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REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

**INQUIRY INTO SKILLS SHORTAGES IN RURAL AND
REGIONAL NEW SOUTH WALES**

At Coffs Harbour on Friday 30 September 2005

The Committee met at 9.15 a.m.

PRESENT

The Hon. A. Catanzariti (Chair)

Mr I. Cohen
The Hon. G. J. Donnelly
The Hon. P. Forsythe
The Hon. M. J. Pavay
The Hon. C. M. Robertson

CHAIR: Before the hearing commences I will make a brief statement. I welcome you all to the first-day of hearings of the New South Wales Legislative Council Standing Committee on State Development inquiry into skills shortages in rural and regional New South Wales. On 7 June 2005 the Minister to Regional Development, David Campbell, referred the inquiry to this Committee. In June and July advertisements were placed in numerous rural and regional newspapers requesting submissions to the inquiry. The closing date for submissions was to be 5 August, but the Committee has continued to accept late submissions. To date the Committee has received 84 submissions from a broad range of organisations, government departments, small businesses, local councils and individuals. The submissions are of a very high standard and the Committee thanks those people who have taken the time to provide us with such useful information. Those submissions can be found on our web site, www.parliament.nsw.gov.au/statedevelopment.

While the Committee's terms of reference provide a very broad scope for the inquiry, the Minister has asked us to focus on issues facing regional and rural New South Wales. It is for this reason that we have broken with tradition and chosen to begin our hearings in an important regional centre, Coffs Harbour, rather than in Parliament House, Sydney. The Committee plans to visit a number of rural and regional areas over the next several months. At this stage the Committee has decided to visit Wagga Wagga, Griffith, Parkes and Bathurst. If time permits, the Committee proposes to also visit a number of other regional areas. The Committee will also hold public hearings in Parliament House with relevant government departments, major organisations and experts. The dates and program for the visits and hearings are to be found on the web site. Thank you for having us here in Coffs Harbour. The public hearing will now commence.

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WILLIAM GRANT CALCUTT, Executive Officer, Mid North Coast Regional Development Board, Suite 1, 133-137 Gordon Street, Port Macquarie, and

CARMEL ANNE HONG, Acting Deputy Chair, Mid North Coast Regional Development Board, Suite 1, 133-137 Gordon Street, Port Macquarie, sworn and examined:

CHAIR: Mr Calcutt, in what capacity do you appear before the Committee?

Mr CALCUTT: I am here in my official capacity, representing the Mid North Coast Regional Development Board.

CHAIR: have you wish to make a brief opening statement?

Mr CALCUTT: I would like to make a brief opening statement.

CHAIR: Ms Hong, in what capacity do you appear before the Committee?

Ms HONG: I am here today in my official capacity. I do not wish to make an opening statement.

CHAIR: Before you commence your opening statement, if either of you should consider at any stage during your evidence that certain evidence you may wish to give or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. However, the Committee, or the Legislative Council, may subsequently publish the evidence if they decide it is in the public interest to do so.

Mr CALCUTT: In addition to the submission forwarded to the Committee, I have provided a supplementary submission today. The purpose of the supplementary submission is to try to flesh out some of the issues around skills shortages as they relate to the local situation, and specifically to highlight the challenges that confront the business in this region. A lot of those challenges emanate from the fact that small business predominates in the region. Unlike other regions with very large manufacturers or other sorts of large industries that have the economies of scale that allow for numerous trainees, programs and human resource functions, small business predominates and that has implications in terms of the capacity of companies to commit to taking up traineeships.

The other issue that I would like to highlight relates to the role of the board. The board, which is sponsored by the Department of State and Regional Development, has an economic development function. The focus of the board's activities is on sectors and industries, not individual businesses. The distinction between the role of the department and that of the board is that the department focuses on specific business assistance activities with individual companies, and in particular relocations, whereas the board's activities are related in a broader sense to the business environment and the way that industry operates. The absolute focus of the board's activities is predominantly on trying to grow our existing businesses, rather than on attracting new industry and business into the area. I should make that clear. A series of questions was posed to me, and I am happy to address those questions in sequence, but that is quite an important issue because it has affected the strategies that the board has used.

CHAIR: The Committee notes that the board's specific objectives, as listed on its web site, are to: Promote regional economic development initiatives in the region through community co-operation, competitive marketing of the region and hosting Commonwealth and State initiatives; advise the New South Wales Government and the Department of State and Regional Development [DSRD] on important regional economic development issues; involve key stakeholders, including local councils, in regional economic development; advance the development of local leadership; support major investment projects; and promote key initiatives to improve the region's attraction to business investment, including infrastructure development. Will you outline for the Committee what the Mid North Coast Regional Development Board is currently doing in relation to attracting business investment and private enterprise to the region? What initiatives or strategies are you employing and with what success.

Mr CALCUTT: Thank you very much for the opportunity to address those issues. You will notice that I have circulated a summary that, to a large degree, addresses the issue of the broad activities of the board. Perhaps I could address specifically the issue of investment attraction, reiterating that the focus of the board's activities is predominantly on trying to increase investment in existing enterprises and existing industries in the area, based on the assumption that those industries are most likely to grow and provide jobs. The focus of the board's efforts is ultimately directed to employment generation. In terms of trying to attract new investment and increase investment in existing industries, one of the key strategies of the board has been to focus on the production of information that supports investment decision-making.

In its areas of activity, and it has had some specific focus in a number of industry areas, such as the agricultural sector, forestry and organics, and the film industry. We have made reference to the manufacturing sector. What facilitates investment decision-making is informed quality credible information about business growth opportunities. The board has put a lot of effort into aggregating and publishing information, commissioning information, which assists investors to make decisions about those industries. It is trying to provide insights into new development opportunities, and it is also trying to provide access to existing industry players, because when you have new entrants into the market or people who want to expand their business, often they need the support of others in their industry—bearing in mind what I said originally about scale being a challenge here.

Our whole industry growth strategy is about aggregation. If you say that most of the businesses in the region are small, the solution to that is to get them working as networks and then they gain some benefits from scale. We try to support those network development activities and we try to provide information that improves the capacity of existing businesses and new businesses to invest further, and to expand. We have done that specifically and the information that is produced is widely disseminated. In fact, you will find some of that information on the board's web site. In addition to that—I notice that one of the Committee's later questions was about the green paper—we have produced a green paper on the dynamics and drivers of the regional economy. I will table that document for the benefit of the Committee.

Document tabled.

That green paper is likewise directed at prospective investors into the region. It provides some overview of a whole range of information about the dynamics of the region, the growth areas and the challenges that confront business in the region. I imagine that that would be a really valuable resource to a prospective investor. That is at the broader level. Finally, the board is about to release a publication entitled, "World-class", a marketing booklet, which will feature 40 of the outstanding innovative businesses in this region. That publication will be produced and disseminated nationally and, through Australia's trade networks, internationally. It is intended to provide an external perspective on innovative business opportunities in the region.

CHAIR: Ms Hong, if you wish to add to that, please feel free to do so.

Ms HONG: The particular examples alluded to by Mr Calcutt would include the organics area, in respect of which we had a particular program—the Emerging Industries Development program—over a two-year period. Through that particular engagement an industry network has been formed at the regional level. That group has become an incorporated body and is looking at a regional marketing, or branding. In terms of an outcome I believe that is building on the capability of the region and sustainability for that particular industry network into the future.

CHAIR: What support or commitment do you provide to business or enterprise is to ensure that there is sufficient skilled labour to fill the jobs that would be created?

Ms HONG: As Mr Calcutt indicated, the board's emphasis is more on the industry network level rather than individual businesses. We have been very deliberate in directing our efforts towards that end. For example, Mr Calcutt mentioned the timber industry. In, the mid North Coast area we have established a very extensive industry network. There are over 100 members within that organisation or under that umbrella. Part of the process is for that network to drive its own agenda. It is the board's role to support; it is the board's role to work with those industry networks, to support their initiatives in training and development—for example, to get the appropriate skills in place to

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meet their particular needs. That and also organics have included a very significant training and development program for industry, but driven by the industries rather than by the board. Our emphasis is very much on engagement, but industry driving its own agenda with our support.

The Hon. PATRICIA FORSYTHE: In relation to that, I am looking at the overview of the board's activities. You have included encouragement of the establishment of creative and knowledge-based industries in the region, for example regional film and television. Taking up the chairman's point about skilled labour to underpin that, having decided that a good direction might be to enhance and give support to a film and television industry in the area, do you rely on the fact that you may have some skilled people in the area? How do you go about attracting people with the necessary skills in such an industry?

Mr CALCUTT: I think that that is probably not necessarily a typical example but in that particular example we do have the skills. In fact, they are widely dispersed and quite unconnected.

The Hon. PATRICIA FORSYTHE: How do you have the skills? What has brought that sort of skill to this area?

Mr CALCUTT: The sea change phenomenon. We have a large number of people moving to the region and in fact there is an irony here, which we were talking about on the way up, in the sense that we have a large number of people moving into the region and some of them actually have quite exceptional skills, but there is a mismatch between some of the existing industry needs, particularly in the trades area. In the case of the film industry, we do have the high profile identities but there is quite a large number of people, and given our industry development approach of building industry from the ground up, we are in the process of aggregating those people and giving them a vehicle to drive their industry forward. So in that case the issue is not of attracting skills, it is of mobilising the skills. In other areas there is a skills shortage and, as I say, particularly a mismatch between some needs in the manufacturing sector and in quite a number of other sectors and the nature of people who move into the area.

The Hon. PATRICIA FORSYTHE: Could I just ask you about your interaction with the area consultative committee, which is the Federal arm. You earlier referred to the fact that yours is not firm-specific but more an industry role. How do you interact across to, say, the work of the Federal-supported area consultative committees?

Mr CALCUTT: We have a very, very close relationship. In fact, I guess the most symbolic thing is we share the same logo, as an example. We have worked intimately with them throughout. They co-fund and they have co-funded a number of the programs that are mentioned there. As you will see in the Green paper; they are a partner in the Green paper. We are hoping that this will ultimately feed into some of the priorities that the Federal program has such as sustainable regions and other programs. So I guess you could say we work hand in glove. They share, to a large degree, these economic development—

The Hon. PATRICIA FORSYTHE: So why do we need both bodies?

Mr CALCUTT: If you had an organisation that could effectively umbrella all of these functions, you would not. But at the moment there are different levels of government. We work to provide a structure that brings in local government as well, and the private sector. So you need effective mechanisms to ensure co-ordination between all of those functions.

Ms HONG: I would like to add a comment there too. Currently we are working with the ACC on developing a regional industry and economic plan. I think the other comment I would make too is that the geography of both bodies is not quite aligned in terms of your question about why do we need two bodies. But that is not a reason to keep it as that.

The Hon. MELINDA PAVEY: In your opening address, Mr Calcutt, you pointed out that your predominant role is to support existing industry in the region. What of the issue of clusters and bringing people and bringing industry? You get a certain amount of people and then it makes training more viable, and I will give the example of the Macksville area, Nambucca Council, and its desire to get a cluster operating there in the automotive area. It has had some troubles in doing that. Is it not a

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good idea also to encourage other like industries to get the numbers up so that training becomes more affordable and reachable?

Mr CALCUTT: Certainly. I have used the term "network" really as a broad catchall, but you can include clusters in that—any activity where you can aggregate people with a common interest and increase their critical mass, increase their lobbying capacity, increase their capacity to articulate their industry needs and also, to be honest, from a practical point of view, provide sufficient numbers of places or training or warehousing or whatever as their particular industry development needs. So I think there is a model there which is to assist industry to grow itself: not to start at the other end but to support industry to articulate its needs. In fact, in the case of the vehicle building cluster it is as a result of that aggregation that they have articulated these needs, and I understand that you will be talking to people from that area later about their practical experiences.

The Hon. MELINDA PAVEY: You mentioned that you were going to be getting a list of 40 top businesses within the region. In your discussions with them is the lack of a skilled workforce the major issue they raise with you?

Mr CALCUTT: It is a key issue.

The Hon. MELINDA PAVEY: A key between one and 10?

Mr CALCUTT: The survey that we conducted gives some insight into the range of issues that affect this. It is a key issue—one of about half a dozen. Size is another issue. The capacity to train their own people is another issue. In fact, in the supplementary submission I have tried to give you an indication of quite a broad range of issues which are implications.

The Hon. MELINDA PAVEY: It seems to be a key issue whenever I visit any of these businesses.

Mr CALCUTT: There is no doubt about that.

The Hon. MELINDA PAVEY: For example, the forestry industry, which is one of the bigger employers here. There are some good kitchenry and carpentry courses, but the local timber mills, for example, tell me there is limited access to training for people working in the mills themselves. Do you see that in particular as an issue?

Mr CALCUTT: Yes.

The Hon. MELINDA PAVEY: Is that one you are working on?

Mr CALCUTT: Not directly, but as part of the timber program that will be identified. But I do not think there is any doubt because a more recent survey was conducted by Australian Business Limited—and that has only just been published in the last week or so—and the same issue arose again. What I am trying to say is that you need to tease out all the dimensions to these issues about skills shortage. In some cases we are not actually talking about skills, we are talking about employees. In the case of mills, or in some of the manufactures, some of their difficulties are getting competent unskilled people, and in other cases, for example, boilermakers and turners and people with those particular traditional technical skills, and then you have got other people within the new industries, which was the focus of that paper.

The Hon. MELINDA PAVEY: I think in that survey there was a figure of 18 per cent of people with a poor attitude to work and that came out as a major problem. Have you got any advice to government on that as to what we can do?

Ms HONG: From my point of view I think there is a very big challenge in regional areas around poverty. There is a challenge for people to shift from dependence on an income they can rely on to a wage structure that may not be as supportive for families in the short term as they may like, particularly when you are looking at mature aged people trying to change direction. It is a real challenge to say, "I will take a lower income to become a tradesperson and take on an adult apprenticeship". I think that is a real issue.

The Hon. MELINDA PAVEY: That is the irony, is it not?

Ms HONG: It is part of the irony but it suggests something about how we support people who are currently employed in work that has a longer-term future for them. I think the mid North Coast is very much well identified as an area of higher levels of unemployment, of poverty—whatever social indicators you look at. So that is one of the challenges. I think there is another challenge there too when we talk about trying to get a match between the skills that are needed and the people we have. You are dealing with, as Bill said, the issue of aggregation and very full markets and you really need to explore very different models of building your skill base in communities, and that requires an infrastructure that in some communities we do not have.

I would say too, this afternoon when you are talking to the Nambucca community, the model that developed there was highly complex; there were a lot stakeholders in the model, and it is not easy to bring a training solution in to solve a skills shortage problem: there is a timeliness about it; there are competing requirements sometimes; and sometimes there are issues of attracting the right people, including young school-age students doing VET programs who look at a future in, say, manufacturing. A lot of young people do not see it as the place to go.

There has been a message out there, and I think sometimes employers have that message too, that trades is the second choice. From my point of view I think trades is a very good first choice and we need to be doing more about that, and that might start narrowing some of the gaps within our region and getting better pathways for young employees and the not so young. So it is the income support but it is also bridging that skills gap and that marketing gap about the worth of work and traditionally work as well.

Mr IAN COHEN: Does your organisation have any input in business incubators in the area? Could you describe to the Committee the types of business or young people starting out that might be targeted in this area?

Ms HONG: There was a relationship between the timber industry program and the incubator that developed in Coffs Harbour around timber manufacture, and that is one of the value-adds that we would hope for with that supply chain link between the timber industry development, the forestry program and manufacturing. So that will be one relationship more than directly involved in the incubator itself. I would suggest too that it depends on how you define "incubator", because I think the organics industry itself is an example of incubation of a new way of developing an industry and exploring opportunity, and part of that particular industry development came from the dairy industry restructure. There was quite a bit of work that we undertook surveying dairy people that were under enormous pressure to change, and they tasked us with coming up with new ways of using the land. We had over 500 dairy farmers involved giving us advice as to how we should be developing support for them into the future with an industry that was changing, and quite dramatically.

Mr IAN COHEN: Has there been financial support for this process either from a State or a Federal level?

Ms HONG: There was for the dairy industry restructure. We had, I think, over 400 participants at that stage of the process up and down the region. I do not remember the funding sources. I think I would refer to Mr Calcutt.

Mr CALCUTT: It was a joint Federal-State funded initiative. I think incubations are not necessarily places, I think is the first thing I would like to say, it is about an industry development approach. With our film industry, for example—a new program which Minister Campbell is supporting through DSR there for three years—there are three components to that program, and one of them is incubation. So it is providing people with new pathways and, in particular, giving them exposure to existing expertise and opportunities but then giving them a chance to move in. I agree with Carmel about the organics sector; it is providing a supportive framework. We are talking about private investment here often—people's opportunities. And when they are working in isolation in a large region it is much, much harder to make that progress than where they have an opportunity to plug into a process that is supportive, that provides access to like-minded people, and can take them through this development process.

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Mr IAN COHEN: Looking at the organics industry, you spoke about dairy; perhaps you could let the Committee know other areas of organics that have been successful or able to take root, so to speak, in this region?

Mr CALCUTT: I would hold this out as being a particularly successful program. It is a two-year program which has just concluded. It has been about aggregating current producers and there is a broad range of producers in the beef sector, in the horticulture sector, in the herb sector, garlic—I am probably not doing them a great service off the top of my head—but we are talking about people who are running small businesses effectively and profitably, and who are looking for growth pathways. They do not have critical mass per se, but in aggregation they have opportunities.

You are probably aware of Farmers Markets, which provides people who are operating on a very small scale with an opportunity to get commercial returns. These are practical initiatives. They are not theory; they are initiatives that are actually assisting and enabling people in the region to make their enterprises viable.

Mr IAN COHEN: It is often argued that organics is a rapidly growing and potential export market. Is your organisation able to look at potential export markets, or promotion of markets in any way? Is this a position that could be shared by government agencies and the organic primary industry sector to encourage specific niche marketing?

Mr CALCUTT: We have facilitated their marketing entity. Their marketing entity is driving that marketing.

Mr IAN COHEN: Is that a board or specific organisation that has been formed?

Mr CALCUTT: We have assisted them to establish their own organisation as a collaborative co-operative, and they are involved in external marketing.

Ms HONG: Could we tender, as an additional submission, a copy of that program report? Quite frankly, I think that particular program is a model for the State in the way that it is written up and what it has achieved.

CHAIR: That would be most welcome. I was about to say that, because of the limited time we have, if you have further material, could you please send that to the Committee.

Mr IAN COHEN: I had a few more questions.

CHAIR: I am sorry, your time has expired.

Mrs CHRISTINE ROBERTSON: The results of the training survey that you have submitted are very interesting in relation to support for apprenticeship processes and also in relation to the perception that young people do not want to be apprentices. I am very interested because I am from the New England north-west, where people would cut each others throats to get apprenticeships. Is there some cultural difference, or is it perception?

Ms HONG: One of the issues is the capability of enterprises to take on apprentices. For smaller businesses, it is a very difficult commitment to make. It is often stated that it is not until the third year of apprenticeship that an apprentice starts earning the business money. I think that is one side of the coin. The group training model has gone some way towards addressing that particular gap. As I indicated earlier, I think it is an image problem, but there is also a wages issue. Apprentices now are tending to be older now than they were maybe a generation ago, when they might have been 15 or 16 and taking up an apprenticeship. Now they are older, and an apprenticeship is more costly.

There is a higher education level required of apprentices, even in stage one, so you have a whole range of challenges. And there are a lot of other opportunities for them in this particular area, and they are not seeing apprenticeships as good opportunities, though maybe they should. I think, too, we need to place more emphasis on the pre-vocational programs, so that you have some skilling up of young people and not so young people ready to take opportunities to address some of the gaps.

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Mrs CHRISTINE ROBERTSON: Recognising the apprentice-based industries have pushed employers and employees to have the group-based training, does this in some way induce in employees the feeling that they belong to somebody, and so therefore they will work harder with them? Have we changed the culture over the last 20 to 30 years—because small businesses used to love having apprentices.

Ms HONG: I think there is an issue with cost. Having had quite a bit of contact with trades people, it seems that some older people are not wanting to take on commitments. It is all right in larger companies, but not in the small companies that might have two or three employees, such as the painters and decorators and the electricians.

Mrs CHRISTINE ROBERTSON: So they want their cake and want to eat it too?

Ms HONG: You would have to ask them that.

Mrs CHRISTINE ROBERTSON: I recognise that.

Ms HONG: I think there is a bit of that, but there is also very much a cyclical nature to the demand for trade skills. Also, some of the trades are moving out of this area into the metropolitan area, where the money is bigger. We do get that drainage from the region.

The Hon. GREG DONNELLY: I am interested in your comments and observations about shortages in the service sector. You give a lot of detail about the manufacturing sector and associated semiskilled work. Would either or both of you care to comment about the general labour shortage in the service sector on the Mid North Coast?

Ms HONG: In supporting the aged services area, I think there are continuing challenges in nursing, for example, and assistants in nursing. But it is not just an issue of training. I think there are issues in that sector around salaries. You can get skilled people in, but if you are not paying them a very high salary you will not be able to retain them. Some of those salaries are not very high, so it is not necessarily a training solution. If you look at the demography of parts of the Mid North Coast—not all—there are challenges centred around the services sector, not only in aged care services but in tourism as well. We are a tourist destination, and there is continuing demand, not only for entry-level skills but also higher-level skills, such as the supervisory/managerial senior levels. That is a real challenge for the Mid North Coast.

The Hon. GREG DONNELLY: What about the hospitality and retail sector? Are there shortages in those as well?

Ms HONG: I think there are. You could read my comment about tourism and hospitality more broadly. In retail, there is a very good traineeship model. There is a lot of traineeship employment in retail up and down the Mid North Coast, and there are very good providers, the North Coast Institute being one. I have had quite close contact with that provider. But there are other providers in the community who have put a lot of effort into retail traineeships. One of the larger groups of traineeship model would be retail on the Mid North Coast.

Mr CALCUTT: On the scale issue, if you are talking about the competitive employment market, let us say there is not a surfeit of people wanting jobs, but in the competitive employment market wages and conditions and other things become influences, particularly in professional positions and in more highly skilled positions. The capacity of small businesses, including tourism businesses, to operate a fairly traditional structure becomes limited.

CHAIR: Time is a problem for us today because we are trying to hear from as many people as we possibly can. I am sure Committee members have more questions that they would like to put to you. If they do, would you be able to provide answers to the Committee?

Mr CALCUTT: Yes.

Ms HONG: We would be happy to do that.

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CHAIR: We really appreciate that, because we would like to get as much information from you as possible. I would like to thank you both this morning for your contributions and for your time and the effort you have made to get here.

(The witnesses withdrew.)

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NEIL DUNCAN BLACK, Institute Director, TAFE New South Wales, North Coast Institute, P.O. Box 52B, Port Macquarie, New South Wales,

WARREN ALBERT GRIMSHAW, Chair, North Coast Institute Advisory Council, P.O. Box 52B, Port Macquarie, New South Wales, 2444, and

ELIZABETH ELLEN McGREGOR, Director, Educational Planning and Innovation, North Coast Institute, TAFE New South Wales, sworn and examined:

CHAIR: Could you advise the Committee of your occupation and the capacity in which you appear before the Committee?

Mr BLACK: I am an educational leader with TAFE New South Wales, and I am appearing as the Director of the North Coast Institute of TAFE New South Wales.

Mr GRIMSHAW: I am the Executive Director of the Coffs Harbour education campus, but for today's purpose I am the Chair of the North Coast Institute Advisory Council.

Ms McGREGOR: As Director of Educational Planning and Innovation with the North Coast Institute of TAFE.

CHAIR: Would any of you like to make only a quick opening statement, because of our time constraints?

Mr GRIMSHAW: Chair and members, many thanks for the opportunity to speak with you today. I have been chair of the North Coast Institute Advisory Council for some years now and I have been privileged to have been involved with TAFE in a variety of capacities for many years before that.

From my perspective, TAFE New South Wales, North Coast Institute, is a key element—in fact, a leader—in regional development for this region. The importance of education and training TAFE to regional development is reinforced in the document "Growing jobs in the Mid North Coast, consultation draft", prepared by the Mid North Coast Regional Development Board, Mid North Coast Area Consultative Committee and TAFE New South Wales, North Coast Institute.

The North Coast Institute, I am proud to say, is a provider of excellence. It was the large training provider of the year for New South Wales and Australia in 2004, and for New South Wales in 2005, and we are very hopeful that it will also be for Australia in 2005. The North Coast Institute is in a unique position to address skill shortages in this region and beyond. It is the largest provider of vocational education and training. As indicated in our submission, the North Coast Institute already has responded to this need with 1,000 new training places over the past 18 months. In the context of its overall funding, this is a real achievement. More needs to be done, and the overall strategies for further addressing these needs are outlined in the submission.

Key to the success of these endeavours is close collaboration with industry and the community, and in that regard regional development organisations, advisory groups, other education partners, schools, or the Department of Education and Training, and Southern Cross University. Bearing in mind the community expectations of the North Coast Institute as an education and training provider of excellence, funding is a key element in continuing to expand the institute's response to the skills shortage issues. Not only is the matter of quantum of importance, but so also is funding certainty and the processes which facilitate long-term planning to meet training needs in this region. I will leave it there, thank you, Chair.

CHAIR: I will invite questions from Committee members.

Mrs CHRISTINE ROBERTSON: Thank you for your submission and for the information. Do you have apprentices or skills-trained people attached to your institutes who cannot get work or on-site training? Is there a problem with that?

Mr GRIMSHAW: That is, established apprentices?

Mrs CHRISTINE ROBERTSON: Yes.

Mr GRIMSHAW: There is a high unemployment rate in this region, at around 9 per cent in this immediate region, so obviously there would be instances where apprentices cannot necessarily obtain work in certain industries. But, by and large, education equals work, and the higher the educational attainment, particularly with apprentices, the higher the probability of work. I do not know of many apprentices who are out of work in this particular region.

The Hon. CHRISTINE ROBERTSON: Do people come to the Institute to get basic training in order to gain apprenticeships? I appreciate that you represent industry, but I am focusing on the worker.

Mr GRIMSHAW: The Institute provides a variety of programs that enable persons to move in the direction of apprenticeships, both pre-apprenticeship training, a really important initiative that has taken place over the last year or two, and the re-entry program for students who have perhaps not completed schooling but want to further their careers through the education and training system. These are areas of high priority from the Institute's point of view and something to which we have given a lot of attention in the distribution of resources—TAFE New South Wales and particularly this Institute. When there is high unemployment and low socioeconomic factors that weigh heavily on the choices of particular students and otherwise, these opportunities are critical, especially for indigenous communities. Neil might like to add to that.

Mr BLACK: Yes, thank you. I will talk about one aspect and then ask Elizabeth to talk a bit about some of the strategic issues, from our perspective. With regard to preparing people for apprenticeships, we talk about pre-employment and pre-apprenticeship programs. One of the biggest challenges or difficulties we face is that the funding for those sorts of programs often becomes available in an ad hoc way. We normally do not have the capacity in our State recurrent budget to any longer offer full-time pre-employment or pre-apprenticeship programs, because of increasing apprenticeship numbers and increasing demand in skills shortage areas such as aged care nursing, children's services and the trades—including commercial cookery and so on.

There has been a significant increase in apprenticeship numbers in all of those areas and that is a high priority for our State recurrent funding. When other funding becomes available we access that, whether through the Board of Vocational Education and Training, the Department of Education and Training or some other national scheme. It is contestable funding often and we will bid for that. The difficulty is that we cannot plan strategically to fit with the timing of the school leavers. It is not only school leavers who seek pre-employment skills to get an apprenticeship, but they are an important group. Often when we are applying for funding they have already made other decisions and opted to perhaps move to the city or take on other pathways.

The pre-employment area is an issue for us, but there is another issue and I will ask Elizabeth to explain it. She does it better than I do. It relates to our involvement in the development of new industries and so on at earlier stages.

Ms MCGREGOR: Thank you, Neil. Neil was referring there to some of the challenges we face in dealing with fairly traditional types of work in industries that are not changing that much. There are ebbs and flows in demand, for instance in the construction industry, and there are some issues around the cycling of funding and so forth that present some challenges. For the long-term in the region what is much probably more critical is our ability to help new industries that are affected by technology changes, by their desire to get access to a market that is perhaps international and those who are affected by regulation that they cannot get their heads around—a whole range of factors that affect a single enterprise that is trying to become competitive.

These enterprises exist in networks or clusters and there is a supply chain that affects their ability to be effective. Essentially, what we are trying to get better at is being in there with those enterprises much earlier as they are trying to come to terms with the technology that makes it possible for them to manufacture something in a new way, or use new materials. One of the big challenges we face in being able to work with those enterprises is that we have nationally a fairly old mindset about

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how you measure what it is that the vocational education and training [VET] sector does. It is simply based on training hours.

We, as a VET provider, can meet our national targets by producing lots of training hours. However, for us to be more effective, which is to spend a lot more time a lot earlier working with clusters of small, quite dispersed, quite challenged enterprises, we are required to work quite differently. At the moment there is nothing in the system, if you like, that rewards or encourages that sort of behaviour. I suppose what I am reflecting there is that enterprises would like us in the VET sector to work differently. I have with me today—and I can leave it for the Committee if you would like me to—an example of the really effective arrangement at the moment in the Nambucca cluster amongst a group of manufacturers, where the Department of State and Regional Development, local government and the North Coast Institute have all worked together to try to find individual training solutions for a cluster of manufacturers. What we would like to put to the Committee is that at the moment there are new ways that VET providers have to work, but there are no mechanisms in the system that drive us to work that way.

The Hon. MELINDA PAVEY: Are you saying your funding is based on the amount of hours of courses that you provide and that that is not a good judge of delivery outcomes to meet the needs of communities?

Ms McGREGOR: What I am saying is that it is a measure of output. We can be really busy engaging in training hours and we can say we have done all this activity.

The Hon. MELINDA PAVEY: Conducting courses that people may not necessarily need?

Ms McGREGOR: We try hard not to do that. I suppose that it encourages us to put our resources into activities that cater for large groups who want the same thing. That is relatively easy, but it is pretty much a city-based model. In the regions we have small groups and we have dispersed groups. We would like to see some mechanisms that encourage outcomes rather than outputs. There is a lot of debate nationally about how we can do that better. I am not the first person to have raised this issue. What I am saying is that we need to move that along, if we really want to see a lot more VET providers working hand in hand with industry much earlier, rather than waiting for industry to sort out its needs and then come to us. It might take us two years to develop a solution because we have only just heard about it.

The Hon. PATRICIA FORSYTHE: May I just follow up on that issue with regard to your planning tools. You can talk to industry and industry can identify what it might need, but in real terms how responsive can an organisation such as TAFE, for example, be in putting in place a course and getting appropriate teachers? Are you planning one year ahead or two years ahead? What does it mean on the ground for TAFE?

Ms McGREGOR: We plan in about three time frames all at once. We have our strategic plans and our annual business plans, and then we have on-the-ground need that has come to us, something we were not expecting that we need to do something about. I suppose what I am saying is that the more time we can spend time with industry early, the better our planning is. At the moment we do it, but when there are rewards in the system for that kind of activity.

Mr GRIMSHAW: Might just add to that that industry does not make decisions on a year-to-year basis. They, too, have strategic plans and long-term goals, whereas in TAFE it is a year-by-year budget. It would be much better if there were certainty in allocation, whatever the quantum, so that there long-term plans can be made, early intervention plans, in the context of the overall budgetary situations that are emerging. A three-year rolling plan could potentially exist. I believe it would provide an opportunity for TAFE to plan better and to also facilitate opportunities to establish better links with industry, in terms of that capacity.

The Hon. PATRICIA FORSYTHE: Does having a year-by-year budget put at risk some three-year courses? Can you guarantee that students who commence a course are going to be able to see it through?

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Mr GRIMSHAW: I will ask Neil to respond to that question, but I think they would be horrified if they could not.

Mr BLACK: Is a good question. The answer is that generally we would not pursue a path of offering a program if we did not believe we would be able to carry it through. Occasionally we get into difficulties with numbers, but, because of our global budgeting and devolved decision-making, if we end up with a small group the teaching sections make the decisions about how they are going to manage that. Yes, we normally make sure we carry through. Going back to your question I would like to add to the answer. There are a couple of issues. One is a cultural issue, preparing us to be responsive and so on, and I would like to think that in our institute we are very good at that. I think that training packages, particularly the better ones, are certainly giving us the flexibility to package and customise programs pretty quickly if a customer wants that. The major issue comes down to funding. If we have not been able to plan it in our profile for our recurrent funding, it is an issue of: "Is there a source of other available funds? Is the organisation, company or enterprise prepared to pay?" If they are, we will respond tomorrow; it really comes down to that. Elizabeth's point is just so critical in terms of the way we need to change things strategically, that is, that if we are working at that early stage with industry and clusters of industry we can plan to expend our recurrent resources from government and we can access with industry funding for new apprenticeships or traineeships in a way that assists them. There are a number of issues, but the answer is, yes, we can be pretty responsive if there is a mechanism to fund it. That is the biggest issue

Ms MCGREGOR: May I just add something to illustrate what we are trying to say about the funding arrangements and the way things are measured? Take, for instance, a head teacher who has a choice between working with industry and standing in front of the class in a campus, in the process generating 200 training hours that helps to meet the national system for our targets. That head teacher chooses instead to spend that time with industry helping industry to develop some solutions. There is not a single training hour of that time that comes out of that activity, but it is really important activity, and we need some how to work out a way to have that recognised in the system.

Mr BLACK: May I just add one more thing. Warren mentioned the three-year cycle. Until two years ago we had the capacity to roll over commercial surplus on a financial-year basis. It was critical to be able to use some of our surplus to perhaps assist a teacher to do some of those things as well. As of two years ago we have been brought back to a rigid bureaucratic approach to spending everything in the financial year. You cannot effectively manage an organisation like ours, where we are dealing with businesses and strategic needs, in that way. We have spoken to our Minister about it and she is sympathetic, but there are some Treasury issues. If they can be addressed it would be helpful.

The Hon. GREG DONNELLY: Could I just ask a question about the increasing trend, I understand by employers—at least in some industries—to seek to have greater on-the-job participation by the teachers and perhaps just explain to the Committee how that is developing?

Mr BLACK: I will answer that and Elizabeth might add to it. Certainly there has been a big shift in that regard. Certainly in this institute we have a lot of teachers involved in on-job training and assessment in conjunction with on-job supervisors and employers. There is a cultural issue in some respects in that some teachers find it difficult to shift from the idea of everyone coming to us and spending time in the workshop and in the classroom, but industry is seeking more and more on-job training and assessment and we are responding to that. It provides particular challenges for us in regional areas particularly because there are often small employers with a single apprentice or a trainee in this town and there might be two or three in another one. So we have to change the whole way we utilise our resources so that the teachers within the resources we have are able to meet the diverse range of needs by going into industry.

I guess flexibility is really the name of the game though these days in terms of what we often call mixed mode or blended learning. So that we like to think our teachers negotiate with the students and our customers as to how they best wish to learn and how it best suits their needs, including employees if they are being sponsored by the employer. And then the delivery mode might involve some online learning, some home study, some on-job visits by the teacher. There is a lot of that going on and we can show you lots of examples, but it depends often on the particular industry and the attitudes sometimes, and our response.

Mr GRIMSHAW: Could I just add to that? I think there is a communications problem here because industry often feels that TAFE is not flexible whereas in fact it is extremely flexible. There is nothing more annoying than that when you reach into discussions with industry and others about TAFE and still hear the situation and the comments that may have been applicable five years ago but certainly are not applicable now.

The Hon. MELINDA PAVEY: But your flexibility is dependent on the fact that you have not got a very good forward planning ability because of your funding situation?

Mr GRIMSHAW: I think in answer to that, the director, Neil Black, is able to manage that process extremely well. I think that the flexibility is there and that takes a fair bit of hard work and planning in terms of the institute forward planning. I think there is a planning day next week, for example, and I think if the institute does go into this it is because of its forward planning and its anticipation of events and prediction of the calls that will take place in the context of its budget.

The Hon. MELINDA PAVEY: But Mr Black's job would be a little easier if there was some certainty in the forward planning?

Mr GRIMSHAW: I will leave it to Mr Black to answer that.

Mr IAN COHEN: An earlier witness mentioned in forestry the value adding in the industry but nevertheless a shortage of workers—competent unskilled was the descriptor. I am just wondering why this is the case when we are hearing of 9 per cent unemployment in the area. Could you perhaps shed some light on that and your organisation's role in working with value adding in that particular industry?

Mr BLACK: The shortage of—

Mr IAN COHEN: Competent unskilled workers in the forestry industry.

The Hon. MELINDA PAVEY: At the mill level, I think.

Mr BLACK: In the last two or three years—and Elizabeth might add to this in terms of some detail—we certainly have been working with the forestry industry more so than we probably have before, particularly with traineeships. There is a range of traineeships available to the forestry industry. I guess we have been probably fairly reliant on the industry in this case to commit to training and development and building up their skilled workforce. I guess there are many reasons for skills shortages but in that particular industry obviously it is largely due to not being able to attract the sort of people they want. Whether that is a salary issue or an image of the industry issue, it is difficult for us to provide solutions for industry in that regard. Elizabeth, do you want to add to that?

Ms MCGREGOR: What I would like to add there is that this particular issue to me is a classic example of what the approach I was talking about before can help resolve. At the moment there is a number of projects nationally looking at an approach called a skill ecosystems approach, which is something that recognises that the supply of skills sits within a whole set of interlocking factors to do with the nature of the work itself, the nature of competition, regulation, all of those sorts of things. And the sort of jobs that you are talking about there are not unlike one of the projects that is happening in New South Wales at the moment with the racing industry where the supply of skills is affected as much by people's both perception and experience of the job as it is by the provision of training and so forth.

What this pilot skill ecosystems project has done has had all of the players working together, including the VET provider, in a different way, trying to influence all of those things at once. So one of the outcomes from that project was some change in the nature of the work as well as about how the skills were supplied. So I guess when we are talking about the supply of skills it is not just about what is being spat out of a training institution, it is about how skills and all the other things that affect work, come together. And that is part of the information that I will leave you as well: this notion of the skill ecosystems and some of the trials that are happening both in New South Wales and nationally at the moment that really are about trying to resolve shortages in that much more holistic way.

Mr IAN COHEN: The Minister for State and Regional Development, in some debate in a committee about the amount of funding that goes to small businesses in regional areas, put out a challenge to say, "Let me know what areas need the funding", and I am wondering if you have a problem in this area. I come from further up the coast where often the businesses are well established and successful exporters are actually getting the funding, but those that really could use it—the ones struggling and starting out—do not seem to have the opportunity to get that funding. Is that a similar situation here in terms of a driver for developing new industries and particularly young people moving into those skilled areas?

Mr GRIMSHAW: I think that is a big issue for this region. I think one of the reasons why it is an issue is that small industry, in terms of its willingness itself to grow and to expand, is sometimes problematic, and that may be because of lifestyle considerations or it might be for funding considerations or it might be for any number of aspects. We, in partnership with the North Coast Institute, Southern Cross University, have been desperately trying to encourage creative-type, knowledge-based industries to develop in this area, and that has been supported by both State and regional development. But the issue goes beyond simply wanting to encourage it. There is a responsibility on potential business developers also to take the opportunities that are available through the North Coast Institute in terms of their development and the opportunities that are available elsewhere to grow the business.

So it is a partnership between those companies which are finding it difficult to obtain funding, but often they do not have a business plan which enables them to get funding, where often they have not taken their considerations to the point where they even want to put on one employee—in other words, a mum and dad type enterprise—and that is pretty notable in this region. So there are a number of issues around that and there is no easy solution to it. What we are trying to do, and what North Coast Institute is trying to do, is educate industry in terms of the opportunities that are there to expand their knowledge, to expand their understanding of business opportunities, and that then take them into that new area of development. It is frustrating in some respects from the point of view of trying to encourage new or home-grown businesses in this region.

Mr BLACK: One of the things that we do, and we do not discriminate in that regard, so whether it is a big industry or a well-established industry or a newly developing industry—and it further picks up on what Elizabeth is saying, I think—there is the potential in emerging industries and enterprises wanting to expand into new technology areas and so on. We are very keen to work with these and in some cases we can help working with, say, the new apprenticeship centres and so on to broker funding for the skills and the development and education and training as well as access to other funding that they might source. But to answer your question, I have not noticed any particular trend there; we respond to any particular need.

The Hon. MELINDA PAVEY: In relation to the Commonwealth's Australian technical colleges, I inspected the new plans in Port Macquarie on Tuesday. You said in your submission, Mr Grimshaw, that there was a need for collaboration not competition. How do you look forward to those coming online and working closely with them in Port Macquarie, Taree and Ballina, in this region?

Mr GRIMSHAW: I think whether one accepts the need for Australian technical colleges or not, I do not think that is the debating point at the moment. It is a question of how we go forward with it, and that is mixed up with industrial and other considerations in the context of that collaboration. From my point of view, we have got to be very careful because there are finite resources across-the-board, not only here but elsewhere, and it is stupid, it would defy logic for Australian technical colleges to go their own way and be in competition with schools that are providing vocational education and training and with the North Coast Institute, which is also providing vocational education and training, many of whom are at school age or soon after completion of schooling.

Therefore, I think that has got to be encouraged, but at the same time I think there has got to be an environment where that can take place. That is, that there is the opportunity to link in without the constraint of industrial consideration in terms of achieving those sorts of goals. Neil has been more intimately involved with it than I have been. But co-operation is absolutely essential if they are to be successful and do not lead to an unfair distribution of resources in the context of the needs of the mainstream school sector and TAFE.

Mr BLACK: From the institute's perspective we have been closely involved in both the developments on the North Coast; we are very supportive of the concept of school-based new apprenticeships and the opportunity for those young people, from year 10 particularly, to be able to pursue a pathway, to get an HSC if they wish, but also to spend, say, a day a week in industry as a trainee and, say, a day a week with TAFE. That model is a model that has been proven to work really well, but it needs the flexibility in the education system to be able to allow it to happen. But, as Warren said, it is critically important that we work with all the existing resources—schools and the institute—to make sure that we do not invest in a duplicative system. We cannot afford to do that in the country areas.

But the most important thing is we find better options and pathways for young people from year 10 so that the status and recognition of pursuing a pathway to a trade is right up there with pursuing a pathway to university. But it is important that we do that collaboratively.

CHAIR: I was going to ask something similar. There seems to be a perception out there that children, kids, young adults coming out of schools are tending to go to universities rather than to a TAFE and take up a trade, which is probably more wanting by the industries, yet they do not do it simply because there is that perception that, "If I go to university I am a little bit higher than the rest". Do you have a view on that?

Mr BLACK: I certainly have a view on it. We have a saying, "It's the 60:30:15 law." That is, 60 per cent of young people in years 11 and 12 aspire to university, and that has teacher and parental pressures associated with it, as well as the perception that you will be much better off in terms of your earning capacity; 30 per cent actually get to university; and we need only 15 per cent of the work force as higher education graduates. So that is my first response.

One of the problems is that we have to provide pursuing a different pathway with a better status. Then young people would be more inclined to go that way. The schools people will tell you—and I am not being critical—that it is an add-on. If someone wants to pursue a VET pathway, particularly if they want to do a new apprenticeship, they have to try to fit in with a timetable that does not suit them. So there is that difficulty unless you have a whole cohort of students who are able to get their English, Maths and other things recognised in a way that says, "You are important," rather than say, "You missed your Maths class, and you will have to catch it up because you want to go on to TAFE today." That is the challenge in terms of genuine recognition of that pathway.

The Hon. PATRICIA FORSYTHE: Mr Grimshaw, I would like to follow on from that. How good is the information being given to students, say in year 10, about the opportunities that vocational education pathways would offer them?

Mr GRIMSHAW: I am a bit out of date in that regard. There was often criticism of the material that was provided to young people in terms of their future pathways. And, of course, there were careers advisers who had a background of university education, as against vocational education. But, as Neil indicated, it really gets back to the community accepting a vocational pathway as being equal to, but different from, a university pathway. No amount of literature will change that unless there is a change in the community view about the value to development in this region and in Australia of a vocational pathway.

And if you choose a vocational pathway, that is not the end of the earth; you can always return to the education and training system either to upgrade qualifications in TAFE or to go on to university with articulated pathways to various other opportunities. The trend more recently is for more students to come from university into TAFE in order to gain particular competencies so that they can progress a vocational opportunity in a particular industry. So I think there are winds of change on the horizon in terms of the value of vocational education, and I think that is being reinforced by the fact that quote often now, in order to get jobs, university graduates need to pick up a particular competency through the VET system, and particularly TAFE.

Ms MCGREGOR: Might I add the comment that this is another example of you get what you measure. One of the things that happens to schools is that if their students come over to TAFE they risk losing some of their teachers. So there are a whole lot of measures that tend to counteract

encouraging the concept of working together. So there are some mechanisms that are not quite what we need.

Mrs CHRISTINE ROBERTSON: If I could return to the original issue. I am going to make a statement, and I want you to tell me whether I have picked it up properly. So TAFE is supposed to be reactive to industry, and there was a big push for it, and we in some of the small western regions were very concerned that that was going to be the end of general education for the kids. Has this meant that a big need can be met, but that in the country it means that many needs are not met? It is that what the change has meant because of the bench measure of usefulness?

Ms McGREGOR: What I was saying is that we put a lot of time and energy into trying to still cater for individuals, but inevitably it costs more in time and resources to do that. And, at the moment, simply put, the way that the funding and reward systems work does not encourage that. So it is probably harder than it needs to be.

Mrs CHRISTINE ROBERTSON: So it is not matching the philosophy. The way that it is measured means it is difficult to match the philosophy with the dollars?

Ms McGREGOR: Yes. Might I say, in answer to your earlier question about apprentices and work placements, that we have not mentioned the role of group training companies. Certainly, for us in the region, the group training companies play a really invaluable role for a young apprentice who perhaps loses his or her time with an employer, because the group training company picks them up. It is important for us to mention that we see the group training companies as an important part of the jigsaw of making apprenticeships work.

Mr BLACK: We talked about pre-apprenticeships and pre-employment types of programs, the skills shortage areas, and the role of industries. About 20 per cent of our effort in the North Coast—and we have about 40,000 enrolments each year—is actually in general education, and in supporting particularly those who have been disadvantaged in their school education to get an opportunity to pursue a vocational pathway. That is an absolutely critical role that we continue to play.

In terms of dealing with a lot of the people who were potentially unemployed, as well as those who are unemployed, without that general education—and we are often the only ones who can provide it—there would not be the opportunity. A lot of new jobs coming up in aged care nursing and so on are being sought by mature-age people, women particularly. Quite often, when they come to us they are not employed and they need some confidence to get back into education, so they do something like a course in work opportunities for women, which we fund from our recurrent funding. They are critical to addressing the skill shortage. The average age of students in TAFE New South Wales in the North Coast is no different; it is over 30. That is something that people do not always realise. They think of TAFE as an educational institution that takes school kids. To have an average age of 30, obviously we have a lot of students who are older than 30.

The Hon. MELINDA PAVEY: In 2003 I believe about 46 per cent of TAFE courses in New South Wales were not completed. Is that the situation here on the North Coast, or do you have a higher completion rate?

Mr BLACK: Forty-six per cent of courses! We tend not to use course completions as a major measure because a lot of students do not actually seek to get the full qualification. We talk about module completions, and our module completion rate is about 80.5 per cent, and that is above the State average. There are some courses for which even the module completion rates are lower than that, particularly in relation to general education courses, but that is because the outcome has been employment or a change to another educational pathway. So the fact that they did not complete it is not necessarily a bad thing. The figure we would really measure, and the general measure that we are benchmarked against, is module completions, as distinct from course completions, because it is often what the customer and the individual want.

Ms McGREGOR: Could I add that that is a bit of a paradox for us, in that industry is often saying, "We want skill sets, as opposed to qualifications." So it is whatever the individual comes to us for.

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CHAIR: We will have to wind it up there. I thank you very much for your attendance this morning and particularly for your contributions. If there is something that you wish to add to what has been discussed this morning, please feel free to pass those addition comments on to our secretariat. We will be talking to TAFE New South Wales at some stage as well, so we will take up a few of those issues with TAFE.

(The witnesses withdrew)

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PETER ROBERT BAILEY, Chief Executive Officer, Country Week, 1/180 Beardy Street, Armidale, New South Wales, sworn and examined:

CHAIR: Could you indicate the capacity in which you appear before the Committee?

Mr BAILEY: I am appearing here this morning as the Convenor of Country Week.

CHAIR: Because of time constraints, would you like to make a brief opening statement, as short as it may be, before we ask questions?

Mr BAILEY: I am the Convenor of Country Week. We brought 60 country communities to Sydney to promote the virtues of people leaving Sydney and coming to live in country areas. The Expo was a culmination of a week of activities. Functions conducted during the week included things such as the Regional Futures Forum, where high-profile speakers spoke about the opportunities in country and regional areas. It is hoped that, in staging all these events, the media focus will be on the program and the opportunities being presented at the Expo.

During my time as President of the Chamber of Commerce and Industry in Tamworth and then President of the Armidale Development Corporation, I could never understand why more country communities were not receiving a stream of inquiries from businesses and people wanting to leave Sydney. Country Week seemed to be an effective way to grow country and regional communities by bringing them to Sydney so as to allow metropolitan residents an effective way to walk New South Wales in a day. As everyone is so time poor, it was an easy way for attendees to ask questions and obtain information, without having to travel long distances.

We registered everybody as they came through the door. I would like to take a copy of the registration report, which gives a lot of information about where Sydney people were interested in moving to. It also talks about a lot of the categories of occupations of people that wanted to leave Sydney.

Document tabled.

We have been asked how effective we have been as a program. It is always difficult for us to know. However, I will quote some examples. Boorowa, in the far south of the State, has relocated 3 families and has another 2 families who have bought real estate in the town and split their time between Sydney and Boorowa. Cooma-Monaro has relocated a solicitor and his family to the city, and he is now the legal counsel for the Snowy Mountains Engineering Corporation. Nambucca Shire, which I believe will be appearing here later, has relocated Hill Top herbs to Macksville, employing, I think, 5 people plus the owners.

Glen Innes, on the Northern Tablelands, moved a souvenir business to town. The local first-grade rugby coach also moved after last year's Expo. He is now a teacher at the high school. He and his wife have just opened a bookshop in the main street, and they are about to open a B&B, and their son has obtained an apprenticeship as a house painter. In addition, Glen Innes brought to Sydney a young Aboriginal didgeridoo player to entertain visitors. He was spotted by the incoming World President of Lions and has now had a trip to the world conference in Hong Kong, and is off to the United States of America.

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Clarence Valley, or Grafton, report that they are moving a chemical distribution business to their city plus another business, and are actively talking to some medical professionals. We are also aware of a number of trade relocations to Singleton and Muswellbrook. An information technology specialist and his family moved to Armidale to work at the British Aerospace Tracking Station.

Our role is to run the event and, unless people tell us of their relocations, we do not always hear of the success stories. This year we tried something different and introduced a "Country Card", which is similar to a Seniors Card. People were asked to retain the nametag they received at the Expo and use it at visitor information centres and elsewhere throughout NSW. Our aim was to be able to track people as they moved around. Unfortunately, we could not elicit the co-operation of the Department of Tourism, Sport and Recreation in that regard. I guess we regard it as our principal task

to build the event and encourage people to attend, but it would have been nice to have that co-operation. For the information of the Committee I will table a copy of the relocation guide that we used. It contains an article about the "Country Card".

Document tabled.

Once we have run the expo the task will be over to the communities and the success of the program will vary according to the marketing skills of those communities. Many councils employ economic development officers who come from a variety of backgrounds. It is important that communities learn to focus on their advantages and market them accordingly. The advantages may be water supply—indeed, we surveyed country communities before Country Week and found that 75 per cent of country communities have no water restrictions—real estate prices, transport links, and proximity to Sydney or other major markets. It is difficult enough for small communities to get on the radar without further complicating it by branding. A number of smaller communities make it difficult for themselves as they identify by geographic names that have no relevance to anyone from outside that geographic area.

For example Bland shire down south, which includes West Wyalong, is hardly a marketable name that will make people move out of Sydney. Weddin shire and Gwydir shire are geographic areas well known in the region, but for regional centres attempting to market themselves as a desirable place to relocate to it is a significant problem. Visitors to the expo really struggled with these names, as they meant nothing to them and the expo demonstrated real ignorance in the city as to the location of towns and cities in New South Wales. Our relationship with the Department of State and Regional Development is a very straightforward and easy exercise. I pay tribute to Michael Cullen, the Executive Director of the Department, who is an outstanding public servant and always co-operative and helpful. Our case manager, Cassandra Traucki, is equally efficient.

When working with other Departments the dealings varied because many of those we dealt with were not involved at the decision-making level. We have found that, provided we keep everyone informed of what we are doing, we do not seem to have a problem. The question is: What do we perceive to be the major causes and consequences of the skills shortages in rural and regional New South Wales and do we think the trend is getting worse? We believe the skills shortage is getting worse in regional New South Wales, and much of it has to do with baby boomers moving to the mature ages of our working lives. A significant concern is the denigration in the status of apprenticeships. We have spent so much time promoting a university education as the pinnacle of achievement that we have, by association, lessened the appeal and integrity of apprenticeships. Universities used to be hard to get into and a student needed good marks from school. Now it is almost a rite of passage into many degrees and not based on academic achievement.

It is feasible that the baby boomers will be the first generation in a long time to pass on a lesser lifestyle to the next generation. Housing affordability is becoming harder to achieve and if you live in Sydney it is appalling. According to a 2004 Local Government and Shires Associations report, 85 per cent of young couples in Western Sydney believe they will never be able to afford a home. Added to this in metropolitan areas are longer commute times and the necessity for both parents to work in order to keep their heads above water. If someone is lucky enough to own a home in Sydney, the mortgage is huge. We recently heard of a couple living in the northern suburbs of Sydney. They earn \$50000 a year each and their mortgage is \$1000 per week.

We believe many people would be interested in moving to regional areas, but, because country leaders of all persuasions have spent so much time talking about droughts, water problems, bank closures and concerns about the sale of Telstra and its perceived second-class service in the country, why would anyone want to move? Skilled or professional people unfortunately look to Queensland as the Mecca and do not regard country and regional New South Wales as appealing. We have really talked country and regional New South Wales down and we need to balance that by a major marketing campaign to tell everyone what a wonderful place we live in.

When we talked to people at the expo they were stunned to learn that there were heaps of jobs in the country, that real estate prices were lower and that 79 per cent of country and regional communities had no water restrictions. I attended a seminar on regional development on Wednesday at the University of New England and the major concern from two employers in the New England was

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TAFE training and the fact there is no block release available for many courses. There was also a perception that training was being moved and centralised to centres such as Newcastle, which is too far away. In addition, they complained about WorkCover costs and occupation and health restrictions. Many employers could not be bothered to employ apprentices or tradespeople, they would rather just do it themselves.

Finally, I believe we need a substantial marketing campaign to promote the appeal of rural and regional New South Wales. For those who do not believe it could have an impact—and there is invariably a sceptic who believes that marketing campaigns are designed for advertising agencies—the Victorian Government mounted a major campaign entitled "Make it happen in Provincial Victoria". In three short years it has turned regional Victoria from a negative to a positive growth rate and regional Victoria is growing at a faster rate than metropolitan Melbourne. Not bad with just a media campaign.

CHAIR: Peter, could I interrupt you there. If we could have the remainder of your prepared speech incorporated in the transcript, we could move on to some questions. That may save you some time.

Mr BAILEY: Certainly.

More importantly, the Victorian campaign has slowed that State's migration to Queensland. We cannot afford to lose any more of our population to Queensland. It will devastate our grants and taxation base in the long term and make it more difficult for New South Wales to argue for an increase in the Goods and Services Tax [GST] cake. We know that people are leaving Sydney and moving to south-east Queensland.

I firmly believe that if we promote country and regional New South Wales as a relocation destination, we can help proactive communities to minimise their skills shortages by encouraging Sydney professional and skilled people and their families to look to country New South Wales as the promised land, instead of Queensland. We can provide hope to a generation who believe they will never be able to afford a home in Sydney; people who would move to the country but believe there are no jobs, no water, no communication and no life. We could turn many country and regional communities around with an injection of new residents into some quieter communities.

Many communities need help to market themselves; to understand what assets they have and how to market them to potential new residents. Indeed, we also have to educate communities about how to utilise an event such as Country Week and who should be involved. Our experience has shown that the winners will be those communities who broaden their participation to include: chambers of commerce, real estate agents, employment services, tourism officers, education providers, major employers and the local media.

The Hon. PATRICIA FORSYTHE: Looking at some of the councils that would have exhibited at Country Week, and talking to them, how many of them identified a problem with skills shortages?

Mr BAILEY: Quite a significant number. The Department of State and Regional Development has encouraged communities to do a skills audit. From memory I think if the department funded eight or nine communities to do audits before they came to the expo. It might be worth asking the department to provide copies of the skills audit for your information. The New England North West Area Consultative Committee did a skills audit of the whole of the New England and North West that might also be worth having a look at. The majority were complaining about skills shortages.

The Hon. MELINDA PAVEY: Was that in any particular area or in all areas—unskilled, skilled and professional?

Mr BAILEY: Right across the board. Builders are really hard to come by, and plumbers and electricians. As I said, I believe the dumbing-down of apprenticeships and that whole psyche that has caused this problem. Even areas that were not strongly represented at Country Week, for example the Riverina, were complaining about terrible skills shortages in the fruit picking industry. We know that truck drivers are now in short supply. Everyone knows about the nursing profession, the medical profession and the rest.

The Hon. MELINDA PAVEY: What was the cost of the Victorian advertising campaign that had such an impact on growth in regional Victoria?

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Mr BAILEY: They spent \$3.2 million on the last campaign, promoting regional Victoria in metropolitan Melbourne. It was on television, radio and in the newspapers. That State's response mechanisms were into a web site—which we have built; we have a web site of every country community in Australia—and also into a call centre. I think a call centre is of limited value because unless the people taking the calls are educated about country and regional areas, it would be very difficult.

CHAIR: Do you see any value in trying to fill some of the skills shortage in regional areas by utilising the services of semiretired people?

Mr BAILEY: I think there are two things. Firstly, one of the benefits from a regional promotion campaign is the ability to stop the population drift to Queensland. It is believed that between 40,000 to 50,000 thousand people move to Queensland each year. It is not limited to baby boomers who are looking to retire to different lifestyle; young families are moving. We have to encourage people who feel the pressure in Sydney to move regionally. Secondly, in response to your specific question, we found that a lot of people at the expo were in the fifties age group and looking for a change of direction. They were not necessarily looking to retire; they were looking to finish their jobs in Sydney, whatever they might be, move to the country and change careers. A lot were looking at perhaps going into a small business, and a lot of young families were interested in moving.

Mr IAN COHEN: When you are talking about country areas, do you differentiate between the coastal and the inland areas? First people who are moving from New South Wales to Queensland, are they moving to the more heavily populated areas of the coast? Or are they moving from inland country New South Wales to inland Queensland?

Mr BAILEY: I think the majority are moving from Sydney, mainly to the south-east corner of Queensland. We are talking to the Queensland Government about a similar expo in Queensland. The Queensland Government is concerned that the astronomical growth of the South-East corner of that State—the Gold Coast, Brisbane and right up to Noosa. Each week approximately 1000 people move there and we know that the vast majority of those people are coming from Sydney. We have two increase the appeal of the regions.

If you look at the statistics I have presented you will note that a lot of people are interested in moving to Central New South Wales, New England North West, the Hunter and southern New South Wales. They are all in that 30 per cent of people interested in moving. First two questions that people asked at the expo were: How much is the house? Can I get a job? The problem of having talked the whole place down from the past five years has done us serious damage.

The Hon. MELINDA PAVEY: In relation to the trades issue being a concern in regional areas, do you know of any work that has been done, or have you been able to glean any information from the expo that plumbers, electricians and tradesmen earning a lot of money working on Sydney building sites are concerned that their income would fall dramatically if they moved to a regional area? Are those concerns well founded?

Mr BAILEY: There is a perception that you will not earn the money in the country, but there are a lot of areas where you will earn the money. Two young welders breezed into the Singleton stand last year, typical 23-year-olds, full of lip. They asked, "Why would we move to Singleton? It is a hole." The guy on the stand quickly replied, "We will pay you more than you earn in Sydney." They told him they earned between \$50,000 and \$55,000 a year and he said, "I will pay you \$70,000." Their eyes lit up and they asked, "How much is a house?" They were told they could buy a house in the town for \$300,000 or \$330,000.

There was some further discussion about the calibre of the local "birds" and whether or not the town boasted a football team. One of them moved within a week and the other within two weeks. Once again it was all about perception. There is concern about whether they can earn the same income in regional areas. I will quote one example that the Committee might be interested in. Teach New South Wales, one of our sponsors, came on board two years ago because they were extremely concerned about recruiting teachers to country areas.

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They were having dreadful trouble persuading young graduates to go bush. They have fixed that problem. I do not think I can really say that it was all Country Week, but they have fixed that problem. I think the creation of Teach NSW has been a huge success, and I assume it was done in the last five to 10 years, so whoever the Minister was should be congratulated. Secondly, they stayed on board because they were concerned that when job vacancies were occurring at assistant principal or deputy principal level, instead of getting 15 people applying for the job they were getting four and five.

They came on board and they were really good; they were sponsors, but also they value added; they sent a note in every teacher's pay packet about Country Week, they sent a note to every casual teacher, they sent a note to every principal. They have basically now begun to solve their second problem, which is encouraging Sydney teachers to move country—and it is beginning to work.

The Hon. PATRICIA FORSYTHE: Just stepping back to your Singleton example of the welders. You were earlier critical of the New South Wales Government for not sponsoring a campaign in the way the Victorians have done, but when you use your own Singleton example that is a case of under the vehicle of Country Week but a community selling itself in what it had to offer. Is that not a better way to go than necessarily a generic campaign sponsored from government? Is there not some responsibility on each community to find a way to sell itself and then get the benefits for what it puts into it?

Mr BAILEY: I was by no means being critical of the Government, because it is equally a Federal Government responsibility as it is a State Government responsibility, and indeed a local government responsibility. Various members around the table know me, and I have seen a major concern that there has been too much buckpassing of the whole regional development argument; that local government have waited for the gravy train to arrive from Macquarie Street to fix a problem where in actual fact the communities that are doing best are the communities that are proactive, the communities going out and having a go. But we are only scratching the surface. We spent \$200,000 on a marketing campaign. Now when the *Daily Telegraph* charges \$25,000 a page, when Alan Jones for a 30-second read charges \$2,500, we have only just begun to scratch the surface. That is why we need the support to try and ensure that we can reach a larger target market, and the only way we can do that is with a marketing campaign.

The Hon. MELINDA PAVEY: Would you see that marketing campaign in terms of the television as a positive, glowing message of life in regional communities and then it would need the local communities themselves to further sell their activities and the benefits of being in their community?

Mr BAILEY: I think the marketing campaign needs to be two things: firstly, it needs to be a promotion of regional areas as places of opportunity; I think also we would obviously like to try to ensure that some of this is done around the Country Week time to ensure that people are coming to mix with the 60 communities. We would like to see some marketing done at other times of the year; but also we need to improve the marketing skills of communities. Some of the marketing skills are pretty average.

The Hon. CHRISTINE ROBERTSON: I would just like to follow on from what Patricia asked. Just from your experience of working with the local government bodies—because you have obviously done a lot of it—what kind of use do they make of whatever you know of, including Country Week, to increase the skill base of people moving into town? Also, do any of them talk about structures to improve the skill base of who goes there, because a lot of the people who go to Country Week do not necessarily have skills but may want to have the chance to obtain them?

Mr BAILEY: I do not necessarily agree that they do not have skills because I think, from memory, something like 60 per cent of people that came through were professional or skilled people.

The Hon. CHRISTINE ROBERTSON: I am not denying that you get professional and skill-based people but other people go there, because I went too and I am not skill-based.

Mr BAILEY: I think a lot of people are concerned about education in the country and that if they move to the country somehow they will deny their kids some kind of access to education. That is

why I think some of the larger communities have some success. So it is also, once again, a promotion because I think there are educational opportunities that are there. I saw some statistics that showed that many of the academic results and achievements in regional New South Wales are better than metropolitan New South Wales. There are more kids in public education in regional New South Wales than in city New South Wales. But I think we have got to get better at marketing and telling people about the educational opportunities that TAFE here can provide or in the New England or the universities. If you look at New England now it has, from memory, 12 outreach centres and at this regional development meeting I went to yesterday we all linked into Quirindi, Coonabarabran, Moree, Inverell, Tenterfield, Glen Innes, and it was a great success.

The Hon. GREG DONNELLY: I just have one question. It is not designed to be a loaded question but it might be taken as such. In terms of the whole State, can you identify any particular regions or shires that in your judgment do a pretty good job at promoting themselves outwards to the broader New South Wales communities? If so, could you identify them?

Mr BAILEY: Tamworth is an extremely aggressive community and does it very, very well. Dubbo is another great community that does it extremely well; it is led there by a guy called Geoff Corbeck, who is the CEO of the development corporation. I think the far North Coast tends to rest on its laurels believing that it has huge appeal anyway. But if you scratch the surface of many of the North Coast communities they would tell you they have had population growth without jobs growth and a lot of the growth that has occurred on the North Coast has been retail driven. You do not have to go too far up here to see huge complexes—Harvey Norman, Barbecues Galore, Captain Snooze, et cetera, et cetera, and there is not the industry growth that is occurring. That is where I think one of the problems is.

In terms of smaller communities—Oberon, Boorowa, Glen Innes, Moree—Moree I think would probably have one of the best stands at Country Week because too many of the communities put up a glossy picture of their town; Moree had a whole area of real estate so people could say, "I can buy a three-bedroom house in Moree for \$290,000", and they would turn around from that and there was a whole list of jobs that the community was looking for. So they were selling the sizzle rather than just selling bits and pieces. Other communities who do very well are Jindabyne—that Snowy shire—Cooma-Monaro; Albury, who came on board, and Wagga, who came on board at this time, were both aggressive, and that is a gross generalisation, but a lot of the other communities need to understand that the communities that minimise their skills shortages in the next 10 to 15 years will be the communities that will grow and prosper. The communities that whinge about their skills shortages and lobby members of Parliament for solutions will not be as successful.

CHAIR: With the information that you gather, what do you do from that? Do you actually go and sit down with the councils and have a chat to them and say, "These are the statistics that we have had. We think you should be doing this or that"? What do you do from there?

Mr BAILEY: You have got to understand that there are only three of us but what we did was a debrief: we held debrief meetings in Wagga, Dubbo, Tamworth and North Coast. The debrief was with the communities and in that we talked about our marketing and advertising; we talked a lot about what we did and what we did not do. Unfortunately, as I think you all would acknowledge, lots of people are very good at apportioning blame but no one ever believes that they have done anything wrong, and that is one of the problems that we face. But we did the debriefs to try and network with the communities.

CHAIR: We have heard you say there were X amount of people wanting to go to such and such a town and wanting to be plumbers or electricians or whatever. What was the reason for them wanting to get out of Sydney? Have you asked them at all?

Mr BAILEY: The survey will show it is all lifestyle. The big things are lifestyle, lesser commute times, and wanting to move out for security and family access reasons. When you are commuting an hour and a half away in a car or on public transport each day, you both having to work horrendous hours to pay the mortgage, that is the major reason people want to get out.

The Hon. PATRICIA FORSYTHE: Your focus is on encouraging people to leave the city and move to the rural towns, but the easiest thing, I would have thought, would be to hold on to the

population they have got, particularly young people, because they have got a natural affinity with their own community. Yet we know in the growth of Sydney that the biggest growth is not overseas migration but internal migration, principally from rural and regional communities. Is that part of the focus on what you do at Country Week or is part of the debrief and the discussion with communities identifying why they are not hanging on to young people and why there is an exodus from school to other educational or job opportunities but not back again at the end of that time?

Mr BAILEY: I think anecdotal evidence to us would suggest that it is an experience thing. A lot of the time people want to get out of wherever they are. If you are in Sydney you want to have the London experience; you want the go-around-Australia experience; you want to do whatever. And I think many country kids want to go off to Sydney or Brisbane. My own son went to university in Queensland, at Brisbane, and is now a solicitor in Mackay. But I think people want to have that experience. What we have got to do is to encourage those kids to come back. We know the vast majority of the kids that leave are the most likely to come back to a country community. They might not necessarily return to be a brain surgeon in Bingara, but they might return to be something in Tamworth—they might return to be a brain surgeon in Tamworth.

The Hon. CHRISTINE ROBERTSON: Have you had much experience with the mass of professionals making a difference to hanging on to the mass of professionals? Has Country Week been running long enough to show an attraction of the professionals back to the country proves that it is hanging on to others?

Mr BAILEY: As you know, I live in Armidale. Armidale is extremely fortunate in the retention of professionals and I think one of the reasons for that is because of the university. But there is the mass effect that if you have professionals in the town who are happy and enjoying what they are doing they are more likely to attract other professionals. But if you do not, it makes it very difficult. I think that one of the significant advantages that Armidale has is that university and that intellectual and cultural—

The Hon. CHRISTINE ROBERTSON: It keeps the wives happy.

Mr BAILEY: I would not be that sexist. I would say it keeps partners happy.

CHAIR: Thank you very much for your time this morning and your contribution. If there is anything else you wish to add please do not hesitate to pass on any information to our secretariat.

Mr BAILEY: I look forward to receiving the report.

(The witness withdrew)

(Short adjournment)

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DOUGLAS HEAD, Chief Executive Officer, Australian Solar Timbers, P.O. Box 92, West Kempsey, New South Wales, sworn and examined:

CHAIR: Dr Head, in what capacity are you appearing here today?

Dr HEAD: As the chief executive of Australian Solar Timbers.

CHAIR: Would you like to make a brief opening statement, or would you prefer if we went straight to questions?

Dr HEAD: I have come here without any particularly agenda; just to make myself available as the chief executive of a manufacturing business that is a major employer in Kempsey.

The Hon. MELINDA PAVEY: How many people do you employ in Australian Solar Timbers? And would you give us a quick run-down on the company itself and its importance to the community of Kempsey?

Dr HEAD: Australian Solar Timbers is a company that saws timber into boards, and buys in boards as well from other companies, then processes that by kiln drying and machining it. It produces almost exclusively flooring products, such as parquet and timber flooring. In New South Wales, it is probably the second-largest or roughly the equivalent leader in the parquet market with Boral. But that is only a small market. In the timber flooring market, we would be second to Boral, but there is a pretty big gap between us. We employ about 90 people. Last year we turned over \$10 million. This year, it is going to be around \$15 million to \$20 million as we have put in new capacity. We would be one of the main employers in Kempsey.

The Hon. PATRICIA FORSYTHE: Could you give us an overview of the range of skills of those 90 people? Are they skilled employees?

Dr HEAD: It is almost the full gamut. It ranges from the most basic labouring jobs through to loader drivers and fork lift drivers with some skills, and then people with higher skills levels, some of which are formally recognised and some not, such as sawing skills, and machinists, because we do a lot of our own sharpening. Our equipment is the most modern in the world. A lot of it is computerised, for scanning logs, et cetera. There are computing skills required in the mill, for tasks such as bar-coding of logs when they come in. Then there are office issues, such as marketing and brand development. At the moment, our office staff and mill are very much computerised.

The Hon. PATRICIA FORSYTHE: Taking some of your highly skilled employees, such as machinists, where do you source your employees from? Do you advertise? How do you advertise? And have you had any personal experience of being unable to fill that sort of specialised skill area?

Dr HEAD: It depends on the job that we are filling. We just acquired a new general manager. We advertised Australasia wide, and we used a head-hunting company in Sydney, and we recruited that person from New Zealand. That is at the top end. In employing people, because of WorkCover issues now—which are the greatest difficulty that we face—we subcontract our initial staff in to have a look at them. The best staff, after a period of time, are asked to move across, and then we try to promote internally. So we do not actually advertise for most positions ourselves. We have just put on a marketing manager. We did not advertise for him, but he was known to us.

Mr IAN COHEN: Dr Head, on the issue of value-adding, of course you have flooring products such as parquet and the like. Are there any other types of products that your company produces, such as thin flooring veneers and that sort of thing?

Dr HEAD: We are probably the largest manufacturer of thin flooring. That is a capacity that we have just developed. All our products, as I say, are flooring based, although we do some decking as well. The only other products we produce are sawdust, which goes off to Nestle to be used as boiler fuel. We interact with other businesses, such as Australian Native Landscapes. So those are really residual products. We do not cut anything green, no matter what the price. We just will not do it.

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Mr IAN COHEN: In terms of the scope of your company, are you harvesting, transporting and processing at one end, or is it just the processing plant itself? And where are your markets? Are you talking about domestic markets, or export as well?

Dr HEAD: There are two questions there. Where do we get our logs from? The vast majority come from State Forests, and increasingly so. The biggest product we use is the salvage end log, so we are using the lowest quality log in most instances, and we are the only one that is putting it into flooring.

Mr IAN COHEN: That is for timber flooring as well?

Dr HEAD: Everything we cut goes to flooring.

Mr IAN COHEN: Is that salvage level of log also is for your tongue and groove flooring?

Dr HEAD: That goes to flooring. That is right. State Forests handle the delivery of logs to us. There is an amount of private property log that we get in, and we have to get subcontractors to fall and bring that in. But that is probably 5 or 10 per cent of our input. We deliver our residue products; we have a trucking system to move those around. Our waste we chip, and we have outside contractors who take the chip down to the Boral Tea Gardens mill.

The second question you asked me was about our market. It is basically Australia. We sell from all States, but mainly Western Australia, Victoria, New South Wales, Queensland and South Australia. We do not do anything into Tasmania as yet. We sell to New Zealand. We have had a very big drive to market overseas. We have spent probably half a million on that over a number of years. Whilst we are quite happy to sell overseas, for a variety of reasons that has not been so successful, due very simply to the range of species we get and the range of grades that we produce. Overseas markets are very interested in one or two of them, and we just have not got the consistent volumes—nor do I believe has anyone else, such as Boral—to service an overseas market.

Mr IAN COHEN: Overseas, hardwood plantations are just starting to come on line in a significant way. Would that have any impact on your business?

Dr HEAD: It may, down the line. We get some plantation wood at the moment, but very little. The quality is just appalling because they have not been managed plantations. In the future if some of the plantations are properly managed, i.e. pruned, the quality may change and we can use plantation timber. Yesterday, we cut plantation timber all day and, for the first time, we will have to throw out the whole lot.

Mr IAN COHEN: That plantation timber came from which location?

Dr HEAD: It was north of us, probably from around the Coffs Harbour region. These plantations were not put in with the idea of producing a sawlog, so they were never managed that way and they were not pruned. Essentially, what you get is a lot of knot marks, which, when we dry them, will just fall out. Yesterday, we had a 100 per cent write off of the day's production.

Mr IAN COHEN: You mentioned that your solar kiln drying technique is very highly automated. Does that mean you are employing fewer people?

Dr HEAD: No, we are employing more, because we have moved from a green mill. For example, in 1991 as a green mill we had 14 employees, 12 months ago we had 65 or 70 and we now have 85 or 90. The more you value-add, the more you—you remove a lot of jobs. Our job is to make ourselves world class efficient. We do things which means we cut jobs in one area, but, because we are holding the product later, we become efficient and competitive—for example in our sawing or in our machining—and we are getting more graders to market it. Overall, our job numbers are rapidly increasing, but they are in different styles of jobs. Where we can we try to promote internally and skill internally. That is a difficult one.

Mr IAN COHEN: I appreciate that. The solar mill sounds great and has huge advantages, obviously, but given that we both know the history of forestry and all the issues that have been

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involved, have you looked at any source, any environmental certification, to promote your product and give it another niche market?

Dr HEAD: Two things are happening there. First, of course, is the certification out of the forests. The Australian Forests Standard [AFC], which was supported by all the States, has just been developed nationally. Queensland, and, I believe, Western Australia, have signed on to the national program, but New South Wales has not as yet done so, as far as I am aware. That is also linked to what used to be the Pan-European Forestry Certification [PEFC], which I think has simply altered its name. This is beyond our company, but our logs will then be coming from certified forests and with the Forest Stewardship Council [FSC], which is the green-based alternate system, they are looking to co-recognition systems. That is a pretty hotly debated issue. The answer is: It is out of our control. We are supporting those mechanisms and New South Wales is moving in that direction.

Mr IAN COHEN: Would you regard that as an important value-adding exercise to get your section of the industry into more marketable production?

Dr HEAD: Not particularly our section of the industry. For some products, particularly from other areas, going to Europe, there is no doubt it is a growing requirement. I would suggest that New South Wales, which has already supported it—New South Wales started to develop the AFS with the other States—should go the full extent, do the last step and sign on.

CHAIR: Could we move on, please Ian. We have to try to get more information on the skills side, if we can.

The Hon. GREG DONNELLY: As chief executive officer you have successfully built up your company over a number of years. That is obvious from the fact that you have taken on and retained 90 employees. As an employer in a regional centre, have you had to introduce either employment practices or employment arrangements that you believe have helped to be able to attract and retain the work force that you have? Have you done anything innovatively to try to bring in people and retain them?

Dr HEAD: We have a very low turnover of people who have been employed by us, so I suppose we must be doing something right. Of the original 14 employees who were there when we arrived, three have retired and I do not believe anyone has left. So, yes, we are doing things. What are we doing?

The Hon. GREG DONNELLY: Yes, that was my question.

Dr HEAD: We are providing the most modern machinery. Sawmills are basically traditionally dusty, dirty, dangerous and unattractive places. Our sawmill is the most modern in Australia. It has the most modern equipment in the world and we believe we are creating a cleaner, safer work environment. The growth that that entails gives the opportunity to promote people. If you stay small, it does not matter how good they are, you just cannot promote them beyond a certain point. The growth allows people of talent to rise. We try to treat our work force with respect. Everything is about improvement. Some of that improvement is in the workplace—the workers' lunchrooms are absolutely of a standard that no other sawmill has. It is basically the way we try to treat our employees. We expect a lot of them and we expect them to expect a lot of us. We try to deliver on our part of the equation.

The Hon. GREG DONNELLY: So far as wages and working conditions are concerned, do you pay above the award?

Dr HEAD: Most people come in on contractor rates, but they do not have holidays and other things. Most of them want the permanency, so that when we offer it they take it. By then they have proved themselves and, yes, we pay above the award, but the real opportunity is to get promoted, to move up and to skill. Our philosophy is if someone comes to us and they are good, we do not let them go. Even if we do not have a position for that skill at the time, our view is that once you get someone good, if you do not have a spot for that person, it is up to us to create some use for them.

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CHAIR: I welcome to the hearing Andrew Fraser, the honourable member for Coffs Harbour. Thank you for coming.

The Hon. CHRISTINE ROBERTSON: You have answered a number of the questions I had proposed to ask. Do you have difficulty employing workers?

Dr HEAD: Not at the moment, no. We had a lot of trouble about 12 months ago getting anyone to stay for 10 minutes. We now recruit through a subcontracting firm, which I believe is using another subcontracting firm. It is little wonder that the costs are so high. Now that they know our needs, we are getting some reasonably promising young people coming through. That is probably a reflection of the unemployment rate of the mid-North Coast. We are blessed as employers with one of the higher unemployment rates. It is not a matter of actually getting people, but of getting skilled people. We have really got to skill them up ourselves. We have just installed a brand-new sawmill, which has new technologies, physically turning little buttons and bows that are quite different. You are given the machinery and the people who provide it simply say, "See you later. You work it out." That is how sawmilling is. Some people are good at adapting and some not. There is a lot of shuffling around it. You have to work it out yourself.

The Hon. CHRISTINE ROBERTSON: Do you have set training schemes or merely a philosophy of training within your organisation?

Dr HEAD: We have a philosophy whereby if workers identify anything they think would be useful for them, we will promote that. We also have a philosophy of looking for opportunities for those people, which is difficult. I will give you a couple of examples. In respect of our senior staff we use the Australian Graduate School of Management, which we regard as in the top 50 in the world. Everything we try to do is world class, so we send people down for courses of one week and for residential courses. It is very, very expensive—\$11,000 per week. In respect of other workers, Kempsey Council introduced a very innovative scheme where it tried to train up some of its own staff to provide management. The Council formed a relationship, I think with Deakin University, involving a six-year course leading to certificates, diplomas, degrees and eventually the degree of Master of Business Administration if someone went the whole way.

The council signed up and invited industry in. We went around to our workers, identified 12 of them and said, "If you want to go to this course, we will give you a scholarship to go." Only one worker took up the offer and he lasted one year. So, that did not work well, but I think it was an innovative thing to do. With our sawmill we went for six months skilling up our people so that they knew the basics of how it worked. We then approached the Creswick School of Forestry in Victoria and shipped up their sawing guru, who stayed with us for a week and conducted hands-on training one-on-one around the place, which was fantastically good. I think that is the kind of module that can be used more and more often. I do not think we need to create one in every State; we can create one here and ship it to Victoria. They can create one in another area and do it that way. That source of excellence of doing it in the work environment is a module I would really support.

The Hon. CHRISTINE ROBERTSON: So that if you employ a new worker, who perhaps does not have the specific skills you require, that worker will be trained on the machines by the floor staff? Is that what happens?

Dr HEAD: A new person who comes in and says, "I've got no skill, I have never worked in my life before", they get an induction into our mill on safety issues and a set induction, then they get someone who trains them in their job until they can do that basic job well. We come back later and check to make sure that they have truly understood that.

CHAIR: Just on that, do you have any linkages at all between your organisation and, say, the regional development board, businesses in the area, the chamber of commerce, area consultative committees, local government and TAFE? What is your role with that?

Dr HEAD: The regional development board currently, no. I was a member of the regional development board for about eight or nine years about a decade ago—I have been well out of it for 10 years—and frankly I do not see that they are doing much at the moment. Mind you, I am not criticising them. I think in the way it is structured at the moment there is almost not much they can do,

especially in the way of training. I think they can do little bits with entrepreneurs and business people—a little guidance there—but I do not see training, other than maybe identifying problems, as where they have got any capacities.

ACC is probably more an implementer of Federal Government programs when those programs come around and the rest of the time they are waiting around to see what is happening. We are not involved in any local groups. As I say, I have told you the story of how we interrelated with councils and Kempsey Council I would say is a fantastically supportive council. Plenty of people bag councils—and I could give you a list of councils I would like to bag—but Kempsey is not one of them. I heard Peter Bailey's discussion earlier. I think it is a town that has got real problems. It has got less cards in its hands than some of the other natural regions and therefore it has got to be smarter, and I think it is actually doing that rather than taking the opportunities for granted.

We are associated with the National Association of Forest Industries [NAFI]. They are not really much involved with this. They are with the Aborigines in getting the indigenous training scheme up. We support that and we have offered to be involved with that because we have done work with Aborigines before, just in a sponsorship way, not related to our business, and Kempsey is a very strongly indigenous town, so we thought we would be a good example for that. We were not chosen but we will be very happy if that scheme works. TAFE—which is what I would like to say something on—I think is the real opportunity. I think at the moment TAFE is disengaged with our type of industry.

I think society has disengaged with the manufacturing industry largely. We have involved ourselves very strongly with service industries and TAFE is probably doing an acceptable job with hospitality and issues like that. I think they then moved to what I would call recreational issues and courses, and there is no relevance, no interest with us. I think they should know about their local communities; what the industries are; what the needs of those industries are; and can they provide things. I certainly think they can. They are an underutilised resource, and if they knew what we required I think they would be very capable of taking an AGSM-type thing of getting modular courses and maybe even doing some accrediting of things that are going on in training at the moment.

Mr IAN COHEN: Could you give an example of the type of job that you could see in your industry where TAFE could effectively play that role of training?

Dr HEAD: One of the things we find is that as you grow you get a very good worker and you say, "We will make you foreman, supervisor, whatever, or manager of a section". That very good worker very often has no skills in managing other than his innate skills, which are sometimes there and sometimes they are not, and they need to be taught that conversion, of how to communicate with people: stop doing the job and start conducting; leave the trumpet pit and get up and take the baton where you are not actually running in to solve the problem by grabbing the violin or the kettle drum or whatever it is, you are actually realising your value is conducting everyone together. A lot of these people feel, "If I am not doing it, I am bludging. If I am just watching and guiding and anticipating problems, making sure people are properly trained and understood", and they are often more comfortable in hopping in a forklift and being in another shed doing physical work and not managing because they think it is sort of a bludging job. So we need to train them that their role is very valuable and to do it and to communicate and how to communicate, because in saw milling everyone walks around with earmuffs on, so it is not a naturally communicative place. And these are often laconic country people where communication is not the natural skill that they are practising all the time. So I think that is one area.

TAFE run a machining course in Newcastle. It is very difficult to get people down there but we can do a lot of the training on-site if they did modules in our area and came up and said, "We will give you some theory". We have guys up there sawing and they did not know why they were doing things one way and this saw-milling guy suddenly came up and said to do it a little bit different, and they said, "Why should I do it differently?" Then they explained it to them and they said, "I never understood that before. Now I know what I'm doing". So I think TAFE should not try and create one everywhere—Coffs Harbour, Kempsey, Newcastle—but they should have centres of excellence in things which might be in Newcastle for machining, for example, but then they reach out to the other TAFEs at Coffs Harbour or Bathurst or wherever, and say, "Would you like us to come around and do a two-week course in this or a modular course in that?"

That is the approach. If you look at the Australian Graduate School of Management or any other postgraduate school, that is what they are doing now. They are identifying needs, then they create a course for it and if they have identified it well people say, "We are happy to pay for that".

The Hon. PATRICIA FORSYTHE: In terms of your industry and the location of factors that determine where you are, are you at all flexible? In terms of cost, must you be located near your raw material? In other words, can you go to where the labour is or must the labour come to you?

Dr HEAD: It is very simple: timber is a very bulky product where during its processing it is reduced a lot in volume into a variety of different products which are going to different spots, and it is reduced in volume by drying in our case, so the weight factor goes down. Our biggest issue is transport. Two things have changed: in the old days very simply people found a forest; they whipped in with minimal capital equipment; they thrashed it out; when the forest had had it they either retired or they found another forest, picked up a minor amount of equipment and headed off again. What happens now is if you get into value adding you have very, very major investments. We just did our insurance the other day: \$22 million worth of stuff there.

That kind of investment, which is all plugged down and nailed down and cemented in and stuff like that, cannot be moved. So that means we want our forests being sustainably managed so they are not thrashed out because we want to be there for a long period of time. We are looking for sustainable forestry and we have got to be as close to those forests as possible to minimise the transport costs.

CHAIR: I would like to thank you for coming here today and for your contribution. I know you have come a long way.

Dr HEAD: Thank you for the opportunity.

CHAIR: Should you feel that there is anything that you want to add please feel free to do so.

(The witness withdrew)

CORRECTED

ROBYN ELLEN HOLLOWAY, Assistant General Manager, Sunny Brand Chickens Pty Limited, P.O. Box 1996, Byron Bay, sworn and examined:

CHAIR: In what capacity are you here today?

Ms HOLLOWAY: I am here representing the company in my position as Assistant General Manager.

CHAIR: Would you like to make an opening statement?

Ms HOLLOWAY: I have just written down some details here so that people will understand a little bit about Sunny Brand Chickens. We process about 250,000 birds a week at a processing plant in Byron Bay. We also have farming establishments that we have our breeder flocks on, and we also have a hatchery. I have just written down some of our staffing levels for you. In our administration we have 21 people. In our farming section we have 68. In our hatchery we have 26. In our production plants with direct employees we have 187. Maintenance staff we have 14. Apprentices 3. In direct staff we have 319. We also have Asian contractors and we have 16 Asian contractors, most of them from Vietnam. We have AICA contract boners and we have 24 of those.

The Hon. MELINDA PAVEY: What are AICA boners?

Ms HOLLOWAY: Australian Independent Contractors. We then have contract labourers of 50, totalling 90 contractors. So our total staff is 409. The main problems we are facing at the moment are constant staffing shortages in all areas. We recently put on 14 Sudanese people, but that in itself has created quite a management problem.

The Hon. MELINDA PAVEY: Is that because of the language barrier?

Ms HOLLOWAY: The language barrier and their culture. We just cannot quite get through to them that they have to turn up to work when we want them, and not when they would like to come to work. It is very difficult to try to manage them and for them to understand. We have given them mentors, but it is very difficult. There was a problem with the Asian people when they first came on site, but not the local people are becoming more and more accepting of them. That is basically the structure of the plant.

CHAIR: Ms Holloway, did you have more to say?

Ms HOLLOWAY: Yes. Of our direct employees, after they have been with us for three months, we sign up each one of our staff members on a level three food processing course through East Coast Training. Our farming people we sign up through TAFE, on a level three agricultural course. And, of course, our apprentices do their apprenticeships through the TAFE system as well. When they have finished the three-year food processing course, they are then given the option to go on to frontline management courses. However, our staff turnover at Byron Bay is significant and is a huge problem on a daily basis.

CHAIR: I come from Griffith, where we have a major poultry firm that is experiencing exactly the same problems that you are. Why do you think that is—because it is not a really skilled job? Certainly, there are some skills involved, but it is not an overly skilled position.

Ms HOLLOWAY: No, it is not. However, currently we are looking for fitters and mechanics, and we want a warehouse manager, which is a fairly detailed position. We cannot get anybody. We have advertised in Queensland and New South Wales. We got two applications that really were not what we were looking for. Those jobs are a little more skilled.

CHAIR: The point I was trying to make is that on any give day the firm in our area has anything from 30, to 40 to 50 vacancies. Is it just the particular job of processing poultry, or is it the awards that they must be under, or what do you think?

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Ms HOLLOWAY: To encourage people to come to work we pay above award. The poultry processor is a level three employee, but most of our people are on level five. We encourage them to stay with us and to learn the extra skills, and we put them on level five, but that still does not alleviate the problem with the turnover.

The Hon. MELINDA PAVEY: What take-home pay would that be?

Ms HOLLOWAY: Most of them take home nearly \$600—about \$570 to \$600. That is for the process worker.

The Hon. MELINDA PAVEY: For 35 hours?

Ms HOLLOWAY: Thirty-eight.

Mr IAN COHEN: I am wondering, Ms Holloway, whether the real estate and the nature of the Byron town are creating a situation where the sort of people who would work for you just cannot afford to live there any more. Have you found that?

Ms HOLLOWAY: Most of our staff come from out of town. Yes, they could not afford to live in Byron. They come from Brunswick, Ocean Shores, Lismore and Ballina. So they do have to travel.

Mr IAN COHEN: Can you see any resolution to that problem of affordable housing? Is there anything that your organisation has been able to look at to assist workers to survive there?

Ms HOLLOWAY: Not in Byron Bay. But I believe the owners are looking at other options involving moving elsewhere.

Mr IAN COHEN: For some of the jobs that you mentioned, in that area, or anywhere along the coast, there is generally a shortage of those types of skilled labour.

Ms HOLLOWAY: Yes.

Mr IAN COHEN: Whilst I appreciate the levels of pay, is it the case that the conditions there are not conducive to attracting people from other areas of employment?

Ms HOLLOWAY: That is right. That is why we have gone into contracting. The boners are on contract, and they take home \$1,000 a week. We can rely on them a bit more, because they do get that money. But we have to have the boning done, and that is why they get the extra money.

The Hon. PATRICIA FORSYTHE: In trying to deal with the skills shortage, and appreciating that you have gone to contracting, have you any strategies working with, for example, a regional development board or your local council? Are you part of any broader marketing strategy for the region?

Ms HOLLOWAY: Certainly not with our local council. I do not think they really want us to be there currently. However, I work with Australian Business Ltd and I liaise with them on a regular basis. I believe there is a shortage of skilled people, such as warehouse people and fitters and machinists. They are just not about.

The Hon. MELINDA PAVEY: Has your company done any research or work in Sydney? I would think people would be surprised to know that if they wanted to be a contractor in the Byron Bay area they could earn \$1,000 a week. That may be so also for warehouse people in Sydney. Are you able to connect at all with the Sydney marketplace to try to get some persons with those skills to come from Sydney to what many people see as paradise?

Ms HOLLOWAY: We have advertised in Sydney. When we advertised for the warehouse person—and we were quite desperate for that person—we advertised right along the east coast of Queensland and also in the Sydney newspapers, as well as on the Internet. However, as I said, we got back two applications, and they were just not what we wanted. For fitters and machinists, once again

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we did the same thing. We went through employment agencies, because we thought they might be able to do a better job, but we did not get one response.

Mr IAN COHEN: You mentioned the council. I actually live in the area, and I know the council well. A couple of issues I think you have are the smell, which has become a public issue, and pollution or perceived pollution problems. I am wondering whether you have been able to deal with that. How does that focus rate in terms of taking on some of the innovative opportunities there with different companies which I know have been involved in dealing with pollution issues and effluent issues and the like?

Ms HOLLOWAY: We have been very committed. We work with the Environment Protection Authority. I believe the Sunny Brand has achieved outstanding results. We do have a sewage plant not too far from us, and I think people sometimes confuse the smells.

Mr IAN COHEN: I beg to differ on that one. They are very distinctive smells.

Ms HOLLOWAY: I believe Sunny Brand is doing a very good job working with the Environment Protection Authority. But there is a lot of propaganda going on at the moment, with fliers being put out and so on. I do believe it is propaganda. I don't believe the smell is that bad. Sometimes it can be, but I do not believe it is that bad.

Mr IAN COHEN: You mentioned 68 farmers. Are they separate subcontractors, or are they part of your business?

Ms HOLLOWAY: They are part of our employees.

Mr IAN COHEN: So these farmers, with their chicken raising areas—

Ms HOLLOWAY: I was referring to our breeder sites and our hatchery sites.

Mr IAN COHEN: So you hatch and breed, and then you contract out the growing of the chickens and their delivery back to the factory?

Ms HOLLOWAY: Yes, we do.

Mr IAN COHEN: Are they all in that local area?

Ms HOLLOWAY: Not Byron Bay, but in the Casino-Kyogle area.

Mr IAN COHEN: So they are in addition to the 68 people that you directly employ?

Ms HOLLOWAY: Yes.

Mr IAN COHEN: How many people are there in allied subcontracting?

Ms HOLLOWAY: There are 14 broiler sites, and each of those places is a multimillion dollar establishment. They employ their own staff and supply us with the product.

Mr IAN COHEN: There has been quite a change in the industry, I understand, in that a lot of local family farms under contract with your organisation have been unable to keep up with the development of more modern equipment and conditions and such, and have actually fallen by the wayside. Has there been attrition in terms of people employed regionally?

Ms HOLLOWAY: I think you are referring to a couple of particular farms. One was operated by an older person, who I think was looking at retirement, and he certainly did not want to put the money into upgrading. The other person was breaking a lot of our regulations. If you have broiler chickens, you have to have a very strong standard that you operate to as far as quarantining and so on, and he was not meeting those standards. But it is very secure for those contractors to be doing that work for Sunny Brand.

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Mrs CHRISTINE ROBERTSON: Are the positions that you have had difficulty filling being advertised as permanent positions?

Ms HOLLOWAY: Yes, they are.

Mrs CHRISTINE ROBERTSON: So the contracts are permanent full-time contracts?

Ms HOLLOWAY: The contractors that we have through Australian Independent Contractors have 38 hours a week, plus overtime, and they are guaranteed a position as long as they turn up.

Mrs CHRISTINE ROBERTSON: So they are not like casual labour?

Ms HOLLOWAY: No, not at all. Basically, we do call boning skilled labour.

Mrs CHRISTINE ROBERTSON: Yes, I understand.

Ms HOLLOWAY: We need them, and they have got quite a secure position there.

Mrs CHRISTINE ROBERTSON: Who competes with you in, say, the north of the State for positions like boners?

Ms HOLLOWAY: There is a place up the coast called Nerang Park Poultry. He also contracts Asian people, what we call the 99 Contractors. That is their name. He is up the coast, at Surfers. Then, of course, there is Golden Cockerel in Brisbane, and—

Mrs CHRISTINE ROBERTSON: Are these Australian Asian people?

Ms HOLLOWAY: Yes. We make sure that they are all legal residents. Then in Brisbane there are Baiada and Steggle and all the big companies.

The Hon. MELINDA PAVEY: Ms Holloway, do you have any ideas about some of the solutions that the Government could implement to improve the position of the shortages that you are experiencing across the whole of your enterprise?

Ms HOLLOWAY: I have thought about this since I was asked to come down today. I really do not know what the answer is. I believe we have tried to do everything we can, with TAFE training and certificate 3—

The Hon. MELINDA PAVEY: So you have a good relationships with TAFE and East Coast Training?

Ms HOLLOWAY: Yes, very good relationships.

Mrs CHRISTINE ROBERTSON: Has the population of the area changed so that the kind of persons who may want to work with you are no longer there?

Ms HOLLOWAY: I do not believe the population has changed. I particularly do not target people who are just coming to the area for a holiday.

Mrs CHRISTINE ROBERTSON: Yes, I understand that.

Ms HOLLOWAY: I like to target permanent people and to make sure they have been there for quite some time. But we have other issues in Byron as well that make it very difficult from a management point of view.

CHAIR: I will have to wind it up there. I would like to take this opportunity to thank you for coming here today and for your contribution.

(The witness withdrew.)

CORRECTED

GARY FORBES BURRIDGE, Chief Executive Officer, Northern Co-operative Meat Company, Casino, New South Wales, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr BURRIDGE: I am here representing the company.

CHAIR: Do you wish to make a brief opening statement?

Mr BURRIDGE: I most certainly will make a brief opening statement. Firstly, let me thank you for the opportunity to be here. Secondly, I would like to describe the company where I work and for which I am the Chief Executive Officer. We are a co-operative, owned by 1,650 primary producers and we employ between 800 and 1000 people across three separate operating divisions. Skills shortage today is a major concern for any industry, particularly in rural Australia, and I openly welcome the opportunity to discuss it with you here today.

CHAIR: Thank you.

The Hon. MELINDA PAVEY: Where are the three sites of your production facilities

Mr BURRIDGE: They are all in the Northern Rivers region, one just in from Bangalow, the other two at Casino. It is in a rural area that has the highest unemployment rate in Australia.

The Hon. MELINDA PAVEY: Tell us about the skills shortage problem.

Mr BURRIDGE: I suppose, to give you an idea of the skills shortage. When you employ 800 to 1000 people you have a natural attrition rate and turnover rate. We are predominantly looking to employ between 200 people and 400 people a year because of the natural attrition rate and staff turnover. The Y generation certainly has a different focus on employment than was the case 10, 15 or 20 years ago. It has an effect, and getting skilled tradesmen is difficult. We have been advertising for eight months for an electrician. We train all our own people. We have all our people trained in the MINTRAC meat modules to Certificate 3 and 4 and right through to diploma in meat management level.

The Hon. MELINDA PAVEY: Is that done in consultation with TAFE or is that all done on site?

Mr BURRIDGE: We do not use TAFE because TAFE does not support us in New South Wales at all because of government constraints. We use people out of Queensland.

The Hon. CHRISTINE ROBERTSON: Private contractors?

Mr BURRIDGE: Yes, private contractors out of Queensland. Our proximity to the Queensland border makes it simpler to do that then try to bring people involved with TAFE up from down south.

The Hon. MELINDA PAVEY: These Queensland contractors provide the training onsite at the three locations?

Mr BURRIDGE: Onsite. We have a separate facility. We converted a company home into a training facility, decked it out complete with computers and everything. Every one of our boners and slicers that have been through now has essentially trade qualifications. Most of the people we employ today are fully trained. We run the full training modules right through for them.

CHAIR: Do you attract labour from Queensland?

Mr BURRIDGE: No. The State Government has done a pretty good job of making that a pretty difficult task, particularly with the on-costs that we bear with our State Government taxes and

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charges. Payroll tax, workers compensation and freight disparities between New South Wales and Queensland make it particularly difficult to compete on a dollar-for-dollar basis on labour.

The Hon. MELINDA PAVEY: A quarter of your work force is turning over every year and you have to train others.

Mr BURRIDGE: I would like to qualify that. The work force turnover that we have is in a casual pool. Our permanent pool is somewhere around 650 to 700 permanent employees. We have a casual pool that we top up because of seasonal conditions. It is the nature of our business. The unfortunate part of it is that if you cannot get a skilled permanent work force you cannot employ casuals. That is the dilemma we are faced with. If you cannot operate your business with the skills base that you need—that is, highly-skilled boners, slicers and tradesmen, whether they be electricians, fitters or plumbers—you cannot employ the unskilled labour to support them.

The Hon. PATRICIA FORSYTHE: How many apprentices do you employ?

Mr BURRIDGE: I will check. I have it written down here. At the moment we have 10 apprentices and 38 trainees.

The Hon. CHRISTINE ROBERTSON: To what trades are they apprenticed?

Mr BURRIDGE: Fitter-turners, electricians, plumbers and mechanics.

The Hon. PATRICIA FORSYTHE: You are obviously a fairly big employer in your area. Would you, for example, participate in high school career nights and things like that?

Mr BURRIDGE: I do. I go down and talk at all local high schools and I take the time out to talk at careers days. I am pleased to brought that up because the education system has some failings that need to be addressed. The idea of instilling in children the concept that they are not successful if they do not have a degree is something that has evolved over the years and has to somehow be corrected. I personally look to the government to start doing that. The lack of knowledge of teachers and career advisers in high schools is also a limiting factor. They should be made to go to industry and understand what is available in the area.

The Hon. PATRICIA FORSYTHE: Do you invite careers advisers to your operation?

Mr BURRIDGE: I most certainly do.

The Hon. MELINDA PAVEY: do they come?

Mr BURRIDGE: Not as often as I would like.

The Hon. CHRISTINE ROBERTSON: But they have been on some occasions, have they?

Mr BURRIDGE: Yes. I attend careers days that are organised in the local area. We run a venue there so that we can also attract labour when we are at those careers days for the high school children.

The Hon. PATRICIA FORSYTHE: Do you fill every apprenticeship or traineeship vacancy that you have?

Mr BURRIDGE: Yes, I would say we do, most of the time.

The Hon. PATRICIA FORSYTHE: So that the problem is not at the starting point of getting your apprentices or trainees. If you are talking of a skills of shortage, you mean experienced people that you might need to fill positions?

Mr BURRIDGE: No, I think it is both. The problem with filling vacancies is the calibre of the people who quite often apply for the position. That is not meant in a derogatory sense. I also employ five butchering apprentices, who are trained in retail butchering as well. Even though we are a

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large food processing facility, I have taken on a group training arrangement whereby they get so many months the year outside in retail experience, then come back into our facility. At least they bring with them of the customer's perspective, that is, the end user or consumer expectation of what they want. We have gone down the group training line for that reason, to try to grow that part of our business.

Mr IAN COHEN: What is the rate of attrition, once you have trained them? Do they leave then?

Mr BURRIDGE: No, we have a fairly stable work force. I would say that up until five years ago we were looking at less than 3 per cent turnover.

CHAIR: This morning we heard from witnesses representing TAFE. We asked them several questions as to why young people prefer to go to university and we cannot get people into apprenticeships. They said that there was not enough liaison between TAFE and employers to try to get the courses established early enough in order to be able to fill some of those positions. In other words, by the time were able to establish some of those courses it would be two or three years down the track when, in our changing world, those courses were no longer what was required. What do you say in response to that?

Mr BURRIDGE: I think that TAFE, to some degree, is underfinanced and underresourced. I put it as bluntly as that. I say to you quite respectfully that my apprenticed butchers have to go to South Bank in Brisbane for their block courses and their training.

The Hon. CHRISTINE ROBERTSON: Where is the nearest training facility?

Mr BURRIDGE: The nearest TAFE? There is one in Casino, one in Lismore and one in Wollongbar.

The Hon. MELINDA PAVEY: Do they provide a butchering course?

Mr BURRIDGE: No. They cannot supply there because they do not have the resources.

The Hon. CHRISTINE ROBERTSON: Where is the nearest butchering course?

Mr BURRIDGE: As I said, South Bank in Queensland. I suggest the best way for us would be for the Government to move the border to Grafton. It would make life a lot easier.

The Hon. CHRISTINE ROBERTSON: Where in New South Wales is the nearest butchering course?

Mr BURRIDGE: I think it is Newcastle.

CHAIR: Do you think there could be a better relationship between employers and TAFE to try to either come that situation? If so, how do you think it could work?

Mr BURRIDGE: I regularly meet with TAFE in regard to our electricians and fitting apprentices—and this is as the chief executive officer of the company. I engage TAFE to conduct training courses at our site for our engineering personnel, with regard to AutoCAD or CAD programs. We try to engage TAFE. We would prefer to be using TAFE than external service providers. That is an internal philosophy that we believe in. I think also that recent changes to the apprenticeship structure to accommodate in-house training have worked against industry to some degree.

The Hon. PATRICIA FORSYTHE: Why is that?

Mr BURRIDGE: Because the modules that they have set up may result in a person achieving qualifications that they no longer makes them suitable for a given industry.

Mr IAN COHEN: You have said there is a very low rate of attrition after training. Why the shortage?

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Mr BURRIDGE: We have people leaving us today who are permanent employees, and have been for more than five years. They are not leaving to go back into the meat industry; they are making decisions to go into lifestyle businesses or opportunities. They are not going from our facility into another meat processing operation. We conduct exit interviews with every employee and we follow it through. Some are going into the medical profession, some into hotel-motel operations, whether as caretaker or operator. Most are not going into the meat industry per se—our permanent work force.

Mr IAN COHEN: Much of it really is physical repetitive work. Is there is a limited time that people can last in the job?

Mr BURRIDGE: No, definitely not. We have one of the best safety records in the meat industry in Australia. So, no, that is not the case. We do not drive our people in that way. Those who are leaving are the younger employees.

The Hon. MELINDA PAVEY: Are they going on to something else?

Mr BURRIDGE: Some of them are, some are not. To be quite honest, a lot of them move forward to Queensland. We have an operation just outside of Bangalow, probably 100 kilometres from the Queensland border and a lot of the younger people move to Queensland. Queensland wage rates are slightly higher. I am paying around about \$850 a week to a skilled slaughterman who can move to Queensland for \$890 or \$900 a week. You ask yourself: How do they pay that additional rate? You just have to look at a few things to see how they can.

The Hon. MELINDA PAVEY: It is probably costing the same but you have the add-on costs?

Mr BURRIDGE: It is the add-on costs that limit us. By way of example, transport restrictions in New South Wales cost us \$1.3 million per year.

The Hon. MELINDA PAVEY: It is important to also point out that you are a co-operative. You are not giving a return to shareholders.

Mr BURRIDGE: What happens is that we reinvest any earnings back into the facility. We give the shareholders a very modest return on their investment. The total investment capital is an extremely small amount and I would rather not have that recorded in the transcript. It is relatively small. The earnings of the co-operative go back into the co-operative, so we are not taking them as a private company would do.

The Hon. GREG DONNELLY: The turnover appears to be essentially among unskilled employees, if I can put it that way. Is that fair comment? You spoke about the 200 to 400 per year turnover in your operation. I gleaned that that was essentially among the least skilled workers. Is that right?

Mr BURRIDGE: Not necessarily. It is across the spectrum. It is very age-predominant or slanted. It is slanted into the younger age group that creates the turnover. Historically, we would have young people start with us. So that everyone in this room is aware, I have more than 100 people working for me with 25 years of service.

The Hon. GREG DONNELLY: I am attempting to get to the issue of the concentration of the turnover.

Mr BURRIDGE: The demographics indicate that it is in the younger generation. It is in the generation from under 21-year-olds and 21- to 25-year-olds. That is where the highest proportion of turnover is in rural areas.

The Hon. GREG DONNELLY: If we take as an someone who is locked into some form of credential that they were doing, receiving some formal training, surely the turnover there would be less than amongst the casual employee or least-skilled worker?

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Mr BURRIDGE: Yes, definitely. That is a fair statement, but I would make one comment: I do not class our casual workers as unskilled. I think that is the most important thing. When I train someone up, it normally takes them three months on our books to be effective, so they are not unskilled.

The Hon. GREG DONNELLY: I do not think you should put words in my mouth. I did not say that. I am talking about a person doing a formal credential, like a trade, clearly is not of the same skill base as a person who is a casual employee coming in doing some of the menial work within a facility. I do not think we can argue about that.

The Hon. MELINDA PAVEY: Mr Burridge is saying that the casual workers are not doing the menial work; they could be the boners who have to be qualified.

Mr BURRIDGE: The casual workers can be across a broad spectrum. I would say yes, the casual workers have a higher turnover, but I would say the driving force for that turnover—

The Hon. GREG DONNELLY: That is the point we are getting at. Why do you say there is a high turnover among the casual employees?

Mr BURRIDGE: Because of the nature of our business more so than anything.

The Hon. GREG DONNELLY: So what element of this nature of the business is driving the turnover?

Mr BURRIDGE: Floods, livestock availability. That turns that part of our business over.

The Hon. GREG DONNELLY: And that has got nothing to do with government policy, has it?

Mr BURRIDGE: Let me go on a bit further. On that particular aspect, if you could pay somebody \$50 week more in Queensland than you can in New South Wales they can sustain themselves a little bit longer when life gets a bit difficult.

The Hon. GREG DONNELLY: I think you are contradicting yourself because you have raised matters that have got nothing to do with government policy or government practice which impacts on your business.

Mr BURRIDGE: I disagree with that. When you put cost imposts on a business that restricts it by comparison to its competitor, which is just across the border, it limits the amount you can pay the employees.

The Hon. GREG DONNELLY: What is the hourly rate you pay your casual employees who do this work?

Mr BURRIDGE: Identical to whatever a permanent employee gets paid, plus a 20 per cent loading because they are a casual. I am not going to sit here and talk about individual wage rates but I can say to you that is the way in the trades they get paid.

The Hon. GREG DONNELLY: Let us talk about a band. Are we talking between, say, \$12 and \$15 an hour or are we talking between, say, \$15 and \$20 an hour?

Mr BURRIDGE: I would rather talk a weekly wage. They would be earning somewhere between \$650 and \$800 a week.

The Hon. GREG DONNELLY: That is a casual employee working 38 hours?

Mr BURRIDGE: That is right. And then on top of that they get a 20 per cent loading.

Mr IAN COHEN: You mentioned issues about transferring to Queensland and you have made quite clear your concerns about certain government imposts in New South Wales. Perhaps you

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would like to explain, is there not a impact on the difficulty of people living, say, around the Bangalow area with the rise of rents and the pressure through tourism and the change of the culture there, that people just cannot afford to live there, and that is not the fault directly of government policy but it is really a case of social change and pressures forcing people out of those areas—people that you would otherwise be able to employ?

Mr BURRIDGE: I accept some of those comments, but I also find it particularly difficult when you have got one of the highest unemployment rates in Australia in that area that those people are not available for work. Obviously they are able to reside there on an unemployment benefit. The problem we have is, I suppose, the affordability or the ability to live on the unemployment benefit.

Mr IAN COHEN: Maybe you have got a problem here of the conditions of work for people in those areas?

Mr BURRIDGE: I do not believe that is the case. In fact, I was quite surprised: I parked a truck outside Centrelink that was advertising for jobs. I actually sat outside and saw the number of young able-bodied people that walked into Centrelink. And when I asked if I could put a notice inside Centrelink I was told no I could not.

CHAIR: We will have to leave it there as time has run out. I thank you very much for coming this afternoon and for your contribution. You have come from Casino, so thank you for travelling that far to be with us today.

(The witnesses withdrew)

(Luncheon adjournment)

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DONALD JOSEPH WANT, Engineering Manager, W. E. Smith Hudson Pty Limited, P. O. Box 274, Coffs Harbour, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee today?

Mr WANT: Representing the General Manager.

CHAIR: Do you wish to make a brief opening statement or would you like to go straight into questions?

Mr WANT: If I need to outline our company's background I can do so.

CHAIR: If you could give us a brief outline.

Mr WANT: Our company originated in Sydney quite some time ago and in the government's decentralisation plans of the past we were a decentralised industry from Sydney. We are now around about 150 employees strong. We are in the heavy industry sector; we are a manufacturing industry; and we service petrochemical industries such as BPs, Caltexes, Mobils, nickel refineries, alumina refineries, gas processing plants such as Woodside—very large clients. We have not got a customer within 400 kilometres of Coffs Harbour and we can be exporting at any one time up to 80 per cent of our production, but this is up and down depending on the contracts that we have got.

We are competing all the time against overseas companies, competition both in Australia and overseas. We are regarded as fairly high in quality in our industry and our technology base has established our company worldwide. The type of material that we cover and equipment materials are all types of materials that we are involved with from carbon steels through to titanium and zirconium. Our equipment ranges from one tonne to the largest one that we are building at the moment of 475 tonnes, which we cannot get outside of Coffs Harbour by any other means other than bringing a large barge into the harbour and loading it onto the barge to take it to wherever it needs to go.

CHAIR: How many employees do you have?

Mr WANT: About 150.

The Hon. PATRICIA FORSYTHE: In terms of skill base, what is a range of people that you employ?

Mr WANT: On skill-based tradesmen we have got boilermakers, fitters and turners. Our boiler shop probably has, say, 25 qualified boilermakers and another 25-odd welders qualified, and those qualifications are quite intricate sometimes because of the work we do. The fitting and turning side, we would have probably 15 to 20 tradesmen there. We have got technicians to do radiography, ultrasonic and things like this—there are three to four of those. We have got technicians in our destructive laboratory, of which there are two of those. We have got engineers in our engineering department, of which there are five of those; draughts people who are qualified in computer drafting and so forth, which there are four of those, and various other administrative qualifications.

The Hon. PATRICIA FORSYTHE: Do you have any apprentices and trainees?

Mr WANT: Yes, we have got a number. We normally put on an average of three apprentices on the trades per year and we also put on trainee engineers.

The Hon. PATRICIA FORSYTHE: Have you experienced a skills shortage and, if so, in which areas, and is it something that has been a more recent development or is it something that has been a feature since you relocated?

Mr WANT: It really is up and down for us because typically our work is a contract basis, so if we get a large contract then we need to increase our workforce. So it is a little bit up and down, but due to our size and the average contract we have been handling, we have been able to establish a fairly steady work force. The advantage of being here in Coffs Harbour—a tourism location and a nice place to live—is that we have got an extremely stable work force. So we have got a very skilled and

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experienced work force that have been there for 20 to 30 years and we would like to build on that. At the moment, whilst we have been building six reactors—three for Australia and three for China—we have experienced great difficulties in increasing our work force. We have even had to bring in Korean tradesmen to try and boost our work force. But this is just on those particular reactor contracts.

The Hon. MELINDA PAVEY: What were the tradesmen from Korea?

Mr WANT: Boilermakers and welders,

The Hon. MELINDA PAVEY: What relationships do you have with local trading groups, whether it be TAFE or private training companies, to assist you in developing the skill sets that you need here?

Mr WANT: We have good relationships with everyone here locally, but, because we are a bit unusual for the country—most other industries are quite different from ours—we end up having to go elsewhere to try to source our extreme requirements for a skilled labour work force.

The Hon. MELINDA PAVEY: Do you have on-the-job training facilities and training modules within your organisation that you have to have here because they are not available in any other facility nearby?

Mr WANT: We have always had one of the supervisors, for example, on the boiler shop floor, and sometimes two, as teachers in the local TAFE. We have worked fairly close with TAFE, and at any one time we could have up to ten of those in the boilermaking course over the four years being our own.

The Hon. MELINDA PAVEY: At the local Coffs Harbour TAFE?

Mr WANT: Yes, in various years.

The Hon. MELINDA PAVEY: It is the predominant policy of State and Regional Development to help existing businesses grow, rather than to encourage other businesses to the region. Do you think if there was a stronger policy targeting getting steel fabrication or major engineering works to Coffs Harbour, for example, to work more closely with you, that that may help solve some of your training issues?

Mr WANT: It boils down to the whole philosophy that you people are trying to get at, because I believe that your terms of reference are only paying attention to the symptoms, not the cause. We could talk for days on this subject, but in our industry we are up against competitors overseas. We have been told by our governments for so many years that we have to establish an even playing field here in Australia. The news is that in our industry this is the only even playing field in the world. We have just lost a \$12 million project that we should have won. We built the project on Woodside phase 4 for the biggest LNG plant in the world, and we built the four largest heat exchangers in the world for that phase. Phase 5 of the Woodside expansion was a direct carbon copy of phase 4.

The Hon. MELINDA PAVEY: So all the intellectual work had been done.

Mr WANT: Yes. We had developed quite a technology, and that was the first equipment of that type, for that type of plant, that was actually commissioned without a problem, whereas all other similar plants established in the past had had untold problems in their operation. We thought we were in line for the project, but we did not want to sit back and feel very safe and over-quoted or anything, so we went in hard to make sure we were going to get it. But we lost it, and that really hit us hard.

We have lost it to an Italian company again. The Italian company, for example, seems to have assistance from the Italian government with regard to transportation—which seems to happen regularly. If we have to pay millions of dollars to get our product over inadequate bridges here just to get to the harbour, and then try to load it onto a barge in a harbour that is too shallow and subject to weather, it costs us heaps. How in the dickens can we compete, if everything else is equal, if a government is assisting our competitors to transport over here for virtually nothing, or at a reduced

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cost? All these projects are going on in Australia, like the Darwin LNG plant. We tendered really hard and competitively on that, but we got absolutely nothing out of it. All of it went overseas—to India, to Korea and so forth.

The other thing is, if we are going to have to compete on a level playing field, against all our neighbours, then we should take into account that we are paying our tradesmen and skilled staff, to retain them, decent wages. How can we compete when our competitors in Asia are paying them \$1 an hour, or something like that? Is this an even playing field? For us to be even with them, you are asking us to drop our standard of living substantially to be able to compete.

CHAIR: On your employment, you say you have three apprentices. Is that your annual requirement? Is that what you need?

Mr WANT: I have seen manufacturing declining in Australia over the past 20 years or more. We have been crying out to governments and trying to tell them what is happening. We have been trying to illustrate that if we had a very firm manufacturing base in Australia you would not have soaring social unemployment benefits and things like that. That would be a flow-on effect. I do not see the future for the manufacturing industry in Australia as being very rosy. So why should we put on a whole heap of apprentices when we are not sure of being able to give them a job in the end? There is a four- or six-year delay until they represent very good value on the skills side.

CHAIR: Do you have a stable staff at the moment?

Mr WANT: I think we have been relatively successful as a company in being able to give our staff stable employment for so long. Ever since I have been with the company, almost 30 years now, it has been fairly stable, although at times we have had to cut back. But, relative to other companies, we have been a very stable employer.

CHAIR: When you cut back, how easy is it to get back employees with the experience that you require?

Mr WANT: In some past cases, the tradesmen, for example, simply stayed in the area.

CHAIR: Unemployed?

Mr WANT: Yes, unemployed, which is unusual. If you went on averages, probably half of them would stay in the area and the other half would leave.

CHAIR: If they are good, skilled personnel, would it be difficult for them to get a job in Coffs Harbour?

Mr WANT: Yes.

CHAIR: So you have an abundance of skilled labour?

Mr WANT: It is hard for them to get a job in Coffs Harbour, because there is nothing like us in Coffs Harbour or the region. A good boilermaker who has very good particular skills and is highly qualified may get a general welding job with a more general engineering company, if he is willing to settle for less, type of thing, and does not want to uproot his family.

CHAIR: Are there any questions from Government members?

Mrs CHRISTINE ROBERTSON: No.

The Hon. GREG DONNELLY: Not at this stage.

The Hon. PATRICIA FORSYTHE: Are there advantages for your company in being located now in a regional area, as against being located in Sydney?

Mr WANT: As I have already mentioned, there is a very stable work force that we generate through being here, and in fact that is why I am here. I could get a more highly paid job if I chased the projects around, but this is a nice place to live, with a very good standard of living, and that is what keeps me here, and I think that is what keeps the majority of our employees here.

The Hon. PATRICIA FORSYTHE: Are land costs among the factors that would have brought you to Coffs Harbour in the first place?

Mr WANT: Yes. At the time we left Sydney we were in three factories, and we were still growing. We had a lot of problems there logistically, and by coming out to the country we could both expand and consolidate in the one factory. But there are problems with larger projects. For instance, we were tendering on a Madagascan nickel refining project that was coming up. It was going to be worth something like \$50 million if we were successful. We actually pulled out in the end, even though our technology to make those components was the best in the world, because we simply could not get those five components, which were each around 800 tonnes, from our factory to the harbour because of two bridges. No matter which way we went, we could not take them over the bridges; the bridges had been designed for normal traffic, not industrial-size equipment. So, in the end, we knew full well that if we were going to bid this contract we would have to make the components somewhere else, such as in Brisbane, Newcastle or Sydney.

Mr IAN COHEN: Mr Want, besides bridge and transport, are there any other specific issues that represent a disadvantage compared with being located in the western suburbs of Sydney or in other industrial areas? You have commented on the very substantial transport problems because you have big pieces of material to move. Are there any other specific things in Coffs Harbour that work against you, such as the way markets are set up, delivering goods on time, getting parts, and such like?

Mr WANT: I do not believe so. We have had to become a very self-sufficient company. Whereas a lot of our competitors in the city would subcontract out various other items, instead we have developed that here so that we are self-sufficient. If we are exporting overseas or to the other side of Australia it is no real disadvantage, although at times when we do need something quickly and there is a stockist in Melbourne or Sydney then, yes, we have to wait that extra day for it to get to Coffs Harbour. We do have extra costs that way. For example, in a recent project we had to roll some very thick barrels. We subcontracted them to a company in Brisbane. Their rolls broke while trying to roll our barrels. We had no alternative but to send them to the next set of rolls that were larger, which was in Perth. There were 44 approximately 15-tonne half barrels to roll. We ended up having to take them out of Brisbane, send them across to Perth and then have them sent back as rolled barrels. We incurred a significant loss in doing that, but the extra costs involved in getting it to Coffs Harbour, compared with Sydney or Brisbane, was only a fraction of that cost.

Mr IAN COHEN: Are you talking about road transport?

Mr WANT: Road transport. We looked into rail, which is not really set up for efficient and cost-effective transport for us. Whereas in the past we did use rail—we sent 44 heaters to the Wolseley alumina project in Western Australia all by rail, but ever since then rail has simply not been anywhere near competitive for us to consider.

Mr IAN COHEN: Could you see any specific industries that would give you an advantage of a certain economy of scale if it were to cluster in the Coffs Harbour area? Are there any allied industries that would be of advantage to both the local economy and to the sort of business and you have to undertake?

Mr WANT: Essentially, our biggest problem on most of our projects relates to materials. Certainly, if we had a little bit more in Australia with regard to mills—for example, there are no stainless-steel mills in Australia, so we have the ridiculous situation where we extract the raw material, send it overseas and have to buy back to get it here to use. There is something wrong there. That is a good illustration, as far as I am concerned. How can that be, when we are trying to be competitive around the world?

With regard to service industries, I think we are fairly well self-contained now, but it does come hard sometimes. That is what I am saying we have had to do, because there was nothing else

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around, such as radiographers, who could use our of radiographs through metal rather than humans. It is a whole new ball game. We had to get our own.

Mr IAN COHEN: Where did you source them? You said you moved from Sydney to this area to a lifestyle. Do you have a high level of maintenance of your work force due to living conditions? Do most of those working for your organisation come from outside in, or do you find that you are hiring locally and training up, and suchlike?

Mr WANT: We try to hire locally. For example, if I am to put on an engineer I will only advertise locally. I do want local people so that when they come back after they have finished their university course they know Coffs Harbour and they are used to it. They are used to a regional situation and, therefore, they are stable. That is our attitude to apprentices as well, although we take them from all over the North Coast. Over the last few years we have probably brought in more than we have produced or grown locally.

The Hon. MELINDA PAVEY: Is there anything related to the skills issue that we have not addressed and that you would like to refer to while you have the opportunity?

Mr WANT: I cannot emphasise enough that I believe you are attending to the symptom rather than to the cause. Do not get me wrong, because skills are very important to our company and in fact that is how we have done reasonably well. I believe the Government should be looking at other areas that will produce a solution to this problem.

(The witness withdrew)

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NICK CIANI, Workshop Manager, A. J. Mills and Sons Transport, Mayfield Street, Murwillumbah, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr CIANI: Representing Mills Transport.

CHAIR: Would you like to make a brief opening statement before questions commence?

Mr CIANI: Yes. Mills Transport is a road transport industry, involved in long-haul and short-haul cartage on the east coast, mainly between Brisbane and Sydney, and in the rural areas. We employ 294 people in our company and turn over approximately \$72 million in the last financial year.

CHAIR: For the benefit of the Committee would you tell us a bit about your staff, your drivers, and your staff turnover, and how you attract people and keep them employed in those jobs?

Mr CIANI: With the 294 employees it is probably broken into four areas with our long-haul drivers, and short-haul drivers—which are locally based—our workshop staff—diesel mechanics, welders, fitters and painters—and our administrative staff. With regard to long-haul drivers there has been a lot of media interest to the effect that is not very good out there. Our drivers have, on average, been working for us for between 15 and 25 years. They are older drivers. The company has been established for about 80 years and we have a base of older drivers. The new-generation driver is probably change, compared with the older-based drivers who will stay away from home for two or three days. The new-generation driver is probably more family-orientated. They like to get home every night of the week. They come into the industry and probably only last three or four months, if they can, and then move out again. Drivers are attending overall was time in that long-haul sector.

CHAIR: With regard to the longer-serving, older drivers, you must be doing something right to keep them. What percentage of those do you have and what do you think keeps them there?

Mr CIANI: Of our 60-odd long-call drivers probably 40 would be long-term drivers, born and bred in the Tweed. Mills Transport head office is based at Lismore, but the majority of our drivers are from Murwillumbah in the Tweed. They have grown up there and industry has grown with them. They will probably stay with us. We have good conditions and we do not push the drivers. We have good workshop facilities and the trucks are maintained well. The drivers are paid pretty well compared with other industries, such as the rest of the competition. They are on par. I think that is a lot of what keeps them there, the fact that they local drivers, local people.

The Hon. PATRICIA FORSYTHE: You have said the drivers are long-term and described them as older drivers. Is a significant number of them due to retire within a short period of time? If so, how will you will replace them? What strategies have you considered?

Mr CIANI: With those long-term drivers, we probably have in the next two or three years probably 10 to retire. These drivers are in an age group between 60 and 65 years. To replace them we have none.

The Hon. PATRICIA FORSYTHE: So what is your strategy?

Mr CIANI: Probably about 12 months ago we had a pretty good training regime in the sense that we used to have the cane haulage transport between the three mill areas, which is like training horses, I suppose: you can bring in a young driver with no experience and keep them round the local area driving a semitrailer or an off-road, and they work 24 hours seven days a week—a really good training regime. And once they wanted to move out we could put them on the road transport and on the line haul stuff. We have lost all that now. So we lost that sort of base.

We have our local depot trucks, which when you advertise you have got no problems finding drivers for local work but the problem is it is not so much driving a truck—driving is the easy part of the whole industry—it is more so the load restraint, how to load a truck properly, and all the other parts of that industry, which is a more important part. To try and train a driver it is not like a three-

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month course, that experience takes time, and to have somebody in your yard getting paid, which is employers' costs, there is no training in the regional areas for this—probably the cities have got better training facilities in that area.

The Hon. MELINDA PAVEY: Could we go into that a little bit more? In terms of training, what is on offer to you through TAFE and other private industry for both your drivers and your mechanics?

Mr CIANI: The drivers—you could probably only look into a traineeship for yardmen to learn and then gradually build into the road transport line haul. Once he has learned his yard part—the driving part—there is no training; it is up to the employer to try and teach that person to go further on. With our mechanics, and I have heard everybody talk about the same thing, that there is a problem with finding tradesmen—we have the same problem.

The Hon. MELINDA PAVEY: How many vacancies have you got at the moment, for example?

Mr CIANI: I would like to put in another two diesel mechanics if I could find them. We have probably changed our way in the last five years in going in and putting more apprentices on and it is a frustrating thing at the end of the four years because somebody else takes them off you. If they are any good they jump over the fence and away they go. Our biggest problem over probably the last two years, with the last three apprentices we have just finished off—really good young kids, local born—they have gone to the mines. The mines attract them.

The Hon. PATRICIA FORSYTHE: What would be the salary difference?

Mr CIANI: A big salary difference: In the area of the Tweed a good diesel mechanic would probably make \$40,000 to \$45,000 gross and go to the mines and make \$100,000, \$120,000, \$140,000.

The Hon. PATRICIA FORSYTHE: Is that a disincentive for you to train in the future?

Mr CIANI: No, not for us. Now we do our own employment side of things: we advertise. The best thing we have done at the moment is put on traineeships. It is hard to identify whether the young bloke wants to be a diesel mechanic, wants to get dirty; that is the biggest thing. They go through apprenticeship and after three years he changes his attitude and at the end of the day he just gives the employer a hard time. But the traineeships are working really well for us through school, through DETAC, which is our local at Lismore. So you have got them there for two years; they are going through year 11, year 12; we have them one day a week; they go to TAFE one day or week; and if the kid is pretty keen after two years he will stick to it and head straight into his apprenticeship and away he goes. We have found that to be a really good way of keeping an eye on them and seeing how fair dinkum they are.

Mr IAN COHEN: Do they come back after the mines? They train with you, they go to the mines—especially young blokes who want to get out and get experience—do they come back to working with you for the long haul?

Mr CIANI: One of the young blokes spent only eight months out there; he has come back and he is probably chasing a bit more experience elsewhere. Hopefully they will come back. We have a pretty good set-up in Murwillumbah in our workshop for the transport industry in what we do there. We used to manufacture our own trailers; we go right through the whole industry of transport. So if you become an apprentice there you get the whole thing—not just being a mechanic but the engineering side, the repair side, the painting side, the electrical side; they walk out with a pretty good trade at the end of it. But to try and hold them there is very hard.

I went through a phase probably 12 months ago going to my boss saying, "We need to pay more wages. We need to pay them more and more", which is good, but it still will not hold them there. I think young people now do not want to be a tradesman; I think they want to leave school; they want to make money. It is easy where we are at the Tweed and going to the Gold Coast: a young person of 17 or 18 can go up to the Gold Coast and become a builder's labourer and earn himself \$1,000 a week

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casual. So what if he only works for three months? He has three months surfing and then he finds another casual job. But that is the way it is going.

Mr IAN COHEN: That is a compelling argument. You mentioned before you do not push your drivers. You must be about the only one who does not. This is a big problem in the industry, is it not: deadlines, road conditions, the whole lot?

Mr CIANI: It is.

Mr IAN COHEN: Do you target specific types of jobs in the industry that do not run that gauntlet of really tight time schedules in terms of your overall business?

Mr CIANI: It is very hard to pick and choose what you want to cart because your major players are Coles—your big players.

Mr IAN COHEN: So you are doing the whole lot right across the spectrum?

Mr CIANI: That is exactly right. When management says we do not push our drivers, we do not tell the driver, "You must be there", they have got a set time slot. For instance, we do a lot of CUB, which is beer out of Yatala into Newcastle and Sydney. Once they have loaded they have an allocated time slot. So if they leave there at two o'clock in the afternoon they are allocated at least 12 to 14 hours to get in to Sydney and Newcastle, which is ample time for their breaks and everything. Once he leaves, as a transport operator you cannot follow him all the way down and say, "Hang on, you have got to pull up here". You have got your cameras now; you expect that the driver does the right thing. If a driver has got his own little rules and wants to go through and break all the laws, at the end of the day we will not have him there.

You would be surprised, with the New South Wales RTA now with cameras it is pretty hard to cheat. So if we get any complaints now from people we act on it pretty strict. The transport industry is really in an area now where we have to do the right thing on everybody's behalf.

The Hon. MELINDA PAVEY: The chain of responsibility legislation is making an impact?

Mr CIANI: Yes. That starts tomorrow.

The Hon. CHRISTINE ROBERTSON: I would like to know what your selection process is for the traineeships that you do through the schools?

Mr CIANI: We go through DETAC in Lismore. They advertise at the schools; they do all our advertising. Once they get the application then they will bring them to me at the workshop and then they will ring in for an appointment and then we just have a talk to them and we just go through that way.

The Hon. CHRISTINE ROBERTSON: You talked about elderly truck drivers. We have heard that truck drivers are scarce now. You are not yet affected by this problem?

Mr CIANI: We are affected. We have probably 200 registered vehicles. I could safely say there are probably 15 of those trucks parked with no drivers. So having a registered vehicle sitting there—if we found more drivers we would have them running up and down the road, it is just that we cannot fill those positions.

The Hon. CHRISTINE ROBERTSON: Why do you think this industry is having trouble filling its positions? I had even heard that America was having trouble and pinching our truck drivers.

Mr CIANI: Australian truck drivers are probably the best drivers in the world in the sense of the roads—the conditions they drive here. Overseas it is all straight; they hardly change a gear. Here our drivers are very professional in the sense that they can operate and maintain the gear. Being a truck driver now has changed to what it was 15 years ago. I have been with Mills for 25 years. I did an apprenticeship; I did interstate driving also; now I have become a workshop manager. Truck drivers now are people who come from a different industry. We have got one now who has only just started

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with us; he is a baker. He wanted a change. I looked at him and said, "You're coming from a baker to a truck driver? What is your problem?"

Mr IAN COHEN: It would be the same hours, would it not?

Mr CIANI: The same hours, yes. They look at the industry as making big money, but I think people get the wrong idea; they forget to count their hours; how many hours as a truck driver. When you boil it back down it is probably the worst hourly rate you could ever be on. But they get that impression. I could probably guarantee that he would only last six months and he would get back out of it again. I think they look at it as driving a big truck up and down the road. Whereas our older drivers are people who were born in the industry; they have grown up in the industry, and they will stay there.

The Hon. CHRISTINE ROBERTSON: It used to be a young man's dream.

Mr CIANI: It used to be, that is right.

The Hon. CHRISTINE ROBERTSON: So it has gone?

Mr CIANI: It has gone in the sense that the way the drivers want it to be now is they want to drive a truck from A to B; they park it; somebody else does the loading; then they pick it up and go again. That is the way that America and overseas run it. Australia is a little bit different. A good truck driver now loads his own truck with the load restraint guide; there is more pressure on him with the chain of responsibility now coming in. We have got to retrain all our drivers again to let them know their responsibility on the road, the loading, right down to the person who put that on there.

The Hon. GREG DONNELLY: I was interested in the comment you made earlier about having discussions with your manager last year about wage rates. I take the point that you cannot compete directly with the mining industry, or anything like that, but is there fierce competition amongst the truck driving companies to get drivers from each other these days? Fifteen trucks off the road out of 200 is quite a significant percentage I would have thought.

Mr CIANI: It is. And if you compare our company with other transport companies, because of our workshop Mills Transport have always had a policy in place that they do not change their trucks over. You buy a new truck—that truck stays virtually in the system for 3 million kilometres, and that is probably a 15-year-old truck. It is only because we have got a good workshop and we maintain them well and we keep them all going that way. The new-age truck driver now: we can buy two new trucks and we can have 20 drivers sitting on the doorstep saying, "I want to drive that new truck". They are just like big kids. And after six months he will get sick of that because somebody across the road just bought a better truck and he will jump over there. That is how the transport industry works at the moment.

If you look at advertising, especially around Melbourne, for truck drivers, they say, "You pick whatever colour, whatever truck you want to drive and we will buy it for you". And that is the way the industry is. And we have had drivers leave Mills to do this, and I guarantee in 12 months time they will be back. They will even take a pay cut to do that and realise at the end of the day that a new truck is no different than a truck that might be four years old, but at least they are making the money and they are being looked after.

The Hon. CHRISTINE ROBERTSON: And that is the work environment you work under?

Mr CIANI: Yes.

CHAIR: As an experienced person in the transport industry, where do you see that industry is going to be in 10 years time?

Mr CIANI: The whole of the population of this area seems to be growing all the time. It seems that there are more retirees moving in. Young people seem not to want to get into this industry, but the transport industry is still going to be there. The way things are going with fuel and everything, I think rail is really knocking at our door at the moment to change everything. Rail on the Gold Coast,

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in my opinion—and it is not an opinion I express for Mills Transport—I think you will find will end up with all the freight, with everything being offloaded onto smaller trucks and delivered that way.

Mrs CHRISTINE ROBERTSON: Like the old days?

Mr CIANI: Like the old days. I think that is the way it is going to happen.

Mr IAN COHEN: In terms of the design of the industry, have you looked at roll-on-roll-off being combined with rail? Is that something that you think your organisation would be able to work with if priorities change in the next ten years or so?

Mr CIANI: Yes. That sort of change could happen quite easily. We have been in the cane industry, where we had a roll-on operation, with a big bin carrying cane, putting down an empty one and picking up the full one and away you go. It is very good for short haul, because you are talking about moving big tonnage with fewer trucks.

Mr IAN COHEN: We are talking about Brisbane to Sydney and picking up at depots at each end with the right equipment.

Mr CIANI: That is right.

Mr IAN COHEN: Would there be any great changes in your industry? Obviously, you would need to have specialised rail roll-on stock.

Mr CIANI: That is right.

Mr IAN COHEN: But, from your side of the equation, is that a big investment?

Mr CIANI: It is not that big an investment. It is just changing with the times, and it would not be a big change to do that. If you have the right product and the right jobs, you could do that quite easily; there would be no problems there.

CHAIR: One final question. How are we going to get the younger generation back into that industry?

Mr CIANI: In the transport or workshop side?

CHAIR: The transport side. How do you see that being done, if you can encourage them?

Mr CIANI: It would help if employers could get a big of financial assistance, in the sense of training in their own depots, and building their group of drivers that way—that is, bringing them into the local depot, doing local deliveries, and learning how to load and unload a truck. At the moment, that is the employer's cost. To have an extra person in your yard who is virtually making no money for you is a really big cost on the employer. If there was a training incentive, you could put more people in your depots and keep growing your base that way.

CHAIR: Thank you for being here this afternoon and for your input.

(The witness withdrew.)

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WAYNE LOWE, Economic Development Officer, Nambucca Shire Council, and

PAUL HOFFMAN, General Manager, Express Coach Builders Pty Ltd, 36 McKay Street, Macksville, New South Wales, sworn and examined:

CHAIR: Gentlemen, could you state the capacity in which you are appearing before the Committee?

Mr LOWE: In support of the Nambucca Vehicle Body Manufacturing Cluster group of companies.

Mr HOFFMAN: I am here representing the cluster as well as Express Coach Builders.

CHAIR: As we have only 20 minutes on this issue with you, would either or both of you like to make a brief opening statement?

Mr LOWE: I have been working with the Nambucca Shire Council for about nine years now, and it has been a long journey developing an area. Back in 1998 we had a meatworks in the shire that closed, so there was urgency about getting some work and some good structure back into the Nambucca economy. Basically, we lost 280 jobs, and that had a flow-on effect of about 350 jobs, and we had an unemployment rate of 19.6 per cent at that time. In June last year, through a lot of hard work, we had that unemployment rate down to about 12.4 per cent. Part of that success has been attributable to the Nambucca Vehicle Body Manufacturing Cluster. One of biggest, if not the biggest, hurdle is to get training provided for that industry cluster so that it can continue to grow at its present rate of growth.

CHAIR: Mr Hoffman, did you wish to make a brief opening statement?

Mr HOFFMAN: Being the chairperson of the cluster group, I have been asked to be segregated from that for today's hearing and to just represent Express Coach Builders. Certainly, the cluster group itself and a number of businesses have identified that one of the major impediments for businesses in regional New South Wales is the issue that brings us here today. I take it a little bit personally, because when we first started Express Coach Builders we started with six employees, and today we have 90. In 10 years of operation, we have trained 35 apprentices and retained around 98 per cent of them. So we regard apprentices as very significant in the area.

Also, in growing the business, one of the things that we identified was getting training delivered to suit an original equipment manufacturing [OEM] market. As an original equipment manufacturer, we have identified a national training package, but it cannot be delivered in New South Wales. The cluster over the last five years, with the help of State and Regional Development and the Nambucca Shire Council and certainly Wayne, have put a lot of time and effort and representation into getting a nationally approved training package for our industry.

If I move out of the State tomorrow, I could have it delivered. But, in this State, under the so-called parameters of vocational training orders [VTOs], they must be supported wholly and solely by every representative on that board; and, if one does not support it, it does not go ahead. I find that very disheartening for those in regional New South Wales who are trying to grow their businesses. As I said, we have gone from 6 to 90. Currently, I have 35 apprentices and trainees. I have just finished a 25-student work placement program. We have worked very closely with our three high schools over a 12-month period. We rotate year 10 schoolchildren through our program. In that program we will cull that down—and I hate the word, but it has to happen—and every year we put on 12 trainees.

We had the opportunity to move into certificate II (Bus, Truck and Trailer) manufacturing under the accredited AUM package, but I cannot offer them a pathway. One of the secrets to getting our children back into the employ of business is showing them that there is a career path. I left school and did my apprenticeship, worked on the floor for 16 or 17 years, and managed to get to the level of a general manager. I would like to use that as an example for our kids when they come in and be able to say, "Look, this is what you can achieve." Today, having a dedicated career path, to show them that

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they can end up being managers and so forth within manufacturing industries in Australia, I think is critical, but the problem we have got is that in New South Wales we cannot do that.

CHAIR: I might stop you there for a moment and come back to that. I understand that you have written answers to some of the questions that were forwarded to you. Rather than use a lot of time giving those answers verbally, would you like to pass them up so that they can be incorporated in your evidence?

Document tabled.

Would you like to add to that?

Mr HOFFMAN: Yes. A case study has already been put forward.

CHAIR: The next thing I would like you to do, if you would not mind because of the time, is elaborate on the program that you are talking about so that we can all hear what you have to say and how you would like to see that operate.

Mr HOFFMAN: Especially today, dealing with our local economy and trying to keep our younger generation in our area I think are key to self-supportiveness in the local regions. As was said earlier, the population of regional New South Wales is not getting younger; it is getting older. So one of the key things we look at is trying to deal directly with our high schools, bringing in careers advisers, showing them what is available within our industry, and then providing the necessary means. When they go from that to the traineeship we offer a certificate II. If they achieve certificate II traineeship certification, we immediately offer them certificate III. We do not want to lose trainees out of our business, because we spend four years on them, and it takes five or six years by the time they are fully up to speed in building buses and coaches, which is what we manufacture. In that business we have 12 trades, and it is very difficult to get trades people coming in from those different trades. What we have identified is the skills and training within your local region.

CHAIR: Why cannot that be done in New South Wales?

Mr HOFFMAN: Could I?

CHAIR: Yes. That is what we are here for.

Mr HOFFMAN: The biggest problem we have got is at the Automotive Training Board [ATB] New South Wales. With the ATB we have raised the AUM package, which then had to be presented to the Automotive Training Board for approval.

CHAIR: I am sorry to interrupt you, but if you would like any of this evidence to be given in confidence, we would be very happy to do that and take the evidence in camera. It is entirely up to you. If you want to give it in public, that is fine by us.

Mr HOFFMAN: I would like it to be given in public, because I think it is one of the things that the public is not aware of.

Mrs CHRISTINE ROBERTSON: Can you tell us who the Automotive Training Board is?

Mr HOFFMAN: The Automotive Training Board is one of those departments in State government that I do not really understand myself. Apparently, when you have an AUM, or whatever the training is, it has to be approved by ANTA, which is no longer. I believe the national training package should be delivered throughout Australia. But it cannot be delivered in New South Wales, because we have another tier that says we must meet that criteria before we will allow it in New South Wales. The Automotive Training Board looks after the automotive industry and, because we fall into automotive manufacturing, they control any of the career paths or any of the training programs that can be offered in New South Wales. The North Coast Institute of TAFE locally has worked very hard. The curriculum centre in Sydney has developed the training package to be rolled out. But the problem we have got is that the Australian Manufacturing Workers Union will not agree to it. They agreed to the national package when it was set in concrete.

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Mrs CHRISTINE ROBERTSON: And it is the AMWU representative on the Automotive Training Board that is not agreeing?

Mr HOFFMAN: That is true.

Mrs CHRISTINE ROBERTSON: Thank you. Now we understand.

The Hon. PATRICIA FORSYTHE: Why?

Mr HOFFMAN: There is one person stopping it. If I knew why, I could answer all your questions. I have an e-mail. I got a little bit frustrated at the beginning of the week, because I have 25 kids that I have got to interview because we have finished our training program. Do I roll them into the certificate II, which they have already put in place for automotive manufacturing, AUM? If I do, what do I do at the end of it? I have 12 trainees that are finishing certificate II at the end of this year. What do I put them into?

CHAIR: What would you like this Committee to say to the powers that be?

Mr HOFFMAN: Have a rethink of the way these packages are rolled out. I thought that, at the end of the day, business drove training, but obviously business has no reflection on training today in New South Wales. I have even threatened to move the whole business out of the State, because 99 per cent of our product is not delivered in New South Wales; it is delivered in every other State of Australia.

The Hon. PATRICIA FORSYTHE: I should know the answer to this question, but, is the Australian National Training Authority [ANTA] agreement no longer in place?

Mr HOFFMAN: ANTA is not known by that name any more. There is still a national body. I cannot keep up with the amount of changes and acronyms they use, but there is another organisation that approves the training packages.

The Hon. PATRICIA FORSYTHE: It would all be signed off inter-governmentally. From the early 1990s there has been agreement across governments for training direction. That is clearly now not happening in New South Wales.

Mr HOFFMAN: Definitely not in New South Wales.

CHAIR: Is it something that is happening in every other State?

Mr HOFFMAN: There are 320 apprentices enrolled currently in automotive manufacturing [AUM], Bus, Truck and Trailer, throughout Australia. I have the Technical Review Committee coming to see me next week because they are going right around Australia, visiting all heavy automotive manufacturing companies because the AUM is up for review.

The Hon. CHRISTINE ROBERTSON: Which Minister has responsibility for this board?

Mr HOFFMAN: Carmel Tebbutt.

The Hon. CHRISTINE ROBERTSON: The Automotive Training Board?

Mr HOFFMAN: It is the peak industry training board.

The Hon. CHRISTINE ROBERTSON: Does Minister Tebbutt appointed members to the board?

Mr HOFFMAN: I believe so. I cannot answer some of the questions. I am not sure.

The Hon. PATRICIA FORSYTHE: Whilst she may appoint the board, there are specific criteria in regard to that.

Mr HOFFMAN: Industry representatives and so forth sit on that committee. I forwarded an email to Mr Ian Kingsley, because we met with Ian and the Department of Employment, Education and Training [DEET] back in early August, in Sydney. We had a round table conference with all the representatives of the AUM involved. To date there has been no resolution or outcome. One of the problems we have is that the union just will not sign off on, or will not agree to it. Apparently that is requirement to get a vocational training order [VTO], but no other State has a vocational Training order.

The Hon. PATRICIA FORSYTHE: just to be clear, it is quite feasible for companies such as you to consider leaving New South Wales because you cannot achieve your objectives. You have the New South Wales Department of State and Regional Development working with the Nambucca Valley group to promote a cluster. So, it is a recognised strategy to underpin your community, is that so?

Mr LOWE: It is identified in the business plan we started in 2000 and it is now well entrenched in the 2005 business plan. I think the biggest thing is the process, when you consider that we started this journey in 2000. It is now the end of 2005 and Paul has had trouble, struggling with all the acronyms. If you are not someone in the education system and you are trying to get effective action from those people, you will run around the block like you have never seen in your life. As far as I am concerned, I believe that the process for regional New South Wales to represent ourselves in order to get attention needs to be streamlined along the line. We have had promises since 2003 that we were going to get some action. It is now the end of 2005. It is really important, and I think that is what is being missed here, when a regional area that fell to the bottom, crawled its way to the top and, from the top, we have had no response.

The Hon. CHRISTINE ROBERTSON: In relation to this Training?

Mr LOWE: In relation to the training, yes. It goes across all industries in a regional area. We are dealing here and with just one sector of our economy. If we had to try to do this in every sector, we would need 10 Wayne Lowes out there pushing this barrow. We have had great assistance from Nigel McKinnon from the Coffs Harbour division of State and Regional Development. We have worked really hard with everyone. We have called meetings, and had everyone dropped their work to meet over this, and we are still banging our heads against the wall.

The Hon. CHRISTINE ROBERTSON: How have other coachbuilders dealt with this problem?

Mr HOFFMAN: They are now all interstate.

The Hon. CHRISTINE ROBERTSON: Are you the only coachbuilders left in New South Wales?

Mr HOFFMAN: There is another manufacturer in New South Wales, Custom Coaches, which operates in three other States as well. They come under the Federal Award and have the ability to tap into that particular market. To be fair, there is an automotive industry retail, service and repair [AUR] currently being delivered in New South Wales, which is the AUR for the repair industry.

The Hon. CHRISTINE ROBERTSON: Just remind me, what does AUR stand for?

Mr HOFFMAN: It is the automotive manufacturing repair industry. It is the training package designed, once the product has been built, to service and repair. We are one step above that because we are an OEM manufacturer, which is the AUM.

The Hon. PATRICIA FORSYTHE: How long does that training taking to run, two years or three years?

Mr HOFFMAN: It depends on what certificate level you want to achieve.

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The Hon. PATRICIA FORSYTHE: Do they start in high school with that one as well? Is that one of the pathways?

Mr HOFFMAN: Yes and, within the AUM, it goes to diploma level.

CHAIR: You have not had any success at all in relation to this?

Mr HOFFMAN: The carrot they gave us was the Certificate 2 in the AUM, Bus, Truck and Trailer, but I cannot offer that to an apprentice for a trainee because there is no career path to it. What do we do when we have done Certificate 2?

The Hon. CHRISTINE ROBERTSON: Do most of those you train come from local area?

Mr HOFFMAN: Like I said, we deal with our three high schools. When we grew the business—the problem I have is that we are taking orders into 2007 for production. I have already booked out our production for 2006. For us to grow our business we really need our training now. It is fundamental. The advantage with the AUM is that it allows more flexible training. Because of the structure and number of awards that we fit under it allows for on-the-job. The AUR is more driven at classroom-type training. That is where the flexibility comes into play.

The Hon. CHRISTINE ROBERTSON: I think the Committee has a really good handle on the issue you face, and has taken it on board. I am also trying get handle on your skills shortage issue. You are having on to your workers?

Mr HOFFMAN: Yes. This year I think we have lost to employees and both of those moved to Queensland, to the mining industry.

The Hon. CHRISTINE ROBERTSON: Why are you called a "cluster"?

Mr LOWE: That is why we try to separate ourselves here first. Because Paul is the leading member of a cluster and a leader in that area he has been dragged into say that he is pushing his own cause. There are five companies. In the Nambucca shire we have relocated six companies out of Sydney into the area of manufacturing, because in the Nambucca we have one of the largest reserves of approved industrial land, so that we are one of the areas that will continue to grow. I think that is often missed. A lot of people look at the major centres, but if they do not have infrastructure to grow—you have to look at the places that do. The other companies all our involved in the metal industry, that is why we looked this package. It is all about critical mass. If you do not have the critical mass you cannot get the attention of the training providers.

We have attracted a lot of companies into the area and we have companies that have grown in the area. We sent around a survey of skills amongst all those companies to find out the ones we could have covered with the best package and that is where this package came from. We have Comet Windmills that do sheet metal working. These guys can be brought in under that. There is Mainsail Australia, PCF Industries, Comet Windmills and Mid Coast Trucks. Mid Coast Trucks plans to expand its business. It is another cluster group of companies, probably the second-biggest group. Caracar Trailers, which relocated, is now up to about 50-odd full-time staff—I think it came in with four. So, we are a growth area.

As economic development officer, all the statistics I have from all of the bodies indicates that the Nambucca is a growth area, but everyone is refusing to listen to us. We are retaining our youth because it is no longer affordable for the youth to go to Sydney. The old dream of going to Sydney, getting a good job in buying a house is gone. Go to Sydney, get a job and cannot afford a house is more the case now. You have houses in the Nambucca at \$250,000—house and land—and if you get a job locally you can live better if you stay at home now. There are a lot of changing trends that I do not think people are looking at. I have a heap of statistics about our growth in the area, if any of you would like those forwarded on.

The Hon. CHRISTINE ROBERTSON: Have you had to import much skilled labour?

Mr HOFFMAN: There is not much skill to import.

The Hon. CHRISTINE ROBERTSON: Within Australia?

Mr HOFFMAN: In Australia.

The Hon. CHRISTINE ROBERTSON: You are developing your own skills.

Mr LOWE: With a 19.6 per cent unemployment rate, I think we would be irresponsible not to do that. We have to look after those who are there.

CHAIR: The Committee would appreciate it if you would leave those statistics, or send them to us.

The Hon. MELINDA PAVEY: Just follow up on that—and we really admire your passion, and respect it. The Committee heard testimony today from the North Coast Institute of TAFE. Those witnesses highlighted what you are doing in the Nambucca and said that cluster work is good. What can government and TAFE do better for you, apart from this specific problem on the accreditation of the training course, to support your automotive cluster in the Nambucca?

Mr HOFFMAN: The problem is that our focus has been on getting the vocational training order. I believe that is probably our biggest goal at this stage. It has been a five-year project to date and I believe that until we get through that we cannot look past it, if that makes sense.

The Hon. CHRISTINE ROBERTSON: Do you know what the industrial issue is with the Australian Manufacturing Workers Union [AMWU]?

Mr HOFFMAN: They tell business in New South Wales that the AUR is adequate for what is required for an OEM manufacturer.

The Hon. CHRISTINE ROBERTSON: So far as you know there is not industrial issue?

Mr LOWE: Just on your question, Melinda, about computer aided design-computer aided manufacture [CAD-CAM] and computerised numerical control [CNC] we recently did an industry tour. We have a Coffs Coast manufacturers group and we were between Coffs Harbour and the Nambucca. Just about every single company has put in CNC machinery—

The Hon. CHRISTINE ROBERTSON: What is that?

Mr LOWE: Computer-controlled machinery—and there is no training for it. It has not been identified. If we are to keep up the race with other countries, I really think we need to be training new people. Maybe three years ago we should have started. I have companies that are buying CNC machines for Comet Windmills that do not have a person who can operate them—and they are looking everywhere. I did not count them the other day, but we should have countered how many we came across.

The Hon. MELINDA PAVEY: Do automotive apprentices and trainees have to travel to Coffs Harbour TAFE campus for training?

Mr HOFFMAN: Currently, yes.

The Hon. MELINDA PAVEY: Have you thought of other ways of providing localised training using existing infrastructure within local businesses to save time and decrease travelling?

Mr HOFFMAN: That is widely cluster was formulated, because of the size of our business and the equipment and infrastructure we have. That was one of the main drivers behind it. The only way we can get a recognised training package delivered in that matter was to go to the AUM, because it allows flexibility of training. Currently I have Certificate 2 trainees. I have 12 existing worker Certificate 3 trainees going on at the moment as well—whose ages are between 23 and 50—with training being delivered on the job through the North Coast Institute of TAFE. The problem we have is that we have had to go around and pick out bits and pieces from different training packages because

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we cannot tap into our own training package for our industry. It makes it very difficult. At the moment all of the trainees I have are doing engineering fabrication, automotive painting and engineering production, which is not automotive manufacturing.

Mr LOWE: One thing we tried to do early in the piece when we found all these blocks, we thought we would get a private provider. We shopped around and found one in Queensland who was quite happy to come down and operate in New South Wales. Then we needed a training facility. We found one that was built by Ngurralla Aboriginal Corporation in the Nambucca that is still not being used. Basically, ARTEC Training from Queensland went to Ngurralla and said, "Can we use your facility?" They said, "Yes, great." The Aborigines would have been able to get training in a core industry within our shire.

When the training provider from ARTIC tried to become a registered RTO in New South Wales they were blocked because it was a thin market. So even when we tried to go it alone we could not go it alone, and that means we would have had the training in the Nambucca two years ago and those children would have been halfway through their apprenticeships by now.

The Hon. CHRISTINE ROBERTSON: Mr Lowe, this is way off tangent from what we have been talking about, but do you know if any Sudanese workers have been brought into Nambucca?

Mr LOWE: No, they have not, not that I know of.

The Hon. CHRISTINE ROBERTSON: I was going to ask you what industries they are in, but if you do not know that is fine.

Mr LOWE: I think you can tell who the Sudanese people are out there and no, I have not seen any in our factories in the shire.

CHAIR: Gentlemen, thank you both very much for your contributions today and also for the time you have given us. However, if there is anything else you think we would be interested in on that subject or on any other subject pertaining to your clustering please feel free to send it in to the secretariat.

Mr LOWE: I will not miss this opportunity to say one more thing. I work not just for the cluster but right across all industries in the Nambucca as Economic Development Officer, and I continuously hear from builders—everybody that wants to put apprentices and tradesmen on—that the levels of assistance that they are getting from government are just not enough. They would like to put two and three apprentices on in the building game, in all the building industries, and I have been asked by associates in the shire to please raise this one: that there need to be more incentives for the business people out there for apprenticeships.

CHAIR: Also, if you do submit anything it will be privileged, so it can be put on the record. Thank you for your submissions and for being here this afternoon.

(The witnesses withdrew)

(Short adjournment)

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KEVIN ARTHUR ABEY, Temporary Economic Development Officer, Armidale Dumaresq Council, 135 Rusden Street, Armidale, and

GEORGE BEECHER COWAN, Executive Manager – Economic Development, Clarence Valley Council, Prince Street, Grafton, and

ANDREW KEITH JOHNSON, General Manager, Guyra Shire Council, 158 Bradley Street, Guyra, sworn and examined:

PETER JAMES GARVEN, Human Resources Manager, Kempsey Shire Council, P. O. Box 78, West Kempsey, and

LINDA ELIZABETH KIRKWOOD, Human Resources Manager, Coffs Harbour City Council, Locked Bag 185, Coffs Harbour, affirmed and examined:

WAYNE LOWE, Economic Development Officer, Nambucca Shire Council, 44 Princess Street, Macksville, on former oath:

CHAIR: Welcome to you all and thank you for coming this afternoon with your submissions and also to answer questions. If you should consider at any stage during your evidence that certain evidence or documents you may wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Council itself may subsequently publish the evidence if they decide it is in the public interest to do so. Do any of you want to make a brief opening statement or shall we go straight into questions?

Mr COWAN: I am happy just to have questions.

CHAIR: If you all agree we will go straight into questions.

The Hon. PATRICIA FORSYTHE: Is there an acceptance at each of your council levels that there is a skills shortage and if so what strategies do you each have in place to attempt to deal with the skills shortage?

Mr GARVEN: I think the answer is yes. Linda Kirkwood and myself liaise quite closely, and I am sure the other councils will concur that within the local government there are significant shortages in the area of planners, both development control and, in particular I think, strategic planners. That is a particularly acute situation for councils. Also, health and building inspectors. You have competition from Sydney and Brisbane from private consultancies that lure these inspectors, in particular, away, offering them quite lucrative salaries, and it is quite difficult for councils to compete.

We are constrained by our budgets. In general, rate-pegging at 3.5 per cent impacts on our capacity to pay and compete, especially when you take into consideration award increases that flow on automatically. Last year, it was 4 per cent, and on 1 November this year it will be 3.5 per cent, and next year it will be 3 per cent. So our salaries are increasing and we are not covering the costs.

Regarding design and civic engineers: design engineers are in critically short supply, which delays and impacts on construction. In our region we have shortages in mechanical construction and in cabinet-makers, in chefs, in metal engineering and steel fabrication and that sort of thing. So it is quite significant.

CHAIR: If any members of the panel would like to add to that, please feel free to do so at any time.

Mr JOHNSON: Chairman, I would like to elaborate on those comments. Certainly at Guyra we have skill shortages right across the board, within council and within the community itself, but it is across all fields, whether it be accounting, whether it be engineering, whether it be planning, and even in some of the lower level positions in the organisation. We have difficulty, particularly being inland, attracting people. As the previous speaker said, the biggest problem that we face is the competition

CORRECTED

that the private sector can put in place. We have lost our last three engineers to the private sector. We invested heavily in training, only to see people being poached from us.

The Hon. MELINDA PAVEY: What sort of pay increase would those engineers have received when they left the council?

Mr JOHNSON: Somewhere in the vicinity of 50 per cent.

Mr IAN COHEN: Mr Garven, you mentioned the acute shortage of planners and strategic planners. How much of that is attributable to financial matters, and how much do you feel is attributable to the recent changes in planning laws, with integrated development assessments and essentially the hiving off of planning assessments to the private sector and consultancies? Could you give us an idea how that has impacted your council—apart from wage levels, because obviously it is very difficult for a council body to compete? Are you finding that planners who worked for you are going into consultancies, and how does that affect council?

Mr GARVEN: Yes, and yes. Financially, most definitely. As I have already stated, it is quite difficult for local government to compete against the private sector. We are losing them to consultants. The changes in regulations have impacted adversely on that. I think that touches on a much broader issue: the role of council. What are we here for? How do we compete? I think it will only progress further in that direction. It does put a strain on us.

Mr IAN COHEN: Does that have a flow-on effect of lack of corporate knowledge within the council, and lack of expertise to deal with what comes in from the private sector, where the expertise now resides? Is that something that goes across a number of councils here?

Mr GARVEN: I know at Kempsey it does. You have a brain drain, or the loss of intellectual property if you like. It goes, and then you have got to start afresh. At Kempsey we implement strategies like bringing carpenters from our work section into planning as trainees. Those are the types of strategies that we are implementing to accommodate that. I think it is similar with Coffs Harbour.

Ms KIRKWOOD: One of the issues with planners for us at Coffs Harbour is that often times it is easier to be the planning expert on the other side of the counter. The planners deal with quite a lot of stressful situations when they are on the council side versus representing the developer. So the environment can be a bit toxic for them. Also, a high percentage of planners who have come through council are females, and they increasingly want part-time work, which we do accommodate, but that means that we cut down on our percentage of full-time equivalents. In relation to the private sector taking our expertise, yes, we can cite that in Coffs Harbour. Recently, some of the most gifted planners have gone into business for themselves, or gone to work for other people.

The Hon. CHRISTINE ROBERTSON: How many councils still have environmental health officers?

ALL WITNESSES: We do.

The Hon. PATRICIA FORSYTHE: In the previous session we talked about Nambucca and the cluster concept. That is a particular strategy to grow an area and to build on the excellence of that area. Looking across the other local government areas represented here today, are there strategies that each of you have put in place that may be different from that sort of cluster but that are equally important in building on the strengths of your own region? If so, could you identify what they are, and how you have gone about effecting them?

Mr COWAN: For the Committee's benefit, the Clarence Valley Council is relatively new, being the product of an amalgamation a short while ago. I would certainly support the comments that were made about council staff. We have a particular problem with engineers, not so much in the planning area. It started a few years ago, and it has now slowed down because of the amalgamation. In the Clarence area we have not got to the stage of clustering, as has Nambucca, but we are working very closely with the chambers of commerce and our business enterprise centres. One of the products of that has been the creation of an organisation called Clarence Ahead, which is a vehicle to enable businesses to come together on an informal basis to address some of these issues.

In council's submission I raised the fact that we had done that and also referred to some of the training work of that organisation. Only last week we had a forum, inviting the registered training organisations to come together—TAFE and university. We had about a dozen of them, and we got as many as we could of the employee representatives into that same room, so that they could talk about what their training needs were. I think that was quite successful. It is very new, so we have not got any results from it, or product out of it. But the training organisations themselves said that they valued it and that they want to do it again next year.

Perhaps communication is one of the areas that has been a bit of a problem, in that I think some of the more traditional employer-type organisations, particularly in the trades, have not really taken advantage of some of the opportunities that are now presented by training organisations, particularly in terms of apprenticeships and traineeships, where those organisations bear the brunt of the employee aspects and leave the tradesman or small employer to do the actual on-the-job training. Those sorts of opportunities are out there, and I guess our initiative is about trying to get better information and better understanding about those matters.

The Hon. PATRICIA FORSYTHE: In the Clarence area, is it council that is taking the lead on the promotion of economic development, or do you have a chamber of commerce or another body taking the lead? Do you see it as your responsibility?

Mr COWAN: We do for economic development. The council formed an economic development unit out of the amalgamation. I am the manager of that unit. But, happily, I am able to say that the response from the five chambers of commerce and the business enterprise centres has been extremely positive. There is a really strong desire to work together with the council on those projects.

Mr IAN COHEN: Across councils, what is your experience with business incubators, and has there been support, federally or State, for those? Could you relate to the Committee any successes in your local areas?

Mr JOHNSON: I certainly can from Guyra's perspective. We have just put up one of Australia's largest tomato glasshouses in our area. That was accompanied by a fair bit of tension. That went ahead largely because of the co-operation that council showed towards the developer, and the assistance we provided, and hooking up with people such as State and Regional Development, which provided a lot of assistance in the form of dollars for training. So we certainly have been proactive in that.

Mr IAN COHEN: Was that with construction or with production?

Mr JOHNSON: It was largely with training after we got set up. The Department of State and Regional Development provided \$400,000 towards training. That was instrumental in attracting them from Victoria, which they were looking at going back to. That development will ultimately generate 500 jobs in a town of about 2, 000.

The Hon. MELINDA PAVEY: How did you get it?

Mr JOHNSON: It was between Guyra and Torquay in Victoria. With our weather and the co-operation shown by council we got it in Guyra. They also tried a similar development in North Queensland, but due to problems with red tape and the council up there they are still going, whereas we are up and operational.

The Hon. MELINDA PAVEY: So that the decision was based on climate and was market-driven, you being so close to Brisbane and Sydney.

Mr JOHNSON: It was very climate driven. We had the right number of days of sunshine and the right temperatures. It was cheaper to warm up the tomatoes during cold days than it was to cool them down during hot coastal weather.

CORRECTED

The Hon. MELINDA PAVEY: So far as skills for that operation are concerned, is it a low-skilled operation or have you had to bring in special training?

Mr JOHNSON: It is largely lower-skilled but a lot of university-qualified people have come in, particularly on the higher-level horticultural and development side of things. So it has been a bit of a mixture.

The Hon. CHRISTINE ROBERTSON: Do you still have a large unemployed work force from the abattoir?

Mr JOHNSON: Yes, when the abattoir closed in 1996 we lost about 20 per cent of our population, and a lot still travel distances to work. So those people were attracted back—rather than travelling to Inverell or Armidale.

Mr IAN COHEN: Was there a significant transfer from the industry to this project, or are we looking at a different labour and skills base?

Mr JOHNSON: At this stage it is a different base but, ultimately I think we are drawing a lot of people that did not have work or jobs of another type elsewhere.

Mr IAN COHEN: Are any other examples you could cite for the purposes of the Committee's records?

Mr ABEY: Yes, I can. I would give you the example of a project in which I am involved with Dr Roger Epps from the University of New England. He did some marvellous work in clustering in the township of Inverell, where there is a high concentration of metal-manufacturing businesses. These businesses saw the need to have a laser cutter but, unfortunately, the businesses in isolation could not justify the employment of a staff member, nor have that staff member trained. By embarking on a number of cluster activities, Dr Epps got the businesses together in a metal-manufacturing cluster and together they shared the cost of training that employee. They also worked a very flexible approach with the local TAFE to train that employee and they shared the cost of the equipment. Today they have access to a laser cutter, which obviously is good for business.

Mr IAN COHEN: That is sighted at Inverell, is it?

Mr ABEY: Inverell, yes.

The Hon. CHRISTINE ROBERTSON: (?) Sapphires, is it?

Mr ABEY: Yes. We are also looking at metal manufacturing in Uralla, which is just south of Armidale. Essentially, what we have seen is that the current drought has had a tremendous impact on the farming community and when farmers are not spending dollars that affects the support services in the community. We have seen that employees of certain support industries no longer have jobs, and migrate to the cities to look for work. What happens as a result is that as things start to get better with more rain, and farmers start to spend a bit more money on maintenance of equipment, they find it difficult to get access to skilled labour. You will see that happening throughout regional Australia.

The Hon. GREG DONNELLY: **The Hon. GREG DONNELLY:** Could I ask about potential shortages in areas other than those you have mentioned? With regard to councils, have you experienced any difficulties in attracting some of the semi-skilled people you referred to? You gave examples of skilled labour, but amongst the semi-skilled work force, are there any pinch points that you have experienced, or is it not generally an issue?

Mr LOWE: Not with our system, it is mainly the skills base mainly between Port Macquarie and Coffs Harbour, and Kempsey and Coffs Harbour. We all share the same issues.

Mr GARVEN: You are talking about councils' mechanics, what you would call semiskilled and not in that same league, Linda and I were talking about this earlier. If our mechanics left today we would be forced to resort to contracting-out all services in that area.

The Hon. GREG DONNELLY: To maintain your equipment annual vehicles?

Mr ABEY: Yes.

The Hon. CHRISTINE ROBERTSON: Do you provide apprenticeships?

Mr ABEY: Yes.

CHAIR: What apprenticeships or programs do you offer to try to alleviate these problems within council?

Mr GARVEN: I think this whole issue of skills shortages is tied up with succession planning and work organisation. If councils are not effective in organising the workplace and taking into consideration the demographics of the work force, they will run into serious problems. I have only been at Kempsey for six months. I came from the private sector into local government.

The Hon. MELINDA PAVEY: Did you move to Kempsey?

Mr GARVEN: Yes, from the Central Coast—and I took a drop in salary because I wanted the lifestyle change.

Mr LOWE: If I could go back to Ian's question about the clustering in councils. As we got into the clustering method five years ago we found that in regard to tourism, regional cuisine, agribusiness and all of those sectors within the economy, if you can each of those guys to form their little clusters to start with, then they have a chance of identifying the skills needs. It is networking, partnering and all those types of things. I find that we have these little groups growing quite well in the shire, and when they encounter impediments, they come back to council. They are stronger because they are bigger. That is one of the things with the vehicle cluster that works for Paul. When you are on your own in a regional area, you are really on your own, but when you are in a cluster group you are no longer on your own. We have tried to grow that, being in the Nambucca in the middle of everywhere in New South Wales. It seems to be working for us.

The Hon. PATRICIA FORSYTHE: What is the growth of the Nambucca?

Mr LOWE: We were the fastest-growing regional community in New South Wales in 2005, at 2.2 per cent.

Mr IAN COHEN: The Minister for Regional Development in another Committee threw up a challenge in response to a question about businesses who get support from the Department of State Regional Development, those big enough and successful enough to get people to go through the process. He said, "If you let us know, we will certainly look at opportunities." Have your councils specifically approached the Department of State and Regional Development or the Minister and made specific requests in regard to small business incubation and that type of thing to get local initiatives off the ground? Have your request been well received and has had been a productive outcome?

Mr LOWE: In the Nambucca case, most definitely. We are looking at probably \$1.5 million over the last five years in different projects right across the board. If you have a project that can prove that it is fully scoped and has an implementation strategy to go forward, the department will come on board. Obviously, if you go to the table with your hand out and say, "Please help me. Give me some money." no-one is going to give you anything, but if you go there with a planned strategy for a group of people who want to go somewhere or a company that is growing, I have found the more than responsive. They have been there alongside us all the way for the last five years. We were RETs from the Regional Economic Transition and we went through that process. I just hope we do not outgrow that process because it has been working so well for us.

Mr ABEY: Most Department of State and Regional Development programs for funding or business are obviously geared to job growth. I think that is a positive because, bearing in mind the percentage of business start-ups that go broke, we do not want to be seen to be throwing money at businesses that do not have sound business plans. I think the attitude of supporting businesses that have the potential to grow and have a good track record in business is appropriate.

CORRECTED

CHAIR: With regard to clustering and skilled workers, do you have a monitoring system amongst yourselves to find out what you need and how to keep that updated? Do you have anything like that between you?

Mr LOWE: Do you mean amongst other practitioners?

CHAIR: So far as labour shortages are concerned in the cluster that you have, say you were looking for engineers how would you work out the number of engineers you will need in, say, five years' time, with your turnover at the percentage it is today?

Mr LOWE: I think the companies you work outside of council have the foresight to see where those companies are going. They are obviously working on business plans a minimum of 12 months ahead. Human resources is one aspect you take on board. People start to look earlier these days, rather than later and people are a bit more savvy in that regard. The skills shortage has been on the agenda for the past year and a half and most people are up to speed. I am dealing with that all the time because most of the companies in my area are all in growth phase. That is one of the reasons we are standing up and saying we want attention.

The Hon. MELINDA PAVEY: Is the skills shortage making for better employers? Are they working through their management issues and communicating better with their staff? It used to be that someone would leave and you would just replace them but now a lot of money is being invested in getting someone trained up. Is that a problem you are working harder to solve?

Mr LOWE: Many years ago in the Nambucca you worked at a cost, and that was income. You worked for a dramatically lower wage. Now, with the skills shortage, people are getting paid a good wage. It is making a lot of people happy really in our shire.

Mr JOHNSON: I think it is probably more the reverse, that we are finding that we are having to pay people more for lower quality, lower qualifications, lower training, which you then have to invest in to bring them up to speed.

The Hon. MELINDA PAVEY: Is that from a council perspective?

Mr JOHNSON: That is from a council perspective. So there is a lot of lost productivity as you try to get them up to the speed which you would normally employ someone on that wage for.

Mr ABEY: I think that also flows through to business as well, particularly in the hospitality sector. You are finding that generally in some rural towns it is an employee's market, that they can be quite choosy in terms of where they work, and their wage conditions obviously.

Mr JOHNSON: And that was echoed recently by our local Jobs Australia who said that they cannot get people for bar staff, for station hands, for welding and mechanical jobs. People can pick and choose what they want to do and they cannot get anyone to fill some of those positions.

The Hon. MELINDA PAVEY: What is the unemployment rate in Armidale, in your area?

Mr JOHNSON: Technically it was 8 per cent the last I saw, but the statistics are fairly varied given the school population we have.

Mr ABEY: Off the top of my head I am not quite sure, but it is lower than that. But again, you do tend to get some masking of the real employment rate, particularly with Armidale; you have got a large student population with the university there. A lot of students have indicated that yes, they would like to work part-time and night-time, but come holiday periods these students tend to leave. So they sometimes pose an unreliable work force in those periods of time.

The Hon. MELINDA PAVEY: How has the tomato plant at Guyra gone in terms of keeping people? Have they got enough people to pick the tomatoes? Has that been a problem yet?

CORRECTED

Mr JOHNSON: It has not yet. They are at stage one of a stage four process, which currently employs 56 people. At this stage they manage to attract people and from people outside of the town—getting an inflow. Council is then trying to attract them to stay in town. As they get closer to stage three and four, as the skills shortage starts to get worse, it may be challenging.

The Hon. PATRICIA FORSYTHE: What sort of numbers of people would be anticipated to be needed, say, at picking time when you get to stage three or four?

Mr JOHNSON: It could be 250-plus, as I said, in a town of 2,000.

The Hon. PATRICIA FORSYTHE: For what period of time?

Mr JOHNSON: It is all year-round; it is not seasonal work because of the conditions.

The Hon. PATRICIA FORSYTHE: So in terms of the underlying infrastructure in Guyra, for example housing, what will be the capacity of the area to absorb and accommodate that number of people? I presume some of them will need to come from outside the area from what might be there now.

Mr JOHNSON: Currently housing prices have doubled in the last 12 months to accommodate since the tomato farms have come onboard. Council is currently looking at a 30-plus subdivision to take some of the stress off, but it is getting near capacity. At least the market now and the prices being demoted are generating some interest in some private development.

The Hon. PATRICIA FORSYTHE: So it is a fairly low-skilled, low-paid existence, with things like mobile homes and caravan park-type facilities as well. Are you able to accommodate that sort of work force and is that planned for as you look ahead to the growth in that area?

Mr JOHNSON: We are lucky that land prices are still pretty cheap in Guyra, that \$30,000 to \$40,000 will still get you a fairly decent sized housing block. Therefore, we are trying to encourage that type of development while we have still got, I suppose, an advantage in that area.

The Hon. MELINDA PAVEY: Have you got builders to build homes? Plumbers and electricians?

Mr JOHNSON: We are struggling but with this 30-house subdivision I am talking about we have had a number of project builders wanting to get a part of the action. So I think as, hopefully, the demand has dropped off elsewhere with the housing prices starting to flatten and the development drop, we are starting to pick up people from outside our area.

The Hon. MELINDA PAVEY: Is that from the coast and from Armidale, Tamworth, Inverell?

Mr JOHNSON: More from the Armidale, Glen Innes, Inverell areas.

Mr ABEY: There is currently upwards of a two-year wait to get a builder in Armidale.

The Hon. PATRICIA FORSYTHE: Mr Lowe, you have got a 2.2 per cent annual growth, how are you able to meet the infrastructure needs that would follow from that growth in terms of, for example, houses and builders?

Mr LOWE: We were not, but the economy was slowed in late 2003-04 into 2005 So it has got back to a stage now where we are managing what is there, but there are still good amounts of work in front of people. That is just from the recent talks I have had with a lot of the builders because we are doing a regional business investment tool with the DSRD, so there has been a lot of research go into that area over the last couple of weeks because we have got a huge rental crisis in the Nambucca; we have very few homes to rent. That is why I raised earlier on that more incentives for those builders to put on more apprentices at this point in time is the thing to do at the moment. They need incentives, and the ones that are there on the table at the moment fall short of what it is going to take to get those people to put them on.

CHAIR: Is there any evidence of migration employment in the area?

Mr LOWE: For employment still coming in?

CHAIR: Yes.

Mr LOWE: Yes. I am dealing with a plastics factory at the moment that talks of 20 to 60 full-time staff; I was talking to another gentleman from Sydney this week about Boeing and Mercedes car parts coming because they want unskilled labour and we have high resources of unskilled labour in the Nambucca, and the vehicle body cluster has got another group that wants to expand in their area as well.

CHAIR: So it is happening here?

Mr LOWE: Yes, it is definitely happening here. I think one of the things that the 2004 social trend identified as well was it is not only the baby boomers and the elderly that are moving to the coast, that now we have house and land packages 12 minutes from the beach for \$250,000 in the Nambucca, near jobs. The 22 to 32 age group are actually on the move at the moment in our area as well, so we are not just getting older retirees. And we seem to be retaining more people as well now. The exodus is not what it used to be: as soon as you leave school you get on the first bus that goes to Sydney. It is not happening that way anymore.

Mr GARVEN: It is still happening at Kempsey. People leave school and they are out of there.

The Hon. PATRICIA FORSYTHE: But are they going to Sydney or are they going to Nambucca or—

Mr GARVEN: They are going to Sydney. They want to see the bright lights.

The Hon. PATRICIA FORSYTHE: But they will come back.

Mr GARVEN: It has changed. Perhaps when I went to school there was not the opportunity to work at Coles or Woolworth's or McDonald's to get that extra bit of pocket money. Kids today are flush with funds. Back then, and it is not that long ago, let us say 25 to 30 years ago, the opportunities were not there; today the opportunities are still not there.

The Hon. MELINDA PAVEY: But they are there 40 minutes away from you.

Mr GARVEN: What is that?

The Hon. MELINDA PAVEY: There are opportunities.

Mr LOWE: When I made that statement, obviously there are still a percentage of them that are leaving the area.

The Hon. MELINDA PAVEY: And always will.

Mr GARVEN: Why would someone stay? Kempsey has an unemployment rate of about 11 per cent. What opportunities are there? If you are a parent of a child are you going to encourage that person to remain or try to make a life for themselves through further education? Are you going to encourage that child to travel to Nambucca Heads with an unemployment rate of 15 per cent?

CHAIR: What about overseas migration coming in? Is there any evidence of that at the moment?

Mr LOWE: Not that I am seeing.

CORRECTED

Mr COWAN: It is not significant. I think for the total demographic in the Clarence it would be less than 4, 4.5 per cent historically people from outside Australia.

The Hon. PATRICIA FORSYTHE: Did any of your councils participate in Country Week, and if so what was the outcome?

Mr LOWE: I have participated in Country Week for two years now and the main reason that we went there was brand establishment, to get the name Nambucca out there. We did not really expect any more than that. We pushed tourism because our research shows that the majority of people that relocate either their business or themselves to the Nambucca have holidayed there first. So we went on that level alone, but then we did get some company relocations and skilled people relocated. I did talk with some overseas employment people wanting to bring people in and I have experimented with that but what you will find in a regional area is most people will employ somebody's child that they know before they will employ a skilled migrant, and that is what I am finding at the moment. It is not the first place they look.

Mr GARVEN: We recently employed an engineer from India.

Mr ABEY: The Department of State and Regional Development has a program called the Business Retention and Expansion Program, and there is a survey as part of that program. I believe that the department is finalising now a report. Basically, when a community does this particular survey it is within the confines of their own economic zone. They have access now to 6,200 responses, and it is quite interesting that the responses, which are being essentially analysed at this moment across the entire State, show that most rural and regional business proprietors are keen to grow. So they have indicated a 5 per cent job growth in those businesses. But they are constrained by several factors, number one of which we see is lack of skilled employees; unwillingness of potential employees to move to rural areas; inferior access to post-secondary education. That is one of the key things that I would like to convey today.

Essentially I do not believe it is just a State Government issue, I think it is all levels of government. We need to start investing in training. I spoke to the executive officer of the New England North-West Regional Development Board who advised me yesterday that he is aware of an Armidale TAFE student who has to travel 300 kilometres to do his apprenticeship in Newcastle for cabinetmaking. That is unbelievable. You have got northern New South Wales councils and businesses sending staff to Queensland because potentially these TAFEs in Queensland are more flexible: in other words, block release. When you are able to have block release and those sorts of initiatives it makes business growth much easier in the ability to employ people.

But there are other issues. Poor work attitudes amongst potential recruits is an issue in regional Australia; lack of marketing skills and lack of management and financial planning skills. I encourage this community to get access to this report because it shows some quite startling figures.

The Hon. MELINDA PAVEY: Is that the one written by Mr Kellaway?

Mr ABEY: No, this one has actually been analysed by Dr Roger Epps from the University of New England. I have got here another survey with 957 respondents in the Northern Tablelands electorate. These are the skills shortages: Armidale, repairs, maintenance and builders; Guyra, builders and electricians; Inverell, builders and plumbers; Tenterfield, dentists and GPs. It basically goes on and on.

The Hon. MELINDA PAVEY: I have read that submission there.

Mr ABEY: I think we have undervalued trades, and it is not really a bad thing because we want our kids to do better than we did. But, God, I wish I had a trade because I would be a millionaire today. Essentially, it is difficult. I think there needs to be greater investment by all levels of government in TAFE.

The Hon. PATRICIA FORSYTHE: You have suggested that we possibly undervalue trades. What struck me as I sat here this afternoon was the very limited focus on the strength of the region, which I would have thought was rural industries in many cases. Agri business was mentioned

CORRECTED

and tomatoes were mentioned but we really have not had a lot of focus on what I thought was a core strength in the region. You have not told us how you build on that.

Mr LOWE: I think what you have got to look at are your demographics; the people that are owning those farms out there in the Nambucca—and I can only speak for the Nambucca—in excess of 60 years of age. They are no longer producing and that is one of the reasons we have been hunting aged care and it has been great that the property market has inflated because those people can now get a dollar where they can get off the farm and let some people who are going to do something get back on the farm.

The Hon. PATRICIA FORSYTHE: I was perhaps thinking less of your area and perhaps more of the Armidale, Tamworth, Guyra region, which its strength has always been—

The Hon. CHRISTINE ROBERTSON: That is an industrial centre.

The Hon. PATRICIA FORSYTHE: But its strength has also been in its very good rural industry and I am not seeing how you are building on a natural strength. You are trying to bring in something else and not building on a strength.

Mr ABEY: Commodity prices are affecting the farming community, but a number of businesses are value-adding to grow their businesses. Again, the survey analysis showed that a lot of businesses are exporting. But those businesses tend not to be huge employers. If we could get one new staff member for every farm in Australia, perhaps that would solve our unemployment problem.

The Hon. MELINDA PAVEY: To be cost effective, they have to be very slim.

Mr JOHNSON: The drought obviously has not helped. Farmers have let people go and taken on more of the duties on their farms themselves to get through some of the hard times. A lot of councils are looking at diversifying. While the rural community is probably our major producer, we need to diversify to get through the bad days. Certainly, many of the farmers up our way are diversifying, even into things such as hosting wind farms. We have some major development, worth \$250 million, involving 100-odd wind farms through our area, and they will provide supplementary income to our rural sector. So we are providing those opportunities. As Mr Abey said, to rely on them to get us through, we need to have them diversify because they are not in a position to employ more people.

The Hon. CHRISTINE ROBERTSON: I would like to direct a general question to everyone. Have any of you had Sudanese workers coming to town recently to work in certain industries? We had some evidence this morning from a chicken processor in Byron.

Ms KIRKWOOD: We have quite a few Sudanese people living in Coffs Harbour, but as the human relations manager I am not able to comment on what sort of employment they have gone into. Certainly, they have been sponsored into Coffs Harbour and a growing number of Sudanese people are living here.

The Hon. CHRISTINE ROBERTSON: There was an issue raised this morning about people being late to work or not starting work on time—I cannot recall the evidence exactly. Has anyone any ideas on that?

Mr JOHNSON: Sudanese people?

The Hon. CHRISTINE ROBERTSON: Tamworth also has a group of Sudanese people who have been brought to town to work in industry. I am wondering what resources you have.

Mr ABEY: I think it relates to one of the questions posed by the Chair. The cultures of immigrant workers are an issue.

The Hon. CHRISTINE ROBERTSON: I think the issue might be about transport.

Mr ABEY: It possibly could.

The Hon. PATRICIA FORSYTHE: I thought it was more a cultural issue.

The Hon. MELINDA PAVEY: Here in Coffs Harbour, I think learning English is probably their biggest challenge at this time.

The Hon. CHRISTINE ROBERTSON: We will keep asking questions.

The Hon. GREG DONNELLY: Mr Abey, you referred a few moments ago to a couple of surveys that had been done. Work attitude was raised in material presented by one of the witnesses this morning. You referred to that in your survey. So it has come up a couple of times today. Is the issue with attitude to work a general disinclination to want to work per se, or is it just attitude to particular types of work? Could you give us some more detail on what it means?

Mr ABEY: I think it is an attitude towards a particular type of work, and it also reflects the age of that particular employee. Generally, the attitude is a little bit poorer in younger people, who, as one of the other members of this panel mentioned, are looking forward to the bright lights of the city. Some people have a poor attitude, but they generally do not last in the work environment.

The Hon. GREG DONNELLY: How is this manifested? The people who were surveyed had put those people on and found that over a short period of time their attitude had not been very good and those people have moved on?

Mr ABEY: Yes. It is compounded by the fact that there is a lack of staff. So the employment pool diminishes substantially.

CHAIR: We have been asking you questions for a while. Is there some message that you people would like to give us before we close this afternoon?

Mr GARVEN: In relation to job networking, in April the Federal Government abolished some subsidies under what used to be called the wage subsidy program. Local government is no longer eligible for subsidies. Job network providers have a job seeker account by which they can offer wage subsidies to employers to take on long-term unemployed people. In April the Federal Government brought in a rule that local government could no longer receive the wage subsidy for employing long-term unemployed people. I would like to know why. I appreciate that this is a Federal issue, however it impacts on areas with high unemployment. Kempsey Shire Council is the largest employer on the Macleay, and if we could receive assistance, to supplement the tight economic framework in which we operate, that surely would be an incentive.

CHAIR: As you rightly say, it is outside the Committee's terms of reference.

Mr GARVEN: That was my response to your asking for comment.

CHAIR: Fair enough.

Mr COWAN: I would like to raise an issue that has not been talked about: vocational education training programs in schools. Those programs are starting to show results, and need the strong support of the State. The two programs that are operating in high schools in the area are both very successful.

The Hon. MELINDA PAVEY: Could you elaborate on those, Mr Cowan?

Mr COWAN: My understanding is that there are two programs. One is essentially a program that is funded by the Federal Government, and that enables workplace training to occur. Usually there is a maximum of about 30 hours a year of workplace training associated with introductory training in vocations, delivered by teachers.

The Hon. MELINDA PAVEY: That is delivered by the Grafton and Maclean high schools.

Mr COWAN: All of the high schools in this region. I will expand on that in a moment. There is a complementary program, which is a traineeship program, and that is based on allowing up to 1,500 hours a year of external training to occur in the workplace. From that, kids leaving year 12, instead of having nowhere to go, have some work skills and some experience. A lot of them are being offered part-time jobs by those employers as well. I think it is a real chance of addressing some of the long-term unemployment issues. If you look back over the last 15 to 20 years, you will find that a lot of those kids have been encouraged to do the Higher School Certificate, and TAFE has been on the nose for whatever reason. Now, that attitude has been turned around. I think it is very important that the State continue to fund that program wherever possible.

The Hon. CHRISTINE ROBERTSON: Does the State fund the second program?

Mr COWAN: Yes. I think it is a partnership for the other one. At the moment, we are tendering to the Federal Government for an opportunity to keep those programs going. The Clarence, Coffs and Nambucca have all got together to form something of a consortium to lodge that tender. There is some detail about that in my submission. It is a positive step in the right direction.

The Hon. PATRICIA FORSYTHE: Although today's *Sydney Morning Herald* has an article suggesting that some of the courses now being offered for the HSC are not necessarily sending students in the right direction. Some taking a cluster of the vocational courses are the ones who most likely end up jobless. I wanted to put that on the record, because it is something that we have not yet explored, and it is an issue for the Australian Council for Educational Research. We will obviously need to have a look at some of that, but in the context of your evidence I thought I had better put the other side of things.

Mr COWAN: I appreciate your comment.

The Hon. MELINDA PAVEY: It is good to have your counter to that on the record, too.

Mr COWAN: Our program is relatively new, but it does monitor where the kids go. I think it was less than 10 per cent—about 8½ per cent—of kids in the last two years who did not find a placement after leaving school.

The Hon. CHRISTINE ROBERTSON: Is the information segregated for country and city?

Mr COWAN: I do not have that information.

The Hon. MELINDA PAVEY: It is something for us to follow up.

CHAIR: Would anybody else like to make a comment?

Mr ABEY: I would like to table copies of the summary of the analysis of the survey.

Documents tabled.

Mr LOWE: The building industry should get incentives for putting on more than one apprentice because of the growth that will be experienced. I think we should look at increasing incentives for trades people to employ more apprentice tradesmen.

The Hon. CHRISTINE ROBERTSON: Could you outline the disincentives to builders of having apprentices—because they grew up with apprentices?

Mr LOWE: The feedback from the ones that I have been talking to is that the changes in workers compensation, occupational health and safety and WorkCover are taking extra dollars out of their pockets. It is all right if those costs can be passed on, but that cannot always happen in a regional area. Most of the builders that I am talking to at the moment have told me that they would employ more apprentices if there were increased incentives to do that. Back in the 1980s there was an additional incentive for those who put on additional trades people, but that has gone with the wind. I would like to see that reintroduced into the system.

CORRECTED

Mr ABEY: In Armidale, as is perhaps the case in other rural towns, there is an issue with the distances that apprentices have to travel between their places of work and where their courses are being conducted.

Mr LOWE: Even in the Nambucca, if you are an apprentice at Scotts Head and you are working at Valla, you have an hour's travel, or close to 30 to 40 kilometres, each way, every day. The kids are working for minimal dollars, though obviously they are with their families here. But, at the end of the day, employers are not putting apprentices on. If they are not putting them on, it seems that is because they are not getting the appropriate incentives, or the incentives that are available are falling short. I think you would see a doubling of the number of apprentices put on if the incentives were increased.

The Hon. CHRISTINE ROBERTSON: Did country builders put on apprentices?

Mr ABEY: Yes.

Mr LOWE: There have been more put on in the last two years. In our shire, they are saying they could put more on, two and three more on. So we need incentives for those who want to go harder.

The Hon. PATRICIA FORSYTHE: Are they going outside the traditional bounds? Have we got women amongst those being taken on?

Mr LOWE: I am sure, with equal opportunity, that would be right. I just do not know the take-up rate.

Mr JOHNSON: Some of the builders that we have approached about taking on more trainees say, "I'm a builder, not a manager." There is probably a skill gap there. They say, "I have got the business to take on three or four more new apprentices, but I am not a manager as such, and I will have difficulties managing those extra people." The comment is generally made, "I am not a manager."

Mr ABEY: We are trying to work with the University of New England. We have been talking with its director of facilities management. Obviously, at the moment, the university's primary tradesmen are more in maintenance than in building, for example. We want to approach some builders with a view to having builders take on building trades apprentices, and for the university to take them and share the cost while giving them some experience in maintenance work on the university campus. I was told yesterday that the government, I think the Federal Government, is trying to implement a new points system in respect of builders that would give them more incentive to employ more apprentices. I am not sure of the details of that program.

CHAIR: Would anybody else like to make a comment?

Mr GARVEN: I would like to comment on some initiatives implemented at Kempsey to address skills shortages. We have formed partnerships with two universities, one being the University of Southern Queensland and the other being Newcastle University. So we have a partnership with TAFE, University of Southern Queensland and Kempsey Shire Council that offers to the community MBA courses. It is coming up to the second year of that course.

The Hon. MELINDA PAVEY: Douglas Head gave evidence earlier today about that.

Mr GARVEN: Did he also speak about the Newcastle University partnership? That is where we offer scholarships in engineering and town planning to local residents only. We have a number going through that course.

CHAIR: I am sorry but we are going to have to wind it up, for a very good reason. We have to catch a plane back to get back to our homes. Hansard, in particular, has a little bit of work to do before we go.

CORRECTED

The Hon. CHRISTINE ROBERTSON: Before we conclude, could the gentleman table his report?

Document tabled.

CHAIR: I sincerely thank you all for your attendance this afternoon and for your contributions.

(The witnesses withdrew)