



# Submission to the Ministry of Education and the Tertiary Education Commission on the 2024 Vocational Education and Training Reforms

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**This submission is from:**

An automotive industry taskforce, assembled and led by MTA

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Kind regards,

A handwritten signature in black ink, appearing to read 'James McDowall', written in a cursive style.

James McDowall

Head of Advocacy

## About the submitters

The Motor Trade Association (MTA) is the peak body for New Zealand’s automotive industry. We represent more than 4,200 businesses that fix, fuel, buy, sell, and inspect the country’s vehicle fleet – helping families and communities travel and connect safely. Our members work in general and specialist automotive repair, service stations, parts and accessories, auto electrical, new and used vehicle importers and dealers, inspection, collision repair, and vehicle recovery.

This submission is supported by and produced alongside an automotive industry taskforce led by MTA. Collaborating organisations include the Collision Repair Association (CRA), Motor Industry Association (MIA), Imported Motor Vehicle Industry Association (VIA), New Zealand Trucking Association, Bus and Coach Association New Zealand, National Road Carriers Association, Tractor and Machinery Association (TAMA), Ia Ara Aotearoa Transporting New Zealand Inc, New Zealand Auto Electrical Group, Rental Vehicle Association, Hire Industry Association of New Zealand, I-CAR New Zealand, Collins Automotive Ltd, European Motor Distributors (EMD) / Giltrap Group, Rutherford & Bond Limited, Repairhub Ltd, CablePrice Ltd, Norwood, and Tandem Smash Repair Ltd.

Together, we represent the diverse spectrum of the automotive industry, including associations, employers, and the broader interests of New Zealand motorists. We also encompass heavy transport and agriculture and emphasise the scale and importance of the primary sector. By involving employers alongside associations, we have gained valuable direct feedback from those who provide a significant number of apprenticeships in the automotive industry. Our taskforce collectively represents approximately 90% of the training that MITO, currently part of Te Pūkenga, provides. We are grateful for the opportunity to contribute to the Government’s consultation on the 2024 Vocational Education and Training Reforms.



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## 1. Introduction and background

The automotive industry is a key pillar of the New Zealand economy, providing essential services that keep the national fleet of vehicles moving. However, we face ongoing challenges that impede our ability to grow and maintain our skilled workforce.

Our industry is currently navigating a time of unprecedented and rapid technological advancement, meaning the need for relevant qualifications developed and delivered at pace has never been greater.

This submission outlines the current issues within the vocational education and training system and proposes a novel approach that better aligns with the current and future needs of the automotive industry.

The industry is facing significant labour shortages, exacerbated by the high costs employers incur when training apprentices. Employers are now more hesitant to invest in apprenticeships due to the associated risks and costs. This has led to a greater reliance on skilled migrants, which has been further complicated by frequently changing immigration policies.

During the days of the 8,000-hour training model, apprenticeships were commonplace. If an employee left, they could simply hire a competent replacement from another workshop, ensuring a smooth transition. However, the variability in competencies within the current model – due to the multiple pathways to learning – necessitates that employers invest additional time and resources to ensure new apprentices are up to standard. Based on our collective experience, we are confident that industry ownership can address this issue by standardising training and ensuring consistent competency levels across apprentices.

Our industry is deeply disappointed that the Government's proposal fails to acknowledge the significant investment and inherent risks involved in training apprentices for employers. Compared to a fully trained employee, an apprentice is significantly less productive during their training period. We are concerned that the government's proposal documents do not recognise the substantial financial contributions employers make to the vocational education system.

For example, in collision repair, calculations show that providing a three-year apprenticeship can cost a business up to \$90,000. This includes losses in productive hours for those supervising, signing off modules, administration, public holidays, leave, and direct costs of both internal and external training. The government is the minor contributor, while employers bear most of the costs by a substantial margin.

The role of the Government should therefore be to create a legislative framework that grants industry training the freedom to choose what success looks like and how it succeeds. Crown ownership creates a system that is one step removed from industry accountability, which does not serve industry well.

Further, we note that industry has found providing feedback challenging due to the system's unnecessary complexity. Whether discussing work-based learning, ITPs, WDCs, NIAGs, MoE, TEC, NZQA, and the various other agencies and working groups, the structure is highly convoluted, especially considering that training almost exclusively happens in the workplace. The Government should seriously question why the system needs to be so complicated.

Ownership of MITO should lie with industry, as this allows for direct accountability to the customer – industry. By extension, this would mean more responsive and relevant training programmes that directly address our needs and challenges. With industry ownership, we can ensure that qualifications are closely aligned with current and emerging industry practices, fostering a competent workforce that is ready to adapt to rapidly changing technology. While this model may not be suitable for all industries, MITO and automotive stands out as being well-organised, fiscally sustainable, and supported by industry.

Currently, 16 Institutes of Technology and Polytechnics (ITPs) provide pre-trade education for the automotive industry. Many operate at a significant deficit and lack modern resources. Consequently, employers face high costs retraining ITP-only graduates, who often have significant student loans to contend with.

Unfortunately, many graduates either do not enter the industry or leave soon after, as classroom learning cannot replicate real-world environments. The automotive industry attracts individuals who excel through hands-on experience, making work-based learning the preferred choice for employers. This approach supports the intended learning outcomes and provides better social and economic benefits for learners, allowing them to earn while they learn.

As such, we would be uncomfortable with any system that promotes ITP-based education over, or in direct competition with, work-based learning. The objective of the education system should be to produce the workers that industries need, not to fill seats to reduce polytechnic operating deficits. The real victim of such an outcome is the learner, who may leave unemployable and burdened with student loan debt.

## 2. The future of work-based learning in automotive

### 2a. Proposal for MITO and the automotive industry

Our automotive industry taskforce has adopted an innovative approach to the Government's proposals, offering an alternative that better reflects the needs of industry. We believe the consultation document fell short and lacked the necessary detail for us to provide either a preference or commitment to the options for work-based learning.

Therefore, we propose the transition of MITO into an industry-owned and led entity (hereafter 'new entity'), with legislation providing for ongoing Government oversight.

This is most similar to Option A of the consultation document, with the important distinction of an industry owned entity in place of an Industry Training Board for automotive. It is unclear how Option B would sufficiently meet the needs of industry; prima facie it could negatively impact national standards by way of fragmentation as opposed to generating healthy competition. With MITO already being the primary arranger of industry training, disrupting that consistency would have long-term negative consequences.

We have received overwhelming feedback that Crown ownership is undesirable and risks exacerbating disengagement with the system from industry bodies and employers. MITO stands out among the former ITOs (Industry Training Organisations) as a success story, with even more room to improve under industry ownership. On timing, the new entity could be stood up simultaneously with ITPs that are solvent and gaining independence first.

The new entity could either be an incorporated society or a new form of Government-recognised entity legislated as part of the disestablishment of Te Pūkenga. We are not proposing to convert MITO into a private training establishment (PTE), as standard setting is a crucial function that was derailed with the Workforce Development Councils (WDCs) and should be returned to the new entity.

The new entity would be responsible for standard setting and arranging training, with off-job training to be delivered in partnership with ITPs and PTEs. Qualifications would be publicly available to address the fragmentation and duplication of standards.

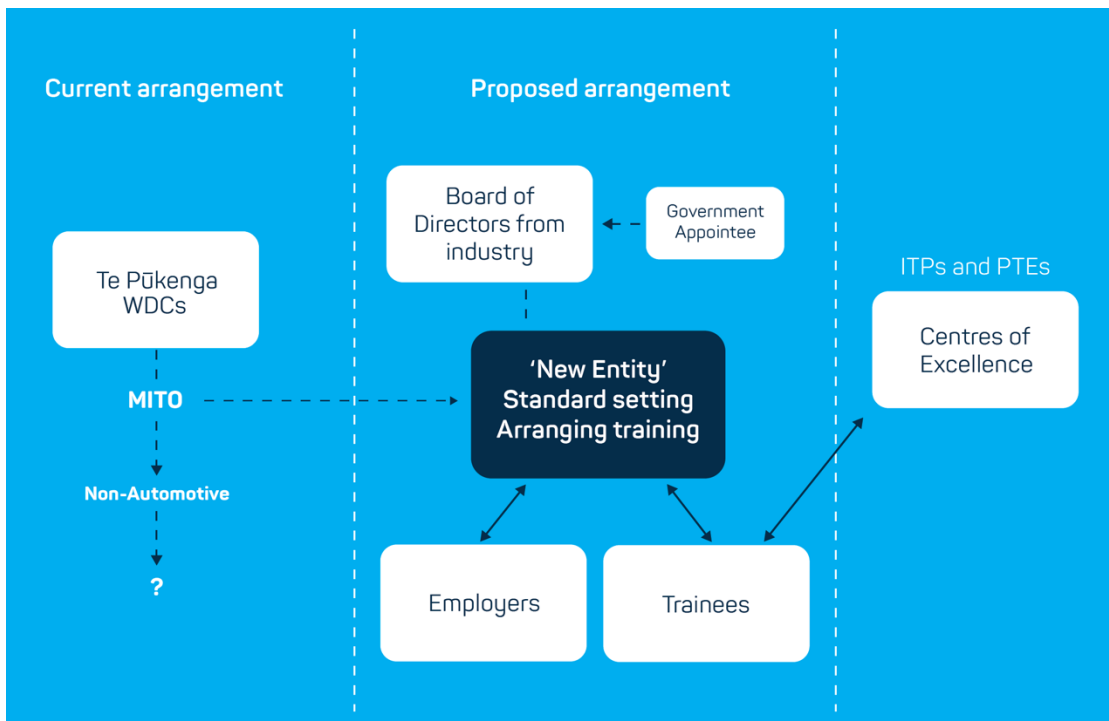
As the peak body for automotive, MTA offers to contribute to transition costs and has the resources to take on ownership of MITO on behalf of industry if considered necessary by the Government. If this were to occur, the new entity would have a separate board of directors to MTA and operate independently with wider transport industry involvement.

We acknowledge the Minister’s desire to issue letters of expectations to facilitate Government oversight. To achieve this in the above scenario, we propose that the new entity include a ministerial appointment to its board of directors, with the remaining members drawn from industry. We would collaborate with officials to develop a workable solution for all parties.

During the transfer of MITO to Te Pūkenga, industry generously provided its training systems, resources, and apprenticeship models at no cost. Given the reforms, it is fair and appropriate to return these to industry control to honour the original transfer and maintain continuity. The intellectual property of these systems remains closely tied to industry.

A small percentage of MITO learners fall outside the scope of transport and automotive, specifically drilling, mining, quarrying, and gas. We strongly support the specific designation of ‘motor’ as contained in the Government’s proposals and encourage TEC and MoE to consider whether these sectors should transition to the new entity or be merged into another more relevant organisation.

We are supportive of the Government’s direction of travel on peak bodies managing final certification and/or authentication of qualifications. We look forward to engaging with officials on what this framework could look like.





## 2b. Industry-led standards

The current barriers to industry involvement are primarily due to a process that is both time-consuming and complex, led by the New Zealand Qualifications Authority (NZQA). This in addition to a lack of engagement with the WDCs, despite good intentions.

For qualifications and unit standards to be listed on the New Zealand Qualifications Framework (NZQF), there must be clear evidence of industry need and endorsement. This has been lacking under the current system.

A risk has arisen with the development of micro-credentials, as these can be created by a wide range of providers in addition to the standard setter. To address this risk and ensure that any training delivered by any provider aligns with industry standards, two mechanisms are available:

- Programme endorsement: The entity with standard-setting should endorse programmes alongside the peak body for the sector.
- Quality assurance: Providers could be accredited to deliver qualifications and standards within a programme. They are responsible for ensuring that standards are met. This independent quality assurance process is crucial both before a programme enters the market and after learners have completed their training, thereby maintaining national consistency.

## 2c. Provider-based training and work-based training

The automotive industry advocates for Level 4 qualifications and buildable micro-credentials to be delivered primarily in a work-based setting, supported by an Off Job Training (OJT) model in a Centre of Excellence. This competency-based approach directly benefits workshops by ensuring that learners acquire the practical skills and experience needed to excel in real-world environments.

The industry recognises the importance of maintaining a positive relationship between ITPs and work-based training. This relationship is vital to support employers and ensure that on-job training integrates seamlessly with off-job.

We acknowledge the hard work and unity that MITO has established and continues to build upon. Industry-owned standard setting is crucial to maintaining the quality and relevance of qualifications. Given our clear preference is to be industry-owned and led, we are committed to addressing any historical issues and strengthening relationships with ITPs to ensure a unified and cohesive approach for the automotive sector. By working together, we can continue to elevate industry standards and ensure that training remains aligned with the evolving needs of the automotive industry.

The integration of theoretical and practical learning could be delivered in block courses at mandated Centres of Excellence, enabling learners to return to the workplace equipped with the knowledge needed to begin seeing evidence of their skills in the real-world. With the support of their employers, who assess competency, this blended approach ensures that training is comprehensive and directly applicable.

Student loan debt is particularly undesirable, especially during times of economic downturn when employment opportunities may decline. Incurring debt for a qualification without guaranteed employment is not an ideal solution. Relying solely on ITPs during such periods can exacerbate financial burdens on learners, leaving them with debt and limited job prospects. Instead, we should explore more agile training solutions, such as creating programmes that support part-time learners in real-world environments. This approach would help employers during economic downturns and ensure that individuals are well-prepared to transition into full-time roles with the necessary skills when the economy recovers. Focusing on work-based training offers a more resilient and financially sound pathway for both learners and the automotive industry.

## 2d. Centres of Excellence proposal

We propose establishing between five to seven Centres of Excellence across the country, rather than maintaining 16 under-resourced pre-trade schools. These centres should be equipped with the latest technology and resources to ensure that off-job training aligns with the skills required to meet the demands of a modern workshop. Centres of Excellence could be either ITPs or PTEs. Centres of Excellence and attendance at these centres should be funded with the support of TEC to bolster vocational education in New Zealand and address the skills shortage.

## 2e. Assessment, programme completions, and pastoral care

Assessment is a key aspect of apprenticeship training, and it is essential that the automotive industry retains the ability to assess its own apprentices when necessary. The current assessment process operates on a high-trust model, where employers – who bear the cost of unrecoverable time – are uniquely positioned to evaluate the true competency of their apprentices. Employers have direct access to time records and other internal documentation that accurately reflect an apprentice’s progress and skill development.

By allowing employers to conduct evidence-based assessments, the industry can ensure that apprentices are evaluated rigorously and fairly, leading to higher-skilled tradespeople upon qualification completion. This approach not only maintains the integrity of the assessment process but also unites the industry, where employers are deeply engaged in both the training and the vocational development of their workforce. This engagement ensures that employers remain connected to the broader goals of the industry, rather than becoming disconnected from the vital role of shaping future professionals.

Employers effectively take the helm of pastoral care, providing consistent support and guidance throughout apprenticeship training. It is imperative that an industry-owned and led support system, like the former ITO system, supports employers and provides feedback to the TEC. To further ensure national consistency and competency, the industry could implement a short series of final units that are assessed by a national industry assessor. This final assessment would serve as a standard benchmark, ensuring that all apprentices meet the same standards across the country before being awarded their final qualification.

## 3. Funding

Employers are the primary trainers in our industry and require increased funding to support this role. Financial support for training apprentices should extend beyond just the first or last year to effectively develop skilled labour in the automotive sector. We recommend reviewing the Apprenticeship Boost, which is currently available to all trades regardless of need. In Australia, a more targeted approach is taken based on labour shortages, allowing more funding to be allocated where it is needed most.

We advocate that work-based funding rates not be reduced and should include specific funding rates for employers. This prevents reliance on sourcing skilled labour from offshore. By providing employers with the necessary resources to train apprentices over multiple years, we can ensure that automotive workshops remain efficient, and that the industry continues to grow with a well-prepared, domestic workforce.

Standard setting should be funded, but since all providers in the system rely on standard setting, proposed provider rates could be reduced to reflect this necessity, rather than solely repurposing work-based learning rates. This approach ensures a balanced distribution of resources across the entire vocational education system, preserving the effectiveness of both work-based and provider-based training.

The proposed 2026 funding changes aim to address deficits in provider-based education by reallocating resources. However, this risks further weakening work-based learning unless specific provisions are made to increase its funding. Work-based learning is not only about providing the right skills for the industry but also about eliminating the skills shortage through clear, industry-endorsed education and career pathways.

The process of engaging in unit standards reviews is often perceived as time-consuming and complex, discouraging employer participation. The extended duration required for unit standards and qualifications to be approved and integrated into the system is critical, and without significant changes, it could undermine the effectiveness of the entire system. For many businesses, particularly smaller workshops, these costs can be prohibitive, leading to reduced involvement in the very processes that are essential for maintaining high industry standards and ensuring that training remains relevant and effective.

It is vital that Proposal 3 acknowledges the financial implications for employers to train skilled tradespeople. Automotive employers not only enable better social and economic outcomes for the next generation of automotive professionals, but they also keep the country moving and ensure safe transport for New Zealand motorists through the training they provide.

## 4. Other considerations

### 4a. Youth engagement - Gateway

Gateway programmes help secondary learners decide if a trade is right for them. However, they are currently underutilised, underrepresented, and underfunded. This leads to learners enrolling in ITPs or PTEs, only to later find the industry unsuitable, wasting taxpayer money and burdening learners with debt.

We recommend prioritising Gateway programmes from secondary school through to tertiary education, leading directly into apprenticeships and emphasising the earn-as-you-learn pathway. Adequate funding should support these initiatives.

Gateway not only promotes trades but also enhances the perception of the automotive industry as a credible and rewarding career choice.

Gateway incorporates industry-endorsed standards, providing students with clear education pathways. These standards help students build skills in a structured way, transitioning smoothly into formal training programmes. This ensures learners gain relevant skills and are better prepared for further qualifications and careers.

Gateway allows secondary learners to assess pre-employment suitability and explore careers in the automotive industry. It also helps employers identify potential apprentices with a strong work ethic, giving students a firsthand glimpse of their future careers.

#### 4b. Programme development

Current programmes are often lengthy and fail to meet industry needs. Qualification development is convoluted and can take years, making it hard to keep up with technological advancements. Learning should be driven by service needs, supporting learners to master required skills.

There is also poor communication in programme development. Sometimes, programmes and micro-credentials are created exclusively by providers, leading to duplicate qualifications that confuse employers and learners, and waste taxpayer money. An industry-owned standard setter would eliminate duplication and inconsistency

#### 4c. Length of work-based training

Historically, work-based training programmes in the automotive industry have followed a time-based model, requiring apprentices to complete 8,000 hours of hands-on work to become fully qualified technicians. This model ensured apprentices gained both theoretical knowledge and practical skills necessary to meet high industry standards.

However, recent trends show some technicians achieving qualifications in under two years, much less than the traditional 8,000 hours. While they may pass the required unit standards, there is concern that this accelerated path does not provide enough time to develop the depth of skill and experience needed to excel.

The automotive industry is complex, requiring technicians to diagnose, repair, and maintain a wide range of vehicles with precision. The traditional model allowed apprentices to encounter various real-world scenarios, building problem-solving abilities and technical proficiency over time. In contrast, those who qualify faster may lack the comprehensive experience critical for long-term success. To ensure competency, we recommend implementing final unit standards assessed by a national industry assessor before granting a final qualification.

## 5. Conclusion

Work-based learning provides the future for the automotive industry, giving apprentices practical, hands-on experience in real-world settings.

The industry is grappling with significant challenges, including labour shortages and high training costs, which have led to a reliance on skilled migrants and a decline in employer participation. Unfortunately, the Government's proposal does not address the financial burden on employers, nor does it offer a clear, industry-owned and led solution.

Our submission advocates for the industry to define its own success, supported by a legislative framework provided by the Government.

The most critical aspect of our proposal is transitioning MITO into an industry-owned and led entity. This transition would ensure more responsive and relevant training programmes, closely aligned with current practices and future demands.

MTA is prepared to contribute to transition costs and take ownership of MITO, while ensuring the new entity maintains independent industry governance. We propose the inclusion of a ministerial appointee to facilitate oversight and enable the Minister to deliver letters of expectations. This model mitigates the risks associated with both Options A and B in the Government's proposal.

A small percentage of MITO learners are in drilling, mining, quarrying, and gas, which fall outside the scope of transport and automotive. We encourage officials to consider where these sectors best fit during the transition process while noting that we support the proposal's designation of 'Motor'.

Maintaining a strong relationship between ITPs and work-based training is vital for seamless integration and support for employers. Establishing five to seven Centres of Excellence equipped with the latest technology and resources will better align off-job training with modern workshop demands.

Increased funding for employers is necessary to support apprentice training. Reviewing the Apprenticeship Boost to target funding based on labour shortages is recommended. Work-based funding rates should not be reduced and should include specific rates for employers to prevent reliance on offshore skilled labour.

The automotive industry taskforce, led by MTA, appreciates the opportunity to submit on the Government's proposals and stands ready to work with officials to make our suggested model a reality. Having industry and employers on board with changes to vocational education and training is crucial for developing a long-term solution. Employers and apprentices need certainty, and it is essential that we get this right for the future of the automotive industry.



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