

Mr Peter Harris AO
Chairman
Productivity Commission
Locked Bag 2
Collins Street East
MELBOURNE VIC 8003

Dear Mr Harris,

RE: Productivity Commission geographic labour mobility study

I refer to the Productivity Commission's study assessing geographic labour mobility. I am pleased to provide for the consideration of the Commission, Muswellbrook Shire Council's submission to that body of work.

Background

Muswellbrook is situated in the Upper Hunter sub-region of the Hunter region of New South Wales, is located 3.5 hours by road from Sydney and up to two hours from Newcastle, and is a regional centre supporting a variety of industrial activities, a growing population and expanding business and community opportunities. Muswellbrook is the major population centre in the Muswellbrook Local Government Area (LGA).

Industrial activity in the Muswellbrook LGA is primarily focussed on the energy sector: both extractive and generation. Forty per cent of NSW's base load energy requirements are generated in the Muswellbrook LGA, and the Shire is one of two of the major centres for coal production in the Hunter Valley, with operations expanding considerably over the past decade and expected to increase further in the coming years. Figures from 2011 indicate the mining industry provided over 20 percent of jobs in the Shire and is the largest single industry of employment of Shire residents. The Muswellbrook LGA is a substantial importer of labour.

Submission

Council has not had an opportunity, in the short time available to it, to develop detailed reasons to support its submissions but would welcome the opportunity to do so. Council's submissions are divided into two parts: submissions relating to findings of fact; and submissions relating to policy responses.

Submission on factual findings

Council urges the Commission to make the following findings of fact:

1. Muswellbrook LGA is a substantial importer of labour stemming, principally, from employment associated with the six coal mines and two power stations in the LGA together with the attendant mining and power services industries.
2. Construction phase mining in the Hunter has peaked and has commenced a substantial downturn.

3. Operational phase mining in the Hunter continues to expand and that expansion is most noticeable in the Muswellbrook LGA where, despite the end of the construction mining boom, unemployment remains very low, positive population change is historically unprecedented, new housing construction levels are unprecedented, and each of the mining operations have applications before the relevant planning consent authorities for operational phase expansion.
4. A distinction should be made between construction phase mining and operational phase mining in the Commission's analysis.
5. Construction phase mining typically utilises more labour and labour of a different skill set than operational phase mining.
6. The vast majority of construction phase mine workers (approximately 90%) live in the Lower Hunter whereas the majority of operational phase mine workers (approximately 60%) live in the Upper Hunter.
7. Construction phase mining typically has a larger distorting impact on discrete local markets such as the housing and labour markets if not managed carefully. This can include housing shortages and post construction housing gluts which can take several years to correct.
8. The mining industry has experienced a 56% decline in productivity in the decade to 2012.
9. The biggest contributor to the substantial loss of productivity in the decade to 2012, was the rapid expansion of the coal industry and the intense intra industry competition for construction and operational inputs which drove up input costs.
10. There has been marked rigidity in the correction of coal supply to lower coal prices which has kept operational phase mining production high – perhaps artificially. That rigidity has been caused, in part, because, typically, the industry response to rising production costs and lower prices has been to further increase production so as to spread capital costs over greater production and reduce unit costs. Take or pay contractual obligations at the Port of Newcastle has also contributed to supply side rigidity.
11. The Muswellbrook LGA has very low rates of unemployment (the Hunter Valley Research Foundation produces disaggregated figures for the Upper Hunter every six months – the last of which records an unemployment rate of 2.2%);
12. Public subsidies which assist the recognition of prior learning have not effected a proportionate increase in the overall skilled workforce. Perversely, subsidies relating to the recognition of prior learning have caused a diminution in the skilled workforce available to industries which compete for those skills against the mining industry.
13. There has been an insufficient number of apprentices trained in the coal mining and coal mining services industry to meet labour supply requirements over time;
14. The coal mining industry operates in a challenging health and safety environment and this presents with particular issues insofar as the training of school leavers and apprentices is concerned for entry level employment in the coal industry.
15. Hunter TAFE Mining Skills Centre in the Upper Hunter has developed a unique but proven model of articulating young people from high school directly into the mining industry without

compromising health and safety outcomes in the mining workforce or reducing the workforce available to industries that compete for labour with the coal industry. This occurs because of the availability of residential student accommodation, expert vocational training, phased introduction to coal mining, and a focus on social and workplace maturity and health and safety.

16. The recognition of prior learning and traineeships has effected a substantial misallocation of scarce education subsidies as professional people and tradespersons (from a large variety of trade backgrounds) have been attracted to the high wages in the coal industry driven by the relative scarcity of labour in the coal belt and the rapid growth of the coal industry.

17. The prevalence of drive in, drive out workers has been generated by localised labour supply shortages.

18. Drive in drive out workers generate a substantial cost to productivity, public infrastructure and transport externalities, fatigue and health externalities, and carbon production and other harmful environmental externalities.

Submission on policy findings

1. A requirement for workers camps for construction phase mine workers should only be considered in mining planning applications where the environmental and community assessment for a particular mining proposal shows that without such a facility there would be a substantially distorting effect on a local housing market. Planning approvals should be limited to the duration of the construction project.

2. Workers camps for operational phase mine workers are not an appropriate way of meeting accommodation needs in the Hunter coal basin.

3. Subsidies for traineeships and the recognition of prior learning in the coal industry should be abolished and replaced with greater subsidisation of apprenticeship training. This will increase the overall workforce available to the coal industry, avoid the misallocation of scarce education subsidies, and limit the impact of the coal industry on industries which compete with the coal industry for labour such as the motor vehicle repair industry.

4. The Upper Hunter Mining Skills Centre and associated student residential facilities should be expanded to meet the recurrent labour needs of the coal industry in the Upper Hunter over time.

5. Further ways of reducing rigidities in the articulation of school leavers from across the State into the mining industry should be explored.

6. State and Federal governments and their joint regional economic development body, Regional Development Australia (Hunter), should consider prioritising, as a matter of urgency, the expansion of the Upper Hunter Mining Industry Skills Centre and associated residential student accommodation;

7. The State Government should consider excluding mining rates from the calculation of Notional General Income for the purpose of s509(1) of the Local Government Act 1993 to allow councils in mining affected regions to raise sufficient mining rates meet the infrastructure servicing requirements of the mining industry.

Please contact Joshua Brown, Council's Policy Officer on 02-6549 3700 should you require further information.

Yours faithfully,

Cr Martin Rush
Mayor of Muswellbrook

Joshua Brown
Policy Officer
Muswellbrook Shire Council