ON THE DRY SIDE XXXIII John Hyde.

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B H P

BHP, Australia's biggest and in some ways most successful private corporation wants the government to guarantee it 85 % of the domestic market and a tax write off of all its capital expenditure in the steel division. It is a new mendicant at the government's door seeking special privileges not available to other industry. In return for these and other favours it must allow the government to supervise its management.

Although it will be hotly denied, BHP is prepared to take a long and possibly irreversible stride in the direction of industry nationalisation. With no effective foreign competition BHP would be a monopoly supplier. There is a strong conviction, especially in Labour Party circles, that monopolies should be confined to the public sector. (A better view is that all monopolies are a blight that ought not to be tolerated.)

BHP is becoming a political dependant. Three years ago The Chrysotile Corporation, an asbestos miner in a minister's electorate, also came begging. It was helped with loans of over $ 6 million from the taxpayer. The government which had twice backed its commercial judgement in spite of the reluctance of professional lenders eventually felt it had to write off the loans and let the company fold.

(It will not be so easy for a future government to write off BHP, but unlike Chrysotile, BHP, which produces nearly 2 % of G.D.P., has the capacity to inflict great harm on our economy.) British Steel's ability to bleed the British economy ought to have served warning. The more the government is seen to be in control of the industry, the more it, rather than the company management and unions, will be held responsible for jobs. It will become increasingly difficult for any government to say "No" to a company and unions which will be able to mount a strident campaign that would make the Chrysotile campaign look puny. The ACTU is already calling for the removal of the consumer's representatives from the industry council and the formation of a cosy tripartite club of management union and government to run the industry. BHP is already mounting a sophisticated media campaign.

BHP's troubles arise, not so much from import competition but from a shrinking domestic market related to a recession that we all must experience.

They ask the government to shift the cost of the recession from them to other industries. If the government were to bow to BHP it would encourage a queue of industries seeking to escape the consequences of the general hard times. But if the government were capable of shielding the whole economy from recessions it would have done so long ago. All government intervention can do is pass one industry's share of the burden to others.

In 1982 BHP Steel Division made a loss for the first time in many years. There is no shortage of businesses in the unprotected majority of the economy which might envy its profitable record but, being small, these have the capacity neither to make a big fuss nor to lean on governments. BHP is asking for preference over other industries in the scramble for capital and the consumer's dollar. Unlike all the many policies with which political parties have tried to buy the small businessman's vote, a small business policy that would work, would be to ban big business from preferred access to ministers' offices.

Since the Steel Division's loss may not be its last and since we may all be about to become non-voting shareholders we should take an interest in this company's affairs and the root causes of its troubles. BHP's immediate troubles are depressed prices in a shrinking market. In the longer run however their trouble is their under-productivit They produce 195 tonnes of raw steel per year per employee; whereas Japanese mills produce as much as 350 tonnes. From 1976 to 1979 a crude measure of BHP productivity shows a fall of ten per cent while productivity rose in each of Japan, United Kingdom, United States, Germany, Belgium, France, Italy, Austria and Sweden.

Strikes cost BHP significant production. Its own figures show that 5.2 % was lost in 1979, 8.4 % in 1980, 6.8 % in 1981, and 7.7 % in the first half of 1982. The steel industry was one of the first to concede the 38 hour week. Wage rates increased substantially at a time when the industry was obviously unable to compete. The unions have held the company to ransom but it is hard not to believe that both parties expected the government to come to their rescue.

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The company has plans to improve labour productivity to 250 tonnes; still way short of the world's best, and that best will no doubt get better. To achieve 250 tonnes they expect to reduce their workforce by 10400 or 28 %. That such a reduction is possible without major new plant must be taken as gross overmanning now.

BHP is quite prepared to resort to sophistry. They say with reference to uncompetitive practices in other countries, " We have no reason to believe that this government ownership and support will not continue in the future." If the support is to continue and that support provides Australians with cheaper steel, then foreigners are voluntarily subsidising us to a higher standard of living than we could enjoy with a domestic steel industry.

BHP undertakes, as though that were a concession, not to increase steel prices by more than the inflation rate. If capital-intensive industries don't reduce real prices it is hard to see how the standard of living will ever rise. Even the very uncompetitive car industry has reduced real prices.

They claim that the steel industry is required for defence; yet huge stocks could be held more cheaply than maintaining an industry behind the tariff quotas they sought. They don't make many of the specialty steels required for defence purposes.

Some of the effort and cost given to presenting these poor arguments might surely be better applied to good housekeeping.

It is unfair to lay the blame entirely at the feet of management but the whole industry, including the unions, is clearly the architect of its own misfortune.