INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

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Theme:

Summary

August 2, 2005

The Director
Standing Committee on State Development
Parliament House
Macquarie St
SYDNEY 2000

Inquiry into Skills Shortages in Rural and Regional NSW

This submission is being made on behalf of the CENTROC member councils and is authorised by the Chair of CENTROC, Clr John Davis, Mayor of Orange City Council.

CENTROC represents the following local government areas of; Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Mid-Western, Oberon, Orange, Parkes, Weddin, Wellington and the Central Tablelands Water.

Response to Terms of Reference

1.   (a) The current and future demand for labour

In April 2005, the Regional Human Resources and Training Coordinator of CENTROC, submitted a discussion paper to the Board of CENTROC investigating skills development in the Central West of New South Wales. Research in preparation of this discussion paper highlighted the loss of labour that will be experienced in the next 5 years.

'According to Dr Phillip Toner, Australian Expert Group in Industry Studies, University of Sydney, Australia is training 15% fewer apprentices than in 1987. The ACTU has estimated that in 5 years 170,000 trades people will leave industry while only 40,000 will enter'.

The traditional intake of apprentices by large employers has been decreasing, with organisations now focussing on the short term need for return on investment rather than a log term view which encourages the development of skills. The casualisation of the workforce, part-time, casual and contract work is on the increase while full-time employment opportunities are decreasing. With the Australian workforce aging, it is believed that by 2012, half the working population will be over 50 years of age.

Factors impacting on the recruitment and employment of apprentices in the rural and regional area include cyclical demand, cost of training to the employer, lack of sufficient staff to supervise apprentices, quality of applicants, labour mobility and complexity of the training pathways.

There exists in the community a strong push for children to complete year 12 and continue to university, this may be from school advisors or parents. Young people who did consider completing a trade qualification saw it as 'something to fall back on'.

The national data available indicates that only some 38% of trades people are working in their trades 10 years after qualifying.

Since 1996 total employment has increased by 6.6% in the Orange, Blayney, Cabonne area of the Central West. A large component of this growth is in the mining sector. Skill shortages identified in this industry include those experienced in underground operations, metal trades and automotive trades.

Central West Group Apprentices (CWGA) have identified further shortages in all construction trades during boom periods and persistent shortages in wood and furniture trades. Chefs and Pastry cooks are also experiencing skill shortages.

In a presentation to the Western Institute of Research by the CWGA, six key contributors to skills shortages were highlighted.

1. Growth in demand for skills caused by new technology, structural change and international competition.
2. Cyclical demand for labour – lack of training during slow periods combined with training lead up time of 4 years for traditional trades.
3. Age profile – 30% of those engaged in trades are over 45 years of age coupled with early retirement from trade due to physical demands of the job.
4. Trade 'wastage' – qualified trades people leaving their trade after a down turn or promotion in a related field.
5. School retention rates – only 30% of school students went on to Yr 12 in 1973. This has increased to 75% in 2003.
6. Increased skills requirements – information technology, good literacy, numeracy and generic skills such as teamwork may be needed in addition to traditional qualifications to remain competitive.

(b) The economic and social impact of the skills shortage

The loss of trade qualified staff is expected to cost industry $9 billion in lost output. This lost output has a flow-on effect of reduced innovation in the economy. Rural economies and in particular small population centres are ill equipped to cope with such losses. Anecdotal information received during a presentation from Department of State and Regional Development (DSRD) in August 2003 indicated that some businesses were relocating head offices to metropolitan areas, resulting in a loss of the skills pool from regional areas.

The national problem of skills shortage is exacerbated in rural areas where the pool of labour is smaller than that in Metropolitan areas. The reduced pool of labour and the lack of workforce planning in businesses and government agencies mean organisations are reactive rather than proactive, and may be unable to secure opportunities that may become available for rural and regional development.

Some rural and regional areas are experiencing growth in their population, mainly due to an increase in residents entering 50 – 59 yrs. However, negative growth occurs in the age bracket of

20 – 39years. This leads to a loss of income producing residents and an increased demand on services such as medical and allied health services.

Employers believe the pool form which to recruit apprentices in rural and regional areas is reducing in size. Contributing factors include:

- Image of trade – trade qualifications are perceived as poor or unfashionable
- Lack of core skills – level of skill in computer / IT, literacy, numeracy, communication, team working and independent problem solving skills were below vocational needs.
- Increase in Yr 12 school leavers going onto university due to parental and school influence
- Low apprentice wages makes the 'job' unattractive

(c) The strategies and programs of local governments to retain and attract skilled workers including opportunities for strategies and programs in conjunction with non-government bodies such as regional business organisations and Area Consultative Committees and Regional Development Boards

In May 2005, Central West Group Apprentices and the Board of CENTROC (composed of the General Manager and Mayor of each CENTROC Council) agreed to the implementation of a portfolio manager to oversee the development, rotation and attraction of young people into trades associated with local government. It is agreed, where possible, to have planned rotations with business organisations within the region. CWGA and CENTROC aim to work closely in the promotion and marketing of trades as a career in local government and private enterprise.

Other projects exist within the CENTROC region, such as the Orange Cabonne Blayney Industry and Skills Project. This is a bilateral project funded by 3 CENTROC councils and the Central West Regional Development Board (CWRDB).

According to CWGA, a small number of large organisations in the central west have developed their own strategies to address skills shortages in their organisation and the region / community in which they work. Such strategies include:

- training more apprentices than the organisation requires, in effect training apprentices 'for the community'
- Focus on employing indigenous young people in remote locations, skilling up local people who are reluctant to leave their region
- Provision of scholarships to local businesses to encourage local business to employ more apprentices
- Instituting a preferred supplier status to companies / businesses that employ apprentices
- A committed investment strategy to training eg 20% of the organisations workforce is an apprentice or trainee.

The Orange Cabonne Blayney Skills Development Project, completed in November 2003, developed 3 models to address the acquisition of skills. While this project focused on the Mining Engineering Cluster, the information gathered is appropriate to all areas of trade.

The **incubator model** aims for large industry to establish a relationship with a particular employer who takes responsibility of training an apprentice to an agreed level. Large industry will then take on the incubator employee when a vacancy occurs. Large industry reciprocates by providing the

incubator employer with support such as contribution to training costs or assistance with wages of a skilled tradesperson to supervise the apprentice.

Development of **Industry Networks** can provide small – medium sized business with a stronger voice for lobbying, group tendering and purchasing, marketing opportunities and skills development of employees.

The **training brokerage** model requires dedicated case managers to work with school staff to assist young people make informed decisions of vocational pathways while still at school. Thirty two percent (32%) of students going on to university leave in the first year. These students, as well as those leaving TAFE studies before completition or leaving school without a job are considered 'at risk' students. Identification of these 'at risk' students and referral to a dedicated training broker for development of vocational pathways, support, advice and guidance will assist in the transition from school to study or full-time employment. (refer Attachment 1 – Skills Development Project Executive Summary)

(d) Consider appropriate models from other states in interacting with the Commonwealth's skilled regional migration programs

All CENTROC councils are aware of the skills shortages that exist in the rural and regional areas of NSW. Many councils within the CENTROC region have combined with Charles Sturt University, TAFE and Central West Group Apprentices to man booths at Country Week Expo, promoting the employment prospects and lifestyle available in rural and regional NSW.

(e) Coordination between Local, State and Commonwealth Governments to attract and retain skilled workers

Many Councils in the Central West of NSW have developed and implemented strategies to address skill shortages. The Industry and Skills Project noted above is a collaborative approach by local and state government and business organisations. Central NSW Area Consultative Committee (ACC) funded by the Department of Transport and Regional Services (DOTARS), has been working with councils over the past years to address skills shortages.

(f) The impact of the Commonwealth's regional migration programs including assessing the long term jobs and investment outcomes and considering possible recommendations to encourage sustainable regional development in NSW

A scoping report of Industry Networks was conducted and completed in April 2004 for the Orange Cabonne and Blayney Skills Development Project. Three individual case studies across Queensland, New South Wales and Victoria were undertaken. The networks examined were Mackay Area Industry Network (MAIN), Hunter Net and the Australian Industry Group (AiGroup). Each of these networks was established due to the realisation that regional sustainability and future development was threatened by external industries and changes to the operations of large organisations which the smaller to medium sized business serviced. Seed funding from State and Commonwealth governments was received and annual membership fees are charge to Industry Network Members.

The key benefits identified for members of the industry networks examined include:
- Improved recruitment and management of apprentices via various systems implemented at each network
- Establishment of consortiums to identify and respond to business opportunities
- Improved links with state and regional agencies, assisting with the progression of projects and lobbying of government
- Sharing of knowledge, resources and mentoring of smaller businesses

(refer attachment 2 - Industry Networks Scoping Report)

(g) The adequacy of current measures used to record and report on skills shortage

An enormous amount of research has been conducted into skill shortages, however there appears to be no centralised approach to the capturing or storage of the information obtained. Many times similar studies have already been completed in a location or region, but knowledge of the studies is fragmented. A centralised repository for the management of reports or studies, by region and report focus, would assist organisations addressing particular problems to complete their own research saving time and dollars on the cost of research. Energies and financial resources could then be spent on the practical implementation of recommendations developed from previous research.

(h) The methods used by training organisations including TAFE to assess skill needs in rural and regional NSW and their response to identified needs.

No Comment.

All queries regarding the submission can be forwarded to Sonia Battye-Smith.

Yours Sincerely

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Orange Cabonne Blayney

Skills Development Project

Mining Engineering Cluster

<u>Executive Summary</u>

November 2003

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ORANGE CABONNE BLAYNEY

SKILLS DEVELOPMENT PROJECT

MINING ENGINEERING CLUSTER

FINAL REPORT

NOVEMBER 2003

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EXECUTIVE SUMMARY – (attachment 1)

Orange Cabonne Blayney Councils are seeking to develop an Industry and Skills Growth Strategy through the development of partnerships between industry and educational institutions, focusing activities and strategies around industry clusters.

This project is seeking to develop an Industry and Skills Growth Strategy for the mining engineering cluster, and provide a model upon which strategies for other industry clusters can be based.

Overview of Region

The Orange Cabonne Blayney Councils are located in Central West NSW. The population of the region is 53,549 (2001), and has shown a 3.1% growth over the last 5 years. However, there is a negative growth in some of the younger age groups, following trends at a state level (excluding Sydney). Income distributions are similar to state distributions. The unemployment rate of the target region is less than the state average. Since 1996 total employment has increased by 6.6% with a large component of growth attributed to the mining sector, and the commissioning of Cadia Valley Operations, an open cut and underground gold and copper mine.

Environmental Scan

Mapping of the Mining Engineering Cluster has identified the key segments of the cluster to be the mine, automotive mechanical, manufacturing engineering (mechanical and fabrication), earth moving, drilling, and labour hire.

The initial premise of this project was that there were many jobs associated with the mine and its supply chain that were being sourced from outside the area. However, consultation with the mine at the commencement of the project identified that a large component of the workforce at Cadia Valley Operations is local (between 60 and 80% of employees in the ore processing and load and haul operations), and that predominantly local contractors are used for mine maintenance and shut downs.

Skills shortages identified in the mining engineering cluster related to:
- Trades with experience in the mining sector ie underground welders, underground electricians, boilermakers,
- Skilled operators ie shovel and loaders when abnormally high turnover
- Heavy automotive mechanics
- Engineering – Fabrication (boilermakers)
- Engineering – Mechanical (Sheet metal fabricators)

Therefore the project has focused activity around the exploration of factors impacting on the recruitment and retention of people in trades with particular consideration to those trades associated with the mining engineering cluster.

The skills shortages identified in the Orange Cabonne Blayney region reflect shortages at a national level. Over recent years there has been a number of national studies examining skills shortages particularly in trades. The supply of skilled tradespeople to an industry cluster is dependent upon:
- Willingness of employers to employ apprentices
- The recruitment of school leavers and more mature people to apprenticeships
- Apprentices completing their apprenticeship and receiving their ticket
- Qualified trades people remaining in the industry (retention)
- Qualified trades people having the relevant skills and experience to meet industry needs

A blockage at any point in this chain will negatively impact on supply of skilled trades people.

There are numerous factors impacting on the recruitment and employment of apprentices including cyclical demand, cost of training to the employer, sufficient staff to train and supervise, complexity of the training system, labour mobility, quality of applicants particularly those possessing adequate numeracy, literacy and computer skills, and low award wages for apprentices. These issues have been identified in the national skills shortage studies and were supported in the OCB project.

Cancellation of apprenticeships and traineeships with the Group Training Company in the Orange Cabonne Blayney region contributes to the skills shortage (>50% in 2002/03), and suggests systemic problems in the processes of recruitment and selection of people for apprenticeships, and perhaps this mechanism or model for employment and support.

National data indicates wastage of trades qualified people contributes to skills shortages with only 38% of trades qualified people working in their trade after 10 years.

Focus groups with school children, careers advisors and parents provided insights into the decline of trades as career in this region. There appears to be a strong push for children to complete Year 12 and continue to university, with this push coming from careers advisors, parents and the school environment. Most of the young people interviewed who were choosing to go into a trade see the trade qualification as "something to fall back on", and not necessarily their long-term career.

Contact between employers and careers advisors appears to be "patchy", and there is a mismatch in the perceived role of the careers advisors. Careers advisors see their role as supplying information to assist in career decision-making, while employers believe they should assist in short listing or screening applicants.

Careers advisors identified three strategies that would assist in promoting the image of the mining engineering cluster as a career to school leavers. These included:
- Employers developing a business profile to assist careers advisors promoting their enterprise to students
- Improved recruitment processes with more information about positions and possible career paths
- Providing work experience students with occupational health and safety training to gain access to work sites and improve their employability

Focus groups with students and parents indicated that knowledge of the type of work available in the mining engineering cluster was limited. The focus groups with parents suggested that students needed a wider range of information when considering career choices, particularly information relating to the type of work, career paths and industries that the trade is utilised in. Pathways to employment need to be developed and presented at critical points in the students schooling program ie years 8, 10 and 12 when students are making subject/career selection decisions.

The project has examined existing relationships between industry, schools, registered training organizations, and group training companies to identify where linkages could be strengthened or partnerships established to develop an industry skills growth strategy in the Orange Cabonne Blayney region. Examination of current linkages suggests that the employer is largely "out of the loop" with respect to the recruitment of apprentices, and their ongoing training experience. While the employer is responsible for on the job training, it appears to be the group training company that dialogues with TAFE. The Group Training Companies offer a risk reduction strategy to employers, and negotiates the training system

on behalf of the employer. However, they may also be dis-empowering employers in terms of articulating their needs to the educational institutions ie training providers, schools, with respect to applicants with adequate literacy and numeracy skills, aptitude for the specific work, and progress of apprentices.

The key issues identified in this project that limit skills growth in the target area are:
- Inadequate numeracy, literacy and Information Technology skills in students/ potential employees
- Lack of awareness of local industry/ employers and career paths available to young people locally
- High cancellation rates of apprenticeships and traineeships with the local Group Training Company which may be attributed to a number of issues including the recruitment and selection process and need for aptitude assessment
- Lack of flexibility in the length of indenture of an apprenticeship, which could be obtained through competency based assessments, impacting on retention of Yr 12 apprentices
- The need for closer links between employers and TAFE to monitor progress of apprentices and ensure curriculum meet the needs of individual employers
- Absence of any mechanism to monitor workforce shortages and undertake workforce planning and future skills requirements

When the mining engineering cluster is considered specifically, the key areas for development relate to the need for plant operators and trades people to acquire experience of heavy equipment used in the mining operation and/ or exposure and experience to work underground.

Models for Consideration

Three models were proposed for an Industry and Skills Development Strategy. These models addressed separate areas of need identified during the consultation process, and could be implemented in isolation or in combination.

Incubator Model

This model seeks to address the acquisition of skills relevant to the mining industry. There are skill sets that are transferable across segments of the mining engineering cluster, as well as other local industries eg heavy plant operators, trades including engineering mechanical, engineering fabrication. This model proposes the use of local employers as "incubators" that train personnel that could move across the mining engineering cluster.

Under this model the mine establishes a relationship with a particular employer. The employer takes on the responsibility of training a worker (eg. road plant operator) or apprentice (welder, boilermaker) to an agreed level, and the mine then takes the incubator employee on when there is a vacancy. This model saves the mine the cost of recruiting externally, local people obtain mine experience, and it provides a career path into highly paid employment. The mine reciprocates by providing support to the incubator employer, by contributing to training costs of the incubator employer, which could be through salary assistance to support the employment of a skilled trades person as supervisor and trainer, or other arrangements determined by the parties.

Industry Network

The establishment of an industry network provides small – medium sized employers provides a single entity with which organizations such as the RTOs, group training companies, schools, Dept of Education and Training can build relationships and partnerships, rather than trying to deal with numerous small businesses.

An Industry Network provides the small- medium sized businesses with a voice to lobby and negotiate change in training and employment systems. It also provides the opportunity to develop local business co-operatives for tendering, marketing, skills development of employees and other emergent issues.

Training Brokers

Training Brokers are a community development response to improved transition arrangements for young people leaving school and entering full-time training or employment. The training brokerage model involves dedicated case-managers or brokers working with school staff to assist young people to make informed choices about vocational pathways while at school. At risks students are identified as students leaving the formal education system without a pathway for further training or employment. The basic process in the training brokerage model involves identification of 'at risk' students, referral or self-referral to a dedicated broker; development of a pathways plan; follow-up support, advice, and guidance; and tracking the application of the individual pathways plan. There is extensive effort to maintain contact including workplace visits if the young person is in employment or training, and personal contact in the case of those who are unemployed or not in the labour force.

The training brokerage model offers the opportunity to start to address many of the issues identified during this project, particularly those relating to:

- Relationships between schools and industry – operating as a conduit between these
- Promotion of local businesses as employment and career options, and working with businesses to develop their profile
- Early identification of students with poor literacy and numeracy skills and initiation of strategies to remedy this prior to seeking employment or post school training
- Working with industry and the Group Training Company to develop improved systems for recruitment and selection of employees/ apprentices/ trainees
- Absence of indigenous people undertaking apprenticeships
- Negotiation of career paths for young people where skills level or interest do not match expectations of parents/ school environment

An analysis of how the proposed models address identified blockages in the development of skilled and trades qualified personnel is shown in the Table 1.

The three proposed models were reviewed by the Steering Committee in September 2003. The Steering Committee recommended that all three models should be developed. However, it was recognized that the Incubator Model would have to be cost neutral to both the incubator employer and the recipient employer, which may impede development. The National Youth Commitment Project has funded a pilot project in the Central Tablelands. It is likely that this project would move toward a training brokerage model over time. Therefore, the committee agreed that this model would be progressed by the Department of Education and Training. However, it is imperative to the success of the training brokerage model that a formal connection between industry and the Department of Education and Training is made. This would be facilitated by formation of the Industry Network.

Next Stage

The Industry Network model will be progressed with support from Orange Cabonne Blayney Councils. The research undertaken by State and Regional Development, identified a three year program to be developed by industry, to address skills shortages in the Central West. The program included a communications strategy, pre-vocational program, and improved recruitment and selection process. These strategies could be developed through the Industry Network model.

Whilst it was initially proposed that this project would focus around the mining engineering cluster, it may be of more value to local enterprises, and the local economy if a broader industry network is established ie Engineering and Related Industry, particularly if a key purpose is to address the skills shortages that are apparent locally and nationally.

The establishment of an effective and functional industry network for Engineering and Related Industries in the Orange Cabonne Blayney is a medium-term project ie 3-5 years. The purpose of such a network is to:

- Grow the supply of appropriately skilled and qualified workers to meet the current and emergent skills demand in the region by working in partnership with schools, training providers, and group training company to develop and implement strategies to promote the industry to the community and to young people as a career; improve core skills of applicants; and develop recruitment and selection processes focusing on core skills and aptitude
- Develop partnerships within the mining engineering cluster, and engineering and related industries to share existing resources, minimise duplication and build the competitive advantage of the region
- Develop systems for business development including joint tendering processes, skills development of employees and marketing of the industry and its products

A project implementation plan and indicative budget has been developed to progress the industry network model (Table 2). The project will initially be for 1 year with the purpose of developing the industry network and establishing linkages between industry, training providers, schools and government, which would facilitate the development and implementation of strategies to improve the quality of applicants for apprenticeships, improve recruitment and selection processes, and improve completion rates of apprenticeships.

It is envisaged that the forging of linkages and evidence of outcomes by working collaboratively will support the development of an industry network. The project plan provides a description of how this could occur if industry decided to progress the network.

The project will be undertaken by a project officer employed by the Council consortia, guided by a working party that includes representatives from the initial steering committee as well as new members.

Key points to be considered in the execution of the project

1. Skills shortage is a national problem. In developing the Industry Network, it will be necessary for local industry to understand that the skills shortage experienced in the Central West is in fact a national issue, and that a long term response is required to address this shortage.

2. Maintain flexibility of the framework for the Industry Network to allow different industries/ enterprises to come into it

3. Vertical integration of training, manufacturing/ service delivery and retail

4. Marketing. Badge the Industry Network with a name that has meaning to local enterprises

5. Achieve small wins. In the early phases of the project local enterprises need to see relevance of activities to their business to engender ownership of the network

ORANGE CABONNE BLAYNEY

SKILLS DEVELOPMENT PROJECT

INDUSTRY NETWORKS – SCOPING REPORT

APRIL 2004

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EXECUTIVE SUMMARY

Industry networks are evolving within Australia as businesses find that competing and managing their activity locally, nationally and internationally is complex but more often than not other similar businesses are experiencing the same complexities.

Most industry networks have initially been established to address a particular problem or issue. The NSW Department of State and Regional Development (DSRD) defines a business network as "a group of firms using their combined talents and resources to co-operate for joint functions".

Business networks can take different forms depending on their objectives. They may be informal, not for profit or commercial. They may be small networks with only a couple of members, or regionally focused, or large national networks. This report provides information on three case studies. Whilst all case studies are regionally based, one is part of a larger national network.

Three individual case studies were undertaken for the purpose of this report:
- HunterNet
- Mackay Area Industry Network (M.A.I.N).
- The Australian Industry Group (Ai Group) – Albury Wodonga

The impetus for the establishment of each of these networks was the realization by local small to medium enterprises that collective or collaborative action was required to address external threats to local industries, and changing operating environment of the large enterprises that they serviced.

Each of the networks reviewed operates on a not for profit basis. Governance of the networks is by a Board of Directors, with management and operations undertaken by employed staff. The number of staff employed varies across the networks, with key roles to provide support services to members particularly with respect to common business issues ie workers compensation, legal representation, occupational health and safety, wage awards. Each network has developed different approaches to support skills development locally.

In addition to direct advice relating to business and industrial issues, the key benefits to members of the industry networks include:
- Assistance in the recruitment and management of apprentices and trainees through the various mechanisms established by each network
- Facilitating the establishment of consortiums to respond to identified business opportunities
- Linkage with state and regional agencies to progress projects and lobby government
- Opportunities for smaller companies to work with and learn from innovators

Each network charges an annual membership fee or subscription. Whilst the amount varies between networks, the fee is proportional to the number of employees or gross annual turnover. Each of the networks has also been successful in obtaining specific project funding to expand their role and activities.

KEY FACTORS TO SUCCESS OF THE NETWORKS
- Defined industry base for the network to prevent formation of factions
- Decision-making powers for members' representatives so resolutions can me made at meetings without delay

- Leadership
- Commitment and Ownership by network members
- Continual personal and business development is an integral element in the survival and growth of an organization. Improvement of organization standards through the network also enhances the status and relevance of the industry body within the region.
- Trust- Members must realise and accept that they have come together to explore the sets of skills each organization holds and be willing to contribute or offer these skills openly to the network

NEXT STEPS FOR THE ORANGE CABONNE BLAYNEY REGION

There are several options that the Orange Cabonne Blayney Councils and local enterprises could consider in progressing the notion of an Industry Network to support the development of local business opportunities and skills development. These options are not mutually exclusive.

1. Strengthening the presence of the Ai Group within the Central West

2. Canvassing the opinion of local industry to support the formation of a local industry network through a series of meetings or workshops to scope local issues and potential benefits of a network, and showcase achievements of established networks. These meetings would initially be facilitated by a working party of the combined councils, with the intention of seeking a project officer to support local enterprises progress the establishment of the network if they decide to follow that path.

3. Promote Skills Development without the formation of an industry network, through the development of an Apprentice Master to within a partnership formed between local governments, Western Institute of TAFE and the local group training company

CONTENTS

1. INTRODUCTION

Industry networks are evolving within Australia as businesses find that competing and managing their activity locally, nationally and internationally is complex but more often than not other similar businesses are experiencing the same complexities.

Most industry networks have initially been established to address a particular problem or issue. One of the oldest industry networks in Australia is the Australian Industry Group that began in 1873 as the Metal Trades Industry Association when employers in NSW faced a serious industrial dispute and saw a need to cooperate to address a common problem. From this early beginning the Australian Industry Group has evolved to address many common issues for their members and is one of the case studies researched within this report.

The NSW Department of State and Regional Development (DSRD) has a view on what a business network is and reasons for creating a network that is outlined on their website www.smallbiz.nsw.gov.au. DSRD's definition of a business network is "a group of firms using their combined talents and resources to co-operate for joint functions". Rosabeth Moss Kanter, 1996 defines a business network as "pathways by which people and organization come together to exchange ideas, solve problems or form partnership".

From the research undertaken in this report the definition can also be expanded to include pathways to policy making.

DSRD's most popular reasons for creating a network include:-
- Solving a problem or crisis
- Advancing a common viewpoint to policy makers
- Growing the business as network members can use each other's strengths and resources to expand; create production flexibility; enter new markets; and undertake or support research and development
- Building scale to win bigger projects through joint tendering
- Enhancing resources such as sharing production costs
- And improving the image of a region in an area of a particular skill, product range or service capability.

DSRD have been active in assisting NSW networks to establish and develop benefits to individual businesses/members. It is highlighted though that in the early stages of establishing a network there may be need for Government to assist, support and facilitate as evidenced in the case studies presented in this report. However, it is apparent from the work they have undertaken, and also from the findings of our research, that truly sustainable, successful and effective networks are driven and lead internally.

Business networks can take different forms depending on their objectives. They may be informal, not for profit or commercial. They may be small networks with only a couple of members, or regionally focused, or large national networks. This report provides information on three case studies, all not for profit. Whilst all case studies are regionally based, one is part of a larger national network.

This report outlines key findings and common themes drawn from the case studies are highlighted with recommendations for next steps to be undertaken by Orange, Cabonne and Blayney Councils.

2. CASE STUDIES: KEY FINDINGS AND COMMON THEMES

Three individual case studies were undertaken for the purpose of this report:

- HunterNet
- Mackay Area Industry Network (M.A.I.N).
- The Australian Industry Group (Ai Group) – Albury Wodonga

An overview of each region highlights that manufacturing is a major economic driver in each area with retail and tourism further assisting in development and growth.

The full case studies are presented in Sections 3, 4 and 5.

2.1 IMPETUS FOR ESTABLISHMENT OF THE NETWORKS

The impetus for the establishment of each of these networks was the realization by local small to medium enterprises that collective or collaborative action was required to address external threats to local industries, and changing operating environment of the large enterprises that they serviced.

In Mackay, Queensland, as the coal industry developed many of the small to medium enterprises (SMEs) involved in engineering and mining related services identified that they were missing out on work, perceiving that it was going to national and international competitors

In the Hunter region the down turn in operations of BHP and Carrington Slipways resulted in local manufacturing & engineering firms experiencing decline in work. Furthermore, the downsizing of these large enterprises removed or reduced the pool of skilled labour that the SMEs had previously been able to tap into.

A key issue in the establishment of each of the networks was the need to develop a collaborative approach to marketing and skills development for the SMEs.

2.2 DEVELOPMENT OF THE NETWORKS

Each of the networks reviewed operates on a not for profit basis. Governance of the networks is by a Board of Directors, with management and operations undertaken by employed staff.

The number of staff employed varies across the networks, with key roles to provide support services to members particularly with respect to common business issues ie workers compensation, legal representation, occupational health and safety, wage awards.

Each network has developed different approaches to support skills development locally.

The Ai Group delivers the Murray Youth Employment & Training Network project funded by the NSW Board of Vocational Education and Training, essentially an extension of the Training Brokerage model.

The MAIN Cooperative Ltd initiated the MAIN CARE program to address skills labour shortage. The Central Queensland TAFE funds an Apprentice Master to assist MAIN members manage their apprentice and training program.

HunterNet operates a group training company (HunterNet Group Training Company) and employs a full-time Training Manager to co-ordinate the skills development and monitor the progress of each apprentice and trainee.

2.3 SCOPE OF THE NETWORKS

The scope of the networks vary in response to the industries they serve.

The Ai Group is a national organization with regional bases. It has a strong focus on manufacturing due to its history but has grown to service a broad range of industry from food and wine, to call centres, to heavy engineering. It also seeks to build awareness in schools of engineering and trade related industries as career choices. At a national level the Ai Group hold a number of key events such as National Industry Forum, national environmental conferences and workplace relation forums. The Ai Group also has an international focus, and includes international membership, an export marketing services program, and international business development consultancy to Australian Electronic Trading Network. There are over 10,000 members of the Ai Group nationally and internationally with information available at www.aigroup.asn.au

Both MAIN and HunterNet are regionally based networks.

M.A.I.N currently has 43 members including manufacturers, engineers, electrical, consulting and support services, with expertise in engineering design, project management, IT Services, travel services, labour hire and training.

HunterNet is a cooperative of manufacturers, engineers, IT providers, electrical and consulting companies. There are 32 general members with a full list of all members available at www.hunternet.com.au. Member's skills fall into general engineering, construction and installation of equipment, specialist services to support manufacturing and engineering, and servicing and refurbishment of systems.

2.4 ROLE OF THE NETWORKS / MEMBERS' BENEFITS

In addition to direct advice relating to business and industrial issues, the key benefits to members of the industry networks include:
- Assistance in the recruitment and management of apprentices and trainees through the various mechanisms established by each network
- Facilitating the establishment of consortiums to respond to identified business opportunities
- Linkage with state and regional agencies to progress projects and lobby government
- Opportunities for smaller companies to work with and learn from innovators

2.5 FUNDING OF THE NETWORKS

Each network charges an annual membership fee or subscription. Whilst the amount varies between networks, the fee is proportional to the number of employees or gross annual turnover.

Both MAIN and HunterNet received seeding funding from the state and commonwealth governments in their early establishment, and each of the networks have continued to access grants to support various projects and positions.

Interestingly, MAIN receives an annual contribution of $30,000 from Hale Creek Mine in recognition of the skilled labour it draws from local employers.

2.6 SUMMARY OF KEY FACTORS TO SUCCESS

<u>Ai Group</u>

- Ai Group are active in obtaining funds and facilitating projects aimed at schools and unemployed to address skill shortages
- Active member input into the direction of the Ai Group
- Projects driven by local industry
- Extensive range of services for members including hotlines, information briefing sessions, publications, training, legal representation, government lobbying, forums, workshops and conferences.

<u>M.A.I.N and HunterNet</u>

- The members have decision making powers providing faster resolutions
- Individuals with an ability to lead and drive the group is of high importance and recognized as necessary for advancement of the group goals
- Every member to be committed and believe in the purpose of the network
- Members are actively sought to give time to the network whether it be attending meetings, participating in task groups, researching projects or negotiating with government agencies
- Members must retain ownership of the network as will not survive with only external support
- Continual personal and business development is vital to the growth of businesses as this reflects on the standards of the network and the relevance of the industry body within the region
- Trust is required at the inception of any network as members need to be willing to contribute and offer skills openly.

3. CASE STUDY: HUNTERNET

The Hunter Region – Overview

The Hunter Region is located 130 kilometres north of Sydney in New South Wales. The region covers 31,011 sq kms and includes 13 local government areas with a population of approximately 582,000. Eighty four percent of the population is located in the five local government areas of the Lower Hunter.

The Hunter is the major generator of electricity within NSW. Companies in the Region are also involved in zinc and lead smelting, the fabrication of metal products and the manufacture of a variety of foods and beverages. The diversity of the manufacturing industry is exemplified by its involvement with the Royal Australian Air Force for the assembly of fighter jets.

The Hunter Region produces approximately 35 per cent of Australia's aluminium and 80 per cent of the State's coal.

The agricultural sector is actively involved in 'value adding' to traditional commodities. The Upper Hunter has developed an international reputation for high quality thoroughbred studs.

Vineyards and wineries have continued to develop the Region's reputation for premium wine, which has complimented and enhanced the growth of the tourist industry and regional economy.

Table 1. Hunter Region – Employment Industry Profile

EMPLOYMENT BY INDUSTRY [1]				
% TOTAL EMPLOYMENT	Hunter		Australia	
AVERAGE	2000	2001	2000	2001
Agriculture, Forestry, Fishing	3.2	4	4.9	4.8
Mining	2.7	3.2	0.9	0.9
Manufacturing	14.3	12.7	12.7	12.2
Gas, Electricity, Water	1.1	1.1	0.7	0.7
Construction	7.6	7.3	7.8	7.4
Wholesale Trade	3.7	3.5	5.0	4.7
Retail Trade	17.3	16.7	14.7	15.0
Accommodation, Cafes & Restraunts	5.5	5.5	5.1	5.1
Transport & Storage	4.5	4.9	4.6	4.6
Communication Services	0.8	1.4	2.0	1.9
Finance & insurance	2.5	2.4	3.7	3.8
Property & Business Services	9.4	9.7	11.5	11.6
Government, Administration & Defence	2.6	3.4	3.9	4.2
Education	7.5	7.4	6.8	7.0
Health & Community Services	10.6	11.6	9.4	9.9
Cultural & Recreational Services	2.3	1.7	2.5	2.5
Personal & Other Services	4.1	3.5	3.8	4.0
Source: ABS Labour Force Survey, HVRF				

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[1] HunterNet power point presentation to Gladstone.

HunterNet – Impetus for establishment of the network

Newcastle and the Hunter Region have historically been identified as having an industry base in shipping, coal mining, manufacturing, transport and steel. During the late 1980's the manufacturing industry within the Hunter Region was undergoing major structural reform. Carrington Slipways were winding down operations and BHP had significantly cut its workforce due to a reduction in the workload. Many local manufacturing and engineering firms who relied on the large corporations for business were now suffering a decline and needed to develop new opportunities to survive and grow.

Concurrently, major industrial groups were pushing smaller manufactures to group together to achieve quality standards (such as ISO accreditation), ensuring the larger manufacturers were supplied with high quality products and services. Hunter Economic Development Corporation suggested furthering the idea to include a collaborative approach to marketing and skills development.

In 1991 the Chamber of Manufactures of NSW raised the concept of an industry network. The Sydney office of the Chamber was instrumental in pulling together the first six or seven business that formed a network. Casual meetings of interested businesses began to examine the state of the industry and began to explore new ideas.

HunterNet – Development of the network

After meeting informally for a period of time the members of the network held their first formal HunterNet meeting in March 1992 to discuss the viability of establishing a formal network of manufacturing and engineering business within the region. At this stage HunterNet was a group of fourteen companies pulled together by the common interest to share resources to develop a distinctive advantage for the engineering firms within the region. With the assistance of the University of Newcastle concepts for strategic planning were developed.

In August 1992 HunterNet became a cooperative with an annual membership fee of $1000 to cover expenses of collaborating and promoting the network's activities. Each business was entitled to purchase one share in the co-operative for $100, which entitled the representative to one vote in the decision making process.

The Board of Directors consists of seven including the Chairman. The Board members head up 4 sub-committees:
- Finance
- Marketing
- Membership
- Projects

HunterNet currently employs 3 staff. The General Manager is responsible for marketing and promoting the capabilities of the cooperative and the region, identifying and pursuing possible projects, linking potential clients with HunterNet members, attracting and securing funding and building the cooperatives member base.

HunterNet Group Training Company employs a full-time Training Manager to co-ordinate skills development, and monitor the progress of each apprentice and trainee. Pastoral care, administration and coordination of the apprentices is also included in the training managers role.

A full-time Administration Officer is engaged by HunterNet to support the General Manager and Training Manager.

HunterNet – Scope of the network

HunterNet is now a cooperative of manufacturers, engineers, IT providers, electrical and consulting companies in the Hunter Valley Region.

HunterNet consists of General, Patron, Sponsor and Associate Members.[2]

There are approximately thirty-two (32) General Members as at 5th February 2004. A full list of all members can be obtained by emailing info@hunternet.com.au or accessing HunterNet website www.hunternet.com.au

General Member's skills fall into four broad areas.

- Construction and Installation
  - Power management
  - Pressure vessels
  - Piping/heat exchangers
  - Composites/plastics

- General Engineering
  - Design
  - Fabrication
  - Assembly
  - Specialist CNC
  - Metallurgy & treatment

- Specialist Services
  - Information Services
  - Real-time monitoring
  - Automation software
  - PLC programming
  - Engineering consultancy
  - Environmental services
  - Maintenance systems

- Service and refurbishment
  - Mining equipment
  - Steam raising plants
  - Defence equipment
  - Shutdown management
  - Hydraulic systems

While membership can be defined by the financial contribution of HunterNet members, there are substantial partnerships formed between government and business at all levels.

A regional economic development strategy has been developed for the Hunter Region for the period of 2003/04 – 2005/06. The Hunter Economic Development Corporation coordinated the process with strong representation from: -[3]
- Department of State & regional Development (DSRD)
- Hunter Area Consultative Committee
- Hunter Business Chamber

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2 http://www.hunternet.com.au/membersContent.html1

3 Hunter Means Business Strategy 2003/04 – 2004/05. Hunter Economic Development Corporation. 2003

- Hunter Councils
- Hunter Catchment Management Trust
- Hunter Economic Development Corporation
- Hunter Group Training
- Hunter Valley Research Foundation
- Industry Development Centre
- Newcastle Port Corporation
- Newcastle Trades Hall
- Planning NSW
- University of Newcastle

HunterNet - Role of the network / members' benefits

What is a Network?
"A Network is the coming together of a group of enterprises to use their combined talents and resources to achieve results which would not be possible when the companies operate as individuals." [4]

The primary aim of HunterNet is to develop business opportunities for its members and promote the development of the Hunter Region as a whole.

The fundamental objectives of the network have been to: -
- Market the combined capability of the network
- Provide training opportunities for members
- Utilise the combined leverage of the group in commercial and project situations [5]

The cohesivness of HunterNet is maintained by monthly meetings rotated throughout members' worksites. This is an opportunity for members to showcase their services and abilities. Often, new projects coming to the region request presentation time. This allows members the opportunity to interact with potential clients with the view to securing a source of revenue.

Various working groups operate within HunterNet. The Projects group is responsible for identifying and promoting new projects commencing in the region. The General Manager is pivotal in this process and must possess high level negotiation skills, be aware of potential government funding, and be able to promote the industry network to benefit the Region as a whole.

Once the General Manager has provided the links between potential clients and HunterNet members, the communication will then proceed between client and member directly.

HunterNet Group Training Company was established in 1996 to address 3 major factors:
- Fill training gaps that were now occurring due to the loss of training programs that had historically been provided by large organizations such as BHP. Such organizations had in the past provided a pool of skilled workers from which industry could draw
- A collaborative approach to training and development between industry & educational facilities to ensure that skills acquired met industry needs
- Investing in the development of apprentices so that industry was managing its skill and labour needs for the future. [6]

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4 HunterNet PowerPoint presentation to Gladstone

5 6 HunterNet, The First 10 years. 1992 – 2002.

Currently the HunterNet Group Training Company has 65 apprentices, and the completion rate is 95%.

Benefits of the network for members include: -

- The ability for SMEs to bid jointly on major projects, which would have been too large for a single entity
- Networking to develop an awareness of skills and capabilities of other companies within the industry and region
- Development of own company through participating in programs offered to members covering areas such as IT, taxation, marketing and occupational health and safety
- Personal development by sharing and receiving expertise and experiences gained in business, with other members of the network
- The development of an industry specific group training company (HunterNet Group Training) which plays a critical role in the development and supply of qualified staff to match companies needs

HunterNet – Funding of the Network

1992
HunterNet became incorporated (under the NSW Corporations Act) in December 1992 and held their first formal meeting in March 1992. Membership fees at this stage were $1000 and each member purchased one share in the co-operative for $100.

1993
With the support from the University of Newcastle and assistance from The Chamber of Manufacturers and the Metal Traders Industry Association (MTIA), HunterNet was able to secure $30,000 of 'seed' funding from the Federal Government to launch and expand their operations.

1994
HunterNet received $250,000 from the Federal Government to implement Best Practice Programs in six of its member companies. This funding was to be matched by contributions from individual companies at a ratio of $4 for every $1 of government funding.

Department of State & Regional Development (DSRD) provided a grant of $225,000 over three years, along with office space in the DSRD premises. This grant was provided to meet the cost of a manager, administrative support and promotion of the network. A stipulation of the grant was for HunterNet to become self-funding by the end of 1996.

Finances of the organization were reviewed in 1995. The membership fee was changed such that it was proportional to the number of employees in each organization. HunterNet achieved self-funding before the end of 1996.

1996
HunterNet became involved with the Department of Employment Education and Training (DEET) to investigate the opportunities of developing a Group Employer Program. This program was initially known as the Apprentice Training Scheme. November 1996 saw the engagement of a full time Training Manger. HunterNet entered a 3-year contract with DEET supplying $150,00 over the period to support employment & training of apprentices. At the commencement of 1997 HunterNet Group Training had 21 apprentices and 1 trainee.[7]

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7 HunterNet, The First 10 years, 1992 – 2002.

1997 – Current
Four levels of membership exist in the HunterNet (Table 2).

Table 2. Categories of Membership of HunterNet

General Members	Companies actively involved in the manufacturing and engineering industry. Members are committed to Quality Accreditation and the process of continuous improvement. General Members purchase one share in the co-operative giving them one equal vote. Membership Fees between $2500 - $4500 annually (proportional to the number of employees in the organization)
Patron Members	Recognized industry leaders in the region, who provide the network with assistance and support in the business planning, quality management and other core skills. Membership Fees $5000 per annum.
Sponsor Members	Companies provide support services eg. Legal, financial support to the group or individual. Membership Fees $2500 per annum.
Associate Members	An opportunity for micro or start up organizations to obtain the benefits of membership of HunterNet at a reduced fee. Members support and mentor associates both directly and indirectly to achieve their growth objectives. Associate membership is limited to 4 at anyone time and must move to general membership after two years. Membership Fees $1000 per annum.

Membership fees contribute 80% of HunterNet's income with the other 20% being generated from 'fee-for-service' initiatives such as training and consultancy.

HunterNet also accesses specific grants for various research projects such as 'Innovation in Hunter Engineering Based Manufacturers – A Model for Action", which was funded by DSRD.

The 'Model for Action' was developed by HunterNet to respond to the downturn in the manufacturing sector, particularly within the Hunter Region, but also Australia wide. The 'Model for Action' examined various overseas situations where entire regions had been completely transformed in their manufacturing activities as a consequence of similar programs.

The Hunter Valley Research Foundation (HVRF) was engaged to carry out an audit of 200 Hunter companies to gauge the region's level of participation in innovative practices. Further information regarding 'Innovation in Hunter Engineering Based Manufacturers – A Model for Action", can be obtained by contacting HunterNet Co-operative Limited.

4. CASE STUDY: THE MACKAY AREA INDUSTRY NETWORK (M.A.I.N)

The Mackay Region - Overview

The Mackay/ Whitsunday region represents one of Queensland's strongest growth regions. It covers in excess of 90,000 km², approximately 5.2% of the total area of Queensland. The Mackay region covers nine local government areas and is located halfway between Brisbane and Cairns.

The region extends to the Bowen Basin in the west, taking in one of the largest coal-mining belts in Australia. The area is also Australia's largest sugar producer. Beef cattle and tourism are important industries in the Mackay region's economic basis.

The Mackay region has an estimated population in excess of 124,300 permanent residents of which more than 78,400 live within the Mackay City Council. Mackay's population is younger than the State's average and some of the outer lying mining towns are considered among the State's wealthiest.

As at September 1998, 2.2% of all Queensland businesses were located in the Mackay region. The largest number of businesses were in agriculture, forestry and fishing (21%) followed by the retail trade (15.9%).

Table 3. Business types operating within the Mackay region

Industry	Number of businesses	Percent
Agriculture, forestry & fishing	939	21.0
Mining	17	0.4
Manufacturing	237	5.3
Electricity, gas & water supply	17	0.4
Construction	513	11.5
Wholesale trade	289	6.5
Retail trade	708	15.9
Accommodation,cafes & restraunts	174	3.9
Transport & Storage	259	5.8
Communication services	26	0.6
Finance & insurance	160	3.6
Property & business services	491	11.0
Government administration & defence	23	0.5
Education	102	2.3
Health & community services	258	5.8
Cultural & recreational services	76	1.7
Personal & other services	177	4.0
Total	**4,466**	**100.0**

Retail trade was the largest employer in the Mackay region, (4,633 employees) followed by manufacturing (3,448 employees), construction (2,624 employees) and health & community services (2,419).

The highest degree of specialisation of skills in the region occurs in the electricity, gas and water supply industry.[8]

M.A.I.N – Impetus for establishment of the network

The Mackay region is Australia's largest sugar producer and has four sugar refineries and the largest bulk sugar terminal in the world. However, the sugar industry went into decline around 1996. At the same time the coal industry was starting to boom in the region.

As the coal industry developed there was as perception that many of the SMEs involved in engineering and mining related services were missing out on work with it going to larger national and international competitors.

A series of meetings were held within the region in late 2000. It became evident that there was a need and desire for businesses to work collaboratively to prevent business and income leaving the region.

M.A.I.N was formed in 2001 and is a not-for profit cooperative of Mackay based engineering, mining and engineering related support businesses.

M.A.I.N – Development of the network

The Cooperativate
Main Cooperative currently has 3 staff members. A General Manager was appointed when M.A.I.N was incorporated in 2001. The role was to identify opportunities, promote and coordinate the activities of the groups' members. M.A.I.N gave SMEs the opportunity to work together to identify, win and complete projects that would otherwise have gone to large organizations.

Administrative support is provided by a trainee.

MAIN is governed by a Board of Directors. The directors are successful business people from the Mackay region. There are seven directors and one chairman of the board. The board is responsible for policy direction and daily operation of the cooperative. Members of the board also play a significant role in the promotion of M.A.I.N.

The group identified that there was a serious skills shortage within the region. As a group they could now win more business, but who would do the work? As a result the MAIN CARE Plan was developed to address the skills shortage.

An Apprentice Master works jointly with M.A.I.N and the Central Queensland Institute of TAFE. This position commenced in July 2003. The role of the Apprentice Master is to provide pastoral care to apprentices, identify and secure funding for the MAIN CARE program and identify and promote the cooperative to potential members from companies with apprentices in TAFE.

MAIN CARE program
The program is an initiative of MAIN Cooperative Ltd. It is an industry led program to address the skills labour shortage in the engineering industry in Central Queensland. The aim of the program is to provide stable employment, training and career path for engineering labour, in turn providing MAIN members with a highly skilled labour pool to draw from.

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8 http://203.221.178.34/about_mackay/regional_profile

MAIN members, Central Queensland Institute of TAFE, Employment North, Queensland Department of Employment and Training and other engineering firms have worked together to develop and support the program.

The Apprentice Master is funded by the Central Queensland TAFE to assist MAIN member companies manage their apprentice and training programs. The Apprentice Master identifies future apprentices and employment positions as well as identifying staff who can be up-skilled and cross-skilled to expand the pool of skilled labour.

A 10 week pre-employment program has been developed and delivered to possible new apprentices to ensure they are ready for work. The 10 week program covers areas such as communication skills, mathematics, Occupational Health & Safety and basic skills required of their future trade. This training is funded from a proportion of the New Apprenticeship Scheme.

An engineering workshop has also been established with an emphasis on training. It is staffed with qualified trades-people, apprentices and trainees. MAIN members, the mines, sugar mills and other organizations supply work on a commercial basis to the workshop.[9]

The MAIN CARE program does not employ apprentices and is not a group training organization. All apprentices are employed with member companies. The current level of retained apprentices sits at 64 (sixty four).

Network of Networks
Formation of a "Network of Networks" gives inter-regional networks the opportunity to work together, share experiences and resources to tender on large projects to the benefit of all.

M.A.I.N – Scope of the network

M.A.I.N is a not-for-profit cooperative. The members had a gross turnover for the 2002/2003 financial year of almost 400 million dollars and employed more than 1,500 full-time staff. While member companies mainly service the Bowen Basin coal mining and Mackay sugar industries, many members also service interstate Australia and overseas.

M.A.I.N members are a cooperative of manufacturers, engineers, electrical, consulting and support services. Areas of expertise cover but are not limited to:-

Mechanical
-Engineering design
-Equipment manufacture
-Equipment assembly

Electrical
-Engineering design
-Equipment manufacture
-Equipment assembly
-Control System
-Automation

Construction
-Civil engineering design
-Structural engineering
-Project Management

Fabrication
-Steel fabrication

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9 Summary of the MAIN CARE Plan. MAIN. 2004.

                    -Pre design services
                    -Design drafting and coordination

Other   -Power distribution
                    -Labour hire
                    -Accounting & related services
                    -Vehicle hire, parts and servicing
                    -Mining & engineering consumables
                    -IT services and web design & maintenance
                    -Travel services
                    -Training
                    -Risk Management services

There are currently 43 financial members. A current directory of members is available by contacting the General Manager of M.A.I.N by email, **gm@main.org.au** or by visiting the M.A.I.N website (http://www.main.org.au)[10]

M.A.I.N – Role of the network / members' benefits

MAIN works as a first point of contact for organizations wishing to commence or complete projects. MAIN identifies local companies with the capabilities required, or will assemble a consortium to suit an organization's requirements.

The cooperatives fundamental goals are to:
- Provide first level information of projects and business opportunities.
- Supply members with the opportunity to work with other innovative, high calibre companies.
- Give members the opportunity to be involved in large projects as principal, subcontractor or alliance members.
- On going promotion of members.
- Provide business related training and education, advice and support from MAIN Patrons, State & Federal Government.
- Cooperatively address industry wide impediments to growth such as skills shortages and regulatory issues.
- Encourage and mentor members to work together to identify and access offshore markets.[11]

By working as a collective, individuals now have an influential voice to address government on matters affecting the industry.

M.A.I.N – Funding of the network

Members of M.AI.N are required to make financial contributions. The fee schedule is on a sliding scale based on gross annual turnover.

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10 12 Capabilities, Products and Services Directory, February 2004, Cameron.M., M.A.I.N. 2004.

Table 4. M.A.I.N membership subscription schedule (current 2004)

Gross Annual Turnover	Membership Subscription (including GST)
$ 0 - $ 500,000	$ 695.00
$ 500,001 - $ 1,000,000	$ 925.00
$ 1,000,001 - $ 3,000,000	$1,155.00
$ 3,000,001 - $ 5,000,000	$1,390.00
$ 5,000,001 - $10,000,000	$1,620.00
$10,000,001 - $20,000,000	$1,850.00
$20,000,001 ⇨	$2,080.00

M.A.I.N initially received $10,000 of funding from the Department of State & Regional Development (DSRD) to conduct a capabilities study of the industry within the region. The cooperative has since received $130,000 from the Federal Government under the Regional Assistance Plan (RAP) DSRD assisted M.A.I.N in their application for RAP funding.

Currently M.A.I.N has 43 financial members, with fees contributing to 20% of the cooperative's income.

Hale Creek Mine (owned by Rio Tinto), pay an administration fee of $30,000 per annum to M.A.I.N as a good will gesture. The mining corporation recognizes that they draw skilled labour from the local industries and are willing to offer support to the network to assist SME businesses. Hale Creek mine also offers two $5000 scholarships each year for new apprentices.

A small amount of training income is received through government training and incentive programs. This money comes from participating members seeding part of their government training subsidy to cover some of the cost of the services provided by the Apprentice Master involved in the M.A.I.N CARE program.

Other financial assistance comes in the form of 'in-kind' support. This is received for the offices occupied by M.A.I.N, and accounting services provided by a financial founding member. Government grants are sourced for special projects and research.

HUNTERNET & M.A.I.N - SUMMARY OF KEY FACTORS TO SUCCESS

Interviews with Members and management of HunterNet & M.A.I.N have highlighted various factors that are necessary to ensure the network survives.

Membership Criteria
Members need to be from a particular industry or related to the industry as a supplier of goods & services or a customer. A broad base of industry as General Members leads to factions within the network and weakens the bonds between members.

The Member or Members' representative must have decision- making powers so resolutions can me made at meetings without delay due to seeking of approval.

Leadership
While the network is formed by a group of companies, an individual/s ability to lead and drive the group is necessary for advancement of group goals.

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Commitment and Ownership

Every member must be committed and believe in the purpose of the network. Members must be willing to give time and energy to the network by way of attending meetings, managing meeting requirements, participating in task groups, researching possible projects and negotiating with various industries or government agencies.

A network will not survive with only external support. Members must retain ownership of the network while the network manager's role is to coordinate and market the group's activities and research possible projects and funding.

Learning & Development

Continual personal and business development is an integral element in the survival and growth of an organization. Improvement of organization standards through the network also enhances the status and relevance of the industry body within the region.

Trust

Trust is an element necessary from the network's inception. Members must realise and accept that they have come together to explore the sets of skills each organization holds and be willing to contribute or offer these skills openly to the network.

5. CASE STUDY: AUSTRALIAN INDUSTRY GROUP

The Albury Wodonga Region – Overview

The Albury Wodonga region is situated on the border of New South Wales and Victoria in South Eastern Australia. It is located 563 kilometres from Sydney and 306km from Melbourne. The region covers 5,080sq kms and includes 3 local government areas with a population of approximately 101,417.

The largest employers in the region are the retail sector and manufacturing including:

- newsprint mill
- cardboard box plant
- dairy processing
- pet food
- textile producer (largest in South East Asia)
- food processing
- plastic fabrication

Health, education, government agencies, and the business and property sector are also significant employers.

Educational facilities are abundant in the region with two major universities, two TAFE campuses, Continuing Education Centre, Apprentice Trainees Employment Ltd and the Army Logistic Training Centre all located in Albury Wodonga.

Table 5. 2002 Employment Industry Profile: Urban Albury Wodonga and Australia[12]

	ALBURY WODONGA		AUSTRALIA	
CATEGORY	Jobs	% Share	Jobs (000)	% Share
Primary	656	1.7	470.6	5.1
Manufacturing	6458	16.5	1127.5	12.1
Electricity Gas & Water	231	0.6	67.8	0.7
Construction	1967	5.0	692.8	7.5
Wholesaling	2030	5.2	434.8	4.7
Retailing	6657	17.0	1413.6	15.2
Accomm & Restaurants	2345	6.0	436.8	4.7
Transport	1573	4.0	401.0	4.3
Communication	201	0.5	169.1	1.8
Finance & Insurance	889	2.3	342.3	3.7
Business & Property	2930	7.5	1101.0	11.8
Govt Admin & Defense	3526	9.0	402.6	4.3
Education	3614	9.2	681.1	7.3

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[12] Investment Albury Wodonga Employment Census 2002; Australia – ABS Cat. Nos. 6203.0, 6310.0

Health & Community	4626	11.8	939.4	10.1
Culture & Rec	508	1.3	253.7	2.7
Personal & Other	1010	2.6	375.9	4.0
TOTAL	39323	100.0	9310.1	100.0

Australian Industry Group – Background and Impetus for establishment of the network

The Australian Industry Group (Ai Group) was formed in 1998 when the Metal Trades Industry Association merged with the Australian Chamber of Manufacturers.

However, the concept of industry networks has been around for some time. In 1873 a group of nine NSW 'iron trades' employers saw the need to cooperate to address common issues. This informal network operated for many years and in 1943 the Metal Trades Industry Association was formally formed. A national body, the Metal Trades Industry Association of Australia was formed in 1970, after successfully establishing an organization to lobby for industry to make policy decisions and uniformly agree of high standards for its members and the community.

The Ai Group has over 10,000 members Australia wide and is one of the largest not for profit industry and employer bodies owned and guided by its members. In NSW there is a regional office based in Albury Wodonga along with offices in Sydney, Westmead, Wollongong and Newcastle.

The aim of the group is to assist industry to grow in the domestic and international markets by providing comprehensive services, advice and support to assist members to run their businesses more effectively.

Australian Industry Group – Development of the network

The concentration of manufacturing businesses in Albury Wodonga region and membership base, prompted the establishment of a regional Ai Group office in Albury Wodonga.

The Albury Wodonga regional office consists of a Regional Manager, Regional Services Officer, administration staff, Project Officer and staff specializing in key industry areas such as workers compensation, legal representation, OH&S, wage awards etc.

Nationally, the Chief Executive is based in Sydney along with a Director and teams that specialize in Membership, Industrial Relations & Human Resources, OH&S & Workers Compensation, Energy and Environment, Trade and Export Development, Training Services, Publications/briefings and seminars. Victoria and Queensland consist of a similar structure. The Ai Group also has affiliates in South Australia such as the Engineering Employers Association and Western Australia's Chamber of Commerce & Industry.

As the Ai Group is predominately a service organization for its members, it does not hold a formal monthly networking meeting as such. Rather they create a number of opportunities for members to get together through information sessions, BIZassist programs, forums or conferences.

The Ai Group in Albury Wodonga activities include:
- Talking to schools to promote local employment opportunities and skills development

- Meeting with employers and its members to identify local employment and skills related issues
- Identifying concepts for projects to address local issues. Issues addressed may include drop' out rates of apprentices, lack of interest in trade related industries as a career choice or focus on advocating manufacturing in the region.

The regional Ai Group office is aware of skill shortage issues and has been successful in implementing a hands on approach with hosting the Murray Youth Employment & Training Network Project Officer based at the Albury office. This project is funded by the NSW Board of Vocational Education and Training and delivered by the Ai Group.

Australian Industry Group – Scope of the network

The Ai Group has a strong focus on the manufacturing sector due to its history but has also grown to service a broad range of industry[13]. These include:-

- Construction/Infrastructure, Heavy Engineering, Building Supplies and Glass
- Transport, Automotive, Aviation, Rail, General Engineering
- Food, Wine, Beverages, Tobacco, Retail and Wholesale
- Printing and Paper, Containers, Packaging
- Information Technology, Telecommunications, Call Centres
- Health/Medical Technology, Pharmaceutical's, Bio-technology
- Chemicals, Rubber and Plastics, Paint
- Labour Hire
- Environment, Energy, Waste Disposal
- Utilities

There is a strong focus to implement awareness building projects as career choices in schools for the engineering and trade related industries. These are managed by local businesses and often Government funded.

An example of one such project is the building of solar powered vehicles where students are guided by local engineers to build cars applying maths, physics and computer skills they are learning in the classroom and during the project. The Ai Group in Albury Wodonga facilitated the Government funding application and manages the grant requirements for the project.

The Australian Industry Group holds a number of key events and management groups which include:-

- The National Industry Forum (an annual one day forum at Parliament House Canberra with dinner). The theme of the forum in 2003 was 'The Big Ideas' aimed at identifying issues likely to challenge business in the short and long term and strategies to deal with these.

- The National PIR Group is a national forum that addresses national workplace relation issues in Australia. The Ai Group manages the PIR Group. The main focus is to hold two national conferences a year targeted towards HR and Industrial Relations Manager.

- A national environmental conference annually.

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[13] www.aigroup.asn.au/scripts/cgiip.exe

- Albury Wodonda Ai Group coordinate 'Manufacturing Week' every second year in the region that showcases industry, conducts seminars, hosts a formal dinner and arranges site visits.

In addition to key events and national services, the Ai Group also has an international business development division. The range of services include[14]:

- International membership. Benefits provided are initial market diagnostic to assess international trade needs, identifying potential business opportunities and partners and markets overseas, information, networking sessions, Australian Electronic Trading Network and export documentation services
- Export Marketing Services Program. Joint Ai Group and Department of State and Regional Development assistance for firms wanting to grow their business overseas
- Export Access
- International Business Development Consultancy
- International Trade exhibitions and Missions
- Australian Electronic Trading Network. Ai Group, KPMG and Digerati have produced a secure trading network in 140 countries. www.aetn.com.au
- Export documentation
- Professional publications such as the "Exporters Guide".

Australian Industry Group – Role of the group / members' benefits

The Ai Group's regional office in Albury Wodonga has extensive member services that include:

- Industrial relations (Award advice, preparing contracts of employment, dispute resolutions, compliance audits)
- Human resource management (policies and procedures, HR audits, advice on managing work performance, advice of equal opportunity and affirmative action obligations)
- OH&S (undertake workplace OH&S audits, advice and development of policies and procedures, advice on legal obligations)
- Workers compensation and injury management (undertake Workers Compensation audits, injury management, advice on workers compensation management)
- Education and training
- Employment of apprentices and trainees (the regional Albury Wodonga office employs and hosts out apprentices and trainees into various occupations)

The regional office has strong working relationships with government agencies and development bodies to progress the development and implementation of school, industry and training projects. These bodies include but are not limited to the Industry Capability Network (NSW) Ltd, the NSW Department of State and Regional Development, Department of Transport and Regional Services and the NSW Board of Vocational Education and Training and Investment Albury Wodonga Ltd.

A priority focus of the Ai Group in the Albury Wodonga region is addressing skill shortages and the promotion of the manufacturing, engineering and trade related industries as a career to the youth and unemployed.

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[14] AI Group promotional flyer AIG975

The NSW Board of Vocational Education and Training have endorsed a Youth Employment and Training strategy for the Albury region that aims to improve education, training and employment outcomes for young people from 15 to 24 years of ages who are at risk in terms of education and labour market participation. With a cooperative approach from industry, community, employers and education and training providers the strategy's objective is to improve planning, program delivery and provision of services for young people[15]. The Ai Group administers the project and was funded in 2002 to do this along with establishing an advisory group to provide advice and direction of the strategy.

The MYETN committee members as at July 2003 include representatives from the Ai Group, industry, NSW Dept. Education, TAFE, Albury Wodonga Area Consultative Committee, Focus Youth Centre, Department of State and Regional Development, Charles Sturt University, Council and a local employment network.

Member benefits of the Ai Group include: -
- Business advice and information that is cost-effective, relevant and timely including BIZassist@aigroup
- Assistance in dealing with issues that impact business
- Consistent, reliable support through unlimited Advisory Line access
- Strategic & Operational advice from practical, experienced professionals
- Access to Ai Group business networks including InnovationXchange
- Government lobbying

Australian Industry Group – funding

The Ai Group is a registered association under the Workplace Relations Act and is solely funded by its members. A number of project positions in the Ai Group are funded by the public and private sector such as the Murray Youth Employment & Training Network Project Officer based at Albury Wodonga.

The AiGroup requires individual businesses to pay an annual membership fee.

Annual Subsciption	Total inc. GST
1 to 16 employees	$913.00
17 to 500 – each employee	$ 53.35
501 or more First 500 – each employee Plus each employee over 500	$ 56.35 $ 5.28
New member entrance fee	$275.00

Australian Industry Group - Summary of key factors to success

After meeting with management of Ai Group in Albury Wodonga, there appears to be a strong commitment by staff and industry in the region to assist in the growth and development of companies and small businesses that are its members. There is an extensive flow-on of benefit of this growth and development to non-members also in the region.

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[15] Murray Youth Employment Training Network (MYETN) Annual Report Nov. 2003

A successful group strategy in retaining and attracting new members is the proactive assistance by the Ai Group in obtaining funds and facilitating projects directed at schools or unemployed to address skill shortages, training programs and business development initiatives.

Ai Group management often agrees to undertake an initial facilitation role with success in passing on projects to be driven and managed by local industries. The Ai Group's extensive range of services and current information to members is also a key to continued growth, member commitment along with their ongoing member input into the direction of the group.

There are a number of members of the Ai Group in the central west. Members highlighted the benefits of the Ai Group briefing sessions conducted in the region under their BIZassist information program along with their additional services. A briefing session was scheduled for Orange on 1 April 2004 where local engineering and manufacturing members meet to receive information on Workers Compensation changes, OH&S, employee relations and energy. This session is only designed to provide an overview within a 1.5 hour timeframe.

6: NEXT STEPS

There are several options that the Orange Cabonne Blayney Councils and local enterprises could consider in progressing the notion of an Industry Network to support the development of local business opportunities and skills development. These options are not mutually exclusive.

OPTION 1: STRENGTHENING THE PRESENCE OF THE AI GROUP IN THE CENTRAL WEST

Rather than establishing a new local network of engineering and trade related businesses, the combined councils, and or a part time local coordinator, could start by working with the existing Ai Group members in the region.

The Ai Group Albury Wodonga management team was enthusiastic in bringing representatives to the Orange Cabonne Blayney region. The initial workshop could focus on discussing and assisting existing members and non-members to find solutions to address local issues. These may take the form of implementing similar projects as those run in the Albury Wodonga region, or courses/information sessions on relevant issues.

Councils could assist in facilitating an initial local gathering with the possibility of ongoing information sessions or one-day local training sessions. Local members of the Ai Group have indicated that the 1.5 hour sessions currently provided are good, but too brief to capture all the information needed. One-day courses are provided in Sydney but at a high cost to local businesses that need to travel plus accommodate management and staff.

Local members should see benefit in Councils facilitating and assisting the Ai Group with conducting the courses locally and hence getting businesses together on a more regular basis.

OPTION 2: FORMATION OF LOCAL INDUSTRY NETWORK IN THE CENTRAL WEST

Discussions with current and founding members of HunterNet and M.A.I.N, and their respective General Managers, indicated that the engagement of a full-time project officer to manage an industry network in its inception period would be unsuccessful. They felt that the drive for a network must come from local enterprises. A cohesive group will not be formed unless the employers/ members define a specific need for the group and take ownership of its management and direction. For the group to be sustainable the members must be willing to give their time, energy and trust.

However, to facilitate the local engineering industry to determine whether to progress the idea of the network, a task group derived from Orange, Blayney and Cabonne Councils is established to initiate a workshop or series of casual meetings of organizations within the industry.

Discussion points may cover areas such as:-
- The lack of skilled and qualified trades locally through to internationally and the effects on the local enterprises
- Highlighting industry competitors being national and global organizations, not the business-next-door
- Use the meetings as a personal and business development tool with guest speakers covering areas such as:-
  OHS
  Industrial Relations
  Advertising and Marketing

Recruitment & retention of staff
Tax management
Negotiation skills

- Meetings are opportunities for organizations to showcase their capabilities to other members by having tours through member's workshops
- Showcasing the achievements of industry networks such as HunterNet and M.A.I.N.

Should the drive for a more active network be determined by local industry at these initial meetings/ workshop then the engagement of full time project officer may be discussed with the attendees as a viable next step.

OPTION 3: SUPPORTING SKILLS DEVELOPMENT WITHOUT INDUSTRY NETWORK

The combined councils promote the establishment of a partnership between TAFE and the local group training company (Central West Group Apprentices), and the councils to establish an Apprentice Master position. This position would seek to provide a stronger hands-on role in preparation of applicants for apprenticeships (using the MAIN CARE 10 week pre-employment program), and ongoing monitoring of apprentice training and performance. The apprentice master would also monitor the skills obtained at a specified workplace and identify other local employers/ enterprises where the apprentice could be placed or rotated on a short-term basis reciprocal basis to increase the scope of their skills base. The Apprentice Master identifies future apprentices and employment positions, and identifies staff who can be up-skilled and cross-skilled to expand the pool of skilled labour. [A copy of the Apprentice Master position description will be sourced from M.A.I.N.]

Funding for the Apprentice Master position could include a number of sources including:
- A proportion of the employer assistance provided under the New Apprenticeship scheme
- A proportion of funding Central West Group Apprentices currently puts to pastoral care
- A fixed annual amount from Cadia Valley Operations in recognition of skilled, locally trained staff they draw from local enterprises (similar to that contributed by Halls Creek Mine, Rio Tinto)
- Contribution from the Western Institute of TAFE
- Dept of Transport and Regional Services

The scope of clients would include:
- The three local governments ie Orange, Cabonne and Blayney
- Private enterprises seeking to participate (evidenced by commitment of proportion of new apprenticeship assistance)

The number of clients and apprentices would need to be limited to a size that allows effective management by the Apprentice Master.

In the absence of an industry network the Apprentice Master would be employed by one of the councils or by TAFE.

In effect, this concept is similar to the Incubator Model where local government is undertaking the preparation of apprentices for the wider commercial enterprises.

Appendix: Contact List

Further information to assist with the development of a network is available in the form of a handbook developed by the Department of State & Regional Development, "Brief on Business Networks", on-line on www.smallbiz.nsw.gov.au, or contact:

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