US coal giant seeks to eliminate health care for retirees

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On Monday, bankrupt Patriot Coal Company asked a federal bankruptcy judge to end health care for its 969 retired non-union employees. The company is saying that no one will buy its assets while taking on the health care costs for them.

Such a decision will devastate the miners and their families. Years of working in the coal fields bring an array of health problems, from back and spinal injury to black lung. The cost of health care will quickly drive these retirees to use up any savings they may have and to sell their homes, and many will end in bankruptcy themselves.

The following day, the company announced that Blackhawk Mining was named the winning bidder for a majority of its mines and operations in Kentucky and West Virginia. In August, Patriot agreed to sell most of its holdings in Virginia to an affiliate of the Virginia Conservation Legacy Funds for $400 million. The VCLF says it plans to reclaim most of the company's sites.

Earlier in the month, Patriot asked the judge to terminate its contract with the United Mine Workers of America (UMWA), also arguing that the contact would prevent a buyer from buying its mines. Judge Keith Phillips of US Bankruptcy Court in Richmond, Virginia ordered the union and Blackhawk Mining to continue negotiations before he would make a final ruling.

Under US bankruptcy law, the judge can cancel a union contract if the two sides cannot reach an agreement after negotiating in good faith. On September 3, the UMWA announced that it has reached an agreement with both Blackhawk Mining and VCLF.

The UMWA has not released any details of the agreements, and in fact admits that "there is still more work to do on the actual language of these prospective agreements."

As has taken place in other coal industry bankruptcies, the UMWA is willing to offer almost any concession, as long as the employers keep collecting dues and paying into the various UMWA-administered funds.

Patriot Coal is itself a product of such a deal; it was spun off by its parent, Peabody Coal, in 2007. Patriot, based in St Louis, Missouri, took most of Peabody's mines and operations in the East, and became the second largest coal producer east of the Mississippi river.

"No purchaser of the debtors' assets is willing to assume these obligations," Patriot said of the health care costs for its non-union retirees. "The debtors will lose the ability to fund their operating expenses much less any other obligations, such as retiree-related expenses, within a matter of weeks."

Judge Phillips has not yet made a decision but will likely rule in favor of the company. Such a ruling would be part of a final bankruptcy ruling including the two sales.

For the 969 retirees, the decision represents a disaster. Most of these workers have worked in the mines or near coal for decades, giving rise to a whole range of health problems, including black lung. Premiums for such families would be several thousand dollars per year above the already outrageously high cost of health care in the United States.

Patriot has said that it would put aside $1 million in a fund for health benefits. At about $10,000 per retiree, such a fund would only cover the costs of health care for a fraction of a year.

Patriot filed for bankruptcy in May. The bankruptcy filing was the second for Patriot in the past three years, and it is one of a wave of bankruptcies in the coal industry.

With the help of the UMWA, the company emerged from bankruptcy in December 2013 after dumping its retiree health care obligations and obtaining a concessions contract from the UMWA covering its union miners.

Patriot is not the only coal company in bankruptcy. Alpha Natural Resources and Walter Energy have both filed for bankruptcy, cutting thousands of jobs and threatening to eliminate pensions and health care for many more retirees. Most other coal producers have cut jobs and closed mines.

The collapse of coal production in the US is directly tied to the continued slump in production worldwide. Demand for coal is down for both energy and the more profitable steel production. In addition, many customers have switched to natural gas, as its price also continues to drop and prices for all raw materials continue to decline.