

BHP mine closure devastates West Australian towns

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Mining workers, their families and small business operators in the Western Australian towns of Ravensthorpe and Hopetoun are facing financial disaster following last month's decision by BHP Billiton, the world's biggest mining company, to immediately close down its nickel mining operation at Ravensthorpe and axe 1,800 jobs. The closure is part of the company's plans to cut 6,000 jobs internationally, with 3,400 jobs to go in Australia.

Earlier in the month, Rio Tinto, the second biggest miner, said it would slash 14,000 jobs worldwide, about half within Australia. Smaller mining companies had already axed more than 5,000 jobs in Australia. In the space of just a few months, the 17-year Australian "resources boom", which drove high growth rates and increased government revenues, particularly in Western Australia and Queensland, has collapsed, leaving virtual ghost towns in some mining areas.

The 18-month-old Ravensthorpe mine produced nickel ore to be processed at BHP Billiton's Yabulu plant in Queensland for export, particularly to Chinese steel mills. Its sudden closure is expected to halve the populations of both Ravensthorpe and Hopetoun, a former fishing town 50 kilometres to the south. Analysts have warned that the experiences of these towns are a microcosm of what the entire country can expect within a year as the crash spreads from mining and finance throughout the economy.

In October 2007, in an article on the social problems produced by the mining boom, the WSWWS warned: "Corporations and governments seem to assume that the WA resources boom will last forever, with economic analysts generally predicting another 15 to 25 years of high growth. But the reality is far more uncertain. Not only is China itself wracked by deep social divisions and financial instability, its rapid growth is heavily dependent on exports, particularly to the US. Any downturn or major financial crisis in the US or Europe would have immediate ramifications in China, impacting directly on Australian exports. If this were to happen, Western Australia, in particular, would face an immediate precipitous downturn, with the burden being placed squarely on the shoulders of the working class—not only in WA but throughout the country."

These words have come true, with the global recession hitting

not only China, but also Japan and South Korea, which between them take 42 percent of Australian exports, mainly minerals and energy supplies.

Ravensthorpe and Hopetoun are about 550 kilometres south east of Perth, the state capital. In 2007, Hopetoun's population of around 450 swelled to 1,100 once the mine opened, after seven years in the planning and construction phase. Property prices and rents also soared, pushing some residents out of town. According to one press report, a block of land valued at \$25,000 a decade ago sold for \$250,000.

The \$3.4 billion mine was first proposed in 2000 and approved in 2004 by the then state Labor government, which provided a \$40 million subsidy to build infrastructure. In 2004, world nickel prices were around \$US14,000 a tonne but, driven by China's growth, soared to \$52,000 a tonne, before plunging to around \$11,300 a tonne.

BHP Billiton has cited the global financial crisis, and the drop in price and demand for nickel, as its reasons for closing the mine. However, media reports suggest that the company also confronted unanticipated engineering problems. According to an opinion piece published in the *West Australian* last month, titled "Nickel mine destined to be a dud", the company faced an extra \$255 million to \$800 million in capital costs to rectify the problems.

Mining analyst Peter Strachan, quoted in the article, commented: "I don't think Ravensthorpe has performed to specifications. The mined grade was a bit lower than they anticipated and I don't think it actually worked according to the manual when they started it up. It never got near full capacity and of course these things have to be run flat out to be commercial because of the high level of fixed costs."

It is not the first time that BHP Billiton has shut down an operation and created financial disaster for workers and residents. In May 2004, the company closed its Boodarie hot briquetted iron plant in Port Hedland in the north west of Western Australia, destroying 450 jobs, after an explosion at the plant killed one worker and seriously injured three others. The company calculated that remedial work required by hazardous materials regulations would cost hundreds of millions of dollars and affect profits.

In Ravensthorpe and Hopetoun, in order to attract a "live-in" workforce, BHP Billiton and the state government offered workers and small business operators incentives of up to \$50,000 to buy or build homes. The government built a primary school and other facilities and the company told prospective workers and residents that the mine would last at least 20 to 30 years.

Workers have expressed anger at the closure in comments to the media. Murray Podmore, a scaffolder with a wife and two young children who had been working at the mine for six months, told the *Australian*: "The Big Australian (BHP) didn't do very well. It could have handled it a lot better. It didn't tell anyone. We were called to a supposed safety meeting and told we were no longer needed."

The WSWS spoke to Penny, who works at the Hopetoun General Store about the effect the mine's closure will have on people in Hopetoun and Ravensthorpe. "The general feeling is that we've all been done over by BHP," she said. "People were told that the mine would have at least a 20-year lifespan. BHP and the government offered incentives to bring families from all over the state, the eastern states and even from overseas. There were South African and Indian workers in town.

"People's lives have been turned upside down overnight. People left other high-paying jobs to come and work here. The saddest part is that people left other areas from around Australia and around the world, brought their whole families here, settled and established themselves in the town and now they face disaster. It's all fallen in a hole.

"The closure is going to have a huge impact on home owners and families and small businesses in both towns. House prices almost tripled when the mine was established and now they have collapsed. Many local residents left the town when the mine was being built as they couldn't afford to live in town as rents also tripled."

Penny said uncertainty hung over the future of a new school built in Hopetoun for 140 children. A record number of 188 children had enrolled for 2009. "Before the school was built, local children had to travel 50 kilometres to Ravensthorpe.

"No one knows what will happen as the mine will be closed completely in June and the government has only agreed to keep the school and other service facilities until then. The closure of the mine will affect turnover at the General Store and other small businesses by a reduction of half and some workers may lose their jobs."

Even after the growth in Hopetoun's population, there was still no permanent doctor or medical facility, and only a small unit in Ravensthorpe. BHP Billiton had employed doctors but strictly for company employees only.

Despite making massive profits over recent years, the company has announced a package of just \$20 million to buy back homes from BHP Billiton employees and assist small businesses with costs. It has not made a similar offer to the employees of subcontractors. Some 40 percent of the 1,800-strong workforce were direct employees of BHP and 60 percent worked for subcontracting companies.

BHP Billiton's profit for the 2007-08 financial year was a record \$15.4 billion. During the second half of 2008, the profit more than halved to \$4.05 billion, as the global crash hit home.

During 2008, the WA state government benefited by an estimated \$2.6 billion in additional income from mining royalties. But Premier Colin Barnett has promised only a miniscule \$5 million to help the local shire and local businesses, and to keep the school and other facilities operating for a further six months. Barnett told the media that the government would not assist homeowners who face losing their homes or individual businesses that face bankruptcy. "That is not the role of government or the taxpayer," he stated.

None of the mining unions have organised any industrial action in Western Australia or at any other BHP Billiton projects in Australia or around the world to fight the axing of 1,800 jobs at Ravensthorpe. Instead, union officials have issued futile pleas to mining companies to cut shareholder dividends before they sack any more employees. Construction, Forestry, Mining and Energy Union state secretary Kevin Reynolds said: "They must do whatever possible to keep workers, and if that means dumping the dividend, then so be it." The same unions have struck a deal with mining giant Alcoa for workers to forgo wage rises in the name of "protecting jobs".

What is happening at Ravensthorpe and Hopetoun demonstrates the waste, anarchy and utter irrationality of an economic system that benefits a fabulously wealthy few at the expense of livelihoods and living conditions of working people.



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