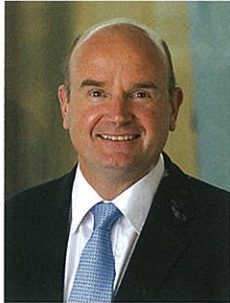
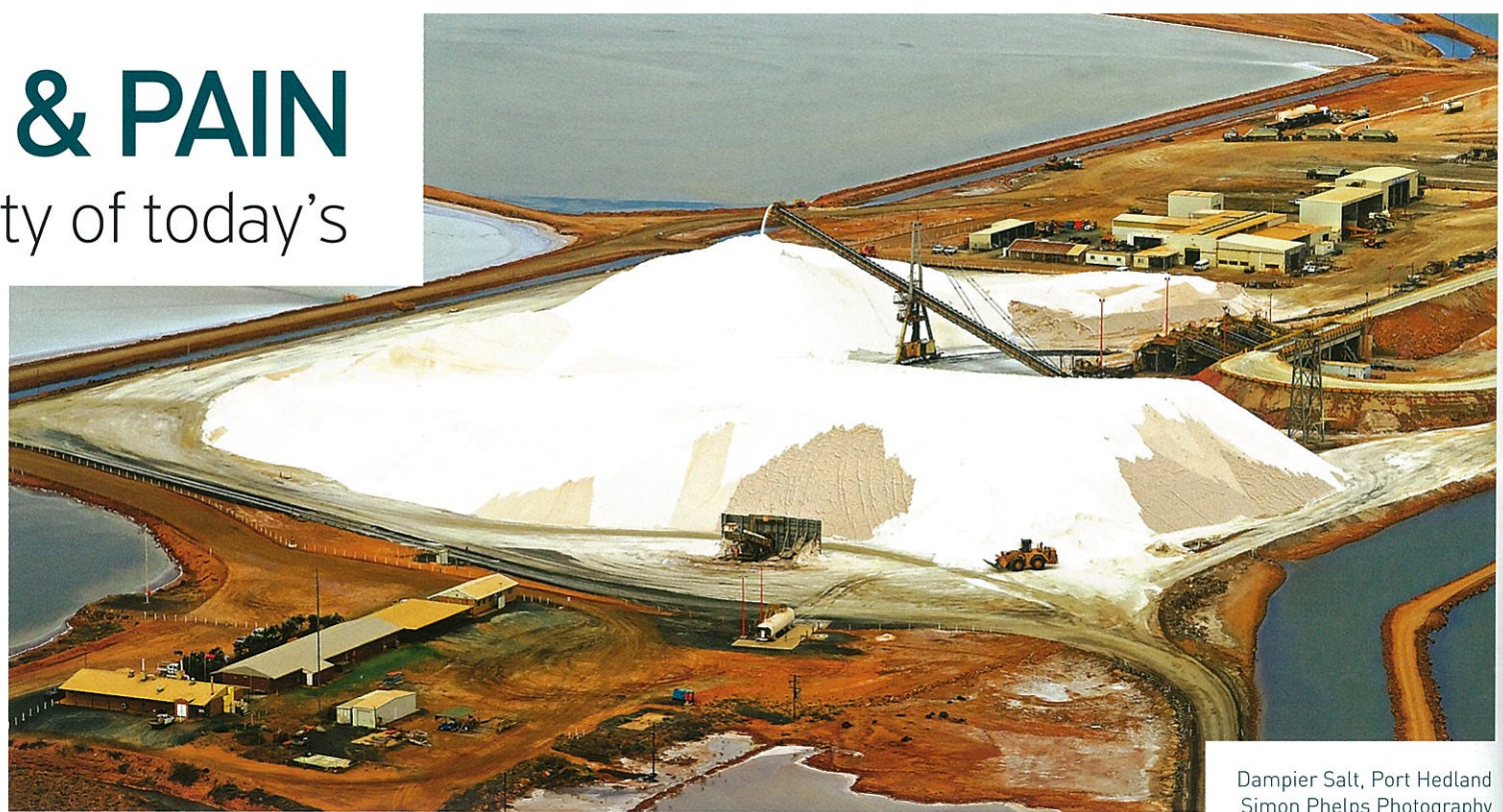


PLEASURE & PAIN

The economic reality of today's resources sector



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AUSTRALIAN MINES AND
METALS ASSOCIATION



Dampier Salt, Port Hedland
Simon Phelps Photography

As the resources industry reflects on the challenges and opportunities presented throughout 2013, in this article Australian Mines and Metals Association (AMMA) Chief Executive Steve Knott critiques the health of the sector and highlights reform priorities for the Abbott government and why employers can look to the New Year with a renewed sense of optimism.

“While the changing economic climate has slightly diminished the once insatiable demand for skilled labour, serious challenges and opportunities still remain.

For 95 years AMMA has operated as Australia's national resource industry representative body with an underlying vision to ensure our sector remains a globally competitive place to invest, employ people and contribute valuably to the national wellbeing.

Throughout 2013 resource employers have navigated an increasingly complex and challenging operational environment, but it is clear our sector continues to be a key driver of improved wellbeing and living standards across Australia's wider community.

Following a decade of record capital investment and employment growth in our industry, there remains much to be positive about leading into 2014. Data from the Reserve Bank of Australia shows our industry generates 1.1 million Australian jobs and \$250 billion, or 18%, of the nation's annual output. This is on top of the \$20 billion in taxes and royalties generated by resources activities each year.

Lately, some economic and political commentators have suggested this astounding national contribution is rapidly coming to an end, but the numbers indicate otherwise.

committed for our shores and another \$232 billion under consideration, construction activity will remain healthy while production and export will also reach unprecedented levels as more mega projects are completed.

There is, however, no escaping that 2013 has also seen great challenges and a denting of investor confidence globally. With competition heating up from emerging resources nations and declining commodity prices impacting Australia's high-cost base, about \$150 billion worth of project investment has been deferred or pulled from our shores.

Rather than simply call an end to 'the mining boom', our industry must reaffirm that the benefits of Australia's heightened mining and resources activity can continue for decades with the right level of regulatory and policy support to restore Australia's international competitiveness.

In its first term, the Abbott government has promised to deliver a more stable and balanced policy platform for doing business in our sector, and Australia more widely. As Australia's national resource industry employer group and recognised workplace policy specialists, AMMA is

to consult on effective outcomes for all mining, oil and gas and related sector employers.

Workplace relations reform

AMMA has long advocated for appropriate workplace relations settings that provide adequate employee protections but also allow employers to be flexible, innovate and ultimately drive a highly productive and engaged workforce. This has been our consistent approach regardless of who is in government.

Our ongoing priorities aim to ensure new resource projects can viably come to market in Australia through a responsible process; not be held to ransom by exorbitant wage claims, industrial unrest or unnecessary delays.

We are assisting Prime Minister Abbott and his ministerial team to hit the ground running and swiftly implement their stated plans on workplace relations.

From our perspective, the Coalition's 'Policy to Improve the Fair Work Laws' does not tick all the boxes but it makes a good start in restoring genuine balance in our workplaces and addressing the plethora of recent anti-business, pro-union industrial relations reregulation that has been so damaging to Australian businesses.

Welcome first moves include restoring the Australian Building and Construction Commission (ABCC) as an effective industry regulator, breaking the union monopoly on new project agreements and restoring some balance to what have proven to be excessive and often disruptive union site entry powers.

Another priority area for our sector will be continued access to responsible skilled migration programs, including the 457 visa scheme and Enterprise Migration Agreements (EMA) - both of which were unfairly targeted by widespread and vitriolic trade union campaigns throughout 2013.

Productivity

The resources industry is facing a crossroads where competition for global capital is becoming even fiercer and our national productivity is at its lowest level in a generation. One globally recognised economic think-tank, the World Economic Forum (WEF), reported that in 2013 Australia's international competitiveness had slipped to just 21st in the world, behind New Zealand at 18th, Canada at 14th and the United Kingdom at 10th.

Restrictive workplace regulation was the key factor cited for Australia's slide, with our nation's labour

market efficiency now ranked 54th in the world - down a staggering 41 places from two years ago. Likewise, our productivity is ranked 113th in the world, wage flexibility 135th and labour relations 103rd.

Such macro-economic numbers are also reflected on the coalface, where a recent survey of AMMA members revealed 87.5% of participants had not achieved any productivity improvements within their workplace agreements.

While an overhaul of Australia's workplace relations laws is required, just as important to turning around Australia's productivity woes are a range of non-legislative initiatives in the areas of investment, work practices, leadership, technology, productive bargaining and skills development.

Innovative solutions to overcome challenges and stimulate investment in these areas would complement the government's regulatory reform agenda. These are both areas AMMA is working hard to bring to fruition.

Labour mobility

Another major challenge for Australia's resources industry is that of geographic labour mobility.

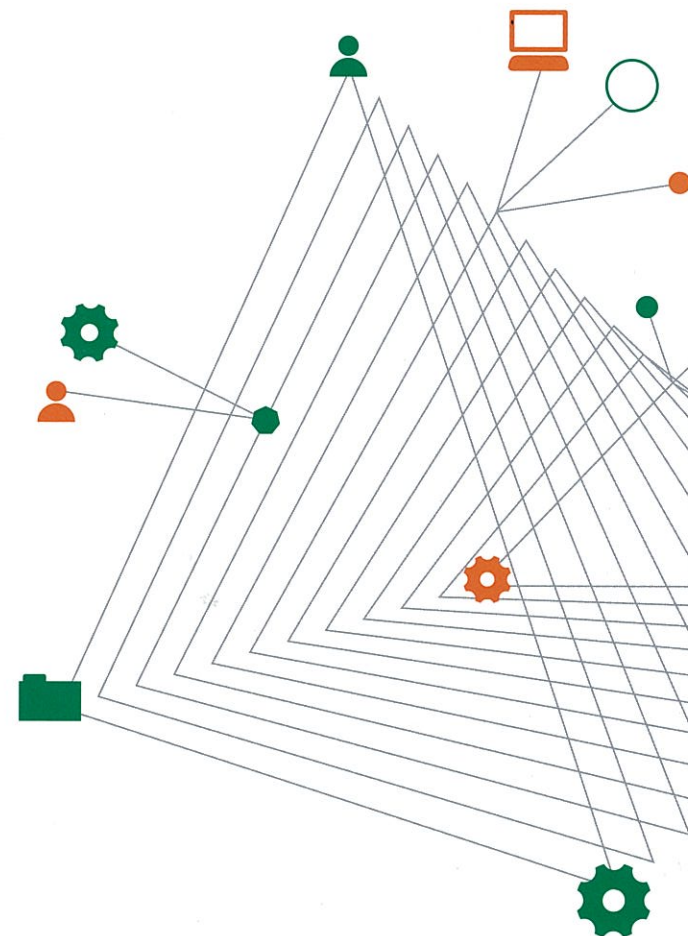
Since 2007, Australia's resources industry has doubled its direct workforce numbers to about 270,000 people - 25% year on year - record growth for any sector. While the changing economic climate has slightly diminished the once insatiable demand for skilled labour, serious challenges and opportunities still remain.

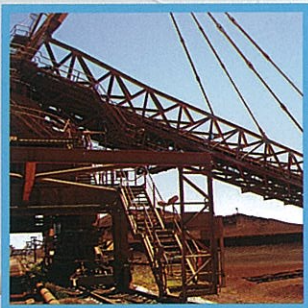
LNG investment is having a most significant impact on the demand for labour and employment numbers are set to increase throughout 2014, but with Australians proving to be a relatively immobile bunch, the ability to meet this demand requires collaboration to facilitate greater domestic labour mobility between states.

Starting in January 2011, the previous federal Labor government trialed a two-year worker relocation incentives program. After 18 months, only 33 people had taken up the incentives to move interstate to work in the mining industry. This shows that increasing labour mobility within Australia is not something that will happen with small adjustments but rather requires big thinking and coordinated interventions by policy makers at all levels.

Recently, AMMA provided several starting points to the Productivity Commission in facilitating greater labour mobility, such as providing that tax incentives for

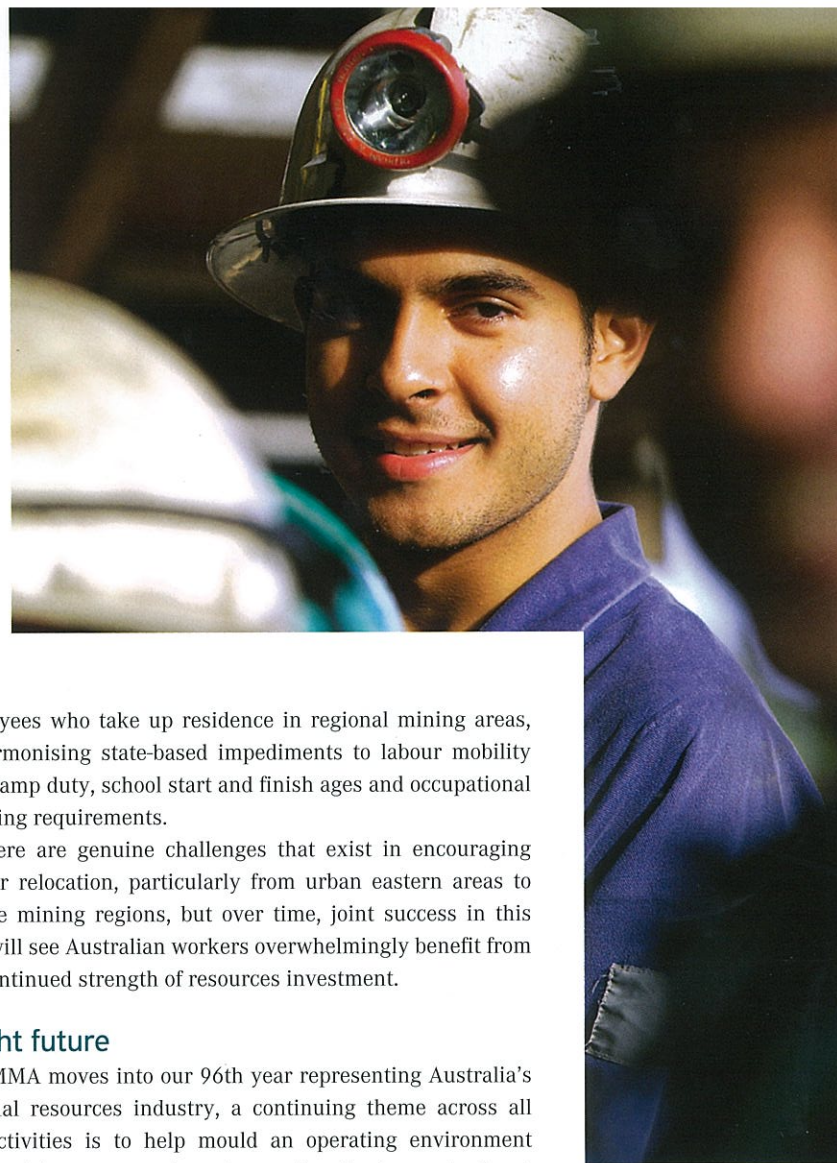
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QUALITY, HEALTH & SAFETY



employees who take up residence in regional mining areas, or harmonising state-based impediments to labour mobility like stamp duty, school start and finish ages and occupational licensing requirements.

There are genuine challenges that exist in encouraging worker relocation, particularly from urban eastern areas to remote mining regions, but over time, joint success in this area will see Australian workers overwhelmingly benefit from the continued strength of resources investment.

Bright future

As AMMA moves into our 96th year representing Australia's national resources industry, a continuing theme across all our activities is to help mould an operating environment that enables our members to continually innovate, boost productivity and viably compete in the global marketplace.

While we have seen many challenges in recent times, it is clear that with a national policy framework that supports doing business in this country, Australia's resource employers continue to be a key driver of national prosperity and job creation for decades to come.

We look forward to a successful and exciting 2014 as Australia's resources industry continues to deliver on the opportunities it has worked so hard to create in recent times.

AMMA suggests the resources sector faces some 'people' challenges but will continue to prosper