

# 'Who Closed Southern Copper?'

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*'Why is it that a plant which has survived two world wars, the great depression, a few recessions and ever-toughening environmental legislation cannot remain and be part of Australia's manufacturing base?'*<sup>1</sup>

*'At the end of the day the attitudes and influence of the Illawarra unions were such that the shareholders could not be confident...'*<sup>2</sup>

This paper considers the closure of the Port Kembla copper smelter and refinery, Southern Copper Limited, in 1995, after over eighty five years of unbroken operation and a change of ownership to CRA in 1981. It argues that the closure is most accurately understood as a resolution reflecting the exigencies of CRA's business situation at the time. The decision was taken as Southern Copper faced increasingly heavy pressures including a strengthening Australian dollar, demanding environmental standards and community expectations. These pressures were faced at a time when both the industrial relations climate and the manufacturing sector were undergoing significant change. The paper suggests that the strength and actions of the Illawarra unions played little part, if any, in the decision to close the smelter, despite local mythology and CRA statement to the contrary.

## Historiography

In the last twenty years business history has not been well explored, or well developed, in Australian historiography. Such study expanded in the 1950s and 1960s, but by the end of the 1980s, as David Merrett has noted, 'the terrain had been reclaimed by journalists' writing in a more popular rather than academic style.<sup>3</sup> For historiographical consideration the field itself may be usefully divided into two sub-areas. There is business history that assays the larger role and situation of business in Australian capitalism, and there is that which treats particular companies or businesses. While economic historians have provided macro-style studies of business activity in Australian capitalism there has been less focus on individual businesses. The conservative historian Geoffrey Blainey remains the most notable company historian in Australian.

As yet Australian labour history has had little notable intersection with business history, particularly the side of business history centred on the individual company or business unit. The treatment of organisations by labour history deals more often, and more extensively with trade union, Labor Party and institutional history. However, some significant, recent work by labour historians in the 1990s suggests worthwhile change to this pattern. Eklund's work on industrial welfare and Bridget Griffen-Foley's work on Australian Consolidated Press and the formation of the Packer Empire are recent signs of a welcome bridge in the apparent hiatus between business and labour history.<sup>4</sup> Their accounts follow those of Patmore and Taksa, who utilised management study so as to more fully understand employer and management approaches.<sup>5</sup>

Historians of industrial relations in Australia have also examined business conduct in their accounts of industrial practice and dispute. Wright's *History of Australian Employers* is a particularly valuable contribution in this genre.<sup>6</sup> A knowledgeable and useful study, the book's focus on employers' history also makes it importance for an informed and enhanced understanding of

the contemporary workplace.<sup>7</sup>

It is possible to explain the dearth of business history study under the wider field of labour history. Trade union, political party, government and institutional records are more easily available and open to independent research rather than those of business. As well, the sympathies and interests of labour historians more often lie with unions and working class. The study of businesses and their situations, particularly commissioned history, may trouble those with working class sympathies and sensitivities. Indeed, is the study of business itself collusion with the interests of capital? Is the writing of commissioned business history tainted, or less pure, than the penning, for example, of commissioned union histories? The thought of censorship by business may be anathema for labour historians; a far greater anxiety than the possibility of curtailment by other organisations.

Nevertheless, despite the concerns canvassed above there are valid and defensible reasons for labour history to include business history in its armoury. The availability of union, political and state records, and attention to their histories allows these groups open to a degree of scrutiny and accountability. Consequently public, and other interests are served by the availability of this history. Organisational activities, functioning and goals, 'warts and all' can be explained, placed and understood.

Yet a further reason for labour historians to assay business history would be to bring insights and different political perspectives to those offered by the conservative, economic and journalistic writers. Wright has argued that the neglect of serious study of employers confines and limits the understanding of industrial relations practice and discourse. Similarly, labour history's understandings of workers and their worlds, may benefit from further quality consideration of business and company history.

## The Story

The paper now offers a sample of business history, focusing on Southern Copper Limited. It shows a major intersection between labour, life and community in the working class area of Port Kembla and a multi-national company (CRA) whose board sat in Melbourne and accounted firstly to the interests of shareholders.

On 5 January 1995 the Port Kembla copper smelter and refinery of Southern Copper Limited closed. This paper provides one answer as to 'why' the plant closed. Southern Copper Limited was a new name assigned to the works in 1990. It was intended to signal what CRA management viewed as 'a chance to forge a new identity and establish ourselves as a highly competitive operation'.<sup>8</sup> It was to be a symbol of major change. The business was originally established as the Electrolytic Refining and Smelter Company of Australia Limited, and commonly known as ER&S. The longstanding nickname of 'eat, rest and sleep' utilised the ER & S initials.<sup>9</sup>

The planning and building of the original Port Kembla copper smelter and refinery occurred throughout 1907-08, with production commencing in early 1909. The formal February opening of the Works by G.C. Wade, Premier of New South Wales, was a sign of the importance placed by the state government on the expansion of industry. Indeed, the former colonial state's encouragement of industry in the area had been evident in the Port Kembla Harbour Act of 1898. This Act instigated work to upgrade the Harbour, with the aim of attracting new industry to the revamped, deeper, safer, all-weather port. The harbour and the availability of coal attracted ER&S, which was the new joint venture business between the miner Mt Morgan Company and the German firm Aaron Hirsch und Sohn.<sup>10</sup>

An attempted relocation of the Dapto-based Australian Smelting Corporation to Port Kembla had stalled in the spring of 1907 and did not proceed; some of the unemployment and disappointment of this failure was alleviated by the advent of ER&S.<sup>11</sup> The works provided welcome employment to Port Kembla and continued to do so throughout most of the century. Employing close to 300 workers upon opening, workforce numbers at ER&S fluctuated, closely affected by business and wider economic circumstances. In 1918, for example, there were 600 employees at the works, many of whom had moved to live in Port Kembla.<sup>12</sup> The more modern preferred separation of industrial and residential areas was not of great matter in this era. The company provided housing, albeit of differing styles, for some workers and staff including the Manager. Indeed it was not until well after World War Two that Manager Arthur Fanin Evans broke with tradition, in choosing to live in Wollongong rather than occupy the Manager's Private Lane residence.

The life of the works was not without its difficulties, and there were occasions when continuance was precarious. Yet business continued despite recessions, depressions and disasters. However by 1980 when new owners CRA arrived at Port Kembla it could well have seemed that the smelter had been there forever and was going to be there forever. CRA acquired the works when it took over some interests of Broken Hill South Ltd and North Broken Hill Limited, the two shareholders of ER&S. At the same time CRA also assumed control of a large holding in mining and metals, including Cobar Mines Pty Ltd who were a major supplier of concentrate for the Port Kembla smelter.

What did the mining giant acquire in Military Road Port Kembla? They got a run down, rather outmoded smelter and refinery that had suffered from years of impoverishment. Although since World War Two ER&S had invested in some new plant and technology, (the 'new' stack of the mid-50s being the most visible example) by the 1980s the need for considerable capital outlay was sorely evident as Bob Jones, who was General Manager for some years in the 1980s recalled:

It was all old technology which was then only in China and North-west Africa or somewhere, everyone else had moved on two generations of technology, flash and all other things and here was SC in technology that was so outdated that it wasn't funny.<sup>13</sup>

Broken Hill South's main capital investment in the 1970s had overwhelmingly centred on phosphate mines in north-western Queensland, while their other operations, including the smelter, had suffered the consequences of this capital drain.<sup>14</sup> There had been little money available at the plant for upgrading as the smelter rarely returned big profits; indeed even in post war boom times, annual figures were more likely to be modest rather than abundant.

CRA's arrival coincided with the decade in which Australia's business environment, including industrial relations practice, would change significantly. The 1980s was the era when terms such as 'competition', 'efficiency', 'productivity' and micro-economic reform became common usage. The nation faced

escalating competition in the world economy, including that from emerging newly industrialising Asian economies. As the globalisation process and rhetoric gained sway with policy makers, Australian industry was being urged to reform. National concerns such as employment and debt levels were being linked to success, and restructuring of business and industry. ER&S, their employees and their unions were not alone in having to face these changes and challenges. And in the highly-organised labour stronghold of the Illawarra, the arrival of CRA with its reputation as a hard-line industrial player, immediately raised concern and suspicion.<sup>15</sup>

As well, the new owners faced the worry of operating an outmoded and polluting smelter and refinery complex adjacent to a residential district. The fields that surrounded the original buildings had long since gone. Port Kembla now had schools, shops, clubs and houses all within olfactory distance, if not actual sight, of the works. In both the local community and in the echelons of the State Pollution Control Commission, there was continuing disquiet about the effects of the plant's discharges. Sulphur dioxide emissions, (sulphur dioxide being a by-product of the copper processing), as well as lead levels, acid rain and waste dumping all caused local resident groups concern.

Yet there were other circumstances that perhaps made the smelter passably attractive to CRA. The parent company had significant interest in Bouganville copper, and it appeared that a useful synergy could be created between the rich Bouganville mine and Port Kembla processor. CRA also had Cobar based copper interests. There were some signs of promise early in the new relationship. In 1981 for example, the year following CRA's arrival, ER&S obtained significant amounts of raw feed from both Cobar and Bouganville.<sup>16</sup>

Initially the change in ownership had little material effect on life at the works. Indeed CRA's entry was marked by some caution. In late 1979 they had flagged their intention of undertaking a feasibility study on updating and expanding the Plant, and in late 1980 a special study team was formed for this task. CRA had either to upgrade or close down; that much was clear.<sup>17</sup> Changing environmental standards meant that the previously 'acceptable' pollution levels would no longer be so. The growing authority and importance of the State Pollution Control Commission meant that the degree of pollution inherent in the process and technology would not be sanctioned for much longer. The timeframe set by the environmental authority eventually forced CRA to make their decision on the future of the plant. So it was in 1988 that major redevelopment of the works commenced.

The 1988 decision to retain and upgrade the Port Kembla smelter, surprising to some, may have been influenced by CRA's experience of the 1987 sale of its Woodlawn mine near Goulburn. This formerly loss-making enterprise had returned a profit in its first year of new ownership and the CRA Executive may have been anxious to avoid similar ignominy.<sup>18</sup> Certainly the financial outlay and related risk involved in the upgrade was greatly eased by the concurrent entry of Japanese partners taking 40% equity.

CRA's choice to redevelop was viewed most positively, even ecstatically, by employees.<sup>19</sup> The decision to spend over 150 million dollars in the upgrading was translated by most workers as a job until retirement and concomitant financial security. The future felt assured; surely no one would commit that much money without intention to stay?<sup>20</sup> Management, meanwhile, hoped that this outlay would buy a more efficient and productive operation, as well as alleviate pollution problems.

The plant redevelopment was accompanied by a shift in the industrial relations conduct and atmosphere at the plant. Jack Garaty, a new CRA appointed General Manager moved in with a brief to deal with 'outmoded, restrictive practices'.<sup>21</sup>

The late 1980s and early 1990s played host to a period of challenging industrial and cultural change at Southern Copper. Despite significant progress in working conditions achieved through union and management efforts the pressures on all concerned increased. The introduction of annualised salaries, new rosters and other different ways of working were insufficient to match the pace and extent of industrial change required by management. CRA wanted all their operations to provide sufficient returns to shareholders and despite the plant upgrade, production levels were still too low and pollution levels too high. Ongoing cost reductions became paramount as the need for future expenditure on another round of plant redevelopment and pollution minimisation became obvious.

In 1994 reductions in labour costs were one area of management focus. Numbers employed at the works had declined significantly under CRA ownership, reducing from over 550 direct employees in the early 1980s to 392 by 1990, with management wanting a further reduction in the short term to 375.<sup>22</sup> In October 1994, the site was paralysed by a harsh, lengthy dispute over a new enterprise agreement and related workforce reductions, including forced redundancies. Employees and their representatives felt betrayed when Management pulled the Agreement before registration by the Industrial Relations Commission to require further reductions in employment levels.<sup>23</sup> Management expressed the view that the conflict was actually about 'SCL's ability to manage its operations in a way which will allow it to survive and compete in a tough international environment.'<sup>24</sup> Changing economic circumstances, including disappointing production levels, higher than anticipated operating costs and a strengthening Australian dollar, had led management to believe that they would not be able to keep their side of the bargain. That was, unless the employment levels set out in the new draft agreement were modified.<sup>25</sup> It was also felt that the Southern Copper Board would not agree to further expenditure in the area of hundred and twenty million dollars required by the Environmental Protection Authority unless manning cuts occurred.<sup>26</sup>

On Friday October 28 1994 Southern Copper Managing Director Paul Wand announced that there was a 'high probability' that the plant would close in early January 1995.<sup>27</sup> The closure announcement effectively ended the strike. Employees returned to what had become their short-term jobs. Closure was confirmed in late November and a few days later employees received eight weeks redundancy notice.<sup>28</sup> Early in 1995 all production had stopped and the works moved into a care and maintenance phase under a skeleton crew.

In January 1995 Mark Rayner, CRA Director and Group Executive wrote from Collins Street in Melbourne to Alison Crook at the New South Wales Office of Economic Development about the closure of Southern Copper. Rayner unequivocally lays the blame for the closure on the Illawarra unions, stating that:

Despite the progress which the senior management team had made over the past 18 months in changing the workplace relationships and culture, at the end of the day the attitudes and influence of the Illawarra unions were such that the shareholders could not be confident that even after another major capital injection sustainable international competitiveness would be achievable. Regrettably, it was this lack of confidence in the attitudes of the workforce and their union leadership which underlaid the decision to move to closure.<sup>29</sup>

Rayner ties Illawarra unions to the question of international competitiveness. These unions make a useful whipping boy for a Board who had made some interesting decisions with their shareholders' capital. Allocating blame to Illawarra unions was a less painful process than whipping the CRA board itself. Yet when CRA decided to close the works they were not only dealing with questions of industrial change. Their business

circumstances had changed considerably since their arrival in the Illawarra. By 1994 insurgency had closed the hugely promising potential of the Bouganville copper mine, nor were their copper interests elsewhere in Australia particularly promising. Woodlawn, a former raw feed supplier to the works had been sold some years previously. The redevelopment of the late 1980s, centred around the Noranda reactor, had not been a panacea. Although production had improved and pollution had been considered, neither had reached 'satisfactory' levels. The amount of capital provided for redevelopment limited the effectiveness of its results, so did the time frame allowed for the works to come up to required standard.

## Conclusion

By the spring of 1994 the hovering sword of the Environmental Protection Authority edged closer and, despite some initial promise, CRA's search for another capital-generous equity partner had failed. Environmental concerns had shadowed the works at least since World War Two. By 1994 time was running out for Southern Copper, suffering failure to thrive despite the significant changes under the CRA regime. It was not the Illawarra unions who closed Bouganville or chose the form, and limited the expenditure, of the redevelopment. It was not the Illawarra unions who strengthened the Australian dollar and stopped the often profitable process of copper scrap. Nor was it the Illawarra unions who protested vehemently about living near a noxious industry and it was not the Illawarra unions who failed to find another equity partner. Attitudinal differences between CRA and Illawarra labour were but one salient factor amongst the confluence of several in the closure of Southern Copper. By 1994 the once promising symbiosis between CRA and the Port Kembla works had vanished, leaving a beleaguered Southern Copper no place in CRA's future. Paul Wand, the Managing Director of Southern Copper at the time of closure explained that the plant didn't 'compete'<sup>30</sup>. To understand why that was the case required an understanding of CRA. Understanding CRA 'business' helps our understanding of labour, loss, grief and unemployment in Port Kembla.

## Epilogue

In July 1999 Port Kembla Copper signed an Enterprise Agreement with the Australian Workers Union. The works should move into full production by October this year, some four years since the announcement that Southern Copper was destined for closure. The wholly Japanese owned PKC have invested hugely in upgrading production capacity and attempting to minimise plant emissions. Although some local residents have protested vociferously about the reopening others have looked for work at the smelter. More than 3,000 people applied for employment, and well over half were from the Illawarra region, including Port Kembla.

## Endnotes

Much of the research utilised in this paper was gathered when writing 'Copper Community' with Erik Eklund. I am grateful for Erik's support and insight and for the assistance of all those who contributed to that study, particularly Paul Wand, ex ER&S and Southern Copper Limited, who instigated the writing of this history. Erik Eklund with Maree Murray, 'Copper Community: A History of the Electrolytic Refining and Smelting Company Limited and Southern Copper Limited, Port Kembla, Port Kembla, unpublished manuscript 1999.

- 1 Paul Wand, 'The Closure of Southern Copper' in *Newscast: Official employee newsletter of Southern Copper Limited*, vol. 4, no. 47, January 1995.

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- 2 Mark R. Rayner to Alison Crook, 6 January 1995, ER&S-SCL collection, Melbourne University Archives, Box 17 [4-1], 2/8/5.
  - 3 David Merrett, 'Business History' in Graeme Davison, John Hirst and Stuart Macintyre (eds). *The Oxford Companion to Australian History*, Oxford University Press, Melbourne, 1998, pp. 103-104. Merrett's entry provides a useful summary of Business History in Australia.
  - 4 Erik Eklund, 'Managers, workers, and industrial welfarism: management strategies at ER&S and the Sulphide Corporation, 1895-1929', *Australian Economic History Review*, vol.37, no.2, July 1997, pp.137-158; Bridget Griffen-Foley, *The House of Packer: The Making of a Media Empire*, Allen and Unwin, Sydney, 1999.
  - 5 See, for example, G. Patmore, "'American Hustling Methods"- The Lithgow Small Arms Factory 1912-1922', *Labour History*, 67 (1994) pp.42-56.
  - 6 Christopher Wright, *The Management of Labour: A History of Australian Employers*, Oxford University Press, Melbourne, 1995.
  - 7 Other examples of business history in Industrial Relations scholarship include J. Kitay and R. Powe, 'Exploitation at \$1,000 per Week? The Mudginberri Dispute', *Journal of Industrial Relations*, 29 (3) 1987 pp.365-400 and M. Quinlan 'Managerial strategy and industrial relations in the Australian steel industry, 1945-75' in M. Bray and V. Taylor (eds), *Managing Labour?: Essays in the Political Economy of Australian Industrial Relations*, McGraw-Hill, Sydney, 1986, pp.20-47. However such history is more likely to be located in Industrial Relations or Management journals rather than in labour history discourse.
  - 8 'Southern Copper Limited...our new identity' in *Official employee newsletter of Southern Copper Pty Ltd*, vol. 1, no 1, September 7, 1990.
  - 9 The term 'the works' is used throughout for consistency and clarity. It refers to the whole worksite including smelter, refinery and other structures. Other terms that were commonly used included 'the plant' and 'the smelter', all terms referred to the whole site. The current operation is known as Port Kembla Copper Limited, or PKC.
  - 10 For further detail on the establishment of ER&S see 'Chapter One: Beginnings, 1907-1929' in 'Copper Community', pp.1-20.
  - 11 'Copper Community', pp.2-5.
  - 12 'Copper Community', p 9; In August 1999 PKC, the current owner of the smelter, was still recruiting. It is likely that the stable workforce will not exceed 280 employees, I am grateful to PKC management for this information.
  - 13 Interview with Bob Jones, (June 1999). Jones was appointed General Manager in May 1986, but had visited the site on occasions since the 1970s. In the late 1980s he became General Manager (Redevelopment) alongside the newly appointed Jack Garraty, General Manager.
  - 14 Interview with Bob Jones, (June 1999).
  - 15 Interview with Graham Roberts, Australian Workers Union, (July 1997). It is possible that CRA's reputation may be even worse in recollection as industrial happenings at other CRA workplaces throughout the 1980s cemented their 'tough' industrial reputation.
  - 16 ER&S Report to Employees, 1981/82.
  - 17 Interview with Jack Garaty, (June 1999); interview with Bob Jones, (June 1999).
  - 18 Interview with Bob Jones, (June 1999).
  - 19 Interview with Alan Smith, (May 1997).
  - 20 Interview with Jimmy O'Hare, (February 1999).
  - 21 Interview with Jack Garaty, (June 1999).
  - 22 Booklet *Enterprise Metals*, n.d. (probably 1991), no publisher stated (probably CRA Limited). In 1991 Enterprise Metals was a business unit of CRA Limited; copy in writer's possession. Paul Wand, 'Why are we in dispute?', Bulletin to Southern Copper employees, 6 October 1994, Box 27, 4/15, ER&S-SCL collection, Melbourne University Archives.
  - 23 Interview with Andi Gillespie, Australian Workers Union, (May 1997).
  - 24 Paul Wand to SCL Employees, 'The Future of Southern Copper Limited', 28 October 1994, p. 2, copy in writer's possession.
  - 25 Paul Wand, 'Why are we in dispute?', Bulletin to Southern Copper employees, 6 October 1994, Box 27, 4/15, ER&S-SCL collection, Melbourne University Archives.
  - 26 Vanessa Morris, interview with Wayne Phillips, Radio Illawarra, 7 October 1994; transcript in ER&S-SCL collection, Melbourne University Archives.
  - 27 *Illawarra Mercury*, 29 October 1994, pp.1-2.
  - 28 *Illawarra Mercury*, 1 December 1994 p.2.
  - 29 Mark R. Rayner to Alison Crook, 6 January 1999, ER&S-SCL collection, Melbourne University Archives, Box 17 [4-1], 2/8/5.
  - 30 Paul Wand, 'The Closure of Southern Copper' in *Newscast: Official Employee Newsletter of Southern Copper Limited*, vol.4, no.47, January 1995.