

Testimony of Kathleen M. Pelto, CPM, CPIM  
P & H Mining Equipment  
Project Analyst/ Project Manager

Manufacturing Workforce Issues That Affect  
America's Mining Industry

Testimony to the

House Resources Sub-Committee on Energy and Mineral Resources  
Oversight Hearing

"Improving the Competitiveness of America's Mining Industry"

Room 1334 Longworth House Office Building.  
Washington, D.C.  
April 28th, 2005  
10:00 a.m.

Chairman Gibbons and distinguished members of Congress:

Thank you for the opportunity to testify before this Subcommittee today. My name is Kathy Pelto. I work for P & H Mining Equipment as a Project Analyst/ Project Manager. P & H Mining Equipment is a U.S.-based leading manufacturer of surface mining drills, shovels, and draglines. We design, manufacture and service these large \$2 to \$50 million dollar pieces of mining equipment for our worldwide mining partners. While we sell our equipment all around the world, we are headquartered in Milwaukee, Wisconsin where I make my home.

I have been with the company 16 years. I have an associate's degree in business data processing from Northern Michigan University. I have a Bachelor's degree in materials and logistics from Michigan State University. I am a Certified Purchasing Manager (Institute of Supply Management, formally known as National Association of Purchasing Managers) and a Certified Production and Inventory Control Manager (American Production and Inventory Control Society). I am a Certified Quick Response Manufacturing Instructor from the University of Wisconsin's Quick Response Manufacturing Center. In my testimony, I will focus on "Manufacturing Workforce Issues That Affect America's Mining Industry".

Trickle Down Effect of the Mining Industry

With increasing difficulties related to mineral development here in the U.S., companies are focusing more of their efforts overseas for mining projects. Some of the deterrents to mineral development in the U.S. include protracted and inconsistent permitting regimes which forces mining investment into markets where mineral projects are more consistently progressed forward. Because we are seeing more mining projects being developed overseas, in response we are sending more of P & H's jobs overseas. We can manufacture our equipment anywhere in the world, but the company's strategic objectives and goals are to be close to our customers. We need to address this negative to help maintain jobs here in the U.S.

Currently, P & H has about 3,000 employees globally, with approximately 1,500 held here in the U.S. When I started at P & H, approximately 90-95% of the jobs in the company were held here in the U.S. Over the 16 years I have been with the company, I have watched the U.S.-based jobs decrease to about 50% of the total jobs in the company. We are taking our jobs overseas to where the mines are, since that is where significant mineral production is occurring.

This isn't just a dilemma for the engineering sector, but is also seen in the skills trades areas, such as in welding, electricians, mechanics, and machine tool operators. In Wisconsin, P & H has 516 union hourly workers, of which 25%-30% will be retiring in the next 5 years. These workers average 30 years of experience, with average wages of \$48,450, or about \$23.75 per hour (plus benefits). These jobs are being lost to our facilities overseas because the U.S. does not have significant mineral development projects whereas overseas they do.

The graph submitted during testimony illustrates P & H average wages for their workers around the globe. U.S. workers make significantly more.

## Negative Impacts to Our Educational Institutions

Not only are we (P & H) seeing loss of jobs here in the U.S. due to the decrease in mineral production, we are also seeing a decrease of graduates nationwide in mining-related disciplines. For instance, South Dakota School of Mines and Technology has provided statistics to P & H (graphs submitted during oral testimony) illustrating that from approximately 1989 to 2004, mining graduates nationwide totaled approximately 100 graduates each year with B.S. degrees in Mining Engineering. Currently the industry needs 300 graduates per year. South Dakota School of Mines and Technology also estimated that of these graduates only approximately 75% will report to the U.S. mining industry.

P & H is also having a difficult time getting welding instructors to teach the technical welding techniques necessary to meet our manufacturing requirements and needs. Therefore we have had to supply our own personnel to the local area technical colleges.

On a national level, U.S. Bureau of Labor statistics show that of the 5,200 total mining engineers currently employed in the U.S., 50% are over 50 years of age. Retirement rates over the next ten years are estimated to be approximately 5% each year which is about 260 engineers per year who will retire. This coupled with low graduate rates creates quite a dilemma for the mining industry in general and for P & H and its needs.

## What Are Our Next Steps

P & H would like to keep its well-paying, respected jobs anchored here in the U.S. In order to do that the nation needs a healthy and vibrant mining industry, resulting in a more stable mineral development climate that promotes mineral production here in the U.S. We also need to work with our Nation's academic institutions, both 4-year degree and 2-year technical programs, to ensure that the supply of programs being offered is sufficient and relevant, with the ability to supply well-trained individuals into the mining and manufacturing arenas. We are asking both chambers to pass legislation that contains important funding and incentives for:

- Universities and colleges to retain and promote their engineering and hard science programs
- The promotion of mining-related engineering degrees
- Trade schools to encourage skilled labor

The industry also needs to aggressively promote a positive image related to mining that would attract more students and people into these fields and high-paying jobs.

As the workforce ages and people retire, the U.S. mining-related industries need to support and advance their mining and engineering educational institutions in order to stay competitive in the global arena. A well-trained skilled workforce is vital to this globally competitive mineral development market.