Australian unions give go-ahead for closure of major biscuit plant in Melbourne

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Trade union leaders in the Australian state of Victoria have given the green light for the closure of a major plant operated by biscuit manufacturer Arnotts in Melbourne and the axing of its workforce of over 600. Under an agreement reached with the Liquor Hospitality and Miscellaneous Workers Union (LHMWU) and the Victorian Trades Hall Council (VTHC), the company will complete the layoffs by September next year.

The union pushed through the deal on May 17 at a hurriedly convened meeting outside the plant attended by barely 200 workers. The agreement increases the redundancy payout to the 434 permanent workers who will lose their jobs, and provides a small wage increase in the interim. More than 100 casual and contract workers will also receive some severance pay.

LHMWU official Terry Breheny claimed that the union's campaign since the closure was announced on May 4 had "won an Australian first" by gaining a redundancy payout for the contract and casual workers. He noted that these workers would have received nothing, as employers were not legally required to pay redundancy entitlements to casuals. He was, however, forced to concede that "in the view of our members this [agreement] is just a second prize".

This "victory" will, of course, not save a single job. Moreover, many of the casuals are former full-time workers with long years of service with Arnotts, who have been compelled over the past few years to accept compulsory "transfer" to a labour hire company, Catalyst. They were then hired back to the company—a process that the union undoubtedly knew about and sanctioned.

In contrast, the company must be delighted with the outcome. Extending the redundancy payout is a small price to pay for ensuring uninterrupted production and an orderly closure—all enforced with the assistance of the unions. The unions are already shutting down their campaign of "community rallies" and intend only to maintain a consumer boycott on Arnotts products.

The union-brokered deal makes clear that the union campaign was never about defending jobs. It was aimed at dissipating the anger of Arnotts workers and the support of other workers while an agreement was cobbled together with management. From the outset, VTHC secretary Leigh Hubbard argued against any strike action, saying the company's decision would be "very hard to reverse".

While engaging in nationalist denunciations of the American parent company Campbell's Soups, the unions called on workers to put their faith in the outcome of discussions between the state Labor government and Australian-based food producers such as Lane Biscuits and Snack Foods. None of these companies, however, went beyond their initial interest in taking over the operation.

The impact will also be felt in other Arnotts plants. The closure of the Melbourne factory is central to a $100 million cost-cutting plan announced earlier in the year by Campbell's, which took over Arnotts in 1997. The US food giant proposes to restructure its Australian operations with the aim of producing annual savings in excess of $10 million by 2003. Biscuit production in Melbourne will be shifted to plants in Sydney and Brisbane, creating just 130 extra jobs at the latter. Arnotts will also upgrade its Adelaide factory.

Outlining the plan at the beginning of May, Campbell's Asia-Pacific Managing Director John Doumani commented: "We need a small number of large, flexible, low-cost plants with the best combination of skilled bakers and technology...The food industry is becoming intensely competitive."

The decision to close the Melbourne plant follows a credit downgrading of Arnotts in January by the international rating agency Standard and Poors from A+ to A, even though Arnotts commands 55.4 per cent of the biscuit market nationwide and increased its sales by 4.2 percent over the last 12 months.

The Campbell's empire as a whole suffered poor results, however. In a recent letter to shareholders, Campbell's president and chief executive officer David W Johnson said the company was “extremely disappointed” with its overall sales, which declined last year by 2 percent to $6.3 billion, and a fall in earnings per share by 4 percent to just $1.65.

The restructuring at Arnotts will set the pace among the company's major competitors, who are facing losses due to decreased sales. In the 12 months to April 2001, George Westons' biscuit sales slumped 4.1 percent, Players Biscuits' sales dropped more than 20 percent and Queensland-based Paradise Biscuit saw its sales fall by 3.4 percent. Last year Dick Smith Foods launched its biscuit lines, produced and backed by companies like the giant food manufacturer Snack Foods, and has already gained 1.5 percent of the market.

Other sections of the food processing industry in Australia are also moving to slash costs. In April, Goodman Fielder, Australia's largest food company, announced a $150 million restructuring package to meet the demands of its shareholders to “clean the decks” and lift the bottom line. The company has already outsourced its delivery fleet in Canberra and closed the Buttercup bread-making factory in Newcastle. Similar moves can be expected at George Weston Foods. Its shares fell to a six-year low this month following reports that its profits were $21 million less than expected for the eight months to the end of March.