

Molycop threatens steel jobs in Australia as it demands increased tariffs

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Steel products manufacturer Molycop has threatened to shut its plant in Newcastle, around 170 kilometres north of Sydney, and destroy up to 300 jobs unless the federal government's Anti-Dumping Commission agrees to increase tariffs on imports, particularly from China.

The threat was issued last month by Molycop's Australasia president Michael Parker. The existing tariffs on imported steel products, due to expire in September, range from 11.7 percent to 57 percent.

Parker's statement is bound up with preparations launched last December by Molycop's owner, the US-based private equity firm American Industrial Partners (AIP), to sell the enterprise which is valued at around \$2 billion.

Locking in favourable tariffs will be important to AIP's bid to attract potential investors.

Interested parties so far include multi-billion-dollar investment firms such as Blackstone and Brookfield, as well as other global companies in the mining industry. Predatory private equity giants are short-term investors that ruthlessly restructure companies, ripping up jobs and conditions, to cut costs then resell at a profit.

By threatening to end local steel production, which Parker described as a potential "loss of another sovereign capacity," the company is tapping into the Liberal-National government's anti-China campaign. Australia is fully aligned with the US preparations for conflict against Beijing, and the government has emphasised the need to develop national-based manufacturing capacities to guarantee supplies in the event of war.

In an interview with CEO Magazine in April, Parker said Molycop's local steelmaking capacity provided a "fully integrated supply chain," enabling the company "to assure supply to customers" by avoiding

international trade disruptions.

Molycop has 12 facilities internationally that manufacture steel grinding balls and rods and other specialised products, primarily used in the mining industry. The Newcastle plant operates an electric arc furnace to process recycled steel and also manufactures train components. The company produces for some of Australia's largest gold, copper and lithium mining companies.

Once considered the jewel in the crown of Australian steel producer Arrium, Molycop was sold off to AIP in 2016 for \$1.6 billion after Arrium went into administration owing debts of \$4.3 billion.

After just over four years of ownership, AIP hopes to pocket \$400 million from the potential sale of Molycop, on top of before-tax and depreciation annual earnings of around \$US200 million.

Steel businesses have used threats to end production for decades to intimidate workers into accepting job destruction and lower wages. The Australian Manufacturing Workers Union (AMWU), the Communications, Electrical and Plumbing Union of Australia (CEPU) and the Australian Workers Union (AWU) have so far made no public statement on the impending sale or Parker's threats.

However, in line with their long-standing collaboration with Molycop and other companies, they will assist with any cost-cutting measures.

Since 2015, all three unions have helped Molycop keep pay increases below inflation and maximise profits. The AMWU and CEPU accepted company demands for no wage increase in 2015, followed by 1.5 percent in 2016 and 2017.

In 2018 the current enterprise agreement, which expires this year, locked in a dismal 2.5 percent increase over 3 years. The combined management-

union attempt to push this EA through met significant opposition from workers, with a 45 percent vote against.

The AWU, which covers other workers at Molycop, has also ensured that since 2017 wage increases have not exceeded 2 percent a year.

Demonstrating that they had no intention of defending conditions in the lead up to the most recent agreements, none of the unions at Molycop even made an application to take industrial action with the industrial regulator, the Fair Work Commission.

Workers are hostile to the collaboration of the unions with the company. One worker who spoke to the WSWS said: “The unions here are toothless tigers.” Other workers confirmed that union representatives rarely visit, and when they do, they speak to management, not workers.

For decades, steel unions have helped employers destroy thousands of jobs. This began in the early 1980s, with thousands of jobs lost in Newcastle, Wollongong and Whyalla. It accelerated in the past decade, when a major global slump in steel prices saw massive job losses internationally, including 500,000 in China, and thousands more across Europe and North America.

When Arrium collapsed in 2016, the AWU worked closely with the administrators to impose a 10 percent pay cut to slash \$17 million in labour costs at the company’s steelworks and mine in Whyalla. This was part of a \$300 million cost-cutting package to prepare the Arrium assets for sale. In previous years the union assisted in the destruction of over 900 jobs at Whyalla.

In 2019, the AWU and AMWU used the threat of total closure of BlueScope’s steel plant at Port Kembla to push through wage-cutting agreements. Four years earlier, in 2015, the unions had worked with BlueScope to impose the destruction of 500 jobs and a three-year pay freeze.

The unions have been in the forefront of efforts to channel workers’ outrage at job destruction into calls for successive governments, Liberal-National and Labor, to impose ever-greater protectionist measures.

This includes demands for intensified “anti-dumping” legislation, blaming cheap steel from China for job losses. Such demands have nothing to do with defending jobs. On the contrary, they split workers along national lines while assisting the corporate drive

for greater sacrifices from the workforce to make companies “internationally competitive.”

The real perspective of the trade unions is to ensure the profitability of Australian companies, while cementing themselves into privileged positions within a bureaucracy that protects the capitalist class.

Economic nationalism is central to the trade war measures being advanced by governments everywhere. The experiences of the 20th century show that this program leads inexorably to militarism and war.

Despite governments everywhere turning to increased protectionism, massive job destruction has continued. In the United States, the 25 percent steel tariff introduced by Trump in 2018 has not prevented the steel industry shedding 1,900 jobs since 2016. By mid-2019, a further 175,000 manufacturing jobs had been lost as a result of higher steel prices due to the tariffs.

The international assault on the wages and conditions of steel workers is the product of the irrational organisation of the global economy on the basis of profit and nation-states. That means the threat to jobs, wages and conditions at Molycop will continue regardless of the potential buyer.

It is therefore essential that Molycop workers reject the divisive nationalist perspective of the unions and establish an independent rank-and-file committee that will reach out to steelworkers across Australia and internationally, including in China, to organise a unified international counter-offensive against the corporate assault.

This fight requires a socialist perspective, aimed at the establishment of workers’ governments that will place all essential industries, including steel, under public ownership and the democratic control of the working class to meet social need, not private profit.



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