



Submission by Waihanga Ara Rau, Workforce Development Council for construction and infrastructure

**Redesign of the vocational education and training
system**

September 2024

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INTRODUCTION

A thriving construction and infrastructure sector requires a skilled and productive workforce. This is underpinned by a well-functioning vocational education and training system.

As the voice of the construction and infrastructure sector in vocational education and training (VET), Waihanga Ara Rau has engaged widely with employers, industry leaders and education providers to determine what their priorities are in relation to VET, what is working well, areas for improvement, and to gather feedback on these proposals.

We agree that the Government needs to hear directly from the industry and many employers and industries in the sector are making their own submissions.

Our submission reflects the themes gathered from the sector as well as our own analysis about the requirements for a well-functioning VET system that delivers for the sector, followed by answers to a selection of the consultation questions.

On behalf of Waihanga Ara Rau Workforce Development Council

12 September 2024

EXECUTIVE SUMMARY

As the third largest employing industry in Aotearoa New Zealand, the construction and infrastructure sector relies on, and is a large consumer of, vocational education. The Government's intention to develop the 30-year National Infrastructure Plan will further grow the construction and infrastructure sector and reinforce the need for skilled staff and a consistent flow of people joining the sector. The need for a well-functioning VET system has never been so important.

We understand that financial viability of the polytechnics is a pressing concern for the Government. However, the proposed reforms are unlikely to support the construction and infrastructure sector's needs.

The construction and infrastructure sector have told us clearly that the VET sector must provide:

- High quality, nationally consistent training which meets current and future needs.
- A focus on work-based learning, complemented by in-person and online learning, plus pastoral support for learners and employers.
- Support for small industries, which are strategically important, but lack volume.

The sector values both the core standard-setting and quality assurance functions that Waihangara Rau provides. Additionally, system-level advice and support, providing an industry voice into VET investment, and workforce planning are also highly valued.

To support the retention of all these functions for industry, Waihangara Rau prefers Option 2B, but this proposal is not fit-for-purpose in its current form and does not maximise the potential value of these new standalone bodies. We propose a 2B 'Plus' option which has additional functions for the new standalone bodies including:

- A legislated advice function into the Tertiary Education Commission (TEC) as well as other agencies that fund VET training like the Ministry of Social Development (MSD).
- A legislative workforce planning function to help industry prepare for change.
- Retention of Strategic Reference Groups (SRGs), or similar construct, to continue to have industry group input.
- Providing careers advice and pathways to meet the needs of diverse learners.
- Input into funding for significant capital works and facilities that support VET.
- Ability to provide advocacy, advice and improvement programmes that address key priorities and remove roadblocks that impede training delivery.

We further propose that for *Option 2B 'Plus'* these new standalone entities would be funded through a combination of non-volume based funding and alternative revenue streams.

We also recommend a more comprehensive review of sector funding to achieve sustainable financial viability for the vocational education and training system. This must be underpinned by a clear vision for vocational education and training in Aotearoa New Zealand.

PART 1: KEY THEMES

A thriving construction and infrastructure sector relies on a well-functioning VET system

Last year the construction and infrastructure sector contributed \$52.7 billion to the economy (15% of gross domestic product). It is also the third largest employing industry, accounting for 15% of Aotearoa New Zealand's workforce. In 2023 there were 92,008 businesses in the construction and infrastructure sector, employing a workforce of 373,907.

The Government's recent announcement for development of the 30-year National Infrastructure Plan will further exacerbate the need for skilled staff. To ensure that it has a workforce that is skilled and able to match demand, the construction and infrastructure sector relies on, and is a large consumer of, vocational education. In 2023, the sector boasted 76,185 people enrolled in vocational education and training.

Change must be enduring, focused on solving the right problems, and ensure a smooth transition

The proposal for more change is an unwelcome distraction as the sector tries to rebuild from the slowdown in work, due to the hiatus in project decision making and the impact of high interest rates. There is a risk that employers will disengage from formal vocational education and training altogether. This would have significant downstream effects on the workforce.

Industry wants Waihangara Ara Rau to remain. However, if the Government decides to make changes to the VET system, they must be enduring, focus on solving the right problems, support key functions and ensure a smooth transition. Key change principles need to be:

- Underpinned by an agreed vision and direction considering the future workforce and technological changes and provide an optimal balance of off-job, on-job, and blended online training provision.
- Centred on what is best for industry and learner outcomes.
- Built on strengths and opportunities, including what is working well now, and how technologies such as artificial intelligence will change the skills needed for jobs.
- Appropriate to Aotearoa New Zealand's small size and how industry operates (for example, whether it operates on a national or regional basis).
- Considerate of streamlining processes and efficiencies, including the open sharing of data.
- Focused on achieving financial sustainability of the whole VET system (as opposed to one part of the system – the polytechnics).
- Encompassing wider functions and all the government agencies who are involved in the wider VET system. This includes learning and employer support services, the New Zealand Qualifications Authority (NZQA), TEC, the Ministry of Business Innovation and Employment (MBIE) and MSD.
- Enduring – change once and get it right for the next 30 years.

The number one priority for the construction and infrastructure sector is high quality, nationally consistent training

The construction and infrastructure sector's priority is high quality, nationally consistent training. Consistency means training outcomes are the same irrespective of location and provider. The sector believes that the best way to improve quality is to have a long-term strategic view, and a voice into policy areas. This includes how training works and where funding is spent.

The proposals presented in their current form are, therefore, not fit for purpose in meeting the needs of the construction and infrastructure sector.

We are concerned that moving to a regional polytechnic model will reduce quality and consistency of learning, and is not financially sustainable

Re-establishing the regional Institutes of Technology and Polytechnics (ITPs) is likely to result in fragmentation, inconsistencies, and quality issues. Consistent programmes will have the biggest impact in delivering high quality, nationally consistent training. In a more fragmented model, specific incentives and oversight need to be put in place to ensure this happens.

The construction and infrastructure sector operates on a national basis and prefers to train primarily in the workplace. It is not desirable for some training to be delivered regionally. We are concerned that re-establishing ITPs without national coordination could exacerbate skills shortages and result in unhealthy competition for skilled tutors, which are in short supply.

We doubt that ITPs will be a financially viable option given the lack of economies of scale and duplication of service offerings across the VET system.

We need to retain and invest in the apprenticeship / traineeship system as it works for both learners and employers

The construction and infrastructure sector values a mixed delivery model, with a focus on work-based learning. The apprenticeship model is tried-and-tested, is the main delivery model for most construction and infrastructure industries and is generally preferred by learners who can earn an income while training.

The sector is concerned that the quality and effectiveness of the apprenticeship model is under threat given the proposed funding shifts. Employers are the key to training in our sector and should receive better support to encourage more of them to take on and support learners. Funding also needs to recognise the pastoral and learning support needs of work-based learners.

The proposals do not support small industries that are critical to Aotearoa New Zealand

Many occupations in the construction and infrastructure sector are strategically important (such as Electricity Supply) but are not needed in sufficient numbers to be financially sustainable in a volume-based system. Providers will likely struggle to develop and maintain programmes, which are not commercially viable, leading to critical skill shortages. The funding

system needs to ensure that training is accessible for small but critical occupations regardless of volume.

Smaller industries also fear a loss of industry voice and influence in a more fragmented system. Industry advisory groups must remain to provide a voice for small industries and ideally opportunities to influence government investment in training and education.

The VET system must meet the needs of Māori, Pacific and other diverse learners, to benefit the whole of Aotearoa New Zealand

The reform proposals are silent about how they will support the success of diverse learners, including Māori and Pacific. By 2038, 65% of the working population aged between 15 and 39 years overall in Aotearoa New Zealand will identify as being Māori, Pacific or Asian¹. Of this percentage 25% will be Māori and 14% Pacific.

The prosperity of all people in Aotearoa New Zealand depends on increasing the number of Māori and Pacific people in highly skilled, well-paid employment, along with the growth of the Māori and Pacific economy overall. The future vocational education and training system needs to serve all these groups well so that Aotearoa New Zealand can prosper.

For the construction and infrastructure sector the key considerations are:

- Incentivising and measuring how well the vocational education system is working for iwi/Māori, Pacific and other groups and improving access and outcomes.
- Ensuring that shifting away from work-based learning to classroom-based does not disadvantage Māori and other diverse learners, who are often more successful in on-the-job learning.
- Supporting learning success for the high number of neurodiverse people working in the sector and realising the unmet potential of employing more disabled and neurodiverse people in the workforce.
- The redesign of the VET system must uphold the Crown's responsibility to improve outcomes for Māori and maintain the Māori-Crown relationship, honouring Te Tiriti o Waitangi.

Investment in training needs to align with Government priorities

The primary role of the VET system is the supply of relevant skills and knowledge to learners and employers. Investment into vocational education and training must, therefore, align with the Government's priorities.

The 30-year National Infrastructure Plan is an example of an initiative that needs to be supported by strategic investment in training. The construction and infrastructure industries are critical to the delivery of Government priorities with a \$254b five-year pipeline of work across roads, rail, electricity supply, water, and housing. VET funding should therefore be directed towards these sectors that are critical to Aotearoa New Zealand's success.

¹ Ethnic share of New Zealand population 2018 – 43, Statistics New Zealand

Some key aspects from the VET system are missing from the reform proposals

The reform proposals do not consider the VET system as a whole. The reforms must consider the importance of quality career pathways information and advice and how to better integrate secondary and tertiary education. This would improve successful transitions from school to work and support the visibility of construction and infrastructure as a respected and lucrative career pathway.

The Government should also consider how compliance and quality assurance requirements, imposed by TEC and NZQA, are adding unnecessary costs and contributing to inefficiencies in the VET system. Addressing these issues would reduce the cost burden of education providers, industry and learners and potentially address longstanding concerns about the speed to market for new and updated qualifications.

Recent reforms to construction and infrastructure VET system are having some positive effects

Some aspects from the earlier Reform of Vocational Education (ROVE) are working well. WDCs have improved connections between industry sectors, across the VET system, and government. Waihanga Ara Rau's work is valued by industry. Highlights of our achievements since we were established nearly 3-years ago include:

- Development of **independent and industry responsive qualifications** including:
 - Delivered a major programme of work to update qualifications and standards and address a significant backlog. The result is that 100% of qualifications and 90% of standards are now complete, from starting point of 60%.
 - Developed new standards and credentials in previously under-served areas to fill critical gaps, such as electricity supply and steel fixing.
- Established a **strong, independent assurance function** – we have completed over 350 pre-assessment moderations and have endorsed over 40 provider programmes.
- Delivered **workforce strategies, development plans and underpinning workforce forecasting capability** to better align industry training needs with existing and future demands, for example:
 - *'We are Water – Ko Wai Tātou'* is one of the workforce development plans we have delivered. It provides insight-driven practical recommendations to address workforce supply in the water sector, and we are now working with industry to deliver these recommendations.
 - Our workforce information platform (wip.org.nz) presents different analyses on workforce supply and demand across construction and infrastructure and is being used to forecast workforce needs.
- **Providing ongoing industry engagement and voice** through the formal structures we have established, such as the SRGs, informal engagement channels (including over 1,200 recorded engagements with industry leaders) and events. For example, our 'Thriving People Thriving Industry' Workforce summit, which we delivered in partnership with the Construction Sector Accord, brought together over 300 attendees from across the sector.

We propose an Option 2B ‘Plus’, to better meet industry needs while addressing financial challenges

We prefer proposal Option 2B, but it is not fit-for-purpose in its current form. We propose an alternative 2B ‘Plus’ option. The standalone bodies would be industry-led and have additional responsibilities, so they better meet industry’s needs and are more financially sustainable. The additional functions in Option 2B ‘Plus’ are:

- A legislated advice function into TEC that is extended to include other agencies that fund VET training, like MSD. This will ensure that industry maintains its voice into government and funding decisions are linked to demand.
- A legislative workforce planning function to help industry prepare for change and ensure the VET sector meets demand. There is also value in increasing the scope for other government agencies to benefit as well, including MSD and MBIE (Employment Team and Immigration). This could be supported by data sharing requirements enshrined in legislation with government agencies including TEC.
- Retention of SRGs, or similar construct, to continue to have industry group input.
- Career advice and pathways to meet the needs of diverse learners.
- Input on the funding of significant capital works and facilities in the VET sector because there is an opportunity to rationalise these facilities and ensure they meet industry needs.
- Problem-solving to remove roadblocks that impede training delivery. For example, the ability to provide advocacy, advice and improvement programmes that address key priorities and remove roadblocks that impede training delivery. Key priorities include equity challenges, technological change, and future skills. An example of a roadblock is the shortage of tutors. Solutions could include brokering ‘Centres of excellence’ where specialist training delivery centres are distributed across the provider network to support specialist training and regional viability.

An important aspect of the Option 2B ‘Plus’ proposal is that the new standalone bodies would be funded by a combination of non-volume based funding and alternative revenue streams. There are several feasible additional revenue sources for to consider for construction and infrastructure including:

- A moderation levy – standard setters could charge for costs incurred to complete some or all its moderation and quality assurance requirements. Under the previous Industry Training Organisation (ITO) model education providers were charged for some quality assurance services. For a future entity, user-pays fees for some quality assurance services should be reintroduced. This would support costs being covered where they are being created, rather than being subsidised by the taxpayer.
- A training levy – this could be added to the fees for new licences in the construction and infrastructure sector and on annual licence renewal. Alternatively, a training levy is applied to all employers like in the UK. The benefit of a training levy is that it shares the cost of training workers fairly between all employers, while recognising the importance of qualifications and training to the ongoing sustainability and credibility of the sector.

- NZQA fees – a proportion of the fees, collected from learners via providers as part of registering credits and the award of qualification and micro-credentials, could be provided to the organisation which maintains these qualifications and standards (similar to how this was managed in the previous model where a portion of fees were provided to the ITO.)
- The Building Levy – MBIE administers and collects a building levy on all building consents and in 2023 reported substantial funds in unspent levies. Some of these monies could be directed to support workforce development and skills leadership, recognising the importance of a sustainable workforce in supporting the quality and affordability of construction for consumers.

Reform proposals should consider wider funding sources

We strongly recommend a more comprehensive review of sector funding to achieve financial sustainability for the VET system as a whole. This needs to be underpinned by a clear vision for vocational education and training in Aotearoa New Zealand and have industry and learner outcomes at its core. It would also focus on improving productivity (economy and efficiency principles). Additional funding streams could include wider funding sources; for example, MSD funding for short courses, which get people back into employment, could be used to fund work-based vocational education and training.

The Government should also consider how compliance and quality assurance requirements imposed by TEC and NZQA, are adding unnecessary costs and contributing to inefficiencies in the VET system. Addressing these issues would reduce the cost burden of education providers, industry and learners and potentially address longstanding concerns about the speed to market for new and updated qualifications.

PART 2: RESPONSES TO SELECTED CONSULTATION QUESTIONS

Proposal 1: Creating a healthy ITP network that responds to regional needs

What do you consider to be the main benefits and risks of reconfiguring the ITP sector? (question 15)

Some communities and regionalised industries may feel that their needs will be better understood and met by regional ITPs. However, in the construction and infrastructure sector most industries are national, rather than regionally based, and, therefore, regionally responsive ITPs are not necessarily desirable.

There is a major risk of fragmentation and difficulties achieving nationally consistent delivery if each ITP develops its own programmes. Consistency and quality are the number one priority for the construction and infrastructure sector, so this is a real concern. It is also important that a learner can transfer from one location to another provider without being disadvantaged. It is unclear how the proposed changes to the ITP sector will support national consistency and quality in the context of the proposal to weaken industry skills leadership and standard setting under both Option 2A and 2B.

Proposal 2: Establishing an industry-led system for standard-setting and industry training

Which option do you prefer overall? Why? (question 19)

Neither option is fit-for-purpose because the funding proposals seem to advantage campus-based and extramural learning over work-based learning. Of the two options, Waihanga Ara Rau prefers option 2B because:

- Keeping standard setting and advice functions separated from all arranging and delivery of training, provides independence, maintains a 'what is good for industry view' regardless of provision, and removes potential for any conflicts of interest. Since WDCs were established, we have seen the benefits of independent assurance in addressing issues across providers. Linking standard-setting to funding for enrolling learners in any capacity introduces the risk that we will see the return of issues that occurred under the ITO scheme (e.g. outdated standards and a lack of new development).
- Opening work-based training to more providers could improve choice and drive value for money and innovation. There would need to be guardrails in place, such as industry involvement and clear expectations, rules, and incentives to maintain quality and national consistency. Opportunities for cost savings through the shared development of programmes, curriculum and resources should also be considered.
- Some scope is retained for industry voice interface with Government (although this would be restrained by not having the legislated function to provide advice to TEC).

What are the main features and functions that industry standards-setters (Option B) need to be successful? (question 22)

- Standards-setting (developing qualifications and ensuring national consistency through moderation and quality assurance) is a critical function for ensuring training is of a high quality and is nationally consistent, and, as such, is a core enabling function.
- An advice function into TEC, and other government agencies. This will ensure that industry maintains its voice into government and funding decisions are linked to demand.
- A workforce forecasting function to help industry prepare for change and ensure the VET sector can meet demand. Workforce forecasting and planning would also be valuable to other government agencies including MSD, TEC (careers support and delivery funding functions), and MBIE (Employment Team and Immigration).

Are there any key features of Workforce Development Councils that need to be retained in the new system? (question 23)

- Workforce forecasting – this is highly valued by industry and is undercooked in the reform proposals. It is important to link industry project driven workforce supply and demand with the supply of education and training provision and have a system-level multi-year view of changing skill needs. Industries value workforce forecasting but do not have the capacity to do this for themselves. Additionally, they do not have a wider sector focus. Without this, there is a risk that industry training provision may not meet future needs.
- Industry voice – a formal interface between industry and government is crucial to ensure that government policy and investment meets industry training needs. Without this function, there is a risk that industry and government operate in silos. Without a legislated link to TEC, we are returning to the past.
- SRGs – we need to retain industry advisory groups such as SRGs which are valued by industry, particularly small industries, because they provide a voice and pathway into government. The voice of small industries will become even more important in a VET system where small industries may be disadvantaged as they are unlikely to attract sufficient learner numbers for their training to be commercially viable.

Proposal 3: A funding system that supports stronger vocational education

To what extent do you support the proposed funding shifts for 2026? (question 26)

Waihanga Ara Rau does not support the proposed funding shifts because they disadvantage work-based learning which the construction and infrastructure prefers and relies on.

What benefits and risks need to be taken into account for these changes? (question 27)

ITPs will be bolstered by additional funding (redirected from work-based learning) and some regions may benefit as ITPs are able to attract international learners directly. However, any benefits are shortsighted and are outweighed by significant risks including:

- Shifting funding away from work-based to campus-based and extramural learning would not meet industries or learners' needs. Campus-based training does not work for many trades and learners prefer earning a wage while learning, which attracts people into working in the sector.
- Financial pressure may lead to some ITPs exiting some programmes. As previously mentioned, this could disadvantage smaller industries and mean that they do not have the skills they need (as low training volume and less commercially viable) as well as cutting back on investing in up-to-date equipment.
- Regional ITPs are likely to cost more than Te Pūkenga due to lack of economies of scale.

How should standards-setting be funded to ensure a viable and high-quality system? (question 28)

Standards-setting is a critical function for ensuring training is of a high quality and is nationally consistent, and, as such, needs to be funded as a core enabling function of the VET system. We support allocating dedicated (ring-fenced) funding for standard-setting. This funding needs to be top-sliced from the whole VET system, not just taken from work-based funding, to ensure this important function operates across all vocational education and training (work-based, campus based). If the whole VET system benefits from the standards setting function, then it is only fair that all should contribute to covering the costs. Funding also needs to be at a level which reflects true costs to ensure:

- Coverage for small, but critical, occupations or industries.
- Consideration on emerging skills or industries.
- Greater responsiveness and agility.
- Robust quality assurance oversight of assessment and delivery against industry standards and qualifications.

The funding model for standards-setting should be a mixture of non-volume government funding and alternative funding streams to make it sustainable. Alternative funding streams could include:

- A moderation levy – standard setters could charge for costs incurred to complete some or all its moderation and quality assurance requirements. This would support costs being covered where they are being created, rather than being subsidised by the taxpayer.
- A training levy – this could be added to the fees for new licences in the construction and infrastructure sector and on annual licence renewal. Alternatively, a training levy is applied to all employers like in the UK.

- NZQA fees – a proportion of the fees collected from learners, via providers as part of registering credits and the award of qualification and micro-credentials, could be provided to the organisation that maintains these qualifications and standards (similar to how this was managed in the previous model where a portion of fees were provided to the ITO).
- The Building Levy – MBIE administers and collects a building levy on all building consents and in 2023 reported substantial funds in unspent levies. Some of these monies could be directed to support workforce development and skills leadership, recognising the importance of a sustainable workforce in supporting the quality and affordability of construction for consumers.

Concluding questions

Could there be benefits or drawbacks for different types of students (e.g. Māori, Pacific, rural, disabled and students with additional learning support needs) under these proposals? (question 31)

The reform proposals are financially driven to bolster the ITPs and are not centred on improving learner outcomes. The potential benefits for Māori, Pacific and rural students of supporting more localised training provision are offset by:

- Reduced opportunities for local work-based training, such as apprenticeship and traineeships, which will likely disadvantage Māori and other diverse learners, as well as those based in rural and remote regions. Learners often prefer on-job training as they can stay near whānau and earn a living while they learn, which for many is a more viable option.
- Reduced quality and consistency which creates drawbacks for both learners and employers.
- Poor integration between different modes of learning, and pathways from schools into vocational education. Reduced flexibility risks being a step backwards in being able to meet diverse learning needs.

In addition, wrap-around support functions, such as careers advice, career pathways support and pastoral care, which are critical functions for learners (particularly those with diverse learning needs) are absent in the proposals. Employers are reporting that new employees and apprentices have increasingly high needs in terms of pastoral and learning support. A viable work-based training model needs to acknowledge the role of employers in training apprentices and provide adequate support for employers and learners. This includes help accessing learning and pastoral care for learners, particularly learners who are underserved.

Could there be benefits or drawbacks from these proposals for industries or types of businesses? (question 32)

The proposals do not meet the needs of the construction and infrastructure sector because:

- Most industries need and prefer work-based learning, and the proposals are skewed towards campus based and extramural learning.

- Most industries in the sector are organised nationally, rather than regionally. The highest priority for industry is high quality and consistent training and a regional model may result in fragmentation and variations in quality.
- Small industries are disadvantaged in the proposals, given their lack of training volume, and lack of incentives for providers who will be focused on revenue, combined with a reduced voice to government. This may mean that critical industries may have significant skills gaps.

Are there any other ideas, models or decisions for redesigning the vocational education system that the Government should consider? (question 33)

An alternative proposal for a 2B 'Plus' option which is industry-led, has additional responsibilities which better meet industry's needs, and is more financially sustainable, is presented on pages 9 and 10.