



Mackay
Caterpillar
dealer Brendan
Webb.
Photo Daryl
Wright

Mackay, city on a huge roll

The Queensland regional centre is at ground zero of Australia's latest minerals and energy boom, where business is changing rapidly and fundamentally.

Peter Roberts

More than \$22 billion worth of engineering infrastructure was completed in Australia in the latest March quarter, driven by a boom in construction of new mines, oil and gas wells, processing plants, railways and ports.

We are in the middle of an unprecedented resources boom and we are all as familiar as we are numbed by the big numbers that describe our big resources projects. But to understand what the data means for smaller businesses at ground zero look no further than the proliferation of ubiquitous, bright yellow Caterpillar bulldozers and in-mine trucks.

In the middle of a mining boom there is nothing more grounded than shifting earth.

Queensland Caterpillar dealer Hastings Deering has just spent \$60 million building a new mobile equipment sales and service centre at Mackay in northern Queensland, where \$14 billion in coal and coal seal gas projects are under development.

Add to this new rail lines, logistics systems and coal loaders at Dalrymple Bay and Hay Point, and another \$45 billion worth of engineering and construction being planned, and the need is clear for bulldozers and all manner of local goods and services.

"There is a mining boom under way but there is a Mackay boom under way as well," Hastings Deering area manager Brendan Webb says. "We have an ever-increasing number of machines over the hill [where the mines are] and they all have to be maintained and eventually rebuilt. We are making sure we can do the job."

Such is the size of this boom that Hastings Deering is forecasting its Mackay branch will be its biggest by the end of the year, with equipment sales and maintenance worth

\$700 million and a workforce building to 700.

To cope with Mackay's development as the centre of high-quality coking coal exports, Hastings Deering is planning a \$25 million expansion of the just-built facilities.

Their scale is already enormous, with automated warehouses, workshops and paint halls accommodating 16-tonne Caterpillar 793 off-road trucks waiting for what one suspects is more than an oil change. Each is capable of swallowing a 250-tonne payload.

"The fact that we are here, the fact that we are investing so much here, provides a stability and a certainty that underpins all this expansion in the area," Webb says.

Hastings Deering is the centrepiece of the massive new industrial suburb of Paget being carved from the chequerboard of sugar cane fields and mills that used to drive Mackay's engineering industries. Sugar is still strong, with a \$120 million cogeneration plant being planned, but Paget is the undisputed support centre for new mines in the Bowen and Galilee basins.

Mackay's boom began seven years ago and only paused for breath during the global financial crisis, Narelle Pearse, chief executive of the Mackay & Whitsunday Regional Economic Development Corporation, says. Gross regional product jumped 22.7 per cent to reach \$17.3 billion in 2008-09. But after growth slowed to reach \$18.1 billion in 2009-10 it has sped up again, with the Mackay regional economy eclipsing the more populous nearby city of Townsville.

"We have been on this steep growth curve for some time now," Pearse says. "We don't see ourselves as being in a boom-bust type of cycle. Growth has just become business as usual around here."

The region is bursting at the seams, with its 120,000 population growing at more than 2.9 per cent a year and supported by a growing fly-in, fly-out workforce.

"Of course we want to see people live locally as much as possible," Pearse says. "But we want growth that is sustainable in the long term. The scale of the mining boom is certainly the driver and Paget has

grown incredibly rapidly. But now we are looking at where the next industrial land will be."

Recruiting and hanging on to skilled workers is as much of a challenge as expanding the city's footprint and building facilities to support the boom. Not far down the road from Caterpillar, four partners have created a \$200 million a year engineering business in only 13 years which builds some of the biggest machines on the planet.

The giant 4500-tonne draglines and stacker reclaimers built by G&S Engineering Services are put together by a workforce which includes more than 50 welders brought in from the Philippines under the federal government's 457 business-sponsored visas.

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"At some point they will leave as they become Australian citizens and they can choose where they work," G&S CEO Mick Crowe says. "You can't blame a bloke for doing that ... they are great staff and we will probably look to bring in more."

At G&S the giant bases, known as "tubs", that support each dragline machine are welded together from steel more than 25 millimetres thick. Then they are cut up into pieces for moving to the mines, where they are reassembled. Demand from some of the world's most advanced mining customers is driving best practice in this dirty and potentially dangerous work.

"We have done very well compared to our local competitors," Crowe says. "One of the ways we do that ... is by getting engagement with the workforce around safety. If you

can get engagement around safety, then you can get engagement about productivity."

In the past six years G&S has reduced its recordable injury frequency rate by 85 per cent and in November 2010 the rate went below a tiny 10 per million man hours worked. The company is a rare example of a domestic business that has contracted global safety leader Du Pont to teach it how to further cut injury rates.

"Our record has been good but not good enough," Crowe says. "One of our men lost an eye in 2003. If you have a money issue you can fix that, but if someone lops off part of his hand you can never fix that."

As well as a sophisticated approach to safety, G&S keeps critical manufacturing processes in-house but contracts more repetitious operations to manufacturers in Vietnam, Thailand and China.

Maintenance and high skills will ultimately provide steady work for G&S's 1100-person workforce. Already the welding shop is crowded with six of the giant steel buckets that scrape coal from the open-cut coal fields, their thick steel plates worn thin by the coal miners' drive for productivity.

Demand for skilled workers from companies such as G&S is being answered by a major expansion of Central Queensland University under a new head of campus, Pierre Viljoen. Since 2010, \$15 million has been committed to new facilities with the aim of trebling student numbers to 5000.

The university is developing new courses with a local business engagement group and Viljoen is proposing that CQU be the heart of a planned extension of Mackay city to canefields around Ooralea, which adjoins Paget.

"CQU wants to be one of Australia's great universities, but we recognise we are not that yet," Viljoen says. "As we grow, we want engagement to be our DNA. We want it to be what this university is all about."

Greater intellectual grunt in the public sector will help nurture innovation as a characteristic of local enterprises looking to create a long-term future. Already there are role models among local small businesses.

Group Engineering employs only 58 people but has developed a string of highly innovative products.

Turnover today is based on a sophisticated site access system for mine sites and logistics facilities. Most recently Group teamed with Brisbane industrial designer Robert Geddes to launch a laser conveyor belt scanner.

"Many of our clients have been asking us to provide a tool which would accurately allow them to detect volumetric flow of product on a conveyor belt," Group managing director Allan Ruming says.

"We are working closely with selected end users in sugar and coal."

While demanding customers are part of Mackay's business development story, a unique decade-long collaboration among 120 firms has also primed the city's smaller businesses for success.

The Mackay Area Industry Network (Main network) links businesses to discuss and collaborate on major issues and business opportunities.

"Trust is the key thing in groups like Main," says Narelle Pearse, who is also CEO of Main.

"Companies no longer look at each other as competitors in every sense. They know we need to build the pie and not always be fighting each other over it."

Group Engineering's Ruming is working with a major port operator to develop his next product, a unique machine to safely maintain the region's super-long resources shipping jetties.

Jetty piles are normally painted using temporary scaffolding built below the jetty decking, a precarious process given major tidal movements.

Group Engineering has designed a 75-tonne mobile machine that lowers workers to a safe work surface suspended below a jetty, meanwhile allowing road access along the deck. The company has identified 85 industrial jetties globally that would benefit from its equipment.

"Any regional economy is only as strong as its weakest link," Pearse says. "With our small companies becoming better at what they do, the future for the region looks bright. We don't have to go out of town to find key components and skills."