UMW pushes through new concessions contract with Patriot Coal

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The United Mine Workers union pushed through a new contract with bankrupt Patriot Coal Corporation that will impose sweeping concessions in wages, overtime payments, vacation time and health benefits for current and retired miners. Convinced the UMW would do nothing serious to defend them and facing the threat that a bankruptcy court would impose even more draconian conditions, 85 percent of miners in West Virginia and Kentucky approved the new five-year agreement last Friday.

Under the new deal, working miners will take a wage cut of $1 per hour. Annual raises of 50 cents per hour are scheduled to begin in January 2015 with an option to reopen wage negotiations in 2016. Premium overtime rates are eliminated with standard overtime continuing at 1.5 times regular pay for hours worked over 40 per week. Paid holidays and vacation and sick time are also cut back in the contract as well. Maximum annual out-of-pocket health expenses will rise to $1,600, and prescription drug costs to $800.

The deal also allows the company to end health care coverage for 23,000 retired union miners and their dependents in West Virginia, Kentucky, Illinois, Indiana, Ohio, and Missouri by the end of 2013. The company is turning over retiree health care to the UMW, which will be in charge of administering a so-called Voluntary Employees' Beneficiary Association (VEBA), or retiree health care trust fund.

The reduction of so-called "legacy costs" was the major reason Peabody Coal spun off its coal operations east of the Mississippi and then loaded up the newly founded Patriot Coal corporation with high levels of debt, making bankruptcy all but inevitable.

Last May, US Bankruptcy Judge Kathy Surratt-States allowed Patriot to tear up its collective bargaining agreement with the United Mine Workers signed in 2011 and "adjust wages, benefits and work rules for union employees to a level consistent with the regional labor market." The company was also granted permission to cease providing health care to its retirees. (See "Patriot Coal bankruptcy approved, thousands of retirees to lose health care")

Patriot began implementing sweeping changes in wages and benefits for its 1,800 active union miners in July while agreeing to continue paying retiree health care until the end of August as it pursued further negotiations with the union. The willingness of Patriot to continue negotiating with the UMW after winning approval for its bankruptcy plan underscores the company's belief that the union provides the best vehicle for implementing the required cost savings to return to profitability.

For its part, the UMW was solely interested in blocking opposition from rank-and-file miners and safeguarding its narrow institutional interests of the union bureaucracy, which are threatened by Patriot's approved bankruptcy plan. UMW President Cecil Roberts and the rest of union executives were more than willing to sacrifice the wages and benefits of their members as long as the UMW was ensured a "seat at the table" and continued dues payments. (See "The United Mine Workers and the Patriot Coal bankruptcy ")

In exchange for its services, the UMW has been rewarded with a 35 percent ownership stake in the company, in a scheme modeled on the agreement reached between the United Auto Workers and the Obama administration in its forced restructuring of the auto industry in 2009. This provision was essentially the final offer made by the company to the union prior to the bankruptcy.

Patriot will also provide $15 million in guaranteed cash and possible future $0.20-per-ton royalty payments from the reorganized company to the UMW-controlled retiree trust fund. While beneficial to Roberts & Co. this figure represents only a fraction of its current retiree health care costs now averaging nearly $7 million a month. The agreement stipulates that after September 1, 2013, “the level of the Retiree Healthcare Benefits shall be adjusted to the level of benefits directed by the trustees of the VEBA.” In other words, the UMW will assume responsibility for implementing future cuts to retiree health care.

“I have to report to you that we do not have the resources in the VEBA to guarantee retiree health care benefits forever,” admitted Roberts in an informational video to the membership.

Roberts used the dual threat of the approved bankruptcy ruling and the threat of liquidation to bully miners into voting for the sellout agreement. “First off, remember that Patriot has a judge’s order in their back pocket that allows them to implement some really awful terms and conditions of employment,” warned Roberts. “This company was bankrupt, is bankrupt, and will fail pretty soon if action is not taken to save it.”

Delivering a blackmail ultimatum that could have been issued by any coal company executive, Roberts told miners, “[Y]ou hold this company’s future in your hands. You hold your own future and your family’s future as well. This decision is yours. As you make it, you need to know the full consequences. Patriot’s survival depends upon whether or not this tentative agreement is ratified. This company needs investors to put millions upon millions of dollars in it, and soon.”

“The truth is,” he continued, “no investor will put a dime in this company if there is no signed agreement with the United Mine Workers. Without that new money from investors, Patriot will liquidate. All the company’s assets will be sold off at auction… The jobs will be gone too and every current and future retiree will be immediately without the health care they’ve earned.”

With the approval of the new contract, the bureaucracy has fulfilled its role as the labor policemen of the coal miners, delivering what Patriot CEO Bennett K. Hatfield hailed as the “labor stability and…cost savings essential to Patriot’s plan of reorganization.” This role will deepen when the union oversees the inevitable future cuts to retiree health care.

From the very beginning, the union bureaucracy has functioned as the junior arm of this corporate assault on its membership and has been party to the conspiracy of Peabody Energy and Arch Coal—two of the world’s largest coal companies—in their scheme to eliminate the legacy liabilities owed to tens of thousands of union miners.

Patriot was created as a spinoff of Peabody’s union operations in 2007, acquiring about 16 percent of the company’s assets along with nearly 60 percent of its legacy liabilities. Peabody appointed all the new officers and directors of Patriot from among officials then working at Peabody. These officials later oversaw the 2008 purchase of Magnum Coal—a similar spinoff created by Arch in 2006—with legacy obligations, which outstripped its assets from its inception.

In addition, Patriot was saddled with mounting environmental cleanup liabilities from Appalachian strip mine operations it inherited, leading it to settle last year with environmental groups in an agreement to phase out its mountaintop removal operations. (See “Patriot Coal to end mountaintop removal mining in West Virginia”)

Patriot was also burdened with a raft of money-losing coal supply contracts from Peabody and Arch as the coal market continued to climb during the unprecedented boom just before the recession. Patriot fulfilled these contracts by selling the coal back to its parent companies at a loss.

Patriot was deliberately created to clear the balance sheets of Peabody and Arch during the coal boom with the understanding that these legacy liabilities would be eventually discharged through bankruptcy when the coal market fell out.