

Australia: Molycop and the fight to defend jobs

Noel Holt, Mike Head
10 October 2023

Steel manufacturer Molycop announced in September it will slash 250 jobs, around half of the workforce, at its plant in Newcastle, north of Sydney, and shut down part of the facility permanently at the end of this year.

The Socialist Equality Party is urging all workers to take up a fight against the company's attack, which has implications for workers and young people throughout the country and internationally, as well as those immediately hit by the sackings.

To defeat the mass sacking, workers need to see the broader nature of this struggle and understand the corporate and political forces involved.

First of all, the cuts are part of a major restructure of Molycop's Australian business. Primary steel production, including the plant's electric arc furnace and bar mill, will be shut down, after more than a century of steelmaking at the facility. The factory will continue to produce railway wheels, grinding balls for the mining industry and other speciality products from steel milled elsewhere.

Some workers have been at the Newcastle factory for decades. With no other steel mills in the surrounding Hunter region, sacked workers are likely to be forced into lower-paid jobs or long-term unemployment.

To fight this, the Molycop workers need to form a rank-and-file committee to reach out to their fellow workers across Australia and globally. They are all in the firing line as companies like Molycop's owner, American Industrial Partners (AIP), reshape their worldwide operations to focus more on robotics, automation and electrification.

As in the American and global auto industry, such transformations are being conducted at the expense of workers, producing an avalanche of job destruction. Since the beginning of the year, some 350,000 auto jobs have been eliminated in India and 220,000 in China, with thousands more on the line in Europe and North America.

Rather than technological advances being used to benefit workers, by cutting working hours and boosting their pay and conditions, they are being exploited to demolish jobs and slash working conditions.

AIP acquired Molycop for \$1.6 billion in 2017 after the collapse of its previous owner, Arrium. The rest of Arrium,

including Whyalla and the Australian steel distribution business, was sold by Morgan Stanley on behalf of the banks and other finance houses.

AIP is a New York-headquartered private equity fund. Its operations underscore the ruthless character of finance capital and the capitalist profit system itself. According to its web site, AIP mainly buys up struggling but potentially highly-profitable companies. It specialises in transactions such as "leveraged buyouts," "structured preferred equity investments," "complex-carve outs" and "public to private."

On its web site, AIP says it manages approximately \$US10 billion of private equity capital. It lists 42 companies, including Molycop, in its investment portfolio. The others include the Carlstar group and Goss print manufacturers. In total, these companies currently employ more than 70,000 workers, all of whom face the same issues as Molycop workers.

AIP is described by market analysts as a "middle market" private equity firm engaged in "corporate divestitures, management buyouts, recapitalisations, and going-private transactions of established businesses." That is, it primarily makes money by buying, restructuring and selling companies, while continuing to operate those it considers most profitable.

As part of its global strategy, AIP is stripping back its Molycop operation in preparation to float it on the stock exchange for at least \$1 billion from investors in what would be the Australian share market's largest IPO [initial public offering] since 2021.

AIP has hired global finance houses—Goldman Sachs, Morgan Stanley, Macquarie Capital and UBS—to work on its IPO deal, with Reunion Capital as an adviser. What is determining whether workers at Molycop have a job or not are the predatory interests of large banks and financial conglomerates and their relentless demands for ever-greater profit returns on investments.

Among the "cornerstone" investors AIP is reportedly targeting are worldwide giant funds like Blackrock and Ausbil, along with superannuation funds such as AustralianSuper, Hesta and Cbus.

The role of these Australian superannuation funds, which are jointly run by trade union bureaucrats, highlights the integration of the union apparatuses into the world of global finance

capital. This further exposes their claims to defend the interests of workers, who are the victims of these restructuring operations.

In July, it was reported that investment banks working on the deal have been meeting London-based fund managers, with the next logical leg of any international roadshow being the United States. Molycop management, headed by American Jim Anderson who has run a few Australian businesses for private equity owners, spoke with fund managers at investment bank UBS that month.

A previous AIP operation to float Molycop was abandoned in 2021-22 amid the first years of the COVID-19 pandemic. Some concern has been raised in the financial press that the current float might be too ambitious given the global economic slump. By shedding half the workforce at Newcastle and ending steel production there, AIM is hoping to make its IPO more attractive to investors.

In financial circles, Molycop is regarded as a profitable prospect. According to research firm IBISWorld, Molycop, which lodges its accounts under the name Grinding Media Pty, generated about \$US500 million of revenue and earnings before interest, tax and amortisation for the year to June 2022.

In Australia, Molycop has \$US500 million of assets and over 600 employees. Globally, according to its web site, Molycop is headquartered in Omaha, Nebraska and operates in 40 locations globally, with 1,803 employees and \$1.855 billion in annual revenues.

In Australia, Molycop has a global process optimisation and digital technology centre in Perth, Western Australia; and Molycop 360, a logistics and waste management business, based in Cootamundra, New South Wales.

While Molycop posted a \$US3.4 million loss for the year to June 2022, it had a \$US1 million profit in the previous financial year. AIP is linking its IPO to the international shift to electric vehicles and other forms of electrification, and the resulting strong prospects for copper, which is needed for almost everything electrical.

Molycop is the biggest supplier of essential grinding media to copper producers in the Americas and Australasia, with an estimated 52 percent market share in the 2022 financial year.

AIP is looking to retain about a 40 percent stake in Molycop after the float. According to the financial media, it would use funds raised at the IPO to refinance debt and reset the group's capital structure.

Molycop's mass sacking is also part of a corporate offensive against jobs across Australia. Despite making record profits, the big banks are eliminating more jobs, with an estimated 2,000 gone this year so far. Optus, a major telecommunications company, last month sacked up to 150 workers—nearly half the workforce—from its call centre in Adelaide.

The Reserve Bank of Australia, backed by the federal Labor government, has hiked interest rates to deliberately drive up unemployment and curb the demands of workers for wage rises

to match inflation. Real wages have already declined by the greatest amount in generations, compounding the financial crisis facing many workers.

That agenda was spelt out by a multi-millionaire property developer at last month's *Australian Financial Review* Property Summit. "We need to see pain in the economy," he told his audience. That included "massive layoffs" to cause "less arrogance in the employment market."

The trade union bureaucrats are intent on suppressing workers' opposition to the Labor government's policies. The Australian Workers Union (AWU) and the Australian Manufacturing Workers Union (AMWU), whose members are affected by the restructure, insist that Molycop management's decision is final. There will be no struggle if it is left up to them. Instead, the union leaders are working with management to get workers out of the door with no opposition, via redundancy deals.

The fight to save jobs and conditions depends on workers taking matters into their own hands. We urge workers to take the first step: form a Molycop rank-and-file committee to lead the fight, democratically run by workers themselves, and involving workers throughout the facility, including those whose jobs are not under immediate threat.

Through this committee, Molycop workers can reach out to their counterparts across the steel industry, throughout manufacturing and more broadly, to mount a unified struggle to defend their jobs, wages and conditions. This would also include Molycop and AIP workers in Canada, Chile, Indonesia, Mexico, Peru, Singapore, Spain and the US, as well as the auto workers taking strike action in the US.

The cuts at Molycop are part of a global assault on the working class. Workers must reject the nationalist poison of the union bureaucrats, who promote the division of workers along national borders to enable management attacks. Workers in one country are pitted against workers in another, forcing down wages and conditions.

A counter-offensive against the destruction of jobs, wages and conditions must be based on the international unity of the working class in coordinated struggles independent of the trade unions. Above all, this fight requires a socialist perspective, aimed at establishing workers' governments, to place all essential industries, including steel and finance, under public ownership and the democratic control of the working class to meet social need, not the private profit of billionaires.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact