

“The importance of people policies for a competitive and productive resource industry”

IMARC Melbourne 2014

Steve Knott, Chief Executive

25/09/2014



## ABOUT AMMA (Australian Mines and Metals Association)

### *Members across:*

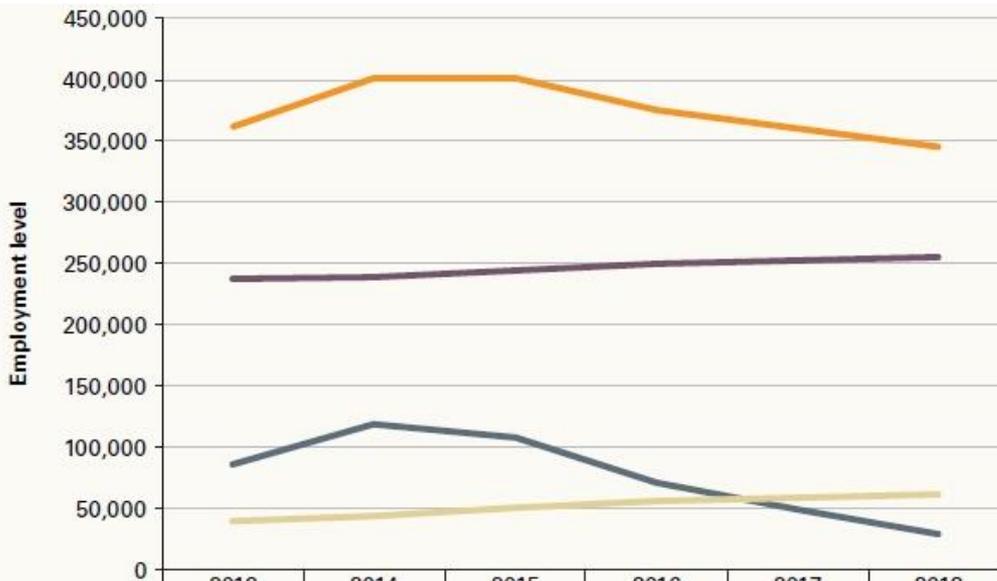
- Mining
- Oil and Gas
- Resources Construction
- Maritime
- Transport
- Smelting
- Refining
- Services

### *Expertise in:*

- Policy/lobbying
- Employee relations
- HR & training
- Skilled Migration
- Public Affairs
- Government Relations

“Since 1918...working to ensure Australia’s resource industry is an attractive place to invest, employ people and grow Australia’s prosperity.”

## Projected employment level by resources industry sector, base case, 2013-18



	2013	2014	2015	2016	2017	2018
Resources Project Construction	85,819	118,825	107,710	70,903	49,325	28,857
Mining Operations	236,690	238,537	243,525	249,111	252,456	254,260
Oil and Gas Operations	38,943	44,087	49,908	55,349	58,666	61,212
Total	361,452	401,449	401,143	375,363	360,448	344,328

Source: Australian Workplace Productivity Agency (AWPA) Resource Sector Skills Needs 2013-2018

## PROJECT EXAMPLES

### **GORGON LNG PROJECT** *(completion 2015)*

- \$54 billion
- 10,000 construction workforce
- 3,500 operational workforce

### **SANTOS GLNG PROJECT** *(completion 2015)*

- \$18.5 billion
- 5,000 construction workforce
- 1,500 operational workforce

### **ROY HILL IRON ORE** *(completion 2015)*

- \$10.4 billion
- 3,600 construction workforce
- 2,000 operational workforce



## LOST PROJECT INVESTMENT...

### **BHP Olympic Dam Expansion (SA)**

- \$20 billion
- 'Deferred' in August 2012

### **BHP Port Hedland Harbour Expansion (WA)**

- \$20 billion
- Cancelled in 2012

### **Woodside Browse LNG Project (onshore, WA)**

- \$50 billion estimated investment
- Shelved in April 2013

### **Wandoan Coal Mine (QLD)**

- \$7 billion
- Cancelled in September 2013

### **Santos gas development (NT)**

- \$5 billion
- Cancelled in June 2014

### **Arrow LNG Pipeline Project (Qld)**

- \$10 billion +
- Stalled, under consideration

## The resource industry's challenge...

1. Deliver on our new production capacity by being productive, efficient and innovative
2. Build a domestic policy framework that will address our declining competitiveness.

**Combined... these focus areas will help secure new resource investment opportunities for Australia**



## The role of people leadership...

“In some respects the industry took its eye off the ball. Now it’s about getting back to the fundamentals and actually connecting with the workforce.”

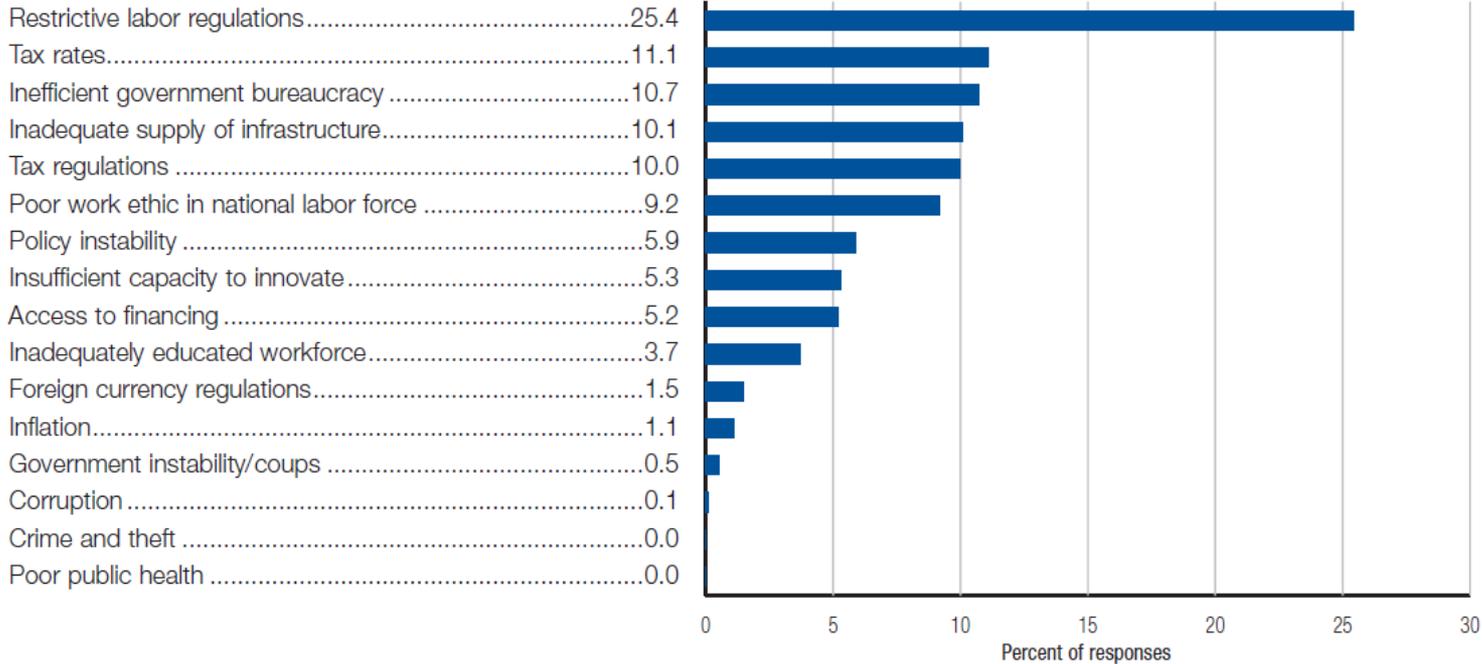
**Ian Smith, CEO, Orica, (2014)**

“People have this view that productivity is about working harder, but working smarter has got to come first... we have got to be as efficient as we can.”

**Graeme Hunt, CEO, Transfield Services**  
(2014)



## The most problematic factors for doing business



Source: World Economic Forum  
(2014) *Global Competitiveness  
report 2014-2015*

## Australia's "hit and miss" rankings in international competitiveness

### Top 10 Rankings

Efficiency of corporate boards	<b>8th</b>
Stability of banking systems	<b>3rd</b>
Intensity of local competition	<b>8th</b>
Quality of scientific research institutions	<b>3rd</b>
Country credit rating	<b>12th</b>

### "Situation Critical"

Cooperation in labour relations	<b>109th</b>
Flexibility of wage determinations	<b>132nd</b>
Hiring and firing practices	<b>136th</b>
Pay and Productivity	<b>125th</b>
Burden of government regulation	<b>124th</b>

Source: World Economic Forum (2013) *Global Competitiveness report 2013-2014*

*“Industrial relations regulation is arguably the most crucial to get right. Whether productivity growth comes from working harder or working ‘smarter’, people in workplaces are central to it”.*

Gary Banks, ‘Successful Reform: Past Lessons, Future Challenges’, Keynote address to the Annual Forecasting Conference of the Australian Business Economists, Sydney, 8 December 2010

*“We hope that there will be more commitments in the areas of infrastructure and labour... more focus in general on job-market reforms, and on more opportunities delivered by the job markets, will actually help us with the double objective of both growth and jobs.”*

Christine Lagarde, International Monetary Fund (IMF) Managing Director  
Speaking at the G20 Finance Ministers and Central Bank Governors Meeting in Cairns  
September 21, 2014

How has the former ALP government's *Fair Work Act 2009* impacted resource industry productivity and competitiveness?

What key areas of reform has AMMA advocated?

## What is your perception of the current level of labour productivity at your worksite(s)?

Survey date	Extremely low (%)	Quite low (%)	Low (%)	Acceptable (%)	High (%)	Quite high (%)	Extremely high (%)	Index score out of 100
April 2010	0.0	4.6	7.7	16.9	30.8	33.8	6.2	66.7
Oct 2010	0.0	0.0	8.8	38.2	30.9	20.6	1.5	61.3
April 2011	0.0	2.9	20.0	28.6	32.9	14.3	1.4	56.7
Oct 2011	1.2	3.5	11.6	31.4	31.4	15.1	5.8	59.5
April 2012	1.0	5.0	14.0	28.0	27.0	22.0	3.0	58.8
Oct 2012	0.0	5.6	19.4	41.7	19.4	11.1	2.8	53.2



Source: Kates, S (2013) *AMMA Workplace Relations Research Project, Report 6*, RMIT University

## Other AMMA research findings:

- Four in five employers have tried, and failed, to **negotiate productivity improvements** in exchange for wage increases...
- The numbers of resource employers who rated their industrial environment as **unacceptable due to conflict** have increased five-fold...
- One in five major resource projects have been put at serious risk due to **ongoing union stalling tactics** for greenfields (new project) agreements...
- 60% of resource industry employers reporting **no real option for flexibility**...
- Reduced agreement options, coupled with the removal of measures to discourage union militancy = **unsustainable wages inflation**...

## Offshore Construction Rates 2007-2013

	Offshore Construction Day Rate			
	Barge Welder	Tradesperson	Cook	Laundry Hand
2007 Angel	1,510	1,338	1,323	1,243
2009 Pluto	1,651	1,461	1,445	1,356
2010 Reindeer	2,113	1,906	1,888	1,794
2012 Brunel	2,111	1,907	1,890	1,797
2013 Brunel	2,180	1,969	1,952	1,855

	Offshore Construction Annual Salary			
	Barge Welder	Tradesperson	Cook	Laundry Hand
2007 Angel	274,897	243,576	240,845	226,235
2009 Pluto	300,526	265,927	262,946	246,790
2010 Reindeer	384,644	346,811	343,641	326,459
2012 Brunel	384,192	347,043	343,929	327,035
2013 Brunel	396,811	358,435	355,193	337,617
% Increase 07 - 13	44%	47%	47%	49%

## **Nev Power, Fortescue Metals CEO...**

“We have a very small group of people who have extreme monopoly power over not only their employer, but all of the companies that use that port; all of the employees throughout the Pilbara whose companies use that port; the Western Australian taxpayer; and the federal taxpayer.

“This impacts on people. What's wrong with our system that we can have this happen?”

Keynote address at the AMMA 2014 Resource People Summit

## Six key priority areas for workplace reforms

- Union Entry to Workplaces
- New Project (“Greenfield”) Agreement Making
- Protected Industrial Action
- Allowable Matters
- Agreement-making Options
- Adverse Action



## Union entry to workplaces

### What was promised...

*"I'm happy to do whatever you would like. If you'd like me to pledge to resign, sign a contract in blood, take a polygraph, bet my house on it, give you my other as a hostage, whatever you'd like ... we will be delivering our policy as we have outlined it." - Julia Gillard, Deputy Opposition Leader, National Press Club Address, 8/11/2007*

### What happened...

- Fair Work Act 2009 removed key criteria, opening up workplaces for union recruitment campaigns.
- In 2010, 56% of employers responding to AMMA's IR survey said unions were visiting for the first time ever.
- In 2010, Pluto LNP Project had more than 217 entry requests in just four months.
- In 2011, Worsley Alumina had 180+ union site visits in 12 months.
- In 2013, Bill Shorten furthered the 'open slather', expecting employers to accommodate and subsidise union visits to remote mine sites and offshore oil and gas facilities.

**It is time to restore union site entry laws back to the pre-2009 model!**

## New Project (“Greenfield”) Agreement Making

*“The current model for greenfields agreements delays construction projects, is bad for jobs, bad for businesses and is bad for the Australian economy. Unions should not have the power to effectively veto the commencement of new projects or extract exorbitant wages and conditions by refusing to sign up to a greenfields agreement.”*

Minister for Employment, Senator Eric Abetz, 15 November 2013, AMMA Tasmania Conference

### **AMMA’s view:**

“A productive and competitive workplace relations system should ensure the capacity to make greenfield (new project) agreements without exorbitant wage and condition outcomes or unnecessary project delays...”

## Further changes on the horizon...

An internationally competitive, productive and sustainable resource industry requires a workplace relations system that...

- Ensures **protected industrial action** during bargaining can only be taken as a last resort and that there is greater access to 'cooling off' periods.
- Ensures **allowable matters** in enterprise agreements pertain to the direct relationship between employers and employees and not to third party
- Ensures **agreement-making options** are broadened through the reintroduction of a workable form of individual agreement
- Ensures there is rigor introduced to the threshold for accessing the **adverse action/general protections** jurisdiction to minimise the incidence of unmeritorious claims

## Problems at the employment tribunal, the Fair Work Commission

Employers are becoming increasingly concerned about:

- Unnecessary, expensive appeals through the Fair Work Commission and judicial system.
- Matters without merit coming before the Commission and subjected to expensive appeals
- Uncertainty - FWC Full Benches arriving at essentially different decisions on the same subjects.
- Tribunal members substituting their decision for that of qualified business managers.
- "Too many chiefs, not enough Indians"... 23 'presidentials', 22 'commissioners'
- Not enough business representation - 19 of 27 appointees under Rudd/Gillard/Rudd came from ALP or trade union affiliation.

## Perplexing decisions...

Overruling management decisions on matters breaching clear community standards and company policies:

- A transport company ordered to pay \$16,000 compensation to a former employee sacked for urinating on a client's property.
- Port employer DP World being ordered to reinstate an employee who kicked his supervisor in the head.
- A ferry master being reinstated by the FWC after being sacked for crashing a passenger vessel and then failing a drug test.
- Australia Post employees ruled to have dismissed unfairly after distributing explicit pornography to co-workers.

## **The benefits of a separate, independent appeals bench...**

A separate, specialist IR appeals body would ensure:

- proper application of long standing industrial precedents
- improved decision making, consistency and certainty
- Reduction in unnecessary IR transaction costs for all employers
- Act as a crucial filter on various matters and set general principles and guidelines
- See far less unmeritorious cases being brought before FWC and fewer costly appeals.

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### Conclusion

**Managing the Transition:** Addressing Australia’s competitive challenges will be critical to managing the resource industry’s transition and securing new investment opportunities.

**IR in the Global Context:** Labour relations is not the sole detractor from our competitiveness, but our nation’s poor industrial system is certainly dragging us down.

**The Reform Agenda:** Addressing right of entry and new project agreement-making are strong starting points.... but:

*Long-term, sustainable workplace relations reform will be critical to addressing deeper issues of competitiveness and productivity in Australia’s resource industry.*



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