Senate Select Committee on Job Security
Additional AMMA Evidence

The following evidence is provided in addition to AMMA's appearance before the Senate Select Committee into Job Security's public hearing on 28 July 2021.

The evidence relates to data cited by Tom Reid in answering a question of Senator Ben Small in relation to greenfields agreements and investment in the Australian resources and energy industry.

Threat of mid-project industrial action

1. The most damaging aspect of the current greenfields agreement framework is that it exposes major resources and energy projects to the threat of mid-project industrial action. Given greenfields agreements will typically reach their nominal expiry dates about three years into the project construction, almost all resources and energy projects of above $500 million capital value (and many exceeding $250 million) will experience industrial disruption, uncertainty and the threat of industrial action, irrespective of whether the total build timeframe is four, five, six or seven years.

2. The absence of a mechanism enabling greenfields agreements to cover the entire duration of project construction has already exposed some of Australia's most nationally significant major resources and energy developments to significant industrial disruption, often at critical points in their completion schedule. Examples include:

   a) In 2015, with work 87% completed, employees on the $55 billion Gorgon LNG Project gave notice of their intent to take protected industrial action unless their new roster demands were met.

   b) In 2017, with less than 12 months remaining, the $34 billion Ichthys LNG Project was threatened with industrial action by unions campaigning to reduce the construction roster.

   c) In 2014, the three LNG processing plants being built on Queensland's Curtis Island were simultaneously threatened with industrial action until the contractor agreed to a 13% pay increase for construction employees already earning in excess of $160,000 per annum.

   d) In 2010, the $15 billion Pluto LNG project was subject to protected industrial action being taken by subcontractor employees that cost the operator $3.5 million in damages per day.

   Note: These examples are provided in greater detail in AMMA's submission to the A-G's discussion paper on Project Life Agreements, available in full online.

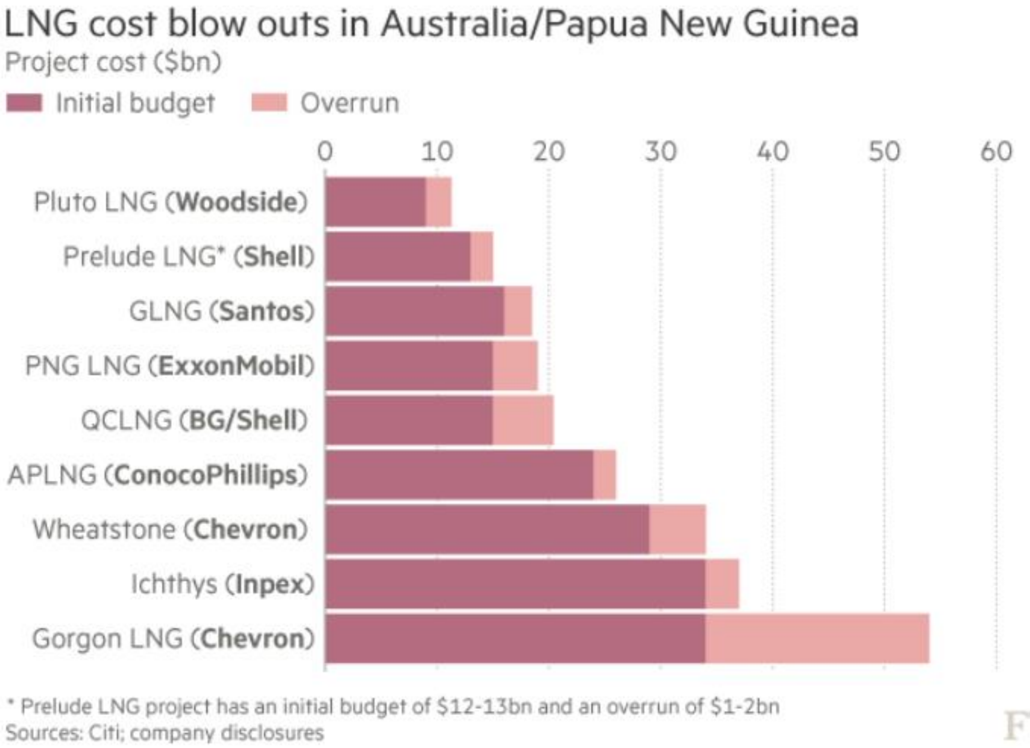
3. By allowing multi-billion-dollar capital investment projects to be effectively held to ransom midway through their construction, the current greenfields agreements framework has significant contributed to cost blow-outs and schedule overruns.

4. With multi-billion-dollar export deals at stake and their investment being placed at risk, the system effectively forces project owners to accept inflated and uncompetitive union demands

or risk further delays to project approval.[1] Many resources employers have reported they have agreed in the past to certain conditions just to obtain a replacement agreement and ensure that the project progresses to construction commencement.

5. This includes agreeing to demands well in excess of 'average increases', even taking into consideration reasonable adjustments for the work conditions and activities, in order to avoid delays and additional costs in the completion of a project[2]. Not only does this have the potential to result in higher labour costs for individual projects, but such an environment can entrench non-competitive labour arrangements including wages and conditions across the industry that are not relative to the market conditions of the day[3].

6. This was evident in the most recent phase of investment which saw several LNG mega-projects suffer significant cost overruns, in part due to both legal and illegal industrial action, including when enterprise agreements reached their nominal 3–4-year nominal expiry dates.[4]



7. While not the only factor, these damaging impacts of Australia's industrial relations framework is widely considered to have contributed to the sudden decline in the nation's attractiveness as a place to invest and build major resources and energy projects.

8. In the 12 months to April 2013, Australia lost around $150 billion worth of resources and energy investment when projects slated for development were suddenly cancelled or deferred indefinitely. By April 2018, committed project investment had dropped from $268 billion to just $30 billion[5].

---

[1] Reid, T. (2018) *A New Horizon, Guiding Principles for the Future of Work*, AMMA
[2] KPMG (2015) *Workplace Relations and the Competitiveness of the Australian Resources Sector*
[3] KPMG (2015) *Workplace Relations and the Competitiveness of the Australian Resources Sector*
[4] Institute for Energy Economics and Financial Analysis, Australia's Export LNG Plants at Gladstone: The Risks Mount.
[5] Historic data available via the Office of the Chief Economist's *Resources and Energy Quarterly* series

9. It is no coincidence that the below listed projects where all cancelled or deferred around the time there was significant commentary (locally and abroad) about the industrial relations issues experienced at existing major projects, leading to significant cost and timeframe overruns.

Cancelled or Deferred Project	**Company**	**Estimated Value ($b)**
Browse LNG	Woodside	36
Outer Harbour	BHP Billiton	30
Olympic Dam Expansion	BHP Billiton	20
Sunrise LNG	Woodside	12
Abbot Point T4-9	NQBP and partners	11
West Pilbara Iron Ore	Aquila Resources	7.4
Wandoan coal mine	Xstrata	6.0
Kooragang Island Coal Terminal 4	PWCS	5.0
Anketell Point Port	Fortescue / Aquila	4.0
Cape Lambert Magnetite project	MCC Mining	3.7
Southdown Magnetite Project	Grange Resources	2.9
Yarwun Coal Terminal	Metro Coal	2.2
Mount Pleasant coal mine	Rio Tinto	2.0
Weld Range iron ore project	Sinosteel Midwest	2.0
Balaclava Island coal terminal	Xstrata	1.5
Fisherman's Landing LNG	LNG Limited	1.1
Surat Basin Rail	Aurizon / Xstrata	1.0
Wilkie Creek coal mine	Peabody Energy	1.0
Total		***149***

10. If Australia is to effectively compete and secure the next wave of major resources and energy project investment, the system for making greenfields agreements must avoid situations where the threat of mid-project industrial action can significantly blow-out the forecasted budge and completion schedule.

11. Such an outcome is surely not the intended purpose of the greenfields agreement making provisions and is clearly not in the national interest.