

# **The Automotive industry: Workplace relations impediments to its survival**

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## Introduction

1. The automotive industry in Australia is a cornerstone of the country's manufacturing. The industry is diverse ranging from international manufacturers to small component companies. It has received massive government support with more committed for the future.
2. In recent months regular plant closures and job losses across the automotive industry have caused many to question the substantial government support and what it achieves. Absent from this discourse is an enquiry into the industry's enterprise bargaining agreements (EBAs) to assess effect of the EBAs on the ability of the industry's firms to adapt and grow.
3. The negotiation of the industry's EBA's can be characterised as interlocking pattern bargaining. Many common pay and condition standards are embraced regardless of the size or circumstances of individual companies.
4. A "workplace relations club" culture is exhibited. The dominant union is the Automotive Food Metals, Engineering, Printing and Kindred Industries Union (AMWU), while the Australian Industry Group (AiG) represents many smaller employers. The objectives of most EBAs acknowledge that companies have to change to cater for pressures both abroad and at home. In contrast, the content of the same agreements establishes workplace relations that are inflexible, prescriptive and rigid. A focus on entitlements dominates and the capacity of management to adapt is constrained. As the industry continues to become
5. more integrated into global settings, Australian jobs and productivity suffer.
6. Plant closures elicit calls from unions for more government support and a greater take up of the Australian product. Unions never accept the need to review generous pay and conditions entitlements and the constraints imposed on management. They appear to deny responsibility for the predicament faced by the workers in the industry who have lost their jobs.
7. Ford, Holden and Toyota have substantial resources and some capacity to accommodate the burdens placed on them by their EBAs. Smaller component manufacturers have fewer resources and limited bargaining capability to counter union pressures for uncompetitive pay and conditions. Management's workplace relations strategies infer complacency about the industry's continuing decline.
8. This report will briefly outline the tariff and budgetary support the Australian automotive industry receives. Four EBAs covering different companies are analysed. The analysis explores the impact of the EBAs provisions on facilitating competitive and flexible workplaces. The report will contend that the culture in the automotive industry needs to adjust with urgency. More care needs to be taken in negotiating EBAs so that the competitive pressures demanding more productive and efficient workplaces is recognised.

This fundamental fact should be reflected in the content of agreements and not simply acknowledged in comforting EBA objectives

## **Part I: The nature, extent and utility of government financial and policy support for the industry**

9. The Federal Chamber of Automotive Industries reported on 5 June 2012 that the industry pays more than \$10 billion in tax to Australian governments each year, and employs almost 56,000 people in its three major vehicle manufacturers, its dozens of importers and its thousands of related component manufacturers.

### **Tariff protection for the automotive industry**

10. The average tariff rate is 3.5 per cent down from over 30 per cent in the 1990s. The Australian government has gradually wound back tariff protection over the last 20 years. This has led to 'enhance[d] competitive performance of local manufacturers' as they adapt to a more 'open liberal market'.<sup>1</sup>

11. A *Review of Australia's Automotive Industry* (Bracks Review) took place in 2008. The Review found that tariff support to the automotive industry equates to over \$600 per new vehicle manufactured domestically.<sup>2</sup> It also found that 'assistance to the industry has fallen significantly over the past two decades, and has moved from high tariffs and quotas to other forms of support'.<sup>3</sup>

12. For 2010-11, net tariff assistance to automotive manufacturing amounted to \$660.7 million.<sup>4</sup>

### **Budgetary assistance for the automotive industry**

13. Government assistance to the industry is substantial and comes in a variety of forms. While tariff protection has diminished other forms of support have increased. This has come in the form of subsidies, tax concessions and 'one-off' payments.

14. The Bracks Review found that the automotive industry receives large amounts of government support. This came primarily in the form of the Automotive Competitiveness and Investment Scheme (ACIS).<sup>5</sup> The scheme was launched in 2001 and under the 2008 policy setting was expected to deliver \$7 billion assistance to the Australian automotive industry from 2001 to 2015.<sup>6</sup>

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<sup>1</sup> Wright, C.F., Clibborn, S. And Lansbury, R.D. (2011) 'Becoming an endangered species? The future viability of Australian automotive manufacturing', *Int. J. Automotive Technology and Management*, Vol, 11, No.2, pp.173.

<sup>2</sup> Bracks. (2008) *Review of Australia's Automotive Industry: Final Report*, 36.

<sup>3</sup> Ibid, 36.

<sup>4</sup> Productivity Commission 2012, *Trade and Assistance Review 2010-11*, Annual Report Series, Productivity Commission, Canberra, May, pp. 15.

<sup>5</sup> Bracks. (2008) *Review of Australia's Automotive Industry: Final Report*, 31.

<sup>6</sup> Ibid, 31.

15. The four main support schemes currently in operation are the PMV Export Facilitation Scheme, ACIS Stage 1, ACIS Stage 2, and the Automotive Transformation Scheme (ATC).
16. The amount of budgetary assistance in 2010-11 for 'Motor vehicles and parts,' as estimated by the Productivity Commission accounted for \$519 million, mainly in the form of the ACIS, the ATS and the Green Car Innovation Fund.<sup>7</sup>
17. Much of the government support to manufacturing has been given to facilitate structural adjustment. Structural reforms involved the removal of tariff protection and the adoption of government policies to encourage more competition. The majority of these structural adjustment assistance schemes have been concentrated on a small number of industries and activities 'with the automotive industry accounting for around 40 per cent'.<sup>8</sup>
18. Government funding attempted to 'cushion' the automotive industry from these structural reforms and the global financial crisis.<sup>9</sup> The ACIS is an example of such a structural adjustment scheme.
19. The government has also provided one-off payments. The purpose of these payments is often to prevent or delay the closure at manufacturing plants. They are attempts to 'prop-up' industries in trouble.
20. Two recent examples of such assistance occurred in the automotive industry. Ford in January 2012 was the beneficiary of \$34 million in the first year out of a total of \$103 million up to 2016. General Motors Holden in the same year was granted \$275 million over a number of years.

## **Part II: The role of enterprise bargaining and enterprise agreements. Do they assist the industry to adapt and to grow?**

21. The automotive industry is a major employer. The industry is facing a number of international and domestic competitive pressures that highlight the importance of workplace relations. Relatively high labour costs and inflexible work practices are jeopardising the competitive position of Australian firms. The international focus of the industry makes it difficult for the Australian industry to survive with such limitations.
22. Australian Bureau of Statistics (ABS) data shows a clear trend of reduced employment in the industry:

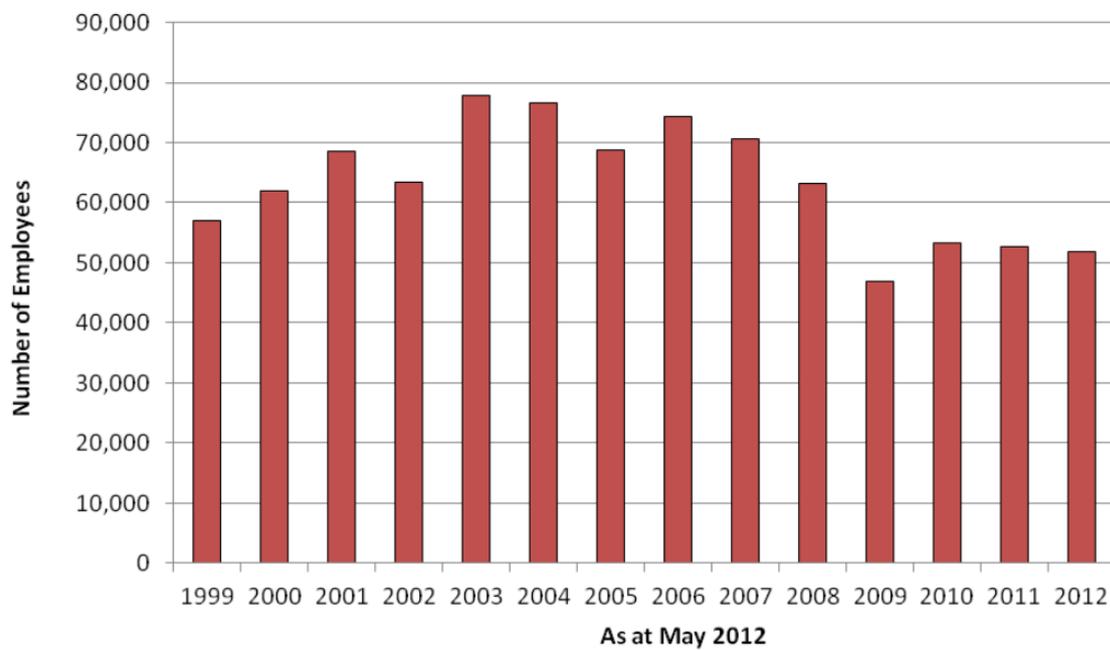
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<sup>7</sup> Productivity Commission 2012, *Trade and Assistance Review 2010-11*, 21-22.

<sup>8</sup> *Ibid*, 6.

<sup>9</sup> Wright, C.F., Clibborn, S. And Lansbury, R.D. (2011) 'Becoming an endangered species? The future viability of Australian automotive manufacturing,' 185.

**Table 1: Motor Vehicle and Parts Manufacturing Employment**



Source: ABS Cat No 6291.0.55.003

23. Table 1 shows that employment has fallen quite dramatically over the last 10 years. Employment in motor vehicle and parts manufacturing has fallen from 77,776 in May 2003 to 51,931 in May 2012, a decrease of 33 per cent.

### **The role of Enterprise Bargaining Agreements in the sector**

24. The industry’s EBAs reflect an interlocking pattern of similarity across the sector. There is little evidence that the impact of comparative labour costs on the industry’s sustainability is recognised. The EBAs typically load up companies with high costs and inflexible rules and processes.
25. The automotive industry’s record of accessing the reform opportunities presented by workplace relations system during the term of the Howard Government was poor. Unlike other industries, it chose to retain a collective and union dominated approach to bargaining and agreement making. It tolerated protracted bargaining exercises and periodic industrial disruption. The winning of workforce commitment to changes in work practices and productivity was lacking.
26. This disappointing outcome meant the industry’s reform and productivity lagged many other Australian sectors that embraced the 1996-2007 legislative opportunities. Interestingly, at the same time the industry adopted production and supply arrangements that increased its vulnerability to industrial disputation. The production techniques based on “just in time” supply, whereby production is focussed on orders received was introduced. This has the benefit of reducing inventory and carrying costs. The downside is that supply disruption

caused by industrial disputation can have widespread knock-on effects on overall production.

27. Lasting and effective dispute resolution is best achieved by direct engagement at the workplace between the employer and employees. It seems the automotive industry is prepared to sideline this preferred method of dispute resolution. Most of the industry's EBAs confer on Fair Work Australia (FWA) a prominent role in dispute resolution. This denotes a preference for an institutional approach to resolving industrial disputation. Institutional conciliation and arbitration limits the engagement between employer and employees as differences between parties rather than shared interests are given more prominence. Also, reliance on the tribunal removes the protagonists to the court room, the domain of the workplace relations practitioners familiar with institutional procedures and rules. Externally imposed solutions are less likely to be sustained than one reached by the parties to the dispute.
28. This paper will proceed to highlight the damage inflicted on the industry through its enterprise bargaining and workplace relations culture. This is especially detrimental to employees of the industry. The scenes of devastated workers leaving their place of employment after being told they have no job will sadly continue.
29. We are not proposing a reduction of labour costs to the levels applying in competitor countries such as Thailand and China. This would be unattainable in Australia. However, a high labour cost industry has to guard against labour arrangements that embody inflexible practices and high non-wage costs. What is needed is EBAs that deliver outcomes commensurate with the capacity of the employing companies to survive and hopefully grow in a tough and highly competitive industry.

### **Part III: An analysis of Enterprise Bargaining Agreements – unsuited and adding to industry woes**

30. EBA content is instructive about the state of onsite workplace relations. The analysis reveals a culture of embracing a vastly influential role for the unions and their representatives. Management has been prepared to assign a number of its rights to unions or to make them subject to union validation. Direct employer employee engagement is subjugated to maintaining a central role for the unions. The EBAs load up the standard wage rates with numerous allowances and generous entitlements.
31. This report analyses EBAs covering employees of the following companies:
  - GM Holden Ltd;
  - Ford Motor Company of Australia Ltd;
  - CMI Industrial Pty Ltd; and
  - APV Automotive Components Pty Ltd.

## GM Holden Ltd

32. The Holden Enterprise Agreement 2011 is 180 pages long. It includes 196 clauses and 12 attachments.
33. GM Holden employees are well paid. A trade employee can earn a base wage of \$1,500 a week. The Agreement offers three annual wage increases from November 2011 of a modest 3 per cent. However, in addition each employee receives a hardship payment of \$3,750 for cooperation during the global financial crisis and the USA parent company's experience of statutory bankruptcy. Further, gain sharing increases of 2 per cent a year can be earned if GM Holden achieves performance metrics. In effect the modest headline increase can be substantially augmented.
34. In analysing what may constitute total remuneration, the highly prescriptive nature of the EBA is soon apparent. The EBA covers a total of 32 different job classifications with 44 separate salary points. It sets out 34 allowances that employees may be paid. The allowance rates are increased each year and are reminiscent of past eras with payment for exigencies such as drivers handling garbage and money handling. Shift loadings and overtime penalties also may be earned.
35. Part 5 of the Agreement is headed – Classifications and Wage & Salary Rates. The introduction to Part 5 encouragingly confirms that "A fundamental element of the classification structure is to encourage and facilitate optimum labour flexibility." What follows is 36 clauses covering 34 pages stipulating the conditions that have to be followed in moving employees through the "flexible" classification structure. Numerous assessment and selection decisions with accompanying criteria are set out. Employees disputing an assessment have a right to appeal. The appeal is considered under the Agreement's elaborate dispute resolution process. The sheer number of steps and the complexity of the process are contrary to the objective of employing staff in a flexible manner.
36. The EBA provides for generous remuneration supplements. WorkCover make up pay of 52 weeks per injury is provided. Journey cover insurance is granted to all Victorian and South Australian employees, the bulk of the company's work force. Employees taking out income protection insurance are reimbursed up to \$700 a year by GM Holden. The company's superannuation guarantee charge contribution of 10 per cent is higher than the statutory amount.
37. The EBA at almost every turn allows the unions to intrude into areas usually the preserve of management. The engagement of casual employees and contract labour are clear cases. Casual employment is allowed only in circumstances of a short term increase in work load or other unusual circumstance. Holden must consult and reach agreement with senior union representatives before an engagement. Similarly, various committees with union representation must determine the limited circumstances for the engagement of fixed term employees.

38. Contract employment is only available in the work areas of salaried staff and not in trades employees work areas. The use of contract employment is associated with burdensome restrictions. Once again unions must be consulted before contractors are engaged. Holden is obliged to distribute union propaganda at the contractor induction. Each year senior union representatives are entitled to present Holden with a list of their preferred contractors.
39. The EBA states that Holden acknowledges the right of an employee to join a union. It is silent on an employee's counterpart right not to join a union. It is to be hoped this right would be observed and protected by the company.
40. Holden affords union officials rights of entry to its sites that are in advance of those stipulated in the *Fair Work Act 2009*. Union representatives are entitled to up to 10 days a year paid time off work for union training. The EBA contains a reaffirmation by the parties to their continued support for the collective bargaining process, a process "which is viewed as having operated successfully for many years." It is unsurprising that the union makes the reaffirmation. Holden may have some reservations. Many taxpayers would question the success of this process.
41. A striking feature of the Agreement is the ubiquitous obligations to consult with the unions. Holden is unable to take numerous decisions unless it has consulted and reached agreement with the unions. An elaborate consultative structure has been created. It establishes the following forums:
- State committee
  - Diversity council
  - Non trade steering committee
  - Trade steering committee
  - TPM committee
  - Site committees
  - Plant OHS committees.
42. Management is required to provide union officials with updates four times a year on the following activities:
- Business plan;
  - Business plan performance;
  - Key forward activities and events;
  - Continuous improvement activities;
  - Management updates for senior employee representatives;
  - Formation of and meetings of state committees; and
  - Local plant based management, senior employee representative and employee representative meetings.

43. The support of this consultative structure would require considerable administrative effort and resources. A lot of people at Holden spend considerable time in meetings.
44. In March 2012 it was announced that GM Holden would receive \$275 million from the Federal government in order to keep its operations in Australia. The success of this scheme is questionable, given the recent announcement by Holden that it will have to shed 170 jobs.<sup>10</sup>
45. The EBA in its introduction section espouses a number of objectives that recognise that the industry has reached a critical point. The need for continuous improvement, new technologies, improved productivity and optimum business efficiency is acknowledged. It is curious that much of the remainder of the EBA is so divorced from its decent objectives.

### **Ford Motor Company of Australia Ltd**

46. The Ford Motor Company has experienced trading difficulties for some time. Announcements of shorter production time and workforce reductions have become symbolic of the company. The latest, in November 2012, saw Ford compulsorily terminate 212 employees as part of 440 workforce reduction.
47. The *Ford Australia Enterprise Agreement 2012 (Vehicle Division and General Salary Roll)* is a large prescriptive document totalling 113 pages. It contains 376 clauses and 10 appendices. A total 32 employment classifications and 46 individual allowances are specified along with detailed provisions on advancement and eligibility.
48. The Ford EBA expresses uplifting objectives encompassing the notions of the global market place and ensuring cost competitive products. The parties commit to:
- the importance of producing high quality, cost competitive products to enable Ford Company of Australia to successfully compete with local and overseas manufacturers in an increasingly global market place; and
  - ensuring that Ford Company of Australia is a competitive and self-sustaining business into the future.<sup>11</sup>
49. Ford, in conformity with other employers in the industry, reaffirms its support for the collective bargaining process, which is viewed as having operated successfully for many years. The basis for asserting the success of the process is not explained. It is difficult to fathom how a performance of regular production cutbacks and job layoffs be declared a success.

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<sup>10</sup> ABC, 'Holden to shed 170 jobs,' *ABC News*. Available at: <http://www.abc.net.au/news/2012-11-02/holden-to-cut-more-jobs/4350116> (accessed 5 November, 2012).

<sup>11</sup> Ford Australia Enterprise Agreement 2012 (Vehicle and General Salary Roll), 1.7 (b) i-ii.

50. The Ford EBA confers numerous privileges on the unions and allows them a substantial say in running the business. Almost every workplace initiative requires union and/or shop steward approval.

51. An elaborate consultative apparatus is mandated by the EBA. Several consultative bodies are created, including:

- Joint Strategic Issues Committee
- Area Consultative Committees;
- Plant/Site Consultative Committees;
- Company/Union Strategic Information Meeting;
- Non Trade Joint Steering Committee; and
- Trade Training Consultative Group

52. The functions of the Area Consultative Committees and the Plant/Site Consultative Committees confirm the unions' reach into running the business. The functions are to:

- review changed labour arrangements
- initiate actions to maintain established labour levels;
- review any need for fixed term employment;
- establish exit plans for fixed term employees;
- assess requests for part time employment;
- review and confirm part time employment extensions beyond 12 months;
- ensure Area Consultative Committees are managing supplementary labour for weekend production in accordance with the EBA;
- monitor the roster for supplementary labour;
- ensure all employees appointed for supplementary labour have an induction.

53. The EBA contains use of contractor provisions that are basically hostile to this type of employment. The relevant clause commences with Ford stating that it makes very limited use of contractors. Consultations are conducted with a Natural Work Group, which includes shop stewards, on a range of factors before and during a contractor's engagement. The factors include:

- the area where the work is to be performed;
- the reason why a contractor is required;
- the opportunity for the work to be performed in-house to be assessed;
- identify training opportunities for trade employees;
- review any concerns with contractors;
- provide written advice on contractor performance to the Area Consultative Committee and the Plant/Site Consultative Committee; and
- review scheduled works for the forthcoming period.

54. The engagement of fixed term and casual employees is also subject to similar onerous conditions for consultation and approval.

55. The Ford EBA also contains a number of generous entitlements for all employees and employees with union representative roles. These include:
- redundancy pay of 4 weeks per year of service capped at 90 weeks;
  - pay out of unused sick leave to redundant employees to a maximum of 125 days;
  - retention of membership of the Ford Privilege Club vehicle purchase scheme for 24 months after redundancy separation;
  - WorkCover make up pay for 52 weeks;
  - shop stewards, health and safety representatives, diversity resource officers, superannuation trustees and women's representatives are entitled to paid leave for training of up to 10 days each year;
  - shop stewards and deputy shop stewards are entitled to an additional 10 days paid leave each year for training on matters that affect the automotive industry.
56. The EBA's impact on the company's management discretion is exemplified by the Individual Flexibility Term clause. This clause is excessively restrictive and allows minimal flexibility. Of the 375 other clauses in the EBA, only two are permitted to be varied by the Individual Flexibility Term clause. Those two clauses deal with long service leave phased retirement and spread of hours.
57. This Ford EBA, like the EBA at Holden, is symptomatic of the industry and its problems. The EBA's terms are founded on past attitudes towards management and workplace relations. Union dogma and strategies prevail. Any acknowledgement of workplace reform and direct engagement between employer and employees is missing. It is disappointing that companies of such substance are willing to submit to the unions' agenda.

## **CMI Industrial**

58. CMI Industrial supplied suspension and other components to the vehicle manufacturing companies. In April 2012 its factories halted production and it was placed into receivership. All CMI plants in Ballarat, Campbellfield and Footscray were to close by the end of 2012 with a loss of more than 150 jobs.
59. CMI Industrial was a significant supplier. The April 2012 disruption to its production forced the entire Ford production line to halt for a week. At the time, the Federal Government, through Workplace Relations Minister Bill Shorten, claimed the company could survive if it restructured. This was obviously a forlorn hope. The company's EBA would have made a restructure an elusive goal. The EBA presented exhaustive consultation obligations with union officials to implement even minor change, backed by a raft of inflexible conditions of employment.
60. CMI Industrial entered an EBA in February 2011 to cover employees at its Footscray plant. The EBA is not as complex as the 180 page document applying to GM Holden. But the EBA offers nothing for a company facing hard times, except general good intentions.

61. CMI Industrial obviously lacked the financial strength of the manufacturing companies. It would be reasonable to expect some tolerance in the EBA's terms to recognise its financial vulnerability. Instead the opposite applies. The EBA contains a number of extravagant conditions that result from the industry's long standing pattern bargaining culture.
62. The CMI Industrial EBA, like the other EBAs, contains objectives that talk of "enhanced job security through improved quality, productivity and increased competitiveness." The EBA comprehensively fails to meet these reasonable objectives.
63. The content of the EBA requires the company to implement several extravagant entitlements:
- an allowance of \$104 per year for paying wages by electronic funds transfer;
  - payment of all unused sick leave upon termination;
  - a soft union commitment only to "avoid" stoppages during dispute resolution periods;
  - accident make up pay to 100 per cent for 104 weeks;
  - payment of the premium for all employees declared as taking income protection insurance. The company's payment is capped at 1.98 per cent of payroll.
  - the company to obtain death and capital benefits insurance cover for employees at a cost of no more than \$94 per person;
  - redundancy pay of up to 70 weeks;
  - pro rata long service leave available after 5 years' service;
  - paid bereavement leave of 5 days;
  - each shop steward to have 5 days paid leave per year to attend trade union training; and
  - OHS representatives to have up to 10 days paid leave each year to attend approved training courses.
64. The EBA's provisions for the engagement of contractors can only be described as hostile to such an initiative. The relevant clause commences by observing that the engagement of contractors or subcontractors at the workplace:
- "has the potential to cause an industrial dispute or a situation, which could lead to an industrial dispute."
65. The clause then proceeds to impose a number of onerous conditions to discourage contractors or labour hire employment. Before engaging contractors or labour hire companies CMI Industrial was required to advise shop stewards and employees of:
- the name of the contractor;
  - the type of work to be given to the contractor;
  - the number of persons and their qualifications that the contractor may engage;
  - the duration of the engagement; and
  - observe the requirement that the wages and conditions of the contractor's employees be no less favourable than those of the CMI Industrial EBA.

66. The EBA would offer little to a company experiencing trading difficulties. Compliant management who signed up to such an agreement cannot escape criticism. However, it is impossible to find any comment from a union official that an agreement that contained fewer extravagant and inflexible conditions may have been preferable. There is no evidence of any offer to renegotiate the EBA in the critical final months of CMI Industrial's existence.
67. The jobs paid well while they lasted and the unions' exercised excessive control over the company's workplace relations. Sadly it is the employees and their families that ultimately suffered.

### **APV Automotive Components Pty Ltd**

68. APV Automotive Components produced engine components, fuel fillers and rear suspension arms for the manufacturing companies. The company was placed in the hands of receivers in April 2012. It closed down four months later in August 2012. The collapse of the company resulted on the loss of 130 jobs.
69. The *APV Automotive Components Pty Ltd Certified Agreement 2005* applied at the time of the company's demise. The respondent union was the AMWU. The EBA contained clauses that are punitive on small component suppliers. Many of the provisions are similar to the CMI Industrial EBA agreement reflecting the coordinated pattern agreement making of the industry.
70. The clauses which constrained the capacity of APV Automotive to adapt are numerous. The more compelling examples were:
- the engagement of casual employees required the company to consult and reach agreement with a senior shop steward;
  - labour hire employees to be employed in accordance with the EBA;
  - accident make up pay of 1 year;
  - journey accident insurance for all employees;
  - redundancy pay to a maximum of 100 weeks;
  - all unused sick leave paid out upon redundancy;
  - 10 days paid leave a year for shop stewards to attend trade union training; and
  - right of entry guaranteed to any AMWU union official holding a permit.
71. The EBA contained other concessions to the union's bargaining agenda that constrained flexibility in the work place. APV Automotive made a commitment to recognise the union's representation of its workers and the right of an employee to join the union. Any recognition of an employee's legal right no to join the AMWU was ignored. An AMWU shop steward was granted the opportunity to explain the advantages of union membership to a new employee upon commencement with the company.

72. The EBA also contains an unusual superannuation clause with a purpose that is “to over-ride any Federal Superannuation legislation that may be introduced during the life of this agreement to increase the number of fund choices.” The EBA limits the choice of superannuation fund to two funds nominated in the agreement. The provision is probably invalid as it attempts to override a federal statute. It reflects the highly restrictive character of the EBA.
73. At the time of the company’s collapse the AMWU blamed a free-trade agreement deal with Thailand, and the disadvantage that this imposed on APV. The AMWU declined to recognise that the EBA with its high labour cost impact and inflexible work practices may have contributed to APV Automotive’s difficulties.
74. The aims of the EBA provide encouragement that the perilous circumstances facing the company were recognised. The EBA contained commitments to:
- continue to enhance job security through improved quality, productivity and increased competitiveness; and
  - maintain and improve the on-going viability of the Company and assist in providing more fulfilling jobs and greater security for employees in relation to income and employment.<sup>12</sup>
75. The company and the AMWU clearly failed to achieve these aims. The aims mirror those contained in other EBAs. They appear like shallow meaningless commitments generated by pattern agreements that are more destructive than supportive of competitive firms and sustainable jobs.
76. In April 2012, the *Australian Financial Review* reported observations about the company’s demise by its former managing director Harry Hickling. Mr Hickling claimed that ‘the primary reason for the company’s failure was its inability to achieve workforce agreement on voluntary redundancies for 25 of its 126 staff.’<sup>13</sup>
77. Mr Hickling argued that the EBA placed too many costs on the company. The receiver PPB Advisory argued that the union’s insistence on the retention of entitlements could be seen as a “pyrrhic victory for the union because now the whole workforce is in jeopardy, which is not a great outcome”<sup>14</sup>

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<sup>12</sup> APV Automotive Components Pty Ltd Certified Agreement 2005, 1.3.2 and 1.3.4. Available at: <http://www.fwa.gov.au/awards/tracee/agreements/pdf/AG845287-2.pdf> (accessed 21 September 2012).

<sup>13</sup> Mathew Dunkley, (10 April, 2012) ‘Shop stewards crash car company,’ *Australian Financial Review*. Available at: [http://afr.com/p/national/shop\\_stewards\\_crash\\_car\\_company\\_4sdpp9CJaPujPOGSTjV9yl](http://afr.com/p/national/shop_stewards_crash_car_company_4sdpp9CJaPujPOGSTjV9yl) (accessed 2 November, 2012).

<sup>14</sup> Ibid.

## Conclusion

78. The current culture within in the automotive industry is paradoxical. EBA's recognise the tenuous position of automotive companies and jobs. Yet the content of EBAs and the conduct of on-site workplace relations are contrary to creating a productive and competitive industry. As a result, companies, particularly small component manufacturers, are going out of business. Jobs are disappearing as car manufacturers cutback and component companies close.
79. The EBAs espouse responsible objectives recognising the importance of competitive and productive firms. The vulnerability of the Australian industry to international competition is recognised, and some go so far as acknowledging that the firms should have the capacity to adapt to external shocks or factors beyond their control.
80. However, the content of the EBAs is divorced from the responsible objectives. Typically the EBAs are prescriptive, inflexible, and restrictive, immersed in trade union rights, and concede extravagant pay, conditions and entitlements. EBA's with these characteristics will continue to guarantee the demise of many Australian automotive companies and associated loss of jobs.
81. Union officials boast that their bargaining prowess and the winning of world leading entitlements is a wonderful outcome for members. They deny any responsibility for the current parlous state of the industry's firms and jobs. Any prospect of negotiating more flexible EBAs is not entertained.
82. The industry receives massive government support. This should serve as a compelling reason to energetically endorse workplace reform. Instead the industry and its unions adopt a closed enclave approach to workplace relations bargaining. The viability of Australia's automotive firms would be enhanced if a culture that valued productivity and efficiency was apparent. This would start with company managers, industry associations and union officials negotiating terms in agreements attuned to the industry's circumstances.
83. The Federal and State governments should be concerned about what value is gained from their massive financial support of the industry. Government assistance should be contingent on the industry's employers and unions transforming workplace relations to a modern, flexible and productivity focussed model. Union power to dictate management conduct must be diminished in favour of more direct employer – employee engagement.

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