Australian gas disaster raises many questions

Will Marshall (Socialist Equality Party Senate candidate for Victoria)
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Many questions are being raised about the gas processing plant explosion that has idled heavy industry across the Australian state of Victoria as well as key factories interstate. The Victorian government of Premier Jeff Kennett has declared that it will be at least two weeks before basic gas supplies are restored and more than six months before full services resume.

Increasingly, working people are demanding answers, especially those most affected: the families of the workers killed and injured in the fireball, the households that can no longer wash in hot water or cook meals, the more than 100,000 workers who will be stood down in basic industry by the end of the week.

How has this happened now, despite the wonders of modern technology? Why was the maintenance workforce in the vital and highly dangerous gas plant slashed in recent years? Why is there no contingency plan? How does one consortium--Esso-BHP--have sole control over such an essential service? Why is the Kennett government still intent on privatising the rest of the gas industry?

These questions have become more acute because things have only gone from bad to worse since the blasts that shattered Esso's Longford plant last Friday.

• Not only do workers and families face at least a fortnight of economic hardship and extreme discomfort, there is already talk of sacrificing domestic services for a longer period to service the needs of big business customers. Adequate services may not be restored before next winter, yet 55 percent of Victorian homes depend on gas heating, cooking and hot water,

• Standdowns have spread to South Australia and New South Wales, particularly in the car industry, affecting tens of thousands of workers in Adelaide, Sydney and regional centres.

• A shuddering explosion at a Melbourne restaurant has highlighted the further dangers created where businesses and families attempt to connect portable gas containers.

• Similar risks will arise when gas services are re-connected. Gas taps have been compulsorily disconnected, mostly by an army of unpaid emergency services volunteers, but the reverse operation is much more dangerous.

• Reports have emerged that the explosions and fires at the Longford plant could have killed many more people. Fire and emergency personnel had to evacuate residents from a 5 kilometre radius around the plant because no-one knew whether two tanks holding 800,000 litres of liquid petroleum gas would explode.

• Workers in the Sale-Longford area believe that the gas pipeline from the Bass Strait offshore oil and natural gas fields to the Esso plant may have been fractured in the blast, possibly making repairs too dangerous for many months.

Some facts have begun to surface.

First, maintenance jobs have been halved inside the Esso plant since 1992. Maintenance has been the hardest hit by Esso's job cuts, with the total workforce falling by 224, or 16 percent, over the same period.

These cuts are part of a wider downsizing process throughout the gas industry nationally and, indeed, all industries. In Victoria the total gas industry workforce has been reduced dramatically by 60 percent or 2,363 since 1993. Most of the drop, from 3,871 to 1,508, was due to corporatisation of gas distribution utilities in preparation for privatisation.

Second, maintenance work in the Esso plant was largely contracted out, to cut-price labour-hire companies such as Skilled Engineering. Bound up with this was a shift from 'preventative' to 'breakdown' maintenance. That is, the ageing 30-year-old plant was no longer systematically maintained, only repaired in the event of breakdown, regardless of the potential risk to human life.

This is also part of a wider trend. The Kennett government broke up the Gas and Fuel Corporation in 1996 to form three profit-making distribution companies, Multinet, Stratus and Westar, and one long-distance carrier, Transmission Pipelines of Australia, each of which has contracted out all its maintenance work. In that period, more than 1,000 highly skilled gasfitters have been retrenched.

Third, Esso has undertaken a 'slash and burn' approach to staffing since 1996 to prepare for the new de-regulated regime promised by the Kennett government. The entire shift to low-cost maintenance has been driven by definite profit targets.

This has found its most stark expression in a bitter dispute between the state government and the state's Regulator General, who recommended that gas prices be pegged so that the new private owners of gas utilities be allowed to earn a rate of return of 7 percent on their capital investment.

In reality, the ruling would deliver a real profit rate of around 14 percent by allowing the companies to value their investments at inflated current values, rather than at the price they actually paid. But even this restriction immediately lowered the estimated sale prices of the four companies from the $4.5 billion the government is hoping for, to less than $3.5 billion.

Furious with the decision, Kennett and his Treasurer Alan Stockdale delayed their privatisation plan and demanded that the profit rate be raised by at least 1 percent. They have declared that they want to attract 'dynamic' and 'adventurous' companies to buy the gas network. No doubt such companies would further slash workforces.

In another bid to boost the privatisation plan, the government has pledged to legislate to protect the gas companies from legal suits arising out of breakdowns and disruption of supplies, such as the current one. Previously, the government introduced a similar measure to protect the overall state gas supply company VENCorp.

The present crisis illustrates the subordination of every concern, including that of lives, essential services and livelihoods, to the relentless drive for corporate profit. Transnational companies increasingly dominate the gas market, like every other basic utility, demanding ever lower costs and higher profit margins.

Over the past three decades, Esso and its offshore oil and natural gas drilling partner, BHP, have made at least $15 billion from their monopoly over the state's natural gas supply, a monopoly that has been preserved by Labor and Liberal Party governments alike. Last year, BHP Petroleum alone made $672 million, most of it from Bass Strait.

Yet Kennett and his federal leader, John Howard, together with their Labor Party counterparts, have not uttered a word of criticism of the companies for now creating this immense human disaster.

If ever Victorian workers take industrial action, such as hospital, tramway or waterside workers, and dislocate business profits, these political figureheads denounce the strikers for 'sabotaging the economy' or 'holding the country to ransom'.

Esso, together with BHP, have done far greater damage to society and the economy than any industrial action. Even in terms of lost production, the cost is now expected to reach $1 billion.

But to condemn the corporate boardrooms would be to place a question mark over the entire process of downsizing, re-regulation and privatisation, not to mention the supposed virtues of the private profit system itself.