Caltex Australia’s restructuring cuts hundreds more jobs

By Terry Cook
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Caltex Australia’s share price rose sharply last week after it announced the axing of a further 350 jobs across its operations during the next 12 months. The cuts are part of an ongoing “cost and efficiency” restructuring strategy review, named “Tabula Rasa” or “Blank Slate.”

The job losses, representing 10 percent of the oil company’s workforce, will come on top of the 330 full-time jobs and over 300 contractor positions Caltex shed in 2012 when it decided to close its 57-year-old Kurnell refinery in Sydney and reduce the site to a petroleum importing and distribution centre.

The latest cull will axe 150 jobs from the company’s marketing arm, 120 from corporate support and up to 80 from distribution support. It is expected to deliver cost savings and other benefits to the company of around $100 million a year before tax by 2016.

While workers will lose their jobs, the financial markets were pleased. Prices of shares in Caltex, which is 50 percent owned by US giant Chevron, jumped 7.4 percent on the day of the announcement, taking the price to a record $27.45.

The *Australian Fi n a ncial Review* hailed the news on its front page. “The dramatic transformation of Caltex Australia is emerging as a textbook example of how to maximise the value of an entire supply chain while shedding the dead weight of a sub-scale and high-cost oil refinery,” its article declared.

Credit Suisse energy analyst Mark Samter told Fairfax Media: “Anywhere you looked in the release it was good news. The cost savings initiatives are far bigger than I imagined they could have been: It’s great they can rip out that scale of costs.”

Such is the voice of finance capital. Telegraphing even greater cuts to come, Caltex chief executive Julian Segal told the media: “This is not just a cost cut program but a holistic review of operations and efficiency across the whole organisation.”

The company denied a media report that it is planning to close its Lytton refinery in Brisbane, which employs 350 full-time workers and more than 200 contractors. However, a Caltex spokesman confirmed the company is planning job losses at Lytton. The introduction of a “new operational structure to ensure the refinery’s long-term success,” he said, would involve “some reductions in the number of employees and contractors on-site over the next 12 months.”

Clearly, Lytton’s closure cannot be ruled out. It would be in line with the company’s strategy of moving away from refining, where it cannot compete with the new Asian refineries that can each process more than one million barrels of crude oil daily. By contrast Kurnell, which will stop refining by the end of this year, handled around 125,000 barrels a day.

Caltex reported a net operating profit of $173 million for the June half, driven largely by record earnings from marketing and distribution, where margins rose about 15 percent. Its refining business registered losses of $65 million.

Caltex’s transformation by Chevron is part of the ongoing international restructuring of the oil industry, which has accelerated since the 2008 global economic crisis.

In April, oil giant BP announced it would close its 50-year-old Bulwer Island refinery in Brisbane by the end of 2015, slashing over 300 jobs. BP declared that the emergence of the large Asian operations had “transformed the industry” and presented the Brisbane refinery, which produces only 102,000 barrels of oil per day, “with an insurmountable challenge.”

In 2012, Shell announced it would shut its refinery at Clyde in Sydney’s western suburbs and convert the site into a storage and distribution terminal, at the cost over 280 jobs.

Australia now has just four domestic refineries, employing around 2,000 workers. These are BP's remaining refinery at Kwinana in Western Australia, Shell's facility in Geelong, Mobil's refinery in the Melbourne suburb of Altona and Caltex's Brisbane facility.

In response to the Caltex announcement, Labor Party employment spokesman Brendan O'Connor accused Prime Minister Tony Abbott's Liberal-National government of "standing idly by as tens of thousands of manufacturing and heavy industry jobs were disappearing." O'Connor urged the government to provide the displaced Caltex workers with "the support they need to get new jobs."

O'Conner's call has nothing to do with concern for the Caltex workers. "Support" packages are a well-tested mechanism for heading off potential opposition and easing workers out the door. Sacked workers are offered training for alternative jobs that, in reality, are mostly non-existent.

Caltex workers, like thousands of others, including those at Qantas, Telstra and Australia Post, are being flung out of work under conditions of rising unemployment. The official jobless rate currently stands at 6.4 percent. It is closer to 12 percent when so-called under-employment—employed but looking for more hours of work—is factored in.

Nor did the current situation fall from the sky. The previous Labor government, in which O'Connor was a minister, oversaw a vast restructuring of manufacturing and industry in line with the demands of the corporate and financial elite.

As prime minister, Labor's Julia Gillard backed Caltex's 2012 decision to close the Kurnell refinery, insisting it was "not at an efficient scale" by world standards. Likewise, the Australian Workers Union (AWU), which covers refinery workers, said the job cuts were "disappointing" but ruled out any campaign to defend jobs. Instead, it asked for retraining assistance.

Corporate restructuring is now continuing and deepening under the Abbott government, again with the full cooperation of the unions. Responding to BP's decision in April to close its Brisbane refinery, the AWU only complained that the job cuts were being carried out with "no consultation" with the union.