

Walter Energy bankruptcy threatens thousands of workers and retirees

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Bankruptcy proceedings for Birmingham, Alabama-based Walter Energy could have serious consequences for both retired and current employees.

Throughout 2015, the struggling company laid off over 300 workers. In July, it declared Chapter 11 bankruptcy. Subsequently in mid-December, Federal Bankruptcy Judge Tamara Mitchell ruled that Walter Energy could terminate the retiree benefits of about 65 non-union employees and their dependents.

Union employees shortly found themselves in the same straits; on December 30, Mitchell ruled that Walter Energy could eliminate its bargaining agreements with the United Mine Workers of America (UMWA) and the United Steelworkers (USW).

Walter Energy had warned the unions in June that it would require them to provide “material concessions.” The health care and pensions of 3,100 union retirees, it argued, made the company unpalatable to its potential buyer. Walter Energy threatened that if forced to honor the agreements they would liquidate the company.

The UMWA countered that the elimination of union agreements would bring about a rapid deterioration of miners’ safety. Judge Mitchell compared the union’s demands to “playing chicken” with employees’ jobs, stating that the bankruptcy proceedings were not “just about employees and unions, because there are a lot of other stakeholders.”

Mitchell’s concern for those other stakeholders manifested itself in an unsurprising largesse to Walter Energy executives. On the same day that the judge granted the company its request to terminate union agreements, Mitchell also granted the company \$2 million in retention bonuses for what she termed “key employees.” Anticipating the uproar that her decision would engender, she argued that the amount of the bonuses was actually very little in proportion to Walter

Energy’s \$5 billion debt.

Walter Energy, one of five coal companies to file for bankruptcy in 2015, and one amongst more than three dozen coal companies who filed for bankruptcy since 2012, stands out for the sheer magnitude of its debt. The purchase of a Canadian coal company in 2011, in the midst of global overproduction of coal, was certainly a decision that harmed the company’s profit margins.

Despite the magnitude of Walter Energy’s debt, it is part of a larger crisis amongst coal companies. The company’s failure is also a powerful signal of the crisis amongst American manufacturers.

Walter Energy strictly mines metallurgical coal—also called “met coal” or “coking coal”—which is used for steel production. A confluence of factors, notably a decrease in American steel production and export, caused the price of metallurgical coal to decrease by over 72 percent between 2011 and 2015, from \$300 per ton to about \$81 per ton.

Walter Energy’s crisis punctuates the end of an era for Birmingham. The Blue Creek Coal Seam that Walter Energy mines occurs alongside rich seams of iron ore. This providential combination allowed Birmingham to boom as the “Magic City” that sprung up seemingly overnight as a steel-producing town in the 1870’s.

The magic is gone. US Steel, once employing over 15,000 people as Birmingham’s largest business, laid off over 1,000 employees in November 2015 when it ended its blast furnace operations. Construction of an electric arc furnace (which requires no coal) was scheduled for November but has been postponed indefinitely.

Amid this stagnation, the UMWA and the USW have played a traitorous role. Throughout crucial nationwide

contract negotiations last year, the USW forced concessions upon workers. Even when safety violations at Walter Energy and US Steel claimed Birmingham workers' lives in 2013 and 2014, neither union mobilized any kind of strike action. They made none but the weakest demands for worker safety.

Neither union sprang into action until the summer of 2015. By that point, it was glaringly obvious that both US Steel and Walter Energy intended to strip employees of jobs and pensions. At that point, the leadership of both unions decided to make themselves more visible and vocal among workers.

The UMWA leadership, dressed in camouflage shirts emblazoned with the union's logo, monopolized a US Steel rally in Birmingham last August. They loudly blamed "cheap Chinese steel" and environmentalists for America's flagging steel industry. They obliquely raised the specter of international socialism, ominously prophesying the creation of a "United States of the Americas."

As US Steel employees baked beneath the hot sun, tense and uncertain about their jobs and futures, the UMWA and the USW shamelessly sought to pit them against foreign workers, immigrants, and the environment.

This militant showmanship allowed the unions to deflect blame from both the companies and themselves. While union officials mentioned the vast discrepancy between the compensation for CEOs and workers, they failed to call out other incidents of company malfeasance. Most notably, they neglected to mention that they themselves had enforced lower salaries and fewer benefits on the workers throughout the years in the name of preserving jobs.

The UMWA states that they intend to negotiate with the buyers of the Walter Energy's mines for safe conditions, reinstatement of pensions, and health care as the bankruptcy case comes to an end. For 3,100 miners, the union's failure to hold Walter Energy accountable to its employees has life and death implications. As they retire from years of dangerous mining work, these workers will no doubt face significant health care expenses.

For the workers who remain employed by the mines, the situation is equally treacherous. Walter Energy laid 319 miners off at its Brookwood Number 4 mine at the end of December, leaving only 24 workers to maintain

production. This imperils workers in an inherently hazardous occupation. With recent cuts to MSHA and OSHA, workers will have little protection from the threat of unsafe conditions.

Alabama's miners and steelworkers represent the truth that the Obama administration attempts to repress: the economy is not improving for workers. Manufacturing jobs, which decreased by at least 40 percent between 2001 and 2015, have not rebounded. Most importantly, the mistreatment of Walter Energy workers reveals the hostility of the bourgeoisie and the unions towards the interests of the working class.



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