Plunging prices and stalling investment drive Australian mining job cuts

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Thousands more jobs across Australia's mining and resources sector will be eliminated as major companies restructure their operations and shelve investment plans in response to the ongoing plunge in commodity prices and slowing global demand.

The crisis now gripping the sector, driven by oversupply and stalling economic growth in key commodity markets in Asia, has shattered the previous claims by Australian governments that the country could ride out the impact of the global economic breakdown on the back of a "mining boom."

A sharp indicator is the collapsing level of investment. Last week, economic forecaster BIS Shrapnel released a report, *Mining in Australia 2014–2029*, predicting a 40 percent drop in investment across the mining and resources sector over four years—the biggest fall on record.

BIS Shrapnel spokesman Adrian Hart noted that, while there was already a substantial fall in iron ore and coal investment, "now, with the LNG (Liquefied Natural Gas) investment boom about to end, we're about to see the biggest slump ever in mining investment." Hart warned that investment would "fall right through to about 2017 before stabilising."

The government's Bureau of Resources and Energy Economics (BREE) also reported plunging levels of investment. "In the six months to October just three new projects worth $597 million reached the committed stage—the lowest number and value of projects in a decade," it warned. "The current operating environment of lower prices and high costs is not conducive to project development or further investment in the sector."

Some mining companies are winding back production, shedding jobs and looking to mothball mines and close down operations because of falling prices. In September, the iron ore price fell below $US83 a tonne, the lowest level since 2009. Goldman Sachs said the drop heralded "the end of the iron age" and predicted prices could plunge to an average of $80 a tonne next year. Investment bank CLSA projected that the price will fall to just $75 a tonne.

Last month, Mineral Resources managing director Chris Ellison confirmed that the collapse in iron ore prices could see the company cease production at mines it owns or operates in Western Australia, including the Carina mine in the state's Yilgarn region and the Iron Valley mine in the Central Pilbara.

Ellison told the media: "The trigger price for such action (ceasing production) is not far away." He added: "If it gets to a point where it is below our cash costs, we would turn off." Two of the company's older mines, Phil's Creek and Spinifex Ridge, are already being shut down.

BHP Billiton, the world's largest mining conglomerate, announced at an investors' meeting in Sydney in late November that it plans further restructuring, imposing $4 billion in "annualised efficiencies" across its operations by mid-2017, and cutting $2 billion from its investment plans by 2016.

BHP Billiton's plans include slashing running costs at its Western Australian iron ore operations by 15 percent in the year to June and by 10 percent at its coal mining operations in the state of Queensland over the same period.

The term "annualised efficiencies" is a euphemism for cost-cutting, carried out largely at the expense of jobs and workers' conditions. During the 2013–2014 financial year, the company already extracted nearly $3 billion in productivity and other "efficiencies."

In September, BHP Billiton announced that it would axe 700 jobs across its Queensland metallurgical coal operations because of plunging coal prices, which have fallen to around $US65 a tonne, from $120 three years ago. Last week, BHP Billiton senior executive Dean Dalla Valle confirmed to media that "more layoffs are expected."

Glencore, Australia's biggest coal exporter, which employs around 8,600 people, announced earlier this month that it will shut down its coal mining operations nationally for three weeks, starting mid-December. The production freeze seeks to reduce output by around 5 million tonnes. Workers at the company's 20 mines will be forced to take annual leave, scheduled or not. Those with low leave balances will be compelled to draw against future holiday leave entitlements.

The shutdown is unprecedented in the Australian industry in its size and length, according to analysts at Société Générale. It is another sharp indication of the malaise gripping the coal sector, which has seen 13,000 jobs axed over the past two years by producers such as Glencore, BHP-Billiton, Rio Tinto, Vale and Peabody Energy.

The downturn in the mining and resources sector is also impacting on companies that provide services and equipment.

In November, WesTrac Australia, which supplies earthmoving equipment to the mining sector, announced it will slash at least another 100 jobs, on top of the 863 it cut during the 2013–14 financial year.

Chemical producer Orica, which supplies explosives and blasting systems, said it will cull 700 jobs internationally over the coming year, with an undisclosed number to be cut from its Australian operations.

Engineering company Calibre, which counts Rio Tinto and BHP Billiton as its biggest clients, announced last week it is putting its resources division "under review, to cope with a fall-off in work due to the commodity prices slump."

Hastings Deering, a mining services company, is attempting to force its workforce across Queensland to take a 25 percent pay cut, threatening to destroy more jobs on top of the 600 jobs eliminated over the past 18 months.

The construction sector will also be hit hard because the building phase of most major projects is reaching completion.

The Western Australian Resources Sector Outlook 2015–2025 predicts that employment in the industry will plummet by nearly 20 percent over the coming years, from 105,200 to around 87,000 by 2020. It forecasts the elimination of around 17,300 construction jobs, while the sector's operational staff is expected to increase by only 4,300 by 2019.