

## PRESENTATION TO MACQUARIE UNIVERSITY CENTRE FOR WORKFORCE FUTURES

**The Challenge of Workplace Productivity Symposium 29/11/2012**  
**2.40pm Session: “Workplace Productivity in the Resource Industry”**

**AMMA Chief Executive, Steve Knott**

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## Part 1: The productivity debate

### SLIDE 1: Presentation Title

#### Introduction

Good afternoon and thank you to Macquarie University for this opportunity to present to you today.

For those of you who I haven't met, my name is Steve Knott and I am the chief executive of the national resource industry employer group, AMMA or the Australian Mines and Metals Association.

#### **Who is AMMA?**

Established in 1918, AMMA has been representing the national resource industry for more than 94 years. Our members employ about 500,000 Australian workers and comprise the majority of Australian employers across mining, hydrocarbons, maritime, exploration, energy, transport, construction, smelting and refining, as well as suppliers to these industries.

Over recent months the workplace relations debate and the impact of the Fair Work Act on workplace productivity has intensified somewhat.

The Fair Work Review process and the introduction into Parliament of the Fair Work Amendment Bill 2012 early this month has added focus to this debate.

#### Resource sector context

### SLIDE 2: About AMMA and the Resource Industry

The reasons for AMMA's involvement in this debate are pretty straightforward. First, AMMA and its members are actively putting in place many of the industrial relations frameworks that underpin some of the largest resource projects in Australia.

#### **How big?**

Individually some of these projects have a capital spend bigger than the NBN!

Secondly, our industry is one of the highest paying sectors in the country. Thirdly when you factor in the wider resources-related construction and maritime sectors AMMA represents, we are also among the most susceptible to commercial and investment reputational damage from protected and unprotected strike action.

Fourthly, a high level of investment in new resources-related construction and infrastructure projects during the early 2000s is often cited as a major contributor to the decline in multifactor productivity.

And finally, the resource industry is in the middle of an unprecedented growth spike where the investment in more than \$700 billion of planned resources and related-infrastructure projects is predicted to create 90,000 new jobs by 2016.

These last two points are very important to the great productivity debate because we are now just entering the period where all that investment capital should start to pay off for our country, both in terms of economic output and employment growth.

This 'resource boom' as media like to coin it, should be Australia's ticket out of the productivity slums, but the growing body of evidence that the viability of large-scale mining, oil and gas projects are being undermined in part by provisions of the Fair Work Act.

### **AMMA's view on productivity**

From a productivity perspective, unions and other economic commentators are continuing their attempts to play down the impact IR and ineffective work processes can have on workplace productivity.

### **SLIDE 3: Kevin Rudd Q&A Quote + ABF Quote**

Earlier this month on ABC's Q&A our former PM Kevin Rudd joined his Labor colleagues, trade union bosses and left-aligned commentators in blaming management for Australia's inability to pull itself out the productivity abyss.

Like most business groups in Australia, AMMA argues the government's overregulation and centralisation of Australia's workplace relations has adversely contributed to the removal of much needed flexibility around how business can use its labour.

This has made it near impossible for employers to fully respond to new market opportunities, innovate; and ultimately compete with multi-national firms.

This point is integral to the resource industry's position in the modern IR debate, and with the high visibility of our sector's growth and the massive workforces involved in constructing our new projects, it's a position that should be and is well understood.

In the 20 minutes today I won't address all the specific recommendations within our 178-page submission for legislative reform. Rather, the remainder of my presentation is split into two key themes.

The first explores concerns about Australia's competitiveness and cost positioning amid the global hunt for investment capital.

In the latter part, I'll detail some of the major impacts of the Fair Work Act on our national resource industry employers and briefly highlight our industry's five top priorities for legislative reform.

## Part 2: Global Thinking

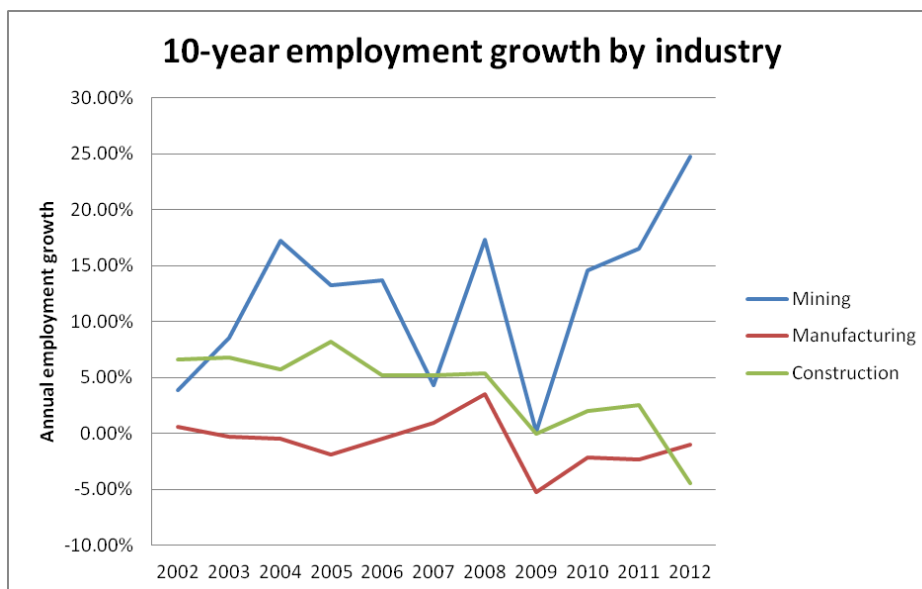
### Economic Overview

Let's take a quick look at the bigger picture as to what's happening in the resource industry and how it all links in with our policy framework. The following slides demonstrate the growth of our sector and were mostly compiled by ABS data.

#### SLIDE 4 – Resource Industry Figures

The government has valued the number of approved resource projects in the advanced stages at \$260 billion and an additional \$250 billion worth of projects in the investment pipeline. When we include the full number of related private and public infrastructure projects, the total value is well over \$700 billion.

#### SLIDE 5 – Employment Growth Graph



Similarly, the resource industry is currently the fastest growing industry in Australia in terms of employment growth, currently sitting at 25 per cent a year, compared with the decline being seen in other industries<sup>1</sup>.

In the last five years, the resource industry workforce has increased from 136,000 in 2007, to about 270,000, with 350,000 direct workers forecast by 2016.

The next two slides are particularly relevant from a labour productivity perspective and demonstrate the extent to which excessive wage claims and a shortage in skilled people willing to relocate to remote mining regions are driving up the cost of employing people in Australia.

<sup>1</sup> ABS Labour Force, Australia, Detailed Quarterly, May 2012, catalogue no 6291.0.55.003

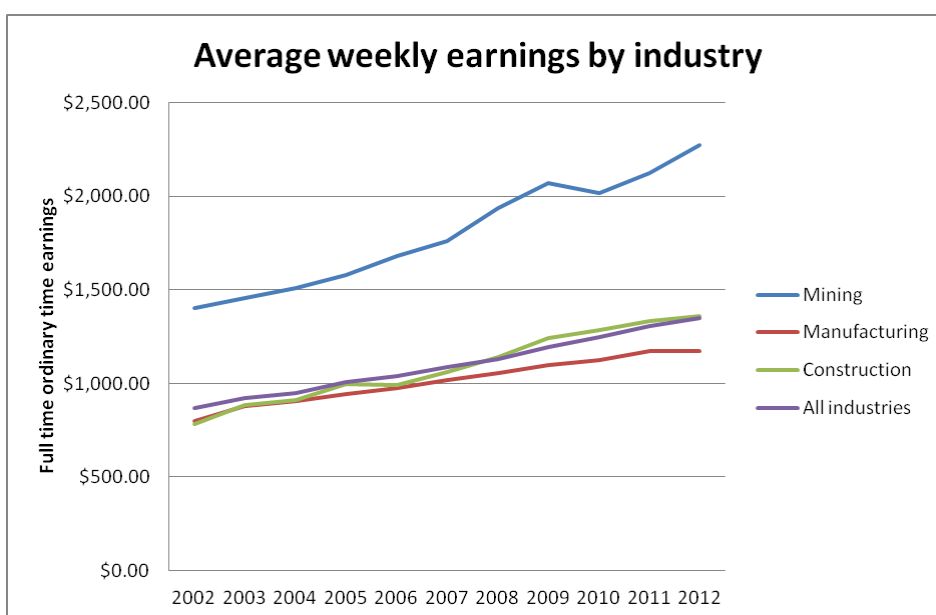
## SLIDE 6 – Mining Wages Growth



The graph now on screen shows the rate of wages growth in mining is sitting at around 7 per cent above the previous year - double the growth seen across all industries on average.<sup>2</sup> You'll also note the annual increase in wages in the resource industry has not dipped below 4.5% in five years – at one stage event topping 10%, across the whole sector during 2008.

## SLIDE 7 – Average Weekly Earnings

This final graph details how average weekly adult full-time ordinary earnings in mining are currently sitting around \$2,270 a week – double the \$1,175 in manufacturing and nearly double the \$1,361.90 in construction, and average earnings across all industries of \$1,350.



<sup>2</sup> ABS catalogue number 6302.0 - Average Weekly Earnings, Australia, 2002-2012 (using May quarterly data)

There are two key take-outs from this quick sector overview:

### **SLIDE 8 – Figures wrap up (as below)**

- 1) Over the last decade, the resource industry has also been responsible for the highest level of wealth creation and transfer in Australia's history; and
- 2) Unimpeded, the industry is set to create hundreds of thousands of jobs and hundreds of billions of dollars of economic growth, but only if the government removes the unwarranted barriers to doing business that currently exist.

Against a backdrop of economic uncertainty, the benefits of our sector are not a given and we must ensure the policy framework that underpins our legislative operating environment are enabling, not constraining, the ability of our resources employers to deliver them.

### **A Growing Argument**

The warning signs are well and truly here that the resource industry must stop being taken for granted, and our concerns about productivity need to start being taken seriously.

Over the past three or four months the public debate has started to shift onto the bigger picture of what these issues mean for Australia's cost positioning and our ability to deliver confidence and stability to global investment firms.

A number of CEOs and leading Board members of some of Australia's largest resource corporations have expressed their concerns about the future for our industry. On screen is a selection of recent comments including:

### **SLIDE 9 – Resource Leaders Quotes**

**Roy Kryzwosinski** (Chevron Australia MD): "This increases business costs, erodes international competitiveness and diminishes investor confidence... Policies must support and encourage future investments and workforce productivity improvements."<sup>3</sup>

**Michael Chaney** (Woodside and NAB): "Unless you are highly productive in Australia, projects will go offshore and construction jobs will go offshore. Every major project under evaluation, including Browse, has to confront this issue."<sup>4</sup>

**David Knox** (Santos): "A lot of this cost is labour, with the cost of Australian labour double that of many of our competitors, and productivity in most cases lower."<sup>5</sup>

**David Peever** (Rio Tinto): "Australian projects are now at a distinct capital cost disadvantage relative to peers. Reform of the Fair Work Act needs to go much further than has so far been flagged by the government."<sup>6</sup>

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<sup>3</sup> Burrell, A (Nov 26, 2012) *Cost, policies leave \$100bn of projects hanging in the balance: Chevron*, The Australian

<sup>4</sup> Patrick, A (Nov 19, 2012) *Growth heading for cliff in Australia, says Chaney*, Australian Financial Review

<sup>5</sup> Patrick, A (Nov 19, 2012) *Growth heading for cliff in Australia, says Chaney*, Australian Financial Review

**Marius Kloppers** (BHPB): “The starting line for the mining industry...is many of the projects that it envisaged a number of years ago, given the cost structure in Australia, don't work at the moment.”<sup>7</sup>

#### **SLIDE 10 – Resource Leaders Quotes (cont.)**

**Ian Smith** (Orica CEO): “Australia is a great country but it hasn't got a legislative and regulatory base that enables growth for business in the longer term.”<sup>8</sup>

**Peter Johnston** (Minara Resources): “I do have a serious concern about the cost position of the Australian mining industry – we are pricing ourselves out of the market in future.”<sup>9</sup>

**James Fazzino** (Incitec MD): “Unfortunately, as an Australian CEO, there are more attractive places to build plants than in Australia. The US has competitive energy costs, Australia doesn't.”<sup>10</sup>

**Ian Wilkinson** (WorleyParsons): “I would say Perth is close to being the most expensive place for engineering in the world and . . . I think we will see a rebalancing of costs in Australia over the next few years.”<sup>11</sup>

Clearly, it is of concern to our industry, when CEO's and Board Leaders of Australian multinational resources companies are all speaking out at the same time about Australia's falling competitiveness and abysmal global cost position. These are people who in an ideal world prefer to be silent on such policy and political issues and quietly go about their business.

#### **Further Evidence**

The chorus of business leaders calling for policy reform to address Australia's cost concerns is growing.

Take for instance the CEO of one of AMMA's Australian-based multinational members which has 3500 engineering staff across 29 countries. This CEO is on the record stating that Australia is 25 per cent more expensive to operate in than the next most expensive market, Canada.<sup>12</sup>

But the movement to silence any critics of Australia's policy framework remains equally strong and one common criticism is that much of the evidence is mere anecdotes from the business community.

So if these highly educated opinions aren't enough, we'll take a quick look at a few reports.

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<sup>6</sup> Kelly, J & Buttrell, A. (Nov 14, 2012) *Rio Boss urges Fair Work overhaul*, The Australian

<sup>7</sup> Martin, S. (Nov 14, 2012) *High costs stall Olympic Dam*, The Australian

<sup>8</sup> Reid, T (2012) *Resource People, Spring 2012*, Australian Mines and Metals Association

<sup>9</sup> Reid, T (2012) *Resource People Winter 2012*, Australian Mines and Metals Association

<sup>10</sup> Wilkinson, I (Nov 15, 2012) *In LNG land, they count the costs*, Australian Financial Review

<sup>11</sup> Williams, P & Macdonald Smith, A. (Nov 15, 2012) *Managements told to tighten LNG spending*, AFR

<sup>12</sup> Meka, Zimi (2012) *Engineering Around the World*, AMMA Resource People Magazine



## **SLIDE 11 – Global Competitiveness Report**

In September, the World Economic Forum's (WEF) global competitiveness report ranked Australia the 20<sup>th</sup> most competitive place in the world to do business.

Australia might have the best debt to GDP ratio out of any advanced economy in the world – but what does it say about our country when the Korean Republic, Saudi Arabia and Qatar are among the 19 nations that present more efficient environments to operate in.

The results slide on screen shows Australia's corporate governance, scientific research, quality of market competition and banking system all rank within the top 10 in the world.

It also shows the sub-categories of our labour market efficiency are absolutely atrocious, with flexibility of wage determination and hiring and firing practices among the worst on the planet.

Of the 12 categories, labour market efficiency is overall by far the worst at 42<sup>nd</sup> in the world.

With data such as this, is there really any doubt that our poor labour productivity is severely pulling down our overall global competitiveness ranking?

## **Slide 12: BCA cost table**

Earlier this year, the Business Council of Australia conducted an independent analysis of the cost of building large-scale resource projects in Australia, and found the lack of productivity outcomes and wage inflation is exceptionally worse than our global competitors.

On screen is a table from the BCA's report which shows that iron ore and coal projects are 38 per cent higher than the US Gulf Coast; large complex processing projects are at least 50 percent higher and, most alarmingly, offshore oil and gas development costs are 200 per cent in Australia than in the comparable market of the US Gulf Coast.

It is little wonder companies like Chevron and Woodside, which are developing the largest offshore LNG projects in world in Western Australia, such cost escalations are of major concern.

## **SLIDE 13 – Angus Taylor quote**

I'll finish this macro-analysis with a quote from Port Jackson Partner's economic consultant Angus Taylor, who reported in 2011:

*"Australia currently faces one of the greatest opportunities in its economic history...(but) today, Australia faces an increasing need to re-establish the productivity gains of the 1990s."*

The next part of my presentation will explore how Australia's workplace relations framework is directly attributing to these costs, dragging down our national productivity and how it should be reformed to alleviate the pressure on these significant projects.

## Part 3: The Impacts of the Fair Work Act

### Introduction

#### **SLIDE 14 – RMIT Productivity Table**

In February this year, AMMA made 54 recommendations for reform in our written submission to the Fair Work Act Review Panel.

These recommendations were underpinned by AMMA's Workplace Relations Research Project, which utilises the expertise of RMIT University professor and former ACCI Chief Economist Steve Kates, to research and track the impact of the Fair Work laws on Australian resources workplaces over ongoing six-month periods.

#### **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

On screen is one of the findings from the latest report, which shows that over the past two years, the number of resource industry employers which perceived their workplace productivity as 'high' or better has dropped from 70.8% to just 52%.

The high level of satisfaction with workplace productivity in April 2010 was largely attributed to actions taken by resource workplaces to lock in pre-Fair Work agreements before July 2009. As hundreds of these agreements expire and more employers are exposed to bargaining under the Fair Work Act, we are seeing productivity levels drop dramatically.

This will only get worse as time goes on and we expect further dissatisfaction with workplace productivity will be reported for the current period, in which the reporting will be finalised and released in coming months.

#### **SLIDE 15 – Additional RMIT findings**

This next slide provides a snapshot of four additional practical impacts of the Fair Work framework in resources workplaces. These experiences documented by our membership base form the basis for AMMA's policy advocacy and ongoing fight for reform.

- A confirmed a rising incidence of conflict in the workplace with the number of resource employers who rated their industrial environment as unacceptable due to more conflict increasing fivefold in just two years.

- Highlighting that of the 33% of resource industry employers who have recently tried to negotiate a Greenfield agreement, 1 in 5 has experienced unions refusing to make an agreement with them at all.
- Further, the time and costs associated with negotiating agreements and IR transaction costs for business have significantly increased.
- More than 60% of resource employers say Individual Flexibility Arrangements' are useless and there is no option for flexibility under the Act. This is despite up to 80 per cent of our employer's workplaces in hard rock mining accessing Australian Workplace Agreements, collective non-union agreements, etc. at one level or another to give their workers more flexibility and provide protection against industrial action.

### **Five Key Areas of Reform**

I'll quickly cover off the five broader areas that AMMA continually comes back in the workplace productivity debate.

In closing, the following five areas of reform remain the key to boosting productivity in Australia's resource workplaces:

#### **SLIDE 16 – Greenfields, Protected Strike Action**

- The significant power imbalance on greenfield, or 'new project' agreement negotiations that has led to cost blow-outs and one-in-five new resources projects put at serious risk due to union stalling tactics;
- The ability for unions to take protected strike action in support of matters that have nothing to do with the efficient operation of an enterprise or the direct employment relationship, such as contractor restrictions or promotion of union membership;

#### **SLIDE 17 – Resisting Strikes, Right of Entry, IFAs**

- The limited methods available to employers to resist ongoing protected strike action, often taken in pursuit of uncommercial and exorbitant claims;
- The regular disruption of Australian workplace through 'free for all' union right of entry provisions, leading to commercial impacts, workplace disharmony and productivity losses; and
- The failure of the Fair Work Act to facilitate any flexible working arrangements where a worker and an employee can directly negotiate a suitable employment arrangement of mutual benefit.

### **Permitted matters**

Of these five areas of reform, two in particular would prove extremely effective at reducing the increasing numbers of days lost to industrial disputation and significantly improve the labour productivity within the resource industry.

The first is to address the escalating examples of unions taking protected strike action at the drop of a hat during negotiations, in support of matters that have nothing to do with the efficient operation of the enterprise.

Too often we are seeing serious commercial damage being incurred by Australian employers by unions pursuing matters which serve only to interfere with managerial prerogative and to shore up union power.

We know the intention of the CFMEU to become more heavily involved in what were traditionally management issues under old IR frameworks were behind such high profile disputes such as Asciano, BMA, QANTAS and Grocon disputes.

Our industry is facing serious problems, most publicly noted in the construction and maritime sub-sectors, where the IR framework is encouraging unions to partake in this behaviour, and the only way to address this is to reintroduce the concept of 'prohibited content' under the Fair Work Act.

### **SLIDE 18 – Chris Cain quote + migration facts**

But it appears there is no light at the end of the tunnel. Take for instance, earlier this month where MUA WA secretary Chris Cain told ABC News Perth that the union would 'shut down the entire shipping industry' in pursuit of an agreement clause that restricts the employer's use of migrant workers.

This is despite the fact that the MUA doesn't cover any of the job classifications that fall into the 457 temporary migration scheme; and also despite that fact that 45,000 new jobs were created in the resource industry last year, and only 580 visas were granted to the industry.

Clearly this clause has nothing to do with the MUA or supporting long-term Australian jobs, but rather is another opportunity for the union to take advantage of the Fair Work Act's provisions to flex its muscles and apply extreme pressure on the employers for other matters.

### **Excessive Wage Claims & Bargaining**

The second of AMMA's five reform areas that would address increasing strike activity in our sector is to fix the greenfield negotiation provisions that is seeing exorbitant wages being claimed through the bargaining process.

This is particularly prominent in areas of the offshore oil and gas sector – but similar issues are also being faced in new projects onshore.

When combined with the ability to pursue previously unpermitted agreement content and the lack of options for employers to resist protected strike action, the greenfield bargaining framework is the final ingredient to create the industrial relations 'perfect storm'.

In terms of the cost competitiveness of the Australian resource industry, the excessive level of wages claims during bargaining has probably been the most damaging aspect of the Fair Work Act over the past three years.

The real world impacts of these combined elements of the Fair Work Act mean employers are pressured to accept exorbitant claims or risk agreements not being signed, resulting in lengthy delays to project timelines and costs.

A few examples and it's easy to see how the BCA report found Australia's 200% offshore oil and gas sector is 200% more costly to operate in than our international competitors.

### **SLIDE 19: Vessel Operators Wage Outcomes**

In the 2010/11 vessel operators' dispute in the offshore oil and gas industry, maritime unions were able to secure, on the back of ongoing strike action which employers found impossible to stop, 37 per cent pay rises plus a \$200 a day construction allowance in return for zero productivity improvements.

The MUA national secretary Paddy Crumlin even went so far as to publicly boast that the massive pay rises extracted by his union were secured without any productivity trade-offs whatsoever.

In fact Mr Crumlin criticised employers seeking productivity offsets in the last enterprise bargaining negotiations as being 'dinosaurs'<sup>13</sup>

On screen are the typical wage results from an offshore construction agreement in Western Australia.

This particular employer was forced to accept these indicative rates for three week on, three week off rostered employees in the offshore construction sector:<sup>14</sup>

- \$317,734 per annum for a laundry hand;
- \$334,408 per annum for a cook;
- \$337,484 per annum for a tradesperson; and
- \$373,701 for a barge welder per annum.

The employer received no productivity gains from this agreement – and it is all considered perfectly in line with the philosophy of the current IR system, a philosophy the Fair Work Review Panel refused to accept had any major flaws.

In the current IR environment resource employers are regularly involved in agreement negotiations where discussions on productivity improvements are rarely tolerated or understood, let alone achieved under the existing Fair Work framework.

### **Farstad Shipping: 'let them bleed'**

Perhaps the best individual examples of this industrial 'perfect storm' is the experiences of AMMA member and contracting company Farstad Shipping, when bargaining with the Maritime Union of Australia over the pay and conditions for its maritime workers operating in the offshore construction areas of the oil and gas sector.

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<sup>13</sup> The Australian, @ page1, 3 February 2010

<sup>14</sup> Based on typical Enterprise Agreement, established in offshore oil and gas vessel operators negotiations, 2010

## **SLIDE 20 – Farstad facts + SDK Kaufman quote**

In late 2009 and early 2010, Farstad was doing its best to resist the MUA's claims for a 30% pay increase over three years, plus a \$500 per day construction allowance which would have doubled the remuneration of some workers.

After some token attempts by the MUA to 'bargain in good faith', Fair Work Australia did what it does to 99.2% of all strike action applications, and rubberstamped the MUA's application to strike against Farstad.

The strike action that followed as a result of that approval cost Farstad upwards of one million dollars a day (their clients even more) and resulted in a serious downturn in its productivity.

Believing that with such excessive claims the industrial action would have been suspended or terminated, Farstad went to Fair Work Australia with an application to suspend the strike activity.

Not only was the application thrown out, but the Senior Deputy President hearing the matter noted that it was well within the law for the union to attempt to 'bleed' and 'soften up' the employer during bargaining, and that such adversarial activity was apparently central to reaching a resolution under the Fair Work legislation.

From a productivity perspective, this is an employer's worst nightmare and this situation and all that occurred represents everything that is wrong with the Fair Work framework.

The Farstad Shipping experience of 2009 is just one example of the type of reckless 'grab for cash' some Australian unions can become easily involved in under the Fair Work Act.

Against this backdrop, there can be no doubt the IR framework is having a direct impact on productivity growth in the resource industry.

### **Fair Work Australia - influence and impartiality**

## **SLIDE 21 – John Kovacic Quote + Law Council Quote**

I also want to take this opportunity to highlight a major concern industry has raised with Workplace Relations Minister Bill Shorten in relation to creation of two additional Vice President roles within Fair Work Australia, as proposed by the Fair Work Amendment Bill 2012.

Last week it was confirmed, by the comments of DEEWR deputy secretary John Kovacic that are currently on screen, that the creation of the two new VP statutory positions was a suggestion by the FWA President and not a recommendation by the Fair Work Review Panel.

AMMA was first to highlight the creation of these two new VP roles as an area of concern when the Fair Work Amendment Bill 2012 was tabled.

Since this time all the major employer groups have expressed strong concerns about this proposal in each respective submission to the Senate Inquiry into the Amendment Bill.

It should also be noted that the Law Council of Australia warned against the move in its November 14 submission to the Amendment Bill, a few extracts of which are also on screen.

Industry believes that if the government is to appoint two statutory VP positions under the Fair Work Act, with additional legislative powers over all the other Deputy Presidents, those positions must go to the two existing VPs to maintain its impartiality and independence of Fair Work Australia.

Fair Work Australia already comprises two VPs, nine Senior Deputy Presidents and five Deputy Presidents along with numerous Commissioners. This body has been charged with reducing disputes and increasing productivity, therefore it should confirm the existing two VPs in legislation (as they were under the pre FWA legislation) and seek to themselves reduce, not increase tribunal costs.

It would be an unprecedented and extraordinary move to allow Fair Work Australia President Iain Ross, a Federal Court Judge, to potentially sideline the two existing VPs and have appointed two additional VPs into new statutory positions with additional powers.

In the interests of putting Australia forth as an investment destination with an impartial and stable workplace relations environment, this proposal must be rejected in Parliament this week.

Also yet to receive appropriate scrutiny is a proposal to give the FWA president new powers, including the ability to take over matters currently before individual commissioners.

In relation to the proposals, clearly the independence of the institution and individual members needs closer examination.

## Part 4: Call to Action

### **SLIDE 22 – Where to now for the great productivity debate?**

I now have just taken you through some of the economic context of the resource industry's involvement in the productivity debate; collated the recent public statements by our industry's leaders about the cost positioning of Australia; and outlined the key policy areas that need to be reformed to get our industry's productivity back on track.

I wish now to close my presentation with some remarks about AMMA's views on the current state of workplace relations policy discussions.

There's been a lot of debate in these past months over the Fair Work Act and its impact on productivity, mostly driven by the Fair Work Review process and ongoing concerns about Australia's productivity and labour cost issues.

As far as AMMA and the resource industry is concerned, there is now incontrovertible evidence that the current laws are causing problems for the economy and detracting from harmonious and co-operative workplace relations.



The productivity impacts of the Fair Work framework have transcended far beyond pure workplace relations matters and now directly impact industry's work practices and workforce development strategies.

A well-rounded, considered and meaningful discussion on the practical impacts of the Fair Work Act and how the framework either facilitates or impedes investment and employment growth in Australia is well overdue.

But instead, there is a political paralysis on both sides of the debate.

Clearly the government is too beholden to its union constituency to make meaningful changes and bring the pendulum of workplace power back to the middle ground – similar to that present before WorkChoices.

A few weeks ago my comment that the Opposition appeared to be 'scared little rabbits' when pushed on IR policy matters grabbed a few headlines. That said, it's no secret that the Coalition having been burnt at previous elections on IR and is trying to neuter the inevitable re-run of the 'return to WorkChoices' campaign.

Our lobbying is driven by the fact that resource employers, AMMA members are trying their best to employ people and create economic wealth through new projects. They are not interested in the politicking but rather need the leadership to both least acknowledge and address their concerns.

In choosing to play politics rather than act in the national interest, both major parties are denying businesses the necessary IR reforms to boost productivity and sustain Australia's economic prosperity.

It is equally frustrating for industry when some well-respected academics, lawyers and economists weigh into the debate by arguing 'multifactor' productivity comprises a range of measures and there is no solid argument that labour productivity is a workplace relations issue.

The troubling thing about debating the drivers of productivity as it is measured and the usage of one term over another; is that many of the public commentators and the politicians seem to miss the point of the necessity of strong, clear IR reform proposals for this country.

Generally, businesspeople accept that workplace productivity should simply be a measure of how productive your workforce is and, when our nation's IR framework is facilitating excessive wage blow outs and flexible employment conditions, it shouldn't be too much to ask that our country's labour productivity is at least on par with the rest of the world. Given our current cost framework, it needs to be better!

AMMA's consultants and policy advisers are regularly interacting with the managers of some of Australia's largest investment projects across the mining, oil and gas sectors as well as the multitude of contractors and supplies to these industries.

When these clients and members of ours are bargaining under the Fair Work Act and are facing wages in excess of \$300,000 for a kitchen hand who works half the year, they don't



care much to argue semantics over what the defined parameters of productivity theory should be.

Further, the industry is beyond entertaining the argument that calls for IR reform must be code for stripping wages and conditions, something our members never did under previous legislation – our members and employers across the country just want the framework that allows them to get on with the job.

The Government's Fair Work Review Panel placed much emphasis on productivity outcomes in the recommendations it handed down in August, yet largely ignored the evidence that the Fair Work legislation is a barrier to restoring productivity to our workplaces.

The first tranche of reforms, subject to a Senate review, similarly have not addressed any of the significant issues within the Fair Work framework that have led to serious challenges within Australian workplaces.

Instead, these changes focus on creating two additional VP roles, which if proceeded with, would most likely further undermine the integrity and impartiality of the tribunal's authority.

Australia is at a defining point in our economic history and it's time our current leaders stand up to the challenge and get the Fair Work reform process back on track to deliver effective productivity-improving reforms.

Some simple legislative fixes would reduce our escalating industrial conflict and demonstrably improve Australia's international competitiveness.

It's time all stakeholders engage in a considered exchange of views about necessary policy reform that would lead to more productive Australian workplaces and promote our national employment and economic interests.

This is the type of debate that should be central to a modern and mature economy, and it's never too late for Australia's policy makers to show true leadership in this arena.