

WEE ON THE DRY SIDE 350A

The Pilots and the Libs IR Policy

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The Two Airline Agreement is the underlying cause of the current Air Pilots' dispute. Uncompetitive airlines, which could pass costs on to a captive clientele, bred all sorts of inefficiencies---of which a militant, monopolistic pilots' union, representing pilots who fly only about half the hours which American pilots fly, is but one example.

Had the Fraser Cabinet given notice that it would repeal the Two Airline Agreement in 1980, we would not be going through this trauma now. It is true that we would probably have gone through it then, but we would have been spared five years of high-cost air service.

The domestic airline industry does not face open competition and is dominated by powerful unions which have captured most of the monopoly rents. The industry and its pilots are not unique; they are not even as bad as, say, the Wheat Board and the grain handlers, who overman the terminals four-fold and pass the cost to wheat growers. The airlines are like too many Australian industries. Until our politicians understand that by giving protection to producers they invite inefficient work practices, there is no hope that Australian living standards will keep pace with those in better-managed countries, of which there are an increasing number.

That the lack of competition in the domestic markets is the root cause of our inability to compete in foreign markets is hardly news any more. Nevertheless, I repeat, yet again, that when industries which are protected from competition raise their prices, the higher costs are passed on until they reach an industry which must compete in export markets or compete against imports. Then, since costs can be passed on no further, the export or import-competing industry becomes smaller or disappears altogether.

Until Mr Peacock's inept handling of questions from the press on the pilots' dispute, I had thought that the Liberals understood that much at least. I had even written that their industrial relations policy was a sufficient reason to vote Liberal, but now I am not so sure. The Liberals' policy includes statements which, if read carefully, committed the party in office to:

- | allow individuals to opt out of awards;
- | allow freedom of association---i.e. break the union monopolies by stopping the practice of giving preference backed by law to the members of a particular union; and
- | deregulate the product markets.

Taken together, these clauses are a promise to undermine the monopolies. The rest of the Liberals' IR policy is mostly legal bells and whistles which were attached to the policy by the lawyers who see the world in terms of laws---i.e. in terms of compulsion rather than incentives.

With due respect to Liberal Party spokesmen, there is no room for settlements in line with productivity gains for those who have opted out of the award system. Indeed, there is no room at all for 'settlements' as we have come to understand the term for those who are outside the centralised system. I ask: productivity gains measured against what criterion---five hours flying per week? Measured in terms of what---passenger miles, landings and take offs, freight revenue? The productivity of whom---the average pilot? Why not each individual pilot?

The whole point of the Liberal policy, I thought, was that the remuneration of pilots and others was to be set by the supply of, and the demand for, individuals' particular skills. In this context, holistic notions, such as 'the pilots' and 'the airlines', are irrelevant; although it will remain important to an individual pilot to demonstrate to an individual airline that she is potentially more productive than the next.

I think there is something to the Australian Federation of Air Pilots' claim that the dispute was brought on by the companies. When Ansett and Australian lose the benefit of the Two Airline agreement in September next year they will have to compete with new companies that have engaged pilots on individual contracts and will thus be able to offer commensurately lower fares. If Ansett and Australian are to hold their own in the new competitive market, they must break out from the crazy conditions they conceded in their halcyon duopoly days.

The saddest part about the whole dispute is that the new Leader of the Opposition seemed to understand no more about markets than did the Prime Minister. A singularly important opportunity to educate the Australian people in the principles which must be accepted if the current account is to be brought into balance in the least painful way, was wasted. And I find I have one less straw to grasp.

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