Australia: Hundreds more retail jobs threatened as Colorado Group collapses

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Hundreds more retail jobs across Australia are under threat with the announcement that clothing and footwear retailer Colorado Group was placed in administration on March 30, owing $400 million to a syndicate of 18 lenders and $27 million to unsecured creditors.

The Colorado Group is owned by a Hong Kong-based private equity company, Affinity Equity Partners (AEP), and operates over 470 stores across Australia and New Zealand. As well as 80 Colorado stores, the group operates Diana Ferrari and Jag outlets, as well as Williams the Shoemen and Mathers footwear outlets. In all, the group employs 3,800 staff.

According to Inside Retailing Online, the Colorado Group has been struggling for the past two years and posted a $62.7 million loss last financial year. It was placed into insolvency after a majority of the lenders rejected a proposal by the group's board that they swap debt for equity in the hope of recouping a return on their investment in about two years.

There are already signs that administration will result in the carve-up of the group, the sale of brands and assets, store closures and the elimination of jobs. More than likely the Colorado footwear and clothing stores, whose poor performance management claims is responsible for the group's overall demise, will be the first targeted.

The appointed administrators are planning to sell the group's other key brands, with reports that Solomon Lew's Premier Investments, which owns clothing retailers Jay Jays, Just Jeans and Portmans, is a likely buyer for the Jag and Diana Ferrari brands.

While Colorado Group workers will be flung into the ever-tightening retail jobs market, the banks and other lenders, which undoubtedly reaped millions in interest payments over the life of their investment, will be first in line to grab a share of whatever proceeds flow from the asset sales.

AEP itself is reportedly expected to write off $148 million, but it has raked in multi-million dollar returns from other investments, such as its sale of Korean-based cosmetic retailers, the FaceShop, in 2009 for nearly four times the $60 million it paid for the company in 2005.

Colorado's demise is symptomatic of the deepening slump gripping the retail sector in Australia and internationally, driven by the fall in consumer spending since the global financial crisis began in 2008. Thousands of working people who have lost jobs or been reduced to part-time working are now being hit by government austerity measures and rising prices.

Now, even casual part-time jobs are being eliminated in areas like retail that employ large numbers of young people, threatening a further leap in youth unemployment. Currently 16 percent of people aged 15 to 24 are out of work, or more than three times the official national jobless rate.

Right up to the eve of the global crisis, equity firms such as AEP secured short-term profits by purchasing various businesses and asset-stripping and closing so-called underperforming operations. Equity raiders typically used highly-leveraged borrowing, or "bootstrap" transactions, in takeovers—utilising the assets of the acquired company as collateral on borrowed capital. In other words, the takeovers were achieved via predatory methods that contributed little or nothing tangible to the targeted company.

AEP acquired Colorado Group in a hostile takeover for $430 million in 2007, when the retail market was running hot and debt was particularly cheap. However, like other equity raiders, AEP has been caught out by the downturn in retail and other investment areas.

The Colorado Group collapse comes a few weeks after REDgroup—owned by private equity company Pacific Equity Partners—went into administration, so far resulting in the closure of 65 Borders and Angus & Robertson book stores and the destruction of 990 jobs.

In February, menswear retailer Ed Harry, which is owned by EDH Pty Limited and operates 120 stores across Australia employing about 600 staff, went into administration owing at least $12 million to creditors.

Last year, Melbourne-based shoe retailer Figgins Holdings, which operated 140 stores around Australia and owned the Midas, Emporio, Mollini and Scooter brands, as well as operating the Shoobiz and Evelyn Miles and Florsheim brands, went into liquidation with debts of more than $18 million. The company had already slashed 600 jobs.

Like REDgroup's demise, the Colorado Group's liquidation highlights the destructive operations of the increasingly parasitic financial elites, which subordinate every aspect of society to the relentless drive for private profit.

The wave of job cuts is proceeding without a single word of opposition by the trade unions or the federal Labor government of Prime Minister Julia Gillard. Not surprisingly, the Shop Distributive and Allied Employees Union (SDA) has said nothing about the job shedding at REDgroup or the Colorado collapse. For decades, the SDA has collaborated with employers to restructure working conditions, falsely claiming that flexibility would make retail companies competitive and preserve jobs into the future.

The Labor government constantly claims that its pro-market policies have been responsible for an unemployment level that is the "envy" of other advanced countries. In reality, like its Liberal-National predecessors, it has presided over a relentless drive to increase low-paid casual and part-time employment at the expense of full-time jobs. The Australian retail industry currently employs a total of 1,249,400 people, with part-time employment increasing from 224,800 in November 1984 to 607,600 in February 2011.

Labor has backed all the attacks by the giant retail companies on workers' conditions. In April 2010, during a national "award restructuring" process, Gillard, then Workplace Relations Minister, asked the Australia Industrial Relations Commission to postpone the starting date of any retail award changes from January 2011 to July, and to phase-in any changes in wages, penalty rates and casual and part-time loadings over five years.