

ATTORNEY GENERAL; MINISTER FOR COMMERCE EVENT/SPEECH NOTES – Friday 21 November 2014

Introduction

- Good afternoon distinguished guests, ladies and gentlemen. I am here representing the Premier, who unfortunately could not attend today.

- I would like to acknowledge:
 - Acting President of the Western Australian Industrial Relations Commission, the Honourable Jennifer Smith;

 - Chief Commissioner of the Western Australian Industrial Relations Commission, Tony Beech;

 - Fair Work Commissioner, Danny Cloghan;

 - Industrial Relations Society of Western Australia Patron Jack Gregor;

 - The eminent practitioners and academics in attendance.

- I would like to thank the Industrial Relations Society of WA for the opportunity to speak today and for choosing the beautiful Rottnest Island as your location.

- The theme of this year's conference is the oil and gas sector, and I'm pleased to have the opportunity to address you on this topic today, as well as to discuss some industrial relations (IR) issues.

- As Minister for Commerce, I am personally responsible for not only the Labour Relations and WorkSafe Divisions of the Department of Commerce, but also the Industry and Innovation Division, which works to maximise the benefits of major projects in WA for local people and businesses.

Main points

- The strength of Western Australia's resources sector has underpinned the State's outstanding economic performance in recent years.
- The Department of Treasury estimates that the mineral and energy sector is directly responsible for almost 30 per cent of WA's economic growth.
- Over the past ten years, real economic growth in Western Australia has out-paced the rest of the nation, growing on average by 4.9 per cent per annum compared to 3 per cent per annum nationally.
- During this time the WA population has increased by 30 per cent, while our total workforce has increased by 40 per cent.
- Our labour market continues to be amongst the strongest in the nation, despite a small increase in the unemployment rate as major resource projects transition from construction to the less labour intensive production phase.
- Overall unemployment rates and youth unemployment rates in WA remain significantly below the national average. As of October 2014, this State's unemployment rate was amongst the lowest of all the states at 5.2 per cent, compared to 6.2 per cent nationally.
- And the strength of Western Australia's export activity underpins the ongoing strength of the entire nation.
- Over the course of the last full financial year, WA, with just over 10 per cent of the nation's population, accounted for 48 per cent of the nation's total merchandise exports.
- The oil and gas sector has made a substantial contribution to these outstanding results, having undergone significant expansion in recent years.

- Of the petroleum commodities, Liquefied Natural Gas, or LNG, generates the largest amount of revenue. LNG is now the second most valuable resource commodity in Western Australia, second only to iron ore.
- It is very pleasing that annual growth in the value of WA's LNG sales has averaged 16 per cent over the past decade, and that the sales value of LNG reached a record \$14.4 billion last financial year.
- LNG exports are expected to more than double from 2013-14 to 2017-18.
- LNG accounted for 12 per cent of the total value of WA's commodity sales in 2013, and oil and gas employment in Western Australia rose a very significant 17 per cent last year to 41,000 people.
- This sector will be an ongoing source of jobs and prosperity for the State, and a number of major new developments are currently under construction.
- As those of you from the industry will know, the State's largest ever resource project, the Gorgon LNG project, is approaching completion, with construction around 83 per cent complete. Gorgon will underpin a doubling of LNG exports from WA.
- And the potential for further expansion of the oil and gas industry is vast.
- Natural gas is already the world's third largest source of primary energy consumption, accounting for nearly a quarter of the world's energy mix in 2013, and Western Australia alone accounted for 8 per cent of world LNG exports last year.
- Demand for natural gas continues to grow, particularly from our Asian trading partners, and Western Australia is well placed to meet this demand, with oil and gas reserves which exceed 140 trillion cubic feet of natural gas and 350 million barrels of oil.

- It's estimated that WA also possesses up to 280 trillion cubic feet of shale and tight gas resources. This has the potential to meet future energy demands and deliver significant economic benefits to the State.
- The Barnett State Government has worked hard to position Western Australia as a destination of choice for responsible resources exploration and development.
- Amongst a range of other initiatives:
 - We are continuing our reform of mining and petroleum assessment processes to reduce red tape, improve transparency, and make it clearer, easier and cheaper to do business in WA;
 - In 2009 we established the Exploration Incentive Scheme to support the search for minerals and petroleum across Western Australia and attract investment. Funding has been committed to June 2017, by which time total expenditure will have reached \$130 million.
 - We have reaffirmed the Government's commitment to safety in the resources industry by boosting the Department of Mines and Petroleum's safety inspector workforce and developing an online Safety Regulation System to provide enhanced data management and support better identification of trends and emerging areas of risk.
 - In this year's State Budget we committed \$15 million to double the training capacity of the Challenger Institute of Technology's Australian Centre for Energy and Process Training, and build on its reputation as the leading oil and gas training provider in the southern hemisphere.

- We have supported Western Australia's successful bid to hold the LNG18 conference in Perth in 2016. The conference will promote WA's petroleum resources and role as a global energy supplier, and is anticipated to inject more than \$50 million into the State's economy.
- Capitalising successfully on Western Australia's endowment of natural assets can have enormous benefits for the State and the nation.
- The State Government is working to ensure local businesses and workers profit from major resource developments.
- Since the release of the Local Industry Participation Framework in 2011, about \$60 billion in publicly announced contracts have been won by local businesses and it is estimated that this flow of contracts has resulted in the maintenance or creation of approximately 213,000 jobs in WA.
- Resource development has the potential to bring about real change for disadvantaged sectors of the community.
- I would like to take this opportunity to commend the excellent initiatives of resources companies working to improve diversity in the workforce, in particular those that are actively creating opportunities for greater indigenous employment.
- Breaking down barriers to workplace participation not only improves the lives of individuals, but also helps to strengthen regional communities and economies.
- In addition to providing opportunities for local businesses and workers, the oil and gas sector contributes enormously to state and federal governments' ability to provide services to taxpayers.

- Our share of North West Shelf royalties rose 7 per cent to \$1.1 billion last financial year.
- And naturally, the sector plays a crucial role in providing our communities with accessible, safe, affordable and clean energy.
- Western Australia clearly derives enormous positive benefits from the resources sector, and the oil and gas sector in particular.
- But it must be acknowledged that the industry is one that is internationally exposed, and the viability of getting new projects off the ground in WA is directly impacted by the costs of local development.
- In 2013 Western Australia's resources sector was identified in the Fraser Institute Survey of Mining Companies as the world's top-rated jurisdiction for investment attractiveness.
- This is an excellent outcome for WA, but it is important not to be complacent.
- Competition for global capital is increasing, and without the right policies, companies will look to develop resource projects elsewhere.
- In order to capitalise on opportunities, we must ensure that our natural resources can be developed as efficiently as possible.
- In this regard, industrial relations has an important role to play. Workers must be remunerated fairly for their efforts, but at the same time, labour costs must not become excessive, and both local and international investors must be assured that projects will not be subject to unnecessary delays.
- The industrial relations framework must facilitate improvements in productivity and reductions in the costs of doing business in Australia.

- The majority of businesses involved in the oil and gas sectors, as well as the construction sector which builds these projects, are covered by the Federal industrial relations jurisdiction.
- As such, the State Government's capacity to govern or influence industrial relations in these sectors is somewhat limited.
- Nonetheless, the State Government will do everything it can to protect the economy of Western Australia and ensure that the rule of law prevails.
- Recently the Federal Government secured the passage of a regulation which gives standing to me as the WA Minister with responsibility for workplace relations to apply to the Fair Work Commission seeking to suspend or terminate protected industrial action that is threatening to cause significant harm to the Australian economy, or an important part of it, or endangering the life, personal safety, health or welfare of Western Australians.
- While we have not yet had cause to utilise this option, rest assured that the State Government is closely monitoring industrial disputes in our State which have the potential to damage the prospects of not only Western Australia but the nation as a whole.
- The WA Government has an important role in ensuring that protracted and damaging industrial action does not unduly impact on the State's economic growth or business investment. We are also concerned to ensure that such industrial action does not have a negative impact on royalty revenue.
- Where we deem it necessary, we will step in to protect the interests of our State. In this regard, the State Government is also a strong supporter of the Federal Government's efforts to re-establish the Australian Building and Construction Commission.

- Unlawful conduct has long been a problem in some sections of the construction industry, as was well documented by the Cole Royal Commission in the early part of last decade.
- The WA Government strongly advocated for the retention of the ABCC when it was abolished by the previous Federal Government, and I continue to believe that special powers are necessary to bring about a cultural change in some elements of the construction industry.
- I know you'll hear from the Fair Work Building and Construction Director Nigel Hadgkiss later on, and I'd like to emphasise that the State Government is a strong supporter of the work of Mr Hadgkiss and his team.
- For all the importance of the Federal industrial relations system to key industries in Western Australia, I'd also like to emphasise today the ongoing relevance of the State industrial relations jurisdiction.
- It's estimated that up to 36 per cent of WA's workforce is covered by the State IR system, which includes those working for unincorporated businesses and those in the State public sector.
- Around 30 per cent of owner-managed businesses in WA are unincorporated, and the vast majority of these unincorporated businesses are small businesses with less than 20 employees.
- We know that many of these small employers are unlikely to have their own specialist HR staff and that they often rely on awards to set pay and conditions for their staff.
- The State Government has an important role to play in helping small business owners to understand their obligations under the State IR system.

- Wageline at the Department of Commerce provided direct service to over 50,000 employer and employee callers last financial year.
- In the same year, the Department's Labour Relations Compliance branch finalised 287 investigations, recovering nearly \$700,000 in underpayments for employees.
- The Department of Commerce also enforces the provisions of the *Children and Community Services Act*, which governs the hours that children can work in WA as well as the types of work they can perform.
- These provisions apply to all Western Australian employers regardless of State or Federal jurisdiction, and are designed to strike a balance between encouraging people under 18 to gain employment while not impacting on schooling.
- The Department also helps to resolve matters relating to long service leave entitlements, with the provisions of the *WA Long Service Leave Act* continuing to apply to most workers across both the State and the Federal IR jurisdictions.
- So the State IR framework continues to underpin regulation of a significant portion of the WA workforce, and the State Government is examining options to reform and improve the State system.
- In late 2012 the Government tabled its draft *Labour Relations Legislation Amendment and Repeal Bill 2012* in Parliament as a Green Bill. The Bill seeks to significantly reform the State industrial relations system.
- We have received extensive feedback from stakeholders on the Bill. The Government is finalising this stakeholder feedback with a view to introduce the amended Bill into Parliament in 2015.

- The Government has also recently tabled in Parliament the draft *Work Health and Safety Bill 2014*.
- This Green Bill has been drafted to include the core provisions of the national *Model Work Health and Safety Bill*, but has been refined to reduce red tape and ensure it is in the best interests of WA businesses and the WA community.
- The tabling of the Bill, however, should not be construed as locking in a transition from the WA OSH Act to a Western Australian version of the model WHS laws.
- The purpose of the consultation is to assess the merits or otherwise of moving from the existing laws to this variant of the model WHS laws.
- I am confident that this approach will enable the Government to determine whether to enhance the existing legislation by adopting some of the provisions of the model WHS laws, or move to a variant of the proposed Bill, or continue as at present.
- The State Government is interested in learning the views of the community on the Green Bill, and public comments can be submitted to WorkSafe until 30 January 2015.
- After the public comment period closes, the Government will review the submissions and consider the best legislation for Western Australian workplaces.
- Returning to the IR system, another important function of the State jurisdiction is to establish the regulatory framework for public sector industrial relations.

- The Western Australian Government engages almost 140,000 employees, making it the State's largest single employer.
- Employee expenses represent approximately 45 per cent of total general government expenses. In the context of a challenging fiscal environment, it is in the interests of Government and its citizenry to ensure growth in public sector costs is financially and economically sustainable.
- In light of these drivers, the Government implemented a revised Public Sector Wages Policy in late 2013. The Policy requires that increases in wages and associated conditions for all public sector industrial agreements be capped at projected growth in the Perth Consumer Price Index, as published by the Department of Treasury.

Concluding remarks

- To conclude today, I'd like to reiterate the Government's commitment to capitalising on this State's natural advantages to deliver the best possible outcomes for the people of Western Australia.
- As part of that goal, we will work to ensure that the State industrial relations system meets the needs of employers and employees in the private sector, and helps to deliver value for money for taxpayers supporting the public sector.
- We will also keep a close eye on developments in the national arena, and where necessary, we will take action to protect the State's long term interests.
- A fair and productive industrial relations framework plays a significant role in securing our State's future, and I encourage you all to approach your practice of industrial relations with that in mind.
- Thank you for the opportunity to speak today.