Australia: Shell to close Sydney refinery at the cost of almost 500 jobs

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Royal Dutch Shell last week announced a proposal to close its Clyde Refinery in Sydney and transform the site into a storage and distribution facility for cheaper refined products from Asia by mid-2013.

Almost 500 jobs will be destroyed at the 85-year-old complex, which currently employs 330 permanent workers and 200 maintenance contractors. Only 30 to 50 workers will be retained when the site becomes a storage facility.

While Shell claimed that it would take “submissions from employees and unions” before making a “final decision” about future operations, the company regards the outcome as a foregone conclusion. The decision would be made in a “matter of weeks not months,” it declared.

The Gillard Labor government has backed Shell’s plans. Federal Resources Minister Martin Ferguson’s only concern was to assure business that the closure of the refinery, which provides 40 percent of New South Wales’ petrol, would not affect local supplies. The plant’s future was a commercial matter for Shell, he insisted, declaring that the government’s “preliminary assessment” was that the company would continue to “provide a secure and reliable supply” of fuel to the Australian market, “albeit using a different business model”. He raised no concerns about the loss of nearly 500 jobs.

The planned Clyde closure is part of an ongoing destruction of jobs in Australia under the federal Labor governments of Julia Gillard and her predecessor, Kevin Rudd. While both Gillard and Rudd, claim to have created hundreds of thousands of jobs since Labor came to office in 2007, the reality is that during the last three years, an estimated 100,000 manufacturing jobs have been axed, as companies, both large and small, have shut down or moved offshore. Shell’s decision flows from a major global restructuring now being carried out by the world’s largest oil and energy companies.

According to Shell Australia’s vice president Andrew Smith, competition from “mega refineries” in India, Korea, Japan and the Middle East had pushed down profit margins. Some of these were 15 times the size of Clyde and could use this capacity to produce cheaper supplies for the Australian market. The Clyde refinery currently produced 75,000 barrels a day, he pointed out, compared with two Singapore refineries processing 1.1 million barrels in the same period.

Smith added that the Clyde refinery would require an outlay of $70-80 million in 2013 to keep it operating. “You’d get a better return putting your money in the bank, rather than to reinvest your money into Clyde,” he said.

Shell’s offer to look at submissions from “employees and unions” is nothing but a means to help the unions head off anger among workers, line up redundancy deals and assist the company to impose yet another “orderly closure”. The Construction Forestry Mining and Energy Union (CFMEU), which represents the majority of Clyde workers, is already promoting Shell’s so-called “review”. An April 13 posting on the union’s web site claimed that senior Shell officials “would listen” to all employees’ views. Mining and Energy Division secretary Lorraine Usher cynically declared that the union “was taking Shell at its word” and that the “consultation process was not a sham.”

The CFMEU and other oil industry unions have already been complicit in the destruction of hundreds of jobs at Clyde. In 1968, the workforce exceeded 1,000. On every occasion, union members were told that sacrifices of jobs and conditions were necessary to keep the refinery open.

Shell's proposal is part of a global push by the major oil companies to exit refining, in favour of large-scale, low-cost operators, in order to extract higher profits at both ends of the production chain—crude oil extraction and retail fuel distribution. A recent *Sydney Morning Herald* article pointed out: "Apart from a few years, between 2005 and 2007, it is generally held that worldwide refinery margins have been in a long-term decline."

Profit pressures worsened after the 2008 financial crash, which reduced demand for many refined oil products. They have been exacerbated by recent increases in crude oil prices caused by the uprisings and unrest in the Middle East.

In February this year, Royal Dutch Shell froze its share dividend, despite reporting a 90 percent increase in profits, citing poor performance in refining as one of the reasons. Higher crude prices helped to lift profits for the year to $US18.6 billion, but chief financial officer Simon Henry stated: "Refining conditions ... remain difficult."

A month later, Shell sold its 270,000 barrel-per-day Stanlow refinery in Britain to Indian-based Essar Energy for $1.3 billion. On completion of the sale, Shell will have reduced its global refining capacity by a total of 1.6 million barrels a day since 2002.

And Shell is not alone. In March last year, Chevron launched an overhaul of its fuel-making and retailing business and cut at least 2,000 jobs. In 2009, Valero Energy, the largest refiner in the US, closed two refineries, shedding over 500 workers.

A question mark now hangs over the remaining refineries in Australia. Three weeks ago, both Shell and Caltex executives warned Minister for Energy and Climate Change Greg Combet that accumulating costs and pressures meant that the future of oil refinery in Australia was "at risk."

Last year Caltex axed its Kurnell Lubricating Oil Refinery, in Sydney's south, eliminating 100 jobs. ExxonMobil, which shut down its Port Stanvac refinery in Adelaide in 2004, axing 1,000 jobs, has refused to comment on plans for its remaining plant at Altona in Melbourne—Australia's smallest refinery. Nor would Shell comment on the future of its 120,000 barrels-per-day refinery in Geelong, near Melbourne, merely stating that $67 million had been recently spent on an upgrade.

The CFMEU's record is clear. Like every other union in the country, it has refused to defend a single job over the past thirty years. Under the auspices of the ALP-ACTU Accords during the Hawke and Keating Labor governments from 1983 to 1996, through to the Gillard Labor government and its Fair Work Australia regime, the unions have imposed productivity speed-ups, cuts in working conditions and the destruction of every job earmarked by employers.

In July 2000, the CFMEU signed a "survival agreement" with BHP in the Illawarra area south of Sydney, allowing the company to dismiss its entire underground mine workforce in the region and to re-hire the retrenched workers as casual or contract labour. It then made a deal with Rio Tinto subsidiary Coal and Allied to give the company's Hunter Valley Mount Thorley mine "a competitive edge" on its rivals. Decades of miners' struggles to gain conditions were negotiated away by the union's officials, leading to the much hated and dangerous 12-hour shifts being re-introduced. More recently, in January 2009, the CFMEU, along with other unions at aluminum giant Alcoa in Western Australia, not only dumped pay claims but agreed to forgo previously negotiated incentive payments.

Shell and other energy industry workers must reject the company's farcical "review" and the union's attempts to enforce the Clyde closure. The struggle against this and other closures throughout manufacturing industry—at Fords, Toyota, Bosch and other sectors—requires a unified political struggle of all workers against the Gillard Labor government and the unions, who function as the direct agents of the major corporations.

Such a political struggle must have as its aim the establishment of a workers' government, which will place these key industries under the democratic control of the working class. Only in this way can jobs be defended and resources made available for the benefit of all, not just the wealthy few.