MTAA RESPONSE TO:

A revised methodology for the Australian Apprenticeship Priority List

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MOTOR TRADES ASSOCIATION OF AUSTRALIA

Introduction

The Motor Trades Association of Australia (MTAA) is the peak body representing the automotive retail industry, encompassing thousands of small and family-owned businesses. Collectively, these employers train and employ more than 7,000 apprentices, making the sector one of the largest contributors to Australia's apprenticeship pipeline. With a workforce of approximately 318,000 Australians, the automotive industry is both a critical enabler of the economy and a frontline partner in delivering the transition to net zero.

MTAA welcomes the opportunity to provide input into the revision of the methodology for the Australian Apprenticeship Priority List (Priority List). We support the Government's objectives to ensure the Priority List remains targeted, transparent, and effective in directing limited public funding toward the areas of greatest national need.

This submission outlines MTAA's recommendations to ensure the Priority List:

- Targets occupations in demonstrable and persistent shortage
- Supports apprenticeship-reliant roles that require long-term, structured training
- Recognises the costs borne by small and medium-sized employers who provide the majority of training
- Builds flexibility to capture emerging occupations critical to net zero and the digital transition

MTAA looks forward to working with the Department of Employment and Workplace Relations, Jobs and Skills Australia, and other stakeholders to ensure that the Priority List becomes a stronger, more future-focused tool to secure Australia's skills pipeline.

Please see our responses to the Discussion Paper questions on the revised methodology for the Australian Apprenticeship Priority List below.

1. What should be the core purpose and scope of the Priority List?

The core purpose of the Priority List is to support employers to employ apprentices and trainees to deliver labour-market outcomes that drive ongoing economic prosperity. The scope is and should remain at targeting incentives to apprenticeships and traineeships that support Australia's economy.

The Priority List should be a targeted tool to direct limited government funding toward occupations that are:

1. In persistent, demonstrable shortage;
2. Dependent on apprenticeships as the primary or mandated training pathway; and
3. Provide a pathway to long-term careers and secure jobs.

In the automotive sector, most roles cannot be filled through alternative pathways. They require structured, long-term training and significant employer investment. Occupations such as light and heavy vehicle technicians, auto electricians, panel beaters, painters, motorcycle mechanics, parts interpreters, and emerging EV and ADAS diagnostic roles all rely on apprenticeships, are in ongoing shortage, and provide long-term careers and pathways to well paid jobs.

The automotive industry employs around 318,000 Australians with over 96% of businesses in the sector being small and family-owned. These employers are the backbone of apprenticeship training. However, the sector operates on very small margins, and persistent labour shortages mean apprentice and technician wages are rising. This makes government incentives a critical factor in employer decisions to take on and support new apprentices. Incentives linked to the Priority List must therefore recognise not only national shortages but also the costs and burdens borne by small businesses that deliver the majority of training.

Finally, the Priority List must remain flexible enough to capture new occupations created by disruptive technologies such as electric propulsion, high-voltage safety, telematics, and battery recycling. These roles are essential to the net zero transition, and failure to include them will leave Australia exposed to critical skills gaps.

2. How should Australia's economic and social equity objectives be defined?

Economic objectives should be anchored in the National Skills Agreement (NSA) which focuses on priority industries that support economic growth, productivity, and the net zero transition. These areas are enduring, cross-jurisdictional, and provide a stable reference point for future updates.

Social equity objectives should:

- Explicitly support women in trades, particularly in traditionally male-dominated industries
- Improve pathways for First Nations apprentices, especially in regional and remote communities
- Address barriers for regional and rural apprentices, including travel and accommodation costs to attend training
- Support apprentices with disability or from disadvantaged backgrounds

On the question of low wage premiums, MTAA notes the referenced findings of the Strategic Review that, historically, occupations with low wage premiums are more sensitive to the availability of incentive payments because they represent a larger share of the total value employers derive from their apprentice. MTAA would add that wage levels at a point in time do not capture the true value of a trade to the economy, nor the career pathways it enables. Accordingly, an exclusion of low-wage premium roles risks cutting off the entry points that thousands of Australians rely on to establish themselves in an industry, build skills, and progress to higher-value jobs.

Many automotive industry leaders, including Dealer Principals, CEOs, and senior executives, started their careers in modestly paid roles in the sector. These jobs are not "low value"; they are stepping stones into an industry that employs over 300,000 Australians and underpins national productivity.

MTAA supports a system of graduated incentives that reflects both current shortages and long-term workforce needs. Persistent non-compliance with workplace laws should be addressed through enforcement of those laws, not by denying incentives to essential occupations.

3. To what extent should the Incentive System flex up and down?

The Incentive System should be flexible in both eligibility and quantum, and it must operate within a framework that gives employers predictability. Employers make multi-year commitments when they take on an apprentice. Volatility in incentives undermines confidence and reduces commencements.

Importantly, there are qualifications in our sector that will always require government support to ensure commencements continue and shortages are minimised. Automotive is a high-cost, low-margin industry, and employers simply cannot absorb the full upfront costs of training without assistance. Incentives are therefore not a temporary fix, but a necessary structural support to protect these qualifications and keep pipelines open.

MTAA recommends

> Grandfathering: retain the incentive settings that applied at commencement for all existing apprentices through to completion.

> Published triggers: set clear, evidence-based triggers for adjustments to incentive levels, such as unemployment, vacancy fill rates, and completion rates.

> Regular reviews: conduct annual reviews, with extraordinary reviews only in response to major economic shocks.

Finally, any adjustments must be based on robust data analysis supported by genuine industry engagement.

In addition, there must be protections for qualifications that are wholly dependent on apprenticeship pathways. In sectors like automotive, employers cannot carry the upfront costs of training without support. These structural features justify ongoing, stable incentives, not just temporary measures, to ensure commencements continue and skills pipelines are preserved.

Skills shortages in automotive

The automotive sector is already facing acute shortages. The industry has a workforce deficit of more than 38,000 which will increase as electric and zero-emission vehicles scale. This is a systemic shortage, not a short-term gap, and has persisted for decades.

One of the most pressing issues facing businesses today is finding and retaining good staff, with Capricorn's State of the Nation Report 2025[1] finding that 53% of survey respondents identifying it as their number one

[1] Capricorn State of the Nation Report 2025 (https://www.capricorn.coop/publications/state-of-the-nation)

challenge. This difficulty is not limited to senior roles, it extends to apprentices, whose scarcity further complicates workforce planning and succession.

The extent of the staffing problem is highlighted by the fact that nearly half of all businesses (48%) are actively looking for staff. Within this group, 10% currently have unfilled positions, leaving businesses under-resourced, while a much larger proportion, 38%, report struggling specifically to find skilled staff. This shortage places additional strain on existing employees and restricts businesses from taking on new work or growing sustainably.

When broken down by business type, the severity of staffing challenges varies across the sector:

- Panel & Paint businesses report the highest difficulty, with 69% facing staff shortages.
- Tyre & Suspension businesses follow closely, with 62% struggling to fill roles.
- Mechanical Workshops and Auto Electrical businesses are also under pressure, with 48% and 47% respectively citing staffing issues.

These results underscore the widespread and critical nature of staffing pressures across the industry. Without access to a reliable pipeline of skilled workers and apprentices, businesses risk not only operational inefficiencies but also long-term sustainability.

The Skills for Tomorrow strategic review of the Australian Apprenticeships Incentive System (Ross and Paul, 2024) also noted that failure to complete apprenticeships imposes lasting costs on skills availability, workforce pathways, and lifetime earnings. The review found that when incentive schemes are pared back or removed, commencements decline, and future supply of skilled workers is reduced.

Immediate concerns

1. Insufficient incentives for small and medium automotive employers

The current Priority Hiring Incentive of up to $5,000 over three years is not attracting and retaining enough apprentices. In a high-cost, low-margin environment, the $5,000 employer payment does not cover the real cost of supervision, training, and lost productivity.

By contrast, the previous Boosting and Completing Apprenticeship Commencements (BAC/CAC) programs provided:

- 50 per cent wage subsidy in year one, up to $28,000 per apprentice per year
- 10 per cent and 5 per cent subsidies in years two and three, with maximums of $1,500 and $750 per quarter

This support significantly lifted recruitment, especially among smaller repair businesses. Under the current settings employers of priority occupation apprentices receive up to $5,000 in the first year.

The previous system delivered up to $37,000 per apprentice. The current system delivers $5,000 and involves complex, delayed claims.

While we do not expect incentives to return to $28,000, there must be recognition that the current level is inadequate. Employers are resisting taking on more apprentices because the upfront costs remain too high.

In addition, and of direct importance to our sector, we call for the reinstatement of incentives for the Parts Interpreting apprenticeship, to ensure this critical role is not left behind.

Administrative burden and complexity

Members consistently report that claims are bureaucratic and confusing. Many small businesses lack administrative capacity, and the red tape is a barrier to participation. What should be a straightforward process has become a deterrent with payments often delayed, conditional, and difficult to claim.

Program timing

The current Australian Apprenticeships Incentive System (AAIS) is due to cease on 31 December 2025. We thank the Government for extending the program to this date. However, unless red tape and administrative burden are addressed urgently, many small businesses will still be unable to access support before the scheme ends.

We suggest a targeted extension for small businesses to March 2026, to allow additional time for engagement while longer-term reforms are implemented.

Requests

1. Increase the Priority Hiring Incentive for employees and employers in key trade sectors to a meaningful level.
2. Restore a scaled wage subsidy for small and medium employers taking on priority apprenticeships.
3. Streamline the claims process to reduce administrative complexity and improve payment timeliness.
4. Extend the AAIS deadline for small businesses to March 2026 to ensure access while red tape issues are resolved.

Given our sector's role in training and employing apprentices, we also request that MTAA be included in consultations and working groups on future apprenticeship reforms.

4. What is the most effective process for identifying and updating the Priority List, and at what frequency?

A balance must be struck between stability for employers and responsiveness to emerging skills needs. MTAA supports:

- Annual major review (January) to provide stability and predictability.
- Mid-year minor update (July) to capture new qualifications and fast-moving technologies (e.g., EV propulsion, ADAS calibration).

- Retention of occupations that have been in shortage for two of the past three years, to reduce volatility and provide employers with certainty.

Crucially, updates must be informed by structured consultation with industry bodies. MTAA and its state associations are the largest collective employer of automotive apprentices in Australia, representing over 7,000 apprentices in training

Inclusion of MTAA in a formal advisory panel with JSA, ABS, and DEWR would ensure that decisions are transparent, evidence-based, and grounded in industry reality.

5. Should occupations with viable non-apprenticeship pathways have access to incentives?

No. Incentives should be restricted to occupations where apprenticeships are the dominant or mandated pathway, or where licensing and safety considerations make apprenticeship training essential.

Incentivising occupations with alternative, shorter pathways risks diluting funding and undermining the apprenticeship model. Automotive trades are a clear example where apprenticeships are the preferred pathway and provide superior outcomes in safety, quality, and long-term retention.

6. How can the Priority List capture and support new and emerging occupations or apprenticeship pathways?

MTAA supports the introduction of an “Emerging Skills Stream” within the Priority List. This stream should allow time-limited inclusion (e.g., 2–3 years) of emerging occupations identified by industry and JSA, such as:

- EV and hybrid propulsion technicians
- High-voltage battery repair and recycling
- ADAS calibration and telematics specialists
- Collision repair for new composite and lightweight materials
- Automated vehicle technicians

This approach would allow government to future-proof the apprenticeship system while avoiding long-term overcommitment to roles that may evolve or disappear.

7. Should the Priority List have a jurisdictional or regional element?

Yes. National shortages do not always reflect local realities. Automotive shortages are particularly acute in regional and remote Australia, where heavy diesel mechanics, auto-electricians, and panel repairers are essential to freight corridors, agriculture, and local communities.

A jurisdictional or regional element would allow incentives to be targeted to local priorities, ensuring that apprenticeships remain viable in thin markets. This is particularly important where training requires apprentices to travel long distances, incurring additional costs

8. Should government take a narrower approach to the Priority List?

Yes, MTAA supports a narrower but deeper approach provided the methodology is transparent and inclusive of the full range of automotive trades. Broad, low-value incentives spread across many occupations are less effective and more likely to result in poor retention and "churn."

However, it is critical that in narrowing the scope, niche but essential automotive apprenticeships are not excluded. We have already seen the removal of the Parts Interpreter apprenticeship, and a similar approach risks further losses for smaller but vital trades such as Outdoor Power Equipment.

Targeting fewer, apprenticeship-reliant occupations with higher incentive values will deliver better returns on investment, higher completion rates, and a stronger skills pipeline, but this must be balanced with a whole-of-sector focus that safeguards every core automotive trade, from mainstream occupations through to specialist pathways. This approach ensures the sector can meet its diverse skills needs and maintain a robust pipeline across all disciplines.

9. Should the Priority List identify different types of occupation shortages (attraction, completion, retention)?

Yes. Shortages have multiple causes and require tailored solutions:

- Attraction shortages → commencement incentives, marketing campaigns, and stronger engagement with schools (where VET pathways are still undervalued)
- Completion shortages → staged employer and apprentice payments, coupled with structured mentoring. MTAA's mentoring programs demonstrate significantly improved completion rates.
- Retention shortages → final-year payments for employers and apprentices, recognising the higher risk of drop-out as apprentices near qualification.
- Employer capacity shortages → increased employer incentives to offset the costs of supervision, downtime, and compliance, particularly for SMEs. This category is often overlooked, but without employer capacity, commencements cannot grow

10. Should the Priority List expand beyond OSCA Major Groups 3 & 4?

We believe the Priority List should not be expanded beyond OSCA Major Groups 3 & 4. These two groups already encompass the occupations that are most apprenticeship-reliant and most critical to addressing Australia's current and emerging skills shortages.

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