

Pit Crew News

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Newsletter of Pit Crew Management Consulting Services Pty Ltd

Issue 28, July 2015

2015 Pit Crew Product and Service Update

Labour Market Analysis, Forecasting and Modelling

Industry Analysis and Strategy Development

Business Development and Services Marketing



Greetings from the Pit Crew team!

We all know the past 12 months or so has been a challenging time for organisations and individuals involved in the Australian major projects arena. If you have managed to weather the storm so far, that's great, on the other hand if the recent market has dealt you a tough deal we hope the outcomes of future opportunities deliver far beyond your expectations.

It's been a while since our last Australian newsletter, like most of our clients and business colleagues we've been head down and tail up in the tough environment. The next couple of years look no less testing than the last, which is a good opportunity to remind you of how Pit Crew may be of assistance.

As many of you know, Pit Crew was founded in 2004 and since 2007 Pit Crew's name became best known for labour market analysis and forecasting. Even though we became an authority in the labour market, Pit Crew has always provided a range of consulting services to our clients. These include; business development and services marketing as well as industry analysis and strategy development. This covers assignments in business process improvement and innovation, industry sector analysis, strategic marketing or client feedback processes.

Many of our longer term clients started using Pit Crew for services such as these, then became our foundation clients for our labour reporting and with the changing market in Australia they are using us again for these types of assignments.

Looking at the local construction labour market, as predicted, the Australian market is in transition from a significant construction phase into the operations and maintenance phase. With the subsequent easing of demand Pit Crew has ceased the regular production of our Construction Labour and Engineering Resources (CLER) reports. We will still be able to produce custom reports if required. While we are confident these systems and reports will need to be roused at some stage in the future, for the moment we have parked the regular CLER modelling systems.

We are however ramping up our modelling and reporting on LNG operations and maintenance. For the past 4 years we have undertaken comprehensive modelling and forecasting for LNG operations, as Australian LNG assets come on line Pit Crew is now about to augment our line-up with forecasting and reporting on the maintenance skills and labour aspect of the Australian LNG sector. With 21 operating LNG trains this will be a busy and interesting environment.

Always remember if there is somewhere in your business where Pit Crew can assist, we'll be pleased to hear from you.



Peter Dyball
Founder and Managing Director

In this issue:

Review of Canadian labour market – This article covers some of Pit Crew's observations and experiences in the Canadian major project labour market

The Australian project labour market, is there an upside to the current environment? – Even though the current environment in the Australian resources and energy sectors is presenting challenges, it may also provide an opportunity for future sustainability of the industry; and turn potentially negative short term industry trends into long term positives.

Pit Crew Team News – Recognition and celebration



O Canada....

Canada Project Snapshot

Project Values (\$billion)

Total Capital Value \$677.45

Projects Approved or Under Construction \$256.23

Not-Yet-Approved \$421.22

Project Numbers

Number of Major Projects 314

Projects Approved or Under Construction 159

Not-Yet-Approved 155

Far from letting the grass grow under our feet, thanks to Pit Crew in-house strategy work back in 2012 we explored other markets around the world where our unique labour market analysis and forecasting capabilities could be used. After evaluating a few options Canada was by far the most attractive market.

With this strategy then 2 ½ years of research, investigation and modelling work, Pit Crew launched into the Canadian major project market in early 2014.

Since this time, the Pit Crew team has paid a lot of attention to Canada; producing a suite of provincial and national Construction Labour and Engineering Reports on a 6-monthly basis. These reports have a similar format to those we've delivered in Australia since 2007. An added bonus for the Canadian market is they can tap into Pit Crew's Australian experience, which provides a bounty of insight into the impact of rapid growth on the demand and availability of skills and the labour market dynamics which evolve.

Project owners, industry bodies and educational institutions are keen to better understand these issues so they can develop mitigating strategies for Canadian projects. We see a lot of similarities between the current Canadian market and the Australian market in 2003 and 2004.

Although the mining sector in Canada is taking a fairly cautious approach in the tight global conditions, there is a reasonable pipeline of major projects. Even though in the oils sands arena the oil price has taken a toll on some projects in Alberta, there are still a couple of significant projects underway and others which could be ramped up at fairly short notice if there was an improvement in the market. Much of the excitement in the Canadian project environment focuses on the LNG sector in British Columbia, which is poised to move into a period of significant growth, with a number of projects anticipated over the next decade.

Most encouragingly the Pacific NorthWest LNG project recently announced conditional FID, as well as the LNG Canada project advising their federal and provincial environmental assessment approval processes have been concluded and certificates issued. With these 2 projects alone representing between \$50 and 70 billion in capital expenditure, the labour market in British Columbia stands to undergo a step change in labour demand and availability, with the prospect of serious skills shortages.

The good news is that BC has the opportunity to learn from Australia's recent experience and Pit Crew are at the forefront of being able to provide data and information based on our experience. However knowing about something and actually having mitigation strategies which address the issues are two different things. Hopefully Pit Crew can assist our current and future clients bridge this gap. A graphic showing our Canadian clients to date is below.

STOP PRESS:

As this newsletter is released the BC Government has awarded Pit Crew two scopes of work to develop data for the BC Premier's LNG Working Group.



Ministry of Jobs, Tourism And Skills Training



Joint venture companies



Despite the doom and gloom, our industry currently has a small window of time to capitalise on a once-in-a-generation opportunity.....

“Compared with just 2 years ago, the mining industry employs 22% less people in the 55 – 59 year age group, and nearly 42% less in the 60 – 64 year age group. Within 10 years over 35% of the current workforce will either be retired or over 55 years old.”

At present the labour market for the resources and energy sector is in a period of significant rebalancing. The large number of major projects having either reached completion or are reaching their final phases combined with far fewer projects reaching final investment decision means the construction labour market continues to recede at a steady rate.

While the capital growth period was never going to last for ever, the good news is that the resources and energy sector will spend the next generation operating at a new plateau in terms of resources for operations, maintenance and minor capital upgrades thanks to the \$800 billion in new projects we've seen in Australia over the past 10 -12 years.

As well as retreating numbers in the construction labour market, there is also a significant easing of operations numbers as part of cost cutting efforts in the sector.



As a result many organisations have put skills and training well and truly on the back-burner. Given the pain they said they experienced over the past decade and the reportedly outrageous cost of the issue, this is a curious response. An environment exists at the moment which is exhibiting a paradox of record production volumes and commodity shipments alongside sometimes seemingly indiscriminate cost cutting.

When it comes to knowledge, skills and labour, the industry appears to demonstrate a lack of forward thinking. Unfortunately the consequences of this attitude could result in far reaching labour market challenges in the future. What's more, these future challenges for skills will be far stealthier in their onset and will bite with little warning. One certainty is they'll be accompanied by all the same question asking and hand wringing!

Compared with just 2 years ago, the mining industry employs 22% less people in the 55 – 59 year age group, and nearly 42% less in the 60 – 64 year age group. Within 10 years over 35% of the current mining sector workforce will either be retired or over 55 years old.

As the market continues to decline, we see two clear trends emerging when it comes to older workers in the sector. The first is that having stayed on beyond their expected retirement as the sector demand was so high, they are now choosing to exit the sector. The second is many are being ejected from the sector as the sector retreats. These two trends as well as a general aging of the workforce mean the sector is at serious risk of losing a huge amount of knowledge and experience.

Even more concerning is that with the current cost cutting measures, we are seeing what amounts to thousands of years of experience and knowledge collectively leaving the sector, in many cases being shown the door. While some may return in the future if the market re-gains momentum, the reality is that many leaving the sector now will never return.

While there are undoubtedly some short-term market challenges for our industry and the need to improve current returns, there is also an imperative to keep an eye to the future and long term returns. In a sector which so often claims “industry best practice” and the ability to drive productivity through innovation one must believe there is a way in which some of the most important knowledge leaving the sector can be passed onto future generations.

Despite the doom and gloom, our industry currently has a small window of time to capitalise on a once-in-a-generation opportunity. This is the opportunity to harness and transfer some of the most acutely relevant knowledge in our sector through training and mentoring. In providing learning opportunities for the next generation as well as a soft landing for the retiring generation, not only will organisations benefit, it will also benefit the very asset these organisations claim is their most important, their people.



***Interested in the Canadian major project market?
Like more information?
Please let us know!***

Over the past 18 months Pit Crew has spent a considerable amount of time and effort on the ground in Canada undertaking business development, getting to meet a large range of industry stakeholders in the process.

Inevitably on return to Australia, many people and organisations are interested in what is happening over there, particularly in the LNG sector.

We are considering running a Pit Crew breakfast seminar to present and discuss the Canadian labour market and ask for some feedback regarding interest. If we get enough interest we'll run a seminar, most likely in September. The cost will be around \$90.

Please let us know at pdyball@pitcrew.com.au

Pit Crew Team News

As Pit Crew approaches our 11th birthday we have some anniversaries and events to recognise:



In May our Senior Analyst, Karen Stevenson celebrated 4 years as part Of the Pit Crew Team. Karen is a huge asset to the team.



In June our Analyst, Kristi Ng celebrated 2 years as part of the Pit Crew Team. Thanks Kristi.

More recently, in July, Kristi was married to Chris in a lovely garden wedding ceremony. We congratulate Kristi and Chris on their wedding and wish them well for their future.



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The Pit Crew Formula Vee has had a mixed year in competition, dealing with some engine and handling issues, as well as trying to match a busy business travel diary for the driver. None-the-less we are all having fun and enjoying the time on the track.

