

ABOUT AMMA (Australian Mines and Metals Assn)

Australia's resource industry employer group since 1918.

400+ member companies across:

- Mining
- Oil and Gas
- Resources Construction
- Maritime
- Exploration
- Energy
- Transport
- Smelting
- Refining
- Service suppliers

Expertise in:

- Policy development and lobbying
- Employee relations
- Training and up-skilling
- Human Resources
- Workforce development
- Skilled Migration
- Public Affairs
- Government Relations



AMMA exists to...

“Ensure Australia’s resource industry is an attractive and competitive place to invest, do business, employ people and contribute to the national wellbeing.”

17 July 2014

Presentation to the 2014 Australian Mining Productivity Forum

Scott Barklamb, AMMA Executive Director Policy & Public Affairs

“The impact of workplace relations policy on resource industry productivity”

PART 1: Resource Industry Context

PART 2: The Productivity Challenge

PART 3: Non-Legislative Productivity Approaches

PART 4: Workplace Relations Reform

Part 1 - Resource Industry Context

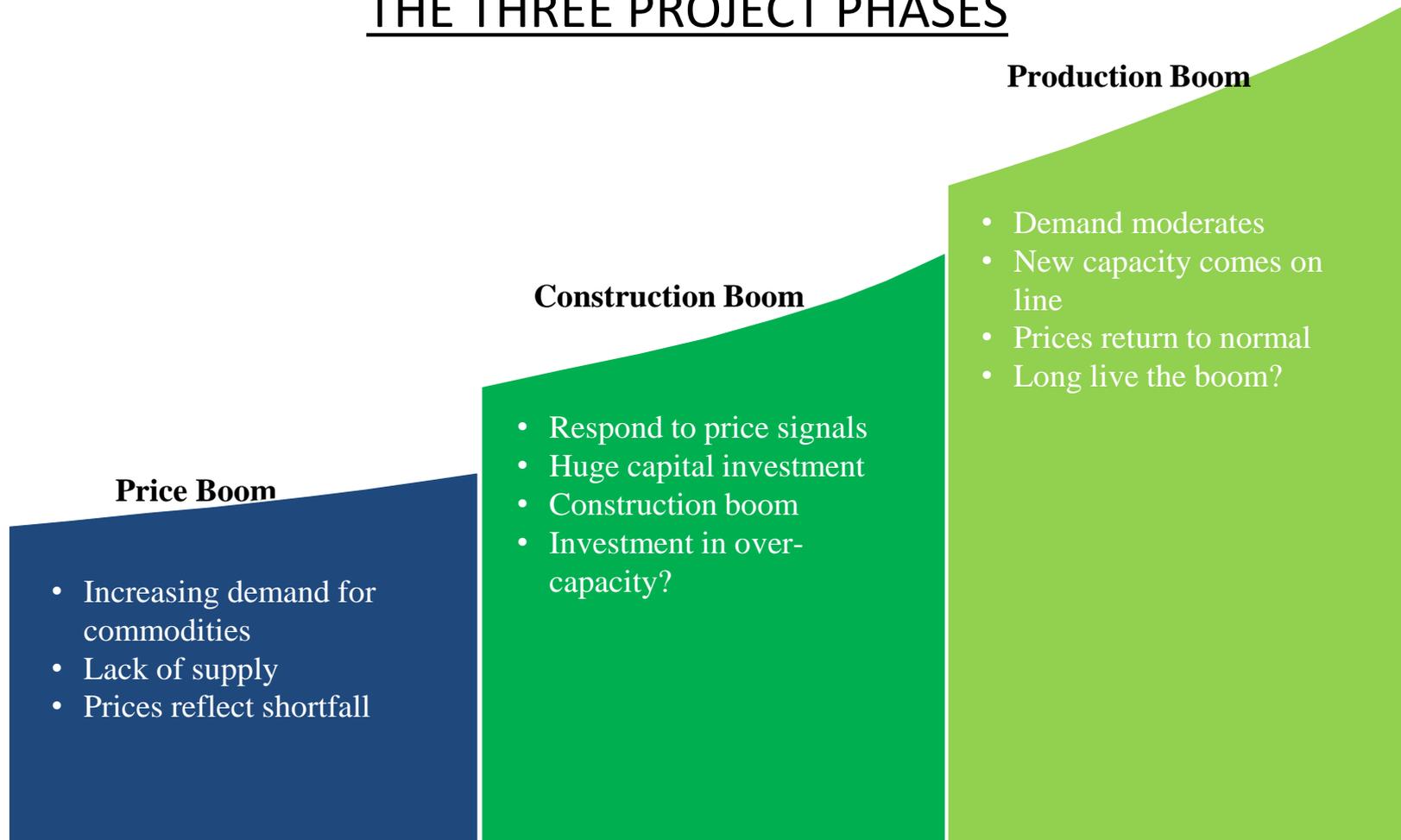
What does the “resources boom” really mean?

What “transition” is the industry now experiencing?

How does productivity come into all this?

Part 1 - Resource Industry Context

THE THREE PROJECT PHASES



Source: Matt Judkins, Partner, Deloitte Access Economics (2014)

Part 1 - Resource Industry Context

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



Part 1 - Resource Industry Context

Lost Project Investment... ..

BHP Olympic Dam Expansion (SA)

- \$5 billion (conservatively)
- ‘Deferred’ in August 2012

Wandoan Coal Mine (QLD)

- \$7 billion
- Cancelled in September 2013

BHP Port Hedland Harbour Expansion (WA)

- \$20 billion
- Cancelled in 2012

Santos gas development (NT)

- \$5 billion
- Cancelled in June 2014

Woodside Browse LNG Project (onshore, WA)

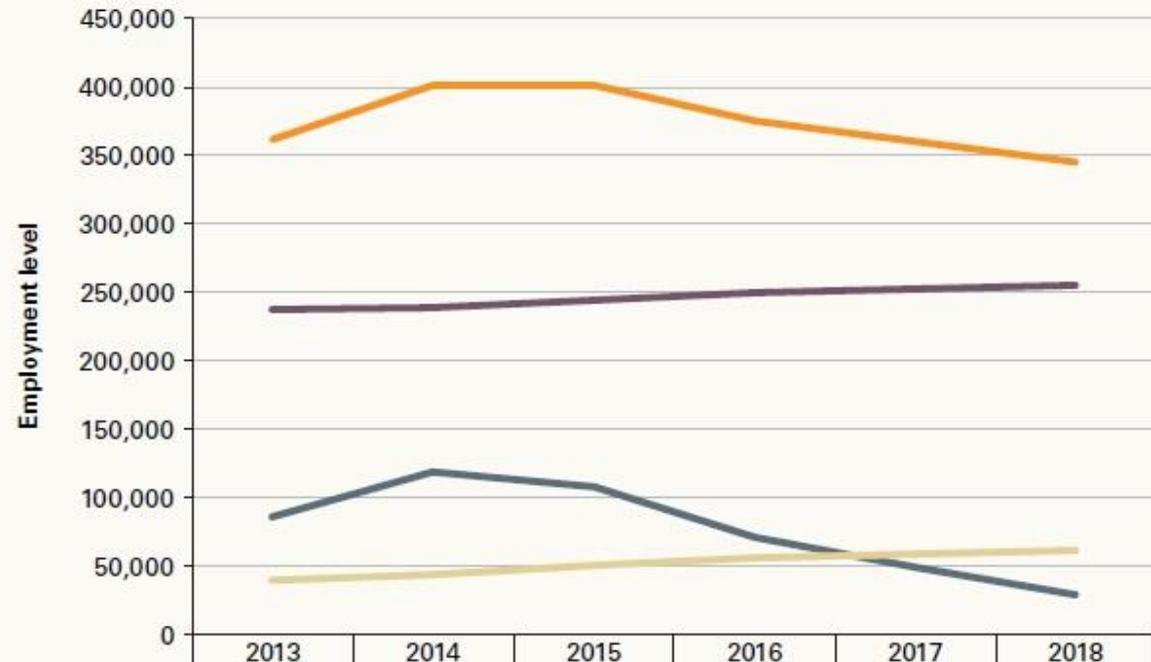
- \$50 billion estimated investment
- Shelved in April 2013

Arrow LNG Pipeline Project (Qld)

- \$10 billion +
- Stalled, under consideration

All exacerbating a much sharper industry transition...

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: DAE, 2013, *Modelling employment demand and supply in the Resources Sector*.

Part 1 - Resource Industry Context

Two Part Productivity Challenge...

1. “The Investment Competitiveness Challenge”

Create a productive and competitive workplace relations platform that best places Australia’s resource industry to secure new global investment opportunities.



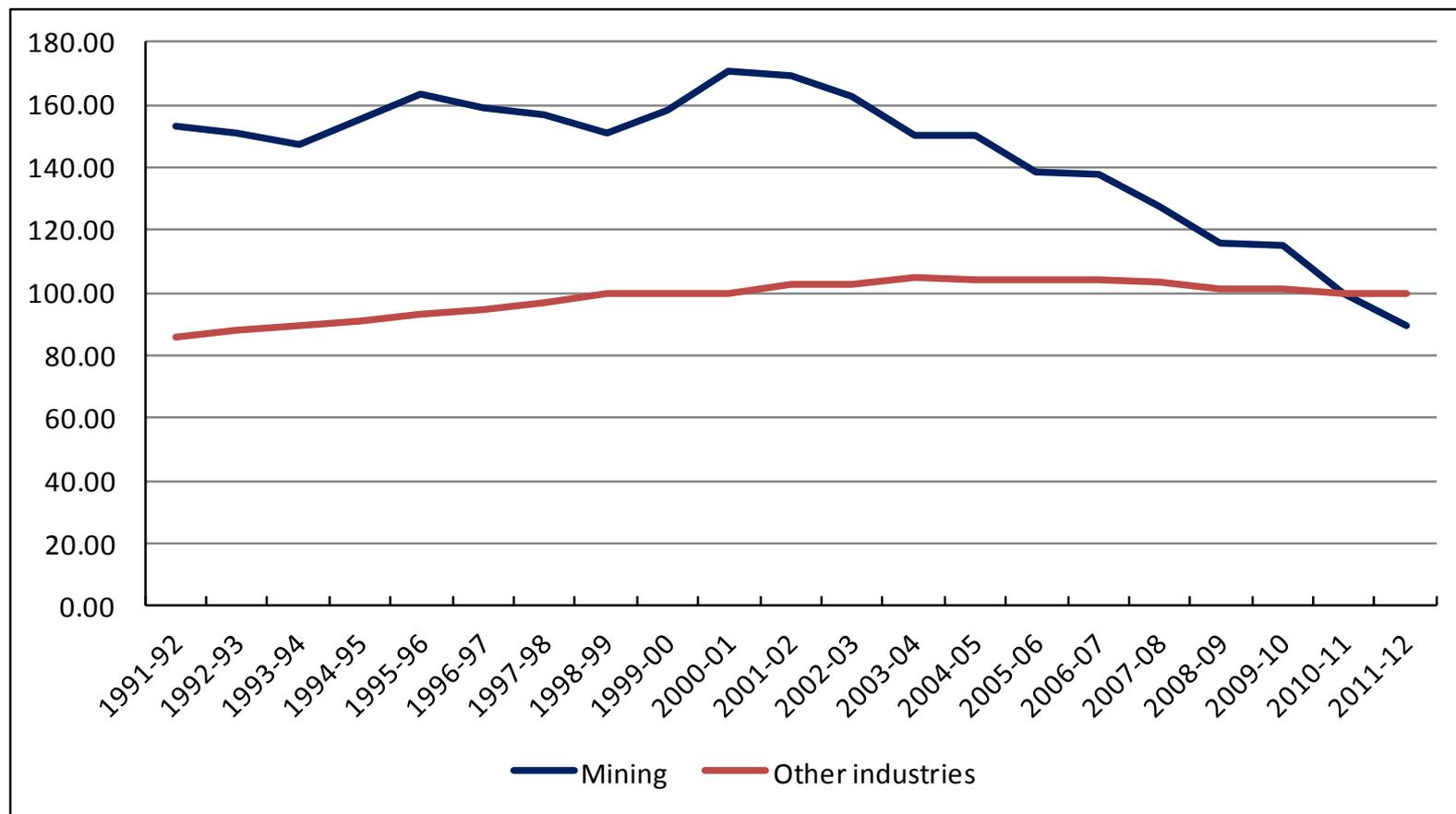
2. “The Production Productivity Challenge”

Ensuring the national rewards to come from an unprecedented production boom are maximised, not hindered by enterprise-level productivity gains.



Part 2 – The Productivity Challenge

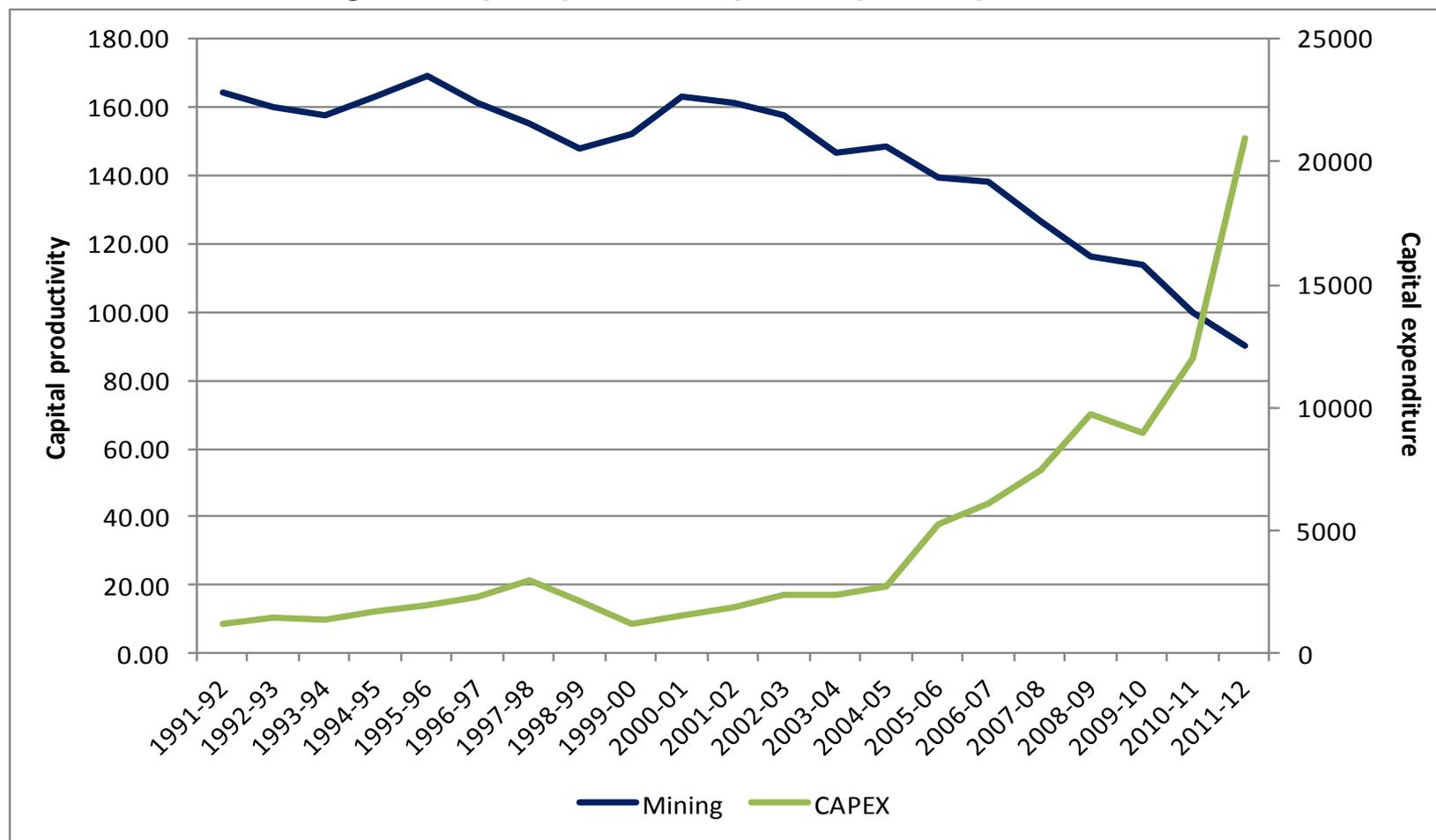
Figure: Multifactor productivity indexes



Data source: ABS 5260.0.55.002 Estimates of Industry Multifactor Productivity, Australia: Detailed Productivity Estimates (Reference year for indexes is 2010-11 = 100.0).

Part 2 – The Productivity Challenge

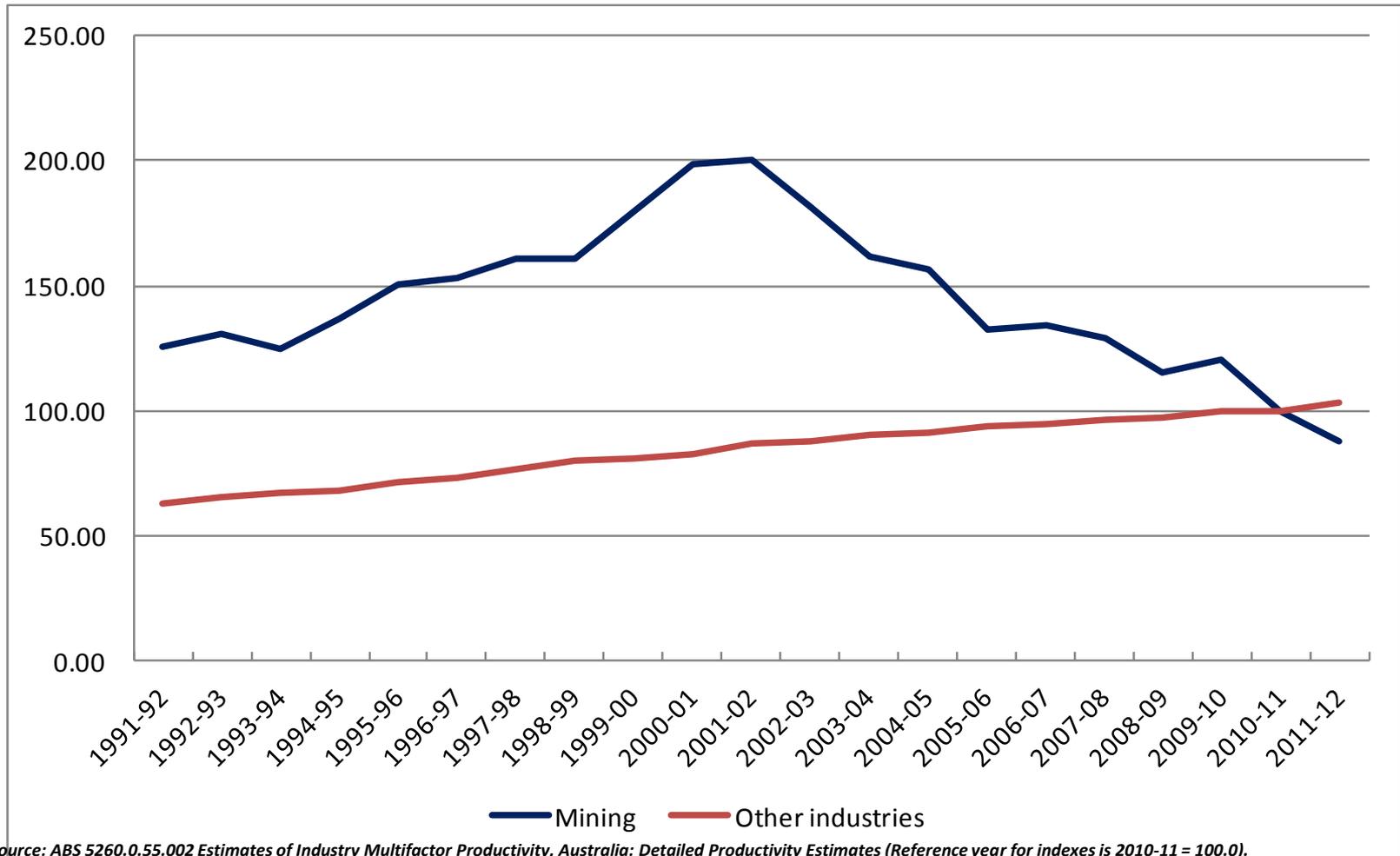
Figure: Capital productivity vs. capital expenditure



Data source: ABS 5625.0 - Private New Capital Expenditure and Expected Expenditure, Australia

Part 2 – The Productivity Challenge

Figure: Labour Productivity Indexes



Data source: ABS 5260.0.55.002 Estimates of Industry Multifactor Productivity, Australia: Detailed Productivity Estimates (Reference year for indexes is 2010-11 = 100.0).

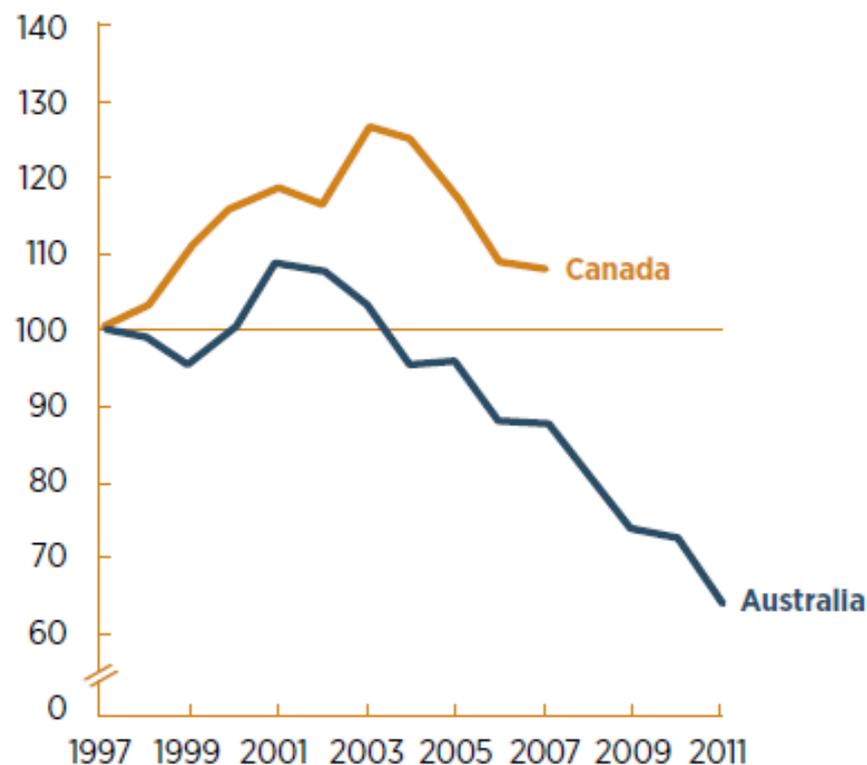
Part 2 – The Productivity Challenge

“There’s no denying that both labour and multifactor productivity have fallen sharply in the mining and utilities sectors over the past decade.”

Saul Eslake (2011), Productivity: The Lost Decade, p229

Part 2 – The Productivity Challenge

THE GLOBAL CONTEXT: Multifactor Productivity – Australia vs. Canada



Source: *'Opportunity at Risk: Regaining our competitive advantage in minerals resources', Port Jackson Partners for the Minerals Council of Australia, September 2012*

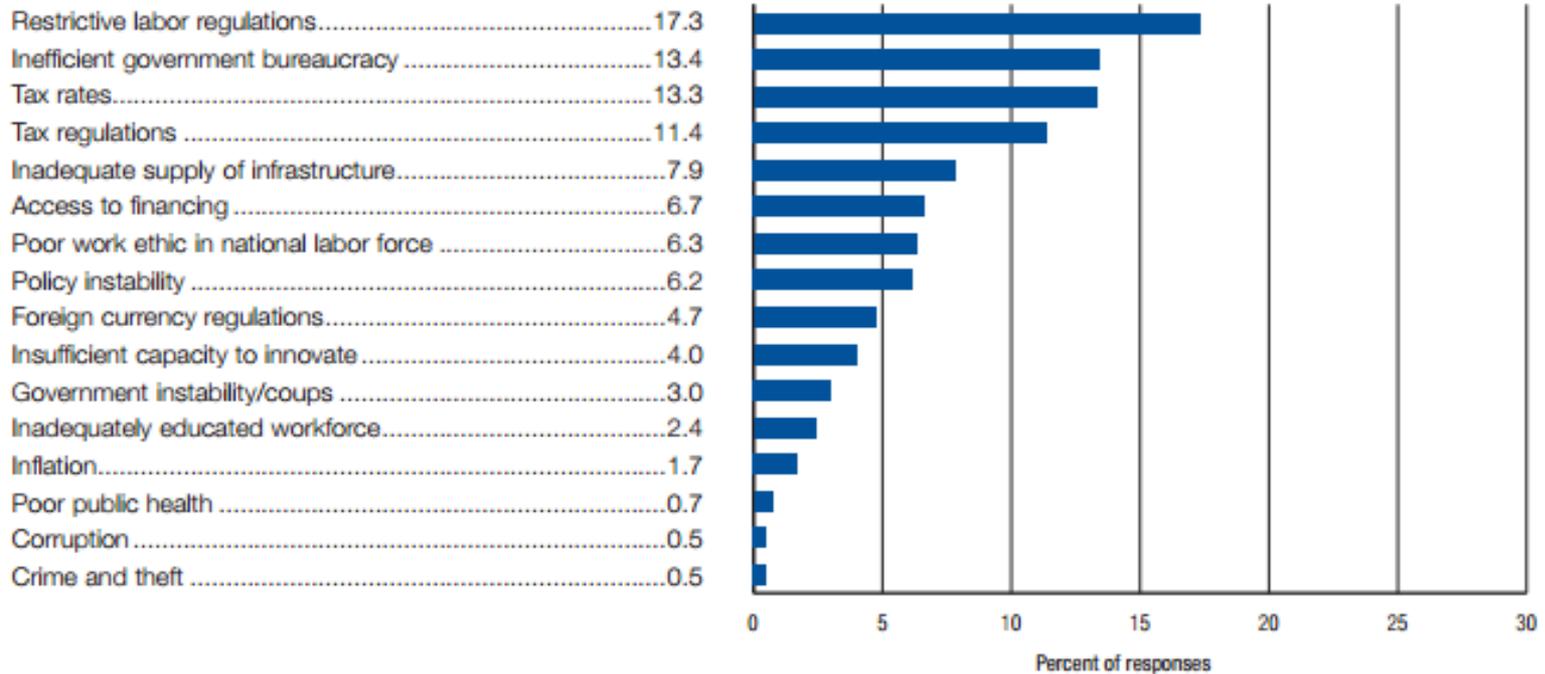
Part 2 – The Productivity Challenge

“Industrial relations regulation is arguably the most crucial [area of regulation] 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

Part 2 – The Productivity Challenge

The most problematic factors for doing business



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

Part 2 – The Productivity Challenge

Australia’s “hit and miss” rankings in international competitiveness

Top 10 Rankings

Efficiency of corporate boards	7th
Stability of banking systems	9th
Intensity of local competition	13th
Quality of scientific research institutions	8th
Marketing sophistication	14th

“Situation Critical”

Cooperation in labour relations	103rd
Flexibility of wage determinations	135th
Hiring and firing practices	137th
Pay and Productivity	113th
Burden of government regulation	128th

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

Part 3 – Non-legislative approaches

How can industry-wide and government efforts, outside of workplace relations laws, better encourage and support productivity increases at the enterprise level?

Part 3 – Non-legislative approaches

Six non-legislative recommendations for productivity increases

	Productivity driver	Initiative
1	Investment	Develop a productivity index to provide baseline data to support the business case for employer investment in employee engagement, process improvements and ICT.
2	Work practices	Research paper on innovative work practices that investigates how rostering schedules can increase productivity at FIFO worksites.
3	Leadership	Rolling out of recent landmark findings to resource employers on the management and leadership drivers of High Performing Workplaces.

Part 3 – Non-legislative approaches

Six non-legislative recommendations for productivity increases

4	Technology	Creation of an inter-industry technology forum that brings together experts and practitioners in logistics, operations and technology from both resource and manufacturing industries to share and cross-fertilize ideas.
5	Bargaining	Placing productivity back on the bargaining agenda through a global study drawing together the '20 most innovative practices' around the globe to reignite the creativity and commitment of employers and employees to address productivity gains in bargaining efforts.
6	Human Capital	The integration of 'enhancing productivity and efficiency' modules into various levels of vocational education and training, in order to instill a productive culture, mindset and relevant skills at a workplace level. The first step would be a scoping study and consideration by national skills authorities.

Part 4 – Legislative Reform

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

What key areas of reform has AMMA advocated?

Part 4 – Legislative Reform

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

Part 4 – Legislative Reform

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**...

Part 4 – Legislative Reform

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%

Note- These Offshore Construction rates include superannuation as well as shared ablution payments and are based on an employee working a full

Part 4 – Legislative Reform

Senior ALP figures weighing into the wages / productivity debate...

"...in some projects we are getting improvements in wages and conditions that I think are unsustainable over time. I think there's a message to all of us, including some elements of the union movement, if they're not very careful some members will do exceptionally well, but future members in 10 and 20 years time will miss out."

Martin Ferguson, 30 May 2012

"We do have to be conscious that unreasonable wage demands do place pressures on projects... we will not see a (new) greenfield, onshore LNG plant in Australia for at least a decade...if we don't address our productivity."

Gary Gray, 27 May 2013

"The union side could begin by conceding that there has been a pattern of unsustainable growth in wages in some isolated parts of the economy. The leap-frog wage outcomes in the offshore sector in particular are not going to be sustainable for the long-term – we could be pricing ourselves out of the market."

Paul Howes, 5 February 2014

Part 4 – Legislative Reform

Six key priority areas for workplace reforms – identified by resource industry employers and advocated by AMMA.



Part 4 – Legislative Reform

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 several key criteria for union site access.
- Effectively opened up resource sites for union recruitment campaigns.
- In 2010, Pluto LNP Project had more than 217 entry requests in just four 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!

Part 4 – Legislative Reform

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’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...”

Part 4 – Legislative Reform

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 parties
- 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

“The impact of workplace relations policy on resource industry productivity”

KEY POINTS

The Productivity Challenge: Addressing Australia’s waning labour productivity will be critical to managing the resource industry’s transitional phase and securing new investment opportunities.

The Global Context: Labour relations is not the only factor affecting productivity, but our nation’s poor industrial system is dragging down our global competitiveness and reform is critical to drive much needed productivity improvements.

The Reform Agenda: The resource industry’s starting points for a productive workplace relations system include new project agreement making; union site entry laws; industrial action; allowable matters; flexibility; and adverse action provisions.

Thank you

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