

UGL workers face deepening job cuts in Australia and Asia

The Socialist Equality Party
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Workers and contractors employed by UGL, an Australian-based engineering and services conglomerate, across Australia and several Asian countries confront a new wave of retrenchments.

Having just announced a net loss of \$236 million for 2014–15, UGL is currently eliminating more than 200 jobs, including at its Auburn rail maintenance facility in Sydney, and pledging to axe many more to meet the ruthless cost-cutting demands of the financial markets. This poses decisive political questions for UGL workers, and the working class as a whole.

The destruction of jobs, particularly in UGL's rail and infrastructure divisions, is part of a wider barrage of layoffs hitting workers in basic industries throughout Australia, including the closure of the entire car industry, the threatened shutdown of the Port Kembla steelworks and the elimination of 97 dockside jobs by Hutchison Ports.

UGL also owns 20 percent of Metro Trains, the operator of Melbourne's suburban rail system, whose employees held stoppages last week to fight the company's demands for cuts to overtime penalty rates, longer working hours and major changes to rostering and disciplinary procedures.

Over the past three years, UGL has already closed or decimated railway workshops at Ballarat (September 2012), Taree (October 2013), Broadmeadow (November 2013) and Chullora (August 2015), as well as at the Steelplan engineering design facility in Perth (June 2015), at the total cost of at least 650 jobs. At the Auburn facility, nearly 100 workers were retrenched in early 2013, and about 50 more are now being sacked.

Many further jobs are threatened, including at the former UGL-Textmaco joint venture locomotive manufacturing facility at Belgharia, in the Indian city of Kolkata.

UGL workers everywhere are being made to pay for the

unravelling of the company amid the worsening global slump and the sharp reversal of the mining boom that once enabled companies like UGL, and Australian capitalism as a whole, to extract mega profits from the working class.

The global financial crisis that erupted in 2008, the subsequent rout of commodity prices, particularly for coal, iron ore and liquefied natural gas (LNG), and the rapid decline in mining and related investment have combined to undercut UGL's rail maintenance and infrastructure operations. From a peak of \$9 a share before the global financial crisis, UGL's share price has fallen to below \$2, wiping some \$2 billion off its value.

A large chunk of the 2014–15 loss was attributed to delays and cost blowouts on a power plant being constructed for the Ichthys LNG project in Darwin. Overall operating revenue was down 32 percent, from \$4.5 billion to \$3 billion, largely because of declining demand for locomotives and rail wagons from the coal and iron ore industries. Worse is still expected to come because of the drop-off in mining-related construction projects.

UGL's rise and fall over the past 20 years is a classic illustration of the heavy dependence of the Australian corporate elite on the resources boom that began in the 1990s, largely fuelled by the growth of China as a cheap labour platform for global capitalism.

Like most other major Australian-based companies, UGL is today nothing but a vehicle for finance capital. A member of the S&P/ASX100 Index of the 100 biggest companies listed on the Australian stock market, its four largest shareholders are Citicorp Nominees, JP Morgan Nominees, National Nominees and HSBC Custody Nominees. Between them, these giants own nearly 60 percent of UGL's ordinary shares.

Founded as United Construction, a small engineering construction firm in Perth, Western Australia, in the late

1960s, UGL listed on the stock exchange in 1994. It quickly acquired a string of diverse businesses, including electrical contractors Kilpatrick Green in 1998, rail company Goninan in 1999, corporate real estate business KFPW in 2002, Thames Water Projects Asia in 2004, Singaporean real estate services company Premas International and Alstom's Australian and New Zealand transport and rail businesses in 2005, Chicago-based Equis Corporation and Canberra-based Peak Security in 2006 and Boston-based Unicco Services Company in 2007.

After the 2008–09 crash, the company pulled back its US and Chinese operations. In 2014, as its empire began to implode further, UGL sold its UK-based DTZ real estate unit, acquired in 2011, which had provided a large proportion of its revenue and profits. At its height, UGL boasted of having about 80,000 employees. Today, the number is less than 8,000 and falling.

On June 1, UGL chief executive Ross Taylor, who was installed last November to restructure the company, told the share market that UGL would save \$33 million annually by fiscal 2016. He pledged to retrench 200 full-time employees by June 30 and remove “duplicated jobs” following last year's sale of DTZ.

Taylor has a direct financial interest in slashing jobs and costs in order to try to drive up UGL's share value. His salary, according to UGL's 2015 annual report, is \$1.55 million, but his \$5.5 million longer-term incentive plan is linked to shareholder returns.

According to financial media reports, UGL's restructuring may also be a prelude to a takeover by a rival or an asset-stripping private equity group, which would lead to even greater job destruction.

The Australian Manufacturing Workers Union (AMWU), the trade union covering many UGL workers, has facilitated every single job cut and closure implemented by UGL. For years, it has suppressed all resistance by workers, and encouraged them to take “voluntary” redundancies”—just as the trade unions have done throughout the car, steel and every other industry.

The AMWU has already made clear its support for UGL's latest cuts at Auburn and elsewhere, so long as the company follows the “process” of consultation with the union. This sums up the political perspective of the AMWU and the entire trade union movement. For decades, the unions have worked hand-in-glove with employers and governments, both Labor and Liberal-National, to impose their demands, forcing workers throughout every industry to sacrifice thousands of jobs,

as well as hard-won conditions.

In fact, the union has a public alliance with UGL and other rail industry employers, such as QR Rail, Aurizon, Sydney Rail and Downer. In collaboration with them, the AMWU is running a “save our rail jobs” petition campaign, urging governments to allocate contracts to “Australian” companies, not “the Indian, Korean, Chinese and United States rail industries.”

This is a reactionary nationalist and protectionist campaign, based on the drive to slash costs and create an “internationally competitive rail industry” that will make “better use of taxpayers' money.” The campaign serves only to divide UGL and other workers in Australia from their fellow workers internationally, pitting them against each other in an endless drive to boost profits at the direct expense of the working class.

As always, the unions are working in the closest partnership with the Labor Party, whose hostility to any struggle in the working class is epitomised by the Victorian state Labor government's denunciations of the Metro Trains workers for taking industrial action.

Workers throughout UGL and everywhere have to draw the lessons of these experiences. It is time to take a stand: to reject the job cuts and launch an industrial and political counter-offensive. This requires making a deliberate break from Labor and the unions, and establishing genuine rank-and-file committees that will turn out to all UGL workers, including those in Milperra, Melbourne, Perth and northern Queensland, and other layers of workers, as well as UGL workers and contractors in Asia, where UGL has operations in India, New Zealand, Hong Kong, Malaysia and Singapore.

This is a fight not only against the union, but the entire political establishment. In other words, it has to be conducted on the basis of a socialist perspective—the fight for a workers' government that will nationalise the rail and construction giants, together with the banks, finance houses and other basic industries, under democratic workers' control—for the benefit of all, not the wealthy corporate and financial elite.

This is the perspective of the Socialist Equality Party, and we encourage UGL workers to contact us for discussion.



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