

**REGISTER OF
ENTERPRISE AGREEMENTS**

ENTERPRISE AGREEMENT NO: EA04/99

TITLE: National Foods Milk Limited Penrith Metal Trades Agreement 2004-2006

I.R.C. NO: IRC4/679

DATE APPROVED/COMMENCEMENT: Approved 26 February 2004/Commenced 1 January 2004

TERM: 24 months

**NEW AGREEMENT OR
VARIATION:** Replaces EA02/282

GAZETTAL REFERENCE: 21 May 2004

DATE TERMINATED:

NUMBER OF PAGES: 8

COVERAGE/DESCRIPTION OF

EMPLOYEES: The agreement applies to all employees employed by national Foods Milk Limited, located at Castlereagh Rd, Penrith NSW, engaged in the classifications of Metal and Engineering trades, who fall within the coverage of the Metal and Engineering Associated Industries (State) Award.

PARTIES: National Foods Limited -&- The Australian Manufacturing Workers' Union, NSW State Office

NATIONAL FOODS MILK LIMITED PENRITH METAL TRADES AGREEMENT 2004-2006

1. Title

This agreement shall be known as the "National Foods Milk Limited Penrith Metal Trades Agreement 2004-2006" ("the agreement").

2. Arrangement

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3. Incidence and Parties Bound

This agreement is made between National Foods Milk Limited (ACN 051 195 272), ("the company"), and the Australian Manufacturing Workers Union, NSW Branch ("the union") on behalf of all employees who are eligible to be members of the union in relation to metal trades employees employed at the company's facility at Castlereagh Road, Penrith New South Wales ("the site") engaged in maintenance associated with the receipt, production and distribution of milk and related products.

4. Objective

The objective of this agreement is to assist the site in achieving continuous improvement in operational efficiencies, occupational health and safety performance, customer service and waste reduction; and to facilitate employee training. These improvements and efficiencies will be measured via Key Performance Indicators which will be established in consultation with employees and management.

5. Relationship to Award

Where this agreement is silent, the terms of Milk Treatment and Distribution (State) Award (Part B) and the Metal and Engineering Industry Interim (NSW) award will apply. In the event of any inconsistency between the award and the agreement, the agreement shall take precedence to the extent of the inconsistency.

6. Continuity of Operations

Any dispute arising out of employment shall be resolved amicably without disruption to normal work. Any claim or grievance shall be referred to the Engineering and Maintenance Manager or Operations Manager. Where an issue cannot be resolved at this level, a meeting shall be held with an official of the union to attempt resolution.

If the issue remains unresolved, a conciliation process with the assistance of the Industrial Relations Commission (NSW) will occur.

Following conciliation, if the issue remains unresolved, with the agreement of both parties, the matter shall be referred to the Industrial Relations Commission (NSW) for resolution.

Whilst this process is being followed, work shall continue as normal provided that Occupational Health and Safety shall not be compromised. (As "normal" means the situation in place immediately prior to the dispute).

7. Consultation

Site management will meet with employees on a regular basis (at least in the first week of each quarter) to review customer service levels, site operations and the effectiveness of this agreement, including employee numbers. Any operational changes that will have an impact on the site and on employees will be raised in this forum. Where agreement cannot be reached on any matter, external facilitation may be relied upon.

8. Classifications System and Salaries

- a) The allocation and carrying out of work shall be determined by safety, competence and legislative requirements. All employees are required to assist other employees in the provision of training.
- b) All salaries are paid on an annual basis, without reference to hours worked. Appendix Two to the agreement contains the Statement of Principles of Annual Salaries as agreed by the parties to this agreement. This statement is to be referred to in the event that there is any disagreement arising out of this clause.

The parties recognise that the intent of this agreement is not to increase the current number of hours worked, but is to reduce them, as the company works toward becoming a world class manufacturer.

Under normal circumstances, but consistent with Appendix Two, the company will not require any employee to work more than twelve (12) hours on any day or more than fifty (50) hours in any week, except in exceptional circumstances such as emergencies or major breakdowns.

The employees and site management will continue to monitor the hours worked with a view to identifying problem areas and putting in place processes or systems to eradicate root causes permanently.

- c) All salaries shall be paid by EFT to a bank account nominated by the employee.
- d) Employees shall be classified in one of the following classifications:-

Engineering Tradesperson (Level 1)

An employee holding a trades certificate and who exercises the skills and knowledge of the relevant trade.

Engineering Tradesperson (Level 2)

An employee who in addition to satisfying the requirements of Engineering Tradesperson (Level 1) has completed three modules of training specific to the Penrith site or towards a relevant post Trade Certificate or has the equivalent skills.

Engineering Tradesperson - Special Class (Level 1)

An employee who in addition to satisfying the requirements of Engineering Tradesperson (Level 2) has completed six modules of training specific to the Penrith site or towards a relevant post Trade Certificate or has the equivalent skills.

Engineering Tradesperson - Special Class (Level 2)

An employee who in addition to satisfying the requirements of Engineering Tradesperson - Special Class (Level 1) has completed nine modules of training specific to the Penrith site or towards a relevant post Trade Certificate.

- e) Any further technical or professional training undertaken that is of relevance to Penrith site operations will be rewarded for each additional three approved and completed modules.

Each additional approved and completed training module will be rewarded on the basis of \$739.00 pa for one module at 40 hours.

- f) Skills and training that become redundant and/or refresher training will not qualify for payment. The payment will not apply to general training such as TQM or other "soft" skills training.
- g) Annual salaries are listed in Appendix One.
- h) All salaries listed in Appendix One are inclusive of shift allowances, penalties and call-ins required. Future changes to shift requirements and rosters will be reviewed on manning levels in preference to changes to remuneration.
 - i) Mileage expenses outside of ordinary travel to and from work will be paid at the rate of 59 cents per kilometre.

9. Superannuation

- a) All employees are required to become and remain members of National Foods Ltd Superannuation Plan administered by Plum Financial Services. Contributions to the industry scheme will be as required by Legislation.
- b) Employees who are already members of an alternative fund may remain in that fund or any successor.

10. Conditions of Employment

The company and the union agree that for the life of this agreement that no employee, including apprentices and trainees, shall be employed other than under the terms of this agreement.

The parties also agree that no employee covered by this agreement shall be offered an Australian Workplace Agreement.

11. Training

A comprehensive training plan will be developed on an annual basis. The plan will be reviewed at six monthly intervals. The company will reimburse employees for tuition costs and textbooks on successful completion of the approved course. Any costs will be discussed and will require approval prior to being incurred. Site delegates can apply for training leave for agreed courses as provided by the trade union providing the timing is not in conflict with site needs.

12. Annual Leave

Annual leave shall accrue on the basis of four weeks per annum except shift workers who work rotating shifts shall receive five weeks annual leave per annum. A loading of 17.5% will be paid upon taking leave. Accrued leave will be paid at the rates contained in this agreement.

The additional one (1) week of annual leave is to be taken and cannot be paid out, except on termination.

13. Sick / Personal Leave

Employees shall be entitled to ten (10) days personal leave per year with a common anniversary date of the 1st January for calculating leave.

Personal leave may be used for the following when employees are absent:-

- a) personal sickness or injury
- b) for the purpose of caring for an immediate family or household member who is sick and requires the employee's care and support.
- c) for bereavement on the death of an immediate family or household member.

Employees must notify their manager of the nature and expected duration of any absence prior to the commencement of their shift or at the earliest opportunity and, when requested provide medical evidence or a statutory declaration of why they were unable to attend work to substantiate the absence.

Unused leave shall accumulate from year to year but shall not be paid out under any circumstance, other than Clause 13 of this agreement.

The company shall contribute 1.16% of the gross weekly wage per month to providing an accident and illness income protection policy through the Health Group Australasia Pty Ltd. Rules and benefits as per policy.

14. Redundancy

Redundancy provisions are as follows:

- a) When the company has made a definite decision that they wish to make a position redundant and this is not due to the ordinary and customary turnover of labour, and this decision may lead to termination of employment by the employer, the employer shall hold discussions with the employees directly affected and with their union.

The discussions shall cover all relevant information about the proposed termination including the reasons for the proposed terminations, the number and categories of employees likely to be affected, and the number of employees normally employed and the period over which the terminations are likely to be carried out. However, the employer shall not be required to disclose confidential information that would be against the employer's interest.

- b) Severance pay shall be four weeks pay for each year of service.
This shall be calculated on a pro rata basis to completed quarters, capped at a total of 52 weeks pay.
- c) The company will provide eight weeks notice of a proposed redundancy date or payment in lieu.

Employees may leave employment during the period of notice and, if so, shall be entitled to the same benefits and payments under this clause had the employee remained with the employer until the expiry of the notice period (ie. shall be paid out the notice period).

- d) On redundancy, sick leave accumulated prior to 1 July 1994 that has not since been used, shall be paid out at the rate of pay applicable as at 1 July 1994.
- e) Annual leave loading shall be paid out on accrued leave only ie. not pro rata leave.
- f) This redundancy provision shall not apply where employment is terminated as a consequence of anything other than redundancy ie. conduct that justifies instant dismissal, including malingering, inefficiency or neglect of duty, or in the case of casual employees, or employees engaged for a specific period of time or for a specified task or tasks, for a period of less than twelve months.

15. No Extra Claims

There will be no additional claims made by employees covered by this agreement or the union during the life of this agreement.

16. Duration

This agreement shall operate on and from 1 January 2004 and will remain in force for 24 months or until the agreement is renegotiated after the expiry of the 24 month period. The parties to this agreement will meet at least eight weeks prior to 1 January 2006 with the objective of renewing the agreement.

17. Execution

Signed on behalf of National Foods Limited:

 Ron Della Vedova
 Operations Manager NSW & Qld

 Date

Signed on behalf of the Australian Manufacturing Workers Union (NSW) Branch:

 State Secretary

 Date

APPENDIX ONE

Classification	30th December	1st January	Annual Salary	1st January 2005	1st July 2005
	2003 (Current rate)	2004 (3.50% increase)	1st July 2004 (0.50% increase)	(3.75% increase)	(0.50% increase)
Engineering Trade Person (Level 1)	\$60,223.08	\$62,330.89	\$62,642.54	\$64,991.64	\$65,316.60
Engineering Trade Person (Level 2)	\$63,062.39	\$65,269.57	\$65,595.92	\$68,055.77	\$68,396.05
Engineering Trade Person Special Class (Level 1)	\$65,901.73	\$68,208.29	\$68,549.33	\$71,119.93	\$71,475.53
Engineering Trade Person Special Class (Level 2)	\$68,741.06	\$71,147.00	\$71,502.73	\$74,184.08	\$74,555.00

Figures in these columns reflect the achievement of 100% of current and previous KPI bonuses [1st July 2004 and 1st July 2005]

Where less than 100% of KPIs are achieved for any of the two periods, the figures above must be adjusted down to reflect a lower base.

These figures represent the base, inclusive of shift allowances, penalties and call-ins required as per Clause 8 [h] above. The actual hourly rate of pay for each employee needs to be adjusted up to include the impact of training module completion payments. (refer clause 8[e])

Reference should be made to the Maintenance Department Training Register held by the Maintenance Manager to determine the number of completed modules for each employee covered by this agreement.

APPENDIX TWO

STATEMENT OF PRINCIPLES FOR ANNUALISED SALARIES

1. Traditional award systems pay employees on the basis of a fixed rate for the 38 or 40 hours per week , with loadings of 50% and 100% paid in addition to the base rate for all hours worked in excess of standard hours.

The pay system is therefore explicitly encouraging and rewarding employees for spending more time at work, without taking into account more important performance criteria such as quality, service, process time, inventory costs, waste, unplanned maintenance and rates of improvement.

This situation is compounded in circumstances where a site starts to implement world class manufacturing systems, and the outcome is that less overtime is required because work is carried out right the first time, and preventative maintenance and quality management techniques start to eliminate unplanned events.

One solution to this problem is to eliminate the concept of fixed weekly hours, and to pay engineering staff a fixed annual salary that is calculated on the basis of historical ordinary and overtime hours, together with an allowance component that recognises acquired skills that are agreed requirements for the Penrith site.

The objective of this remuneration system is to reward engineering staff for their skills and for their involvement in improving site performance.

2. The regulation of work, including attendance is managed by agreement between engineering staff and management. This will include the requirement that there must be maintenance cover available when ever the site is operating. There will also be agreed performance measures introduced to determine the effectiveness of the maintenance services provided by the engineering staff. These will include the introduction of preventative maintenance, reduced down time by line/process, reliability of utility services and continued training of operators in routine maintenance items such as lubrication, set-up and basic trouble shooting.
3. The engineering staff and management will meet not less than quarterly to review performance measures and to review staffing levels. In the event of significant change to the nature of the business, the engineering group will meet to discuss the issue.

APPENDIX THREE

KPIs Engineering EBA



YEAR ONE TARGETS [1st January 2004 to 30th June 2004]

KPI/ Area	Priority	Weighting [%] Reporting Frequency	Target	Comments
Service Levels to Customers	1	45 Weekly	To respond to all calls in under 10 minutes.	When a service / maintenance request is to made, the maintenance staff will respond the call within 10 mins of being notified. Within a month no more than 5 calls outside 10 mins and none outside 20 mins.
Innovation	4	10 Monthly	Continue to innovate to improve efficiencies	Target: savings- \$50,000 pa. as a team. Criteria: Ideas must meet a hurdle rate of one year payback. Reward: personal incentive of \$250.00 per idea which has a pay-back of less than one year and generates more than \$10,000 in savings.
Preventative Maintenance	2	20 weekly	Maximum plant uptime	Achieve maximum plant uptime via timely and appropriate preventative maintenance.
	2	5 as per plan	Ability to use Mainpac	All fitters able to use Mainpac, as a minimum: <ol style="list-style-type: none"> 1. Find and overview outstanding jobs (by end March 04). 2. Enter a new job (by end March 04). 3. Enter a completed job (by end March 04). 4. Place an order (by end June 04). 5. Enter a new part number into the system (by end June 04) <p>Training will be provided to accomplish those tasks.</p>
Projects	5	10 monthly	On time given completion of projects	Complete all projects within agreed time. The agreed time will exclude non-Controllable issues.
Tasks allocated	3	10 weekly	Complete allocated tasks on time	Each fitter is issued a list of tasks by Ray. Have the tasks completed as per schedule. Tasks generated as a result of PPM inspection to be put into pool and allocated accordingly to workload of individual fitters.

The maintenance team will aim to achieve those KPIs. It is agreed that the 1st year KPI Bonus will be paid proportionally to objectives achieved, their respective weightings and be paid from the first pay period after 1st July 2004.

Moreover, the effort in achieving KPIs will be taken into consideration when calculating the KPI Bonus.

KPIs Engineering EBA



YEAR TWO TARGETS [1st July 2004 to 30th June 2005]

KPI/ Area	Priority	Weighting [%] Reporting Frequency	Target	Comments
Service Levels to Customers	1	35 weekly	To respond to all calls in under 10 mins	When a service / maintenance request is made, the maintenance staff will respond to the call within 10 mins of being notified. No more than 5 calls outside 10 minutes and none outside 15 minutes.
Innovation	4	10 monthly	Continue to innovate to improve efficiencies	Target: savings- \$100,000 pa. as a team. Criteria: Ideas must meet a hurdle rate of one year payback. Reward: personal incentive of \$250.00 per idea which has a pay-back of less than one year and generates more than \$10,000 in savings.
Preventative Maintenance	2	15 monthly	Increase time spent on PPM and less on breakdown tasks.	Regular maintenance is important to increase the overall reliability of the plant thus we must devote more time to PPM. To reach a situation to shift PPMs from weekends to weekdays.
	2	10 weekly	Maximum plant uptime	Achieve maximum plant uptime via timely and appropriate preventative maintenance.
Projects	5	10 monthly	On time completion of given projects	Complete all projects within agreed time. The agreed time will exclude non-controllable issues.
Predictive Maintenance	3	20 monthly	Capture any potential problems and machine performance issues	Each member of the team is to use experience and intuition to capture any potential machine related problems. The tasks emanating from the capture will be put into a pool and allocated accordingly to the individual workloads.

The maintenance team will aim to achieve those KPIs. It is agreed that the 2nd year KPI Bonus of 0.5% will be paid proportionally to objectives achieved, their respective weightings and be paid from the first pay period after 1st July 2005.

Moreover, the effort in achieving KPIs will be taken into consideration when calculating the KPI Bonus.