ABOUT THE SURVEY

This highlight report covers the key findings of the largest survey ever undertaken of the mining equipment, technology and services (METS) sector in Australia. The survey received 930 individual responses, equating to a total of 860 companies. Given that the METS sector is estimated to be comprised of between 1200–1500 companies in Australia, a comprehensive and valid picture of the sector can be built.

The findings of the survey are exciting as they create a story of a highly successful sector which has not yet reached its potential. They are also extremely compelling as the mining boom subsides and Australia contemplates its economic future.

The survey was conducted from December 2012-February 2013 both on-line and via the telephone. The survey consisted of some 53 closed and open-ended questions which ranged from key company characteristics (size, location, etc), to global reach, innovation, challenges, opportunities and trends. It was a broad ranging survey to help capture a picture of the sector and bring together ideas and insights for industry development purposes.

The survey was distributed by a number of industry partners to companies of all sizes including multi-nationals, large Australians, SMEs and start-ups from all across Australia. In general, larger companies were interviewed by telephone, but this was not always the case. Australian and foreign-owned companies took part in the survey as both play an important role in shaping the sector.

Finally, Austmine would like to thank the many METS companies who took part in the survey and made it a success. This is only the beginning of the conversation and your input and insight will be continually needed to ensure a sustainable future and jobs for generations to come.

ABOUT AUSTMINE

Austmine is Australia’s leading association of the Australian Mining Equipment, Technology and Services (METS) Sector. It promotes the global advancement of technology and innovation in mining, and proactively works to raise the profile of the METS sector in Australia and abroad.

Austmine’s vision is for Australia to be the world’s number one supplier of innovative, efficient and safe mining equipment, technologies and services.

For more information see www.austmine.com.au or call (02) 9357 4660.
Economic powerhouse. Highly innovative. Australian owned – the mining equipment, technology and services (METS) sector in Australia. A sector comprising a diverse range of companies which produce technologically advanced, globally competitive products and services for mining companies worldwide. It operates in every state with capital cities, regional areas and remote locations benefiting from its revenue, jobs growth and exports. Its supply chain is vast and its reach is global.

METS plays a highly significant role in the Australian economy, and has an exciting future.
A SIGNIFICANT SECTOR... IN ITS SIZE, SCOPE, DIVERSITY AND REACH

OWNERSHIP AND EMPLOYEES

COM panies surveyed
No. of head office locations, by state

Percentage (%) of companies by size of workforce

Business activity

Main business activity within the mining supply industry

Mining/resources activity serviced

History

The first METS company was established in 

1859

% are foreign owned

84% of companies are Australian owned

% of divisions worked in
A significant sector in its size, scope, diversity and reach is the mining supply industry. The main business activity within the mining supply industry is the provision of goods and services to the mining sector.

The importance of the mining sector for the Australian economy is significant. The percentage of businesses involved in each phase of the mining lifecycle is as follows:

- Exploration/other mining support services: 22.1%
- Metal ore mining: 59.2%
- Other: 15.2%
- Coal mining: 78.2%
- Remediation: 18.5%
- Design & construction: 59.2%
- Feasibility: 17.1%
- Operations: 6.4%
- Manufacturing equipment supplies: 38.4%
- Oil and gas extraction: 1.2%
- Non-metallic mineral mining: 5.8%

Most mining companies were established in the last 30 years. The percentage of companies working in more than one phase is 46%, making them extremely flexible.

The size of companies' revenues ($M, FY11-12) distribution is as follows:

- $500m+: 10.5%
- $200m–$499m: 13.4%
- $100m–$499m: 14.7%
- $50m–$99m: 30%
- $30m–$99m: 12.1%
- $10m–$29m: 14.7%
- $5m–$29m: 16.4%
- $2m–$4.9m: 13.4%
- <$2m: 22%

The total number of Australian employees from companies surveyed is 386,000.

Of companies are Australian owned (16%) and foreign owned (84%).

The importance of the mining sector for the Australian economy is significant. The percentage of companies working in more than one phase is 46%, making them extremely flexible.
**Key Findings – Growing and Global**

The sector is on a growth trajectory, with most companies reporting an increase in revenue and employees, and 55% exporting to every corner of the globe.

76% reported that the number of employees in their firm increased or remained the same in the last 12 months.

50%+ of companies have recorded growth in employees and revenue.

- **Business growth in terms of employees (%)**
  - Increased: 50
  - Remained the same: 26
  - Decreased: 22

- **Business growth in terms of revenue (%)**
  - Increased: 56
  - Remained the same: 17
  - Decreased: 23
The METS sector comprises firms that provide specialised support and solutions to the mining and minerals industry. Spanning manufacturing firms and engineering and professional services companies, it is a highly diverse sector in size and scope, but linked by a core competency in mining and minerals.

While the minerals industry is highly cyclical, METS companies have adopted strategies to smooth market fluctuations and mitigate their risks. The majority of firms work across several minerals and stages of the mining lifecycle and have transferred their skills to other industries. METS companies are young with some 83% being established in the last 30 years. This means that the industry is only in a nascent stage signifying huge development potential.

Leveraging this, the METS sector is on a growth trajectory. The majority of firms reported that their revenue and employee numbers have grown over the last 12 months. Reasons for this growth include the acquisition of new customers, opening up of new markets and increased marketing and sales activities, all internally driven gains.

On the flip side, firms who reported a decrease in revenue attribute this to external market forces. Over 80% said the downturn in the market has contributed to revenue declines with the high Australian dollar also cited as a key factor.

METS companies are globally focused with 55% currently exporting and a footprint that reaches every corner of the global. With a focus on the Asia-Pacific, key export regions include Southeast and Northeast Asia. New Zealand, Indonesia and PNG are top export destinations with a high percentage of firms also exporting to the United States and Chile.

Of those companies exporting, 41% have offices or operations offshore signalling a committed and sophisticated approach to growing their international business. One-third of these offices are located in the United States. China, Canada and Chile are also key locations for offices or operations.

Of those companies that are not currently exporting, 18% plan to export in the next 1-2 years. These companies are planning to target such markets as Indonesia, the United States, New Zealand, PNG and Malaysia, reflecting the current METS export footprint and leveraging an already established expertise and reputation.
KEY FINDINGS – INNOVATIVE AND CUSTOMER FOCUSED
METS COMPANIES INVEST IN THEIR CUSTOMERS, STAFF, PRODUCTS AND FUTURE, SPENDING OVER $1.6 BILLION IN R&D IN FY2012. MOST COLLABORATE WITH OTHER SUPPLIERS IN DOING SO.

58% OF COMPANIES SPEND MONEY ON R&D

58% COLLABORATE WITH OTHER SUPPLIERS IN THE MINING INDUSTRY ON R&D PROJECTS

53% COLLABORATE WITH MINING COMPANIES

52% MAINTAIN COMPETITIVE ADVANTAGE BY REINVESTMENT BACK INTO THE BUSINESS

4 PRODUCTS ON AVERAGE LAUNCHED IN THE LAST 1–2 YEARS
Mining and METS go hand-in-hand and it is no coincidence that the Australian METS sector is a global success story. Australia’s rich natural resources and large domestic mining industry have allowed METS companies not only to flourish, but develop in such a way that sustainable competitive advantage has been created.

Australian METS companies have benefited from the opportunity to work closely with their customers. Seventy-nine percent of companies reported that they work directly with mining companies. This has allowed Australian METS firms to develop a deep domain knowledge and form relationships that sit at the core of a company’s competitive advantage. This is acknowledged with 65% of those surveyed reporting that the relationship with customers is their key competitive advantage. According to 81% of companies, working closely with customers is how competitive advantage is maintained. This direct coupling has become a source of innovation which, in turn, has been leveraged to produce unique, customer-focused solutions.

Using the Innovation Benchmark 3 Factor (IB3), developed by Dr. Ken Hudson and Tribe Research, the survey measured the innovation culture of METS firms. The IB3 contains data from 2004 to 2012 with almost 1000 people reporting on the innovation in their organisation. Organisations which form part of the benchmark include manufacturing, online, pharmaceutical, fashion and insurance companies. When benchmarked against these other industries, the METS sector ranked highly for its strong innovation culture. This ethos allows the free and frank exchange of ideas and a focus on innovation from a tactical and strategic point of view. The only measure where METS firms were not above the benchmark was the statement ‘there is an innovation fund where new ideas can be supported.’ Whether this is an actual budget constraint or there is funding but allocated under a different name, needs to be explored further.

Importantly, as well, METS companies invest. They invest in their customers, staff, products and their future. METS companies spent well in excess of $1.6 billion on R&D in the FY2012 with more than half of those surveyed contributing to this total. Many companies actively collaborate with other suppliers on R&D products, as well as work with mining companies themselves. Further, when asked about how competitive advantage is maintained, 52% said they re-invested in the business, 50% said continuous development/R&D and 45% noted they maintained their competitive advantage through the continuous training of their staff.

The result has been the creation of one of Australia’s only benchmark sectors which is known globally for its pioneering, responsive and highly adaptive nature. A sector which has grown out of Australia’s natural advantages and is perhaps the best value-add of mining itself.
While METS companies are enjoying solid growth, many challenges exist. The high Australian dollar and the cost of doing business is eating into the profits of some companies and decreasing cashflow. Cheap imports are causing competitive tensions and making it difficult not only to compete, but remain in business. Manufacturers are particularly concerned about the future and how they will retain their customers over the longer term.

The most significant challenge for METS companies as identified in the survey is finding and retaining skilled, experienced, affordable staff. Amongst general recruitment and retention issues, companies indicated that there is a lack of engineering, technical and management skills, particularly in regional areas. The skills gap conundrum by far outweighs other challenges identified with 43% of those surveyed highlighting its significance.

All these challenges are intensified when set against the backdrop of a looming market downturn and negative economic conditions abroad.

METS companies, however, still recognise that there are plenty of opportunities to be explored. Chief amongst these are expansion into new markets, including those within Australia and into new but related industries such as oil and gas. Export markets are also high on the radar screen with 6% of respondents considering opportunities in Asia and others looking at Africa (3%) and Latin America (2%). Opportunities offshore have also been identified for sourcing products, manufacturing and establishing operations.

While the skills shortage is a challenge for the sector, so too is it an opportunity. Twelve percent of companies surveyed see increased training, new training methodologies or having the right skills as an opportunity to increase or improve their operations or business.

New technologies and the proliferation of technologies to new regions or new applications were identified as an opportunity by 20% of respondents. This includes developing and deploying new technologies, such as in the “green” space, or the provision of niche technology solutions. Several companies noted new developments or applications of their own technologies into specific projects or market opportunities. The application of technology itself to gain internal efficiencies or improve business processes was also noted as an opportunity.

Considering the various strengths of the METS sector combined with the challenges and opportunities presented, a course of action must be taken to ensure that it not only remains strong and robust, but continues to grow and develop. Its economic significance combined with its strong innovation focus and highly adaptive nature, makes it an industry that should be widely supported as an engine of economic growth.

THE METS SECTOR MUST:

Internationalise
Engage in and grow international markets and become a leader to influence discussion and debate around mining sector challenges and influence regulatory and compliance trends.

Collaborate
Ensure strong linkages and communication between METS sector companies, METS and mining and METS and Government. It is critical for METS and mining companies to work closely together to foster innovation and growth.

Innovative
Accelerate the innovation cycle and ensure funding for new ventures and initiatives.

Educate
Ensure a skilled workforce by engaging young people at an early stage and making the sector an attractive career option.

A partnership approach to METS sector development must be taken with METS firms, mining companies and Government all working closely together. Foundations for this partnership have already been laid and a strengthening of this platform will ensure future success. Indeed it can be argued that the METS sector is one of Australia’s key competitive advantages and an industry that will continue to grow in revenue and play a key role in Australia’s economic future.
WHAT ARE THE BIGGEST CHALLENGES FOR YOUR BUSINESS? (%)

- Labour, skills, talent, recruitment, staff (42.8%)
- Sales, margin, price, cheap import (22.6%)
- Competition, competitor, demonstrating point of difference (18.5%)
- Cashflow, working capital, finance, funding, money (14.7%)
- Expansion, growth, acquisition (13.6%)

WHAT ARE THE BIGGEST OPPORTUNITIES FOR YOUR BUSINESS? (%)

- Expansion, growth, acquisition (34.1%)
- Technology, new products, new application (20.2%)
- Labour, skills, talent, recruitment, staff (12.2%)
- Regulation, compliance, legislation, tax, government (6.1%)
- Asia, China, India (5.7%)

CHALLENGES RATED (%)

- Cost of operating a business in Australia
- Downturn in the mining industry
- Australian compliance and regulation
- Skills shortage
- High Australian dollar
- Financing new growth opportunities
- Cash flow
- Lack of education pathways for future employees skills
- Working capital to finance mining projects
- Difficult procurement processes
- The carbon tax
- Lack of industry assistance
- Lack of market knowledge
- Meeting mining procurement standards
- The mining tax

OPPORTUNITIES RATED (%)

- Internal business improvements
- Investing in training and investment
- Expanding into new industries
- Diversifying product service range
- More industry collaboration and clustering
- Seeking new offshore markets
- Moving business offshore

43% OF COMPANIES SAY THE SKILLS GAP IS A CHALLENGE
OUR PARTNERS

Steering Committee Members
Austmine Limited
MESCA
Minerals Council of Australia
Gekko Systems
Haulmax
International Energy Centre
CSIRO
Industry Capability Network (ICN)
Austrade
Department of Resources, Energy and Tourism
Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (observer)
Enterprise Connect (observer)

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Austmine Limited
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