

SUBMISSION TO THE JOINT STANDING COMMITTEE ON MIGRATION: INQUIRY INTO THE ROLE OF PERMANENT MIGRATION IN NATION BUILDING.

MIGRATIONS ROLE IN ADDRESSING THE AUTOMOTIVE SKILLS SHORTAGE



MARCH 2023



AUSTRALIAN AUTOMOTIVE
AFTERMARKET ASSOCIATION

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This document was prepared and submitted by the Australian Automotive Aftermarket Association to the Joint Standing Committee on Migration: inquiry into the role of permanent migration in nation building.

WHO WE ARE

The Australian Automotive Aftermarket Association (AAAA) is the national industry association representing automotive parts manufacturers, replacement and service auto parts distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment, and providers of vehicle service, repair and modification services in Australia. Our industry supports car owners after the purchase of the car - keeping their vehicles safe, and providing products for modification to make vehicles fit for purpose, including trade and emergency vehicles. Everything that happens to the car after the initial purchase is part of the Australian automotive aftermarket sector. We also advise consumers on when their vehicle has reached the end of useful life and we provide advisory services on which car would be suitable for their next purchase. We often support consumers and fleets for lengthy periods of time - when you find a trusted service provider, you normally keep them.

4,000+

Representing over 4,000 businesses across all sectors of the Australian automotive aftermarket



Businesses of all sizes, from small family workshops to national banner groups and multi-national corporations



Our members employ over 40,000 Australians



Members located in rural, regional and metropolitan areas

The independent aftermarket is a significant segment of the automotive industry and in most cases, parts supplied to the consumer through distribution channels alternative to the motor vehicle dealer networks are of an equivalent (or in many cases superior) quality, and are fit for the purpose intended. A significant number of AAAA members also produce automotive parts that are used in the original build of the vehicle, and products that are sold by new car dealerships as OEM parts.

The AAAA is a nominating organisation on Standards Australia committees covering a wide range of parts and accessories, tools and equipment and our member representatives are actively involved in the development of product quality standards. The AAAA and our member companies passionately defend the reputation and integrity of

the independent aftermarket and stand by our products and professionalism.

We have strong relationships with state and federal regulators and regularly disseminate information to members on relevant legislation and standards to assist them with their compliance obligations.



**AUTOMOTIVE REPAIRERS
COUNCIL OF AUSTRALIA**

In November 2016, in response to demand from the independent automotive repair and service sector, the AAAA launched the Automotive Repairers Council of Australia (ARCA) as a specialist sub-council of the AAAA joining the Automotive Product Manufacturers and Exporters Council, 4WD Industry Council and the

Performance Racing and Tuning Council.

ARCA was established to open doors to increased automotive knowledge and business expertise, protect competition and choice in the market and ensure a strong and unified national voice to government on behalf of Australia's independent service and repair workshops. The Council operates across state borders to provide structure and much needed formal links to the rest of the automotive parts and accessories supply chain. The ARCA committee includes industry leaders drawn from independent workshops and major service and repair chains from all across Australia. ARCA has an active role in supporting members to be 'EV Ready', providing updated trend data on EV take up and the likely take up rates in Australia and providing a link to major providers of EV training in safety and proficiency.

OUR SKILLS SHORTAGE

Our industry is currently experiencing a significant shortage of technicians. Our research estimates that the shortage totals between 25,000 and 30,000 across Australia, equating to approximately one technician for each automotive workshop. This number is growing, and we estimate it will rise by over 6,000 technicians in the next five years. We have received wide-ranging reports that vacancies often take months to fill, and many remain unfilled indefinitely, with a lack of qualified applicants cited as a major reason.

While these vacancies are affecting every state and territory and are present in metropolitan areas, rural and regional businesses are hardest hit, experiencing longer vacancy periods and more unfilled vacancies than their counterparts in the cities.

The skills shortage in the automotive industry that has been present for many years was recently recognised by the National Skills Commission. In 2022 the NSC Priority List recognised that Motor Mechanics were in a severe shortage across the nation. [1] However, Motor Mechanics have not been recognised on PMSOL which is adding to growing frustration in the industry.



SHORTAGE OF
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LIGHT VEHICLE
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SHORTAGE
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RURAL AND
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BY THE SHORTAGE



SHORTAGE MAY
IMPACT VEHICLE
SAFETY,
PRODUCTIVITY AND
CONSUMER PRICES

The shortage has wide-ranging implications on productivity, vehicle safety, and consumer price inflation. Some businesses have had to operate at reduced capacity, turning away work or presenting customers with extended timeframes and limited availabilities. As the shortage worsens, further restrictions on supply may drive up prices for consumers, putting further pressure on the consumer price index. Any delays in work being carried out contribute to productivity loss, especially if vehicles are removed from active service awaiting repair. For those regional consumers, this problem is exacerbated by longer wait times and longer driving distances to locate a vehicle service technician.

Regular servicing and incidental repair are vital to maintaining the safety of vehicles on Australian roads. Extended delays and limited availability of these services risks leaving vehicles in an unsafe and potentially unroadworthy condition on Australian roads, which has the potential to lead to increased road trauma.

[1] National Skills Commission 2022 Priority List.

WHAT AAAA IS DOING LOCALLY TO ADDRESS SHORTFALLS

AAAA has been engaged in a range of activities to address the skills shortfall. As skills shortfalls are a complex issue, we do not believe that one project or idea will solve the industry's problems, instead, we aim to address issues from all available angles which includes private and public partnerships.



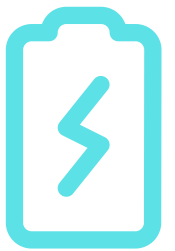
ENGAGING WITH EDUCATION PROVIDERS

Through these regular collaborations with private and government training organisations including Kangan Institute and the broader TAFE network, there has been a push to develop and promote courses to support the continued growth and upskilling of our industry's workforce.



UPSILLING FOR NEW TECHNOLOGIES

While we are assisting our industry to fill gaps in the current skills shortage, we are well aware and conscious of the transition to new vehicle technologies and the skills that will be required to keep up with the demand for electric and hydrogen vehicle service, repair, and modification. Our centre of excellence, the Auto Innovation Centre (AIC), is gearing up to provide on-site training to technicians in high-voltage vehicle safety and competency. We also assist technicians in finding available training courses and promote the expansion of these courses.



WHY MIGRATION IS NECESSARY FOR OUR INDUSTRY



GROWING DEMAND

On average, vehicle registrations in Australia increase by 1.5-2.0% each year. With over 20 million vehicles currently registered, this means that the net increase in Australia's vehicle fleet is 300,000-400,000 per year. The rapidly increasing demand for vehicle servicing and repair as a result of more cars on the road is placing a greater strain on the already stretched workforce. With these trends projected to continue, it is vital that the growth in skilled technicians can outpace the increase in demand for their work.

LIMITATIONS ON LOCAL LABOUR SUPPLY

AAAA is well aware that there are several limiting factors on growing local labour supply. In 2021 AAAA undertook comprehensive Automotive Apprenticeship Survey, which surveyed 600 1st to 4th year apprentices on a range of issues impacting the industry. One of which was barriers to joining the industry. Many apprentices, in addition to our member companies, informed us that one of the primary reasons they are seeing people turn away from the automotive industry is due to several government-supported industries including major construction projects that provide subsidised and fast-tracked training while also offering immediate wages that are significantly higher than most industries.



IMPACT ON AUSTRALIA

The shortfalls in skills are having real economic impacts on so many local businesses and we have been approached by multiple businesses that are paying 30-50% above the award rate but are still unable to find workers. It is at the point where it is not economical to scale up to meet demand. While businesses want to scale up, if urgent action isn't taken to meet the immediate shortfalls then it will likely result in decreased choice for servicing, increased wait times and as price increases for consumers across the nation.

URGENCY IN BOOSTING LABOUR SUPPLY

Our ambition is to ensure that the industry remains sustainable by attracting more students to consider a career in the automotive industry, which we believe can be assisted by the State and Federal Governments implementing free TAFE places for Automotive Trades. It is widely acknowledged that Education and Training is a long-term strategy and will not immediately fix shortfalls that currently exist now.

In the short term, additional skilled workers are needed as vacancies are outpacing the number of apprentices currently learning the trade.

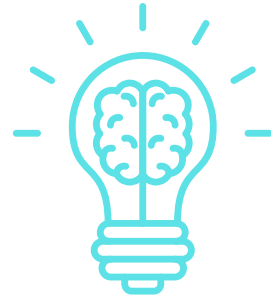


THE AUTOMOTIVE INDUSTRY AND CURRENT LEVELS OF SKILLED MIGRATION

The Automotive Industry would not be what it is today without migration. Many of our members have a rich multicultural history and they have brought their expertise and training abilities to make the industry and this country a far better place. As of 2021 over 37% of motor mechanics operating across Australia were born outside of Australia and have since migrated here[2].

SKILLED MIGRATION

Skilled migration represents an amazing opportunity for businesses in the Automotive Industry to hire qualified technicians to address the immediate shortfalls in the industry as well as assist in training the next generation. But skilled migration has historically been underutilised by previous governments that have not captured the enormous potential that it can provide to industries looking to expand and fill skills shortfall that cannot be addressed with local labour market participation.



UNDERREPRESENTED COMPARED TO OTHER SECTORS

In 2021-22 there were only 385 employer-sponsored skilled migrants that were successful with their application and are working in the automotive industry as Motor Mechanics. We currently have over 300,000 currently working in the automotive industry, with employer-sponsored places equating to 0.12% of the industry's workforce and our estimates suggest this would only fill 1.2% of the current labour shortfall[3].

The number of skilled migrants in the automotive industry is substantially lower than other industries including Nursing, Software and Application Programmers, Accountants, and Hospitality workers.

BARRIERS TO ENTRY IN THE AUTO INDUSTRY

While there are 2,400 skilled migrants in currently working in the Automotive industry there are several aspects of our migration system both direct and indirect that are creating barriers that disincentivise skilled migrants from looking to work in Australia and contribute to the Australian economy.

One of the most prevalent issues that our members and other independent mechanics have highlighted with us is the costs involved for skilled migrants to be qualified in the automotive industry in Australia. With Visa, Skills Assessment, and Licencing (which vary greatly between states), members have informed us that the cost to sponsor a single worker can be anywhere from \$13,000 to \$20,000 and above. With very limited cash on hand due to inflationary pressures, migration under the current system has become too hard for many small to medium businesses who view skills assessment for already qualified motor mechanics as a cash grab.

[2] ABS Country of Birth of Persons by 6-digit level OCCP 2021.

[3] 2021 – 22 Migration Program Report – Department of Home Affairs.

CASE STUDY

AAAA has been approached by a large number of businesses that have had their own personal issues with the current skilled migration system. Many of these businesses have informed us that growing costs to bring skilled migrants here is becoming a severe deterrent.

AWARD EUROPEAN - INDEPENDENT AUTO SHOP IN NSW

Award European is a specialist mechanical workshop that is based in Coffs Harbour on the NSW Coast. They operate with a small team that has well over 25 years of experience in specialist Volkswagen and Audi training.

Owner Adrian is a British migrant who came to Australia over 16 years ago for a better lifestyle and has told us that the system has become too costly for any business or individual to want to opt-in.

Currently, Adrian has potential applicants in the UK who would like to come to Australia for migration purposes but the \$14,000+ initial investment is too large for either party with personal and business cash flows tightening. Adrian is already paying the above the award rate to retain staff on hand but is finding it impossible to hire new staff to deal with the demand.

The fear for Adrian and many auto shops like his is that this skills shortage is not being properly addressed despite the acknowledgment that is on the national priority list. While Adrian has stated he does not want to charge loyal customers more, the lack of support on both the skills and migration sides will lead to higher costs for consumers.

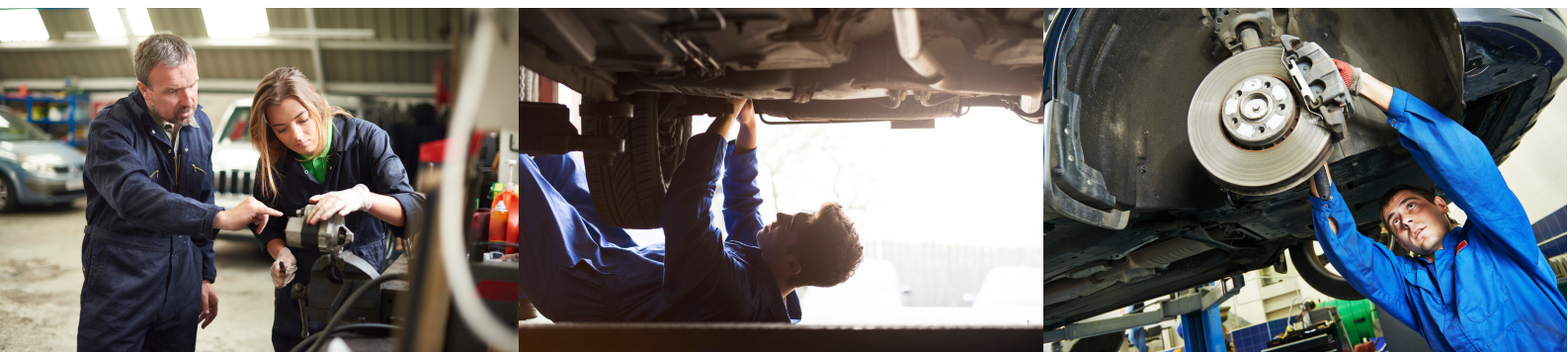
INDEPENDENT AUTO SHOP IN W.A

We have also heard a similar story for a small auto garage that operates out of Bellevue WA.

The owner has stated that the work is piling up and is unable to secure skilled staff to complete jobs leading to 6+ weeks delays on a standard car service, and months to get their car repaired, with wait times for speciality vehicle repairs extending past 6 months.

With many repairs only passing through cost rises on the replacement parts this is leading to a stagnation in the business bottom line where they can't go forward.

With very limited skilled workers available locally and the option of skilled migration costing more than \$15,000 per worker small to medium auto shops like his will likely have wait time extended even further.



FINAL COMMENTS

We want to thank the committee for the time in reading this submission. While AAAA is always happy to engage with parliamentarians and provide policy positions, this submission is not designed to direct the committee into a particular policy position on skilled migration as per the terms of reference.

Instead, we have aimed to take a broad approach and examine the role that migration currently plays in the automotive industry and the potential benefit it has to the industry and the broader economy, noting that the current system is not making the process enticing for businesses hiring skilled migrants nor individuals looking to work in Australia.

We also acknowledge that migration is not a magic fix, and any changes to the skilled migration system should be looked at in conjunction with current skills needs and current training/initiatives that are currently in place, but it is clear that the current system is not addressing the immediate shortage in any significant way.

AAAA actively encourage any committee members wanting to engage in further discussions to contact us directly: advocacy@aaaa.com.au and we look forward to the committee's report.



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AFTERMARKET ASSOCIATION**