

# Arrium demands Australian mine workers take pay cuts

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12 March 2016

After threatening last month to mothball its Whyalla steelmaking operations in South Australia, unless workers agreed to the elimination of 250 jobs, Arrium has demanded that workers at its nearby iron ore mines accept sweeping wage cuts.

Like BlueScope Steel, another steelmaker that was spun off from Australia's mining giant BHP Billiton, the company is working closely with the trade unions to impose the burden of the collapse of the mining boom on workers.

Arrium last month posted a first half-year net loss of \$235.8 million and declared it would have to slash costs by \$60 million this year, in addition to \$100 million worth of cutbacks inflicted last October. On March 2, it said its 400 iron mine workers had to accept a 10 percent pay cut in order to keep its steel and iron ore operations open.

On that day, Arrium convened a day-long meeting with Australian Workers Union (AWU) officials to discuss its latest ultimatum. Management also made clear it wanted to cancel a 3 percent annual pay rise required by the current enterprise agreement with the union.

Arrium's dictates come amid a continuing rout in global iron ore prices, which have dropped from around \$160 per tonne in 2011 to less than \$60 per tonne. The plunge is driven by the deepening world slump, which has led to a massive over-capacity in steel production, especially in China, where millions of steel and other industrial workers face retrenchment.

After the meeting with Arrium, AWU organiser in Whyalla Scott Martin told the media that the company was "wedging the unions into making a decision." He said "it would have been nice for them to come to see the union first, sit down with our delegates [and] explain what they're looking for."

In other words, Martin appealed to the company to work more closely with the unions, as the best means of suppressing workers' opposition to its cost-cutting demands.

The AWU has already collaborated with Arrium to impose substantial cuts, including the destruction of 200 permanent jobs and 50 casual positions last October as part of the company's initial savings package. In total, almost 900 jobs have been axed across the company's Australian-based operations, all with the help of the unions.

This week the AWU has begun holding meetings with Arrium mine workers, putting resolutions "rejecting" pay cuts until the company "provides a clear plan for continued operation of its mines and steelworks." AWU organiser Martin told the media: "Our workers would be willing to take a pay cut but we want to get guarantees about jobs."

As it did at BlueScope Steel in Port Kembla, New South Wales, the AWU will do whatever is necessary to impose the company's cost-cutting agenda, in return for a worthless company promise to keep its operations going.

Last November, the AWU and other unions worked with BlueScope management to bully Port Kembla steelworkers into endorsing the destruction of 500 jobs and a three-year wage freeze. At a series of union meetings, officials threatened workers that if they did not accept the cuts, the Port Kembla plant would be shut with the loss of more than 4,000 steel jobs and thousands more across the community.

Both South Australia's Labor government and the federal Liberal-National government are backing Arrium's demands. Late last month, South Australian Treasurer Tom Koutsantonis told the media: "If the workers want to negotiate a reduction in pay in

exchange for keeping the company viable that's a matter for them and that's how the enterprise agreement system works."

On Wednesday Prime Minister Malcolm Turnbull visited Arrium's Whyalla steel plant and announced a "no-bid" contract for the company to provide steel to replace 600 kilometres of ageing railway lines operated by the Australian Rail Track Corporation in South Australia.

Turnbull said the decision was a "clear-eyed practical" solution that would assist the company. The contract, which is estimated to be worth about \$80 million over two to three years, will help the company extract some profits from Whyalla as it considers the ultimate closure of its plant and mines.

Together with the unions, the state and federal governments are trying to contain and divert the anger of workers across the state, which is being devastated by the destruction of thousands of jobs in mines, shipyards and the auto industry.

Arrium, formerly known as OneSteel, last month accepted a \$US1 billion line of credit from a US group, GSO Capital Partners, which will inevitably mean a restructuring, carve-up or liquidation of the company. GSO is owned by Blackstone, a private equity giant that specialises in asset-stripping vulnerable companies.

Under this agreement, GSO will provide Arrium with a \$140 million stand-by facility and a six-year loan of \$665 million, at high interest rates, in return for warrants over 15 percent of Arrium's issued capital. Arrium's existing creditors must decide by April 5 whether to accept the deal.

While proclaimed in some financial circles as a "lifeline," the agreement is firmly attached to Arrium driving through its cost-cutting plans, above all the wage and job cuts. This agreement, like the Turnbull government's railway steel contract, will be used by the management and the AWU to place greater pressure on workers to accept the cuts.

There is absolutely no guarantee, however, that Arrium and its financial backers, even after achieving the cost savings, will not close the steel plant and mines and sack the entire workforce.

Commenting on the agreement last month, Baker Young Stockbrokers managed portfolio analyst Toby Grimm warned: "Ultimately if they (GSO) run the financial numbers and figure out that they will be

financially better off with it (the steelworks) closed than with it open, then that's more than likely a decision they'll ultimately take."

Arrium workers should reject the company-union ultimatums. The spreading of the wage-cutting demands from the steel plants to the mines demonstrates the sweeping nature of the assault now underway against the entire working class.

The assault on jobs and conditions requires a break with the thoroughly pro-business unions and the establishment of rank and file factory committees to fight to unify steel industry workers across the country and internationally in a common struggle. Above all, this struggle needs to be based on a new political perspective and the fight for a workers' government and socialist policies, including placing the steel industry under public ownership and workers' control.



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