

# GROOMING THE GOLDEN GOOSE

Keeping Australia's mining shining



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As Australia's resources industry rapidly transitions into a new long-term production phase, Australian Mines and Metals Association (AMMA) Chief Executive Steve Knott discusses how leadership, productivity and workplace relations reform will maximise our new production capacity and create ongoing opportunities for future generations.

It is well accepted that the past decade has not really seen a 'mining boom', but rather a 'construction boom', driven by the sheer unprecedented volume of investment into new resource projects and existing mine expansions.

At its peak in around early 2013, Australia had 73 committed projects with a combined value of \$268 billion. Over the past 12 months and continuing for the next three years, a great deal of these investment projects have finished or will finish construction and enter the production phase.

During this industry transition, the performance and productivity of these new resource projects will be critical to both delivering the greatest returns for our nation and in determining whether more investment capital will find its way to our country. Productivity is central to this, and remains our biggest challenge.

While other Australian industries have experienced steady productivity growth over the past 20 years, Australian Bureau of Statistics' data shows the resource industry has experienced volatility with productivity falling sharply from 2000-01 onwards.

'Multifactor productivity', which accounts for both capital and labour productivity, has fallen by an average annual rate of 4.5%, or by 34% in total during this time.



Tidal mud flats, Derby  
Simon Phelps Photography





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Leadership roles will be critical during the resource industry's transition

Though we can clearly forecast a natural uplift in capital productivity as new resource projects begin producing and expenditure eases, labour productivity – the type we need to achieve long-term multifactor growth – is a major problem for resource enterprises.

Bucking the positive trend in other areas of our economy, labour productivity in the resource industry has been in a sharp decline since FY2001 and is now 60% lower than its peak. This leaves the industry with serious questions about how well and how effectively we work.

## Leadership

The first part in ensuring Australia's resource enterprises are working as productively and effectively as possible is the role of leadership.

There is an argument that over the past decade or so, the price and investment boom has seen Australia's resource industry take its eye off the ball. Whether you agree or not, there is no doubt that our industry's top leaders are not counting

Many of AMMA's larger members in particular operate across dozens of countries with many thousands of employees. While most CEOs of this level are highly attuned to the influence of policy and politics on business, they also understand the regulatory environment is always shifting, evolving and changing.

What does not change is the need for industry leaders to find new, more effective ways to engage with their workforces, to invest in technologies that will help get the best out of their people and to work smarter, not necessarily harder. Importantly, this point is just as critical to junior explorers and medium-sized employers as it is to the multi-nationals.

Significant benefits can flow from enhanced leadership and management capabilities, and our sector in particular can benefit from productivity-oriented leadership and innovation.

However, in a globally-exposed industry, our nation cannot afford to be hampered by ineffective, uncompetitive domestic policies that create barriers and distractions away from



level playing field. The recent repeal of the carbon and mining taxes are certainly a good starting point – but a bigger obstacle we face is workplace relations reform.

### Workplace relations reform

AMMA's role as Australia's resource industry employer group and the voice for workplace relations reform is closely linked to leadership.

The remit of our policy advocacy and lobbying at the highest level of Australia's decision makers is to help create an environment where resource employers can freely innovate, build internal capacities and flexibility, and drive more productive outputs.

It is clear from direct feedback from resource employers in every region and sub-sector across the country that workplace relations reform is absolutely integral to addressing our industry's labour productivity challenge.

The experiences of AMMA members operating under the former Labor government's workplace laws, the *Fair Work Act 2009*, reveal a picture of reduced flexibility, increased union power, productivity being forced 'off the table' in bargaining, project delays and a climate of industrial uncertainty.

We have also seen numerous reports attribute a decline in Australia's international competitiveness to our rigid and overly complex workplace system.

For instance, the 2014-2015 *Global Competitiveness Report*, produced by the World Economic Forum, shows that 25.4% or one in four business leaders have nominated restrictive labour regulation as the single most problematic factor to doing business in Australia.

Unfortunately, the politicised nature of industrial relations debate in Australia continues to see some commentators and interest groups neglect or downplay the impact of the industrial relations framework on productivity.

AMMA has never argued that workplace relations policy and regulation is the sole factor affecting productivity, but it is without doubt a priority issue for policy makers to get right in order to drive much-needed improvements.

We have consulted with our members to identify several key priority areas needing change to restore our sector's competitiveness, and empower resource employers to pursue

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greater productivity in how they organise work, employ technology and innovate through workplace practices.

Encouragingly, we have already seen the government move on some of AMMA's priority reform areas such as addressing the unbalanced bargaining system for new projects that has led to excessive and uncompetitive wage and allowances outcomes.

Other focus areas include restoring a more balanced, sensible and safety-oriented set of rules and criteria for union officials seeking to enter a workplace. We are also working to reintroduce real flexibility to resource workplaces, which was achieved to great mutual benefit for employers and employees under previous workplace laws.

These areas of workplace reform are just the beginning in ensuring our employment laws properly support the aspirations and success of Australian businesses and the broader community.

AMMA continues to combine our research and advocacy with practical workplace experiences of employers to ensure our sector can influence positive policy outcomes as the Abbott government tackles these reform and deregulation challenges.

Looking long and hard at our workplace relations laws is certainly not the 'be all and end all' in addressing our wider national labour productivity challenge, but workplace reform must be at the heart of our efforts to assist in more effective leadership and productive outcomes.

The record new project investment our sector has secured over the past decade has ensured the resource industry's production prosperity has decades to play out. But we must not rest on our laurels while there is potential to attract more global investment that will fuel the next wave of new resource projects and bring further jobs and economic value to this country.

Iron  
spirit



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