BHP chief demands assault on Australian miners’ conditions

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Marius Kloppers, the CEO of BHP-Billiton, the world’s largest resources and mining conglomerate, joined the list of figures who have declared that Australia’s “mining boom” is over. In a presentation to corporate executives on Wednesday, Kloppers issued a blunt ultimatum to the Australian federal and state governments: assist the mining corporations to slash costs, or they will scale back their operations and investment in the country.

The BHP chief’s presentation to the Brisbane Mining Club focussed on the sea change that is underway in the global resources industry, as China’s economy slows considerably. At the beginning of the decade, he noted, the mining industry had lacked the capacity to supply China’s burgeoning demand for resources. This had led to the bidding up of commodity prices and an anarchic rush to open up new production. The consequences were price increases from the start of the decade of 1,000 percent for iron ore, over 700 percent for hard coking coal and more than 600 percent for copper.

The price rises and the new production underpinned what was coined the “mining boom”. Vast profits flowed to the established mining companies such as BHP-Billiton, Rio Tinto and Xstrata, as well as to what had been relatively small players in the industry, such as Australian-based Hancock Prospecting and Fortescue Metals. Australian governments reaped huge windfalls from corporate taxes and royalties.

Kloppers said that throughout the boom, producers, suppliers and governments had focussed on the “short term opportunities”, while ignoring rising costs and “without fully appreciating … what the impact would be on the longer term competitiveness.” This business model—of relying on rising prices to generate profits and taxation revenues—no longer applied. “Costs and productivity will be the key for both the industry and for Australia as a whole,” he said.

The CEO singled out for immediate action “labour costs, the pricing of raw materials, royalties and taxes and in higher costs for services”.

The context of Kloppers’ speech is the plunge in iron ore and coal prices by up to 35 percent this year, amid slowing growth in China and the broader slump in the global economy. A wholesale collapse of commodity prices could be triggered by a more severe slowdown in China than is forecast, or by another meltdown in world financial markets.

The determination of mining companies to shore up their profitability is reflected in the mothballing of coal mines and iron ore projects around the world. As many as 30,000 Indonesian coal miners are expected to be sacked by the end of the year and some 8,000 have lost their jobs in the US.

In Australia, BHP-Billiton has mothballed a number of multi-billion dollar projects, on the grounds that they are no longer commercially viable. At least 3,500 jobs have been eliminated in the coal fields in Queensland and New South Wales, and cutbacks are beginning at iron ore sites in Western Australia. Small Perth-based iron ore company Mount Gibson announced yesterday it was sacking 270 workers, a quarter of its entire workforce.

Far greater attacks are being prepared. Kloppers declared that, as far as BHP-Billiton was concerned, a “next round” of investment will only take place “if costs are decreased and productivity is improved”.

These demands follow an October 5 speech by Martin Parkinson, the head of the Australian Treasury, who forecast a “decade” of global economic volatility. He called for “productivity growth” and federal government “fiscal sustainability”. Foreshadowing the imposition of sharper austerity measures, modelled on the destruction of public services underway in Europe and the US, Parkinson stated that “we need to make choices about what governments can and should provide.” His remarks echo those of other prominent representatives of the financial elite who have declared that what remains of the post-war Australian welfare state must be dismantled to guarantee corporate international competitiveness and profitability.

The federal Labor government is preparing an austerity agenda, behind the backs of the population, to deliver its promised budget surplus by mid-2013. Projected taxation revenue for 2012-2013 is predicted to be short by as much as $25 billion and a surplus will only be achievable by major spending cuts. State governments, both Labor and Liberal, have already unveiled significant cuts to public sector jobs, education, health and other services they are responsible for.

Cutbacks to the public sector, however, are not sufficient for Kloppers and other corporate heads. “Productivity” in such circles is a euphemism for slashing the wages and conditions of the workforce, reducing corporate taxation and removing environmental and other regulatory constraints on their operations.

Australia’s mining fields were the scene of bitter class confrontations in the 1980s, when the Labor government of Prime Minister Bob Hawke and Treasurer Paul Keating worked with the unions and corporate executives to introduce sub-contracting and separate workplace agreements into the mining industry. The restructuring was accompanied by large scale job losses and huge increases in profits.

Twenty years on, a new set of demands is being brought forward. Wages in the Australian mining industry have risen significantly over the past decade as companies struggled to secure enough workers for their operations in remote parts of the country. Now the mining giants are insisting that labour costs be drastically lowered in order to be “cost-competitive” with the newly emerged mining regions in South America, Africa and elsewhere.

The end of the “boom”, in other words, also signals the beginning of sharp class conflict in the mining towns and districts across Australia.