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"A LABOR GOVERNMENT'S DIFFERENT THAN THE CURRENT GOVERNMENT" TELSTRA, NEO-LIBERALISM AND INDUSTRIAL RELATIONS

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INTRODUCTION AND OVERVIEW

There is a large empirical literature on privatisation and a smaller literature of a theoretical nature. Largely this latter literature has emerged in the UK and draws on the experience since the election of the Thatcher government in 1979. This literature has been characterised as having simplistic, impoverished or insufficiently contextualised theoretical and conceptual foundations (Pendleton, 1998, 3). It has largely been concerned with assessing the outcomes of privatisation, (Pendleton, 1998,2) such as changes in efficiency (Domberger, 1993), pay and employment (Haskel and Szymanski, 1994) and changed industrial relations strategies Ferner and Colling, 1993a). Much of the evidence is contradictory and appears to stem from an over emphasis on privatisation whilst marginalising the effects of complex sectoral change induced by deregulation (ref). Alternatively attempts are made to separate the effects of privatisation and deregulation, a methodologically difficult process (Forrester, 1993). The UK literature generally takes the approach that once privatisation or deregulation has occurred, politics and class become invisible, disinterested spectators with the governance of the company dictated by the demands of private shareholders or the laws of the market. An exception is Ferner and Colling who argue the contradictory pressures imposed by shareholders focused on reducing costs and the regulator, acting on behalf of the government, on service quality create oscillating patterns of industrial relations (Ferner and Colling, 1993, 138-139). The bottom line is that theorising on this issue is not particularly sophisticated or well developed but at least it asserts the primacy of politics.

There is a question off how readily the British experience may be applied to the Australian where the historic experience has been quite different. The telecommunications carrier Telstra is a case in point with the privatisation process consisting of two distinct phases with the initial phase being a process of corporatisation and commercialisation commencing in 1988. This was closely followed by a process of deregulation that has arguably had the most profound impact. This process has come to a near conclusion with a one third privatisation, with full privatisation the subject of continuing debate.

Within this context, this paper seeks explain the effects of corporatisation, commercialisation, deregulation and privatisation on the national telecommunications carrier Telstra. It will focus upon the forces that have driven these changes namely technology, the intellectual mileau and the political environment and explore the interplay between these aspects. The outcomes of this interplay will be examined in terms of the form of deregulation and privatisation and the impact this has had on industrial relations.

FORCES FOR CHANGE

Market

Telstra's precursor, Telecom, emerged from the Postmaster-General's Department. It was governed by the *Telecommunications Act 1975* which specified Telecom should as a monopoly provider 'plan, establish, maintain and operate telecommunications services within Australia' and established a universal service obligation by maintaining the carrier should

> " ... perform its functions in such a manner as it will best meet the social, industrial and commercial needs of the Australian people for Telecommunications services and shall, so far as it is, in its opinion, reasonably practicable to do so, make its telecommunications service available throughout Australia for all people who reasonably require those services." (Davis and Lansbury, 1989,14).

Telecom, with its emphasis on universal service, aimed at high telephone penetration. In 1975 there were 3,538,948 telephone services in Australia with a telephone service in 62% of households (Reinecke and

Schultz, 1983). People were viewed subscribers to a telephone service rather than consumers and with primacy given to the universal service obligation, people were connected anywhere in Australia for a nominal, flat rate sum. Associated with this was cross subsidisation of domestic consumers by business and rural by urban. Revenue was generated from a single copper network generating a small number of products, namely local and long distance calls, a limited range of Customer Premises Equipment (CPE), such as a standard telephone, switchboards and PABX and directory products.

In the ensuing years Telecom has merged with the Overseas Telecommunications Corporation (OTC) to form a new entity, Telstra. Demand for telephony services has increased expodentailly. In 1997 there were over 9,350,000 telephone services (Telstra, Annual Report 1997, 29) with a telephone service in over 90% of homes. The rate of technological change has multiplied, largely through the impetus of the computerisation which has made increasing demands on network capacity and quality and has enabled telecommunications companies to offer an increasing array of products. In response to these changes Telstra has supplanted its original copper network with an analogue mobile network, a digital mobile network, a data network and a broadband network and launched 65 new products in the 1996/97 year alone (Telstra, Annual Report 1997). Telstra's is one-third privately owned and its status as the monopoly carrier has disappeared with the introduction of a deregulated and competitive telecommunications market. Telstra's commitment to universal service and cross subsidies has been diminished by competition with there being a re-balancing of tariffs from business to non-business and from urban to rural and relatively unsuccessful attempts by Telstra to shift the costs of USO onto its competitors. (find refs)

The genesis of these changes lies in sectoral interests, for the choices made in the adoption of technology are not value free (MacKenzie and Wajcman, 1988). The call for these changes has not come from domestic users but from business interests. The convergence of computing and telecommunications had the potential to open the way for increases in productivity on a national and global scale and provide a potential opportunity to shift investment from declining or static local industries to a high growth, global communications industry (Reinecke, 1983).

Political and Intellectual Milieu

The genesis for deregulation and partial privatisation of Australia's monopoly telecommunications carrier can be found in an increasingly conservative political environment. The convergence of the major Australian political parties around neo-liberalism has been a major facet of contemporary political economy. Within Australia neo-liberalism has been backed by a powerful political coalition featuring globally oriented business sectors, particularly in the finance sector, and supported by the political leadership in the major parties who have been able to win electoral support on a neo-liberal platform (Bell, 1998, 162).

The rhetoric of neo-liberalism first appeared in Australia during the Fraser Coalition Government (1975-1983). Whilst Fraser espoused the rhetoric of small government, low taxes and economic rationalism in practice the government made little progress towards these aims (Jaensch, 1994, 73). The Fraser Government was criticised by neo-liberals for failing to develop a 'strategic' concept for its policies and removing factors regarded as inhibiting the development of a more efficient market economy. These included an inefficient manufacturing industry, an institutionalised system of wage and salary fixing and an over-regulated financial system. This critique was formulated most clearly by or on behalf of a number of foreign companies, such as Shell, and was supported by a number of large Australian mining firms, such as BHP, and one or two major banks (Kaptein, 1993, 91). The Labor Party was seen as having modernised and become safe, cautious, stable and social liberal. It had courted business and the media and had built an image of efficiency, effectiveness, responsibility and competence in economic management and, most importantly, was able to convince the electorate of its credibility in these areas. The Liberal Party was divided internally between the 'wets' preaching individualism and private enterprise and the 'dry's espousing the neo-liberal tenets of free enterprise, the market and self-help (Jaensch, 1994). Much of the intellectual enthusiasm for neo-liberalism partly came through the influence of think-tanks, such as the Tasman Institute, Sydney Institute and the Institute of Public Affairs, and through sympathetic academic party members such as Dr John Hewson and Dr David Kemp (Fairbrother, Svensen and Teicher, 1997, 15). The election of John Howard to the leadership of the Liberal Party in 1985 marked the ascendancy of the 'drys' (Jaensch, 1994, 167). Once this internal battle had been won the neo-liberals could turn their energies towards implementing their programme, with privatisation being one part of that. The Liberals declared

> '... support for privatisation does not stem from a preferred ideological position, rather it is recognition of the fact that private companies operating in competition offer the best opportunity for the efficient delivery of services to consumers.' (ATEA/ATPOA, n.d, 5) Privatisation was represented in pragmatic value-free terms with the benefits from competition accruing to consumers in terms of a cheaper end product. The political is omitted in that ownership is taken as unproblematic and conferring neither advantage or disadvantage to the citizen.

Whilst the Liberal Party grappled with the ideology of what it meant to be a Liberal, the Labor Party seemed to avoid such public ruminations. While the geist of the Hawke Labor Government was Keynesian and most noticibly visible through the corporatist wages policy with the unions known as the Accord, weighed with the responsibilities and pressures of office, the Government turned to the advice of the new clerisy of neo-liberals in the bureaucracy. Bureaucrats with conservative economic and political beliefs had come to dominate the central economic agencies such as Treasury and Department of Finance. Their concern was the most efficient use of resources in the context of a declining public budget with debate about the social purposes of public policy becoming secondary. National purpose and the direct economic role of national government was to be assessed against abstract economic principles of economic efficiency and competition (Orchard, 1998, 117). Treasurer Keating adopted the language and many of the ideas of leading Treasury officials. Consequently the underlying Keynesian concepts of Labor's programme were gradually replaced by neo-liberal ideology and policy prescriptions (Kaptein, 1993, 95-102). This move was seen by its proponents as pragmatic rather than ideological. In 1986 the Minister for Finance, Peter Walsh declared

> 'I have no ideological preference for public or private ownership. In my view, what is important is not whether a business is public or private, but whether it delivers the goods and services required by the public efficiently, that is at lowest cost.' (Walsh, 1986, 219)

The Australian labour movement's political philosophy had been described as 'socialism without doctrine'. The Labor Government now seemed intent on implementing 'capitalism without doctrine.' (Fairbrother, Svensen and Teicher, 1997, 19). The Labor Party's factional structure and tendency towards a 'pragmatic' disdain for ideology and a pride on its focus on obtaining and retaining office left the Right faction open to capture by the increasingly dominant ideology of neo-liberalism (Quiggan, 1997).

Large business, having criticised the Fraser Government for its inability to remove the obstacles preventing an efficient market economy, used the academic community to clothe its interest with an intellectual respectability. The multi-national oil company Shell commissioned a number of academics to explore, in *Australia at the Crossroads,* ways Australia could avoid continued economic stagnation. Australia must move from adolescence protected by a 'Mother State' to full maturity and self reliance in society and industry. The solution lay in the Libertarian Alternative which, influenced by the traditions of social philosophers such as Adam Smith, Friedrich Hayek and Milton Friedman, proposed policies such as

- Free international trade
- The removal of protection
- Elimination of restrictions on international capital flows and on free competition in the domestic capital markets
- De-regulation of many markets
- Greater variation in relative occupational wages and of real wages in response to market forces
- Reduction of the government's role as a producer of many basic services including education, health and welfare

The authors warned the Libertarian Alternative would be opposed by the Old Establishment of money, private schools and clubs and the New Establishment of unions, media and academics (Kasper et al, 1980, 212-213). The authors appear to have been overly concerned in expecting opposition to a program that quite explicitly seeks to further the interests of international capital. However their fears were not realised as many of their policies were readily adopted by both political parties.

Whilst Shell had used its own resources to advance the virtues of privatisation, deregulation, competition and the private sector, business was coalescing around the Business Council of Australia (BCA) which represented the interests of big business in Australia. It was formed out of an amalgamation of employer associations and has been influential since the mid-1980's. It is an exclusive coterie of about 80 CEO's of the most important companies in Australia, mostly public but some private and Government Business Enterprises (GBEs) have been admitted. The BCA has been an enthusiastic proponent of benchmarking, world's best practice, international competitiveness and globalisation and has published some influential reports on these subjects (Sklair, 1996, 13). Its importance in the development of Labor Party policy was acknowledged by former Treasurer John Dawkins, who cited it as the 'dominant influence on Labor's reform agenda in the past decade'. According to Dawkins, the BCA's research and intellectual approach underpinned Labor's unashamedly pro-business reform agenda (*Australian Financial Review*, 15 July 1994, 1).

The BCA has been well served by the academic community. The author of a number of BCA reports was Professor Fred Hilmer, Dean of the Australian Graduate School of Management at the University of New South Wales. Hilmer's interests extended from the academic world into the practical world of business being a former director of the worldwide consulting company McKinsay and holding board positions at Westfield and Fosters Brewing. The Keating Government commissioned Hilmer to inquire into national competition policy. He was assisted in this task by Mark Rayner, a CRA Group and Comalco executive, and Geoff Tapperell, a partner in a law firm. The Labor Government has not explained its reasoning in placing the formulation of competition policy in the hands of representatives of large business interests (Griffin, Svensen and Teicher, 1999, 5-6). The Government recognised that Australia was for practical purposes a single integrated market increasingly exposed to domestic and international competition. A national competition policy (NCP) would aim to 'promote and maintain competitive forces to increase efficiency and community welfare, while recognising other goals' (Hilmer, 1993, v). Hilmer argued the main focus of competition policy should be economic efficiency and that competition should generally be assumed to apply in the same way across all industries and areas. Hilmer conceded that some areas of public infrastructure are natural monopolies with economies of scale and scope such that it is inefficient for competitors to duplicate. Instead he promotes that view that competitors should have legal access to publicly owned infrastructure. The report argued that cross subsidies were inefficient and that greater competition would result in prices being based on actual costs of services. The report claimed to be agnostic about privatisation of public monopolies, claiming competition as its main concern and a condition that should in any case be introduced before privatisation. The BCA was a fervent supporter of NCP on the grounds it would reduce costs to business (Ranald, 1995, 2-3).

Whilst business was gathering around BCA and concerned with influencing the intellectual mileau and government policy making, there were more pragmatic attempts to form interest groups to advance specific concerns. Through local subsidiaries transnational corporations, encouraged by the Thatcher Conservative Government's sale of British Telecom, formed user groups advocating the replacement of national carriers with the alternative of a freer, more competitive national telecommunications network (Reinecke, 1983; Luthje, 1993). In Australia this approach spawned the 1980 formation of the lobby group Business Telecommunications Services (BTS). The group was led by IBM and boasted as members AWA, Ampol, ACI, AMP, CRA, CSR, TNT, Publishing and Broadcasting Limited and the Myer Emporium (Reinecke, 1983, 181-182). Their interest lay in operating or supplying parts of the network or reducing telecommunications costs and the means to achieve this lay in persuading Australian business to support ending Telecom's position as the monopoly carrier. BTS claimed the Telecom monopoly had delayed the introduction of new services and technology (Reinecke, 1983, 190) with the explicit implication business efficiency was being harmed. Further as telecommunications was the only nationalised sector of the Australian economy offering a significant return on investment, it was only proper for it to be transferred to the private sector as the natural repository for profitable activity. This view was reflected in the submission to the Davidson Inquiry. The BTS submission recommended a radical dismantling of Australian telecommunications. BTS urged that the high growth enhanced services, such as data, electronic mail and electronic funds transfer, should be opened to competition and Telecom's monopoly over the terminal market should finish. The value of the basic network to corporate users lay in its ability to connect them to other points nationally and internationally. However the magnitude of the investment required to build such a network was a deterrent to private investors. Anticipating Hilmer's NCP, BTS' solution was to have Telecom and OTC make the network available for lease or sale to private telecommunications carriers thereby providing the facilities with which competitors could come in and construct their own networks. However perceptions of conflict of interest and the economic downturn of 1982 caused many of the members to depart, leaving a core of three by 1983 (Reinecke, 1983). This effectively marked the demise of BTS.

The BTS' baton was handed to the business lobby group the Australian Telecommunications Users group (ATUG). Whilst it represented a broader range of business interests than BTS, it too was critical of government policy and perceived Telecom's interests were being protected whilst business opportunities in telecommunications were not being given a chance to develop. In line with other government departments, the Department of Communications was being enveloped by neo-liberal ideas. Through its consultant, Henry Ergas, an academic and former member of OECD, the message of efficiency in telecommunications was being spread to a wide audience (Joseph, 1993, 13).

Deregulation and Privatisation

Within the context of the ideological debate within Australia and the pressure from interest groups such as BTS, it was almost inevitable that a profitable organisation such as Telecom would come under intense scrutiny. The process of deregulation and privatisation has been a gradual and incremental with the end result being one of the most open telecommunications markets in the world.

The initial move towards deregulation and privatisation occurred with the Fraser Government instituted in 1982 a Committee of Inquiry into Telecommunications Services in Australia, chaired by Mr. J. A. Davidson. The terms of reference included advising the Government on "... the extent to which the private sector could be more widely involved in the provision of existing or proposed telecommunications services in Australia..." (Joseph, 1993, 11). The Committee recommended the removal of many of the restraints placed upon Telecom arguing they impeded the company's ability to operate effectively in an increasingly competitive environment. (Davis and Lansbury, 1989) The report argued it was not a question between competition or monopoly but how to allow competition to develop in a way most beneficial to the community (Moyal, 1984, 382). A vigorous campaign by the telecommunications unions and the March 1983 election of the apparently more interventionist Hawke Labor Government dimmed any prospect of the Inquiry's findings being implemented. This change was apparent when the Minister for Communications rejected the 'free market thrust' of the Davidson Report and reaffirmed the role of Telecom as the national telecommunications common carrier. Labor's platform enshrined the public ownership of Telecom with the objective of the 'preservation and development of a single national system which is the publicly owned integrated system...' (Joseph, 1993, 12).

The Labor Party's embracing of neo-liberalism and a deteriorating economy brought the issue of privatisation back into focus. In 1987 the Labor Party began considering the option of selling government assets in order to restrain government outlays and generate revenue. Areas mentioned for sale included Telecom, the Commonwealth Bank, Qantas and Australian Airlines. Resistance from the ALP membership and the unions prevented this issue from gaining further currency (Joseph, 1993, 14). The Hawke Labor Government turned its attention towards micro-economic restructuring in the private and public sectors. The Government recognised there were pressures for change in terms of the contribution of telecommunications towards the economy. Government reviews of telecommunications endorsed Telecom and OTC's monopoly but set clear guidelines on Telecom's operation as a commercial enterprise. As part of the reform package Telecom was to be given a revised corporate structure and financial structure, exposure to a range of taxes and charges, a loosening of Governmental controls and accountability provisions enshrined in a forward looking Strategic Corporate Plan (Australian Telecommunications Commission, 1988, 12). A price cap of CPI-X% was imposed from 1 July 1989 for an initial period of three years. The effect of this was force the carrier to make efficiency gains in order to fund substantial real price reductions to consumers (Willis, 1989, 5). Further aspects of the reform process were codified in the *Telecommunications Act 1989* which exposed customer cabling and Value Added Services (VAS), such as recorded information, to full competition liberalised the CPE area and created a new independent regulator AUSTEL with technical and consumer protection functions (CEPU, 1998).

This move towards deregulating the telecommunications market did little to assuage the tensions within the Labor Party, with industry claiming the changes had not gone far enough (Joseph, 1993, 16). The revelation that the government owned satellite, AUSSAT, was technically bankrupt and Telecom's ability to make record profits whilst still addressing its USO obligations put further stress on the Government to deregulate. A victory in the 1990 election meant the Hawke Government was able to more fully turn its attention towards telecommunications policy. Th Government had commissioned the Department of Transport and Communications (DOTAC) review the structural and ownership arrangements of the telecommunications carriers (ROSA Inquiry). DOTAC's Vanessa Fanning, a noted supporter of deregulatory thinking, and Henry Ergas were reported to have been cooperating closely in the preparation of the report. It is therefore not surprising that the Inquiry developed three options for structural reform, all of which involved the dismantling of the current monopolies (Joseph, 1993, 17). The personal and factional politics within the ALP led to a Special National Conference on GBE policy being held in September 1990. In spite of heavy union lobbying (Richardson, 1994, 305), a resolution was passed committing the ALP to ensuring universal access to telecommunications services maintaining ' ... Telecom in full public ownership, and either sell in part or full, or merge other facilities necessary to develop an effective competitive framework.' In passing this resolution the Conference noted

> ' ... the Federal Government has decided to introduce competition to the telecommunications network in Australia. In doing so it will merge the existing domestic and international carriers Telecom and OTC and sell AUSSAT as the basis of the new competition...' (Teletechnician, 1990, 19-20)

The merged entity was called the Australian and Overseas Telecommunications Corporation and was subsequently renamed Telstra Corporation. Aussat and the second carrier license was sold for $800 million to Optus Communications. This comprised the UK based Cable and Wireless and Atlanta based Bell South each holding a 24.5 percent share, with Mayne Nickless as the major Australian shareholder. Optus would be able to compete with Telstra by leasing and then reselling or repackaging Telstra's network and undertook to invest $2000 million in the construction of network infrastructure to compete with Telecom (Fell, 1991, 22). The model adopted resembled the Hilmer concept of telecommunications as a natural monopoly with competitors accessing the publicly owned infrastructure and reselling.

The Government's 1990 telecommunications policy reflected acceptance of the Beazley duopoly structure and placed them in the context of the Government's larger micro-economic reforms. The reforms would bring 'benefits for Australia that are potentially limitless...' such as significant private investment, more jobs, a fall in STD prices on major routes and the creation of export opportunities (Prime Minister, 1990). These proposals were enshrined in the *Telecommunications Act 1991*. This initiated a more fundamental restructuring of the industry with the creation of a carrier duopoly, the provision for three mobile licenses, and an expended role for AUSTEL by requiring it to actively promote competition (CEPU, 1998, 1). The process of deregulation was completed with the *Telecommunications Act 1997* that removed all legislative barriers to entry into the Australian telecommunications market and all restrictions on the use of specific delivery platforms eg. satellite (CEPU, 1998). The introduction of competition did not seem to hinder the Government's desire to extract an increasing dividend from Telecom under the guise of increasing efficiency. Telecom paid the Government 26% of profits in 1991, rising to 50% in 1992. The higher dividend was seen as an incentive for the company to lift its productivity and offset loss of income to the Federal Government from interest payments due to debt conversion (*Australian Financial Review*, 14 July 1992). The dividend has continued to increase over time with Telstra's Board recommending total dividends in the 1997 of $4,146million, an increase of 203% on the previous year (*Our Future*, 5 September 1997, 1). Of this amount $3 billion was a special dividend used by the Government to fill a $2.5 billion Budget deficit (*Age*, 19 April 1997, A3).

With the process of deregulation firmly established attention moved towards privatisation. This was partly fuelled by Keating's wish to privatise Telecom, the Government's need to raise revenues to cover a $16 billion budget deficit and Telecom's desire to become a key player in the Asia-Pacific region with a corporate identity separate from the Government (*Australian Financial Review*, 27 April 1993, 68). The Coalition Liberal and National Parties were fully committed to privatisation arguing

> 'Many of the services currently provided by the public sector can be corporatised, privatised or contracted out with significant cost and efficiency savings to government and hence the taxpayer. We will place a high priority on implementing a full program to achieve this outcome.' (Hewson and Fischer, 1991, 227).

Although the Coalition was defeated in the 1993 election, it succeeded in winning government in 1996 with a policy of partially privatising Telstra. The Coalition proposed to sell one-third of Telstra by way of a share float bringing in an anticipated $8 billion. There would be provisions to prevent foreign corporations obtaining a strategic stake in Telstra, encourage first time investors to participate in the float and an Employee Share Ownership Plan to encourage employees to purchase a financial stake in their employer (Liberal Party, 1996, 29). The *Telstra (Dilution of Public Ownership) Act* was passed in late 1996. Telstra hailed this as .... The Coalition Parties went into the 1998 election declaring their intention to sell the remaining 66% of Telstra. Whilst the Coalition was able to secure an election victory, it depended on the support of two independent Senators to pass the legislation. The Government has found this difficult to secure with Senator Brian Harradine declaring his intention to oppose the full sale of Telstra (*Age*, 10 March 1999, 16).

The accrued effect of government policies over this period of time, through the process of deregulation and government's approach to dividend extraction, has been to place Telstra under considerable financial pressure. Under deregulation and the consequent Telstra has been assured of losing market and revenue share to competitors whilst increasing dividends were used by governments to fill inconvenient budgetary blackholes under the rhetoric of efficiency. Partial privatisation, with its emphasis on satisfy shareholders and the financial community, has increased this pressure. The effect has been to cause Telstra to place untoward emphasis on cost reduction that it has sought to largely achieve through a process of retrenchments, outsourcing and a rationalisation of labour conditions.

INDUSTRIAL RELATIONS MANAGEMENT IN THE ERA OF DEREGULATION AND PRIVATISATION

Within the dominant ideology of neo-liberalism and a perception of an economic crisis, both the Liberal and the Labor Parties have treated Telstra in a similar manner. Commercialisation, deregulation and to a lesser extent privatisation have been pursued with some enthusiasm. Perhaps the only characteristic separating the two parties has been the desired pace of change. The pursuit of commercialisation, deregulation and to a lesser extent privatisation has placed Telstra under considerable stress. These politically defined objectives have placed Telstra in the situation whereby it cannot but lose revenue. At the same time Telstra must pursue politically defined activities, such as the delivery of universal service, which are resource intensive and uneconomic. Whilst Telstra has attempted to pursue a growth strategy, the logic of an industry such as telecommunications with large fixed capital costs has caused it to examine variable costs such as labour. As such under these contradictory political objectives Telstra has taken a Janus like approach creating tensions which have been manifest in industrial relations.

These tensions have appeared as an oscillating approach to industrial relations (Ferner and Colling, 1993) and can be seen as a consequence of the dualism of control and autonomy. If an enterprise such as Telstra is to operate effectively management must have 'relative autonomy'. But this can lead to problems of control, as the greater the amount of managerial freedom the more likely are public enterprises to act in ways inimical to the political objectives of government (Ferner, 1988, 32-33). This dualism is resolved by the use of 'political contingency', that is the forms and strength of government intervention, that informs the capacity of management to exercise strategic choice in industrial relations (Pendleton and Winterton 1993). The Government does not merely confine itself to setting the rules of the game but is in a sense a participant in industrial relations to the extent that it chooses to intervene (Ferner, 1988, 44). Thus political contingency can be conceived of as acting through the Government's formulation and execution of policies, such as deregulation and privatisation, and the extraction of dividends but in a more subtle and nuanced way through managerial interpretations of the political environment.

On the cusp of competition the Chair of the Telecom Board, David Hoare, outlined the prospect of significant and widespread competition and the need for the company to perform commercially and deliver appropriate returns to the government. One part of the strategy to deal with competition was to attempt to reduce costs through an extensive redundancy programme. According to CEO, Frank Blount, there was a need to "keep a close check on costs and ... when you have 75,000 employees ... wages are a big part of your cost structure" (*Australian Communications*., February 1993, 54). In the period February to June 1992 there were 6,300 retrenchments (*Australian Financial Review,* 12 November 1992, 5). By July 1993 staff numbers had dropped to 68,000 and redundancies were running at an average of 800 a month (*Age*, 12 July 1993, 5). Another part of the strategy was to focus on customer needs and involve Telecom's people in the business in a 'way where they see their interest and the interest of the Corporation as identical' (Australian and Overseas Telecommunications Corporation Annual Report 1992, 2). The medium chosen to do this was the 1993 Enterprise Bargaining Agreement negotiations. Telstra began these negotiations with the view of rationalising conditions of employment derived from the public service. These were perceived as irrelevant in a competitive environment and management believed their removal would ensure long term profitability (Telecom, Key Areas of Productivity Improvement Associated with Enterprise Bargaining. 21 May 1993).

The Consumer Business unit sought to implement an agenda that would deliver functional and temporal flexibility and broaden managerial prerogative. Management wanted to develop and introduce an integrated "field" workforce designation and salary structure which would have the effect of getting rid of the demarcation between technical and lines staff. Ordinary hours would be increased by 4 hours from a span of 8 a.m to 6 p.m to 7 a.m to 9 p.m with these hours able to be worked over a period of seven rather than a five days. They were to be paid at single time regardless of the day of the week and lunch breaks could be taken any time between 11 a.m and 3 p.m. Performance development reviews were to be introduced for all staff, including individual performance assessment. Customer service staff could have their calls monitored by a supervisor. The Dispute Settling Procedure had a "no bans" clause which would have significantly restricted the unions' ability to impede the introduction of change. Management wanted to increase overall staffing flexibility by removing quotas on the number of part time to full time staff, introducing fixed term staff and casual employment. Incentive based pay was to be introduced for all designation groups and payable on a team and individual basis. Management also sought award free arrangements for supervisors and above and the right to use external contractors for a percentage of customer access network construction work (PSU Bulletin 17 May 1993). Whilst management may have regarded this as a means of better satisfying customer needs, it represented a fundamental attack on conditions and union coverage.

The PSU regarded this agenda as confrontationist. After negotiations failed the Public Sector Union (PSU) commenced an industrial campaign with bans on the collection and processing of revenue and the use of all telephones between the hours of 9.30 am to 12 noon (PSU Bulletin 11 June 1993). The Communication Workers Union (CWU) expressed reluctance to adopt any bans on the basis that its members were less likely to be affected by the prospect of contracts (*Australian Financial Review*, 24 June 1993, 4). In a hearing before the Australian Industrial Relations Commission (AIRC) Telecom stated the dispute had closed half its customer contact areas and it expected a significant impact on revenue. There were no suggestions of stand downs with Telecom indicating a preparedness to negotiate (PSU Bulletin 24 June 1993). On the same day Telecom announced the Director of Industrial Relations would be placed on special assignment before leaving the company in August and be replaced by Ian Macphee (Interview former union official 12 December 1996). Ian Macphee had been a "wet" Liberal politician and Industrial Relations Minister in 1982 and 1983 (*Australian Financial Review*, 19 July 1994).

There appears to have been some pressure placed on Telecom by the Minister of Industrial Relations, Laurie Brereton, to resolve the contracts issue (*Australian Financial Review*, 1 July 1993, 11). Subsequently Telstra agreed to maintain the award system for all employees (Telstra Agreement as Settlement Between Telstra and the Public Sector Union Over Contracts and Conditions, 29 June 1993). The PSU believes Telecom did not expect the reaction they received from the workforce and had planned their EBA strategy on the assumption of a Coalition victory in the 1993 election and when this did not occur failed to change their strategy (Interview former union official 12 December 1996). Telstra's confrontationist approach had been based on an anticipated change of government, in effect a form of political contingency influencing the decisions managers make. It failed in the face of union opposition and political contingency in the form of Ministerial intervention.

The appointment of Ian Macphee marks the commencement of a conciliatory stage in Telstra's industrial relations. In March 1994 Telstra management and the major unions, CEPU and CPSU, met at a conference to 'provide an opportunity for managers, staff and unions to share ideas and build a common view of our future working relationship' (Telstra Internal Document., 10 March 1994). The outcomes of the conference were directed at the nature of industrial relations needed to achieve a desirable future and took the form of the Participative Approach Statement of Intent (PA). The PA took the form of a commitment to the success and growth of Telstra and on making Telstra the best place to work largely through union involvement in planning and change processes (*Our Future*, No. 63, 29 March 1994). A central aspect from the union perspective was an informal moratorium on redundancies (ref).Whilst the PA commenced with a certain amount of idealism and trust, over the next two years all parties began to doubt the commitment of the others. Management believed the PA was not facilitating the introduction of change and was being used to challenge their power. The unions believed management was not committed to sharing power and was making flawed decisions on Telstra's future (Telstra Internal Document, 3 August 1995). With the evaporation of trust, the PA slipped into triviality with arguments over the process rather than achievement of outcomes.

The inability of the PA to deliver the changes Telstra desired led to a reversion to a confrontationist mould of industrial relations. This shift was probably influenced by the impending 1996 Federal election which seemed likely to return a Coalition Government pledging increased competition in the telecommunications industry, the partial privatisation of Telstra (Liberal Party, 1996) and an industrial relations reform agenda designed to individualise the employment relationship (Teicher and Svensen, 1998). Anticipating a change of government a former RTZ manager, Rob Cartwright, was appointed Director of Employee Relations in mid 1995. RTZ is a mining company with general notoriety for its efforts to replace collective individual employment arrangements with standardised individual contracts in order to remove unwanted 'third parties', such as unions and the AIRC, from the employment relationship (McDonald and Timo, 1996:454).

Under his direction, Telstra distanced itself from the PA and redefined its relationship with the unions. The company redefined the PA as being about managers involving the unions and staff in the implementation of major initiatives which had the potential to alter the number or content of jobs. The PA was seen as 'definitely NOT about co-determination with the Unions whereby the Unions have the right of "veto" in management's decisions.' Union knowledge and views would form a valuable input to the decision making process, but ultimately management was seen as accountable to make company decisions (Telstra - Participative Approach Management Responsibilities, 10 July 1995). The Secretary of the CPSU's Telecommunications Section expressed his dismay at the 'shift by the CEO to back in the reactionaries who have never supported PA.' It was seen as evidence of a power shift within the organisation and as signalling that:

> unions have been returned to our rightful position in the organisation of helping management carry out their well-formulated plans. We are accepting of our incapacity to contribute to what might happen and know that we cannot question why management may wish to pursue any course of action, however suicidal (CPSU Telecommunications Secretary to Section Executive 30 July 1995).

The union perceived it had been marginalised to a passive organiser of labour rather than having an active role in determining the future of the company.

The CEO, Frank Blount, attributed the changed industrial relations environment to a changed management and Government. He argued that when he arrived at Telstra the problem was weak management had abdicated to the unions its duty to communicate with employees. The removal of many of these managers and a belief that 'worker's attitudes to the company have turned around' made it easier for him to confront the unions. As well the change of government was influential: 'Everybody knows about it, they write about it, I might as well say it; a Labor Government's different than the current Government.' He suggested the Labor Government had urged him to take a soft line on the unions (*The Age*, 18 September 1996). Political contingency, in the form of a change of government, and a perceived altering of worker's attitudes towards the company provided Telstra with a renewed impetus to forge a new industrial relations approach which was manifest in new forms of employee management and a return to confrontationist industrial relations approach.

Soon after the election, the Minister for Communications, Senator Alston, called upon Telstra to improve its financial performance and suggested Telstra lagged on international benchmarks. He indicated the Government would be involved in shaping the carrier's next corporate plan (*Age*, 28 March 1996). The subsequent release of the three-year corporate plan revealed job losses of 9,000 in 1996/97, 6,000 in 1997/98 and 7,000 in 1998/99 (*Australian*, 14 September 1996). The planned 30% staff cuts and an increase in profit led industry analysts to predict it would add billions of dollars to Telstra's float valuation (*Age*, 14 September 1996). Telstra argued the job reductions were due to the effects of competition rather than the planned privatisation (*Australian*, 13 July 1996). The Government's desire to maximise the sale price coincided with managements' desire to deal with competition with the solution for both being job reductions. The Government's political desire for privatisation created a window of opportunity for management.

With the third EBA due to expire in October 1997, the parties began to prepare the ground. The recently enacted *Workplace Relations Act* (WRA) was designed to increase the bargaining power of employers at the expense of employees (Teicher and Svensen 1998:13). Telstra argued its enactment represented a significant change to the regulation of employee relations and the company would be "exploring the application of these changes to our business." The WRA provided a pretext to abandon collective agreements as the only form of the employment relationship.

> I have come across a commitment to the CPSU that the Company will only deal collectively with employees potentially covered by awards. Given that freedom of association and individual choice are basic principles in the new industrial regulation, this clearly can no longer apply' (Telstra E-News No. 175 13 March 1997).

Telstra's claims for the forthcoming agreement were little changed from 1993 though the industrial relations environment had changed dramatically. It sought an EBA it believed would allow it to be competitive and responsive to customer needs. Staff were told they worked under 'anachronistic employment conditions and work practices' that were 'cumbersome, inefficient, administratively time-consuming and generally out-of-date' in comparison with competitors. The industrial framework of competitors enabled them to undertake work at a much lower cost Telstra warned staff that if costs were too high market share and jobs would be lost (Telstra E-News No. 137. 25 August 1997). Public sector conditions of employment were depicted as outmoded and costly in comparison to the modern practices of competitors and used to induce staff to accept reduced conditions of employment.

After protracted negotiations the unions relented and supported the proposed agreement (Telstra E-News, No. 92/98, 22 October 1998). The unions had waged an industrial campaign, with Telstra threatening to use punitive provisions of the WRA (Telstra E-News No. 88/98, 2 October 1998) and warning it would go to a direct vote of the 60,000 staff with the possibility of implementing a non-union collective agreement (*Australian Financial Review* 23 October 1998 5). CPSU admitted:

> 'It is likely that there would be no further concessions made by Telstra without a long and intense campaign of strikes and other industrial action and it would be difficult to sustain such a campaign in the current environment' (CPSU Bulletin, 23 October 1998).

CEPU argued to members that the agreement would deliver significant wage increases without trade offs in employment conditions. Monday to Friday were kept as ordinary hours, overtime meal allowance retained, existing operator shift centre arrangements were protected and individual salaries preserved. The CEPU conceded it did fall short of many objectives but believed it should be put to the vote (CEPU Bulletin No. 81, 22 October 1998). After 14 months, Telstra had obtained an agreement that delivered temporal and functional flexibility. The length of the negotiation process, Telstra's use of the WRA and a belief it would require a long and difficult industrial campaign to win further concessions led the unions to support the EBA.

As in the UK, Telstra's approach to industrial relations has oscillated between and confrontationist and conciliatory approaches over the last six years. However the reasons for this differ from the UK. Within this timeframe Telstra has sought to achieve greater workforce flexibility against a background of deregulation and privatisation. The confrontationist stance taken during the 1993 EBA negotiations appears to have been influenced by managerial expectations of the election of a Liberal-National Party Government. Political intervention by the Labor government appears to have influenced a move to a conciliatory approach. The expectation of a Liberal-National Party victory in the 1996 election largely caused a reversion to a confrontationist approach. The election of the Liberal National Party government, pledging a commitment to industrial relations reform, competition and the partial privatisation of Telstra, enabled management in the 1997 enterprise bargaining agreement to achieve elements of workforce flexibility sought since 1993 and begin the process of individualising the employment relationship. The industrial relations approach taken has depended upon the government in power or an anticipated change of government. The ends Telstra has wanted to achieve have remained constant but the approach it has taken has been mediated by political contingency.

CONCLUSION

The industrial relations changes that have occurred within Telstra can be seen as the culmination of the neo-liberal agenda. This was driven by the interest of large business that saw benefit in the operation of a more efficient market economy. Much of the impetus came from large multi-national companies experiencing declining domestic profits and seeking to expand into overseas markets. These companies sought to influence Australian public policy and attempted to change the intellectual environment through the use of academics to give their neo-liberal ideas of deregulation and privatisation intellectual respectability. This operated indirectly through companies, such as Shell publishing *Australia at the Crossroads* or more directly through the BCA's use of Professor Hilmer.

The ideas of neo-liberalism were embraced by the two major political parties. Within the Liberal Party this was driven by think tanks and academic party members. After an internal struggle the neo-liberals triumphed under the leadership of John Howard. The Labor Party's adoption of neo-liberalism too a different path. Burdened with the pragmatic concerns of dealing with the economy and holding office, the Labor Party came into contact with these ideas through parts of the bureaucracy such as Treasury. Subsequently the neo-liberal agenda of deregulation, competition and the withdrawal of the state through privatisation was pursued by both political parties with the only difference being the pace of implementation.

The large corporations saw telecommunications as ripe for the application of neo-liberal ideas. The attraction of telecommunications lay in its global coverage, high growth status and provision by a national monopoly carrier. Large Australian business formed the lobby group BTS to push for the deregulation of telecommunications. A deregulated market would reduce costs and enable business to enter the market as competitors. Whilst BTS was short lived, its role as a lobby group its role was taken by the more broadly based ATUG which has continued to lobby government for the deregulation of telecommunications.

With neo-liberalism having such a central place in intellectual and political life, the deregulation and privatisation of telecommunications has had an air of inevitability. The process of deregulation has largely occurred under Labor Governments, with partial privatisation under the Howard Coalition Government. Deregulation has seen many foreign telcos enter the Australian market and caused Telstra to experience market and revenue share. This has not deterred the Government from demanding increased dividends for budgetary purposes and directing Telstra to continue to deliver costly USOs. The effect of these measures has been to place Telstra under severe financial pressure.

Telstra management has attempted to deal with these contradictions by cost cutting, mainly in the area of labour. This has taken the form of extensive redundancies and changes to employment conditions. Managements' attempts to introduce these cost reduction measures have been mediated by their interpretation of the political environment. This has produced a situation of oscillating industrial relations whereby managements' approach to Enterprise Bargaining seems to have been largely determined by the political party in power. In a more implicit manner, the Coalition Government's desire to achieve benchmarks and ensure the best sale price has given management the justification to reduce employee numbers, and thereby costs, and deal with the effects of competition. Whilst deregulation and privatisation nominally pass the governance of the enterprise away from government and over to the market and private shareholders, politics still permeates and directs managerial decisions on industrial relations.

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