New Zealand: Solid Energy privatisation threatens hundreds of jobs

Chris Ross, Tom Peters
3 October 2015

Creditors of Solid Energy, New Zealand's largest coal mining company, met on September 17 and agreed to sell off the state-owned company's assets over the next two-and-a-half years. The privatisation would bring to an end 70 years of coal mining by the state.

Despite closing mines and cutting hundreds of jobs in response to the global economic crisis that began in 2008, and receiving government bailouts totalling $155 million, Solid Energy has accumulated $400 million in debt. As in Europe, the US, South Africa, Australia and Asia, New Zealand's mining industry has been affected by a collapse in demand, driven by the economic slowdown in China, the world's biggest consumer of coal.

China's coal imports from January to July were down 39.1 percent compared to the same period in 2014. The thermal coal price is about $US56 a tonne, a precipitous drop from about $US150 in 2011. Metallurgical coal stands at $US80 a tonne, compared with $US300 four years ago. Over half of Solid Energy's coal is exported, including to Japan, China, India and Chile.

Within New Zealand, electricity company Genesis Energy, one of Solid Energy's main customers, has been importing cheaper coal from Indonesia since 2012 for its last remaining coal-fired power station at Huntly. The power plant, which is due to close in 2018, cancelled its contract with Solid Energy in August.

New Zealand Steel, another major customer, threatened in August to close its entire factory in Glenbrook, which employs over 1,000 people, unless it can slash more than $50 million in costs.

Solid Energy's sell-off threatens the jobs of approximately 540 staff and 200 contractors.

The National Party-led government, which always intended to privatise the company, has described the gradual sell-off as the "best outcome" for creditors—including the country's major banks. State-owned Enterprises Minister Todd McClay added: "[T]his will provide an opportunity for those assets that are economically viable to continue trading under new ownership—a far preferable option to [immediate] liquidation."

Parts of Solid Energy will be sold at bargain prices to corporate interests, while sites that are not profitable will be closed and their workforces sacked. Workers who remain will face further attacks on their wages and conditions in order to make the mines "economically viable" under new ownership.

Solid Energy CEO Dan Clifford told Radio NZ that the Stockton mine on the West Coast of the South Island might be sold as a going concern, although there is no guarantee. Three years ago the mine employed 1,103 workers and contractors, but repeated job cutting has reduced the workforce to just 246.

The company mothballed its nearby Spring Creek mine in 2012. Grey District mayor Tony Kokshoorn told Radio NZ last week that altogether the company has shed 1,200 jobs in the region. Hundreds more jobs were lost due to an explosion at the privately-run Pike River mine in 2010, which killed 29 miners. The Holcim cement plant in Westport and the nearby Oceana Gold mine in Reefton, which together employ about 240 people, are due to close next year.

Clifford said Solid Energy's North Island mines faced "pretty tough" conditions and "there is a reasonable chance that there will be job cuts being made." The company employs 124 staff and about 100 contractors in the Waikato region. Since 2012, staff numbers at the Huntly East Mine have been cut from 193 to 68 and dozens of contractors have lost their jobs.

The Waikato-based Maori tribe Tainui has indicated that it is considering purchasing the Huntly assets. Spokesman Tukuroirangi Morgan told TVNZ's *Te Karere* program that under Tainui's 1995 Treaty of Waitangi settlement, the government had to offer it the first option of buying the mines.

Morgan and *Te Karere* presented such a deal as beneficial for the workforce. In reality Tainui, a major corporation with over $1.1 billion in assets, would act like any other business and seek to boost the mines' profits. Maori tribes are also seeking to profit from the sell-off of state housing, the privatisation of welfare services under the Whanau Ora scheme, and the expansion of for-profit charter schools.

The Engineering, Printing and Manufacturing Union (EPMU), which has already helped Solid Energy impose hundreds of redundancies, is playing a critical role in enforcing the sale of the company and suppressing opposition from workers.

EPMU official Ray Urquhart told Fairfax Media on September 14 that the sell-off over two-and-a-half years was "a win-win" and "the only option" for workers. Presenting the deal in the brightest colours, he declared that "business will be paid and workers will retain their jobs ... Everybody will benefit ... it's a breath of fresh air, in the short term anyway."

Such statements expose the complicity of the EPMU in the job destruction that is already devastating entire regions. As in other companies where sackings are underway or have been threatened—including NZ Post, NZ Steel and KiwiRail—the trade unions do not represent the interests of workers. Their well-off officials function as the adjuncts of management and the government in imposing their restructuring agenda on workers.

The opposition Labour and Green Parties, while criticising the government's handling of Solid Energy's finances, have likewise presented the collapse and sale of the company as inevitable. Labour finance spokesman Grant Robertson told Fairfax that "a slower selldown will certainly be of benefit" to Solid Energy's workers on the West Coast, compared with immediate liquidation.

David Lange's Labour government paved the way for the sell-off and redundancies by transforming the New Zealand Coal Corporation (now Solid Energy) into a state-owned enterprise in 1987. This required that the company return a profit and was a halfway house to full privatisation.

In a statement the Greens appealed to the government not to sell to "overseas coal cowboys," falsely implying that New Zealand capitalists are more committed to "workplace safety, local communities, and environmental issues." As the Pike River disaster demonstrated, local companies are just as likely to cut costs at the expense of workers' safety to ensure their global competitiveness.

As the economic crisis deepens, workers in every industry are being pitted against those in other countries and told—by the trade unions and the political establishment—that their "only option" is to accept privatisation, redundancies, and attacks on wages and conditions.

Mine workers can only defend their jobs by mounting a rebellion against the union bureaucracy and establishing their own, independent rank-and-file committees. These committees must consciously seek to link up the struggles of coal miners, postal and steel workers and others in New Zealand and internationally who face the same attacks.

Above all, workers must be guided by a socialist program that opposes all the capitalist parties, including Labour and the Greens, and fights for a workers' government. Mining and other major industries should be nationalised, placed under democratic workers' control and run on the basis of human need, not private profit.