



18 April 2013

Ms Amanda Rishworth MP
Chair
House of Representatives Standing Committee on Education and Employment
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Rishworth,

RE: Inquiry into the role of the Technical and Further Education system and its operation

I refer to the inquiry of the House of Representatives Standing Committee on Education and Employment into the role of the Technical and Further Education system and its operation. I am pleased to provide for the consideration of the Committee Muswellbrook Shire Council's submission to that inquiry.

Background

Muswellbrook is situated in the Upper Hunter sub-region of the Hunter region of New South Wales, is located 3.5 hours by road from Sydney and up to two hours from Newcastle, and is a regional centre supporting a variety of industrial activities, a growing population and expanding business and community opportunities. Muswellbrook is the major population centre in the Muswellbrook Local Government Area (LGA).

Industrial activity in the Muswellbrook LGA is primarily focussed on the energy sector: both extractive and generation. Forty per cent of NSW's base load energy requirements are generated in the Muswellbrook LGA, and the Shire is one of two of the major centres for coal production in the Hunter Valley, with operations expanding considerably over the past decade and expected to increase further in the coming years. Figures¹ from 2011 indicate the mining industry provided over 20 percent of jobs in the Shire and is the largest single industry of employment of Shire residents.

The mining sector is expected to have a long and prosperous future in the Muswellbrook Shire, with coal resources within the approved footprints of existing operations expected to outlast the next century, providing a likely source of continued employment and growing demand for skilled workers from within and outside the local area. Growth is also expected beyond those existing footprints.

Muswellbrook is strategically located in between fast developing areas of coal mine and coal seam gas related exploration and extraction activities. Muswellbrook is situated at the meeting point of the Ulan/Western, Hunter and Gunnedah/Namoi coal basins and is connected to each by road and rail. Being located at the geographic centre of the significant coal growth regions of NSW, and with a strong presence of mining related vocational

¹ ABS 2011 Census of Population and Housing

education, Muswellbrook is well positioned to develop a regional Centre of Education Excellence in mining related vocational training and tertiary education.

The Hunter region's major population centre, Newcastle, is limited in its capacity to serve as a regional centre for the Upper Hunter simply because of geographical constraints. The Upper Hunter requires discrete, strategically located, Centres of Education Excellence that draw on the sub-regional and rural communities, and service those areas which align with industry and government priorities.

Overview

TAFE NSW has an existing presence in Muswellbrook with the Hunter Institute's ("**Hunter TAFE**") campus providing quality vocational education and training in a number of key areas, including General Education, Business, Computing, Industry, Natural Resources, Childcare and Community Services. There is an increasing focus on the mining sector with the Mining Skills Centre on the Muswellbrook campus, which provides training in basic engineering, safety and lifestyle skills, together with other *ad hoc* and customised training. Hunter TAFE has proposed significant capital improvements of the Muswellbrook TAFE Campus together with a number of other vocational education initiatives for Muswellbrook including the establishment of a Business and Heavy Plant campuses, both of which are strongly supported by Council. Hunter TAFE has sought funding under the Commonwealth Education Infrastructure Fund (EIF) Regional Priorities Round, and Council was last year successful in its bid for funds under the Commonwealth's Regional Development Australia Fund (RDAF) for the construction of a 63 bed student accommodation facility located on the Muswellbrook TAFE campus.

Council has worked effectively with Hunter TAFE in the past and has formed a partnership to further efforts to improve training opportunities and outcomes for the greater Hunter region, building on the natural advantages Muswellbrook offers and the growing demand for skilled employees in the mining industry sector.

Muswellbrook has fostered strong links between secondary education, vocational education, and industry. These relationships are critical to the flow of information, in identifying needs around trade requirements and their incorporation into education outcomes.

Local economy

Muswellbrook is experiencing a two speed economy, with the fast running segment in danger of overheating as demands on local economic resources are increasingly unable to be met. The region continues to experience significant economic investment² in the resources sector, which has driven up wages in an overstretched labour market and prices throughout the sub-regional economy. Increasing the available pool of skills is certainly one way in which to address the risk of economic overheating.

Labour market

Although no cumulative assessment of the impact of mining on the labour force has been undertaken, there is anecdotal evidence that the endogenous labour pool has not been able to satisfactorily meet the needs of intensive mining in the sub region³.

The unpopular reality is that the labour market is probably over heated in the sub region – something which is every bit as burdensome as a labour market which suffers a lack of

² Hunter Valley Research Foundation Upper Hunter Economic Indicators December 2012 Quarter

³ 2008 ACARP Report: *Assessing the Cumulative Impacts of Mining on Regional Communities: An Exploratory Study of Coal Mining in the Muswellbrook Area of NSW* (the Centre for Social Responsibility in Mining, the Centre for Water in the Minerals Industry and the University of Queensland) February 2008 noted, for example, that (one explanation for a reduction in the number of locals employed in mining) was that "there has been a trend towards an increasing number of the jobs available at local mines being filled by people living out of the Shire".

demand. Labour is an important input in production. A high labour price contributes to higher prices more generally. This is problematic in a community with a 50 percent higher proportion of people on fixed incomes – many of whom occupy social and community housing. The unemployment rate in the Upper Hunter (based on Singleton, Muswellbrook and Upper Hunter LGAs) is 2.8%⁴. The December 2012 Small Area Labour Market (SALM) report indicated fewer than 500 people were seeking employment during the study period⁵. The unemployment rate would be conceivably lower when the skew for the disproportionate number of persons presenting with barriers to entry (largely from areas of social disadvantage) are removed, most significantly literacy and numeracy, and may benefit from improved access to vocational education and training.

The price of labour has been constrained in real terms – unable to outstrip the local cost index. That may be one contributing factor in why Muswellbrook's position on the relative wealth index has dropped relative to local government areas without significant mining over the last fifteen years⁶.

There are other consequences that flow in an economy without sufficient labour. The depletion of trade qualified persons providing domestic trade services is one such consequence.

Skills shortages

With planned capital expenditure in excess of \$3 billion⁷ in the Upper Hunter's coal mining sector planned for the coming years, demand for skilled labour will be strong. The Hunter Valley Research Foundation indicates 12-month employment intentions in the Upper Hunter are still high.

The mining industry has generally absorbed any slack in the local labour market and indeed poached skilled workers from other industry sectors with generous financial incentives. As a result the demand for skills across a broad range of industries cannot be met by local supply, which has a number of consequences, including high volumes of traffic on the region's road network and a high incidence of road trauma.

Not all students graduating from Muswellbrook's secondary schools desire a career in the mining industry. For those who do not, anecdotal evidence suggests that many young people seeking skills outside heavy industry will leave the Shire to pursue those occupational goals. Whilst diversification of the local economy presents an ongoing challenge, the mining sector does remain an attractive option for many young people. The ongoing requirements for skilled labour can provide positive employment outcomes for apprentices and graduates and act as an incentive for school leavers to undertake training in this field. Increasing training opportunities in Muswellbrook would add to the pool of future employees and encourage those young people living in the Muswellbrook Shire to remain whilst improving personal work skills and future employment opportunities.

In recent applications for the development, expansion of coal mining operations or modifications to existing conditions of consent, proponents invariably insist approval of developments will be a source of localised economic activity stimulating growth in local employment. Given such enthusiasm for localised future employees, it stands to reason that the mine operators would prefer to employ local residents than import labour from outside the region, which requires an ongoing source of skilled workers based in the Upper Hunter. As such additional resources for training and education are warranted to meet this level of

⁴ Hunter Valley Research Foundation Upper Hunter Economic Indicators December 2012 Quarter

⁵ Small Area Labour Markets – Australia, Economic & Labour Market Analysis Branch; Department of Employment and Workplace Relations, Australia. www.workplace.gov.au

⁶ See Table 9 of the 2008 ACARP Report at p.72

⁷ Hunter Valley Research Foundation Upper Hunter Economic Indicators December 2012 Quarter

demand and could be sourced from industry directly, or through the NSW Government's coal mining royalty revenue.

It is further noted that resource allocation has been problematic in the past, with sudden growth in demand appearing to take VET funding providers by surprise. An analysis of pending development approvals would provide a clear basis for predicting expected future demand.

It is noted that Council has obtained planning commitments from each developing coal mine to employ a minimum number of locally sourced apprentices for each year of operation, with Muswellbrook TAFE provided a key role in delivering those local skills to industry.

Housing market

Muswellbrook LGA has routinely experienced housing shortages, which severely impacts on the availability of student accommodation. Council identified a unique opportunity to establish additional accommodation specifically for students in partnership with Hunter TAFE and the mining industry. Council recently secured Commonwealth funding through the RDAF for a new 63 bed residential college located on the existing Muswellbrook TAFE campus, which is expected to be operational in 2014.

It is envisaged that the supply of additional student accommodation will improve the attractiveness of Muswellbrook to potential students and trainees from outside the LGA. As noted above, Muswellbrook is strategically located among the predominant coal mining regions of NSW. Regrettably, the dearth of available accommodation detracts from Muswellbrook's attractiveness as an education centre, as the distances required to travel from home to campus presents as a barrier to providing education services to students from outside the LGA. The provision of a residential college is critical to addressing this barrier.

The Way Forward

The Upper Hunter Economic Diversification Project has identified a need to establish specialist centres of education delivery as a means to diversify the local economy beyond coal mine dependence and recommends a power and energy Centre of Educational Excellence for Muswellbrook, with Council as the lead agency and drawing on the existing industry expertise and key stakeholders including other Upper Hunter Region Councils, Federal and State agencies, Hunter TAFE, universities and industry representatives.

The recommendation of the Strategy confirms Council's identification of a unique opportunity to improve Muswellbrook's delivery of vocational education and training and education outcomes for the surrounding region. The rationale is based on Muswellbrook's strategic location, the Shire's dominance as a leading provider of skills, labour, industry expertise and support to the mining and energy sector. It builds on the existing presence of the Hunter Institute of TAFE Mining Skills Centre and its determination to foster excellence in the mining industry, whilst continuing to provide skills outside the mining and energy sectors to ensure those skills that are vital for regional economic growth and liveable communities are delivered.

Examining the mining related projects currently under assessment by the Department of Planning and Infrastructure, and noting that only two mining applications have ever been rejected, it is reasonable to anticipate significant growth in the mining industry in the region immediately beyond Muswellbrook in the foreseeable future. As more communities are subjected to mining operations, demand for local labour and apprentices will also grow.

In order to supply the anticipated demand for industry specific skills, significant resources need to be directed to appropriate vocational education. Already, TAFE NSW recognises

the demand for training in this field and must be commended on the establishment of the Mining Skills Centre and its plans for significant capital improvements in Muswellbrook.

It is also recognised that significant opportunities exist to partner with industry and other education providers, particularly in the university sector, to build upon the natural advantages of Muswellbrook Shire. It is understood the University of Newcastle only provides mining engineering for two years of a four year program in partnership with the University of New South Wales. As a consequence opportunities exist for an enterprising tertiary education provider to offer degree qualification courses and research opportunities through Muswellbrook. A number of universities have expressed interest in such an opportunity

Given the current and anticipated demand for skilled employees in the mining sector, significant synergies could be realised with TAFE NSW, through the sponsorship of course programs to up-skill existing workers and for apprentices, building on existing relationships with industry. It should also be noted that peripheral industry operators, such as in the manufacturing sector could also play an important role in furthering education delivery outcomes in Muswellbrook. Industry organisations such as HunterNet, a leading network of Hunter based manufacturers has for many years undertaken initiatives to improve the skills base of manufacturing, may also play a partnering role in the success of education delivery. Council supports ongoing funding by the NSW Government for the operation of VET delivery through Muswellbrook TAFE.

For this reason, Council has partnered with Hunter TAFE in its application for funding under the Education Infrastructure Fund (EIF) Regional Priorities Round to enhance the provision of VET in Muswellbrook and the Upper Hunter, by establishing a higher education campus in the Upper Hunter, to deliver four years of mining engineering and other polytechnic courses that the University of Newcastle has long been unable to offer. The project is strongly supported by the coal industry and the wider community, and Council seeks to bring its importance to the future of the Muswellbrook community and its economy (currently and post-mining). A successful bid would represent a significant investment in a regional community, which supports the coal industry. There are growing concerns that the Gillard and O'Farrell Governments have abandoned capacity building in the coal industry. The recent announcement of EIF funding for an upgrade of facilities at the University of Newcastle, is unlikely to result in any increase in neither education delivery nor economic capacity building.

It is a matter of regret that despite undertakings for an announcement by the Federal Government in relation to that bid for funding, the outcome remains unknown, which has undermined certainty within the mining industry and the community at large. It is noted that the announcement by the Federal Government of \$30 million for the University of Newcastle on 15 April 2013 is unlikely to deliver any additional higher education capacity for the region, and will simply duplicate facilities for the sake of urban renewal. Those additional courses proposed for delivery by Hunter TAFE's Upper Hunter proposal would have built further education and labour capacity for the region's export industries and ensured that more of the existing dollars generated by those industries remained in the region. Council is concerned the announcement may be a missed opportunity for education delivery and economic capacity building in the Hunter.

The University of Newcastle has long abandoned the Upper Hunter. The largest export region in NSW and the largest coal region in Australia has a university that cannot even deliver four years of mining engineering. The University of Newcastle is incapable of delivering the sort of innovation and skills required by the Hunter's economy. A second university in the Hunter focussed on polytechnic professions and with articulated courses

from Hunter TAFE in engineering, the geosciences, robotics, energy and carbon capture and storage is now critical to the Hunter's future.

Competitive Advantage

Existing operations and anticipated growth in the mining sector in Muswellbrook LGA, the greater Hunter region and across northern and western New South Wales positions Muswellbrook in a unique situation to provide centralised vocational training for skills requirements in the mining sector.

Muswellbrook's proximity to coal operations gives local training providers a competitive advantage over training institutions in Sydney and Newcastle. Bringing school leavers from the greater Hunter Region, Sydney, and Western NSW to study at the Muswellbrook Campus of the Hunter Institute of TAFE will contribute to the skilling of regional New South Wales, consistent with the ambitions of the State Government's *NSW 2031* document.

Muswellbrook is in a unique position to improve the opportunities for industry, and rural and regional students alike, to increase skills levels and deliver quality training and educational outcomes that meet the needs of industry and students now and into the future. It is reasonable to predict that given the anticipated significant growth within the west, north-west and Hunter regions of New South Wales of the Coal Seam Gas industry further unmet demand for skilled labour will emerge.

The provision of skills training must respond to those areas where the need is greatest. Government support for vocational education and training must flow to areas that maximise economic benefits and which are responsive to industry development. Maintaining a focus on specific skills training for industries in areas they no longer have a presence does not necessarily represent the soundest allocation of resources by government.

The establishment of the Muswellbrook Centre of Educational Excellence in Mining and Power will assist in improving regional education outcomes as detailed in the State Government's *NSW 2021: A Plan to make NSW Number One*, which aims for a twenty percent increase in the number of completions in higher level VET qualifications at AQF Certificate III and above by students in rural and regional NSW by 2020.

No other location in NSW has both the central proximity and the significant presence of coal and related industries, and an industry specific vocational education sector as Muswellbrook.

Council appreciates the opportunity to comment and would be pleased to appear at a public hearing to provide further information if required.

Yours faithfully,

Steve McDonald
General Manager

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