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Canberra reshuffle offers

THE CEO VOICE SERIES



The end of the mining investment boom poses a stern test for Western Australia and the nation, which must dramatically lift productivity to maintain growth, according to some of the State's leading business chiefs.

It was a mood reflected by Premier Colin Barnett yesterday who warned WA's iron ore giants, including BHP Billiton may have had their last major period of growth as the Chinese economy and demand for steel plateaus.

Michael Chaney, one of the State's most successful corporate leaders, told the *WestBusiness*/Australian Institute of Management WA CEO Voice boardroom lunch series that improving productivity was vital to lifting living standards.

"Unless we get increased productivity over the next five or 10 years we are not going to achieve satisfactory economic growth," Mr Chaney said. "If you think about what has been driving economic growth in recent years, the main things have been the investment level and employment level and productivity has been a distant third."

"As the investment level tapers off, and employment does the same, unless we get an increase in productivity we won't get economic growth."

The latest quarterly CEO Voice

series — on productivity and life after the boom — was held as Canberra descended into renewed turmoil mid-week, with the Lazarus-like revival of Kevin Rudd as Prime Minister.

For many of the 14 top business leaders gathered around the table, the Machiavellian manoeuvres reinforced the need for the focus to return to policy; specifically changes that would boost productivity.

And they issued a challenge to the new Prime Minister to back his rhetoric on wanting to rebuild bridges with business, damaged by years of scrapping over issues including the mining and carbon taxes.

CANBERRA

"Kevin Rudd made two statements that were at opposite poles (this week)," said Hollywood Private Hospital chief executive Peter Mott. "He said he wanted to get closer to business, but he said there would be no real changes to the industrial relations framework."

"So I think the challenge for him is to show what he means by that (getting closer to business)."

Sue Pember, managing director of relocation specialist Aussie Orientation Services, mirrored the disappointment within the national business community, expressing dismay that Mr Rudd allowed the passage of legislation clamping down on the 457 visa scheme.

"This was despite earlier indicating he would scrap the contentious Bill, given the resources industry



In agreement: Michael Chaney and Hollywood Private Hospital chief Peter Mott. Picture: Simon Santi

relies heavily on temporary overseas workers.

For some, the leadership change represented a chance to end the damaging uncertainty wrought by the de facto election campaign that has been waged since January.

"I am actually more hopeful about it — not so much in terms of Rudd and Gillard, but that it may serve as a circuit breaker that will

move the debate into the realm of policy," said Tony George, the principal of WA's biggest independent school, St Stephens.

Mr Chaney, who chairs two of Australia's biggest companies in Woodside Petroleum and National Australia Bank, echoed the sentiment.

"It is true during election campaigns that people do put their

hands in their pockets," Mr Chaney said. "I think there has been enough uncertainty in society caused by leadership speculation and an election in September that it has been a factor."

"Hopefully an end to the leadership speculation will help in that regard, but I think there will still be a certain part of that until we have the election."

productivity hope: leaders



FLEXIBLE WAGES

Regardless of which side gains the keys to the Lodge this year, the assembled business leaders said they were disappointed the coalition and Labor had ruled out changes to the industrial relations regime, which they felt was at the heart of problems with productivity. Mindful of the bitterness which has marked the IR debate in recent

years, some leaders called for a return to the spirit of the Accord in the 80s and greater co-operation between business and unions to boost flexibility in the workplace.

"I think what we need to go back to is an environment where there is more conversation, there is more working together," said Lavan Legal managing partner Dean Hely. "Because businesses, employees

and unions should be all working towards the same issue and that is to increase the amount of business that is happening, increase the number of people that are employed for appropriate wages."

As gold and iron ore prices tank, WA Chamber of Minerals and Energy chief executive Reg Howard-Smith said some workers in the resources industry would need to

accept wage cuts to help ensure WA did not price itself out of new mining projects. "I think we are in a period now where we do need to see a reduction in real wages," he said. "There are some sections of the community where that would not be acceptable, but that is what the Accord did and I think we are entering into that period."

Mr Chaney said that while the Fair Work Act made provision for individual agreements, they were so complex that firms were not using them, and urged reconsideration, subject to the agreements ensuring people weren't worse off.

"Increasing flexibility is important and I think eventually we need to go back to having individual (workplace) agreements," he said.

All Earth Group chief executive Stephen Pollard argued that high penalty rates were precluding firms — and workers — from taking advantage of hours that suited each other.

He gave an example of a fitter who wanted to work weekends to fit in with his shift-worker wife, but Mr Pollard could not afford to.

"Could I do it? No. Because it put three times the cost into my business to shut the plant down," he said. "I can actually shut the plant down on Friday afternoon and be better off. So it goes back to flexibility. It's just an illogical argument that we can't seem to get Australia to understand that while we are ahead of the pack, let's stay there."

But Mr Chaney and others conceded that management had a major part to play in improving productivity, by introducing better remuneration practices that rewarded talented staff, and build-

ing strong team cultures through clear communication.

Doric chief executive Peter Iancov said his firm could control 75 per cent of the factors affecting its performance, and constantly compared international competitors to see how it could build buildings better. "Every now and then we will discover a little gem and our clients benefit and we benefit," he said.

RED TAPE

And government could help by reducing regulation and red tape.

Mr Mott said productivity could be enhanced by loosening job classification restrictions, for example, which was already starting to happen.

"We are going to be 100,000 nurses short across Australia of what we need by 2025 unless we change significantly what we do," he said.

"It's not just about bringing in more nurses, it's about looking at job roles, which means more flexibility, which means opportunities for nurses to do some of those things that perhaps doctors have done previously and for people other than nurses to do some of the things that nurses have done."

Mr George said similarly a focus on NAPLAN and the curriculum was misplaced when concentrating on pedagogy and perhaps industry funding of schools could reap greater benefits.

And Mr Howard-Smith urged a reduction in the duplication of State and Federal approvals. "If you look at the standard resource approval, average approval still takes 4½ years. That's a long time and the market can change."

- MICHAEL CHANEY** We need output
- REG HOWARD-SMITH** Cut pay rates
- PETER KAMBOURIS** IR hurts shops
- RICKY BURGES** Cut red tape
- SUSAN ROONEY** Focus on yield
- PETER IANCOV** It's a long wait
- SUE PEMBER** Keep smart here
- DEAN HELY** Let's talk more
- PETER MOTT** New health jobs
- PAUL ITALIANO** We can flex
- DEAN GOODLIFFE** Pay goes awry
- GERARD MOODY** Skills to lead
- TONY GEORGE** Tax and learn
- STEPHEN POLLARD** Class on work

Unless we get increased productivity over the next five or 10 years we are not going to achieve satisfactory economic growth.

If you think about what has been driving economic growth in recent years, the main things have been the investment level and employment level and productivity has been a distant third. As the investment level tapers off, and employment does the same, unless we get an increase in productivity we won't get economic growth.

There's (also) been too little productivity at the firm level.

Holden released its new Commodore recently. What happens if it actually released a car that was made in the 1980s? That's what we have wound it back to before the Hawke and Keating era and produced a lot of unnecessary regulation.

I think we are in a period now where we do need to see a reduction in real wages.

There are some sections of the community where that would not be acceptable, but that is what the Accord did and I think we are entering into that period.

We are in an industry (retail) with little or no union influence and yet we are absolutely plagued with industrial relations issues.

We are over-regulated beyond belief through industrial relations. The industrial relations barrier is one of the main reasons that retail is slipping to online. We cannot increase our offering to the consumer, so we offer what the online retailers are offering so IR becomes critical.

I believe the take up, if we move back to (individual) workplace agreements would be immense.

When I think about the barriers to productivity or red tape, I think of the various egos of the groups that get caught up (in debates).

I think about funding, which is a particular issue for the State Government which is something that also gets in the way of decision making.

I think that the first step (to reducing regulation) should be about getting people in the room, at the same time, and starting to understand what we have got, what we don't have and the sort of things we need to do to improve things.

We focus very much in terms of productivity in maximising the engagement of all of the people who are in our workplace from even our donors, volunteers and our staff. And so our systems and processes are actually linked in.

And we focus on what are the barriers in our organisation for example to someone being productive at work.

In our industry one of our issues is to define what do you actually mean by productivity and then being able to align all your systems and processes with that.

The more public servants that are available to produce regulation the longer something takes because there are some very good people trained to produce regulation.

On a private job, let's say an office building, you make the decision in about a month from the tender date. So I have a month or so of waiting until I know whether I have won the job or not. For State Government jobs, four to five months. Defence, 48 months. That's how long it takes and that is regulation. Can I change it? No.

I feel personally over the past five to 10 years we have spent a lot of money in training boilermakers and mechanical fitters and electricians for a construction industry that might not be here or of the magnitude we have seen.

And instead we have been pulling a lot of the money away from universities.

I think if we could get a centre of excellence at one of our universities... and try to keep some of that innovation here... we could really make ourselves a smart country.

Flexibility in terms of working arrangements is a really productive thing.

I think what we need to go back to is an environment where there is more conversation, there is more working together.

Because businesses, employees and unions should be all working towards the same issue and that is to increase the amount of business that is happening, increase the number of people that are employed for appropriate wages.

In certain industries we have got out of kilter with wages.

The cost of public health services is going to rapidly escalate in the future. We don't have the capacity as a society to meet that challenge simply by doing what we have done in the past.

We are going to be 100,000 nurses short across Australia by 2025 unless we change significantly what we do. It's not just about bringing in more nurses it's about looking at job roles, which means more flexibility which means opportunities for nurses to do some of those things that perhaps doctors have done previously.

We can do our bit as the infrastructure owner in this State to focus our attention on those things we do that have an influence on productivity in Western Australia.

You can expect to see us narrowing the scope of what it is we are involved in as a business over the next 12 months to two years, focusing very heavily on managing our input costs very closely.

We have good flexibility in the workforce, but we probably haven't capitalised on that well enough (in the past).

I think the key for me is all about the people and the motivation.

And I think the dynamic I have seen in Perth is all to do with the remuneration... in the mining sector or the resources sector, which has been in a boom situation.

But the impact that has within the CBD in terms of our day to day business, in terms of delivering projects you can see, because we don't have the opportunity to reward the people at the same level as they get in the FIFO environment.

It is out of synch, it is unsustainable.

Part of it is about education.

We promote engineers (and other professionals) to become general managers and chief executive officers.

And if we are not giving them the skills to lead and manage (firms) then we are not going to gain productivity (internally).

Setting clear objectives, making visible targets, and engaging with staff at lower levels and saying how can we improve. How do we do things differently next month to help clients get productivity internally?

What the Gonski Review has demonstrated, I would say is that the Australian economy, certainly in terms of its provision of taxation, is insufficient for the educational aspirations of Australians.

The concern with Gonski is that money is doing more but not necessarily achieving more.

Where Gonski really provided us an opportunity to rethink education, we really haven't gone that far.

Our governments are still infatuated with curriculum, not pedagogy.

The education (sector) has actually got to engage with the industry. Because what it is producing for industry, doesn't necessarily meet industry's needs.

Even the technology we are training our apprentices with now doesn't even exist on modern sites. It's absurd, and we are actually setting people up for failure.

(On high penalty rates), it goes back to flexibility. It's just an illogical argument that we can't seem to understand that while we are ahead of the pack, let's stay there.



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