

Closure of steelworks in Newcastle, Australia

Lessons from industrial transitions



SEI brief

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Key insights:

- The closure of a major steelworks plant in Newcastle, Australia illustrates the benefits of a decades-long transition that combines direct, tailored support to workers with regional economic development measures.
- A cooperative relationship between unions and industry can lead to mutual benefits. In Newcastle, this took the form of the Personal Pathways programme, which provided employees with support services for re-training, finding new employment, financial planning, and mental health needs.
- Community leadership is an important factor in ensuring a positive transition. In Newcastle, local leaders corralled various stakeholders – including community interest groups and organizations – to create a “common purpose” and vision for the region, ensuring a unified message when mobilizing funding from government and the steel manufacturing facility.
- Not all employment is equal. Though employment grew in Newcastle after the plant’s closure, new jobs were largely part-time, casual, low-paid, and temporary positions.
- The steelworks clean-up was the largest remediation in Australian history, resulting in the public paying for some of these costs.

This case study examines the decline and, ultimately, the closure of a major steelworks plant in **Newcastle, Australia**. It is part of a series that looks at four historical cases involving the decline of major industrial or mining activities. In each, we describe the reasons for the decline and explore how various actors addressed (or did not address) the social, economic and environmental consequences.

The aim of the series is to share lessons that might guide ongoing and future transitions, particularly those related to the decarbonization of regional economies. Countries and regions that today are heavily dependent on carbon-intensive industries and/or fossil fuel extraction face the prospect of disruptive social and economic changes as the global decarbonization agenda gathers momentum. Sharing knowledge from past experiences might help these communities appreciate the dynamics of transition, and ultimately prepare for and manage these transitions as smoothly as possible, to ensure fair outcomes while reducing any resistance that might slow down necessary change.

Other briefs in this series look at the cases of the closure of the Kodak plant in Rochester, New York, the decades-long decline of the United Kingdom’s steel industry, and the collapse of the Free State goldfields in South Africa. Some overall insights from the cases can be found in a synthesis brief.

IMAGE (ABOVE): Terrace houses in
Newcastle East © DALLAS STRIBLEY / GETTY

Background

In 1914, the Broken Hill Proprietary Company (BHP) established a major steel manufacturing facility in the city of Newcastle, north of Sydney. Heavy industries – including coal mining, steel production, electricity generation (from coal) and shipping – came to dominate the economy of Newcastle and the surrounding Hunter region. By 1960, and for the next 20 years, BHP's Newcastle steelworks employed an estimated 12,000 to 16,000 people (Gunasekara, 2008).

However, in the early 1980s, global steel demand collapsed, competition from Asian steel producers grew (Gunasekara, 2008; Lewer, 2013), and the profitability of the Newcastle steelworks suffered as a result. At the same time, community concerns about air pollution increased (Gunasekara, 2008). Despite efforts at restructuring and financial support from the federal government, production declined. BHP decommissioned more than half of its Australian blast furnaces (across three plants, including Newcastle), and the Newcastle steelworks continued to shed workers. Over the 15-year period that began in 1982, employment plummeted from over 12,000 workers to 3,200.

In 1997, BHP announced that it would close its Newcastle steelworks in 1999. The two-year notice opened a critical period in which the steelworks and the wider community



Newcastle, Australia © MICHAEL YU KONG YAP / EYEEM / GETTY

in the city and Hunter region undertook major efforts to prepare for the closure. When the main section of the steelworks closed, nearly 4,000 employees and contractors lost their jobs. The average employee's age was 44, and their average length of service was 21 years (Lewer, 2013). In 1999, unemployment in Newcastle rose above 10%.

At the time, the closure was thought to be Australia's "largest de-industrialisation event" (Lewer, 2013). Widespread fears that closure would imperil the Newcastle economy, fracture social cohesion, devastate workers and their families, and increase violence and crime did not come to pass (Kirkwood, 2015). Instead, some view the steelworks closure as a catalyst that led the regional economy to diversify, and the city to develop a new identity.

Transition dynamics pre-closure

The transition consisted of stages of effort beginning over a decade and a half prior to the final closure announcement in 1997.

In the early phase of decline, governments responded with targeted support to keep the steelworks competitive and to redevelop parts of the urban centre of the city. During the 1980s, the BHP steelworks' declining profitability sparked efforts to revitalize its competitiveness. The national government, BHP and labour unions negotiated a five-year Steel Industry Plan (1984–88). The plan included commitments of AUD 800 million in capital regeneration by BHP in exchange for increased domestic product market protection, accelerated tax depreciation arrangements, bounty payments, and regional employment programmes from the government. Unions accepted some downsizing, reduced wage demands, and agreed to use less confrontational approaches, in order to improve the plant's viability and thus ensure that some workers could continue to be employed (Gunasekara, 2008; Lewer, 2013).

The plan indeed increased productivity at the steelworks. It also instigated a more cooperative relationship between BHP and the unions (Lewer, 2013), which later proved pivotal to the negotiation of worker support programmes during plant closure. In 1996, a year prior to the final closure announcement, this cooperation between BHP and the unions led to the formation of a joint Transition Steering Team (TST) inside the steelworks, consisting of representatives from management, labour unions and other (non-union) employees.

Meanwhile, in 1992, to drive the redevelopment and revitalization of parts of inner-city Newcastle, the state government established a new authority. The Honeysuckle Development Corporation oversaw the redevelopment of former railway and port-related lands around the city, including waterfront land in the city centre. In parallel with the economic diversification described above, this wider urban renewal effort ultimately provided the city with a more resilient socio-economic foundation ahead of the shock of the steelworks closure announcement just a few years later.

In addition to these targeted activities in and around Newcastle, broader systemic shifts in the composition of Australian industry nationwide were also re-shaping the Newcastle and regional economy throughout this period. More people began working in wholesale and retail sectors including health, tertiary education, community services, finance, property and business services, and recreation and personal services (Connolly & Lewis, 2010). During this time, employment fell proportionally in the manufacturing, transport and storage, and mining and utilities sectors. These changes reflected the crisis at BHP, but also broader systemic shifts in the composition of Australian industry nationwide (Gunasekara, 2008).

Transition dynamics post-closure

These activities in the decade or so before the announcement of closure helped put in place some of the foundations for a relatively positive transition experience once the steelworks shut. Following the 1997 closure announcement, local actors led intensive efforts to support workers, identify strategic economic and employment diversification strategies and investments, and redevelop the steelworks site to enable new industrial activity. Overall, many of the outcomes were positive.

Reactions inside the steelworks

Inside the steelworks, the TST helped to negotiate redundancy packages and redeployment benefits for workers that unions later described as “unprecedented” in scope (Lewer, 2013). It also helped develop and promote the Personal Pathways programme, a series of individual, employee-tailored support mechanisms that included support services for retraining and finding new employment, as well as the provision of services for financial planning and mental health needs. Local employers used the programme to recruit new staff, and BHP collaborated with universities and the state Department of Education to train employees in specific vocations, such as teaching, for which workers with needed skills were in short supply (Payne, 2013). The programme included additional special support for certain groups of workers (e.g., those aged over 45 or with disabilities) (BHP, 1999). Around 7,000 separate training events were organized by the time the programme finished.

Within a year after the steelworks closure, an estimated 90% of the participants had found new employment (Payne, 2013). The Pathways programme did not end up costing BHP any extra funds; it paid for itself through avoided salaries and redundancy entitlements of those employees who found new employment before the closure (Payne, 2013).

Reactions outside the steelworks

An important dynamic outside the steelworks was the emergence of community leadership and a corralling of community interest groups and organizations into a joint Common Purpose Group (O'Neill, 2018). Their intention was to develop a coherent, common vision of economic development for the city and region. Several community leaders (from a union and business association) led the effort, recognizing the potential benefits of bringing together different groups to articulate a common vision for the region, agreeing to a set of priority actions, and creating a single channel of communication and advocacy for engaging with government and the company. The group included representatives in regional development, business development, research and education institutions, industry, and unions. It also had local connections to businesses, community groups, and local and state governments that could be tapped as needed for support.

The University of Newcastle engaged with the community development agenda in various ways during the transition period. Coordinating with the Common Purpose Group, it conducted a skills analysis to identify how the region could position itself beyond mass production of a single commodity, and how employment could be diversified. The university also undertook an assessment of what kind of skills and training it might provide to support an economic transition.

The role played by the government, both at the federal and state levels, has received mixed reviews. On the one hand, state government officials reacted quickly in the wake of the closure's announcement – possibly because they were made aware of the plans ahead of time (Gunasekara, 2008). The state established the Economic Development Office and initiated an Economic Development Strategy for the Hunter Valley region. Yet

it seems the most important outcomes were identified outside this government strategy process, in the form of locally driven plans (through the mechanisms described above). These plans were financially supported by the state government after lobbying by the community and by BHP, which also provided finance. The resulting Hunter Advantage Fund was an assistance package providing land for new manufacturing ventures, and coordinating studies for development of a new container port on the steelworks site (Gunasekara, 2008). BHP and state and federal governments came together to pledge AUD 30 million towards new projects in the Hunter region. Participants in the process have highlighted that the state government's effectiveness grew when it shifted its role from lead proponent to supporting agent in the transition process.

Socio-economic and environmental outcomes

Many of the outcomes from this transition are viewed positively by local stakeholders. During and following the steelworks closure, the nature of manufacturing in the regional economy shifted towards higher-skilled, value-adding industries, mainly small businesses (those with fewer than 80 employees made up over 90% of manufacturing jobs in the immediate aftermath of the BHP closure). This shift was to "more knowledge intensive activities, such as chemicals, transport equipment, food and fabricated metal products" (ESC & HVRF, 1999, cited in Martinez-Fernandez 2001, p. 68). Total employment numbers in manufacturing actually increased in the immediate years before the steelworks closure (Martinez-Fernandez, 2001), more than offsetting expected job losses at the steelworks. Within several years following BHP's closure, around two-thirds of the BHP workers who were made redundant had reportedly found new jobs (Lewer, 2013).

Indeed, the unemployment rate actually declined, and the workforce participation rate increased in Newcastle and the wider region. In addition to new manufacturing jobs, this trend was driven by the shift, described above, towards greater employment in the health care, education and tourism sectors, alongside other professional services, while in the wider region around Newcastle, coal mines continued to provide some employment. Women's participation in the workforce increased dramatically, mirroring a pattern in the wider state and national economies (Martinez-Fernandez, 2001).

Yet not all of the changes have been positive, and not all of the transition might be judged a success. Over time, the number of jobs has increased but the expansion in jobs has largely occurred in part-time, casual, low-paid, and temporary positions (Martinez-Fernandez, 2001). Some research not long after closure found other troubling repercussions, notably: "social exclusion' affecting many young people, women and older men along with a widening gap between the high skill 'core' workers in growth industries of the future and a large number of lower skill, casualised and insecure workers at the 'periphery' of the labour market" (ESC & HVRF, 1999, cited in Martinez-Fernandez 2001, p. 54).

Redevelopment of the former steelworks site has not proceeded as the community and local authorities had envisaged and hoped. Initially, the community and BHP successfully lobbied to overturn legislation, passed a decade earlier, that barred the creation of free trade zones. This change, supported by a key adviser to the prime minister, set the stage for the former steelworks site to be redeveloped as a free trade zone (formally referred to as a "Manufacturing In Bond" status). However, this and other promised government support gradually dissipated, at both federal and state levels. The free trade status agreed upon for the former steelworks site was quietly "terminated" within a decade, in 2007–08 by the federal treasurer (Kirkwood, 2019). While some development has taken place, most of the land remains idle to this day. There are suggestions that the legacy of contamination at the former steelworks site – which has been "capped and contained" onsite – may have negatively affected sales and put off potential lenders (Kirkwood, 2019).

The environmental clean-up of BHP's contaminated land proved contentious. The community redevelopment agenda included a proposal that BHP and the government would clean up the contamination of soil and groundwater at the 145-hectare steelworks site, and in the adjacent Hunter River. The land was intended to support the Port of Newcastle diversifying beyond coal exports (its main activity) to become a multi-purpose terminal – which would create other indirect economic benefits for the region – and to house other industrial tenants. The government initially supported this plan, set out the requirements for remediation of the site, and in 2002, purchased most of the land from BHP. As part of the land transfer, BHP paid AUD 100 million to the state government in lieu of environmental remediation costs (BHP, 2001; McGowan, 2016) and was thenceforth indemnified from any future environmental responsibilities for the properties. In the years that followed, the steelworks clean-up became the largest – and most regulated – remediation project in Australian history, and it appears to have cost more than the AUD 100 million paid to the government by BHP in 2002 (HDC, 2009, 2017; Kelly & Kirkwood, 2012) – meaning that taxpayers paid the remainder of the clean-up costs.

The port redevelopment still has not happened, and the state government has actually prevented its re-development as a hub for container traffic as part of a deal to protect the owners of the nearby Sydney port, who were promised a monopoly on container traffic when it was privatised in 2013 (Kirkwood, 2019; Stevens, 2018).

Long-term viability of transition efforts

The community-led development efforts were vital to Newcastle's success in managing the impacts of steelworks closure – but they faded away quite quickly. Within a few years after closure, many of the networks either no longer existed or no longer engaged as energetically in driving regional development programmes. The university originally envisaged that it would become a key actor in maintaining the social networks that would be needed, post-transition, to continue the community development momentum, and BHP provided funding to the university for this purpose. However, this strategy failed to materialize, as key people left, and the money intended for this was moved elsewhere by the university.

This was mirrored within the company itself, where – following a change in BHP's leadership and the completion of the steelworks' closure – the company ceased its support for ongoing community development.

Conclusion

The Newcastle steelworks closure case illustrates how mining closure may be the last step in a decades-long process of progressive decline. In such a scenario, there is time to re-skill workers, explore economic diversification opportunities, and build collaboration and trust between the main actors involved; this paves the way for planning and implementing further transition measures when the announcement of closure takes place.

Moreover, this case suggests that an approach combining direct, tailored support to workers with regional economic development measures is beneficial. Still, overall, the industrial transition process in Newcastle, Australia, shows mixed results. While the measures put in place helped diversify the economy and create new jobs, many of these jobs were of lower quality (e.g. part-time, low-paid, and/or temporary jobs). Furthermore, part of the environmental rehabilitation costs were transferred to the public sector, which violates the polluter pays principle.



Solar thermal research facility, Newcastle, Australia © MICHAEL HALL / GETTY

Finally, the case shows strong collaboration between a variety of important societal actors – including the company closing its operations, trade unions, governments at the local, state and federal levels, and the local university – to find and implement effective solutions. It also shows the importance of these collaborative platforms being locally driven, rather than set up by governments (O'Neill, 2018), as well as the difficulty of sustaining these efforts over time. Regional transition is not a quick process, so long-lasting mechanisms seem more likely to help ensure the transition process is grounded and provides a real foundation for the region.

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