

15 July 2013

The Hon Kevin Rudd MP
Prime Minister of Australia
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Dear Prime Minister

Productivity Pact and Industrial Relations Reform

The Australian resource industry notes the productivity challenge you laid out in your National Press Club address on 11 July, and your proposals for a productivity pact and new competitiveness agenda.

With investment into our resource industry set to peak this year, the productivity imperative takes on even greater significance. The \$350 billion of resource projects available to Australia – and the subsequent creation of tens of thousands of additional jobs – will only come to market if specific initiatives are taken at this point to boost our productivity.

On 3 July 2013, AMMA released the attached discussion paper setting out six non-legislative ideas to boost Australia's productivity, as well as six imperatives for reform to the Fair Work Act 2009 to facilitate more productive Australian workplaces. This is a response to the sharp decline in productivity in the Australian resource industry and its impact on competitiveness and our capacity to attract international investment.

In this paper and in industry advocacy on this issue, AMMA highlights that a balanced approach must be pursued, focusing on leadership, skills, technology, innovation **and** workplace relations reform. The six non-legislative initiatives proposed by AMMA to increase productivity in Australia's resource industry include:

- The development of a **productivity index** to support business investment in employee engagement;
- Producing research on **innovative work practices** that investigates how rostering schedules can increase productivity at FIFO worksites;
- Facilitating **leadership programs** to encourage High Performing Workplaces (HPWs);
- Building a program of inter-industry **technology forums** to share innovations and expertise across logistics, operations and technology;
- Place productivity back on the bargaining table through a **global study** into the world's most creative and committed employers; and
- Instil a productive culture by integrating 'productivity and efficiency' modules into various levels of vocational **education and training**.



As demonstrated by these proposed initiatives, increasing Australia's productivity will not solely come from workplace relations change. However, legislative reform to work practices and the organisation of work must also form part of the initiatives by any government seriously committed to improving our nation's productivity and competitiveness.

This is why AMMA is supporting a future Productivity Commission-led review into the Fair Work system to investigate how Australia's workplace relations laws can better support, not impede, employers in their efforts to lift the productivity levels of their workplaces.

We recall with approval the statement by the former Chairman of the Productivity Commission Gary Banks that: *"industrial relations regulation is arguably the most crucial area to get right. Whether productivity growth comes from working harder or working 'smarter', people in workplaces are central to it"*.

Therefore, we urge you to bear in mind that any "productivity pact" or "new competitiveness agenda" that fails to seriously engage with essential industrial relations reforms will clearly be deficient and incomplete; will fail to attract the support of industry; and will not deliver the productivity improvement Australia so urgently needs.

Your speech to the Press Club called for a cooperative approach to workplace relations without any legislative reform. This is not possible. The day-to-day operation of the Fair Work system ensures productivity improvements are forced off the agenda of too many Australian workplaces. This is a reversal of the productivity journey embarked upon by Labor in government under the latter iterations of the Accord.

Independent survey analysis in our sector highlights that the Fair Work Act has prevented the majority of AMMA members from negotiating any meaningful productivity gains. Further, while the vast majority of our members also report that Labor's Individual Flexibility Agreements (IFAs) have been of little or no value. This is indicative of a system that is broken and in need of repair.

Key productivity concerns under the current IR framework include expanded union right of entry (increased number of unions, increased entry requests, increased costs on employers to take unions to remote site locations, and increased union sales pitches in employee lunch rooms); an increase in working days lost to industrial action; and the re-emergence of highly militant unionism.

For an industry of critical economic importance, our IR regulatory regime has adversely impacted both on project timelines and the loss of significant investment opportunities.

Greenfields / new project agreements

We also welcome your comments that greenfields (new project) agreements need to work better and your implication that policy change may be required. We look forward to further discussing any potential reforms with the Minister for Workplace Relations.

However, if the government's intended approach is the reintroduction of compulsory arbitration of greenfields or other disputes, which was the basis for the proposals canvassed with industry under your predecessor, this would not enjoy the support or confidence of employers.

Our workplace relations system needs to ensure greenfields projects can secure investment and commence operations with commercially and operationally supportive

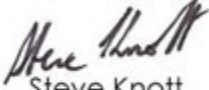
employment arrangements in place. The current union monopoly vetos and the mooted reward of at-large arbitration for unions manipulating the rules are inconsistent with this.

AMMA supports a limited and targeted 'determination' power in the area of greenfield agreements. Under the current Fair Work Act, this would be achieved by allowing employers to request the Fair Work Commission make a determination to settle disputed terms and conditions for greenfields projects, based on the employer's best offer and the better off overall test.

AMMA's preferred greenfields agreement framework is detailed in our 2012 submission to the Fair Work Act Review, which can be found at www.amma.org.au/library/submissions-2 or posted to your office upon request.

AMMA would welcome an opportunity to engage with government on the development of any new competitiveness and productivity agenda. My direct contact details are listed below.

Yours sincerely,



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Attachment: *Resource Industry Productivity Analysis and Policy Options Discussion Paper*

cc: The Hon Bill Shorten MP, Minister for Education and Workplace Relations