

Australian Workers Union to enforce cost-cutting at Arrium steel

Terry Cook
5 May 2016

Appointed with the backing of the Australian Workers Union (AWU), KordaMentha, the administrator for steel-maker and iron ore miner Arrium, is preparing a restructure that will involve mass sackings and attacks on working conditions, both domestically and overseas.

Arrium, one of the two remaining steel manufacturers in Australia, was placed in voluntary administration on April 7, owing more than \$A2.8 billion to banks and other creditors, \$1 billion to suppliers and \$500 million to its employees.

The company's collapse 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. But the AWU is working hand-in-glove with major banks and the administrators to cut costs, and demand national protectionist measures, effectively pitting Arrium workers against their fellow steelworkers globally.

Arrium, a discarded spin-off from mining giant BHP Billiton, employs 7,000 workers across Australia, including almost 2,000 in the South Australian regional city of Whyalla, along with 1,300 workers in 14 other countries, who all face a major assault on their jobs and working conditions. There are 94 Arrium entities now in administration.

On April 12, KordaMentha replaced Grant Thornton, which was initially appointed as administrators by Arrium's board. The move was initiated by the AWU, acting in concert with Arrium's banking syndicate creditors, featuring Australia's big four banks—ANZ, Commonwealth Bank, Westpac and NAB. In fact, the AWU obtained a Federal Court order that it would exclusively represent the Arrium workers as creditors.

Steelworkers in China and worldwide are bearing the brunt of the steel industry implosion. In Britain, Tata

Steel is hiving off its entire operation, threatening 15,000 jobs and another 25,000 jobs in the supply chain. Vulture funds are demanding the decimation of wages, working conditions and pension rights.

While assisting KordaMentha to match the global assault on workers' wages and conditions, the AWU is attempting to divert workers' anger in a reactionary nationalist direction. Accompanied by denunciations of China, the AWU and the Labor Party are calling for tariffs on imported steel and the introduction of laws compelling federal, state and local governments to use Australian steel.

"If we are going to build Australian infrastructure with Australian steel we need to set hard targets for procurement," AWU national secretary Scott McDine declared in a media statement. "Strengthening anti-dumping measures is also vital to ensuring that below-cost steel from China and elsewhere does not punch a hole in Australian employment."

Soon after its appointment, KordaMentha made clear that there would be substantial cost-cutting. "We need to limit the cash burn now that administrators are running the business," Mark Mentha told the media, adding: "It has to happen quickly, because time is of the essence. We have to prove up the business model to make it attractive for recapitalisation."

Mentha indicated that most of the cost-cutting would occur at Arrium's Whyalla steel plant, declaring that "a lower-cost steelworks [is] central to the success of any future plans."

A warning of what is to come was indicated by Arrium's demands in March. As part of a bid to impose \$60 million in savings this year, the company insisted that Whyalla steelworkers accept the elimination of another 250 jobs and that 400 workers at its nearby iron ore mine take a 10 percent pay cut. This was in addition

to \$100 million worth of cuts inflicted last October.

The major creditors are reported to be planning the sale of Arrium's profitable sections, including mining consumables business Moly-Cop, the world's largest supplier of grinding balls and rods. Moly-Cop, which has operations in Australia, North America and South America, generated half of the company's earnings last year and is worth around \$1.5 billion.

The AWU, using its court-ordered position as the so-called representative of worker creditors, secured a position for AWU national secretary Scott McDine on the "Committee of Creditors." The AWU said it looked forward "to working constructively" with the new administrator and "engaging in a business-as-usual approach to Arrium's operations."

McDine told the media that the first committee meeting was "positive." He said: "It is encouraging to see everyone involved pulling in the same direction ... It is now important that all stakeholders—union employees/non-union employees, representatives, suppliers, contractors, note holders, financiers, customers, and government—work cohesively during this testing period."

McDine pledged that the AWU would "provide as much assistance as we possibly can to the administrator to get Arrium back on its feet and thriving as a major steel player."

What the AWU means by "working constructively" was shown by its role in imposing \$200 million in cuts last year at BlueScope's steel plant at Port Kembla in New South Wales. The AWU threatened BlueScope workers, saying that unless they accepted the axing of 500 jobs, a three-year wage freeze, increased casualisation and ongoing destruction of working conditions, the plant would close.

The AWU's push for the appointment of KordaMentha as Arrium administrator mirrored a similar move by the unions to install KordaMentha as administrator in the 2001 collapse of Ansett, which was then Australia's second largest airline.

The unions were eventually defined as a "creditor representative." This was a recognition by the liquidators that the unions were indispensable in eliminating over 15,000 jobs—the greatest single job loss in Australian history—and carving-up the airline's assets.

The Australian Council of Trade Unions (ACTU)

heralded the development as a "break-through" because the new "creditor representatives" status brought the unions to the very centre of the administration process.

While the unions created a new niche for themselves in the corporate world, Ansett workers endured severe financial hardship, waiting years for the part settlement of their entitlements. The result was a spate of family breakdowns, the loss of family assets, increased levels of ill health and tragically, a number of suicides. Final payments were made in September 2011, almost ten years after the airline's collapse.

In the Arrium collapse, the AWU has taken advice from former senior Labor government minister Greg Combet, who was the secretary of the ACTU when Ansett went bust and the union representative in the administration process. His role in suppressing workers' opposition to the liquidation of Ansett was taken to a higher level when, as industry minister in the Gillard Labor government, he helped enforce major cuts to jobs and conditions in steel and other basic industries.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact