



COMMONWEALTH OF AUSTRALIA

## Official Committee Hansard

# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT AND  
WORKPLACE RELATIONS

**Reference: Employment: increasing participation in paid work**

WEDNESDAY, 10 MARCH 2004

CANBERRA

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON EMPLOYMENT & WORKPLACE RELATIONS**

**Wednesday, 10 March 2004**

**Members:** Mr Barresi (*Chair*), Ms Vamvakinou (*Deputy Chair*), Mr Dutton, Ms Hall, Mr Hartsuyker, Mr Lloyd, Mr Brendan O'Connor, Ms Panopoulos, Mr Randall and Mr Wilkie

**Members in attendance:** Mr Barresi, Mr Dutton, Mr Brendan O'Connor and Ms Vamvakinou

**Terms of reference for the inquiry:**

To inquire into and report on:

Employment issues in both rural/regional and urban and outer suburban areas, with particular reference to:

- Measures that can be implemented to increase the level of participation in paid work in Australia; and
- How a balance of assistance, incentives and obligations can increase participation, for income support recipients

**WITNESSES**

**HOCHEN, Mr Mark, Chairman, Industrial Relations Committee, Australian Sugar Milling  
Council Pty Ltd ..... 1**



**Committee met at 11.25 a.m.****HOCHEN, Mr Mark, Chairman, Industrial Relations Committee, Australian Sugar Milling Council Pty Ltd**

**CHAIR**—I declare open this public hearing of the inquiry into employment and increasing participation in paid work. Thank you for meeting with us today. The meeting was going to be via teleconference but there is nothing like seeing someone in the flesh, so to speak. The proceedings today are formal proceedings of the parliament. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that all evidence be given in public but if at any stage you wish to give evidence in private, please ask to do so and the committee will consider your request. I invite you to make some preliminary comments about the issues you think are important to this inquiry, and then we will move to general discussion.

**Mr Hochen**—I appear here as the Chairman of the Industrial Relations Committee for the Australian Sugar Milling Council, which represents most of the sugar mills in Queensland. I am also general manager of Isis Central Sugar Mill, so I have some direct responsibility for employment issues in my company. We are seeing a number of issues in the sugar industry that impact on our operations, and I have tried to outline them in the submission that has been given to this committee. Some of the more important issues are some of the imposts on employment—for example, payroll tax, long service leave and travelling time. Some are legislative and some are unregistered agreements that may have been entered into in the past that are simply ingrained in the culture.

The other major issue in the sugar industry is a significant move towards automation. I do not think that is unique to the sugar industry but, certainly with respect to employment, we are seeing computer based distributor control systems take over. In a lot of cases, we see machines doing the job better than people, although there are obviously cases where people do the jobs better than machines. But we have seen that shift for quite some time now. Employment levels in sugar mills right now are certainly lower than we have seen before, and that is probably a continuing trend.

There are other issues about employment that cause concern—for example, the introduction of redundancy packages and how you treat employees if you cannot continue to use their services. We are a seasonal industry, and we have a lot of ups and downs. I am sure the committee has heard about the trials and tribulations of the sugar industry. There are people down here at the moment talking to government about some of the issues. So we do see some hills and hollows in our industry, and the regulation of employment makes it quite difficult at times to manage those sorts of changes.

**CHAIR**—I have read through your submission, and there were two things that hit me. One is a proposition that the contemporary business strategies that are used in the manufacturing environment, such as efficiency, profitability and modernisation of the factory, will not provide additional employment in your industry. Your industry is unique because it is still a manufacturing operation.

**Mr Hochen**—It is still a manufacturing operation, but the point is that the automation and efficiency drives will reduce the amount of employment. I do not think that is unique in industry.

**CHAIR**—You talk about a lot of the on-costs, and you detail every one of them. I would have thought that those costs were similar to any other industry in Queensland.

**Mr Hochen**—Some are, some are not.

**CHAIR**—What additional costs do you incur that other manufacturers do not?

**Mr Hochen**—We have some costs that have been negotiated over the years, particularly in the 1970s when there were quite considerable industrial campaigns. An example is travelling time. We give people an additional week's holiday on the basis that they have to travel to and from their homes, which are somewhat remote. In this day and age, I do not think that the travelling is anywhere near as arduous as it used to be, but that sort of thing still sits in there. We pay a prosperity component in our award, and there is no prosperity in the sugar industry at the moment.

**CHAIR**—What is a prosperity component?

**Mr Hochen**—I cannot give you an exact date but, in negotiations 20 or 30 years ago, a component was inserted into the wages that recognised the prosperity of the industry. There is no doubt that there was prosperity in the industry in those days, but I do not think you will find anyone who would maintain that there is prosperity in this day and age. However, it is ingrained into the system.

**CHAIR**—So that allowance is paid regardless of the performance of the industry?

**Mr Hochen**—Absolutely. It is not even visible any more. You can go back to the records and see where it was put in but it is not visible. It is not separated any longer; it is simply part of the wage structure. This means that the sugar mill would pay higher wages than anyone else in our community.

**CHAIR**—You have gone through enterprise bargaining. Has there been an attempt to claw back some of those allowances?

**Mr Hochen**—There has been discussion. Enterprise bargaining has its uses, in theory more than in practice. From my own perspective, at our mill we have introduced some different employment conditions to try to suit our operation. Mills up and down the coast have entered into various arrangements, but no-one has been able to unravel any of those longstanding arrangements. Some of them, in fact, are covered by unregistered agreements rather than awards. I cannot give you the numbers—40 or 50—but a lot of unregistered agreements that sit in the sugar industry were negotiated many years ago.

**CHAIR**—You represent 26 mills. Is that right?

**Mr Hochen**—The Australian Sugar Mill Association represents 26 mills. The industrial committee does not have CSR as a member.



**CHAIR**—You talk about the decline in the work force. Can you give me an idea of what the numbers were, say, 10 years ago compared with now? What is your projection, including the number of apprentices?

**Mr Hochen**—I cannot do that on an industry basis. In the mill that I run, we would have 30 people fewer than we did 10 years ago.

**CHAIR**—Thirty?

**Mr Hochen**—Yes.

**CHAIR**—What is the total work force?

**Mr Hochen**—Currently our work force is about 113, so we have had significant reductions. We have tried to hold our apprentice intake reasonably steady because we see that as part of the training ground for our community and for the state. Given the state of the industry, we simply are not in the position to maintain the numbers. Where we might have put on eight to 10 a year, we are now putting on six to eight a year. We are still training, but not to the extent that we used to.

**CHAIR**—I have one last question before I hand over to the other members. How many of the 113 workers in your mill are seasonal? Are they full-time jobs?

**Mr Hochen**—Currently we have three or four whom I would regard as seasonal, but the reason they are actually on is that we require their skills in the crushing season. They are seasonal in that they work the crushing season in a particular capacity and then they may have a couple of months off. If we have a requirement for any additional labour, we use the people who have the crushing skills so we can keep them interested rather than lose their skills. There are a lot of people that we would dearly love to keep on but we simply cannot.

**CHAIR**—Essentially they are all full time?

**Mr Hochen**—Yes. We might have another 30 or 40 seasonal people when we are crushing.

**Ms VAMVAKINO**—I want to explore some of the issues that relate to training and career opportunities. On page 2 of your submission, you refer to job security, training and career development opportunities within the local communities. Page 14 refers to the release of workers at the end of their apprenticeships even though those unique skills do not equip them to work in other industries. Where are these workers employed after their apprenticeships? What is the rationale in having apprenticeships that do not lead to ongoing work? Can any of the skills acquired in this training be accredited against other qualifications, even though they are industry specific?

**Mr Hochen**—I am not exactly sure where the words are, but we regard our contribution to apprenticeships as a contribution to the community and to training people in the state. We are able to put apprentices on every year by putting them off at the end of their time. I would say that 99.9 per cent of our apprentices get jobs in other areas quite quickly. In fact, from time to time employers ring us to find out which apprentices are coming out of their time. We like to

think that the reason they ring us is that we are quite particular about the skills that we give to our people.

Sugar mills offer a very broad range of skills to people. It is not like a fabrication workshop, where a boilermaker might have quite specific skills. In a sugar mill you will do all sorts of different things, so apprentices are in quite high demand when they leave the mill. We see our apprentices getting jobs in other areas. It provides a pool in some ways in that, if we need some labour, we approach some of our former apprentices and get them back. Almost all of our tradesmen have done their apprenticeships at the mill.

**Mr BRENDAN O'CONNOR**—You mentioned some of the impediments to efficiencies in your industry, including union demarcations. Which unions are involved? How many are there? Where is the area of demarcation that causes the problem?

**Mr Hochen**—We have three unions. There was a case in the 1990s whereby we reduced the number of unions.

**Mr BRENDAN O'CONNOR**—How many did you have then?

**Mr Hochen**—Six or seven. We have three now. The demarcations are site by site. There are different levels of demarcation at different mills. The demarcation might be about tradesmen operators—where we might want a tradesman to operate a piece of, say, pressure equipment in the slack season. There tends to be resistance to that sort of thing. Occasionally it is across the trades.

**Mr BRENDAN O'CONNOR**—So there is an overlap of rules of eligibility for the unions; however, the main problem is that there are workers in your industry whose duties you would like to broaden out but you are having difficulty getting past the horizontal line?

**Mr Hochen**—The tradesman operator is a classical example of where there tends to be strong resistance in some mills. Other mills, either through enterprise bargaining or just through commonsense, have been able to overcome that substantially but we still see it raising its ugly head from time to time.

**Mr BRENDAN O'CONNOR**—Did you anticipate a potential benefit arising from the proposed free trade agreement with the United States? And given that, unfortunately—at least to date—there has not been an ability to incorporate the sugar industry in those arrangements, is that likely to have an adverse effect upon employment levels? In other words, did you anticipate a growth in employment as a result of possible advances in our cause with the United States in relation to the free trade agreement?

**Mr Hochen**—I will have to answer in a negative way and say that, without the free trade agreement, a number of mills are placed in a very precarious position. Rather than increasing employment, we face a prospect of significantly reducing employment if we do not find a way to restructure the industry. The free trade agreement would have given us access to a high-priced market, and quite a corrupt market to be quite honest. It is the corruption of the world market that has caused the industry the difficulties that it is seeing at the moment. The free trade agreement would have provided a strong revenue stream, which would have ensured the survival

of the industry and certainly would have enhanced security of employment for the people in the industry.

**Mr BRENDAN O'CONNOR**—Just to follow-up, the Prime Minister was in some of the areas last Friday and he made it clear that he was listening to the industry. If he were here now, what would be the main issues you would raise to assist, given that we have not yet been able to move forward in that free trade area?

**Mr Hochen**—I was at the meeting with the Prime Minister on Friday. The strong points that were coming across included that there needs to be some interim support to ensure that the industry does not collapse. If anyone thinks the industry is crying wolf, they really need to have a close look at what is happening in the industry right now. There is no doubt in my mind that the industry has to restructure. State legislation has governed the industry for goodness knows how many years. It is simply archaic and it has to go. When that goes—and I believe it will in the next six weeks or so—the industry will need to restructure. However, the growers have to be able to survive in the current environment to get over the hump of restructuring and so do the mills.

I dare say that people are aware that there are a couple of mills under severe financial pressures right now. I am almost positive that one will find it almost impossible to survive. The free trade agreement would have put some money in their pockets. There needs to be a package that will get the growers to grow cane. We are very concerned that the growers are not going to plant cane, which then means that we will not have the season length to employ people. In the milling industry it flows over—if your crushing season length is compacted, you have a much longer maintenance season, which means you cannot use all your people in the maintenance season because you have too much time up your sleeve, if you understand the relationship. So there are all sorts of impacts that come from that. If the growers do not plant the cane, and the mills do not have the crop, significant employment issues will come out of that.

**CHAIR**—Are the cane plantations tied to a particular mill or is it an open market between the growers and the mills?

**Mr Hochen**—At this period of time they are tied to the mills by state legislation. That is one of the problems that have to be resolved—in fact, will be resolved—so that it can become an open market. It may have some employment implications in that a part of the milling industry may be rationalised but, if it does not happen, in quite a number of areas mills will simply go broke.

**CHAIR**—There is talk of alternative uses for the cane crop or stubble. What would that mean to the milling operations?

**Mr Hochen**—If you can find some alternative uses either for sugar or for the fibre that comes in with the cane—

**CHAIR**—My question is very much directed at your particular instance—the mill rather than the cane growers. It may be good for the cane growers to have an alternative demand, but what would it mean for you in the milling operation if that were to take place?

**Mr Hochen**—Firstly, we have to have growers who can make a profit to stay in the business. Once we get the cane, we will have to look at alternative uses. In my case, we have some projects on the drawing board. We will need some funding out of a package to make some of them fly. The banks see the sugar industry as being quite an unsecured industry—maybe insecure and unsecured—so we will find it difficult to get funding from banks. We will need a package to get some of those things up, but that will provide a long-term revenue stream that will benefit the mills and has the potential to increase employment. So there will be some diversification issues that the mills will embrace. In my case, we are owned by the growers, so the benefits of those flow down to the growers and will enhance their ability to survive. The symbiotic relationship between the mill and the growers is clearly evidenced in our area; we simply see that we have to find some other revenue streams to keep the whole district flowing along.

**CHAIR**—You have provided a very comprehensive list of all the on-costs. Certainly cost comes out very clearly as one of the great hindrances, whether it is on-cost, the labour cost, the severance or whatever. What are the margins that the industry is operating under at the moment?

**Mr Hochen**—We are making a loss. We do not have any margins.

**CHAIR**—Is this on domestic supply or just generally?

**Mr Hochen**—Domestic supply is about 15 per cent of the output, and New South Wales tends to supply some of the southern markets, so we are losing money as we sit here unfortunately. So there are no margins. Our problem is that it is a corrupt world market to start with—so the world price does not necessarily reflect the cost of production, which is an unusual market to be sitting in. Even so, they are the prices we have to take. When we have costs that would not have to be borne by some of the other sugar-producing countries, maybe they can survive longer than us. There are costs such as redundancy packages, which other countries do not have to endure, and long service leave, which I do not think exists in any other countries. There are those sorts of costs. That is part of the Australian conditions, and so be it. We want our employees to have secure jobs, and we want them to enjoy working and all those sorts of things, but in the end we have to be able to make a profit out of the product that we sell.

**Mr DUTTON**—Thank you very much for your submission. I extend my sympathies to the industry. It is a difficult time, particularly when you bear in mind the fact that we operate an efficient industry in Australia and there are some best practices, especially in Queensland. I understand the difficulties and frustrations that you face when you try to access a corrupt world market. I know there have been some difficulties with the state government in Queensland in this area, and you spoke about some of the policy changes or legislative changes that might take place soon. Have those matters been resolved as far as the state response is concerned? What is the latest there?

**Mr Hochen**—In an industry sense?

**Mr DUTTON**—Yes.

**Mr Hochen**—I believe they have. There have been some ongoing negotiations at peak body level—between the growers and the millers. About two weeks ago now an agreement was

reached on a couple of points that had been outstanding for quite some time. I believe that the state government is moving to repeal those sections of the act that it has been agreed be repealed, and they are quite substantial sections of the act. I understand that that is expected to go to parliament this month, in March, and will presumably be enacted the following month. That will give the industry a footing for change. We can then stop being a dying industry, and we can reinvent ourselves and take our employees with us. We value them. If you have a look at employment in the industry—maybe I did not make the point that turnover at my mill is extremely low—more people retire than leave for another job. People are becoming very concerned. They are nervous about the industry. Hopefully, with the state legislation remedied, we can start to put some positive signals out there.

**Mr DUTTON**—One of the serious impediments to small, medium and large businesses is the impost of payroll tax. Has there been any offer of relief from payroll tax—has that been part of the state government's package? Has there been any discussion in that regard?

**Mr Hochen**—I certainly have not been involved in any discussion, but I understand that the Premier is reluctant to commit further state funds. There has not been any discussion about payroll tax that I know of.

**Mr DUTTON**—Are there any alternative uses for the mills? Is there anything else you could utilise your facilities for in the maintenance periods?

**Mr Hochen**—Unfortunately their function is quite specific—they are built for the function that they serve. From my perspective, we are looking around to find some other things that we may be able to use the mill for—though maybe not the entire mill; it might only be parts of the infrastructure—because we are very conscious of the underutilisation of the capital. We compete with Brazil, which uses its mill for 30 or 35 weeks of the year, and Australian mills do not go for anywhere near that period of time. That is part of the rationalisation process. We are also looking for other processing opportunities where we can bring our infrastructure to bear so our capital utilisation goes up and, just by definition, we will become more efficient and more profitable.

**Mr DUTTON**—As far as output or tonnage goes, how much cane would have been produced, say, 20 years ago compared with what will be produced this year?

**Mr Hochen**—There is no doubt that more cane is produced now than there was 20 years ago. The peak of production was probably in 1997-98. We have seen a drop in production over the last few years, ostensibly because of a disease called orange rust which all but wiped out the most prevalent variety in the industry. In addition, we have had some adverse weather conditions, particularly in the southern areas but also in some of the other areas. We are starting to see the crop grow again—literally. I expect we will have something like 36 or 37 million tonnes in the industry this year, whereas we were down to 34 or 35 million tonnes.

**Mr DUTTON**—What would it have been 20 years ago? Has it doubled?

**Mr Hochen**—I would have to come back with a figure; otherwise I would be guessing. The increase in the last 20 years has been quite significant. It is not just two or three per cent; it is quite significant.

**Mr DUTTON**—Is that because a greater area is being harvested or because of a greater sugar content, or is it just a smarter way of production?

**Mr Hochen**—In some cases there have been significant increases in the area, particularly in the northern region. In other cases we have seen some better varieties come out which are more productive, in terms of both tonnes of cane and sugar content, although not huge increases in that regard. In some areas irrigation has become available, which has made a significant difference to those sorts of areas where you have the crop underpinned by irrigation. There is the cost of irrigation, but the benefits are significant.

**Mr DUTTON**—What about the number of mills? How many mills were there 20 years ago and, say, 10 years ago? That has been rationalised as well, obviously.

**Mr Hochen**—Again I do not have the figures, but I can think immediately of two in Mackay; Goondi, up north; Hambleton; and Nambour very recently. There are a number of mills that have closed over the years. My view is that more still have to go.

**CHAIR**—Is the make-up of your mill typical compared to the other 26?

**Mr Hochen**—Probably. There are a couple of different structures in the industry. Our mills grow our own, some are corporate owned and one mill is publicly listed.

**CHAIR**—If that is the case, can you give me a breakdown of the various occupational categories of the 113 employees, into tradesmen, semiskilled, unskilled and apprentices? I am just trying to get a feel for the structure of your work force.

**Mr Hochen**—These will be my best estimates off the top of my head, but they will not be too far out. Depending on how many we have put on over the years, we would have 15 to 20 apprentices in various stages—from first year to fourth year. We would have six or seven electricians, the same number of boilermakers and four or five fitters. They are the basic trades. We have a carpenter, eight or 10 people with boiler tickets—in other words, people who can drive steam boilers—and people with rigging and scaffolding skills. We probably have three crane drivers to cover, although we do not have three cranes. A lot of our work force have skills other than just base labouring type skills.

**CHAIR**—It is a fairly skilled work force by the sound of it.

**Mr Hochen**—Yes. The mill does a bit of training so that it has people with various skills. Given that we have a very low turnover of people, there is opportunity to train up your people with a fair expectation that you will keep them. So we do put some time and effort into people.

**CHAIR**—But you do lose a lot of your apprentices. Where do they tend to go?

**Mr Hochen**—To a variety of places, such as the mines and the electricity industry. A lot of them do go out to the mines initially. They have been at home and have done their apprenticeship in their comfort zone. They then tend to spread out a bit.

**Mr BRENDAN O'CONNOR**—Do they come back?

**Mr Hochen**—An electrician left recently and went over to Western Australia to a mining operation. We knew that one of our electricians—one of our apprentices who had been out for two years—was working in Brisbane. His parents were still in the area. We keep tabs on some of the guys, and we rang him and asked him whether he was interested. Two weeks later he was back here. So we do tend to get them back. Most of our tradesmen would have done their apprenticeships at the mill. Our chief engineer, for example, did his apprenticeship at the mill. We tend to keep them and train them right the way through.

**CHAIR**—If I were an early school leaver—if I had not finished year 12 and had very few skills—is the sugar industry still one of the few industries that is open to me for employment?

**Mr Hochen**—It is difficult for me to comment on other industries. We have people who have left school at various stages—sometimes they have not even done grade 10. We do some literacy tests to make sure that they have some of the basic skills that we need in the work force. Some of our apprentices will not have got to year 12, although we would prefer to see them go to year 12 so that they have a rounded schooling. We have more unskilled jobs in the crushing season than we do in the slack season, which probably reflects the fact that we do not put a lot of skill training into our crushing people. We get back some of our crushing people year after year, but a number of them are simply there for a season or two and then they go. Where I am from, and in Wide Bay, the unemployment levels are quite high.

**CHAIR**—I heard a radio interview the other day with an Australian from Florida, who works in the sugar industry and travels back and forth between Florida and Queensland. He does part of the year in Queensland and part of the year in Florida. I would not imagine he would be a worker in a mill. He would have to be out on the plantations to be able to do that.

**Mr Hochen**—He may be in the harvesting game. I know some people who have harvesting contracts. I do not know of anyone in Florida but some in Nicaragua and some in Papua New Guinea may do some work in the Queensland industry. It depends upon the time of year et cetera.

**CHAIR**—When you do have vacancies, how do you fill them? Is it one of those things where there is a vacancy and by the afternoon you have 100 applications? Do you go out into the schools? Do you go out into the communities and promote the industry and employment within the industry?

**Mr Hochen**—We do, particularly with apprentices. We have some people go into the schools and talk to them about the value of apprenticeships. We are finding it very difficult to get good quality applicants for apprenticeships nowadays. We tend to see the school system promoting universities or some other form of tertiary education rather than the apprenticeship stream. So we do go and talk to the schools. From time to time we advertise but, on most occasions, someone has put in an application for a job and has the skills that we require or we know someone who has the skills that we want to employ.

**CHAIR**—Thank you very much for coming in. As Peter said, we do feel for the industry. It has gone through hard times, not just recently but over many years. It receives a lot of discussion and air time from us as members of parliament, perhaps in our party room a little more than in the ALP party room because of the influence of the Nationals, but certainly we are very well

aware of your plight. We wish the industry well. It is a very important industry to Australia. I look forward to some of the alternatives that may be coming up. Buses run on ethanol in my electorate down in Melbourne, and they seem to be doing okay. Thank you again. If we have any more questions, we will get back to you.

**Mr Hochen**—Thank you for the opportunity.

Resolved (on motion by **Mr Dutton**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 12.01 p.m.**