New Zealand government announces inquiry into mine disaster

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New Zealand Prime Minister John Key announced on Monday a royal commission into the Pike River mine disaster, which killed 29 miners last week. A royal commission is the highest possible investigation, and will be carried out in addition to separate inquiries by the coroner, the Labour Department and the police.

A high court judge, Justice Graham Pankhurst, has been appointed to head it, along with two other commissioners. The terms of reference are yet to be confirmed, but Key declared the future of underground mining in New Zealand "rests on the inquiry"—a sign of the extreme nervousness on the part of the government and ruling elite as it becomes increasingly obvious that the mine was a disaster waiting to happen.

The men were declared dead after a second powerful explosion at the mine on November 24 shut down any chance of a rescue. They had been trapped deep within the mine since an explosion five days earlier. The build-up of methane gas made the environment too dangerous for rescue teams, while two further serious explosions underscored the extremely unstable character of the site. A huge fire is now burning in the mine, preventing efforts to recover the bodies.

In an article last Saturday, the *Sydney Morning Herald's* Jacob Saulwick examined Pike River company records and reports going back to 2007, concluding that the mine's history was "a litany of poor decisions, accidents, tight finances and, finally, tragedy". Saulwick quoted geologist Dr Murray Cave warning in *The Press* in 2007 of the company's "over-ambitious" mining targets. "Nobody in New Zealand has yet managed to mine underground the type of tonnages of coal Pike River is anticipating," Cave had said.

Cave had assessed the site as a consultant to the Department of Conservation between 2000 and 2004. That assessment noted the chance of outburst created by gassy coals at the pit bottom, of explosion triggered by a build-up of gas pressure, and a fault-line that would need to be crossed to dig to the coal seam. But his concerns were dismissed by Peter Whittall, Pike River's operations manager at the time, in a letter to the Greymouth paper. "Dr Cave's description and assessment of conditions underground at Pike River, and in particular the pit bottom area, are inaccurate and ill-informed," Whittall wrote.

Cave has long disputed the assessments of the gas risks published in Pike River's prospectus and company reports. As part of his audit, he received the results of the company's gas absorption samples and found they were in excess of 10 cubic metres per tonne of coal. A United Nations best practice guide classifies a mine with a content above this as a "gassy mine". Cave told the *New Zealand Listener* that at the eastern end of the mine, where the company had started drilling, the readings were up to 13 cubic metres per tonne.

Asked by *The Listener* to comment on these figures, David Cliff, associate professor at the Minerals Safety and Health Centre at the University of Queensland, identified specific procedures any mine would need to have in place to bring gas levels down below the three cubic metres per tonne required for the coal to be safely mined. Most importantly, pre-drainage of methane would be necessary. This would involve drawing off the methane in advance of drilling and into a system that took it to the surface. Dave Feikert, another mine safety expert, said that a sensor-based system for continuously monitoring gas levels, called a "tube bundle"—which, he added, was "pretty standard for modern times"—would also be necessary. When *The Listener* put these matters to Pike chairman John Dow, he admitted that the mine operated with neither.

Saulwick's *Sydney Morning Herald* article, and another by Pattrick Smellie in the *Dominion Post* on November 27, traced the production delays and mounting costs that beset the project from the outset. Pike River was due to begin extracting coal in March 2008. In February 2009, the mine ventilation shaft collapsed in a rock fall, costing $7 million to repair and pushing the schedule back for another two months. A graben, or sluice of hard rock, caused by the intersection of two geological faults, further delayed production through the second half of 2009.

Saulwick discovered that during this period, Pike River was required to pay multiple environmental fines and was responsible for 14 safety incidents, although no reports of either were made to shareholders. "A curious feature of its annual reports is how little discussion there is of how the company manages the safety risks of such a volatile environment," Saulwick noted.

Two coal cutting machines proved to be unsuitable for the terrain and repeatedly broke down. By the end of 2009, the company was running two years behind schedule, having become, according to Smellie, a “money sump”. In August 2010, CEO Gordon Ward was dumped and replaced by the BHP-trained Whittall. By the end of September, the company was “burning” up to $8 million a month, had arrived at the limit of its bank credit and was forced to turn to principal shareholder NZ Oil and Gas for a $25 million short-term working facility. The loan, originally due to be repaid mid-December, carried a fee of $600,000 and a 13 percent interest rate.

Sales forecasts for the 2011 financial year were halved from 620,000 to 320,000 tonnes. However, Pike River’s 2010 Annual Report revealed that, as of September, the company had made only two small shipments of coal, one of 20,000 tonnes and the second of 22,000 tonnes, with a total value of $NZ9 million. Both sales were to one of Pike River’s shareholders, Indian company Gujarat NRE Coke.

The crisis that has engulfed the mine’s operations now threatens to indefinitely set back all attempts in New Zealand to establish a private mining venture supplying the Asian minerals “boom”. As the first and only privately owned NZ mine to sell coal on the international market, Pike River was the flag-bearer for this agenda. Five other small mines, operated by state-owned enterprise Solid Energy, primarily supply coal to the domestic market. Lured by the promise of massive offshore profits, Pike River’s 2007 share market float was oversubscribed by NZ$20 million and attracted 8,000 investors, including two Indian companies, Gujarat NRE and Saurashtra Fuels. Both were given seats on the board of directors.

Pike River gained special approval to operate in a national conservation park, and this was intended to open the door to extensive exploration and mining in environmentally protected areas, despite widespread public opposition to such plans.

The company boasted that the coal from the Paparoa Range, with its “low ash and phosphorus levels, top of the range plasticity and strong performing characteristics” would make it extremely popular with makers of high quality steel. With an estimated 58 million tonnes of coal reserves, rising world coal prices pushed Pike River’s share price up from $NZ1 (US 77c) in early 2008 to $2.45 six months later. It became the best performer on the NZX, listing as one of the country’s 50 largest corporations with a market capitalisation of NZ$400 million.

The extraction of massive profits was always predicated on the brutal exploitation of the mining workforce, made all the easier by the wholesale assaults on jobs, working conditions and basic rights conducted over the previous two decades by every government, with the full co-operation of the unions. An integral part of this process was the erosion of health and safety standards.

A 2008 government review raised serious questions about the industry and called for new safety measures. The report insisted that it be mandatory for each mine to appoint a “check inspector” with powers to withdraw or stop miners entering the pit, and the right to inspect every two weeks. Check inspectors were eliminated in the early 1990s. The report was shelved by the Clark Labour government and current PM Key recently said he had never read it. One of the report’s conclusions was that the elimination of worker-elected safety representatives had left miners open to “commercial pressures” and day-to-day worksite management decisions.

Both the “opposition” Labour Party and the Greens have endorsed the royal commission, adding that one of the commissioners should be a “workers’ representative”. Their support is designed to ensure they are fully integrated into the proceedings and allowed to cover their own tracks. The Engineering, Printing and Manufacturing Union had 71 members at the mine paying dues into its coffers, three of whom were killed. Its national secretary, Andrew Little, continues to deny that there were any safety issues. The *Dominion Post* reported on November 26 that any suggestion of safety lapses “did not find traction” with the union. Little subsequently declared that the presence of methane in coalmines was a “standard problem…and West Coast coalmines are notorious for being gassy.”

Frustrated relatives of the dead miners, however, are desperate for answers. Brenda Riley, partner of John Hale, 45, who was killed in the explosions, said on Monday she could not understand how the men had died in a mine less than two years old. “I can’t get it around in my head that they had the best technology in the world. I’ve been asking myself how this could happen,” she declared. Riley said that Hale had often expressed concerns about the mine’s safety and about the methane levels making him ill.

The inquiry is destined to be a monumental whitewash. Its purpose is not to establish the truth about the conditions that led up to the disaster. On the contrary, as government spokesmen, including Energy Minister Gerry Brownlee have intimated, it is to put on a show of “learning the lessons” so that the way can be cleared for the industry to “move on”—allowing the unrelenting pursuit of profits to resume. Others are waiting in the wings, including a proposal from Australian-based Bathurst Resources for a massive open-cast mine near Westport. On behalf of Pike River, Whittall declared on TV One’s “Close Up” program that “the asset”—i.e., the mine—was “fine”, and too valuable not to be re-opened.