



GEARING FOR GROWTH AN AGENDA FOR NSW MANUFACTURING

Invigorating business

Call 13 26 96

nswbusinesschamber.com.au



The NSW Business Chamber is committed to a strong, resilient and productive Australian manufacturing sector.

Through its intertwining links with other sectors of the

economy, manufacturing provides a substantial multiplier across general economic activity – greater than any other industry sector by a factor of two. What’s good for manufacturing is good for our economy.

Tracing our heritage back to the Chamber of Manufactures of NSW which was founded in 1885, the NSW Business Chamber has a proud history of supporting manufacturing.

We believe that, with the right policy framework in place and appropriate support mechanisms to foster industry innovation, the future for NSW manufacturers can be very bright.

In 2011, the Chamber released *Manufacturing Futures*. That publication identified key areas for action to boost the productivity of the manufacturing sector. The Report recommended that Australian manufacturers should be focussed on:

- **experimenting with business innovation**
investigating beyond the standard business model to find better ways to move up the value chain, engage customers and increase efficiency. All manufacturing businesses can do this.
- **investing in people and skills**
creating high-performing and empowered workplaces by investing in technical skills, creative thinking, problem solving and managerial skills.
- **multiplying their knowledge connections**
promoting connectivity and collaboration to access and absorb knowledge and to transform it into new competitive capabilities.

To help the sector adopt these recommendations the Chamber:

- employed a manufacturing sector manager to work with manufacturers to improve their businesses and, in collaboration with other organisations, to provide knowledge-building and learning opportunities (Jan 2014)
- initiated a project, including a report, *Industry-Research Collaboration*, with six recommendations to boost the extent to which industry works together with the research sector (Jul 2014)
- established the *Industry-Research Collaboration Advisory Alliance* of senior business and university executives to guide and accelerate action (Aug 2015)
- continues to deliver the Federal Government’s *Entrepreneurs Program* with 15 Business Advisors providing business improvement services to advanced manufacturers and others
- collaborates with the NSW Government’s Knowledge Hubs for Energy Innovation, Medical Technology, and others.

Building on this work, *Gearing for Growth* focuses on five practical priority measures capable of implementation in the short term to drive manufacturing forward in NSW.

Stephen Cartwright
CEO, NSW Business Chamber

“...with the right policy framework in place and appropriate support mechanisms to foster industry innovation the future for NSW manufacturers can be very bright.”

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Improve management and leadership capability across the manufacturing sector



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Foster higher levels of innovation in manufacturing through better industry-research collaboration

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Address skills shortages by optimising pathways to jobs in manufacturing



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Introduce NSW Industry Participation Plans to increase the effective participation of NSW manufacturers in Government procurement opportunities



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Ensure Australian standards are met in the delivery of government contracts



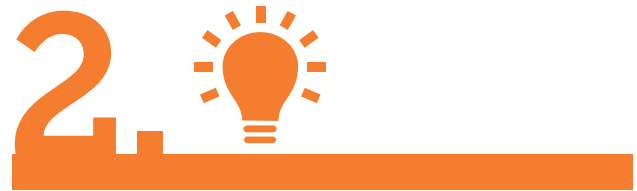
Improve management and leadership capability across the manufacturing sector

Improving management and leadership capacity has for too long been identified as a major priority for the manufacturing sector.

Manufacturing Skills Australia has reinforced the long-known fact that Australian manufacturers (particularly small and medium sized manufacturers) rate poorly by global standards when it comes to performance and people management, especially in ‘instilling a talent mindset’ – a critical factor in embedding innovation into organisational culture.

NSW Business Chamber believes that to better support manufacturers improve management and leadership capability the following initiatives should be pursued:

- Peak industry groups, government and trade unions should further promote funded training opportunities through the national Industry Skills Fund (ISF).
- The Centre for Workplace Leadership’s review of management and leadership practices in Australian manufacturing, *High Performance Manufacturing Workplaces*, combined with their soon to be published *Study of Australian Leadership*, should be extended to revise management and leadership development programs to better suit the needs of contemporary manufacturing. Specific training to help managers put new skills into practice on the shopfloor should also be pursued.



Foster higher levels of innovation in manufacturing through better industry-research collaboration

With 92% of Australian business leaders believing their firm would be more successful at innovation through partnership and collaboration than if they went it alone, giving businesses, particularly manufacturers, the tools and skills required to find and form relationships with the right people is essential.

Australia is lagging behind global competitors and is not considered a leader in innovation. Our efficiency in converting research dollars into innovation is poor.

NSW Business Chamber highlighted the importance of collaboration through its *Industry-Research Collaboration* Report. The following initiatives should be pursued:

- Develop a marketplace to bring willing buyers and sellers of research closer together and expand opportunities for manufacturers to establish relationships.
- Industry should partner with government to host SME capability workshops to better prepare SMEs for innovation and collaboration with research organisations.
- Review academic performance measures to encourage the development of industry-demanded research with higher likelihood of commercialisation.
- Investigate opportunities to consolidate government innovation programs to reduce fragmentation, duplication and complexity.
- The VET sector should be more closely consulted in the development of innovation policy and programmes to take advantage of the interconnectivity between VET and manufacturing.



Address skills shortages by optimising pathways to jobs in manufacturing

Lack of access to a skilled labour pool is consistently identified by manufacturers as having a significant impact on their operations. The NSW Business Chamber has detailed recommendations on improving the work-readiness of school leavers in its *Paving the Pathway* report. *Paving the Pathway* recommended reform to the structure of senior schooling and curriculum; careers advice; and the end of school credential to improve outcomes for the 60% of students who do not go to university immediately after leaving school.

More specifically, to better support manufacturers meet their skills needs now and into the future, the following initiatives should be pursued:

- **Support measures to lift commencement and completion rates for trade apprentices.** Strategies should include the promotion of the new Australian Apprenticeship Support Network (Apprenticeship Network) to manufacturing businesses. The new Apprenticeship Network arrangements include a stronger focus on effective pre-recruitment, recruitment, induction and retention measures. Central to this will be better employer and apprentice matching, streamlined employer advisory services, and improved apprentice mentoring.
- **Peak industry groups, government and schools must work together to strengthen school-industry partnerships to create better engagement between manufacturing businesses and schools.** This will enable opportunities to promote the range of jobs and careers available in the industry to attract young people and raise public perceptions of manufacturing and manufacturing careers. Strategies will include greater engagement with Work Placement Service Providers that coordinate work placements for HSC VET students in NSW.



- **Increase investment in science, technology, engineering and mathematics (STEM) capabilities to give the manufacturing industry access to workers with sufficient skills to meet future industry needs.**

This will include a focus on lifting secondary school participation in these subjects and strengthening STEM in relevant VET courses. It will also include promoting the employment of STEM competent students in manufacturing businesses to develop more complex and more globally competitive digital and technology-led business models.



Introduce NSW Industry Participation Plans to increase the effective participation of NSW manufacturers in Government procurement opportunities

With an infrastructure construction pipeline in NSW of more than \$85 billion, maximising opportunities for NSW firms to participate in the delivery of these projects must be a priority.

Requiring NSW Industry Participation Plans for major procurement programs in excess of \$100m will ensure government departments and agencies consider the use of local firms, including manufacturers, when evaluating tenders and awarding contracts. Such plans should outline what measures will be undertaken to identify and



communicate with local businesses throughout the supply chain, anticipated levels of local content and employment, including apprentice labour and the anticipated training, skills development and technology transfer outcomes.

Under this approach, prime contractors would develop plans in collaboration with the Industry Capability Network (ICN) NSW in accordance with the following principles:

- Local small and medium enterprises should be provided with a full and fair opportunity to compete for government contracts;
- Local industry engagement should extend to all levels of the procurement supply chain, not just lead contractors;
- Information on the procurement pipeline should be freely available and communicated, so that local industry can plan ahead and be involved; and
- All government tendering mechanisms should be open, clear, accountable and minimise tendering costs.

NSW Industry Participation Plans will create an incentive for prime contractors to commit to the use of competitive local suppliers. By encouraging the utilisation of the ICN, the process should minimise regulatory burden and be easy to comply.

The quality of the plan and its outcomes should be part of the tender evaluation and monitoring criteria.

In undertaking this initiative it is imperative that the principle of maximising value for money over the life of the product or infrastructure be calculated and form a strategic component of the evaluation by Government of any relevant tender. Both the initial contract cost and whole of life costs including training, operation, equipment and facility downtime, ongoing maintenance, disposal and ongoing administration costs should be fully evaluated to justify tender selection.

Implementing NSW Industry Participation Plans will help to:

- promote local business and employment growth by amplifying market access;
- identify local firms competitively capable of delivering economically effective whole-of-life solutions against Government tender specifications;
- ensure greater transparency in the amount of "local content" utilised in Government procurement;
- improve the delivery and maintenance standards of infrastructure for end users; and
- build the capabilities of local industry.

Ensure Australian standards are met in the delivery of government contracts

With key public infrastructure projects to be delivered over the next 10 years in NSW, bidding for Government contracts presents excellent opportunities to local manufacturers.

Unfortunately, manufacturers have reported losing contracts to businesses that claim to supply products that conform to Australian standards and regulatory requirements but instead deliver material of inferior quality and performance. This puts local manufacturers at a competitive disadvantage, and the substandard products put consumers and the public at greater risk.

The fractured nature of the Australian conformance system has resulted in a weak system of accreditation and conformance policing. The current system also lacks independent oversight to ensure its effectiveness.

Governments at all levels must work to instil confidence in the local industry by ensuring the businesses that deliver on government contracts, particularly public infrastructure projects, are meeting Australian standards. To do this, Governments should look towards:

- Demanding that all materials used in the fulfilment of government contracts conform to Australian standards;
- Clearly assigning the role of auditing and policing contract conformance on all government projects to the responsible government department or agency;
- Vigorously pursuing any failure to meet Australian standards under the terms of contract; and
- Using bidders' previous compliance history with Australian standards as an assessment measure in awarding a Government tender.



NSW Business Chamber

Tracing our heritage back to 1825, NSW Business Chamber's mission is to create a better Australia by helping businesses maximise their potential. The Chamber is a passionate advocate for business in the public arena: whether standing up to government and decision makers when business interests are neglected or working together to create positive change.

On a one-to-one basis, the Chamber helps all businesses from small enterprises to large corporations. Our commercial services division, Australian Business, delivers a range of business services to both member and non-member clients throughout Australia, with the operating surplus going back to supporting Chamber initiatives. In all, we believe it's important for Australia's business community to succeed, because prosperity creates new jobs, social wealth, and better communities in which to live.

- Local, regional, state and national coverage
- Public policy and advocacy.
- Reducing complexity to manage risk
- Empowering business through connections, knowledge and expertise.

Let the NSW Business Chamber team be an extension of your business so you can concentrate on what you do best – growing your business. For more information: nswbusinesschamber.com.au

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