US coal producer Cloud Peak Energy files for bankruptcy

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7 June 2019

Wyoming-based Cloud Peak Energy has become the latest major US coal producer to file for Chapter 11 bankruptcy, a move that threatens the livelihoods of over 1,200 workers and their families.

The company is the third-largest producer of coal in the US. It operates three mines, two in Wyoming and one in Montana, in the largest coal mining region of the country, the Powder River Basin. In 2017, Cloud Peak was responsible for 7.4 percent of total US production, after Peabody Energy (20.2 percent) and Arch Coal (12.9 percent). Both Peabody and Arch filed for bankruptcy in 2016.

On May 10, Cloud Peak submitted its Chapter 11 filing in Delaware following wide speculation that the company was preparing to do so. With a $1.8 million interest payment due on March 15, the company did not make its payment and was granted a 30-day grace period. By May 8, Cloud Peak was issued its third forbearance, giving the company three days to make its payment or default. Extensions following the grace period were gradually reduced from two weeks, to one week, to just a few days.

The bankruptcy of Peabody Energy in 2016 followed a similar course, with the company submitting its own filing after the expiration of a 30-day grace period for a $71 million interest payment on its debt.

On March 27, the New York Stock Exchange delisted Cloud Peak due to poor performance. The company's third quarter report released on October 25, 2018 revealed a 15 percent reduction in coal shipments compared to the same period the previous year.

The insolvency of the company has coincided with savage attacks on coal miners. Last August, management announced it would be cutting health care benefits for its retirees. Worker Anne Zollinger, who retired last May after dedicating twenty years to Cloud Peak, expected to receive a paltry $600 a month, but now receives only $250. Speaking to *Wyoming Public Media*, she said, "I put my time in, worked safely for over twenty years and now I don't have what was promised to me."

Companies seeking to offset their losses by attacking the pensions and benefits of workers and retirees is a well-established principle within the industry. When Patriot Coal, a subsidiary of Peabody Energy, filed for bankruptcy in 2012, it sought to discharge health care and pension obligations for more than 2,000 active union miners and more than 10,000 retirees. Alpha Natural Resources, which filed for bankruptcy in 2015, was determined to cut medical and life insurance benefits for non-union retirees, impacting up to 4,580 workers and their spouses, as well as 6,670 future retirees.

The United Mine Workers (UMW) union has long overseen the erosion of workers' gains through the betrayal of strikes at AT Massey, Pittston, Peabody and other coal companies in the 1980s and 1990s and the imposition of one concession after the other. This facilitated the shell game of changing company names, mergers and acquisitions and bankruptcies that have robbed retirees of their hard-earned pensions.

Richard Trumka, who oversaw the defeats of what was once the most militant section of the American working class, was rewarded with the highest position in the AFL-CIO, while his right-hand man, Cecil Roberts, has run what remains of the UMW since 1995. The union, which had 160,000 working coal miner members in 1978, has fewer than 50,000 members today and a large number are not miners.

A recent court ruling has established a precedent that could allow mining companies to shred collective bargaining agreements. In February, Westmoreland

Coal Company, which operates mines in the US and Canada, was given the go-ahead to eliminate health care benefits for retirees and their union contract after a Texas bankruptcy judge ruled in the company's favor.

While Cloud Peak miners face devastating losses, the executives, investors and advisors are walking away from the bankruptcy proceedings unscathed and oftentimes substantially wealthier. For navigating the process, Cloud Peak's CEO, Colin Marshall, was granted a one-time "retention" bonus of $1.15 million in addition to his annual salary of $765,000, and any additional annual bonuses and compensation he might receive. The company's other top executives each stand to pocket annual payouts of $2 million or more.

In its Securities and Exchange Commission filing, Cloud Peak reported that it will be offering over $16 million in bonuses and incentives for "key" executives, and $40.2 million in "professional fees" for the bankers and advisors guiding the company through bankruptcy.

Cloud Peak's insolvency is in part the result of financial incompetence, particularly the squandering of a $300 million cash investment on a mining project in 2012 that today remains at the permitting stage. However, more importantly, it is an expression of the overall decline of coal production in the US. Coal has been hit by the sharp decline in the price of natural gas—which is roughly on par with coal—and most of all, the slowing of demand due to the crisis of American and world capitalism, which has been exacerbated by the trade war between the US and China.

The 2008 financial crisis has left lasting effects on the coal industry and the economy as a whole, and although coal managed for a time to weather the storm, by 2011 coal prices had peaked. A January 30 report from the US Energy Information Administration (EIA) shows that more than half of the US coal mines operating in 2008 have since closed.