Australia: Plunging coal prices herald new mine closures and job cuts

By Terry Cook
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Australian coal mining workers are about to be hit by another wave of major job cuts as mining corporations further slash costs amid a dramatic slump in coal prices driven by the collapsing demand in Asia, especially China.

Contract prices for metallurgical coking coal in the last quarter plunged to a six-year low, falling from $US143 a tonne to just $120 as steel mills in China wind back production. Coking coal spot prices have fallen even further with the Platts price index recording returns as low as $105 a tonne earlier in April.

In late 2011, the price of coking coal, which is used in steel production, soared to $US330 a tonne, leading to a frenzy of mine expansion and a massive increase in supply as corporations competed to meet demand.

Prices have also plunged for thermal coal, which used to produce steam to run turbines that generate electricity. It has hit a four-year low, falling sharply from about $138 a tonne to $72.75—well below the price of $200 a tonne reached in 2007 and 2008.

Macquarie Bank is predicting the lowest thermal coal price settlement between Australian producers and Japanese customers in five years—a contract price of about $US82 a tonne significantly down from last year's $95.

According to Credit Suisse analysts, the latest price fall means that production "is close to typical cash costs for the east coast coking coal industry." In other words, taking factors such as financing and sustaining capital into account, numbers of coal producers are operating at a loss.

At the end of last month, coal giant Peabody Energy, which has already shut down mines, warned it was considering further restructuring, including closing two high-cost metallurgical coal mines and downsizing its workforce. The company reported a net loss of $44.1 million for the last quarter.

Last year, Peabody slashed 400 full-time jobs across its operations in the states of New South Wales (NSW) and Queensland. It also closed its Wilkie Creek thermal coal mine in Queensland at the cost of 200 jobs.

It is not only jobs, but pay and working conditions that are under attack. Peabody locked out workers at its underground Helensburgh Metropolitan Colliery on the NSW South Coast for seven days late last year, demanding a pay freeze in the first year of a new three-year work contract and increased productivity.

In March, Glencore announced the closure of its Ravensworth underground coal mine in the NSW Hunter Valley with the loss 130 jobs, on top of 80 jobs cut in the previous 12 months. The company has declared the mine, profitable while coal prices were booming, to be "unviable." Many more underground operations that were previously "viable" could face the same fate.

In every case, the unions have acted as the enforcers for the job cuts and mine closures, blocking any resistance by workers. Over the past two years, coal producers have slashed 12,000 jobs—more than 1,500 destroyed in the Hunter Valley and 8,000 in Queensland—with impunity.

At the Helensburgh Metropolitan Colliery, the Construction Forestry Mining and Energy Union limited action by the locked out workers to an ineffectual protest campaign, mobilised no support from other Peabody workers facing similar attacks, and worked behind the scenes to deliver the company's cost-cutting demands.

Now a new round of job destruction is being prepared. In late April, Wollongong Coal flagged the need to cut more jobs at its underground Wongawilli and Russel Vale mines, having already shed 47 jobs

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earlier this year as part of plans to axe 20 percent of its workforce.

Other major coal producers are also signalling job cuts, mine closures and far deeper attacks on working conditions. Rio Tinto's energy product group chief executive, Harry Kenyon-Slaney, told the media last month that although the unit cost of coal production in its Australia operations had been reduced by about 25 percent over the past 12 months, the company "was not done with its cost-cutting efforts."

Similarly, Anglo American's executive Seamus French claimed that "about 60 percent of Australian (coal) production [was] losing money." Declaring the coal industry "was in the toughest cycle," he warned: "The market is over-supplied and Australia is at the top end of the cost curve."

The president of BHP Billiton's global coal business, Dean Dalla Valle, said that "Australia's cost environment is making the local sector globally uncompetitive." While declining to "speculate on jobs," he warned the company had "more to do on costs."

At the same time, the coal companies are exploiting the growing crisis to ramp up pressure on the federal and state governments for removal of all barriers to profit maximisation. Speaking for all the major coal companies, head of Glencore's global coal assets Peter Freyberg claimed that the industry "isn't as competitive as it should be," and warned that "productivity, industrial relations and regulatory settings were factors impacting the industry's competitiveness."

Freyberg was not only calling for the reduction or removal of environmental and regulatory safeguards, but was adding his voice to the demands of big business for an even tougher industrial relations regime to straitjacket workers as attacks on jobs and working conditions intensify.

The mining companies want the removal of all impediments to their unbridled control over the workplace, including the ability to hire and fire at will and "flexibility" to make instantaneous changes to work practices, such as shift rosters and the use of contract labour, to meet shifting production demands.

The claims in ruling circles that the mining boom would insulate the Australian economy from the global crisis have well and truly been shattered. Coal miners, like every other section of the working class, is now facing an unrelenting assault on jobs wages and conditions as the major corporations seek to drive up profits at their expense.

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