VACC Submission:

Methodology Discussion Paper:
Review of the Australian Apprenticeships National Skills Needs List

31 January 2019

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About VACC

The Victorian Automobile Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,500 members in over 20 retail automotive sectors that employ over 50,000 Victorians.

VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), and automotive dismantlers and recyclers.

VACC is also an active member of the Motor Trades Association of Australia (MTAA) and contributes significantly to the national policy debate through Australia's peak national automotive association.

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Response to Discussion Questions

1. **Do you support the proposed methodology for identifying skills shortages for the purpose of allocating apprenticeship incentives?**

The proposals outlined in the Methodology Discussion Paper amount to a major change in the basis for allocating apprenticeship incentive payments, and potentially will result in a complete redesign of the current National Skills Needs List.

VACC remains sceptical of the Department's claims that an overhaul of this nature will not affect eligibility for the full range of incentives available under the Australian Apprenticeships Incentives Program. There is a strong possibility that with the introduction of a single skills shortage methodology, eligibility for skill shortage incentive payments will be impacted beyond the boundaries of the NSNL, AISS Payment and Priority Occupations. VACC notes that similar concerns are also shared by other respondents, and therefore this simply cannot be dismissed as a "misunderstanding" as claimed in the Methodology Discussion Paper. VACC would like to see further information and evidence that support he Department's claims in this respect.

Such perceptions are further reinforced through the condescending tone of the Discussion Paper, which constantly emphasises the need to "*effectively target employer apprenticeship incentives and payments*" and "*review occupations that have been on the NSNL for more than 5 of the last 10 years, to determine the public benefit of continuing to incentivise these occupations….*"

These positions not only demonstrate a lack of knowledge relating to endemic and legitimate skill shortages in the economy that have been around for decades, but also a general suspicion around training analysis and the removal of incentive funding. Inevitably, this will instil a sense of nervousness amongst registered training providers (RTOs), particularly in regards to investing in training apparatus, which is a major factor where RTOs fail to make sufficient investments to deliver quality training.

Overall, these concerns and a lack of sufficient detail in the Methodology Discussion Paper, act to limit VACCs support for the Department's proposed methodology for identifying skills shortages and objectives.

2. **Are there specific elements of the methodology that you strongly agree or strongly disagree with? Why?**

VACC strongly agrees with the Department's attempt to build a methodology that engages industry in a validation exercise. As a conjunct however, industry would also require evidence and surety as to how their input will actually be factored in. This is not discussed in any detail within the Methodology Discussion Paper.

VACC has long witnessed a superficial level of industry engagement surrounding skills shortages within Government, and this this has been demonstrated more recently through the industry consultation process for the AISS Payment. This process saw Vehicle Painters added to the AISS List in July 2019, despite industry representations and evidence showing that this inclusion was inaccurate and poorly advised. In this respect, industry evidence that showed the largest skill gaps within the automotive industry related to motor mechanics and panel beaters, was

ignored by Government, to the dismay of industry. This reinforces the need for trust and surety surrounding industry engagement and validation of skill shortages.

VACC also strongly agrees with the concept of targeting incentives to occupations for which an apprenticeship is the primary entry pathway. This will help support the sustainability of the vocational education and training sector as well as provide signals to training providers as to where they should prioritise investment.

3. If you do not support the proposed methodology or parts thereof, what alternative approaches do you propose?

VACC favors a skill shortage methodology that is based on the direct collection of apprentice skill shortage occupation data at the business and industry level. This would provide for more accurate and timely skill shortage estimation and forecasting over a five-year timeline.

Direct collection of apprentice skill shortage data is preferable to the Department's proposed data thresholds/filtering/traffic light indicator approach, which would require businesses to basically prove their case via submissions, if they disagreed with the Department's traffic light classification of certain occupations. This requirement would be more onerous and less palatable to businesses.

Direct data collection could be undertaken through collaboration with the Australian Bureau of Statistics (ABS) by adding supplementary skill shortage questions to existing ABS business surveys such as the annual Economic Activity Survey (EAS) or the Quarterly Business Indicators Survey (QBIS), or other business surveys. Direct measurement would allow for more accurate forecasting of apprentice and non-apprentice labour supply/demand and is vastly preferable to the Department's current reliance on SERA and labour market projections which can be misleading indicators.

VACC also contends that as part of the review of skill shortage methodology, the Department must better understand why there are endemic and long-term skill shortages in the economy, and not simply be suspicious about their existence and seek to remove them from future incentive funding. This is a wrong approach and will likely draw the ire of industry.