

DRAYTON  
COAL PTY. LTD  
A.C.N. 002 028 257

18 December 1997

Barbara Penson  
Ass. Director, Employee Relations  
NSW Minerals Council  
220 Elizabeth Street  
SYDNEY NSW 2000

Dear Barbara

**Re: UMSS services and rates.**

Further to your telephone conversation of 17 December 1997 with Tom McAtee regarding UMSS service and rates.

Tom has asked me to drop you a line outlining the Industrial instrument that locks Drayton into using UMSS for supplemental labour and to give you some details of their current rate structure. I will give a general explanation of our arrangement rather than citing specific dates events etc. If further information is needed then we can target your specific areas of interest when they are identified.

### **Industrial Instrument**

The industrial instrument that locks Drayton Coal into the use of UMSS for supplemental labour is the Drayton Industrial Agreement 1996 (Clause 5.7 - *attachment A*). During the negotiation of the Drayton Industrial Agreement 1996 the company spend a considerable amount of time trying to arrive at an agreement, with the UMW, on the use of contractors for supplementing existing labour. The current arrangement was the best that was able to be arrived at without proceeding down the stronger path of considerable industrial action. The flexibility provided by the Drayton Agreement is extremely limited and gives UMSS exclusive rights to provide that service. Drayton's alternative to contract supplemental labour is to provide temporary employment, not a cost effective option when recruitment costs are considered.

In summary, yes we agreed to this clause in our Industrial Agreement, although now "dated", it was a ground breaking agreement at the time for the Coal Industry.

### **UMSS rate structure**

I have attached a copy of the most recent rate structure provided by UMSS  
(*attachments B & C*).

I have had a number of discussions with UMSS management regarding the need for them to review their rates. I was able to get a commitment from their General Manager, Dick McLean, when we met last in August 1997, to consider reducing their rates. The proviso of course was Drayton had to enter into an exclusive arrangement with them for the provision of contract labour. Drayton has not made decision on this issue to date.

It was clear from my meetings with UMSS's management they had a vision to develop their business into a competitive enterprise that did not rely on Union intervention to gain contracts. Their vision has not yet been tested, given the major shareholder of their business is the UMW. However, I am aware they are contracting labour into local councils and small business that are not mining related.

Please do not hesitate to call me if you need any further information regarding UMSS (within the bounds of my limited knowledge).

Yours faithfully

John Hughes  
HR Co-ordinator.