

31 January 2012



Committee Secretary
Senate Education, Employment and Workplace Relations Committees
PO Box 6100
Parliament House
CANBERRA ACT 2600

E-mail eevr.sen@aph.gov.au

Dear Committee Secretary

I am writing to provide a submission to the Senate Education, Employment and Workplace Relations Committee inquiry into the shortage of engineering and related employment skills.

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia, representing 95 per cent of the State's minerals and petroleum production value.

While CME acknowledges the focus of the Committee's inquiry is on construction, infrastructure and government procurement practices, the Committee should be cognisant of the importance of engineers and related trades to the resources sector.

The resources sector is a major driver of both the Western Australian and Australian economies. The WA sector has a total export income worth more than \$100 billion and produces royalty income for the Western Australian Government valued at \$4.9 billion. The projected outlook for the sector in Western Australia is one of substantial growth, with over \$200 billion of planned mining and energy (and relevant infrastructure) projects across the state.

The WA resources sector has grown significantly in recent years with strong growth expected to be sustained well into the future, with a project development pipeline approaching \$300 billion capital expenditure. Initially it was gold, from the 1960's iron ore and now Liquefied Natural Gas (LNG), which in many ways drive the large investments in the WA resources sector.

Iron ore exports have increased from 150 million tonnes in 2000, to around 400 million tonnes in 2010. Recent announcements will see tonnage continue to grow into the future. The LNG sector in WA is in the midst of enormous growth, headlined by the Gorgon Project, valued at over \$42 billion. In September 2011, Chevron added the \$29 billion Wheatstone project to the list.

With this growth we've seen the shortage of skilled labour in WA present ongoing challenges to industry. CME's 2011 State Growth Outlook forecasts the workforce required to meet current growth plans in the minerals and energy sector to peak at over 119,500 people in 2012 – around 43,800 above the 2009 sector workforce of 75,600.

WA is now facing skilled labour supply challenges that are potentially more acute than those experienced prior to the Global Financial Crisis. The ability to respond to the rapid increases in demand for skilled labour in the sector will be a determining factor in the on-time delivery of minerals and energy projects.

Critical shortages are occurring in many key professions, including geologists, metallurgists and engineers – all disciplines. The potential implications of such shortages include cost blowouts, missed deadlines, project delays and even project cancellations.

The Department of Education, Employment and Workplace Relations “*2011 Skill Shortage Summary*” recently published indicates that nationally engineering professionals remain in short supply, with only 40% of vacancies filled and only 1.3 suitable applicants per vacancy. CME would anticipate that a state by state breakdown of these figures would indicate an even tighter market in operation in WA.

The WA resource sector is a large employer of engineering graduates and also values highly those with experience gained from other industry sectors. Engineers continue to be in high demand on resource projects both during development and operation.

To overcome shortages and develop a skilled workforce into the future, the resource sector invests heavily in training and skills development of its workforce. The majority of the industry’s training and education effort goes into training its’ operational workforce. CME, along with the Australian Petroleum Production Exploration Association have established a body called the Resource Industry Training Council (RITC). The RITC facilitates the continual improvement of workforce skills in support of improving productivity to enhance the competitiveness of Western Australian industry.

CME strongly advocates for a demand-driven tertiary education system that provides institutions with flexibility, on the proviso that national priority areas (such as engineering and minerals educations) are supported so that labour market needs are met.

The resource sector promotes a career in resources as attractive option for graduates and school leavers. CME has developed a website www.peopleforthefuture.com.au to provide career advice and information to graduates, career changers and others to find out more about a career in resources. The website is undergoing some redevelopment in order to develop it into a national careers portal for the industry. Along with member companies, CME attends a variety of career expos, schools and universities to provide information about working in the sector.

Importantly the resource sector seeks to increase workforce diversity with more women and Indigenous employees. Industry is keen to fully engage with all sections of the workforce, including those previously under-utilised such as women and indigenous Australians. CME promotes careers in resources to women and promotes best practice in this regard through a highly successful “Women in Resources” Awards program. CME research indicates that the number of women employed in the resource sector has grown in the past five years to now be more than 20% of the total workforce.

It has previously been noted that the resource is the largest employer of indigenous Australians outside of the public sector – it is likely that given the sector’s focus on indigenous training and employment, indigenous employment numbers in resources could now outstrip the public sector.

The resource sector also relies upon a flexible skilled migration program to fill urgent gaps. CME continues to advocate for increased flexibility and improved timeliness within the skilled migration programs. CME also participates in and provides information on a variety of overseas career expos. The Department of Immigration and Citizenship has placed an Immigration Outreach Officer with CME to assist the resource sector to utilise appropriate migration options and provide information on changes to the migration program.

CME would urge the Committee to reference submissions, technical papers and public hearings made to the National Resource Sector Taskforce throughout 2010. CME, along with many other relevant industry bodies provided submissions and attended consultation sessions. The Taskforce consulted widely and made 31 recommendations in its report, which the Commonwealth Government endorsed in early 2011. CME was pleased to welcome the Government’s response and funding to the National Resource Sector Employment Taskforce Report. In particular industry was pleased to see the Government’s budget initiatives including funding for “*Building Australia’s Future Workforce*” plan.

CME believes that much of the data and testimony obtained as part of the National Resource Sector Employment Taskforce remain relevant today.

The resource sector is also concerned about the potential impact of the long-term outsourcing of engineering activities on skills development and retention in both the private and public sectors. Despite some recent claims to the contrary there continues to be a very high level of local industry participation in spending in the mining sector, with 86% Australian spending in construction phase, and 95% Australian spending in operations phase. It should be noted that opportunities for local industry participation in oil and gas projects are fundamentally different due to scale and complexity of some projects, and a more specialised and globalised supply chain. The net result is lower local content spend is achieved in the construction phase (56% Australian spend). However operational spend is more in line with mining, with 83% Australian spending.

In summary, investing in skills and training, increasing workforce diversity and ensuring a flexible skilled migration program will help address skill shortages in the resources sector, delivering ongoing growth in both the Western Australian and Australian economies.

If you require further assistance regarding this submission, please do not hesitate to contact Bruce Campbell-Fraser on _____ or email:

Yours sincerely

Reg Howard-Smith
Chief Executive