



Submission to the Productivity Commission

Mineral and Energy Resource Exploration

By the Australian Mines & Metals
Association (AMMA)

April 2013



AMMA is Australia's national resource industry employer group, a unified voice driving effective workforce outcomes. Having actively served resource employers for 95 years, AMMA's membership covers employers in every allied sector of this diverse and rapidly evolving industry.

Our members include companies directly and indirectly employing more than half a million working Australians in mining, hydrocarbons, maritime, exploration, energy, transport, construction, smelting and refining, as well as suppliers to these industries.

AMMA works with its strong network of likeminded companies and resource industry experts to achieve significant workforce outcomes for the entire resource industry.

First published in 2013 by

AMMA, Australian Mines and Metals Association

GPO Box 2933

Brisbane, QLD, 4001

Contact: Scott Barklamb - Executive Director, Industry

Email: policy@amma.org.au

Phone: 07 3210 0313

Website: www.amma.org.au

ABN: 32 004 078 237

© AMMA 2013

This publication is copyright. Apart from any use permitted under the *Copyright Act 1968* (Cth), no part may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of the Chief Executive, AMMA, GPO Box 2933, BRISBANE QLD 4001

Contents

1	Introduction	1
1.1	Scope	1
2	General comments	1
2.1	The economics of mineral and energy exploration	1
2.2	The role for Government.....	2
3	Other issues affecting resource exploration	4
3.1	Non-financial barriers are, in practice, financial barriers.....	4
3.2	Workforce issues	4
3.3	Occupational health and safety.....	9

1 Introduction

1.1 Scope

1. As initial submissions to the Productivity Commission's inquiry were due by 15 March 2013, AMMA has had the opportunity to consider the submissions to date. Accordingly, to assist the inquiry, AMMA's submission provides information additional to that contained in the other submissions and available to AMMA as the national resource industry employer group. In particular, the submission addresses two non-financial barriers to the performance and efficiency of resource exploration in Australia:
 - a. Workforce issues.
 - b. Occupational Health and Safety.
2. The nature of the information provided by AMMA is twofold. First, as the result of its own research, AMMA has collected and collated significant data about workforce issues from the AMMA membership. In this context, it is noted that AMMA's membership is broad and diverse in terms of both geography and activities undertaken. Across its membership base, AMMA represents entities which undertake the range of relevant activity classifications from the Australian Bureau of Statistic's Australian and New Zealand Standard Industrial Classification (ANZSIC) identified in the issues paper (Box 1, page 5). In relation to offshore oil and gas, for example, AMMA represents the entire chain of exploration, extraction, production and shipping.
3. Second, on behalf of its members, AMMA has a strong policy and advocacy role in addressing issues of significance to the resource industry. Accordingly, this submission makes reference to evidence relevant to the Productivity Commission's inquiry and provided by AMMA to other relevant inquiries and reviews, past and current.

2 General comments

2.1 The economics of mineral and energy exploration

4. AMMA's vision is to grow Australia's prosperity by ensuring the resource industry is an attractive place for employment and investment. As noted in the Policy Transition Group's report to the Australian Government on technical design elements of resources taxation changes:
 - a. Strength in mineral and energy resource exploration is the backbone of the resource industry in Australia and ensures continued access to mineral and energy assets.
 - b. Investment in exploration drives sustained and sustainable growth in Australia's resource industry and national economic growth.

5. Relevant information about these matters has been provided in other submissions to the Productivity Commission, including submissions from the Australian Petroleum Production and Exploration Association Limited (APPEA) and the Minerals Council of Australia (MCA).
6. Consistent with those submissions, AMMA notes the significant risks to the level of mineral and energy exploration due to:
 - a. Labour productivity being at its lowest level in a generation.
 - b. Unprecedented competition for global capital.
 - c. New frontiers for resource investment continuing to open.
7. As discussed in the Productivity Commission's issues paper, these factors go to whether resources can be extracted, processed and transported at a profit. They affect decision-making about whether to undertake exploration. As commodity prices continue to adjust and the scarcity premium enjoyed by Australian resources diminishes, the efficiency of our export supply chain becomes ever-more critical. In *Rebooting the boom: Unfinished business on the supply side*, for the MCA, the need to maintain, if not increase, competitiveness was explained (at 6):

Unless we achieve and retain global cost competitiveness in each stage of that chain, we will benefit less than we should have during upswings and suffer more than we need to when times turn tough. And as unsustainably high prices return towards long run levels, it is our cost competitiveness that will determine how much of the current investment pipeline ultimately translates into completed projects.

8. Currently, these economic risk factors put in jeopardy \$383 billion of projected Australian resource industry investment and the jobs and economic growth it creates.

2.2 The role for Government

9. The Productivity Commission's issues paper identifies (at page 6) a number of areas in which public policies can influence factors affecting the level of mineral and energy exploration. Two of these areas, the supply of qualified workers and workplace relations arrangements, are examined in more detail in section 3. In this section, a number of additional areas are considered.
10. First, in the issues paper Box 2 sets out Government influences on exploration activity. While the financial and regulatory levers in Box 2 are framed as positive influences upon exploration activity, it must be noted that Government policy and legislation may have quite the opposite effect. The issues paper states, for example, that 'Governments can assist in the provision of sufficient supplies of skilled labour through the tertiary education system and migration programs', but AMMA has argued strongly that proposed Federal Government reforms to

the *Migration Act 1958* (Cth) regarding the 457 visa programme¹ and offshore resource workers² would operate to the marked detriment of the resource industry and our access to critical skills.

11. Second, AMMA supports the statement in the APPEA submission that the taxation system 'remains complex, economically inefficient, administratively complex and too prone to government amendment'. The Australian Government has not acted upon recommendations to adopt wider reforms to the taxation system. It should do so as a matter of priority. Importantly, any reforms should result from detailed and informed consideration of how best to structure the Australian tax and transfer system to meet the challenges of the 21st century and to enhance Australia's economic and social outcomes. Otherwise, the overall tax burden on industry, and industry uncertainty about future tax reform strategies, are major detriments to sovereign risk and Australia's international competitiveness.
12. Third, in relation to the regulation of exploration, AMMA members identify:
 - a. An ever-increasing compliance burden with its associated administration and costs.
 - b. Significant uncertainty about application of increasingly complex legislation to the practicalities of the resource industry, including exploration.
13. AMMA notes that our Federal arrangements foster the potential for cumbersome regulatory complexity and duplication. The combined result of Federal, State and Territory Acts of Parliament, delegated legislation and administrative guidelines, together with applicable local government rules, is not conducive to a minimal regulatory burden. In relation to the offshore resource industry, the additional element of maritime zones and competing State/Territory, Commonwealth and international jurisdictions creates further complexity and uncertainty.³
14. The key concerns of the resource industry are that legislative and other regulatory frameworks should not provide an undue burden. Regulation should form an appropriate governance framework, clear in its application to the diversity of components in the supply chain from exploration through to domestic use or shipment. It should not give rise to cost increases or unnecessary delays. Nor should it undermine productivity and competitiveness. Rigorous regulatory impact analysis should be undertaken therefore in respect of all new Federal and State measures. Additionally, regular reviews should be

1 See, for example, Kelly, J and Rout, M, "Business urges ALP to rethink 457 debate", *The Australian*, 12 March 2013.

2 See: <http://www.amma.org.au/library/submissions-2/2642-submission-to-review-of-application-of-migration-act-to-offshore-resource-workersn>

3 See again: <http://www.amma.org.au/library/submissions-2/2642-submission-to-review-of-application-of-migration-act-to-offshore-resource-workersn>

undertaken of the continuing relevance and effectiveness of existing measures.

3 Other issues affecting resource exploration

3.1 Non-financial barriers are, in practice, financial barriers

15. In reality, non-financial barriers are financial barriers also. This was recognised in the Productivity Commission's issues paper and is discussed above in section 2.1. Non-financial barriers constitute an essential consideration within investor decision-making. When risks are quantified, non-financial factors are integral to the overall evaluation of a potential investment.

3.2 Workforce issues

What occupations and skill sets relevant to resource exploration are currently subject to shortages?

16. Information available to AMMA is consistent with the skills and occupation shortages identified in the APPEA and MCA submissions.
17. It must be noted that generally data tends to be collected across broader ANZSIC categories than those under consideration in the Productivity Commission's inquiry. However, the wider data provides a good indication of the skills and occupations likely to be in demand for exploration.
18. In this context, AMMA notes that considerable data has been published by Federal Government departments and agencies regarding existing and projected shortages. The following publications provide examples:
 - a. Department of Immigration and Citizenship (DIAC) – *Subclass 457 State/Territory summary report, 2012-13 to 28 February 2013*.
 - b. Department of Education, Employment and Workplace Relations (DEEWR) – *Skill Shortages – Summary, November 2012*.
 - c. Department of Industry, Innovation, Science, Research and Tertiary Education, Australian Workplace Productivity Agency – *Resources Sector Skill Needs, Report 2012* (see, for example, Projected annual average supply and demand in all industries of the top 10 technical and trade occupations for the mining sector, Australia 2011-2016, page 41).
19. It should be noted that on the available data, the skill and occupation shortages align with the applications by employers for 457 visas which, under the Migration Act, are available to fill genuine shortages. Further, the departmental data accords with the experiences of AMMA's Migration Services as to in-demand skills and occupations.
20. In addition to the DIAC/DEEWR data, research commissioned by AMMA, the AMMA Workplace Relations Research Project, provides useful relevant data

gathered from AMMA members. In October 2011, the survey revealed particular shortages in:

- a. Professional engineers, including mineral processing and geotechnical engineers.
- b. Mining and mechanical engineers.
- c. Surveyors and survey technicians.
- d. LNG professionals.
- e. Project delivery professionals.
- f. Electricians.

How much more costly is it to employ skilled workers, such as geologists and mining surveyors, in Australia compared to countries such as the United States and Canada?

21. AMMA research, *Research report: 457 visa workers in the Western Australian resources industry: The benefits and costs for business, migrant families, and the community*, found that the actual costs to business of employing an individual 457 visa worker could be as high as \$65,000 in addition to employees wages and on costs. A copy of the research report is [Attachment A](#).
22. In relation to employment of skilled workers, it must be recognised both that the resource industry operates in a global environment and that, within the global industry, many highly specialised skills are required for relatively short time periods for any one project. AMMA members advise that, in contrast to the regulatory cost of employing individual workers for Australian projects, other countries such as the United States and Canada agree upon project-wide agreements as to the employment, including the employment of skilled workers. The experience of AMMA members is that the approach adopted overseas is more facilitative of investment decision-making and productivity.

Has industry been adequately involved in the training and education of the skilled workers required for resource exploration? How have the vocational education and higher education sectors performed in educating and training the skilled workers required for resource exploration?

23. The *Final Report of the National Resources Sector Employment Taskforce (NRSET)* (July 2010) identified labour demand exceeding projected supply. The report stated that, by 2015, the projected shortfall could reach 36,000 tradespeople and that the skills shortage was not restricted to those directly in mining or construction but extended also to the allied service sector supporting mining and construction camps; that is, people employed as cooks, cleaners, bus drivers and service workers.
24. Industry reports and the more recent data identified above indicate that, in reality, the national shortage of skilled workers is exceeding the NRSET predictions. Indeed, demand during the construction and operational phases, projected to the end of 2016, will continue to rise sharply.

25. Two obstacles to the efficient supply and demand model of sourcing and training labour were identified by the resource industry:
- a. Each skill/trade area had its own body responsible for training, verification of competency and accreditation.
 - b. As a result, for any resource industry project, the time taken for an employer to deal with respective authorised bodies and training bodies was duplicated for each skill/trade required for that project.
26. Further, significant barriers to entering into a resource industry job include:
- a. Lack of awareness about career pathways.
 - b. Lack of requisite skills to gain access to those pathways;.
 - c. A disjunction between potential job seekers and both –
 - i. relevant training, and
 - ii. 'employer sponsors' ready to take on candidates who have gained relevant skills.
27. In response, industry recognised that measures to address skills shortages in the resource and construction sectors and allied sectors need to be innovative, demand-driven and across multiple skill areas if they are to improve the match between training and job outcomes. It is necessary for strong connections with industry. In short, skills training and education should respond to current and future areas of strongest demand.
28. To assist resource industry employers, AMMA has put in place initiatives directed to forging stronger, more effective ties between industry and education. Current programs include AMMA's:
- a. **Skills Connect.**
 AMMA Skills Connect is –
 - providing dynamic, employer-specific training solutions;
 - assisting workers to move from sectors of the economy experiencing structural adjustment to the resource and construction sectors, where skilled labour is in strong demand;
 - providing people with ready access to information about post-training job outcomes;
 - improving the match between training and job outcomes for individuals, employers and the resource industry;
 - facilitating accurate predictions of skill needs, thereby increasing capacity for workforce planning;
 - assisting JSAs to identify and assess training needs of individuals, many of whom will be registered already with a JSA; and
 - promoting long term co-operation between industry and government.

b. **Australian Women in Resources (AWRA).**

AWRA is an industry-led initiative dedicated to helping employers attract, retain and reap the rewards of women in resources workplaces. AWRA is jointly funded by the Australian Government through the National Resource Sector Workforce Strategy and the resource industry employer group AMMA, with leadership from industry bodies and employers across Australia. The AWRA program is delivering a range of projects to inform and support employers.

c. **Miningoilandgasjobs.com portal.**

The primary objective of the AMMA miningoilandgasjobs.com portal is to address the growing demand for information about how to transition into roles in the resource industry. It connects Australians seeking work opportunities with industry and training providers, so as to ensure that skilled labour is available for the industry sectors where skilled labour is in strongest demand.

29. In response to the industry-identified concerns – and, therefore, within an employer-demand driven model – these AMMA programs constitute, for education and training providers, industry employers and workers, a coordination and consolidation point across the peak workforce demand skill areas.
30. These initiatives are consistent with the findings of a recent study, commissioned by the MCA and undertaken by the National Centre for Vocational Education Research (NCVER). It investigated the contributions of minerals operators to training and education.
31. The NCVER study findings included that:
- a. The minerals sector spent just over \$1.1 billion on training during the financial year ending 30 June 2012, equivalent to almost 5.5% of payroll.
 - b. Almost 98% of this training expenditure was industry-funded with only 2% coming from government subsidies.

Does employer sponsored migration represent an effective way to address these shortages, in the short-term and over the longer term, and are the current employer sponsored migration processes efficiently administered?

32. AMMA recognises the current skills challenge and believes that a multi-pronged approach is required to create a sustainable and competitive workforce. By 2016, 60,000 new resource jobs are expected to be created and the resource industry will need skilled people to fill them. Access to skilled labour is now a top strategic challenge faced by the resource industry.
33. Resource employers have a clear preference to hire locally where possible.
34. However, skilled migration plays a small but particularly important role in meeting Australia's complex skills challenges. It constitutes a flexible contingency option for resource employers, and an essential means to

supplement the local workforce, particularly when local workers are unwilling to relocate to regional and remote areas. Skilled migration also facilitates access to highly specialised skills that may not exist locally.

35. Access to temporary skilled migrants is imperative to provide investor certainty and to deliver each phase of a resource project on time and on budget. With globally significant projects being constructed side-by-side in remote areas, skilled migration ensures an adequate workforce. This has the result of ensuring wider employment opportunities are available to thousands of Australians on projects with lifetimes of up to 40 years.
36. Australia does not exist in a vacuum. We compete in global markets to secure capital, technology, skills and expertise. Skilled migration policies should be developed and implemented with this international engagement in mind.
37. Australia's skilled migration program must provide employers with certainty, transparency and accessibility. The resource industry is a small user of skilled migration and has an outstanding track record in terms of compliance and good practices. Policy efforts should be directed towards streamlining access to skilled migration programs rather than imposing an increased regulatory burden on employers.
38. In relation to whether the current employer sponsored migration programs are administered efficiently, AMMA works with the DIAC to ensure that the programs are meeting the needs of industry with efficiency. A strong relationship has ensured that AMMA has been able to provide information, for example, about appropriate descriptions of occupations.

Are the current workplace relations regulations an issue for the mineral and energy exploration sector? To what extent have these arrangements impacted on the productivity and overall competitiveness of the sector?

39. Consistently, resource employers report a number of key concerns about the *Fair Work Act 2009* (Cth) and related legislation, including:
 - a. Deteriorating labour productivity.
 - b. Unsustainable wage claims.
 - c. An increasingly militant labour environment.
 - d. Delays in investment, approvals and project starts and completion.
 - e. A lack of flexibility.
 - f. The exclusion of productivity measures from enterprise bargaining agreements.
40. Amendment of the Fair Work Act is essential. Recently, AMMA published a paper which identified six key priorities for workplace reform in Australia. [Attachment B](#) is a copy of AMMA's *Workplace reform priorities for Australia's next Federal Government*.

41. The paper describes how Australia's next Federal Government must deliver a system of workplace relations regulation which better encourages long-term economic growth and development, investment and job creation.
42. Further, AMMA is developing a discussion paper regarding productivity in the resource industry, including the imperative to address the regulation of industrial relations issues. Attachment C is a copy of the current draft of *Resource Industry Productivity Analysis and Policy Options*, with the final to be released shortly. It again sets out the six important reforms that can reboot the mining boom through workplace relations reform.

3.3 Occupational health and safety

To what extent have the various OHS regimes created unnecessary burdens for exploration activities? Have the various industry specific regimes resulted in unnecessary duplication or overlap?

43. AMMA members welcome, where possible, uniform legislation. In addition to working across jurisdictions in Australia, many AMMA members work within a global industry. In these circumstances, resource industry employers may have to navigate multiple statutory obligations across jurisdictions. Accordingly, harmonisation is welcomed where possible.
44. However, it is essential that any rationalisation of legislative regimes results in the right legislation. It must take account of the specific nature of the resource industry. One example is that, even at the exploration phase, a multiplicity of contracts produces shared liabilities.
45. Further, in relation to the resource industry, and in particular in relation to offshore oil and gas, strong reasons exist for separate occupational health and safety regimes. In this context, AMMA notes and supports the NOPSEMA submission to the Productivity Commission's inquiry.