

Submission by Aviation New Zealand

to the

Education and Science Select Committee

on the

**Industry Training and Apprenticeship
Amendment Bill**

19 December 2013



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1 Introduction

1.1 Aviation New Zealand (AvNZ) represents the interests of the commercial aviation industry in New Zealand. As a sector it employs around 23,000 FTE; contributes 3% of the country's GDP and is one of the fastest growing sectors in the economy with a sector revenue growth of around 9% CAGR per annum.

1.2 It is also characterised by high levels of productivity per annum – around \$138,000 per FTE and high average salaries – around \$80,000 per annum. There are over 1000 businesses actively participating in the sector.

1.3 It is the type of sector which the government wants to nurture and grow. While it is capital intensive, it is also people intensive with highly trained and skilled personnel being the predominate composition of the workforce.

1.4 Most training is of a highly technical nature and is on the job. Engineering apprenticeships are the only formalized form of apprentice training. However, many of our potential engineering employees train via PTEs like Air New Zealand institute and NMIT, pilot training is via Massey University at Degree level and Diploma level is through other PTE's ; Air Traffic Control with Airways; Engineering basic skills – Air New Zealand Training Academy and NMIT; Flight attendants – a variety of travel and tourism, as well as airline schools. All of these potential employees are affected by these proposed changes.

1.5 Recently AvNZ has announced the creation of a young aviation professional's network – this is to fill one of the perceived gaps, which is the transition of those who have completed technical training into meaningful work in the sector.

1.6 We thank the Select Committee for this opportunity to make a submission and we table the following comments and observations in respect of the Bill.



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2 Matters Covered in the Bill

2.1 Clause 7 Purpose new Section 1A (a). ITO's do more than simply develop skill standards. They also ensure those standards are maintained. Our submission would be to amend Section 1 A (a) by inserting the words "and maintain". In the aviation environment it is not so much the setting of the standards which is important as most qualifications are also licenses developed through global consultation, but it is the maintenance of those standards where the ITO makes its critical contribution. We would not wish this function to be lost or removed from the statutory obligations of ITO's

2.2 Clause 8 Section 2 Amended (Interpretation) apprenticeship training code issued pursuant to Section 13 F. – we support the introduction and development of such a code. However, any code developed must be extensively consulted through with the Industry to ensure there is appropriate balance between all of the parties involved. At the present time the Bill is silent on this issue and while we are not suggesting an amendment to reflect the request for consultation, we think consultation is a sensible and logic step.

2.3 Clause 9 (Section 3 Training contracts to have effect as employment agreements) – the practice of apprentices being engaged as independent contractors is very prevalent in this Industry. This practice has been adopted so that our training schools, which are also an integral part of a number of our businesses, can train substantially more apprentices than their actual needs. These apprentices receive high quality training but can be disperse throughout the wider industry who may nt have the necessary facilities or capability to provide the experience levels necessary. Creating an employment relationship would undermine the quality of training and reduce the numbers being taken on. We strongly support retention of the status quo or giving employers the flexibility to determine the most appropriate relationship in the circumstances.

2.5 Clause 11 Section 7 Matters the Minister must take into account before organisation recognised – we would seek to have this clause amended to provide consultation with the Industry or sector affected prior to the Minister recognising an industry training organisation. Our concern is to do with the rigidity of recognition



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once in place. It seems impossible for industry to advocate a shift in some aspects of training which is under one ITO but more sensibly sits with another. The particular example we cite is agricultural aviation where there is no focus on the maintenance of standards. Again we qualify this statement by making the point that the basic qualifications for an Agricultural pilot are regulated, so what we are discussing here is the lack of focus on skill development in role specific activities such as the handling of chemicals and aerial application of fertilizers and the like, plus the more strategic manpower issues associated with an aging population.

2.5.1 The example cited is interesting in that the basic pilot training is not on the job and so there is no ITO responsibility. However, as soon as practical, "role" skills have to be grafted on top of the basic skill set (and this activity is done in the work environment), responsibility shifts to the Agricultural ITO which the industry has no engagement with. It makes more sense to have aviation covered by the one ITO rather than this fragmentation. We don't perceive there is any mechanism to address this anomaly.

2.5.2 We also note that sub section 7 (d), (ii) appears to be inconsistent with the section 11 B in that the Minister must consider whether, prior to recognizing an ITO for the purposes of coverage, that ITO can "monitor demand." However, if the proposal proceeds to remove strategic skills analysis from the statutory responsibilities of the ITO, it becomes unclear as to how the Minister would ever be able to garner such evidence.

2.6 Clause 15

2.6.1 Section 11B Obligations of Industry Training Organisation – while we understand the rationale to make provision of strategic skills analysis contestable, we are unsure that this is practical given the requirement for MBIE, MoE and TEC to have some firm and rational basis upon which to make allocation decisions. Our preference is that the matter of strategic skills development remains within the ITO framework but that there is evidence of collaboration and agreement between the ITO and the sector it covers as to how that analysis is developed.



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2.6.2 Section 11 C Qualifications Authority may issue quality assurance improvement notices, and Section 11D Qualifications Authority may issue compliance notices – we see both these matters as being particularly burdensome and creating more bureaucracy. Our observation is that NZQA is one of the most bureaucratic organizations we deal with in Government. The rules they apply are excessively complex, generally not understood, and require translation into language the industry struggles to comprehend. As a sector we are very used to prescriptive rules but we become totally confused by the myriad of administrative rules that exist to the point that they are leading to denigration in productivity in some of our training sectors. In other words, rather than delivering quality training, we are required to deliver quality training in a constrained administrative environment. This places a whole range of very challenging administrative costs on businesses.

2.6.3 Section 11 F Annual Fee – we think this clause needs to be far more prescriptive than the present wording. Prior to the introduction of any fee there should be consultation with the ITO sector and Industry. There should be full financial disclosure as to how the fee was struck and the activities the fee covers. The fee should be capable of being reviewed by the Commerce Commission. Our experience is that agencies who have no contestable alternative service provision frequently set fees above the cost of production. These costs are then rapidly passed on to the productive sector as the “supply chain” is generally not competitive. This is the scenario we face here in that ITO’s generally have a non-contestable statutory monopoly, although we note that new section 11 A will enable “persons other than industry training organizations to receive funding.” The reality is that there is a lot of institutional rigidity built up over 20 years combined with considerable skills and systems with exiting ITO’s that ensure the barriers to competitive entry are very high.

2.7 Clause ` 16, new section 13 B, Functions of the Commission and Qualifications Authority – we think this section is too intrusive and actually significantly distorts the role industry has in influencing ITO’s. It could also potentially lead to role confusion and duplication between the Commission and NZQA.

It is unclear, for example, just precisely what the term “quality of management, operation and governance” actually means in this



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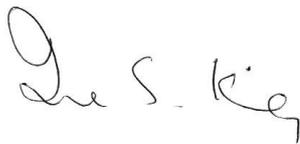
environment and, in particular, if NZQA could come to any transparent conclusions on this issue. Industry training is about the ITO being connected to its' industry. If industry has any concerns, we have the ability to deal with those issues at the governance, management or operational levels. We do not see what the role of NZQA is in these circumstances. In fact, our experience has been when we have taken such matters, not in respect of our ITO's performance might I add, we found that NZQA had absolutely no tools and little ability to deal with our concerns. We found that the quality of the audit on the specific establishment was poor and it was only several years down the track, after a long period of concern being expressed, that NZQA actually did anything about the problem.

For these reasons we strongly support subsection 13 (B) (a) being removed from the Bill

2.8 We strongly support the Business NZ submission that existing subsection 10 A (b) be repealed for the reasons outlined at point 2.5

Thank you for the opportunity to make this submission. We would seek to appear before the Select Committee.

Yours sincerely



Irene King
Chief Executive.



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