

Thankyou Garry for the introduction, I'm the Managing Director of what would be called an SME ( small-medium size ) engineering business, and I am speaking purely from a manufacturing view point, which has spanned more years than I care to remember.

As a background I don't want to give you all an economics lecture, but you might not be aware of the huge changes going on in the background of manufacturing in NZ at present.

For example in the furniture manufacturing business I'm told that imports of furniture into NZ have gone from \$282 million in year 2002 to a staggering total of \$342 million in the year ending 2004. Just taking China out of these figures they have gone from \$68 m in 2002 to \$122 m for 2004, so now you will know why many furniture manufacturing companies have gone from your region. The losses are getting alarming and for example in ChCh we are losing Electrolux ( making stoves ) in Oct this year, and one of our big customers in Auckland who is a large manufacturer and employes at least 300 is going in December.

You might say Garry where did you get such a gloomy guy, get the wine bottle out quick! Well it's important to see the huge changes going on within manufacturing and how this will effect training and skills in the future. The future is indeed rosier if we look at NZ strengths and this is the area we need to focus on, Kiwi's great skills, flexible attitudes, innovative and generally hard working.

For a local manufacturer to compete, the only logical answer is of course to try and get into the top quality segment, leading class design with an innovative product, so in the future that's where the training needs to be. NZ's future is bleak unless we address these issues, and no one in the manufacturing business is immune. Low tech product manufacture will all be imported, and if it's not China today it's some other low cost producer tomorrow. ( So I'm not bagging the Chinese necessarily. )

**Business need skills, but at present there are a number of factors against us:**

1. In my opinion the student loan system is a disaster - For those students who graduate with relatively large loans, ( usually some of our

most talented and skilled ) have tended to head overseas as they will be financially crippled at home. Please note I am not saying I favour Nationals scheme, but it's a start. Yes let the graduate do their big OE for 1-3 years or so as I did, but if they definitely come back, to have some scheme where the loans or interest costs are heavily reduced if they stay in NZ pretty much from then.

2. Allow high school students to be placed within Industry, without the OSH risks for short periods to see how they like the experience, and perhaps a small grant to help the employer with the costs of providing safety equipment. ( there are legal implications otherwise )

3. We need continued labour flexibility, as jobs will be subject to large changes in future, and not only will staff have to be initially trained, but we will need regular on-going training perhaps even in perhaps different fields.

4. Personally I still like to see the return of 1 or 2 old style Technical Colleges as high schools in cities, ( which seem to have disappeared in NZ ) for those intending to go into a trade or middle management.

5. There is a huge need for more parental guidance and mentors for young people. We need to capture young people at risk earlier, those disinterested in schools or generally going off the rails. Broken families are not helping but we need to get around this. More needs to be done to get business fully behind this, and have someone strong driving the changes. NZ businesses are not good however of working together.

6. The Apprenticeship system we have is still not the best, and for small employers is almost impossible. The very old system of just training on the job also had some merits in that it was more mentor based, and perhaps have this coupled with some block courses for assessment is another option.

7. The Government also need to take a better position on manufacturing, which at present seems to be left to die, as the view appears to be that NZ will become more of a service economy based, together with forestry, the farming sector, wine and tourism. This view is short sighted, as imports

need to be paid for somehow, and a slow down in farming would leave NZ very vulnerable.

Note: Manufacturers are not asking again for import controls, all we ask for is for imports to meet NZ Standards, and where there is a relatively level playing field in terms of letting in our manufacturing goods and farm produce into the exporters country without duty and there are reasonable controls on intellectual property.

8. It's a difficult subject to broach, but in my opinion it is still a little too easy to get the unemployment benefit, as we are now getting generations of people, who just don't want to work, and will move to areas, where there is little likelihood of work to get these benefits.

9. I would prefer to see Polytechs return to their core business as Trade and Technical level Training organisations rather than try and be Universities as well.

10. Get Government to agree to "Tilt" the playing field, so that if there is a shortage of skilled staff in some areas, more effort is made to promote this industry requirement, with Government assistance, such as assistance to lower training fees at the training institutes

11. There is quite a gap in Govt assistance funding for the new idea stage to actually getting a fully tested and proven product on the market, which needs addressing. Some issues also relate to venture capital as well, but this is improving slowly. These are the new companies in the future for NZ.

### **Raising the Profile of Apprentice and Trade Training:**

1. Yes having a proper apprentice graduations would be a positive, but getting news ( TV, newspapers etc ) behind the process would be a plus.
2. Getting school career advisors better informed on options, and more involvement with business would be a positive
3. Getting some parents motivated to do something to motivate some children would be a step forward. ( thinking out problems )
4. Work through the issues of an unskilled worker, later in life deciding to do an apprenticeship, for one the pay would be too low,

and the word trainee or apprentice probably needs changing to make them feel more positive about this move. Some of our best apprentices have come to us this way, wanting to better themselves later in life

5. Holding some career evenings for business to setup stands at low cost with school children and parents to attend would be positive. ( However I realise business will need a big push along to get involved)
6. Get more motivational videos out to schools and homes, such as “Orange County Choppers,” rebuilding houses, making jewellery, restaurant cooking whatever. etc on the Discovery channel 8 for example.
7. Get the Govt to provide schools with not only computers but project materials like building sets for electronics, pull some engines apart and put back together, wood working projects, painting, crafts etc.

### **Productivity:**

Productivity in business will only come from employee skills, technology and a sense of new urgency to get the country moving. Hopefully we can all push the new Govt in Sept to set a new course.

### **Wages:**

Everyone would like to see a higher standard of living in New Zealand, but the only way this will happen is through a highly skilled and forward thinking workforce.

### **Finally:**

My wish from this discussion today is that you all do some crystal ball gazing and talk to business about future skill requirements not only in current areas of staff shortages, but what might be required in the future, as starting someone in training today it is still at least 3-5 or more years away before results start to really show.