

**Submission
No 45**

SKILL SHORTAGES IN NSW

Organisation: NSW Mining
Name: Mr Stephen Galilee
Position: Chief Executive Officer
Date Received: 29/07/2013



NSW MINERALS COUNCIL
PO Box H367
Australia Square, NSW 1215

T 02 9274 1400

nswmining.com.au

Dr Abigail Groves
The Committee Manager
Committee on Economic Development
Parliament House
Macquarie Street
Sydney NSW 2000

26 July 2013

By email: economicdevelopment@parliament.nsw.gov.au

Skill Shortages in NSW Inquiry

Dear Dr Groves

The NSW Minerals Council welcomes the opportunity to provide comment to the NSW Legislative Assembly Committee on Economic Development's Inquiry into Skill Shortages in NSW.

The NSW Minerals Council (NSWMC) is the peak industry association representing the State's \$24 billion minerals industry. NSWMC provides a single, united voice on behalf of our 100 member companies made up of producers, operators, explorers and service providers. We work closely with government, other industry groups and the community to foster a dynamic, efficient and sustainable minerals industry in NSW.

NSWMC has a major interest in many of the economic, environmental, social and regulatory issues critical to the sustainable development of NSW.

An essential element of a successful NSW mining industry is access to highly skilled workers. The key requirements to achieve this include attracting a steady stream of highly skilled workers who are appropriately educated, ensuring training provided matches the needs of the NSW Mining industry, and retaining these highly skilled workers in the industry.

According to ABS data¹, as of July 2013 the NSW mining industry employs 44,625 people directly. This workforce is spread across all regions of NSW:

- Sydney region – 11,800
- Hunter region – 16,000
- Illawarra region – 3,800
- Northern, Far West-Northern and Central West region – 8,600

The mining industry does experience cyclical shifts in employment due to economic factors. This cyclical nature does lead to shifting demand for labour, which can be hard for companies, communities and training organisations to anticipate. We are currently facing a downward shift that is causing significant changes in the industry, where according to the ABS we have seen a drop of more than 6,000 direct jobs in the past twelve months. This decrease is in stark contrast to the increase of 9,000 direct jobs in the previous twelve months.

Since December 2012 alone, the NSW Mining industry has seen at least 1476 direct job and approximately 709 indirect job losses reported in the media (refer to *Attachment 1*).

The NSW Planning System Review, which is currently being undertaken by the NSW Government, could heavily impact on the NSW Mining industry.



A recent modelling study undertaken by PwC² on behalf of the NSWMC found that delay and uncertainty are crucial factors impacting investment decisions made by the NSW Mining industry. The study identified a delay of 12 months as a tipping point where, the potential losses to NSW over the next 20 years could result in 6445 direct jobs in mining and 22,400 indirect jobs not being created.

There are a wide range of factors which may contribute to skill shortages in the NSW Mining industry including:

- competition from other resource states
- localised skill shortages when new approvals are granted and mine construction commences in a regional area that has not traditionally supported the professions required in mining
- the willingness of workers to relocate to regional areas
- the education levels of new workers in the marketplace

Our aging workforce will also have an impact with the NRSET Taskforce Report (2010) estimating that there would be around 16,000 persons retiring from or leaving the Australian mining sector between 2010 and 2015.

NSWMC believes it is imperative that NSW has adequately trained people to fill available roles in the industry during all cycles. That is why NSWMC is working with a range of organisations and industries to secure a highly skilled workforce that adequately supports the NSW Mining industry. Quality education, training and retraining will be critical factors to sustain a highly skilled workforce into the future.

NSW mining companies are proactive in trying to source employment locally as key plank of operations. NSWMC works with our with member companies to establish programs that inspire, promote and excite local students to consider a potential career in the mining industry.

One initiative is our NSW Mining Scholarships which support local high students in mining regions, who are considering studying a minerals related subject at university, in a rolling three year scholarship program. Successful students receive assistance to help with their studies, of \$500 in Year 11, \$1,000 in Year 12 and \$2,000 when they successfully complete their first year in a minerals related tertiary course. Students are also provided with a company mentor, from their sponsoring company, giving them a unique support link from industry throughout the three year program. There are currently 82 students from around the State in the NSW Mining Scholarship Program.

This is in addition to the many worthy initiatives being pursued at company level. An example of a company initiative to increase local employment is the Voluntary Planning Agreement for Xstrata Coal's new Mangoola Mine. \$600,000 of this agreement is for an education and training strategy to assist with local employment.

Many NSW Mining companies also support local students with programs that sponsor students through university and also offer a wide variety of apprenticeship programs.

The minerals sector spends more on training per employee than most industry sectors and significantly more than the national average, with the overwhelming majority of training being privately funded. Around 5 per cent of the minerals industry workforce is either a trainee or an apprentice, with many more undertaking training that is not part of a formal qualification.

Recent work by NCV³ for the Minerals Council of Australia shows that the minerals sector spends around 5.5 per cent of payroll on training, well above government benchmarks such as the 1 per cent training benchmark required to hire 457 visa workers. On a year-on-year basis, the minerals industry continues to increase the number of apprentices and trainees it employs. In the minerals industry for the September quarter 2004-2012, the total apprentices and trainees in training rose from 10,839 in the September quarter 2011 to 12,896 in the September quarter 2012⁴.



NSW Mining companies, as mentioned, will always attempt to employ locals. However, companies do utilise the 457 visa, and corresponding permanent residency transition pathways, from time to time when an Australian citizen or Permanent Resident is unable to adequately fill the role.

In addition, mining is a global business and many companies in NSW have global operations. This means that transfers of highly skilled employees is not unusual. However, this still remains a very small part of the NSW mining industry's employment profile.

According to the Department of Immigration and Citizenship (as at May 2013) there were 8,100 primary 457 visa holders in the Australian mining sector. Of this amount only 460 are NSW based representing only 1.2 per cent of primary 457 visa holders in NSW⁵.

NSWMC believes sponsorship of skilled individuals in NSW remains a valid pillar of the labour market and should be focused on building communities, especially in remote regions, and providing the skills required in line with market needs.

If you have any further enquiries, please do not hesitate to contact Chrissie Clarke, Policy Manager People and Skills, on [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]
Stephen Galilee
CHIEF EXECUTIVE OFFICER

¹ Australian Bureau of Statistics, 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, May 2013

² NSW Minerals Council, NSW Planning System Review: White Paper and Draft Legislation Submission, June 2013

³ NCVET, Training and education activity in the minerals sector, March 2013

⁴ Minerals Council of Australia, Inquiry into the framework and operation of subclass 457 visas, May 2013

⁵ Department of Immigration and Citizenship, Subclass 457 State/Territory summary report, 2012-13 to 31 May 2013
<http://www.immi.gov.au/media/statistics/pdf/457-state-territory-summary-report-may13.pdf>

Inc: Attachment 1: NSWMC Media Report on Jobs lost in mining & services - 1476 at 26 July 2013

According to media reports, approximately 1476 direct jobs have been reported lost in the NSW mining industry since December 2012, with this number including approximately 709 indirect jobs

At 26 July 2013

- **Headline: 42 mine jobs to go - Illawarra Mercury – 26 July 2013**
(ILLAWARRA)
Peabody Energy Australia's Metropolitan Mine, 42 jobs (170 across NSW and QLD – three Hunter mines)

And conservative estimate of 60 jobs across other two NSW operations (Wilpinjong and Wambo)

HELENSBURGH'S Metropolitan Colliery will cut **42 jobs** as the global downturn in coal prices hits the Illawarra. The mine's owner, US-based Peabody Energy, has announced plans to cut 400 positions across its Australian operations, a figure which includes 170 redundancies and 230 positions lost through natural attrition. Workers at the Metropolitan mine, one of Australia's oldest continually operating collieries, were told on Monday of the company's plans. They have been told the cuts were to "fast-track cost improvement initiatives". A Peabody spokeswoman said voluntary redundancies would be offered first, with forced redundancies if the requisite number was not reached. Yesterday Peabody would not make public the number of jobs to go at Helensburgh, but the Construction, Forestry, Mining and Energy Union (CFMEU) said there would be 42 jobs to go, including 29 union members.

- **Headline: 200 Hunter jobs axed at WesTrac – 28 June 2013**
(HUNTER VALLEY)
Westrac, 200 jobs
CATERPILLAR earthmoving machine agent WesTrac is cutting at least **200 jobs** in the Hunter as it moves to axe 10 per cent of its 3500-strong national workforce. Unions believe about 100 jobs will go from WesTrac's new Tomago headquarters with a similar number to go from its mining-related business at Mount Thorley. The estimated job losses of between 190 and 210 are from the firm's Hunter workforce of about 700, according to unions. The WesTrac jobs are the latest in a line of layoffs from mining and mining-related businesses in the Hunter Region as industry reacts to the end of the "investment phase" of the mining boom. It came on the same day mining company executives held an important but little-publicised meeting in Mayfield with Minister for Resources and Energy Chris Hartcher and NSW Minerals Council chief executive Stephen Galilee over the hardship facing the industry. Caterpillar is one of the biggest global names in the earthmoving business and the Stokes-backed WesTrac has moved aggressively in recent years to expand its empire and buy out competitors. The Tomago complex was opened with much fanfare in July last year, with about 450 people employed on a 23-hectare site containing 12 buildings. Unions say about 250 people are employed at Mount Thorley, meaning 200 of an estimated 700 Hunter jobs are destined to go.
- **Headline: Xstrata cuts jobs at Ravensworth coal mine in NSW Hunter Valley – ABC News – 25 June 2013**
(HUNTER VALLEY)
Glencore Xstrata's Ravensworth Underground Mine, 46 jobs
Mining giant Xstrata is blaming a slowdown in demand for coal for its decision to axe **46 workers** at its Ravensworth mine near Singleton, in the New South Wales Hunter Valley. The cuts are part of an ongoing review of the company's operations in Australia. Workers were told of the layoffs last night. One employee who lost his job says it will have a devastating impact on the community. "In so far as wages to the community it's a minimum five million dollar loss to the community an injection of cash into it and then you've got the impact on at least 46 families," he said. The workers say the job losses will cost the small community in the Hunter Valley around \$5 million in wages. The Minerals Council of Australia is calling on state and federal governments to work with coal mining companies to reinvigorate the industry. Spokesman Ben Mitchell says the high dollar, rising costs and low coal prices are becoming a bigger problem. "Those forces are combining to make a very difficult environment," he said. "All these job losses - we've experienced about 24,000 since May 2012 - should be a wakeup call that as a nation we have to stop talking about how to extract more from the mining sector and how we start growing it again."
- **Headline: Coal Cuts – Newcastle Herald – 28 May 2013**
(HUNTER VALLEY)
Glencore Xstrata's Mt Owen Mine, 74 jobs
MORE than 70 jobs will be axed at the Mount Owen open-cut mine in another blow for the Hunter Valley's coal industry. Construction, Forestry, Mining and Energy Union district president Peter Jordan said **55**

mineworker positions, 6 tradespeople and 12 contractors would go from the mine, located midway between Singleton and Muswellbrook. It is owned by the newly merged Swiss-based resources giant Glencore Xstrata and managed by contract mining company Thiess. Official figures show that more than 1000 Hunter and Gunnedah mineworkers have lost their jobs since the middle of last year. A spokesman for Xstrata said the Mount Owen cuts were a response to "difficult market conditions".

- **Headline: Ampcontrol staff wait for job cuts** - Newcastle Herald, May 23 2013
(HUNTER VALLEY)
Ampcontrol, 60 jobs (10% of 600 strong workforce)
BIG job losses are expected next week at Hunter electrical contractor Ampcontrol, which has warned its entire workforce of layoffs. Electrical Trades Union organiser Russell Wilson said it could be 10 per cent to 20 per cent of a workforce totalling about 600 in the Hunter. Mr Wilson and Australian Manufacturing Workers Union organiser Todd Nickle said Ampcontrol had treated its employees "disgracefully". Mr Wilson said telling employees about across-the-board job cuts without indicating how many jobs were likely to go left everyone with "no option but to believe the worst". He said Ampcontrol had refused to give any indication of the size of the cuts.
- **Headline: More Hunter jobs go: Downturn hits Sandvik** - Newcastle Herald, 8 May 2013
(HUNTER VALLEY)
Sandvik, 69 jobs
ANOTHER 69 Hunter jobs have been cut by the industrial group Sandvik, as the mining industry downturn grips. Sandvik Asia Pacific president Rowan Melrose said the company was closing its Mayfield hard materials facility with the loss of 26 jobs. Mr Melrose said another 43 jobs were going from its Heatherbrae mining division.
- **Headline: Mining contractor cuts 106 jobs** – Namoi Valley Independent, 23 April 2013
(HUNTER VALLEY)
Downer EDI, 106 jobs
Mining contractor, Downer EDI Mining, today confirmed that 106 jobs have been cut at the Idemitsu Boggabri Coal mine. Workers were told of the redundancies on Friday, with **87 employees and 19 contractors losing their jobs**. The remaining workforce at the mine stands at 244. The decision was made following a reduction in production targets at the Boggabri mine site. It comes following discussions between the CFMEU and the company which began on April 8.
- **Headline: Mine sackings worrying for Broken Hill** – ABC News, 1 May 2013
(FAR WEST NSW)
Perilya, 17 jobs
The **sacking of 17 workers** from the Perilya mine yesterday has sent tremors through Broken Hill. The company operates two lead, zinc and silver mines in Broken Hill that employ about 380 workers. Perilya's managing director, Paul Arndt, says the sackings were an essential response to market pressure.
- **Headline: Rio sacks 40 workers at coalmine** – SMH - April 23 2013
(HUNTER VALLEY)
Rio Tinto Coal & Allied's Mt Thorley Warkworth mine, 40 jobs
Rio Tinto has **cut about 40 employees** and contract workers from the Hunter Valley coalmine at the centre of a controversial court ruling last week. Rio's permission to expand the Mt Thorley Warkworth mine was overturned in the NSW Land and Environment Court last week after residents from the town of Bulga succeeded in a long campaign against the project. Rio had planned to expand the mine to the extent that open-cut operations came within 2.6 kilometres of Bulga and consumed land that advocates say was promised for conservation. Rio announced on Monday that it would appeal the decision in the Supreme Court and said the result would prove crucial to the jobs of 1300 people.
- **Headline: Tahmoor rides the price storm** - Wollondilly Advertiser, 10 Apr 2013
(ILLAWARRA)
Glencore Xstrata Coal, 300 JOB LOSSES ESTIMATE IN NSW (600 jobs across NSW and QLD operations (originally announced September 2012))
The change comes after the company **cut 600 jobs** last September. But the company spokesman would not say how many of these jobs were lost at Tahmoor colliery. "As with many of our mines in Australia, a number of positions were affected at Tahmoor," he said. "However, we are not publicly providing specific numbers on a site-by-site basis.

- **Headline: Local jobs axed at mines** - Namoi Valley Independent, 26 March 2013
(NEW ENGLAND NORTHWEST NSW)
Whitehaven Coal, 40 jobs (30 permanent & 10 contractors)
THE Gunnedah Basin's coal industry has been dealt a major blow, with Whitehaven Coal **axing 40 jobs**, and contractor, Downer EDI Mining expected to announce redundancies at Idemitsu's Boggabri Coal mine within a week. Whitehaven was the first to swing the axe on Friday, announcing 30 permanent positions and 10 contractor roles will go at its Tarrawonga and Rocglen mine sites.
- **Headline: Lay-offs hit contractor: Suppliers suffer as miners cut** - Newcastle Herald, 14 March 2013
(HUNTER VALLEY)
Emeco, 16 jobs
RUTHERFORD earthmoving rental firm Emeco has laid off **11 tradesmen and five apprentices**, blaming the downturn in mining work for the job losses.
- **Headline: Hundreds lose jobs**, Newcastle Herald, 16 Feb 2013
(HUNTER VALLEY)
Daracon, 200 jobs (workforce cut from 1150 to 950)
ONE of the Hunter's biggest contracting companies, Daracon, has **cut hundreds of jobs** in response to the downturn in mining and other industries.
- **Headline: Mining grads to lose jobs** – Newcastle Herald, 9 Feb 2013
(HUNTER VALLEY)
BHP Billiton Mt Arthur Coal, 28 graduate jobs
BHP Billiton will celebrate a record intake of 16 apprentices at its Mount Arthur coalmine next week, just days after telling **28 newly graduated plant operators** they would have no work beyond June.
- **Headline: 130 mine jobs get the chop** – Newcastle Herald, 10 Dec 2012
(HUNTER VALLEY)
Centennial Coal, 130 jobs
&
Rio Tinto Coal & Allied's Bengalla Mine, 18 jobs
The job cuts come as Centennial's parent company, Banpu, has begun to feel the impact of the global downturn in coal prices, with its share price having halved since it bought Centennial in 2010 for \$2.5 billion. They follow the recent retrenchment of **about 18 staff and supervisors' jobs** from Rio Tinto's Bengalla mine at Muswellbrook.
- **Headline: Company cuts jobs as mining downturn continues** - ABC News – 10 December 2013
(HUNTER VALLEY)
Diversified Mining Services, 30 jobs
More than two dozen jobs are set to go as the downturn in the Hunter's mining industry continues. Diversified Mining Services is cutting more than a third of its workforce today, **with 30 jobs to go**. The company provides services and equipment to open cut and underground mines in the region.