*WEEK ON THE DRY SIDE 3~~14~~ 13

THE OTC SACKING

John Hyde

There are important lessons in the Government's felt need to rid itself of Mr Maltby, the Managing Director of the Overseas Telecommunications Corporation (OTC). The circumstances which led to the OTC losing a competent and experienced manager, a strike and the threat of a general wage hike are of the Government's own making. Its problems are nothing more than the natural outcome of a publicly owned monopoly, the monoply rights of the Professional Radio and Electronics Institute of Australia and the Wages Accord.

Because the OTC is government property, the Australian government is denied the response that Mrs Thatcher once gave some British industrialists who complained that they could not resist union demands----it was something like: Gentlemen, how you go broke is your business.

Moreover, there is another reason why OTC won't go broke: being a monopoly it can pass even the unnecessary costs on to its customers. Because monopolies are unlikely to suffer losses, and the employees of monopolies are unlikely to suffer retrenchment, OTC had no inducement to resist the demands of a workforce that had no reason to show restraint.

Worse still, OTC was dealing with a monopoly union which by law represents all the relevant technicians. Even if the OTC management felt that the union was being unreasonable there can have been no question of dealing with the other mob----the centralised system insures that there can be no other mob. It was, therefore, a bit rough to sack Mr Maltby for giving in to a union that has its monopoly, and hence its muscle, maintained by the government which sacked him.

The Government really is is in a bind, however. It has committed itself to The Accord----a pact with the union movement which promised to preserve and strengthen union monopolies within the centralised wage fixing system if the unions did not go completely overboard with demands for minimum award conditions including pay. (As added inducement, the Accord also gave the unions veto rights over some government policies.)

Having denied the nation the benefits of a competitive labour market, denied itself policies involving labour market flexibility, and having preserved union monopolies from the worldwide tendency toward deregulation, the government now has no option but to rely on the union movement's good offices. For a promise of peace in our time, the government gave the union bosses all that they could, in their wildest dreams, have hoped for.

Just what this policy of corporatism and appeasement has made possible is not clear. Some commentators, including senior Treasury officials, make their comparisons with Australia's recent past. They tend to see the Accord in a favourable light: it made possible a reduction in inflation at the same time that economic growth and employment were improving.

Other commentators, particularly Mr Des Moore of the Institute of Public Affairs, believe that relatively good economic growth and employment figures were achieved for other reasons. Mr Moore sees the Accord as the security blanket which encouraged the government to adopt soft options in the belief that wages were contained when in fact they were not. When The Accord did not deliver wage and productivity outcomes that were consistent with international competitiveness, the foreign account haemorrhaged.

The OECD thinks The Accord has done some good, but that it had better do a lot more good quickly if Australian foreign indebtedness is not to become unmanageable. The OECD's recent Magnum Opus, 'Structural Adjustment and Economic Performance', argues that centralised systems like Austria's and Sweden's can work well, and decentralised systems like the United States' and Japan's can also work well, but that fragmented bargaining systems are seldom satisfactory. They go on to note, however, that the centralised systems in countries like Sweden are beginning to break down.

The background to Mr Maltby's sacking is thus a government which has, at a high and foolish price, committed itself to a Faustian pact with the unions. If the unions do not now deliver lower unit production costs, the foreign account will be particularly bloody and the government, like Faust, will have nothing that it any longer values in exchange for its democratic soul. It will not be given what it values most----victory at the next general election. The first five months of this financial year have already placed the budget-day forecast of the 1988-89 foreign-account deficit well beyond reach.

Now look at the episode from Mr Maltby's side. He is charged with running OTC, not the nation. The OTC, because it is a monopoly, can pass additional costs on to customers and it is faced with a militant union. Even if Mr Maltby had had no more compelling reason to pay up, those circumstances provide temptation enough. Mr Maltby might well respond as Clive of India responded at his impeachment: By God Mr

Chairman, at this moment I stand astonished at my own moderation.

On top of that, it is likely that OTC was faced with a shortage of suitable technicians. I say likely because, by aiming at the best average (macro) wage level, The Accord has inevitably got stuck with some wage levels that are too low to attract the necessary people. Wages that are too low to attract the right workers are just as costly, in terms of foregone production, as wages that are too high to employ all the potential workers. Because so-called wage restraint has compressed margins for skill, it is very likely that OTC, which employs technicians who can sell their skills elsewhere, faced a skill shortage.

Since, as the OECD warned, Australia cannot afford a wage blow-out, in the short term the Government can't survive without The Accord. But, since The Accord freezes individual wages that are inappropriate, and gives the unions ever-increasing power, Australia cannot survive in the long run with The Accord. As for the OTC: it should be privatised and made to face as much competition as presents itself.

ENDS