Five months ago the ACTU leadership embarked on a very risky course by leaping into a wage campaign in the middle of a deep recession. It had just turned its back on a national wage decision in which the Industrial Relations Commission was prepared to allow a 2.5% per cent pay rise.

The new campaign, which was a direct assault on the authority of the Commission's centralised wage-fixing system, was undertaken at a time when the bargaining power of organised labour was at its lowest. The ACTU's secretary, Bill Kelty, nevertheless rallied support at a national union conference in Melbourne for bypassing the Commission and seeking direct negotiations with employers based on Accord Mark VI claims which the wage decision in April had either rejected or deferred until November.

Kelty admitted the campaign might take time, but he vowed to fight to the last ounce of his energy. Unions, he warned, were either "in it, or out of it". The unstated penalty for breaching union solidarity was isolation — perhaps forever. So intense was Kelty's public animosity towards the Commission that he described its decision as "vomit" which unions did not intend to eat. He later told one newspaper interviewer that he could have no respect for any person who sat on the wage bench. In another interview, he compared the Commission's president, Justice Barry Maddern, to Fidel Castro.

Kelty's stand was reinforced by support he received from the federal government, and in particular by a blistering attack on the Commission's credibility by his ally and friend, then Treasurer Paul Keating. Both men were irritated that the Commission had rebuffed the Accord Mark VI deal negotiated in the leadup to the 1990 election. The Commission's cardinal sin, according to Keating, was its failure to respond to Australia’s changing economy. Instead of accepting the Accord's model of decentralised enterprise bargaining, the Commission was supposed, according to Keating, to have said: "Oh no, let's have a trip back down the time tunnel to a rigid centralised system where we sit above everyone else."

In late June, two months into the fight, a confident Kelty told an assembled gathering of reporters that the ACTU's wage campaign against the 1991 national wage decision was running "precisely to plan." But was it? By mid-August all the major union sectors upon which the ACTU hoped to rely — including road transport, building, waterfront, banking, metals and even the Commonwealth public sector — had returned to the Commission. They accepted a 2.5 per cent pay rise in line with the national wage decision and gave commitments as sought by the bench, with some minor fiddling on detail, to make no extra claims until November 1. If there had been a strategy behind the ACTU campaign in the first place, the difficulty now was identifying what it was.

The lack of a clear strategy is what sets apart this ACTU campaign from its predecessors. Kelty, a gifted strategist who has generally served the trade union movement well in his eight years as ACTU secretary, slipped up. His main problem appears to have been the bewildering array of agendas he has had to juggle and which, over time, have complicated his life and torn his loyalties.

One theme which keeps bobbing up is Kelty's role (mainly behind the scenes) in trying to help Keating in his attempt to topple Bob Hawke and win the prime ministership. A number of union leaders believe Kelty's pro-Keating sympathies explain the spoiling role he played at certain stages of the wages campaign after April when he tried to frustrate their unions' wage settlements in the Commission. The point, they say, was not just to make life difficult for the Commission; Kelty...
also wanted to cloud the political environment for Hawke.

Another key to Kelty’s behaviour is his apparent attempt to prepare the union movement for a potentially difficult future under a Liberal-National government. Kelty is doing his best to help keep Labor in office (something which has also often undermined his allegiance to his union constituency, so far as his support for reduced real wages and higher interest rates is concerned). But he knows what might lie ahead. The Coalition’s industrial relations spokesperson, John Howard, means business when he talks about breaking union power and replacing award structures with employer-employee enterprise agreements.

Howard, not the Commission, is Kelty’s real enemy. But Kelty wants to prepare unions for a possible fight ahead when they may not be able to rely on the Commission for support. His big problem is that unions are not aligned to his union constituency, so far as his support for reduced real wages and higher interest rates is concerned. But he knows what might lie ahead. The Coalition’s industrial relations spokesperson, John Howard, means business when he talks about breaking union power and replacing award structures with employer-employee enterprise agreements.

Howard, not the Commission, is Kelty’s real enemy. But Kelty wants to prepare unions for a possible fight ahead when they may not be able to rely on the Commission for support. His big problem is that unions are not responding to the call in a recession. Indeed, influential figures such as Peter Sams of the NSW Labor Council believe Kelty has taken entirely the wrong approach. Sams contends that unions need the centralised wages system when faced with a hostile conservative government, and hence that denigrating the Commission now is counterproductive.

For more than a year now, Kelty has waged a bitter feud against the Commission, a feud which seems to be based on genuine animus over its decision-making and a dispute over bench salary levels. But union critics also claim he appears to have ‘set up’ the Commission so that the ACTU could reject its national wage decision.

In one sense, the ACTU probably had to reject the decision. How could it live down the ignominy of receiving such a comprehensive rebuff to the Accord for the first time in its eight-year history? Kelty’s problem was that the fight became devoid of logic. The ACTU leadership misrepresented the wage decision and turned its attack into personal abuse of Commission members to try to justify the unjustifiable.

Without first testing the decision, Kelty claimed that it required unions to make too many concessions to gain a meagre 2.5 percent wage rise. And in one of his harshest attacks, he claimed the Commission had deserted the low-paid in rejecting the ACTU’s flat $12 claim in favour of a percentage increase. Here he ignored the Commission’s explanation and instead personalised his attack by pointing out that Commission members themselves stood to gain a fat pay rise by opting for a percentage rather than a flat rise.

Nowhere in Kelty’s rhetoric did he acknowledge that his strategy — a wage campaign conducted on the scorched earth of a recession — would likewise mean deserting the low-paid and weak bargainers among ACTU affiliates, many of whom would end up with nothing. And amid his barrage of attacks on the Commission, he conveniently overlooked that the Accord agreements he had negotiated with Keating since 1983 had orchestrated a fall in real wages of at least ten percent for the ACTU’s same low-paid constituency.

Two years ago Australia’s domestic pilots were the bad boys of the centralised wage-fixing system for daring to step outside it and seek negotiations over their admittedly outrageous 30 percent pay claim. Now the ACTU has to contemplate the consequences of rejecting the same system.

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**The April Wage Decision**

1. The ACTU asked for a flat $12 rise for all workers. The bench converted this into a 2.5 percent pay rise, which is roughly equivalent to $12 for an average wage earner. The bench argued that a percentage increase made more sense because it followed a realignment of award relativities previously requested by the ACTU. A flat-dollar increase would have compressed the same relativities which the ACTU had sought to fix. The ACTU argued that the low-paid would fare poorly without a flat dollar increase. The bench dismissed this, declaring that low income earners would be looked after by a separate round of minimum rate award increases.

2. The ACTU asked for a staged doubling of award-based superannuation contributions to 6 percent by 1993. The bench did not reject this outright. Rather, it argued that problems existed in the present system. It recommended that the future of award superannuation, and the formulation of an overall retirement income policy, be sorted out first by a conference convened by the federal government.

3. The ACTU asked the Commission to dispense with rules which had prohibited unions from making claims outside the centralised system after giving a ‘no extra claims’ commitment. The ACTU wanted to add decentralised wage bargaining at enterprise level to the existing award system. This was partly motivated by the intent to steal the thunder of Coalition industrial relations policy, and partly by a genuine attempt to devolve the wage system and release some unions from their eight-year Accord straitjacket. The ACTU argued that unions be free to make over-award claims based on productivity improvements and profitability, and that over-award payments were the best way to control wage outcomes and avoid widespread flow-ons. The Commission initially warmed to the idea. A problem arose when the Metal Trades Industry Association (MTIA) categorically rejected over-award payments because of strong fears of wage flow-ons, based on past experience. It wanted all payments to be somehow included within metal industry awards. In a compromise, the ACTU accommodated the MTIA’s position — but this meant tacitly supporting conflicting arguments about the conduct of enterprise bargaining. The bench did not reject enterprise bargaining, but said the arguments put were conflicting and vague. It appeared concerned that wage outcomes in a decentralised system might run out of control once the economy recovered, and asked all sides to re-examine their proposals and resubmit them for a new decision on enterprise bargaining which it proposed to deliver by early November.
The ACTU's wages policy is a key issue to be debated at its supreme policy-making body, the ACTU biennial congress, in Melbourne this month. If they have the courage, unions will challenge the way Kelty conducted the ACTU's unsuccessful wage campaign. Even if they don't, and public debate is minimised for the sake of unity, they will set official policy for the future.

The ACTU's behaviour since April suggests that reliance on national wage cases to deliver general pay rises may be a thing of the past. But the Right and Left of the union movement have joined in supporting future national wage cases and general pay adjustments linked to prices — not just enterprise- or industry-level claims linked to productivity as Kelty has intimated.

Unions also appear to be conforming to the timetable set by the Commission for reviewing the April wage decision this month. The commission is due to use a metal industry pay deal as the basis for reconsidering how enterprise bargaining might operate in a centralised wage system.

The Commission has also asked the ACTU to address the question of what role exists for centralised wage-fixing. The question now seems to have been answered.

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After Inkathagate

The recent media revelations about the funding of Inkatha forces by De Klerk's National Party government should come as no surprise to anyone who has studied South Africa's recent history. From its formation in 1975 by Chief Mangosuthu Gatsha Buthelezi, Inkatha relied upon two government-sponsored platforms from which to launch its rise to international prominence. The first was the so-called homeland of Kwa Zulu where Buthelezi was made Chief Minister. By allowing Inkatha to engage openly in national politics, free from state harassment, while leading resistance movements like the African National Congress (ANC) and Black Consciousness were banned, the government provided Inkatha with an almost exclusive second platform.

Many critics describe Inkatha as 'petty bourgeois' because it advances the economic interests and ideology of the traders, civil servants and bureaucrats of the Kwa Zulu 'homeland'. In order to hold onto its power and privilege Inkatha has been forced to collaborate with the white minority government which controls the resources and holds ultimate authority over the 'homelands'. Inkatha's activities plainly work against the long-term interests of black workers. Despite this they have managed to form a popular alliance of various classes in the Natal-Kwa Zulu region.

Inkatha has used all the resources that the white minority government provides for Kwa Zulu in order to marshal its support. Joining Inkatha provides access to jobs, services and facilities in Kwa Zulu. There have been reports of teachers and public servants being forced to join in order to obtain employment in the Kwa Zulu bureaucracy and of students being forced to join the party's Youth Brigade before they were enrolled in school. It has been suggested that much of Inkatha's support from among black workers living outside Kwa Zulu in the 'white' areas is derived from migrant workers, who rely upon the Inkatha-controlled Kwa Zulu bureaucracy for land allocation, old age security and the other benefits that their families living in the 'homeland' receive.

To maintain its multi-class appeal the Kwa Zulu bureaucracy has sought to idealise its motives and minimise the appearance of self-interest in its rise to power and prestige. To serve these ends Inkatha's activities have been portrayed as an attempt to retrieve the dignities and glories that the Zulu people have lost. The resources and authority of the 'homeland' have been used to promote a form of Zulu ethnic nationalism.

While the promotion of Zulu ethnic identity served Inkatha's interests, it simultaneously supported the apartheid regime's strategies of divide and rule. The now discarded policies of 'separate development' demanded that blacks regard themselves as members of 'ethnic homelands' rather than citizens of South Africa. Inkatha's ethnic nationalism runs directly contrary to the aims of other black liberation movements which place primacy upon the unity of Africans as an essential conditions for liberation. Through the selective use of the history of his clan and some plain invention, Buthelezi has sought to portray himself as an hereditary Zulu prince, rather than the appointee of the apartheid regime that his critics claim him to be.

Inkatha has manipulated the material insecurities and frustrations of the impoverished Kwa Zulu peasants and migrant workers by appealing to old ethnic bonds. Inkatha ideologues have explained Zulu unemployment
and lack of facilities by blaming members of other ethnic groups who, they say, take jobs and housing which should belong to Zulu workers.

Inkatha’s politically separatist stance is best demonstrated by the activities of the United Workers of South Africa (UWUSA). This so-called trade union was launched by Inkatha in May 1986. It soon set about helping company security and the South African Defence Forces smash the power of the National Union of Mineworkers (NUM) at mines in northern Natal. UWUSA supporters murdered NUM organisers and used assagais to help security forces attack striking miners. At mines where NUM organisation was destroyed UWUSA members took over and adopted ‘no strike’ policies. Zulu symbols have been used to mobilise support and ‘traditional’ weapons used in such attacks. However, to describe UWUSA’s activities as ‘tribal conflict’, as most of the western media has done, is obviously inadequate.

Buthelezi claims to be committed to the liberation of South Africa. Inkatha has directed the hostilities of KwaZulu’s impoverished underclass away from the apartheid regime and has frequently encouraged them to attack those carrying out consumer and rent boycotts, strikes and other forms of resistance.

The recent Inkathagate revelations have served to bring to wider attention the complicity that has existed between Inkatha and the apartheid regime since the party’s formation in 1975. In a system where people have been denied virtually all rights of citizenship on the grounds of skin colour, no black leader can become entangled as closely with the government as Buthelezi has been and expect to retain their credibility with the black majority.

The ANC will no doubt exploit these revelations as a means of destroying Buthelezi’s claims that he has been a legitimate opponent of the apartheid regime. However, the history of Inkatha serves to highlight an enormous problem which must be faced by post-apartheid South Africa—the fate of the millions of unemployed and land-hungry peasants. Those blacks who gain the economic benefits that political power and labour rights will bring in a non-racial capitalist system cannot afford to ignore the plight of this under-class—for, as recent history has demonstrated, they are ripe for manipulation by unscrupulous demagogues. South Africa’s troubles will not be over until their problems have been addressed.

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**Back on the Rails**

The decision of federal Cabinet in August not to provide special tax breaks for the Very Fast Train (VFT) proposal has halted the project in its tracks. Following the Cabinet decision, BHP—the last of the original four VFT consortium partners—announced the suspension of further feasibility studies.

The project may get a second wind if the Premiers’ Conference in November agrees to restructure the tax system to provide a more concessionary tax structure for companies formed to develop infrastructure privately. In the meantime, the suspension of work on the VFT proposal provides an opportunity to review the contentious debate over the options for high speed rail travel in the Sydney/Melbourne corridor.

Currently, train travel in the corridor occurs on a steam-age alignment characterised by hundreds of tight curves, steep gradients, low tunnel and bridge clearances and therefore slow transit times. In addition, the principal intermediate city in the corridor—Canberra—is only linked to the main line by a meandering branch line which has previously been considered a target for closure by its owner, the NSW government.

In contrast, the road infrastructure in the Sydney/Melbourne corridor has been fully funded by the federal government since 1974 and reconstructed to a four-lane dual carriage way standard. This, the deregulation of the airlines and the continued neglect of the rail main line between Sydney and Melbourne have eroded rail freight’s share of tonnage in the corridor in the last 25 years, and rail’s share of the passenger market has declined from 15% to 3% in the same period.

It is against this background that the various competing proposals for railway revitalisation have been put forward. The VFT proposal—by far the most publicised—would accommodate up to 40 passenger trains each day per day, with express transit times of one hour between Sydney and Canberra and three hours between Sydney and Melbourne.

But the VFT was controversial from the start. From an economic perspective it is unquestionably a high risk project: expenditure of $6.5 billion over seven years would be required before the first dollar of income would be received. A related and perhaps more important concern is whether the VFT represents the best allocation of resources for infrastructure in the corridor.

The VFT has never been intended to accommodate freight in the corridor other than for low tonnage/high value air freight and a small quantity of overnight road express. The need for a high quality rail freight service on
the existing rail corridor will remain. It seems extremely doubtful that any government could justify a high speed passenger line and a separate high speed freight line between Sydney and Melbourne—the railway equivalent of building two Hume Highways. The VFT is not without competitors. One of the most prominent, the Fast Freight Train (FFT) proposal, was developed by consultants to VLine (the Victorian railways) in 1989. The proposal is aimed at transferring freight from road to rail through minor track realignments and the purchase of modern rolling stock. The FFT would reduce transit time between Melbourne and Sydney to nine hours and XPT passenger transit time to 7.5 hours.

Among the advantages of the FFT proposal are its relatively low cost and its benefits to both rail freight and passenger services. However, the economic justification for the proposal (which does not directly link the nation's capital) is critically dependent on achieving door to door transit times between Sydney and Melbourne which are competitive with road transport. In the existing FFT proposal there is absolutely no margin for delays—which is both unrealistic and, at the same time, vital to achieving its ambitions.

Another competitor—the Tilt Train proposal advanced by the NSW State Rail Authority (SRA) in 1990—is designed to offset centrifugal force so that a train can travel through smaller radius curves with greater passenger comfort at higher speeds than conventional trains. Using XPT cars, a tilting train has the capacity to reduce passenger transit times on the existing rail alignment between Sydney and Melbourne to nine hours. However, the self-steering bogies of the Tilt Train are not designed to manage the substantial weight differential between empty and loaded freight wagons, so a significant disadvantage of Tilt Trains at present is that they are not suitable for freight transport.

The final contender is the High Speed Rail proposal (HSR) developed by Jacana Consulting for the NSW Labor Council rail unions in March 1991. The HSR builds on the advantages of previous proposals—and, most importantly, addresses their weaknesses. The proposal aims to reduce journey times for both rail freight and passenger services in order to capture markets from road as well as from air. At the end of a three-stage, ten-year upgrading and extension process, rail passenger transit times would be reduced to five to 5.5 hours between Sydney and Melbourne via Canberra with freight transit times reduced to seven hours. The staging options in the proposal are designed to minimise risk exposure to large scale capital borrowings, and to ensure that none of the capital works would interfere with rail operations.

The capital cost of the HSR ($3.7 billion) is little more than half of that of the VFT and, unlike the VFT it tackles both rail freight and passenger needs in the Sydney/Melbourne corridor. $3.7 billion over 10 years is, of course, a large outlay. However, in the current debate about financing the construction and restructuring of our public infrastructure the future of rail transport deserves to play a crucial role.

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Rattled

Tweedledum and Tweedledee
Agreed to have a battle
For Tweedledum said Tweedledee
Had spoiled his nice new rattle.
Lewis Carroll,
Through the Looking Glass.

We have the makings of a Jeffrey Archer political potboiler right on our doorstep. The central characters are two working class boys made good. Both have always had a longing for the big end of town.

Each regards the prime ministership as a prize unwon. Despite appearing to be economic whiz-kids they have used the same grasp over economics as a Machiavellian tool to come within a hair’s breadth of winning the prize. Both are fastidious in dress and style but it would be a mistake to regard either as a dandy—they are hard men, made for politics.

The identity of these two characters is none other than Paul Keating and John Hewson. Everyone knows that the main event in parliament these days is the verbal jousting between the two, usually over the economic competency of either. Each, through public posturing, is trying to seize the economic agenda for the nation’s future. Hewson parades the country with his consumption tax, Keating with his revamped superannuation scheme for the workforce. Both devices, they argue, will lift our national savings ratio and curb our dependence upon foreign capital.

Despite their tough upbringings, neither Mr Keating nor Dr Hewson can recount any personal experience of being unemployed. Nor have either, I’m sure, seen up close the human calamity of deflationist economic policies. They should hightail it down to a local Social Security office to see the face of Australia 1991.

Although Paul Keating has been coping the blame for having deliberately engineered the recession, John Hewson should hardly be gloating over Labor’s misery. Had he been in power, as Andrew Peacock’s Treasurer, he would have done more or less the same as Paul Keating. For few
economists would deny the technical correctness of Keating’s policy of dampening aggregate demand in an over-heated economy.

Many non-economists, on the other hand, must be asking why we got to the stage of “having to have a recession” at all. It is in this light that Dr Hewson and Mr Keating—sworn bitter enemies in the public arena—turn out to be ideological blood-brothers. For both are unreserved adherents to financial deregulation and free-trade policies. And it is the prosecution of these libertarian-type economics that has ultimately led us into having to have this recession. Most observers know that financial deregulation has meant the government surrendering quantitative control over the money supply; instead the lending activities of the banks now govern it. It was like putting children in charge of a lolly-shop.

We have had the banks play the leading part in financing the debt binge, the takeover frenzy, the asset boom and now banks, by virtue of corporate indebtedness, being the de facto controllers of multiple layers of industry. John Kerin has recently attacked Paul Keating’s penchant for pulling the interest rate lever. This works more like a hand-brake in governing the pace of economic activity than the smooth accelerator/decelerator effect of liquidity controls we used to know. The other ‘lever’ of economic policy now rendered inoperable because of deregulation is the exchange rate—by all accounts the Australian dollar has become the plaything of international speculators.

In his reign as Treasurer, Paul Keating had been forced to reduce both Australia’s current account deficit and inflation rate problems solely by tampering with the interest rates lever, but any economics student will tell you that in macroeconomics to beat two problems you need two instruments or policy levers. Most commentators, and even a repentant Keating, now realise that the high interest rates policy enforced to curb our inflation rate and cure our current account deficit has only partially worked. By pushing up the Australian dollar in foreign exchange markets, imports have appeared all the more price attractive to us while our exports, actual and potential, have suffered. You can find ready proof of this next time you are in a supermarket by glancing at the abundance of imported foodstuffs.

Also to blame for our import addiction, in all its forms, is the Keating-Hewson dogma on free trade. Both titans believe that regulation, and protection, have failed this country. Instead, both subscribe to the fuzzy ideal of letting market forces determine and shape Australian economic destiny through the 1990s. If, they say, we are to develop a diversified and robust economy for the future, we must let market forces rip. But waiting for market forces to make us a stronger more advanced economy is turning out to be like Waiting for Godot. Five years after Mr Keating’s banana republic outburst we are still a commodity-exporting nation with only 10% of our exports having any value-added component. Like New Zealand, which has gone further in the libertarian economics road than us, Australia is fast becoming a Mickey Mouse economy; by virtue of Australia’s seeming addiction for them and because domestic supply will be unable to satisfy the rise in local demand in any case. This, in turn, will push up the inflation rate. Consequently interest rates, too, will rise. And so, the treadmill, or cycle, repeats itself. Now you can begin to see why economics is called the dismal science.

Whichever of our working class heroes makes it to the top of the greasy pole, you can rest assured that either Tweedledum or Tweedledee will end up well and truly rattled by the economy before too long.

The last time I can recall such widespread despondency about our economic fortunes was in the 1970s, when the first vestiges of stagflation appeared. To this seemingly unsolvable problem Billy Snedden proclaimed that we needed “a new Keynes” to unravel it. Maybe so, but the old version of Keynes could have played a considerable part in getting out of our current economic predicament; Keynes argued that countries suffering recurrent balance of payment deficits, like Australia, need not, indeed, should not, deflate their economy to repair the problem.

Devaluation of the currency was the easier way—but, alas, this assumes we have a fixed, not floating, exchange rate. Appeals for restoring control over the exchange rate and the money supply are, of course, likely to fall upon deaf ears. Keynesian economics is long out of fashion; but it does show that there is a way out of the tangle.

As it is, Australia is emerging from the recession with lower interest rates, lower inflation, an improved current account deficit and rising productivity due to the labour shedding now taking place. However, as soon as things improve and spending reignites, ‘the unholy trinity’ of imports, inflation and interest rates will surely edge upwards again. Imports will rise by virtue of Australia’s seeming addiction for them and because domestic supply will be unable to satisfy the rise in local demand in any case. This, in turn, will push up the inflation rate. Consequently interest rates, too, will rise. And so, the treadmill, or cycle, repeats itself. Now you can begin to see why economics is called the dismal science.

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