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Sydney: 3 October, 1997
Australian Black Coal Industry Inquiry
Locked Bag 2
Collins Street East Post Office
Melbourne VIC 8003

Dear Sirs:

Enclosed please find Exxon Coal & Minerals Australia Limited's (ECMAL) submission to the Industry Commission's inquiry on the international competitiveness of the Australian black coal industry. The submission is organised along the general format of the Commission's August 1997 Issues Paper. ECMAL appreciates the opportunity to provide our viewpoints to this important and timely inquiry.

Sincerely,

Charles E Sorg, Jr
Corporate Affairs Manager

A Subsidiary of Exxon Corporation

EXXON COAL AND MINERALS AUSTRALIA LIMITED

SUBMISSION PAPER

FOR
THE INDUSTRY COMMISSION'S
INQUIRY INTO THE BLACK COAL INDUSTRY

FACTORS AFFECTING SUPPLY AND DEMAND

The thermal coal market in the Asia Pacific is primarily being driven by the increase in demand for power, which can be reasonably correlated with the region's economic growth. Coal is the preferred power source in the region because it is cheaper than other fuel options and is readily available. Economic growth and hence Asia Pacific demand for coal is projected to remain strong over the next 10-15 years. There are a number of third party forecasts providing detailed outlooks of coal supply/demand growth profiles for the Asia Pacific region that the Commission may wish to obtain

Lower prices for alternative fuels (primarily gas) will, in the short term, cut into coal demand. This occurrence, however, results in changes to the dynamics of coal-to-coal competition. As the coal demand growth is reduced, greater competition within the industry will lead to productivity improvements and lower coal prices. Consequently, in the long term we believe coal will largely retain its position in the power sector.

Factors which explain differences in prices received by different sellers and paid by different consumers include:

- The historical relationship between a supplier/customer where factors such as quality of service, reliability of supply, consistency of product quality, and technical assistance to the customer are valued

- Differences in coal quality and market proximity between sellers

- The particularity in consumers' coal requirements and the nature of their operations (eg steel mills vs power stations vs industrial customers)

- Differences in economic factors between sellers (marginal costs, cash flow position, debt load) as well as corporate strategies

- Differences in economic factors between buyers such as impacts of inventory, purchase strategies (% contract vs spot), number of supply alternatives available. etc.

- Negotiating skills of supplier/consumer

Factors affecting the share of coal sold long term vs spot include the following:

Japanese customers, which comprise the largest market for Australian exporters, want the following from its suppliers:

1) Suppliability (as it relates to the long term stability of supply) 2) Quality, coal fit for the intended uses 3) Reliability of Supply (as it relates to short term dependability of supplier) 4) Competitiveness (is the supply economic relative to world market price)

Historically, the Japanese placed emphasis on the first three factors over the fourth. To secure them they were willing to pay a premium over the price the market would have suggested otherwise. The environment has now drifted to where the Japanese are sufficiently comfortable with suppliability and more concerned with price competitiveness. This has occurred as a result of maturation of the Utility purchasers within the market, and the cost pressures commensurate with utility deregulation

in Japan over the last couple of years. This change in focus has contributed to the breakdown of the traditional "benchmark" pricing practice with the Japanese, placing downward pressure on prices to bring them more in line with the world market price.

Consequently, the market is moving in the direction of increasing spot sales vis a vis long term contracts. In addition, because of the reduced concern over the security of supply, the length of long term contracts has also shortened in recent years.

Other Southeast Asian consumers, although a smaller market segment, are also more concerned with cost competitiveness and flexibility than reliability of supply and are contributors to the increasing percentage of Australian coal sold on a spot sale basis.

In regards to price volatility:
- Term contracts do not "protect" price, but even with annual price renegotiation term contract
prices have historically been above spot price.
- Some companies may "hedge" foreign exchange rates
- There is no, futures market in coal

· Coal buyers can, within limits, substitute different coal types - across producers and across countries- to take advantage of price differences. The extent to which this can be done is primarily a factor of the characteristics/flexibility of the buyer's boilers and/or other technical demands of their physical plant.

There is limited opportunity for suppliers to tailor their coal to take advantage of price movements. Some opportunity exists through product blending, largely dependent of the producer capabilities as well as qualities/geologies of coal seams.

AUSTRALIA'S PLACE IN THE INTERNATIONAL COAL MARKET

The strengths of Australia as a supplier compared to our competitors include political stability, coal quality, geography (proximity to markets), large reserves, multiple suppliers (mines) and export focus of Australian coal industry. Weaknesses include costs (particularly labour and transportation components), restrictive work practices and an unstable industrial relations climate. The short term (hopefully) problems associated with the capacity and performance of the Newcastle Port is also a significant current-day weakness.

While Australia's **level** of coal sales is projected to increase significantly in line with the demand growth previously referenced, it is generally believed that Australia's **share** of this growth will increase only marginally, if at all.

Reducing buyer's concerns about concentration of supply could be achieved through lower prices (a function of costs), improving the Industrial Relations climate and increasing Newcastle Port capacity.

PERFORMANCE OF MINES

Benchmarking:

Exxon Coal & Minerals' approach to benchmarking consists of 1) identifying the key processes that have a major impact on mine operations, either high cost processes or those that are operational

bottlenecks, and 2) benchmark industry leaders of similar processes in the same performance categories. For Exxon mines, the key mining processes are

Open Cut Mines	Underground Mines	Either/Both
Loading (Shovels)	Longwall	Preparation Plants
Hauling	Development	
Drilling & Blasting		

The criteria Exxon utilises for assessing performance within these processes are Availability, Use of Availability, Utilisation, Annual Use Factor and Productivity.

Availability (physical availability) is an indicator of equipment performance and reliability. This index reflects the amount of time the process equipment is available to operate, compared with the total amount of scheduled time. Time unavailable to operate includes down events due to planned maintenance work or breakdown events.

Use of Availability indicates the amount of time equipment is operated compared to the time in which the equipment can operate, or against available time. This not only considers factors less controllable by operations (weather, industrial delays), but also includes factors relating to process optimisation (shift change and crib delays).

Utilisation is an indicator of operating efficiency which compares the number of operating hours against the number of scheduled hours.

· Annual Use Factor is a measurement of asset utilisation which discounts the operating schedule used. It is simply the number of operating hours per year divided by the total hours available in the year. This is a revealing index in relation to Australian coal mine operations vs international competitors, in that the prevailing wage structure in Australia economically precludes employers from utilising its high cost capital assets on a seven-day basis.

· Productivity indicators such as tonnes per hour, feet per minute, tonnes per manday etc vary in accordance with the process being measured.

The above factors drive overall mine performance and are based on measured, observed performance. Though care must be taken to ensure that the means and bases for measurement are consistently derived across benchmarked mines, these indices will allow for isolation of the factors contributing to superior performance regardless of whether the processes being measured are at metalliferous mines or coal mines.

The Industry Commission is seeking views on which best practice international mines would provide useful comparisons to Australian black coal mines. The following mines would be recommended by Exxon for the processes outlined above:

Mine/Location Barrick Goldstrike, NV Candelaria, Chile Morenci, AZ Cerrejon, Colombia West Elk, CO Twenty Mile, CO Mingo-Logan, WV Bailey, PA Tarong, Austr. Peak Downs. Austr.

Key Factors Affecting Performance

Productivity

Australian coal mines fall well short of best practice productivity levels achieved by comparable international coal mines and Australian metalliferous mines. There are a significant number of factors which contribute to this result. The key factors are summarised below with expanded comment provided in subsequent sections of this submission:

Highly restrictive work practices. Among other things, this includes demarcation of work and limited ability to utilise contractors.

The inability of management to hire, promote, reward, demote and terminate on merit.

Union engrained customs and practices with attendant resistance to any form of change, particularly that which is seen to threaten employment, seniority, or benefits obtained through previous bargaining.

Less systematic approach to mining and maintenance processes.
High levels of absenteeism requiring an elevated baseload number of employees to cover shortfall.

Inability to fully utilise training/skills of workforce in most effective manner (in part, related to demarcation issues raised above).

· Wage/overtime structure which economically prohibits a 7 day operation and hence the maximum utilisation of capital assets.

· Inappropriate or overly prescriptive mining regulations which limit flexibility and/or opportunities to introduce improvements.

Mine workers' long standing allegiance to the Union, the consequence of which is that employees do not tie their success to that of their employer.

An overall industrial relations climate which severely restricts management's ability to manage its business in the most effective. flexible. Productive and cost efficient manner.

The following discussion offers one example illustration of how the combination of the above factors affect productivity relative to best practice mines:

Prior to divestment in 1994, Exxon owned and operated the Rawhide and Caballo surface mines in the Powder River Coal Basin in the state of Wyoming. The Caballo Mine employed a truck/shovel fleet consisting of a P&H 4100 shovel and 240 ton trucks. During initial performance testing, the shovel demonstrated 30 second swing times and achieved a productivity of 3000 BCM/hr. This productivity level was consistently achieved during subsequent ongoing operations at Caballo.

ECMAL's Lemington Mine also employs a 4100 shovel/240 ton truck fleet. The Lemington shovel demonstrated the same swing and productivity capabilities during its initial performance test; however, it has only achieved productivity's of 2000 BCM/hr on an ongoing operating basis since its commissioning in 1996. Although a portion of the 50% productivity shortfall can be attributed to

differences in external influences such as geology; the factors outlined above constitute the principal reasons for the performance differences.

Costs

In addition to productivity effects, the cost competitiveness of Australian coal mines are most significantly impacted by the following factors which are also elaborated on elsewhere in this submission

Labour costs: Labour is the only significant cost component against which the industry has been unable to make inroads. There has never been a period of declining wages in the Australian coal industry. Productivity gains achieved primarily through investment and technology enhancements have not offset the increased absolute wage costs.

· Transportation Costs: Transportation costs comprise one-third or more of total mine FOB cash costs. Although some historical reductions have been achieved, it has been long noted that Australia lags significantly behind best practice international costs for freight haulage.

WORK ARRANGEMENTS

The worker-management relationships (and more broadly, the overall Industrial Relations climate) in the Australian black coal industry is central to its performance and competitiveness. This section highlights the key issues that impact negatively on Australia's ability to effectively compete with its international counterparts.

Union members" loyalty lies solely with the Union.

Workers credit the Union for their security of employment and have little concern with "getting sacked. " History has proved that it is very difficult to terminate a worker in the coal industry. The worker recognises that if for any reason he/she were to lose his/her job (perhaps through partial retrenchments or mine closures), they'll be placed on a retrenchment list and the Union will secure them employment elsewhere within the industry. Employment security is also provided by the seniority system where senior workers know their individual performance is irrelevant as to whether they will retain employment in a downsizing. The award also dictates that when redeploying retrenched workers, seniority is the sole determinant. Given the above, the worker views his association with the Union as a guarantee of lifetime employment, a guarantee the company cannot provide.

· The well recognised low turnover rate of the industry supports this fact. Recent recruiting efforts at ECMAL's Lemington Mine also serve as supportive evidence. Advertisements for 7 available jobs attracted 600 applications. An opportunity to "break-in" to the coal industry is highly coveted. Disproportionately high wage rates relative to metalliferous mines and other industries along with the "promise" of lifetime employment make this viewpoint understandable.

· The combination of "employment protection" and extremely liberal industry leave policies (sick leave, annual leave, long service leave, domestic leave, workers' compensation program, etc) contribute to an absenteeism rate well above industry norms. Total absenteeism at ECMAL managed sites is at 15 -20% with approximately 8% falling in the "unplanned" (sick, workers' comp., domestic, etc) category. This level of absenteeism impacts management's ability to

effectively operate the business, and leads to higher baseload manning complements and associated increased labour costs to cover for the non-working personnel.

Restrictive work practices severely impede Australian productivity

Clear demarcations exist between Production and Maintenance employees. Work demarcations also exist between unionised Staff employees and those employed in the maintenance/production areas. The list of restricted practices is significant, effectively preventing companies from running their businesses in the most effective way. In other industries and at international coal mines, a multi-skilled approach is used where employees can be utilised in the areas for which they are trained.

Using the Caballo mine experience again as a single example, a shovel operator would carry his own tool box and often effect minor repairs himself. Replacing a trip rope may require an operator 5 -10 minutes. Because this is a "maintenance issue" at our Australian coal mines, the time lost in the callous of maintenance personnel to perform

this work typically results in a 30 minute loss of production. Similar restrictions apply to activities such as cable moves, replacing bucket teeth, changing shovel shims, etc. Similarly, best practice longwall mines in the U.S. will utilise all available labour on the production unit to restore their high cost, high capacity longwall system from a down event rather than rely exclusively on "maintenance" personnel to engage in this critical activity

Inefficiencies such as these, multiplied many times across many activities at Australian coal industry minesites, severely impede productivity and cost competitiveness relative to best practice international or metalliferous counterparts.

Another very significant work practice restriction is management's limited ability to utilise contractors. Union agreement is required in advance of using contract services effectively giving them veto power. More often than not, protracted negotiation is required to secure Union agreement to the use of contractors. Certain work, eg bathhouse cleaning, is a "prohibited" activity for the use of contractors as a result of entrenched custom and practice. Admittedly, over time, management and staff develop a natural reluctance to propose the use of contractors given the arduous process required.

In other industries, the use of Casual Labour to supplement the base workforce on a needs basis can be a cost effective means to accommodate swings in work demands. Before Casual Labour can be used at our sites the work must first be offered to the current workforce (on overtime if necessary). If this test is passed, Casual Labour can be used, but the workers must be selected off the Union's retrenchment list. If the Union believes the work could be considered "core work", its' position will be that the company needs to hire additional full time employees.

An outgrowth of the above is that the coal industry tends to carry higher levels of regular employment to carry it through the heavier work periods, whereas other industries and international competitors operate with leaner workforces supplemented by additions of contract labour during periods of greater work requirements.

Significant inefficiencies are also the result of restrictions imposed through Union seniority rights entitlements, which impact management's ability to most effectively utilise its workforce.

Other forms of restrictive work practices include:

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Union imposition of permanent District-wide overtime limitations that ignores the flexibility needed at mines to meet varying operational needs. Local unions also use restrictions on overtime as a bargaining tool.

- Prescribed levels of workers for certain activities in accordance with EA provisions or custom and practice which cannot be flexibly changed to meet business needs

- Tradesman categories broken down by discrete functions with the attendant demarcation restrictions (fitter, boilermaker, electrician, etc.)

- Unionised Staff employees with clear demarcations from Production and Maintenance personnel (eg Staff with Electrical qualifications who cannot perform electrical work; maintenance personnel that cannot access computerised maintenance database etc)

Underlying the Union's resistance to giving up these restrictive work practices is the fear that more flexible work arrangements may jeopardise the job security of its members. As inferred above, management must share the blame in that these practices have been so engrained over time it has developed the mindset to accept and no longer challenge them.

Training not viewed as significant factor affecting black coal industry competitiveness

The type and quality of technical training in the Australian black coal industry is viewed to be on par with its counterparts in the metal mining and international coal mining industries. The primary exception is that Australian coal industry employers are not able to fully utilise the skills their employees are trained for, again as a result of restricted work practices.

Unlike technical training, there is a need to improve the quality of "people skills" within the industry through enhancements in supervisory training and general communication skills training.

The Industrial Relations climate is embodied by a resistance to change

It is extremely difficult to institute even the smallest form of change at Australian coal mines in an effort to improve efficiency and productivity . Attempts to improve the business via change processes are resisted at every corner. Performance measurement (ie Time and Motion studies) are effectively prohibited by the Union because they are viewed as "threatening". Consequently, the ability to take a "systematic" approach to incorporating process improvements is severely diminished.

Change is resisted as workers in the Australian coal industry do not connect their livelihood with that of the financial performance of the company. Workers' feel they have a career within the industry and are protected within the Union umbrella; consequently they see no need to change to improve the profitability of the enterprise.

Management resources are consumed in the day-to-day industrial relations demands of the worksite. Instituting even the simplest of initiatives requires extensive time and effort directed toward convincing/cajoling/negotiating/arbitrating with the workforce

as to the benefits or reasons for the initiative. This demand on management resources takes away from their ability to focus time and attention to improving the business.

Middle management must share the responsibility for the lack of change. Because attempts at change bring on confrontation, the mindset of management has evolved over time to one of acceptance". The prevailing philosophy is that there is more to lose through jeopardising the

relationship with the entire workforce, than through attempting to achieve "wins" on individual issues geared to improve the business.

Companies compensate on their inability to effect improvements through process and labour related improvements by substituting capital investment in new technologies. Workers' often benefit from these actions through higher production bonuses, while companies are placed under increased pressures to generate a sufficient return on these investments.

Centralised bargaining impedes the opportunines for change

The movement to Enterprise Bargaining, while viewed as a positive development from the system of Industrial Awards, has not facilitated the fundamental changes to work arrangements as desired because the EA system has not been allowed to develop on a true Enterprise basis.

Even at the Enterprise level, the CMFEU effectively engages in a system of centralised pattern bargaining. Union district officials coordinate the bargaining process at each site, utilising a "blueprint" model enterprise agreement as the basis for negotiations

Individual changes which may be beneficial at a given site are resisted if they are deemed to have potential detrimental effects at other Union sites. "Sacred cows" are unilaterally protected across CFMEU represented sites.

Because of centralised involvement, Union negotiators are fully aware of the aspects of Enterprise negotiations at competing mines, and will "play-off" companies against each other to achieve their preferred bargaining outcomes.

Enterprise bargaining is driven by a "give-up" mentality, where the basic premise is the Union gives up archaic work practices in exchange for higher rates of compensation. Companies effectively are "buying back" the ability to incorporate limited work flexibility improvements. The centralised bargaining process utilised by the Union effectively "meters out" these give-up provisions to ensure the availability of further defunct work practices for future negotiation periods. The results of this "buy back" approach is that productivity trends are improving but labour costs are correspondingly increasing.

Wage structure in Australian black coal industry out of alignment

The Australian black coal industry can be viewed as a "false economy". Wages are extremely excessive relative to the average of Australian industry. Annual wage increases out of step with industry profitability are the norm and have become expected by industry labour . The Union's centralised bargaining power has been successful in playing competing companies against each other to ensure above average wage increases. Other profitability impacting factors of the Australian coal industry wage structure include:

Basic wage based on a 35-hour work week, non-competitive with most international competition where the work week is more typically 40 hours. The Australian standard is 3 X hours.

Overtime provisions which allow the average worker to double their basic wage. With all overtime and weekend work paid at double-time rates, only 16 hours a week of overtime is required to double a workers wage. This level of overtime is easily achieved given that in addition to normal production and operational demands, nearly all training, company and/or Union meetings, participation in safety, continuous improvement and other employee involvement committees, etc.are conducted on overtime.

Bonuses which are well out of line with other industry. These bonuses are production based, rather than being tied to company profitability or hence, "capacity to pay."

A liberal Workers' Compensation regime which provides a disabled employee with full wages, plus bonus, and in most circumstances. the amount of "normal" overtime pay over an extensive period of time (78 weeks).

NSW Unions refuse to work shift lengths greater than 8 hours without payment of extra rates above the already high penalty rates contained in the industry awards.

· The combination of the above makes it prohibitively expensive to adopt a roster for 7-day operations. The resulting under-utilisation of high cost capital severely disadvantages the Australian black coal industry vs its international competitors who operate on a 7-day basis. For example, from Exxon's own world-wide benchmarking efforts 4100 class electric powered shovels can be operated 80 percent of calendar time, while the same benchmark for 5-year old 240-ton haul trucks is 77 percent. 1996 calendar operating time at ECMAL's Hunter Valley operations for these equipment types was 50 and 35 percent, respectively, reflecting the fact that the equipment is not scheduled 30 percent of the time because weekend premiums are prohibitive.

OCCUPATIONAL HEALTH AND SAFETY

A number of comprehensive studies into Occupational Health & Safety (OHS) with the black coal industry have recently been completed. The reports include:

A taxonomy of injuries within the NSW and Queensland coal mining industries commissioned in part by the NSW Minerals Council;

The Ministerial Review into Mine Safety within NSW;

The NSW Minerals Council submission to the Ministerial Review (including an outline of the industry's safety performance, compared with the industries, and comparison between the coal and metalliferous mining sectors); and,

. The 1996/1997 Joint Coal Board Annual Report.

Rather than incorporate duplication within this submission, we believe these sources of information will adequately address the issues raised by the Industry Commission, namely differences in OHS performance between minesites (JCB Report); metalliferous mine comparisons (NSWMC submission to Ministerial Review); and the relationship between profitability and OHS performance (Ministerial Review into Mine Safety).

The improvement of health and safety performance within the ECMAL managed mines is due to a priority focus on safety and the introduction of systems and programs such as detailed Safe Operations Plans, Medical Professional Awareness Program, Hazard Analysis, Job Safety Analysis, Incident Investigation and Analysis, Employee Relations Awareness Program, among others. In establishing this firm systems base, we have been able to attain among the best practice performance levels in Australia, but are still below U. S. best practice mines.

PERFORMANCE OF COAL INFRASTRUCTURE

The high cost of transport of black coal in NSW is well known and documented as being significantly out of step with world's best practice. The coal producers, through their participation in the NSW Minerals Council, have completed numerous studies and reports on this issue and the Commission is directed to the Council for information in this regard.

The recent breakup of the old SRA and the opportunity for the introduction of 3rd party competition on the rail networks in NSW is leading to some improvement in this area. Nevertheless, the coal industry has been disappointed with the Government's corporatised owner of the track infrastructure, the Rail Access Corporation. This organisation still exhibits monopolistic traits which will inhibit cost efficient transport of NSW black coal. Again, much documentation on this issue is available through the NSW Minerals Council, most notably the Declaration Application submitted to the National Competition Council on Rail Access's proposed Access Regime. In contrast,

Exxon has been pleased to-date with the performance of FreightCorp, the government's corporatised freight haulage operator, as this organisation appears to recognise that with the advent of 3rd party competition, its success is tied to its ability to provide efficient and effective low cost service.

The issues surrounding the current performance of the Port of Newcastle are well known and ECMAL trusts that the Commission will obtain the information it needs on this area from other available sources. Suffice it to say, the current port capacity problem with its attendant large queue of ships, high cost of demurrage to producers, and loss of confidence by Australia's customers has a significant detrimental effect to the industry's competitiveness and reputation as a reliable supplier. Much attention is currently being afforded this issue by all participants that comprise the Hunter Valley Coal Chain. These efforts are starting to pay dividends as recent Port performance has been encouraging. Many challenges remain however to ensure the Port is positioned to accommodate the increasing export demand over the near and longer term.

REGULATIONS AFFECTING THE BLACK COAL INDUSTRY

This section offers viewpoints on two key areas of coal industry regulation, that which pertains to the regulations governing the industrial relations arena, and regulations which govern the operation of the coal industry in general.

Industrial Relations

The common belief held by most employers in the Australian black coal industry is that very little has changed since the "mainstreaming" of the industry's industrial relations regime. This is perhaps underscored by the feeling that the "AIRC is just the old CIT under a different name." At best, there is a great deal of frustration at the pace of change associated with the new regime as the Commission is made up of many members with prior association with Unions, who reinforce the need to have union agreement to change.

In essence, there is not a level playing field in the Industrial Relations arena, to wit:

AIRC decisions are viewed as maintaining the status quo. Decisions are not timely, with hearings dragged out, costing companies both time and money.

Unions can legally impose industrial bans of any kind during bargaining periods. The company's only remedy is to stand people down, with the likely result being the entire workforce goes out on strike. With either outcome the company loses

Companies avoid going to the AIRC with issues for reconciliation because of the fear that they will come away with less than when they walked in

The current Industrial Relations regime puts companies in a reactive mode rather than facilitating proactive steps toward building relationships. The "reconciliation" process is extremely time consuming, requiring large amounts of executive-level time and resources which could be more appropriately directed to business enhancing activities.

Although the principle of the new Workplace Relations Act is to allow for employers and employees to choose the most appropriate form of agreement for their particular enterprise, the Union is dictating the form and terms of agreements through their insistence on companies unilaterally entering into "Framework Agreements" and via pattern bargaining of EAs.

Other Coal Industry Regulations Issues

Many aspects of the regulations governing the Australian black coal industry are viewed as overly prescriptive and create barriers to competing effectively with international coal mines. Some selected viewpoints are offered as follows:

The Coal Mines Regulation Act has been largely based on the early history of the underground coal industry in Australia. Open Cut operations are consequently burdened with some overly prescriptive regulations relative to the inherent risks.

For example, personnel criteria involving minimum qualifications, experience levels, number of required management personnel, etc. are much more restrictive than those for open cut operations in the metalliferous industry. The qualifications for statutory positions in the coal industry (both underground and open cut) and the onerous process for obtaining a certificate of competency create barriers to hiring capable and qualified persons from metal mining or other general industries for equivalent employment opportunities in the coal industry.

As a second example, standard mining equipment (haul trucks for example) must undergo expensive electrical and mechanical upgrades from the factory model versions to meet required coal industry specifications. This same equipment is purchased "off the shelf" by the metalliferous mining and other general industries where the inherent risks are essentially similar.

Differences in regulations between states also impact costs and efficiencies. For example, certain mining equipment cannot be "swapped" between states because of different criteria. This is particularly detrimental to companies that operate mines in both states.

To eliminate the regulatory factors which negatively impact the Australian black coal industry's competitiveness, it is recommended that regulations governing mining should be recast to separately cover surface mining (coal, metal and industrial) and underground mines.

The system for permitting Australian black coal mines requires streamlining to minimise the costs and time required to obtain development consents. The

inefficiencies of the current system are underscored by a recent Planning Focus Meeting held on behalf of the Lemington Mine where 14 separate government bodies having at least some jurisdiction over the development consent process were present.

OPPORTUNITIES FOR STRUCTURAL CHANGE ("DOMINOES"!

The Industry Commission has indicated that the thrust of its inquiry is directed toward effecting beneficial and sustainable structural changes in the coal industry, and that from past experience, the identification and setting in motion of key "dominoes" often lead to the desired change. The following summarises ECMAL's viewpoints on the areas which must be addressed in order for structural change to occur:

It is absolutely vital that Australian black coal industry workers' view their personal success as tied to the success of their business, in particular to that of their enterprise. For this to occur, the workers' belief that their job security is afforded by the Union must be changed. The key to this change is through the return of the employee management process to employers . The right to hire, promote, reward, demote and dismiss on merit is a fundamental management prerogative for optimising the opportunity for success of its enterprise. If the Union can no longer control this process (and hence the "guarantee" of employment for Union members), worker's loyalty will eventually change and the entire enterprise will benefit.

Management must be provided the freedoms to manage and operate in the most efficient, fair and equitable manner. For this to occur, at least two structural changes must occur:

The true intent behind the principle of enterprise bargaining as envisaged by the Workplace Relations Act must be practiced and not given lip service. The influence of National and District Union officials directing the bargaining process across enterprises to a blueprint agreement must be curtailed or discontinued

The framework for Industrial Relations conciliation needs improvement. The makeup of the AIRC should be restructured to bring more balance, and the process overhauled to ensure decisions are timely and fairly rendered.

These two changes will facilitate and encourage the true principles behind enterprise bargaining, and in time, allow for the fair and equitable elimination of the myriad of restrictive work practices which currently choke Australia's ability to compete against international black coal suppliers.

The cost of labour must be brought under control. A key "domino" for this to occur is for employers to have complete freedom to utilise contractors to facilitate business needs. In addition, the bonus system must be revamped to be tied to parameters which will lead to improved financial performance. The onus for this change will be on the

employers, but will be more easily accomplished if the immediately preceding "structural change" is implemented.

The Access Regime for the Hunter Valley rail network must promote and lead to world best operating practices and costs. Recommendations for achieving this objective are available through the NSW Minerals Council