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Mass quit threat hits AGL

Josh Gordon
Richard Willingham
Nick Toscano

Victoria's energy security could be threatened by the mass resignation of workers from one of Australia's biggest power plants after energy giant AGL won a bid to tear up a long-standing industrial agreement.

In a potentially explosive development, The Fair Work Commission on Thursday agreed to abolish existing pay conditions for all employees at the Loy Yang power plant in the Latrobe Valley.

The landmark decision means about 570 workers at the plant – which supplies about 30 per cent of Victoria's power – will be placed on the minimum award rate for the power industry.

The ruling has left the workforce reeling – and incensed the union, which has vowed to appeal.

The CFMEU's mining and energy Victorian district secretary Geoff Dyke on Friday said internal memos showed workers would be hit with "severe" pay cuts of up to 65 per cent.

He predicted scores of workers would resign to protect their defined benefit superannuation, which is calculated as a multiple of annual salary prior to departure.

"You are looking at 150 people over 55 and the only way to protect their superannuation is to resign," Mr Dyke said. "That's where you end up with the possibility of mass resignations."

But in a statement AGL denied this. It said it would continue to pay "competitive rates" and would not be reducing employees' base rate of

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wages to the award level.

"Our focus is to reach a new agreement so we can deliver secure supply to all consumers in Victoria," the statement says.

Under the existing agreement, workers at Loy Yang were being paid between $70,000 and $180,000 a year on average, before factoring in generous overtime provisions.

The commission's decision is the latest development in a long and bitter 15-month conflict between AGL and its unionised workers over the terms of a new workplace deal.

In multiple ballots, staff have knocked back management's pay rise offers of 20 per cent over four years.

AGL argued in front of the commission that the plant has the highest ratio of workers per shift compared to its other power stations as well as "the most restrictive operational practices".

On top of that it said the plant was facing pressure from decreasing wholesale energy prices, a shift away from coal power, a hike in its state royalties for coal and rising wages.

It told the commission it wanted to drastically reduce its overtime bill from $20 million to $10 million, claiming 10 workers each pocketed more than $100,000 a year in overtime alone.

The ruling will see the agreement terminated at the end of January, but in making the decision Deputy President Richard Clancy pointed out that AGL had promised to keep paying workers under the same deal for three more months to discount claims of hardship from the union.

"I am satisfied the dispute is intractable as things currently stand," Mr Clancy said.

Loy Yang A is the largest power plant in Victoria and industrial strife at the site has escalated in recent months.

The Andrews government is warning that it will intervene to stop any industrial action that could harm the state economy or jeopardise safety.

A spokesman for Industrial Relations Minister Natalie Hutchins said any suggestion that energy supply is at risk is "simply wrong".