

Major shareholder predicts closure of Australian steel plant

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Yesterday, the Australian financial press reported that Vince Pezzullo, a fund manager with Perpetual Investments, the largest shareholder in BlueScope Steel, expects the company will shut down the Port Kembla steelworks in Wollongong within a matter of years. According to some estimates, the closure of the plant would lead to the direct and indirect destruction of at least 10,000 jobs throughout the city and the surrounding Illawarra region.

Pezzullo's prediction is a damning exposure of the role played by the Australian Workers Union (AWU) and other trade unions in the steel industry. The 4,500 workers at Port Kembla were bullied in August into accepting 500 job losses and unprecedented attacks on their conditions by union threats that the plant would close if they did not. Two months later, a representative of the banks and investors has indicated that the facility will be mothballed regardless of the concessions extracted from the workforce.

At a meeting of Port Kembla steel workers on October 8, the AWU insisted on a "yes" vote on the "memorandum of agreement" it negotiated with BlueScope in the Fair Work industrial tribunal. The deal met all the company's demands, including the destruction of jobs, an unprecedented three-year wage freeze, the abolition of most existing overtime and annualised pay and wage bonus agreements.

Steel workers were subjected to two hours of hectoring and lecturing by assorted AWU and union bureaucrats. According to media reports, one official stated that if workers voted "no" he would "see you in the dole queue", i.e., at the unemployment office. Over the past three decades, the unions have presided over the slashing of employment at the plant from some 25,000 to just 4,500.

At the start of the meeting, workers voiced hostility to

the backroom machinations of the unions and the fact that they were not given any time to read or review the agreement. Some noted that the threats of closure amounted to "blackmail." The deal was eventually passed, but around 5 percent of workers defied the union and voted to reject it.

While workers are being told one thing, an entirely different discussion is taking place among BlueScope's major shareholders, management and the unions. The sole purpose of the mass meeting was to reassure the major shareholders that the AWU would enforce all the dictates of the company and prevent any challenge to the cost-cutting.

The agreement was hailed as "game-changing" by BlueScope and "groundbreaking" by the *Australian Financial Review*. Industrial relations experts noted that companies throughout manufacturing would take it as a precedent, and seek to develop similar mechanisms for sweeping cuts to pay and conditions.

According to the *Australian Business Review* (ABR), Pezzullo told Perpetual Investments clients this week that the union-brokered deal, part of some \$200 million in cost savings by BlueScope, was just "an interim step" before the closure of the steelworks.

The ABR reported that Pezzullo indicated that "competing with the Chinese steel industry was eventually expected to be too much for Port Kembla, which is a view shared by some analysts as slowing growth in China compels the Asian giant to export more of its huge steel production."

Pezzullo reportedly "said a decision for closure would probably take a few years, noting that shutting the steelworks to concentrate on the company's local Colorbond business would make BlueScope one of the world's biggest steel importers."

Pezzullo's comments underscore the global

restructuring of the steel industry, with the major financial institutions and shareholders using the overcapacity in the world market as the pretext to destroy whole sections of production no longer considered profitable.

The winding down of steel production is leading to tens of thousands of job cuts around the world. In New Zealand, BlueScope has issued an ultimatum for \$50 million in annual savings under threat of closing down its operations and destroying over 1,000 jobs.

In the United Kingdom, the major steel manufacturers have announced sweeping cuts this year, which will result in the axing of one-sixth of the existing 30,000 jobs. Numbers of plants are being closed or mothballed. In Scotland, steel production is ending altogether.

China's largest producer, BaoSteel, has predicted that output will be slashed by 20 percent, destroying tens of thousands of jobs. Workers at American plants are facing demands for savage cuts to their conditions.

The trade unions in each country are enforcing the onslaught on workers' jobs and conditions, and seeking to prevent the emergence of any opposition.

In Australia, the AWU is reprising its role in helping to organise the shutdown of all car production, alongside other unions such as the Australian Manufacturing Workers Union (AMWU). Having insisted that workers had no alternative but to accept round after round of sackings at Toyota, General Motors Holden and Ford, the unions are now policing the closure of the car plants by the end of 2017.

The AWU has been at the forefront of calls for the Liberal state government in New South Wales to provide some \$40 million to BlueScope in the form of payroll tax concessions and other measures, while knowing full well that the company is actively considering the closure of the plant.

At the same time, the AWU has boasted about meetings it has held with state and federal government representatives, calling for protectionist measures against imported steel from China and elsewhere. The union's nationalist rhetoric is aimed at dividing Australian workers from Chinese, American and international steel workers, while diverting their attention from its total collaboration with the company. The "memorandum of agreement" between the AWU and BlueScope does not include any guarantee that the steelworks will remain open.

BlueScope management has not commented on Pezzullo's remarks. It told the ABR that it would "update the market on the status of the steelworks review" at the company's annual general meeting on November 17.

The fact that BlueScope's biggest shareholder believes the closure of Port Kembla is inevitable underscores the necessity for steel workers to break with the thoroughly corporatised trade unions. The closure can be prevented only through the establishment of rank-and-file committees at the plant to develop an independent struggle in defence of all jobs, and the repudiation of the wage freeze and other "savings" demanded by BlueScope and the AWU. Links should be made with workers in the car industry and all other areas where job destruction is underway.

The first step in the defence of jobs is the development of a campaign inside the plant and across Wollongong and the Illawarra for a "no" vote in the upcoming secret ballot that must be held to formally ratify the rotten agreement that the unions have made with the company.



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