Australian car parts maker goes into administration

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The real face of the Australian government's car industry bailout packages was demonstrated last month when the jobs of hundreds of car parts workers were thrown into jeopardy after ACL Bearing, an offshoot of Automotive Components Ltd (ACL), went into voluntary administration on August 26.

The company employs 270 at its factory in Launceston, Tasmania and another 130 at ACL Gasket in Brisbane, Queensland. ACL also owns ACL Distribution Inc in Grand Rapids, Michigan and Automotive Components NZ in Auckland.

The news came within weeks of workers being told that their jobs were safe due to a rescue package worked out in June between the federal and Tasmanian state Labor governments, ACL, car producers Ford and Toyota, and the Australian Manufacturing Workers Union (AMWU).

Under the June deal, the federal government injected $7 million into ACL under its so-called Automotive Industry Structural Adjustment Program. The Tasmanian government handed over $330,000 to the company and agreed to make available a $4 million line of credit. The latter arrangement fell through after ACL directors refused to provide personal guarantees. Ford loaned ACL $3 million to pay out the company's debt to GE Money.

The handouts were part of a $21.7 million three-year restructuring program, which involved the company undertaking "productivity initiatives", meeting specific performance targets and accepting continuous monitoring. "Productivity initiatives" and "performance targets" are code words for imposing cuts in pay and conditions, increased workloads and speed-ups on workers.

Facing the threat to their jobs, workers were pressured into accepting a four-day week, resulting in a substantial loss of pay. Nevertheless, AMWU official Glen Thompson praised the outcome, declaring: "On behalf of our members at ACL Bearings, the AMWU congratulates all parties who have made this possible."

Similar pacts to prop up companies at the expense of workers' hours, wages and conditions have been imposed throughout the car industry by the trade unions, acting in concert with the federal Labor government and the employers.

ACL Bearings will continue trading for a month after Ford appointed its own receivers, Grant Thorton, which will take control while the administrators review options including the liquidation and sale of the company in parts or as a whole.

Even if total liquidation is avoided, there will be a drastic restructuring, further job shedding and severe cuts to working conditons. Grant Thornton director Matthew Byrnes said: "We will review, consolidate and restructure ACL to be viable and then we will have a product we can talk to people about buying."

Ford intervened, not out of any concern for the workers, but because ACL's collapse would mean a major crisis for the automaker. GM Holden and Toyoto have alternative suppliers, but Ford relies entirely on ACL for bearings.

While Ford is a secured creditor, the workers face the potential loss of $30 million in accrued entitlements and severance pay. The federal government's *General Employee Entitlements and Redundancy Scheme* **(***GEERS***)** pays up to eight weeks of redundancy entitlements, just a fraction of what ACL workers are owed.

Federal Industry Minister Kim Carr, who oversaw the June deal, made clear that the government's concerns lay exclusively with defending the interests of Ford and the other manufacturers. Carr declared that uninterrupted supply of components was "an issue of national importance". He said the government would work closely with the administrators "to try to avoid disruption to the Australian automotive industry".

For its part, the AMWU remains committed to assisting the receivers to restructure the company at the expense of its members. AMWU national secretary David Oliver told the ABC: "They are a gutsy bunch of workers that are committed to the viability of this enterprise. They're rolling their sleeves up and they're committed, they're going to continue to work, and work hard, to ensure we can minimise any jobs losses and secure a future for ACL Bearing."

When the Rudd government introduced its multi-billion dollar New Car Plan for a Greener Future fund and Automotive Industry Structural Adjustment Program earlier this year, it denied these were taxpayer-funded bailouts of the auto giants. It presented the handouts as promoting technological innovation and job creation.

However, the government has continued to hand out millions of dollars as the car companies have axed jobs and helped drive component makers to the wall. At the beginning of this year Ford Australia extracted $13 million in federal government assistance after it threatened to close production at its engine plant in Geelong, Victoria and eliminate 300 jobs.

GM Holden is currently planning to slash about 200 jobs in office-based functions at its Port Melbourne headquarters through "voluntary" redundancies. Just this month, GM Holden was granted a $200 million line of credit by the federal government's Export Finance and Insurance Corp. Earlier this year it raked in $149 million from the green car fund to manufacture a new four-cylinder petrol driven model. The company then announced it would accelerate the closure of its four-cylinder Family II engine plant at Fisherman's Bend, originally scheduled for the end of 2009, at the cost of 513 jobs.

The locally-based auto producers have directly contributed to the collapse of a number of component manufacturers. They have insisted that parts contracts are based on fixed prices, preventing component suppliers passing on increases due to currency movements or rising raw material prices.

At the same time, the collapse of ACL Bearing is a sharp reflection of the devastating impact of the global recession. Shrinking markets, increasingly ruthless competition and tightening credit have seen major car companies around the world slash production. As a result, many component companies have collapsed, while others have restructured their operations, destroying jobs and working conditions.

While ACL's contracts with Australian-based car companies formed a critical part of its business, around 55 percent of its turnover was in shrinking export contracts. The company's now deposed chairman Ivan Jones confirmed this week that ACL's sales volumes fell by roughly 45 percent after the onset of the global financial crisis.

What is happening at ACL is a case study of the ongoing tripartite operations being carried out by the government, employers and unions to bail out, restructure and try to restore profits for failing companies. Billions of dollars are being made available to the corporate elite to assist in gutting workers' jobs, wages and working conditions.