

The Economics of the Australian Waterfront Dispute

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Abstract

Industrial Relations returned to the forefront of the Australian public debate in 1998 with the dispute between the Federal Government and Patrick Stevedores on the one hand and the Maritime Union of Australia (MUA) on the other. This article, which was written in April 1998 at the height of the dispute, concentrates on the economic issues involved and the facts about 'waterfront reform'. The article analyses the economic aspects of the dispute in terms of employment issues, productivity issues, industrial relations and the relationship between waterfront reform and Australia's international trade. It concludes that economic issues must be understood carefully in order to distinguish between genuine practical concerns about waterfront efficiency and purely political points made by those who oppose the MUA and trade unionism in general.

1. Introduction

Industrial Relations returned to the forefront of the Australian public debate in April 1998 with the dispute between the Federal Government and Patrick Stevedores on the one hand and the Maritime Union of Australia (MUA) on the other. All forms of media, TV, radio, newspapers and 'new' forms of communication such as e-mail and internet became transfixed on the waterfront issue.

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The dispute has been fought on several fronts in nearly all the courts of Australia (State Supreme Courts, the Federal Court, and even the High Court), on the docks, in banks, in corporate offices, in the media, and in the offices of various public figures including Prime Ministers, Premiers and Police Commissioners. The dispute has also provided some international interest with international trade union organisations and trade unions in countries outside Australia offering assistance to the MUA.

This article highlights the economic issues in the dispute. It provides the background leading up to the dispute in April 1998. This includes the debate about developments in 'waterfront reform' which has been a major public policy issue in Australia. It explains the dispute in terms of employment issues, productivity issues, industrial relations and the relationship between the waterfront and international trade. It concludes that economic issues must be understood carefully in order to distinguish between genuine practical concerns about waterfront efficiency and purely political points made by those who have a vested interest (both political and financial) in opposing the MUA.

2. Background to the Dispute

In response to poor working conditions historically on the waterfront and in seafaring, a strong tradition of effective unionism was developed in Australia. The MUA was the result of the amalgamation of the Waterside Workers Federation (WWF) and the Seaman's Union of Australia in 1993. The MUA and their predecessors have been a major target in Australian conservative political circles. For instance, in the 1920s, the then conservative Government of Stanley Melbourne Bruce targeted the waterside unions and with it the system of industrial arbitration. The campaign ultimately failed and saw the Bruce government lose the 1929 election [with the Prime Minister losing his own seat of Flinders]. In more recent times, in the 1993 Federal Election, the Federal opposition led by Dr John Hewson singled out the WWF in 'Fightback!' the Liberal-National Coalitions' policy manifesto. [see Hewson and Fischer 1991, pp.9 and 58]

In March 1996, the Liberal-National Party Coalition, led by John Howard, won the Federal Election and formed a Government for the first time in 13 years. The Howard Government made it quite clear that it intended to pursue industrial relations reform, particularly in regard to the role of trade unions. A particular trade union target was the MUA. Firstly, John Sharp, the Transport Minister (before resigning in the travel rorts affair) and then Peter Reith, the Minister for Workplace Relations and Small

Business, were given the job opposing the MUA. Part of the strategy was to pre-empt an industrial dispute to use legal and corporate means to minimise the MUA's influence on the Australian waterfront.

Other bodies joined the Federal Government in opposition to organised labour on Australia's waterfront. This included the conservative rural lobby group, the National Farmer's Federation (NFF) and the head of Patrick Stevedores, Mr Chris Corrigan. Several incidents occurred in the lead-up to the mass-sackings of union members at Patrick Stevedores in April 1998 including an attempt to de-unionise the Port of Cairns. The most controversial of these included a secret semi-military training mission to Dubai in the United Arab Emirates (UAE) in December 1997. The 'industrial mercenaries' were taken to Dubai to be trained in order to work on the waterfront in the place of MUA members. Included in the 80 trainees taken to Dubai were several former and serving Australian Defence Force personnel. However the secrecy of the mission was eventually broken by sources within the Australian Department of Defence and action by international unions against the UAE caused the mission to be discarded.

After denying his involvement at the time of the Dubai mission, Mr Corrigan later admitted he knew of the mission and claimed it was '... the desperate act of a desperate man.' [7.30 Report, ABC TV, February 3, 1998 in ACTU (1998)].

The Dubai incident was followed by the NFF attempt to set up a non-union company on land leased to it by Patrick Stevedores. On 28 January, 1998 Patrick Stevedores cancelled the twilight and night shifts at Webb Dock in Melbourne and the workers were locked out. Security guards were later brought on to the dock which promoted protests in Melbourne and Webb Dock.

Tension continued the following months between the MUA and Patricks over the proposed use of non-union labour by the NFF stevedoring company PCS and the admission of Mr Corrigan of his involvement in the Dubai industrial mercenary affair. The worst fears were realised by the MUA at Easter when Patrick Stevedores, with the use of black-hooded security guards and vicious dogs, removed the MUA members from the premises in the middle of the night shift and replaced them with non-union labour. The existing workforce was dismissed and removed in the middle of the night. This was coupled with a corporate strategy devised by the Patrick Stevedores Chief Executive, Mr Corrigan.

Mr Corrigan secretly restructured the companies that employed the MUA members by transferring share capital, assets, leases and equipment etc. to other companies within the Patrick Group. This left the companies

in the Patrick group that employed the MUA members as shells. Mr Corrigan described them as 'labour hire' companies. This restructuring was initiated in September 1997 without the knowledge of the unions or the workforce.

Elements of the strategy adopted by Mr Corrigan were consistent with advice given to Minister Reith by a senior officer in his department in a memo dated 10 March, 1997. An extract from the departmental memo to Peter Reith noted:

stevedores would need to activate well-prepared strategies to dismiss their workforce, and replace them with another, quickly, in a way that limited the prospect of, for example, the Commission ordering reinstatement of the current workforce. [ACTU 1998, p.3]

There was speculation in public that what happened at Patricks could happen to any worker or work force. The headline of the Sydney Morning Herald (SMH) on Saturday 18 April 1998 stated '*Bosses Support Mass Sackings*'. In the article the head of the employers organisation the Australian Chamber of Commerce and Industry, Mr Mark Patterson responded to a question whether other companies should be encouraged to follow the Patrick model. He said:

The waterfront has been unwilling to do it, and if there are other sectors of the economy unwilling to do it, this is a lesson for them. [SMH, 18 April, 1998 in ACTU (1998)]

The result was a strong show of support by the ACTU, other trade unions and members of the Australian community for the sacked MUA members. Mass demonstrations occurred at Patricks' facilities in all Australian cities. The MUA, anticipating the manoeuvres of Mr Corrigan, undertook legal action to reinstate the sacked Patrick workers which was successful in the Federal Court and upheld in the High Court of Australia. International action by International Transport Workers Federation (ITF) and maritime unions in the USA, Japan, South Africa, and Europe in support of the MUA was also considered after the success of international action in Cairns and Dubai. The dispute has taken on a number of forms in terms of public relations, legal strategy, industrial strategy and international implications.

However, the focus of this article is the economic aspects of this dispute and the facts about the waterfront industry which is often lost in the midst of the public relations war. The economic aspects of the dispute cover employment issues, productivity, industrial relations and international trade. These aspects are the key parts of the Federal Governments agenda

for what they have referred to as 'waterfront reform' (for example, see Mitchell (1998): 'Federal Government Plans Full Overhaul of Waterfront').

The Government strategy has been to create perceptions in the public domain that:

- The Australian waterfront is overstaffed;
- Waterfront training is outdated and that waterfront workers are resistant to employment and training initiatives;
- Waterfront workers are overpaid and constantly engaged in 'riots';
- Australia's ports are inefficient by world standards and this is due to the MUA's labour practices;
- Australia's waterfront is strike-prone as the MUA resists all attempts at workplace reform;
- The waterfront must be reformed as it impedes Australia's international trade performance.

These perceptions are answered by the economic statistics presented below.

3. Employment Issues

Stevedoring Employment

On the claim of overstaffing it must be noted that the nature of stevedoring employment in Australia has changed in recent decades. This is due to technological changes – with the labour intensive practices of the past being replaced by more capital intensive methods (although Australia has not had the same degree of capital and technology as has occurred in larger ports in Europe, the USA and the Asia – such as in Hong Kong and Singapore). This has *reduced* staff numbers. The Waterfront Industry Reform (WIRA) process set up by the Hawke Labor Government in 1989, also reduced the number of stevedoring employees.

The MUA participated in the WIRA process, understanding the impact of changes in technology on the wharves and the need to raise waterfront productivity. Under the WIRA process, the number of stevedoring employees was reduced by 57% between 1989 and 1992 with over 4,900 employees leaving the industry. For instance in Sydney in 1986 there were 2,850 stevedoring employees, whilst in 1995 there were 1,050 employees – reduction of 1,800 employees or 63%.

Over the same period the number of containers through the Ports of Sydney increased by 64%.

In addition, there was a change in the age profile of the stevedoring workforce, with the new workforce being, on average, 10 years younger than the workforce at the beginning of the WIRA process. This was done with the MUA fully involved in negotiations – despite the obvious fall in membership that the union knew it would have to experience as a result of the WIRA process.

Stevedoring Training and Employment

Training and Employment is an important but neglected area in the discussion about improving waterfront productivity. Raising skill levels by investing in the human capital of the workforce is considered by economists to be the most important way in which a nation can raise its productivity. This has been a key MUA strategy in its contribution to productivity advance on the waterfront.

The MUA has developed, since the WIRA process, a number of initiatives including Australian Stevedoring Vocational Traineeships which have provided formal training and job opportunities for young Australians. The MUA also developed a new form of employment on the waterfront called Guaranteed Wage Employees and permanent part-time employment to help meet the peaks and troughs of shipping demand.

Both these initiatives were to create jobs, and wharfies reduced their pay claim in EBA negotiations so as to offset the employer's cost and ensure the success of the schemes.

Wages

A number of exaggerated claims have been repeated about wharfies wages by Minister Reith in an attempt to reduce public sympathy for the sacked Patrick employees. Mr Reith made a claim in Parliament that a Melbourne Waterfront crane driver was paid \$90,000 for an average 50.3 hour week with adjustments for relief time, holiday leave, sick leave and meal breaks. This was highlighted in a Daily Telegraph article titled 'Wharfie on \$90,000 did 14 hour week' (see Molloy, 1998). The report was also the feature of that paper's editorial under the banner 'A Battle Wharfies can't Win'. Mr Reith repeated similar claims in a series of soundbites for the electronic media.

However, the facts are different from Minister Reith's soundbites. For instance, the Stevedoring Award provides an annual base wage of average \$30,000 for 35 hours per week.

- A MUA member in Melbourne who worked an average of 43 hours per week will earn gross earnings with overtime included of around \$50,000.
- To earn \$70,000 in a year, a wharfie must work about 60 hours a week including nights and weekends. [ACTU (1998)].

4. Productivity Issues

It is claimed that Australian ports are behind their international counterparts in terms of efficiency and productivity (hence the need for waterfront 'reform'). However, serious analysis shows the difficulties in making international comparisons and some of the basic facts about the international shipping industry. Furthermore, the facts show that some Australian ports are internationally competitive.

In bulk handling (coal, grains etc.) Australian ports serviced by MUA members are at world's best practice. The Bureau of Industry Economics Report in 1994-95 found that Australia's low terminal charges are supported by high labour productivity and capital utilisation. [see ACTU, 1998]

In container terminals however, international comparisons do not compare '*apples with apples*' because of differences such as:

- the number (or volume) of containers handled;
- how up-to-date equipment is like cranes/heavy-forklifts;
- dockyard layout;
- cargo layout;
- average ship size;
- the number of cranes working each ship;
- the types of containers unloaded in international measurement, one 40-foot container equal two 20-foot containers, 40 foot containers are far more common in large ports like Singapore than Australian ports five 40 foot containers equal ten 20 foot containers). [see ACTU, 1998]

One major disadvantage of Australian ports is the low volume of containers handled. Singapore, for example, handles more containers in one year than all of the Australian ports put together. Australian wharves cannot even accommodate the latest huge container ships. This point was made by the Productivity Commission (1998) in its report titled 'International Benchmarking of the Australian Waterfront'. The report notes:

Australia is disadvantaged relative to many other countries because of the 'thinness' of its shipping trades. Not only is the level of cargo

throughout lower, it is most difficult to provide a high quality of service because demand is more variable. As a consequence, costs can be expected to be higher or the level of service lower than at the largest overseas ports, other things being equal. [- p xv, Executive Summary: Productivity Commission (1998)]

A new international study by Drewry shipping consultants, one of the world's foremost shipping consultancies, finds that Australian ports are actually very close to world best practice. [see Drewry Shipping Consultants (1998) in Hamilton (1998)]. The Drewry data, as developed by the Australian Institute, shows that the current figure for the five main container ports in Australia is 18.5 containers per hour, close to the international benchmark of 19.1 containers per hour.

Some ports actually exceed the international benchmark, with Adelaide at 21.4 containers per hour (exceeding the benchmark of 15.8), Fremantle at 18.9 (exceeding 15.2) and Brisbane at 16.8 (exceeding 15.8).

The Drewry study carefully analyses the factors that potentially explain variation in container handling capacity including:

- quay length;
- container yard congestion;
- quay crane cycle times;
- the pattern of ship arrivals;
- the number of containers exchanged per call as a proportion of the capacity of the vessel;
- the size of the vessel; and
- the performance of customs departments. [see Hamilton 1998, p.4]

The report shows that the average percentage of containers loaded at Australian ports is 40% which is '.... relatively low by world standards because each ship loads and unloads at several ports in Australia.' [Hamilton 1998, Executive Summary].

The results of Drewry's analysis shows that 'when account it taken of the proportion of a ship's capacity that is handled at container terminals, Australia's terminals are very close and in some cases exceed the international benchmark' [Hamilton 1998, p. 7].

Furthermore, the Government benchmark of 25 containers per hour, says the study is '.... unattainable as it fails to take into account the most important influence on crane movements, that is, containers handled as a proportion of vessel capacity. The Government's target appears inconsistent with Australia's geography.' [Hamilton 1998, p. 8]

This implies that any productivity shortfall is *unrelated to work practices* but would require wholesale restructuring of the stevedoring system in Australia. It should also be remembered that stevedoring is but one link in a long and complex chain that makes up the freight transport system. Waterfront reform is a necessary but not sufficient part of the whole process of improving transport. This transport chain includes:

- shipping companies;
- stevedoring companies and container terminals;
- container depots;
- freight forwarders;
- customs brokers;
- banks;
- road transport operators;
- railways;
- federal regulatory agencies;
- port authorities;
- importers and exporters. [see 'Warehouse to Wharf' Report – House of Representatives, (1992)]

Any benefits of waterfront reform would be dissipated if these other components in transport system did not operate efficiently.

It should also be noted that the international shipping industry includes anti-competitive cartel-type practices. Australia can do its bit to improve this situation but can be adversely affected by decisions made elsewhere by large international players in shipping. This is not an argument against improvement but an observation that Australian reform can be wasted by international shipping decisions. There is more to the issue of waterfront efficiency than just labour practices.

In summary the analysis shows that the waterfront reform and productivity measures advocated by the Government was just a smoke screen for a political strategy to discredit the MUA.

This was admitted by the Prime Minister in his interview with Ray Martin on 'A Current Affair' Channel 9 (9 April 1998). The transcript reads:

Ray Martin: If it was about productivity then why sack waterfront workers in Adelaide and productive ports.

John Howard: Well, they are all part of the one union. [ACTU (1998)]

The workers were not sacked because they were unproductive but sacked because they were in the MUA.

5. Industrial Relations

Despite claims that the waterfront is strike-prone, the facts show that the number of industrial disputes in stevedoring has fallen markedly in the last two decades.

According to the Australian Bureau of Statistics (ABS) the annual number of industrial disputes in stevedoring averaged 233 in the 1960s (1963-1969), 239 in the 1970s (1970-79), 77 in the 1980s (1980-89) and only 30 in the 1990s (1990-96). The number of industrial disputes, employees involved, and working days lost in stevedoring is shown in Table 1.

Table 1. Stevedoring Industry – Industrial Disputes

Year	Industrial Disputes (No.)	Employees Involved (‘000s)	Working Days Lost (‘000s)
1963	312	118.4	95.0
1964	317	149.4	113.5
1965	271	181.9	155.5
1966	49	8.9	4.7
1967	93	28.2	17.8
1968	298	105.6	77.3
1969	291	151.8	136.2
1970	444	192.0	148.3
1971	312	116.2	73.9
1972	235	52.9	39.2
1973	275	53.6	49.5
1974	363	99.9	111.1
1975	279	46.9	46.2
1976	139	35.4	37.1
1977	85	19.2	39.9
1978	161	65.2	122.9
1979	94	47.0	112.7
1980	116	35.5	73.4
1981	94	30.9	59.3
1982	77	19.9	21.6
1983	67	18.1	20.4
1984	81	16.0	19.6
1985	85	27.9	34.1
1986	69	15.8	31.0
1987	67	10.7	13.0
1988	63	14.7	13.8
1989	51	8.5	6.9
1990	47	7.9	7.3
1991	36	10.0	8.5
1992	17	7.2	6.9
1993	37	4.8	6.6
1994	20	6.6	19.9
1995	30	9.0	12.0
1996	25	6.6	4.5

Source: ABS Cat.6322.0

The proportion of stevedoring disputes out of the total industrial disputes in all-industries has also fallen. For example in 1963, stevedoring accounted for 25% of all industrial disputes whilst in 1996 it accounted for only 4.6%. This is shown in Table 2.

Table 2. Stevedoring as a Proportion of All-Industries

Year	Industrial Disputes (%)	Employees Involved (%)	Working Days Lost (%)
1963	25.0	28.7	16.3
1964	23.8	27.4	12.5
1965	20.1	38.3	19.1
1966	3.8	2.3	0.6
1967	6.9	5.8	2.5
1968	17.4	14.7	7.2
1969	14.4	11.8	7.0
1970	16.2	14.0	6.2
1971	13.0	8.8	2.4
1972	10.2	4.7	1.9
1973	10.8	6.7	1.9
1974	12.9	5.0	4.1
1975	11.5	3.4	1.3
1976	6.8	1.6	1.0
1977	4.1	3.2	2.4
1978	7.1	6.1	5.8
1979	4.6	2.5	2.8
1980	4.8	3.0	2.2
1981	3.2	2.5	1.4
1982	3.7	2.8	1.1
1983	3.7	3.8	1.2
1984	4.1	2.9	1.5
1985	4.5	4.9	2.7
1986	3.9	2.3	2.2
1987	4.4	1.8	1.0
1988	4.2	1.6	0.8
1989	3.6	1.2	0.6
1990	3.9	1.1	0.5
1991	3.5	0.8	0.5
1992	2.3	0.8	0.7
1993	6.1	1.0	1.0
1994	3.6	2.5	4.0
1995	4.7	2.6	2.2
1996	4.6	1.1	0.5

Source: ABS Cat. 6322.0

In terms of enterprise bargaining, stevedoring companies other than Patrick have negotiated significant productivity improvements. For example Sea-Land, P&O, Strang, Western Stevedores and Brambles all have

productivity-based EBAs with measures including aggregate wages, continuous operation, utilisation of labour flexibilities etc.

Captain Andy Andrews of Sea-Land (Aust) Terminals Pty Ltd is on record as saying:

Q: You use maritime union labour. Are you saying it is possible to run an efficient business using MUA labour? Captain Andrews

A: Without a doubt, yes.

Q: Are they (port users) urging you to stop using MUA labour and get your costs down even further?

A: Absolutely not. [ABC Radio, 30 January 1998, in ACTU (1998)]

I can confirm that following the introduction of the aggregate wage of Sea-Land (Aust) terminals at the beginning of 1997 we noticed a marked improvement in the work environment, which has a direct, positive impact on our productivity levels, that have been of great benefit to our customers. [Andrew's letter to MUA, 26 February, 1998, in ACTU (1998)]

Reform we believe in, productivity we believe in – and the MUA believes in the same things. [Andrews, as reported in *The Australian*, 28 April, 1998, in ACTU (1998)]

In fact, all the employers in the industry can deal with the MUA except Patrick, perhaps the problem is with Patrick themselves. One of the main problems has been with Patrick's management.

Early in 1998 one of their Melbourne Managers Mr Allan Knight resigned in disgust because the company instigated confrontation with the MUA members. On the quality of Patrick management Mr Knight said:

I was fed up with senior management failing to act upon fundamental operational and maintenance matters which caused lengthy delays and reduced productivity. My experience over recent times was that senior management were incapable or unwilling to fix operational problems its easier to blame others. [ACTU, 1998]

6. International Trade

Much of the debate about waterfront reform refers to Australian international trade performance and international competitiveness. Advocates of the Government/Patricks agenda have pointed to Australia's need for export expansion as the reason for waterfront reform. Imports are rarely mentioned.

Interestingly, by volume, most Australian exports are shipped in bulk carriers. Australia's bulk *export* terminals are among the most efficient in the world (see section 4 above). Bulk carriers are unaffected by the current waterfront dispute. By contrast, container terminals are primarily used for *imports*.

Professor John Quiggin has noted:

For a country with a chronic current account deficit, improved efficiency in importing is scarcely a vital strategic priority [J. Quiggin, AFR, 29/1/98 'Perils of Waterfront Reform']

HSBC Markets too has noted that the dispute will have more impact on merchandise imports than exports and will cause the trade deficit to narrow. *The HSBC Australian Trade Report* notes:

.... it is likely that the Patrick dispute will impede around 5% of Australian exports and around 10% of imports so long as pickets remain effective and the dispute remains unresolved. [HSBC Markets 1998, p.2]

Professor Quiggin has estimated that even if the Federal Government achieved total victory over the MUA in the dispute the savings as a proportion of total imports and exports would be less than 0.1%. Professor Quiggin regards the exercise as merely a transfer of income for one group in the community to another. A victory to the Government means the lost jobs and wages by MUA members would simply transfer income to Chris Corrigan, private consultants, ministerial advisors, and QCs working on the issue. In fact the resources in the dispute would in any case wipe any economic gains to be made.

7. Conclusion

This article has focussed on the waterfront dispute in Australia which has been brought to the forefront of public attention in 1998. The article covers the issues of employment (industry wages), productivity, industrial relations and international trade.

The article argues that a proper examination of the facts shows that the Government's agenda is a political one in opposition to the MUA and is not based on improving economic criteria such as efficiency, productivity, employment or the current account.

There are many ways to improve economic efficiency in all industries – including the waterfront. The WIRA process in Australia showed the potential gains that can be made through consultation and negotiation.

Unfortunately, the Federal Government chose industrial and political confrontation, corporate and legal manipulation, and an adversarial approach to MUA employees and members of the community. This approach should not be used in future as it is potentially damaging to the Australian economy, national social cohesion and Australia's democratic traditions.

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