

Negotiating Structural Efficiency: The  
Maritime Services Board of  
New South Wales

Working Paper 2

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The Maritime Services Board is the port authority for the State of New South Wales. Trade through its four major ports reached a record 97.5 million tonnes in 1988, with a Capital Works program of \$42 million for the year being undertaken while still providing a dividend to State Treasury of \$16.5 million, an operating surplus of \$23.3 million and a profit from land sales of \$8 million.

The Board employs almost 3,000 staff, with approximately 420 in its key marine activities. This latter group of staff provide pilotage services, port communications, wharf security, navigation and regulatory administration, water-based firefighting and patrol activities on rivers and dams across the State. As such, they are a key activity in keeping ships moving into and out of Australia's major ports.

This case study demonstrates how significant changes were introduced to the work attitude, work organisation, practices and awards for such key activities with minimal industrial disruption.

## THE CONTEXT

After the election of the Federal Labor government in 1983, the new Minister for Transport (Mr Peter Morris) initiated a series of reviews in the shipping and waterfront industries. These reviews were intended to, through a process of discussion and consultation, achieve more efficient and internationally competitive maritime and waterfront industries. In the shipping area, widespread reform to the Australian National Line was initiated while the major private employer, BHP Transport, also radically restructured its fleet's operations. In the waterfront area the industry established the Stevedoring Industry Consultative Committee, chaired by Sir John Moore, which commenced its deliberations on changing the waterfront's long established work patterns, demarcations, and low productivity.

Simultaneously the NSW Minister for Roads, Public Works and Ports (Mr Laurie Brereton) had initiated a wholesale restructure of the State's port authority. The stated intention of

- customer driven;
- people awareness;
- accountability at all levels;
- decentralised decision making;
- social awareness;
- sound financial management.

The coincidence of these events was to generate much change (and some instability) in the Maritime Services Board. Previously, the Board, a NSW statutory authority was known by its unions as the "maritime circus", totally unable to decide on anything on the industrial relations front without Public Service Board approval; a monolith of paperwork and public service thinking. Even the Government viewed it as a sleepy, reactive, centralised, insular bureaucracy dominated by construction engineers and master mariners. In the absence of professional managers vested with real authority and responsibilities, Staff and Management Services tended to keep the organisation ticking over, saying what could or not be done. Being a public sector authority, the Maritime Services Board tended to work closely within the Public Service Board /Industrial Commission sphere and had little experience as a stand-alone enterprise.

## THE CLAIM AND INITIAL RESISTANCE, 1983 - June 1987

The process of change began with a union claim for significant wage increases and a new wage system. The claim led to a major industrial relations case which ended up transforming both the job of their members and the way in which industrial relations was approached in the Board.

In 1983, the Seaman's Union of Australia, which covered the vast bulk of the key marine personnel employed in the Maritime Services Board, wrote a one line letter of demand for a 25% increase in pay. In fact, what they wanted was an aggregate wage (an all inclusive wage) for all their members. An "aggregate wage" is a term used in the maritime industry for the pooling of ordinary pay, overtime, shift allowances, leave loading, leave and disabilities into one total amount which is then paid in equal instalments each pay period through the year. Such a concept fundamentally severs the link between work actually performed in any week and the money received at the end of the week. There is no such thing as overtime or leave loading, for instance, under an aggregate wage. This has the advantage to the employee of giving the status and recognition of a salary, of having predictability of earnings, and of having superannuation paid at a higher rate. This is particularly true in this case, where shift loadings of 50% for afternoon shift and 100% for night shift apply and the industry works 24 hours per day, 365 days per year.

The Union's claim was not initially opposed; indeed, it was tacitly agreed upon by the senior Industrial Relations personnel in informal talks. However, before this tacit deal could be implemented the Board's senior management was swept out in the wake of an Efficiency Audit by the Public Service Board. New industrial relations staff were not appointed until late 1985, at which time the claim for an aggregate wage was re-raised.

The Union approached its claim on the basis of "same conditions, same earnings" and initial talks were held in early 1986 to discuss the claim. As the slogan implies, this would mean that all the existing work practices would have continued, which were a sizable contributor to the existing earnings due to the then policy of full shift staffing at all times, generous and little policed sick leave entitlements, and dubious workloads in some activities. The Board rapidly realised that it could not readily offset the increases in labour costs which would result and also had basic philosophical objections to such a wage and so suspended talks after several months. These objections centered on the fact that payment would not be linked to work, and that the existing work practices would "load-up" the earnings with little chance of unloading earnings later if the practices were eventually removed.

Consequently, the claim went to arbitration, with the Board engaging counsel to argue a threshold point that the claim fell outside the then wage fixing guidelines. This was not supported by the NSW Industrial Commission, in a decision of 23 June, 1986. The Board appealed the decision and a stoppage of work resulted immediately. The Board declined to react and after several days the employees resumed duties.

The Full Bench "decision" in October 1986 resulted in a partial referral back to the judge who had heard the matter in order to clarify the claim. Indeed, the Union verbally altered its claim during proceedings to claim a specific amount for forty of the affected employees, who were to be considered as a microcosm for the purpose of the argument. The Board was successful in pressing the Bench to agree that the result must be "cost neutral", in other words, should not exceed the existing labour costs at the time of introduction. Then commenced a game between the players where the Union tried to guess/claim what would be a cost neutral figure. The Commission vigorously assisted the Union, pressing the Board's accountants to justify their formulae and statistics: a classic reversal of the onus of proof. Finally, the Board demonstrated that a significant increase would result in total labour costs at the figures claimed, as Table 1 demonstrates. Indeed, an aggregate wage of \$32,000 was found to be "cost neutral" with existing take home pay of \$35,000!

Table 1: Estimates of Labour Costs of Existing Wages and the New Aggregate Wage

Item	Cost (\$)	
(a) Existing basic wage	20,000	
Existing overtime	5,000	
Existing shifts	10,000	
On costs on base wage (30%)	8,000	
Total labour cost	43,000	
(b) Aggregate wage	32,000	
On cost on aggregate wage (30%)	11,000	
Total labour cost	43,000	

Source: Maritime Services Board

In addition, detailed analysis which resulted in the Auditor General having to obtain legal advice on details of the superannuation position, which was extraordinarily complex given that employees could be in any of four funds, or none of them, some of which were closed off, and the Board had not fully funded the existing obligations.

By March 1987, the cost neutral figure for one single classification, comprising forty "test case" employees, had been established and was some \$3,000 per annum less in take home pay than current earnings for the classification affected. This was then adopted as the Union claim. The Board, however, still objected on the merit of the claim; that is, it claimed that work practices had not changed, and so absolute costs were considered to be higher than they need be. The Board's management also maintained its philosophical opposition to the aggregate wage concept, which in their view broke the nexus between work performed and the reward for that work. This stance outraged the Union and the Commission who, despite the transcript, had formed the view that the technical threshold point of whether the claim was within the Guidelines was the only obstacle to immediate introduction of the aggregate wage within the Maritime Services Board.

Relations between the parties were at a very low point. The Union was faced with a negative, technical, debilitating fight in the Commission which had already gone for twelve months and was exasperated by the technical ability of the Board to stall the claim. There also was strong pressure from its members to take direct action. The Commission had clearly pronounced off transcript that the aggregate wage would be the greatest innovation to industry since the 12 hour shift (introduced in the Maritime Services Board in 1975) and wanted it introduced. On this basis, the Board had formally applied for the judge to be removed from the case on the grounds of "perceived bias". The Board, for its part, was unimpressed by the delay in resolving the issue on what it saw as a reasoned basis, and viewed its technical defence as a stalling tactic (however successfully conducted) rather than a strategy for achieving a solution and so a deficient approach. Due to the long term nature of the case, the Board and the Union both kept the issue at arms length from negotiations under the two-tier national wage system introduced by the Conciliation and Arbitration Commission in March 1987.

## A LATERAL APPROACH, July 1987

While the above events were unfolding, the Board had embarked in late 1986 on a major reorganisation of various areas of its operations on the criteria of:

- improved service;
- increased efficiency and effectiveness;
- reduced costs.

This was being done in a highly structured, collaborating approach with full union involvement, and was proving to be quite successful. Most major marine areas were under active review with about 20% of positions to be eliminated and changes in practices sought also.

The Board decided to suggest a radical change of direction in negotiations over the new wage system. In July, 1987 it formally proposed to the Union that the Commission proceedings be suspended and that talks commence on a review of all operating practices and conditions, including remuneration. The scope, process, and timetable for such talks was put "up front", and structured in such a way that operational improvements would need to be agreed to before aggregate wage could be considered at all. All points were to be negotiated as part of a package, ie. no arbitration. The Union agreed. The mere fact that the Board had changed attitude allowed the Union to also be more positive with the other restructuring proposals.

## THE PROCESS OF CHANGE, August 1987 - August 1989

The logistics of the task were impressive, and required confidence, discipline, and professionalism in negotiations by both the Board and the Union. Five different operational areas, five distinct awards, four relatively independent ports (human resources is decentralised in Maritime Services Board) and forty odd classifications were to be sorted out. Also firm demarcations existed with three other unions just for good measure!

The Board and the Union each set up a three person negotiating team which met every week for almost two years. The Board put formal, detailed proposals for change, and sophisticated computer generated costings models were available to the committee. By September 1987, the so-called "Fundamental Concepts" were signed off by both the Board and the Seamens' Union. These concepts, which formed the basis for the detailed review to follow, were:

### 1. Creation of one award

The parties intend that all existing Union/Board awards be replaced with single MSC (Marine and Port Services) award. This may be in form of a general part plus specific schedules.

### 2. Staff flexibility

The parties agree to consider the number of existing classifications being adjusted into approximately four grades.

These grades will be by the functions performed. In each group there will be full flexibility of performance in a broadband wage structure, subject to qualifications and experience.

Subject to agreement of appropriate guidelines management will decide whether relief for absences is required and if so, by whom and for how long in accordance with Board policy.

Current specific relief positions will be absorbed into the overall staffing.

The parties will devise skills and other training courses both internal and external to ensure maximum flexibility is introduced and maintained.

### 3. Staff development

The parties agree on the need for a fully integrated career structure. The Board will design an integrated career path and a staff evaluation scheme to be agreed upon between the parties for its marine and port services. If necessary jobs will be redesigned to increase job satisfaction, skills, motivation and productivity. The parties will consider a recruitment system not in contradiction with the Board's policy.

### 4. Efficiency and effectiveness

The concern of both parties in these talks, and in the daily operation of the Board, is to provide the best level of service to the Board's clients (both internal and external) which is both cost efficient and effective.

By late 1988 the negotiating teams had finalised the new documents. These were very significant in that:

The 40 classifications were replaced by 3 multiskilled classifications (namely, operator, operator/supervisor, and superintendent) with resultant radical changes in work practices.

The obligations upon staff were detailed, along with the entitlements to them, in the agreed documents. (This is a departure from the traditional award which tends to list only entitlements).

The single award was supplemented by localised, flexible operations agreements which would be unregistered; these replaced custom and practice entirely.

The competencies for each classification were defined and broken into core and extra skills. The employees and managers then worked together to design the training modules, usually utilising on the job training, which are needed to acquire these skills and knowledge:

Salary progression was linked solely to skills acquired and used.

Selection and promotion became based on merit.

Formal regular performance appraisal was introduced.

Staffing reductions would occur on introduction of the aggregate wage.

The intention to re-draft open-ended position descriptions was agreed upon.

Management control of relief for absence, and of allocation of duties.

As an indication of the change, consider the new salary scale which is reproduced in Table 2. By way of clarification, it should be noted that the classification titles were retained for the first twelve months of operation of the new award to avoid confusion for the staff involved, and so that they could readily comprehend where they stood in the overall scheme. Indeed, those shown are a significantly simplified version of all those which existed under the previous awards which numbered over forty. After the first year, the award will be varied to show only "Grade One", "Grade Two" and "Grade Three".

Table 2: General Salary Schedule under the New Award

Entry	Functional Skills or	Functional Skills and	Shift
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	Core Skills		Core Skills	
\$	\$	\$	\$	
Grade One 25,513 (Operators) Port Officer 1 Port Services Officer Signalman Cleaner Seaman	20,410 29,595	ts 10,613		
Grade One (Operators) Coxswain Launchman Patrol Officer Communication Attendant Boatman Dredge Plant Operator	20,410	25,513	29,595	10,613
Grade Two (Operators - Supervisors) Port Officer Signalmaster Wharfinger Master PV FFSV Engineer PV FFSV BSO Mooring BSO Shift Controller	226,874	33,593 41386	40,042 (BSO only)	12,362
Grade Three (Supervisors) Yard Boatswain Yard Bosun OIC Boatdock Port Services Supervisor Operations Controller Senior BSO Signalmaster, Newcastle	29,231	36,539	45,893	-

Source: MSB (Maritime & Port Services) Award 1989.

Unfortunately, in the time taken to negotiate these changes, the Auditor General had significantly altered the on-costs for superannuation to apply in the public sector, taking the total "on-cost" figure from 19% to 31% of wages. This created a dilemma, as "cost neutrality", which had been a fundamental point, suddenly required about a further 10% drop in the wages agreed upon, which was already several thousand dollars per annum below current take-home earnings. Or, put another way, the Board was looking at a possible labour cost increase of \$2 million per annum to implement the agreement as it

then stood. Even getting agreement on the impact on overall costs of the change in on-cost proved to be a major accounting exercise. Fortunately, however reluctantly, the parties did renegotiate the rates in the Port of Sydney in accordance with local management's wishes, in such a way that the gulf could be bridged. This took a further six months.

The new arrangement was approved by the Public Employment Industrial Relations Authority and the Premier's Department, by the Board's managers, and then by the NSW Industrial Commission on 8 June 1989. It was introduced in stages from port to port from July to August - a point even the doubters had said was impossible! Furthermore, it was introduced only for members of the Seaman's Union and not the three other unions who had parallel coverage. The Board, Union, and the Commission took the view that as the agreed changes were only between two parties, other employees remained under their existing awards. Negotiations, not flow-on, then commenced with the other unions to see what changes they would make in return for similar rates of pay.

It should be realised that these talks, and the ideas behind them, commenced over 12 months before the Industrial Relations Commission introduced the new Structural Efficiency Principle (SEP). While for the parties it is not their SEP Agreement, it does show the hallmarks of what is going to be critical to achieve under SEP agreements. Indeed, in some ways it is beyond the major industry awards now before the Industrial Relations Commission by being enterprise specific, flexible and done outside the Commission in a way more consistent with the approaches suggested in the Green Paper authored in 1989 by Professor John Niland.

The agreement detailed herein, and the award which reflected it, demonstrate a total change in work practices which were not achievable under the "head on" approach of the second tier of 1987. These could only be eliminated by a complete review of operations in which trade-offs became possible, and in that respect these innovations are philosophically much closer to the change envisaged under the "Structural Efficiency Principle".

The Board's marine operations have moved in two years from a position where employees were allocated to a particular classification or a particular item of floating plant, where all shifts were automatically topped up by overtime, where promotion and selection were by way of a single nominee sent by the union office, and where field staff were completely uncontactable. This agreement introduces the notion of a work team which can cover all activities on the shift, can decide on site what are the priorities and where to deploy staff through the course of the shift to meet operational demands, and where skills development and training are actively sought, prized, and rewarded when utilised. The award, then, is simply the final technical document which reflects and codifies the changed ethos and operation. It is not the paramount item from which all else flows and that change in emphasis made an immense difference to the spirit and speed with which it was renegotiated.

## CONCLUSIONS

The changes introduced in the Maritime Services Board are consistent with the initiatives commenced by the Federal and State governments from 1983, and reflect the intense pressure to change the shipping, maritime and public sector industries which have continued since. The changes complement those introduced in the seagoing, and more latterly waterfront, industries and reflect the union's and the workers' orientation to the shipping industry rather than to the public sector. Additional factors contributing to these changes were the rise of managerialism within the Maritime Services Board and the adoption of a different industrial relations approach, reflecting a new commitment to negotiation and enterprise-specific initiatives, rather than the traditional negativism associated with the public service.

Even with such a conducive broad environment, the major conclusion is that achieving real change requires seeming endless patience, clear direction, personal dedication and creativity from all participants.

For one account of industrial relations reform in the maritime industry, see R. Morris, "Work Reform in the Australian Maritime Industry, 1980-1989", ACIRRT Working Paper No. 1, (ACIRRT, University of Sydney, May 1990).

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