Job losses mount throughout Australian mining sector

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Thousands of jobs are being destroyed in Australia's mining and resources sector as major companies restructure operations to slash costs amid a stagnating global economy and ongoing plunge in world commodity prices.

Last week, mining giant Anglo American unveiled a plan to eliminate 85,000 jobs internationally—potentially including 4,800 workers employed in its Australian coal mines.

The company has not yet specified the job cuts in Australia, but it has already put four coal mines up for sale—the Dawson, Foxleigh and Callide mines in central Queensland and the underground Dartbrooke mine in the Hunter Valley of New South Wales (NSW), which was mothballed in January 2007.

At Dawson alone, more than 1,000 regular and contract workers could lose their jobs, and approximately 250 at Foxleigh.

In late November, Anglo American already announced it would axe 500 jobs at its Drayton coal mine in NSW, which produces export thermal and pulverised coal injection (PCI) coal, after the state government rejected the company's application for an extension of the operation.

Given the ongoing collapse in coal prices, there is increasing speculation no buyers will be found willing to pay the prices sought by Anglo American to offload the mines. Prices for thermal coal, which is used for power generation, stand at around $US52 a tonne, well down from the $150 a tonne reached in 2011.

Earlier this year, IHS Coal's Australia senior manager Marian Hookham warned that potential buyers for struggling coal assets "appeared to be holding back," believing that if they waited another few months "the prices for these assets could be cheaper."

Anglo American could well opt to mothball the mines, as it did with its Dartbrooke operation, and lay off their entire workforces to save on labour and other operating costs.

Around mid-year, Anglo American Australia CEO Seamus French declared: "While we are exploring a sale, we will be disciplined in our approach and if offers we receive are below what we consider fair value, we will not sell these assets; these are good assets."

Even if sell-offs are achieved, there is no doubt the new owners will implement deep cuts to jobs and working conditions in a bid to offset falling revenues and bolster profits.

Anglo said it was not considering any further sale of coal mines, including the four it owns on the country's east coast that produce metallurgical coal used in steelmaking. However, falling steel production in Asia and China could lead to restructuring these operations as the company tries to lower costs and compete for market share against rivals.

Some steel producers in China have either reduced output or shut completely as consumption continued to shrink this year, after falling in 2014 for the first time in more than three decades due to the slowing economy.

The drop in global coal prices will spark further job cuts by other companies in Australia, such as Anglo-Swiss mining giant Glencore, and the Anglo-Australian firms BHP Billiton and Rio Tinto, which have each already slashed hundreds of positions. This month, Glencore announced it would cut 180 of the 230 jobs at its Collinsville mine in central Queensland, on top of the 80 positions it axed in May.

In October, Glencore announced it would halve zinc production across its Australian operations and eliminate over 530 jobs, or about one third of the company's Australian zinc division workforce. The move came after the price of zinc plummeted 28 percent in a year, reaching a five-year low of $1,662 a tonne.

Further job cuts are sure to occur in Australia's iron ore mining sector, also driven by falling prices. The price of iron ore for immediate delivery to China's Tianjin port fell 1.3 percent to $38.30 a tonne last week according to The Steel Index. This was the lowest price since 2005 according to data compiled by Goldman Sachs. During 2010, the price peaked at around $180 per tonne.

Perth-based BC Iron has announced it will suspend production at its Nullagine iron ore operations, a joint venture with the Fortescue Metals Group in Western Australia (WA). The company employs around 30 regular workers and 200 contractors, together with 30 employees at its head office in West Perth.

Similar shocks are affecting Australia's liquefied natural gas (LNG) sector. Chicago Bridge and Iron, the lead construction contractor on Chevron's $54 billion Gorgon LNG project off northern WA, last week announced 1,000 layoffs effective immediately. The redundancies were originally expected next March. The company allegedly brought them forward to avoid paying a 2 percent pay rise due from January 1.

Chevron is desperate to reduce costs as the project nears the end of the construction stage. The cost of construction blew out from the original budget of $37 billion, set in 2009, to $77 billion; and the project is running two years behind schedule, so the company missed out on peak gas prices.

Chevron announced a global restructure in November to axe 6,000 to 7,000 jobs across its international operations over the next year. An estimated 2,000 jobs were expected to be shed from Gorgon and its other large LNG project in WA, Wheatstone, as the construction phase on the projects moved toward completion.

Under conditions of falling oil prices, to which gas prices are linked, these job cuts are a stark warning of what is to come throughout Australia's LNG sector.

In January this year, an estimated 35,000 people were directly employed on the seven major onshore LNG projects under construction, including Gorgon and Wheatstone. The Australian Bureau of Resources and Energy Economics estimates that when all seven projects reach the operational stage, the numbers employed will be cut to just 7,000.

Amid escalating oversupply, and with major LNG producers already making multi-billion dollar write-downs, there is little incentive for investment in the construction of new gas platforms.

Brent crude oil closed at $44.61 a barrel at the end of last month, down from more than $115 in June 2014. In September, the International Energy Agency (IEA) warned that even if oil prices rose and averaged $60 a barrel for the next few years, "Australia's LNG industry would struggle to be profitable."

In a media interview, IEA's senior gas expert Costanza Jacazio declared: "In a $60 oil environment the Australian projects will continue, but you are probably not breaking even," adding: "Will anything else in Australia proceed beyond this next portion of projects? I think in this environment it is very unlikely."

Among gas projects that the IEA predicts will not go ahead are Woodside Petroleum's Browse floating project, located approximately 425 kilometres north of Broome in WA, together with the company's Sunrise venture in the Timor Sea and the joint ExxonMobil-BHP Billiton Scarborough project off WA.