million outcome is not a great big number. You would want to have done a little bit more. There would also have to be some question about whether some of the projects would not have happened regardless of the SAF investment. Probably the key thing that I would say, having followed this for a couple of years, is that there is arguably only one investment that is coming and that involves foreign direct investment. I believe that one has not yet been announced. So, on that \$45 million, we have not been able to draw down any funds from outside of Australia or involve a new player in Australian manufacturing. Of course, that is not just an automotive plan but a general industry plan.

CHAIR—Thank you.

Mr VASTA—I have a question for Mr Evans, because he was here at the roundtable. You heard Holden, Mitsubishi and everyone else talking about the good cooperation between the unions and themselves. Has there been a bit of a falling-out since that process began? Can you tell me some of the stories? Because it does not seem like there is the great cooperation that we heard about from before happening at the moment.

Mr Evans—It is certainly not my intention to give any impression that there has been a falling-out between us, Holden and Mitsubishi. I do not believe I have done that. John did not hear all the words of praise heaped upon us earlier by Holden and Mitsubishi, but there has been no falling-out.

Mr VASTA—It is just that they say that it has been a great success, and I think that you are saying that it has not been the success they think it has been.

Mr Evans—You can always have different opinions.

Mr VASTA—But you are still coordinating and working together.

Mr Evans—We are still working partners—

Mr Camillo—We have to. To make this industry survive, you need cooperation on both sides. If you have not got cooperation, you then have not got your eye on the market and so on. That is what we need. I think Work Choices is only going to show that, over the next few years, the cooperation will not be out there. I am not saying our union; I am just saying loosely, in general. We will just have to wait and see.

CHAIR—In the South Australian government submission, there was a comment made about the industrial relations agreement regarding exports, and I think you referred to it as well. Has it been necessary at any stage since it was signed to put it into force?

Mr Camillo—The export agreement in regard to auto?

CHAIR—Yes.

Mr Camillo—The AMWU were not involved with regard to signing that.

Mr BRENDAN O’CONNOR—It was the TWU and the MUA. It was more about the moving, wasn’t it?

Mr Camillo—It did not really affect our members. If you moved a vehicle from, say, Holden to the port docks, it was crucial. To give an example, Mitsubishi got a contract to produce 5,000 vehicles to arrive in Japan that have to be there by a certain date. If they are not there, they get penalised and they could lose the contract. There is nothing worse than having those production workers produce those extra cars, they go to the port docks and you might have some stoppages for some reason or the other—

CHAIR—I understand.

Mr Camillo—and that is why that was put in place.

CHAIR—I was under the impression that it was your union involved. I apologise. I understand what it was all about. Obviously it is a unique agreement, but there has not been any necessity to activate it yet. Is that right?

Mr Camillo—Yes.

Mr BRENDAN O’CONNOR—But there are similar agreements like that that you see in the building industry when they are finishing particular sites, like with the Olympic Games in Sydney. They are not entirely unique but it makes sense if the whole industry is threatened.

CHAIR—Thank you very much for coming in, Mr Camillo and Mr Evans. If there is any further evidence or information you would like to convey to us, please do so. If we have further requests, we will contact you. Mr Evans, would you like to make a final comment?

Mr Evans—Yes. I had not looked at our submission in the form it was sent to you. There is a formatting problem, and I apologise for this. On page 2 in the second dot point after ‘hybrid motors’, the words ‘labour adjustment assistance’ appear as part of the dot point. That is actually meant to be on the next line.

CHAIR—Yes, I said. It is okay: I read it the right way!

Mr Evans—There are just a few formatting issues which we did not pick up at the time.

CHAIR—Not a problem. Thank you very much.

Resolved (on motion by **Mr O'Connor**, seconded by **Ms Hall**):

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

Committee adjourned at 12.19 pm