

**REVIEW OF THE INTEGRATION OF THE AUSTRALIAN  
MARITIME COLLEGE WITH THE UNIVERSITY OF  
TASMANIA**

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## 1. Background to Review

1.1 The Australian Maritime College (AMC) was merged with the University of Tasmania on 1 January 2008, when it became an Institute of the University. The Commonwealth Act effecting the merger (the *Maritime Legislation Amendment Act 2007*, section 18) provides:

### *Review*

- (1) The Minister must cause a review of:
  - (a) the integration of the College with the University; and
  - (b) the objectives, effectiveness and efficiency of the AMC institute; to be undertaken:
  - (c) after the end of the period of 4 years and 6 months beginning at integration time; but
  - (d) before the end of the period of 5 years beginning at the integration time.

### *Manner and Form of review*

- (2) The review must be undertaken in the manner and form determined by the Minister.
- (3) Before the Minister makes a determination under sub item (2), the Minister must consult with the University.

### *Report*

- (4) The persons who undertake the review must give the Minister a written report of the review.
- (5) The Minister must cause a copy of the report to be tabled in each House of Parliament within 15 sitting days of that House after the day on which the Minister receives the report.'

1.2 Following determination of the manner and form of the review, and the development of terms of reference, including I understand in consultation with the University of Tasmania, I was appointed to conduct the review on 14 August 2012, and asked to deliver a final report to the Commonwealth by 18 December 2012.

1.3 The terms of reference are at **Attachment A**.

1.4 I have consulted a number of key organisations and people during the course of the review, including those referred to in the terms of reference, as set out in **Attachment B**. I did not seek written submissions, though two organisations – the Australian Maritime College itself and the Maritime

Union of Australia (MUA) - provided them. I have provided copies of these submissions to the Department of Infrastructure and Transport with this report. I thank all those consulted, who gave generously of their time.

1.5 I thank officers of the Departments on Infrastructure & Transport, and Innovation, Industry, Science, Research & Tertiary Education for their assistance, particularly Leanne Kennedy of DI&T. I also thank Mr David Harrod of the WA Department of Transport, who provided his deep knowledge and wise counsel about the industry to someone with no maritime industry background. The conclusions drawn and recommendations made in this report are however mine alone.

## 2. Recent History and Current Position of the AMC

2.1 The AMC was established in 1978 as a specialist national tertiary institution to provide training and education for the maritime industry. The 2008 integration with the University of Tasmania took place after several reviews that recommended such a change. The AMC had resisted a merger until that time, but agreed to it in 2006, following changed Commonwealth VET funding arrangements, the lack of success of a proposal to become a free-standing specialist university, and the then state of the Australian shipping industry.

2.2 A Heads of Agreement between the parties was signed in 2006, and a business case was commissioned to justify Commonwealth funding, which concluded that the drivers of a merger (as it was called at the time) were:

- strategic fit between AMC and UTAS
- enhanced prospects for growth
- capacity to address the wider needs of maritime industry
- investment in pedagogy to support innovation in education and training
- enhanced learning pathways
- capacity to recruit high-quality staff
- maintenance and strengthening of the AMC brand
- income growth, cost advantages and operational efficiencies.

2.3 The AMC, the University and the Commonwealth all agreed the merger should proceed, and the legislation to give effect to it was passed in 2007.

2.4 The integration, as it was called in the legislation and subsequently, was intended to proceed over a five-year period, with periodic reports to the Minister for Transport on whether conditions specified in the legislation had been met.

2.5 The conditions were:

- Within 3 months, that the AMC had been re-established as an Institute of the University having the purposes of providing maritime education and training, conducting examinations and assessments under the *Navigation Act 1912*, and conducting research, with a Principal, and a Board with a right to report to the University Council and with sufficient authority to set strategies. AMC students and staff had a right of transfer, and the AMC was to have access to transferred assets.

- That, in each year, the AMC remain as an identified Institute within the University with the same purposes and governance and with continuing protections concerning its assets and their use. The composition of the Board was prescribed, and the Board required to prepare an annual report on performance against agreed indicators and on assumptions, directions and risks for the next three years

2.6 I understand that the AMC made an initial report, and annual reports in respect of 2008, 2009, 2010 and 2011 as required, and that the initial and 2008 to 2010 annual reports satisfied the Transport Minister. I also understand that the Minister has not to date responded to the report for 2011. These reports covered the technical issues relating to governance and protection of AMC assets, but also raised wider issues about the integration process, largely relating to the state of the industry, funding issues and relations with the university.

2.7 Several reviews of aspects of the AMC have taken place since integration, and my terms of reference require me to take account of these. Those that have come to my notice are:

Review of VET Governance (Peter Noonan Consulting) August 2009

Review of the National Centre for Marine Conservation and Resource Sustainability, AMC (Professor Norman Palmer) November 2010

Review of the University of Tasmania./Australian Maritime College Integration (Emeritus Professor Mark Wainwright) December 2010

Review of Academic and Academic-Related Matters pertaining to the Integration of the Australian Maritime College and the University of Tasmania (Emeritus Professor Alan Lindsay) January 2011

Business Review of AMC Search [the AMC consulting company] (The Allen Consulting Group) July 2011.

The AMC Submission (Supplementary Appendix 6) summarises these reviews, and the current state of play in relation to their recommendations. I have considered these reports and the responses to them in my work.

2.8 In addition, an audit by the Australian Universities Quality Agency (AUQA) in March 2012 referred in passing to aspects of the integration (there had been an AUQA audit of the AMC itself before integration), and a review of University of Tasmania Governance, including in relation to the

AMC, by Mr Peter Kronborg took place in late 2011. Apart from the AUQA audit, all these reviews were commissioned by the university or AMC.

2.9 AMC enrolments have grown steadily in recent years as shown by the attached table taken from the current 3 Year Plan:

Year	2008	2009	2010	2011	2012 (est.)
HE/VET Enrolments (EFTSL)	864	923	1014	1124	1239
% growth on previous year	0%	6.8%	9.9%	10.8%	10.2%

2.10 AMC income for 2011 and 2012 is made up as follows:

Revenue Item	\$m 2011	\$m 2012 (Budget)
Commonwealth Grants Scheme	8.226	9.386
HECS	3.749	4.910*
Full Fees (Australian)	0.507	0.675
Full Fees (Overseas)	5.265	5.286
VET Fees	1.260	1.193
National Institute Funding	4.919	4.165
Cth Regional and Equity Grants	0.347	0.000
Cth Research Funding	1.598	1.586
Cth Grant for VET	2.125	1.560**
State Funding – VET	0.029	0.050
AMC Search	2.857	2.450
Accommodation Fees	0.615	0.844
Investment Income	0.360	0.340
Other Income	1.116	0.891
<b>Total Operating Revenue</b>	<b>32.973</b>	<b>33.336</b>
Strategic Investment – AMC	0.000	0.000
<b>Total Income</b>	<b>32.973</b>	<b>33.336</b>

\*2012 HECS revenue is less cost of HECS scholarships

\*\*The Commonwealth grant for VET for 2012, paid in June 2012, was in the event \$2.1m.

2.11 Major expenditure items are:

<b>Expenditure Item</b>	<b>\$m 2011</b>	<b>\$m 2012 (est.)</b>
Salary expenses	18.954	20.232
Building expenses	0.921	0.587
Other Equipment & Infrastructure	2.070	2.200
Other Expenses	5.980	5.155
UTAS Overheads	4.440	5.162
<b>Total Expenses</b>	<b>32.365</b>	<b>33.336</b>

2011 equipment costs exclude Blue Fin capital upgrade.

These figures show continued growth in higher education enrolments and funding, although VET and research funding and commercial activity through the AMC consultancy arm, AMC Search, was not projected to grow in 2012.

2.12 In the wider sphere, there are continuing pressures, including cost pressures, on the Australian maritime industry. Such pressures always lead to questioning of the level of commitment to training and workforce development. The Australian Government identified several features of the industry in its 2011 reform announcements (this summary is taken from the accompanying Regulation Impact Statement):

- an ageing workforce combined with insufficient recruitment and training;
- likely flow-on effects of an ageing workforce to shore based jobs that rely on the maritime industry for recruits;
- potential limits to Australia's ability to service international and domestic trade efficiently, resulting from an inadequate pool of maritime skills.

2.13 To help consider and deal with these issues a National Maritime Workforce Development Forum has been established. One of its tasks is to consider how to implement a mandatory training requirement announced as part of the reforms, and an associated employer incentive. The Australian Maritime Safety Authority will also be given wider national regulatory powers from 2013. These changes provide a potentially more positive context for the AMC in future years.

### **3. Issues**

3.1 The terms of reference (at Attachment A) require me to report on the “objectives, effectiveness and efficiency” of the AMC Institute following integration. They also refer to several specific issues on which I am to report. These can be summarised and grouped as follows:

- the AMC’s capacity to support the skills needs of the maritime industry (ToR 1c, 2c, 2f)
- whether the AMC is meeting its legislative and other obligations (ToR 1a)
- the AMC’s resources (ToR 1b, 2e)
- scope for greater cohesiveness with the university (ToR 2a,b)
- its relations with other providers (ToR 1c, 2d)
- the AMC’s structure (ToR 1b).

3.2 In addition I have identified some wider structural issues relating to maritime workforce training and development that affect the capacity of the AMC to meet its remit.

## 4. Assessment of the Issues

### *(a) Objectives, Effectiveness and Efficiency*

4.1 The current (2013-15) 3 year plan of the AMC sets out as its 'vision statement' that within the next 10 years the AMC will be:

- widely acknowledged as the premier, dual-sector maritime education, training and research institute within Australia and the southern hemisphere
- internationally-renowned for its maritime research, quality of learning and teaching and the rich student experience that it provides
- strongly industry-focussed and industry-engaged
- a leader of research and teaching collaborations with other University of Tasmania (UTAS) Faculties and Institutes
- distinguished by its alliances and partnerships with national and international leaders in maritime research, learning and teaching and ocean technology
- recognised as a leading brand that is integral to the UTAS reputation.

4.2 The main feature of this statement is the interweaving of teaching and research, as would be expected of a university-based body, but also the emphasis on industry focus and engagement. The objectives seem to me broadly appropriate for such a body.

4.3 The AMC is undoubtedly 'the premier dual sector maritime education and training institute' within Australia – it is of course the only dual sector institute (i.e. one that covers both vocational and higher education and research as well as teaching). It is acknowledged by most of those I consulted to be the premier institute. This position comes from both the infrastructure put into the AMC over the years (the training vessels and the other facilities such as the simulators, model test basin, towing tank and cavitation tunnel) plus the quality and scope of the teaching. However some organisations consider that the AMC's training responsibilities are given insufficient weight because of a focus on research, possibly particularly since integration with the university. Others, and the AMC itself, argue that its research activities, if properly directed, can both support the innovation

needs of industry and enable the education and training itself, informed by the results of that research, to remain relevant.

4.4 I take the latter view, but it is important that the AMC do more to explain to stakeholders why this is so; it is not currently universally accepted by many of them.

4.5 I have not in the time available carried out an efficiency or effectiveness review of the AMC as a whole; nor have I been asked to assess whether the drivers of amalgamation listed in the 2006 business case proved valid. Overall my sense is that while the AMC is a more capable organisation than it was before integration, the reasons for this flow more from internal changes than from changes linked to integration, many of which have only just begun to be put in place

4.6 The level of resourcing of the AMC, given the high recurrent costs of maintaining the essential facilities and the relatively small number of students, ensures that there is a continuing focus on efficiency. A recent course review is an example of this process at work. Another example is work with the wider University in rationalising support services for the Launceston campus of the University including the AMC.

***(b) Capacity to Support Skills Needs of industry***

4.7 I am asked to review whether the AMC is positioned to fulfil the future skill needs of industry, identify how any change proposals may assist and recommend a preferred model for it to strengthen its contribution.

4.8 The maritime industry has a number of sectors – blue-water, offshore (e.g. oil and gas platforms), coastal including fisheries and aquaculture, plus port operations and related transport and logistics. The Priority Occupations List used by the National Workforce Development Fund includes a number of maritime or maritime-related specific occupations (numbers are the relevant ANZSCO code):

- 1211 Aquaculture Farmers
- 1336 Supply and Distribution Managers
- 1494 Transport Service Managers
- 2312 Marine Transport Professionals
- 3991 Boat Builders and Shipwrights
- 8411 Aquaculture Workers

## 8992 Deck and Fishing Hands

More specifically the 2012 Environmental Scan of the Transport and Logistics Industry Skills Council lists the following as skills in demand in the maritime sector:

Deck Hand/General Purpose Hand/Integrated Rating

Deck Officer

Marine Engineer

Ship's Master

Maritime Trainer/Assessor

These are core areas of the VET, undergraduate or postgraduate offerings of the AMC, and it remains well set up to meet the identified areas of demand, with Certificates I-IV and Diplomas, and more advanced courses, in Maritime Operations for Integrated Ratings, Deckhands, Coxswains, Masters and Marine Engineers (for both the coastal and ocean seafaring sectors), as well as courses in Maritime Engineering, Maritime and Logistics Management, and Aquaculture.

4.9 The actual level of industry demand for labour and skills is the subject of a recent industry census by the Maritime Workforce Development Forum, a very welcome development given the current lack of hard data. However the analysis of the census was not completed in time for me to have access to it.

4.10 Overall most of those I have spoken to in the maritime industry consider that the AMC is meeting their major needs for training including for recognised qualifications and (often through AMC Search) short courses. There is some criticism of the perceived slow response of AMC at times to changing industry needs, or the needs of individual companies, although this is not universal. There are mixed views on whether the AMC should have been pursuing international students (some see this as a distraction from their national obligations, others as a necessary means of gaining revenue so as better to meet their core role). Looking forward there is recognition of the development of online courses, and of partnerships such as those with Edith Cowan to enable local delivery, but a view that this needs to be stepped up to respond to industry needs for more flexible training (for example to offer more widely a blend of intensive face-to-face and online courses). I agree that this should be a priority.

4.11 However, there is a shared view that the AMC remains the leading provider of education and training to the maritime industry, with significantly the best infrastructure to enable practical and relevant skills development. Those who have reservations tend to express them by suggesting that, although they have confidence in the quality of the AMC's facilities and delivery, they are not necessarily as confident about the organisation's overall strategies, direction and governance, and the direction it might be persuaded to take because of wider university priorities.

4.12 My judgement is that there is more the AMC can do to demonstrate understanding of industry needs, and respond more flexibly and quickly to those needs. It must in doing this avoid being captured by any one part of the industry. Broadening and strengthening its current advisory mechanisms to ensure input from all parts of the maritime industry to all the activities of the AMC is an important part of this task. Even a re-constituted Board (see Recommendation 5) cannot hope to cover in breadth and depth the range of industry issues the AMC needs to be aware of.

4.13 As a prerequisite it must articulate more clearly its national and international role more clearly to stakeholders. Through my consultations I came to the conclusion that it is perhaps unsurprisingly seen by many players through the specific prism of their own interests, rather than as a body serving the national interest through serving the maritime industry as a whole. Communicating effectively the vision articulated in the current three year plan would be a good start, and needs to be done not just by senior AMC staff but by relevant senior staff from the wider university, to allay continuing suspicion from some that the university does not value the AMC's national and international role, a suspicion that I do not share.

### **Recommendation 1**

**The Australian Maritime College should appoint a widely representative advisory group to work with the Principal and other senior staff to ensure the AMC has available current knowledge of industry needs for courses, just-in-time training, and research and development. Such a group should include experienced people from of all parts of the industry.**

### **Recommendation 2**

**The Australian Maritime College should expand provision of online courses and accelerated delivery of other courses to meet industry needs.**

### *(c) Meeting Legislative and other Obligations*

4.14 I am required to assess whether the AMC is currently meeting its obligations and objectives under the 2007 Act, the Heads of Agreement signed with the University in October 2006 and University Ordinance No. 15 which established AMC as an Institute of the University, 'with particular reference to higher education, training, research and industry engagement'.

4.15 The AMC has provided me with a self-assessment against the legislative requirements as at October 2012 along the lines of those provided to the Minister in previous years – see **Attachment C**. On the basis of the information provided to me, I am satisfied that as at October 2012 the AMC met the legislative requirements. Its obligations under the Heads of Agreement and Ordinance are broadly consistent with those requirements.

### *(d) Resourcing*

4.16 I have been asked to consider whether the AMC is resourced appropriately, and its capacity to source funds and manage demand and supply in the VET sector in particular.

4.17 As shown at paragraph 2.10, the income for the AMC comes from three main sources:

- student fees (including where relevant HECS and FEE HELP contributions) of about \$12m in 2012;
- payments from the Commonwealth government, made up of grants for student places under the Commonwealth Grants Scheme, now paid to the University (estimated by the University to be around \$9.4m this year), and a grant under the National Institutes Funding program (slightly over \$4m in 2012); and
- income for particular activities e.g. consultancy work including through AMC Search and research grants.

4.18 The National Institute grant has been paid since 2005. Although its purpose has been expressed differently over time, most recently it has been referred to simply as “funding in recognition of the AMC’s national role in providing Australia’s only specialist training for people entering the maritime industry” (letter from the Department of Education, Employment and Workplace Relations to the Vice-Chancellor dated 16 December 2011).

4.19 There does not appear to be any particular issue with the funding of higher education places that I need to consider. VET resourcing is problematical however.

4.20 AMC had 447 VET enrolments in 2011, made up of 132,425 'nominal hours' of training. VET fee income in 2011 of \$1.26m was made up of 21% employer paid fees and 79% self-funded fees (source: AMC). I have not been able to assess whether this is a high or low proportion compared with other sectors. The total cost of VET delivery to AMC in 2011 was \$3.9m, around \$8725 an enrolment. I have not attempted to compare this figure with other VET providers; apart from anything else the allocation of costs between VET and higher education, and the cost of maintaining facilities, makes the comparisons dubious.

4.21 In relation to public funding, since 2005 the AMC has not been able use its funding under the Commonwealth Grants Scheme (which is now restricted to students enrolled in higher education places) for VET places. It was provided transitional funding for three years pending negotiation of further funding from the states or elsewhere. Since then funding has been provided annually to meet an apparent shortfall in funds available for VET places. However the Commonwealth funds only non-Tasmanian domestic students (in 2011, 74% of students, based on nominal hours). \$2.1m was provided in 2011 on this basis. AMC had to carry the remaining deficit (\$0.5m) from its other income. There is no commitment to the continuation of this annual funding beyond 2012.

4.22 Across Australia, the majority of public VET funding is provided by the States. However, the AMC is a national facility, which happens to be located in the smallest State. Currently, Tasmania happens not to consider maritime training (apart from fisheries and aquaculture) a priority, so currently very little State funding is provided in respect of Tasmanian students – under \$30,000 in 2011 and an estimate of \$50,000 in 2012 (see the Table at paragraph 2.10 and below). Commonwealth funding, if it is to continue, should not disregard Tasmanian students,. On the other hand the amount of Tasmanian funding, given the number of Tasmanian students, is extremely small. The AMC should work more closely with the State to see how it can help meet local training priorities and hence qualify for more State funding.

4.23 AMC VET Costs and Revenue 2011 are summarised below:

Salary costs	\$1.891m
Non-salary costs	\$1.119m
Overheads	\$0.925m
TOTAL COSTS	\$3.935m
Student Fees	\$1.260m
State income	\$0.029m
DEFICIT	- \$2.646m
Commonwealth Grant	\$2.125m
Net Deficit	-\$0.521m

4.24 AMC feels hampered in its ability to plan its VET operations by the annual nature of this arrangement. In part in response to apparent demand, but partly to cope with the funding restrictions, the AMC has expanded its provision of higher education diploma-level courses, I understand within the overall University of Tasmania sub-degree numbers. (The University has not sought any increase in its allocation of sub-degree higher education places in respect of the AMC in 2012, as it is now required to.)

4.25 The AMC should continue to examine the scope to increase the level of fee-for-service income, and not rely on Government subsidies alone to make up the deficit. AMC will need to work closely with industry to understand and respond to their needs (see Recommendation 1). AMC Search will play an important role here. I am not in a position to estimate how much of the shortfall would then remain for public subsidy, but the current figure is clearly around \$2 million.

4.26 The AMC is eligible under the National Workforce Development Fund (NWDF - the federal scheme to fund training of national priority), but funding under this scheme also requires State as well as industry support, and in any event is project-based, not continuing funding. I understand that the National Transport and Logistics Skills Council is developing an NWDF proposal in consultation with industry and providers including AMC, which could support short term initiatives and program development. Such an initiative should continue to be developed, demonstrating the AMC working productively with industry, and potentially pointing the way to other delivery options in the future. However, it does not of itself resolve the apparent shortfall.

4.27 Any continuing public VET funding solution should be designed so as to provide an incentive for AMC to deliver industry-responsive training in a cost-effective way. One option was developed by Peter Noonan as part of his 2009 Review of VET Governance, but not taken up.

4.28 I put forward the following options:

1. Negotiate with all States and Territories to agree that students from their States have access to funded VET maritime places no matter where they are delivered. This is done in some 'niche' areas (watchmaking, piano tuning) where there are thin markets and thus insufficient demand for training in each State, and more broadly by smaller jurisdictions 'buying' cross-border access for their students to programs where there is not sufficient local demand. The option should probably apply to all maritime training bodies, or at least those offering AMSA accredited courses. It would require Tasmania to increase its current funding considerably given the number of Tasmanians undertaking maritime training.
2. The Commonwealth provide directly a separate small program to be available for VET-level maritime training, based on user demand, and funded on a weighted student contact hour ('nominal hour') per enrolment basis, again available at any accredited college. This could be allocated directly by the Commonwealth or via the States. (This derives from the 2009 Noonan option).
3. An additional amount be allocated to the University of Tasmania, for allocation to maritime VET or higher education at the sub-degree level according to demand. It would require legislation specifically targeted to maritime education at the AMC, enabling the use of funds flexibly for higher education or VET delivery (third party delivery via AMC partners could be allowed).
4. The AMC National Institute Fund allocation be increased at least in the short term to cover explicitly both the cost of national VET provision and maintenance of infrastructure. The amount could be wound back over say 3 years to give the AMC time to develop further fee-for-service activity.

4.29 Options 1-3 relate public funding to activity, while option 4 provides a simple mechanism to encourage greater levels of self-sufficiency over time. Option 1 in principle best aligns with other VET funding arrangements, but may be difficult to negotiate. Option 2 would substitute the Commonwealth

for the States, and create a single purpose program, which might be somewhat fragile in the longer term. Option 3 is in principle attractive as it enables the pooling of higher education and VET with delivery according to demand, but may set a precedent for cross-sector funding that the Commonwealth is unwilling to contemplate given wider Commonwealth-State issues. Option 4, while not directly relating funding to demand is probably the most straightforward pragmatic solution and compared with current arrangements at least gives the AMC a medium term planning horizon.

### **Recommendation 3**

**The Australian Maritime College National Institute Fund allocation be increased at least in the short term to cover explicitly both the cost of national VET provision and maintenance of infrastructure. The amount could be wound back over say 3 years to give the AMC time to develop further fee-for-service activity.**

4.30 In addition to external resourcing, there is also the question of resource allocation between the central University, through which Commonwealth funds flow, and the AMC as an Institute of the University. This has been a controversial issue over the period of integration, particularly over the attribution of central costs (in other words what part of its revenues should the AMC provide to the University for services it receives).

4.31 However earlier this year the University and the AMC agreed a funding model for the next 5 years which among its features:

- assigns a value to the University of the AMC's brand reputation or goodwill;
- recognises overhead costs borne by the AMC;
- agrees an AMC contribution to the central university that is considerably less than is borne by ordinary faculties of the University but that increases over the life of the model; and
- requires the AMC to achieve over time an increasing level of internal savings.

4.32 It will remain to be seen whether the agreed model will provide an adequate funding basis for the AMC over the next 5 years (assuming the VET funding issue is resolved). However, the fact that the parties have agreed it is an important indicator of the strong recent improvement in working relations. It also provides a strong incentive for AMC to bear down on costs, while looking for other delivery models and revenue sources.

### ***(e) Cohesiveness with the University***

4.33 I have been asked to report on the scope for greater cohesiveness with the University, while maintaining AMC's effectiveness, and recognising the importance of each.

4.34 This has been a central issue of the integration process over the last five years, but my assessment is that in relation to education and research not a great deal was achieved beyond the formal integration processes in the first few years. The Wainwright review in 2010 concluded that 'it has been a missed opportunity for greater activity'. The AMC has been teaching first year engineering on behalf of the university on the northern campus for some years, but this pre-dated amalgamation. Some other opportunities have been taken to share teaching, but these have been limited.

4.35 On the research side, there has been a growing amount of co-operative research with related areas of the university including the Institute for Marine and Antarctic Science. Examples are in aquatic animal health, marine coastal ecology, supply chain efficiency, and fluid mechanics.

4.36 More has been happening recently in terms of aligning the AMC with the university. The current 3 Year Plan of the AMC is for the first time explicitly structured within the University's planning framework, *Open to Talent*, and commits to exploring further opportunities for joint work in both teaching and research. However, while this may make it easier to find further ways of co-operating and collaborating, it does not mean it will happen. The scope for collaboration seems to me still under-exploited. One example – research into health issues affecting the maritime workforce – is something that the AMC and the wider university could well leverage one another's expertise for the benefit of the maritime sector.

4.37 In relation to achieving administrative efficiencies, there were some early changes, for example through merging the AMC and northern campus libraries, and integrating some systems. This is likely to accelerate with the current development of a 'hub' model for university services. (A single hub has been created for services to support all northern operations including the AMC. The AMC General Manager will lead it.)

4.38 It will be important in considering the scope for further integration of services to get the right balance between generic services which can be provided more cost-effectively across the campus, or university-wide, and those which are unique to the AMC and can best be provided within the

Institute. From conversations with relevant people, I believe this to be well understood.

*(f) Relations with other Providers*

4.39 The terms of reference ask me to look at the AMC's capacity to expand its activities and work effectively with other training institutions, but also its competitiveness with other providers.

4.40 Over most of the AMC's life there has been a greater focus on competition rather than collaboration with others. However, a 5-year Memorandum of Understanding was signed in August 2012 with the two other major maritime training organisations, the Hunter (NSW) and Challenger (WA) Institutes. This MOU includes a commitment to develop 'enabling strategies' in areas including liaison with AMSA and the Industry Skills Council, consultation with industry, co-ordination of courses, and mutual recognition of awards. This is an important initiative, generally agreed to be long overdue. My consultations have shown a strong commitment by all parties to work give substance to the MOU.

4.41 In addition the AMC has developed arrangements with other institutions (for example a joint maritime engineering degree with Edith Cowan University focussed on the needs of the oil and gas industry, and with Flinders University of South Australia for naval architecture and maritime electronics joint awards). Further extension of such arrangements, with a focus on enabling students to study as much as possible in their home location, allied with online and intensive delivery (see Recommendation 2) will be a key to improving the AMC's responsiveness to industry needs and capacity to deliver cost-effective education and training.

**Recommendation 4**

**The Australian Maritime College should further develop its co-operative links with other providers, including through the MOU with Challenger and Hunter TAFEs, but also with other tertiary providers, to become the hub of a national network of maritime training and education so that AMC and other courses are available more widely across Australia through local delivery arrangements where online delivery is not feasible.**

### ***(g) AMC Structure and Governance***

4.42 I am asked to consider whether the AMC is structured appropriately to manage its operational and strategic imperatives

4.43 The internal structure of the AMC is currently built around the three main academic areas – Ports & Shipping, Maritime Engineering & Hydraulics, and Marine Conservation & Resource Sustainability, plus Corporate & Governance. This would seem to be a better arrangement for the organisation than a functional separation of VET, higher education and research.

4.44 I have interpreted ‘structure’ as including governance, which otherwise is not specified in the terms of reference. Ensuring governance arrangements support the AMC as an Institute of the University responsive to national and industry needs is critical, particularly given that it has been a matter of some contention between the AMC and the university as a whole.

4.45 In setting up the AMC as an Institute within the University, as required by the legislation and the 2006 Heads of Agreement, the university developed an Ordinance that spells out governance and other matters in more detail (originally Ordinance No. 15 of 12 October 2007, remade on 29 June 2012: this version is attached to the AMC Submission). The Board of AMC, which formally had overall control of the pre-integration AMC, was re-established ‘with the right to advise the Council through the Vice-chancellor or the Academic Senate (as appropriate) on matters affecting the AMC’. It has the power to:

- set priorities and determine strategies for achieving objectives;
- monitor the implementation of strategic priorities;
- determine the AMC budget submission to the university;
- maintain external relationships with regulatory agencies and industry;
- ‘assist ... with maximisation of funding’;
- develop and maintain brand and reputation (with the university);
- recommend potential members to the Council;
- appoint directors of controlled entities (AMC Search) and oversight of those entities ‘as delegated by Council’.

4.46 Under the current Ordinance, the Principal reports to the Board ‘and, in relation to management issues, also to the Vice-Chancellor’. The Vice-Chancellor approves the Principal’s key performance indicators ‘following consideration of recommendations by the Board’. Thus while it retains significant governance powers and functions, the Board does not have

ultimate control of the AMC Budget, the AMC brand, the KPIs of the Principal, or Board appointments. Given the place of the AMC as a University Institute, it is unrealistic that it should have such control.

4.47 The dual reporting lines could cause problems if people were not to act responsibly, but they realistically reflect the respective powers of the Board (in relation to strategy) and Vice-Chancellor (in relation to resources and management). Provided the nature of the power relationships are understood by all parties there is no reason why it cannot work. It is an improvement on the previous arrangement where the Principal reported to the Board and the Board to the Council through the Vice-Chancellor, which mixed management and governance in a confusing way.

4.48 Focussing on the key roles of the Board, its critical functions are to set priorities and determine strategic directions, and to help maintain external confidence in the AMC, particularly from the industry. The two tasks are of course inter-connected, as the strategic direction must respond to industry needs.

4.49 I have come to the view that these roles could be fulfilled better if the composition of the Board was altered to reflect its strategic role providing leadership to an Institute within the wider University as against its pre-integration role as the board of a stand-alone College, and to include more people with industry experience. Currently the composition of the Board is determined by the legislation, which provides that the Board consist of:

- (a) the Principal;
- (b) a person with both (i) expertise in the shipping industry and (ii) knowledge of issues affecting seafarers;
- (c) a person with expertise in both (i) national and international shipping safety and (ii) the certification of seafarer trading;
- (d) up to 5 other members,

with the Board also to have members who are skilled in:

- (i) governance;
- (ii) business or finance;
- (iii) law; and
- (iv) higher and further education.

4.50 The Ordinance makes a similar provision but appears to allow for an extra member. The legislative restrictions cease to have effect on 1 January 2013 (they are expressed as a condition of funding for the transition period which ends on 31 December 2012). There is thus an opportunity for the university to alter the composition of the Board to reflect better its key strategic advisory role and to bring in wider industry knowledge. My recommendation proposes how to achieve this, while providing greater flexibility than the current structure.

4.51 The Board should continue to operate in its defined governance capacity, assuring the University that the AMC is being strategically managed as a University Institute. Given the practical constraint on numbers, a re-constituted Board does not obviate the need for the wider industry advisory mechanism that I also recommend (see Recommendation 1).

### **Recommendation 5**

**The University should amend Ordinance 15 to provide for the Australian Maritime College Board to comprise up to 8 members plus the Principal, with members between them having direct experience or knowledge of:**

- **working in the maritime industry;**
- **shipping regulation and safety requirements;**
- **vocational and higher education and research;**
- **financial matters; and**
- **organisational strategy.**

#### ***(h) Wider Industry Workforce Issues***

4.52 There are some specific features of maritime industry training that are worth drawing attention to, as they affect the capacity of the AMC to deliver its objectives.

4.53 First, the requirements for ‘sea-time’ for people undergoing training mean that in effect trainees need a berth before, during or at the end of their training. Opinions differ as to how this should be organised. Although an apprentice or trainee type model is common, it appears that the maritime sector does not routinely register trainees under a recognised traineeship or apprenticeship scheme, with its protections for trainees or the availability of subsidies for employers of a formally recognised apprenticeship/traineeship scheme, although there is some use of traineeships by some employers for

such occupations as integrated ratings and marine engine drivers. Wider use of these arrangements would protect trainees, recognise the costs borne by employers, and enable the available employer subsidies to be accessed more widely.

4.54 Secondly, the difficulty of organising sea-time, including between the different maritime sub-sectors given regulatory requirements, could be alleviated through the use of a Group Training Organisation, which can act as the employer of trainees. A National Maritime Industry Training Council in the past performed such a role, but was dissolved following controversy about its composition and role. The more recent Maritime Employees Training Ltd (METL) performs a more limited role now, but is not accepted by many in the industry because of its union origin. Further consideration of the formation of a broad-based arrangement, which should be voluntary only, would seem to be highly beneficial for trainees and the industry.

## **5. *Conclusions and Recommendations***

5.1 My assessment is that integration proceeded somewhat fitfully over the first few years, with some suspicion between the parties, which would not surprise most students of organisational change. However both AMC and university senior staff agree that relations now are at their best since 2008. It is not part of my review to analyse all the events of 2008-12, but key recent positive developments have included a revision of the University Ordinance No. 15 to streamline reporting arrangements and roles between the Principal, Board, Vice-Chancellor and University Council, and a new funding model agreed between the University and the AMC covering 2013-17.

5.2 Beyond the University, the AMC has recently responded with some flexibility and good sense to industry developments, with the recent Memorandum of Understanding signed with the two other major providers of AMSA-accredited maritime training, the Hunter and Challenger Institutes, a major shake-up of courses and qualifications in response to changing patterns of demand, and the establishment of higher level industry consultative forums (albeit at the level of the subsidiary organisational units). These are welcome signs of an organisation looking strategically outwards, but there is some way to go in persuading key stakeholders that the AMC and the wider University are now committed to greater industry engagement.

5.3 The AMC Board is about to appoint a new Principal. The coincidence of this appointment and my report should provide an excellent opportunity for the AMC to move to the next phase of its life, at a time when major changes are taking place in the maritime industry (including as a result of Commonwealth government policy reforms), a new national regulatory regime is about to come into place, and the potential exists for access to employer training incentives as part of the policy reforms. My recommendations for change are directed at supporting this potential.

### **RECOMMENDATIONS**

1. The Australian Maritime College should appoint a widely representative advisory group to work with the Principal and other senior staff to ensure the AMC has available current knowledge of industry needs for courses, just-in-time training, and research and development. Such a group should include experienced people from of all parts of the industry.
2. The Australian Maritime College should expand provision of online courses and accelerated delivery of courses to meet industry needs.

3. Ad hoc funding of Australian Maritime College Vocational Education and Training costs should be replaced by an increase in the National Institute Fund grant at least in the short term to cover explicitly both the cost of national VET provision and maintenance of infrastructure. The amount could be wound back to closer to the current level over say 3 years to give the AMC time to develop further fee-for-service activity.
4. The Australian Maritime College should further develop its co-operative links with other providers, including through the MOU with Challenger and Hunter TAFEs, but also with other tertiary providers, to become the hub of a national network of maritime training and education so that AMC and other courses are available more widely across Australia through local delivery arrangements where online delivery is not feasible.
5. The University should amend Ordinance 15 to provide for the Australian Maritime College Board to comprise up to 8 members plus the Principal, with members between them having direct experience or knowledge of:
  - working in the maritime industry;
  - shipping regulation and safety requirements;
  - vocational and higher education and research;
  - financial matters; and
  - organisational strategy.

### Terms of Reference for Review

1. The Review of AMC's integration with UTAS will report to the Hon Anthony Albanese, Minister for Infrastructure and Transport (the Minister) on the objectives, effectiveness and efficiency of the AMC institute following integration. In particular, the Review will assess whether AMC is currently:
  - (a) Meeting its obligations and objectives under:
    - the *Maritime Legislation Amendment Act 2007*;
    - the Heads of Agreement signed by AMC and UTAS in October 2006; and
    - University Ordinance No. 15 which formally set up the AMC institute within the University, with particular reference to higher education, training, research and industry engagement;
  - (b) Structured and resourced appropriately to effectively manage its operational and strategic imperatives; and
  - (c) Positioned to support the future skill needs of the shipping industry, including its capacity to expand its activities and work effectively with other training institutions.
2. The Review will:
  - (a) Explore and report on the opportunities for greater cohesiveness between AMC and UTAS whilst maintaining AMC's effectiveness as a maritime college;
  - (b) Have regard to both AMC's and UTAS' objectives, reflecting the importance of each in the development of maritime skills and knowledge;
  - (c) Identify how any proposal for change may assist the AMC to meet future national maritime skill needs;
  - (d) Examine AMC's position in the broader VET market in contributing to the demand for skills in the maritime industry. This should include the competitiveness of the AMC in providing courses compared with other providers Australia-wide;
  - (e) Examine and make recommendations on AMC's capacity to source funds and effectively manage demand and supply for vocational education and training; and

- (f) Recommend a preferred model for the AMC to strengthen its contribution to the workforce development needs of the maritime industry for the next decade, including alliances/MOUs with strategic partners such as the Hunter and Challenger institutes and the proposed joint venture in South Australia.
- 3. The review will be informed by consultation with relevant agencies and industry, including but not limited to AMC, UTAS, ASA, maritime unions, AMSA, Department of Infrastructure and Transport, Department of Industry, Innovation Science, Research and Tertiary Education, Skills Tasmania, and the Maritime Workforce Development Forum.
- 4. The review will take account of the findings of previous reviews relating to the AMC.
- 5. The review is to commence after 30 June 2012 for completion by 31 December 2012. A written report of the review shall be provided to the Minister by 31 December 2012. The Minister must cause a copy of the report to be tabled in each House of Parliament within 15 sitting days of that House after the day on which the Minister receives the report.

### Consultations

I consulted face-to-face or by phone with representatives of the following organisations. Written submissions were subsequently provided by those organisations asterisked.

- Department of Infrastructure & Transport (DIT)
- Department of Innovation, Industry, Science, Research & Tertiary Education (DIISRTE)
- Australian Maritime Safety Authority (AMSA)
- University of Tasmania, including its Chancellor, Vice-Chancellor and senior staff, and the Board and senior staff of the Australian Maritime College\*
- National Maritime Workforce Development Forum, including its Chair and Deputy Chair separately
- Skills Tasmania
- Australian Ship-owners Association (ASA)
- Ports Australia
- Transport & Logistics Skills Council
- Transport & Logistics Centre
- Australian Institute of Marine & Power Engineers (AIMPE)
- Maritime Union of Australia (MUA)\*
- Maritime Officers Union of Australia (MOUA)
- Maritime Employees Training Ltd (METL)
- Royal Australian Navy, Director of Education
- Farstad Shipping (India Pacific) P/L
- Teekay Shipping (Australia) P/L
- Sea Road Shipping P/L
- Hunter Institute (TAFE NSW)
- Challenger Institute of Technology (WA)

## AMC Institute Compliance Report - October 2012

## FUNDING CONDITIONS RELATING TO A POST-INTEGRATION YEAR

Item Number	Funding Condition	Condition at October 2012	Statement (i.e. outline how condition was met or not)
<b>Australian Maritime College</b>			
1.1 (a)	Throughout the year (other than, in the case of the first post-integration year, the period before the establishment of the AMC institute) and in accordance with the Heads of Agreement, there was an institute within the University named the Australian Maritime College;	Fully Met	Throughout the year and in accordance with the Heads of Agreement, there was an institute within the University named the Australian Maritime College – UTAS Ordinance 15 (updated July 2012)
1.1 (b)	having the objectives of: (i) providing maritime and related education and training suitable for seafarers and other participants in the maritime industry; and (ii) conducting examinations and assessments for marine competency under the Navigation Act 1912; and (iii) conducting research activities and programs relating to maritime and related education and training, including pure and applied research, consultancies for government and industry and research training;	Fully Met	See UTAS Ordinance 15 (updated July 2012), AMC Sol 2011 and the AMC Strategic Plan 2013 - 2015
1.1 (c)	having a Principal;	Fully Met	Professor Neil Bose Acting Principal
1.1 (d)	having a Board: (i) that reports to the Council of the University; and (ii) that has the right to advise the Council of the University on matters relating to the AMC institute; and	Fully Met	UTAS Ordinance 15 (updated July 2012)

	(iii) to which the Council of the University has delegated sufficient authority and autonomy to enable the Board to set the priorities, and determine the strategies, for achieving the objectives of the AMC institute.		
<b>AMC Board Membership</b>			
2.1	The Board consisted of the following members appointed by the Council of the University: (a) the Principal; (b) a person with both: (i) expertise in the shipping industry; and (ii) knowledge of issues affecting seafarers; (c) a person with expertise in both: (i) national and international shipping safety; and (ii) the certification of seafarer training; (d) up to 5 other members.	Fully Met	(a) Professor Neil Bose (b) Mrs Teresa Lloyd (Hatch) (c) Mr Graham Peachey, CEO of AMSA
2.2	The Board included members with skills in all of the following areas: (a) governance; (b) business or finance; (c) law; (d) higher and further education.	Fully Met	(a) Dr Michael Vertigan; (b) Mr Robert Ruddick; Dr Michael Vertigan (c) Dr Sara Derrington (d) Prof. Geoff Wilson; Mr Paul Byrne; Prof David Rich
<b>Reporting and Performance</b>			
3.1	Before the end of the year, the Board: (a) prepared a report: (i) in consultation with the Council of the University; and (ii) in a format agreed between the Board and the Minister during the period of 6 months beginning at the integration time; and	Fully Met	Process for the 5 <sup>th</sup> year of Integration yet to be agreed

	(b) gave a copy of the report to the Minister.		
3.2	<p>The report included the following:</p> <p>(a) performance indicators against which the performance of the AMC institute is to be assessed, agreed between the Board and the Minister in consultation with the Council of the University during the period of 6 months beginning at the integration time;</p> <p>(b) details of the performance of the AMC institute during the year, evaluated against the performance indicators;</p> <p>(c) in relation to the next 3 years or a longer period:</p> <p>(i) details of assumptions about the operational environment of the AMC institute; and</p> <p>(ii) details of the strategic directions of the AMC institute; and</p> <p>(iii) analysis of risk factors affecting the performance of the AMC institute.</p>	Fully Met	See AMC Strategic Plan 2013 - 2015
3.3	The Minister is satisfied with the report.		To be advised by the Minister
<b>AMC Assets</b>			
4.1	Throughout the year (other than, in the case of the first post-integration year, the period before the establishment of the AMC institute), the AMC institute had priority access to the land and other assets of the College transferred to the University under Part 3 and not disposed of before or during the year.	Fully Met	AMC had priority access to land and other assets of the College transferred to the University throughout 2012
5.1	If, during the year, the University disposed of any of the land or other assets of the College	Fully Met	Nil – asset register unchanged

	<p>transferred to the University under Part 3:</p> <p>(a) the University consulted with the Board before the disposal; and</p> <p>(b) the University complied with any agreements in force between the University and the Commonwealth relating to the disposal of such land or other assets.</p>		
<b>AMC Operations</b>			
6.1	<p>If, during the year, the University significantly reduced the operations of the AMC institute, the University had notified the Minister in writing at least 12 months before the reduction.</p>	Fully Met	Nil