

# Thousands of jobs threatened by Australian steel company collapse

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One of Australia's two remaining steel manufacturers was placed in voluntary administration by its management yesterday, directly imperiling the jobs of nearly 7,000 workers across Australia, including almost 2,000 in the South Australian regional city of Whyalla. About 1,300 jobs are threatened in Arrium's operation in 14 other countries, with many more endangered by flow-on effects.

Arrium's bankruptcy is part of a worldwide crisis in the steel and iron ore industries, in which hundreds of thousands of workers' jobs are being destroyed—half a million of them in China alone. The deepening impact of the 2008 global financial crash has produced a gathering world slump that has caused a dramatic decline in demand for steel. Since 2011, there has been a 60 percent fall in steel prices and a collapse in iron ore prices from \$US190 a tonne to \$US55.

Workers in Australia, like those in China and around the world, are being made to pay for a colossal breakdown in the world capitalist economy.

If Arrium is liquidated, or restructured, Whyalla, a city of 22,000 people, will be the hardest hit. Without Arrium's steelworks, the city's only major employer, many residents fear Whyalla will become a ghost town. Nearby iron ore mines will also be affected. This will deepen the toll already being inflicted on South Australian workers by the shutdown of the General Motors Holden assembly plant in Adelaide by the end of 2017.

The fallout extends further. The company, which also trades as OneSteel, employs 2,800 in New South Wales, 930 in Victoria, 900 in Queensland, 350 in Western Australia, 60 in Tasmania, 40 in the Northern Territory and 30 in the Australian Capital Territory. Globally, Arrium also has a mining consumables business, including Moly-Cop, the world's largest supplier of grinding balls and rods, as well as Canada-based AltaSteel.

Arrium's implosion is a damning exposure of the

operations of big business in Australia and globally. The company went into administration owing more than \$A2.8 billion to banks and other creditors, \$1 billion to suppliers and \$500 million to workers. Much of the debt was incurred when the management borrowed heavily to acquire iron ore mines and overseas plants after the 2008 crash on the expectation that the mining boom, largely fuelled by China's rapid growth, would continue indefinitely.

Arrium, which was spun out of Australian mining giant BHP in 2000 as OneSteel, was also saddled from birth by BHP with \$1 billion in debt. BHP went on to merge with South African- and British-based Billiton to form the world's biggest mining conglomerate. It offloaded OneSteel and other businesses that it no longer regarded as sufficiently profitable, after extracting massive profits from their workers for decades.

These BHP Billiton discards included Queensland Nickel, which has now been liquidated, destroying more than 1,000 jobs in the northern Australian regional city of Townsville. Also spun-off was BlueScope Steel, Australia's other remaining steel maker. BlueScope has slashed jobs, wages and conditions at its operations in the city of Wollongong and other sites, with the collaboration of the trade unions.

Arrium was finally forced to go into administration after its bank creditors last week rejected a \$1.2 billion recapitalisation proposal by vulture fund GSO Capital, the credit arm of US private equity giant Blackstone. This proposal—essentially for Blackstone to carve-up Arrium for quick profit—would have meant a banking syndicate, including Australia's big four banks, losing about 55 percent of the funds it lent Arrium.

Arrium workers interviewed by the media have voiced intense anger. Plant operator Michael Jones, who works at the Whyalla steel plant for a contractor, told the *Australian* he was concerned about the future of his wife

and two young children. “Everyone is worried. Everyone is calling and asking me whether I’m safe... I put all our savings into Arrium shares, hoping to live the dream and make a bit of money.”

Both the Liberal-National Coalition government and the Labor Party opposition, together with the trade unions, are feigning sympathy for the workers. For decades, successive Labor and Coalition governments, assisted by the unions, have worked hand-in-glove with the banks and companies like BHP to eliminate jobs and conditions in order to shore up corporate profits.

Rifts have appeared in Prime Minister Malcolm Turnbull’s government over how to deal with the Arrium disaster. Turnbull and other senior ministers rejected bailing out the company, saying that this would breach trade agreements. South Australian-based Industry Minister Christopher Pyne, however, backed the Labor Party’s call for government infrastructure projects to purchase Australian steel to shore up Arrium.

In part, Pyne’s stance reflects fears that the government will suffer heavy losses in South Australia in the looming federal election. He claimed that out of Arrium’s “ashes” could arise a “phoenix” that would generate “jobs and growth”—one of the government’s current slogans.

Labor and the unions are trying to divert the anger of workers in a reactionary nationalist direction, and away from the root causes of Arrium’s collapse, which lie in the private profit system itself. Opposition leader Bill Shorten pledged a Labor government would compel federal, state and local government agencies to buy Australian steel. “What is wrong with requiring Australian content in the steel?” Shorten declared. He said he would not apologise for being “nationalistic.”

The Australian Workers Union (AWU), which covers most of Arrium’s Australian workforce, is pushing a similar line, laced with denunciations of China. AWU national secretary Scott McDine stated: “The first thing the federal government must do is introduce emergency safeguard tariffs on imported steel. Allowing anti-fair market distortions from foreign steel, especially from China, is no longer a luxury Australia can afford.”

At the same time, the union is working closely with Australia’s corporate establishment. The AWU today rushed into talks with the major banks and the liquidators to try to develop a so-called rescue package. Any such package will hinge on forcing workers to accept the destruction of hundreds of jobs, pay cuts and the elimination of hard-won conditions, as the AWU and other unions have imposed on BlueScope Steel workers at

the Port Kembla steelworks in Wollongong.

This partnership with big business underscores the class content of the nationalist sentiment that Labor and the unions are seeking to whip up. It serves to subordinate the working class to the cost-cutting dictates of Australian-based companies and finance houses, while pitting workers in Australia against their Chinese and other international brothers and sisters, who are facing the same onslaught.

Because of the world slump and the resulting downturn in China, Chinese companies, which make just over half of the world’s steel, are currently producing 400 million tonnes more each year than they can sell domestically. In response to Chinese steel exports, governments around the world are starting to impose tariffs or other protectionist measures.

More than eight million workers are employed in the steel industry globally. These workers and those in related industries are all threatened with job losses, attacks on wages and pension rights. By far the biggest assault is occurring in China, where firms are shedding 500,000 jobs in steel.

Last week, one of the biggest global steel producers, Tata, announced it planned to hive off its entire British operation, threatening 15,000 jobs, along with another 25,000 jobs in the supply chain. Just like their Australian counterparts, the British Labour Party and union leaders have responded by demanding protectionist measures, supposedly to defend jobs. British Labour Party leader Jeremy Corbyn called for a state buyout of Tata “to protect our steel industry and not see it destroyed on the altar of global corporations.”

Far from opposing the rule of global corporations, this economic nationalism ties the working class to its “own” corporations and throws them into struggle against each other.



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