

How Weak Management Destroyed Australia's Competitiveness

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Today's session is called 'How to move forward and regain competitiveness; lessons we can learn from abroad'.

The Australian story is complex, but I'll convert it into a short story in view of today's time limits (and I'll leave you with a collection of links for your further study.

Australia has many things in common with Argentina, Venezuela and Ukraine.

Extremely rich in natural resources; these four countries should have the wealthiest populations but something has gone wrong.

Australia sounds good but how come I'm told that we have the world's highest level of household debt?

How come we are closing factories and losing our manufacturing industry?

General Motors, Ford Australia, Toyota Australia, SPC-Ardmona (fruit canning industry on life-support) and so many others are in the process of closing and moving to cost-effective countries.

It's easy for the captains of Australia's industries to blame the high Australian dollar but this is not the central issue.

The problem is weak managers and the lack of business leaders.

Leadership, by definition, is disruptive and not a sure-fire way of becoming popular, so over the past years Australia's managers have, to a very large extent, always taken the soft, conciliatory option and enabled self-interest groups such as the Labor Unions to outsmart them at every turn.

Details of this developing disaster of Australia's destroyed competitiveness has only been made obvious by three researchersⁱ, initially working independently, but now talking to each other.

These three individuals have dug deeply into the seriously flawed 'Enterprise Agreements' signed by weak management as a way of appeasing very smart labor union leaders.

These three people have drawn attention to the content of these 'Enterprise Agreements', and the documents are now up on the web for you to read and gasp in astonishment.

Could you imagine a disciplined manager ever signing an agreement that:-

- Makes it impossible to dismiss a poorly performing employee?
- Agrees that they cannot install machinery to increased efficiency without the permission of the Labor Union?

- Agrees to give every worker five days off work (effectively an additional 5 days holiday) specifically for the purpose of donating blood to the blood bank? (Knowing that they won't be donating any blood).
- Agrees to pay the wages of disruptive union officials who will be there only to make trouble?

I could go on all day with further examples.

If I believed in 'firing squads' (and I don't), I would suggest that as punishment for the damage they have done to Australia's economy, all those so-called leaders of our industry who authorised these agreements should be lined up and shot!

How could a system continue for over a decade?

Each time companies get into trouble financially they have been going to the Government and demanding subsidies from the taxpayers to 'avoid closure' and then sharing the benefits of that subsidy with the unions. (The annual cost of this corporate welfare has been, A\$7.35 billion each year) – <http://www.businessspectator.com.au/article/2013/8/30/politics/manufacturing-votes-and-hindering-business>

However, now the Government has run out of money and is starting to say, "No more".

It is important to realize the Unions have a stranglehold on Australia's industry.

Imagine our offshore oil and gas drilling rigs and production platforms; every movement of materials and people is totally controlled by the Maritime Workers Union, similarly all of Australia's major ports.

So what is Australia doing about breaking this union stranglehold?

Business managers don't appear to be doing much about it at all, apart from encouraging governments to 'do something'.

Strange how corporate management has largely 'abdicated' its role to the unions, but they still expect to receive their inflated salaries, option packages and 'perks'.

However, the Spanish takeover of Leighton – Australia's largest construction company is encouraging. They have emptied out the current management and paid them out with enormous 'fail fees', which is customary in Australia.

I suspect that some of the new management there may end some of this corporate corruption.

Australia's two largest construction companies, at the insistence of the Labor Unions, have forced even the smallest sub-contractors receiving work from them to completely unionize their own members, even if they only employ three people (who usually don't wish to join a union)

Strangely there is more leadership coming out of some of the State Governments and moves being made by our Federal Government to completely refuse any tendering opportunities to any contractor who has colluded with the unions in this way.

This is my mini-ray of optimism shining through, that I pass on to you todayⁱⁱ.

Let me conclude by giving you the following link on our www.mannkal.org –
http://www.mannkal.org/downloads/links/How_Weak_Management_Destroyed_Australias_Competitiveness.pdf

Ladies and gentlemen, I have learnt much by being here at today's session.

Australia has much to learn and no doubt the world can learn much from studying Australia's current predicament.

The three references listed below also give details on other presentations I've given on this topic, including relevant links:

To understand why Australia lost its competitive edge, please follow the following links:-

**1. AMPAC Summit 2013
(Australian Mining Productivity and Competitiveness Summit 2013)**

Ron Manners speech to the Australian Mining Productivity & Competitiveness Summit, Perth, Western Australia 9 – 11 April, 2013

YouTube – http://www.youtube.com/watch?v=Y2sHUYNak_8

For the full transcript, visit -

<http://www.mannkal.org/downloads/submissions/sub20130708.pdf>

2. You want change? (What are you going to do about it?)

Ron Manners presentation to the Young Liberals Convention, 25th January, 2014.

YouTube - http://www.youtube.com/watch?v=FKvShXzp_Mg

For the full transcript, visit –

http://www.mannkal.org/downloads/links/You_want_change_RBM_to_Young_Liberal_Movement_Jan_2014_YouTube_Transcript.pdf

3. Take Me To Your Leaders!

Ron Manners introductory comments at the launch of the Mannkal / W.A. School of Mines Leadership Essay Contest at Curtin University, Perth, Western Australia, 11th March, 2014.

YouTube - <http://www.youtube.com/watch?v=hxLbhBMCNgk>

For the full transcript, including reference links visit –

http://www.mannkal.org/downloads/links/Take_me_to_your_Leaders_-_launch_WASM_essay_comp.pdf

4. How Abbot is Rebuilding the construction Landscape

Ken Phillips, executive director of Independent Contractors Australia and author of *Independence and the Death of Employment* – 17 JUNE 2014 *BUSINESS SPECTATOR*

<http://www.businessspectator.com.au/article/2014/6/17/construction-and-engineering/how-abbott-rebuilding-construction-landscape>

ⁱ Robert Gottliebse - Associate Editor, The Australian Business Spectator;
Grace Collier – Exec. Director, Australian Industrial Dismissals
Ken Phillips – Exec. Director, Independent Contractors Australia

ⁱⁱ Another ‘mini-ray of optimism’ is that Australia’s H.R. Nicholls Society has launched an *International Competitiveness Project* and are bringing to Australia two experts on competitiveness:-

- Greg Rayburn
- Professor Christian Dustmann - <http://hrnicholls.com.au/events/>