

Esso blamed for Australian gas explosion

But Royal Commission obscures underlying causes

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5 July 1999

A Royal Commission into the September 1998 gas explosion in Victoria has found Esso, a subsidiary of Exxon, responsible for the disaster which killed two workers, injured eight and cut gas supplies to the entire state for two weeks, causing millions of people to suffer losses of employment, livelihoods, heating and hot water.

Former High Court Justice Dawson rejected Esso's repeated attempts to blame workers at the Longford plant, particularly James Ward, the panel-operator in Gas Plant 1 (GP1) at the time of the accident.

The Commission's findings state that the major cause of the accident was "the failure of Esso to equip its employees with appropriate knowledge to deal with the events which occurred". In doing so, Esso failed to provide a safe working environment for its employees in breach of the state's Occupational Health and Safety Act.

The report points out that Esso had not carried out a systematic assessment of the risks and dangers involved at the plant. The lack of "adequate procedures for the identification of hazards in GP1 contributed to the occurrence of the explosion and fire," it states.

In particular, Esso did not carry out a HAZOP (hazard operability study) in GP1. In such studies, engineers create scenarios that exceed the usual operating parameters of equipment and examine the overall impact on the entire plant. But Esso's failures were many, right down to not monitoring the reports done by plant operators over a period of time.

The explosion occurred when hot lean oil came into contact with equipment that had been operating well below normal temperatures. This caused the brittle metal to fracture and release massive amounts of hydrocarbon gas, which came into contact with an ignition source, causing a violent explosion. The equipment had reached such low temperatures because the supply of lean oil had ceased for over three hours due to the failure of two pumps.

Because of Esso's lack of training, none of the supervisors and plant operators knew that this could occur. In the words of the report: "It is difficult to understand why operating

procedures dealing with a lean oil absorption plant did not include any reference to the importance of maintaining lean oil flow in the operation of the plant. Plainly that was something which was fundamental...

"The lack of knowledge on the part of both operators and supervisors was directly attributable to a deficiency in their initial or subsequent training. Not only was their training inadequate, but there were no current operating procedures to guide them in dealing with the problem which they encountered on 25 September 1998".

Gas Plant 1 was 30 years old—it was the oldest of the three units operating at Longford. Submissions made to the inquiry suggested that Exxon had to decide, on the basis of profit considerations, whether to update the equipment, work it into the ground, or abandon the Longford plant altogether.

The Commission's findings indicate that Exxon took the second option. They confirmed that Esso conducted HAZOPS on the more modern units, but not GP1. After examining this issue at some length, the Commission commented: "Esso recognised the particular significance of a HAZOP study for GP1, given the age of the plant, the modification made to its initial design and the changes to design standards since the plant was built. These reasons grew stronger with the passage of time ... no formal hazard identification or structured risk assessment of any kind took place in GP1 after 1994."

The Commission stated that a HAZOP study would, without doubt, have revealed the factors that contributed to the fatal accident.

The Commission quoted from Esso's own documents showing that in 1994 Esso deliberately limited a major aspect of its safety efforts, its Periodic Risk Assessment, (PRA), on the pretext that a HAZOP study was pending. The Commission concluded: "Accordingly, the 1994 PRA was directed away from process-related hazards and concentrated on hazards caused by mechanical equipment failure and operator error. Scenarios addressing the consequences of 'low temperatures', 'high level' and 'no flow' were not used."

Esso's denials of culpability for the accident were exposed by its own internal investigation, known as the McNeil Report. A draft document obtained by the Coroner shortly after the explosion said: "The lack of a detailed HAZOP for GP1 is considered a contributing factor to this incident". This passage was omitted from the final report.

Not one of the McNeil team testified to the Royal Commission. The Commission simply drew the following conclusion: "All the members of the investigating team were from overseas and were no longer in Australia and available to the Commission at the time of its hearings. Esso did not seek to call any member of the investigating team to give evidence. In the circumstances, the Commission concludes that the omission of the statement from the final report does not in any way detract from its force".

As part of restructuring its operations, Esso transferred all on-site engineers to Melbourne. This affected the running of the plant, yet Esso made no analysis. The Commission found that: "The relocation of engineers qualified as a permanent change to operating practices requiring risk assessment and evaluation before implementation in conformity with Esso's management of change philosophy. Yet such relocation was implemented without any such assessment ever taking place".

While the Commission indicted Esso, its findings also serve to obscure or at least minimise the significance of the driving forces behind the cuts to safety. Over the preceding decade, Esso had cut costs by dramatically lowering manning levels and contracting out much of its maintenance, as well as winding back on safety spending. Between 1992 and 1998, Esso cut the total workforce by 224, or 16 percent. The most serious cuts occurred in maintenance, where the number of jobs was halved.

The Commission limited itself to saying: "Insofar as the failure to conduct the HAZOP study for GP1 and the reduction of supervision at Longford, including the transfer of engineers to Melbourne, were a result of Esso's desire to control its operating costs, asset management practices or policies may have been a contributing factor to the explosion, fire and failure of gas supply. However, it is not possible to establish any more direct causal link".

In addition, the Kennett state Liberal government limited the Commission's terms of reference in order to bury the government's own role in scrapping health and safety measures and replacing them by corporate "self-regulation". The Victorian Trades Hall Council, supported by Esso and the Labor Party, asked the Commission to extend its inquiry but their application was rejected.

Nevertheless, the Commission's final report implies that the Kennett government must also bear responsibility for the disaster. "Had Esso been required to submit a safety case

(safety report), with respect to its facilities at Longford before 25 September 1998, it is likely that it would have identified the very hazards which were in evidence on that day, hazards which a proper HAZOP study of GP1 would also have identified".

The report also notes that Esso adopted certain national safety procedures in its offshore facilities, which come under federal jurisdiction, but not in its onshore facilities, which are covered by state law. "This may be explained by the absence of any obligation requiring it to do so," the report states.

Esso and the Kennett government have so far refused to comment on the Commission's findings. Esso now faces a \$1 billion class action for losses suffered by domestic gas users and businesses. It has attempted, unsuccessfully, to have the class action struck out on four occasions. It may also face prosecution by the Victorian WorkCover Authority for its breaches of safety. But there is no suggestion of making the government legally liable.

Workers have for a long time warned of the dangers at Longford. This was particularly apparent in their testimony to the Commission. Many spoke of the constant trepidation they felt. Commenting on the Commission's findings, James Ward told the *Australian*, "As operators of that gas plant we always had our own safety uppermost in our thoughts. You will push your own wagon to get your own benefit, but in this instance we saw the writing on the wall and we highlighted it, flagged it time and time again".

By contrast, as the Commission's inquiry revealed, Esso disregarded safety in its pursuit of profit. Its parent company, Exxon, with a capitalisation of \$US185 billion, had a gross profit margin of 38 percent last year. It is currently planning to buy Mobil Corp in a \$US75 billion deal. Such buy-outs and mergers are part of the intensified global competition between transnationals, leading to ever-greater attacks on workers' safety and conditions.



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