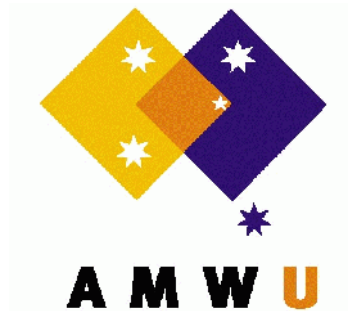


***AMWU'S SUBMISSION IN REPLY***



***THE PRODUCTIVITY COMMISSION'S  
PROPOSED "PLAN" FOR THE  
AUTOMOTIVE INDUSTRY:***

***JULY 2002***

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## **INTRODUCTION AND FOREWORD**

***The National Conference of the AMWU meeting in Sydney July 21 - 26 2002 has unanimously carried resolutions and policies for the AMWU's position on:***

- a) The Productivity Commission, its future and questions concerning the independence of this inquiry.***
  
- b) A future plan for Australia's automotive industry.***

***Part One of this submission in reply deals with the Productivity Commission's Report/Discussion Paper and the politics and ideology that underpin it. Part Two of this submission summarises the AMWU's critique of the Position Paper and draws on supporting material included in seven attachments to our submission dealing with various issues relevant to a future plan for this important Australian industry. As determined by meetings of delegates and the AMWU National Conference the union's final submission in September (including expert studies commissioned from independent experts) will go to the Parliament of Australia where it is hoped a more independent discussion of the issues will occur:***

***Doug Cameron: National Secretary, AMWU***

***Ian Jones, Assistant National Secretary, AMWU***

***Dave Oliver: Assistant National Secretary, AMWU***

***Nixon Apple: National Research Officer, AMWU***

**PART ONE:**  
**THE POLITICS AND IDEOLOGY OF THE PRODUCTIVITY  
COMMISSION INQUIRY INTO THE AUTOMOTIVE INDUSTRY**

*The Productivity Commission Position Paper (PCPP) has all the appearances of following a pre-determined game plan which, as stated by the Commission itself, is based on one simple proposition:*

*“..... as far as future assistance policy is concerned, the key questions become by how much and over what time frame should assistance be further reduced.”*

*(PCPP: Overview XXVI)*

*The Commission for the past two decades has consistently had a predetermined position of moving to zero tariffs in auto and other industry's. This was made clear in the recent Productivity Commission (PC) inquiry into the general 5% tariff and calls by the PC for its abolition. Even in this inquiry into the automotive industry the language used by the PC for its preferred approach envisages reductions below 5% even if this is delayed till 2015 and beyond, regardless of what is happening in the Australian industry or the policies adopted by other countries.*

*The predetermined outcome to “manoeuvre” the industry towards zero tariffs is also applied to ACIS, the investment incentive scheme applying in the industry. Again the PC makes clear its view that ACIS should be abolished in the longer term and only be allowed to continue over the next decade if the total policy package includes “the introduction of a post 2005 tariff reduction program”. Simply put and regardless of the consequences the Commission's position is to get the tariff from 15% today to 5% by 2010 and to only allow ACIS to continue as a “transitional mechanism”. Eventually ACIS will be abolished and the PC (if it too hasn't been*

***abolished) can continue its crusade to get rid of the 5% tariff for auto and other industries, regardless of the consequences.***

***To the extent that there is anything new in the PC approach it is to advocate draconian industrial relations policies as a "new" form of industry assistance. Apparently limiting workers/unions already limited capacity to collectively bargain, go on strike, join the union of their choice as well as taking away hard won conditions in the name of "flexibility" will launch a new productivity revolution. Apparently decades of centralised wage fixation and high protection have instilled a dangerous adversarial culture that threatens the future of the industry. So just to make sure the anti worker - anti union industrial relations legislation supported by the PC does the job, we are told that further reductions in assistance (i.e. more plant closures and job losses) will help to send the right signals. As the PC puts it:***

***"Improving workplace flexibility and reducing damaging industrial disputation in the industry offer the prospect of significant productivity gains, making further workplace reform a priority issue. In this context, further reductions in assistance are likely to have some role to play in providing a greater incentive for firms, their employees and the unions to work together for the good of the industry. Conversely, a policy of indefinite preferment for the industry could send the opposite signal".***

***(PCPP Overview pg XXV)***

***"The Commission considers that there is a need to maintain external pressure on all parties for better workplace outcomes. Indeed it sees this as an important reason for continuing with predictable and gradual reductions in government support for the industry. Past reductions in support have provided significant incentives for productivity improvement in the industry, including***

***through the development of more flexible and cooperative workplaces. As discussed in Chapter 10, a prolonged continuation of the still relatively generous assistance arrangements that will apply in 2005 could send an unhelpful signal about the need for further change in the industry's workplace culture and practices."***

*(PCPP: Chapter 5 pg 48)*

***Having discovered a "new" rationalisation for reductions in tariffs and industry assistance the Commission goes even further. With assistance to the industry winding down and hence within the world view of the Commission, the potential "allocative efficiency" benefits diminishing (relative to adjustment costs) a new form of "dynamic" efficiency gains can be secured by the twin pincers of anti worker/anti union industrial relations policies on the one hand and reductions in assistance on the other hand.***

***"..... the Commission considers that ..... there would be "dynamic" benefits from further assistance reductions - most notably in keeping the pressure on the industry and its workforce to address current impediments to greater productivity".***

*(PCPP Chapter 10 Pg 117)*

***Despite all this the PC assures us all at the beginning of its Report that:***

***"The Productivity Commission (is) an independent Commonwealth agency ..... The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the well being of the community as a whole."***

*(PCPP: 11)*

***Given this "Declaration of Independence", perhaps it is simply a coincidence then that the PC endorses the agenda of those who determine its annual budget allocation, the Coalition Government, on everything from more micro economic reform, more free trade, further reductions in industry assistance and further reform in industrial relations. In endorsing further change to industrial relations the Commission argues:***

***"..... the regulatory framework does not provide sufficient practical constraints on industrial disputes with the potential to cause major damage to significant enterprises and industries, nor adequate mechanisms to resolve disputes speedily ....."***

***(PCPP: Chapter 5 Pg 46)***

***In endorsing further legislative change the Commission argues:***

***"Such legislative changes would of course have implications extending well beyond the automotive industry. That said, based on the evidence presented to this inquiry, changes of this nature would appear to have merit. In particular they would seemingly provide a better balance between the rights of workers to take industrial action and the rights of firms and those in the community who suffer considerable harm from the disputes that continue to plague this industry. Significantly some of the legislative proposals put forward by the industry are encompassed in amendments to the Workplace Relations Act currently before the Parliament.***

***(PCPP Chapter 5 Pgs 46-47)***

***What is the evidence that supports this? The submissions of the AiGroup have been rejected in previous hearings before the Senate and in many Industrial***

***Relations Commission hearings. Where is the PC's independent evaluation of that evidence?***

***The terms of reference for this automotive industry inquiry are very specific instructing the PC to:***

***``..... identify policy options that are consistent with the Governments international obligations, such as those under the WTO and APEC''***

***(PCPP: Terms of Reference Pg VI)***

***So where is the Commission's ``independent'' evaluation of whether existing industrial relations legislation and new proposed amendments endorsed by the PC are consistent with ILO conventions to which the Australian Government is a signatory?***

***The Government used to have a tripartite Automotive Manufacturing Council, which till the late 1990's included four union representatives. The Coalition Government got rid of the union representatives and now the Councils ``Human Relations'' Committee can deal more effectively with the employer - Tony Abbott view of where industrial relations should go. So what about the ``independent umpire'', the Commission, providing a balanced view? One Commissioner is appointed by the Government and the so called independent Commissioner comes from an employer background in ICI - Orica, a company whose connection and support for the Business Council of Australia and its industrial relations agenda is well known. So where is the representative Commissioner from a trade union background with the capacity to write a Minority Report let alone suggest that a mountain of evidence contrary to the Commissions view might be worth examining? But then again, given the experience of the 1997 inquiry and the Weber Minority Report supporting a tariff freeze, the inherent bias and lack of independence in this inquiry which institutionalises the view of Government and employers is hardly surprising.***



***This Productivity Commission Report is the wolf in sheep's clothing. It's the Howard, Abbott, Costello line on globalisation, free trade, competition policy, micro economic reform and now industrial relations. The PC Report is dressed up in soothing everyday language and broad brush proposals intended to give the appearance of the independent umpire, the impartial observer, sifting meticulously through the evidence to make balanced informed judgements and recommendations that appear more conciliatory than in the past.***

***However, the reality is that this Productivity Commission Report:***

- ***Is implicitly and explicitly anti-union and anti-worker.***
- ***Without a substantial body of evidence, endorses the Government's industrial relations agenda and openly supports the current amendments before the Parliament.***
- ***Seeks to take away or severely limit the rights of workers to collectively bargain, to take industrial action, to join the union of their choice, as well as taking away hard won conditions.***
- ***Largely ignores the contribution that working people and their unions have made to build a world class manufacturing industry in general and auto industry in particular over the past decade.***
- ***Selectively quotes from employers' submissions to mischievously create tensions and conflicts within and between unions to undermine solidarity, whilst preaching the virtues of a harmony of interests between employers and employees.***
- ***Praises free trade, the WTO and its rules and procedures without any apparent concern that the system of industrial relations practised by the Howard government and endorsed by the Productivity Commission (as an act of religious/ideological faith rather than impartial independent evaluation of the***

*facts) is seen by many to be in breach of international law and ILO conventions. Apparently international law governing trade matters needs to be respected. International law governing human rights does not.*

*Simply put all the Commission proposes is to unilaterally disarm the industry of strategic industry development assistance while unilaterally arming the employers (and if Tony Abbott has his way a Government prosecutor) with draconian anti worker anti union laws. And how might employers use such laws to "better align" their employees interests with those of the company? All that appears to be missing from the PC Report is the philosophical underpinnings of the new approach which was provided in a recent speech by Tony Abbott where he said*

*"I accept there are plenty of bad bosses out there ..... (but) if we're honest, most of us would accept that a bad boss is a little bit like a bad father or husband: notwithstanding all his faults you find he tends to do more good than harm."*

*(Quoted in AFR Tues July 2 2002 Pg 7)*

*Further to this, the AMWU does not see how the Productivity Commission can possibly inquire into industrial relations and validate assertions about wage outcomes being too high, the culture of comparative wage justice too entrenched, and so on. As pointed out in Appendix Two to this submission:*

**What does the PC cost taxpayers?**

- 1. The Productivity Commission has cost taxpayers more than \$112 million over the past 5 years.**
  - Over the same period it has generated revenues from sales of goods and services totalling \$579,000.**
  - The PC has 200 staff, of whom 25 (one in eight of all its employees) receive total remuneration in excess of \$100,000 a year.**

2. ***By comparison, the Federal Government component of the package of assistance to Mitsubishi Motors Corporation that has secured the continuation and expansion of Mitsubishi's manufacturing presence in Australia for the next decade is \$35 million. [the package includes a further approx \$50 million in cash and kind from the SA Government.]***
- ***Without this package some 3,200 jobs at Mitsubishi and a further 7,000 in the supporting component industry would have been lost.***
  - ***With the package, Mitsubishi has committed to invest almost \$1 billion in development and production of a new model; involving an additional 1,200 jobs in R&D and production.***
3. ***In financial year 2000/01 the average total (i.e. including super and fringe benefits) remuneration of the 25 PC executive staff (i.e. those paid in excess of \$100,000 per year) was \$170,551.***
- ***The salary package for the Chairman of the PC [Gary Banks] is determined by the Remuneration Tribunal. It is presently about \$240,000 per annum.***
  - ***The remaining 24 executive staff are all employed on individual contracts [AWAs]. These AWAs are ``based on a 'template' which largely reflects terms and conditions previously available to the SES in the APS generally".***
  - ***``SES remuneration is set in the context of the public and private sector benchmarks contained in the PAS SES Remuneration Survey conducted for the Department of Employment and Workplace Relations" - i.e. it is based on comparative wage justice considerations.***
  - ***The PC Chairman is the 'employing body' and thus determines the terms of AWAs and the remuneration for all PC Commissioners other than himself.***
  - ***Over the past 3 years average total remuneration for the PC executive staff has risen by 26.3%***

**4. Average total remuneration for the 175 non-executive PC staff is approx \$70,350 per year.**

- The terms and conditions of employment for these staff is set by a s.170LK certified collective agreement [due to expire in October 2003].**
- Over the past 3 years average total remuneration for PC non-executive staff has risen by 11.3%.**
- the collective agreement provides for 'across-the-board salary increases averaging a little over 3 per cent per annum' over the life of the agreement.**

**Not only isn't the Productivity Commission independent or have the skills and experience to comment on industrial relations, but its own practices demonstrate how hypocritical it is for the Commission to make any comments whatsoever. This conclusion is strongly supported by the AMWU's National Conference meeting in Sydney last week which carried the following resolution unanimously:**

**``National Conference applauds the significant contribution made by the AMWU members to the Australian Automotive and component industry.**

**Conference notes the industry is made up of massive international corporations who impose their pattern of management systems on working people throughout the world.**

**Conference further notes that governments around the world recognise the importance of the industry in terms of job creation, cutting edge technology, export capacity and research and development. In recognising the importance of the automotive industry governments around the world provide support mechanisms including tariffs, quota's, tax breaks and financial incentive packages.**

**Conference therefore condemns the attack on workers in the industry by the Federal Government by threatening to remove industry support and tariffs unless companies adopt the governments draconian industrial relations agenda.**

**Conference states the following:**

- ***There is a limit to the contribution of and the capacity of labour productivity to the overall success of the automotive & component sector.***
  - ***The major drivers of increased productive performance include quality, training, technology, management systems, logistics, research and development, new technology innovation and customer satisfaction.***
  - ***Attempts to overstate or over emphasise the capacity of workers to contribute to improved productive performance is designed to target decent wages, working conditions and job security.***
  - ***The Productivity Commission inquiry is no more than a front to attempt to legitimise further attacks by employers and government on vehicle and component members.***
  - ***The employer agenda, led by the AIG, is designed to enforce collective begging as distinct from collective bargaining. AIG proposals such as:***
    - ★ ***Compulsory secret ballots***
    - ★ ***Compulsory cooling off periods***
    - ★ ***Removal of protected action if industrial action affects a third party.***
    - ★ ***Fast track deregistration of unions***
    - ★ ***Introduction of enterprise unions***
    - ★ ***Management veto of union education programmes***
- will be counterproductive, increase disputation in the industry and be met with a significant industrial campaign to defend members job security, rights and dignity.***

***It is totally unacceptable that existing breaches of ILO conventions to protect workers will be compounded by the AIG proposals.***

***Simply put the employers are attempting to decide what workers are to do, what they are to think, how they are to behave and what organisations they are allowed to join.***

***Day after day working people are being confronted with new revelations about another Enron, WorldCom, HIH, One Tell or about another round of collusion and price fixing by big business, another factory closure and yet another company going bankrupt and refusing to pay their workers their entitlements while company directors in their multi million dollar mansions and yachts remain relaxed and comfortable.***

***For working people today the fundamental issue being debated is corporate power, corporate greed and the threat that lack of corporate accountability poses to the living standards and job security of workers, their basic human rights and the well being of their communities. The AMWU will not allow that debate to be turned on its head by an anti worker - anti union agenda that shifts the blame on to workers and their families.***

***Accordingly this National Conference of the AMWU declares that this attack on workers in the car manufacturing and component sector is an attack on all workers in this country. Conference instructs the unions National Council to monitor the situation and when necessary to liaise with unions and workers across all industries and take to mass meetings throughout the nation contingency plans for a co-ordinated industrial response to the anti union anti worker agenda being propagated by a handful of employers, the Productivity Commission and the Coalition Government.***

***National Conference endorses the proposed future plan for the automotive industry outlined in the Report of Committee Six and to be taken to mass meetings of***

***workers around the nation calling on the Parliament of Australia to freeze tariffs, increase the level of investment incentives and pursue fair trade not free trade.***

***Further to this National Conference:***

- ***Demands that the Productivity Commission be abolished immediately and replaced with a National Development Authority.***
- ***Calls on the leaders of car manufacturing and auto component companies to disassociate themselves from the anti union attack of the Government, the Productivity Commission and the AI Group. Further to this that they negotiate a three tier bargaining system with unions and their members based on a framework industry agreement to set the parameters on key issues like wages, entitlements, casual employment, contractors, dispute resolution etc to provide the basis for enterprise bargaining supported by a strong and effective award system.***
- ***Supports workers in the automotive industry taking their submissions on the future of the industry to local communities, state Governments and the Federal Parliament to ensure a fair go and secure the future of this vital industry."***

***(AMWU National Conference Resolution, July 24 2002).***

**PART TWO**  
**A CRITIQUE OF THE PRODUCTIVITY COMMISSION'S**  
**PROPOSALS FOR**  
**THE FUTURE OF AUSTRALIA'S AUTOMOTIVE INDUSTRY**

*The AMWU maintains that the Commission's arguments for further reductions in assistance (mainly lower tariffs and the phasing out of ACIS in the long term) are fundamentally flawed for the following reasons:*

- 1. Within the Commission's own framework and the assumptions that underpin it the alleged gains to the economy as a whole from further reductions in assistance do not exist or are negligible. As the Commission itself has said:*

*“..... with assistance to the industry now much lower, the allocative gains likely to ensue from further reductions in government support are much smaller. Indeed the quantitative modelling undertaken for this inquiry suggests that these gains could even be out weighed by small, but adverse shifts in the aggregate price of Australia's exports relative to its imports.*

*(PCPP: Overview PP XXIII)*

- 2. The admission of the Commission of negligible economy wide gains means that any further loss of jobs and output in the automotive industry is all pain for little or no gain. After losing 20,000 automotive industry jobs over the last decade workers and their representatives are entitled to ask:*



***“If within the Commission's own framework and assumptions (which we have always disagreed with) there is all pain for little or no gain why proceed with further reductions in assistance?”***

- 3. *Moving outside the Commission's preferred framework and assumptions there are alternative assessments such as that provided by the National Institute of Economic and Industry Research (NIEIR) for the MMIC and the Victorian Government. That analysis suggests the potential economy wide effects of future assistance reductions are negative and the potential loss of jobs and production in the automotive industry is much more substantial than suggested by the Commission. This Report and other evidence is provided in Appendix Seven of this Submission and shows the PC's analysis to be fundamentally flawed. Again workers and their representatives are entitled to ask:***

***“If within the world view of the Commission it is acknowledged that there is little or no gain from further reductions in assistance, and if alternative modelling suggests the potential for substantial losses, then why should the Government accept advice from the Commission which could lead to thousands of jobs being lost from further reductions in assistance to the industry?”***

- 4) *In seeking to avoid this dilemma the Commission seeks to conjure up alternatives to the “allocative efficiency” gains it once based its arguments upon. Hence it argues in terms of “dynamic efficiencies” that are always harder to quantify and model. In this argument:***

**a) *The “spill over” benefits from the auto industry and the transfer of skills, technology, management techniques etc to the overall all economy are unlikely to be as significant as FCAI and others have argued; and***

**b) The potential to unlock productivity gains from further assistance reductions and the Commissions preferred approach to industrial relations are potentially very large.**

**Again workers and their unions are entitled to ask:**

**“There is agreement amongst all participants to this inquiry that the spill over benefits are positive. The only debate is the size of the benefit. However if for example the Commissions preferred approach to IR and assistance reductions are actually negative rather than positive why should the Parliament of Australia endorse them?”**

**The AMWU would argue:**

**a) The proposed IR changes could just as easily (and are in fact more likely to) reduce rather than increase productivity by creating resistance to change, provoking an adversarial culture, increasing labour turnover and inducing other changes that could easily lead to negative rather than positive dynamic efficiency gains in the automotive industry.**

**b) These effects could (and in our assessment would) have negative externalities and spill over effects to the rest of the economy. For example:**

- The resistance to change and other negative consequences of the Commissions preferred approach to industrial relations (particularly legislation) could easily spread to other industries with adverse consequences.**
- The Commissions own warning about the negative consequences of poor industrial relations on the level of foreign investment and the consequences of Australia being perceived as having an “unstable**

*industrial relations environment" could become a reality as a result of the Commission's proposals for industrial relations changes.*

5. *Having lost the weight of the argument on allocative efficiency (because the cost/benefit trade off of gains versus adjustment costs has changed) and given the strong probability of negative inefficiencies from its preferred approach to IR and assistance reductions (i.e. the dynamic effects unlock industrial conflict and resistance to change rather than win - win approaches to larger productivity gains) the Commission is only left with the argument that the Australian automotive industry should be treated no differently than Australian milk bars, Australian restaurants or other Australian industries. As the old adage goes, "wood chips, potato chips, computer chips ..... whats the difference? All activities should be treated the same."*

*We find this a strangely insular and parochial argument in the era of globalisation. It is not one Australian industry against another that one benchmarks measures on the level and composition of assistance. One can only do that on a global basis. And globally in comparison to the "average" industry:*

- *The auto industry is treated differently.*
  - *The level of assistance on offer is higher.*
  - *The perceived net benefits and spill overs more substantial.*
  - *The focus on attracting investment stronger.*
6. *Having determined that assistance should be reduced the Commission goes on to suggest that all countries will inevitably move to free trade, arguments about fair trade are irrelevant and the costs to Australian workers of this transition to the Productivity Commission's brave new world will be minimal.*

*The AMWU rejects this proposition. We are providing the Commission with the Hunter Taskforce Report which demonstrates the terrible human consequences*

*of so-called adjustment to free trade that workers suffer. Appendix Three also outlines in detail how the Productivity Commission has got it wrong in its understanding of the Fair Trade debate.*

*We also note the summary provided below of what American manufacturing workers have endured as a consequence of the free trade NAFTA agreement.*

*It is our assessment that the American experience, summaried below, would be very similar for Australian workers if the Commission's proposals to reduce assistance to the automotive industry were accepted and put into practice.*

*"It is however clear, that NAFTA has indisputably led to widespread job loses, with over 363,121 US workers certified as NAFTA casualties under just one narrow Government program.....*

*The US economy created jobs at a fairly rapid rate in the 1990's, but without NAFTA hundreds of thousands of full time, high wage, benefit paying manufacturing jobs would not have been lost. It is also important to note that while the US economy is generating substantial numbers of new jobs in absolute terms, the quality of jobs created is often poor. The US Department of Labor projects that the professions with the greatest growth in the US are cashiers, waiters, waitresses, janitors and retail clerks. These and other low paying service jobs are the kind that will most likely be available to workers displaced by NAFTA.*

*Economic surveys of dislocated workers show that the jobs lost to NAFTA, in many cases high-paying manufacturing jobs are, in the majority of cases, replaced by lower paid employment. NAFTA also has had a negative effect on the wages of many Americans whose jobs have not been relocated but whose bargaining power with their employers is substantially lessened. NAFTA puts them in direct competition with skilled educated Mexican workers who work for a dollar or two an hour or less. NAFTA was supposed to ameliorate this problem*

*by raising Mexican living standards and wages. Instead both have plummeted, harming the economic prospects for workers on both sides of the border. (Public Citizen web site: [www.citizen.org/trade/nafta/jobs/index.cfm#101](http://www.citizen.org/trade/nafta/jobs/index.cfm#101)).*

**7. Finally there are issues associated with what the Commission calls "transitioning" the assistance arrangements for the industry.**

*What we discern as the Commissions preferred option is to hold the tariff at 10% till 2010 and then reduce it to 5%. To hold ACIS in some form for up to a decade and then to phase it out.*

*Many in the industry are arguing that when the tariff is reduced to 10% in 2005 it should be held there (with the AMWU's preferred position being to keep it at 15%) till at least 2010 to see what other countries do. And that ACIS (with some possible changes) also be maintained.*

*The AMWU does not believe it is a strategically smart thing to do to lock ourselves in to the Commissions long term time table of assistance reductions:*

- It makes good sense to see what if anything comes out of the next WTO round.*
- It makes sense to see what other countries do to liberalise market access in auto.*
- We have yet to see the full consequences of the industry adjusting to previous assistance reductions and until we do why should we sacrifice policy flexibility by locking in further reductions now. The Commission's own modelling begins in 2005 so to a large extent it has defined this issue away.*
- The old argument about positive demonstration effects and having the high moral ground from unilateral assistance reductions was always on shaky ground. But in light of what the United States and others are doing in steel agriculture and other industries there is no basis for proceeding further with*

***such a unilateral approach. Arguments about "not being held hostage" to what others are doing appears to be more about spin than substance.***

***In the AMWU's assessment all of the above represent compelling arguments for maintaining current levels of assistance to the industry till 2010 with a 2007 - 2008 inquiry to consider post 2010 arrangements.***

***In relation to the PC's observations and recommendations on industrial relations, APPENDIX ONE of the AMWU's Submission in Reply makes the following points in addition to those previously stated above:***

- 1. The AMWU does not accept that industrial relations and an adversarial culture are the main problems. As highlighted in the table opposite many workplaces in the industry are characterised by a high stress - low trust workplace culture due to the lack of empowerment of workers, high levels of stress, low levels of job security and negative perceptions of management and the negative cost cutting agenda they pursue.***

***Similar conclusions were reached by ACCIRT in their independent report to the Victorian Government in 2002 on the future skill requirements for Victorian manufacturing. As pointed out by Dr. John Buchanan who headed the ACCIRT team that prepared that Report, which included interviews with managers and job delegates in the automotive industry.***

***"..... there is now overwhelming evidence from studies around the world (and Australia) that more often than not the reality of lean production involves:***

- management by stress;***
- lean empowerment i.e. responsibility without resources;***
- multi tasking not multi skilling;***
- tension in industrial relations due to breaches of trust by management;***

- *preoccupation with deploying labour resulting in little or no capacity to develop skills for the future, especially at trade and technician level.*

*The Productivity Commission Report provides little evidence that the authors have any grasp of these realities."*

*(Dr John Buchanan: No Workplace is an Island: Appendix Four AMWU Submission in Reply.)*

*Dr Buchanan's conclusions are also supported by AIGroup's former Advocate Roger Boland who in a 1998 speech to employers pointed out that the cost cutting approach to workplace change:*

*"is creating a backlash amongst workers manifested in intense feelings of job insecurity, disillusionment, lack of trust, 'reform fatigue' and a shift to greater militancy"*

*(Quoted in Dr. John Buchanan opt cit Appendix Four)*

*These conclusions are strongly supported by Professor Wickam Skinner from the Harvard Business School in his famous article "The Productivity Paradox". Professor Skinner emphasises that the narrow cost cutting approach is unsustainable in the long term and is dangerous because it diverts management attention from the real issues.*

*(Harvard Business Review: July - August 1986)*

## **THE HIGH STRESS - LOW TRUST WORKPLACE CULTURE**

*In 1997 the AMWU conducted a survey of its leading shopstewards/delegates covering 50 workplaces that accounted for around 90% of automotive industry employment. Some 320 survey returns were utilised and their validity and internal consistency validated independently by ACCIRT. Key findings highlighting the existence of a high stress-low trust workplace culture in many parts of the industry included:*

- In response to questions about what their workplace would be like in the year 2000 less than 12% of respondents thought that workers will feel more secure about their job. In addition nearly 73% of respondents maintained that the amount of stress workers experience in their job will be greater.*
- Almost 60% of respondents believed that fewer people will be employed in their factories while 71% saw a further threat to job security from more contracting out.*
- Less than 20% of respondents believed there would be fewer casual workers employed or more young trainees and apprentices employed.*
- Less than 20% of respondents thought the relationship between workers and management was good or very good.*
- Less than 10% of respondents thought that they or their consultative committees had a lot of influence over the allocation and scheduling of work, how the work is done, the pace at which it is done and how their workplace is managed.*
- Less than 10% of respondents thought workers had a lot of input into determining how new technology was implemented, changes to plant layout, changes to team work or new work processes.*

*This lack of empowerment of workers when combined with high levels of stress, low levels of job security and negative perceptions of management gives rise to what the AMWU terms the high stress - low trust workplace culture.*

*While both employers, unions and workers have been attempting to address these issues our discussions with delegates in 2002 suggests that many problems remain and the threat of industrial relations legislation is likely to intensify this negative culture, and increase disputation and resistance to change.*



**2. The AMWU does not accept that lack of flexibility at the workplace is impeding companies competitiveness. As highlighted in Appendix 1.1.**

- Numerous flexibilities have been negotiated and their value is recognised by the companies.**
- A major flexibility that put Australia at the cutting edge of vehicle manufacturing was the agreement over programmed days off to allow the manufacturers to more effectively manage their stock cycle in line with market trends.**
- Unions and their members negotiated the flexibilities required for each company to introduce its own unique production system and methods of operation.**
- Unions and workers through negotiations with management introduced the team system to ensure both trade and non trade workers could function more effectively.**
- Union members were fundamentally important to implementing the logistics system that allowed an increase in the frequency of materials and parts delivery consistent with the JIT system.**
- Flexibilities have been introduced with respect to the scheduling of overtime.**
- Flexibilities have been introduced with respect to the cross skilling of electrical/mechanical trades. Internationally arrangements in this area remain contentious and contrary to popular wisdom there is no one best way of proceeding.**
- Flexibilities were introduced with respect to the rescheduling of shift schedules.**
- The philosophy of continuous improvement, problem solving and trouble shooting has been taken on board by workers and they are the ones responsible for the gains achieved.**
- Constant innovation has been negotiated in consultation/information sharing arrangements.**

**The AMWU could cite chapter and verse dozens of agreements like those already cited that have provided the flexibility these companies need to compete in the world economy.**

- 3. The AMWU also rejects the assertion that there have been unsustainable wage outcomes in the industry and that companies "buy" industrial harmony and that wages are not linked to improvements in industrial performance. In discussions with the National Institute of Economic and Industry Research (NIEIR), the Institute informed the AMWU that the real wage outcomes in the automotive industry during the 1990's relative to the productivity gains achieved were less than what most economic models would have predicted. This evidence is summarised in Appendix Seven.**
- 4. The AMWU rejects the assertion that enterprise bargaining has been "derailed by the Union" and that its' strategy of "pattern bargaining" is having a negative impact on productivity in the industry. The assertion ignores the realities of bargaining in the auto industry in Australia and workers co-operation over the last decade with the changes that have been made and the evidence of FAPM and others on the substantial productivity improvements achieved.**
- 5. In terms of the Commission's assertion that union coverage in the industry should be changed to enterprise unions or a single union the AMWU notes the following points:**

  - Union coverage is a matter to be determined solely by the unions and members in the industry. To have a "solution" imposed by Government would contravene ILO conventions and lead to substantial industrial disputation.**
  - There is no conclusive empirical evidence that one form of union coverage delivers better outcomes than no union's or different forms of union coverage.**
  - Internationally, the Canadian Auto Workers (CAW) covers workers in auto and a wide range of other industries (both manufacturing and non manufacturing). This has not impeded its capacity to provide effective representation of auto workers interests and in fact has enhanced it through economies of scale, shared information and a stronger education and bargaining infrastructure for all workers it represents.**

- *Internationally union coverage of workers in the auto and engineering industry in Sweden is split between white collar and blue collar workers. This has not prevented Sweden from developing a world class engineering industry.*
- *Bargaining in Australia's auto industry is co-ordinated where there is more than one union at a particular site through single bargaining units. If industry wide issues require attention the Federation of Vehicle Industry Unions and the Metal Trades Federation of Unions have demonstrated on numerous occasions their capacity to co-ordinate activities.*

*Simply put union coverage is not an issue in this inquiry other than the wishlist multinational corporations around the globe put on the table from time to time to serve their own interests.*

6. *The AMWU rejects the assertion that industrial disputation will be solved by the industrial relations legislation advocated by the Government and the Ai Group.*

*As pointed out by Sam Gindins former Director of Research at the Canadian Auto Workers Union (CAW) and Advisor to that Union's President:*

*“As for the changes in labour legislation being considered, workers in this industry have fought for their rights and made gains, but there is no evidence that this has in any way become a barrier to the restructuring of the industry.*

*Labour costs are by the standards of the developed countries of Europe, Japan and North America, clearly on the low side; productivity has been rising significantly; restructuring has occurred with painful costs to many workers and their families; and, as an indicator of relative power in this sector, labour costs have in fact lagged the productivity increases. Why then is this Productivity Commission considering changes to labour legislation that rather than protecting workers through these changes in the industry, are directed to weakening workers protective institutions?”*

*(Sam Gindins: Notes Regarding AMWU's Submission to the Productivity Commission Appendix six AMWU Submission in Reply)*

**We also reject the PC's summary of the level of industrial disputation in this industry. As pointed out in Appendix Five there are many factors which account for the level and duration of industrial disputation in different industries, in different countries and over different periods of time. To the extent that ABS statistics accurately reflect the level of industrial disputation (and many in our industry doubt this), then Table One below suggests that when comparing the second half of the 1980's (when the Button Plan commenced) with the 1996-2001 period:**

- **For all industries the index for working days lost per thousand persons employed has fallen by almost two thirds.**
- **For all manufacturing the index has fallen by 60%.**
- **For Motor Vehicle and Parts Manufacturing the index has fallen by 32%.**

**TABLE ONE**

**AVERAGE ANNUAL WORKING DAYS LOST PER THOUSAND EMPLOYED**

| <b>YEAR TO DECEMBER</b> | <b>MOTOR VEHICLE &amp; PART MANUFACTURING</b> | <b>ALL MANUFACTURING</b> | <b>ALL INDUSTRIES</b> |
|-------------------------|---|--------------------------|-----------------------|
| <b>1984-89</b>          | <b>425</b>                                    | <b>354</b>               | <b>226</b>            |
| <b>1990-95</b>          | <b>166</b>                                    | <b>364</b>               | <b>143</b>            |
| <b>1996-2001</b>        | <b>290</b>                                    | <b>141</b>               | <b>79</b>             |

|                                |            |            |            |
|--------------------------------|------------|------------|------------|
| <b>Index 1984-89<br/>= 100</b> |            |            |            |
| <b>1984-89</b>                 | <b>100</b> | <b>100</b> | <b>100</b> |
| <b>1990-95</b>                 | <b>39</b>  | <b>103</b> | <b>63</b>  |
| <b>1996-2001</b>               | <b>68</b>  | <b>40</b>  | <b>35</b>  |

**SOURCE:**      *Calculated from data in Table One.  
(See Appendix Five)*

*We would also note that as shown in the ILO Year Book working days lost in Australian manufacturing during the 1990's for compensated occupational injuries was 40% greater than working days lost from strikes and lockouts. For all injuries the days lost would be far greater. It is interesting to note the statistics and issues that the Productivity Commission and Tony Abbott's Department focus on and those that they ignore.*

*In terms of how Australia compares to other countries, we note the difficulties of making international comparisons. However as shown in Table Two on the page opposite Australia does have fewer days lost in its auto industry in terms of strikes and lockouts, at least compared to some other countries. No doubt there are also countries whose industry has less disputation than Australia's (see tables 3 and 4 in Appendix 5). The bottom line is that on average during the 1990's, in Australia's automotive industry:*

*Less than one tenth of one percent of annual working time in the industry was "lost" due to strikes and lockouts.*

*To the extent that such data are used by some as a "KPI" of the industry's performance we reject the assertion that the proposed industrial relations legislation will improve the situation.*

- *Such legislation is contrary to ILO conventions and is likely to increase disputation.*
- *Privately many employers concede that the only real solution is a negotiated agreement between companies, workers and their union.*
- *Such an agreement must place a significant emphasis on negotiating a framework industry wide agreement within which enterprise negotiations can take place.*

*7. Finally, in relation to the PC's overall approach to industrial relations the AMWU notes the critique of the PC's position paper (see Appendix Four) summarised by Dr. John Buchanan in the following terms:*

**TABLE TWO****THE IMPACT OF STRIKES AND LOCKOUTS IN THE AUTOMOTIVE INDUSTRY IN CANADA, KOREA AND AUSTRALIA: 1985 TO 2000**

| <b>Year</b>      | <b>Working Days Lost Per Thousand Employed in the Auto Industry</b> |               |                  | <b>Working Days Lost as % of Total Working Days in Auto</b> |                  |
|------------------|---|---------------|------------------|---|------------------|
|                  | <b>Korea</b>  | <b>Canada</b> | <b>Australia</b> | <b>Canada</b>   | <b>Australia</b> |
| <b>2000</b>      | <b>12,465</b>   | <b>34</b>     | <b>109</b>       | <b>0.01%</b>  | <b>0.05%</b>     |
| <b>1999</b>      | <b>6,780</b>  | <b>22</b>     | <b>486</b>       | <b>0.01%</b>  | <b>0.20%</b>     |
| <b>1998</b>      | <b>18,492</b>   | <b>61</b>     | <b>158</b>       | <b>0.03%</b>  | <b>0.07%</b>     |
| <b>1997</b>      | <b>4,393</b>  | <b>306</b>    | <b>160</b>       | <b>0.13%</b>  | <b>0.07%</b>     |
| <b>1996</b>      | <b>7,309</b>  | <b>2973</b>   | <b>543</b>       | <b>1.24%</b>  | <b>0.24%</b>     |
| <b>1995</b>      | <b>2,306</b>  | <b>689</b>    | <b>210</b>       | <b>0.29%</b>  | <b>0.09%</b>     |
| <b>1994</b>      | <b>1,293</b>  | <b>226</b>    | <b>34</b>        | <b>0.09%</b>  | <b>0.01%</b>     |
| <b>1993</b>      | <b>6,690</b>  | <b>195</b>    | <b>315</b>       | <b>0.08%</b>  | <b>0.14%</b>     |
| <b>1992</b>      | <b>7,530</b>  | <b>571</b>    | <b>257</b>       | <b>0.24%</b>  | <b>0.11%</b>     |
| <b>1991</b>      | <b>4,329</b>  | <b>190</b>    | <b>75</b>        | <b>0.08%</b>  | <b>0.03%</b>     |
| <b>1990</b>      | <b>8,162</b>  | <b>1114</b>   | <b>103</b>       | <b>0.46%</b>  | <b>0.04%</b>     |
| <b>1989</b>      | <b>na</b>   | <b>218</b>    | <b>514</b>       | <b>0.09%</b>  | <b>0.22%</b>     |
| <b>1988</b>      | <b>na</b>   | <b>361</b>    | <b>269</b>       | <b>0.15%</b>  | <b>0.12%</b>     |
| <b>1987</b>      | <b>na</b>   | <b>623</b>    | <b>359</b>       | <b>0.26%</b>  | <b>0.12%</b>     |
| <b>1986</b>      | <b>na</b>   | <b>443</b>    | <b>655</b>       | <b>0.18%</b>  | <b>0.28%</b>     |
| <b>1985</b>      | <b>na</b>   | <b>1166</b>   | <b>419</b>       | <b>0.49%</b>  | <b>0.18%</b>     |
| <b>Average</b>   |   |               |                  |   |                  |
| <b>1990-2000</b> | <b>7,250</b>  | <b>580</b>    | <b>223</b>       | <b>0.24%</b>  | <b>0.095%</b>    |
| <b>1993-2000</b> | <b>7,466</b>  | <b>563</b>    | <b>252</b>       | <b>0.24%</b>  | <b>0.118%</b>    |
| <b>1985-1992</b> | <b>na</b>   | <b>586</b>    | <b>331</b>       | <b>0.24%</b>  | <b>0.138%</b>    |

Sources: AMWU calculations based on data provided by the Canadian Auto Workers from Government data, the Korean Metal Workers Federation based on their own detailed surveys of total working days lost in Auto Assembly and Auto Part Industry and the Australian Bureau of Statistics. Estimates for working days lost as % of total working

*days in Korea were not available at this time. Caution should be exercised in making international comparisons as explained in Appendix Five.*

### **ACIRRT SUMMARY OF PC REPORT**

*“This is only our initial assessment of the Commission's labour related findings. In short our key findings are:*

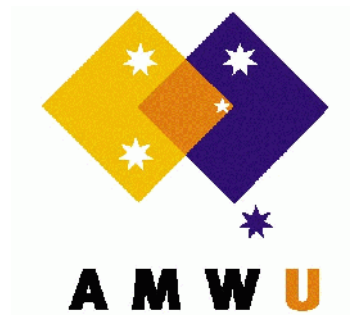
- the report is informed by a very superficial grasp of the realities of the supply chain and lean production;*
- this results in an overemphasis on unions as a source of labour problems and a neglect of the problems arising from labour management strategies preoccupied with deploying labour to the detriment of developing labour (i.e. lean production);*
- its policy suggestions therefore focus on trying to “solve” problems at enterprise level and neglect developing options for developing mechanisms of coordinated flexibility that would enhance the performance of the sector at large as well as individual firms and workplaces within it;*
- the labour policies proposed have been tried in the UK. While they did enhance the management prerogative, only a few islands of excellence prospered as the bulk of the industry has gradually slipped away;*
- a broader range of policies need to be considered and these should build on the structures and practices developed to date i.e. embryonic structures of coordinated flexibility;*
- these findings are supported and often derived from by our recent independent analysis of the auto industry in Victoria a report which found that the problems of lean production and supply chain pressures were of more concern to workers and employers at workplace level than issues of a formal industrial relations nature.”*

*This final point that issues other than industrial relations are of far greater concern to workers, employers and unions in the industry is a message we are hearing over*



***and over again in discussions that the AMWU is involved in with our members and employers.***

# ***APPENDIX ONE***



## ***ENTERPRISE BARGAINING AND ITS IMPACT ON WORKERS IN THE AUTO INDUSTRY IN AUSTRALIA***

***.. "Yet in opening up our borders to the forces of international trade we inevitably open them to the influence of other international ideas and forces. Amongst those ideas are those in the ILO Conventions. And amongst the most powerful ideas affecting our planet at this time are those that assert the common obligation to respect and defend fundamental human rights and human dignity in all aspects of life. The scene of industrial relations has changed markedly since Kingsley Laffer taught the subject at this university half a century ago when I was there. But the quest for justice and human dignity in work, as in other human activities, is even more powerful today. And some of the power comes from the global dynamic of universal human rights. There are those who dislike this message and wish to have nothing to do with the ILO and its works. But with global markets come global forces of basic rights. This is what China is discovering as Russia and other nations did earlier. And the lesson is universal. It is even relevant to Australia".***

***[The University Of Sydney. Kingsley Laffer Industrial Relations Memorial Lecture 23 April 2002, Justice Michael Kirby p.36]***

***"Where employers have adopted a bargaining strategy, in many instances it is driven by an exclusive desire to cut costs rather than pursue innovation. Now that is completely understandable in today's competitive environment. But is a blinkered approach to achieving competitiveness through workplace change and is creating a backlash amongst workers manifested in intense feelings of job insecurity, disillusionment, lack of trust, "reform fatigue" and a shift to greater militancy".***

***[Roger Boland, Ai Group, speech to members, "A critical assessment of progress in enterprise bargaining", 23 September 1999***

## **Executive Summary**

*The AMWU is acutely aware of the fact that to sustain the place of the automotive industry in the Australian and global economy, continuing investment by producers is crucial. Confidence about the future policy settings impacting on the industry is necessary to facilitate such investment, particularly given the long lead times that are involved.*

*The AMWU is also acutely aware that the new supply chain management system operating in the auto industry is having a negative impact on the bargaining rights of the [25,000] workers in the auto component sector. The system has made workers more vulnerable. They have been put in the precarious position whereby if they initiate a bargaining period in pursuit of their economic and social interests they can become accountable for the entire industry shutting down due to the fact that any action they take could interrupt the supply arrangements currently in place.*

*The supply systems, if they are to continue to operate efficiently, must take into account the fact that workers in the auto components sector have the right, recognised under international law, to bargain collectively in pursuit of their wages and conditions. The two systems as they currently operate i.e. the just in time system and the enterprise bargaining system are clearly in conflict. This conflict or tension was highlighted recently by the high profile industrial disputes at Tristar, Walkers and BHP which shut down or threatened to shut down a large part of the car industry after workers took action over strongly held concerns about job security and the protection of their hard earned entitlements.*

*Unions, employer groups and the government are now at the point where a solution needs to be brokered in the interests of all stakeholders.*

*The IR reform proposals, which attack workers rights to bargain, coming from the major employer associations and the Howard Government to deal with the problems that have been highlighted by these disputes are disappointing to say the least. The proposals put forward by the Ai Group, FCAI and the FAPM advertised in the Australian Financial Review on 25 June 2002 (p.57) in memo to all political parties simply serve to attack the bargaining rights of workers in the auto component sector and do not deal with the systemic problems outlined above. These workers are already in a precarious position. Not only are they struggling to keep their jobs*

*and maintain and improve their conditions in an environment of cost down pressures, they are now facing a hostile government and major employer groups which are lobbying to further weaken their bargaining position.*

*The proposals put forward, it must also be noted, merely represent a re-introduction of reform proposals which have been considered by the Senate, on their merits, on many occasions and rejected. More recently similar proposals were included in the Workplace Relations Amendments Bills 2002 which are currently being considered by the Senate.*

*On three occasions the ILO Committee of Experts has found, when considering the current provisions in the Workplace Relations Act on collective bargaining, that Australia is in breach of ILO Conventions 98 and 87. The Senate on several occasions has noted that the recommendations and concerns of the ILO Committee of Experts have not to date been addressed by the Howard government when outlining their reasons for rejecting the bills. The IR proposals put forward by the major employer associations to this inquiry continue to encourage breaches to international law. It is a sorry situation when we have real pressing issues to be dealt with in the auto industry that the major employer associations take the ideological position of attacking workers rights and arguing the need to override fundamental human rights found in international Conventions that Australia is bound to respect.*

*The AMWU, in genuinely pushing for a solution for the industry, where the just in time principle and the bargaining system can co-exist and where the economic and social interests and rights of all stakeholders are protected, calls on all stakeholders to put aside their obsession with weakening the bargaining strength of workers and deal with the serious issues that face the industry in a practical way. These issues include cost down pressures for suppliers, job security and the protection of employee entitlements for workers, the systems that will provide greater continuity of supply in the auto sector, and getting the right balance between industry and enterprise level negotiations and agreements.*

*The AMWU notes that an industry summit has been called for by a number of groups where all stakeholders would be present. In addition we note that union and employer representatives have commenced private discussions to address the issues of concern to both parties. The AMWU agrees with the statement in chapter 5 of the Commission's position paper which states: "While many workforce issues*

*are most effectively resolved at the enterprise level, some are best addressed at either the industry wide or even national level. The Commission considers that the workers entitlements issue is one in this latter category". At this stage, it is the view of the AMWU that the best way forward is to seek industry level discussions with a view to creating an industry wide framework agreement for the industry which can be used in enterprise negotiations.*

*[This is the practice in the Automotive Industry in other countries.]*

## **Part A**

### ***New Supply Arrangements and their impact on the bargaining rights of workers in the auto component sector***

***Fundamental to Part VIB of the Act is the notion that, within strict and objectively definable limits, organisations, employees and employers are entitled to engage in industrial warfare.***

*[Automotive, Food, Metals, Engineering, Printing & Kindred Industries Union v Electrolux Home Products Pty Limited [2002] Federal Court Full bench 199 (21 June 2002)]*

#### ***1. New supply Arrangements have delivered cost savings to the auto sector:***

***New supply chain management arrangements, described as the "just in time" system, in the auto industry in Australia, have led to the development of a more internationally competitive industry. These supply arrangements have led to considerable cost savings as acknowledged by the major car manufacturers in their submissions.***

***It is now generally acknowledged that the new supply arrangements have meant that:***

- ***small quantities of material are kept on production lines with the resupply of those items used occurring in the right amount at the right time. Component suppliers are undertaking assembly of some components as well as delivery to the final assembly plants***

- *there is less vertical integration in the manufacturing process as work is outsourced to suppliers that was formerly performed in-house*
- *there is regular delivery of components to assembly plants as opposed to being delivered via a warehouse or holding point*

*Flowing from this system are the following benefits and cost savings for the car manufacturers:*

- *elimination of waste i.e. non-essential work;*
- *significant quality improvements;*
- *major car companies can concentrate on key areas of expertise like vehicle design, engineering and manufacturing processes;*
- *lean manufacturing and just-in-time delivery practices have allowed the industry to pursue considerable cost savings by eliminating unnecessary inventories.*

*Despite the improvements outlined above and the considerable cost savings which have led to a more competitive industry there have been negative consequences for some of the stakeholders in the industry i.e. auto component suppliers and workers in the industry who are dealing with cost down pressures from the major car companies. These consequences need to be addressed by all industry players.*

## ***2. How has the supply management system impacted on suppliers in their negotiations with employees ?***

### ***(i) Isolated bargaining and cost down pressures - the social consequences***

*It is a widely accepted practice in the auto industry in Australia that through the lifetime of their contracts, all vehicle makers require suppliers to systematically reduce the costs of the products they supply. This practice is known as "cost down" and in most instances anecdotal evidence from suppliers has revealed that demands for cost downs range from 5% to 15%. The AMWU believes that this has led to some component manufacturers losing contracts and thereby retrenching workers and eroding wages and conditions as a means of remaining competitive. In some cases the practice leads to outsourcing of component parts and labour or purchasing components offshore.*

***This fact is confirmed in the FAPM submission where they argue:***

***“In the new globalised automotive industry, OEMs are able to bargain with, and choose from, a number of different companies to acquire automotive components. There is increasing pressure on component manufacturers to provide more for less. Component supply companies must offer more technical innovations while meeting demands from carmakers for ever lower purchasing costs.***

***In its “Turnaround Plan” announced in early 2001, the US arm of DaimlerChrysler announced that it was enforcing price cuts of 5% a year for the next three years. Tier one suppliers, in order to maintain their own competitiveness, put similar pressure on their supplying companies; and so it goes down the chain. Each tier is being pressured from above to lower their selling cost and absorb the cost rises from the tier below. In a non-protected, global market there is no escaping this pressure.”***

***(FAPM Submission Pg 30)***

***Our experience suggests that whilst there are a number of companies in the auto sector in Australia operating in an innovative way, most companies are operating in an environment motivated by cost cutting and this is reflected in the way that these companies then negotiate with their employees. That is they simply aim to cut costs, through a narrow cost cutting approach that they adapt to the perceived circumstances of their individual workplace.***

***The isolated bargaining approach in the auto component sector is leading many employers to try and compete on the basis of low wages and conditions rather than on the basis of innovation, quality and the skills of their workforce.***

***It is the workers in the auto component sector who suffer under the isolated bargaining approach because their weak bargaining position subjects them to these cost cutting measures, denying them the necessary job security, protection of their entitlements and skills development and training that they will need for the future and to make the industry generally more viable.***

***Issues important to workers outlined in this appendix such as comparative wage justice, job security and the protection of employee entitlements cannot be dealt***



*with in isolation at the individual workplace level alone. These issues are best dealt with through collective bargaining on an industry level to address the common concerns and issues that employers in the auto and auto components industry have to face.*

*In a speech several years ago, the Ai Group's own Roger Boland, admitted that enterprise bargaining was too narrow, and was not leading to good outcomes in terms of innovation for the manufacturing industry generally. [Roger Boland "A critical assessment of progress in enterprise bargaining"]. Roger Boland also outlined the main concerns for the manufacturing industry and argued that they were not being addressed. These included casualisation, contracting out, problems with training levels, especially ensuring young people are taught new skills and job security. It is the AMWU's view that workers in particular in the auto components sector, are unable to adequately address these issues at the workplace level.*

### ***3. How has this new system impacted on workers wages, conditions and bargaining rights ?***

*The proposals advanced by the DEWR in its submission to the inquiry are anti-union, anti-worker and are ideologically driven. They ignore the submissions to this inquiry which argue that the industry is competitive and labour productivity is on the increase. And in our assessment they are solely motivated by what they perceive their Minister (and his staff) want them to write. As stated in Part One of this submission, the AMWU does not recognise the legitimacy of the Productivity Commission to deal with industrial relations issues. Accordingly in dealing with the departments submission and the assertions of the Commission we have commissioned independent experts to review the situation and their report will be submitted to the Parliament.*

*We also note that both the Department and the Commission ignore the fact that workers in the industry are facing new pressures which are impacting on their wages, conditions and bargaining rights. There are two ways in which this is happening.*

*Firstly in relation to the issues the new supply system raises relating to conditions of employment i.e. job security, outsourcing etc. Secondly in relation to the impact on workers bargaining rights and the right to take industrial action whereby*

*interruptions in supply can in some cases be immediately felt in the whole supply chain. These issues are dealt with separately below.*

*(i) Issues relating to conditions of employment in the auto component sector:*

*The overall restructuring of the industry and the cost down pressures on suppliers has meant that many suppliers adopt a narrow cost cutting approach to bargaining as explained above. Workers in the auto components sector are being asked to bear the burden of these cost down pressures. Such pressures raise fears and concerns of employees over issues such as:*

- job security i.e. outsourcing and contracting out*
- increasing casualisation*
- protection of employee entitlements*
- comparative wage justice*
- occupational health and safety*
- skills development and training*
- Income protection*

*It is worth noting that the recent high profile disputes at Tristar, Walkers/Munro and BHP all involved disputes over claims from employees pursuing greater job security and the protection of their entitlements. They are legitimate concerns that need to be addressed and cannot be ignored.*

*(ii) Impacts on workers bargaining rights in the auto sector - interruptions in the supply chain*

*The major car companies claim that enterprise bargaining has delivered flexibility to respond to meet market responsiveness and international competitive needs. They do this whilst acknowledging that supply arrangements have become less vertically integrated and the auto industry in general has developed a more complex web of sensitive supply chain arrangements. However enterprise bargaining has not adequately addressed many of the problems that the new supply arrangements have created for workers in the auto components sector when negotiating their agreements under the enterprise bargaining system.*

***The impact that the new supply system is having on the bargaining rights of workers in the auto components sector cannot and should not be ignored. They are being ignored by the major car companies who are in denial.***

***It is interesting to note that Ford in its' submission to this inquiry at p. 51 argues:***

***" Some observers have suggested that the practice of very tight supply lines with consequently low inventory levels is to blame for the abovementioned assembly plant stoppages. Ford Australia rejects these suggestions. Competitive necessity demands that all non-value adding cost be removed from the supply chain. It would represent a significant competitive disadvantage for Australian vehicle manufacturers if they needed to insure against the risk of supply chain interruptions by holding unusually high levels of idle inventory. Ford Australia has worked extremely hard in recent years to develop a partnership with its employees. This approach has contributed to the development of a far more productive, reliable, stable and flexible workplace environment. However, the same reliability cannot be attributed to the industries wider supply base. In addition to the abovementioned stoppage at Walker, other supply base stoppages have recently impacted on the industry. There is also a risk of further stoppages in the supply base.***

***Ford however is missing the point. They have identified a problem but have misread the causes and the solution. The AMWU does not argue that the just in time system should not continue. Ford like the other car companies must recognise the impact that such supply arrangements has had on the rights of workers in the "wider supply base" to take protected industrial action in pursuit of their claims and their wages and conditions and seek solutions to deal with this problem.***

***Proposals put forward by the Ai Group, FCAI and the FAPM advertised in the Australian Financial Review at page 57 on 25 June 2002 also ignore the real problem. Instead they seek a system where workers in one sector i.e. the auto component sector have virtually no rights to bargain or take protected action. These proposals act in serious breach of the rights of workers to collectively bargain and take action in pursuit of their economic interests and should be condemned. They simply ignore the causes of the disputation***

*Mitsubishi in referring to the same problems in the interruptions to supply arrangements argues that " The use of protected industrial action creates significant pressures within the industry to maintain stability and confidence in production and delivery requirements". Toyota also refers to amendments to the Workplace Relations Act as the solution. These attacks on the rights of workers to bargain effectively are not viable solutions.*

*The AMWU, on behalf of its' members rejects these contentions. Workers have a right to bargain in pursuit of their economic and social interests under international law and within the context of the Workplace Relations Act. The proposals offered by the Ai Group to amend the Act to restrict the rights of workers to bargain effectively do not offer a viable solution to the problems that the system has created. They do not solve the causes of the disputation, and the proposed remedies are contrary to Australia's obligations under ILO Conventions and more likely to cause more rather than less disputation. As the AMWU put it in its preliminary submission to the commission in this inquiry:*

*“The industrial issues, as always, will only be dealt with in any meaningful way through consultations and collective bargaining between companies, workers and their unions (AMWU submission pg 13).*

## Part B

# **Collective Bargaining Rights in Australia & Australia's International obligations**

### **1. Introduction**

*In their submissions to this inquiry, the Ai Group and some employers suggest that the problems isolated enterprise bargaining is causing to supply arrangements in the auto components sector and the problems it poses for the entire industry should be dealt with by amendments to the Workplace Relations Act ("the Act") to restrict the rights of workers to bargain effectively.*

*It is important to recognise that workplace relations law is the subject of international regulation and that there are international standards which regulate the way in which national governments approach the question of workplace relations. Conventions No's 87 and 98 and the principles which they embrace are regarded as two of the most important of all ILO human rights instruments. Freedom of Association and the right of collective bargaining are regarded internationally as amongst a cluster of "core" labour standards that are prior to all other standards.*

*These legislative proposals put forward by the Ai Group and others are not new. They have been dealt with by the Senate on several occasions and rejected.*

*A ground relied upon on by the ACTU and the unions in arguing against these legislative reforms in the past, has been to rely on the fact that the proposals, if implemented, would further breach Australia's international obligations under international law (the ILO Committee of experts has found on several occasions that the Act as it currently stands is in breach of international law - see below). This ground was also relied upon by the Australian Democrats when outlining their reasons for rejecting the bills. The Democrats stated in their minority report to the Bill in 2000 that the provisions were unbalanced and did not address the concerns of the unions about the failure to deal with the concerns of the ILO Committee of Experts which criticised the government for restricting the right to strike and collective bargaining.*

***The Ai Group and the Howard Government in attempting to push these reforms through yet again, not only continue to ignore Australia's lack of compliance with international labour standards but seek to encourage a greater lack of compliance of ILO Conventions as the proposals can be easily found to be in breach of these standards. The AMWU fully supports the ACTU submission to this inquiry and their critique of the legislation, amendments to the legislation and its inconsistency with ILO conventions. Our comments below simply summarise the concerns our members have about this issue.***

## **2. ILO Conventions - Core Labour Standards in Australia**

***As AMWU members and activists constantly point out, the following two ILO conventions are dealt with together and apply in Australia:***

- ***Freedom of Association and Protection of the Right to organise Convention No. 87 [aust is a signatory, ratified 1973]***

***Art 3 provides:***

***Workers and employers organisations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organise their administration and activities and to formulate their programmes and... public authorities shall refrain from any interference which would restrict this right or impede the lawful exercise thereof'***

- ***Right to organise and Collective Bargaining Convention No. 98 [Aust is a signatory- ratified 1973]***

***Art 4 provides:***

***measures appropriate to national conditions shall be taken, where necessary to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers and employers' organisations and workers' organisations with a view to the regulation of terms and conditions of employment by means of collective agreements.***

***Although not explicitly stated it is widely accepted in international law and amongst international jurists that the "right to strike" is implicit in these conventions.***

### **3. ILO Committee of Experts Findings on Workplace Relations Act & Breaches of International Conventions**

**The ILO Committee of experts has already found that the Australian Government in passing the Workplace Relations Act 1996 is in breach of ILO conventions as noted earlier. The Australian Government indicated to the Senate Committee inquiry on 1 October 1999 that it was in the process of trying to convince the ILO that Australia was not in breach of international law.**

#### **ILO Committee of Experts Findings 1998 - 2000**

**In 1998 the ILO Committee of Experts found that the 1996 Act contravened Convention No 98 by:**

- favouring single-business agreements over other levels of agreements;**
- failing to promote collective bargaining as required by Article 4 owing to the primacy of AWAs; and**
- limiting the scope of negotiable issues. (ILO, Report of the Committee of Experts on the Application of Conventions and Recommendations, ILC 86<sup>th</sup> Session, Report III (Part 1A), pp 222 - 4).**

**In 1999 the ILO Committee of Experts expressed concern about the limits on the right to strike contained in the 1996 Act, said to be 'a long and complicated statute'. Three areas of particular concern were identified, namely:**

- restrictions on the subject matter of strikes, including the effective denial of the right to strike in the case of the negotiation of multi-employer, industry-wide or national-level agreements;**
- the prohibition of sympathy action; and**
- restrictions beyond essential services.**

**In its Observations in 1999, the Committee of Experts expressed the hope that the Australian government 'will indicate in its next report measures taken or envisaged to amend the provisions of the Workplace Relations Act', 'to bring the legislation into conformity with the requirements of the Convention' (ILO, Report of the Committee of Experts on the Application of Conventions and Recommendations, ILC 87<sup>th</sup> Session, Report III (Part 1A), pp 204 - 7).**

***In 2000, having carefully considered the Australian Government's detailed response to its previous observations, the Committee of Experts in 2000 again called upon the Government to:***

- take measures to ensure that workers are adequately protected against discrimination based on negotiating a collective agreement at whatever level; and***
- take steps to amend the 1996 Act to ensure that collective bargaining will not only be allowed, but encouraged, at the level determined by the bargaining parties (ILO, Report of the Committee of Experts on the Application of Conventions and Recommendations, ILC 88<sup>th</sup> Session 2000, Report III (Part 1A), pp 222 - 5).***

***To date these recommendations have not been dealt with. The ACTU noted this in their submissions to the recent 2002 Senate inquiry into the Workplace Relations Amendment Bills 2002 when they stated:***

***"Although the Government has repeatedly told this Senate Committee that it is in "dialogue" with the Committee of Experts, it would appear that its representations have not succeeded in altering the ILO's consistent finding that Australia is in breach of its obligations under the Convention'[para 57]***

***The proposed amendments would not assist in future dialogue because they attack the rights of unions to collectively bargain, even further. If the proposed reforms were passed the ILO will find once again that Australia is in breach of international laws. AMWU members and activists understand this and deeply resent this attack on their rights.***

#### ***4. AIG proposals to the Productivity Commission considered in light of Australia's international obligations***

***The proposals put forward by the Ai Group will only render bargaining ineffective for all employees in favour of all employers in Australia. The Ai Group and the Government in supporting legislative proposals to amend the Act are doing so not out of a desire to protect the interests of the Australian auto industry generally but***



**out of a desire to tip the balance further in favour of employers to reduce the bargaining power of workers.**

**The only conclusion that can be reached is that the proposals if implemented would further compound the major breaches of Conventions 87 and 98 highlighted by the ILO Committee of experts in its 1998, 1999 and 2000 findings. The Ai Group proposals limit freedom of association by attempting to constrain the activities of the union and its members to form links and develop solidarity beyond the limits of the single workplace. They seek to limit the right to strike by eroding the right to strike leaving workers and their unions exposed to a far greater extent.**

**Since the submissions to this inquiry the AIG, the Federal Chamber of Automotive Industries (FCAI) and the Federation of Automotive Product Manufacturers (FAPM) have publicly<sup>1</sup> called for federal parliamentary political parties to agree to:**

- giving the IRC the power to suspend industrial action and provide for a "cooling off" period so that mediation and conciliation can proceed;**
- expanding the Commission's power to terminate bargaining periods under section 170MW by allowing it to take into account the potential for 'significant damage' to innocent third parties, including stood-down employees**

**The AMWU's response to these proposals is that they should be rejected for the following reasons:**

- as outlined above, and as argued in the ACTU submission these proposals will lead to an inevitable breach of international law and fundamental human rights. The proposals will effectively mean that workers in the auto components sector will have no rights to bargain effectively or to strike. As explained earlier on in this submission when workers at an auto components company take protected industrial action they can cause interruptions in the supply chain and the consequent standing down of employees at the major car companies (third party). The Industrial Relations Commission already has the power to terminate any bargaining period causing significant damage or where unions are not bargaining in good faith. (See ACTU submission to the PC, paragraph 5, 35-40, 45-62 and 145-152).**

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<sup>1</sup>Australian Financial Review, 25/6/2002 p.57 -" memo to all political parties"

- *these proposals have already been considered and rejected by the Senate on their merits on several occasions. Although they have been slightly amended their basic purpose remains the same - to fetter the rights of workers to bargain effectively. They have been seen as unnecessary and unbalanced as they are clearly aimed at restricting the rights of workers to bargain effectively in favour of employers. What is needed is a joint approach by unions and employers for a more efficient and effective bargaining system at the industry level and a focus at the enterprise level on the real issues that cause disputes, so they can be rectified before any industrial action occurs.*

#### **5. Ai Groups IR Reform Agenda - Rejected Federal IR Bills being re-hashed**

*The amendments supported by the government the Ai Group and endorsed by the Productivity Commission:*

- *make bargaining for workers more ineffective;*
- *restricts the right of workers to pursue their rights to take industrial action*
- *outlaws industrial action in pursuit of "pattern bargaining";*
- *enables the Commission to suspend or terminate the bargaining period if "pattern bargaining" is found;*

*All of the proposals put forward by the Ai Group, with the exception of the proposals dealing with the internal activities of the union i.e. trade union training and union coverage, have been dealt with by the Senate through the Committee review process and rejected on their merits. These include the Ai Groups proposals to provide the AIRC with enhanced powers to suspend or terminate a bargaining period, to outlaw pattern bargaining, to provide for a "cooling off" period, to introduce secret ballots before the taking of industrial action, to enhance the powers of the Commission in relation to section 127 applications to stop or prevent industrial action.*

*To repeat the submissions of the union to the Senate Committee hearings, the Ai Group proposals will only ensure for employers that unions and their members bargain less effectively which is likely to be an on going cause of further industrial*

***disputation. It will not deliver the greater certainty and predictability that all parties are seeking.***

***In stating the above it must be noted that the Ai Group in re-hashing these proposals has added new proposals to complement the existing package of reforms that have been circulating the two Houses of Parliament for the past few years. Those reforms go further in encouraging more drastic non-compliance with international conventions and ILO Committee of Expert recommendations. They are proposals that:***

- seek to interfere in the unions' trade union training programmes in breach of the Freedom of Association Convention;***
- seek to interfere in the unions internal debates, coverage issues and daily workings, again in breach of the Freedom of Association Convention;***
- give the IRC power to suspend the registration of a union in the event of non-compliance with a disputes procedures in breach of Conventions 87 and 98.***

***Overall, the Ai Groups proposals are in breach of ILO Conventions 87 and 98 because they are aimed at restricting the right of union members to organise and bargain effectively. They amount to an unacceptable encroachment on the right to strike. When added to the existing limits on strike activity these new proposals would impose manifestly unreasonable conditions on the taking of industrial action in Australia.***

## **Part C**

### **AMWU response to Chapter 5 - Productivity Commission Position Paper**

*The position paper at Chapter 5 is schizophrenic to say the least. On the one hand it recognises the huge productivity gains and increased competitiveness that the industry has achieved. It then goes on to argue that the problems of real productivity growth and in particular labour productivity can be attributed to poor industrial relations, high levels of industrial disputation and unsustainable wage outcomes and conditions. Which one is it ? Either the industry is productive and competitive or it is not.*

*The position paper, whilst recognising that "considerable progress has been made" in terms of labour productivity and efficiency gains argues that there is "still along way to go" and cites industrial relations as the main problem. This analysis ignores two fundamental problems that workers are currently facing. They are that:*

- they have worked hard to ensure that considerable progress has been made and are facing serious issues relating to a "high stress, low trust" workplace culture due to the constant restructuring and job losses that have occurred over the past decade. A survey conducted in 1997 highlighted this trend. (The results of this survey are summarised on the page opposite.)*
- they are coping with an enterprise bargaining system that is adversarial, isolated to the workplace and is not able to deal with issues at the industry level such as contracting out, outsourcing and employee entitlements.*

*The position paper also makes incorrect assertions about labour market and industrial relations trends in the industry.*

*The AMWU rejects the assertion that "workplace inflexibilities" has reduced the industries competitiveness.*

## **THE HIGH STRESS - LOW TRUST WORKPLACE CULTURE**

*In 1997 the AMWU conducted a survey of its leading shopstewards/delegates covering 50 workplaces that accounted for around 90% of automotive industry employment. Some 320 survey returns were utilised and their validity and internal consistency validated independently by ACCIRT. Key findings highlighting the existence of a high stress-low trust workplace culture in many parts of the industry included:*

- In response to questions about what their workplace would be like in the year 2000 less than 12% of respondents thought that workers will feel more secure about their job. In addition nearly 73% of respondents maintained that the amount of stress workers experience in their job will be greater.*
- Almost 60% of respondents believed that fewer people will be employed in their factories while 71% saw a further threat to job security from more contracting out.*
- Less than 20% of respondents believed there would be fewer casual workers employed or more young trainees and apprentices employed.*
- Less than 20% of respondents thought the relationship between workers and management was good or very good.*
- Less than 10% of respondents thought that they or their consultative committees had a lot of influence over the allocation and scheduling of work, how the work is done, the pace at which it is done and how their workplace is managed.*
- Less than 10% of respondents thought workers had a lot of input into determining how new technology was implemented, changes to plant layout, changes to team work or new work processes.*

*This lack of empowerment of workers when combined with high levels of stress, low levels of job security and negative perceptions of management gives rise to what the AMWU terms the high stress - low trust workplace culture.*

*While both employers, unions and workers have been attempting to address these issues our discussions with delegates in 2002 suggests that many problems remain and the threat of industrial relations legislation is likely to intensify this negative culture, and increase disputation and resistance to change.*

***As shown in the summary of six automotive companies in Appendix 1.1:***

- ***Numerous flexibilities have been negotiated and their value is recognised by the companies.***
- ***A major flexibility that put Australia at the cutting edge of vehicle manufacturing was the agreement over programmed days off to allow the manufacturers to more effectively manage their stock cycle in line with market trends.***
- ***Unions and workers negotiated the flexibilities required for each company to introduce its own unique production system and methods of operation.***
- ***Unions and workers through negotiations with management introduced the team system to ensure both trade and non trade workers could function more effectively.***
- ***Union members were fundamentally important to implementing the logistics system that allowed an increase in the frequency of materials and parts delivery consistent with the JIT system.***
- ***Flexibilities have been introduced with respect to the scheduling of overtime.***
- ***Flexibilities have been introduced with respect to the cross skilling of electrical/mechanical trades. Internationally arrangements in this area remain contentious and contrary to popular wisdom there is no one best way of proceeding.***
- ***Flexibilities were introduced with respect to the rescheduling of shift schedules.***
- ***The philosophy of continuous improvement, problem solving and trouble shooting has been taken on board by workers and they are the ones responsible for the gains achieved.***
- ***Constant innovation has been negotiated in consultation/information sharing arrangements.***

***The AMWU could cite chapter and verse dozens of agreements like those already cited that have provided the flexibility these companies need to compete in the world economy.***

***The AMWU also rejects the assertion that there have been unsustainable wage outcomes in the industry and that companies "buy" industrial harmony and that wages are not linked to improvements in industrial performance. In discussions with the National Institute of Economic and Industry Research (NIEIR), the Institute informed the AMWU that the real wage outcomes in the automotive industry during the 1990's relative to the productivity gains achieved were less than what most economic models would have predicted.***

***The AMWU rejects the assertion that enterprise bargaining has been "derailed by the Union" and that its' strategy of "pattern bargaining" is having a negative impact on productivity in the industry. The assertion ignores the realities of bargaining in the auto industry in Australia and workers co-operation over the last decade with the changes that have been made and the evidence of FAPM and others on the substantial productivity improvements achieved.***

***In terms of the Commission's assertion that union coverage in the industry should be changed to enterprise unions or a single union the AMWU notes the following points:***

- Union coverage is a matter to be determined solely by the unions and members in the industry. To have a "solution" imposed by Government would contravene ILO conventions and lead to substantial industrial disputation.***
- There is no conclusive empirical evidence that one form of union coverage delivers better outcomes than no union's or different forms of union coverage.***
- Internationally, the Canadian Auto Workers (CAW) covers workers in auto and a wide range of other industries (both manufacturing and non manufacturing). This has not impeded its capacity to provide effective representation of auto workers interests and in fact has enhanced it through economies of scale, shared information and a stronger education and bargaining infrastructure for all workers it represents.***

- *Internationally union coverage of workers in the auto and engineering industry in Sweden is split between white collar and blue collar workers. This has not prevented Sweden from developing a world class engineering industry.*
- *Bargaining in Australia's auto industry is co-ordinated where there is more than one union at a particular site through single bargaining units. If industry wide issues require attention the Federation of Vehicle Industry Unions and the Metal Trades Federation of Unions have demonstrated on numerous occasions their capacity to co-ordinate activities.*

*Simply put union coverage is not an issue in this inquiry other than the wishlist multinational corporations around the globe put on the table from time to time to serve their own interests.*

### **Bargaining in the Vehicle Industry**

*Labour relations in the major vehicle manufacturing plants has driven much of the change which has led to increasing productivity in the automotive industry. The initiatives underpinning this change has, in many respects, been brought about through bargaining. Change has included, among other things; the introduction of natural work groups, the introduction of the Vehicle Industry Certificate and other associated training matters, along with a rationalisation and restructure of their business and organisational structures.*

*All of these initiatives were the subject of negotiations with the Union, and formed a feature of our claims to the employers across the automotive industry. Union claims, as they are developed in the industry, tend to reflect such things as; the health and vibrancy of automotive manufacturing at the time, the competitive circumstances we find ourselves in through the pressures of globalisation, the necessary adjustments to government policy and so on.*

*As a consequence of this, and the broad similarity of circumstances and conditions that affect all manufacturers, many of the issues raised by both the employer and the union would have a common thread. For example, when the unions sought to convert the classification based awards to skills based awards it was a claim that was pursued across all employers in industry. This claim, once finalised, revolutionised the way work was performed in automotive manufacturing and*



*situated Australia at the forefront of their respective parent companies global operations.*

*Holden, in their submission to the Productivity Commission inquiry in 1997, said that employee up-skilling played a key part in Holden's improvement strategy, and indicated that in their view, the past decade had provided substantial improvement in workplace relations, improved the culture within which to work and had motivated the workforce.*

*As a consequence, communication and consultation had been enhanced both at the workplace and with the union. In its recent submissions to the Productivity Commission, Holden described the nature and extent of change, since 1992, in this way:-*

*There has been considerable attention in the succession of Enterprise Agreements given to productivity and efficiency initiatives to support the on-going viability of the business. Extensive consultation processes have underpinned these continuous improvement and change initiatives with a particular focus on involving the union delegates of the areas in which the initiatives are being implemented. In this regard, the Enterprise Bargaining focus has continued to deliver incremental change that has contributed to increasing rates of employee productivity (page 61- Holden PC Submission-2002).*

*All of the tools that brought these changes about were the product of industry led logs of claims developed by the union and pursued through bargaining. The nature of automotive manufacturing, both globally and domestically, lends itself to the formation and establishment of common industry led claims as the factors and pressures that affect one employer are, in many respects, the same for all employers, as are the tools by which companies become globally competitive.*

*As stated earlier, all of the vehicle manufacturers are on record as identifying the implementation of the Vehicle Industry Certificate (an initiative developed and pursued by the then Vehicle Builders Union) as a world first for their respective companies, and a key ingredient to acquiring worlds best practice quality, efficiency and productivity. It was the union's vision for a smarter, more globally competitive local industry, that brought this key initiative to being. Holden, for example, characterised the implementation of the Vehicle Industry Certificate as:*

*“leading to deliberate strategies aimed at involving workforce skills further increasing flexibility and encouraging multi-skilling”.*

*Notwithstanding the significance of the restructuring of vehicle industry awards there are other areas that have contributed equally to the increasing levels of productivity and efficiency within the vehicle industry. Examples of these would include such things as the implementation of new methods of work organisation. At Toyota for example, they have introduced the Toyota Production and Management Systems (TPM); at Ford the Ford Production System (FPS); at Holden Synchronise Work Groups and so on.*

*All of these systems were the product of pattern claims served upon the union by the employers during the course of enterprise bargaining negotiations. All of them feature a common thread, in terms of the bargaining processes within our industry. All of them are jointly managed by the union and the relevant company and many of them have full time union work group facilitators to assist with their implementation.*

*The workplace relations reforms proposed in the Productivity Commission's Position Paper would have the effect of limiting our capacity as a union, and as an industry, to be able to identify those areas of common good. Ultimately, they would limit our capacity to effect change, in a mutually beneficial and constructive way, as that change takes place.*

*The implementation of Federal government policy on tariff decline over the years has meant that both the employer and the union have had to address the rationalisation that followed. Right throughout the period of the 90's, the union, in co-operation with management, developed adjustment mechanisms, such as, improved voluntary severance arrangements, compulsory redundancy packages, labour adjustment programs and market response mechanisms to ensure that the industry was able to successfully adjust to government policy.*

*This practice of common claims or "Pattern bargaining" is the norm in the majority of OECD countries and the economy of these countries are successful. In most of these countries "pattern bargaining" occurs in an environment more favourable to unions - where there are no individual contracts , where the union, if it has the*

***majority must be the bargaining agent, where the union represents the whole site including non-members, where non-members often pay fees and where legislated rights on many issues are clear i.e. maximum hours and leave rights for union representatives.***

***No developed country is at present legislating to prevent employers and employees from "pattern bargaining".***

***Below is a sample of OECD countries where the practice of "pattern bargaining" is common and where the economies are healthy and growing.***

## **Germany**

*The law provides for a system of regional collective bargaining between unions in the various industrial sectors e.g. IG Metall in the metal industry and the relevant employer organisation, Gesamtmetal for metalworking. Metalworking is traditionally the pacesetter in the German bargaining round.*

*IG Metall negotiates "framework" agreements with the employers federation on a region by region basis on issues such as case (minimum) wages, working time etc. The regional negotiations are roughly similar to "pattern bargaining" in the U.S auto industry i.e. bargaining eventually concentrates on some key regions and the settlement obtained there is then used as a model in other regions. These agreements leave openings for some supplementary negotiations (on bonuses, premiums on-top-of base wages, working time arrangements) at enterprise level, to be carried out by the works councils.*

## **Sweden**

*On industry issues that are best negotiated collectively, like pensions and insurance, agreements are concluded by the Confederation of employers organisation and the Trade Union Confederation. Agreements on wages and working conditions are concluded at branch (i.e. Metal industry) level by the metal industry employers on the one side and the Swedish Metal workers' Union, the Swedish Union for Technical and Clerical Employees and the Swedish Engineers Association of the other side.*

*These agreements regulate minimum wages which are supplemented and detailed at plant level. When a new agreement regarding wage rises is completed at branch level, negotiations are usually required at local level regarding application of the agreement. Wage and salary systems are usually also set at local level.*

## **Austria**

*Centralised sectoral bargaining remains dominant. The Austrian Metal, Mining and Energy Workers' Union (GMBE) negotiates agreements with employers which lay down regulations on both working time and wage rates and are binding for all. Negotiation on wages can cover both minimum wage rates and effective wages. The*

*sectoral level agreements leave some openings for further negotiations at enterprise level.*

## **Belgium**

*At inter-professional level, certain limited agreements are concluded covering all employers and employees. These agreements can contain provisions on wage rises and extra holidays but can also cover early retirement. Parts of these agreements (on working conditions) form the basis for, and are put into practice by the economy-wide collective agreements concluded in the National Labour Council. Other parts (on terms of employment) are implemented by the various collective agreements at lower levels are always bound by the provisions of higher level agreements. The agreements once concluded are extended by a Royal decree to cover all employers and workers in the sector. Sectoral agreements often require detailed elaboration at company level, in bargaining between unions and management.*

## **Denmark**

*Agreements relating to the industrial relations structure are made by the Confederation of Trade Unions and the Association of Danish Employers. But the most important bargaining level is the branch/industry level where wages, employment and working conditions are negotiated. Supplementary agreements are negotiated at the local level to improve the conditions agreed upon at industry level.*

## **Spain**

*In the early 1990's Spain experienced an atomisation of collective bargaining. But recent trends include a move towards a return to national level agreements in the metal industry. So whilst provincial bargaining still prevails in sectoral agreements, national bargaining is gaining ground. Adjustments concerning specific provisions and subjects can be made at enterprise level.*

## **United Kingdom**

*In the metal industry, the traditional bargaining system was a structure of sectoral agreements followed by enterprise level negotiations. In recent years, the*

*employer's side has refused to enter into any industry wide agreements. Consequently bargaining now occurs most exclusively at enterprise level. Collective agreements in the UK are not legally binding agreements and they are most often concluded by the national/regional trade union officers. There were numerous negative changes in the legal framework of the industrial relations system in the 80's and 90's but things have improved somewhat following the election of the Labour Government in 1998.*

*By legislating to outlaw "pattern bargaining" which will allow companies to push down the wages and conditions of workers where their bargaining power is not so strong, the Australian government is again neglecting the real issue which is to get the right balance between industry level bargaining and enterprise bargaining while focusing on causes of industrial disputation rather than simply the consequences.*

*Further, the Productivity Commission, in making the assertion that pattern bargaining has a negative effect on productivity produces nothing in the way of empirical evidence.*

*Research from the UK<sup>1</sup>. suggests that agreements in industrial sectors have many common characteristics. Rather than being a conspiracy by unions and/or employer groups:*

*"the convergence and durability of existing arrangements is associated first with the structural boundaries provided by markets, technology, and labour; second with the increased importance of legitimacy in a context of growing uncertainty; and third as a result of shared information sources and networks."*

*The authors' research suggests that there are structural reasons why bargaining within sectors share much common ground. It demonstrates why the outcomes of bargaining within sectors will have a limited range of outcomes, as firms within each sector share many characteristics, operate in similar competitive environments, and often confer to arrive at common tactics and positions.*

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<sup>1</sup>. Arrowsmith J & Sisson K, " Pay and Working time; towards organisation based systems , *British Journal of Industrial Relations*, 37;1 March 1999 pages 51-75. See also ACTU submission paragraphs 40, 111, 112, 133-144 and Attachment 11.

**Conclusion:**

***Not only does industry level bargaining not harm competitiveness, it may in fact lead to improved productivity and international competitiveness.***

***Why then is the Productivity Commission putting forward these arguments based on incorrect evidence and contradictory to its own conclusions about productivity increases and the overall competitiveness of the industry and ignoring the reality of bargaining in the industry and how it has led to improvements in productivity generally ? The AMWU is easily led to the conclusion that the position paper is purely ideologically driven.***

***In adopting such arguments without properly analysing the evidence and consequences of the proposed "workplace reform" the position paper steps into dangerous waters.***

***The AMWU, ACTU and others would argue:***

- ***The proposed IR changes could just as easily (and are in fact more likely to) reduce rather than increase productivity by creating resistance to change, provoking an adversarial culture, increasing labour turnover and inducing other changes that could easily lead to negative rather than positive dynamic efficiency gains in the automotive industry***
- ***These effects could (and in our assessment would) have negative externalities and spill over effects to the rest of the economy. For example:***
  - ⇒ ***the resistance to change and other negative consequences of the Commissions preferred approach to industrial relations (particularly legislation) could easily spread to other industries with adverse consequences***
- ***The Commissions own warning about the negative consequences of poor industrial relations on the level of foreign investment and the consequences of Australia being perceived as having an "unstable industrial relations***

*environment" could become a reality as a result of the Commissions' proposal for industrial relations changes.*



## **Part D**

### ***The way forward - a new industrial relations system to deal with new and improved supply chain arrangements in the auto industry***

***The AMWU supports a three tier approach to collective bargaining. That is collective bargaining is conducted at the industry level (first tier) within the framework of enterprise bargaining (second tier) which is backed up by a properly maintained award system (third tier). To facilitate balance between the rights of workers the need for a stable investment environment for the industry collective bargaining must happen at the industry level as well as at the enterprise which takes into account the particular circumstance of the workplace***

***In proposing reforms to the Workplace Relations Act as the solution for the auto industry, the Howard government and the major employer associations have revealed that they do not have a policy for industrial relations and how to move forward, taking into account all stakeholders and the interests of industry and jobs generally. The government and employer in promoting an adversarial approach to industrial relations, are not setting the right industrial relations environment conducive to entrepreneurship, innovation and efficient investment and trade. They have not addressed the problems of cost down pressures for suppliers and its impact on bargaining. Instead they attack the rights of workers to pursue decent wages and conditions.***

***It is the strong view of the AMWU that Unions and management at the industry level need to sit down and negotiate an approach that takes into account the supply chain arrangements that exist in the auto sector in Australia and the concerns of the 50,000 plus workers in the industry. These concerns include, but are not limited to:***

- ***comparative wage justice***
- ***Job Security i.e. outsourcing and contracting out***
- ***non-standard forms of employment***
- ***Protection of employee entitlements***
- ***skills development and training***

- *dispute resolution procedures at the industry level*

*These issues need to be regulated at the industry level. Enterprise level negotiations should centre around what is needed at the particular workplace in terms of the best use of technology managing risks associated with the just in time principles, and implementing agreements that enhance productive performance consistent with the industry wide agreement.*

*The parties must sit down at the industry level to come up with a solution - an industry framework agreement. Such an agreement can set broad parameters on the above matters of concerns for workers in the the auto industry in Australia which can be followed in enterprise negotiations. Attachment A outlines the advantages of a framework agreement for the auto components sector in Australia.*

*Major auto component suppliers are looking for solutions to the problems associated with enterprise bargaining in the auto sector.*

*Robert Bosch, a major supplier for Ford, in its' submission to the inquiry offered a productive solution away from so called "simple IR reforms, in that they argued that:*

*"There are some challenges facing the automotive industry in the industrial relations arena that will require a tripartite response from Government, Unions and the Industry" . RBAU believes it is imperative that all stakeholders in the industrial relations process including Government, firms and unions have regard to the unique nature of this industry and work together with the utmost urgency to improve the labour market and industrial relations system".*

# **ATTACHMENT A**

## **A National Industry Framework Agreement for the Auto Components Industry**

### ***Introduction - A Secure Future for the Auto Component Industries***

***Industry framework agreements are a common form of industrial bargaining both in Australia and internationally. The advantages of an industry framework are well recognised in the manufacturing, construction, education, finance and insurance industries. The advantages include a more structured bargaining round leading to savings through lower negotiating costs and less industrial disruption; a level playing field for employers and the ability to address industry wide issues in a strategic manner. The Australian Manufacturing Workers' Union (AMWU) actively pursues industry frameworks as a way to work with employers to achieve a good outcome for its members while securing the viability of manufacturing in Australia.***

***Globalisation has meant that the Australian auto components industry has become subject to unprecedented pressures to reduce costs. Nevertheless in an industry where total exports of both cars and components are increasing the Australian industry holds a number of key advantages including:***

- Australia's advantage as a low cost, high quality source of design and engineering***
- Australia's expertise in flexible, small volume manufacturing***
- Australia's abundance of resources which position the industry well as a potential global supplier of light metal components***

***To enhance the industry's competitive advantages and secure future growth, the industry needs to adopt a system of bargaining that can deliver greater certainty and predictability. It is for this reason that the AMWU believes that a national level industry framework agreement in the auto components sector which sets broad parameters while maintaining flexibility over site specific issues is the best way to balance the legitimate concerns of both employers and workers and thereby achieve the productivity outcomes that will secure the future of the industry in Australia.***

## ***Industry Framework Agreements in Australia - A Common Approach***

***Industry framework agreements are a common phenomenon in the Australian industrial landscape. The Department of Employment, Workplace Relations and Small Business its recent review of enterprise bargaining found that between January 1998 to December 1999 there were 34 distinct template pattern agreements that made up approximately 27 percent of all agreements certified. It found that one third of all agreements had common conditions and a relatively large numbers of agreements had common expiry dates. Data collected by the National Institute of Labour Studies in 1998 found that almost half of participants said the main agreement that operated at their workplace resembled those in place at other firms in their industry.***

***It is common knowledge that framework agreements have been particularly important to both employers and workers in the construction industry. Master Builders Australia Inc (MBA) made this very plain in a submission to the Senate last year. MBA vigorously defended pattern bargaining in the construction industry. The MBA recognised that framework agreements meant less industrial disruption at a site and intrasite level and a level playing field for tendering purposes.***

***The AMWU has recently negotiated a number of framework agreements in the food, printing and metals industries. Some of the major players who have got on board included Email, Coates Hire, Nestle, Simplot and ACI Glass.***

### ***Advantages of a National Framework Agreement***

***The advantages of negotiating a national framework agreement are clear:***

- A recognition that employees and auto component manufacturers have common interests best dealt with strategically at a national level. A national framework agreement is about working together on national issues, and most importantly developing a culture of mutual respect and trust around the common concern of improving the industry and its workforce.***
- Less disruption to the industry as a whole. The vehicle industry in Australia is becoming increasingly interdependant. Experience has shown that stoppages at***

*one site have the potential to wreak havoc throughout large sections of the broader vehicle industry. Industrial action at a components manufacturer can quickly lead to mass stand downs and loss of production at other sites - a chain is only as strong as its weakest link. Moves to modular assembly production will only multiply this effect for both vehicle manufacturers and their suppliers. A national framework agreement with a common expiry date and bargaining period, would mean a more stable, predictable, approach to negotiations. Quite simply, the more separate agreements, the more bargaining periods, the more potential for industry wide disruption leading to stand downs and lost production.*

- *Less disruption due to inequalities in the labour market - a level playing field. Different pay and conditions for workers engaged in similar work inevitably leads to resentment and industrial unrest. The problem can occur between sites and, where contractors are employed, within the one site. Union density in the auto components industry is on the increase. As the construction industry has found, there is much to be gained for the certainty and stability created by common outcomes across an otherwise fragmented industry. A related advantage is that framework agreements have also helped reduce the number of disreputable fly by night operations in the industry.*
- *Greater innovation and other industry wide issues. A national framework agreement allows long term issues such as job security, education and training and innovation to be addressed at an industry level. These long term issue will be crucial to driving growth in the Auto Component Industry.*
- *Less negotiating costs. Negotiating a certified agreement can be very resource intensive. Employers both large and small can benefit from not having to reinvent the wheel every time an agreement comes up for negotiation. The setting of parameters at a national level can expedite negotiations on the ground. Once the basics have been worked through at a national industry level, parties can get on with discussing site specific details that might arise.*
- *An Industry Dispute Resolution Procedure can be negotiated. There is no such procedure any where in the world that categorically guarantees continuity of supply. However provided the party's negotiate in good faith, develop a culture of trust and working together, and get the right balance between industry and*

***enterprise bargaining, workers, unions and employers in this industry can achieve a great deal in ensuring a more stable and predictable industrial relations environment.***

## **APPENDIX 1.1**

### ***Flexibility Across Major Vehicle Manufacturers in the Automotive Industry***

***The extent of flexibility prevailing across the operations of the four vehicle manufacturers are reflected in their respective agreements.***

***Accordingly, the extent and range of flexibilities are, in many respects, matters for the record, in that they are clearly articulated in each of the prevailing vehicle manufacturers enterprise agreements. The range of flexibilities inherent in each of the vehicle manufacturers has evolved over many years through negotiation and agreement with the Union.***

***Underpinning this flexibility is the principle of job security of all employees of the company, whilst at the same time providing the necessary flexibility to enable the companies to meet fluctuating demand and balancing of production levels.***

***In each of the vehicle manufacturers submissions to the Productivity Commission, specific reference is made to the range of flexibilities tailored to the needs of each individual manufacturer. This flexibility has enabled the parties to meet the principle objectives to balance the needs to improve the job security of all workers and lift the economic performance of the companies.***

***The fundamental bases upon which this flexibility arises can be generally characterised in the following way:-***

***The introduction of market response mechanisms were designed to ensure that car manufacturing was able to respond to the change in the nature of consumer demand, and just as the introduction of Just-In-Time mechanisms did in the early 80's, market response mechanisms too recognised costs associated with the build up of inventory/dealer's stock beyond certain levels.***

***The parties to these arrangements reached an understanding that downtime scheduled through the market response mechanism was a preferred course of action to that of rebalancing (Redundancy). It has been acknowledged by the vehicle manufacturers that through the utilisation of these measures that it is able***

***to take stock out of the system whilst ensuring maximum security of employment and minimising costs to the employer.***

***Further, provisions for the use of programmed days off (PDO's), where this is required in times of market fluctuation were introduced. The advantage of these arrangements are that employers are able to effectively manage their build rates whilst reducing stock where demand drops off. This represents a major production flexibility to the processes of vehicle manufacturing and is broadly reflected across the Automotive Industry.***

#### **Ford EBA 1997 (C. No 35511/97) [Print F0598]**

***The Automotive Industry Unions have over a long period of time been working closely with employers in the industry to ensure that outcomes in the bargaining process meet the needs and expectations of both parties. For example, in the Ford negotiations of 1997, the following key elements of flexibility and work practice improvements were included.***

#### **Ford Production Systems (FPS) [4.2]**

***The Ford Production System is a Ford 2000 initiative designed to incorporate many of the existing continuous improvement processes into an integrated global framework.***

***The practice enabled Ford Australia to benchmark itself against the worldwide efficiency measurements of the company, with the unions involvement and agreement seen by the company as important for securing future investment and the ongoing viability of Ford Australia's operations.***

#### **FTPM Implementation**

***The Ford Total Productive Maintenance in real terms is the means by which both trade and non trade workers interact to ensure that the maintenance framework arrangements within a particular area are maximised.***

***This again is a demonstration by the parties to the agreement, that they are seeking to continuously improve the utilisation of there labour resource where it can demonstrate maximum value to the enterprise.***



***Ford characterise the total productive maintenance under this provision as an important element of the Ford Production System. It provided a range of test points and a basic plan for the analysis, development, trial and implementation of FTPM.***

#### **Integrated Manufacturing Team [4.5]**

***The introduction of Integrated Manufacturing Team concept involves both non trade and trade employees working together as part of a cohesive work group responsible for the maintenance and viability of their own work areas.***

***It is acknowledged by the parties that as a consequence of reaching this agreement, that new skills would need to be developed and applied by work group members. The agreement provided for the broadening of skills of both trade and non trade workers and was applied commencing January 1998.***

#### **Material Planning and Logistics Process [4.6]**

***This was in fact quite a unique agreement as it provided for the support of in line sequencing of parts and material into Ford's Australian operations. In line sequencing is in fact the hybrid of Just-In-Time inventory control and provides for state of the art implementation inventory mechanisms linked through technology to the customer through the relevant dealership networks.***

***The agreement provided for re-organisation of delivery arrangements for externally sourced materials, which required the introduction of a third party logistics provider between the company and Ford's suppliers. This lead to a subsequential increase in frequency of material and parts delivery.***

#### **Capacity and Facility Utilisation**

##### **Flexible Work Patterns [5.1]**

***This is another example of the employer and the union working together to ensure that the company is in a position to respond to the seasonality of customer demand through the adoption of more flexible work patterns and arrangements. Under these provisions it was agreed between the parties that any new work patterns would need to meet the following objectives:***

- *enable a quick response with minimal disruption to normal working and operating practices;*
- *ensure the quality of company product is maintained;*
- *minimise the need to transfer employees from one area to another;*
- *provide an opportunity for employees to earn additional income.*

*The provisions introduced recognised the personal difficulty many employees had with working overtime outside of normal working hours, as a consequence and through this process employees were able to reschedule overtime for a set period during the daily lunch break. This ensured that during periods of maximum demand the company was able to utilise to its fullest its labour workforce.*

### **Market Response Mechanisms [5.3]**

*The agreement on this occasion built on the introduction of Market Response Mechanisms first introduced in 1992. The introduction of market response mechanisms were designed to ensure that the car manufacturing was able to respond to the changing nature of consumer demand, and just as the introduction of Just-In-Time mechanisms did in the early 80's, market response mechanisms too recognised costs associated with the build up of inventory/dealer's stock beyond certain levels.*

*The parties to these arrangements reached an understanding that downtime scheduled through the market response mechanism was a preferred course of action to that of rebalancing (Redundancy). It has been acknowledged by the company that through the utilisation of these measures that it is able to take stock out of the system whilst ensuring maximum security of employment at minimal cost.*

*The agreement further provides for the use of programmed days off as a scheduling tool where this is required in times of market fluctuation. The advantage of these arrangements are that employers are able to build where demand is high and reduce stock where demand drops off. This represents a major production flexibility and is broadly reflected across the Automotive Industry.*

### **Mechanical and Electrical Trades Flexibility Agreement [6.1]**

*The parties to the agreement with respect to this issue recognised that it was important to ensure that opportunities existed for trades people to access skills additional to their core trade. To give access to these principles the parties agreed to electrical/mechanical cross skilling at the apprenticeship and qualified trades levels, and then went on to define the extent and level of cross skilling that could be performed under these arrangements. This is major shift in the context of what has been considered to be a traditionally heavily demarcated area.*

**Ford Enterprise Agreement 2000 (C No. 37607/2001)[Print F1133]**

*Again the features of this agreement were flexibility and work practice improvements.*

**Ford Production System Principles [4.2.1]**

*The principles agreed to in previous agreements were reaffirmed in the current agreement and in doing so the parties acknowledge the potential benefits to both the company and employees of the FPS. This commitment was critical in terms of ensuring new investment in securing the ongoing viability of Ford Australia's operations.*

**Supply and Logistic [4.3]**

*The provisions with respect to supply and logistics in the the Ford 2000 EBA are the cutting edge of logistical supply within the automotive industry. They provide for internal and external sequencing of parts, along with the capacity for line side delivery.*

*These arrangements are a substantial enhancement to the logistical arrangements as they exist within Ford's operations, and were characterised by Ford during those negotiations as essential to its future success as a car manufacturer. They compliment the Just-In-Time delivery arrangements within the industry, and are the new generation of logistical changes that are taking place across automotive manufacturing in Australia today.*

**Production Capacity and Asset Utilisation [5]**

*During the life of the 2000 Agreement the company forecast growth of future products. It was agreed that the additional production capacity would be achieved*

*through overtime and calendar variations. The parties also agreed that other scheduling alternatives would be considered.*

#### **Natural Work Groups [6.1]**

*Natural Work Groups emerged to provide improved company productivity. Natural Work Group leaders were recognised as being key enablers within the organisation.*

#### **Integrated Non Trade Classification Structure (AQF3) [6.2]**

*The provision and application of an AQF3 qualification for production workers is a recognition by the company and the industry of its emerging skill needs and the evolutionary change to a production workers role expanding into lower level trades. This is a further recognition by unions and the employer of the necessity for change.*

#### **Ford Australia Enterprise Bargaining Agreement 1995 (C. No 34565/95) [Print F0335]**

#### **Total Productive Maintenance [10.3]**

*The parties reached a set of guidelines providing a framework for total productive maintenance. It was envisaged that the outcomes of FTMP would result in improvements for workers as well as the company.*

#### **Ford Manufacturing Process Studies (FMPS) [10.4]**

*A key element of the company's continuous improvement strategies is FMPS focusing on ergonomics, waste minimisation and value added activities.*

*FMPS was identified as the company's preferred approach to enhance quality and generating greater productivity.*

*The FMPS builds on procedures to achieve continuous improvement and productivity agreed by the parties back in the 1989 structural efficiency agreement.*

#### **Capacity and Facility Utilisation [11]**

***The parties recognised and confirmed their joint objective of improving operational responsiveness to customer expectations and market seasonality and agreed to address the following issues:***

***Alternative Shift Patterns [11.1]***

***It was acknowledged that there may be efficiencies gained from implementing alternative shift patterns at specific company operations. And any change to an alternative shift pattern must result in demonstrable efficiencies for the company's operational performance.***

***Block and Tag Relief [11.2]***

***Tag Relief is an alternative to block release system within the company's operations. Tag relief provides for a continuous operation whilst block release provides for a measured closed down for such things as tea breaks and lunch breaks.***

***Whilst the company is operating tag relief they are able through continuous arrangements to add a further one hours production, i.e. build rate to the normal day. This matter was discussed and negotiated and agreed between the parties and is a major contribution to the viability and profitability of the company providing a further mechanism for both up and down balancing.***

***The implementation of Tag Relief allows the company to respond to market fluctuations while avoiding the necessity of workers experiencing the disruption associated with the rebalancing of work cycles.***

***Holden Engine Company Enterprise Agreement III 1996 (C. No 34906/96) [Print 80515]***

***PDO Rostering Arrangement***

***A range of agreements allowing for the company to meet operational circumstances were agreed. These included flexible PDO's, programmed PDO's and rostered RDO's.***

### **Job Security**

***It was recognised that the long term achievement of job and income security was directly linked to Holden Engine Company's ability to produce product at world competitive levels in relation to productivity and cost and to achieve levels of profitability commensurate with the funds invested. The unions and the company believed that the commitments given in this EBA were a significant step forward towards the basis for such long term stability.***

### **Holden Ltd Enterprise Agreement 1998 - 2001 [C No. 38348/98] [Print 40970]]**

***Within this agreement Holden continued to restate, amongst its objectives, that of increasing the profitability of the company and of being able to reduce costs significantly whilst greatly improving product quality and value.***

***The union philosophy as outlined in the agreement supported Holden on a range of issues including increasing efficiency and improving quality and competitiveness by a range of methods.***

### **Continuous Improvement [21]**

***The need to maintain a program of change at Holden enables the company to succeed in being World class in relation to productivity, product quality, customer service and cost competitiveness.***

***The implementation of the respective Holden Production System and Quality Network Synchronise System was seen as being an important priority for the business.***

### **Downtime Payment [30]**

***The downtime payment arrangements in this agreement are once again designed to reflect the changes in market circumstances where demand for the company's product reduces to the extent that excess inventories of finished products exist.***

***There is a recognition by the parties of a range of mechanisms available to address these issues. Importantly though, Holden had identified in previous agreements that***

*where in these circumstances they provide a 50% payment to employees where production is not continuing as a consequence stock is not proliferating, establishes arrangements which are cost neutral and as a consequence the most cost effective that are able to be entered into in these difficult circumstances.*

**Holden Ltd Enterprise Agreement (2001-2004) [AG2001/7101] [PR911301]]**

*This agreement acknowledged that Holden workers and the Unions have now had a decade of experience in enterprise bargaining proceeded by many years of working co-operatively in making agreements to support Holden in becoming the successful organisation that it is today.*

**Alternate Shift Arrangements [4.5]**

*It was recognised that the company may require alternative shift arrangements solutions to optimise operating effectiveness and/or responsiveness to varying customer needs. The parties have a process in place to deal with such a requirement.*

*The Holden 2001 Enterprise Bargaining Agreement addressed the issue of Alternative Shift Arrangements that would enhance or optimise operating effectiveness and the company's responsiveness to varying customer needs,*

*The parties to the agreement recognised that this may involve addressing a range of shift arrangements, such as, shift work of up to seven (7) days per week covering 24 hours a day, including shift lengths beyond eight (8) hours (this may still include an examination of 9 day fortnight in some areas where practicable for Holden workers).*

*Its worth noting that elsewhere within Holden's operations alternative shift pattern agreements have lead to the introduction of 9½, 10 and 12 hour shift arrangements where the particular work requirements have necessitated that change.*

**Change Management Process [5.1]**

*The parties in this agreement have through these arrangements recognised the obligation upon them to behave maturely in the means by which they address issues within the workplace. As a consequence, they have established a changed*

***management process that addresses both the responsibilities of unions and management in the process of change management.***

***This is a leading edge agreement in the manufacturing industry as it has developed not only a consultative process by which change proposals may be heard, it has developed a State Committee of the company consisting of unions and management to address the proper management of change, but importantly where agreement can not be reached on these issues, determined a disputes review panel of independent nature to determine an outcome.***

***The parties acknowledge that change will be continuous throughout the agreement and that the ability to consult, respond and effectively implement the necessary changes for the business is critical for the company's ongoing success and viability as a business.***

#### **Job Security [5.3]**

***The parties maintain their commitment to job security. The company will take measures including the reallocation of work, rescheduling of production, specific purpose training or retraining to minimise loss of income if impacted by market fluctuations.***

#### **Implementation of Change [5.5]**

***There are extensive obligations on the parties to consult and reach agreement about the implementation of change within the workplace. The parties have set up a State Consultative Committee to examine the issue of significant change. To ensure that the process is truly transparent the parties have agreed to establish a Review Board which includes an independent chairperson.***

***The parties have developed these mechanisms to effectively to deal with change at the enterprise level. They want to be satisfied that the change process is transparent and relevant to the local enterprise level.***

#### **Communication and Consultation [6.2]**



***The parties are committed to open communication at all levels and remain committed to the communication and information sharing provisions of previous agreements. The plant/site committees made up of management and senior shop stewards will continue to work together to facilitate continuous improvement and the change management process. The State Committee will focus on information exchange and strategic overview.***

**Toyota Motor Corporation Enterprise Bargaining Agreement 2002 (AG 2002/1814)  
[Print PR 915616]**

***The Toyota Enterprise Agreements right through the period of negotiation has recognised the key and important role that such things as the Toyota Production and Management Systems play in developing that organisation as a World class manufacturer of automobiles.***

***All of the agreements have featured through them the principles of continuous improvement, Kaizan, lean production and so on and so forth. Importantly within these agreements there's a reaffirmation of support for these processes and a continuation to build upon the successes of previous agreements. For example, in the most recent Toyota Agreement the parties agreed to new flexibility provisions, identified at Clause 11 of that Agreement.***

***Where at Clause 11.3 it stated, it is intended to provide integrated career structure supported by training to enable all employees to achieve their maximum potential. In this context employees will be expected to perform any duty in which they have received appropriate training, and which they are capable of performing in a safe and competent fashion.***

***The provisions recognise, that there is an expectation that workers would move both within and between career streams, consistent with the workers individual developmental objectives, classification structures and the needs of Toyota. This is a major workplace flexibility as it provides for work to be performed across occupations, lessening demarcation within the workplace.***

***At Clause 12.2 , the agreement defines flexibility, as meaning practices that can change when required taking into account the need to consult with workers who are required to implement the change, and with others who are immediately affected by***

*the change. This is again indicative of the evolutionary nature of a consultative process to bring about effective change mechanisms within the automotive industry.*

#### **Key Performance Indicators [34.2]**

*Under the provision of productivity the parties to the 2001 enterprise agreement identify some key performance indicators as indicative benchmarks for the course of the 2002 agreement.*

*They identify such things as improvements to gross labour hours, shipping quality audit, attendance (unmanaged), production efficiency, straight through ratio, pieces shipped per direct operations, labour hour, maintenance down time and occupational health and safety days lost per 100 employees. This is a clear demonstration that KPI's are not unfamiliar territory in automotive agreements.*

#### **Mitsubishi Motors Australia Ltd Enterprise Agreement 2001 (AG 2001/6553 [PR911021])**

##### **Enterprise Agreement Objectives**

*This enterprise agreement between the MMAL, the Unions and our employees, must build on the advances made in previous agreement(s), to assist in the key objective of future security of MMAL and its employees.*

*The Mitsubishi 2001 enterprise agreement like other agreements entered into around that era again built on previous flexibilities by enhancing those flexibilities. On this occasion to enable a new business plant to be constructed for the survival of Mitsubishi. In particular, the agreement identified flexibility provisions at Clause 12, 13, 14 and 15 dealing with shift changes, variable labour, working hours and pattern arrangements, and in particular at Clause 15 manufacturing capacity/flexibility.*

*Mitsubishi identified the provisions at Clause 15 as a major step forward and in being able to respond to sudden movement or changes in the market.*

##### **Manufacturing Capacity/Flexibility [15]**

***The parties have agreed on a number of initiatives associated with production capacity and market response, that are specific to the needs of the organisation. These include:***

- ***down days/program days***
- ***fixed days/flexible days***
- ***arrangement/payout of flexible days***
- ***overtime***
- ***local area variations***
- ***market response process***
- ***market downturn***
- ***down time payment***

***There is a Peak Forum agreed between the parties that is the principal body through which broad consultation on issues occurs. It considers and reviews matters of relevance in the workplace. The implementation of the agreement involves the collaborative efforts of the company management and the unions at corporate, Divisional and Business Unit operational levels throughout the company.***

***Air International Interior Systems (Campbellfield) Certified Agreement 2002 [AG 2002/998] [PR914213]***

***Air International is a components supplier in the Vehicle Industry. They manufacture interior systems including seating and heating, ventilation and air conditioning systems.***

***In reaching agreement with Air International the parties established a Greenfields approach to the negotiations with outcomes within this agreement being directly linked in to those of their customer supply base.***

***This has enabled Air International through the scheduling of its rostered days off, downtime and annual leave arrangements to ensure that it acts in harmony with its major customer Ford Motor Company, delivering maximum efficiency through its sequencing and Just-In-Time arrangements.***

***In reaching the enterprise agreement the parties commit to co-operative involvement in the successful delivery of initiatives to improve productivity and***

***efficiency through continuous improvement. It is the aim of the parties to provide training and career opportunities enabling the development of the potential of individual employees for skills acquisition and enhancement and career progression.***

**Australian Automotive Air Pty Ltd (AAA) Enterprise Agreement 2001**

***AAA is a tier one component supplier in the vehicle industry providing air conditioning systems to the vehicle manufactures, primarily to Toyota. Once again consistant with the approach undertaken by the union in negotiations with component suppliers, AAA's practices and procedures must mesh with its key customer base which is the benchmark sought by most parties to negotiations in the component sector of the industry.***

***In this regard, AAA is a good example of this practical flexibility prevailing in the workplace. The current agreement is a reflection of the spirit of cooperation and recognition of mutual goals that the company and the union have been able to achieve over the past decade. It is acknowledged there has been a significant contribution to the continuous improvement of the company and the production of a world class product.***

***Within the Agreement the parties recognise that the unique process involved in the manufacturing, assembly and supply of high quaility, competitively priced automotive components and as such have agreed on efficiency processes regading adequate manning and attendance.***

***The Vehicle Industry Certificate (VIC) development program is a mutually advantageous voluntary scheme that seeks to assist the Company to improve the quality of its products by equipping employees with the necessary skills to do so.***

***The AMWU could cite chapter and verse dozens of agreements like those already cited that have provided the flexibility these companies need to compete in the world economy.***

# ***APPENDIX TWO***



## ***THE PRODUCTIVITY COMMISSION***

***JULY 2002***

# **PRODUCTIVITY COMMISSION - SOME SALIENT FACTS**

*[Unless specifically noted otherwise, all figures and quotations below are drawn from the past four PC Annual Reports]*

## **What does the PC cost taxpayers?**

- 1. The Productivity Commission has cost taxpayers more than \$112 million over the past 5 years.**
  - **Over the same period it has generated revenues from sales of goods and services totalling \$579,000.**
  - **The PC has 200 staff, of whom 25 (one in eight of all its employees) receive total remuneration in excess of \$100,000 a year.**
  
- 2. By comparison, the Federal Government component of the package of assistance to Mitsubishi Motors Corporation that has secured the continuation and expansion of Mitsubishi's manufacturing presence in Australia for the next decade is \$35 million. [the package includes a further approx \$50 million in cash and kind from the SA Government.]**
  - **Without this package some 3,200 jobs at Mitsubishi and a further 7,000 in the supporting component industry would have been lost.**
  - **With the package, Mitsubishi has committed to invest almost \$1 billion in development and production of a new model; involving an additional 1,200 jobs in R&D and production.**
  
- 3. In financial year 2000/01 the average total (i.e. including super and fringe benefits) remuneration of the 25 PC executive staff (i.e. those paid in excess of \$100,000 per year) was \$170,551.**
  - **The salary package for the Chairman of the PC [Gary Banks] is determined by the Remuneration Tribunal. It is presently about \$240,000 per annum.**
  - **The remaining 24 executive staff are all employed on individual contracts [AWAs]. These AWAs are ``based on a 'template' which largely reflects terms and conditions previously available to the SES in the APS generally".**
  - **``SES remuneration is set in the context of the public and private sector benchmarks contained in the PAS SES Remuneration Survey conducted for the Department of Employment and Workplace Relations" - i.e. it is based on comparative wage justice considerations.**

- *The PC Chairman is the 'employing body' and thus determines the terms of AWAs and the remuneration for all PC Commissioners other than himself.*
  - *Over the past 3 years average total remuneration for the PC executive staff has risen by 26.3%*
4. *Average total remuneration for the 175 non-executive PC staff is approx \$70,350 per year.*
- *The terms and conditions of employment for these staff is set by a s.170LK certified collective agreement [due to expire in October 2003].*
  - *Over the past 3 years average total remuneration for PC non-executive staff has risen by 11.3%.*
  - *the collective agreement provides for 'across-the-board salary increases averaging a little over 3 per cent per annum' over the life of the agreement.*

**What does the Productivity Commission do?**

*In previous incarnations the PC was (respectively) the Industry Commission, the Industries Assistance Commission, and the Tariff Board. Since the 1960's it has seen its historic role to be that of leading a sustained attack on 'protectionism' at large, and in particular on the use of tariffs and quotas in providing assistance to industry.*

*That particular war has been waged and won.*

*As the PC's Review of Automotive Assistance notes, the effect on business costs of further tariff reductions will likely be swamped by small adverse shifts in Australia's terms of trade or a sustained appreciation of the Australian dollar:*

*“Previously high assistance led to significant distortions in resource allocation across the economy ... But with assistance to industry now much lower, the allocative gains likely to ensue from further reductions in government support are much smaller. Indeed, the quantitative modelling undertaken for this inquiry suggests that these gains could even be outweighed by small, but adverse, shifts in the aggregate price of Australia's exports relative to its imports.”*

*[Review of Automotive Assistance, pages XXII-XXIII]*

*Having won the war against tariff protection, and in a classic demonstration of regulatory capture, the PC has created a new and ostensibly indispensable role for itself that protects its continued existence.*

*Contemporary PC output is listed under five headings:*

1. ***Government commissioned projects - Inquiries with and without public hearings; case studies on work arrangements; and commissioned research studies.***
2. ***Performance Reporting and Services to other Government Bodies - servicing COAG; monitoring performance of GTEs; benchmarking of economic infrastructure.***
3. ***Regulation Review - assessing regulation impact statements; monitoring and reporting compliance and developments; training and guiding officials.***
4. ***Competitive Neutrality Complaints Activities - investigate and report on complaints; advise and research on competitive neutrality issues.***
5. ***Supporting Research and Activities - prepare annual reports; prepare research reports; convene conferences and workshops; prepare submissions to other bodies; make speeches, presentations and conference paper.***

***For financial year 2000/01, the PC Budget provided for \$11.2 million for "Government Commissioned Projects" and a further \$5.363 million for "Supporting Research and Activities", representing 50% and 24% respectively of the PC's budgeted "Total price of Outputs" of \$22.463 million:***

- ***The actual outcomes for the same year were \$7.288 for Government Commissioned Projects and \$9.601 million for Supporting Research and Activities, representing 32.5% and 42.8% respectively of total output of \$22.433 million.***
- ***In 2000 - 01, the PC spent \$3.9 million less than it had budgeted on government commissioned projects, and made up the shortfall in its total spending not by returning the balance to consolidated revenue but by spending \$4.238 million more than it had budgeted on research of its own choosing.***
- ***Almost \$10 million - more than two-fifths [42.8%] of the PC budget in 2000-01 - was spent writing annual reports and dwelling in conferences, and less than one-third in attending to Government commissioned projects.***

***While the actual price of the PCs total output for the year was almost precisely in line with budget, the actual composition of that output differed enormously from what was budgeted for.***

***Clearly the Chairman has wide discretion to pursue whatever research he thinks appropriate, and to support that discretion by shifting massive resources around within the PC to support greater or lesser activity on projects specifically commissioned by Government.***

***This is deeply troubling.***



***It is more so when, as with the ``Review of Automotive Assistance'', the factual base of PC Reports is poorly researched and the PC advice to Government is blatantly political.***

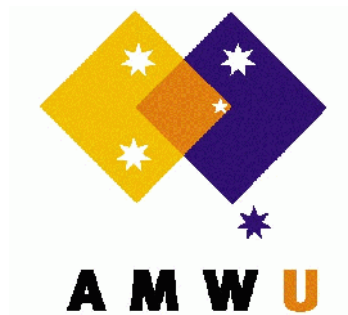
| Productivity Commission - Remuneration of Executives   |             |             |             |             |                    | growth over last 3 yrs |
|--|-------------|-------------|-------------|-------------|--------------------|------------------------|
|  | 1996/97     | 1997/98     | 1998/99     | 1999/00     | 2000/01            |                        |
| Aggregate total remuneration of executives   | \$4,042,903 | \$3,511,076 | \$3,352,888 | \$3,793,823 | \$4,263,770        |                        |
| of which Performance Pay   | \$186,713   | \$128,493   | \$156,477   | \$208,526   | \$198,754          |                        |
| Number of Executives   | 29          | 26          | 23          | 25          | 25                 |                        |
| <b>Average Executive Remuneration (total)</b>  | \$139,410   | \$135,041   | \$145,778   | \$151,753   | \$170,551          | 26.3%                  |
| <i>growth on year earlier</i>  |             | -3.1%       | 8.0%        | 4.1%        | 12.4%              |                        |
| Average Executive Performance Pay  | \$6,438     | \$4,942     | \$6,803     | \$8,341     | \$7,950            | 60.9%                  |
| <i>growth on year earlier</i>  |             | -23.2%      | 37.7%       | 22.6%       | -4.7%              |                        |
| Top exec pay band  | 210000      | 190000      | 220000      | 240000      | 240000             |                        |
| Number of execs in top band  | 1           | 1           | 1           | 1           | 2                  |                        |
| <i>Source: PC Annual Reports</i>   |             |             |             |             |                    |                        |
| Notes: Data is for total remuneration of Holders of Public Office and Senior Executive Staff where such amounts exceed \$100,000 during the year. Includes part-time, part-year, and acting positions. |             |             |             |             |                    |                        |
| Total PC staffing and costs  |             |             |             |             |                    |                        |
|  | 1996/97     | 1997/98     | 1998/99     | 1999/00     | 2000/01            |                        |
| Average staffing level   | 233         | 218         | 203         | 202         | 200                |                        |
| Employee remuneration for services rendered (total)  | 15,564,000  | 15,650,000  | 15,383,000  | 15,311,000  | 16,575,000         |                        |
| <i>per employee</i>  | 66,798      | 71,789      | 75,778      | 75,797      | 82,875             | 15.4%                  |
| <i>growth on yr earlier</i>  |             | 7.5%        | 5.6%        | 0.0%        | 9.3%               |                        |
| Ave staffing excluding execs   | 204         | 192         | 180         | 177         | 175                |                        |
| Employee remuneration excluding executives   | 11,521,097  | 12,138,924  | 12,030,112  | 11,517,177  | 12,311,230         |                        |
| <b>Average non-executive remuneration</b>  | 56,476      | 63,224      | 66,834      | 65,069      | 70,350             | 11.3%                  |
| <i>growth on yr earlier</i>  |             | 11.9%       | 5.7%        | -2.6%       | 8.1%               |                        |
| <b>Operating revenues from government</b>  | 27,596,000  | 23,912,000  | 17,034,000  | 21,662,000  | 22,148,000         |                        |
| <b>total of last 5 years</b>   |             |             |             |             | <b>112,352,000</b> |                        |
| Sales of Goods and Services  | 118,000     | 61,000      | 113,000     | 81,000      | 206,000            |                        |
| <i>total of last 5 years</i>   |             |             |             |             | <b>579,000</b>     |                        |

Source: PC Annual Reports

**PC Budget - Table A2, p46, Annual Report 2000-01**

|                               | <b>Budget 2000-01</b> | <b>Actual 2000-01</b> | <b>Difference</b> | <b>Budget share of total</b> | <b>Actual share of total</b> |
|-------------------------------|-----------------------|-----------------------|-------------------|------------------------------|------------------------------|
|                               | \$'000                | \$'000                | \$'000            | %                            | %                            |
| Govt Comm Projects            | 11,200                | 7,288                 | (3,912)           | 49.9%                        | 32.5%                        |
| Services to govts             | 3,100                 | 3,197                 | 97                | 13.8%                        | 14.3%                        |
| Regulation review             | 2,600                 | 2,088                 | (512)             | 11.6%                        | 9.3%                         |
| Comp Neutrality               | 200                   | 259                   | 59                | 0.9%                         | 1.2%                         |
| Supporting research etc       | 5,363                 | 9,601                 | 4,238             | 23.9%                        | 42.8%                        |
| <b>Total Price of Outputs</b> | <b>22,463</b>         | <b>22,433</b>         | <b>(30)</b>       | <b>100.0%</b>                | <b>100.0%</b>                |

# ***APPENDIX THREE***



## ***FREE TRADE, FAIR TRADE AND THE AUSTRALIAN AUTOMOTIVE INDUSTRY***

***JULY 2002***

## **Introduction**

1. *In its 1990 report on the automotive industry the Industry Commission extracted the following warning from Nissan's submission:*

***Formal and informal methods of protecting automotive industries are in place in most major countries of the world ...***

***If Australia decides to ignore the realities of trade and protection in the international automotive industry and to substantially remove any barriers to imports, then investment and development of the industry will inevitably be directed to those countries which retain or enhance their intervention.<sup>1</sup>***

2. *At that time tariffs on PMVs were at 40%, having already fallen from 60%. Tariffs on PMV's are now at 15% and scheduled to fall to 10% by 2005. The Productivity Commission has indicated it would like to see the level of industry assistance fall still further.*
3. *In the 12 years since the Industry Commission extracted Nissan's warning the Productivity Commission documents the following changes in the automotive industry:*
  - *Nissan has closed its operating plan;*
  - *Employment in the industry has dropped over 30%,<sup>2</sup>*
  - *Imports now make up 60% of PMV sales (up from 15% in 1985) - a level of imports that the Productivity Commission recognises is "high by international standards",<sup>3</sup>*
  - *Imports now make up 100% of the small car segment;<sup>4</sup>*
  - *There has been a decline in the average local content in domestically produced vehicles; and<sup>5</sup>*
  - *Overseas investment by Australian firms has grown.<sup>6</sup>*

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<sup>1</sup>*Industry Commission 1990, The Automotive Industry, Report No. 5, Canberra at page 89*

<sup>2</sup>*Productivity Commission 2002, Review of Automotive Assistance, Position Paper, Canberra, at page 89.*

<sup>3</sup>*Productivity Commission 2002, at pages 77 and 88.*

<sup>4</sup>*Productivity Commission 2002, at page 88.*

<sup>5</sup>*Productivity Commission 2002, at page 21.*

<sup>6</sup>*Productivity Commission 2002, at page 23.*

4. ***Despite a major devaluation in the Australian dollar, large productivity increases, a 50% increase in domestic vehicle sales ,<sup>7</sup> reductions in input taxes,<sup>8</sup> reported improvements in efficiencies in the transport sector, and greater workplace flexibility, the Productivity Commission reports production (on a per unit basis) for both exports and the domestic market is now lower than it was in 1985.<sup>9</sup>***
5. ***In addition Australia's imports from nations that have not ratified or do not apply core labour standards continues to grow.***
6. ***In such circumstances any objective analysis of Australia's unilateral dismantling of its tariff structure would conclude that it has been a failure in terms of both industry and trade policy. The policy has been characterised by one of missed opportunities, pain for communities reliant on the automotive industry and increasing insecurity for one of Australia's key manufacturing industries.***
7. ***Rather than continuing to prostrate ourselves in front of the false god of free trade, the AMWU submits the government must move to incorporate elements of fair trade into Australia's trade and industry policy. In support of this contention, this part of the AMWU's submission examines the Productivity Commission's Position Paper in the context of its statutory duties, with a particular focus upon the international obligations that the Commission has not taken into account in relation to labour standards. Such international obligations would be an important part of moving from free trade to fair trade. Indeed the AMWU argues that it is incumbent on the Productivity Commission to consider a broader range of socio-economic issues than it presently examines and not take unilateral trade liberalisation as a fait accompli.***
8. ***The AMWU submits that Australia, and the automotive industry in particular, can ill afford the Productivity Commission to continue to suffer from the type of neo-classical blindness or political appeasement that appears to have led the Productivity Commission to the conclusions it reaches in its Position Paper. To that end the AMWU concludes by calling on the Productivity Commission to dump its commitment to free trade for free trades sake and develop policy that aims to expand not contract the automotive industry in Australia.***

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<sup>7</sup>Productivity Commission 2002, at page 17.

<sup>8</sup>Productivity Commission 2002, at page 89.

<sup>9</sup>Productivity Commission 2002, at page 88

## **"Fair Trade" and the Role of the Productivity Commission**

9. *In something of a strange and inevitably futile attempt to gain control of fair trade discourse, the Productivity Commission's Position Paper attempts to twist the notion of fair trade to fit into its preferred neo-classical model of the world where cafés, concierges and car plants are of equal benefit to the country and should therefore be equally left to sink or swim in the vagaries of the global marketplace. The Productivity Commission essentially suggests that "fair trade" would maintain substantially the same policy settings for each and every Australian industry.<sup>10</sup>*
10. *The AMWU rejects this notion of fair trade. The AMWU submits that fair trade involves giving workers and the communities they support a fair go. Fair trade acknowledges the advantages of expanding trade but does not divorce trade policy from a sound commitment to industry and social policy. Fair trade policy seeks to advance the development of society in terms of:*
- *trade and employment growth;*
  - *trade and advancement of social justice;*
  - *trade and enforcement of core labour standards;*
  - *trade and environment protection mandates;*
  - *trade and the eradication of forced and child labour; and*
  - *trade and the advancement of democratic values.*
11. *Importantly, fair trade values experience over a priori assumptions. Experience has shown that trade controls and associated industry assistance can either increase or decrease national income as measured by gross domestic product (GDP). Further, while some controls may arguably forego national income as measured by growth in GDP, those controls may well have social or cultural effects that are more valuable to Australian communities (and for communities in other nations) than the apparent lost margins of national income. For example, the economist Hugh Stretton identifies the following instances:*

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<sup>10</sup>Productivity Commission 2002, page 115.

### **Controls which may increase national income**

**Import controls, or public aids to export or import-replacing industries, may increase national income if they enable the national economy:**

- **to employ resources which unaided market forces would not employ**
- **to balance foreign payments which could otherwise be balanced by worse means, for example by improvident asset sales and debt, and/or market depreciation of the national currency, which would eventually cost more income than the trade controls will cost**
- **to stabilize market expectations for investors in industries of actual or potential advantage which have long investment lead-times but quick-changing international competitive risks**
- **to enable an industry to achieve critical or increasing economies of scale**
- **to protect key industries whose linkages and externalities enable clusters of other, including unprotected, industries to develop economies of scale, technological advances, cooperative research and development, new export links etc**

### **Controls Which May Reduce National Income As Measured by Growth in GDP But May Nevertheless Have Community Support**

**Protective measures which reduce national income as measured by growth in GDP may attract majority support if they:**

- **improve environmental care and conservation**
- **defer income, for example from exhaustible resources, for purposes of fair dealing with future generations**
- **reduce inequities and inequalities in the distribution of earned income**
- **reduce undesired risk, by maintaining more secure national income, or more secure conditions of employment in some industries, than an open economy could expect to do in a quick-changing and increasingly competitive world economy**
- **protect valued elements of national culture**
- **block or discourage the import of harmful products<sup>11</sup>**

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<sup>11</sup>See generally book by Hugh Stretton, *Economics: A New Introduction, Second Edition*, Pluto Press, Chippenham, England 2000.



12. *The AMWU submits that trade controls and industry assistance to the automotive industry can be easily justified on a broad range of the factors identified by Stretton. Further, the existence of trade controls (both formal and informal) and industry assistance to the automotive industry in other countries clearly show that the AMWU is not alone in seeing the benefits of supporting the automotive industry.*
13. *In advocating fair trade, the AMWU submits that when governments formulate trade policy they should take into account a broad range of national and international socio-economic issues. Unfortunately in recent decades such issues have tended to be ignored by those in the upper echelons of the Australian public service. Indeed as far back as 1992 Michael Pusey made the observation that his surveys revealed a concerning trend with the upper echelons of the public service and the education it had received:*

*Narrowing specialisation at university is crucial, it does not 'go away' or broaden with later experience, and it has lasting effects in forming orientations towards policy and management.*

*That this is the case and that anti-social policy attitudes have been led by our economists is clear ... We see that those with an economics background are twice as likely as the others to say that the distribution of the nation's income is biased to wage and salary earners and that nearly three-quarters of the economists, as compared with a thin majority of the humanities/social science/law group, approve of the deregulation of the labour market. From both ends of the range it is clear too that the economists are more than twice as likely to say that trade unions have more power than business interests. Again we begin to grasp how much has been lost in this 'organised forgetting' of structural social inequality and social democracy from responses showing that only 29 per cent of those in the second group believe that relations between capital and labour are less than benign and so, on balance, more unequal and exploitative than they are complementary and equal. Roughly half as many of the economics graduates (17 per cent), and thus less than one in five of them, could bring themselves to agree with this view that market relations are exploitative.<sup>12</sup>*

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<sup>12</sup>Pusey M., "Canberra Changes its Mind: The New Mandarins" in *Shutdown: The Failure of Economic*

14. **Regrettably this description of neo-classically trained economists in the public sector and their capacity for "anti-social policy attitudes" is entirely consistent with the conclusions in the Productivity Commission's current Position Paper dealing with the automotive industry. The Position Paper gives the impression of a government bureaucracy which is substantially indifferent to the long term future of the automotive industry and surprisingly antagonistic to its workforce. This antagonism is particularly acute where workers in the automotive industry take protected industrial action to gain the types of conditions and security that those in the Productivity Commission take for granted.<sup>13</sup> The conclusions reached by the authors of the Position Paper strongly suggest that the Productivity Commission has become either blinded by its staff's own neo-classical training or else seriously compromised in seeking to meet the political objectives of the government of the day.**
15. **The AMWU nevertheless submits that the Productivity Commission has a historical and statutory responsibility to take a more positive approach to retaining and growing the Australian automotive industry. The historical responsibility stems from the significant role that many blue and white collar government workers, including AMWU members, have played and continue to play in developing Australian industry.**
16. **In addition to the historical role the public service has played at various times in supporting Australian industry there is also a statutory responsibility under section 8 of the Productivity Commission Act 1998 to take into account a host of socio-economic factors that have been either glossed over or omitted from the Position Paper.**
17. **Section 8 of the Productivity Commission Act 1998 sets out the general policy guidelines for the Commission. If the statutory duties contained in the Productivity Commission Act 1988 were dealt with in a more more thorough manner it is difficult to see how the Productivity Commission could reach the conclusions it does. A number of the guidelines that in the AMWU's view the**

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*Rationalism and How To Rescue Australia* Eds John Carroll and Robert Manne, The Text Publishing Company, Melbourne, 1992 at pages 40-41

<sup>13</sup>The AMWU notes for instance that while Productivity Commission staff have access to a 48 week government backed redundancy plan the Productivity Commission has no difficulty in recommending the constraining of protected action of the kind taken to preserve workers entitlements at Tristar.

***Productivity Commission has inadequately considered in its Position Paper are discussed below.***

***Paragraph 8(1)(e) The Productivity Commission must have regard to the need to recognise the interests of industries, employees, consumers and the community, likely to be affected by measures proposed by the Commission***

***18. There is insufficient discussion in the Productivity Commission's Position Paper of precisely what has happened or will happen to the the workers and communities who have been or will be affected by previous or future reductions in assistance for the industry. What happened to those workers who lost their jobs when Nissan closed its doors? To this specific and notable example the Productivity Commission gives only one paragraph (while it spends many more explaining why things will be different when the next car manufacturer closes its doors). What happened to the communities who relied upon those 30% of workers who no longer have a job in the automotive industry? Although recognising there will be some "adjustment costs" that may take place and that some regional areas that are likely to be affected already have high unemployment, the Productivity Commission appears to be relatively unmoved by the hardships that its policies would cause. In the AMWU's view these issues are neither dealt with in sufficient detail nor afforded sufficient weight in the Productivity Commission's Position Paper.***

***19. Another relevant omission concerns the interests of workers discussed in the sections on industrial relations reform. Why is there no discussion of international obligations in relation to the interests of employees? Where is the discussion relating to the importance of workers being able to secure their entitlements or to collectively bargain in a manner they choose? Why it is in the interest of the community to further open up the Australian automotive industry to competition with other nations who do not grant Australia similar access or do not adhere to internationally recognised core labour standards?***

***Paragraph 8(1)(f) The Productivity Commission must have regard to the need to increase employment, including in regional areas***

***Paragraph 8(1)(g) The Productivity Commission must have regard to the need to promote regional development***

***20. The Productivity Commission's Policy Paper fails to show any commitment to increasing employment and promoting development in regional areas. The***

***Productivity Commission's own modelling suggests that a reduction in tariffs in industry assistance will cause reductions in employment in the industry in regional areas. Instead of developing policy to increase employment and promote development the reductions in assistance are treated as a fait accompli and the government's role reduced to mitigating the losses caused by its own policy decisions.***

***Paragraph 8(1)(h) The Productivity Commission must have regard to the need to recognise the progress made by Australia's trading partners in reducing both tariff and non-tariff barriers***

***21. The Productivity Commission recognises that Australia's trading partners have not reduced tariff and non-tariff barriers in this industry. The Productivity Commission notes that:***

- Tariffs in many developing countries are still much higher than in Australia (see figure 8.1). And, although these tariffs have generally been coming down, there are exceptions. The stand out example is Malaysia, whose maximum tariff rate on vehicles has increased from 40 per cent in 1988 to 300 per cent.***
  
- Non-tariff barriers such as lack of transparency in customs procedures, local content schemes, differential sales tax arrangements and even semi-official harassment of those buying imported vehicles are reportedly commonplace. The FCAI commented that in the case of Korea, & almost impenetrable non-tariff barriers make the tariff rate virtually irrelevant . (sub. 40, p. 56) "***
  
- Although tariffs in many developed countries are comparable to, or lower than in Australia, there are important exceptions. For instance, while its tariff on cars is only 2.5 per cent, the USA imposes a 25 per cent tariff on imports of some truck-type sports utility vehicles. According to advice from the Department of Foreign Affairs and Trade, this higher tariff applies to imports of vehicle types which account for about 20 per cent of the total US vehicle market.***

***....***

*• There are also significant non-government trade barriers in some developed countries for example, Japan's vehicle distribution system; the EU's controlled franchised and dedicated dealer arrangements; and the understanding that certain US vehicle producers have with the United Auto Workers to limit importation of vehicles from their overseas subsidiaries.*

*...*

*Investment incentives are commonplace*

*The use of government incentives to attract automotive investment has increased significantly in recent years. Such measures are now commonplace in developed and developing countries alike. Moreover, they are becoming increasingly contingent on conditions being met by the investor (such as technology transfer and investment in R&D).*

*Investment incentives take various forms. As well as financial support for specific investments, they can sometimes extend to assistance for R&D and for education and training.*

*In developing countries, significant investment incentives are available for most automotive investment. Examples include:*

- a 200 per cent tax deduction in Malaysia for R&D, with Malaysian owned-companies able to access direct support which provides funding for between 50 and 70 per cent of eligible expenditure;*
- corporate tax exemptions in Thailand for between eight and 20 years;*
- industrial technology support grants in Korea for small and medium enterprises; and*
- South Africa's Strategic Investment Program. This program which has similarities with Australia's ACIS scheme provides*

*import duty credits worth between 50 and 100 per cent of the value of automotive investments.*

*In developed countries, firm-specific incentives are prevalent. Some recent examples include:*

- *the provision by the State of Alabama of an assistance package to secure Hyundai's investment in a new assembly plant, which has variously been reported as worth between \$US 123 million and \$US 253 million; and*
- *a regional package worth \$US 244 million provided by the city of Leipzig to secure the BMW plant which will produce the 3 series models from 2005.*

*However, industry-wide investment incentives can still be a component of the assistance package in developed countries. For example:*

- *The UK Government has provided funding worth \$140 million since 1997 for the Foresight vehicle program aimed at stimulating suppliers to develop and demonstrate market driven technologies for use in mass market vehicles of 2020 .*
- *The Japanese Government has announced that it will be increasing tax incentives and subsidies to support achievement of the goal that one in eight Japanese vehicles be eco-friendly in 2010.*

*...*

*While global linkages provide a range of benefits to Australian automotive producers, global sourcing policies can be a significant constraint on exports. Indeed, they may sometimes preclude exports to markets where there are no significant trade barriers in place. Thus, as noted in chapter 4, the decision by Ford (US) to export the Crown Victoria to the Middle East has locked Ford Australia out of that market. More broadly, in discussing the implications of global sourcing policies for its operations, the Australian-owned*

*component producer Air International said: "there remain powerful impediments to the export of technology and design services even though there are effectively no tariff or transport barriers. These might best be summarised as the head office mentality. (sub. 56, p. 23)<sup>14</sup>*

22. *The Commission nevertheless tries to justify its continued advocacy of unilateral tariff reduction for what appear to be primarily symbolic reasons. The Productivity Commission's responsibility to consider the "progress" made by Australia's trading partners in relation to tariff and non-tariff barriers appears to be inconsistent with the Productivity Commission's position that Australia should continue with unilateral reductions come what may. Can the Productivity Commission point to any manufacturing industry where unilateral reductions in trade controls have benefited that industry? A fair trade approach to policy would take into account the reality of the global automotive industry rather than relying on symbolic gestures to our trading partners.*

*Paragraph 8(1)(j) The Productivity Commission must have regard to the need for Australia to meet its international obligations and commitments*

#### *International Labour Standards*

23. *The Productivity Commission has no difficulty discussing labour market reform but omits a discussion of Australia's international obligations in ILO conventions? If the Productivity Commission is to fulfil its statutory role it must have regard to international obligations and commitments with respect to labour standards. International obligations and commitments do not cease to apply because they concern labour standards. If measures are posited ostensibly to increase productivity and those measures may also affect Australia's international obligations with respect to labour, for instance restrictions on the right to strike or collectively bargain, the Productivity Commission has a duty to have regard to Australia's ILO obligations.*
24. *Similarly the Productivity Commission must examine whether the countries from which Australia imports motor vehicles or components adhere to international core labour standards. To avoid a race to the bottom and to be a*

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<sup>14</sup>*Productivity Commission 2002, at pages 76-80.*

*responsible international citizen which promotes human rights it is in Australia's interests to do what it can to take promote core international labour standards. If Australian industry is forced to compete with nations that do not observe core labour standards (or environmental standards) this is clearly a matter that pertains to the interests of employees in the industry and to the interest of the community generally. The Productivity Commission therefore has an obligation to have regard to such matters under section 8 of the Act.*

25. *Core international labour standards include as a minimum the eight conventions identified by the ILO as being "Fundamental ILO Conventions". The ILO's governing body has identified the obligations in these conventions as being fundamental to the rights of human beings at work, "irrespective of levels of development of individual member States". The rights are said to be "a precondition for all the others in that they provide for the necessary implements to strive freely for the improvement of individual and collective conditions of work".<sup>15</sup> The Fundamental ILO Conventions are:*

#### *Freedom of Association*

*• Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)*

*• Right to Organize and Collective Bargaining Convention, 1949 (No. 98)*

#### *The Abolition of Forced Labour*

*• Forced Labour Convention, 1930 (No. 29)*

*• Abolition of Forced Labour Convention, 1957 (No. 105)*

#### *Equality*

*• Discrimination (Employment and Occupation) Convention, 1958 (No. 111)*

*• Equal Remuneration Convention, 1951 (No. 100)*

#### *The Elimination of Child Labour*

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<sup>15</sup>See the ILO website at <http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm>



**• Minimum Age Convention, 1973 (No. 138)**

**• Worst Forms of Child Labour Convention, 1999 (No. 182)**

26. *The issue of labour standards is not merely a theoretical or academic debate. Australia imports PMV's from both the Republic of Korea (South Korea) and Thailand. The government is presently in discussions about the possibility of a free trade agreement with Thailand. Both the Republic of Korea and Thailand have laws that are in breach of core international labour standards that Australia has ratified.*

#### **Republic of Korea**

27. *The ILO has made repeated recommendations to the Republic of Korea concerning the maintenance of core labour standards. Those recommendations which related to Freedom of Association can be found on the ILO's website at <http://ilolex.ilo.ch:1567/english/ccolistE.htm#msk>.<sup>16</sup> Below are extracts from the most recent ILO report in relation to allegations of arrest and detention of trade union leaders and members; government refusal to register newly established labour organisations; and the adoption of labour laws that are contrary to freedom of association:*

*492. In this regard, the Committee is bound to recall, as it has done previously (see 320th Report, para. 526), that the occupational and economic interests which workers defend through the exercise of the right to strike do not only concern better working conditions or collective claims of an occupational nature, but also the seeking of solutions to economic and social policy questions and problems ... which are of direct concern to the workers. Organizations responsible for defending workers' socio-economic and occupational interests should be able to use strike action to support their position in the search for solutions to problems posed by major social and economic policy trends which have a direct impact on their members and on workers in general, in particular as regards employment, social protection and standards of living. Hence, the*

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<sup>16</sup> (accessed 4 July 2002)

*right to strike should not be limited solely to industrial disputes that are likely to be resolved through the signing of a collective agreement; workers and their organizations should be able to express in a broader context, if necessary, their dissatisfaction as regards economic and social matters affecting their members' interests (see Digest, op. cit., paras. 479, 480 and 484). Recalling that the charge of obstruction of business carries extremely heavy penalties (maximum sentence of five-years' imprisonment and/or a fine of 15 million won), the Committee emphasizes that such a situation is not conducive to a stable and harmonious industrial relations system and once again requests the Government to bring section 314 of the Criminal Code in line with freedom of association principles.*

...

*505. ... the Committee must note with serious concern that it has examined the phenomenon of police intervention in activities linked to collective labour disputes - on grounds of defending national law and order as well as the national economy - leading to the large-scale arrest and detention of workers on various occasions in the past in the Republic of Korea. While noting that reliance on police intervention in labour disputes is the result of the Government placing a heavy emphasis on the security and stability of the country, the Committee is of the view that this sort of action only serves to aggravate industrial disputes. This point of view appears to be borne out by the complainant's assertion which is not disputed by the Government that the number of unionists arrested or detained in 2001 has increased dramatically in comparison to previous years. The Committee is convinced that it will not be possible for a stable industrial relations system to function harmoniously in the country as long as trade unionists are the subject of arrests and detentions. In view of the deteriorating social climate prevailing in the country, the Committee believes it would be particularly appropriate for the authorities to pursue measures which would allow for the building of an industrial relations system based on a climate of confidence. The Committee therefore urges the Government to take the appropriate measures so that the persons detained or on trial, as a result of their trade union activities, are released or that the charges brought*

*against them are dropped. In the case of persons charged with violence or assault, the Committee asks the Government to ensure that these charges are dealt with as soon as possible. It requests the Government to provide information concerning measures taken on all these points.*

28. *The Republic of Korea has yet to ratify four of the eight Fundamental ILO Conventions including: the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87); the Right to Organize and Collective Bargaining Convention, 1949 (No. 98) the Forced Labour Convention, 1930 (No. 29); and the Abolition of Forced Labour Convention, 1957 (No. 105).*
29. *Since 1998 there have been over 700 trade unionist gaoled in the Republic of Korea. The type of free trade agenda pushed by the Productivity Commission holds that if Australian industry is unable to compete with a society such as Korea where unionists are routinely imprisoned then that Australian industry is too "inefficient" to be worth supporting. This is the level playing field upon which the Productivity Commission apparently wants Australian workers to compete. The statutory duty of the Productivity Commission surely obliges the Productivity Commission to have regard to the working conditions of workers within nations that the Productivity Commission would have Australia compete in a free trade environment.*

### **Thailand**

30. *The case of Thailand is interesting for a number of reasons not least because in September 2002 Dr. Supachai Panitchpakdi will take over as the world's chief spokesperson for free trade - the director-general of the WTO. Dr Supachai is a former Minister in the Thai government.*
31. *In November 1999 Ministers Downer and Vaile visited Thailand for a Joint Ministerial Commission meeting. At that meeting the Ministers sat down with Dr Supachai to "run through the full range of bilateral foreign and trade policy issues". In a speech to the Thai-Australia Automotive Industries the night before the Ministerial Mr Downer sung the praises of the Thai auto industry:*

*"The automotive sector in Thailand has truly distinguished itself.*

***It is well recognised that, rather than devoting resources into the development of a national car, Thailand has benefited from its foresight in seeking to encourage the world's leading manufacturers to establish a presence here.***

***As a result of this policy, and strategic investments over several years by international car and parts producers, Thailand is well on the way to becoming a manufacturing hub for auto products in Southeast Asia.***

***The surge in recent Thai auto exports to Australia reflects this. Thai one tonne truck export to Australia now make up around 80 percent of the Thai retail sales market for these vehicles, while the great majority of four wheel drive vehicles sold in Australia come from this country.***

***These trends highlight Australia's importance as a market to Thailand and other countries in the region.***

- 32. At the time Thai tariffs on motor vehicles were around 80%<sup>17</sup>. Currently Thai auto components attract tariffs of between 5 and 42 per cent for component parts and a tariff of 33 per cent for components exported as completely knocked down vehicles. The government also provides assistance for some sectors of the auto-components sector and has and revised import conditions for automotive parts imported under Completely Knocked Down (CKD) category.***
- 33. In its recent free trade agreement "scoping study" DFAT makes the following pertinent observations in relation to Thailand's approach to trade policy<sup>18</sup>:***

***In reality, tariffs on goods exported by Australia are higher than those suggested by the current tariff structure, due to the exemption of certain sectors or sub-sectors from this structure. Thailand's simple average tariff rate remains high, averaging around 18 per***

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<sup>17</sup>Productivity Commission 2002, at page 76.

<sup>18</sup>

**cent. Current applied tariffs exceed 30 per cent for significant import lines. For example, motor vehicles attract tariffs of up to 80 per cent, beef 60 per cent and fish 60 per cent.**

**...**

**Thailand's excise taxes can discourage exports by significantly increasing the landed price of imports. Excise taxes are 25-31 per cent for gasoline, 50-53 per cent for beer, 50-55 per cent for wine, 50 per cent for luxury items such as yachts and wool carpets, and 35 per cent tax for distilled spirits. In the case of wheat imports, the import tax surcharge and excise tax amount to about US\$23 per tonne. For passenger motor vehicles, excise taxes are 35-48 per cent, on top of import tariffs of 80 per cent.<sup>7</sup>**

**...**

**With the onset of the 1997-98 economic crisis, Thai MFN tariff rates applying on CBU PMVs were increased significantly to 80 per cent. Tariffs on CBU medium and heavy trucks and buses currently stand at 40 per cent (30 per cent for vehicles without bodies), while the tariff on pick-up trucks is 60 per cent. With a view to encouraging local assembly, a much lower tariff applies to PMV and pick-up truck CKD components. Nevertheless, in removing local content requirements in January 2000 in line with WTO commitments, the CKD component tariff was increased from 20 to 33 per cent. Significantly higher tariffs apply for components not brought in as CKD material (i.e. replacement parts).**

**...**

**9. Australian motor vehicle and component exports to Thailand are very modest. Motor vehicle exports in 2000 were of medium-sized PMVs in complete knock down (CKD) form and valued at only US\$19 million, although Australia still had a 3.4 per cent share of the Thai import market. However, this CKD trade has since fallen to negligible levels. Component exports in 2000 were valued at US\$6 million. Brake pads and linings and miscellaneous parts and accessories accounted for some 70 per cent of total component exports. In contrast to Australia's modest exports to Thailand, Australia has been a fast growing market for Thai motor vehicle exports. From negligible levels just five years previously, Thailand had become Australia's fourth largest source of imports in 2000, with imports valued at over US\$400 million. Trade in 2001 has however declined by some 25 per cent on 2000 levels. Australia accounted for**

**23 per cent of total Thai motor vehicle exports in 1999, up from 11 per cent in 1998. Imports are predominantly of light trucks, specifically pick-up trucks. In 2000, these imports**

- 34. In an environment where the Thai government had high levels of protection applying to its automotive industry and the Australian government was unilaterally decreasing its tariffs, Thai imports to Australia increased dramatically whereas Australian exports to Thailand remained "modest". Such is the subjugation of Australia to the free trade agenda that the Howard Government response was to congratulate Thailand and propose the further unilateral (if necessary) reduction in assistance to the Australian industry.**
- 35. Unlike Korea, Thailand does not have have hundreds of trade unionists in gaol, however, it is notable that core labour standards have not always been observed and a number of fundamental conventions have not been ratified.**
- 36. In 1991 the ILO made the following statement in relation to Thailand:**

**462. At the outset, the Committee must explain, in reply to the Government's comment concerning the application of the principles on freedom of association based on the level of social and economic development, that trade union rights, like other basic human rights, should be respected no matter what the level of development of the country.**

**463. The Committee notes with regret that the State Enterprise Labour Relations Act, enacted on 15 April 1991, gives rise to numerous serious problems of compatibility with the ILO's principles on freedom of association, both from the point of view of the right to form and join organisations of a public enterprise employee's own choosing, the right to collective bargaining and the right to promote and defend workers' interests through strike action. In particular, the Committee expresses its concern over the following facts: the administrative dissolution of trade unions; the obligation to establish one employees' association per enterprise; the transfer of union assets, in some cases, to the Thai Red Cross Society; the impossibility of such associations to affiliate to national federations; strict control by the Interior Minister and the Registrar over the creation and functioning of the new associations; absence of genuine bargaining; the unfair composition of the national level State Enterprise Employee Relations Committee; and the total ban on strikes in state enterprises.<sup>19</sup>**

**37. In 2001 the ILO observed:**

**4. Article 1(d). The Committee previously noted that penalties of imprisonment (involving compulsory labour) may be imposed for participation in strikes under the Labour Relations Act: (i) section 140 read together with section 35(2), if the Minister orders the strikers to return to work as usual, being of the opinion that the strike may cause serious damage to the national economy or hardship to the public or may affect national security or be contrary to public order; (ii) section 139 read together with section 34(4), (5) and (6), if the party required to comply with an arbitrator's award under section 25 has done so, if the matter is awaiting the decision of the Labour Relations Committee or a decision has been given by the Minister under section 23(1), (2), (6) or (8) or by the committee under section 24, or if the matter is awaiting the award of labour disputes arbitrators appointed under section 25.**

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<sup>19</sup>See the Complaint Against the Government of Thailand ..... (accessed at <http://ilolex.ilo.ch:1567/english/ccolistE.htm#mst> on 4 July 2002)

***The Government states in its latest report that the Minister shall exercise the powers conferred under section 35 in the case where the strikers may cause serious damage to the national economy or to the public order, and shall not exercise such powers to intervene in any peaceful strike which does not give that effect. The Committee wishes to point out once again that, under the abovementioned provisions of the Act, penalties of imprisonment involving compulsory labour may be imposed for participation in strikes not only where they concern essential services in the strict sense of the term (that is, services whose interruption would endanger the life, the personal safety or the health of the whole or part of the population), but also in a wider range of circumstances which cannot be held to be removed from the scope of Article 1(d) of the Convention.<sup>20</sup>***

- 38. Thailand is yet to ratify four of the eight Fundamental ILO Conventions including: the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87); the Right to Organize and Collective Bargaining Convention, 1949 (No. 98); the Discrimination (Employment and Occupation) Convention, 1958 (No. 111); and the Minimum Age Convention, 1973 (No. 138).***
- 39. The AMWU again asks why Australian industry is expected to compete on a "level playing field" when in the case of Thailand for example, there has been no reciprocity in market access and core labour standards are not adequately observed by the government.***

#### ***Australia's International Obligations In Relation to Its Own Workforce***

- 40. The question must also be posed that if the changes that the Productivity Commission has in mind for the industrial landscape put Australia in breach of international core labour standards, is it fair that other countries have to compete with Australia? This issue and equally the interests of Australian workers dictate that the Productivity Commission should examine the international obligations that Australia has ratified with respect to international***

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<sup>20</sup>See CEAR: Individual Observation concerning Convention No. 105, Abolition of Forced Labour, 1957 Thailand (ratification 1969) Published: 2001 accessed at ILO website <http://ilolex.ilo.ch:1567/english/ccolistE.htm#mst> on 4 July 2002.



**labour conventions if it is to properly fulfil its statutory function. For instance the Workplace Relations Act 1996 has already attracted the attention of the ILO on a number of occasions. Given section 8(e) of the Productivity Commission Act 1996 it is not appropriate that the Productivity Commission not only fail to explicitly consider Australia's international obligations in that regard but that it goes further and suggests reforms that may well further compound Australia's breaches of its own international obligations. The AMWU notes particularly the following extracts that have been taken from recent observations from the ILO:**

**CEACR: Individual Observation concerning Convention No. 87, Freedom of Association and Protection of the Right to Organise, 1948 Australia (ratification: 1973) Published: 2001**

**...**

**Concerning industrial action threatening to cause significant damage to the Australian economy, the Government stresses that the AIRC is not required to terminate the bargaining period (and thereby divesting the action of protected status) but rather has discretion to do so, and that conciliation and arbitration procedures are then available to the parties. In the view of the Committee, however, since there remains a very real possibility for workers and their organizations to be subject to sanctions for taking such strike action, industrial action threatening to cause significant damage to the Australian economy is essentially prohibited. The Committee recalls that strike action may be restricted or even prohibited in essential services, namely, those services the interruption of which would endanger the life, personal safety or health of the whole or part of the population (see General Survey on freedom of association and collective bargaining, 1994, paragraph 159). However, prohibiting industrial action that is threatening to cause significant damage to the economy goes beyond the definition of essential services accepted by the Committee, as does the reference in the Act to action affecting trade, commerce and the provision of a public service.**

**The Committee again requests the Government to take measures to amend the provisions of the Workplace Relations Act referred to above, to bring the legislation into conformity with the requirements of the Convention.**

**2. Trade Practices Act, 1974. Secondary boycotts. In its previous comments, the Committee noted that section 45D, as amended (section**

**45D, 45DA and 45DB), continues to render unlawful a wide range of boycott activity directed against persons who are not the employers of the boycotters and that breach of this provision could be sanctioned by severe pecuniary penalties, injunctions and damages. While noting the Government's statement that the penalties imposed are maximum amounts, and that injunctive relief is not granted lightly, the Committee must again note with regret that the Act prohibits a wide range of boycott and sympathy action. The Committee again recalls that a general prohibition on sympathy strikes could lead to abuse and that workers should be able to take such action, provided the initial strike they are supporting is lawful. Since the provisions are not in conformity with the principles of freedom of association, sanctions should not be imposed. The Committee again expresses the firm hope that the Government will amend the legislation accordingly, and will continue to provide information as to the practical application of the boycott provisions of the Act.**

**CEACR: Individual Observation concerning Convention No. 98, Right to Organise and Collective Bargaining, 1949 Australia (ratification: 1973) Published: 1998**

...

**Article 4.4. The Committee notes that one of the principal objects of the Act, as set out in section 3(b), is "ensuring that the primary responsibility for determining matters affecting the relationship between employers and employees rests with the employer and employees at the workplace or enterprise level". This emphasis on direct employee-employer relations is particularly evident in Part VID of the Act regarding Australian workplace agreements (AWAs), which are defined in section 170VF: "an employer and employee may make a written agreement, called an Australian workplace agreement, that deals with matters pertaining to the relationship between an employer and employee". This Part promotes AWAs, which are essentially individual in nature, over collective agreements, through simpler filing requirements in comparison with the collective certification procedure, the advice and assistance of the Employment Advocate and giving AWAs primacy over federal awards and state awards or agreements, and over certified agreements, unless the certified agreement is already in operation when the AWA comes into operation (section 170VQ). Once there is an AWA in place, a**

***collective agreement certified under the Act cannot displace it. In addition, under Part XV of the Act, providing for the extension of the provisions of the Act to the State of Victoria, when a collective employment agreement ceases to be in force, it is replaced by "an individual employment agreement with the same terms" (section 516). The Committee concludes that primacy is clearly given to individual over collective relations through the AWA procedure. The Committee considers that the provisions of the Act noted above do not promote collective bargaining as required under Article 4 of the Convention. It, therefore, requests the Government to indicate in its next report any steps taken to review these provisions of the Act and to amend it to ensure that it will encourage collective bargaining as required by Article 4 of the Convention.***

**5. The Committee notes that with respect to the levels of bargaining, a clear preference is given in the Act to workplace/enterprise-level bargaining, as evidenced in section 3(b), as noted above, as well as section 88A(d) which charges the Australian Industrial Relations Commission with exercising its functions and powers regarding awards in a manner "that encourages the making of agreements between employers and employees at the workplace or enterprise level". Regarding certified agreements, Part VIB of the Act sets out a series of provisions facilitating single-business agreements, and giving them priority over multiple-business agreements. Section 170L states that the object of the part "is to facilitate the making, and certifying by the Commission, of certain agreements, particularly at the level of a single business or part of a single business". Preference for enterprise-level bargaining is also evidenced in sections 170ML and 170MU which, as noted above, provide some protection in the case of industrial action taking place during the bargaining period for certified agreements. However, due to section 170LC(8), this protection is not afforded with respect to the negotiation of multiple-business agreements. The Committee also notes that a multiple-business agreement can only be certified pursuant to section 170LC if it is found to be "in the public interest to certify the agreement" taking into consideration whether the matters could be more appropriately dealt with in a single-business agreement. In short, the determination of what level of bargaining is considered appropriate is placed in the hands of the Commission, which is mandated to give primary consideration to single-business agreements and to use the criterion of "the public interest". The Committee is of the view that conferring such broad powers on the authorities in the context of collective agreements is contrary to the principle of voluntary bargaining.**

**6. The Committee recalls that, since the Convention contemplates voluntary collective bargaining, the choice of the bargaining level should normally be made by the partners themselves, and the parties "are in the best position to decide the most appropriate bargaining level" (see General Survey on freedom of association and collective bargaining, 1994, paragraph 249). The Committee requests the Government to review this issue and amend the legislation in the light of the requirements of the Convention.**

- 41. The Productivity Commission nowhere deals with Australia's international obligations with respect to labour standards. The AMWU submits it is bound to have regard to such matters.**

#### **International Trade Obligations**

- 42. While the Productivity Commission does not discuss Australia's international labour obligations it does deal with Australia's international trade obligations.**

#### **WTO Obligations**

- 43. WTO obligations do not support a reduction in tariff protection or assistance to the Australian automotive industry. The Productivity Commission itself observes:**

**Members commit to 'binding' their tariffs and not imposing rates of duty above 'bound' rates. As Australia's automotive tariff rates are well below its bound rates, these commitments do not bear on any feasible post 2005 tariff options.<sup>21</sup>**

- 44. In relation to ACIS, the Productivity Commission observes that ACIS was designed by with WTO obligations in mind. It is worth noting at this point that many forms of industry assistance are not prohibited by the WTO. For instance, under the WTO the government remains able to offer subsidies and other incentives to attract investment in certain industries. While there would appear to be a potential problem where subsidies are explicitly linked to export or trade targets, if WTO rules are to be complied with the government must simply be mindful of the relevant obligations and design assistance accordingly.<sup>22</sup> If recent history is anything to go by this will doubtlessly be exactly the approach Australia's trading partners will take in order to maintain and / or promote their automotive industries.**

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<sup>21</sup> Productivity Commission 2002, at page 114.

<sup>22</sup> See for example the discussion of the effect of the WTO disallowance of the Auto Pact in the Canadian Auto Workers discussion paper *Getting Back In Gear: A New Policy Visions for Canada's Auto Industry*, May 2002, Toronto. The paper can be accessed at [www.caw.ca](http://www.caw.ca).

## **APEC Obligations**

45. *The Productivity Commission observes that Australia has no binding commitments under APEC. The Productivity Commission also acknowledges that there "has been some uncertainty about how liberalisation to meet the goal of free and open trade in the region will proceed"*<sup>23</sup>
46. *It is therefore extremely disappointing that despite the Commission's own modelling suggesting that there are no gains to the Australian economy overall from a unilateral reduction in tariffs<sup>24</sup> and that at least according to the Productivity Commission reductions in Australia's tariff rate will have virtually no effect vis-a-vis our ability to negotiate a lowering of other nations protection in the automotive industry,<sup>25</sup> the Productivity Commission nevertheless maintains that Australia should indulge in the kind of symbolic and apparently empty gesture that Australia, "as an APEC leader" is for free trade.*
47. *A symbolic gesture is patently inadequate to justify the negative consequences and missed opportunities that will flow from the course of action advocated by the Productivity Commission.*

## **Conclusions**

48. *The state of the global automotive industry means that Australia can ill afford to continue its neo-classically inspired free trade approach to trade policy. The Productivity Commission must go beyond its philosophical commitment to free trade and accord the types of broader socio-economic factors identified in this submission greater weight when finalising its position on automotive assistance. Should it do so the AWMU submits that the Productivity Commission will not reach the conclusions it has in its Position Paper. There is simply no reason for the Productivity Commission to continue to take a free trade for free trades sake approach. Australia's unilateral commitment to free trade in the automotive industry is not in Australia's best interests and should be abandoned.*

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<sup>23</sup>Productivity Commission 2002, at page 114.

<sup>24</sup>It should be noted that the AMWU's view is that not only will there be no gains but there will be a substantial loss.

<sup>25</sup>Productivity Commission 2002, at page 83 and 116.

***APPENDIX FOUR***

***PRELIMINARY REPORT  
ON THE PRODUCTIVITY  
COMMISSION  
POSITION PAPER***

***PREPARED BY  
DR JOHN BUCHANAN  
ACCIRRT***

***JULY 2002***

# ***'No workplace is an island'***

***An initial assessment of the Productivity Commission's Review of Automotive Assistance Position Paper of 2002 analysis and recommendations concerning labour related issues.***

***Prepared by Dr John Buchanan, Australian Centre for Industrial Relations Research and Training (ACIRRT),  
University of Sydney.***

***18 July 2002***



## **1. Purpose**

***This document has been prepared to provide an initial critical assessment of labour related issues contained in the Productivity Commission's 2002 position paper concerning the Review of Automotive Assistance.***

***It has been funded by the AMWU and the ACTU. The research team which I am leading on this topic has had complete independence in preparing this analysis. The final report will be provided to our clients for their submissions to the Parliament of Australia in September.***

## **2. Basis of this assessment**

***The researchers involved in preparing this critical assessment have extensive experience in studying the changing nature of work in contemporary Australia. In particular, we have conducted or assisted in the conduct of a number of studies of labour related issues in the Australian automotive sector. The two most important have been:***

- a comprehensive analysis of labour issues in the Australian car industry prepared for the last review of automotive assistance in 1997 (Ernst and Young et al 1997)***
- involvement with the team that recently completed a study of the future skill requirements for Victorian manufacturing. One part of this project focused on the auto industry and another on the metal and engineering sector which included a number of suppliers to the auto industry. This research has recently been released by the Office of Training and Tertiary Education (OTTE) of the Victorian Department of Education and Training (Buchanan 2002).***

## **3. Overall finding: grasp of supply chain and lean production arrangements is superficial**

***The analysis and policy suggestions of the report are partial and partisan. This arises from its distinctive understanding of supply chain and lean production realities.***

***(a) Understanding of the supply chain***

***Outwardly the report, especially in Chapter 5, purports to recognise the importance of `supply chain' issues as a matter of major concern for the future competitive success of the sector. A careful reading reveals, however, that an `enterprise as island' mindset actually pervades the analysis and especially the policy suggestions. Most attention focuses on how to get the different elements of the supply chain `working better.' At no stage does the text acknowledge or analyse the industry as a network of production that is significantly more than the sum of its parts. Focusing on how to improve the parts on the assumption that this will improve the whole misses the core dynamics at work in the sector and how they could be improved to function better. The key dynamic to grasp in this context is that associated with cost shifting and cost down pressures widely recognised as one of the key features of the modern supply chain in the car industry. The implications for this for analysis and policy can only be properly understood in the context of its equally superficial grasp of the realities of lean production.***

***(b) Understanding of lean production***

***The report displays a remarkably uncritical understanding of what lean production involves. The hallmarks of this approach for labour management are commonly regarded (and assumed by the Commission) as being:***

- a focus on the deployment and not the cost of labour - hence the underlying preoccupation of management with eradicating all forms of waste through processes of continuous improvement***
- efficiency being gained through smarter, not harder work***
- increased worker autonomy through teams***

- *delegated responsibility and greater participation by employees*
- *a more qualified workforce*
- *employment based on security and trust*
- *cooperative industrial relations (Womack et al 1990, Ernst and Young et al 1997: 73-74).*

*Attractive as these features of labour management may sound there is now overwhelming evidence from studies around the world (and Australia) that more often than not that the reality of lean production more commonly involves:*

- *management by stress*
- *'lean empowerment' ie responsibility without resources*
- *multi-tasking not multi-skilling*
- *tension in industrial relations due to breaches of trust by management*
- *preoccupation with deploying labour resulting in little or no capacity to develop skills for the future, especially at trade and technician level (Ernst and Young et al 1997: 74-77).*

*The Commission report provides little evidence that the authors have any grasp of these realities.*

#### **4. *Implications of the text's key assumptions for analysis***

*The analysis of labour related issues identifies unions and formal industrial relations arrangements as 'the problem' and neglects the*

*legacy of supply chain cost down pressures and lean production arrangements on workplace culture and practice.*

*The analysis of industrial relations issues is particularly partisan. At no stage is any consideration given the fact that management structures and arrangements may be a cause of IR problems. All such problems, according to the report, arise from 'ignorant' unionists who fail to recognise their 'common interest' with employers.*

*Not all employers and employer advocates have been so partial in their analysis. Roger Boland, arguably one of Australia's more thoughtful and perceptive employer advocates in the 1980s and 1990s, observed in 1998 that problems in enterprise bargaining were not just caused by unions - employers too had contributed to the negative situation. As he put:*

*Where employers have adopted a bargaining strategy, in many instances it is driven by an exclusive desire to cut costs rather than pursue innovation...*

*... as an exclusive enterprise bargaining strategy it is an unbalanced, short term solution that does not pay anywhere near sufficient regard to the value of employees and the contribution they have made to the business and can continue to make in the right workplace environment. (Boland 1998: 3-4)*

*He argued that such approaches sometimes arose in response to strategies unions themselves adopted. But he also noted that they were often the preference of employers, irrespective of union strategy. Acknowledgement of these realities is totally absent from the Productivity Commissions position paper.*

*The partial and partisan nature of the Commission's IR analysis is particularly apparent in its consideration of the problem of 'demarcations.' Once again such problems are portrayed as purely union creations. But the report on future skill needs in the Victorian*

*auto industry provided a more balanced account of the issue. For example, it noted that:*

*Skill utilisation at the trades level was regarded as inefficient by both management and employees but for different reasons. Employees reported a lack of career paths as opportunities for progression of trades persons no longer matching new and high levels of skills. Progression for mechanical trades employees was also seen as inhibited by demarcations between mechanical and electrical trades. This view was also supported by management but opposed by the ETU on safety and training grounds.' (Buchanan et al 2002: 162)*

*Where the Commission only sees arbitrary union driven rigidities getting in the way of flexible management, more sensitive researchers have identified issues that require a little more sophisticated understanding if they are to be properly understood and solved.*

*The same deficiencies are evident in the Commission's assessment of skill formation. It blithely asserts that 'there is no evidence currently of a skills crisis in the Australian automotive industry, although there are emerging shortages in some particular areas.' Remarkably there appears to be no recognition of the profound challenges facing the toolmaking sector in attracting apprentices and retaining skilled trades people (Buchanan et al 2002). More importantly there is no recognition that a crisis is in the making on the skill formation front. Intakes in apprentices and technician cadets have been down for several years. Our analysis of this sector for the Victorian government revealed that lean production strategies were eroding the capacity for effective systems of on the job training. As such the current situation is best understood as one akin to 'farmers eating their seeds.' Such a situation can prevail in the short run but longer term it is simply unsustainable (Buchanan et al 2002). No recognition of this reality informs the Commission's analysis.*

##### **5. Implications for the Commission's policy recommendations**

***With such a deficient analysis of the issues it is unsurprising that the Commission should offer limited and limiting policy options. These essentially boil down to 'educating' workers and employers in communication skills and basic economics. More insidiously it advocates reducing the rights of workers both in terms of how they organise their collective means of representation and their bargaining options. And when it comes to skill formation the only serious recommendation concerns the need to review structures of policy advice (ie the ITABs). Ironically pragmatic recognition is given to the need to address the problem of protecting workers' entitlements on an industry or national basis. This is, however, raised as an ad hoc proposal. There is no serious reflection on other industrial relations and skill formation policy options.***

*With its 'enterprise as island' mindset the report assumes that 'competitive market pressure' is the only possible spur for change and innovation. It is clearly unable to grapple with the growing industrial relations and labour market policy literature which has identified the importance of designing systems of regulation to capture the benefits of coordination at sector and national level as well as providing for the benefits of flexibility and some autonomy at workplace and enterprise level. The concept underpinning this approach to policy is that of 'coordinated flexibility' (Schmid 1993: 456-458). This is in fact the kind of the regime that has delivered the major improvements in performance to date as noted briefly in Chapter 3 and at the beginning of chapter 5.*

#### **6. Likely outcomes of the proposed reforms**

*The legacy of many years of lean production is not a workforce chaffing at the bit to reach common purpose through partnership with management. As Roger Boland noted in 1998 the cost cutting approach to workplace change:*

*is creating a backlash amongst workers manifested in intense feelings of job insecurity, disillusionment, lack of trust, 'reform fatigue' and a shift to greater militancy. (Boland 1998: 3)*

*Some employers have avoided this outcome through adopting a farsighted approach to labour management. Such employers are, however, much less common than most managers think. The lessons from overseas are instructive in this regard. General Motors UK was certain it had broken through the class divide with its 'person to person' approach embodied in its Quality Network Production System of the late 1980s and early 1990s. And even after 15 years of Thatcher/Major labour market reforms GM suffered several intense, widespread disputes over wages, hours of work and outsourcing in 1995 and 1996 (Stewart 1996). Indeed, the experience of the UK car industry is highly instructive in this regard. Many of its problems were attributed to labour issues and after many years of bitter disputes and legislative change management power was enhanced considerably. The end result, however, has been an industry unable to arrest secular decline (Williams*

*et al 1994). Even the stories of success, such as of Jaguar are instructive. Done, a Financial Times journalist provided perceptive commentaries into the transformation of this company in the 1980s. One of his conclusions was that one of the major problems Jaguar management faced was building a 'world-class car company' in a 'non-world-class economy' (Pettigrew and Whipp 1993: 2-3). An economy is more than the sum of individual enterprises. It is a series of financial and physical flows organised around distinctive social relations of production and consumption. If these flows are not well organised performance at sector and national level will be suboptimal (Williams et al 1994: 14-95). Preoccupation with one element of the system (eg 'the firm') results in both analytical and policy failings. The key challenge is to work with economic realities and not deny or ignore their existence. There is a growing literature on these matters. It is to a consideration of the key ideas from that literature that we now turn.*

**7. *Another approach is possible: deepening embryonic mechanisms of coordinated flexibility***

*The example of the UK is sobering. The Commission (along with AIG and the Federal Government) appear to believe legislative change directed at weakening unions will solve most of the Australian car industry's problems. History, it would seem, is not on their side. Nor, is current reality. As the Commission itself notes in Box 3 (p XXII) the world car industry currently has the capacity to produce 30 percent more output that it can sell (see also Brenner 2002: especially at 259). This is a sobering fact that will require genuinely novel approaches to innovation, marketing and productivity growth if the industry is to survive. It will require the active cooperation of all players. It means establishing arrangements which ensure that the whole is more than the sum of the parts ie building policies on the reality of no workplace being an island. Initiatives based an 'enterprise as island' mindset are simply outdated. They come from a different age where firms could survive and compete on their own. If the industry is to grow and prosper it needs to build and creatively manage difference - not try to suppress it. All disputes are not unreasonable. Sometimes managers make silly decisions. Sometimes disputes make them think harder about issues*



***and not simply follow the management fashion of the day. The challenge is to build on the structures that have delivered success so far. This sentiment was expressed neatly by a senior assembly plant manager we interviewed in the recent Victorian study:***

***I feel that the company is now `surviving' on the late 1980's reforms and structures. The time is right for a rethink/review of current directions. I am not sure of the extent that view would be accepted by either management or employees but this is my view (Buchanan et al 2002: 181).***

***As we note in the Victorian report managers were proud of their achievement to date but they were frustrated with the rate and direction of change. While they could describe the problems, few offered clear suggestions for the future. Most managers and workers suffer from `cost down' and `lean production' based pressures. Few have the time or the energy for strategic thinking about the future. This leads us to conclude that on their own enterprise level management and workers will not deliver the skill base needed for a strong auto manufacturing sector in the future. As Richard Jenkins put it:***

***As in the late 1980's National Award Restructuring and National Training Reform Agenda push there seems to be a need for an energising push from outside the enterprise (Buchanan et al 2002: 182).***

***The suggestions arising from the analysis recently completed on the future skill needs of the Victorian manufacturing sector were clear. A new social coalition needs to be established to promote the development of quality, sustainable jobs in manufacturing. Such a coalition needs to be led by a Government committed to revitalising the manufacturing sector in conjunction with all relevant players: employers, unions, labour hire firms and training providers. And a range of new initiatives needs to be devised through a rigorous program of publicly funded pilot programs that explicitly address the problem of rebuilding effective systems of on-the-job training in an era of lean production. In addition, new brokerage mechanisms need to be***

***established at regional and sectoral to help firms coordinate those activities where there are major benefits from collaboration (eg training, R and D, developing export markets). The establishment of such arrangements would provide a very different environment in which to discuss different approaches to dispute settlement. The prerequisite for their effective formulation requires researchers and policy makers with open and creative minds, not minds closed by the rigidities associated with the enterprise as island mindset.***

## **8. Conclusion**

***This is only our initial assessment of the Commission's labour related findings. In short our key findings are:***

- ***the report is informed by a very superficial grasp of the realities of the supply chain and lean production***
- ***this results in an overemphasis on unions as a source of labour problems and a neglect of the problems arising from labour management strategies preoccupied with deploying labour to the detriment of developing labour (ie lean production)***
- ***its policy suggestions therefore focus on trying to `solve' problems at enterprise level and neglect developing options for developing mechanisms of coordinated flexibility that would enhance the performance of the sector at large as well as individual firms and workplaces within it***
- ***the labour policies proposed have been tried in the UK. While they did enhance the management prerogative, only a few islands of excellence prospered as the bulk of the industry has gradually declined in terms of valued added and output***
- ***a broader range of policies needs to be considered and these should build on the structures and practices developed to date ie embryonic structures of coordinated flexibility***
- ***these findings are supported by and often derived from our recent independent analysis of the auto industry in Victoria***
  - ***a report which found that the problem of lean production and supply chain pressures were of more concern to workers and employers at workplace level than issues of a formal `industrial relations' nature.***

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***APPENDIX FIVE***

***INDUSTRIAL DISPUTE  
STATISTICS***

***IN THE***

***AUSTRALIAN AUTOMOTIVE  
INDUSTRY***

***JULY 2002***

***The AMWU maintains that the ``analysis'' of strike statistics in the auto industry in both the PC report and the report of Tony Abbott's Department is superficial at best.***

***There are many factors that can influence long term trends in the duration and incidence of industrial disputation and how such factors impact on different industries, firms or groups of workers in different countries or regions. Such factors can include:***

- ***In many countries, and over long periods of time, some industries (such as coal, mining, construction and manufacturing) tend to have higher levels of industrial disputation (in terms of working days lost per thousand employed) than other, particularly service, industries.***
- ***In many cases the level of industrial disputation tends to be higher in the private sector in very large enterprises compared to small businesses.***
- ***In some cases the level of industrial disputation is more a function of timing, relating to the bargaining round in a particular industry or group of industries.***
- ***In some cases the level of industrial disputation can be influenced by a single or small number of disputes that inflate the all industry average.***
- ***In some cases the level of industrial disputation can be influenced by Government policy or management practices and the differential effects on different industries in different countries.***
- ***In some cases differences in the level of industrial disputation can be a function of national data collection systems (and changes to such systems over time), employers' reporting practices or definitional differences over how industrial disputation and working days lost are calculated.***

***The first two tables attached show the level of industrial disputation as reported by employers and recorded by ABS for automotive, all manufacturing and all industries. In our assessment, given the above, the best summary of dispute statistics from ABS is that presented in Table Two, which better represents long term trends. Tables three and four highlight some of the factors noted above and suggest disputation in Australia's auto industry is not out of line with international trends. We emphasise that table four in this appendix and table two in Part Two showing Korean data are preliminary and we will ask independent experts to validate the data before our final submission is made to the Parliament of Australia.***

**TABLE ONE**  
**WORKING DAYS LOST PER THOUSAND EMPLOYED**

| <b>YEAR TO<br/>DECEMBER</b> | <b>MOTOR<br/>VEHICLE &amp;<br/>PART<br/>MANUFAC-<br/>TURING</b> | <b>ALL<br/>MANUFAC-<br/>TURING</b> | <b>ALL<br/>INDUSTRIES</b> |
|-----------------------------|---|------------------------------------|---------------------------|
| 1984                        | 325   | 385                                | 220                       |
| 1985                        | 419   | 278                                | 223                       |
| 1986                        | 655   | 367                                | 239                       |
| 1987                        | 359   | 367                                | 220                       |
| 1988                        | 269   | 385                                | 266                       |
| 1989                        | 514   | 340                                | 185                       |
| 1990                        | 103   | 601                                | 207                       |
| 1991                        | 75  | 798                                | 248                       |
| 1992                        | 257   | 272                                | 147                       |
| 1993                        | 315   | 237                                | 100                       |
| 1994                        | 34  | 120                                | 76                        |
| 1995                        | 210   | 154                                | 79                        |
| 1996                        | 543   | 100                                | 131                       |
| 1997                        | 160   | 139                                | 75                        |
| 1998                        | 158   | 93                                 | 72                        |
| 1999                        | 486   | 185                                | 87                        |
| 2000                        | 109   | 140                                | 61                        |
| 2001                        | 281   | 189                                | 50                        |

**SOURCE:** *Data commissioned by AMWU from the Australian Bureau of Statistics for 1985-2001.*

*Data for 1984 taken from Auto Industry Authority Reports except all industries which is a best guesstimate. This was done to get 3 six year periods commencing from the start of the Button Car Plan. All data rounded to the nearest 1 working day lost.*

**TABLE TWO**  
**AVERAGE ANNUAL WORKING DAYS LOST PER THOUSAND EMPLOYED**

| <b>YEAR TO DECEMBER</b>    | <b>MOTOR VEHICLE &amp; PART MANUFACTURING</b> | <b>ALL MANUFACTURING</b> | <b>ALL INDUSTRIES</b> |
|----------------------------|---|--------------------------|-----------------------|
| <b>1984-89</b>             | <b>425</b>                                    | <b>354</b>               | <b>226</b>            |
| <b>1990-95</b>             | <b>166</b>                                    | <b>364</b>               | <b>143</b>            |
| <b>1996-2001</b>           | <b>290</b>                                    | <b>141</b>               | <b>79</b>             |
| <b>Index 1984-89 = 100</b> |   |                          |                       |
| <b>1984-89</b>             | <b>100</b>                                    | <b>100</b>               | <b>100</b>            |
| <b>1990-95</b>             | <b>39</b>                                     | <b>103</b>               | <b>63</b>             |
| <b>1996-2001</b>           | <b>68</b>                                     | <b>40</b>                | <b>35</b>             |

**SOURCE:**      *Calculated from data in Table One.*



**TABLE THREE**

**AUTO INDUSTRY'S SHARE OF EMPLOYMENT AND  
INDUSTRIAL DISPUTATION IN AN ECONOMY WIDE  
CONTEXT: 1990 TO 2000**

|                  | <b>CANADA</b>  |   | <b>AUSTRALIA</b>   |   |
|------------------|--|---|--|---|
|                  | <i>Auto's<br/>Share of<br/>Economy<br/>Wide<br/>Employment</i> | <i>Auto's<br/>Share of<br/>Economy<br/>Wide<br/>Working<br/>Days Lost</i> | <i>Auto's<br/>Share of<br/>Economy<br/>Wide<br/>Employment</i> | <i>Auto's<br/>Share of<br/>Economy<br/>Wide<br/>Working<br/>Days Lost</i> |
| <b>2000</b>      | <b>1.5</b>   | <b>0.4</b>  | <b>0.8</b>   | <b>1.4</b>  |
| <b>1999</b>      | <b>1.5</b>   | <b>0.2</b>  | <b>0.8</b>   | <b>4.4</b>  |
| <b>1998</b>      | <b>1.5</b>   | <b>0.4</b>  | <b>0.8</b>   | <b>1.8</b>  |
| <b>1997</b>      | <b>1.4</b>   | <b>1.4</b>  | <b>0.9</b>   | <b>1.9</b>  |
| <b>1996</b>      | <b>1.5</b>   | <b>14.8</b>   | <b>0.9</b>   | <b>3.9</b>  |
| <b>1995</b>      | <b>1.4</b>   | <b>6.8</b>  | <b>0.8</b>   | <b>2.2</b>  |
| <b>1994</b>      | <b>1.4</b>   | <b>2.1</b>  | <b>0.9</b>   | <b>0.4</b>  |
| <b>1993</b>      | <b>1.3</b>   | <b>1.8</b>  | <b>1.0</b>   | <b>3.0</b>  |
| <b>1992</b>      | <b>1.3</b>   | <b>3.6</b>  | <b>1.0</b>   | <b>1.7</b>  |
| <b>1991</b>      | <b>1.2</b>   | <b>1.0</b>  | <b>1.1</b>   | <b>0.3</b>  |
| <b>1990</b>      | <b>1.3</b>   | <b>3.3</b>  | <b>1.2</b>   | <b>0.6</b>  |
| <b>Average</b>   |  |   |  |   |
| <b>1990-2000</b> | <b>1.39%</b>   | <b>3.25%</b>  | <b>0.93%</b>   | <b>1.96%</b>  |

*Source: Calculated from data commissioned from ABS by AMWU. Data provided by CAW from statistics Canada. Comparable data for 2001 was not available from Canada.*

**TABLE FOUR**  
**SHARES OF EMPLOYMENT AND DAYS LOST TO STRIKES**  
**AND LOCKOUTS:**  
**ANNUAL AVERAGE 1990-2000 (PRELIMINARY ESTIMATES)**

|                                | (A)<br>Share of<br>Economy<br>Wide<br>Employment | (B)<br>Share of<br>Economy<br>Wide<br>Disputation | (C)<br>Ratio of<br>A to B |
|--------------------------------|--|---|---------------------------|
| <b>Japan (All Manuf)</b>       | <b>25.1%</b>                                     | <b>24.6%</b>                                      | <b>0.98</b>               |
| <b>Canada (Auto)</b>           | <b>1.39%</b>                                     | <b>3.25%</b>                                      | <b>2.34</b>               |
| <b>Australia (Auto)</b>        | <b>0.93%</b>                                     | <b>1.96%</b>                                      | <b>2.11</b>               |
| <b>Mexico (All<br/>Manuf)</b>  | <b>21.9%</b>                                     | <b>71.0%</b>                                      | <b>3.24</b>               |
| <b>Germany (All<br/>Manuf)</b> | <b>28.5%</b>                                     | <b>71.0%</b>                                      | <b>2.49</b>               |
| <b>U.K (All Manuf)</b>         | <b>19.5%</b>                                     | <b>23.7%</b>                                      | <b>1.22</b>               |
| <b>France (All<br/>Manuf)</b>  | <b>21.9%</b>                                     | <b>47.2%</b>                                      | <b>2.15</b>               |
| <b>NZ (All Manuf)</b>          | <b>19%</b>                                       | <b>41.0%</b>                                      | <b>2.16</b>               |

**Source:** NZ calculated from ILO Year Book, statistics NZ and AMWU estimates. For Canada and Australia see Table 3. For Japan (1990-1999) data provided from Japan Council of Metalworkers Union from Government's survey of Labour Dispute Statistics. For Mexico and Germany (1993-99) ILO Year Book 2000 (public administration is excluded from both column A and B for Germany). UK (1990-99) ILO Year Book 2000. France (1994-99 excluding agriculture and public administration from both A and B). Caution is required owing to differences that may exist in definitions data collection and categorisation of activities. These preliminary estimates will be finalised in AMWU's submission to Parliament.

***APPENDIX SIX***

***NOTES***

***TO THE  
THE PRODUCTIVITY  
COMMISSION***

***PREPARED BY SAM GINDINS  
CANADIAN AUTO WORKERS UNION***

***JULY 2002***

## **NOTES RE AMWU SUBMISSION TO PRODUCTIVITY COMMISSION**

No-one has a greater interest in the productive capacity of our industry than the workers who depend on it for their livelihood. We therefore welcome any examination of the future potential of Australian industry - though the credibility of any such study depends on it truly addressing the potential of our industry, rather than simply catering to the latest demands of the auto companies or the broader anti-union agenda of the government.

The commission's focus on productivity as a social goal stems from the identification of high productivity with social well-being. But this link is conditional on two crucial factors:

1. *How we define productivity.* If productivity is about doing more with the same or less total effort, then it involves higher levels of investment in equipment and workers and improved organization of work, rather than squeezing workers harder, undermining health and safety conditions, eroding basic rights, or sacrificing the environment.
  
2. *How we share the potential benefits of productivity.* Productivity doesn't translate into social gains in the community if it only increases profits or if higher profits are shifted and invested elsewhere.

The point is that in both cases, leaving control over work and productivity to the unilateral decisions of corporations whose only goal is global profits will not benefit Australians. Social checks are necessary. If anything, the experience of the last two decades – when social power was dramatically shifted to private corporations and insecurity and inequality were correspondingly increased – confirm this necessity (recent corporate scandals, though now largely the

concern of stockholders themselves, are only a further, very graphic reminder for those who believe unrestrained markets automatically serve a broader interest).

Such social checks have, historically taken two forms in the motor vehicle industry. First, unions have acted as a countervailing force to corporate power. By limiting the ability of companies to compete through the lowering of wages and grinding down of working conditions, workers forced companies to compete by way of investments and “smarter” management”. And through struggles to share in that productivity – rather than begging for what corporations might or might not pass on – productivity did include improvements in the conditions of working people.

The other check was the policy of governments democratically elected to, amongst other things, support the development of the productive potential of our community. Tariffs and industrial policy were put in place because it was clear that without them, we couldn't build and sustain this potential.

Let's place this in the context of the present moment. If there is any message in all the talk of globalization, it is that the world has seen a stunning shift in power to corporations with a global orientation. The issue, for anyone concerned with maintaining a meaningful democracy, therefore cannot be how we give them even *more* power by removing any constraints on their action, but how we revive social regulation of their historically unique power. It strikes us as dangerously perverse that the whole thrust of this commission has been in the opposite direction.

The predominant fact about this industry today is the high levels of excess capacity. This is particularly threatening for relatively smaller countries trying to hang on to an industry that can so easily be absorbed by that excess capacity elsewhere. So, again, this seems a particularly strange time to unilaterally surrender the little leverage we have in Australia through our tariff structures and

ACIS. Once these are gone (with no plan to put anything in their place) it will be exceedingly difficult to bring them back. Should such a policy prove to be a disaster, we will therefore be left without the tools to respond. Why take this risk?

As for the changes in labour legislation being considered, workers in this industry have fought for their rights and made gains, but there is no evidence that this has in any way become a barrier to the restructuring of the industry. Labour costs are, by the standards of the developed countries of Europe, Japan, and North America, clearly on the low side; productivity has been rising significantly; restructuring has occurred with painful costs to many workers and their families; and – as an indicator of relative power in this sector - labour costs have in fact lagged the productivity increases. Why then is this commission considering changes to labour legislation that, rather than protecting workers through these changes in the industry, are directed to weakening worker's protective institutions?

The changes being advocated by the AIG amount basically to saying that unions are fine if they are completely ineffective, but a problem if they can in any way inject values other than corporate bottom lines. Moreover there is a stunning arrogance in the AI Group telling workers what they should learn, how they should think, and how they should organize themselves to address their needs. The corporate community has, as is increasingly clear, precious little to teach workers about democracy or community responsibility.

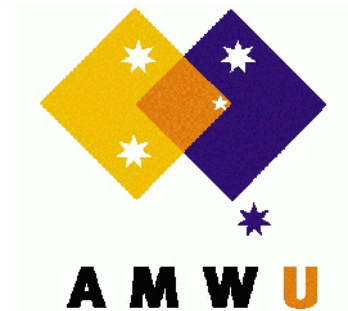
We are not suggesting that the status quo is fine and no changes need be contemplated; we obviously have all kinds of problems with that status quo. In the particular case of the industry's concern with the structure of collective bargaining, we are convinced that there is a way of addressing their concerns for a degree of stability and flexibility while also addressing the concerns of the workers that contribute to their profits.

We should, in posing this issue, be clear on the problem. The assemblers made the decision that they can be more productive if they outsourced more of their work to suppliers. In spite of objections to aspects of this direction on our part, this has now occurred (and more, affecting our vehicle builder's membership, seems on the way). After this was done, the assemblers argued that this was not enough and applied increasing pressures on the suppliers to lower their prices over and above the productivity improvements, which inevitably meant greater tensions between the suppliers and their workers. On occasion, this drive to erode standards at a time when the industry was relatively successful, not surprisingly lead to open conflicts. Now the assemblers want to complete their strategy: they want to ensure they have all the cards and are calling for removing our right to strike and affect them as if they were innocent ``third parties'' as opposed to the instigators of these structures and problems!

We accept the fact that the industry has now changed. We do not, cannot, and will not accept that this means that we must also give up our basic democratic rights as workers. We propose instead the following changes in the industrial relations system as a balanced solution to the needs of all sides:

- i) The rewards system as the basic framework for establishing and securing minimum social standards.
- ii) Industry-wide bargaining to establish the general pattern of wage and benefit increases.
- iii) Local bargaining to address the specific conditions of particular firms.

# ***APPENDIX SEVEN***



## ***CRITIQUE OF THE PRODUCTIVITY COMMISSION'S ECONOMIC RATIONALE FOR REDUCTIONS IN INDUSTRY ASSISTANCE***

***AMWU's ASSESSMENT OF THE REPORT  
PREPARED BY THE  
NATIONAL INSTITUTE OF ECONOMIC AND  
INDUSTRY RESEARCH***

***JULY 2002***



## **CRITIQUE'S OF THE PRODUCTIVITY COMMISSION'S ECONOMIC RATIONALE FOR REDUCTIONS IN INDUSTRY ASSISTANCE: AMWU'S ASSESSMENT OF THE REPORT PREPARED BY NIEIR**

*The National Institute of Economic and Industry Research (NIEIR) has undertaken an analysis of the PC's Position Paper, the economic arguments as well as the econometric analysis that purports to justify further reductions of assistance to Australia's automotive industry. This NIEIR Report was prepared for the Victorian Government (both the MMIC and DIIRD). AMWU's assessment is based on a Preliminary first draft of the Report and follow up discussions with NIEIR. It is also based on work commissioned by AMWU from NIEIR over the past several decades in relation to the debate about the contribution of industry assistance policies to building a strong manufacturing industry in this country. In summary we would make the following points<sup>1</sup>:*

- 1. The historical ABS data included in the Report prepared by NIEIR (in their draft Report to the Department of Innovation, Industry and Regional Development) was utilised by AMWU to estimate the change in real unit labour costs over the decade to 1999-2000. Our analysis suggests:*
  - Wages , salaries and supplements per person employed in the automotive industry increased by approximately 4% per annum.*
  - Labour productivity, in terms of real output per person employed (in constant 1989-90 prices), increased by nearly 5% per annum.*
  - Producer prices increased by 2% per annum.*

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<sup>1</sup>. *The Victorian Government will be submitting the NIEIR Report. It is virtually identical to the work the AMWU has commissioned from NIEIR . We will submit ours to the Parliament of Australia in September.*

***This implies a reduction in real unit labour costs in the vicinity of a third or more over the decade which is very substantial. It is also rare to find that the growth in labour productivity was actually greater than the increase in nominal labour costs. It leaves one wondering why such an important outcome is totally ignored by the PC.***

- 2. The two econometric models chosen by the PC to test the consequences of reducing assistance to the motor vehicle industry are essentially built on the same neoclassical economic assumptions and heavily biased towards the effects that changes in relative prices have in restoring equilibrium. At the end of the day the assumptions built into both models assume away the problems they were meant to investigate. This occurs because:***
  - Any loss of jobs and output in the automotive industry, and consequent increase in unemployment is assumed away. Both models simply assume that in the short term there will be a small reduction of real wages across the economy, that this will eventually restore equilibrium in the labour market and eventually unemployed capital and labour will find its way to industries with higher productivity and the nation will be better off.***
  - Any balance of payments problems that arise from a contraction in the auto industry and a surge in imports is also assumed away. Both models simply assume that in the short term the exchange rate will fall, real wages will also fall to ensure the devaluation is effective, and as a result of this, new export and import replacement activity will take place offsetting the effects of an increase in automotive imports.***
- 3. These kinds of assumptions are typical of general equilibrium models where very small changes in relative prices have very large effects in the reallocation of resources in the economy. As NIEIR puts it:***

***“..... both models in their application assume away the problem. That is labour market equilibrium, balance of payments equilibrium and savings equilibrium is guaranteed in the model applications by assigning instruments (wage rates,***

*exchange rates, fiscal policy instruments) to ensure that there is no macroeconomic disequilibrium (unemployment, excessive current account deficits, government sector financial imbalances) created by any contraction in the motor vehicle industry. Thus the model results are misleading, despite the disaggregated details in the models for throwing any light on any adverse macroeconomic activity consequences of reductions in motor vehicle industry assistance and flow on consequences for contraction in the industry. The problem is basically assumed away. The PC knows this. It is being dishonest therefore when it claims that the model results show no adverse macroeconomic outcomes for economic activity due to motor vehicle industry contraction. It is being dishonest because there is no guarantee that the required movement in the instruments will be realised. The PC does not even investigate whether the required direction of movements of the instruments is likely to be feasible.*

*(NIEIR: JULY 2002)*

- 4. In all of the above there is really nothing new in what the PC modelling always does. In the late 1980's and early 1990's the PC (then IAC) argued that there would be substantial benefits to the Australian economy of zero tariffs regardless of what the rest of the world was doing. In those modelling simulations the contraction in manufacturing was offset by a "resources boom" export response from Australia's mining industry (See IAC Annual Report 1988-89).*

*Then, as in the case of the modelling undertaken in this inquiry, the problem is assumed away through totally unrealistic export responses in other industries to offset the contraction in auto. As NIEIR put it:*

*"Again the model builders/users have assumed away the problem. They have done this by the selection of values for critical coefficients, with the most critical coefficient here being the export price elasticity of demand. Both models assume preferred average export demand elasticities of near 10. This is extraordinarily high for it requires that a 1 per cent gain in price enhancement (from, for example, a devaluation of the currency) will result in a 10 per cent expansion in exports from an exporting industry. The effect these parameters have is that they make the adjustment costs of offsetting the contraction of the*

*motor vehicle industry very low. Small variations in the exchange rates will solicit a relatively large supply expansion in the models. The inference being that it does not matter if the motor vehicle industry disappears. Australia only needs a small adjustment in the exchange rate to create wealth and employment creating opportunities elsewhere in the economy. As these opportunities, on average, are likely to have higher productivity levels (value added per employee) than the motor vehicle industry, then the economy as a whole will be better off as the household welfare would increase.*

*The MONASH model shows that with export demand elasticities of 10 the macroeconomic consequences of a 13 per cent contraction in motor vehicle output are neutralised with a real devaluation of 0.33 per cent. Linear interpolating, this implies that if the whole industry was wiped out in Australia, then a 2.5 per cent devaluation would neutralise the macroeconomic impact. Thus Australia and other countries which have spent decades and vast quantities of national resources to develop the motor vehicle industry have been wasting their time. Decades worth of effort and resource allocation could have been delivered on a standard one day's variation in the real exchange rate. This is nonsense of course as the Kaldor Paradox shows.*

*Not that you would know it, from reading PC publications, but outside Australia the elasticities debate has centred on what has become known as the Kaldor Paradox. The implications of the Kaldor Paradox are not only are the export demand elasticities small (on a weighted average basis less than unity), for some countries the sign would be negative. That is, in aggregate a real devaluation could lead to a contraction in export supply.*

*What the MONASH and MM600+ models assume is that in the long run the price (in a common currency) will be equal throughout the world (the law of one price) and therefore the price elasticities of demand will be infinite and exports will be determined by profitability rather than by the demand constraints. This leads to the outcome that there will be a high degree of responsiveness of exports and imports to changes in relative prices.*

***Kaldor in 1978 produced a simple set of statistics to show that the neoclassical assumptions of the MONASH and MM600+ models had no empirical support .....***

***One would have thought that since the export price elasticities are such a key parameter a responsible PC would have invested resources into validating their values from the data. They have not because the values used in their models cannot be justified. Econometric model estimates from the data rather than theoretical concepts (show) .... the key coefficient is 0.57, or one twentieth of the preferred value of 10 used in the Monash and MM models.***

***The coefficient is statistically well determined. The ten estimate is logically also a nonsense. It assumes there are not barriers to entry into foreign markets for Australian exports in general and agricultural exports in particular. It assumes that products cannot gain a competitive edge by innovation and research and development. In short, the ten estimate denies the existence of the knowledge economy. That is, the models used by the PC as a guide to the macroeconomic significance of contraction in the motor vehicle industry are not credible for this purpose.....***

***The implications of the Kaldor Paradox are that the only way to realistically judge the significance of industries is to use the traditional Keynesian type multiplier analysis which, in effect, assumes low export price elasticities. These points have been made to the PC over the last 25 years. The failure of the PC over 25 years to address this issue shows that the PC is not interested in facts or logic.***

***(Source: NIEIR Preliminary Report First Draft July 2002)***

***By way of analogy one might imagine the Pope, Seven Cardinals and Seven Catholic Bishops going to a work shop to discuss whether God exists. The inevitable verdict on God's existence is not dissimilar to the PC holding an econometric modelling workshop with neoclassical orani type model builders to discuss where between 4 and 20 the export demand elasticities should be set and whether equilibrium models assume away the problems they were meant to investigate.***

5. **Fortunately in the real world most policy makers, a significant and growing number of economists and the commonsense of millions of Australians dismiss as nonsense the proposition that wiping out Australia's automotive industry could be offset by a 3% reduction in the currency supported by a real wage reduction of a couple of dollars till the market sorted things out.**

**The sensitivity of the models used by the PC (and for that matter the Treasury NIFF model) to small changes in relative prices is highlighted by the fact that a rise in the minimum wage of \$5 to \$10 a week causes (according to these models), thousands of jobs to be lost. However as a growing body of economic literature is showing, modest minimum wage increases do not destroy jobs. There is also a growing body of economic opinion that the effects of changes in relative prices assumed by neoclassical equilibrium models are grossly overestimated and bear little resemblance to the dynamics of modern economies where factors such as technological change, strategic industry policies, investment in human capital and similar factors have far greater capacity to explain the dynamics of industry development.**

6. **The AMWU also notes the modelling results undertaken by the Commission and by NIEIR. In summary:**
- The Commission's modelling suggests that removing ACIS would result in around 10% of auto workers losing their job as would cutting ACIS and the tariff by half.**
  - Removing all assistance to the industry, as is the Commission's preferred long term position would result in around 20% or more than 10,000 auto workers losing their job.**
  - In NIEIR's modelling a 10% tariff from 2005 and zero ACIS after 2005 would result in the loss of more than 9,000 auto workers jobs relative to the continuation of current arrangements. However in our assessment the outcome would be much worse. As NIEIR points out this scenario would (relative to the base case by 2015) see a 36% decline in output, a 50% decline in the capital stock and a 68% decline in investment. By 2020 NIEIR estimates that:**

**“3 out of the 4 existing producers will have shut down and the industry would contract by up to 60% ....” In this and other scenario's NIEIR also acknowledges the probability of rationalisation decisions being pulled forward.**

***In our assessment the modelling doesn't adequately reflect an industry on the verge of total collapse. And what would total collapse mean? What would happen if the Australian auto industry completely shut down? As suggested in Table One complete closure of Australia's auto industry would mean for Victoria:***

- ***The loss of nearly 70,000 jobs, a figure that would rise to more than 100,000 jobs if other effects not shown here (balance of payments, spillover benefits etc) were included.***
- ***Regional centres like Geelong would lose 7,000 jobs, and more than 10,000 jobs if the total effect was measured.***

***Of course an industry does not totally close overnight, and the Commission would argue that overtime a currency devaluation and short term cuts to wages would bring other jobs to Victoria. However, the AMWU is not prepared to risk 100,000 Victorian jobs and tens of thousands of jobs in South Australia and other parts of Australia. The nation needs a comprehensive long term plan based on current tariff levels and enhanced ACIS to secure its future and all the benefits this has, a position strongly supported by NIEIR.***

**Table One**                      **Significance of motor vehicle industry: change in selected economic indicators - Type II impact**

|                          | Total household income (including income taxes) (2000 \$m) | GRP at factor cost (2000 \$m) | Total output (2000 \$m) | Industry employment (number) | % Change in Industry Employment |
|--------------------------|--|-------------------------------|-------------------------|------------------------------|---------------------------------|
| Banyule (C)              | -143   | -139                          | -325                    | -1653                        | -5.5                            |
| Bayside (C)              | -95  | -42                           | -81                     | -475                         | -2.3                            |
| Boroondara (C)           | -134   | -67                           | -108                    | -660                         | -1.3                            |
| Brimbank (C)             | -220   | -166                          | -388                    | -2226                        | -7.2                            |
| Cardinia (S)             | -53  | -32                           | -87                     | -467                         | -5.0                            |
| Casey (C)                | -200   | -93                           | -212                    | -1500                        | -6.2                            |
| Darebin (C)              | -111   | -151                          | -341                    | -1948                        | -4.5                            |
| Frankston (C)            | -107   | -61                           | -162                    | -1095                        | -4.1                            |
| Glen Eira (C)            | -121   | -170                          | -332                    | -2399                        | -8.6                            |
| Greater Dandenong (C)    | -132   | -362                          | -869                    | -4909                        | -8.2                            |
| Hobsons Bay (C)          | -189   | -574                          | -1396                   | -5218                        | -20.7                           |
| Hume (C)                 | -265   | -861                          | -2133                   | -8450                        | -17.6                           |
| Kingston (C)             | -130   | -242                          | -581                    | -3269                        | -5.3                            |
| Knox (C)                 | -133   | -103                          | -224                    | -1371                        | -2.8                            |
| Manningham (C)           | -120   | -67                           | -113                    | -825                         | -4.3                            |
| Maribyrnong (C)          | -61  | -86                           | -182                    | -1239                        | -4.2                            |
| Maroondah (C)            | -108   | -188                          | -446                    | -1877                        | -5.9                            |
| Melbourne (C)            | -38  | -763                          | -1859                   | -5835                        | -2.4                            |
| Melton (S)               | -66  | -17                           | -32                     | -261                         | -4.8                            |
| Monash (C)               | -162   | -312                          | -729                    | -3962                        | -5.3                            |
| Moonee Valley (C)        | -150   | -93                           | -166                    | -263                         | -0.9                            |
| Moreland (C)             | -140   | -63                           | -125                    | -175                         | -0.5                            |
| Mornington Peninsula (S) | -112   | -73                           | -162                    | -1211                        | -4.3                            |
| Nillumbik (S)            | -83  | -31                           | -57                     | -459                         | -4.8                            |
| Port Phillip (C)         | -69  | -73                           | -155                    | -791                         | -1.4                            |
| Stonnington (C)          | -86  | -35                           | -65                     | -387                         | -1.0                            |
| Whitehorse (C)           | -117   | -80                           | -158                    | -793                         | -1.6                            |
| Whittlesea (C)           | -146   | -96                           | -210                    | -1440                        | -6.3                            |
| Wyndham (C)              | -128   | -66                           | -134                    | -956                         | -4.8                            |
| Yarra (C)                | -53  | -58                           | -90                     | -552                         | -1.1                            |
| Yarra Ranges (S)         | -121   | -42                           | -91                     | -661                         | -2.4                            |
| Ballarat                 | -52  | -99                           | -235                    | -1582                        | -5.6                            |
| Geelong                  | -435   | -717                          | -1750                   | -6968                        | -11.6                           |
| Glenelg                  | -1   | -2                            | -4                      | -100                         | -0.3                            |
| Bendigo                  | -8   | -16                           | -33                     | -203                         | -0.8                            |
| Latrobe                  | -5   | -10                           | -21                     | -131                         | -0.6                            |
| Wodonga                  | -3   | -9                            | -21                     | -142                         | -1.0                            |
| Country Victoria         | -83  | -140                          | -366                    | -2130                        | -0.7                            |
| <b>Total Victoria</b>    | <b>-4378</b>   | <b>-6197</b>                  | <b>-14440</b>           | <b>-68584</b>                | <b>-3.04</b>                    |

**Source: NIEIR: Preliminary Report, July 2002**