

Second-largest US coal producer files for bankruptcy

Andre Damon
5 August 2015

Alpha Natural Resources, America's biggest producer of metallurgical coal and the country's second-largest coal producer, filed for bankruptcy protection Monday. The bankruptcy filing cited a multi-year fall in demand for coal—in particular, metallurgical coal used for steel production—amid a deepening slump in the global economy.

The bankruptcy endangers the jobs of the company's 8,000 workers, most of whom live in Appalachia, a region whose economy has been devastated by decades of coal layoffs.

Alpha is the seventh, and by far the largest, US coal producer to file for bankruptcy over the past year, and there are indications that the move will spark a renewed wave of job cuts in the mining industry.

Alpha CEO Kevin Crutchfield said the main aim of the bankruptcy was to “restructure our debt and protect our operations.” These are euphemisms for ripping up union contracts and slashing jobs to improve the company's profitability in a depressed market. Alpha's mines will remain in operation for the present thanks to a \$692 million financing package arranged by Citigroup.

United Mine Workers of America (UMWA) International President Cecil E. Roberts signaled that the union was prepared to work with the company in imposing concessions demanded by the company's creditors. Roberts declared that the UMWA was “willing to discuss ways forward that will be of mutual benefit for the company and for our members.”

His response is in keeping with the record of the UMWA, which has collaborated in the elimination of nearly 100,000 mining jobs in the US since the mid-1980s.

Alpha had lost nearly its entire share value following its 2011 purchase of Massey Energy in the aftermath of

the 2010 Upper Big Branch disaster that killed 29 Massey miners.

Hoping to capitalize on the disaster by buying up Massey for a song, the company did not anticipate the subsequent downturn in coal prices and production. *Forbes* magazine noted, “Alpha Natural Resources has idled or closed more than 80 mines since July 2011, fired 6,500 workers, and cut capital expenditures by 55 percent to \$225 million in 2015.”

The bankruptcy filing triggered a renewed sell-off Monday of major US coal producers' stock. “Regardless of each individual company's balance sheet, the majority of the space is priced as if investors expect bankruptcies,” one analyst told the *Wall Street Journal*.

On Tuesday, St. Louis-based Patriot Coal sent at least 1,000 layoff warning notices in preparation for its potential sale to another company, Blackhawk Mining. The possible sale is linked to the company's second bankruptcy over the past decade, which began in May.

Patriot Coal was spun off from its parent company, Peabody Energy, “purposely to fail in order to dump costs associated with retirees who had worked for the two companies,” the UMWA said in a statement. In 2013, during the company's first bankruptcy, a federal judge ruled that the company could slash benefits owed to coal miners and retirees, many of whom suffer debilitating physical ailments such as black lung.

Decades of mass layoffs have left Appalachia's economy devastated. West Virginia has the highest unemployment rate in the United States and is the only state with a workforce participation rate under 50 percent. Nearly one in six of the state's working-age adults receives disability benefits, according to Labor Department data.

Since June 2014, 2,900 West Virginia miners have

lost their jobs, while some 4,300 construction workers and 2,200 people working in leisure and hospitality have been laid off over the same period.

In announcing the bankruptcy filing, Crutchfield predicted the failure of more US coal companies. “The US coal industry as currently structured is unsustainable,” he said, adding, “challenges the US coal industry has experienced over the last several years are greater than any in the past three decades.”

He pointed to “macroeconomic headwinds” including “rapidly falling coal prices” due to, among other causes, “slower than expected economic growth in both the United States and overseas markets” such as Europe and China. He added that coal prices have reached a ten-year low this summer.

Pointing to the charts reproduced below, he noted that “prices for met coal [used in steel production] and thermal coal [used for energy production] have respectively fallen by approximately 72 percent and 44 percent since 2011, and central Appalachian coal production has declined by approximately 50 percent since 2008 and by approximately 37 percent since 2011.”

The renewed attack on coal miners is part of a wave of mass layoffs in oil and other extractive industries. Oil companies have carried out over 50,000 job cuts over the past three months as oil prices have continued their slump. Oil is currently trading at under \$50 per barrel despite producers’ hopes that its price would increase in the second half of this year.

Oil consulting firm Swift Worldwide Resources reported in June that over 150,000 jobs have been lost globally since the beginning of the downturn in oil prices last year. These losses have been centered in the United States and the North Sea. Swift CEO Tobias Read noted that his firm’s estimate of 150,000 is actually “conservative and the likelihood is that total job losses probably exceed Swift’s forecast.”

Last week, multinational oil giant Royal Dutch Shell announced that it would eliminate 6,500 positions this year. These moves were accompanied by an announcement that Shell was planning to proceed with a takeover of BG Group, a step that will likely result in further layoffs.

This followed the announcement by British-based mining conglomerate Anglo American, the world’s fifth largest mining company, that it would cut 53,000

jobs in the coming period.

The collapse in the prices of commodities used heavily in industrial production, including coal, oil and iron ore, points to the depressed state of the real economy on a world scale despite six years of soaring stock markets. Last month, the International Monetary Fund predicted that this year would record the lowest global growth rate since 2009.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact