INDUSTRY COMMISSION INTO THE
BLACK COAL INDUSTRY

SUBMISSION
FROM
CAMBERWELL COAL PTY LIMITED

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1. INTRODUCTION

Camberwell Coal Pty Limited operates a medium sized open cut coal mine which currently employs 200 people. Camberwell is situated approximately 8 km north west of Singleton in the Hunter Valley.

Camberwell Coal Pty Limited is the Manager of the Camberwell Coal Joint Venture consisting of 50% Australian Ownership through Navidale Pty Limited, an associate of Henry Walker Group Limited a medium sized Australian company and 50% Japanese Ownership through Toyota Tsusho Mining (Australia) Pty Limited (40%) and Dia Coal Mining Australia Pty Limited (10%).

The joint venture was formed in 1989 and the construction of the infrastructure including a **Coal** Handling and Preparation Plant commenced in April 1990. Coal mining and coal preparation commenced in March of 1991.

Camberwell Coal sells all of its coal on the export market and expects to sell approximately 2.0MT in CY1997, increasing to 2.2MT in CY1998. We service the following world markets:

Japan	JSM	900, 000	tpa
	PU	200, 000	tpa
Taiwan		800, 000	tpa
Other		100, 000	tpa
Total		2,000,000	

Camberwell Coal sells about 55% of its output into Japan at "benchmark prices" of about US$40.00/tonne to the Japanese Steel Mills (90O,000 tpa) and about US$38.00/tonne to the Japanese Power Utilities (200,000 spa).

About 40% of our output is sold into Taiwan Power Company at equivalent to "benchmark prices" of about $38.00/tonne with the remaining 5% of our output sold as either a domestic sale to other exporters or exported as thermal coal sold at spot prices.

The coal market is currently undergoing significant change.

In the past, prices to the Japanese Steel Mills (JSM) and the Japanese Power Utilities (JPU) were decided by negotiations carried out between a "champion negotiator" representing the buyer and the seller. The "champion negotiator" from each side was usually the biggest buyer/supplier. For example, Chubu Electric has been the negotiator on behalf of the JPU, and Drayton, Ulan and MIM as the biggest suppliers to Chubu were the lead negotiators from the Australian side. The prices decided at these negotiations then flowed on to other Australian suppliers. This system is referred to as the "Benchmark Pricing System". The result of this system was that Japan was paying the highest prices for Australian coal.

Two years ago, the JSM scrapped the benchmark system, and each steel mill now conducts an individual price negotiation with each of its suppliers. Camberwell supplies all six major steel mills and has a different price for each mill, whereas 2 years ago our price was the same for each mill. Tonnage supplied to some mills has increased and dropped to others.

About the same time, Taiwan Power Company moved to a system of awarding long term thermal contracts on the basis of the lowest price bid for year one of the contract. Subsequent years were priced at "Japanese Benchmark". Through this system, Taipower was able to secure coal in the first year of a 5 - 7 year contract at discounts of up to US$ 15/tonne in the first year. Effectively the discount spread out over the life of the contract was equivalent to a discount of about US$3/tonne from the Japanese Benchmark. Taipower also moved to a purchasing system which combined long term contracts supplying about 80% (70-90%) of their requirements (20 Mtpa) and a 3 month open tender system supplying about 20% (10-30%) of their requirements. The 3 month tenders are conducted on a world wide basis - effectively, Taipower puts about one million tonnes up for tender every 3 months, which gives a good indication of the spot price prevailing at the time of the tender. The combination of Taipower’s system of awarding long term contracts and 3 month spot tenders, means that they have been purchasing coal at a significant discount to the JPU.

The Japanese power utilities, threatened by the development of IPP’s (Independent Power Utilities) in Japan, have realised that they are paying too much for their coal compared to other power utilities in Asia. They are therefore moving rapidly towards use of the spot tender system, and in 1996 about 5% of their coal was purchased at open or closed spot tender. This has increased to about 50% in 1997 and for the first time Chubu Electric will use a formal tender system to decide the award of long term contracts commending in April 1998.

The introduction of the tender system for deciding the award of long term contracts and the use of 3 monthly spot tenders to purchase up to 30% of coal requirements has put Australian thermal coal under intense competition from low cost producers such as Indonesia, China and South Africa. In the last 10 years exports of thermal coal from Indonesia have risen from about 1 Mtpa to 36 Mtpa and they are expected to further increase to 50 - 60 Mtpa by the year 2005.

Market movements are determined by intense competition from low cost producers in South Africa, Indonesia, South America and China. We must win sales in our markets against aggressive competition from these low cost producers. We therefore must have a cost structure that is internationally competitive

In our six years of operation as a result of our Enterprise Agreement and the positive attitudes of our team members, Camberwell has been able to achieve a productivity level up to 50% higher than the NSW state average for open cut coal mines. However, as our strip ratio has increased to about 10 BCM/clean tonne (industry average 6-7) our clean coal productivity has declined to about 10000 clean tonnes per person per year about 10% above industry averages. At the same time we have been able to achieve one of the best safety performances in the industry (LTIFR since the start of operation 9.5) and a low level of unplanned absence (approx 1% excluding time lost due to strikes).

However, despite all of the good things that have been achieved in our first six years of operation, our shareholders are not receiving an acceptable return on their investment. The earnings before interest and tax expressed as a percentage return on the net non current assets employed has averaged 4.58% for the first 6 years which is lower than the Ten Year Bond Rate. To compensate them for the financial risk involved in the coal mining industry our shareholders are looking for a return of about 7-10% above the Ten Year Bond Rate.

Our labour costs per tonne clean coal produced were initially significantly below NSW open cut industry averages. However, because of our increasing strip ratio they have risen to about industry average. Reductions are possible but these are dependent on achieving significant chances to district and national union policies. We must also look at other areas to achieve

significant cost reduction, e.g. rail freight rates and other government and semi government charges such as royalties, payroll tax and diesel fuel excise offer the best potential for major cost reduction. The diesel fuel excise rebate must be maintained, as removal of it would increase our costs by about $2 per tonne.

Therefore, in our opinion, the major problem facing thermal and semi soft coking coal producers in the Australian coal industry is:

"HOW DO WE REDUCE OUR (COST STRUCTURE TO
REGAIN OUR COMPETITIVE POSITION? "

This is vitally important for thermal and semi soft coking coal producers in the Hunter Valley like Camberwell, because there is intense competition from low cost producers such as China, Indonesia, South America and South Africa. There is not the same degree of competition on price in the hard coking coal market because Australia's main competitors are US and Canadian producers with similar cost structures.

The following issues have been identified by Camberwell Coal Pty Limited as the key impediments preventing us from reducing our cost structure thereby achieving an internationally competitive operation offering a reasonable return on investment for our shareholders. They are listed for your consideration:

A. * Rail Freight

Rail freight represents about 15% of our FOB T cash cost. Despite recent reductions when compared on the basis of cents per net tonne km Hunter Valley rail freights are not internationally competitive. The B.I.E. has estimated they are up to 60% higher than World's Best Practice (WBP). They contain a significant component of monopoly profit (as much as $3/t in CBW's case). The NSW Government has undertaken to phase this out over 5 years - the industry cannot wait that long. The charges recently introduced for access to the rail track under the Rail Access Regime are excessive because of the use of a low commercial rate of return and an inflated asset base.

A fuel excise is imposed on diesel fuel used in rail haulage, whereas diesel fuel actually used in the mining operation is not subject to the excise. Diesel fuel represents one of the largest cash operating cost elements in the rail haulage operation and the diesel fuel excise effectively doubles the cost per litre of fuel. While the SRA has not quantified the freight reductions resulting from removal of the excise they have undertaken to pass on to the industry all the benefits resulting from the removal of the diesel fuel excise. Elimination of the diesel fuel excise would therefore significantly improve our competitive position.

B. * Industrial Relations
labour costs represent
{ - 35% of FOR cash cost
{ - 25% of FOBT cash cost

it is therefore vitally important that our work practices are efficient and cost effective

C. * Government Charges

. payroll tax 7% - a tax on the second largest input into our cost structure adds about 63 cents per tonne.

royalties - $1. 70/t }'
super royalty - $0. 50/t } not related to profit

The super royalty applies only to open cut mines and was introduced in the late 1970's when the coal industry was booming, and when open cut mines were seen as being particularly profitable. Circumstances have changed and the super royalty can no longer be justified, particularly to mines like Camberwell with high strip ratios.

fuel excise on diesel fuel for rail haulage and stockpile dozing increases our railfreight rate and our costs for stockpiling coal and loading trains.

mine subsidence levy imposed on open cut coal mines increase our costs. Mine subsidence is a cost directly related to underground mining. In 1997 Camberwell expects to pay about $102, 000 in Mine Subsidence levies.

insurance premiums contain a fire service levy amounting in Camberwell's case to about $63,209 per year. However, coal mines must provide their own industry based fire and rescue service of which Camberwell's share is about $88. 000 Pa. There is therefore an element of dunIication of costs.

D. * Local Government Charges
council rates are very high, particularly in the Singleton Shire.

Camberwell expects to pay about $74, 000 in rates in 199 7 to Singleton Shire (4 cents per tonne) but receives little in return.

the coal mining rate in Singleton is 5.23 times the average of all other rates in the Shire.

E. * Government Regulation

mining coal in an open cut coal mine is no different to open cut mining for metals such as copper, lead, zinc etc. or for constructions materials (e.g. crushed aggregate). However we must work under the Coal Mines Regulation Act which is very restrictive.

. the requirement to use Statutory Officials under the CMRA prevents us from using experienced staff from other open cut sectors and from adopting a team leader concept in the mine, as we must use qualified Open Cut Examiners as supervisors in the mine. This restriction prevents us from introducing supervisors from other areas of the mining industry.

Elimination or rationalisation of government charges is estimated to have the following benefit for Camberwell.

- removal of excess profit from rail access charge

and monopoly profit component $2.00
removal of payroll tax .63
removal of open cut super royalty .50
removal of fuel excise on diesel fuel used in rail haulage *
removal of mine subsidence levy .06
removal of fire service levy from insurance premiums .03
reduction in Council Rates from Mining Rate to Business Rate .03

Overall Reduction Approximately $3.00 per tonne + benefit from elimination of diesel fuel excise

* to be quantified by Freight Corp.

A reduction of this magnitude would help us to compete with low cost producers from South Africa, Indonesia, South America and China and it is necessary to ensure that we make an adequate return on the capital invested.

2. General

Camberwell Coal Pty Limited is one of the few companies in the Coal Industry to have their own separate award. The award was negotiated with the CFMEU who have sole coverage of the production and engineering streams on our site.

In today's industrial climate which promotes the use of direct bargaining with employees, having a separate award away from the industry's influences should have been a positive influence. This has not always proved to be the case because both in the negotiation and re-negotiation of our award we have been prevented from introducing measures to improve our business competitiveness by the current bureaucratic structure of the union.

In order for us to achieve any changes to the current industry practices, issues that we negotiate with our employees are subject to further scrutiny and ratification by the District Branch of the Union. In most instances this stifles productive negotiation with our employees as they know that many issues are opposed to District or National Policy. They are reluctant to consider issues that may incur repercussion from the officials of the union.

Unions within the industry need to realise that for the industry and the individuals within it to become and remain world competitive, companies need to be able to negotiate agreements that suit the particular requirements of the business.

Tradition, Sentiment, Custom and Practice can no longer play a part. Companies need to be able to directly negotiate conditions and working practices with their employees to ensure that the enterprise remains competitive and is generating an adequate return for the Shareholders (to give them confidence to provide future capital investment) and the employees need to be confident of their own security of employment.

LABOUR COSTS

Labour costs at Camberwell form 35% of our total on site cash production costs and 25 % of the total cash cost to deliver coal into the ship. This is a significantly higher proportion of the cost structure than that of our nearest competitors in world markets - Indonesia. South America. China and South Africa.

We are not advocating that Australian wages should drop to the low levels of our competitors. We are however saying that because our unit costs for labour are so high then our labour practices must be the most efficient and cost effective in the world which is not the case at present. We are also suggesting that there are a number of areas where significant savings could be introduced by setting aside some of the more favourable award and above award conditions that exist within the industry which were introduced in more favourable market circumstances than is faced by the industry at present.

Wage levels in the coal industry are significantly above community standards. For example, the average gross earnings for CFMEU members employed for a full 12 month period in the year ending June 1997 were,

5 Panel Employee (7 Day Roster) $103,781.59

Mon-Fri Employee (5 day week) $83,546.23

In addition, our employees enjoy conditions that are significantly above community standards.

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	Coal Industry	General Industry
Annual Leave	5 weeks	4 weeks
LSL	13 weeks after 8 years	13 weeks after 12 - 15 years
Superannuation	approx 14-17 %	6-7 %
Sick Leave	15 days	8 - 10 days

Certainly the time has come where higher wages and improved conditions cannot be bargained for changes to improve productivity. These changes must come without any increase in pay rates or conditions so that productivity increases lead to an immediate reduction in unit costs. This change in philosophy is necessary just so we can survive.

4 INDUSTRIAL RELATIONS ISSUES

The following IR issues are those identified to have an impact on Camberwell’s operations. Another section relating to generic Coal Industry issues is discussed in section 6.

Base Wage Rates -

Base wage rates for miners are significantly higher than that of the Australian workforce with similar skill levels. We have an enterprise specific award which has wage rates significantly in excess of the base award rates (inclusive of all allowances).

Generous Leave Provisions -

3 weeks’ paid sick leave which is cumulative and is paid out on termination for retrenchment/retirement. General Industry standard in Australia is 8 - 10 days.

5 weeks' annual leave for Monday to Friday workers. General industry standard is 4 weeks.

6 weeks' annual leave for continuous shift **roster** workers. General industry standard is 5 weeks.

13 weeks long service after 8 years' service which is portable in the industry. General industry standard is 13 weeks after 15 years service which is not portable in the industry.

35 hour week -

As opposed to 38 hour or 40 hour weeks which exist currently in most industries in Australia, and 40 hour weeks enjoyed by our international competitors.

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30 Divisor -

On weekends and Public Holidays we are subject to an increased penalty as the hourly rate for overtime purposes is the base rate divided by 30 rather than 35 thus giving an inflated hourly rate. To our knowledge this provision does not exist in any other industry. Effectively this means that the hourly rate paid for any time worked at the weekend is 233.3 % of the ordinary time rate for hours worked Monday to Friday (e.g. ordinary time hourly rate of $20.00/hour becomes a rate of $46.67 for all hours worked at weekends).

Production Bonus -

Originally introduced in the industry as an incentive for miners to produce coal. It has now effectively become an over-award payment as all mines are expected to offer a bonus system that pays at least the "District Average", even if the mine is itself not profitable. We currently pay a flat bonus of $300 per week regardless of profit or production. If a bonus system is to continue its replacement should be in the form of profit sharing which comes into effect when acceptable returns on the investment are achieved.

Rosters

Award provisions are general in respect to this clause, custom and practice and subsequent decisions of the Coal Industry Tribunal have reinforced that if companies wish to work 7 days per week 24 hours per day in the Northern District then we must work a 5 panel roster (that is 5 complete crews are required). This has a significant extra cost because of increased manning levels and penalty rates associated with the roster. In Queensland, Coal Mines are able to operate a more cost effective 4 panel roster (i.e. 4 complete crews) to cover 7 days per week, 24 hour per day operations.

Effectively the 5 panel roster means that Hunter Valley mines must employ 20% more people to maintain a 24 hour per day, 7 day per week operation than our competitors in Queensland or overseas. Of the 35.7 hours worked per week in the 5 panel roster, only 24 hours are paid at single time with the remaining hours paid at least at double time (higher on weekends).We would like to introduce a 4 panel 12 hour shift roster as this would allow us much more flexible allocation of our labour. The current system greatly increases the costs of employing labour to man equipment 24 hours per day, 7 days per week, particularly for shovel truck operations common in the Hunter Valley. In fact, the high cost of labour for continuous operation is a strong dis-incentive to the employment of more labour. As a result high cost equipment is under-utilised further adding to our cost structure

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Shift Allowances -

Night shift employees (other than those on permanent night shift) are only entitled to 15% loading (award provision). We pay employees 25 % loading for night shift because of "custom and practice". Shift allowances must also be applied to overtime worked Monday to Friday and at weekends - effectively creating a situation where penalties apply to penalty rates which is foreign to the situation prevailing in other industries.

Paid Shower Time -

approximately 10-15 minutes paid at double time must be allowed for shower or tolerance time at the end of each shift. The cost is approximately $2000 per annum per person

Overtime -

The award provision prescribes that the first three hours should be at time and a half and thereafter double time. This is comparable with other industries. When our enterprise award was negotiated the custom and practice in the district was double time for all overtime.

There is a district limitation that provides for a maximum number of hours to be worked in any one week to be no more than 51 hours (35 hours ordinary plus 16 hours overtime).This does not allow our employees to work in excess of these hours if they wish to

Also there is a restriction on how this overtime can be worked -it must be worked in "blocks". E.g.

Employees are only able to work one shift of overtime per week. The number of hours is not counted in this instance and if an employee only works two hours then that constitutes his overtime "shift" for the week. This leads to people not working overtime unless they are offered an ~ hour shift which often does not suit the needs of the business.

A further restrictive practice is the inability to access 7 day roster workers to work overtime on their rostered days off.

National & District Stoppages -

Often when stoppages are called by the National or District Branches of the UMW our employees are not consulted and do not vote on the issues. In situations where employees do vote against the District or

National resolution, they must still follow the majority decision in favour of a strike, even though the issue at

hand is not relevant to their site. These stoppages in the main have been related to the political agenda of the union and cause significant losses in production and revenue to the industry. In our six years of operation we have in excess of 30 days' production due to National and District Stoppages

12 Hour Shifts -

The current standards in the Coal Industry (NSW) on the working of 4 panel 12 hour shifts has been set with a recent agreement at BHP'S Mt Owen Mine. The terms and conditions attached to the implementation of the 12 hour shift roster at Mt Owen do not provide any cost incentives from the current 5 panel 8.5 hours system that is currently operating in the Northern District.

The metalliferous mining industry along with many other industries in Australia and our competitors overseas have adopted a 4 panel 12 hour shift system covering 7 day per week, 24 hour per day operations at no additional cost to the employer because of the mutual benefits of the system. The UMW refuses to consider 12 hour shifts on any realistic basis.

Recruitment Policies -

The award provides for some flexibility in the recruitment of new people into the industry but this is still premised on the basis that retrenched mineworkers have preference of employment (in particular if the vacancy is at the mine they were retrenched from, this is covered in the "increase in hands clause under the award). In the main unions in the industry have a closed book policy on recruitment which in turn means hiring personnel on the basis of merit is non-existent (other than from within that union). This significantly restricts a company's ability to hire the best person for the job. It restricts the ability of companies to introduce new "blood" and new ideas into the industry. This is particularly important in the staff area, where the ACSA’s policies are particularly restrictive. It is extremely difficult to introduce new blood into supervisory, managerial and administrative jobs. The ACSA even allows its members who take voluntary redundancy packages back onto the retrenched lists. This means a member of the ACSA can voluntarily leave one job with a large "pay out" and then be placed on the retrenched list and so gain preference for reemployment back into the industry. In contrast the UMW policy gives no preferential rights to employees who take voluntary redundancy packages.

In our case since the introduction of the workplace relations Bill we have not experienced problems in the recruiting or white or blue collar workers.

Casual / Part Time Employment -

No current award provision, and has been opposed strongly by the unions in the past. May be facilitated in S89A review. Allows little flexibility in hiring people on a short term basis to provide for peaks in workload etc. Currently we employ casual labour which is supplied through the United Mining Support Services which is affiliated to the Northern District of the United Mineworkers Federation. This is restrictive in the sense that the employment of casual labour is controlled by the union.

Retrenchment -

Award provides for a last on / first off, this may be addressed in the upcoming Section 89A review of the Award. We need to be able to address employees performance, skill levels and the business requirements in determining retrenchments . Severance and retrenchment benefits (3 weeks per year of service with no cap) significantly in excess of general industry standards.

Seniority -

Seniority is only used to determine gate seniority for retrenchment purposes.

Demarcations -

There are a number of demarcations which hinder productivity. The major demarcation is between the production and engineering streams whereby suitably qualified and skilled employees are unable to perform tasks in their opposite stream if required.

There is also a demarcation between staff employees and production and engineering employees with no recognition of an employees’ skills. This also affects productive, efficient operations.

We would like to allocate our workforce to the priority job at the time taking into consideration an individuals skill and competency levels. eg If we are short of truck drivers in the mine and have surplus trades people, provided the trades people have been accredited to drive a truck we should be able to utilise this skill.

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Contractors

Contractors play a major part in our business. It has been the norm in the industry that significant industrial unrest has been caused over the use of contractors. Companies in general have to go through a long arduous process to get union approval to use contactors on site. The unions in recent times have led an industrial campaign to achieve uniformity of conditions such as wage rates, bonus, superannuation, hours for contractors when working on minesites. This has led to significantly higher costs for mining companies in employing contractors. Contractors in general are used to supplement our workforce at times of peak workload, for shutdowns and major overhauls and are not used to threaten the job security of our own employees. Use of contractors should be seen as a means by which we can enhance our competitive position - they should not be seen as a threat.

5. <u>other</u>

Coal Mines Regulation Act Statutory Positions

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Statutory provisions in open cut mines have been a legacy of underground statutory positions. Open cut mining is in real terms no different to open cut quarrying or open cut metalliferous mining where no Statutory qualifications for supervisory positions are required. In Western Australia the open cut mines are no longer covered by the Coal Mines Act and there is no further requirement for statutory qualifications. Statutory qualifications limit a companies ability to hire into supervisory positions persons from outside the coal industry, as to qualify for a statutory qualification you need to have a minimum of 2 years experience in the industry.

This system entrenches a coal industry culture and restricts companies ability to hire the most appropriate person for the job. Organisational structures are also restricted by the need to employ persons in statutory roles.

6. <u>INDUSTRY VISITS</u>

The following industry issues are noted for your consideration, although some may not have any detrimental effects on Camberwell’s operations they are considered to be of significant concern in the industry as a whole:

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(A) Occupational Health & Safety

culture -

Low levels of trust between management and employees. Adversarial relations - Union v Company/Industry. Unions promote Coal Industry as dangerous industry and therefore industry is targeted by outside bodies, eg, Government, Media etc. Employees accept being hurt as being part of the industry.

Safety is seen as just another thing the industry has to comply with or to do.

Highly prescriptive legislation -

Perpetuates compliance mentality.

Statutory positions undermine personal responsibility. Inspectorate institute prescriptive solutions in accident situations without taking account of an individual mine’s needs.

Not conducive to the introduction of best practice safety systems.

Inadequate measures of safety Performance -

Lost time injuries do not relate to actual safety performance. Eg injured workers restarting work on their next shift with no meaningful work to do, so as to not be labelled an LTI. Statistics do not review medical treatments, first aid injuries, accident damage or near miss situations.

(B) **<u>industrial Relations</u>**

Recruitment
Policies -

The award provides for some flexibility in the recruitment of new people into the industry but this is still premised on the basis that retrenched mineworkers have preference of employment (in particular if the vacancy is at the mine they were retrenched from, this is covered in the "increase in hands clause under the award). In the main unions in the industry have a closed book policy on recruitment which in hum means hiring personnel on the basis of merit is non-existent (other than from within that union). This significantly restricts a company’s ability to hire the best person for the job. It restricts the ability of companies to introduce new "blood" and new ideas into the industry. This is particularly important in the staff area, where the ACSA’s policies are particularly restrictive. It is extremely difficult to introduce new blood into

supervisory, managerial and administrative jobs. The ACSA even allows its members who take voluntary redundancy packages back onto the retrenched lists. This means a member of the ACSA can voluntarily leave one job with a large "pay out" and then be placed on the retrenched list and so gain preference for reemployment back into the industry. In contrast the UMW policy gives no preferential rights to employees who take voluntary redundancy packages.

Casual / Part Time Employment -

No current award provision, and has been opposed strongly by the unions in the past. May be facilitated in S89A review. Allows little flexibility in hiring people on a short term basis to provide for peaks in workload etc

Retrenchment -

Award provides for a last on / first off, this may be addressed in the upcoming Section 89A review of the Award. Companies need to be able to address employees performance, skill levels and the business requirements in determining retrenchments . Severance and retrenchment benefits (3 weeks per year of service with no cap) significantly in excess of general industry standards.

Seniority -

Seniority has been used by the unions as a system to control an employees allocation to shifts, roster, training, overtime etc. This restricts the employers ability to use the best person for the job.

Demarcations -

There are a number of demarcations which hinder productivity. The major demarcation is between the production and engineering streams whereby suitably qualified and skilled employees are unable to perform tasks in their opposite stream if required.

There is also a demarcation between staff employees and production and engineering employees with no recognition of an employees skills. This also affects productive, efficient operations.

Contractors -

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Companies in general have to go through a long arduous process to get union approval to use contractors on site The {unions in recent times have led an industrial

campaign to achieve uniformity of conditions such as wage rates, bonus, superannuation, hours for contractors when working on minesites. This has led to significantly higher costs for mining companies in employing contractors.

Contractors in general are used to supplement our workforce at times of peak workload, for shutdowns and major overhauls and are not used to threaten the job security of our own employees. Use of contractors should be seen as a means by which we can enhance our competitive position - they should not be seen as a threat.

(C) Industry Schemes

Long Service Leave -

Industry fund which provides for portability of service in the industry regardless of employer. This strengthens the union's position rather than promote loyalty of an employee to an individual employer.

The fund has a significant unfunded liability, Minister for IR expected to announce an independent review.

Current tax status of the fund is of major concern as it has the potential to significantly increase the unfunded liability.

Workers' Compensation -

Coal Mines Insurance is the monopoly insurer - no opportunity for Companies to have their choice of insurer. (Eg, workers' compensation - NSW coal operations of Exxon are their only operations in the world which are not self insured).

Superannuation -

Two industry schemes Mine workers pension closed to new entrants - significant unfunded liability. COSAF now main fund - performing well. Company contributions well in excess of general industry requirement of 6% per employee. Companies currently contribute $101.28 per week in super contributions (approx 17%).

Mines Rescue -

Significant cost of mines rescue service due to perceived overstaffing of NSW service. Bureaucratic organisation which until recently has not had any significant competition. Training and other services provided at a premium cost. This has changed recently and a review of the services provided is being carries out by the service.

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Joint Coal Board -

Perceived Monopoly of joint coal board for medical, rehabilitation and workers compensation requirements.

Employers are free to use other providers for medical and rehabilitation but because of JCB presence and influence most tend to use JCB.

7. Summary

There should be a true enterprise focus with bargaining direct between a company and its employees, without the imposition of restrictions from third parties such as District or National Union executives who are bound by the various District or National policies and /or custom and practice.

It is not our intention to condemn the Unions involved in our project for the past mistakes. Rather we want to establish some mechanism to allow us to negotiate directly with our employees to ensure that we can become and remain a world competitive coal producer, and so reduce the potential for problems to arise in the future.

The UMW and the ACSA have played a significant part in our project in respect to achieving cultural change, but until we are able to go beyond the barriers of National and District Policies, Custom and Practice and Tradition we are restricted in achieving our goals.

Our Safety and Productivity performances in our six years of operation have been significantly better than the majority of producers in NSW and we believe this is attributable to the culture we have tried to create but even so our performance has not been enough to sustain the business as a viable concern. We need to achieve significant change to lower our cost structure to ensure the future of the company and the job security for our employees.

Restrictions such as those commented on in this submission are now impeding our next steps along the change path and until the Industry can break down these barriers, we are never going to achieve World's Best Practice.

Finally, we need to gain acceptance from all of our employees that as individuals we are very well paid compared to the average Australian worker. Very significant workplace change is required so that Australian coal companies can regain their competitive edge and generate an adequate return on investment for their shareholders. However the benefits of this workplace change in the future must be distributed to the companies, not the employees as has happened in the past. We also need to gain acceptance from governments and their trading enterprises that the charges being levied on the industry in the form of high rail freight rates, high royalties, payroll taxes etc are eroding our competitive position.