



## **AMPAC Summit 2013**

### **(Australian Mining Productivity and Competitiveness Summit 2012)**

9 – 11 April, 2013

#### **Chairman's Introduction: (Also as a YouTube link [here](#))**

- I'm Ron Manners. Our family business, Mannwest Group has been serving the Western Australian mining industry since 1895 - (that's 6 years before Australia had a flag or a Constitution). So, that explains my longer term concern of where the country is heading.

My concern reaches further than the political election cycle, and that's why we are all here today as we express alarm about Australia's serious slippage in competitiveness and productivity. (A 50% drop since 2000, as we heard at an AusIMM lecture last night.)

On Saturday, just off the plane from Melbourne, I went straight to the home of Gary Gray, the recently appointed Federal Minister for Resources.

Gary is held in extremely high regard and I explained to him the purpose of this AMPAC Summit and I asked him if he was as alarmed about Australia's slippage in competitiveness and productivity, as I am.

Gary said, he certainly is alarmed.

My next question to him was, "What are your priorities to improve our competitiveness?"

Without any hesitation he hit me with these three points:-

1. We need to get a major project up and running quickly, for instance the Roy Hill Project.

Australia has seen too many major projects put on hold because of our inability to bring them in on time and on budget.

So we must do something quickly to remedy our current inability to do so.

There will be huge costs to future generations if we don't get these major projects up and running.

2. He said he is dedicated to getting the # 457 visas widely accepted and operating well.

He knows the industry cannot operate without # 457 visas.

3. His third promise was that there will be no surprises during his time in that portfolio.

This will be a relief to industry as we generally want barriers removed, rather than see more impediments placed in our pathway. Political surprises are never seen as good news.

On a personal point of view, if a Chairman is permitted to have an opinion, it is that one of our major impediments is that all sectors of the community have been stepping outside their legitimate tasks and doing immeasurable damage by doing so. Let me just mention these briefly.

- Governments, at all level, have lost track of the legitimate functions on why governments were set up in the first place.

Government's role is to protect its citizens' lives and property against external forces and internal criminals, and to act as a referee and maintain an efficient form of dispute resolution between us all.

Not much else beyond that.

Unfortunately, our governments, Federal, State and Local have allowed themselves to be suckered into all sorts of vote buying exercises to the point that the cost of government sits heavily on our shoulders and prevents us from being competitive and productive.

One simple little example is 'foreign aid'.

There are 1,500 public servants, in Canberra, busily writing out cheques and thinking of new ways of spending your money on dubious foreign aid products.

They have actually allowed the United Nations to dictate Australia's levels of foreign aid, so they have even relinquished their responsibility in this matter.

In reality Australia cannot even pay its way at the moment, hence our national deficit, so we are really borrowing money from overseas to send it back as foreign aid.

However, future generations of Australians will not thank us when they have to repay these loans.

Don't get me started on the level of government burden destroying our competitiveness and productivity.

- The Labour Unions have similarly lost track of why they were set up initially.

There are many truly economic functions that labour unions can perform, and they were initially set up for this purpose.

Unions were set up as voluntary groups organized to help their members increase their production and thereby their contributions to society.

Their chief purpose was to raise the standards of workmanship and production. That would make them a force for the general economic good of society as well as for their members.

In a free and moral society they would have continued on that path without resorting to compulsion, bullying and thuggery.

Many union initiatives have adversely affected our productivity and competitiveness.

Many of those responsible for these actions have, later in their lives, apologized for such restrictive legislation.

For example, Clyde Cameron, the former Labor Minister responsible for introducing holiday pay loadings made a public statement in 1991, and I'll quote him, "I'm responsible for it and I feel bloody stupid."

- Again, similarly, big business has lost sight of their role in the community and they are as much of a problem as governments and labour unions.

One of Australia's most respected investigative journalists, Robert Gottliebsen, ran a series of articles in *Business Spectator*, last December in which he 'drilled' very deeply into Australia's serious productive and competitive crisis.

Let me quote from his Dec. 5<sup>th</sup>, 2012 article and these are his words:

### **“Miners must fess up on IR dirt**

It's time for the chief executives of Chevron, BHP Billiton, Rio Tinto and all the major players in the Western Australian mineral resources construction boom to confess that their mistakes have been as responsible as the unions and the federal government for the productivity debacle which will mothball most future mine projects.

Until the CEOs admit their mistakes there can be no start on improving mine construction productivity. When that happens perhaps we can get the federal government and the unions to accept their share of the responsibility for the bad productivity – the consensus that Resources Minister Martin Ferguson is trying to bring about.

The most outspoken critic of Australian mining construction worker productivity is Chevron boss in Australia, Roy Krzywosinski, who says that Australian workers are 60 per cent less productive than their US counterparts – which has contributed to big cost blowouts in a string of mining projects lead by Chevron's giant Gorgon project, including its Wheatstone LNG plant near Onslow.

But Krzywosinski did not take personal responsibility for his share of the cost blowout although, in fairness, his mistakes have been no worse than most of the other mining CEOs.

This week across my desk came a disastrous 30-page document – the April 2010 WA Chamber of Commerce and Industry agreement titled ‘Employee Relations Information for Contractors Working on Wheatstone Project LNG Plant’.

The document was issued to all Chevron’s construction contractors, and it states that its purpose is to "assist contractors in preparing their tenders in respect to employee relations issues and conditions of employment”.

In fairness to Chevron and Krzywosinski, most miners have used either WA Chamber of Commerce agreements or other agreements designed by consultants in the Western Australia industrial relations club. Similar things have happened in Queensland. The agreements made it inevitable that productivity would slump and that costs would blow out.

As I understand it some miners used similar agreements during the Howard years when they would have been illegal.

The idea was that the agreements would prevent industrial disputes at times when the miners were exposed. Given the high level of construction activity and the government’s industrial relations legislation, which gave enormous powers to the unions, this was a real risk.

I can therefore understand the motivation but the CEOs were signing a one-way ticket to a productivity disaster that would destroy the mineral construction boom.

Chevron’s Wheatstone document was issued to all construction contractors, and it states that its purpose is to "assist contractors in preparing their tenders in respect to employee relations issues and conditions of employment”. The document contains wage rates; allowances; hours of work arrangements, including rest and meal breaks; penalty rates and shift loadings; mobilisation and demobilisation arrangements; redundancy and severance benefits; leave benefits; superannuation; income protection cover details; protective clothing issue and the rest and recreation leave cycle.

In effect, the WA Chamber, acting on behalf of Chevron and Krzywosinski, was instructing Chevron’s prospective contractors on every detail of the terms and conditions of employment which would apply on the Wheatstone Project.

Every contractor who tendered for the project used identical labour cost and work place assumptions, as dictated by the client.

No contractors were involved in the development and negotiation of those base terms and conditions. The end result was inevitable – a constant stream of concessions to the unions rarely balanced by productivity concessions.

If you want labour productivity anywhere in the world the CEOs have to roll up their sleeves and get involved. They can’t delegate such a vital task to chambers of commerce or industrial relations consultants.

This is the polar opposite to the enterprise bargaining principles and practices that have characterised Australian industrial relations since the Structural Efficiency Principle was handed down by the AIRC in the 1989 National Wage Case.

The Western Australia model ensures that the contractors do not have to compete or be innovative when it comes to industrial and employee relations because there is no ability to do anything differently – which is how productivity is generated.

Wheatstone and other projects became a simple cost plus agreement.

It is not going to be easy to wind all this back as Ferguson is trying to do. We may have to wait until there is virtually no mining construction work in Western Australia.

In the meantime there can be no improvement until CEOs like Roy Krzywosinski admit that signing agreements like Wheatstone was a mistake, which they would not have made had they been operating in the US. And of course these mistakes along with the actions of the federal government and the unions mean the nation will suffer.” *(End of quote.)*

Ladies & gentlemen it is against this backdrop that we, as speakers and delegates tackle this mammoth task of compiling a list of urgent action required to get Australia back into business. As I’ve explained, leadership will not come from Government, Labour Unions or Big Business, so it must come from knowledgeable activists such as yourselves.

Also as YouTube link [here](#)

Ron Manners.