

ENTERPRISE AGREEMENT

NO: E.A. 345 /1993

DATE REGISTERED: 17-11-93

PRICE: \$ 26.00

**NSW BHP STEEL SYDNEY MINI MILL  
PERFORMANCE RELATED PAYMENTS  
SCHEME AGREEMENT**

1. **TITLE**

This agreement will be known as the NSW BHP Steel Sydney Mini Mill Performance Related Payments Scheme Agreement.

2. **ARRANGEMENT**

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3. **DEFINITIONS**

In this Agreement:

*CB* *Ab,*  
*p.a.* *[Signature]*

"BHP" and "Company" means the NSW BHP Steel ~~Inc~~ Limited;

"Mill" means BHP's steel mini mill at Rooty Hill, Sydney;

"Union" means The Federated Ironworkers' Association of Australia, New South Wales Division (FIA) and the Australasian Society of Engineers (ASE), known federally as FIMEE (Federation of Industrial, Manufacturing and Engineering Employees).

#### **4. INCIDENCE AND PARTIES BOUND**

- 4.1 The parties to this Agreement are:
- a) BHP;
  - b) FIA; and
  - c) ASE.
- 4.2 The enterprise for which this Agreement is made is BHP's steel mini mill at Rooty Hill.
- 4.3 The trades and occupations to which this Agreement relates are:
- a) Steelmaker - Production;
  - b) Steelmaker - Electrical; and,
  - c) Steelmaker - Mechanical.
- 4.4 This Agreement is supplemental to the NSW BHP Steel Sydney Mini Mill Employee Relations Agreement.
- 4.5 The scope of this Agreement is limited to the classifications referred to in clause 14.3 of the NSW BHP Steel Sydney Mini Mill Employee Relations Agreement.
- 4.6 This agreement was not entered into under duress by any party to it.

#### **5. OPERATION**

- 5.1 This Agreement shall, having regard to S117 of the Industrial Relations Act 1991, have effect from the date it is registered and shall operate from the beginning of the first pay period on or after 19th May, 1993 and will remain in force until 31st May, 1995.

#### **6. PURPOSE**

- 6.1 It is the purpose of this agreement to put in place a scheme for the making of quarterly lump sum payments based on the performance of the Mill against agreed performance indicators.
- 6.2 The parties acknowledge that the viability of the Mill is dependent on achieving and maintaining significant gains in operational and business performance. Hence, maintenance of existing benefits and the introduction of additional payments can only be justified and financially supported through the achievement of significantly lowered costs, reliable delivery and improved quality performance.
- 6.3 Payments arising under this Agreement are in recognition of the contribution of employees to improved performance when this has occurred.
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## **7. QUARTERLY PERFORMANCE RELATED PAYMENTS**

- 7.1 A lump sum payment of between 0% and 5.5% of each employee's gross earnings shall be paid each quarter. The definition of gross earnings is shown in Appendix 1.
- 7.2 The amount of the payment shall be determined by actual performance against performance ranges set for the following performance indicators:
- (a) Conversion Cost per Accept Tonne
  - (b) Yield
  - (c) Production to Schedule
- The definitions of these performance indicators are shown in Appendix 2.
- 7.3 The performance ranges will be fixed, through appropriate consultation between the parties, at the commencement of each quarter in accordance with the details contained in Appendix 3. Once having been set the performance indicators will be reviewed by the parties quarterly and monitored monthly. Such outcomes will be detailed to employees and the union.
- 7.4 The Schedule shown in Appendix 4 indicates the relationship between the performance ranges and the quarterly lump sum payment.
- 7.5 Calculation of actual performance will be made by the Company using the same information as is used for the normal financial reporting of the Company.
- 7.6 Payment will be made by cheque within the latter part of the month immediately following the end of the financial quarter. The payment will be taxed at the individual's appropriate marginal rate. The payments, including tax deductions, will be included in each employee's Group Certificate.
- 7.7 With each payment, a statement will be provided to employees detailing the performance payment percentage for the quarter, the individual's gross earnings for the period, the amount of the payment and tax deducted.
- 7.8 The first quarter for Performance Related Payments will be that commencing 1st June, 1993 (August '93 quarter). The final quarter covered by this Agreement will be that ending 31st May, 1995.

## **8. "TOP UP" ARRANGEMENTS**

- 8.1 Quarterly payments will range from 0% to 5.5% of each employee's gross earnings. However, performance may be such that for some quarters it exceeds that which is required for the maximum 5.5% payment and in others it may be less than targeted levels. In recognition of this fact, an additional calculation will be made at the completion of the fourth and eighth quarters (the final quarter) which may see a "top-up" amount being paid in addition to the final quarter payment.
- 8.2 The amount of the top-up will be determined by consideration of performance over the four quarters compared with the aggregated performance ranges over the same period.
- 8.3 The amount of top-up will not exceed that which would take total payments arising from the Performance Related Payments Scheme (quarterly payments plus the top-up amount) to 4.5% of earnings over the four quarters.

## **9. ELIGIBILITY FOR PAYMENT**

- 9.1 Performance Related Payments will be made to employees in full-time or part-time employment on the Company's payroll at the end of the business quarter for which the payment is being made. This will include Fixed Term employees.
- 9.2 Individuals who have had their employment terminated due to extended compensation but who receive compensation payments through the payroll system are not entitled to participate in the scheme.

## **10. COMMUNICATIONS**

- 10.1 The Company will implement a workplace awareness programme to explain the scheme to employees. This programme will include an understanding of the reason for the scheme, the basis of payments to be made and activities which are being pursued to improve business performance.
- 10.2 The Company will provide monthly information to employees covering progress against performance ranges.
- 10.3 The results from each quarter will be communicated by way of shift briefings.

**11. CONTINUITY OF PRODUCTION AND PROCEDURES FOR RESOLVING ISSUES AND DIFFERENCES**

11.1 The parties agree to adopt the provisions of clause 24, Continuity of Production and Procedures for Resolving Issues and Differences, of the NSW BHP Steel Sydney Mini Mill Employee Relations Agreement.

**12. MONITORING OF THIS AGREEMENT**

12.1 Operation of the Performance Related Payments Scheme will be monitored by the parties on a periodic basis. As a minimum, the parties will review the operation of the scheme, to assess the degree which it is meeting its objectives, at the following times:

- (a) On completion of the second quarter of its operation; and,
- (b) On commissioning of the rolling mill.

12.2 The parties agree to treat information relating to business performance as confidential.


12.3 Should the situation arise whereby disagreement arises about the operation of the scheme, the matter will be progressed by the parties through the Procedures for Resolving Issues and Disputes.


**13. SIGNATURES**

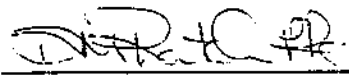
Signed on behalf of the parties:


  
\_\_\_\_\_  
For NSW BHP Steel Pty Limited

  
\_\_\_\_\_  
For Australasian Society of Engineers

  
\_\_\_\_\_  
For The Federated Ironworkers Association of Australia, NSW Division

  
\_\_\_\_\_  
Witness  
Date 15/9/1993

  
\_\_\_\_\_  
Witness  
Date 9/9/1993

  
\_\_\_\_\_  
Witness  
Date 9/9/1993

APPENDIX 1

CALCULATION OF EMPLOYEES' QUARTERLY GROSS EARNINGS

For the purposes of this Agreement, gross earnings for the quarterly accumulation period will include all monies considered as earnings for P.A.Y.E. taxation, except:

- Payments made on termination of employment such as proportionate annual leave and long service leave, redundancy payments, etc.
- Payments arising from this scheme received during the quarter.

The quarterly period for earnings accumulation will start at the beginning of the pay period immediately following the end of the previous earnings quarter and will end at the close of the last full pay period finishing on or before the close of the financial quarter. By way of example, the periods for the first two quarters of the scheme are as follows:

<u>Financial Quarter</u> <u>Ending</u>	<u>Earnings Accumulation</u> <u>Period</u>
End August, 1993	19.05.93 to 24.08.93
End November, 1993	25.08.93 to 30.11.93



**DEFINITIONS OF PERFORMANCE INDICATORS**

**(a) Conversion Cost per Accept Tonne**

Conversion cost per accept tonne is derived from the formula:

$$\frac{\text{Total Conversion Costs for quarter}}{\text{Total Tonnes Accept Billets Produced for quarter}}$$

expressed as a dollar per tonne amount.

"Total Conversion Costs" are equal to the total cost of production less the cost of scrap. Hence, they will include costs associated with electricity, refractories, labour, repairs and maintenance, etc.

"Total Tonnes Accept Billets Produced" are the total tonnes of billets produced which meet the customers' specifications as prime feed for their processes.

**(b) Yield**

Yield is a measure of the overall efficiency of the utilisation of scrap and is defined as follows:

$$\frac{\text{Total Tonnes Accept Billets Produced for Quarter}}{\text{Total Tonnes Scrap Feed to EAF for Quarter}}$$

expressed as a percentage rounded to two decimal point (eg. 89.38%).

Both scrap consumption and finished accept billet tonnes may be adjusted periodically taking into account stock surveys and billet scrappings.

**(c) Production to Schedule**

Production to schedule is a measure of the reliability with which the Mill can meet the production demands placed on it by customer requirements and is derived from the following formula:

$$\frac{\text{Billet Heats Produced within Weekly Schedule}}{\text{Billet Heats Planned in Weekly Schedule}}$$

expressed as a percentage and aggregated over the quarter as follows:

$$\frac{\text{Week 1 \%} + \text{Week 2 \%} + \text{Week 3 \%} + \dots + \text{Week N \%}}{\text{N Weeks}}$$

and rounded to one decimal point.

Notes on Production to Schedule:

1. Where performance in any one week is below the minimum point of the performance range, it shall be deemed to be equal to that minimum for the purposes of aggregation of weekly results. Conversely, where performance in any one week is in excess of 100%, it will be deemed to be 100%.
2. Over production in any one week can be counted towards the next weeks total, if and only if, this excess production is required within the following week's schedule.
3. When the weekly production schedule is published, it will define the planned start-up time & date and the planned operating shifts. Typically, under current operating levels, this would be for sixteen 8 hour shifts per week. On occasions, it may be planned that the mill will operate additional shifts, say 18, to produce additional tonnages.
  - a) Production to schedule will be measured as at the end of the planned operating shifts.
  - b) Where, due to operational difficulties, extra shifts must be worked beyond those which were planned to make up a shortfall in production, the heats produced during these extra shifts will not be counted.
  - c) Where, within the currency of a schedule, the decision is made to work additional shifts so as to allow for the production of heats in addition to those planned under the schedule, the additional heats planned to be produced during this period will not be counted against this measure.

However, should additional heats be achieved over and above those planned within these additional shifts, they may be either:

- i. used to fill a shortfall in heats which has occurred during the week in question; or,
- ii. counted towards the schedule for the following week in accordance with point 1. above.

**BASIS OF SETTING OF PERFORMANCE RANGES AGAINST PERFORMANCE INDICATORS**

**(a) Conversion Cost per Accept Tonne**

The Company will set performance ranges based on planned levels of production and costs (including required reductions in costs).

The performance range for the first quarter of the scheme Quarter ending 31st August, 1993) will be as follows:

Upper limit	\$158.40 or lower
Lower limit	\$168.00 or higher

It is the aim that this performance range improve (ie. move downwards) each quarter. Performance ranges will be reviewed by the Company each quarter to account for required improvements in costs or production and known factors which will either positively or negatively impact on performance, eg. planned shut down of the plant.

**(b) Yield**

Yield performance is currently running at approximately 89%. It is the aim to achieve an improvement of 0.25% each quarter over this current level.

Based on this aim, the performance ranges for the period for the first two quarter's operation of the scheme will be as follows:

<u>Quarter</u>	<u>Lower Limit</u>	<u>Upper Limit</u>
August, 1993	86.75%	89.50%
November, 1993	87.00%	89.75%

This rate of yield improvement will be reviewed by the Company at the completion of the second quarter of the scheme.

(c) **Production to Schedule**

It is the ultimate aim to achieve a production to schedule performance of 100%. This will reflect that planning and production processes are predictable and reliable.

Hence, the performance ranges will be as follows:

Upper limit	100%
Lower limit	90%

To date, the emphasis with production scheduling has been to bring the plant up to required production levels. The schedule will be progressively changed to reflect improvement against the required production tonnages.

The appropriateness of the above performance range will be reviewed by the Company at the completion of the fourth quarter of the scheme.

**CALCULATION OF LUMP SUM PAYMENT PERCENTAGE**

Performance ranges against each of the three performance indicators will attract points as follows:

Upper limit of performance range      10 points

Lower limit of performance range      0 points

Hence, actual performance in any one quarter can range from 0 points to 30 points.

Where 0 points are accrued a lump sum payment of 0% will arise. Where 30 points are accrued, a lump sum payment of 5.5% will be paid.

Payments between the 0 and 30 points will attract payment on a prorata basis with the lump sum payment percentage being rounded to one decimal point.

POWER OF ATTORNEY

BY THIS DEED made the *3rd* day of *September* 1993  
N.S.W. BHP STEEL LIMITED ("the Grantor") HEREBY IRREVOCABLY NOMINATES  
CONSTITUTES AND APPOINTS  
NOEL HAROLD CORNISH of 34 Walkern Road, New Lambton Heights, 2305  
New South Wales, Divisional Manager and  
PAUL ATKINSON of 3 Odney Place, Castle Hill, New South Wales, Manager,  
its true and lawful Attorneys for the purpose of either of them executing on behalf of  
the Grantor the document set out in the Schedule hereto.

SCHEDULE

A document entitled "Application for Registration of a Proposed Enterprise  
Agreement" between N.S.W. BHP STEEL LIMITED, THE FEDERATED  
IRONWORKERS ASSOCIATION OF AUSTRALIA, NEW SOUTH WALES DIVISION  
and AUSTRALASIAN SOCIETY OF ENGINEERS

IN WITNESS WHEREOF the Grantor has hereunto affixed its seal on the day and  
year first hereinbefore mentioned.

THE COMMON SEAL OF N.S.W. BHP  
STEEL LIMITED was hereunto  
affixed in accordance with the  
Articles of Association of the  
Company in the presence of:

*Nicholas*  
Secretary  
LYNTON PATRICK NICHOLAS



*Kirkby*  
ROBERT WYNN KIRKBY  
*Benn*  
★ Director  
ALAN CHARLES BENN