

25 September 2015

Peter Harris AO  
Chairman  
Productivity Commission  
Level 2, 15 Moore Street  
CANBERRA ACT 2600

**Chamber of Minerals and Energy of Western Australia – response to Workplace Relations Inquiry Draft Report**

Dear Mr Harris

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia funded by its member companies, which generate 95 per cent of the value of all mineral and energy production and employ 80 per cent of the resources sector workforce in the state. CME welcomes the opportunity to comment on the ongoing Productivity Commission public inquiry into the Workplace Relations Framework.

To drive organisations and an industry which can be competitive, the workplace relations system must: foster innovation and employment opportunities, ensure confidence to investors to back new projects, feature clarity for all parties, and reflect the current and future needs of the economy.

The Inquiry's recently released Draft Report examines a number of key issues for the workplace relations sector, which have a significant impact on the Western Australian resources sector. In particular, CME supports the current direction of the Productivity Commission canvassed in the Draft Report, specifically:

- The Fair Work Commission should be revitalised as a modern regulator and the need for a better appointment process for Fair Work Commissioners and reviews of members' performance.
- Complexity in the workplace relations system can be stripped out and flexibility in agreement making can be implemented.
- Current bargaining arrangements for greenfields agreements poses risks for large capital-intensive projects with urgent timelines and suggests greenfield agreements should be subject to good faith bargaining requirements, be subject to a no disadvantage test and have a nominal expiry date of up to five years or be matched to the life of a greenfields project.
- The take up of individual flexibility agreements is low and there is need for a new form of agreement to fill the gap between enterprise agreements and individual arrangements to offer the advantages of enterprise agreements without the complexities.
- Employer procedural errors in unfair dismissal claims should not lead to reinstatement of, or compensation for, former employees.
- Strike action should be seen as a genuine last resort and unlawful industrial action should be penalised in a way that better reflects the costs inflicted on employers and the community.
- The need for limiting union right of entry to a more reasonable standard.

The commodities mined and extracted by the Western Australian resources sector are bought and sold in a global market. Ensuring there is a modern workplace relations system, appropriate for contemporary industry is essential to ensure the Western Australian resources sector can compete on the global stage.

At present, the cost of doing business in Australia is hampering further development for the resources sector. This is illustrated by Australian iron ore industry wages being 21 per cent higher than the

global average; Australian resources construction wages rising 2.5 times the national average from 2001-12; and liquefied natural gas production costs being 26-30 per cent higher than like competitor Canada<sup>1</sup>.

Analysis undertaken by KPMG for the Australian Mines and Metals Association (AMMA) indicates up to an additional \$30.9b in GDP for Australia could be earned if changes recommended by the resource industry are adopted<sup>2</sup>. This would be generated as a result of productivity gains and an increase in investment in the sector. It does not include the flow-on benefits for other industries which could be also be generated due to these changes.

The aforementioned issues addressed by the Draft Report go a way to moving the workplace relations system to a place that can better facilitate modern business. While CME welcomes the Draft Report and anticipates the final report setting out a road map for reform aligned to driving the economy forward, further changes, as recommended by AMMA, will be required to ensure the resources sector can operate to its full potential.

If you need further information from CME throughout the Inquiry, please do not hesitate to contact Emmanuel Hondros, Manager, People Strategies

Yours sincerely,

**Nicole Roocke**  
Deputy Chief Executive

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<sup>1</sup> KPMG, *Workplace Relations and the Competitiveness Of The Australian Resources Sector*, 2015, pp8-9

<sup>2</sup> Ibid, p14.