

5 October 2006

Review of The Skills Base in NSW
Independent Pricing & Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230



Dear Sir / Madam,

**RESPONSE TO THE IPART DRAFT REPORT – REVIEW OF THE SKILLS
BASE IN NSW & THE FUTURE CHALLENGES FOR VOCATIONAL
EDUCATION & TRAINING**

I refer to the 168 page report mentioned above.

The Furnishing Industry Association of Australia (Management Services) Ltd (aka FIAA) is the principal industry association representing the interests of the wider furnishing industry in NSW. Our industry takes in a number of sectors including:

- Free standing residential furniture manufacture & supply.
- Kitchen and built-in furniture manufacture, installation & supply.
- Commercial furniture manufacture, fit-out & supply.
- Installation flooring including carpets and other types of floor coverings.
- Curtains and soft furnishings.
- Blinds and awnings.
- Picture framers.
- Musical instrument manufacture & repair;
- Sporting goods manufacture;
- Other related sectors.

The industry nationally is recognised as one of the larger manufacturing industries and as a major sector of the construction industry.

Our organisation is also a Registered Training Organisation in NSW and has been so since 1995.

Whilst we acknowledge many of the findings included in the draft report, a preliminary view indicates that there are a number of immensely significant issues conspicuous by their absence in the report.

The most significant of these is that the report does not appear to fully address the issue of competition in training markets.

It is our belief that the TAFE system in NSW has not adequately advanced itself as industry has changed to accommodate global competition in product markets. TAFE has held a monopoly for the most part in relation to trades training (apprentice training) particularly in the manufacturing and construction industries. It has maintained this monopoly because private providers have been locked out of the system through the tariff instrument known as Vocational Training Orders (VTO's) and therefore through restrictions in eligibility to tender for funding through the APL system.

The marvellous benefit of competition is that it allows the "creative juices" of market participants to come to the fore. This is universally recognised economic mantra and is clearly endorsed by the Federal Government. It is only by ensuring competition in traditional trade apprenticeship markets that TAFE will develop a truly entrepreneurial and efficient approach to course development, marketing and delivery. It is our position that the maintenance of the TAFE monopoly has been a factor in the appearance of critical skills shortages in many traditional trade vocations. We also note that other State / Territory Governments have long abandoned the concept of Vocational Training Orders, which effectively act as a means to reduce take up of nationally approved courses.

FIAA therefore requests that the Review Committee review the relevance of Vocational Training Orders in NSW.

The fact that we have critical skills shortage in many traditional trades (most of which are still, and will continue to be relevant in the next twenty years at least), is evidence of market failure.

Governments have the capacity, in fact their specific charge is, to intervene in markets which are failing or imperfect. That intervention can take the form of regulation (which it does by use of Vocational Training Orders – which in fact contributes to market failure), by financial incentive (which it does by apprentice subsidies, payroll tax exemptions, WorkCover premium exemptions, etc), by demand participation (which it no longer does to an adequate level – we believe that NSW Government employed apprentices are significantly less than say 20 years ago), and by supply participation (which it does through TAFE).

It is also our position that the cost of doing business in NSW is itself an inhibitor to satisfying the critical skills shortage in many trade areas.

The continued discrimination against efficient manufacturing businesses in favour of businesses who import manufactured goods into Australia is a handbrake on the development of an industry which would otherwise enrol greater numbers of apprentices. The imposition of payroll tax on manufacturing industries (which is not paid by businesses importing goods with equivalent annual financial turnover) and higher workers compensation premiums for manufacturers contributes to a poor take up of apprentices in skills shortage areas.

We trust that the Review Committee will consider our response and perhaps make contact for further detail.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Lewis', with a stylized flourish at the end.

Martin Lewis
Chief Executive Officer
FIAA (Management Services) Ltd