

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE
Inquiry into greenfields mineral exploration and project development in Victoria

Melbourne — 10 October 2011

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Mr J. McKay, Manager, Workforce Planning and Development (Victorian Office), SkillsDMC.

The CHAIR — My name is Neale Burgess, I'm the Chair of this committee, I'm the Member for Hastings. On my right-hand side is Mr Martin Foley, who is the Member for Albert Park, he's the Deputy Chair; on Martin's right is Mr Wade Noonan, Member for Williamstown; on my left is Mrs Inga Peulich, Member for South Eastern Metropolitan; and the other member of the Committee is not here, and that's Geoff Shaw from Frankston.

Mrs PEULICH — He's had to depart, Mr Chair.

The CHAIR — This committee is an all-party parliamentary committee and is hearing evidence today on the Inquiry into greenfields mineral exploration and project development in Victoria. So welcome.

Mr McKAY — Thank you.

The CHAIR — The Economic Development and Infrastructure Committee is inquiring into greenfields mineral exploration and project development in Victoria. All evidence taken at this hearing is protected by parliamentary privilege, but comments made outside the hearing are not afforded the same privilege. Could you please state your full name and business address and whether you're appearing on your own behalf or on behalf of an organisation?

Mr McKAY — My name is John McKay, 9 Fairview Street, Belmont, Victoria, and I'm representing SkillsDMC, the Industry Skills Council.

The CHAIR — Thank you very much. The evidence you give today will eventually become public evidence and I invite you to make a verbal presentation.

Mr McKAY — Thanks, Neale. Thank you for the opportunity of talking to you regarding the mining sector in Victoria. My role with SkillsDMC is Manager of Workforce Planning and Development and I'm probably representing our Chairman, Ray Barker, who usually attends these sorts of things but is in London at the moment so I got the gig. He sent me the details of your inquiry and what you're particularly after and I'm not sure that I have anything greater to offer other than what appears in our *Environmental Scan* from last year. Personally, I worked in the mining industry in Victoria for five years prior to the role with the Indigenous Land Corporation and now SkillsDMC.

The CHAIR — Sounds like a band.

Mr McKAY — It does, doesn't it?

Mrs PEULICH — Still doesn't quite sound the same as AC/DC.

Mr McKAY — No; nothing quite sounds like that. So I have some particular experience working in the mining industry in Victoria. I'm not sure if you have had an opportunity to review our *Environmental Scan*, which we supply to the Federal Government each year, but principally the mining industry in Victoria is small, relatively small in comparison to Western Australia and Queensland, but most of the proponents in Victoria are fairly good operators so we don't have any major issues with a lot of the industry and work closely with them.

We are aware, of course, that exploration far outweighs the actual amounts of mining done in the State so we suspect that there will be some activity going forward but when that might eventuate we don't have any insight information that we can give you. But I'm happy to answer any questions if I can be of any further use.

Mr NOONAN — I have a couple so I'll start off and that might prompt some questions from other Committee members. Your Skills Council would be made up of representatives from industry, probably the unions and their members and other stakeholders. I've had a look at your report. Anecdotally, what can you tell us about where skill needs are going in Victoria in this space because if you look at your report you get a very good snapshot of where the needs might be going forward in Australia, but obviously there are some states where mineral exploration is a very significant part of their economy whereas in Victoria less so. We haven't heard too many industry representatives come forward to this Committee so far and say, 'Look, one of the absolute key challenges for us in this business is generating the sort of skilled employment we need to keep our business viable for the next 20 or 30 years'. So anecdotally can you just give us a bit of a broad brief about what you're hearing from the Victorian intervention about those sorts of reflections that I've just made?

Mr McKAY — By and large our sector is drilling, mining, civil construction and quarrying. They're struggling for staff retention and skilled retention; I think that's fairly universal. The skills migration to WA and Queensland is significant, we lose a lot of well-skilled people from Victoria to both those states. There are a number of challenges that we're dealing with with our industries, our sectors, and that's the centre of them. We're very active in the planning and development space, as we have to be, trying to support and trying to help in the filling up of that vacuum that it creates when those skills go, trying to make sure people are skilled.

One of the ways that we're principally doing that is through the Recruitment Skills Investment Fund and through the National Workforce Development Fund. In Victoria we haven't had any applications, despite considerable liaison from mining companies. Having worked in both WA, Victoria and, to a lesser extent, Queensland it's harder to engage the mining companies in Victoria, principally I guess because most of the senior management come from WA, or are fairly WA focused.

Mrs PEULICH — What does that mean?

Mr McKAY — What, non-engagement?

Mrs PEULICH — As in you say more a WA focus. Is that a particular mindset?

Mr McKAY — I think it is a mindset. The mining companies tend to be very internal, introspective, it's difficult to engage them in government funded programs, training programs.

Mrs PEULICH — Is that because of conditions?

Mr McKAY — I think because their focus is fairly strong in the training space. There has been some comment recently in the press about — I think Jed Carney said that mining wasn't really doing a lot of training, when in actual fact our research would suggest quite the opposite.

Mr FOLEY — In terms of apprentices?

Mr McKAY — In terms of apprentices, yes, and in terms of traineeships and coal place people, operations-type people. I think by and large mining companies don't spend a lot of time in the apprenticeship space because they tend to recruit skilled people, experienced people. But what they are doing seems to be very proactive.

The CHAIR — Is that because of the on/off type of role that sometimes happens through mining companies; sometimes you can be working flat-out for a period of time then not? Do they move to another organisation?

Mr McKAY — I think there's fairly competitive wages what drives most of that movement, particularly in the apprenticeship area a lot of the work — I mean, shutdowns are very busy times, a lot of the times between those phases it's routine maintenance, but very active any other times when they have the set shutdowns. Clearly shutdowns impede productivity and output so they're very outward driven so they try to minimise those, but they don't spend a lot of time with unskilled people. They do have apprentices, and I think they're very fairly proactive, but they use trades, more experienced trades people generally.

Mr NOONAN — John, in your paper you say:

...on 1 September 2009 the Australian Government announced the establishment of a National Resources Sector Employment Taskforce to help secure the skilled workforce required to build and operate major resources sector projects through to 2014.

Mr McKAY — Yes.

Mr NOONAN — From a Victorian perspective, what will that mean, if anything, is the first part of the question, and secondly, from a Victorian Government point of view, is there anything the Victorian Government could be doing in order to meet some of the workforce challenges, if they do exist, here in Victoria to support the industry?

Mr McKAY — In terms of the first part of your question, Wade, I don't think that that will have major impact on Victoria. I think the major mining states, and to a lesser degree New South Wales, would benefit mostly from that. In terms of what we probably need to do in Victoria is I think we need to have better User

Choice funding — WA and Queensland have excellent state-based User Choice funding, which better and more directly addresses localised needs rather than a blanket approach. Our national workforce development critical skills funds, of course, are focused at skills shortages but they tend to take a longer term view.

Mr NOONAN — So you're talking about funding that goes to higher education sources in order to support where the employment needs are, as opposed to where the selection of programs might be for students as opposed to where skill needs are? Can you just explain what User Choice funding is, in your view?

Mr McKAY — User Choice, in my view, is state-based funding, quite separate from any federal funding.

Mr NOONAN — This is User Choice around skill development?

Mr McKAY — Skill development, yes.

Mr NOONAN — So what are you seeing — —

Mr McKAY — And localised state priorities.

Mr NOONAN — So what are you seeing as a skill council then, to help the Committee understand that more clearly, because if this is something that government can have some impact on — and indeed this Committee will have to look at a series of recommendations which might assist industry in terms of its mining industry, in terms of its development opportunities — what specifically could we be looking at as a recommendation around this User Choice funding, a notion that you're talking about?

Mr McKAY — I think Queensland's model is probably very good. I think that will be mitigated a little bit in the coming months. Our understanding of the training space, and we had Senator Evans as lead speaker at our conference last month, is that the premise on which training is funded is shifting. To use his words, we need to move from a supply base to a demand base, so in actual fact what that means is that government monies will be directed to industries, and RTOs will have to engage better with them, rather than money going to RTOs and them going out to the industry and saying, 'This is our raft of courses, this is when we're running it, and if you need that you'll have to come to us'. I think this is a way of driving a cultural change in the training space where that's our understanding of it.

Mrs PEULICH — When you say industries will be more attracted to funding, will that be the larger employers, who will they be?

Mr McKAY — I think it will be through these types of national funding programs, Critical Skills Investment Fund and the National Workforce Development Fund, so that there's mutual obligation.

Mrs PEULICH — So who will be making the application for the funding? Presumably it will be workplace training; is that right?

Mr McKAY — Yeah.

Mrs PEULICH — So you've actually got to be in the job to get the funding already?

Mr McKAY — Yes.

Mrs PEULICH — As an educator, and in particular dealing with a lot of emerging migrant communities who aren't in work, that sort of locks them out completely, doesn't it?

Mr McKAY — No, it doesn't. If you look at the guidelines they have a capacity for industry to fill that vacuum that I was talking about before with skills migration and to promote from within. Those programs have specifically targeted that, trying to get greater engagement of women in non-traditional trades, Indigenous people and ethnic groups. As part of that funding is the WELL Program — Workplace English Language and Literacy — so that is funded through there as well.

Mrs PEULICH — So how will they be able to access it? The other night I met with a group of Sudanese, most of them can't read and write, but they wouldn't mind learning some skills and getting a job. How would those sorts of groups be able to access any of those programs and those opportunities?

Mr McKAY — There are a range of possible stakeholders that can be engaged and, again, it depends on who the industries specifically engage with. Some of the bigger higher-end mining companies, for example Rio Tinto and BHP, they have their own internal workforce, their own internal enterprised based training, so they run that from within but they also use group training companies and they try to engage with those minority groups to try to foster that. The smaller SMEs, small to medium enterprises, they tend to work with their own private RTO or a public RTO and a group training company and the employment services side of things. How they actually engage with Sudanese or Chinese — —

Mrs PEULICH — Who aren't in work.

Mr McKAY — Who aren't in work, is entirely up to their focus but these programs do provide an opportunity for that sort of engagement. I have to say, though, that coordinating the National Workforce Development Fund there hasn't been a lot of that engagement, we haven't seen a lot of — —

Mrs PEULICH — I would have thought it would probably have been pretty well looking after those who have got a foot in the door and those who haven't got a foot in the door will be left out in the cold.

Mr McKAY — I think that's probably part of it in the first flush; it's really about making sure people who are in the job are getting qualifications and making sure that they do have at least Certificate III qualifications. The other thing that National Workforce Development tends to foster is a promotion within, so it's a proper workforce development process, it's not just funding training for training sake, it's based on an organisational work plan and individual training plans, which industries haven't been really strong on providing in the past.

Mrs PEULICH — I'm familiar with the model and could I say that, again as an educator who has dealt with all of her life with people who have come from the more disadvantaged end, I don't really see it as particularly meeting their needs. Perhaps on another question, giving the drain of skilled labour into mining, in particular to WA and Queensland, what is your organisation's plan for building future capacity for areas such as manufacturing, agriculture, tourism and education sectors because of that skilled labour moving to WA and to Queensland?

Mr McKAY — That's not our focus, our focus is drilling, mining and civil construction. We do work with the other industry skills, we could have a very collegiate approach, but we're not specifically involved in that space.

Mr FOLEY — So of those registered training organisations in the resource sector how many operate in Victoria, do they reflect that broader predisposition to other states' focus and is that a problem and what are the specific RTO focuses of the Victorian Resources Sector?

Mr McKAY — I think the larger companies, and I worked with Iluka Resources and I'm not sure that the bigger companies — Iluka is only a small player — Northgate Minerals, for example, they're a multinational and they've just been bought out by somebody else and I'm not sure who, I did read it. If they're a Western Australia based or a Queensland based company they tend to import that training from and use any providers that they've used in those states. That creates some difficulty for Victorian RTOs in trying to get in. Some of the localised and regulatory training licences, confined spaces, that type of training, is specific to the State, although that's changing. So RTOs tend to get a bit of a buy-in and if they're able to prove responsive approach and provide the training when it's required around shift work and the other priorities that companies have, then they tend to do okay. Does that satisfactorily answer it?

Mr FOLEY — Yes. Just a number, how many RTOs would operate in that field specifically?

Mr McKAY — It changes, primarily on qualified staffing numbers in the TAFEs, for example, but there would be 5 of the 14 in Victoria that are actively engaged in mining training, particularly Sunraysia TAFE. Box Hill is very good and a very responsive TAFE, they respond very well to industry.

Mr FOLEY — So they're mostly state-based organisations. Are there any private providers?

Mr McKAY — Yes, there's a number of private providers, and their quality varies. Some of the issues with private providers is that they tend to go for the bigger tickets items, the bigger student contact hour rate, which disadvantages evolving industries and the new technology industries. We found that when we were consulting

with NBN for their training, helping them put that together, so it's difficult to get those emerging needs met from a training perspective. Some of the private RTOs are, I think, going to come under closer scrutiny with the new workforce development agency being established.

Mr FOLEY — But they don't really target the resources sector generally.

Mr McKAY — They will, but mainly for the bigger ticket items where they can make the bigger dollars. The public providers tend to have a much broader base and are probably at better community responsibility.

Mr NOONAN — Appendix C talks about the occupations in demand.

Mr McKAY — Yes.

Mr NOONAN — Again, from a Victorian perspective, are you aware of any Victorian mining operations that are unable to operate essentially on the basis of what we might consider full operational basis that they simply do not have skilled labour, the sort of skilled labour that you might include in the occupations in demand area of this *Environmental Scan* document? If so, can you give any examples?

The CHAIR — And send your resume.

Mr NOONAN — Hopefully I have a long and fruitful career ahead of me in the Parliament, thanks Neale. Typically in this sector, as you've outlined, there are many occupations — what I'm trying to get to in the Victorian context, is there occupational groups specifically that could be targeted, or should be targeted, but to make that case are you aware in terms of Victorian operations of there being a clear need for any number of reasons?

Mr McKAY — To answer your question, there are three that jump right out from my time in the mining industry: metallurgists, there is an absolute dire need for metallurgists.

The CHAIR — Just in Victoria?

Mr McKAY — In Victoria but more specifically Australia-wide. Smaller mining companies have great difficulty attracting and retaining metallurgists, and it's a highly specialised field that requires a productive focus, so it's not an office bound thing.

The CHAIR — Is their work generally day-to-day?

Mr McKAY — Oh, yes. What we were trying to do, because we couldn't get them and we were getting people in on 457 Visas from England and South Africa predominantly, we were looking at running a training program with Ballarat University, who are probably I think the only University that provides metallurgy — —

The CHAIR — To build your own?

Mr McKAY — Yeah, so we were going to build our own. I left as that was starting to happen so I'm not sure of the success but metallurgists can write their own ticket. I've had to talk to a few school groups — metallurgy isn't sexy; it's physics and science and a bit of maths, but once you actually get out there they command phenomenal dollars. A first year metallurgist straight from University commands upward of \$70,000 to \$90,000, depending on whether it's a small or a larger company. Within five years they can be earning two to three times that, two and a half times that, so that's a staring gap.

The other is project managers and we're seeing some reflection of that project management skill, it's becoming more critical particularly in the civil construction space, and I know that's not your charter but the demand for project managers in mining is considerable. And geologists was the third of the ones that stood out.

The CHAIR — So the project managers, we've got a dearth of project managers across the country?

Mr McKAY — Well, certainly that's been my experience. We've seen in the National Workforce Development Fund applications a lot of people going for Certificate IVs and Diplomas and Advanced Diplomas in project management.

Mr NOONAN — That's very useful information because that's starting to get down to the detail for our committee, which is what we sort of seek. What would you be suggesting to us as a committee in terms of recommending something ultimately to the Parliament, but then the Government would need to respond within six months to the report and recommendations, which you think might be able to help the sector in Victoria from a skilled point of view? Is it that those three occupations is just simply a supply and demand issue, as we find in other sectors, or is there something practical again that the Parliament should be considering, ultimately the Government should be considering, to support this very important sector for Victoria?

Mr McKAY — Well, there's a couple of things there. Some of the best metallurgists that we have in the mining sector are women, but there's not many of them so I think that's one area that we can perhaps focus, or could look at focusing. What I would like to see personally from my experience is there's a lot of talent at the coal-face in mining sectors — —

The CHAIR — Excuse the pun.

Mr McKAY — But they haven't finished apprenticeships, they haven't finished Certificate II, III and IVs. I just wonder whether we shouldn't respond to those and create opportunities for those people to get on-the-job training in a model that doesn't take from the sector's productivity, in other words taking people out for two years and sending them to University.

The CHAIR — On-site University?

Mr McKAY — On-site University training, some sort of workplace training at a University level. One of the things that Ballarat Uni was looking at in terms of the metallurgy training we were hoping to do was that they were going to do two week blocks. Iluka were prepared to manage the shift around that so that there was three two week blocks per year, the rest of the time they were working under the direct supervision of an engineer or a metallurgist as well, supported by the university. A lot of those people on coal-face have a lot of practical knowledge and understanding but they don't have a formal qualification to reflect that. These are people like operational supervisors who have been in the industry 15, 20 years, know the place backwards, probably haven't got a qualification, but can practically do a metallurgist's or a geologist's job or a project management job.

The CHAIR — Metallurgy, how long does that take?

Mr McKAY — It's usually a four year degree. Interestingly, I noticed that Ballarat University had three in the last enter, three nominations for metallurgy. It's not a sexy course, unfortunately, but the money and the potential for it is just amazing.

Mr NOONAN — Do you think there's an appetite among the employers in the sector because, you know, every sector would say a great way to fill a skilled void is to upgrade the skills of those people working in the industry, and the sort of classifications of employment that you've identified within this sector are highly skilled and require a level of education, but it also requires essentially the support of employers within the sector, and government can only do so much, of course, but employers would have to essentially make a judgment that they are prepared to invest more in their people than perhaps they are. So we've got to understand from a committee point of view what's practical and what's achievable as opposed to what can the industry do itself, i.e. is there really a role for government?

Mr McKAY — I think there's a role for government because somebody has got to lead it and I'm not sure that the industry is able to respond. Their way of responding in the past is pirating people from other companies, and that's lead to an escalation of wages, I guess. I think if it was somehow possible for government to lead that, and you're right, Wade, there's got to be a bang for their buck in terms of mining companies, they're not going to get involved in this and support this unless there's something in it. The cadetship model that we were hoping to use meant that the company was prepared to pay for their HECS and their time, continue to pay them the salary whilst they were learning, but it was a higher level salary so that was attractive, that helped us attract candidates. But part of that deal was that they had to stay with the company two years post graduation, and I think that's probably reasonable. It was checked with the unions, they were happy with it, it wasn't tying people to a millstone, and they could get out of it, but they had to pay for the company investment, and I think it's been pretty successful.

The CHAIR — Just seems to be a part of the sustainability argument and setup. Okay. Any other questions? Thank you very much for being here.

Mr McKAY — Thank you.

The CHAIR — You will receive a transcript of today's proceedings. Feel free to change any typographical errors you may come across, but obviously not the substance of the document.

Mr McKAY — I understand that.

The CHAIR — We appreciate your time and the things you have been able to inform us about.

Mr McKAY — Thank you.

Committee Adjourned.