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Government urged to boost labour productivity in oil and gas industry

The Australian Petroleum Production & Exploration Association (APPEA) has called on the Australian Government to commit to workplace relations reform to help reduce institutional barriers to investment in the oil and gas industry.

In its submission to the *Fair Work Act 2009* Review, APPEA identified a range of barriers embedded in Australia's industrial relations framework that could cost investment and jobs in the sector:

- the requirement to negotiate greenfields agreements exclusively with employee organisations, which has exposed major projects to unreasonable union demands;
- requirements allowing unions to insist on the inclusion of restrictive provisions, such as restricting the right to employ contractors, that run counter to the productivity objective referred to in the Object of the Act (at section 3(a)); and
- unions having right of entry to a site, regardless of whether they have members on that site.

There is presently \$180 billion worth of liquefied natural gas projects under construction in Australia. Anecdotal evidence indicates costs have increased by more than 35 per cent over little more than a year at some offshore oil and gas construction projects in Western Australia and Victoria.

APPEA's submission says: "APPEA has, traditionally, not commented on workplace relation issues of the kind under consideration. However, the need to examine whether there are institutional barriers to boosting labour productivity performance in the oil and gas sector has never been greater."

APPEA Chief Executive David Byers said the current industrial relations framework introduces uncertainty in an industry with a projected \$330 billion of planned investment to 2020.

"Investment of this magnitude can only proceed if Australia is able to show a track record of international competitiveness in project development cost and timing," he said. "APPEA is concerned that unless changes are made to the labour relations framework, particularly with regard to greenfields agreements, construction costs will continue on their current trajectory, with significant implications for both the industry and the broader economy.

"One of the stated objects of the *Fair Work Act 2009* is to ensure productivity and economic growth for Australia's future economic prosperity. However, the Act currently adds to the costs of project developments - developments that involve billions of dollars of investment and thousands of jobs.

"Without changes to the labour relations legislative framework, particularly concerning greenfields agreements, the forces behind a longer-term escalation of construction labour costs are unlikely to diminish."

A copy of APPEA's submission is available at www.appea.com.au

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The Australian Petroleum Production & Exploration Association represents the upstream oil and gas industry in Australia. APPEA member companies produce around 98 per cent of Australia's oil and gas.