

Pit Crew News

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Newsletter of Pit Crew Management Consulting Services Pty Ltd
Issue Canada Special, May 2014



CANADA SPECIAL

Who are we?

Pit Crew Management Consulting Services Pty Ltd is a specialist consulting firm servicing clients who operate in the resources and energy sector.

For the past 9 years Pit Crew has worked with some of the most significant organizations - private, industry and government - in the Australian resources and energy sectors, providing labour market forecasting and analysis for major projects. Our client list includes: BHP Billiton, Rio Tinto, Chevron, Bechtel, KBR, British Gas (QGC), Inpex, CB&I and Kiewit, as well as the Western Australian and Northern Territory Governments.

Take a look around our website



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Welcome to our latest newsletter and thank you for your interest.

The Pit Crew team has had an exciting time over the past few months. After 2 years of research and preparation as well as undertaking our own self-funded pilot studies, 2014 saw Pit Crew launch into the Canadian major project market.

While not all things are the same, there are many similarities between the Canadian and Australian major project markets. The execution of projects, nature and issues within the industry as well as a number of key participants hold a lot of commonality, so to us is a natural fit.

It's a big commitment to enter the market, however there is big need and we're confident we have the experience, as well as the proven methodologies and systems to make a difference on major projects in Canada.

In late 2013 Toronto-based consultancy Oakbridges Labour Relations Strategists Inc. and Pit Crew teamed up to deliver clients an integrated service capability. This impressive team will provide clients with high-value contributions towards project labour strategy.

PIT CREW LAUNCH INTO CANADA

What better time to launch into the Canadian major project market than at the Producers and Developers Association of Canada Conference (PDAC) held in March.

Even though Toronto turned on a chilly welcome, the reception Pit Crew received could not have been warmer.

Our pre-arrival discussions and proposals set us up for some good news on my first day in Toronto, Pit Crew were advised we'd secured our first Canadian client.

We're very glad to have NewGold as our first Canadian customer and proud to know our reports will be used as foundation data for workforce planning on the Rainy River Gold Project.

LNG IN BC CONFERENCE

There's every likelihood the reason you're reading this newsletter is because you were an attendee at the recent LNG in BC conference in Vancouver and have an interest in the Australian experience with the growth in the major project market over the past decade, particularly the issue of skills dilution.

I was honoured to be invited to deliver a keynote presentation at the event. I hope my "Postcard from Australia" gave you some insight into the labour related issues our projects have experienced over the past decade.

I hope you find some interesting items in this newsletter. The two articles are reproduced from a previous newsletter, however the key messages from my conference presentation revolves around these critical issues.

The first takes a look at productivity. It seems every time we open a newspaper or see a new report presented by some big name firm, it talks about productivity. Almost becoming clichéd, it's a very hip bandwagon to be riding at the moment, with a reduction in productivity being blamed for many hardships in the major project industry. Most commentators seem to be able to point to the causes, but few offer anything in terms of practical ways of addressing it.

At Pit Crew we've been talking about the labour aspect of productivity for over two years, particularly the impact of skills dilution as a result of rapid growth. Industry has the chance to address this and the time to do this is now. How will your project stack up?

Stay tuned



Peter Dyball
Founder and Managing Director

Skills dilution has had a huge impact on the Australian resources and energy sectors over the past 10 years.

Could this be Canada's Achilles heel over the next decade?

Productivity is a very hip bandwagon to be riding at the moment, with a reduction in productivity being blamed for many hardships in the major project industry. At Pit Crew we have been talking about the labour aspect of productivity for over two years, particularly the impact of skills dilution as a result of rapid growth. The time to address this is now – take a few minutes to see why.

A lot of the recent discussion on productivity, and there is no shortage of it, revolves around a purely economic definition of multi-factor productivity. I'm not sure where this type of navel gazing gets us and I suspect that in a few years as investment stays flat, the Australian dollar recalibrates, the global economy stabilises and the Australian resources assets currently under development are delivering bucket-loads of output, both product and dollars, we'll have a bunch of polities and industry commentators smugly patting themselves on the back, congratulating themselves on such a good job at fixing productivity, when in reality they did nothing at all other than watch the economic process flow.

All the analysis in the world doesn't change the fact that ultimately our efforts are part of the collective economy, the reality is that, for most of us, there's nothing we can do as individuals to influence global demand for commodities, their price, or things like exchange rates, government spending and debt levels.

We could become bogged in theoretical analysis of statistics and academic definitions, or in some small way we might look at where we can have an impact on productivity – Labour Productivity.

We want this discussion to hone in even more, to what Pit Crew defines as job-face productivity. To us job-face productivity is all about the workforce, their day-to-day efficiency, effectiveness and the utilisation of all workers on major projects, blue and white collar. Job face productivity is a function of both the quantity and quality of workers, and the growth of the major project market means there has been a significant evolution of these factors.

In modern times there has never been a moment like now where we critically need to work out how we can improve the effectiveness of our workforces and achieve better results from our human capital. This isn't about cracking the whip on a lazy workforce, because for the most part I don't believe our workforces are lazy, nor is it about working out how we can screw the last cent out of costs with short sighted policy, this is about

using our wealth of knowledge and resources to do as much possible with the human capital we have and set the foundation for the next generation of prosperity about to be delivered by the resources and energy sector. Current workforce age demographics means that over the next few years we will be losing some of the most knowledgeable and experienced in our workforces. If we just let that knowledge walk out the door, it will be to our longer term detriment.

The major project sector in Australia has experienced unprecedented growth over the past decade. To deliver on this growth, numbers employed in the construction of projects has increased massively during this time. For example, although demand numbers have eased slightly in the first half of 2013, in the 24 months over 2011/12 site construction workforce numbers grew from an estimated 42,000 to 117,000. Over a similar period numbers for the operations workforce increased from 201,000 to 262,000 and this will continue to increase as assets currently under construction reach their completion and progress to operations. Remembering these numbers are only those directly engaged onsite and don't include any suppliers or service providers who may be indirectly involved in off-site activities, even though being part of the project value chain. Anecdotal information indicates indirect numbers to be around a factor of four times the numbers onsite.

When focusing on job-face productivity, significant growth in numbers and an increasing demand for similar skills has led to a number of issues around the overall quality of workers. This has manifested itself in decreased levels of experience and skill within the workforce – what we call 'skills dilution'.



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Quite understandably, when the number of construction and operations people working on major projects increases significantly over a relatively short period of time, the average level of experience and skill of the collective workforce will decline, impacting projects.

Before I get accused of bashing the worker, this is not a criticism of the workforce, it's a self-evident effect of massive growth, and the influx of workers from other sectors and newly trained workers into the project sector. The fact is that qualifications, skills and the sector-specific experience have been spread thin, and this has continued to be spread ever more thinly as demand has increased. Also it's no bombshell, but the biggest impact of skills dilution isn't at the blue-collar level; it's at the supervision, engineering and management level. An inexperienced worker like a boilermaker or a rigger might affect their own work team and a couple of others; however when we start heading upwards through the ranks, it's not hard to see that inexperienced supervisors, engineers and project management can negatively impact the productivity of thousands of workers, making project delivery less efficient in the process. Translate this to every project in the country and it's not hard to see why costs and schedules have been impacted so profoundly.

Many of our workforce members are finding themselves in first-time management and supervision roles and would benefit greatly from development and mentoring opportunities, however many organisations lack a nurturing or educating culture, defaulting to a sink or swim mentality. Many new supervisors and managers are selected for their technical competence; however often go on to receive woefully inadequate support for their new role, particularly when much of it relates to the softer skills, things like people management, delegation, negotiation, time management, administration, budgets and reporting. Too often we hear this is a factor of their organisation being too busy to spare them time for training or because in harder economic times training is an easy budget cut option. And sometimes development can be actively hampered... anyone who has been around the block a few times will probably have a war story or two from their career of a senior who doggedly guarded their territory against any

up-and-coming young supervisor or professional, at times even setting them up for failure.

So... what do we do?

Keep sitting around having a gab-fest on multi-factor productivity and the causes? Or do we cultivate a culture of nurturing within our resources and energy sector organisations? How, as an industry, can we make coaching, mentoring and management education the norm and not just the realm of out there touchy-feely companies? The industry's systemic short-sightedness means that if an improvement program can't be immediately seen to put more tonnes of product on a ship or through a pipeline then it generally gets the short shrift in terms of attention, support and funding. Is there a way we might be able to quantify better supervision and management outcomes, and the resulting increase in workforce effectiveness and efficiency, with tonnes output?

We spend billions optimising our process hardware, is there not a good argument to do the same with what many organisations purport to be their most important asset, their people?

In a sector rife with egos and testosterone as well as a focus on direct outputs and deliverables this will be no mean feat. However if we can develop processes where novice supervisors and managers routinely have the opportunity and time to access additional targeted ongoing education, and even more importantly receive coaching from those with a wealth of experience and knowledge, over time the industry will be in a better place. It's important to stress this doesn't consist of a four hour course and one or two chats with someone senior, what is needed is a systematic, long-term regime where new supervisors and managers know that when they take on a role there is a path mapped out in terms of relevant education and professional development, which they will be expected to undertake, and supported in accessing. Also that they will need to either find, or have found for them, a suitable coach and mentor with whom they will spend time. Incumbent on this is also the requirement for those who may be in the twilight of their career to shift part of their focus to prioritise sharing their experience and knowledge for the benefit of future generations. Perhaps even some training on how to coach and mentor will benefit those in this position.

Although we can't afford for any efforts in this space to be ad-hoc, it also needn't give the bean counters an attack of the vapours.

Things as simple as more frequent interaction between Exco and frontline managers can give better perspective on the strategic goals and challenges of an organisation. It is essential they be visible and consistent role models, imparting communication and people skills. One key aim should be that future supervisors and managers have exposure to project teams and are able to experience the day-to-day challenges of a project and see how they are managed before being thrust head-first into new situations.

All of this needs planning and structure, and organisations to look at their strategic goals in the near and longer term. An ad-hoc approach will only fail to deliver results and waste time and money. And each individual along the line needs to be on board and feel a real connection between their career planning and needs of the business.

We all know some organisations are more successful at this than others, however to achieve that much clichéd term – sustainability – a nurturing approach will need to become the norm in the resources and energy sector.

My research and observation of the labour market for the delivery and operations of major projects over the past eight years leads me to believe the direct and indirect effects of skills dilution has had a far greater influence on, and in the longer term will continue to impact, project costs and delivery than any increases in labour rates.

A dedicated focus on improving the overall knowledge and experience levels in the sector, particularly within supervision and management roles, will pay a significant, long term dividend.





You don't call your company Pit Crew for no reason, I'm a self-confessed gear-head!

Having been around motorsport for quite a few years early last year I decided to indulge my long-held dream of actually racing, and put myself in a Formula Vee racecar...

Now Formula Vee is not the most glamorous motorsport category, but it is good value for money and a huge amount of fun. A big part of this fun is due to the racing being very competitive. This is great for spectators as well as competitors. Minimal engine modifications and rigid specifications means the category is focused more on vehicle set up and driver ability. And experience is worth seconds every lap!

About halfway through last season my lap times were reasonably good – although I'll never be the fastest in the field (the car and the driver probably carry a bit too much weight for that!) – my lap times had consistently improved but I was struggling with one corner of the Perth track, a left-hander. The car always wanted to run wide and I was easing off the throttle to stop the drift. After one race I was describing my frustrations to one of the other drivers and he simply said "yeah, I noticed you were losing time through the left hander, what I do if the car starts to drift wide is stay flat out on the power, but bring my left foot across and give the brakes a slight squeeze, you won't really lose any speed but it sorts out the balance of the car, it stops the drift and then your speed and entry to the next corner is right."



On-board camera screen grab of racing incident, Mt Panorama, Easter 2013 – not for the faint-hearted!

This guy was one of the fastest in the category so next race as I entered the left hander and the car started to drift wide I didn't back off. As well as holding my breath I held the throttle flat to the boards and gently worked the brakes with my left foot, instantly the car changed attitude and gripped through the corner, setting me up perfectly for the next one, result; best lap time to date.

Only last race meeting the same driver came up and asked me; "is your car loose through the corners?" I said "yep, sure is. It under-steers on the way in, over-steers in the middle and then under-steers on the exit, it's behaving like a pig." With a chuckle he said, "yeah, you were monsterring it all over the track. You need to get on the power earlier and drive into the corner. You're hesitating and it's just long enough to let the car get unsettled... get on the power earlier, the rear of the car'll sit down and the geometry of the suspension'll work for you, not against you." He saw the disbelief in my eyes as I felt as though the car would spin off the track if I did anything remotely like this. He just offered a smile and "give it a go, trust me, hit the juice early". Yeah, right! Sure enough the first corner of the next race I got off the brakes a bit earlier and fed the power on nice and early, pushing the car through the corner, not quite on rails but a darn sight better than ever before. Yet again some simple advice from an experienced racer helped a lesser experienced operator, me, deliver much improved lap times. I'm really looking forward to the next race meeting!

Racing and industry are different, but lessons like this are the same. The point of which is the benefit of someone imparting experience, and the impact it can have on another who will readily accept that experience, then use it to enhance their performance. My lap times had ceased to improve and I was spending time, money and effort looking at the vehicle, trying to work out how I could make it go faster. While looking at the vehicle resulted in minor improvements it was the driving tips which really delivered results and made me more competitive. To be more competitive maybe project owners and the market need to look less at the vehicles – equipment, hardware, systems, procedures, documentation and the like – and make sure our first-time supervisors, engineers and managers get some major project sector driving tips!

2013 Pit Crew Product and Service Update

Labour Market Analysis,
Forecasting and
Modelling

Industry Analysis and
Strategy Development

Business Development
and Services Marketing

Communication and
Group Facilitation

Pit Crew Labour Market Reports

Our comprehensive range of reports provide our subscribers with detailed forecasts and analysis of the labour market from initial project concept and feasibility through the construction phase, to operations and ongoing asset management.

The following Pit Crew Labour Market Reports are available by state or as a combined national report by subscription:

- Combined Construction Labour and Engineering Resources Report
- Construction Labour Report
- Engineering Resources Report
- Operations Resources Growth Report

Pit Crew Labour Market Reports are completely updated every six months.

Pit Crew also produce custom reports based on specific client analysis requirements.

Pit Crew Labour Market Report subscribers include:



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Client Testimonial (January 2014)

"Having been one of their clients for the past 7 years, Pit Crew has continued to provide the most timely and up-to-date information available. As the only provider of regular labour market data and analytics for major projects in Australia, for individual states and nationally, Pit Crew Labour Market Reports have stood the scrutiny of a complete spectrum of industry stakeholders. Widely recognised as an authority on the major project labour market in Australia, Pit Crew is frequently referenced by media and industry. Pit Crew's strong focus on client relationships and high level service provision means they seek to understand our business and our specific labour analysis requirements. From my perspective Pit Crew's Canadian clients should look forward to the same timely, accurate analytics and excellent service."