



**Asia-Pacific
Economic Cooperation**

2016/SOM2/MTF/011

Agenda Item: 4

Concept Note – Mining Equipment, Technology and Services Sector Development

Purpose: Information
Submitted by: Australia



**10th Mining Task Force Meeting
Arequipa, Peru
9-10 May 2016**

APEC Concept Note

Project Title:	Mining Equipment, Technology and Services (METS) Sector Development
Fund Source (<i>Select one</i>):	
<input type="checkbox"/> General Project Account (formerly Operational Account) <input type="checkbox"/> TILF Special Account <input checked="" type="checkbox"/> APEC Support Fund	
For ASF: As per Guidebook Ch. 3, list ASF Sub-fund if appropriate for this project: <i>Mining Sub Fund</i>	
APEC forum:	Mining Task Force
Proposing APEC economy:	Australia
Co-sponsoring APEC economies:	Canada; Chile
Expected start date:	1 July 2016
Expected completion date:	31 December 2017
Project summary: Describe the project in under 150 words. Your summary should include the project topic, planned activities, timing and location: <i>(Summary must be no longer than the box provided. Cover sheet must fit on one page)</i>	The METS Sector Development Project will support development of the mining equipment, technology and services sector in selected APEC developing economies by: a) enabling leading practice in mining industry engagement of METS sector and in METS supply chains; b) creating opportunities for local companies, particularly SMEs, to participate in mining activities; and c) increasing trade and investment in mining and METS through skills development, partnerships and technology transfer. A study, co-funded with the private sector, will map mining industry needs and the current METS footprint and capacity in each participating economy. Analysis will identify supply chain gaps and capacity building priorities. Action Plans will leverage current strengths for quick wins and partnership opportunities to build capability and capacity. The project will focus on SME development and opportunities for women in mining and METS and help create pathways for inclusion and gender equality. This is a proposed first phase of a longer public-private sector project to improve METS sector capacity.
Total cost of proposal: <i>(APEC funding + self-funding):</i> USD 200,000 (includes potential private funds)	Total amount being sought from APEC (USD): 150,000 By category: <i>Travel:</i> 50,000 <i>Labor costs:</i> 100,000 <i>Hosting:</i> <i>Publication & distribution:</i> <i>Other:</i>

Project Overseer Information and Declaration:

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As Project Overseer and on behalf of the above said Organization, I declare that this submission was prepared in accordance with the **Guidebook on APEC Projects** and any ensuing project will comply with said Guidebook. Failure to do so may result in the BMC denying or revoking funding and/or project approval. I understand that any funds approved are granted on the basis of the information in the document's budget table, in the case of any inconsistencies within the document.

Sabrena King

Name of Project Overseer:

Date:

Project Synopsis

1. **Relevance – Benefits to region: What problem does the project seek to address? What is the relevance of the project? Does it have sustained benefits to more than one economy?**

The mining equipment, technology and services sector has great potential to be a second pathway to 'adding value' to the minerals and energy resources of APEC developing economies through development of enterprises, growth in employment, and adoption of technology. APEC economies and the private sector both recognize the importance of building local METS capacity to underpin growth of an important new industry sector and to facilitate quality mining investment and outcomes. Stronger mining supply chains create opportunities for new and expanded enterprise and employment and enable economies to improve mining operations and standards. Local METS sector suppliers can add value to resources production by providing new, often knowledge-rich pathways for mining to connect to economies. Mining operations that now seek expertise offshore can benefit from stronger local skills and capability. Economies such as Australia, Chile and Canada encourage the METS sector for its direct benefit to mining competitiveness and as an important source of enterprise growth, employment, innovation and revenue. These nations are well positioned to transfer experience and expertise in METS governance, partnership and implementation to other economies.

The project will be a collaboration between government and private sectors to: 1.) map current and future needs of mining companies in relation to METS in participating economies; 2.) map local METS capacity to supply these needs; and 3.) identify gaps and local supply opportunities. This is directly relevant to efforts to increase the value of mining to economies through local procurement, employment, enterprise development and improvements to mining productivity. The project will also help mining companies to identify and engage local METS firms that have the capacity to achieve efficient, safe and profitable operations and reinforce their social licenses to operate by engaging local METS firms.

In each economy, Action Plans can be put in place that will define and address barriers to entry into local and global value chains. This is directly relevant to development objectives of enhancing the value of mining projects to local communities through jobs for both men and women in related areas, and through better quality results arising from increased skills. In addressing the findings and recommendations of the 2014 ABAC study, *Mining in APEC economies: opportunities and challenges*, the project will identify strategies to improve the investment climate for, and outcomes of mining by identifying pathways for improving local METS capabilities and support mining competitiveness in participating economies.

Relevance – Rank:

The project will directly support the APEC Leaders' Growth Strategy (Rank 2) through sustainable development in mining. The project also supports Rank 1 outcomes, in particular, through SME development, including access to regional and global markets, and services trade and investment facilitation and liberalization.

Objectives:

Understand the needs of mining companies in relation to METS in 3 to 4 developing economies.

- Focus on future scenario planning and challenges.
- Consider strategic, technological and operations implications.
- Engage majors, mid-tiers and juniors in each economy.
- Use CRU study to help define scope – ie commodity, etc.

Increase knowledge of the METS landscape through identifying

- Local capability.
- Foreign METS operating in-market
- Understand capabilities, expertise and skills.
- Work with OEMs and large primes to understand their supply chains.
- Explore barriers to entry into the supply chain – external and internal.

Conduct a gap analysis and explore

- Overall buyer-seller relationship.
- Do the METS companies operating in-market have the ability to meet future needs?
- What is needed to strengthen local company capacity?
- What capabilities need to be built?

- What partnership opportunities exist?
- Where/what are the major gaps?
- How do we include women?

Action Plans – In each participating economy, an Action Plan will be put together. The Plans will focus on mining's future needs for METS inputs for strategic alignment with the METS sector capabilities to support industry development, capacity building, investment and internationalisation. Subject to outcomes of the analysis under this project, APEC could support further activities.

2. **Alignment – APEC: Describe specific APEC priorities, goals, strategies, workplans and statements that the project supports, and explain how the project will contribute to their achievement.**

The project directly aligns to APEC interests in SME development, trade in services, women's economic empowerment, regional integration, structural reform, economic growth, employment and improved regulation for trade and investment. APEC economies collectively supply over 50% of the world's iron ore, 70% of copper, nickel, silver, lead, zinc, nickel, bauxite and tin, and 90% of coal and molybdenum. This project will address forward, backward and sideways linkages between mining and associated industries, a topic central to practical efforts to drive innovation, integration and growth.

Alignment – Forum: Briefly explain how the project is aligned with your forum's workplan / strategic plan.

Ministers Responsible for Mining agreed in 2007 on principles guiding the work of the APEC Mining Task Force. This project directly addresses these principles, through a focus on enabling APEC economies to pursue policies that enhance the sustainable production, trade and consumption of minerals and metals and mining technology, equipment and services. It will foster exchange and links between member economies including transfer of experience, promote improved functioning of global markets for minerals and metals, foster investment certainty, and promote cost effective, evidence based, transparent and objective-based measures which improve ability of the minerals industry to contribute to economic, environmental and social outcomes.

3. **Methodology: How do you plan to implement the project?**

The project is likely to be coordinated by Australia's peak METS industry body, Austmine, in collaboration with industry and government bodies, plus METS companies in the participating economies. The project will mobilize private sector cooperation with governments to conduct project analysis and develop on-going dialogue. It is envisaged that the project will be carried out in three stages, with the first two potentially being conducted concurrently:

1: Interviews with mining companies about their current and future supply chain needs and longer term strategy. An "international best practice" benchmarking tool will be developed and mining companies will be rated against this once the interview has been concluded. It is anticipated that there will be 10-12 interviews per market including juniors, mid-tiers and majors.

2: METS research and survey in each selected market to begin mapping METS sector and supply chain capabilities. Research will canvas local company capabilities as well as foreign invested and operating METS. Contributors to this research may include government agencies, mining chambers, other relevant representative bodies and companies with substantial supply chains. A survey will then be conducted of METS companies to build a capability profile. The methodology and field work for the survey will be scoped and developed once the results of the secondary research are known. It is anticipated that 50-100 METS companies will take part in the survey work, with scale dependent on budget available and agreed methodology.

3: Analysis and action plans: Analysis of survey results will identify and rank capability gaps and consider procurement practices, supply chain needs and partnership opportunities. A workshop on priorities for capability and capacity building will define key areas for possible further work.

We expect that 3-4 developing economies will initially be included in the project. The scale of industry co-funding will determine how many economies can be included in field research.

The Action Plans will be discussed at a workshop with METS champions from developing economies, working with self-funded participants from industry and developed economies.

Project success will be defined by response of government, industry and civil society to the project findings, and by its ability to achieve practical Action Plans that will improve the local capacity of METS in participating APEC economies, including for women, and build communities of practice supporting network links across APEC to enhance regional integration.