Mining Business Outlook Report

Canvassing the views of Australia's mining leaders

2012–2013

A report on Australian mining leaders' views on the economy, industry challenges and opportunities, and government policy.

newportconsulting

Mining leaders' thoughts on

Business outlook

Productivity

Labour and skills shortage

Capital expenditure and investment

Responses to commodity price changes

Key challenges

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Cover Image:

The Superpit, located in Kalgoorlie in central Western Australia, is Australia's largest open pit gold mine and one of the largest open pit mines in the world.

Introduction

Australia has an inherent connection with its natural wealth, which intensified this past year with the resources sector now accounting for 59.7 per cent of export earnings and 8 per cent of GDP. The mining industry and servicing sectors continue to perform as the big earners in Australia's multi-speed economy.

This is an uneven operating environment with mixed blessings. Undoubtedly, some states and industries have slowed as resources continue to be drawn to the current strong performers, even while the strength of Australia's mining sector has helped shore the economy in the aftermath of the GFC.

Nevertheless, mining leaders are voicing undercurrents of apprehension that were not present in last year's *Mining Business Outlook Report*, which found a bullish outlook, with significant spending on CAPEX projects, expansions and new developments.

Economists describe Australia's resources boom as comprising several stages. The first stage delivered record gains for mining companies, with profits peaking around 2006–07. The next stage is the wave of capital-led expansions that will increase mining output, which we are part way through and which has many of our surveyed leaders exercising caution as they wait for their new projects to come fully on line.

This sentiment of caution among our mining leaders is compounded by other concerns, including falling commodity prices, rising business costs, complex Industrial Relations legislation and uncertainty around the political environment and government policies, including the including the newly introduced carbon tax as well as the mineral resources rent tax – the priciest such tax in the world. Further, our leaders warn that labour and skills shortages could affect the sector's ability to meet not only long-term demand, but also immediate demand.

Commodity price falls are affecting the coal and iron ore sectors in particular, driving many operations, particularly thermal coal, into a marginal state. Combined with the rising costs of wages, the expansion of marginal sites due to high prices and the high transportation and energy costs, these price falls are making some mines unprofitable. The thermal coal sector facing very difficult times in the current market.

Sound management is crucial if Australian mining businesses are to skilfully negotiate the new business conditions that have emerged in the first half of 2012. This stage will see the wave of capital-led expansions begin delivering increased output, yet having to compete against other resource-rich nations while accepting the possibility that the mining boom could already be over if commodity prices continue to fall.

The purpose of our *Mining Business Outlook Report* is to check the pulse of the industry first-hand, by speaking with mining leaders on their outlook, perceived challenges and opportunities, and views on government policy.

Our report comes at a time when the mining industry is again in the spotlight. Australia's controversial carbon tax came into effect on 1st July 2012 amid much debate and controversy, and this report's release coincides with fresh public concern that the mining boom is coming to an end – delivering significant losses for the government's predicted budget surplus. The report concludes with advice to Canberra from our 55 surveyed leaders, representing small and large private and publicly listed mining firms.

We hope you find the report both compelling and insightful, and we welcome your feedback.

David Hand,
Managing Director

Key Insights

This year's *Mining Business Outlook Report* paints a more sober outlook for the mining industry than in our last two surveys. In 2012, mining leaders are attempting to grapple serious issues such as a skills and labour shortage, a difficult business and policy environment and a looming surge in overseas competition, even as the demand forecast indicates ongoing buoyancy but also some softening in some sectors of the resources industry both in the short and medium term market. The takeaway message from our respondents can be summarised as follows.

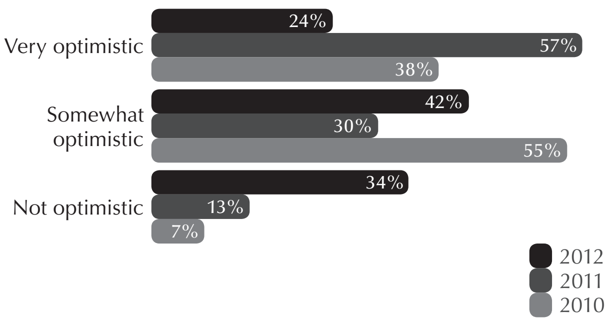
- **Investment outlook to remain cautious for the coming year.**
  The mining industry appears to be in survival mode, with only 25 per cent of companies planning to invest in major CAPEX projects this year compared with 52 per cent last year. When asked to state their reasons for curbing spend on CAPEX, the leaders surveyed listed factors including volatile prices (24 per cent), tough market conditions (21 per cent) and increasing business costs, including for energy (21 per cent).
- **The current business and policy environment is tough on miners.**
  The rising costs of labour and energy were cited as key factors behind a subdued business outlook for many (29 per cent) of our respondents. With union action said to be hampering one in five projects at present, and with more union action likely as many existing agreements face review soon under the Fair Work Act, mining leaders are finding it difficult to achieve full productivity. They also anticipate massive cost spikes with the carbon tax now in effect and warn that it will make Australia uncompetitive on the international market.
- **Productivity lag highlights a need for active operational management.**
  It is no secret that technological advancements have contributed to most of the industry's productivity gains over the past decade. Alongside investment in technology, mining companies now need to further boost productivity, but are finding themselves confronting a growing labour and skills shortage. Newport Consulting has identified effective active management as essential for mining companies to maintain throughput and profits and in retaining talent, especially at the leadership level.
- **The labour and skills crisis is far from over.**
  Last year's *Mining Outlook* report identified a looming labour and skills crisis, with an estimated shortfall of 36,000 tradespeople, 1,700 mining engineers and 3,000 geoscientists alone by 2015. The shortage is still endemic, with mining companies now resorting to a mix of overseas, local and inter-regional recruitment to stem the labour gap. Meanwhile, current industrial relations are compounding the skills crisis as unions continue to place unreasonable demands on employers, hampering an estimated one in five mining projects at present.
- **Coal and iron ore prices are significantly down, adding to the growing challenges.**
  Global economic uncertainty in Europe and North America is having an impact on the Asian economies and, in turn, Australia. The spot price for Australian thermal coal fell 36 per cent in the 18 months from January 2011 to June 2012, plummeting from over US$140 per tonne to a shaky US$90. Resource companies cannot sit back and wait to see how sustained these price falls are. They must address the challenge of falling prices by either focusing on costs or driving down the cost per tonne by sustainably increasing throughput
- **Infrastructure needs to be prioritised by the government.**
  The vast potential of mining projects in Queensland and Western Australia has highlighted the need for more economic and social infrastructure in these regions – from better rail, road and air links, to social assets such as housing, health care and community services. Many mining companies now invest in their own transport infrastructure, such as overland conveyors to transport their output from pit to port. Such infrastructure currently accounts for an estimated 80 per cent of capital expenditure. Our mining leaders called for more government support on this front.

The Outlook

Mining leaders are more bearish in their economic outlook for 2012–13 compared to the previous financial year.

Only 20 per cent of the mining leaders interviewed for this year's *Mining Business Outlook Report* are 'very optimistic,' compared to a staggering 57 per cent last year (see Figure 1).

Figure 1:
How optimistic are you about future growth



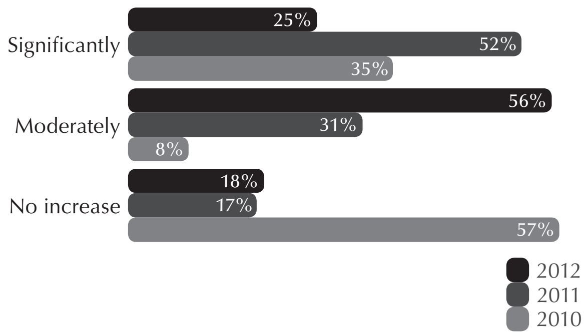
Meanwhile, the number of mining leaders who describe their outlook as 'not optimistic' has surged to 34 per cent, compared with just 13 per cent last year. Over the period from 2009–10 to 2012–13, the number of mining leaders who are 'not optimistic' is at a three-year high.

This year's report highlights a growing concern in the industry around areas including increasing business costs (notably energy and labour), skills shortages, volatile prices in international markets and the impact of government policies, such as the introduction of the carbon tax, the MRRT and ongoing restrictive industrial relations laws.

From our interviews this year with mining leaders, it appears that the industry is partly in survival mode. Volatile market prices for certain commodities have hit some mining companies, and those who are more optimistic must overcome severe challenges before they can capitalise on the opportunities that exist.

Also indicative of the new mood of cautiousness is the drop in companies prepared to invest in major CAPEX projects, from 52 per cent last year to only 25 per cent this year. Although 56 per cent of mining leaders still plan to spend on CAPEX projects, up from 31 per cent last year, their outlook is cautious rather than bullish. Mining companies are still investing but not to the same extent that they were 12 months ago (see Figure 2).

Figure 2:
Will you increase spending and investment?



Where the investment spend is going and why some companies are not spending

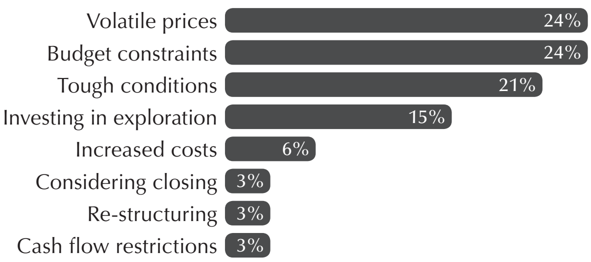
Infrastructure costs now account for an estimated 80 per cent of development costs for miners, compared with just 40 per cent in the late 1990s, as companies increasingly foot the bill for the transport, water and power needed to keep their operations running or transport their product from pit to port. In such a climate, we were concerned to find that many of these and other CAPEX projects could be put on hold in 2012–13.

Underlying our findings on reduced investment spending in this report lies a range of business sentiments that further highlights the complexity of Australia's multi-speed economy – being jolted somewhat by productivity and policy issues along with fluctuating prices and demand, yet buoyed largely by ongoing order intakes from strong overseas markets such as China.

Looking first at the companies who are not increasing spending or investment, we noted a renewed focus on restructuring, cost control and management, recruitment and retention, and improving business efficiency and profitability.

When asked to state their key reasons for curbing spend on CAPEX projects, these companies listed factors including volatile prices (24 per cent), tough market conditions (24 per cent) and increased business costs (21 per cent), as shown in Figure 3.

Figure 3:
Reason for not increasing spend and investment?



Turning next to those mining leaders who cited a 'very optimistic' economic outlook, the key reasons behind their optimism, highlighted in Figure 4, are:

- Increased demand (46 per cent)
- Development and expansion plans (38 per cent)
- Increased productivity (15 per cent)

By comparison, the top three factors driving an optimistic outlook last year were increased sales (57 per cent), increased prices (21 per cent) and increased demand (11 per cent).

Figure 4:
What is driving your optimistic outook?

There has been a significant shift this year in sentiment when it comes to prices. Last year, healthy prices were remarked on by the sector, and mining leaders described how these market prices were helping drive their businesses and profitability. This year, the sector is experiencing steep falls in prices, which are hurting businesses, particularly in thermal coal mining. This reinforces other projections on Australia's mining sector, which predict that while demand is likely to stay strong, prices are likely to drop because overall global output will increase when new projects reach fruition in Australia and several competitor regions, including China, Brazil and eastern Africa.

Mirroring last year, mining executives are extremely positive about demand for their products for the next 12 months, with continued strong forecasts for order intakes and invoiced sales in the new financial year. With demand still strong in some overseas markets, companies in parts of the mining sector are enjoying increased sales as a result.

Setbacks for the industry

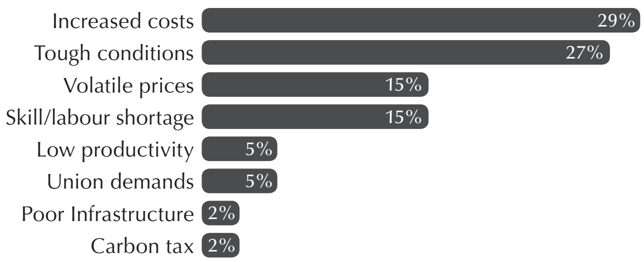
Among companies who are not optimistic with their economic outlook, we observed the same key driving reasons that we saw last year, including:

- Increased business costs, especially energy and labour (29 per cent)
- Tough market conditions (27 per cent)
- Labour shortages and lack of skills (15 per cent)
- Volatile prices (15 per cent)

While the carbon tax and its impact on the mining industry has dominated the media, some parts of the sector simply note that tough business conditions and increased business costs are the real concerns, as they were last year.

On the topic of business costs, leaders spoke at length about electricity and labour as the two key costs making it difficult to do business. Respondents were concerned these costs could soon make Australia a less attractive place for the mining sector to invest in development and expansion.

Figure 5:
What is driving your cautious outook?



Key supporting industries which service the mining sector worry that if the cost of doing business isn't reviewed, forcing investment elsewhere, the mining industry and its support industries will suffer a ripple effect.

In this year's *Mining Business Outlook Report*, the labour and skills shortages challenge has compounded and is now a key contributing factor to a more cautious outlook. There has been a clear shift in the last 12 months. Our interviews highlight an increasing concern around the issue of labour and skills, and uncertainty about meeting customer demand if action isn't taken quickly to address this.

Leader Insights

"We are telling the government that unless there is a major change in the market through government policies that will help ease the increasing costs of doing business, particularly electricity, we will need to close the business. We are a well-known Australian company and an employer of many Australians, so our message is that policies such as the carbon tax are hurting business and will hurt the broader community."

"We will have very good sales this year. However, we expect the price of coal to fall and this impacts our outlook. The industrial relations scene in our region is restrictive and we have to negotiate a new enterprise bargaining agreement. We anticipate this will be difficult as the unions are flexing their muscles, which we have not seen fortunately for many years. This has dampened our outlook."

"We can sell all we can produce. The issue is maintaining costs and looking very closely at the total logistics chain. Our production will be good, but we ascertain a tightening in the dollars the market is prepared to pay, and this will tighten as the year progresses."

Directly in line with mining leaders' concerns about tough business conditions and rising business costs, cost control and management is the number one issue keeping mining leaders awake at night, (17 per cent), along with productivity (17 per cent).

This is followed by market and business conditions (10 per cent), remaining competitive (9 per cent), change management (9 per cent), and increasing throughput (8 per cent). Other noted challenges include profitability, retention and recruitment and labour shortages.

Rising costs are hampering Australia's attractiveness as a global mining hot spot

It is no surprise that cost control and management is the number one challenge for the mining leaders interviewed for the year ahead and, as a result, is their number one priority. Mining leaders spoke at length about the impact of rising costs not only on their business outlook, but also on their ability to meet budget, remain profitable, and invest for a sustainable and successful future.

Mining leaders across the board also voiced their concerns of the impact of increasing costs on the industry's broader appeal to the global market as an attractive investment destination. With investments expected to increasingly go offshore instead of being injected into the Australian economy, mining leaders don't feel confident that the current government has the right policies in place to address this emerging predicament. By comparison, resource-rich regions such as Africa and South America will become attractive investor alternatives due to their lower costs, fewer government burdens and a more supportive environment.

The productivity and skills challenge

Productivity continues to be viewed as an opportunity for businesses to improve performance over the next 12 months, and is a contributing factor for optimism among 15 per cent of the mining leaders interviewed. At the same time, the industry believes existing government policies and lack of action in certain areas – such as improving national infrastructure – are inhibiting their ability to perform more effectively and productively, and in turn grasp the opportunities at hand.

In fact, the need to boost productivity is now considered crucial to the mining sector's ability to continue to reap the benefits of the mining boom. Following the productivity increases of the 1990s, the mining sector has been beset by lagging productivity over the decade since, with outputs low in proportion to the substantial inputs in capital and labour. It is considered that technological advancements alone have delivered a reasonable standard of productivity at many projects, but much more needs to be done.[1]

Another challenge to mining leaders is the ongoing labour and skills shortage in the sector, and the reality of unskilled workers continuing to enter the industry. Continued growth in demand and expansion plans requires additional skilled people to plan and operate these new mines. This is at a time when employment in the mining industry is already at a record high and when the government's National Resources Sector Employment Taskforce predicts that employment in the sector will increase by an average annual rate of 4.9% per annum to 2015.[2] The taskforce also forecasts shortfalls of 1,700 mining engineers, 3,000 geoscientists and 36,000 tradespeople during the same period, an ironic side-effect of the strong demand that is expected to continue driving the mining sector forward over the next financial year.

Cultural change a challenge still on the agenda

Change management continues to be viewed as a challenge, particularly regarding achieving a safe operating culture and a highly performing operation. Achieving cultural and behavioural change is something that leaders want to achieve within their organisation including at individual mine and work sites. When asked why this is so important, several leaders said that it is essential in to achieve a zero-harm work environment, and sustainable improved productivity and business efficiency. However, mining leaders appear uncertain as to how to achieve this performance improvement.

When leaders spoke about cultural change management, they commented on the need to ensure they are creating the best workplaces in the industry as a measure to reduce staff turnover, which is particularly high compared to other industries. This appears to be an area that requires focus and attention by the industry as a whole with many companies requiring immediate support in this area.

Increasing throughput: how do we get more out of the ground?

Several mining leaders spoke about the challenge of dramatically increasing throughput to meet the immediate and future growing demand of their customers (9 per cent). Mining leaders are focused on getting more out of the ground, but they spoke of a number of barriers to achieve this.

Skilled labour was identified as one key barrier. With not enough skilled people to fill vacant roles, leaders said it is hard to meet existing commitments. However, responding to this challenge, leaders are creating innovative strategies to meet their organisational and production goals. This included recruiting workers from regional areas and overseas, creating a more engaging work environment through cultural change programmes, and challenging the status quo through trying new ways of doing things.

Leaders did point out that despite being creative and innovative, their efforts will not be maximised without union support and this remains an ongoing challenge for many.

Government regulation, reform and the unions: a constant headache for leaders

The mining leaders surveyed in this year's report were scathing of current industrial relations laws, which are now stalling an estimated one in five mining projects as mining unions refuse to concede to realistic pay conditions. With around $500 billion dollars of projects in the pipeline, our surveyed leaders are deeply concerned that overseas investors will go elsewhere if one-fifth of these projects become hamstrung because of industrial relations action.

Our mining leaders noted that since the introduction of Labor's Fair Work Act in 2009, unions have been heavily involved in forging so-called greenfield agreements – which outline working conditions on new projects before workers are hired – and as a result an estimated 40 per cent of projects have been delayed across Australia. As potentially thousands of existing agreements expire over the next 12 to 18 months, even more costly delays are anticipated.

Mining leaders surveyed in this year's report were so frustrated with the delays that some questioned their reason for even remaining in business, while others resigned themselves to near-term losses in profit and productivity as they await the outcome of union bargaining.

Leader Insights

"With the price of coal softening, we need to get as much coal as we can while seriously considering how we minimise or even reduce our costs. The coal market has surprised everyone with the price dropping; it appears China has 10 per cent additional stock over this time last year, which will lead to a slowdown in demand."

"Our key challenge is attracting and maintaining a stable, skilled and experienced workforce. This is the key to our future success."

"We are in a difficult position to achieve our commitments to the market and business analysts. This is largely because the quantity of coal to be hauled has declined due to the aftereffects of floods coupled by ongoing industrial action by various unions."

"My major concern is to maintain the company's profitability as the coal price drops."

"Our coal price expectations are that the prices will fall and with costs that are too high we will need therefore to cut costs which are primarily people."

"The increasing Industrial Relation tensions and the growing militancy of the unions threatens our ability to effectively become more productive… which we must do to offset the rising costs."

Productivity: the challenge now?

Until recently, the issue of productivity was not identified as a major area of concern for the mining sector. However, in 2012 industry sentiment suggests that lacklustre productivity could hamper the future of the mining sector if not adequately addressed.

Research suggests that actual business practices, along with capital investment, have been the major contributors to mining productivity for some time. For example, in the decade up until 2003, capital inputs accounted for half of all mining production costs while labour accounted for just 12 per cent.[3] Mining productivity outstripped that of Australia's overall economy during this period.[4]

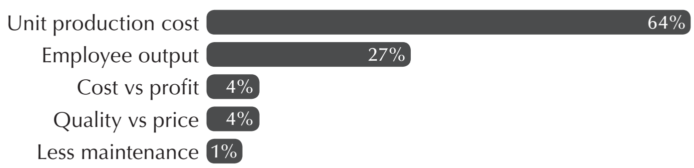
However, since the mining boom that began around 2004, mining productivity has dropped in comparison to other sectors in the economy, especially services. This is largely due to the rapid expansion of mine sites over the past decade, as mining companies have devoted more energy, capital and labour per additional tonne of output.[5] Our research has also hinted at other issues affecting productivity.

We were interested in learning more about mining leaders' views on productivity in the sector, so we asked three questions on the subject: what is productivity, what are the barriers to improving it, and how do you measure it.

Respondents tended to define productivity as cost per unit produced (64 per cent), and output per employee (27 per cent) as displayed in Figure 6.

The results of our interviews suggest productivity is high on the agenda in all parts of the mining sector, with respondents clear on its benefits and potential for their operations now and into the future. Productivity is a top priority, but remains a challenge to achieve or measure.

Figure 6:
What does productivity mean for your business?



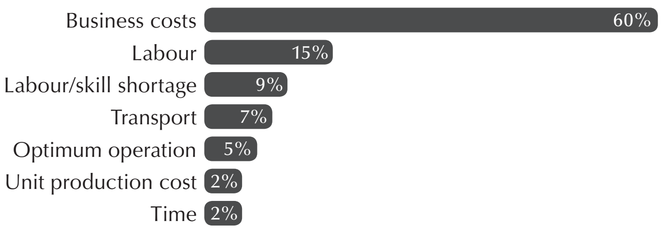
Productivity: the challenge now?

Our mining leaders revealed a common theme in rising labour and other business costs – especially energy – as posing a challenge to mine profitability. Given that most leaders interviewed have defined productivity as 'cost per unit produced', this base cost increase suggests that the increases in volume required to drive up productivity have not occurred to the extent required and this will increase as a focus to keep mines open in the immediate future.

The labour and skills shortage is also identified as a barrier to achieving productivity. Media stories over the past year, of employers going so far as changing visa requirements for temporary migrant workers, have revealed the lengths that mining companies are prepared to go in the interests of injecting skilled workers into their labour force.

Achieving change was also discussed by our leaders. Many recognised that productivity is a great opportunity for future growth, stronger market performance and increased shareholder value. However, improving productivity requires change – the way people think, the way people behave and the way people approach their daily tasks. Achieving change is viewed as a barrier to productivity improvements for many mining companies.

Figure 7:
What are the challenges to achieving productivity?



We also asked our mining leaders how they measure productivity. While responses were mixed, 2 per cent said they measured productivity through business restructuring, in essence raising the perhaps overlooked issue of change management.

This response signals to the industry that change management, along with people management, is an area that needs to be high on the agenda in future years.

Leader Insights

"We need less people to do the same tasks. Additionally, we need to increase the effectiveness of not just our people but also our processes."

"Productivity is about providing a quality product that meets the customer requirements at the right price!"

In previous reports, labour and skills shortages have been cited as key challenges for the sector. While it has been on the radar for some time, this year's survey respondents indicated heightened attention drawn to the labour and skills shortage.

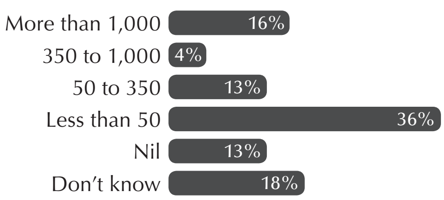
We have already shown how employment in the mining sector is forecast to grow at 4.9 per cent annually to 2015, with an estimated shortfall of thousands of mining specialists and tens of thousands of tradespeople by this time. While these skills exist in other sectors, simply recruiting workers from other industries would lead to shortages there. The skills shortage must be addressed in a more holistic manner, through better schools, apprenticeships and universities, and a more efficient labour market.[6]

Despite this conspicuous need, several mining companies have stopped their in-house training and apprentice programmes, further compounding the skills shortage. It is encouraging to see the industry welcome government initiatives such as the Critical Skills Investment partnerships in 2011, which invite operators to co-contribute to partially funded training in skills such as leadership. While a further set of recommendations put forth last year by the National Resources Sector Employment Taskforce have been accepted by the government, in reality there is a long time lag between these projects being started and actually delivering skilled labour. Even with the recent rise in university enrolments for geoscience and mining engineering, the next cohort of skilled workers will not graduate until 2014.

Not surprisingly, then, the majority of respondents were facing a skills shortage, with all but 13 per cent reporting job vacancies at the time of the interviews. The remaining 87 per cent of mining leaders either had more than 1000 vacancies (16 per cent), between 350 and 1000 (4 per cent), between 50 and 350 (13 per cent) or an unknown number of vacancies (18 per cent).

These figures echo national job vacancy rates, which declined across Australia in the year to May 2012 but grew 8.4 per cent in Western Australia, the heartland of the mining boom. In some of these regions job growth was even higher, with the Pilbara and Kimberley recording a job vacancy rise of 17.5 per cent.

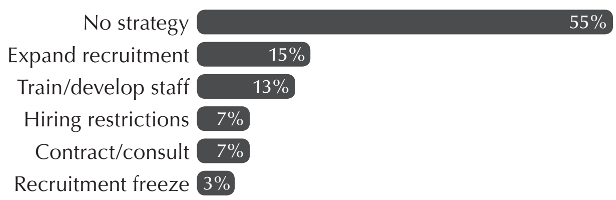
Figure 8:
What is your vacancy rate?



However, it seems that the mining industry has not yet established a unified path to achieving a more skilled workforce. The majority (55 per cent) either have 'no recruitment strategy' in place or 'don't know' their strategy. Around one-third of mining leaders were tackling the skills problem, with 15 per cent of respondents recruiting from overseas, interstate or inter-regionally, and a further 13 per cent committing to internal training and development along with staff retention programs.

Of this latter group, several respondents indicated that they were developing non-monetary incentives to attract workers, such as offering family-friendly rosters or by enhancing their workplace culture. Meanwhile, some employers were actively targeting indigenous workers as a way of developing the capacity and capability of local communities, by offering training and other job preparation programmes.

Figure 9:
Strategy for managing labour and skill shortage



Of the group who are recruiting from elsewhere, several leaders commented on fly-in, fly-out (FIFO) programmes and tapping into East Coast regional communities and centres with indigenous development programmes. Pathways to the Pilbara is one highly successful and award-winning programme that has matched young indigenous people in Kempsey, NSW to jobs in the mining industry across Australia, often on a FIFO basis.

Almost one-fifth of respondents (18 per cent) are still treading water when it comes to addressing the skills shortage. Several mining leaders have put hiring decisions on hold due to union negotiations (3 per cent); others are addressing their redundancy needs first (7 per cent). A further 7 per cent of respondents were stemming the gap temporarily by paying the extra fees to work with contractors or consultants.

Leader Insights

"We find getting competent, capable people is incredibly difficult. And hiring contractors is unrealistic – they are too greedy and too expensive."

"We have many vacancies as we struggle to attract and retain employees in this marketplace. At one time we had five out of seven General Manager positions vacant, as people were poached to join the richer mining and resource companies."

"Unfortunately our good people leave as they find it easy to find better paying jobs."

"We have 146 vacancies currently, of which 60 are management positions. We are finding competitors are poaching our people with higher salaries. We are paying reasonable dollars, so we need to look at other ways to attract and retain employees."

"We are basically in a recruitment freeze as we negotiate with the unions the consequences of various organisational changes and the anticipated consequences."

Advice to Canberra

It is evident from the mining leaders interviewed that there is wide discontent surrounding the government's failure to engage with the sector over the last 12 months.

Over one-third of mining leaders (36 per cent) interviewed are firmly against the mining and carbon taxes and want these abolished immediately.

A majority of leaders are calling for more consultation, leading to more effective policies that encourage mining ventures rather than inhibit them. This included 15 per cent calling for an end to anti-mining campaigns, 11 per cent calling for policies that make Australia a more attractive place to invest, and 9 per cent asking the government to consult the industry more while reducing bureaucracy.

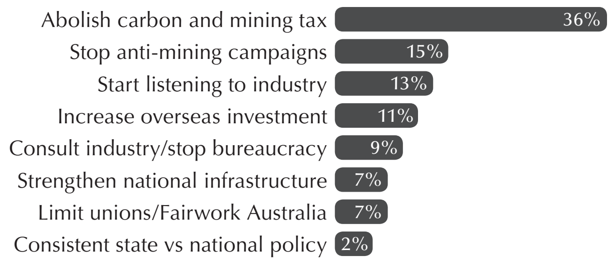
Also important, 7 per cent advised the government to limit union control before it gets too out of hand, and to address Industrial Relations through a review of Fair Work Australia. Several leaders commented on how disruptive the unions have been, resulting in freezes on hiring during negotiation phases, in turn impacting their company's ability to meet production targets and customer demand.

At a time when increased productivity is encouraged across all sectors including mining, leaders are worried that unless unions play a more supportive role and their interference is limited, and there is an overhaul of Australia's industrial relations policies, the sector will continue to hurt and productivity will suffer.

The state of the country's infrastructure is also a key concern for the sector and leaders unite in their advice to Canberra, which is to prioritise the strengthening of the economic and social infrastructure. Australia's port, rail and air infrastructure must be upgraded to support growth in the minerals industry, along with energy, water and telecommunications infrastructure. On the social front, health, housing, education and childcare are crucial to ensuring vibrant local communities.[7]

Our mining leaders are adamant that the government continue to prioritise infrastructure enhancements in mining regions.

Figure 10:
Advice to Canberra



Leader Insights

"We don't like the way miners are pilloried by the government. We already pay high taxes; why do we need to pay more?"

"The lack of sovereignty for Australia, with all the threats to raw materials and with the mining taxes and carbon costs, will deter overseas investors and substantially slow local investment decisions."

"We are a multi-national coal company with significant operations in the US, and are amazed by the attitude of the federal government and the Greens to this vital industry."

"We would like a more common and consistent approach to laws and regulations between the states. For a national business, it causes us such a headache. Please, Canberra – reduce red tape and bureaucracy."

"The rapidly increasing costs and lack of real Federal government interest will make future growth very difficult as it has been in recent years. We will survive but we will have to work very hard and very smart to do so."

Research design and analysis for the *Mining Business Outlook Report* was conducted by Manning & Co., and field work conducted by Newport Consulting.

Our research is based on one-on-one, in-depth interviews with 55 leading mining executives at a number of companies across the resources sector. The interviews were lengthy and unstructured, so that we could gain a personal view and detect underlying motivations, beliefs, attitudes and feelings on a range of areas and subjects.

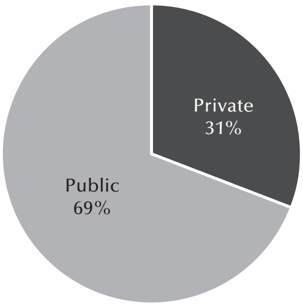
We asked six unprompted, open-ended questions. These were:

1. How optimistic are you about future growth and business prospects in 2012–13? What is driving your views?
2. Will you increase spending and investment this financial year? If yes, by how much? If no, why not?
3. What are the key challenges that your company faces this financial year?
4. How do you define productivity, what are the barriers to achieving productivity and how do you measure productivity?
5. What are your vacancy levels currently and do you have any strategies in place to address the shortage of labour and skills?
6. What is the single piece of advice that you would like to offer Canberra?

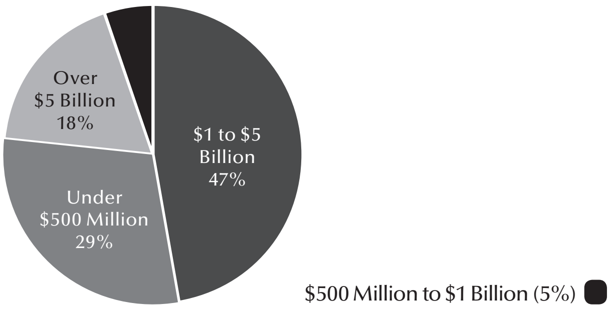
The responses were then coded by Manning & Co. into key categories.

The mining leaders interviewed and the companies they represent can be broken down accordingly:

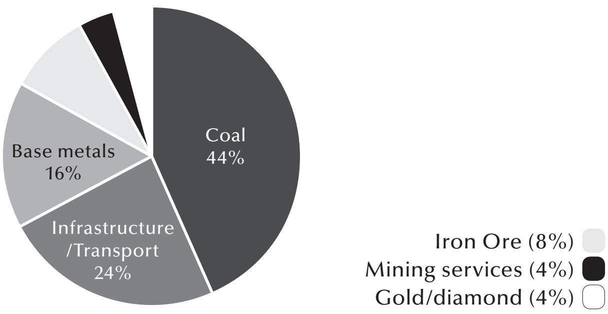
Company ownership



Company size



Industry sub-sector



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1 ‘Productivity in the mining industry’, Australian Government Productivity Commission, 2008, page 4.
2 ’Resourcing the future’, National Resources Sector Employment Taskforce report 2010, page 39.
3 ‘Productivity in the Mining Industry’, Australian Government Productivity Commission, 2008, page 66.
4 Op cit, page 20.
5 ‘Mining Australia’s Productivity’, The Australia Institute, 2011, page 2.
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The Mining Business Outlook Report canvasses the views of Australia's mining leaders. It has been conducted on an annual basis since 2010. This year's report draws on lengthy face-to-face interviews that took place between 16th April and 30th June, 2012. Fifty-five mining executives participated from a broad range of mining companies.

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If you are a mining executive and wish to register your interest in participating in future interviews, please visit
www.newportconsulting.com.au/mining

About Newport Consulting

Newport Consulting is an Australian-headquartered operational management consultancy that focuses on achieving operational excellence for corporates. We work extensively in the mining sector, having delivered measurable and sustainable operational improvements to a number of mining projects across the country.

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