

BUSINESS

WITH THE WALL STREET JOURNAL.

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WAGES BLOWOUT LOOMS AS MINING SAPS WORKFORCE

Boost migration, leaders say

Rio warns shortages will overheat the labour market

ANNABEL HEPWORTH
MATT CHAMBERS
TRACY LEE
EMPLOYMENT

BUSINESS leaders are demanding a dramatic increase in skilled immigration to avoid a wages breakout as skills shortages spread from the resources sector into the wider economy.

Rio Tinto iron ore chief and executive director Sam Walsh said the mining industry must convince the public that a change in skilled immigration policy was crucial for \$140 billion of resource projects being planned, mainly in northern Australia.

"The industry has got to be careful we do not create a situation where every electrician and plumber heads west or north," Mr Walsh told *The Australian* yesterday.

"As we move forward with \$140bn of projects, there will be shortages in specific areas and there will be an overheating of the labour market — neither of those are good for improving Australia's terms of trade or improving the basic economics of employment in this country."

The comments are the first from Rio urging policy change on the issue.

Mr Walsh, who will need 6000 more workers in the next five years as he boosts Rio's iron ore exporting capacity by 50 per cent, said the 457 visa program, under which skilled workers could work in Australia, needed to be made more flexible.

"I'm not talking about a guest-worker program; I'm talking about 457s providing more flexibility, providing a longer period," he said.

"If you really want somebody to uproot themselves and come and live in a remote part of Australia, three years doesn't quite meet muster."

Mr Walsh said Rio was flying workers in and out of Western Australia's Pilbara region from Broome, Carnarvon, Perth, Busseton and Geraldton and was considering other areas. The company also allowed employees to come in from the eastern states and have their flights reimbursed.



"The industry has got to be careful we do not create a situation where every electrician and plumber heads west or north."

SAM WALSH, RIO TINTO IRON ORE CHIEF EXECUTIVE

"There's huge demand for skilled workers on the basis of fly-in, fly-out. What you are seeing is a greater number of people being sucked out of the major cities and major regional towns because of the extent of the fly-in, fly-out from the east coast."

WAL KING, CHIEF EXECUTIVE OF LEIGHTON HOLDINGS

"While companies put a big effort into in-house training and development, we cannot produce skilled workers overnight. If locals are not prepared to fill the gap then temporary or permanent skilled immigrants are the only timely answer."

TONY SHEPHERD, CHAIRMAN OF TRANSFIELD SERVICES AND CONNECTEAST

"Skills shortages are painfully obviously an emerging problem. At all levels, from semi-skilled upwards, the problem, certainly at Bradken, (is that) it's heading back towards where it was prior to the GFC."

NICK GREINER, CHAIRMAN OF BRADKEN AND VALEMUS

"Part of the issue is we haven't had enough people going into the trades for 20 years, and there hasn't been a lot going on in Australia for 20 years in terms of construction work."

JOHN GRILL, CHIEF EXECUTIVE OF WORLEYPARSONS

"The government needs to appreciate the different nature of the skills shortage that is looming compared to the situation four years ago."

RICHARD LEUPEN, CHIEF EXECUTIVE OF UNITED GROUP

Despite the higher wages, Mr Walsh said it was not always easy to draw people from the eastern states with the promise of higher wages.

A reluctance to uproot away from families was more prevalent in Australia than in many other countries, which was another reason that more migrant workers were needed.

The Business Council of Aus-

tralia warned this week that wages pressure was emerging and that a 30 per cent wages surge in Western Australia's mining sector could lead to a broader wages blowout.

Australian Constructors Association president and Leighton Holdings chief executive Wal King said skilled workers on big remote-area mining and construction projects were draining

workers from the cities — adding to wages pressure.

"There's huge demand for skilled workers on the basis of fly-in, fly-out," Mr King said.

"A lot of these people have been taken out of capital cities. What you are seeing is a greater number of people being sucked out of the major cities and major regional towns because of the extent of the fly-in, fly-out from the east coast.

So that's then overflowing into the capital cities because the quantum of wages that are being paid in these remote areas, that's then flowing over in pressures in the cities.

The comparatively high wages that are being paid in these remote areas are really drawing people away and competing with other areas of the economy."

The chairman of Transfield

Services and ConnectEast, Tony Shepherd, said the main area where there was wages pressure was in the northwest, with the expansions in liquefied natural gas and Pilbara iron ore projects.

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