

Australian banks dictate jobs axe at Pacific Brands

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In a decision directly driven by the demands of an Australian-led consortium of banks, Pacific Brands, a transnational clothing company, has unveiled the closure of nearly all its factories in Australia and China, destroying at least 2,700 jobs.

About 1,200 jobs will be lost through the closure of seven plants in Australia: 255 from Holeproof at Nunawading in Melbourne and 298 from Hosiery at Coolaroo, also in Melbourne, 233 at Wentworthville in western Sydney, 83 at Cessnock in the Hunter Valley, 207 in Wollongong and 56 at West End in Brisbane,

But the biggest single closure—which has been hardly mentioned in the Australian media, and not at all by the Rudd government or the textile union—will be in China, where 850 jobs will be axed. There will be another 650 redundancies among non-manufacturing employees spread across the Asia-Pacific business.

In a statement to the stock exchange, the company said it was ending its manufacturing operations, replacing them by outsourcing, and selling off numbers of factories and other properties. As a result, its banking syndicate—ANZ, CBA, NAB and Westpac (the "big four" Australian banks) and HSBC—has extended by six months the deadline for the Pacific Brands to repay \$550 million in debt, now due in August next year.

The job cuts dictated by the banks will devastate the lives and futures of workers in both countries. Little information is yet available on the situation of the displaced Chinese workers, but most of those to be retrenched in Australia will have little hope of finding work again.

"With the economy the way it is, things are tough all over," Mandy Madgwick of Cessnock told journalists. "We didn't see it coming. They kept telling us things were looking good." Fabric dyer Joe Ferriera from St Marys in western Sydney, whose wife gave birth to a baby two months ago, said: "Now I've got more worries to think about... I have to look for another job. It's going to be tough."

Many of the Australian employees are immigrant women and men who have worked for the company for years, if not decades. They will now be thrown on the jobless scrap heap, their sewing

and maintenance skills unemployable, and their meagre redundancy payments soon exhausted. Nearly all have mortgages and other debts to pay, and in some cases both husband and wife worked for Pacific Brands.

Thousands more jobs are threatened in supplier companies, which account for most of the 50,000 jobs left in the Australian textile and clothing industry, which has been decimated already by the turn of transnational corporations to globalised production since the early 1980s.

The Rudd government has admitted that it knew of the retrenchments three weeks ago, but kept the news from workers, who were stunned and dismayed by the announcement. This three-week cover-up underscores the Labor government's preoccupation with trying to prevent any resistance to the closures. Prime Minister Kevin Rudd told parliament the job cuts were "distressing" but he and his key ministers emphasised that workers had to accept that far worse was to come.

Deputy Prime Minister and Employment Minister Julia Gillard declared: "There will be more days like this." Industry Minister Kim Carr said there were "many, many companies that are facing an acute liquidity crisis". Despite its latest \$42 billion economic stimulus package, the government has forecast there will be an extra 300,000 unemployed by June 2010. "This is what 300,000 jobs begins to look like. This is bringing it back home," Carr told the *Sydney Morning Herald*.

These comments reveal the true face of the government's multi-billion dollar stimulus packages. Instead of "supporting jobs," as the government has claimed, the packages are designed to provide a lifeline to sinking banks, retail giants, car companies and other corporate conglomerates. They have benefited from the lion's share of the cash injections, while not a single job has been created in public works or other employment.

The Pacific Brands retrenchments, which will start immediately and be completed within 18 months, show how quickly the government's measures have been swamped by the global economic meltdown, which is creating mass unemployment worldwide. Pacific Brands recorded a first half year loss of \$A149 million, caused by sharply declining sales and a \$206 million write-

down of the value of its assets and brands. It joined a long list of major companies, including Lend Lease, BHP Billiton, Qantas, Virgin, CSR and Fairfax Media, announcing serious losses or profit falls, accompanied by retrenchments.

The company's announcement provides a graphic picture of the financial and social destruction being wrought by the same banks and other financial operators who were responsible for the financial crash in the first place. An *Australian* business columnist John Durie commented: "Pacific Brands faces a struggle to survive based on the market reaction to yesterday's confirmation that the banks—not chief executive Sue Morphet—are running the company."

The company's share price fell 37 percent yesterday to 22c, putting an equity value of \$110 million on the company, compared with its \$740 million in debt and its value in June 2007 of \$1.9 billion. Over the past six months, the company posted negative cash flow of \$19.5 million and yet each six months it must pay the banks \$50 million.

Durie observed: "The fact that the company's bankers increased interest charges and only agreed to a six-month extension on the \$550 million in debt—now due in August next year—shows they have lost patience and are forcing a rapid-fire restructuring."

Pacific Brands has been asset-stripped already by the corporate elite in recent years. Private equity firms Catalyst Investment Management and CVC Asia Pacific pocketed \$1 billion in profits after buying out the business from the failed Pacific Dunlop conglomerate in 2001 for \$770 million, including just \$235 million in equity.

The CVC consortium refloated the company in 2004, raising \$1.3 billion from the public, including Pacific Brands workers, at \$2.50 a share. Left heavily in debt, the company extended its exposure to the banks by borrowing to purchase three other clothing industry groups, Sheridan, Yakka and Brand Collective.

The Rudd government and the Textile Clothing and Footwear Union (TCFU) are anxiously seeking to head off any fight against the Pacific Brands closures. The government said workers would have access to "personalised and intensive" employment services under a structural adjustment package. Yet, most will be unable to find alternative work.

TCFU national secretary Michele O'Neil appealed to the company for talks about "saving some jobs". Any such negotiations will be about how best to carry through the majority of the job cuts, and what further sacrifices of conditions will be imposed on any remaining employees.

Just last week, the union joined hands with textile, clothing and footwear employers to appeal to Rudd for an industry assistance package. This is a continuation of the union's record in working hand-in-glove with the employers and successive governments,

Labor and conservative alike, since the early 1980s to police the continual destruction of jobs and conditions through packages tied to ongoing tariff protection.

In her media statement, O'Neil issued a nationalist appeal for the protection of "Australian jobs" at the expense of workers in China and elsewhere in Asia. She said Pacific Brands had received \$17 million in government assistance in the past two years, and asked: "How can a company take from the Australian Government and the Australian community for years without a mutual obligation to keep jobs in Australia?"

O'Neil added that the company owned "many iconic Australian labels including Bonds, Holeproof, Kayser, KingGee and Yakka". In reality, the company has long been a transnational operator, with three-quarters of its manufacturing conducted in sweatshop conditions in China and other cheap labour states where workers face police-state oppression.

Significantly, one of the reasons that the company gave for shutting its Chinese factory was that workers there were demanding higher wages. This alone points to the necessity for an internationally unified struggle by clothing workers, against the dictates of global capital, and against the reactionary and divisive nationalism of the trade unions.

Every aspect of the Pacific Brands attack—from the corporate asset-stripping and the rapacious demands of the banks through to the Rudd government's complicity in the sacking plan and the union's hostility to any joint struggle with Asian workers—points to the necessity of the Pacific Brands workers and the working class as a whole building an independent political movement. This must be guided by a socialist perspective for overturning the private profit system and reorganising economic life, starting with the nationalisation of the banks under democratic workers' control.



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