**FINANCIAL REVIEW**

FRIDAY 20 JANUARY 2012

**‘Return to lawlessness’ under new building watchdog**

**Exclusive**

Matthew Dunckley

Labor’s planned reforms to building industry regulation will bring a “shameful” return to lawlessness and intimidation while raising costs and cutting productivity, former construction watchdog chair John Lloyd says.

In a scathing submission on the legislation abolishing the Australian Building and Construction Commission, Mr Lloyd says: “The impact on the Australian economy will be severe. The cost of projects will rise. Project delays and disruption will become more common. Improvements in productivity will be almost impossible to win. Ten years of effort will be largely wasted.”

He cites signs of a worsening in the industrial environment. “The industry’s employer parties have expressed concern on the recent deterioration in workplace relations conduct,” he says.

Mr Lloyd left as ABCC chief in May 2010 after Labor first pursued plans to crimp the watchdog and include it in Fair Work Australia.

Labor’s hand-picked panel reviewing the Fair Work Act released a background paper this week that demands proof from critics who say that the act has hurt productivity. In a seeking submissions, the panel made no direct mention of the ABCC.

Workplace Relations Minister Bill Shorten yesterday ignored business demands by refusing to commit to continuing the ABCC.

**POLITICAL MOVES**

- **Bill Shorten refused to say if the government would act on any proposed changes to industrial law recommended to the panel.** Page 8
- **Wiki to wait for results, page 4**
- **Manufacturing targeted, page 9**
- **Editorial: Indigenous jobs, page 50**
- **Canberra observed, page 51**

**Jobs go as confidence evaporates**

Adrian Rollins and Jason Murphy

Australia is facing a jobs recession after employment sagged last year in the worst performance since the depths of the 1990s downturn. In a sign of global instability and weak conditions in much of the local economy, a survey showed downcast levels on the labour market, with a net loss of 100 jobs in 2011, the weakest result since 1992, adding to pressure on the Reserve Bank of Australia to cut interest rates next month.

While the unemployment rate held steady in December at 5.2 per cent, the figures mask a deteriorating conditions in the labour market, with Australian Bureau of Statistics figures showing that more than 29,000 jobs were lost in December. Almost 40,000 jobs were cut in the closing months of 2011 — the biggest two-month fall in employment in more than a decade.

In a grim prospect for school leavers and students, fewer workers in finance, manufacturing and other embattled industries, economists warn that annual employment growth — which has dropped to

**NEW POSITIONS ($100M)**

- **1500 jobs in 2012**
- **3000 jobs in 2011**
- **3000 jobs in 2010**

**Fame still turned out for festivals last year but it’s the promoters who are working up the real sweat.** Photo: MICHELLE SMITH

**Losing it in the dosh pit**

Dominic White

Ken West, the founder of The Big Day Out, says he will lose money on the music festival bonanza this year for the first time in its 20 years of peace and love and selling out.

Poor consumer sentiment, sluggish ticket sales, a shallow pool of international crowd-pulling talent and a glut of rival events mean that the “golden age for Australian music festivals” is over.

“A vast amount of events worldwide have sprung up in recent years with festivals being a way of printing money,” West tells The Australian Financial Review before today’s opening leg of RDO in Auckland — possibly its final appearance in the city.

Many promoters don’t understand the costs. It takes three months for a festival to reconcile its costs from market stall holders to portable and generator companies. We also have 10,000 casual staff and tougher government regulations.

Then there’s the bill for the talent. It cost a rumoured $6 million to secure rapper Kanye West — who will headline the RDO in Sydney, Melbourne and the Gold Coast — the biggest name in a line-up that’s proved a flop with many punters.

“It’s a great event again this year … as far as artists are concerned, it’s a seller’s market,” says RDO organiser West, who is not the only promoter with a hangover.

Sydney leisure entrepreneur Justin Hemmes has postponed his Good Vibrations dance music festival; Simon Daily, founder of The Falls Festival, is threatening to drop the event in Tasmania unless...

**Now bank branch hours face the chop**

Andrew Cornhill

Commonwealth Bank of Australia will cut opening hours in smaller regional branches in the latest wave of cost cutting in the banking sector. Around 40 branches will be affected, with hours cut from six a day to a lunch break to four, working through lunch.

The shift will result in “limited” job losses, as well as a move from full

**IMF may ask for $8bn**

Geoff Winestock

The International Monetary Fund could ask Australia to contribute as much as $US8 billion to a new $US500 billion raising to help protect “innocent bystanders” from the euro zone crisis.

The federal government said yesterday it was ready to increase Australia’s exposure to the IMF, but the US and many developing countries are resisting, insisting the euro zone puts more of its own cash on the line.

With the world economy likely to grow at its slowest pace since the 1980s and

**INDEX**

<table>
<thead>
<tr>
<th>World</th>
<th>18</th>
<th>Companies</th>
<th>37</th>
<th>Property</th>
<th>45</th>
<th>Letters</th>
<th>47</th>
<th>Features</th>
<th>46</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets</td>
<td>19</td>
<td>Financial Services</td>
<td>42</td>
<td>Information</td>
<td>46</td>
<td>Rear Window</td>
<td>48</td>
<td>Editorial</td>
<td>10</td>
</tr>
</tbody>
</table>

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More reports, page 11

NSW 001
No promises on Fair Work review

Pip Freebairn and Jaseon Murphy

Business groups and the union movement are busy preparing submissions for the review of the Labor government's two-year-old industrial relations system, but the government yesterday wouldn't promise to act upon any recommendations made by the panel on the Fair Work Act.

The Fair Work review background paper released yesterday outlined a wide range of issues for submissions to consider, including the good faith bargaining rules, unfair dismissal laws, a greater role for compulsory conciliation and the power of unions.

Minister for Workplace Relations Bill Shorten refused to say if the government would act on any proposed changes to the law recommended to the panel.

"I'm not in the business of answering hypothetical questions," Mr Shorten said. "We've got the review, we'll see how that goes.

The review, which will be conducted by Reserve Bank of Australia board member John Edwards, retired judge Michael Moore and legal and legal academic Ron McCallum, operating an eight-week public review, required under the law to take place after two years' operation.

Submissions are due within four weeks. The panel will report to the government by May 13 with recommendations to change the law.

The report published yesterday showed that productivity had fallen to its lowest level in 15 years in a period coinciding with the operation of the new law. The background paper also showed that the number of disputes had risen under the act.

Three business lobby groups, the Australian Industry Group, Business Council of Australia and the National Association of Business, supported the call for a review.

The Australian Chamber of Commerce and Industry, have called for changes to the act to increase flexibility and to strengthen the role of individual workplace agreements, which are available under the current act, but with limitations which mean they have not been used in practice.

The union movement has called for workers' rights in casual work to demand permanent positions. Construction unions want to abolish the Australian Building and Construction Commissioner.

Université Laval industrial relations professor Andrew Stewart questioned whether the government had the appetite to change the law, which was a centrepiece of its successful election campaign.

"The Howard government's unpopular Work Choice law was criticised for stripping too much power from employers.

Mr Shorten said the government had consistently defended its law against both employer groups and unions that have sought to make changes, he said.

"I can't imagine they will suddenly decide to respond to union requests to meet international labour law obligations, or that they will suddenly code to employer groups that want to abolish the 'better off overall' test.

"That paper is encouraging all these groups to put forward every proposal on every aspect of the entire workplace relations system within four weeks and with evidence." From page 1

implementing the panel's recommendations after it reports in May. "I'm not in the business of answering hypothetical questions," he said.

With unions backing Labor's dismantling of the ABCC, Mr Shorten's comments will further stoke fears from some businesses in the sector of a new period of industrial turmoil.

West Australian Housing Minister Troy Buswell said yesterday he was concerned the ABCC would become a toothless tiger, with major implications for the resource-rich state and its big construction pipeline.

"As the state which uses the worst behaviour by the building unions, we are gravely concerned about the federal government's rollback of the ABCC and the impact that will have on militant union activity," he said.

Victorian Premier Ted Baillieu is working on a new industrial code for businesses that want to win government work as a way to tackle concerns over militant behaviour by unions.

In his submission to the review of the proposed laws, Mr Laidy said that "corruption, intimidation, threats, low productivity and excessive increases in labour costs will re-emerge with a vengeance to trouble the industry under the new regulation regime, and the industry will no longer be protected by a tough watchdog".

Mr Shorten, now a director at the Institute of Public Affairs, says the establishment of the ABCC in 2005 meant respect for the rule of law was restored but this would be undone under Labor's changes. "The intent of every aspect of the bill is to diminish the capacity to conduct unlawful conduct across the industry," he says in his submission, provided to The Australian Financial Review.

His key criticisms include: the independence of the regulator will be undermined partly because of powers granted to the minister to instruct the director; the penalties are so substantially reduced that deterrence is effectively eliminated; and the curtailment of coercive interviewing powers.

Mr Shorten did not respond directly but insisted the government would maintain a strong regulator in the building industry and had a demonstrated commitment to "strict regulation of industrial action".

"The government believes that the ABCC needs to be replaced with a new body that is part of the mainstream Fair Work system, a body that will operate in accordance with community expectations of a fair and just workplace relations system," Mr Shorten said.

Meanwhile, one of Victoria's biggest builders, Grocon, will square off today against the Construction, Forestry, Mining and Energy Union in federal court over stalled pay talks.

The company has put a proposal to its 200-strong workforce for a ballot next week that the union has not endorsed. Grocon head of people and culture John van Camp said the company had negotiated with the union for nine months on a new enterprise bargaining agreement.

But he said the CFMEU was seeking conditions, such as right of entry to sites without notice, that were contrary to federal law.

The CFMEU will ask the court for an injunction to prevent the ballot taking place. In a letter, the union accuses Grocon of attempting to mediates workers and "trying to ram through its shady" agreement. CFMEU state secretary Bill Oliver said the union was pursuing workers' rights.

with Peter K navy, Pip Freebairn and Jaseon Murphy

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