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What lies ahead for the mining sector

ICN's National Sector Managers (NSMs) have been sharing their insights into their respective industries through a series of articles, which feature on the ICN website. Below is NSM – Mining, Fred Cross' insights into the state of the mining industry.

The slowdown in mining investment and falling commodity prices has had a significant negative impact on many Australian Mining, Equipment, Technology and Services (METS) companies. Clearly the mining sector is in a difficult period, with the widely reported weakening demand, escalation in costs, low productivity, current price of mining commodities and the strength of the Australian dollar.

These factors have led to the cancellation of new major projects and a change in design to existing major projects. Many existing mines have been put in to a 'care and maintenance' mode because of low ore yields, until the viability of mining improves. The knock on effect to the mining economy is significant with a Queensland Resource Council (QRC) report, estimating close to 8,000 job losses in the Queensland coal industry alone.

A big issue for the industry is productivity. A McKinsey (a global management consultancy firm) study highlighted that

multi-factor productivity was growing up until 2005; but it dropped 0.7% per year until 2011, when the study was undertaken. A similar report on behalf of the Mineral Council of Australia highlighted that Australia's mineral sector last delivered a productivity increase in 2003, but since then, overall productivity in the minerals sector has fallen by 30%. Adding to this, the QRC report showed that the cash costs to produce a tonne of coal have nearly doubled since 2005.

Despite this backdrop, there are 26 projects under \$500 million at the committed stage, with a combined value of \$4.8 billion, 16 mining projects with a value of over \$500 million and six projects with a value of over \$2 billion. A number of these projects can be found on ICN Gateway, icngateway.com.au.

Coal mining investment has peaked for the immediate future, but future prospects remain strong.

The driving forces for longer term optimism is the continued urbanisation of both China and India and the ramp up of international energy demands, which are set to grow by 30% in the next two decades.

Australia's mining sector is at the forefront of mining technology and has built a reputation as a world leader in the METS sector. Australia's leadership position is enhanced by some of the highest occupational health and safety (*cont. P2*)

Chairman's message

Welcome to the winter edition of Capability News.

Fred Cross, National Sector Manager – Mining, shares his insights into the current state of the mining sector



and the work ICN is doing to support it, including the collaboration with the Mining Energy and Services Council (MESCA) to deliver workshops that will help SMEs improve their positioning to win work on resource projects.

We have launched an exciting new product, ICN Gateway Premium, to help local companies grow their business by finding new opportunities faster. As a premium subscriber, ICN will help you enhance your online profile and attract new business by highlighting your capabilities. You can also quickly pinpoint new opportunities perfect for your company.

The latest round of Australian Government Supplier Access to Major Projects (SAMP) grants has also been announced, with two exciting projects from across the country being offered funding. You can find out more about these projects in this edition of Capability News.

Kevin Peters

Chair, ICN Executive Directors

(cont) standards in the world. Small to medium size businesses (SMEs) feature strongly in the sector and as reported from the METS survey, of the \$90 billion revenue being generated by the METS sector, 20% comes from innovative SMEs with revenues between \$5 million and \$29 million.

Accessing global supply chains is a focus for METS exporters with 47% of METS having offices or operations offshore, signalling a sophisticated and long-term approach to international markets. 24% of companies are considering new opportunities offshore, particularly in Asia and Africa. Of those companies that are not exporting, 18% plan to do so in the next one to two years. In the next three months Austrade reports that there will be over 200 mining companies visiting various parts of the world to promote Australian technology that make mines more productive and profitable.

ICN is working on many mining projects, to help increase opportunities for Australian industry, especially SMEs. ICN receives Australian Government funding, through the Suppliers Access to Major Projects (SAMP) program, to promote and maximise the participation of local Australian suppliers to large-scale projects. The highly publicised Roy Hill Iron Ore project, the GVK Alpha Coal project and the Adani Coal project are each valued at around \$10 billion and are supported by SAMP.

With the help of ICN, Roy Hill already has significant local content, with \$96 million in orders already placed with Australian suppliers for the early works. This demonstrates the value of the work ICN does, in helping SMEs access major resource projects. The GVK and Adani projects are also expected to yield valuable contracts for local companies.

ICN works closely with state governments, the Australian Government and business associations to make sure local industry is aware of mining projects that have opportunities for SMEs. ICN engages with proponents at the very early stages of projects, to map SME supply chain capabilities, so that full consideration can be given to capable suppliers when it is time to go out to tender. ICN has done this mapping exercise for the GVK project and will also help Adani with its Carmichael project.

ICN also helps SMEs in developing capability statements and tender submission techniques that demonstrate a point of difference to help them win work. To further help SMEs, ICN is collaborating with the Mining Energy and Services Council

(MESCA) throughout 2014, to deliver workshops that will help SMEs improve their positioning to win work on resource projects.

The operations and maintenance phase for projects will give SMEs opportunities to demonstrate to the project owners that they are flexible and can respond to needs of the project. With the average build of a project being three years and the operation being 15 years or more, the maintenance spend over those years is considerable

and capable suppliers close to the mine site are highly valued.

The mining sector is going through a tough time, but it will recover. The major mining companies have turned their focus to efficiency and productivity rather than just production. Consequently, innovation and technology is paramount to ensuring Australia develops a sustainable and competitive advantage in the mining sector.

SAMP project funding

The Australian Government provides funding through its Supplier Access to Major Projects (SAMP) program to help ICN to allocate sufficient resources to work with project developers in identifying supply opportunities for capable and competitive Australian companies.

The latest round of SAMP grants has been announced, here we profile two exciting projects from across the country that have been offered funding.



GDF Suez Bonaparte FLNG

The Bonaparte Floating Liquefaction Natural Gas (FLNG) project is a joint venture between GDF Suez S.A. (60%) and Santos Ltd (40%) to develop a FLNG project in the Bonaparte Basin, in the Timor Sea, 250 kilometres west of Darwin.

First gas from the Bonaparte floating LNG is expected in 2019 and is designed to produce around 2.4 million metric tonne per year of LNG from the Petrel, Tern and Frigate gas fields. GDF Suez estimates the project will add \$45 billion to Australia's gross domestic product over its 25-year life.

ICN has done some initial vendor searches for GDF Suez preliminary front end engineering design (FEED). Discussions and scope vetting for FEED will begin soon, with approximately 100 work packages to be listed at the initial construction stage once the FEED has been awarded. Additional work for the FLNG, drilling campaign and support services will be listed as the project progresses.

Visit bonapartelng.icn.org.au.

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Roy Hill iron ore

The Roy Hill iron ore project has a defined mineralisation of more than 2.4 billion tonnes of +55% Fe iron ore, enough to sustain a mine life of more than 20 years, with Roy Hill on track to load its first shipment of ore for export in mid 2015. The project is 34% complete and is tracking ahead of schedule.

The project's construction cost of \$10 billion will consist of:

- 55 Mtpa mine processing plant and permanent accommodation village
- 344 kilometre heavy haul railway linking the mine and port
- port stockyard and two-berth export facility in Port Hedland and permanent accommodation village in South Headland
- corporate headquarters and remote operations centre based in Perth.

To support mine construction and operations, Roy Hill has constructed and is operating a purpose built mine site airport capable of handling 737 aircraft, modern workforce accommodation for 3,600 construction workers and approximately 2,000 operational staff and contractors.



ICN's role in this project is to connect Australian suppliers of goods and services to the project opportunities and build on the success of local participation to date.

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ICN estimates that under SAMP, Australian companies have won contracts valued at more than \$4.2 billion for work that could have gone to overseas competitors. These projects, and more, are all listed on ICN Gateway, icngateway.com.au.

Don Matthews, Executive Director, ICN Victoria



ICN in Victoria has welcomed new Executive Director, Don Matthews to the team. Don's background is in human resources and operational management. He is an extremely well-credentialed businessman who has held a number of senior positions within industry, including President of SCA Hygiene Australasia, a FMCG personal care and tissue business with a revenue base of \$900m and employing 2,500 people across Australia and New Zealand.

Don also previously held the position of Chief Operating Officer for Amcor's Australasian businesses with a revenue base of \$1.3bn and employing 6,000 people.

For the last couple of years, Don was Director of his own business Don Matthews & Associates providing strategic advice to companies as well as executive coaching services.

He is a non-executive Director for Low Carbon Australia, advisory board member for Select Solutions (commercial arm of SP/AusNet) and is an Emeritus Councillor of the Australian Industry Group and past National President of the Australian Industry Group as well as Chairman of the AiG training scheme.

Don's passion is for Australian industry and we look forward to him leading the way for ICN in Victoria.

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Get found first with ICN Gateway Premium

ICN helps local companies grow their business by finding new opportunities faster and we know, from recent research, that you want to look more attractive to prospective clients.

ICN Gateway Premium is an exciting new product aimed at doing just that. As a premium member, ICN will help you enhance your online profile and attract new business by highlighting your capabilities. You can also quickly pin point new opportunities perfect for your company.

Your company may already have a basic listing on ICN Gateway, a powerful online tool that brings together buyers and suppliers and attracts more than 300,000 supplier searches each month and 90,000 visitors.

By upgrading to ICN Gateway Premium you can:

- find the right opportunities faster with exclusive access to an enhanced opportunity search
- keep on top of deadlines with a direct email alerting you when opportunities are about to close
- build a targeted online profile with our help
- stand out from the crowd with priority listing
- professionally showcase your company with a dedicated company profile page.

Stand out from the crowd with



For more information about ICN Gateway Premium, contact us on **1300 361 373** or premium@icn.org.au



Recent events



Ozwater '14

Ozwater is Australia's leading international water conference and trade exhibition. Held in Brisbane in early May, the 2014 event brought together the who's who in water to discuss the important issues facing the water industry and provide a platform to exchange strategies and ideas in a public forum.

ICN, Department of Industry and AWA co-funded a joint exhibition stand at the event. The initiative was to support the water industry capability teams by hosting nine suppliers on the joint stand, giving them an opportunity to showcase their solutions to customers. The companies were Aerofloat, Condamine Wellscreens, Maric Flow Control, Clean TeQ, The Water and Carbon Group, Oxyzone, Reparat, Automation IT and GFR.

The suppliers found the event to be a great success. 'It was an excellent opportunity to participate at Ozwater and network with other exhibitors and conference delegates. We received numerous new leads both within Australia and internationally and we promoted our company and products to many potential specifiers and end users', said Ray Anderson Aerofloat (Australia).

Hamish Gordon, ICN's National Sector Manager – Water and ICN consultants, were also on hand to speak to conference delegates and exhibition visitors about opportunities ICN can deliver and the importance of having a profile on ICN Gateway, icngateway.com.au.

Water innovation forum

AWA's inaugural Water Innovation Forum was held on 28 April 2014. The forum was an opportunity for innovators, buyers and investors to come together to form solid business relationships. Hamish Gordon, ICN National Sector Manager – Water, helped AWA in assessing the innovating companies that took part in the event.

The forum was a great success and showcased some of the best R&D talent the water sector has to offer. 19 innovators were carefully chosen by a panel, based on the criteria of relevance, quality and commercial viability.

The session started with quick two-minute pitches from the innovators, then moved into coaching from experts in the areas of marketing, legal and finance during the tailored industry advisory sessions.

Finally, a business matching session was held where buyers and investors were given the opportunity to meet with their chosen innovator and enquire further on their profiled product or service.



Recent events

Water delegations

A delegation from China consisting of six groups and 78 individuals participated in OzWater '14. The delegation included members from Beijing Water Authority, Guangdong Environmental Protection Industry Association, Shenzhen Environmental Protection Industry Association, Jiangsu Environmental Protection Industry Association and Shanghai Water Engineering Association. The delegation also attended more than 20 business matching meetings with Australian firms organised by Hamish Gordon, ICN's National Sector Manager - Water and supported by Austrade and the Department of Industry. The delegation also visited ICN's joint exhibition stand and had productive discussions with capability team members about opportunities in the Chinese water market.

Hamish also met with the Mexican delegation to OzWater '14, about Australian water solutions and prospects for Australian companies partnering with Mexican companies to deliver solutions. The Mexican market is changing and opportunities are a few years away, however building the necessary relationships now are important.

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ICN hosts Victorian industry at the Australian Grand Prix

More than 500 people from around Australia attended a series of ICN information and networking sessions at the 2014 Formula 1® Rolex Australian Grand Prix from 14-16 March.

This was ICN's sixth consecutive year hosting these sessions at Melbourne's Albert Park, with 'diversify – one formula for success' being the theme for 2014. The sessions provided participants with information to help them capitalise on specific project and business opportunities within their own industry sector, as well as emerging sectors and global supply chains.

The seven sessions included bioenergy, resources, defence, transportation, health and construction, women in business and an informative session for Local Government Authorities surrounding the importance of ICN Gateway.



Upcoming events

Pathways for SMEs into the resources sector



ICN is helping educate SMEs by collaborating with the Mining Energy and Services Council (MESCA) and government agencies (Enterprise Connect, Export Finance and Insurance Corporation (EFIC) and Austrade) to deliver a series of workshops.

The first workshop in Perth on 8 May was a huge success, providing insights and highlighting practical ways to maximise opportunities in the resources sector.

Over 70 people attended the workshop, which included the following presentations.

- Roy Hill project update, Claire Negus, Commercial Director - Roy Hill.
- Assistance programs to becoming resource industry ready, Karen Redshaw, Director, Resource Technology Innovation Centre - Enterprise Connect.
- Effective use of ICN services - Mark McCarthy, Resources Consultant - ICN.
- Accessing finance, Catherine Burrows, Director, Alliances and Advisors SMEs - EFIC.
- The road to export development, Ruth Keane, Resources Trade Advisor – Austrade.

- Turning business development advantage into tendering success, David Lunn, Director - BidWrite.

There was a great deal of interest in the presentation by Roy Hill and their commitment to engaging the local community in their project (profiled on page 3). Through ICN, there has already been \$195 million of contracts placed with local suppliers for this project.

Further workshops are planned throughout the rest of 2014. These workshops aim to educate SMEs on the information, support and resources available to them – bringing together a variety of presentations from right across the sector.

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Upcoming events

Taking advantage of operations and maintenance opportunities

There are significant opportunities for businesses at all levels in the oil and gas sector, as key projects in Western Australia move into their operations and maintenance phase.

A successful workshop was held in May, with 150 attendees from close to 100 different companies. The aim was to educate and support local SMEs to access opportunities available in LNG operations and maintenance projects. It was a huge success, with attendees finding it well run, very informative and timely.

Further workshops will be held on 12 August in Karratha and 13 August in Onslow. These workshops will have a strong focus on lower tier suppliers and contractors and explore the key issues being faced by SMEs looking to work in the LNG sector and the support available to them.

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ICN Gateway listings and wins

Snapshot of activity for the quarter, January - March 2014



National Hospital Procurement Conference

The 4th Annual National Hospital and Procurement conference will be held in Sydney on 24-25 July 2014. The conference will look at ways to improve efficiency, costs and patient safety within Australian hospitals. For more information and to register for the event visit healthcareconferences.com.au and search for the event.

Register and update your profile

Don't forget to update your profile with your latest company information. Visit icngateway.com.au today.

