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HD **Corporate News: Down Under, More Cuts --- BP and Philip Morris Plan to Shed Total of 535 Jobs in Australia**

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SYDNEY -- Just two months after Toyota Motor Corp. -- the last major car maker in Australia -- announced plans to pack up, oil **company**BP PLC and cigarette maker Philip Morris International Inc. said they also intend to scale back their Australian operations.

For BP, its decision will mean closing one of the **company**'s two oil refineries in the country. Philip Morris said it plans to shut down its sole Australian factory while keeping some administrative and other office roles in its Melbourne location. The closures are expected to eliminate a combined 535 jobs.

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The coming layoffs add unease to the world's 12th-largest economy, where the cooling of a decadelong mining-investment boom has driven the unemployment rate to a 10-year high of 6%, compared with a peak of 5.9% during the throes of the global financial crisis. Manufacturers' flight from Australia, often for cheaper operations, only exacerbates the unemployment woes.

BP's closure of its Australian refinery follows other international energy companies' moves to cut back on their smaller facilities, which have difficulty competing with the cheaper sales and production of bigger operations in places such as India and Singapore.

The British **company**'s decision to stop refining at the Bulwer **Island** facility, in the city of Brisbane, by mid-2015 will cost as many as 355 jobs. BP said it is considering converting the **site** into a fuel-import terminal. The refinery currently supplies gasoline to pumps and businesses on Australia's East Coast.

Andy Holmes, BP's Australian head, said Wednesday that buying from other companies' refineries would be the best way for BP to strengthen its business in that part of the country.

Royal Dutch Shell PLC has also **sold** and idled refining assets to invest in more lucrative oil and natural-gas projects, as competition squeezes margins. Shell and Caltex Australia Ltd. have **sold** or closed Australian refineries recently.

Philip Morris said it would stop making cigarettes in Australia by year-end, halting nearly 60 years of manufacturing in Melbourne. The closure could result in the loss of as many as 180 jobs as the **company** shifts production to South Korea.

The U.S. **company** blamed tighter regulation of cigarette exports by the Australian government for dwindling shipments and factory production. It said its factory in Australia is "significantly underutilized, operating at less than half of its currently installed capacity." Philip Morris's Australian business was its first outside the U.S.

Australia is in the midst of its 23rd consecutive year of growth, but the country faces a mining-investment slowdown that is weighing on the economy.

As a result, most of the layoffs over the past two years have been in the resources sector, where companies such as BHP Billiton have reduced investment in mine-building and transport infrastructure to focus on selling their newly dug-up commodities to **China**, Australia's biggest trading partner.

But manufacturing has suffered too, mostly because of a stubbornly high Australian dollar that has made imports less expensive and exports less competitive for several years. Additionally, labor and production costs, which tend to be a lot higher than in developing Asia, where competition is fierce, have stung local manufacturers.

The expansion in developing countries of production capacity for mass-market goods is also putting pressure on Australian manufacturers to make more advanced products that are harder to replicate.

"Manufacturing in Australia is challenged and it'll continue to be the reality," said John Phillimore, executive director of the Perth-based John Curtin Institute for Public Policy, a university research body. "If there is a future for manufacturing in Australia it is probably at the high end."

CO bp : BP PLC | pmintl : Philip Morris International Inc. | toyta : Toyota Motor Corp.

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