Opinion

Unions have been handed the keys to the Pilbara

Unions will seek pay without productivity as the Albanese government hands over control of Australia's resources powerhouse.

Tania Constable
Minerals Council CEO

Aug 12, 2024 – 5.18pm

Listen to this article
6 min

This was always the goal.

It has long been the jewel in the crown that unions so desperately craved: unfettered access to Australia's most productive industry in the nation's most important economic region.

The Pilbara.

Loopholes have ensured that BHP has no choice but to talk. **Michele Mossop**

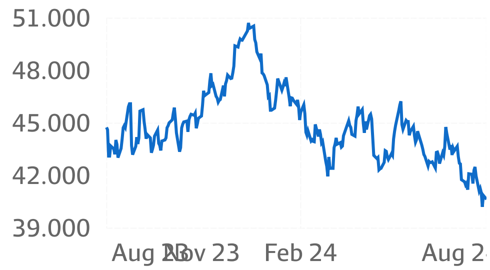
A region that has underpinned Australia's economic prosperity for decades [https://www.afr.com/link/follow-20180101-p5jb71], spurring economic growth, business investment, and job creation not just across its red dirt plains, but throughout the nation.

A region that enabled governments to fund essential services through unprecedented tax and royalty payments. A region that has empowered the mining sector to pay the highest wages in the nation, and supported thousands of businesses throughout its supply chain.

RELATED QUOTES

BHP **$40.640** ▼-0.54%

1 year 1 day



Updated: Aug 13, 2024 – 8.07am. Data is 20 mins delayed.

View BHP related articles

“Re-unionising the Pilbara” is not some secret agenda. It is a stated goal on the Mining and Energy Union’s website.

But for a generation, the unions have been unable to deliver this outcome, with workers free to pursue unionisation if they wished, but never compelled either way.

So, the strategy had to evolve. What was required was a change to workplace law that would make it easier for unions to get what they want, regardless of the wishes of workers.

All the unions required was a subservient government that would create the legal loopholes to allow unions to once again impose themselves on any workplace.

No previous government had been reckless enough to agree. Until the Albanese government.

This attempt at re-unionising the Pilbara gathered steam last week when unions, exploiting a deliberate loophole in the Albanese government’s new IR laws, forced BHP to start negotiating on what will be the first union collective agreement in the Pilbara in a decade. [https://www.afr.com/link/follow-20180101-p5k1g4]

BHP did not have a choice. And it did not matter whether the employees at the targeted iron ore mines wanted union representation or not. Their views do not count under the government's new laws.

This scenario is only the beginning. Hundreds of companies, in a broad range of sectors, could soon be hit with similar claims in this race to control workforces.

The risks from this incursion, written and authorised by the Albanese government, cannot be overstated given the importance of the Pilbara to the national economy and Australia's prosperity.

It is far from hyperbole to suggest as much, given history is a reliable guide.

The Pilbara was ground zero for union militancy throughout the 1970s, with unions waging a campaign of disruption that constrained production and curtailed economic activity. Workers spent, on average, more than 10 days a year on strike. The problems that now infest the construction industry used to cripple the mining sector. [https://www.afr.com/link/follow-20180101-p5k1lj]

Australia is simply becoming too expensive to run a business.

This prolonged workplace conflict not only imperiled job creation and limited economic gains, it chased away investment, forcing Japanese steel mills to flee to the relative safety of Brazilian iron ore suppliers to fill their immense orders.

Throw that level of disruption and upheaval into the current economic circumstances, and you have a recipe for disaster.

Australian mining is already at a critical juncture, hemmed in by rising input costs, burdened by rising energy prices, and constrained by a retrograde industrial relations regime. All at a time when the industry is battling to stay competitive with global competitors that have a growing list of comparable advantages.

Australia is simply becoming too expensive to run a business. [https://www.afr.com/link/follow-20180101-p5js8s] This is despite the enormous opportunities at hand, particularly as the nation gears up for a once-in-a-century transformation to a clean energy economy, fuelled by its natural resources and critical minerals.

This stark reality affects all industries. Mining is not immune, and the impact will be felt in future decisions to expand existing projects or invest in new ones.

Why should potential investors continue to absorb these compounding price pressures. Why continue to shoulder this investment risk when opportunities in other countries come without such risks, even in jurisdictions long considered politically adverse or economically challenged.

Are we genuinely expecting our businesses to suck it up in the name of patriotism, as projects that were once feasible become unviable?

There is a populist narrative peddled by detractors that suggests our biggest mining companies can easily absorb additional costs, given their relatively strong profits.

This view fails to comprehend the ebbs and flows of commodity cycles, the ever-evolving geopolitical environment, and turbulent economic conditions that can quickly render individual projects unviable. In mining, fortunes can often turn on a dime.

We are seeing this reality play out in Western Australia, with falling commodity prices and increasing competition in critical minerals forcing multiple shutdowns and job losses, from the mothballing of nickel mines and processing facilities, to the stalling of vital lithium projects. [https://www.afr.com/link/follow-20180101-p5k01w]

The last thing the WA economy needs is workplace disruption and the threat of intermittent shutdowns in its most important sector.

What is most concerning about the new push to re-unionise the Pilbara is not the actual wage demands, as this is not about wages or workers, but control. It is the implied threat of strike action if union demands are not met and the intentional impact on productivity.

The union claim would deliberately force lower productivity on Australia's most important industry. In their stated goals, the unions are openly seeking to divorce wage increases from productivity gains. Once they have done this in one company, the government's IR laws will then allow them to impose this agenda on other businesses, regardless of their circumstances or the wishes of the workforce.

This will have long-lasting economic repercussions.

When the federal government first announced these changes, then employment minister Tony Burke gave an ironclad promise that whatever the government was proposing would have no material effect on the Pilbara.

Companies that operated in the Pilbara would not be affected because there were no enterprise agreements between miners and unions in the region.

Until one emerges, that is.

A reality materialising before our eyes.

RELATED

Iron ore producers must learn from nickel: Fortescue boss

https://www.afr.com/companies/mining/iron-ore-producers-must-learn-from-nickel-fortescue-boss-20240806-p5jzz8

RELATED

Bad news for Australia: China's steel crisis is set to deepen

https://www.afr.com/world/asia/china-s-steel-crisis-is-set-to-deepen-in-bad-news-for-australia-20240808-p5k0r1

Tania Constable is the chief executive of the Minerals Council of Australia.

Tania Constable is the chief executive officer of the Minerals Council of Australia.