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ABCC 'not enough to stop the CFMEU'

EWIN HANNAN
WORKPLACE EDITOR

Employers are urging Senate crossbenchers to back proposed laws allowing for the disqualification of union officials, declaring existing legislation and penalties were "woefully inadequate" in deterring the construction union from law-breaking and disrupting the community.

Direct lobbying by resource-sector employers coincides with the ACTU calling on union members to contact crossbench MPs to urge them to oppose the "dangerous" Ensuring Integrity Bill now before the Senate.

Jobs and Industrial Relations Minister Kelly O'Dwyer will meet Senate crossbenchers this week to try to convince them to back the bill, which she said was a "very strong priority" for the Morrison government.

The bill lowers the threshold for courts to deregister a union and permits courts to disqualify union officials if they commit two civil-law breaches.

In a letter to the crossbench, Australian Mines and Metals Association chief executive Steve Knott said parliament needed more than the Australian Building and Construction Commission to take on the Construction Forestry Maritime Mining and Energy Union.

"The specialist workplace regulator for the building and construction industry, the ABCC, does an admirable job in investigating and bringing about prosecutions against the CFMEU for thuggery, intimidation and unlawfulness on Australian building sites," he wrote.

"However, the evidence is overwhelming that Australia's current workplace laws, fines and penalties are proving woefully inadequate in deterring the union from future law-breaking and community disruption."

Mr Knott said parliament must "put forward a strong and united vision for eradicating all forms of unlawfulness in Australian workplaces".

"While applying equally to all registered organisations, the Ensuring Integrity Bill would act as a particular deterrent to the continued, recidivist law-breaking of the CFMEU," he said.

In a message to union members, ACTU president Michele O'Neil said she would be in Canberra to lobby the crossbenchers to oppose the bill.

She said Ms O'Dwyer and Scott Morrison had "one mission — to pass the integrity bill that would allow her and employers to take action to shut down unions and sack union leaders.

"Can you send (the crossbench) a message that you want them to hold firm and continue to say no to this dangerous, anti-democratic bill that would rob workers of their union?" she wrote.

"We need them to understand that it is workers who will be hurt if their union is shut down, and we should have the right to elect our leaders."

Coalition’s major fail in dealing with rogue trade unionists

TROY BRAMSTON

It is encouraging that Scott Morrison has threatened to deregister the Construction Forestry Maritime Mining and Energy Union, but why has it taken so long for the Coalition to take on these rogue militants?

The enlarged CFMEU was created on the Coalition’s watch with nothing done to stop it. This union has been lashed by judges who say it has only contempt for the law. Its law-breaking officials have racked up millions of dollars in fines, brushed off as the cost of doing business. Its thuggish behaviour has been tolerated by the Coalition government, and its Labor predecessor, for far too long.

The Prime Minister has flagged reviving the government’s Ensuring Integrity Bill. This legislation would mean union officials, such as Victorian construction boss John Setka, would be disqualified if they are not deemed “fit and proper”.

This same legislation could have stopped the formation of the mega CFMEU by introducing a public interest test for such mergers. It also would give government a greater capacity to deregister unions. The case against the CFMEU behemoth — about 150,000 members, $300 million in assets and $150m in annual revenue — is a slam dunk.

The CFMEU has been fined about $16m since 2005 and dozens of its officials are subject to further legal proceedings. Judge after judge has described the CFMEU as a law unto itself. Encouraged by the ACTU, it decides which laws to follow and which to break.

Yet the Coalition hardly lifted a finger to see the Ensuring Integrity Bill passed by the Senate. Worse, it withdrew the bill before the vote. Craig Laundy, workplace minister at the time, did not win crossbench support for the bill so he gave up.

There was no sustained public campaign for the bill and no real pressure applied to Labor to support it. Neither was Laundy’s predecessor, Michaelia Cash, keen to take on the CFMEU. Where was the Federal

Court action or special legislation to force deregistration of its predecessor? Why did the Coalition do nothing to stop the CFMEU merging with the Maritime Union and the Textile Clothing and Footwear Union?

Workplace relations policy was once a priority for Coalition governments. Sure, the present government established a royal commission into unions, reinstated the construction watchdog and introduced new requirements for registered organisations, but there has been little appetite for wider reform, let alone taking on the unions.

The next election will be a turning point for workplace relations. The campaign by the ACTU to “change the rules” has been effectively adopted by Labor. The changes they seek are sweeping and will have profound implications. The unions want to roll back Australia’s industrial architecture to the 1970s.

Unions will push their blueprint to be enshrined in Labor’s platform at December’s national conference. This will include removing impediments to the right to strike, relaxing workplace entry laws for union officials, introducing criminal penalties for wage theft and industrial manslaughter, and lifting restrictions on pattern bargaining and secondary boycotts. The conference also will confirm Labor’s policy of reinstating weekend penalty rates and extending leave entitlements to include domestic violence, bereavement and on compassionate grounds. Unions also want casual workers to be made permanent automatically after six months and be paid superannuation.

The ACTU themes this as addressing inequality. It asks voters to join its crusade to deliver greater job security and increase stagnant wages. The principal means for delivering this is an empowerment of unions in workplaces. “We need to change the rules to give all working people the basic rights they need to improve their living standards,” the ACTU says.

Labor says labour market reform is a key tool in the fight against inequality. The party is committed to increasing the bargaining power of workers (unions) and the capacity of the independent umpire to intervene in workplaces. Opposition workplace relations spokesman Brendan O’Connor has a detailed plan for reform in development. The upshot is the Rudd-Gillard government’s Fair Work legislation lives under a Morrison government but it will be dead under a Shorten government. New

Industrial Relations Minister Kelly O'Dwyer has not foreshadowed whether she wants to overhaul the present system or will go to the election defending it but, to be fair, she has adopted the role only recently.

While unions represent just 9.3 per cent of workers in the private sector, they probably have never been more influential in politics. It is scandalous that the CFMEU continues to be affiliated to Labor and has a say over policy, candidates and personnel. Many Labor MPs are appalled by its behaviour but fear taking it on.

In 2015, Bob Hawke told me he would not hesitate to deregister the CFMEU given its behaviour. In 1986, the Hawke government deregistered the Building Labourers Federation, its forerunner. Last year, Kevin Rudd told me he agreed with Hawke

So what is the Coalition waiting for? The case for taking on the CFMEU could not be more persuasive. Two former Labor prime ministers have a stronger position on the rogue union than did the previous two Liberal prime ministers, Malcolm Turnbull and Tony Abbott.

It remains to be seen whether Morrison will back his rhetoric with action.

Unions in South Australia vow ‘war of attrition’ against privatisation

LUKE GRIFFITHS

Unions in South Australia have vowed to wage a “war of attrition” against the Marshall government, with today’s industrial action in Adelaide “marking the start of a long campaign” according to Public Service Association secretary Nev Kitchin.

ACTU national secretary Sally McManus joined Mr Kitchin on the steps of Parliament House, telling the crowd of around 250 public sector workers — predominantly prison guards — Labor politicians, and union members that the “toxic ideology” behind privatisation was “neoliberalism, trickle-down economics”.

“I’m here to bring the support of the whole trade union movement to your fight,” Ms McManus said.

“Because this is a fight, not just for the people of South Australia, it’s part of the bigger fight against trickle-down economics, against privatisation.”

The protest was sparked by last week’s first Liberal budget in South Australia in 17 years.

The budget, delivered by Treasurer Rob Lucas, included cuts to some services and programs, moves to reduce full-time public service jobs and the outsourcing of the Adelaide Remand Centre, as well as possible privatisation of pathology and radiology services.

South Australia has the nation’s largest public sector per capita at 15.9 per cent of the state’s full-time workforce, against a national average of 12.6 per cent.

However, Mr Kitchin said this statistic was irrelevant.

“The Treasurer has a longstanding obsession about counting numbers and comparing public sector numbers with those interstate,” he said.

“(But) we do not want to be the lowest common denominator … this about the quality of the public sector that we want to have.”

Mr Kitchin said unions were outraged that they were not consulted about potential job and service cuts before last week’s budget.

“They lobbed a grenade … well we’ve thrown it back right in their faces,” he said amid howls of “shame”.

“This will be a war of attrition, make no mistake.”

PSA president Michael Griffiths said workers had been betrayed by Mr Lucas and Premier Steven Marshall.

“When public services are under attack, stand up and fight back,” he said.

Karen Batt, national secretary of the Community and Public Sector Union, said the public service “should be valued, not just costed”.

Following a marathon sitting on Saturday night, the South Australian Employment Tribunal ordered the PSA to ensure minimum staff levels in the state’s prisons were maintained during today’s protest.

It had earlier failed to guarantee minimum levels would be met, which Mr Lucas said would put the safety of prisoners, corrections staff, and the community at risk.

Mr Lucas called a press conference following the union rally to emphasise that the government would not reverse any of its budget plans, regardless of union demands.

“Zippo, zilch, whatever other word you want,” he said.

“The people of South Australia elected the government to make decisions, not the union bosses.

“As difficult as the decisions may be, we’ve inherited a financial mess and we have to clean it up and that’s what last week’s budget was doing.”

Mr Lucas said further protests by “union heavies” were of “no great concern”.

“As long as it’s lawful we’re not in a position to stop that,” he said.

“We recognise the right of people to protest if they so wish, (but) they can’t expect the public to pay them to take a day off to protest.”

Mr Marshall has said any industrial action was pointless as no jobs would be lost by the privatisation of the Adelaide Remand Centre.

Lockdowns at the state’s eight public prisons commenced last night and will conclude at 8am tomorrow. Some prisoners are expected to be in their cell for up to 40 hours straight.

Mr Lucas said it was unfortunate that some court hearings involving defendants in custody had been cancelled because of the action.

“The early advice I’ve had is that there are a small number of cases that have had to be deferred,” he said.

“I think in one case ... possibly delayed now until as late as maybe November or December in terms of that particular case.”

AWU membership audit ‘reduces Bill Shorten’s power base’

BRAD NORINGTON

The union Bill Shorten led and used as the springboard for his political career has lost half its members in the past five years.

An internal audit forced on the Australian Workers Union by the Registered Organisations Commission following concerns about exaggerated membership numbers confirms the union’s total in December was 69,786 — a 50 per cent drop compared with the peak of 139,329 - declared in the AWU’s 2012 financial report.

The result raises doubts about the future of Australia’s oldest union and the strength of the right-wing union power base the federal Opposition Leader has relied upon for core political support.

A halving of AWU membership puts at risk the Labor leader’s influence, using union numbers, over party policy and selection of candidates.

In the longer term, it could affect the ALP's national power balance, swinging more numbers towards the party's Left.

The AWU, which represents workers in farming, civil construction, mining and oil industry jobs, is now the same size as its diminished left-wing rival, the Australian Manufacturing Workers Union, and half the size of the Construction Forestry Maritime Mining and Energy Union. Senior Labor insiders said the audited revision of AWU membership numbers reinforced their view that Mr Shorten's union had over-inflated its numbers for many years, contradicting past claims by him and others that it was "growing".

They said it helped explain why Mr Shorten, as Labor's federal leader, had needed to turn to the left-wing CFMEU to consolidate his power in the ALP, and even shore up his leadership from a possible Anthony Albanese challenge.

When Mr Shorten led the AWU before entering parliament in 2007, the CFMEU was his bitter union enemy, clashing repeatedly with him over policy and competition for members.

Mr Shorten is now close politically to Victorian CFMEU firebrand John Setka.

The CFMEU had regarded the Shorten-led AWU as a "boss's union" that undercut wages to boost its membership rolls.

AWU national secretary Daniel Walton, new to the AWU's membership problems after taking the reins less than two years ago, told *The Australian*his priority was good union governance.

Although the AWU is fighting legal battles with the ROC on other fronts — most notably over an ROC-backed police raid on its union headquarters last October — Mr Walton said he had agreed to comply with requests from the nation's union regulator to conduct further membership audits dating back to 2009.

He said the AWU would implement recommended accounting procedures for adding and subtracting members.

This further round of AWU membership audits could significantly affect past declarations in union financial reports stretching back a decade, if discrepancies are uncovered.

The AWU first conceded “inaccurate historical membership reporting” to the Fair Work Commission in 2016, shortly before its functions as a union regulator were transferred to the ROC.

Wrangling over the issue has continued, with the ROC issuing repeated warnings about legal breaches and fines if the AWU failed to purge unfinancial members from accounts.

The ROC queried “different approaches” taken by some AWU state branches, especially the Queensland branch, which has previously reported membership variations of up to 25 per cent over periods of six months.

Mr Walton last year submitted amended operating reports for financial years dating back to 2009 with membership revisions that he hoped would be the end of the matter.

ROC deputy Chris Enright continued to press for full audits, concerned the AWU’s reporting processes “may have been inaccurate”.

In a letter available on the ROC website, Mr Enright told Mr Walton: “The ROC currently has little or no information about the particular findings that gave rise to the proposed amendments.”

Mr Walton confirmed to *The Australian* that he and Mr Enright had since met in Sydney, where the AWU’s national office is based, and agreed to co-operate on the membership issue.

Although the ROC’s audit requests date back to 2009, fluctuations in declared AWU membership numbers date back much earlier to when Mr Shorten was the union’s national and Victorian branch secretary before he entered parliament in 2007.

AWU membership was stated as 136,358 when Mr Shorten was national secretary in 2002, and 102,161 when he left.

Under his successor, Paul Howes, the AWU’s declared membership rose to a peak of 139,329 in 2012 before it began slipping again.

Earlier this year, the Transport Workers Union received a $272,000 fine from the Federal Court for falsely inflating its membership. The TWU's failure to eliminate almost 20,000 unfinancial members from its accounts in NSW, after stating it had almost 40,000 full members, meant it could double its representation on the state Labor conference floor over many years, and gain a greater say in the selection of party candidates.

The TWU's former NSW and national secretary Tony Sheldon, confirmed as NSW Labor's No 1 Senate candidate for the federal election, has complained about the severity of the penalty. The union plans to appeal.

The ROC warned the AWU this year that it risked an "external audit" and "court penalties for noncompliance" unless it acted swiftly to rectify inaccuracies. It is understood the AWU hopes to avoid penalties by following the recommended audit process.

AWU union membership irregularities were initially raised during the 2015 royal commission into union corruption. The hearing made no findings against Mr Shorten but did recommend that his successor as Victorian branch secretary, Cesar Melhem, face court over the alleged "false inflation of membership numbers" and "falsification of documents" during his time at the helm.

The ROC recently initiated proceedings in the Federal Court against Mr Melhem, now a Victorian Labor MP.

The Australian reported in March how the ROC had highlighted artificially boosted numbers in the AWU's Queensland branch, formerly headed by key Shorten supporter Bill Ludwig. The ROC said the Queensland branch had failed to purge up to 45 per cent of unfinancial members over successive years.

The intense scrutiny of the AWU's membership declarations by the ROC appears to have coincided with some union personnel changes at a senior level.

When questions were first raised about "concerns about the validity of AWU membership reporting" in November 2016 with then AWU national secretary Scott McDine, he asked for a week's extension to reply to Mr Enright, then operating in his regulatory policing role with the Fair Work Commission.

A few days later, Mr McDine resigned and was replaced by Mr Walton. One of Mr Walton's first actions after taking over from Mr McDine was to write to Mr Enright, saying: "The AWU acknowledges there is an error in its historic membership numbers recorded in its financial reports for June 2009-14."

Re-elect Libs to cut union jobs, says SA Treasurer

MICHAEL OWEN
LUKE GRIFFITHS

The best way to cut tens of thousands of public servants is to ensure there is a re-elected Marshall Liberal government in 2022, Rob Lucas has told business leaders.

The South Australian Treasurer made the remarks at a Property Council forum at Adelaide Oval, despite union leaders promising a long and bitter campaign against the first Liberal budget in the state in 17 years. Hundreds of prison officers, addressed by interstate union leaders, rallied in Adelaide yesterday over the privatisation of the Adelaide Remand Centre.

The Public Service Association also protested over plans in last week's budget to cut about 4000 public sector jobs over four years.

Asked at a Property Council forum why he did not have "the guts" to cut 10,000 public sector jobs, Mr Lucas said it was a "very good question".

In order to achieve such systemic change, he said, a long-term Liberal government was required rather than a one-term "hairy-chested Campbell Newman approach".

"The reality is, if you want us to change, and change for the better long-term ... if you want those sorts of key decisions, which have been dictated by a Labor government for the last 16 years, you have to think medium to long term," Mr Lucas told business leaders.

"Ultimately, the long-term prospects for a Liberal government are a sensible course; establishing a path for the next four years to be re-elected.

“You then have the opportunity to settle on that course and continue a process of reform and change and take the hard decisions — show that you can take the population with you, show that can actually get re-elected at the next election.

“A second-term Marshall Liberal government with a much younger treasurer, hopefully, can lead on and make the changes you have to.”

PSA secretary Nev Kitchin yesterday vowed to wage a “war of attrition” against Premier Steven Marshall and Mr Lucas, who formed government in March, with industrial action “marking the start of a long campaign”.

ACTU national secretary Sally McManus joined Mr Kitchin at yesterday’s rally to tell the crowd of about 250 prison guards, Labor politicians and union members that concerted campaigns had reversed privatisation efforts in NSW and Western Australia.

“At the end of this 30-year experiment of privatisation, the tide is turning — in fact, the tide has turned.

“All over the world, people are demanding that public services not be privatised,” Ms McManus said.

Unions go corporate, beat business at its own game

BRAD NORINGTON

The idea that Sally McManus sits at the top of a corporate structure mimicking the big end of town — the chair of a board awash with cash and driven by self-interest — would seem to contradict everything she promotes.

Leading Australia’s union movement, McManus rails against profits and power concentrated in the hands of few. She speaks the language of an activist-style ACTU secretary, saying she wants to change the rules with laws that would swing the balance back to workers and the unions that represent them. Her brand is to be hero of the low-paid and an enemy of greedy, unscrupulous bosses. She even has advocated “breaking” laws judged bad ones.

But here lies the contradiction, or a fundamental disconnect with the working people McManus and the union movement claim to represent, according to John Slater of the Menzies Research Centre.

At the time their membership has fallen to dire levels in the past two decades, suggesting an existential problem for unions, their wealth has surged to record levels.

Unions now represent barely one in 10 workers of the private sector workforce. Overall, they represent about 14 per cent because of higher membership levels in the public sector (40 per cent).

Yet, paradoxically, the revenue stream and asset base of the union movement is now so healthy that the richest unions in the nation rival some of the largest corporations and have returns better than those on the Australian Securities Exchange.

The combined annual income of Australia's 15 largest unions exceeds that of companies such as the LJ Hooker and Ray White real estate groups. The income of one union, the Construction Forestry Maritime Mining and Energy Union, is considerably more than Fuji Xerox or Greyhound Australia, and is on a par with the Dyson Group.

In a policy brief for Liberal Party think tank the Menzies Research Centre, Slater has collated data from annual reporting to the Registered Organisations Commission that confirms unions no longer rely on the dues of their members to survive.

He concludes the link between a union's membership levels and its financial performance is "weak, at best" because unions now derive their income from other "sundry" sources: dividends, profits from insurance schemes, training course fees, superannuation and other board seat fees, grants, commissions, rents and investments.

As Slater puts it, "No members? No worries!" The workplace relations system, in allowing unions to derive income from negotiated enterprise bargaining deals and superannuation funds that put officials on their boards, has provided those unions with long-term revenue sources independent of the people they represent.

Unions have “fireproofed” their business model against further membership decline, as Slater says in his report, Unions Inc: From Industrial Strength to Financial Muscle.

The model was set years ago by smart, strategically placed unions such as the Electrical Trades Union and the National Union of Workers, looking for ways to survive and prosper. As part of the institutionalised workplace system, they realised they could compel employers, during negotiations for enterprise agreements, to contribute to income protection or training funds from which they benefited financially.

Menzies Research Centre executive director Nick Cater says the entrepreneurial instincts of modern unions are “admirable” in one sense.

Yet the serious side to the reality that unions may no longer need to rely on union dues is that their focus has shifted entirely to a business model based on financial performance. At worst, Slater says, it resembles the corporations they like to criticise. Meanwhile, unions continue to operate as protected benevolent organisations, competing with the private sector while offering financial and other services yet paying no tax.

Slater writes: “The practice of trade unions negotiating collective agreements from which unions also financially benefit poses a clear conflict of interest.

“It means that in performing its role as a bargaining agent, a union is effectively caught between its own financial interests and carrying out its duty to negotiate in the best interests of workers. These arrangements are also an affront to the freedom of association of the workers covered by these enterprise agreements, having regard to the union movement’s sizeable donations to the Labor Party.”

Slater challenges the core ACTU-McManus claim that unions look after the low-paid and those with insecure jobs, arguing the collapse in the traditional blue-collar industry base has left union membership predominantly the domain for wealthier, better educated, professional or managerial workers.

The result, he says, is that unions have become a “minority special interest group” increasingly irrelevant to the wider workforce.

Slater, the Menzies group's research director, says ACTU proposals to increase union influence over collective bargaining under a Labor government deserve scrutiny because the result will be to enable unions to "monetise" their privileged role still further.

Who would benefit? It would not seem to be the shrinking union membership, at least not directly.

Slater's research plays directly into the political dynamic as Scott Morrison takes a much more aggressive stance than his predecessor in taking the fight up to Labor Party leader Bill Shorten as allegedly beholden to an unrepresentative union movement, doing its bidding in return for large donations and political support.

Morrison already has picked up one of Slater's themes that a primary beneficiary of the union movement's main cashflow transfers is the Labor Party, and to a lesser extent minor parties such as the Greens, at election time.

The union donations come with a quid pro quo, an expectation that Labor will honour its promises to re-regulate the labour market and abolish the building industry's union watchdog, but without regard for what the majority viewpoint of the workforce might be.

"He's union-bred, union-fed and union-led," the Prime Minister said last week when the Opposition Leader declined to rebuke publicly CFMEU Victorian branch boss John Setka for using his children in an expletive-laden attack on the Australian Building and Construction Commission.

"He's completely owned by militant unions in this country, and that's how he proposed to run the country,'' Morrison said. "He said he was going run the country like a union, so have a look at John Setka's union and you can see the future of Australia under a Bill Shorten-led government."

A troubling associated development of the union business model, according to Slater's report, is the growing resort to "lawfare" as a means to achieve industrial goals.

Or as Cater puts it in the report's introduction: "It is particularly apparent in the construction sector, where law breaking has become an established part of the union modus operandi.

“Union leaders openly flout the law, becoming multi-offenders, racking up multi-millions of dollars in fines and legal costs, covered in full by their employers.”

Morrison appears ready to take up the fight against militants such as Setka. While his government may not be ready to tackle the thorny issues of the unions’ tax-free status or end other aspects of their protected position, Morrison has signalled a willingness to eradicate “lawfare”.

In the past former Labor prime ministers Bob Hawke and Kevin Rudd have called for the CFMEU’s deregistration as a way of punishing its disregard for the law and industrial norms in the workplace. When Hawke was prime minister, he deregistered the Builders Labourers Federation, but conditions existed then that do not now. Hawke had onside the ACTU, the then main construction union, the Building Workers Industrial Union, and the Labor governments of NSW and Victoria.

Morrison lacks this co-operative environment and faces an ACTU leadership that has taken a determined shift to the left. He also is weighed down by advice that to deregister the CFMEU outright could penalise some by denying representation rights to workers who do not subscribe to Setka’s brand of militancy and have no part of illegal behaviour.

Morrison is likely to target Shorten’s political reliance on Setka between now and the election. But his legislative strategy is likely to be tightly focused on seeking amendments to industrial laws that would disqualify individual union officials from remaining in their positions if they are found guilty of at least two civil breaches.

McManus declined to comment on Slater’s conclusions about unions’ corporate formula.

She says Australia’s workplace system fosters inequality because the weakening of centralised arbitration for pay rises and the lack of any requirement that employers bargain with unions “gives big business too much power”.

McManus stands by this position even though the Fair Work Act she attacks as inequitable was introduced by Julia Gillard as prime minister and was overseen without amendment by Shorten when he was Gillard’s

workplace relations minister. Neither Tony Abbott nor Malcolm Turnbull as Coalition prime ministers have made any substantive changes.

Slater says the ACTU's Change the Rules campaign's success in setting Labor's workplace relations policy agenda suggests its influence will be formative, at a minimum, if a Shorten government is in office after the election.

"Even based on the Labor Party's existing policy commitments, the differences on workplace relations policy between the two major parties at the next election will be the sharpest since 2007," Slater writes. "The legal privileges and degree of institutionalised influence afforded to trade unions has emerged as a key flashpoint."

The membership base of the union movement may continue dwindling but it seems the profits are guaranteed.

Strong Asian demand boosts coal exports

MATT CHAMBERS

Australian thermal coal export earnings and volumes are running at record rates on the back of strong Asian power station demand, boosting returns for miners that have increased their stake in the sector and improving the business case for Adani's Carmichael project in Queensland's Galilee Basin.

The most recent Australian Bureau of Statistics data shows exports of thermal coal rose 14 per cent in July from the previous month to a record $2.45 billion.

Export volumes rose 10 per cent to a record 19.87 million tonnes, representing an annual rate of 238 million tonnes.

Federal Resources Minister Matt Canavan said the figures backed up previous expectations that Australia's high-energy coal would be in demand from Asia's growing coal-fired power sector as it chased better air quality and lower emissions.

He said it also showed there was strong potential to open up the Galilee Basin.

“Those who keep saying coal is dead get proven wrong time and time again,” Senator Canavan told *The Australian*.

“It has been clear for years that with so many coal stations being built in Asia there was always going to be strong demand for Australian coal in coming years.”

The strong thermal coal exports come as combined exports of east coast thermal coal, used to generate electricity, and coking coal, used to make steel, overtake West Australian exports of iron ore as the nation’s top export.

According to the ABS data, July’s combined coal exports beat iron ore for the third straight month, coming in at $5.58bn, compared to iron ore’s $4.74bn.

Bloomberg Intelligence mining analyst Andrew Cosgrove said seaborne thermal coal prices were likely to remain well-supported for the rest of the year because of supply constraints in India and China.

“As a result, we expect an even tighter seaborne market by the end of the year,” Mr Cosgrove said.

“Overall, (Australian) exports appear to be supported by sustained demand in China.”

Chinese coal-fired power generation was up 7.3 per cent in the first seven months of this year, from a year earlier.

And Australia’s higher-quality coal, in terms of energy content, is being favoured over domestic mines and import competitors such as Indonesia as China tries to combat air pollution.

When coking and thermal coal revenue is split, thermal coal is Australia’s fourth-biggest export after iron ore, LNG and coking coal.

Prices in Australian dollars surged to a 10-year high of $165 a tonne on July 30 as US dollar benchmark prices rose on strong demand and the exchange rate slipped.

Yesterday, Newcastle coal prices were trading at $US114 a tonne, not far off the six-year high of $US122.28 a tonne they hit at the end of July.

And they are still a lot higher than the $US94 price the NSW budget mentioned in June when it boosted its coal royalty assumptions for 2017-18 by $111m.

If this price stays at current levels, it would translate to an extra $360m for NSW this year based on sensitivities listed in the budget.

The most recent official forecast from the Industry Department's office of the chief economist predicts 2018-19 thermal coal export revenue to remain flat at $223m from 199 million tonnes of exports.

While it is early days, the July 2018 revenue figure is 31 per cent up on July 2017.

Senator Canavan said the state of the coal markets supported investment in the Galilee Basin.

"The market price has been hovering at more than $US100 a tonne for some time and analysts think it (Adani's project) the coal can be produced at around $US40-$US60," he said.

In 2016, Wood Mackenzie estimated Adani would have a cash cost of $US50 a tonne to deliver the coal to port and that it expected the mine to be developed at its long-term coal price assumption of $US74 as tonne.

The strength in coal prices has favoured those prepared to invest against a growing campaign and activism against thermal coal.

Shares of New Hope have risen 68 per cent since the start of May. Whitehaven Coal, which mines thermal and coking coal, is up 12 per cent.

Why the union movement will go to the mattresses over Alcoa

by **Sally McManus**

It's grey, and it's raining. But the workers from Alcoa are not put off. Every second car honks their horn in support. A woman has just pulled up and is dropping off some bread, a man brings a box filled with food and some money to support these workers going without pay for nearly a month.

This is the frontline in the fight for job security in Australia. Day-in day-out 1600 Alcoa workers, members of the Australian Workers' Union, are going without pay and it's not just here at the Pinjarra picket line in Western Australia, it's at a total of five sites across the state: Three refineries and two bauxite mines owned and operated by Alcoa.

Alcoa: One of the faces of corporate greed operating in Australia.
Alcoa, a multi-billion-dollar multinational business, is leaving these people, their workers, standing out on the side of the road in the rain on indefinite industrial action because they are refusing to simply keep providing existing job security provisions. Instead they are trying to make these workers accept a sub-par offer by threatening to terminate their current employment agreement.

Alcoa are saying they no longer want to provide secure jobs and fair conditions.
And what is completely outrageous, they have told their workers if they do not accept dramatically less job security, they will use flaws in our broken workplace laws to apply to the court to cancel their agreement and wipe out their job security anyway.

The existing agreement provides good secure jobs. There are no forced redundancy provisions except for very limited circumstances in the event of mine closures. Alcoa wants these scrapped. Existing conditions in the enterprise agreement also include minimum staffing levels, good union conditions like having site coordinators/conveners, and status quo provisions that mean changes can be listed as under dispute.

The new Alcoa offer would introduce forced redundancies, and seeks to leave casual workers in limbo, after a call for them to be converted to permanent roles after 12 months.

Alcoa is taking out a big stick and offering a tiny carrot, a one-off payment of $3000 in the first year followed by only 1 per cent pay increases each year for two more years – in real terms, considering the rising cost of living, a pay cut.

We're seeing more and more of these bitter sweeteners. Similarly, Qantas staff were offered a one-off $2000 payment "bonus" in an attempt to get them to sign a new enterprise agreement. This has fallen flat across its workforce. Again, this is a company with a $1.6 billion record profit. This is not good enough. A short-term, one-off cash sugar hit is not substitute for a fair pay rise that continues into the future.

Alcoa, a company making $11.7 billion in revenue globally and $2.35 billion EBITDA, is trying to undermine worker job security.

Take John for example. About six years off retirement, as a mining operator he's on around $90,000 a year. He says the pay is good and that he and his colleagues haven't been seeing proper increases that rise above CPI, but that they're not asking for more money. Rather, he and his colleagues – some of whom have worked for the company for nearly 30 years – want to maintain the conditions they have negotiated hard for over decades.

They're not out at the picket line asking for more money, but for permanent, secure jobs for future generations. This is about maintaining existing job security for workers in the mining industry, which is very profitable.

If this agreement is torn up, we're risking the future of entire communities through mass redundancies and the loss of good jobs that have sustained generations of families and keep local businesses alive. No one trusts any big company not to contract the workforce out to labour hire workplaces as we have seen happen across the country. This converts jobs people can count on to casual, insecure jobs.

Last week, this sub-standard job-security-destroying, pay-cutting offer was overwhelmingly voted down by workers – 80 per cent said no.

This resounding no vote sends a clear message to Alcoa management that they need to come back to the table with job security assurances. Because the thing is, workers do not go on strike losing all income for their families over nothing. So far Alcoa workers and their families have endured this for 31 days and they are prepared to keep enduring for as long as it takes. Why? Because this is not really about them, it is about their kids. As a matter of principle, 1600 workers are prepared to make this sacrifice and to take this stand as they do not want to hand over jobs with less job security to the next generation.

Their message extends beyond the picket line at these five sites south of Perth, it's a message for all Australian workers. Enough is enough.

Record levels of job insecurity in Australia are unacceptable. All workers in Australia deserve secure jobs and what were once decent, secure jobs are now under threat due to our broken laws that are overseen by a government that puts big business ahead of ordinary people.

Alcoa tearing up the agreement could result in these workers being put back on the legal minimum award wage, not having permanent jobs and being forced onto short-term contracts.

This is the epitome of big business having too much power, Alcoa are trying to intimidate workers into a take it, or leave it deal – a deal with unacceptable conditions.

The Alcoa workers only want what is fair and reasonable – it's time to rebalance our broken workplace laws to make sure all Australian workers have secure, fairly paid jobs that they can count on.

Sally McManus is secretary of the Australian Council of Trade Unions.

High-cost LNG singled out as vulnerable in carbon risk analysis

by **Angela Macdonald-Smith**

The high-cost LNG industry has been singled out as particularly vulnerable in the latest Carbon Tracker report sounding the alarm on the threat of stranded investments in the $US25 trillion of assets in the fossil fuel sector.

Sectors "at the top end of the cost curve" such as LNG and Arctic oil are among those most vulnerable to stranding, along with "highly pollutive" sectors such as coal and tar sands, Carbon Tracker said in a report that warns of the impact of an expected peaking in fossil fuel demand next decade, most likely in 2023.

"The 2020s will be the decade of fossil fuel demand peaks, as one bastion after another is stormed and overwhelmed by the rising renewable tide," said Carbon Tracker's new energy strategist Kingsmill Bond, who wrote the report.

He said the peaking of demand would lead to trillions of dollars of stranded assets across the corporate sector and hit "petro-states" that are highly dependent on revenues from the fossil fuel sector that fail to reinvent themselves.

London-based Carbon Tracker, an independent think tank that researches the impact of climate change on capital markets, has repeatedly warned that oil, gas and coal companies are risking wasting trillions of dollars of investments given pledges under the Paris climate accord to limit climate change to less than 2 degrees C from pre-industrial times.
Increasing concerns among investors on climate risks led ASX-listed Oil Search in March to release a climate change resilience report that found its assets should "remain economic under most climate change scenarios". It tested its projects, including LNG projects in Papua new Guinea and its oil project in Alaska, against both 1.5 degrees and 2 degrees warming limitation scenarios.
Woodside Petroleum, Santos and Origin Energy also have portfolios weighted to greater or lesser extents towards LNG.

Carbon Tracker's latest report doesn't differentiate between various projects and companies in terms of carbon risk, but points in general to risks to investment in sectors that go beyond fossil fuel stocks. They include the manufacture of capital goods such as gas turbines, transport sectors such as coal ports and car manufacturing, and banking.

"Other vulnerable sectors may turn out to be biomass and fertilisers, which were part of the last attempt to find cheaper alternatives to fossil fuels but which will increasingly be superseded by solar PV and wind," the report says.

The firm's analysis is based on the rapid declines in costs for renewable energy and battery storage, which is impacting demand for coal, gas and oil. It says the pursuit of clean energy by emerging economies will lead to renewables leapfrogging fossil fuels on the pathway to economic development.

'When' not 'if' for Matt Canavan to pull gas market regulation trigger

by **Matthew Stevens**

The Australian gas market sits once again on the cusp of government intervention as the nation's two major political parties appear determined to go head-to-head over energy prices rather than focus on the fundamentals of supply that actually shape what the nation is paying.

Resources Minister Matt Canavan will meet with gas industry management in Canberra this week to discuss whether or not to pull the trigger in the Australian Domestic Gas Security Mechanism.
Minister Canavan is no neophyte in the gas game. Like the government's new Treasurer and now former energy minister Josh Frydenberg, Canavan knows and understands a weight of the complexities of the energy sector generally and the gas business particularly.

But both men and their new leader, Scott Morrison, also know that the hard realities of energy are not an easy sell. And they are just as acutely aware of the dangers of being beaten to the punch by the Labor opposition that is even more prepared to surrender rationality for political one-upmanship.

Just 18 months ago Frydenberg set supply security as the headline target for energy policy. Now, with the failure of the National Energy Guarantee, a Treasurer who fully understands the complexities of electricity and its pricing has decided to play it dumb. The government's energy policy has been reduced to getting power prices down.
So far, to his credit, Canavan has been less theatrical and less definitive in his public rhetoric. Then again, given the legislated weaponry at his disposal, the Minister has no need to be excessively aggressive. Just the implied threat of the ADGSM and its annual review process is threat enough to the producers.

There are two points that Canavan needs to be reminded of over and over again.

First, the ADGSM has worked. And second, as things currently stand, there is no obvious or meaningful connection that can be sensibly drawn between the volume of gas that is leaving Gladstone's three LNG projects and the price of gas in Melbourne, Sydney or Adelaide.

Indeed, there is a fair argument that says the prices experienced through the typically moderate winter demand peaks in Victoria and South Australia are indicative of either a fully supplied market or a gas industry excessively cautious of opportunistic price recovery. Probably what we have here is a bit of both.

But whatever the motivation, there is no evidence that suggest the gas producers have raised prices to anything like the range that the ACCC's rolling reviews of the gas industry have suggested are reasonable.

The ACCC suggested export netback was the right place to start thinking about a valid price for domestic gas. On that basis the domestic gas price should have risen with the same gusto as the oil price. But it hasn't.

According to research by the widely respected independent energy market analyst EnergyQuest, the average short-term price in the east coast in August was $9.35 a gigajoule (GJ).

That is equivalent to a $7.61/GJ netback price at the Queensland gas hub of Wallunbilla. And yet the prevailing export netback price is now $11.54/GJ. Add $2 to $4 of transport costs for getting that gas from the hub to Sydney, Melbourne or Adelaide and you get a feel for what an ACCC acceptable price might be.

So, to repeat, the government's policy has worked and worked without releasing the twinned spectres of contract default and sovereign risk on the Australian gas industry. That is the paradox of the ADGSM. It works only while you don't use it. Because once you pull the weapon from its holster, its result will be purely counterproductive given the change it will force on the investment patterns that are required to replenish gas reserves and production.

This time last year, Canavan eschewed the ADGSM trigger that would see the government exercise discretion over export licences for east coast liquid natural gas exports.

But, while the market is in far better supply-side shape than it was at any time through a controversial 2017, the gas industry arrives in Canberra fearful that this year's successful effort to fully supply the domestic market will go unrewarded.

To that end, EnergyQuest has penned a warning to the local and international gas world.

EnergyQuest's September quarterly was sent to clients on Sunday and it arrived with advice that "east coast gas producers should be prepared for heavy-handed political intervention over the next year, regardless of who wins the next federal election, whether the Coalition with its 'big stick' approach to energy policy or Labor with its threat of restricting east coast LNG exports".

"Until Canavan's latest summons, it was widely assumed the ADGSM would not be triggered in 2019, especially in view of AEMO's (Australian Energy Market Operator) assessment that east coast supply is expected to continue to improve through 2019 and beyond," EnergyQuest assessed. "This will make it difficult for the Minister to find a technical basis for triggering a restriction on LNG cargoes from the east coast.

"In addition, the ADGSM was based on the theory the LNG projects were sucking gas out of the domestic market, but Queensland is now a net exporter of gas to the southern states.

"However, the politics is what matters, and the Minister has plenty of flexibility in deciding to restrict exports from Gladstone," the quarterly reported gloomily.

EnergyQuest introduced its clarion call with the observation that the east coast gas market is likely to remain tight through 2019 and that the balance of the market is likely to swing in particular on demand for gas for electricity generation.

Interestingly enough, the current state of east coast liquidity is being served by power generators that are selling contracted gas volumes back into the domestic market because the relentless rise of renewable power has trimmed demand for dispatchable power.

That is not a situation that will persist. Summer peaks in power demand typically see gas-fired peaking plants called on heavily and routinely. And given that the drought persists, then there will be less hydro power to mitigate those summer peaks and the demand for the quick-start gas-fired power, adding to pricing pressure in both the electricity and the finely balance gas market that EnergyQuest has called out.

"Overall there is a forecast surplus of 121 PJ in 2019, which provides some comfort given the uncertainties but could easily turn into a deficit. LNG exports are forecast to be largely flat at just below 21 (million tonnes), implying continuing operation of the LNG plants below capacity," the EnergyQuest quarterly assessed.

This fine balance and its current state of unpredictability results from delicate shifts in the east coast market over the past year.

To avoid government restrictions on exports and to sustain their social licence, the coal seam gas producers have made sustained efforts to increase the flow of gas into domestic markets.

The EnergyQuest data shows that through the June quarter Queensland's contribution to the domestic market was equivalent to 15.8 per cent of its LNG export volumes. That is significant because it sits just that little bit higher than the level of domestic supply reservation that is required of the Western Australian LNG exporters.

But Queensland's domestic exports have not been enough to fully mitigate falling production from offshore Victoria. Indeed, EnergyQuest highlights the decline of Victoria production as one of the wildcards of the east coast gas pack.

Victorian offshore production in the June quarter fell to 88.9 petajoules (PJ), which was down 21 per cent on the previous quarter. According to EnergyQuest the biggest slider was the legendary Gippsland Basin where production fell from 85 PJ to 68 PJ.

If the production slippages of recent quarters are indicative of the rate of the decline of Victoria's great gas legacy, then we have reached a significant moment that demands to be understood.

The Gippsland and Copper Basins were the giant founding fathers of the east coast gas industry. For more than 40 years they were the wellsprings of very cheap gas that

created a contented pool of commercial and residential gas users. But the age of sub-$4/GJ gas is done. And that has implications for the market generally and for Victoria very particularly.

The facts of Australian gas life are that the cost of getting current and future gas out of the ground is going to start at something like $6/GJ. And the further that gas has to travel, the more expensive it is going to be.

So the withering of Victoria's offshore gas estate means and the state's refusal to allow onshore drilling of any kind means Victoria will rely ever more on gas that travels a long way, by either real or virtual pipeline. And suddenly a 50-year energy advantage will disappear. That is what happens when politicians play around in functioning markets without understanding the harm they can cause.

CIMIC Group's Thiess wins $190m extension at BHP Nickel West's Leinster mine

Peter Williams The West Australian

Mining services provider Thiess has secured a $190 million contract extension at BHP Nickel West's Leinster mine in the northern Goldfields.

The CIMIC Group subsidiary will continue working at the underground mine for at least another two years.

Thiess began working at the project in 2016.

"This contract ... acknowledges our ability to work flexibly with BHP Nickel West to meet the mine's growing development and production needs," CIMIC chief executive Michael Wright said.

Thiess managing director Douglas Thompson said: "We have a deep understanding of the mine and our team is well placed to help support its next phase of development and production."

CIMIC's shares were up 72.5¢, or 1.5 per cent, to $49.625 at 11.01am.