

**INTERNATIONAL BUSINESS**

# Deal With Union Prevents Closing of Scottish Plant

By STANLEY REED    OCT. 25, 2013

LONDON — One of Scotland’s largest manufacturing sites will remain open following a settlement of a dispute between the plant’s owners and the Unite trade union that preserves hundreds of jobs and provides the facility with millions of pounds in government support.

The deal rescinds a decision on Wednesday by the company, the oil and chemical giant Ineos, to permanently shut the facility’s petrochemical plant. It also secures continued operations for the site’s oil refinery, the only one in Scotland and the source of most of the country’s fuel. Ineos, which is privately owned, shut down operations at both plants this month while workers represented by Unite considered the company’s proposals.

Ineos said in a statement that it would reopen the petrochemical plant “with immediate effect.” “This is a victory for common sense,” Jim Ratcliffe, the founder and chief executive of Ineos, said in a statement. “Grangemouth now has a great future.”

According to the Ineos statement, the union agreed to a three-year period during which pay would be frozen and employees would agree not to strike, as well as to changes in the pension plan that would save the company money. The union also agreed to no longer have full-time representatives on the site.

The company said it will stick to its original proposal to invest 300 million pounds in the plant. Ineos said the Scottish government had agreed to contribute a 9 million pound grant while the British government tentatively approved 125 million pounds in loan guarantees.

The deal looks like a victory for Mr. Ratcliffe, who shut the whole facility Oct. 17 while workers considered his offer and on Wednesday announced that he would liquidate the petrochemical operation after the union rejected his plan. That prompted a last-ditch effort by the general secretary of Unite, Len McLuskey, who appeared to supplant local union leaders in negotiations with the company. The Scottish and British governments also scrambled to try to head off the closure of one of Britain's largest manufacturing sites and prevent possibly thousands of job losses.

The decision came as a relief in Scotland and particularly in the Grangemouth area in the country's east where the complex is the leading employer. Ineos has about 1,400 employees at the facility, and about half of those jobs were threatened by the petrochemical plant's closure. But as many as 10,000 jobs were linked directly or indirectly to the plant, said Alysson Black, a local Labour Party official who represents Grangemouth on the local council of Falkirk.

"Ineos is staying open, hallelujah," Ms. Black said in a text message after hearing the news. Closing the plant "would decimate the community," she said just before the announcement.

The company has said that it contributes the equivalent of 65 percent of each worker's salary to a defined benefit plan that, combined with salary, amounts to 90,000 pounds a year, or \$145,700, for the typical worker. It asked workers to shift to a defined contribution plan resembling a 401(k) in the United States and offered up to 15,000 pounds as an incentive for workers to switch.

"This decision is clearly welcome. Relief will ring round the Grangemouth community," said Pat Rafferty, the head of Unite in Scotland. But he said the deal was "tinged" with sadness.

"Decent men and women are being asked to make sacrifices to hold on to their jobs, but the clear wish of our members is that we work with the company to implement its proposals," he said.

Some jobs may still be cut. “Some reductions will come as we rationalize production between the different units,” said Tom Crotty, an Ineos director, adding that any redundancies were “not likely to be high and hopefully voluntary.”

Mr. Ratcliffe, who has built Ineos into one of the world’s largest petrochemical companies in 15 years, has been searching for a way to keep alive a business that has lost its edge. Grangemouth’s petrochemical complex, like others in northern England and Scotland, was built decades ago to take advantage of North Sea oil and gas. With North Sea oil and gas production declining, Grangemouth and other complexes are having difficulty obtaining low-cost raw materials for plastics production.

They are also finding it tough to compete with petrochemical complexes in the United States that are cashing in on cheap shale gas. Ineos has said it is losing 10 million pounds a month at Grangemouth, mostly at the petrochemical plant. Ineos can now make ethylene or raw plastic for half the price in Houston that it can in Scotland, Mr. Crotty said.

Mr. Ratcliffe’s vision is to bring ethane derived from shale gas from the United States to Grangemouth. But that will require a big investment in specialized terminals and other equipment. The grant from Scotland and loan guarantee from Britain will support that effort. He is also planning to make similar investments to feed an Ineos plant in Norway.

Paul Hodges, who formerly ran a large petrochemical business now operated by Ineos in Britain, said that what had been “an incredibly vibrant” petrochemical industry now needed reinvention and new investment.

“You have got to have a vision,” said Mr. Hodges, chairman of International eChem, a London-based industry consulting firm.

Ineos has already lined up long-term supplies of raw material derived from shale gas brought “from the Appalachians to Scotland,” Mr. Crotty said. Alexander Kemp, a professor of petroleum economics at the University of Aberdeen in Scotland, said that the Ineos plan had “clear merits.”

As for the plant’s oil refinery, most analysts believed that closure might cause short-term fuel disruptions but that over time other refineries in Europe with

spare capacity could have stepped in. About 13 of 20 major refineries have closed in Britain since the early 1970s, but the Scottish government, which is to vote on independence from Britain next year, was very concerned not to lose the Ineos refinery.

“Very few governments are prepared to have refineries shut down because that has enormous implications for energy security,” Mr. Hodges said.

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