New Zealand appliance manufacturer closes plants in three countries

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The New Zealand domestic whiteware manufacturer Fisher and Paykel (F&P) Appliances abruptly announced on April 17 that it would be closing three factories: its dishwasher plant in Dunedin, New Zealand; its refrigerator factory in Brisbane, Australia; and its cooking appliance factory in California. In total, more than 1,000 jobs will be destroyed.

The Range and Dish Drawer plant in Dunedin will close within 12 to 18 months with the loss of 430 jobs and its production shifted to existing sites in Thailand, Italy and a recently purchased factory in Mexico. When the move is completed, F&P Appliances will have nearly halved its New Zealand workforce from around 3,000 in 2000 to just 1,600. A further 310 jobs will go when the Cleveland plant in Brisbane closes next March, followed by another 330 job losses in California.

Founded in 1934, F&P Appliances has been regarded as one of New Zealand's premier domestically-owned manufacturing companies. For the past two decades, it has been touted as a major success story. While declaring that the closures left a "bitter-sweet taste", chief executive John Bongard nevertheless justified the decision by pointing to cost savings of around $NZ50 million a year. The company made an after-tax profit last year of $61 million.

Bongard cited "the global aspect and lowering of labour costs" as the chief reasons for the announcement. "It's not helpful... if the domestic situation is really working against you rather than for you," he added. Apart from a high exchange rate fuelled by high interest rates and increasingly complex compliance costs, Bongard blamed recent free trade agreements with Thailand and China for creating a "playing field we're unable to compete in". Citing the same factors, the company shifted its electronics and laundry units from Auckland to Thailand last year with the loss of some 350 jobs.

The company's strategy has been to concentrate on producing "innovative and high-end" appliances aimed at the premium US and European markets. But now, according to Bongard, "unless we can reduce some of the cost disparities in the manufacturing process, particularly the cost of labour, we will not be able to provide an adequate return to our shareholders." Mexican workers will be paid on average $NZ4.50 an hour, a sixth of the typical wage paid to F&P Appliance workers.

Analysts and economists told the *Dominion Post* newspaper that the company had been telegraphing the move for some time after a global trend set by rivals such as Sweden's Electrolux. "It's an unpleasant thing to do but they do have to try and make profits," said Tyndall Investment Management domestic equities manager Rickey Ward.

The stock market immediately signalled its approval. F&P Appliances shares jumped 34 cents to $2.54, representing their biggest single-day gain on the New Zealand stock exchange (NZX) since F&P Industries was split into F&P Appliances and F&P Healthcare in 2001. The rise boosted the NZX's performance as a whole, after a period of turbulence due to the impact of the international sub-prime crisis.

The Australian Manufacturing Workers Union (AMWU) called for urgent talks with the company as well as federal and state ministers to keep the Brisbane operation open. AMWU Queensland secretary Andrew Dettmer argued that the company was "strong" and the whitegoods industry was in a good position to weather current "short term" economic pressures. "We will be seeking to leave no stone unturned in trying to get this plant to continue to operate," he declared. "The trade union movement deals in hope, and that's what we'll be seeking to do."

Dettmer's remarks are nothing more than an appeal for negotiations over cutbacks to jobs, pay and conditions to make the factory "internationally competitive", and, failing that, to discuss the orderly closure of the plant. It follows a well-worn pattern that has seen the trade unions preside over the decimation of manufacturing industry jobs over the past three decades. At any rate, Bongard dismissed the call, saying there was no way a union could force the company to keep a factory open.

In New Zealand, the unions, led by the Engineering, Printing and Manufacturing Union (EPMU), have been responsible for a similar devastation of jobs since the mid-1980s—all in the name of making New Zealand industry more competitive. The EPMU upheld its in-house "consultative" arrangements with key employers, including Fisher and Paykel, as the means by which the country's small manufacturing base would be relatively protected. Predictably, none of the unions in any of the affected plants have put forward a plan to mobilise workers in any way to oppose the closures and sackings.

The New Zealand Labour government also washed its hands of any responsibility. Trade Minister Phil Goff declared that the layoffs were largely due to "external factors", rather than the performance of the local economy. He rejected criticisms of recent free-trade deals, saying such agreements helped exporters who had mostly applauded the recent China agreement. "By taking away barriers to our exporters getting into countries we are actually creating jobs," he told Radio New Zealand. Goff said that the move offshore for companies like F&P was necessary because their competitors were already producing in low labour-cost countries

The *Sunday Star Times* of April 27 gave a glimpse of the conditions facing workers at the company's new location in Reynosa, Mexico. The plant was originally established in 2004 by US appliance manufacturer Maytag, which closed down a 1,600-job operation in Galesburg, Illinois in order to set up there. Maytag was taken over in 2005 by competitor Whirlpool, which announced last January it would be consolidating the bulk of its production in another low-cost part of Mexico.

F&P Appliances is now spending $US41 million to buy and modify the factory, which is in a free-trade zone across the Rio Grande and adjacent to the Texan town of McAllen. A McAllen-based consultant, who assisted both Maytag and F&P Appliances with their deals, explained that what was attractive to companies was that "on this side of town is one of the largest markets in the world, and on the other side is very competitive labour rates". Even US workers earning as little as $US12 per hour cannot compete with Mexican workers earning $3 an hour. In so far as they exist, non-cash employee benefits such as health care, meals and transport add little more than $2 an hour to labour costs. An additional bonus is that goods shipped from the zone into the US are not subjected to taxes or tariffs.

There are currently 220 global companies operating in Reynosa, employing some 110,000 workers in overseas-owned assembly plants known locally as "maquiladoras". Even so, the local unemployment rate is running at an estimated 32 percent, which exerts a constant downward pressure on wages and conditions.

According to the *Sunday Star Times*, entry-level wages "are barely enough to sustain an adult, let alone a family—groceries to feed a family of four would cost about $US83 dollars a week ... and accommodation for many workers is in shanty towns that have sprung up around industrial zones". One US academic described the prevailing social inequality: "The luxuries of modern American consumer culture and dire poverty exist alongside each other in stark contrast in Reynosa. Likewise, ultramodern, clean and efficient factories are located within sight of grim shanty towns."

The municipal government collects no taxes from the multinationals and so is unable to meet the water, electrical, sewerage, medical and transportation needs of an expanding population. In January, troops began patrolling the streets, purportedly as part of a crackdown on drug cartels and local corruption after a spate of murders. Meanwhile, factory managers—including those from Fisher and Paykel—live across the river on the US side of the border.

In New Zealand, a former Fisher & Paykel manager warned in the media that the writing was now on the wall for the remaining 100 specialist, high-skilled F&P designers and engineers based in Dunedin. He predicts that once final projects are completed and products customised for the relocation, the rest of the company's Dunedin operation will shut—creating a "disaster" for the regional centre. At its peak about three years ago, the Dunedin plant employed over 800 people.

Amid growing signs of a US and global downturn, a new round of job losses, plant closures and overseas transfers are already underway and impacting on New Zealand. The same day that Fisher and Paykel made its announcement, the ANZ National Bank declared it would move up to 500 jobs to India over the next 18 months. About 5 percent of the bank's back-office work in processing and operational functions, including setting up loans and accounts and data entry, will be moved to Bangalore. This was followed by news that Dunedin textile firm Tamahine Knitwear, which employs about 50 workers, would be closing its doors.

According to current predictions, another 38,000 workers in New Zealand stand to lose their jobs in the next two years as the economy slows, with those working in real estate, housing construction, retailing, manufacturing and business services most at risk. ANZ National Bank chief economist Cameron Bagrie told the *Dominion Post* that these sectors had grown off the property-market boom and accounted for 60 percent of new jobs over the past five years. Bagrie said unemployment was likely climb from 3.4 to 5 percent over the coming period.

Any struggle to defend their jobs and conditions has to begin with a rejection of the nationalist outlook espoused by the unions and Labour governments, which results in the pitting of one section of workers against another in a never-ending race for "international competitiveness". Only by beginning to organise across national boundaries, including in Mexico and Thailand, can Fisher and Paykel workers begin to challenge diktats of management and the market that put profits and share prices, ahead of the jobs and conditions of thousands of their employees.