

Fox-Lew Bid Could Present Wider Dangers to IR Reform

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The Fox-Lew proposals for Ansett would take us forward to the past. There was a time when each Australian manufacturing industry was granted a tailored tariff. This was 'scientifically' designed to offset the cost advantage of overseas competitors due to excessive wages and other conditions. Volumes of evidence assembled by the loathed 'economic rationalists', demonstrated how this had contributed to half a century of relative decline in our living standards. Beginning with the Hawke Government, a process of reform led to businesses being exposed to the full blast of competition. The long decline in relative living standards was reversed.

Fox and Lew are pioneering a new version of the scientific tariff. Their plan is to re-establish jobs that re-incorporate many of the lavish working conditions a weak former Ansett management was forced to concede to tough union bargainers. The demise of Ansett I proves the gangrene of excessive employee conditions destroyed the firm's competitiveness. The demise of Ansett rests squarely upon the shoulders of the 'hard won' gains the unions made with regard to the business's working conditions. Fox and Lew have agreed to preserve most of these but to do so they and the union appointed liquidators require government support.

For Ansett II, rather than stopping competition at the border, this involves the government pitching in some direct funding, guaranteeing the Ansett Phoenix a share of Commonwealth travel and amending the Trade Practices Act to tie up the competitive responses of Qantas. Astonishingly, according to some reports, Fox-Lew even want monopolies on certain routes! The guarantee of a share of Commonwealth travel alone would be a licence to unsharpen the Qantas and Ansett pricing pencils and would require centralised buying by Commonwealth agencies.

The alternative offer by Lang Corp seeks no government support, no guarantees, no special trade practices legislation, no re-organisation of the Commonwealth departmental travel.

Rather than negotiating around the straitjacket of the Ansett union-dictated conditions, Lang's Chris Corrigan has the highly flexible Virgin Blue working arrangements. These provide for job sharing and generally put management in control of the firm. Delivering costs 25% below those of Qantas (and 35% below Ansett's) they allow a building of a no-frills airline to challenge Qantas on product differentiation as well as price and routing.

Virgin's market inroads were among the forces contributing to the Ansett collapse. The implications of this were not lost on Qantas CEO Geoff Dixon. He was among the first to sense a threat to his own business from low cost competition. Observing the market penetration of no frills airlines like Southwest in the US, he moved quickly to contain costs in a process that involved a highly public wining and dining of the union bosses.

Much of this stimulus to cost-paring will go off the boil in the event of a Fox-Lew success. Labour market reform will be at the mercy of an entrenched, if somewhat chastened, labour movement.

This suggests the success of the Fox-Lew bid would present wider dangers to industrial relations reform, the major agenda of the new Government. The recent election campaign found the political aspirants at their most vulnerable to the siren call of subsidies to prop up jobs. In a tight campaign it is remarkable that Mr Howard remained steadfast in refusing to open the chequebook to special favours that would restore many of the 13,000 Ansett jobs lost. A Labor victory may have delivered,

subsidies to Ansett and provided the springboard for an all-out assault on the modest industrial relations reforms the coalition had managed to push through a hostile Senate.

A rejection of the assistance that the Fox-Lew bid seems to require will, hopefully, bury the days of taxpayer support tailored to offset the excessive costs of inflexible workplace arrangements.

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