

# Australia: BlueScope Steel profits leap on back of union-imposed job cuts

Terry Cook  
23 February 2016

Only three months after BlueScope Steel and the trade unions pushed through a cost-cutting agreement at its Port Kembla steel operations, south of Sydney, the company yesterday announced that its statutory profit for the past half year more than doubled to \$200.1 million, from \$92.7 million a year ago.

BlueScope said it was on track for a \$400 million annual profit. It increased its annual cost savings target for 2016–17 to \$270 million, up from the \$200 million it has already saved, at the direct expense of workers, through its deal with the unions.

BlueScope chief executive Paul O'Malley attributed the result to the “tough decisions” the company took, adding: “All those who helped deliver the \$200 million in savings deserved to be thanked.”

Last November, despite intense opposition from many workers, the Australian Workers Union (AWU) and other unions ultimately secured a postal vote for the shedding of 500 jobs, a three-year wage freeze, greater casualisation and the ongoing destruction of working conditions.

In a bullying operation, BlueScope and its union accomplices threatened steelworkers with the total closure of the remaining Port Kembla blast furnace and the destruction of over 4,000 jobs if they did not accept the deal to deliver the company \$200 million in cost-savings.

As well as bolstering its profits at the cost of workers' jobs and conditions, the company—a spin-off from mining giant BHP Billiton—was also rewarded with a \$60 million tax handout. The New South Wales state government agreed last October to defer payroll taxes over three years, on the pretext of helping prevent the steel plant's closure.

While steelworkers and their families face increasing levels of hardship, BlueScope's big shareholders are

celebrating. Over the past seven months, as BlueScope and the unions battered down workers' resistance, the company's market value grew by some 77 percent.

The unions' role last year was no aberration. It followed decades of union-enforced cuts to jobs and working conditions, on the basis of the lie that making the company “competitive” would guarantee jobs into the future. In the 1970s, about 20,000 workers were employed at the Port Kembla plant; by last year this was reduced to less than 4,000.

Despite the latest concessions dragged out of steelworkers, there is absolutely no guarantee that the plant will stay open. On the contrary, a further deterioration in global market conditions could see the company enforce a closure, having made a killing at workers' expense along the way.

As market analysts noted yesterday, BlueScope still retains the option of closing the plant. In a research note, Evans & Partners analyst Ben Chan said the management team had proven it could deliver on the “cost performance at Port Kembla, and still have a closure option up their sleeves if things get a lot worse.”

The ongoing slowdown in world steel demand, particularly in China and Asia, has created a glut that continues to exert downward pressure on prices, unleashing a ruthless competition for market share.

Chinese companies, which produce half the world's steel, are themselves preparing to eliminate hundreds of thousands of jobs, while seeking to sell their excess output on world markets.

Tens of thousands of steel jobs are being axed globally, including in Europe and the United States. In January, Britain's largest steelmaker Tata Steel said it would slash over 1,000 jobs. During the same month, steel and mining company ArcelorMittal confirmed it

would idle one of its plants at Sestao in Spain. Last November, US Steel announced it would shutter its plant in Granite City, Illinois at the cost of about 2,000 jobs.

In Australia, preparations are underway for further restructuring, which will undoubtedly involve a deeper assault on jobs and working conditions, including at BlueScope.

This week, another BHP Billiton spin-off, Arrium, formerly known as OneSteel, accepted a \$1.3 billion line of credit from a US group, GSO Capital Partners, which will inevitably mean a carve-up of the company. GSO is owned by Blackstone, a private equity giant that specialises in asset-stripping vulnerable companies.

Arrium had already unveiled preparations to shut down steelmaking operations at Whyalla in South Australia, threatening that plant's remaining 1,400 jobs. Despite around \$100 million in cost reductions in October, including the axing of 250 jobs—also backed by the unions—Arrium said savings worth a further \$60 million were needed to break even at current steel prices.

With the support of Labor, the Greens and Senate independents, a Senate committee set up an inquiry last November into “the future sustainability of Australia’s strategically vital steel industry and its supply chain.”

The purpose of such parliamentary hearings is to develop justifications for further cost-cutting and closures, under the fraudulent banner of rescuing the industry to save jobs. At the same time, those involved aim to convince workers they can protect their interests through appeals to the political establishment.

Above all, the aim is to prevent the popular hostility to the steel job destruction from developing into an independent fight by workers across the global steel industry against job cuts and closures. Labor, the Greens and the unions, together with the Liberal-National government, are fomenting nationalism and anti-Chinese xenophobia by claiming that the threat to workers’ jobs stems exclusively from cheap steel from China.

In line with this, Federal Industry Minister Christopher Pyne has initiated an “urgent” investigation into whether imported steel is being “illegally dumped” in Australia. Governments in the US and Europe are taking similar measures. These responses are aimed at dividing workers along national

lines, and diverting attention from the source of the crisis, which lies in the capitalist profit system itself.

As part of this diversionary and nationalist campaign, the Senate inquiry plans to hold hearings at Port Kembla early in April. The AWU and the South Coast Labor Council—the region’s peak union body—have welcomed the visit. Both were central in imposing last year’s sell-out

Labor Council secretary Arthur Rorris claimed the visit was “an invaluable opportunity” for steelworkers to tell senators their concerns. AWU Port Kembla branch secretary Wayne Phillips declared: “It’s a time when the average Joe off the shop floor can tell a senate committee why the steel industry is important to them and important to the district.”

The truth is the visiting senators, whether Labor, Liberal, National or Greens, have no interest in the social impact of job losses on workers. Any concerns they do have about the collapse of the steel industry reflect the interests of less competitive sections of business as well as its potential strategic implications amid the growing danger of war.

While the current attacks on BlueScope workers are taking place under a federal Liberal-National government, the former minority Gillard Labor government, kept in office with the support of the Greens, fully backed the company’s previous round of restructuring in 2011 that destroyed 1,100 jobs.



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**