

Steve Knott, AMMA Chief Executive Presentation to APPEA Conference

*“The importance of workplace relations reform to
Australia’s resource future”*

20 May 2015

Note for Steve: Aim to spend 1-2 mins max per slide

INTRODUCTION

SLIDE 1: TITLE SLIDE

Good afternoon ladies and gentlemen. It’s great to be back at the APPEA Conference to present on a topic so vital to the future of our industry.

For those of you who I haven’t had the pleasure of meeting yet, I am Steve Knott, chief executive of the Australian Mines and Metals Association.

SLIDE 2: ABOUT AMMA

First, a quick introduction to AMMA.

AMMA is the national resource industry employer group – and has represented and served all sub-sectors of the industry since 1918.

AMMA exists to ensure Australia’s resource industry is an attractive and competitive place to invest, employ people and do business.

We work towards that vision through our core expertise in policy advocacy and specialist consultancy services across all workforce matters.

This concurrent session is all about tackling productivity challenges head-on.

My presentation will explore the fundamental role of workplace relations reform in getting Australia's resource industry back on track to greater productivity and competitiveness.

2015 BUDGET

SLIDE 3: Budget Repair

Last week we saw the federal government hand down a budget designed to get Australia on the road to fiscal recovery.

However, budget certainty is only one of the measures needed to ensure Australia is a globally competitive place to do business.

More broadly, it is critical that our regulatory environment encourages greater investment and exploration in new resource projects that will create ongoing employment opportunities.

A major part of this is fundamentally reforming our workplace relations system.

Australia's resource employers cannot continue to work within an uncompetitive framework that delays new projects, adds millions to their delivery costs and stifles workplace productivity.

Now, we can't talk about workplace productivity without acknowledging the role of leadership.

While many thought-leaders in our industry have called for more balanced industrial relations system, they also understand this must work in tandem with smarter workplace practices.

I think the quote on screen from Transfield Services CEO and AMMA President, Graeme Hunt, sums that up nicely.

PC REVIEW

SLIDE 4: PC Review

Focusing on workplace relations, this year Australia has a once-in-a-generation opportunity to develop a more balanced and practical

system through the Productivity Commission's comprehensive review of Australia's workplace laws.

The PC's final recommendations will form the basis of reform considerations should the Coalition win a second term of government.

As the experts on workplace relations in the resource industry, AMMA has consulted closely with our members and government at every step of this process.

A major component has been our comprehensive submission detailing the key reform areas necessary for a viable, prosperous and internationally competitive resource industry.

This has been backed up by a substantial body of research undertaken by KPMG.

KPMG's research looks at the real competitive challenges facing our industry and the wider economy.

It analyses the impact of the Fair Work Act and importantly, the potential benefits of AMMA's recommended reforms – which I will cover later in this presentation.

ECONOMIC CASE FOR REFORM

SLIDE 5: The Economic Case for Reform

I won't spend too much time on the next two slides because no doubt you are all well aware of the challenges we face as an industry.

Arguably, no sector has more to gain from positive workplace reform than the resource industry, and the economic case for this is undeniable.

On screen I've listed a few tangible examples of how resources activity has bolstered the Australian economy.

Whether it is through 24% of corporate taxes, 10% direct and indirect employment, or a 13% increase in household disposable income; the

industry's contribution over the past decade has been enormous and widespread.

During the height of the 'resources construction boom' it was easy to focus on these positives.

But as new major projects transition from labour-intensive construction to a long-term production phase, and commodities prices fall significantly, our competitive disadvantages are laid bare.

The reality is that Australia is becoming a less attractive place to invest and do business – risking further investment, jobs and living standards.

SLIDE 6: KPMG Analysis

The KPMG analysis commissioned by AMMA laid out the extent of our industry's productivity and competitive challenges.

To highlight a few findings:

- Our resources production costs are an incredible 50% higher than the global average, yet mining productivity has declined by 45% over the past decade.
- From 2001 – 2012 resources construction wages rose 2.5 times the national average – twice as fast as Canada and 3 times as fast as the US.
- Looking deeper, wages in the iron ore sector are 21% higher than the global average.
- It is also nearly 150% more expensive to staff the same vessel in Australia's offshore industry than in a comparable OECD economy.
- The situation doesn't get much better when looking at our approvals timeframes and minerals rents, which are comparably higher than competing nations.

WORKPLACE RELATIONS REFORM

SLIDE 7: Roadmap for Reform

Numerous international surveys have ranked Australia as one of the lowest performers in labour market efficiency in recent years.

But this is not news to resource employers.

It's been very clear for a long time that fundamental problems with our workplace relations system are detracting from Australia as a competitive place to invest and do business.

This is all the more reason why, as a nation, we must not waste the opportunity to create a workplace relations system that benefits all Australians, including employers and employees.

Through our lengthy and close work with the resource industry, AMMA has assessed Australia's workplace relations system to see if it is 'fit for purpose' and can meet the challenges facing employers, both now and into the future.

We asked the difficult questions, including:

- Does it foster competitive enterprises from which innovations and employment opportunities flow?
- Does it provide investors with confidence that new projects will meet necessary timeframes and budgets?
- Does it encourage genuine bargaining that meet the needs of employers and employees?
- And one that I'm sure you can all appreciate – is it adaptable to changes in the economy?

These types of questions led AMMA to create a 'roadmap to reform' which involves changes to workplace policies, workplace laws, and the

structure and approach to employment regulation through our institutions.

SLIDE 8: Workplace Framework Should...

I mentioned earlier that industry leadership is vital to the ongoing success and growth of our industry.

Therefore, it is essential that leaders operate under a workplace relations framework that allows them to meet this end.

AMMA's reforms, presented in detail to PC, would ensure that the workplace policies of resource employers can:

- Balance the legitimate interests of employers and protections for employees
- Be flexible and adaptable to different sectors and workplaces
- Recognise the evolving nature of a modern workplace; workplaces where less than 1 in 8 persons in the private sector are members of a trade union
- Complement workplace objectives in other areas such as training/people development and appropriate skilled migration both to and from Australia
- Recognise employee preferences for individual flexibility
- And support multiple work options such as labour hire and casual work

SLIDE 8: AMMA's Reform Priorities

I could discuss the intricate detail of workplace law reform all day, but in the interests of time, today I'll only highlight the main points behind AMMA's top reform priorities.

These priorities have been identified by AMMA members over the six years since the Fair Work Act was introduced by the former government.

They are principally driven by the pursuit of an operating environment in which you can innovate, better utilise your people capacities, create flexibilities and increase the workplace productivity of your enterprises and projects.

Agreement making and bargaining

AMMA believes that Australia's bargaining and agreement making system is failing in the objectives of productivity, competitiveness and innovation.

Increasingly, projects are put in jeopardy by a system that entertains expanded union claims, driving up unnecessary costs and delays during negotiation.

It can often take one to two years to negotiate a greenfields – or new project - agreement that will only run for four years.

AMMA's proposed reforms would provide for both collective and individual agreement making that introduces useable options for individual flexibility and encourages improving productivity and competitiveness.

Along with an extended nominal expiry date for agreements, the reforms would introduce a timely process for new projects where union are no longer able to veto agreements.

Strike action

Among many specific recommendations in the area of strikes, AMMA argues limiting the claims that can be subject to protected industrial action to those based on the employer-employee relationship; and implementing a new 'public interest test' for planned strikes would go a long way to balancing the system.

This is also critically important to mitigating the increasing instances of strikes that are threatened but not followed through.

The tactic of withdrawing notice to strike at the last minute sees unions inflict a great deal of costs and disruption to a business without having industrial action officially captured on the public record.

As a reminder of how important this reform area is, in 2014 our iron ore sector was almost brought to its knees through strike action threatened by just 50-60 tug boat employees during the Teekay Shipping dispute at Port Hedland.

This strike could have cost our iron ore industry \$100m per day, and the WA state government \$7m per day in lost royalties.

The ultimate goal here is to see more agreements reached cooperatively without actual or threatened strikes.

If achieved, this will go a long way to increasing confidence in investing and doing business in Australia.

Right of Entry

Despite promising not to alter union workplace access laws the previous Labor government changed controls and conditions for how union officials could legally access workplaces.

AMMA's proposed reforms seek to restore sensibility in this area. Where unions again can gain entry to highly complex work environments in an orderly manner, not the free for all some sites are currently experiencing/have experienced.

It should also not be the employer's role to subsidise union visits to offshore rigs and remote sites.

Nor should union membership recruitment expeditions be carried out under the guise of workplace health and safety investigations.

Employee Protections

Employee protections are an important part of the employment safety net.

However, such measures which include unfair dismissal and adverse action protections have had the effect of encouraging speculative, claims, creating confusion and escalating legal costs.

These issues must be addressed so that employee protections are balanced, transparent and practical, with less room for inconsistent Fair Work Commission interpretations and decisions.

SLIDE 9: Employment Institutions

On the matter of the Fair Work Commission, AMMA's final reform area focuses on remodelling current Fair Work bodies into more practical and productivity-focused 'Employment Institutions'.

On screen you will see our suggestions for what each body should be responsible for.

We believe that introducing these specialised institutions will better assist employers and employees, streamline processes and reduce excessive costs.

In line with international best practice, this proposal includes a separate employment appeals tribunal, which would comprise a small number of specialist IR jurists to independently review decisions from the Fair Work Commission.

It has been driven primarily by an identified need for AMMA members and all employers to have greater certainty and consistency of Commission decisions across critical workplace matters.

The recruitment of suitably qualified persons to such institutions is critical, not a retirement home for ex union/ALP aligned appointees that occurred under the Rudd/Gillard/Rudd years.

SLIDE 10: Potential Impact of Reforms

At the beginning of this presentation I mentioned that as part of its research, KPMG analysed AMMA's reforms and estimated the immediate benefits and impacts of our improvements from both a low range and high range scenario.

KPMG concluded that our range of recommended reforms, if implemented, could collectively support resource sector productivity growth of between 2% and 5%, and increase investment by 5% to 8%.

This means Australia could have up to an additional \$30.9bn in GDP and 36,000 new jobs.

Looking broader, this could raise national household consumption by 1.8% and exports by 1.5%.

But these are just the gains through the resource industry. Every other Australian industry has the potential to benefit from a more balanced and practical workplace relations system.

SLIDE 11: Conclusion / Call to Action

In conclusion, despite the cyclical nature of the resource industry and the transition from a record investment and construction phase to one of production, our sector's contribution to the Australian economy has decades to play out.

But if we are to attract future waves of investment, we must not be reticent in acknowledging fundamental problems within important regulatory areas such as workplace relations, and calling for change.

AMMA's submission to the Productivity Commission in March was based on 12 months of extensive research including member surveys, KPMG and other independent analysis, case study reviews, international comparative data and more.

This was all designed to provide serious input to the review of Australia's workplace relations system. Many of the other submissions from unions, academics and employers could be best described as shallow and superficial.

As the Productivity Commission continues its work during the remainder of 2015, our nation must not waste the opportunity to secure more balanced and practical workplace laws that benefit all Australians, including employers and employees.

In short, now is the time to grasp the opportunity and build the case for change.

On behalf of our members and our industry, AMMA will be at the coal face, so to speak, advocating for a more supportive, competitive and productive framework.

When reform proposals are eventually handed down, resource employers will look to all stakeholders including our parliamentarians to not waste the opportunity to engage in genuine discussions on workplace matters; in particular focus on changes that could build a stronger resource industry and a stronger Australia.

One screen is the website for AMMA's 'Back on Track' campaign where you can find all the material I have spoken on today, including our full submission to the Productivity Commission, the KPMG research, and a brochure summarising both.

Thank you.

<Take questions from audience>