



10 November 2016

Email: ec.sen@aph.gov.au

Dear Secretary,

Re: Inquiry into the Retirement of coal fired power stations

The need for a just transition

The AMWU has a proud history of advocating for a just transition for workers affected by structural adjustments in our economy.

Our 2008 Just Transition policy paper (Attachment A) contains many prescriptions which are still relevant today. We also recently made written (Attachment B) and oral submissions (Attachment C) to the Joint Standing Committee on Treaties inquiry into the Paris Agreement, which we recommend to the Committee. In these submissions, we have highlighted our concerns about the impact that the closure of the Hazelwood power plant on the surrounding community which already has an unemployment rate more than three times higher than the state.

The AMWU believes that the government must take immediate action to ensure a just transition for workers and communities that will be affected by the closure of coal fired power plants over the coming months and years.

The announcement that the Hazelwood power station will close in March 2017 has appropriately focused public attention on what the future holds for the affected workers and the region. While it is important that the state and federal government gets their response to this disappointing news right, the closure of Hazelwood is only part of a significant structural adjustment in our economy which must be addressed by strong, evidence based policy.

The changes to our economy foreshadowed by the Paris Agreement should provide the impetus that the government clearly needs to develop a plan that will provide workers with a just transition to the emerging economy.

Australian Manufacturing
Workers' Union
Registered as AFMEPKIU
National Office
Level 4
133 Parramatta Road
Granville NSW 2142
Telephone: 02 8868 1500
Facsimile: 02 9897 9274
amwu@amwu.asn.au

Unless the Australian Government can deliver a just transition for the workers who will necessarily be affected by the changes that we will need to be made to address climate change then it will be the most vulnerable who will yet again bear the largest burden.

Policies that will deliver a just transition are a necessary component of any plan to address climate change that wishes to enjoy strong and ongoing support from the community. It is vital that the government acts to put in place measures that ensure the benefits are spread evenly and that no one is left behind. To support this, the AWMU has made seven recommendations for the government on how to achieve a just transition for workers affected by the retirement of coal fired power stations.

If the government is serious about addressing climate change, it must be serious about delivering a just transition for Australian workers.

ACTU – Energy Transition Australia

The AMWU supports the proposals in the ACTU's discussion paper *Sharing the challenges and opportunities of a clean energy economy: A Just Transition for coal-fired electricity sector workers and communities*. This body would assist government to provide a proactive response to the structural changes that the economy, and particularly the energy sector, will undergo in the coming years. ETA will help to ensure that the impact of this transition on workers and their communities remains central to the government's response to this vital challenge.

Just Transition – the current approach

There has been extensive research on previous closures of major industries in Australia. The work of Dr. Andrew Beer following the closure of the Mitsubishi plant in Adelaide would be particularly pertinent to the Committee. His work showed that roughly one-third of redundant workers moved into full-time work, one-third moved into insecure working arrangement and one-third never worked again. If this outcome were to be reflected following the retirement of Australia's coal fired power stations, it would be a disaster for the workers, their families, their communities and for the Australian economy.

In Australia, we have tended to focus on labour market responses to structural adjustment across industries and the closure of large employers. This has usually taken the form of skills recognition, training and assistance to find new employment.

To reduce the impact of any job losses from the retirement of a coal fired power station, efforts should be made to enable redundancies to be pooled across several sites. This approach would allow voluntary redundancies to be sourced from other stations and allow workers to be shuffled around to other similar sites within an affected region. The AMWU believes that pooled redundancies should be implemented for the closure of the Hazelwood plant and for all subsequent coal-fired power stations.

Recommendation 1: That the government develops a tailored package of assistance to provide to workers and contractors engaged by retired power stations, delivered through Energy Transition Australia, that includes:

- **Skills recognition**
- **Training opportunities for existing workers**
- **Additional job seeker support**
- **Redundancy pooling across multiple sites**
- **Travel subsidies and relocation assistance**

While labour market solutions are an important part of any just transition package, they alone are not sufficient as they do not deliver the decent work and quality jobs that these workers and communities rely upon. For example, only \$20 million of federal government funding has been allocated to the auto diversification program which aims to assist small manufacturing companies affected by the closure of Ford, Holden and Toyota to continue to find other business opportunities.

This lack of industry policy has meant that many workers are forced to move into industries where their existing skills are not utilised. It is a failure of policy and imagination to believe that the only solution to these structural changes is to require workers to leave their community behind in the hope of finding work that pays less and is less secure in an unfamiliar industry and location.

It is vital that workers are retrained and that they receive assistance moving into new work, but that new work does not have to mean moving to a new industry or a new location. It is important that the government support vital industries like energy generation and manufacturing in the regions affected by the retirement of coal fired power stations.

The experience in the UK with the closure of MG Rover in 2005 provides a useful example about how things can be done differently. In the UK, the task of supply chain diversification started earlier and was better funded. This meant that when MG Rover went into receivership in 2005, there were fewer companies that relied on them for a sizeable chunk of their business. This meant that fewer workers lost their jobs, fewer workers had skills that they could no longer use and the overall impact of the closure on the community was reduced significantly.

The House of Commons report into the UK car industry (Attachment D) includes a report on the various methods used to assist supply chain companies to diversify their business and improve the sustainability of manufacturing work in areas affected by the closure of the MG Rover factory. The report highlights the delay of VAT and PAYE payments as a particularly beneficial part of the government support package.

The approach adopted for the MG Rover closure was successful in moving redundant workers into new full-time jobs. Rather than the one third of workers that moved into full-time work in the Australian experience at Mitsubishi, nearly two thirds of workers from MG Rover and its suppliers were in full-time work within a year of the closure of the factory. It is also worth noting that nearly half of the employees were earning the same or more than their previous job.

The lessons from this example is that the Australian Government needs to start work as soon as possible to support companies in the supply chain for coal fire power station to diversify their businesses. The government must also take steps to encourage investment in these regions to attract businesses that utilise the skills that the redundant workers already possess.

For example, solar-thermal power provides a renewable source of base-load energy generation and requires a much larger workforce than solar-radiation power generation. Many of the skills required to maintain and operate such a power station are very similar to those required in a coal fired power station. In addition, manufacturing businesses would be well suited to many of the affected regions because they require employees with very similar skills to power station workers.

Attracting new businesses to these areas and assisting existing small and medium sized businesses to grow is the missing piece of the federal government's usual approach to address the problems created by the closure of a major employer. This approach supports workers, their families and their communities by creating quality jobs that provide decent work in the affected region.

In many cases, attracting business investment will require upgrades to the infrastructure in and around the regions affected by the retirement of coal fired power stations. This investment will provide jobs and encourage economic growth in these areas at a time when it is needed. The required infrastructure will vary from location to location, but may include new roads, business parks or genuine fibre NBN connections.

Recommendation 2: That the government develops a tailored package of policies to encourage growth in affected regions, including:

- **Establish a Manufacturing Finance Corporation, which would operate like the Clean Energy Finance Corporation, but with a focus on growing the manufacturing sector in affected regions.**
- **Provide loan guarantees to small and medium energy and manufacturing business to set up in the affected regions, or to expand their operations within those regions**
- **Allow companies in affected regions to delay payment of GST, PAYE and payroll taxes to ease cash flow problems arising from closures.**

Recommendation 3: That the government ask Infrastructure Australia to identify priority projects in regions where coal fired power plants are expected to be retired.

Latrobe Valley

In relation to the closure of the coal fired power stations in the Latrobe Valley, the AMWU would like to make a few specific observations.

The recent announcement of the closure of the Hazelwood coal fired power station represents a terrible loss for that community. The 1,000 jobs supported by the plant, directly or indirectly, will place more burden on a community with high levels of unemployment and social disadvantage. This closure does not result from climate policy or from any inefficiency on behalf of the workers, but from a failure by the owners to invest in their asset.

Since purchasing the plant, the owners have made no effort to improve the plant to make it more efficient and environmentally sustainable. This approach has led to the power plant reaching the end of its life much more quickly than would have otherwise been the case.

There is a significant amount of work that will be required to decommission the power plant, and rehabilitate the site and co-located briquette factory. This work is likely to be ongoing for a significant period after the plant's closure. This work should be undertaken by affected power station workers based on an enforceable agreement between the owners and the AMWU.

The AMWU supports the efforts from the Victorian Government to invest \$174m in infrastructure in the Latrobe region. This investment will help to create jobs and will make the region more appealing for new investors. This investment in key infrastructure is complemented by the state government's \$50m Economic Growth Zone policy aimed at attracting businesses to the region. The state government is also investing \$10m to assist existing businesses in the region to grow.

The federal government has announced \$20m for a regional jobs and investment package and a further \$20m to support local infrastructure. While this investment will help to create jobs in the short term, without a plan to attract new businesses or grow existing ones, there is no clear long term plan to help these workers move into quality jobs doing decent work.

Recommendation 4: That the federal government match the Victorian governments efforts and bring forward major infrastructure spending in the Latrobe Valley.

Recommendation 5: That the federal government expand its assistance to the Latrobe Valley to include business incentives to attract long term investment and create quality jobs.

The Victorian State Government has established the Latrobe Valley Authority to coordinate their efforts to grow the economy, and support workers and the community during this transition. This Authority has been set up in response to the closure of Hazelwood, but a more proactive approach should be adopted in future through the establishment of the Energy Transition Agency.

Part of the Victorian Government's contribution to the Latrobe Valley community is the establishment, in partnership with the local trade and labor council, of a one-stop-shop to help affected workers. By partnering with the Gippsland Trades and Labour Council, the Workers Transition Centre model ensures that workers have a voice in how these services are delivered and should result in more efficient delivery of government services that are better tailored to the needs of workers.

Recommendation 6: That state and federal governments deliver services to workers in affected regions through the Workers Transition Centre model. The development of these Centres should be coordinated by Energy Transition Australia.

Other regions with coal fired power stations

It is important that the government adopt a proactive approach, especially in relation to expanding economic development, in the regions that are likely to be affected by the retirement of coal fired power stations over the coming years.

By investing early, the government can assist suppliers to diversify, improve crucial infrastructure, attract new businesses and assist existing businesses to grow. This means that when these power stations are eventually retired, there will be a growing energy and manufacturing industries in these regions for workers to move into. This will help to reduce the impact of the future retirement of coal fired power stations on workers, their families and their communities.

It is important that this investment is made in consultation with local communities, businesses and unions to ensure that there is a shared understanding of the goals of the long-term investment in these communities.

Recommendation 7: That the government, through Energy Transition Australia, identify regions at risk of being affected by the closure of coal fired power plants in the coming years and set up a tripartite body to develop and manage regional development plans in these areas. These regional development plans should be funded to assist local businesses to diversify and grow, identify local infrastructure projects, encourage new business investment and, provide training opportunities to workers.

Thank you for the opportunity to make a submission on this important issue. Should you have any questions or require further information, please contact Warren Tegg in the first instance on

PAUL BASTIAN
NATIONAL SECRETARY