# Financial speculation threatens Australia's Whyalla steelworks

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The dangers threatening the jobs and livelihoods of workers around the world resulting from rampant speculation in financial markets have been graphically exposed by the recent collapse of two financial firms, Greensill Capital and Archegos Capital.

Both firms, which were heavily backed by some of the world's biggest banks, have collapsed with billions of dollars of debts. Now one of those banks, Credit Suisse, which is estimated to have taken a hit of at least a $4.7 billion from the demise of the two firms, is seeking to carry out a liquidation operation that threatens the jobs of tens of thousands of workers.

Its target is the GFG Alliance of Sanjeev Gupta which owns companies employing workers in metal manufacturing in Britain, Europe and Australia. Gupta's operations were financed to a large extent by Greensill which in turn was in debt to Credit Suisse.

It is claimed that Gupta's company owes around $5 billion to Greensill.

This week, following similar action in UK courts, Citibank, acting on behalf of Credit Suisse filed an insolvency application against GFG's OneSteel Manufacturing, which operates the Whyalla steelworks in South Australia (SA) and GFG's Tahmoor Coal in New South Wales in the NSW Supreme Court. Proceedings are expected to begin on May 6.

The legal position is that Credit Suisse has to prove that the GFG entities are insolvent.

If the liquidation move were successful, it would trigger the appointment of an administrator who would then have to determine the future of the operation. Whyalla has a population of 22,000 with around 1,800 directly employed in the steelworks. Hundreds of small contractors would also be hit.

In a statement issued by GFG Alliance this week, a spokesman said the Australian Mining and Primary Steel (MPS), which includes OneSteel and Tahmoor Coal, had received "multiple offers from large investment funds and is advanced due diligence." GFG said the current proposals would "provide enough cash to repay the creditors of MPS."

However, any statement emanating from Gupta's company about its operations needs to be taken with a very large grain of salt.

Earlier this month the *Financial Times* (FT) reported that the Greensill administrator in Britain had been unable to verify invoices supposedly underpinning loans to Gupta. It said the "disputed invoices raise questions over other transactions underpinning billions of pounds of loans from Greensill to Gupta."

The financing of Gupta's Liberty Commodities trading firm operated though a facility in which Liberty exchanged bills for customers in exchange for cash. Greensill would be paid when the customer had settled the invoice for the goods it had purchased from Liberty.

According to the FT report, however, several companies had disputed the veracity of the invoices. One company said it had been approached about an outstanding invoice but had not traded with Gupta's company. "We know them, but a trading relation between us does not exist," its manager said.

Gupta has also maintained that the debt to Greensill is not due for another three years and none of his steel plants would close.

"I'm committed to all steel plants, especially to Australia," he said in an interview this week. "There is nothing that will happen to this business under my watch."

Anyone who takes these comments as good coin should consider the remarks by Lex Greensill in February just three weeks before his company collapsed under a mountain of debt.

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In a speech to staff, which was recorded and has since been published, he said: “One of the things that is a really important detail for us to be aware of is just the incredible strength that we’ve built in our supply chain finance funds.”

He claimed Greensill had “enormous amounts of liquidity that are available to us for our assets across the spectrum.” Less than a month later his operation had gone under.

The threat hanging over the Whyalla steelworks has attracted the attention of both the South Australian and federal governments. The SA government said it had canvassed the possibility of establishing an emergency plan to provide bridging finance.

Federal finance minister Simon Birmingham said the Morrison government was monitoring the situation closely and was “doing the type of contingency thinking and planning that would be prudent in these sorts of circumstances.”

He referred to the previous intervention in 2016 when Arrium, the previous owner, collapsed with debts of $2 billion and the government arranged financing before it was taken over the Gupta’s company in 2017. The following year it purchased the Tahmoor metallurgical coal mine from the global mining giant Glencore.

Birmingham said it was a complicated process. “The way the legal obligations work on administrators is such that they have to be very cautious about what extra debts they accrue whilst they’re in the process of paying out the existing liabilities and trying to find new owners.”

He said the government was working closely with the SA government and was “being mindful of how we could respond if we need to, depending on how these legal and financing matters proceed.”

These comments are a warning that government is not going to simply intervene to “save” the Whyalla steelworks and that it will continue as before if the liquidation of Gupta’s company goes ahead.

As an article in the *Australian* noted, while the Whyalla operation might be profitable at the present it “remains an ageing asset that lacks the scale to compete on the global market without a substantial and costly reinvestment program, and Tahmoor is a relatively marginal metallurgical coal operation, otherwise Glencore would still own it.”

In other words, even if there is some kind of bailout it will be accompanied by a major “restructuring” which, like all such operations in the past, will have at its centre deep attacks on the jobs and conditions of workers.

There are indications that Labor leaders are preparing to mount a nationalist campaign, tied to the development of war industries to save the plant.

Echoing the remarks of SA Liberal Treasurer Rob Lucas that steel was clearly important to the “national government and to the nation,” local Labor MP Eddie Hughes said: “The plant at Whyalla is an important part of our sovereign manufacturing capacity and is strategically important.”

Whatever the outcome of the immediate crisis, one thing is clear: steelworkers cannot allow their fate to be determined by speculative and often outright criminal activities of the financial oligarchy, nor put it in the hands of governments which serve their interests.

They must begin to develop their own independent response, which will necessarily be developed in opposition to the trade unions that have presided over the destruction of vast sections of industry—the closure of the car industry being only one of the most significant examples.

They need to begin a discussion on the development of independent rank-and-file committees to prepare for the struggle immediately ahead. This requires a socialist program to meet the enormous dangers posed by the ongoing and deepening crisis of global capitalism out of which the threat to jobs, wages and working conditions arises.

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