On the dry side

High price of nappies built into BHP costs

By JOHN H YDE, MP

THE steel industry has fallen on hard times. In 1981-82 imports substantially eroded market share. In 1982-83 a declining market will further erode BHP's sales and share of the market.

Structural adjustment is belatedly being forced upon the company.

Value added by BHP's steel division is 1.4 per cent of Australia's gross product. Australia cannot afford a "big Australian" which is merely a "big slob."

Although high sea freights give steel considerable natural protection, before the recent import quota decision the basic iron and steel making process itself was artificially protected by 5 per cent tariff only.

However, the downstream processes cold rolled flat products, pipes and tubes and high alloy steel receive effective rates of protection of 2 to 25 per cent.

Australia ships iron ore and coal 4,000 miles from Western Australia and Queensland to Japan and Korea, where it is turned into steel, but Japanese mills produce about 250 tonnes per employee per year, while BHP can manage only 190 tonnes.

It is this steel that sent the big Australian, cap in hand, to the government.

Hard times should be mother to efficiency. My family grows wheat. The 1960s were wet and profits came easily. We lived well and thought we were efficient.

On the other hand the 1970s were a running battle with drought and yields were abysmal in most years below our break even yield at the end of the 1960s.

Yet, without drought assistance, we made a little money. Even though the farm is clearly more efficient now than then our complacency is less. During the 70s our mistakes hurt but the lessons were not lost on us.

If the Government were now to insulate BHP's management from the wrath of its shareholders I fear the lessons to be gained from their bad decisions will not be learned.

The Government's steel decision is a landmark, not so much because the decision is more economically responsible than some recent trade decisions but because, on this occasion, the government used the right arguments in justification of its position.

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The Minister said that the government recognised "the effect of additional protection and of any mandatory steel price increases on costs within the community generally, and in particular on the competitiveness of user industries."

The government sees that high protection costs jobs, even if it is not quite clear to them that quotas enable protected companies to raise prices.

BHP's steel division employs 36,000 people but the steel users employ far more. The government saw that if steel imports were restricted then BHP's inefficiency would be passed on to those who turn steel into water tanks, motor cars, lawn mowers, etc.

The position adopted by General Motors either shows GM's desperate need of cheap steel or how little honour there is among protected companies.

General Motors, which has just successfully screwed out of the government high-

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er protection than BHP has yet dreamed of for overpriced, and, some say, poor quality cars, had the gall to complain that BHP's steel was overpriced and of poor quality.

How is it then that in the steel case the government was able to see the disemployment effects of protection but was unable to appreciate that motor car protection also costs jobs?

Is it because in the case of steel the chain is short and the lost jobs concentrated?

It would have been relatively easy for Cabinet to

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visualise thousands of men paid off in white goods factories but more difficult to understand that high priced or low quality cars are also inevitably built into other industries' costs.

The jobs lost protecting consumption items are no less significant but it is even more difficult to see that high prices nappies must be built into the cost of living, into wages and then into unemployment. Nappies are also built into BHP's costs.

Understanding of the true relationship of unemployment to the tariff may in the end be more important than the steel decision itself.

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