

Australia: Car unions work with administrator to impose job losses

By Terry Cook and Chris Sinnema
27 July 2006

Australian car unions have split a combined strike by 570 workers from three Huon Corporation car component plants in Victoria to ensure a flow of parts to major car manufacturers.

The Huon plants involved are Empire Rubber in Bendigo, FRN in Frankston and Mills Elastomers in Dandenong. Huon went into voluntary administration last month, owing workers across the three plants around \$30 million in accrued entitlements. The companies supply components to major car producers, including Ford, GM-Holden and Toyota, and to large auto parts manufacturers, Bosch and PBR.

Members of the National Union of Workers and the Australian Manufacturing Workers Union from all three plants walked out on July 14, after learning that 122 employees from Bendigo and Dandenong were being made redundant, but were not to be paid approximately \$5 million in outstanding entitlements.

Empire Rubber employees returned to work on Thursday, after major car producer Ford agreed to partly underwrite a “rescue package” that was cobbled together by the administrator and the car unions. The package reportedly involves an injection of \$10 million into the Huon Corporation. The strike had already begun to bite, with Ford standing down more than 3,000 production workers over three days.

While production has resumed at Empire, 200 workers from FRN in Frankston remain on strike, waiting on car company GM-Holden to sign off on the so-called “rescue package”. Earlier, the unions allowed the 30 employees at Elastomers in Dandenong to resume work, claiming that car component production was a minor element of the work done there.

NUW Victorian state secretary Anthony Thow boasted: “We’ve worked very cooperatively with the administrator, who is doing an outstanding job, and we

believe if all players in the industry—the unions, the administrator, the car companies—put their heads together we can protect and save these jobs.”

The deal brokered by the unions, however, neither protects jobs nor guarantees the full payment of entitlements. The unions’ overriding purpose has been to ingratiate themselves with the big car companies by ensuring that the supply of components is resumed.

While the car unions are currently blocking the direct supply of parts from Empire Rubber to Holden, they have allowed the release of components to another supplier, ZF Lemfoerder, thereby permitting production of Holden’s new VE Commodore to be continued.

On returning to work at Empire Rubber, 86 employees were immediately laid off without their full entitlements. They will be paid just \$1,000 a week for one month, with further payments dependant on the administrator recovering additional money. More than 100 creditors, however, could have first call on these funds.

Nothing is currently in place for the 150 workers at FRN, who will be made redundant when the Frankston plant’s contract to supply parts to Holden for its old range Commodore ends in about six weeks.

One FRN employee, who has three children and whose wife also works at the plant, told the media: “I’m just basically going to walk away from 17 years with nothing, which is heartbreaking”.

Earlier, Thow attempted to hose down workers’ hostility to Huon declaring: “It’s an excellent company that’s been through, in the last months, some bad times....” He has since had to eat his words.

While Huon purchased the three plants from Nylex last December for \$17 million, the administrator found just \$150,000 left in the company’s bank account. Prior to Huon being placed under administration, its

managing director John Schulz stripped over \$10 million from the company, placing land assets into a personal property trust and effectively quarantining them from creditors' claims.

In the light of these revelations, Thow was forced to admit: "It is probably the most disgraceful company stripping I've seen." The administrator has since initiated legal action against Schulz and another Huon company director, William Robertson Hunter, to recover the assets.

The Huon redundancies are part of massive job shedding that has occurred across the car-component industry over the past 12 months, as companies either collapse or restructure their operations to meet growing competition from low-wage countries.

An article in the business section of the *Age* newspaper on July 7 entitled "Gale warning for vehicle sector" made clear that the wave of sackings was just the tip of an iceberg. It stated: "It [Huon] is also possibly the beginning of what may become a wide-scale rationalisation of the domestic component sector over the next 24 months." The article forecast "the closure of several more companies in this sector, as well as closures of ancillary industries such as tooling and other automotive service sectors."

Significantly, the article went on to state: "A major shake-out of the automotive component sector may not be totally undesirable, provided it occurs in a managed way." Part of the "managed" shake-out, including closures, mergers and sackings, is to ensure that resistance by workers is contained and does not affect production at any of the country's major car producers.

The response of the car unions at Huon is a signal that they are attempting to find a new niche. By using their relationship with the sacked Huon workers, the unions were able to define themselves as official "creditor representatives", bringing them into the very centre of the administrative process and allowing them to assist in an "orderly" restructure, including mass sackings.

Their role as the administrators' offside was pioneered by the Australian Council of Trade Unions (ACTU) in 2001, following the collapse of domestic airline, Ansett. Supposedly acting on behalf of retrenched Ansett workers, who were owed more than \$760 million in entitlements, the ACTU became a "creditor representative" and helped administrators

carve up the failed airline and sell-off its assets.

While hundreds of millions of dollars from asset sales were used to pay the airline's major corporate creditors, deals brokered by the ACTU resulted in the sacked workers never being paid their full entitlements.

Long before taking up their new role, the unions made it clear to car industry employers that they would not hesitate to crack down on any workers who refused to abide by an "orderly" process.

Speaking to a car industry union delegates conference in 2003, Australian Manufacturing Union vehicle division federal secretary Ian Jones explained that under conditions of intensifying global competition, the unions had developed a new "relationship" with major Australian-based car producers.

Jones declared: "You see, comrades, the climate is shifting; our industry has been and is the subject of unnecessary, undisciplined and unproductive industrial unrest. Export markets are severe taskmasters; miss the order and lose the contract. It's a simple doctrine and with 20 million vehicles extra capacity in the world, one you know is a reality."

With this in mind, and true to their word, the unions over the last two years have helped oversee the destruction of around 6,500 jobs in the Australian car industry, including sackings at scores of component producers and full plant closures. During this time, as its members have been simply tossed aside, the unions have worked unstintingly to ensure minimal disruption for the major car producers.

To contact the WSWS and the
Socialist Equality Party visit:

<http://www.wsws.org>