ROBE RIVER LIMITED
AND
PEKO WALLSEND LIMITED

An Address by

Charles Copeman
Chief Executive, Peko Wallsend Limited, to the Securities Institute of Australia,
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The Robe River dispute, as far as the immediate issue of management's responsibility to manage is concerned, is now history. The employees are at work again, and everyone is working as directed. Of course we have to go through the tedious processes with the Western Australian Industrial Relations Commission which is hearing the claims by the unions that certain work practices should be observed, and of course nothing stands still in the dynamic balancing act of industrial relations — any more than it does in anything else that is worth doing in life.

The reasons given for our losing our appeal in the Industrial Appeals Court against the Order given on 21 August have included interpretations of that Order which satisfy the Company’s objectives, and which are consistent with the terms of the agreement reached on 17 August last with the Minister for Minerals and Energy. The rest of the story is explicable only in terms of the power struggle which is inevitable in achieving change in such an institutionalised society.

Now is not the time to go too far into that story. We all want everyone to settle down and get on with showing what an effective project Robe River can be.

I will only say this to those people who have questioned our methods. What would you have done if you had had to face up to circumstances as outrageous as at Robe, in which not only were the restrictive work practices and theft of company property almost beyond belief, but they were to the point where this intrinsically competitive project was being driven into losing money? Would you have just continued the patient negotiations which had occupied the bulk of the time of the previous management — not only to no avail, but to be demonstrably going backwards? If some of our supporters have not understood our tactics, what hope has there been for our more heavy-footed opponents to do so?

We did it our way — and the people of this country, in the most extraordinary fashion imaginable, have given us their own endorsement. There has been profound revulsion throughout this nation, particularly on the part of people struggling to make ends meet in small businesses, that such practices and rorts as we have revealed should be associated with such high earnings and privileges.

We also had in mind that in the Robe River project, the owners have to commit funds to the expansion to 18 million tonnes per year, and then to moving the mining operation to Western Deepdale by the early 1990's.

Commitment to the expansion programme had to be made this month, and we knew that it had been based on the continuance of the restrictive practices. We can now expect that this initial expenditure estimate of $56 million will be almost cut in half. What will be the change to the much larger cost of moving to Western Deepdale has yet to be assessed.

The savings in operating costs from the reduction in manning — to the tune of at least $75,000 all up, per person per year — will be very significant indeed. The waste of materials — not only of food — was childish as well as criminal. The money saved can be better spent on creative investment elsewhere.

To help the good people on site we have brought in a few people from places like Tennant Creek and King Island where they know from hard times the real value of a dollar. They know how to survive the vagaries of international commodity prices, absurd union claims, and unreal decisions by industrial tribunals. They don’t blame the terms of trade. They get their heads down and find solutions in resolute defiance of all the adverse computer forecasts. Above all, they know how to manage.

In view of the level of public interest in Robe River during recent weeks I should comment briefly on our external relationships. Our customers, particularly those Japanese interests that are also participants in the project, have naturally been cautious about our actions. However, the last thing in Australia we should
want is for those Japanese interests to be publicly identified with any attitude — for or against — in the politically-sensitive arena of Australian industrial relations. Those who sought time and again during this dispute to implicate the Japanese interests have done themselves and Australia a great disservice. We now know them more clearly for what they are.

The Japanese concern about the need for Australia’s reliability as a supplier of vital internationally-traded commodities has been often enough expressed — particularly during the major prolonged strikes that have so seriously affected supplies of both iron ore and coal.

I would be back in Japan this week if it were not for the absence from Tokyo of certain senior company officials.

As to our external relationships with governments, the last few weeks have been full of interest. All I need to say is that in the whole period I was only once contacted by the Premier of Western Australia, and by two of his ministers on a total of six occasions. There has never been any contact from the Federal Government, despite the high volume of public criticism of Peko and of me. I will comment later on other political aspects.

Let me turn now to Peko. First of all let me thank you again for the wonderful support that you have given Peko during this strange time. I must confess that we have not yet got around to sending individual expressions of thanks in response to the avalanche of messages — some of which even include money. When a major public company has sent to it the widow’s mite it is indicative of a depth of concern in this country that goes far beyond the clash of political aspirations.

Our financial result for the year in Peko has affirmed that we have recovered the financial ability to take actions from strength rather than from weakness. However, we should not lose sight of the fact that without the decline in the Australian dollar we would have barely been profitable. Despite the political rationalisation being given to the benefits of the decline in our dollar, we all know that the decline is a very real measure of Australia’s economic failure to match up, in the competitive world.

In Peko we see these present unsettled economic circumstances as providing us with great opportunities to take on some of the mineral resource assets that others have found more difficult, as well as to reinvigorate our own exploration, in which Peko had been so successful in the past. In that regard we have decided that it is time to stand up more publicly against those who have prevailed on timid governments to stop us from exploring in areas of high mineral potential — particularly in our home state, the Northern Territory, with its confusing and contradictory mixture of federal and local authority.

Our oil and gas directions are now falling into place, through Peko Oil. In the present subdued oil and gas market we will build onto our already sound base internationally and in Australia, in order to be well-placed for the future.

In every company as diverse as Peko there is always work to do to build onto the strengths, and resolve the weaknesses. It is in the nature of things that that work never ends, but I am confident that we are now moving along much more effectively, within the resources of the very small team of people that we allow ourselves.

However, where the economic climate does not provide the prospect of a return from an investment commensurate with the risk to our shareholders funds, we will exercise our responsibility either to find someone else to take over that investment, or to wind it up. There are no prizes for procrastination in the real commercial world — only for performance.

Beyond Peko, I undertook to talk about Australia, not to predict the exchange rate nor to debate whether we are entering a recession or a time of opportunity, nor even to ask the Federal Treasurer with what real confidence he sees his predicted turnaround in the current account deficit — a deficit that equals the total of our mineral exports, which in turn make up nearly half of our total exports.

There are two aspects of our national scene which have come most closely to my attention in these past weeks — the media, and the part played by the business community in the political process. The two are very closely linked.

From my previous experience over the years, but particularly from these recent weeks, I have very little other than praise and gratitude to offer the media for their handling of Robe River, Peko, and the Peko team.

During the dispute our relations with the media were conducted almost wholly by the three management people directly responsible, the General Manager of Operations, the Executive Director and myself, with no effort to co-ordinate our stories, and certainly no constraints. We were confident that despite the political flack, the simple facts were unassailable. These facts, repeated consistently to fair-minded reporters, gained tremendous support for what we were trying to achieve.

In all the political twists and turns of these few weeks, with all the deliberate misstatements and downright lies that were levelled against my colleagues and me, there...
is only one assertion which I feel I must refute, to get the record as straight as I can.

I have never, and will never, advocate that unions be banned or done away with. Unions are associations of people who see some common purpose in associating. To suggest that people should not be allowed to associate, should be offensive to all people who espouse the cause of freedom. To suggest that people should be compelled to join unions, however, is likewise offensive to the cause of freedom. The United Nations Charter expressly forbids compulsory membership of any body whatsoever.

I can only ask you to question both the morality and the motives of those who have rushed to assert that I had made such a statement.

It is of timely interest that the recent results of a survey confirmed that even among unionists polled, 77 per cent believed that membership of unions should not be compulsory.

My final comments concern the part played by the business community in the political process. Many of you here today have known for many years of my tendency to speak out, when conventional wisdom has so often been to keep silent. It seems to me to have been tradition borne in the 19th century, when governments were not particularly anti-business, even though there were differing priorities between political factions. There was thought to be no need for business to speak out, and the media through which to speak barely existed.

Since then, the tradition of silence has become a tradition of not to risk giving offence to the political party in power, however, antagonistic to the shareholders’ interests that political party might be. To deal “even handedly” with the political forces of the day.

My concern is that in more recent times this view has been modified again to one in which we must be even more careful not to offend an anti-business government for fear of retribution, but we may disparage without limit, at least privately if not publicly, governments and political parties which contain the only genuinely pro-business elements in the political spectrum.

No wonder that the independent small business people and farmers of this country are incensed at what they see to be too close a relationship between big business, secure within its well-paid and pensioned power bases, and that other form of bureaucracy called government, which is forever devising policies to stifle the true wealth-creators, to give to the wealth consumers.

No wonder that those genuinely pro-business politicians are at least puzzled by the constant disparagement they receive from those for whom they believe they are fighting. Those politicians, in all their individual loneliness and relative financial insecurity, are fighting against anti-business politicians whom they know at first hand for what they really are. I ask you to think about how we can expect to have better people in politics — if indeed there are better people to be got — when we show so little support for those who have got the guts to be in it now. Just try getting really close to it, as we have done these past few weeks, and you’ll understand what I mean.

The Robe River dispute illustrates vividly that what is at stake is — like it or not — essentially political. There can be no sanitised distinction between industrial relations and the polarised politics we have in Australia. The politicians of all parties, the union officials, and the news media reporters understand this far better than does the business community. To achieve change to the extent that we sought at Robe River it had to become political — and some of us were ready and willing to take gladly the positive political support that was most generously forthcoming, and, what is more, to take the battle right into the enemy’s camp. Let me assure you that with friends like those, it has been no lonely road for me.