

The Jobs Letter

Essential Information on an Essential Issue

No. 241

20 October 2005

KEY

NEW MINISTER OF SOCIAL
DEVELOPMENT AND
EMPLOYMENT

AIR NZ TO CUT 600 JOBS

OIL PRICES AFFECTING NZ
BUSINESSES

IS OIL PRODUCTION
PEAKING?

LEADERSHIP IN THE ERA OF
DIMINISHING OIL

MAYORS TASKFORCE
CHANGES

- The Labour Party has finally put together a government 30 days after the national election. The make up of the government unexpectedly includes New Zealand First and the United Future Party and does not include Labour's closest ally during the election, the Green Party. Both New Zealand First and the United Future refused to support a government that included Green MPs with Ministerial responsibilities.

When allocating Ministerial portfolios Prime Minister Helen Clark surprised many people when she appointed **David Benson-Pope** to succeed Steve Maharey as Minister Social Development and Employment.

Benson-Pope is ranked 14th in the new Cabinet. His predecessor Maharey was ranked 4th.

- Record **fuel prices** have been blamed as a major reason for Air New Zealand's decision to close its local workshops that do heavy maintenance on long-haul aircraft and engines. The decision may cost as many as **600 jobs** as Air NZ plans to trim \$100 million from operation costs this year.

Air NZ chief executive Rob Fyfe says the airline faces rising costs and increasing competition, particularly on trans-Tasman routes. It has increased its fuel surcharge four times since May last year because of rising jet fuel costs. Fuel makes up about 30% of the airline's costs now, up from 20% a year ago.

The airline has faced declining volumes of engineering work due to the **costs of getting planes to New Zealand**, compared to cheaper options available when outsourcing the work to Asia and Europe. Air NZ estimates it will save \$100m over five years by sending its own Boeing 747s, 767s and 777s overseas for maintenance rather than doing the work itself in New Zealand.

The *New Zealand Herald* reports that Air NZ's heavy maintenance operation was, just four years ago, regarded as the "jewel in the crown" of what was otherwise a loss-making airline. But it is taking big hits from large overseas competitors, compounded by this country's remoteness. This has meant that the high proportion of overseas airlines business formerly using the heavy maintenance operation has all but dried up.

Air NZ's chairman John Palmer says the decision to outsource maintenance was taken "with a very heavy heart". He told a shareholders annual meeting this week that **fuel costs are estimated to increase** by about \$300 million from last year. The company will recover around \$200 million through ticket surcharges, but such charges were likely to affect demand. Palmer warned the shareholders to expect a big tumble in profits this financial year, down from \$235m in 2004-2005 to about \$100m.

DIARY

24 September 2005

The number of Americans filing for an unemployment benefit has risen as the scale of hurricane-related applications grows.

26 September 2005

50 jobs will go as the Meadow Fresh yoghurt factory in Christchurch closes and production shifts to another facility near Palmerston North.

The decision to end Sunday trading at Carters building supplies stores will reduce pressure on staffing levels. Chief executive Stuart Monro says it has been harder to run a seven-day-a-week business because of low unemployment.

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27 September 2005

Perth's Royal Show offers free training courses for people looking for seasonal work. As part of a state government initiative to ease the skills shortage, courses are offered in areas like harvesting, seeding, shearing and mustering.

29 September 2005

Australian Opposition leader Kim Beazley launches a "blueprint" focusing on skill shortages. Beazley says the skills blueprint includes a \$2,000 tax-free bonus for people completing their apprenticeship. Beazley says that if the bonus halved the rate of people not completing apprenticeships, the country would benefit by getting 10,000 more skilled tradespeople per year.

30 September 2005

Carter Holt Harvey announces 80 jobs will be lost by Christmas as the company plans to shut down its Rainbow Mountain sawmill operation.

NZ hopes to double the number of Indian students at its tertiary institutions by running a series of educational recruitment fairs across nine Indian cities. Trade & Enterprise Commissioner Paul Vaughan tells Indian news service Chennai Online that with the low unemployment rates, NZ offered employment opportunities for students immediately after coming out from the universities.

- The 600 jobs will be trimmed from a maintenance workforce of 2,100. A final decision on the level of job cuts will be made in December, but it is expected that the bulk of the cuts will be in Auckland where the airline has about 1,400 maintenance engineers. There could also be up to 100 job losses at the airline's Christchurch engineering facility.

The workers say they will **plead** to the government **for intervention** to save their jobs, as the government owns 82% of the airline after a \$1 billion taxpayer bailout in 2001. They argue that the depth of the cuts to a highly skilled workforce, which they warn will be irreplaceable once disbanded, makes it an issue of national interest.

A spokeswoman for Finance Minister Michael Cullen told the *New Zealand Herald* that he viewed Air NZ's announcement as "... entirely a matter for the company."

- The Engineering, Print and Manufacturing Union says engineers are shattered to hear of the job losses. Secretary Andrew Little says the union has known for some time something was up but was "stunned to learn the extent of the proposed redundancies". He says the workers are a highly skilled, world class workforce that had shown loyalty and dedication. Little: "They are devastated by the extent of the planned downsizing..."

Aviation and Marine Engineers Association general secretary George Ryde says many of those facing redundancy were recent recruits with student loans of up to \$40,000. He called on the government to waive their loan repayments, at the very least.

- Another industry being battered by the **rise in the cost of oil** is New Zealand's inshore fishing fleet. Diesel prices have risen from \$.56 per litre in May 2004 to \$1.05 now and Nelson fishermen are spending up to half of their incomes to fuel their boats. With the unpredictability of catches, half the small commercial fishing boats in Nelson are now staying tied-up in port rather than risking money by putting out to sea.

The high cost of diesel is having the same effect on fishing businesses right around New Zealand and it's not just the smaller operators who are hurting. Port Nelson Fishing Association president Darren Guard points out that some of the larger vessels burn up to 300,000 litres of diesel for a six-week trip. Guard: "Now you put that in a dollar value and you tell me that doesn't hurt".

One result is that the bottom has fallen out of the market for inshore commercial fishing boats. Nelson fisherman Alan Basalaj: "Nobody wants to get into this industry at the moment. You don't make money from it so why invest big money in it?"

- **Fuel price rises are also affecting other sectors.** Cropping farmers are being forced to consider downscaling their operations or changing to other types of farming that don't rely so heavily on fuel. North Canterbury Federated Farmers chairman Harry Schat said there is huge concern in farming circles because fuel is now one of their businesses' biggest costs. Most farms are affected, but it is particularly acute for those relying on diesel pumps for irrigation and machinery-intensive cropping. About the only way for them to cut rising fuel bills is to reduce the area they sow.

Christchurch-based Delex Couriers runs a fleet of 14 owner-operator vans. Managing director Andrew Campbell says fuel-price rises have

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1 October 2005

Aged Care staffing levels are well below what the Ministry of Health considers safe according to an NZ Nurses Organisation report.

The Immigration Service has received only 12 expressions of interest from people considering migrating to NZ as a business investor since toughened new rules were applied in June. The rules require would-be migrant investors to give the government \$2 million, bonded for five years, after which they get their money back with an interest rate based on the rate of inflation. National Party MP Patsy Wong says migrants are instead choosing to go to Australia, Britain and Canada because they are getting the message they are not welcome in NZ.

3 October 2005

Home ownership rates are projected to decline from 68% of households in 2001 to less than 62% in the next decade, according to Housing New Zealand. The home ownership drop is expected to create a huge demand for rental properties.

forced the company to increase fees—the first price rise in five years. Campbell says the company held off as long as possible: “But with prices steadily rising we couldn’t carry the cost any longer.”

- Road Transport Forum chief executive Tony Friedlander points out that overall freight company **operating costs have risen** as much as 40% in recent months and consequently freight charges had risen by about 10%. Friedlander says most of the freight industry will now move quickly to pass those additional costs on because fuel prices have been rising for at least the past 18 months. More than 4,000 freight companies transport upwards of 80% of all New Zealand goods by road and Friedlander warns that any slump in the trucking of goods would harm all aspects of the economy. Friedlander: “The net effect of this is that we keep carting goods until the producer decides transport costs are too high to justify producing them.”
- Fuel company Caltex’s public affairs manager John Kerr doesn’t expect fuel prices to drop any time soon, despite a recent fall in international oil prices. Kerr says high international fuel demand, supply issues, difficulties obtaining refined fuel after a recent plant closure in Australia and the strong New Zealand dollar were factors in the high price of petrol. Kerr: “There’s almost a perfect storm of environmental factors that have led us to this point.”
- In the past, oil prices have **spiked** as a result of political events. The price of petrol doubled when Arab countries withheld their oil in protest of the United States siding with Israel when it invaded Egypt in 1973. And petrol prices shot up again in 1979-80 when Iranian oil was taken off the world market due to the revolution in that country. Following those spikes, prices returned to previous levels.

But never before has there been such a long, **steady rise** in the price of oil as a function of the market. The price of oil has risen from \$30 per barrel in May 2004 to well over \$60 per barrel today. The damage hurricanes Katrina and Rita did to oilrigs in the Gulf of Mexico and coastal United States refineries pushed prices up, but no one is holding the hurricanes responsible for the longer-term rising price of oil.

- Dr Colin Campbell, a former senior oil industry exploration geologist and founder of the Association for the Study of Peak Oil (ASPO), has **plotted the production of oil** and gas from 1930 to 2050, based on what is known about oil field productivity and trends in discovery. Campbell’s bell-curve diagram describes peak oil as occurring very soon. Campbell says that by 2007 oil production will no longer be meeting demand — and never will again. The result will be a continual escalation in the price of oil as the world’s richest consumers bid for the diminishing resource. Campbell: “The scene is set for the Second Great Depression ... it is a situation without precedent.”

Campbell: “Oil depletion is such a sensitive subject, which many people, especially those in government, prefer not to know about. But there are many solutions, especially in finding effective ways to use less, provided governments take effective action in time. It is too serious a subject to be left to the whims of an open market.”

- Whether oil production peaks in two years or in two decades, the implications to local economies will be enormous and longer-term

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4 October 2005

New Orleans City will lay off 3,000 council employees, or about 40% of its total payroll as it struggles to rebuild after the hurricane devastation.

5 October 2005

The Western Australian government says mining companies are not doing enough to address the current shortage of skilled labour. Development Minister Alan Carpenter says the resources sector should be offering more support to attract people into science and minerals related courses and it's in the best interests of mining companies to invest in their potential future work force.

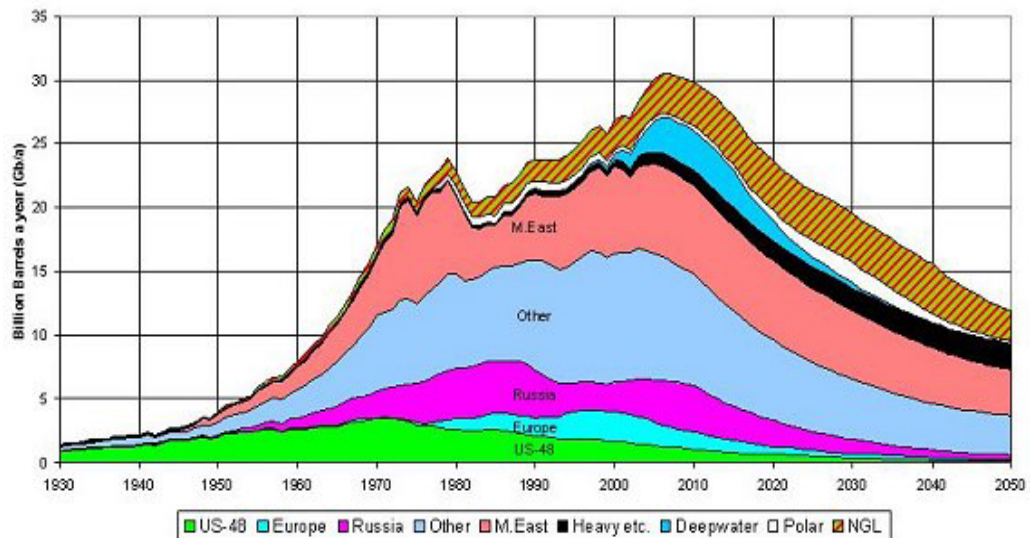
7 October 2005

Latest Statistics NZ figures show the average weekly gross pay was up 4.2% for the year, slightly better than the average in the previous six years.

8 October 2005

Mothers in poor NZ families are going without food to ensure their children are well fed, according to Otago University human nutritionist Dr Winsome Parnell. Parnell says 7% of NZ households have "food insecurity", mostly because they are poor.

OIL AND GAS LIQUIDS 2004 Scenario



planning by local leaders needs to be taken now.

Richard Heinberg, lecturer and author of *Power Down* says that communities need to recognise the **immensity of the problem** and begin focusing their strategies to ease them through the transition out of the "oil age".

Heinberg: "I have been travelling around the US speaking to city councils and citizen groups in various places about what can be done to size up vulnerabilities and strengths at the local level to begin dealing with the impacts of peak oil. The pain is going to be felt very largely at the local level, where people will no longer be able to get to work or to get to the store where they can buy their stuff. The stuff won't be getting to the store because the trucks won't be running. People will be having difficulty heating their homes. So these are problems that will have to be managed largely at the local level. And so city and county officials need to be alerted and need to be strategizing and planning for long-term — finding ways to produce food, more food at the local level for local consumption, making sure that local water supplies are tied to energy sources that are not vulnerable to this problem."

- *Changes at the Mayors Taskforce.* The Mayors Taskforce for Jobs has a **new chairperson** following the resignation of its founding chair Garry Moore, the Mayor of Christchurch. Moore has been succeeded by the Taskforce deputy chair Paul Matheson, the Mayor of Nelson. Moore says that with growing demands on his time both as Mayor of Christchurch and as chairman of the Taskforce, he has had to cut back on his commitments. He will remain on the core group of the Taskforce.

Moore has put an enormous amount of time and energy into creating the Taskforce, and under his leadership the initiative has grown from a small group of seven Mayors to 67 Mayors (or 90% of all Mayors in New Zealand). Just this year, Moore also led a deputation of Mayors to Australia to encourage a group of New South Wales Mayors establish a similar initiative.

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11 October 2005

NZ carpet manufacturer Feltex will cut 235 jobs, most of them in Australia. 30 of the redundancies will be at its Christchurch plant, while 205 jobs will be axed when the company closes its Braybrook plant in Melbourne.

Reality television has robbed actors of more than 3,500 roles, or 10% of their livelihoods, according to Hollywood's main actors' union.

13 October 2005

The Australian economy shed over 42,000 jobs last month and lifted the unemployment rate to 5.1%.

15 October 2005

Over 300 NZ companies are represented at the Opportunities NZ Expo in London with the hope of recruiting skilled British and ex-patriot NZ workers. Expo director Hayley Roberts says 6,000 people came through the expo and most were skilled in areas of healthcare, engineering, accounting and finance, trades, IT/communications and business.

New Taskforce chairman Paul Matheson says he is keen to take on the role and lead the work towards **guaranteeing all young people** a bright and prosperous future in New Zealand. Matheson: "The power and strength of the Taskforce is in our collective ability as Mayors to speak to the whole community, take civic leadership and facilitate the collaboration and genuine partnerships across all sectors, which is so crucial to our vision ... The Mayors' goal is already supported in most communities by many big businesses and by parents and families everywhere. I look forward to working with our partners and continuing the great work of all those involved with the Taskforce."

- The Mayors Taskforce will be holding a major **public forum** in Nelson on 15 and 16 November 2005. "*People Connecting: Connecting People*" is the theme which will see Mayors meeting with representatives from local authorities, government departments and community groups. Keynote speakers include Principal Youth Court Judge Andrew Becroft; Mike Smith, General Manager of Regional Operations at the Ministry of Social Development; and Celia Lashlie, project facilitator of the Nelson/Tasman Connections programme. Professor Ian Shirley from the Institute of Public Policy will also give a progress report on Taskforce commissioned research into Youth and Job Guarantees.

— for further inquiries, contact Kath Inwood, Nelson City Council, PO Box 645, Nelson email kath.inwood@ncc.govt.nz. There will be some assistance available for transport and accommodation for community participants.

- There has been fairly consistent **slowing of growth** in advertised **job vacancies** since the Department of Labour began its Job Vacancy Monitor at the beginning of 2004. In the quarter just gone, job ad vacancies grew by 6%, down on the annual growth rate of 9%, and down from a 24% high reported in April 2004. Deputy Secretary of Labour Andrew Crisp says the results are consistent with other indicators that show labour shortages might be easing.

However, employers looking for highly skilled workers are continuing to find their task difficult. The Job Vacancy Monitor found that highly skilled workers — including engineers, health workers, teachers, lawyers, architects and accountants — rose 24% since this time last year. And job vacancies rose a huge 54% in the information technology sector.

— the Job Vacancy Monitor can be found at: www.dol.govt.nz/News/Media/2005/shortages-ease.asp

- **Staffing levels** in aged-care facilities around the country are well below Ministry of Health-supported guidelines. A "snapshot" of a variety of aged-care sites, taken by New Zealand Nurses Organisation (NZNO) delegates, found "clear and consistent evidence of understaffing" across nearly all sectors and groups. Based on levels recommended in a Standards New Zealand booklet published in 2004, the NZNO found nurse staffing and caregiver staffing at rest homes to be at **about half** the recommended safe staffing levels for aged-care and dementia-care facilities. And in aged-care hospitals, nursing numbers were at 62% of the number needed, and less qualified staff — caregivers and enrolled nurses — appeared to be filling in for registered nurses.

The NZNO calls for re-establishment of **minimum staffing level**

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18 October 2005

The Labour Party forms a government with the support of New Zealand First and the United Future Party, who gain Cabinet positions.

The minimum wage is scheduled to rise from \$9.50 to \$12 per hour by 2008. The move is part of the deal that secured the New Zealand First Party's support for the Labour Party coalition government.

Central North Island healthcare providers are looking for staff around the world using web-recruitment services. DHBs of Bay of Plenty, Lakes, Taiwhiti, Taranaki and Waikato currently have 110 vacancies listed on www.Zest4life.co.nz

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standards. Spokesperson Cee Payne-Harker says that at the time the Standards NZ handbook was issued, the establishment of minimum staffing levels was opposed because an accompanying report stated that most providers already work within the recommended staffing levels, and thus there was no need to enforce staffing level minimums. Payne-Harker says this is clearly not so and the government needs to provide substantially more money to the sector, specifically for improving staff wages and conditions, and to set minimum staffing levels. Payne-Harker: "It's at crisis point and the crisis is deepening."

- An NGO-Ministry of Health forum has been told that the **healthcare** sector is facing a **chronic shortage** of skilled workers and will be unable to cope with future demand from an aging population. Ministry of Health figures show that by 2051 close to 25% of the population will be aged over 65. Health and Disability working group chairperson Dr Gill Greer says that health and disability problems will disproportionately affect this sector of the population while the risk of labour shortages in the healthcare sector is simultaneously increasing. Greer says non-government organisations will be crucial to filling part of that gap but funding, sustainability and training issues were standing in the way. Greer: "It is imperative that we develop a sustainable health workforce now to combat those issues. That means enticing older people back to work with tailored training programmes, improving wages and creating room for career development within NGOs."
- The strong labour market is making it difficult for New Zealand's **armed services** to compete with other sectors and attract quality recruits. The **staffing level** in the armed services is down 40% since 1990 and is currently understaffed by about 2,500 people. It has struggled to retain experienced officers, troops and personnel in key trades and shortages are critical. Because it is so short of staff, the armed forces is reconfiguring itself in order to retain its abilities as a fighting force.

Chief of Defence Force Air Marshall Bruce Ferguson says the **recovery of personnel numbers** will be a high priority over the next three years. But at current attrition rates — and considering realistic recruiting targets — Ferguson expects it will take up to 10 years to increase the Defence Forces to the desired strength with people who have the required skills and experience.

- Secondary schools are struggling to fill **technology teacher vacancies** because of the shortage of tradespeople. 15% of secondary school teaching vacancies at the start of this year were for technology teachers — which include wood and metal work, fabrics, food technology, teachers — which include wood and metal work, fabrics, food technology, graphic design and computing.

Post Primary Teachers Association president Debbie Te Whaiti says too few technology graduates are entering teaching as trade shortages meant many could earn more working in industry.

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