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MILK PRICE ARBITRATION 2

Mr Justice Robinson is a Deputy President of the Australian Conciliation and Arbitration Commission. Last week I looked at the 'award' he handed down to Victorian dairy farmers from the point of view of its effect upon the remuneration and conditions of employment of the farmers. Now I will look at implications for the Arbitration Commission of the principles so aptly and sensibly applied by Justice Robinson on that occasion.

Most of the employees covered by the Commission's awards work for wages but some, such as shearers, like farmers, are paid by the number of units produced. The Commission sets minimum remuneration for both. Justice Robinson, arbitrating in the Victorian milk dispute need have done nothing inherently different from Justice Robinson sitting on the Arbitration Commission bench, except that this time he was not bound by the rules, limitations, and traditions of the Commission or the practices of the Industrial Relations club. Yet he produced a very different 'award'. He looked at the possible long run consequences of the ruling he was about to make, and considered its effect on people's welfare. He considered the effect of his ruling on international and interstate trade, on the long term viability of the industry and on milk consumers. He took the verities of economics as given and tried to design a package that was compatible with them. His approach was more economic than legal. He recommended that markets replace the 331 legally established prices of the industry. He deregulated cow farmers' remuneration. He gently lampooned regulated remunerations. All that by a Deputy President of the Arbitration Commission.

The unions concerned, United Dairy Farmers of Victoria and Concerned Dairy Farmers, were not amused. Members of these august organisations both before and since the 'award' have been involved in picketing, violence and the destruction of property, presumably, since it will do them no good, just to make the Commissioner feel at home. The long run harm this behaviour has done to other farmers in their dealings with unions, would be hard to measure.

The practice of destroying New Zealand cheeses might be regretted if New South Welshmen should destroy Victorian cheese, or, as is very likely, milk. The Commissioner would also be familiar with the industrial relations ritual of cutting off the nose to spite the face. However, he did not in the name of 'industrial reality' give in to the party most willing to defy the law. Without being cruel to the cows, farmers can't refuse to milk, so they struck at the next point in the chain by refusing to deliver. Mr Cain promptly (much more promptly than Mr Petersen) banned this strike. Its a queer world!

The Victorian milk arbitration was conducted in terms with which the learned judge would have been familiar: 'catch up' and 'income enhancement' claims were heard with the farmers' usual demand for 'cost of production'.

This quotation has interesting implications: "The current price fixing environment calls for related tribunals to act in broad consonance with each other. The Prices and Incomes Accord, the National Economic Summit and the National Wage Principles all encourage the concept of consistency of approach while the existence of the Trade Practices Commission and the various pricing authorities encourage consistency of results."

Clearly Justice Robinson sees wages as another price if not JUST another price. He wants milk prices deregulated so as to be set in a free market and has so ruled. Does that ruling not have implications for wages, particularly as consistency of approach is seen as virtue? He sees the trade practices law offering consistency of outcome. It is not clear from the context what is meant by 'consistency of outcome' but a few paragraphs before he writes of the 'undesirable implication of monopoly or collusive pricing.' Surely it is recognition that union monopolies and employer monopsonies are undesirable. Does not the passage also imply not only that section 45D of the Trade practices Act has a place in industrial matters but that the whole broad pro competition thrust of the act has its place?

Discussing 'enhancement of income' the Commissioner makes two seminal points. First, referring to farmers: If enhancement of income were a legitimate ground for raising prices, the benefits of such action should be restricted to those farmers properly categorised as "needy". Second, referring to consumers: "... no study has been made on the effect of an increase of the size claimed, and, in particular, the impact on low income families and single income families with young children. Even if it be true that substantially increased milk prices would not affect consumption of milk by such families, other areas of essential consumption are likely to be curtailed." Do we expect these principles, which are respectable principles in a regulated price structure, to now be applied to the Transport Workers Unionists who drive the milk trucks or should we have had it applied to the Food Preservers Unionists two weeks ago?

I had become convinced that the Arbitration Commission had repealed the law of supply and demand, but throughout his milk price determination Justice Robinson not only accepts that prices affect supply and demand, but he relies on price theory to sustain his argument. This too has implications for wage determination.

The public sector aside, since no employer is yet compelled to engage staff, if there is no expectation that wages will be covered by the value of production there is no job. If higher milk prices would cause even more production and even less consumption, higher wages should cause even more unemployment.

Finally there is the question of how fast can deregulation take place. Mr Justice Robinson would like to be a gradualist. He writes that "It is unfortunate that the process of change, which many people advocate should be evolutionary, did not commence long ago. Lack of action makes the alternative of revolutionary change the more tempting." In the event he gives the industry only twelve months to adjust to deregulation and in truth if Victorian dairy farmers do not deregulate quickly they will face competition from the other States which they are prevented by law from matching. The dairy industry could never the less become the measure of what is possible in labour markets if the need is felt to be sufficiently pressing. If so, as the Commissioner says of others, "Self serving arguments of the various sectors should be seen to be just that."