

Thousands of manufacturing jobs lost in Australian state of Victoria

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More than 2,000 manufacturing jobs were destroyed in Victoria, one of Australia's major industrial centres, during November. Long-established companies made most of the cuts, including 640 jobs from the white goods manufacturer Email, 500 from South Pacific Tyres (Pacific Dunlop), 200 from General Motors Holden and 120 workers from Qenos petrochemicals.

Early in November, Email announced it would close its Victorian operations and relocate to South Australia. The workers, who were given only one week's notice, were told to accept a redundancy package or apply for work in the company's Adelaide plant, nearly 900 kilometres from Melbourne. The upgraded facility will only employ 340 workers.

Only days after Email's announcement, BAE Systems, Australia's largest defence supply company, declared it would abandon its nearly completed \$A35 million expansion at Fisherman's Bend in Melbourne in favor of investing \$20 million in Adelaide.

Qenos petrochemicals said its decision to close was based on a shrinking local market for synthetic and low-density polyethylene. It has now moved into injection molding and plastic pipe products.

The job cuts are ultimately the product of intensifying global competition. Companies are relocating their operations to new sites seeking out cheaper labour as well as tax breaks and other concessions.

South Pacific Tyres chief executive Robert McEniry said his company was relocating to China in order "to be on the same pricing and competitive footing as the rest of the world". Its Somerton plant, which mainly produces heavy truck tyres, has also been hit by a downturn in domestic demand. Since taking over the plant 13 years ago, the number of truck manufacturers in Victoria has fallen from nine to just four.

The fierce competition has resulted in bitter exchanges between state governments over the poaching of

industries and investment. Email decided to move after the South Australian government offered attractive financial inducements and tax concessions, including \$2 million in direct subsidies, worth \$20 million over two years.

Victoria's Manufacturing Minister Rob Hulls, infuriated with Email's decision, described the South Australian economy as a "basket case". South Australian Treasurer Rob Lucas responded by saying the Victorian government had to "drag itself into the 21st century".

Other factory closures in Victoria over the preceding year include Aurora glass fibres, Dorf Taps, Geelong Cement, Yakka clothing, Pilkington Glass and Heinz, each involving hundreds of workers.

Victoria's economic growth rate has fallen from a high of over 6 percent in 1998-1999 to 4.25 percent in 1999-2000 and is predicted to fall to 3.25 percent in 2000-2001. As well as manufacturing, building, retail, transport and agriculture sectors have been badly hit.

During the September quarter, employment in the building industry reached a record high of 159,700 or 7 percent of Victoria's workforce. But in the December quarter, the number of starts on new housing construction fell dramatically from 53,600 to 35,000.

Housing Industry Association executive director John Gaffney blamed the introduction of the federal government's Goods and Services Tax (GST) in July, saying the impact on construction had been "extraordinarily severe". The building industry has also been affected by the completion of a number of major building projects started under the previous Liberal state government, including the \$1.7 billion City Link Toll road and the \$400 million Colonial sports stadium.

When he came to office last year, Victorian Premier Steve Bracks pledged to head the "most business friendly Labor government in history". Bracks has since promised to slash corporate taxes by \$400 million over two years.

The state government has set up at least 25 committees, inquiries and task forces involving business leaders to try to attract investment and prevent companies leaving the state. Issues to be looked at include private-sector investment in the state's infrastructure and the revival of Victoria's film and television industry.

Big business, however, is demanding the government go further. In an article in the *Australian Financial Review*, Access Economics director Dr Ed Shann warned that Victoria would be dragged under unless it implemented further tax cuts, boosted the quality of the state's infrastructure and lowered the cost of basic services.

The article went on to praise the anti-working class policies of the previous Liberal premier Jeff Kennett, saying business was prepared to tolerate “the Kennett style of government” as long as it kept the economy growing at 10-15 percent faster than the rest of the country.

Business commentators have complained at the relative expense of operating in Victoria compared to other regions in Australia. They cite the lower average weekly wage in South Australia—\$586 as compared to \$625 in Victoria, and the lower level of industrial disputes in the year to June 30—South Australia had 36, involving 23,000 working days lost, compared to 234 and 229, 000 working days lost in Victoria.

The Victorian government has also been reproached for its changes to workplace relations legislation, which include the restoration of common law rights to injured workers abolished by the previous Liberal government. Amendments to the Fair Employment Bill will deem contractors or sub-contractors to be “employees”, making major companies liable for injury compensation payments.

There is little doubt that the state Labor government will respond to the mounting big business criticisms with a new round of attacks on the rights and conditions of workers, on the one hand, and further corporate financial incentives, on the other.



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