

Pit Crew News

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Newsletter of Pit Crew Management Consulting Services Pty Ltd

Issue 9 AU, September 2019

2019 Pit Crew Product and Service Update

Labour Market Analysis

Business Strategy

Market Analysis

Business Process Analysis and Improvement

Marketing and Business Development

Communication and Facilitation

External Stakeholder Management

Board and Executive Advisory

Greetings from the Pit Crew team!

This month marks 15 years in business for Pit Crew. In some respects this seems to have gone by very quickly, on the other hand riding the peaks and troughs of the energy and resources sectors in Australia, and more recently in Canada, has been no easy feat. Over the life of Pit Crew we now find ourselves part of the third cyclic wave of project activity. Having personally been in the industry for over 35 years I've lost count of the cycles I've seen come and go. The thing about this cycle is that it's not clear whether this wave of activity is going to be a super ride or a crashing dumper!

As an analyst and keen observer of the market, it's interesting to reflect upon the lessons learnt by industry through these cycles, or unfortunately in some cases, what lessons haven't been learnt.

There's been a lot activity lately and this newsletter covers a range of subjects for both Australia and Canada. In particular we take a look at what's happening in the Australian labour market and some of the changing dynamics.

There's also news about changes in the delivery model for Pit Crew's reports, we look at what else we do for our clients as well as recognise a long-term member of our team.

When Pit Crew started out, one of our objectives was to remain relatively small but provide high quality and valuable services to our clients. We've managed to achieve this and have kicked some big goals over the past 15 years.

We can brag an international A-list of client organisations, many of whom have remained with us for many years, others have come and gone, while some are recent additions. No matter whether past or current, Pit Crew are pleased to serve and add value to all of our clients. Thanks for being part of our journey. Pit Crew always aim to put our clients on the podium.

As well as some great clients, Pit Crew is regularly quoted in the media. I certainly got plenty of good feedback from a recent article in WA Business News. We've also received recent mentions in the global oil and gas news source Upstream, relating to LNG projects in British Columbia.

Always remember if Pit Crew can assist your business, we'd be pleased to hear from you.

Peter Dyball
Founder and Managing Director



(Photo by Gabriel Oliveira – WA Business News)

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Changes to Labour Market Report Delivery Model

Pit Crew's first commercially available report was delivered in Australia in 2007 and in Canada in 2014 and we've rightly earned a reputation as an authority in labour market analysis and forecasting. We've produced data and reports every 6 months and been able to provide our clients with off-the-shelf report availability. Over the years we've had plenty of stressed clients urgently enquiring how long it would take to deliver an up-to-date state or national report.... and breathing a sigh of relief to be told "this afternoon".

Changes in the market have prompted Pit Crew to change our delivery model. While we'll still be leaders in labour market analysis and information, our reports will now be delivered to order and on a bespoke basis. While this means a lead time for the delivery of reports, it also gives clients a custom-built report every time.

We'll be continuing to maintain our significant in-house modelling systems, which will always keep us streets ahead of any competitors trying to emulate our offering, as they'll invariably be commencing from a standing start. Our experience and connection with industry also provides quick ramp up and the ongoing ability produce to highly valuable labour market reports.

Time for a different discussion with clients

It's time to have a different conversation with our clients and take on more opportunities. The changes to our labour market report delivery model are allowing us to explore additional consulting options and utilise our significant experience to provide a broader range of services to our clients. While our clients are very familiar with us talking about the labour market and skills shortages, our new conversation is about our other capabilities. Some of this returns to our original services, some new services leverage off our experience over the past 15 years as advisors and company directors.

Pit Crew can provide consulting services in a range of areas, including:

- Business Strategy
- Market Analysis
- Business Process Analysis and Improvement
- Marketing and Business Development
- Communication and Facilitation
- External Stakeholder Management
- Board and Executive Advisory

We also offer a number of benefits:

- Independent source of information and advice
- Industry experience
- Networked within industry
- Have a strategic and analytical approach

We let your internal resources concentrate on their jobs while rapidly ramping-up your organisation's capability, as and when required.

If your organisation has opportunities where Pit Crew can provide services we'd love to talk with you.

New Projects or Clients

The Chamber of Minerals and Energy WA

CME has engaged Pit Crew to provide Construction Labour and Engineering Resources Reports for Western Australia. These provide a 5-year outlook for demand and availability of major project occupations. Pit Crew are also providing additional custom analysis and data to assist CME with their industry advocacy.

Tronox

Tronox engaged Pit Crew to provide an independent team member for a safety review.

Fortescue Metals Group

FMG has engaged Pit Crew to provide Construction Labour and Engineering Resources Reports for Western Australia. The information will be primarily used for the Iron Bridge Project as well as contribute to current projects.

Rio Tinto

Pit Crew have been engaged by Rio Tinto to provide project management of a number of management systems and undertake analysis and improvements to production reporting processes and systems.

Pit Crew are:

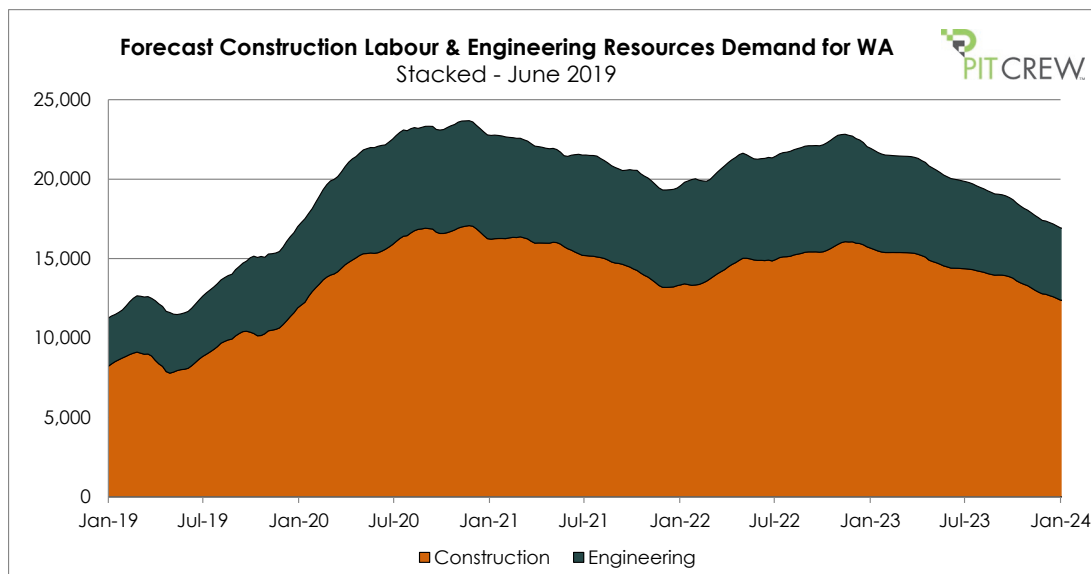
- Independent
- Experienced
- Networked
- Strategic
- Analytical

Western Australia Project Snapshot

	Project Values (\$billion)
Total Capital Value	\$190.1
Projects Approved or Under Construction	\$74.3
Not-Yet-Approved	\$115.8

WA labour market outlook:

- Demand growth
- 2020 peak
- High to 2025
- Labour constraints
- Changed market dynamic
- Traps for unwary stakeholders



Projects in Western Australia, on the move again

The past 12 months in Western Australia has seen a resurgence in the mining sector and a renewed appetite for investment. A significant driver for this has been the need for the iron ore sector to execute capital replacement programs. Key projects driving the increase in demand include the BHP South Flank project, FMG Eliwana project, as well as a number of Rio Tinto projects, the most significant of these is the Koodiaderi project.

Increased activity in other commodities is also driving increased demand for skilled resources. This is apparent in those minerals associated with the manufacture of batteries, particularly lithium, but also cobalt, nickel and graphite.

Pit Crew data indicates the WA major project market has reached the end of the decline and an increase in demand for resources is already locked and loaded until at least mid-2020. Further FID announcements over the next 12 months will add to this.

WA project stakeholders should anticipate a minimum 40% increase in demand for construction and engineering skills over the next 12 months. However if a number of projects get across the line - mainly in the mining and infrastructure sectors and close to final investment decision - the increase in demand could be up to 120% over current site numbers. This level of increase over such a short period of time will create significant constraints in the market, shortages of skills are expected.

Following the mid-2020 peak and a slight easing in demand over 2021, a number of potential LNG and other oil & gas sector projects are expected to drive demand, which is anticipated to ramp up again, peaking in late 2022.

WA project stakeholders should anticipate increasing constraints in the labour market. The level of market constraint has ramped up over the first half of 2019, is expected to intensify over the second half of 2019 into 2020 and then remain at similar levels through to 2023.

For anyone involved in the WA major project sector the news of increased activity and a ramp up in demand for skills comes as a relief, however a massive surge in eastern states project activity has resulted in significant changes to the dynamics within the national project labour market. These changes represent a dynamic which has not been experienced before on WA projects and is already affecting skills availability in WA. These dynamics will be a painful trap for stakeholders who rely on traditional project labour-sourcing models.

NSW is currently the project powerhouse of Australia, with Victoria next in line.

NSW and VIC are experiencing shortages of skilled construction workers with resulting skills dilution, productivity drop, schedule blowouts and cost increases.

Find out more from the Pit Crew team.



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Eastern State Projects – turning the labour market on its head

NSW is currently the project powerhouse of Australia, with over \$160 billion in committed projects which will demand a minimum of 25,000 workers at peak in 2020. In addition, dependent upon a minimal number of projects reaching FID, NSW could be expecting a peak construction labour workforce of up to 30,000 workers in 2020. On the back of recent infrastructure project announcements, Victoria now has over \$101 billion in committed projects which will see construction labour demand peaking in 2020 at 17,000, then remaining at high levels until 2025.

Furthermore, Queensland has a significant and increasing level of project activity, similar in capital value and labour demand to that of WA, peaking at around 16,000.

The market dynamic of a few years ago has been turned on its head. Traditionally during periods of increased project activity, WA has presented as the project powerhouse. During these periods in order to resource project workforces, WA projects have relied on a significant flow of skilled workers from the eastern states. However WA is no longer the project powerhouse of the nation, nor will be in the next 3 years and project stakeholders should not rely on a traditional recruitment plan.

Making the situation even more problematic is the fact that eastern states projects are experiencing skills dilution and productivity drops, similar to those experienced in WA and Qld during the project activity peak in 2012. This will only exacerbate the demand for labour and duration of projects. If that isn't bad enough, Pit Crew's experience with eastern states stakeholders has been one of indifference to the prospect of skills dilution or that such phenomenon will occur. With a resultant lack of response to skill shortage risks. A number of recent national media articles confirm eastern states major projects are experiencing higher than budgeted project numbers, schedule blowouts, serious concerns about availability of skilled labour and of course, cost increases.



THANKS KARENI!



In May our Senior Analyst, Karen Stevenson, celebrated 8 years as part of the Pit Crew Team. Thanks to Karen for being a huge asset to Pit Crew.

Karen is also expecting her third child in September and will be taking maternity leave. We wish her good luck, good health and look forward to her return.

Pit Crew in Canada



Pit Crew has been observing, analysing and forecasting the labour market in Canada since 2012 and delivered our first Canadian report in 2014. While our initial clients were in the mining sector, it was the combination of the prospect of a significant volume of LNG projects in British Columbia and Pit Crew's experience in the Australian LNG sector which provided the greatest opportunities for Pit Crew. BC LNG sector stakeholders quickly developed a thirst for understanding the labour market impacts from rapid growth in project activity, particularly the Australian experience.

Over the past 5 years Pit Crew has delivered more than 60 labour market reports to a range of Canadian clients. The scope of these reports has included our standard provincial reports and national reports, as well as range of custom reports which varied from a few pages to those containing many components, taking months to compile. Our Managing Director, Peter Dyball, has also delivered over 30 presentations at conventions, industry events and forums, sharing data, analysis, insights and observations. We are confident no similar organisation can match Pit Crew's level of experience in the Canadian and global LNG sector, major projects and construction labour market analysis.

If you're interested in our Canadian work, **contact us for a copy of our latest Canadian newsletter.**