

**Post 2005 Assistance Arrangements for the Automotive
Manufacturing Sector
Productivity Commission's Automotive Industry Inquiry**

**Submission by the Department of Employment and Workplace Relations
May 2002**

INTRODUCTION

1. This submission provides an overview of current labour market conditions and workplace relations reform issues within the automotive industry.

OVERVIEW OF EMPLOYMENT IN THE AUTOMOTIVE INDUSTRY

Employment trends

2. The following analysis of employment trends¹ in the automotive industry uses both Labour Force Survey (LFS) and Manufacturing Industry Survey (MIS)² data from the Australian Bureau of Statistics (ABS)³. The definition of employed persons used in the LFS includes employees, employers, own account workers⁴ and contributing family workers.

3. The most recent data available from MIS is June 2000. Original LFS quarterly data are available to March 2002, however these data are subject to seasonality and sampling error which can obscure underlying trends. This is overcome by using a four quarter moving average to smooth out the irregularities which is available to the September quarter 2001.

4. Chart 1 shows employment in the motor vehicle and part manufacturing industry from the June quarter 1990 to the September quarter 2001. LFS data are a four quarter moving average, while MIS data are from a survey conducted in June of each year. These two series have diverged considerably since the early 1990s, with the MIS series lying considerably below the LFS. Despite this divergence, and the greater volatility in the LFS, there is a similar pattern evident in both series – a sharp decline in employment due to the recession of the early 1990s, followed by a period of consolidation. The latest data from the LFS indicate a pick up in employment through 2000.

5. Over the three years to the June quarter 1993 the decline in employment was 11 000 (14.7%) according to the LFS and 22 860 (29.6%) according to the MIS (see Table 1). Over the 12 months to the June quarter 2001, LFS employment increased by 9 300 (14.6%) to 73 200, just 2.8 per cent below its level in 1990.

¹ Trends in employment characteristics have been drawn from two ABS publications - the *Labour Force Survey* (ABS Cat No. 6203.0) and the *Manufacturing Industry Survey* (ABS Cat No. 8221.0). The Labour Force Survey (LFS) is based on a sample of private and non-private dwellings and covers around 0.5 per cent of the population.

² The Manufacturing Industry Survey (MIS) is a survey of approximately 17 000 manufacturing establishments.

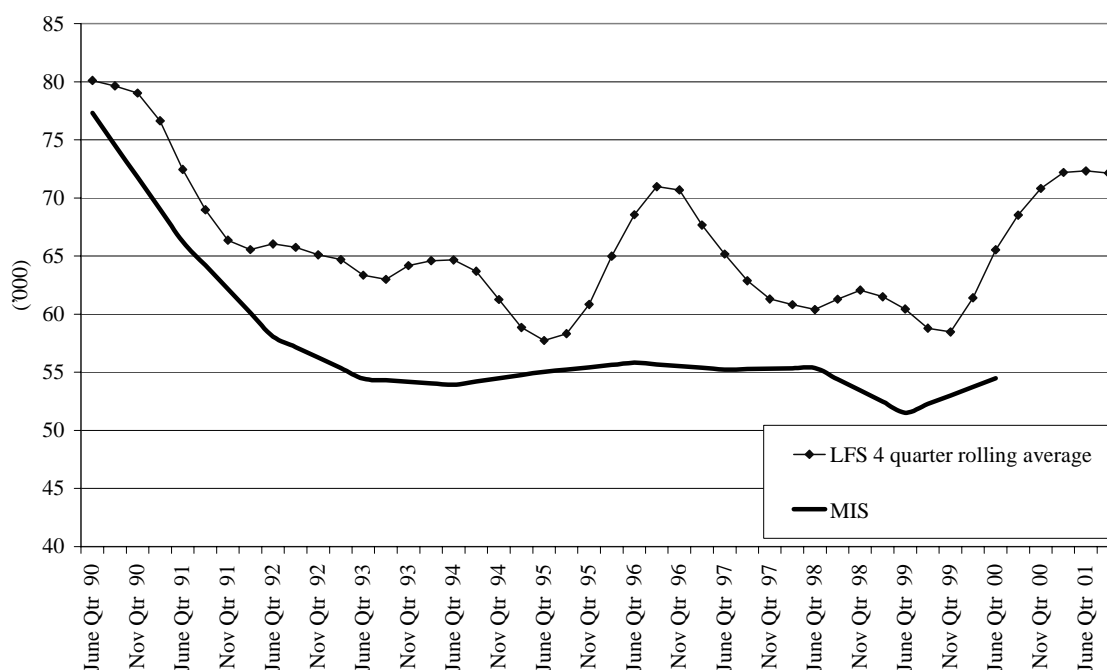
³ Estimates of employment in the motor vehicle and component manufacturing industry from the LFS and MIS vary as respondents to the LFS provide details of the firms for which they work. That information is interpreted by the ABS and given an industry classification code, usually at the management unit level. Industry employment data from the LFS is original, meaning estimates have not been adjusted for seasonal factors. As a result the data from quarter to quarter is quite volatile. Data from the MIS is also original, but being annually sampled, is not subject to seasonality.

For example an individual respondent may state in the LFS that they worked for BHP however there are a number of business activities undertaken by the company including administration, different types of manufacturing, steel production, service divisions and so on. In the MIS, establishments are asked directly about the size and nature of their workforce, hence industry can be more accurately identified. But while the MIS may provide a more accurate breakdown of employment by industry, contractors are not included in the estimates of employment.

The LFS on the other hand may include contractors in their estimates, which explains some discrepancies in the two sets of data. Significant changes to the classification of industries were introduced by the ABS in the mid 1990s with the introduction of the Australian and New Zealand Industrial Classification (ANZSIC). Changes were made to the Labour Force survey in April 2001, to ensure conformity with a number of ILO conventions. The ABS has adjusted the industry employment data used in this analysis back to the December quarter 1984 to account for these changes.

⁴ Own account workers are defined as persons who operate their own unincorporated economic enterprise or engage independently in a profession or trade, and hire no employees (formerly known as self employed).

Chart 1. *Employment in motor vehicle and part manufacturing*



Sources: *Labour Force Survey* (ABS cat No. 6203.0) and *Manufacturing Industry Survey* (ABS cat No. 8221.0)

Table 1: *Employment in motor vehicle and part manufacturing*

Year	LFS data (June qtr)	MIS data (June)
1990	75 300	77 310
1991	74 100	66 240
1992	65 400	58 080
1993	64 300	54 450
1994	68 100	53 920
1995	57 400	55 040
1996	72 500	55 820
1997	61 400	55 230
1998	60 300	55 360
1999	58 800	51 520
2000	63 900	54 490
1990 to 2000	-11 400 (-15.1%)	-22 820 (-29.5%)
1996 to 2000	-8 600 (-11.9%)	-1 330 (-2.4%)
1999 to 2000	+6 500 (+8.7%)	+2 970(+5.8%)

Sources: *Labour Force Survey* (ABS cat No. 6203.0) and *Manufacturing Industry Survey* (ABS cat No. 8221.0)

6. This period of employment consolidation and subsequent growth has occurred in an environment of increasing exposure to foreign competition, through the gradual removal of tariff protection. This has seen local car manufacturers make some improvements in management practices, including labour utilisation, and upgrade their plant and equipment in order to maintain price and cost competitiveness with imported cars, and expand their export markets.

- Automotive exports have increased dramatically from \$463 million in 1986 to 4.9 billion in 2001, making the automotive industry Australia's 10th largest exporter.

7. The motor vehicle and part manufacturing sector can be divided into four sub sectors: motor vehicle manufacturing, motor vehicle body manufacturing, automotive electrical and instrument manufacturing and automotive component manufacturing.

8. There have been significant changes in the composition of employment within the sector following the end of the recession in the early 1990s. Between 1993 and 2000 there have been increases in employment in motor vehicle body (up 64.7%), automotive electrical and instrument (up 14.3%) and automotive component (up 8.4%) manufacturing, offset by a decrease in motor vehicle manufacturing (down 27.9%) (see Table 2).

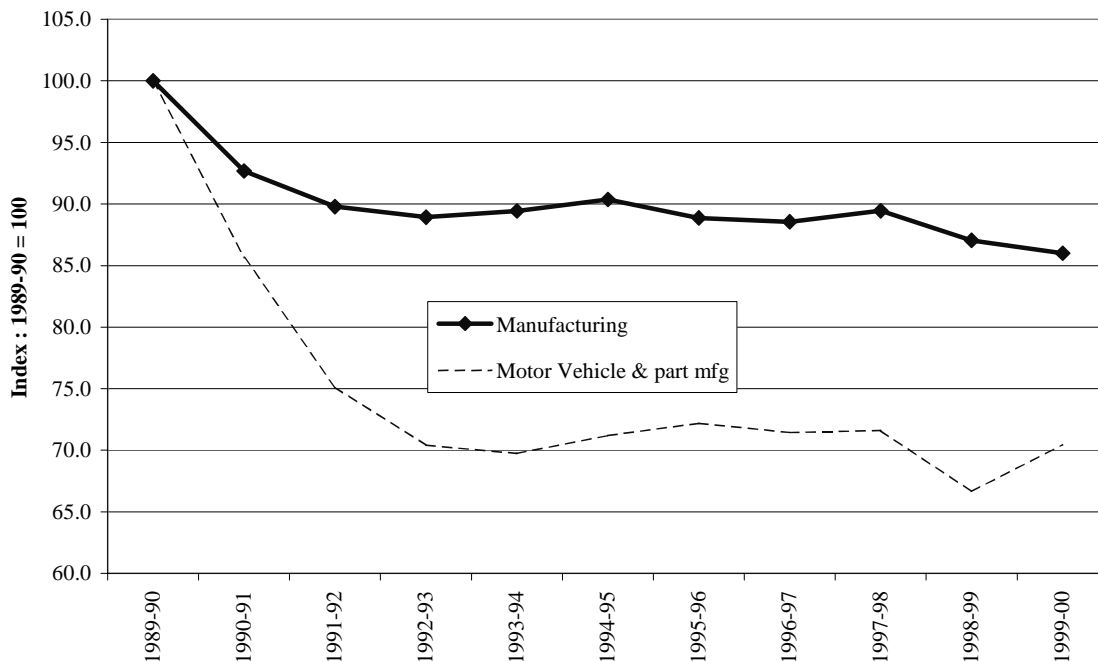
Table 2: Employment within sub-sectors of motor vehicle and part manufacturing sector

Year	Motor vehicle	Motor vehicle body	Automotive electrical & instrument	Automotive component
1990	34 780	6 810	7 990	27 740
1991	30 230	5 680	6 740	23 560
1992	26 400	5 470	4 850	21 360
1993	22 900	6 230	4 630	20 690
1994	22 560	6 420	4 090	20 840
1995	22 480	7 350	4 680	20 540
1996	20 870	7 680	5 180	22 090
1997	20 330	7 610	5 420	21 870
1998	19 720	8 640	4 730	22 260
1999	17 800	8 210	5 190	20 320
2000	16 520	10 260	5 290	22 420
1990 to 2000	-18 260	3 450	-2 700	-5 320
1996 to 2000	-4 350	2 580	110	330
1999 to 2000	-1 280	2 050	100	2 100

Source: *Manufacturing Industry Survey* (ABS Cat No. 8221.0)

Composition of Employment

9. The gender composition of the industry appears to be quite stable, with little in the way of



change through the 1990s to the present. In the March quarter 2002, about 85 per cent of workers in the sector were male⁵.

10. The industry is characterised by full-time employment, with 95.9 per cent of the workforce employed on a full-time basis in the March quarter 2002, compared with 96.5 per cent in the March quarter 1993. Over this same period, full-time employment in the motor vehicle and part manufacturing sector increased by 7 100 (12.2%) and part-time employment increased by 700 (33.3%), albeit from a very low base⁶.

Comparison of Employment Trends in Manufacturing and Motor Vehicle and Part Manufacturing

11. The following chart illustrates that the decline in employment in the early 1990s in the motor vehicle and part manufacturing sector was significantly faster than that experienced by the manufacturing industry as a whole.

12. In the three years to June 1993, employment fell by 11.1 per cent in manufacturing, compared with employment loss of 29.6 per cent in motor vehicle and part manufacturing. Relative stability in employment characterised both manufacturing and motor vehicle and part manufacturing from 1992-93 to 1999-00. Over this period, employment fell by 3.3 per cent in manufacturing, and increased by 0.1 per cent in motor vehicle and part manufacturing.

Chart 2: *Index of Employment in Manufacturing and Motor Vehicle and Part Manufacturing*

Source: *Manufacturing Industry Survey* (ABS Cat No. 8221.0)

⁵ LFS series data

⁶ LFS series data

Employment by Occupation

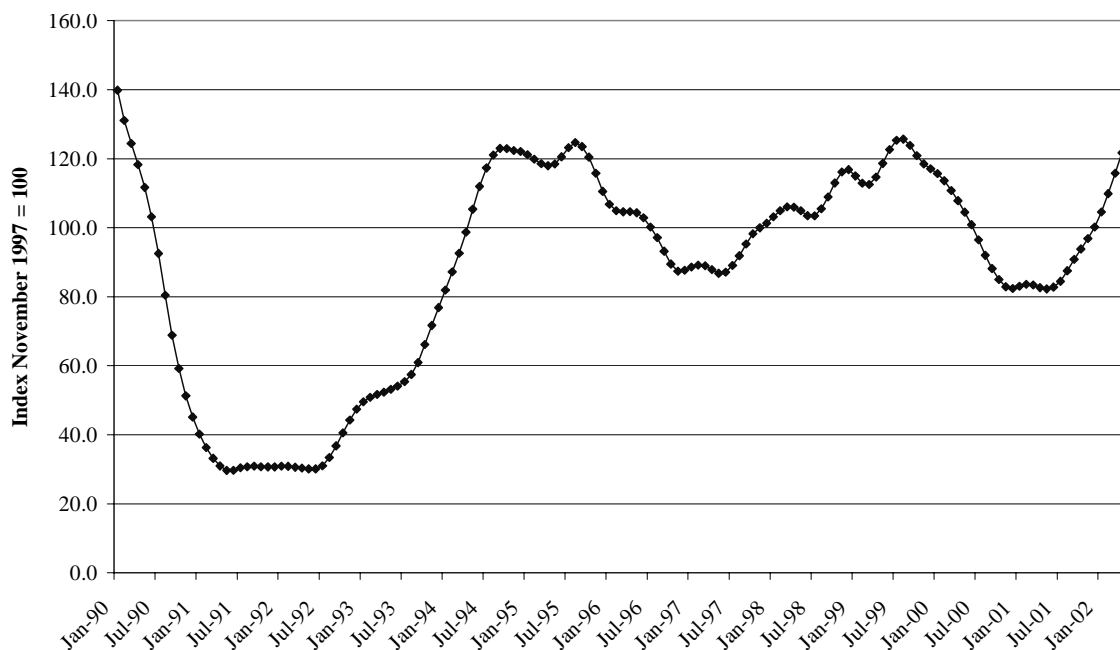
13. A total of twenty occupations account for almost 80 per cent of employment in the motor vehicle and parts manufacturing sector. Production assemblers represent 18.6 per cent and engineering production systems workers 9.5 per cent of employment in the industry, or 13 700 and 7 000 employed persons respectively (see Table 3).

14. Skilled tradespersons represent around 20 per cent of employment in the industry. The main trades in the industry are metal fitters and machinists, structural steel and welding tradespersons and motor mechanics.

Table 3. Occupations Employed in the Motor Vehicle and Part Manufacturing Sector by *Australian Standard Classification of Occupations (ASCO)*

ASCO Code	Occupation	Number Employed (000's)	Share of Industry Employment %
9212	Product Assemblers	13.7	18.5
7123	Engineering Production Systems Workers	7.0	9.5
4112	Metal Fitters and Machinists	5.6	7.6
4122	Structural Steel and Welding Tradespersons	4.7	6.4
6141	Accounting Clerks	2.7	3.7
1231	Sales and Marketing Managers	2.5	3.4
2126	Mechanical, Production and Plant Engineers	2.5	3.4
1222	Production Managers	2.3	3.1
4211	Motor Mechanics	2.2	3.0
7992	Product Quality Controllers	1.7	2.3
6153	Stock and Purchasing Clerks	1.6	2.2
4215	Vehicle Body Makers	1.5	2.0
7993	Storepersons	1.5	2.0
9211	Engineering Production Process Workers	1.5	2.0
4311	Electricians	1.4	1.9
7112	Forklift Drivers	1.4	1.9
4113	Toolmakers	1.1	1.5
6211	Sales Representatives	1.1	1.5
1193	Manufacturers	1.0	1.4
5911	Bookkeepers	1.0	1.4
	Other Occupations	15.9	21.5
	Total Occupations	73.9	100.0

Source: ABS, *Labour Force Survey*, unpublished data, August 2000



Trends in vacancies for automotive trades

15. The Department of Employment and Workplace Relations (DEWR), Skilled Vacancy Index for Automotive Trades fell substantially as the recession deepened in the early 1990s (see Chart 5). More recently, there was a steady decline in vacancies from August 1999 to December 2000. Despite the recent global economic slowdown, the resilience of the domestic automotive industry is indicated by the steady recovery in vacancies for the auto trades from July 2001 to April 2002.

Chart 3. *Skilled Vacancy Index for Automotive Trades*

Source: DEWR Skilled Vacancy Series

Skill Shortages

16. Many of the trades employed in the motor vehicle and part manufacturing sector are assessed by DEWR as being in shortage or as subject to recruitment difficulties, either nationally or in one or more State. Table 4 summarises trades employed in the motor vehicle and part manufacturing industry assessed as being in shortage across a range of industries or subject to recruitment difficulties.

Table 4. *Skill Shortages in Trades Employed in Motor Vehicle and Part Manufacturing*

ASCO	Occupation	AUST	NSW	VIC	QLD	SA	WA	TAS
4112-11	Metal Fitter*	N	S*	S*		S*	S*	
4112-13	Metal Machinist*	N		S*	S*	S	S*	
4113-11	Toolmaker*	N	S*	S*	S*	S	D	
4122-11	Metal Fabricator*		M-D R				*	
4122-15	Welder*		R*		S*		*	
4211-11	Motor Mechanic*	N	S*	S*	R	S	S	S
4212-11	Auto Electrician	N		S	S	S	S	S
4213-11	Panel Beater	N	S	S	S	S	S	S
4311-11,13	Electrician*		D*	D*		D*		S

* = specialisations

N = National shortage

M = Shortage in metropolitan areas

D = Recruitment difficulties

S = State-wide shortage

R = Shortage in regional areas

OVERVIEW OF FEDERAL WORKPLACE RELATIONS FRAMEWORK

17. The federal legislation that underpins workplace relations is the *Workplace Relations Act 1996* (the WR Act). The following part of this submission gives an overview of key features of the WR Act, relevant to the terms of reference of this inquiry and recent industrial issues in the automotive industry.

18. The WR Act, is designed to encourage employment growth and labour market flexibility, by focusing workplace relations at the enterprise and workplace levels. The decentralization of agreement-making the WR Act encourages, better aligns wages growth with underlying changes in productivity.

19. The WR Act is founded on a set of key principles:

- a more direct relationship between employers and employees with a reduced role for third party intervention
- a fair go for all – so that the system is appropriately balanced and delivers benefits for both employees and employers
- genuine freedom of association and greater choice of representation, and
- a more accessible system.

Agreement-making

20. The agreement-making framework established by the WR Act is designed to provide a balanced and fair system which effectively meets the needs of both employees and employers and does not favour any one form of agreement making over the others.

21. The WR Act provides for collective agreements to be made between either employers and registered unions, or between employers and employees directly. Collective agreements are certified by the AIRC. It also provides for Australian workplace agreements (AWAs) to be made between employers and individual employees. AWAs are approved by the Employment Advocate.

22. Agreements cannot be made without the genuine approval of a valid majority of employees (in the case of certified agreements), or the genuine consent of the employee concerned (in the case of AWAs). Agreements must also pass a ‘no-disadvantage test’ in comparison against the award that would otherwise cover the work. If there is no relevant award for such comparison, an appropriate award must be designated by the AIRC or the Employment Advocate.

23. Protected industrial action, which confers certain legal immunity, can be taken in support of claims for agreements, but industrial action cannot be taken prior to the nominal expiry date of an agreement. The WR Act provides a range of sanctions for unlawful industrial action, described below.

Awards as a safety net

24. Consistent with the emphasis on agreement-making in the WR Act, federal awards are intended to provide a safety net of fair and enforceable minimum wages and conditions. The Australian Industrial Relations Commission (AIRC) is required to exercise its powers in relation to awards in such a way as to encourage agreement-making at the workplace or enterprise level.

25. Awards are confined to certain specified “allowable matters” and to other matters that are incidental to an allowable matter and necessary for the effective operation of the award. Awards are also required to meet particular criteria, designed to ensure their flexible operation so as to allow employers and employees to take responsibility for choices about how work is organised.

26. Transitional arrangements in the *Workplace Relations and Other Legislation Amendment Act 1996* provide for awards which pre-date the WR Act to be ‘simplified’, that is, confined to allowable matters and reviewed against the criteria just mentioned.

Freedom of association

27. The WR Act also contains provisions with respect to freedom of association. These provisions are designed to ensure that employers, employees and independent contractors are:
“... free to join industrial associations of their choice or not to join industrial associations; and ... are not discriminated against or victimized because they are, or are not, members or officers of industrial associations”⁷

28. The WR Act prohibits victimisation or discrimination on various grounds, including a person’s membership or non-membership of an association (or other involvement or non-involvement with such an association); the exercise of a person’s rights under industrial laws; a person’s participation in proceedings under the Act; or, because a person is entitled to the benefit of an industrial instrument, or an order of an industrial body. Union preference and compulsory unionism are prohibited to the extent of available constitutional powers.

29. The WR Act also gives the Federal Court a wide range of powers to ensure compliance with these provisions, including the issuing of injunctions and imposition of monetary penalties.

30. Provisions in industrial awards and agreements that require or permit conduct which is in contravention of the freedom of association provisions are considered ‘objectionable clauses’ and are technically void.

31. Objectionable clauses include clauses that would require a person to establish or maintain a closed shop, or give preference in employment to union members. Provisions of the WR Act covering objectionable clauses are designed to prevent inclusion of clauses in industrial awards and agreements which operate in opposition to the principles of freedom of association.

Compliance measures

32. The WR Act provides a framework of rights and responsibilities for employers, employees and their representative organizations. The WR Act also allows for sanctions against those not fulfilling their obligations or actively preventing others from exercising their rights.

33. A key area of the WR Act is the protected action and compliance framework, which underpins the Act’s focus on agreement-making. This framework is based on a distinction between “protected” industrial action (which can be lawfully taken in the context of genuine bargaining for a single enterprise certified agreement, or AWA, subject to certain procedural conditions) and other, unlawful or ‘unprotected’ action.

34. Protected industrial action is immune from AIRC orders dealing with industrial action, and immune from actions under State and Territory laws (common law and legislation). This immunity does not extend to industrial action that involves personal injury, wilful or reckless destruction of, or damage to, property or the unlawful taking, keeping or use of property

⁷ from WR Act s298A (a) and s298A (b)

The WR Act does provide, however, that the AIRC can suspend or terminate a bargaining period and thus suspend or terminate the ‘protected’ status of any industrial action or lock out on a number of grounds. These grounds include:

- i) that genuine bargaining is not occurring
- ii) that a party taking industrial action is not complying with AIRC directions or recommendations
- iii) that industrial action is threatening to endanger the life, personal safety, health or welfare of the population or a part of it, or,
- iv) to cause significant damage to the Australian economy or an important part of it, or,
- v) in the case of parties who have been customarily covered by paid rates awards, there is no reasonable prospect of their reaching an agreement.

35. Where the AIRC terminates a bargaining period because of iv) or v), it must conciliate to facilitate the making of a certified agreement or otherwise to settle any matter or issue that could be covered by such an agreement.

36. If conciliation is not successful, and it is unlikely further conciliation will result in matters at issue during a bargaining period being settled within a reasonable time, the Commission must, if it considers it appropriate, arbitrate to settle the matters.

37. Unprotected industrial action is unlawful in that it may attract various forms of civil liability and may be the subject of sanctions under the WR Act and other State and Territory law. These include AIRC orders to stop or prevent industrial action, access to action in tort, prohibition on “action in concert”, prohibition on strike pay, and prohibition on secondary boycotts and some primary boycotts⁸.

38. The Act provides that from the time a certified agreement or an AWA comes into operation until its nominal expiry date, employees must not take industrial action in support of claims against their employer, or in connection with employment to which certified agreement, or an AWA relates.

39. The prohibitions on industrial action are designed to provide industrial stability during the operation of agreements. The prohibition only applies where an agreement is in operation and ceases to apply, after the expiry date of the agreement chosen by the parties.

40. In combination, these provisions were designed to strike a balance between the rights of parties to take industrial action in support of claims for new agreements and the obligations to meet their commitments, under agreements into which they have already entered.

⁸ s.45D of the Trade Practices Act

WORKPLACE RELATIONS ARRANGEMENTS IN THE AUTOMOTIVE INDUSTRY

Union Coverage Within the Industry

41. Unions covering the industry are:

- Australian Manufacturing Workers Union (AMWU)
- Australian Workers Union (AWU)
- National Union of Workers (NUW)
- Construction, Forestry, Mining and Energy Union (CFMEU)
- Australian Services Union (ASU)
- Communications, Electrical and Plumbing Union (CEPU), and
- Association of Professional Engineers, Scientists and Managers, Australia (APESMA).

42. In addition to the various unions undertaking negotiation within the automotive industry, the Federation of Vehicle Industry Unions plays a role in coordinating combined union approaches to enterprise bargaining negotiations. The FVIU is involved in numerous formal consultative arrangements with unions and companies, covering a wide range of issues.

Federal/State coverage

43. Federal collective agreements are prevalent in the motor vehicle and part manufacturing industry. Details of trends in agreement-making at the federal level are discussed further in this section. Table 5 shows the coverage of various types of industrial instruments, operating within the industry from federal and state industrial relations systems.

Table 5. Motor Vehicle and Part Manufacturing by Pay Setting Method.

Industry	Awards Only	Collective	Agreements	Individual Agreements
	Fed and State (%)	Fed (%)	State or Unregistered (%)	Fed or State Unregistered (%)
Motor vehicle and part manufacturing (ASCO: 281)	6.8	62.4	1.8	29.1
All industry average	23.2	21.7	15.1	40.0

Source: ABS Survey of Employee Earnings and Hours, Catalogue 6306.0, May 2000.
 Unpublished ABS Survey of Employee Earnings and Hours data, May 2000.

Workplace Agreements

44. DEWR data⁹ for federal agreements certified between 1997 and 2001 shows evidence of industry wide union agendas having had strong operative influence within automotive industry agreement making. Between 1997 and 2001 there were 128 LJ¹⁰, LL¹¹ and LN¹² agreements (negotiated between employers and unions) and only 30 LK¹³ agreements (involving direct employer employee bargaining).

Current Agreements at Component Manufacturing Companies (CMCs)

45. There are close to two hundred component manufacturing firms in Australia. The majority of the largest component manufacturers are foreign owned and several do not produce outputs entirely dedicated to supplying the motor vehicle assembling industry.

46. While an analysis of the content of workplace agreements for a selection of leading component companies, which supply the four motor vehicle assemblers, reveals arrangements which are generally more reform focussed and tailored to needs at the enterprise level than the agreements of the assemblers, this is not the case across all CMCs. The examples provided at Attachment A were chosen to exemplify the diversity in the industrial arrangements of prominent suppliers and to illustrate the range of approaches and responses to agreement making adopted in this part of the industry.

Current Agreements of the Motor Vehicle Assemblers

47. There are many commonalities across the current certified agreements of the four motor vehicle assemblers. Further detail on the content of each agreement is outlined at Attachment B. Similarities include the fact that all are s170LJ agreements and all contain arrangements for pay and the scheduling of RDOs/PDOs during stand downs (involuntary and scheduled). The agreements also uniformly provide for a nine day fortnight.

48. The agreements each have similar provisions supporting initiatives to develop and support women shop stewards. Restrictions on the use of casual, contract and fixed-term labour are also clearly stated in all the agreements, as are provisions for paid maternity leave, income protection and voluntary bargaining fees.

49. Each of the agreements contains provisions specifying the companies' recognition and encouragement of employee rights to pursue union membership. However the agreements do not contain a clear right for each employee to choose not to be a union member. Such a clause would underline support for the WR Act's freedom of association clauses.

⁹ This data is drawn from the December quarter 2001 Workplace Agreements Database (WAD) data set of federal collective agreements certified on or before 31 December 2001. The WAD is maintained by DEWR. The WAD contains information on all known federal enterprise agreements which have been certified or approved by the AIRC since the introduction of enterprise bargaining in August 1991. The WAD covers general details (such as sector, ANZSIC, duration, employees covered), wage details (quantum and timing of increases), and employment conditions. Information entered on the WAD is derived from copies of federal agreements lodged with the Australian Industrial Registry.

¹⁰ An agreement made involving one or more union.

¹¹ Greenfield agreement

¹² An agreement made to settle or maintain the settlement of, or to prevent, industrial disputes, or to prevent industrial situations from giving rise to industrial disputes.

¹³ An agreement made directly between an employer and employees.

50. The agreements also contain clauses detailing procedures that commit to union involvement in a range of ongoing workplace management issues. These include several situations which require opportunity for consultation and communication with staff prior to management decision making. Clauses securing routine provision of union application forms to new employees during initial orientation to the workplace, also feature in the agreements.

51. The agreements commonly recognise unions' rights in the workplace and lend support to such issues as collective bargaining and provision of income protection, using a union endorsed provider. Agreements with such priorities do not appear conducive to encouraging an employer/employee engagement on pursuing innovative workplace relations outcomes.

Australian Workplace Agreements (AWAs)

52. From the data available for 1 January to 30 April 2002¹⁴, there have been nineteen AWAs approved by the Employment Advocate across the automotive industry, covering five employers

53. The low incidence of AWAs is not surprising given the common occurrence of union-supported clauses in certified agreements effectively prohibiting employers from offering AWAs to their employees. Analysis indicates it is small and medium sized CMCs which are most likely to offer employees AWAs or to set pay and conditions at an informal level. These also tend to be companies which are less involved in the motor vehicle manufacturers component supply chains.

Trends in Agreement Making Across the Machinery and Equipment Manufacturing Sector (MEM)

54. Table 6 compares the incidence of particular clauses in workplace agreements certified between 1999 and 2001 in the MEM (which include a large share of certified agreements in the automotive industry), the manufacturing sector and across all industry sectors.

55. Overall, the incidence of particular clauses in the MEM is reflective of general trends in the manufacturing sector, but varies slightly from trends across all industries. This may be reflective of the particular nature of the manufacturing sector. The following comments are made in regard to specific clauses and trends in agreement making in the MEM but the information is not specific to either component manufacturers or vehicle assemblers.

- Employee needs – the MEM compares well with the rest of the manufacturing sector on personal carers and sick leave but the MEM's incidence of flexible/facilitative leave clauses is comparatively lower than the rest of the sector and all industries.
- Overtime – the incidence of clauses relating to overtime and the payment of penalty rates are slightly lower than for the manufacturing sector as a whole. The MEM has slightly higher levels of clauses relating to flexible/facilitative access to overtime. The incidence of most clauses relating to overtime in the MEM is slightly lower than the incidence across all industry sectors. Clauses allowing for absorbing allowances is the only overtime clause where the incidence is higher than across all industry sectors.

¹⁴ Until January 2002, the Office of the Employment Advocate (OEA) had only been holding statistics at single digit ANZSIC level, which meant it wasn't possible to analyse the incidence of AWAs in this industry, or indeed, the incidence of particular provisions contained in AWAs.

- Unions – leave for trade union business has increased dramatically since 1999 in both the MEM and manufacturing sector. Thirty six per cent of agreements certified in 2001 contain clauses for leave of this nature, compared to one per cent in 1999. Similarly, the incidence of clauses for trade union training has increased steadily across the manufacturing sector. The incidence of all clauses relating to leave for union purposes is slightly lower than in all industry sectors. Union encouragement clauses are significantly lower in MEM (three per cent in 2001) than the manufacturing sector (8%) and across all industry sectors (33 per cent in 2001).
- AWAs – clauses excluding AWAs have increased across the manufacturing sector in the past three years, with the incidence of occurrence slightly lower in the MEM (33%), but significantly higher than all industry sectors (20%).
- Restrictions on the flexible use of labour – certified agreements in the MEM are slightly more likely to include clauses **restricting** the use of contract labour – in both the MEM and manufacturing this has varied for the past three years (in the MEM the incidence was 16 per cent of agreements certified in 2001, 13 per cent in 2000 and 22 per cent in 1999), which reflects the incidence across all industry sectors. However, quotas for casual employment have fallen, reflecting a trend across all industries. Provisions for part-time flexibility in the MEM are lower than the incidence of these provisions in the manufacturing sector. Clauses restricting fixed/short-term labour have fluctuated, but remain slightly higher than for the manufacturing sector and all industries.

56. Table 7 compares the incidence of clauses in agreements certified between 1999 and 2001 relating to work organisation and performance indicators across the MEM, manufacturing sector and all industry sectors. The incidence of clauses relating to work organisation and performance indicator provisions in the MEM reflect the incidence of these clauses in the manufacturing sector, with a slight decline in clauses relating to the flexible use of labour and productivity.

- Flexible use of labour – there has also been a decrease in the incidence of clauses relating to multi-skilling/flexible deployment of labour, a decrease from 48 per cent to 41 per cent in agreements certified in 2000 and 2001, which is reflective of the manufacturing sector (23 per cent to 21 per cent between 2000 and 2001) and agreements certified in all industries.
- Labour productivity – clauses relating to direct labour productivity have increased by one per cent in both the MEM and the manufacturing sector in the years 2000 and 2001 but have declined in all industries overall (two per cent of all agreements certified in 2001). Clauses relating to absenteeism have also declined slightly across the sector, as well as across all industries.
- Clauses relating to employment security have also declined steadily since 1999 (from 27 per cent in 1999 to 20 per cent in 2001), which is still above the level of incidence in the manufacturing sector (from 15 per cent in 1999 to nine per cent in 2001) and all industries (from 10 per cent in 1999 to six per cent in 2001).

Table 6: Incidence of Selected Provisions in the Machinery and Equipment Manufacturing Sector in Current Certified Agreements between 1999-2001

Provision	MEM			MANF			ALL IND		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Flexible/facilitative leave %	4	4	1	8	7	7	7	5	6
Personal carers leave %	77	73	72	76	74	75	80	82	72
Sick leave %	71	70	60	73	71	69	77	77	64
Incentive to reduce absenteeism %	7	8	12	8	6	7	4	3	3
Overtime %	42	51	51	53	54	57	68	72	52
Flexible/facilitative access to overtime %	4	4	#	3	3	3	7	12	7
Payment of overtime at ordinary rates %	1	2	#	1	2	2	2	2	13
Payment of overtime at penalty rates %	25	26	23	36	35	41	41	32	7
Allowances absorbed %	5	5	9	8	9	14	3	3	5
Leave for trade union business %	36	25	1	33	31	1	47	48	25
Leave for trade union training %	52	46	30	46	38	24	50	50	25
Union encouragement clauses %	3	10	12	8	12	19	33	42	17
Right of entry %	52	40	44	52	48	44	56	56	34
Exclusion of AWAs %	33	28	17	38	34	29	20	22	13
Restricted use of contract labour %	16	13	22	13	12	15	14	19	10.5
Part-time employee flexibility %	6	3	#	9	6	2	7	5	2
Casual employment quotas %	4	11	18	8	12	23	5	7.5	17
Provision to transfer long term casuals to regular status %	13	15	11	19	15	11	15	17	5
Restricted use of fixed/short term labour %	9	5	19	8	5	17	6	4	2

* current as at 31 December 2001

Source: DEWR Workplace Agreements Database

Table 7: Incidence of Work Organisation and Performance Indicator Provisions in the Machinery and Equipment Manufacturing Sector, Certified Agreements 1999 To 2001

Provision (%)	MEM			MANF			ALL IND		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Work organisation	77	82	68	74	79	78	72	82	78
Benchmarking	18	27	13	14	21	16	26	36	23
Continuous Improvement	53	53	43	46	48	41	45	51	41
New Classification/wage structure	6	5	10	4	8	14	3	5	26
Revised classification/wage structure	8	9	13	11	15	18	16	26.5	20
Competency based wage movements	22	21	17	20	22	29	18	28	16
Multi-skilling/flexible deployment of labour	41	48	35	39	47	43	30	45	46
Teamwork	21	23	15	20	27	19	14	18	29
Performance Indicators	31	33	34	29	34	40	28	36	39
Direct labour productivity	6	5	7	6	7	12	2	3	5
Downtime	2	3	3	2	3	4	1	1	2
Wastage	4	5	6	5	6	10	1	2	4
Absenteeism	5	8	12	5	7	10	2	3	4
Labour turnover %	#	~	#	~	1	~	0	~	~
Employment security %	12	19	27	9	11	15	6	8	10

no data available

~ represents less than 0.5%

Source: DEWR WAD

KEY WORKPLACE RELATIONS ISSUES IN THE AUTOMOTIVE INDUSTRY

Campaign 2000 and 2001

57. The Metal Trades Federation of Unions (MTFU), and in particular the AMWU, has sought to retain an industry focus on wages and other key employment conditions. Campaign 2001 dovetailed with the Victorian Campaign 2000 and sought a number of outcomes across the metals industry, including:

- the introduction of a trust fund for the protection of employee entitlements (Manusafe)
- clauses to limit the use of casual employees
- a common expiry date for agreements enabling of employees at individual enterprises to take coordinated industrial action across an industry
- introduction of compulsory union membership, and
- a minimum wage increase of 6% a year throughout the life of agreements.

58. Through model agreements the AMWU sought employer support for union applications to increase award rates in line with rates paid in agreements as well as to include improved long service leave provisions, up to 12 weeks paid paternity/maternity leave, income protection insurance (sickness and accident), prohibition on the use of AWAs and reinforcement of union rights in matters of right of entry and use of company facilities for conducting union activities.

59. Pattern bargaining by unions working for consistency across different enterprises continues and gravely decreases the potential for workplace flexibility through maintaining prescriptive clauses and standards such as those restricting the use of temporary labour. Such an approach is undesirable as it thwarts innovation, efficiency, improvements and future competition in the industry.

60. Largely as a result of union activity, employment conditions in most motor vehicle assembly operations are not tailored to unique operating environments within each individual workplace. The situation has ongoing potential to undermine the primary objectives of workplace bargaining: achievement of improvements in efficiency and productivity.

Manusafe and employee entitlements

61. As part of Campaign 2001, the manufacturing unions (primarily the AMWU), proposed Manusafe as a trust fund to protect employee entitlements in cases of company insolvency, transmission of business, and mobility of employment.

62. The unions demand was for 1.5 percent of payroll each week to be contributed by each company toward long service leave, in addition to a flat dollar amount to cover future redundancy payments if required by employees.

63. The unions proposed that the fund would enable portability of employee entitlements. Employers and employer associations were unhappy with the suggested arrangement, as in cases where employees left after short-term employment employers would have been forced to pay for entitlements that ordinarily would not have accrued.

64. In Campaign 2001 the unions targeted companies with a large or militant workforce and/or with strategic vulnerability such as CMC companies. Of the automotive companies targeted, most significant was Tristar, which experienced prolonged disputation during 2001. Monroe (Tenneco) also experienced shorter periods of industrial action. The issue of Manusafe and employee entitlements continues to be at issue with recent disputation at Walker (Tenneco).

Supply Chain Issues

65. The vehicle assemblers rely on component producers to deliver components to the assembly line on a just in time (JIT) supply basis. This means that motor vehicle assembly operations hold limited inventory with components delivered just prior to the production point at which they are needed.

66. A large risk of the JIT supply method is that it may lead to the rapid shut down of car production if supplies are disrupted, for instance through a decline in a supply relationship or industrial disputation at either the component manufacturer or its supplier. This risk has been exploited recently by unions targeting CMCs as sites for industrial disputes, disrupting production of key components.

67. During April 2002, Ford Australia announced plans to create its own business park, close to its Broadmeadows plant, accommodating many of its major suppliers. Ford then plans to introduce “in-line vehicle sequencing”, which will involve parts being delivered only minutes before they are required for installation. Ford estimates that it will only be 24 minutes away from shutting down in cases of interrupted supply once this system commences operation.

68. Industry sources have also indicated that there is an anticipated industry trend towards a greater outsourcing of production in the future.

69. Since 1992 the motor vehicle industry has been well above the average of all industries for the number of working days lost due to industrial disputation. Table 8 shows the number of days lost were particularly high in 1996, 1999 and 2001.

Table 8: Working Days Lost Per 1000 Employees (WDL/1000E) in the Motor Vehicle Industry Compared to All Industries

IND	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
MV	80	258	320	33	211	527	164	157	494	104	294
ALL	248	147	100	76	79	131	75	72	87	61	50

MV Motor Vehicle Industry

All All industries

Source: Combined unpublished ABS data from ABS Industrial Disputes Series and unpublished ABS Labour Force Survey data.

70. Industrial disputation is particularly damaging in a JIT production environment. Three recent disputes illustrate the industrial risk associated with JIT production practices.

Tristar

71. Tristar Steering and Suspension supplies suspension components to all four Australian motor vehicle assemblers. Of the company’s three hundred and fifty staff, 90 per cent are union members.

72. In June 2001, the Tristar enterprise agreement became due for re-negotiation. Tristar refused the log of claims presented by the union; it included a demand to pay 1.5 per cent of payroll to the Manusafe fund. Employees engaged in protracted industrial action in the form of a continuous strike in support of the Manusafe claim.

73. Tristar applied to terminate the bargaining period¹⁵ on the basis that the industrial dispute was causing significant damage to an important part of the Australian economy.

The termination was granted by the AIRC in August. The AIRC conciliated for a period of two days during which time employees continued to strike – this was unprotected industrial action.

74. The final agreement provided that the company would purchase a bond from National Australia Trustees which would safeguard all accrued and accruing employee entitlements. The agreement was certified on 6 March 2002. The Tristar dispute led to a major shut down and production interruption at the four motor vehicle assemblers, as well as some other CMCs. The dispute cost the automotive industry an estimated \$400 to \$500 million in lost production time.

BHP Wingfield

75. Workers at the BHP Wingfield Service Centre in Adelaide, which supplies coated steel to Holden and Mitsubishi and some of their component suppliers, as well as to whitegoods manufacturers, including Electrolux, took protected industrial action in February and March 2002 in relation to the negotiation of a new certified agreement.

76. While there was a threat to vehicle manufacturing companies and some whitegoods manufacturers, they were able to obtain steel supplies from the BHP Western Port facility (Victoria) or otherwise had sufficient supplies to last the duration of the dispute. Some companies used flexible rostering to manage the reduction in work. However a dispute of longer duration had potential to cause further disruption to these manufacturing industries.

Walker Australia

77. The issue of the protection of workers' entitlements in the automotive industry was also the cause of 450 workers at exhaust system manufacturer Walker Australia (Tenneco) taking unprotected strike action in April 2002.

78. The dispute arose due to disagreement about the meaning of a clause in an enterprise agreement in which the company committed to a trust fund to protect workers' entitlements if no national scheme was in place by 1 January 2002.

79. The workers rejected the company claim that the Government's General Employee Entitlements and Redundancy Scheme (GEERS) met the requirements of the relevant clause. The dispute was resolved when the company promised to take out a \$4 million bank guarantee to cover long service leave entitlements and drop court action against the union and organiser.

80. Despite a return to work order from the AIRC and a Federal Court injunction, the employees persisted with the strike for over a week. The strike action was unprotected and, as such unlawful, and caused the stand down of some 11 500 workers across the industry. Holden reported that it lost \$20 million per day as a result of the industrial action at Walker and Toyota reported it lost \$6 million per day.

Current workplace relations legislative reform

81. The Government has in 2002 introduced nine workplace relations bills as part of its commitment to provide an effective framework for better workplace relations across the workforce so that more employers and employees can share the benefits of cooperative work practices and higher productivity.

¹⁵ under s170MW (3) (b) of the *Workplace Relations Act 1996*

82. The Bills cover a number of matters:

- unfair dismissal claims and termination of employment
- the prohibition of compulsory union fees
- the introduction of secret ballots before protected industrial action
- measures to counter pattern bargaining
- modernising the internal administration of registered organisations
- resolving complexities related to the interaction of certified agreements on transmission of a business, and
- improving employment conditions for Victorian workers.

83. The following is a brief summary of those bills which would, if passed, have most impact on automotive manufacturing.

The Workplace Relations Amendment (Prohibition of Compulsory Union Fees) Bill 2002

84. The bill addresses the practice of unions seeking, including via clauses in certified agreements, that non-unionists pay a ‘service fee’ on account of union participation in agreement negotiations in their workplace. Non-consensual fees, which are often set at a level above union dues, are coercive in terms of union membership and contrary to the principle of Freedom of Association.

85. Should the bill be passed it would:

- prohibit the inclusion of compulsory union fee (CUF) clauses in certified agreements
- make CUF clauses ‘objectionable provisions’ thereby making clear that they are void and allowing for their removal from agreements by the Commission, on application by a party to the agreement or the OEA
- prohibit unions demanding compulsory union fees from non-members
- prohibit unions from engaging in misleading conduct with respect to compulsory union fees (eg representing that employees are obliged to pay a fee), and
- prohibit and prevent discriminatory or injurious conduct with respect to a person on the basis of their decision to pay or not pay such a fee.

The Workplace Relations Amendment (Secret Ballots for Protected Action) Bill 2002

86. The bill requires a secret ballot to be conducted before a union or group of unrepresented employees can participate in protected industrial action.

87. Law resulting from the passage of the bill would introduce the conditions that:

- unions or employees involved in agreement negotiations would apply to the AIRC for a secret ballot to access the protected action provisions of the WR Act
- an application for a secret ballot could only be made if a bargaining period is in place and it is not more than 30 days before the nominal expiry date of a current agreement
- the AIRC would be required to order that a ballot be held if it were satisfied that the parties had genuinely attempted to reach an agreement and the proposed ballot question was acceptable, and
- the AIRC would be given certain powers to ensure a ballot is conducted properly.

The Workplace Relations Amendment (Genuine Bargaining) Bill 2002

88. This bill contains provisions which would, if passed, enhance opportunities for active and effective participation by employees in making decisions about taking industrial action.

89. The bill addresses issues of the promotion of genuine bargaining and the introduction of a cooling-off period relating to protected industrial action. These measures would reinforce the focus of agreement making at the individual company level and facilitate the bargaining process in the interests of productivity and business confidence and efficiency.

90. Statutorily protected industrial action can be abused in an attempt to legitimise industrial action in pursuit of common outcomes across enterprises. Such industrial behaviour is inconsistent with the focus of the WR Act on agreement-making at the enterprise or workplace level. The Bill would amend the WR Act to provide guidance to the AIRC when it is considering whether a party is not genuinely trying to reach agreement with other negotiating parties, particularly in cases of so-called 'pattern bargaining'.

91. The AIRC's involvement would be triggered by threatened or actual industrial action either on its own motion or on application by a party. In considering whether to use its discretion to terminate or suspend a bargaining period, the AIRC would evaluate whether or not the parties were genuinely trying to reach agreement at the workplace or enterprise level.

92. During protracted industrial disputes involving protected industrial action, attitudes can become entrenched and the parties can often lose sight of their original objectives. A cooling-off period would act as a safety valve whereby parties are allowed to take a step back from the fray, consult with their constituents and reconsider their positions.

93. The proposed legislation would also encourage the use of private sector mediation services where the parties are of the opinion that this would assist in the dispute being resolved.

94. It is anticipated that this bill will contribute to reducing the amount of industrial action that occurs within the automotive industry during agreement making.

Existing opportunities for further reform

95. The Federal Government has in place a framework that facilitates constructive and fair agreement making. The Government is committed to continuing to improve this framework through legislative reform, however, it is also the responsibility of employers to develop and maintain productive workplace relations environments.

96. It can not be said that the workplace relations environment across the Australian automotive industry is as productive as possible. The workplace relations environment in the industry has been shaped in part by the willingness of employers to accede to union influence. For instance in some cases unions such as the AMWU have held the orders of the AIRC and the Federal Court in contempt. The acceptance, particularly of the four motor vehicle assemblers, of a union driven agenda has resulted in:

- the management of strategic workplace reform being severely constrained
- industry wide 'pattern' agreements rather than tailored, enterprise specific agreements
- high levels of strategically damaging and costly industrial disputation, and
- a workforce with a relatively high propensity to take strike and other industrial action.

The following suggestions represent actions which might assist companies, particularly smaller component manufacturers which may not have dedicated specialist workplace relations personnel, to improve their existing workplace relations environments.

Direct employer/employee relationships

97. Strengthening direct relationships between employers and their employees is a significant way to begin to overcome the risk inherent in JIT supply practices and industrial action.

98. Promoting trust through direct employer/employee communication can contribute to developing workplace conditions and culture that are conducive to better agreement making processes and workplace harmony. While unions have a legitimate role in representing employees, some companies still equate talking to their employees with talking to unions. One way that companies can achieve more direct relationships with their employees would be to reduce the degree of substitution of third parties, such as unions, in place of employees in communications with staff and in the operational management of workplaces. Allowing third parties involvement in management can impact on the timeliness of decision-making and hamper flexibility and efficiency.

99. Enhanced direct relationships can assist with moving toward establishment of more progressive agreement-making, such as allowing discussion of options for LK agreements and AWAs.

Direct bargaining between employers and employees (LK agreements and AWAs)

100. The WR Act provides an option for employers to negotiate enterprise bargains directly with employees. All workplaces have the option of offering LK agreements or AWAs and might find this option useful especially if they are unable to reach consensus with unions on an LJ agreement. Agreements negotiated directly with employees can contribute to a feeling of ownership through involving staff in determining the conditions best meeting their own needs and those of the company.

101. This style of agreement-making has potential to maximise the inclusion of enterprise-tailored provisions in agreements and to enhance flexibility and productivity. Direct bargaining and direct relationships between employers and employees are mutually reinforcing strategies.

102. Specific workplace relations issues of the automotive industry which could be addressed through direct employer/employee bargaining include the proper recognition and representation in agreements of freedom of association and the issue of union endorsement of labour flexibility mechanisms.

Changing negotiation practices

103. Negotiations of new agreements typically commence within three to six months prior to expiration of the previous agreement term.

104. Earlier commencement of negotiations between agreement parties, well in advance of the nominal expiry date, can take pressure off agreement-making and lessen the likelihood that breakdowns in negotiation might result in protected industrial action. Employers should take into consideration the parties likely to be involved in negotiations and the existing workplace relations climate.

OPTIONS FOR POST 2005 ASSISTANCE ARRANGEMENTS

105. The type and amount of assistance provided to the automotive industry is reported in the Productivity Commission's *Trade and Assistance Review 2000-01* annual report series. This assistance is provided in a range of measures including tariffs on imported cars and parts and the Automotive Competitiveness and Investment Scheme (ACIS).

106. The Federal Government and some state governments have also granted funding to motor vehicle assemblers, as individual needs have arisen for expansion of production to assist product development or operative viability within Australia.

107. The Department of Employment and Workplace Relations supports the general principle of trade liberalisation, the benefits of which are generally well established and widely accepted. Protectionist measures impose costs on consumers through higher prices, and disadvantage more efficient industries by reducing available resources, increasing costs and dampening productivity growth. In addition, any ongoing protection measures need to comprehend Australia's commitment under APEC to free trade by 2010, as well the need for credibility in arguing for free trade in respect of agriculture and other industries.

108. With regard to the automotive industry, the adverse effects of high protection levels through to the late 1980s are well documented - an inefficient, uncompetitive, and inward looking industry, with a focus on import competition rather than export development. The benefits of the subsequent lowering, and better targeting, of protection are equally clear - better quality, safer, more efficient cars for Australians at lower cost, and increased automotive exports.

- Automotive exports increased dramatically from \$463 million in 1986 to 4.9 billion in 2001, making the automotive industry Australia's 10th largest exporter.

109. Ideally, the car industry should be able to move to a situation where it no longer requires Government assistance to remain viable. There is still room for cost savings in the industry, particularly in the area of continuing labour market reform. Current levels of protection provide employers with a cushion in negotiating with employees that can lead to sub optimal outcomes in setting wages and conditions. As noted elsewhere in this submission, employers have not fully availed themselves of all the opportunities under the *Workplace Relations Act 1996* to establish a truly internationally competitive workforce. For example, employers have appeared reluctant to explore all the remedies available in dealing with industrial action in downstream suppliers, as evidenced by recent events. This can seriously erode the benefits from just-in-time management practices.

110. Over the 1990s the passenger motor vehicle sector has maintained production levels while halving its workforce. It seems highly likely that ongoing technological advances needed to maintain competitiveness will place downward pressure on the demand for labour. The automotive industry is therefore unlikely to experience strong employment growth, but a continued focus on specialisation and export growth could provide secure employment for a multi-skilled flexible workforce, with commensurate working conditions. In the absence of further reductions in protection, however, management and the workforce are likely to continue rent seeking behaviour at the expense of international best practice.

111. Australia's small domestic market coupled with the economies of scale in the automotive industry dictate the need for specialisation and an export focus if the industry is to be internationally competitive. The recent growth in the industry followed Nissan's exit in 1992, as well as reductions in the number of models produced by the four remaining manufacturers, which now focus exclusively on medium to large vehicles.

112. More than most other manufacturing industries, the automotive industry requires long term planning, so the tariff reduction scheduled for 2005 should already be built into the decision making process. Hence in this respect, it is noted that some current certified agreements contain relatively generous redundancy provisions, which unduly limits the capacity to adapt to changes.

CONCLUSION

113. The workplace reform progress made to date in the automotive industry has been limited. Union involvement in motor vehicle assembly operations and CMC agreement-making (and indeed in operational management as a result) remains firmly embedded within most companies reviewed. This has resulted in limitations on flexible agreement-making at the enterprise level, but the analysis suggests that employers believe that the status quo is difficult to change.

114. Unions have exploited the JIT system by targeting key suppliers and halting production in the industry.

115. The workplace reform bills introduced to Parliament this year will contribute to addressing some of the tactics employed by unions, for example unprotected action and pattern bargaining.

116. With the current supply chain and the risk of acute, costly industrial action, further reform is necessary to achieve direct employer/employee relationships and lay the basis for a viable motor vehicle industry.

Content of Selected Component Manufacturing Company Agreements

1. While an analysis of the content of workplace agreements for a selection of leading component companies, which supply the four motor vehicle assembly sector, reveals arrangements are generally more reform focussed and tailored to needs at the enterprise level than the agreements of the assemblers, this is not the case across all CMCs. The examples provided here were chosen to exemplify some workplace relations arrangements of prominent suppliers and to illustrate the range of approaches and responses to agreement making adopted in this part of the industry.

Air International Group Ltd

2. Air International Group Limited is a tier-one supplier to the world's automotive industry, specialising in heating ventilation and air conditioning (HVAC), seat systems, steering systems, metal pressings, fabrication, modular assemblies and rail and bus HVAC Systems. The Air International's site is in Golden Grove, South Australia. The site's s170LJ enterprise agreement was certified on 12 December 2000 (prior to the commencement of the unions' Campaign 2001), and is due to expire on 4 October 2003.

3. During negotiations for its current agreement the company emphasised the need for flexibility in order to meet changing customer demands, which resulted in an agreed review by the parties and implementation of initiatives for productivity improvement.

4. Included in the final agreement are flexible (staggered) meal breaks; flexibility with regard to periods of close down and a provision allowing all staff (except tradespeople) to adopt ordinary working hours of eight hours and ten minutes, incorporating two meal breaks, one of which is paid.

5. The agreement also contains provision for a severance payment on redundancy, consisting of two weeks ordinary pay for employees having worked less than one year. Four weeks severance payment is available to those employed between one and three years. For employees of over four years, entitlements include twelve weeks ordinary pay plus three week's ordinary pay for each additional year of service calculated on a monthly pro rata basis. Employees may also be paid any unused sick leave (maximum 10 days), pro rata-calculated long service leave if employed five or more years and accrued annual leave including loading.

BTR Automotive

6. BTR Automotive is an automotive transmission manufacturing company with more than 40 years experience in the design, development, manufacture and supply of manual and automatic transmission systems. It's most prominent manufacturing outputs are regular transmission systems which are currently supplied to vehicle manufacturers in Australia, Europe and Asia, and the company's export markets are continuing to expand

7. The company's three year agreement, certified in 2001 and expiring in April 2004, provides for 4.75 percent wage increases a year during the agreement term.

8. The BTR agreement does not feature an entitlements protection clause. The BTR agreement is relatively conservative compared with other companies in the industry, for example providing long service leave after 10 years.

9. A number of flexible work practices and productivity related clauses were included, such as changes to shift times, outsourcing of maintenance work, options for continuing of production shifts over meal breaks and incorporation of various allowances into wages¹⁶.

¹⁶ In 2000, BTR Automotive received a high commendation in the single innovative initiative category of the ACCI National Work and Family Awards.

Monroe Australia

10. Monroe Australia is a subsidiary of Tenneco Automotive Australia. Monroe is the market leader in the manufacture of ride control products and shock absorbers. All vehicles manufactured in Australia by Holden, MMAL, Toyota and Ford are fitted with Monroe shock absorbers.

11. On 15 August 2001, following widespread industrial action throughout the automotive industry related to the Manusafe campaign, the Monroe company reached an agreement with the AMWU and AWU, undertaking to provide contributions of 1.5 per cent of wages to a trust fund, to secure future long service leave benefits. There was a caveat that this would occur only if a national employee entitlements scheme was not established by 1 January 2002. This clause is identical to one contained in the current agreement of Walker Australia also owned by Tenneco.

12. The Monroe three year enterprise agreement was subsequently certified containing this clause, on 28 November 2001 and expires on 30 June 2004.

13. The agreement also enhances the company's redundancy provisions by extending severance payments to 4 weeks per year of service up to a maximum payment of 70 weeks.

PBR Automotive

14. PBR Automotive manufactures brake products and application technology is a key supplier to leading vehicle and vehicle system manufacturers around the world.

15. Fifty per cent of PBR's products are exported, mainly to the North American car market. In 2001, PBR International entered into an exclusive agreement to supply brake products for the Robert Bosch company in North America and PBR now exports aluminium callipers and Banksia park brakes to the United States (US).

16. The 1999 PBR certified agreement provides for a 16 per cent wage increase over three years and nominally expires in 2002. The agreement enhances employment conditions such as sick leave, long service leave, maternity leave and bereavement leave.

Schefenacker

17. Schefenacker Australia specialises in research, design and manufacture of lighting, audio and vision systems for leading car manufacturers around the world. The company's key export markets are the US and Europe.

18. The company has two enterprise agreements in place, one covering a Taree lighting systems plant (where AMWU is the recognised union) and the second enterprise agreement covers employees at the Lonsdale vision systems facility, (with the AMWU and AWU). The agreement at the Schefenacker Lonsdale site was certified on 5 November 2001 and nominally expires on 30 June 2004.

19. As part of the Lonsdale agreement, payment on redundancies is set at a rate equivalent to three weeks pay per year of service up to 52 weeks. Payment of outstanding sick leave, accrued annual leave with leave loading and long service leave after five years of service is also included.

20. Agreements at Schefenacker have traditionally included clauses dealing with productivity and flexibility. The company believes its continuing excellent employee relations and high productivity shows the benefits of the inclusion of the workplace reform-framed clauses in successive agreements.

Content of Current Certified Agreements for Motor Vehicle Assemblers

1. Analysis of the content of the current certified agreements for the four motor vehicle manufacturers appears in the main text of the DEWR submission. The information provided in this attachment is a description of the key provisions of the agreements.

Ford Australia Enterprise Agreement 2000

2. The Ford 2000 agreement was certified on 9 October 2000 with a nominal expiry date of 9 July 2003 and is a 170LJ Agreement, made between Ford Australia and the four unions representing employees within its worksites.¹⁷

Key provisions

3. The agreement provides 15 per cent wage increases over the life of the agreement, with payments made annually. An initial wage increase of 5.2 per cent was paid in 2001, with a subsequent increase of 5 per cent due in July 2002, followed by a 4.75 per cent due in 2003. The Agreement leaves open a possibility for later negotiation of additional performance pay dependant on overall company performance and provides for income protection insurance.
4. The Ford agreement reaffirms continued support by all parties for the collective bargaining process and commitment of parties to joint consultative steering committees (for issues such as continuous improvement, safety and no compulsory redundancies). The agreement's Alternative Shift Arrangements provide a nine-day fortnight with work on the tenth day of a fortnight attracting overtime penalties.
5. The agreement provides for pay arrangements to be followed during industry 'downturns' (such as during an interruption to the supply of components) as well as stipulating arrangements for bringing forward scheduling of PDOs in such instances.
6. The Ford agreement makes a commitment to equity issues.¹⁸ Leave provisions aimed at assisting employees to balance their work and family commitments are also outlined clearly including six weeks paid maternity leave.

Holden Ltd Enterprise Agreement (2001 – 2004)

7. Certified on 15 November 2001, the Holden 170LJ agreement, made between Holden Ltd and seven unions¹⁹, has a nominal expiry date of 14 November 2004.

Key provisions

8. The Holden agreement provides a 16.63 per cent increase over forty-three months to seven thousand company employees. The increase amounts to an average annual wage adjustment of 5.1 per cent over the life of the agreement. The yearly increases are staggered, with the first 6 per cent increase having been initially backdated to 15 August 2001.
9. Subsequent increases are a 5 per cent wage adjustment in August 2002 followed by 4.5 per cent in August 2003 and a final increase of 1.13 per cent in 2004.
10. The deal brokered for the wage adjustments also increased the company's operational flexibility, increasing capacity for employment of casuals and contract employment. The agreement includes a stated vision for implementing flexible work practices that are responsive

¹⁷ AMWU, CEPU, ASU and APESMA.

¹⁸ Ford won awards in the 2000 and 2001 ACCI National Work and Family Awards for its Life/Work Program. In 2000, Ford's Product Development Division won the First Steps Award for the pilot of its Life/Work Program, and was a finalist in the First Steps and Large Business categories. In 2001 the Ford Motor Company was the winner of the First Steps and Single Innovative Initiative Awards, and received a High Commendation in the Large Business Category.

¹⁹ AMWU, CEPU, NUW, AWU, ASU, APESMA and CFMEU.

to market demands and all parties agree to use their “best endeavours to avoid industrial action that will impact on the customer”.

11. However, consultation with the relevant union prior to hiring casuals and a six-month limit on length of employment of casuals working less than 38 hours (after which they may be converted to part-time or permanent status) are prescribed conditions. In practice, these allow unions input on the extent to which further casualisation of the workforce can occur.

12. Holden’s agreement includes provisions for market downturns, specifically the rescheduling of PDOs and pay arrangements. The agreement includes provisions for income protection insurance and a voluntary bargaining fee.

13. Holden’s agreement also provides for equity issues a commitment to consider childcare options.

Toyota Australia 2002 Agreements

14. Toyota has two certified agreements, containing mirrored clauses but specific to its two Melbourne sites. These are the *Toyota Australia Workplace Agreement (Altona) 2002* and the *Toyota Australia Workplace Agreement (Port Melbourne, Sydney And Regions) 2002*.

15. The Altona agreement was certified on 21 March 2002, with a nominal expiry date of 20 March 2005. It is a s170LJ agreement, made between Toyota Motor Corporation Australia Ltd and Toyota Motor Sales Australia Ltd and the AMWU.

16. The agreement covering the Port Melbourne, Sydney and regional branches was certified on 21 March 2002, and is due to expire on 20 March 2002. It is a s170LJ agreement, made between Toyota Motor Corporation Australia Ltd and Toyota Motor Sales Australia Ltd and the AMWU, CEPU, ASU, APESMA, and the NUW.

Key provisions

17. Provisions in both Toyota agreements are consistent. Wage increases are set at five per cent for 2002 and a further five per cent 2003. A further 5.5 per cent increase is due in 2004. In total, the increases provide an annual average wage adjustment of 5.17 per cent. An incentive payment provides an additional 1.2 per cent one-off payment, conditional on the agreement being expedited and on the continued absence of industrial action during the negotiation period.

18. Redundancy arrangements were enhanced compared with the previous Toyota agreements. Introduction of a nine-day fortnight is provided, once associated costs are identified and removed or mitigated.

19. The Toyota agreement features performance and flexibility improvements, including provisions for the establishment of benchmarks (encompassing labour productivity, attendance, safety and maintenance down time) and flexible use of the workforce (multi-skilling, short-term job transfers but still restricted use of casual, contract and fixed term labour). The Toyota Agreement includes a statement that the union will support a joint review of the merits of individual performance appraisal.

20. Operational Shut Downs, initiated by Toyota are included in the agreement, with a requirement for employees to set aside at least three weeks annual leave to coincide with designated close downs. Income protection insurance is provided as is a provision for a voluntary bargaining fee.

21. Equity measures in provisions include paid maternity leave and a commitment to consider childcare options.

Mitsubishi Motors Australia Ltd (MMAL) Enterprise Agreement 2001

22. Certified on 13 November 2001, with a nominal expiry date of 31 May 2004, MMAL's s170LJ agreement was made between MMAL, AMWU, CEPU, and the AWU.

Key provisions

23. Wage increases are set at four per cent in 2002, with annual increases of 5.25 per cent set to follow for each year between 2003 and 2005.

24. Redundancy provisions are enhanced in the 2001 agreement, incorporating four weeks notice and three weeks severance pay for each week of service up to a maximum entitlement level of 80 weeks. The total payout also includes a maximum of fifteen days paid sick leave.

25. Less reform-oriented clauses in the MMAL agreement provide for a nine-day fortnight, designated close downs and restrictions on the use of temporary labour.

26. A positive, unique element of the MMAL agreement is that it specifically outlines the enterprise issues facing the company, as well as its immediate drivers, such as returning to and sustaining profitability. However, the agreement also acknowledges union recognition and support for collective bargaining processes.