Future of Australian steelworks in doubt as UK fraud office investigates Gupta

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The future of the Whyalla Steelworks in South Australia (SA) hangs in the balance as the fallout continues from the recent collapse of Greensill Capital.

The Gupta Family Group Alliance (GFG), which owns the Whyalla plant, owes an estimated $6 billion to Greensill, and is now the target of a liquidation operation by Credit Suisse, a major Greensill creditor.

The plant's 1,500 workers, as well as around 400 workers at GFG's metallurgical coal mine at Tahmoor in New South Wales, now find their livelihoods threatened by the speculative wheeling-and-dealing of the financial elite.

While GFG insists "significant progress" has been made in negotiations with Credit Suisse, three of its British plants have already been put up for sale, leaving the jobs of 1,500 workers in Stocksbridge, Brinsworth and West Bromwich in doubt.

The UK Serious Fraud Office (SFO) announced on May 14 that it was investigating GFG over "suspected fraud, fraudulent trading and money laundering… including its financing arrangements with Greensill Capital."

It was also revealed this week that the Gupta-owned Wyelands Bank, which is currently being wound up, has been under investigation since 2018 by both the SFO and the National Crime Agency.

In a letter to Australian Workers' Union members, SA State Secretary Peter Lamps rushed to quell any "unnecessary speculation and angst" among workers. Lamps assured them: "The refinancers have clearly indicated they seek to support profitable businesses and jobs."

Immediately following the UK announcement, White Oak Global Advisors, the US-based lender hailed as a possible "white knight" for GFG, withdrew from discussions of a $777 million rescue package for Gupta's Australian and British operations.

White Oak said it was "not in a position to continue discussions with any company that is under investigation by the Serious Fraud Office for money laundering."

Within hours, White Oak issued a somewhat contradictory statement insisting that it would continue carrying out "due diligence" of GFG's Australian business, keeping the door open on the refinancing deal.

Even if the White Oak deal goes through, it offers no guarantee for workers. The company has a reputation as "an aggressive fund," taking on debt considered too risky for banks, and will demand high returns, which will only be satisfied by wage cuts or the slashing of jobs.

White Oak has been working with Gupta since at least February 2019, when it extended a $200 million borrowing facility to GFG, which was subsequently paid back (with a 10 percent yield) from the proceeds of a junk bond sale by another Gupta company, InfraBuild.

GFG's books are replete with these sorts of complex high-risk manoeuvres that have nothing to do with the production of steel or other activities of workers, but which nevertheless expose all 35,000 of the company's employees to the vicissitudes of financial speculation.

Primarily through Greensill, GFG secured billions of dollars in loans on the basis of "future receivables" years in advance of production. Closer scrutiny of Gupta's enterprises following the collapse of Greensill has revealed that many of these "prospective" sales were to companies that have never had any association with GFG and which have expressed no intention of buying anything from the company.

GFG acquired Whyalla Steelworks in 2017 in a fire sale following the collapse of previous owner Arrium. In preparation for the sale, the Australian Workers' Union rammed through a deal forcing employees to accept a 10 percent pay reduction, a 2.5 percent cut to superannuation and reduced overtime. These losses have still not been recouped.

The Whyalla and Tahmoor plants were among a large number of distressed assets acquired in a global purchasing spree that saw GFG founder Sanjeev Gupta labelled the "saviour of steel."

At the time of the acquisition, then federal Labor Party leader Bill Shorten applauded Gupta's "bold vision," and said the deal promised a "bright future for Australian steel."

Gupta promised an ambitious list of investments in Whyalla and associated businesses around the country, which were eagerly backed by the Liberal and Labor parties as well as the unions. Most of these grand plans have come to nothing.

In May 2018, Gupta announced plans to build 10 gigawatts of energy production and storage capacity—almost one fifth of Australia's existing energy capacity. So far this has only amounted to a small test rig at Cultana, near Whyalla, which GFG has now announced its intention to sell.

The same year, Gupta unveiled a project to build electric cars at the site formerly occupied by General Motors Holden (GMH) in Elizabeth, SA. This effort was enthusiastically supported by then Labor Treasurer Tom Koutsantonis, who penned an appeal asking GMH to sell assets to GFG. Despite Gupta's insistence in April 2019 that the company would "definitely be launching a car within this year," no vehicle has eventuated.

A more than $A1 billion proposal to build "one of the largest steel plants in the world" at Whyalla was shelved in June 2020. According to the *Sydney Morning Herald*, the South Australian and federal Liberal governments had offered substantial funding for the upgrade but Gupta declined to proceed.

A new plan was then unveiled for a hydrogen-powered "green steel" plant at Whyalla, part of Gupta's aim to become the "world's largest carbon-neutral steel producer by 2030."

At the same time, GFG announced that it was embarking on a 30 percent cost-cutting exercise at the steelworks. While Gupta promised no jobs would be lost, he noted "Whyalla certainly has been struggling," and that "we cannot have operations that lose money."

This announcement appears to have headed off any negotiations for a new enterprise agreement at the plant to replace the sell-out arrangement set up after the collapse of Arrium.

Despite Gupta's dire assessment last year, and the current perilous circumstances, the AWU continues to insist that "the outlook for the company, for the steel industry and the Australian economy more generally is positive."

The union is in lockstep with both major parties in pointing to the implications for Australia's "sovereign capability to make steel" if the Whyalla plant is closed, a concern closely bound up with mounting preparations for war. This raises the possibility of a government bailout, although SA Treasurer Rob Lucas has explicitly ruled out any plans to nationalise the business.

The situation confronting workers at Whyalla, Tahmoor, and other GFG-owned businesses around the world will not be resolved by an injection of cash from a "white knight" investor or a government bailout. Either will result in a boost to shareholder profits, paid for by stepped-up attacks on workers' jobs and conditions. The unions have repeatedly enforced these attacks, as well as the destruction of entire industries, such as car production.

The Greensill crisis, and the threats to steelworkers' jobs, underscore the necessity for a fight to bring the plants under public ownership and democratic workers' control. This in turn requires a break with the unions, which function as a police force of management, the establishment of independent rank-and-file committees to develop a coordinated struggle by workers throughout the sector, and a socialist perspective aimed at reorganising the economy to meet social need, not private profit.