

# State of the unions

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## **‘Co-investment’ is just another form of discredited protectionist policies**

In the run-up to the 2007 Federal Election, Greg Combet, then Secretary of the ACTU, let the cat out of the bag. He told us that in earlier times trade unions had run Australia, and that we would be better off if we returned to those arrangements.

The trade union movement’s latest ‘push to spread industry aid’ shows the unions are again seeking to reclaim the power and influence they once enjoyed. Recently they persuaded Julia Gillard to withdraw her support for Enterprise Migration Agreements which enable mining companies to bring in skilled workers from overseas to help build mining operations, and instead hang out ministers Chris Bowen and Gary Gray to endure the public opprobrium articulated by Senator Doug Cameron.

New ACTU Secretary Dave Oliver has now served notice of union demands to use the ‘co-investment’ model of the government’s arrangements with the auto manufacturers as a template for across-the-board regulation of Australian industry. The sectors which Oliver nominates for such co-investment are tourism, finance and manufacturing.

The auto industry may not welcome such a move from the unions, particularly given this week’s announcement by Ford of massive job cuts. After all, it will certainly result in re-examination of the co-investment package with Ford and General Motors which was agreed to by the Gillard government. The quid pro quo for massive taxpayer subsidies — of more than a billion dollars — was that the big US auto makers would not shut down their operations in Geelong, Melbourne and Adelaide (at least during the lifetime of this government).

Once this arrangement had been agreed to, the auto makers and the unions came together to slice up the taxpayer-funded pie between them. The unions came away with huge pay increases plus an agreement which gave them veto rights over crucial management decisions. It was, indeed, a landmark agreement.

The important difference between the industry protectionist rackets of the early Federation era and this new form of government control is that the costs of protection never appeared in the government budgets of the time. In those days, the tariffs on imported goods kept the costs out of the country. Local manufacturers pocketed the difference between the world price and the local price Australian consumers were forced to pay after the tariff was added, which, in the case of motor cars, was more than 100 per cent.

The same went for clothing, textiles and footwear. Once the Tariff Board had agreed to an increase in the tariff, the unions and the owners of the protected industries came together to divide the spoils. The Arbitration Commission then did what was expected of it. Often, the arrangements were made within days of each other.

Protectionism lasted as long as it did because it was supported politically by the unions, the ALP, the Country party and by the protected industries, concentrated in Melbourne and Adelaide. John McEwen, the leader of the Country party and Deputy Prime Minister for most of Robert Menzies’ period in office, was an ardent protectionist. Menzies was not, but was hamstrung because of his political base in Melbourne, the heartland of industry protectionism.

Enter Bert Kelly, the modest farmer from South Australia.

By the time Bert Kelly entered the Federal Parliament in 1958, protectionism had done immeasurable damage to Australia. At the time of Federation, Australia and New Zealand had the highest per capita incomes in the world. By 1983, the year of Malcolm Fraser's defeat, Australia had slipped to number 21 on the list, and Singapore's Prime Minister Lee Kuan Yew, in a memorable aside, referred to us as the 'poor white trash' of Asia.

For more than 20 years, both in and out of the Parliament, Bert Kelly led the fight against protectionism. He opposed it because it was economically foolish to restrict the movement of capital and labour from declining industries to emerging industries. He also believed it was morally wrong because it created a situation in which governments granted favours to some, who were greatly enriched, at the expense of others, who were, at best, impoverished and, at worst, ruined.

One of the great achievements of the Hawke-Keating Labor governments, thanks to the determination of key ministers such as John Button and Peter Walsh, was the winding back of 80 years of protection. They were aided by John Howard who, either as a senior shadow Minister for Industry or as Leader of the Opposition, supported the government. Later, Ian McLachlan was resolute in holding the line against backtracking by the Coalition.

Now that overt protectionism has few supporters, the trade unions have no role to play in Australian economic life. Yet they clearly yearn for the good old days when, according to Greg Combet, they ran the country.

The latest opportunity, as the unions see it, is to mediate the difference between the growth states, Western Australia and Queensland, and the no-growth states, most notably South Australia, Victoria and NSW. These states have, in combination, the numbers in the House of Representatives, but although West Australians and Queenslanders like to believe in a Canberra-based conspiracy to steal their wealth through a takeover of their states' ownership of minerals, there is no prospect of any such attempt succeeding.

The unions should accept that their days of power are over.

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