

Australian Labor governments place Whyalla Steelworks under administration, announce huge bailout

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Last week, the South Australian (SA) Labor government rushed new legislation through parliament, with bipartisan support, allowing it to place the Whyalla Steelworks into administration.

The unusual move was immediately and enthusiastically endorsed by the federal Labor government. Prime Minister Anthony Albanese travelled to Whyalla last Thursday to announce, with SA Premier Peter Malinauskas, a \$2.4 billion joint bail-out package.

Malinauskas and Albanese batted away suggestions the steelworks would be nationalised, but the lack of a prospective buyer may leave little choice. Bluescope, Australia's other major steel producer and the obvious choice, has indicated it would be open to operating Whyalla, but is not interested in buying it.

While the possibility of the federal government taking an equity stake in the steelworks has not been ruled out, their preference is to lay out billions of dollars in infrastructure investments to maximise the profit potential for a new corporate owner.

The move has clearly been in the works for some months. The administrator, KordaMentha, has been involved in these discussions since December 23, the *Australian* reported yesterday.

The carefully orchestrated state-federal operation reflects the strategic importance of the 60-year-old facility to the Australian ruling class. While Whyalla provides only around 15 percent of Australia's steel needs, it is the only steelworks in the country that produces long steel, including structural steel and rail. If ships, submarines and munitions are to be built from Australian steel, Whyalla Steelworks needs to be in operation.

The facility's owner, Liberty Steel, part of Sanjeev Gupta's GFG Alliance, reportedly owed the state tens of millions of dollars in mining royalties and utility bills. The company had also racked up millions of unpaid debt to other creditors and contractors, while employees have not been paid for weeks.

The Whyalla plant had a disastrous 2024, at one stage losing \$1 million per day, according to Gupta. The facility's blast furnace was out of action for a total of eight months, due to two protracted outages, and only returned to service, at reduced capacity, in January.

The first, lasting four months, began with scheduled maintenance in March, carried out over the protestation of workers. They raised concerns with management that the way it was being conducted would cause serious damage to the blast furnace.

The plant's 1,100 workers faced pay cuts of up to 30 percent during this outage, as the Australian Manufacturing Workers Union (AMWU) and Australian Workers Union (AWU) collaborated with the company's slashing of rostered hours. Many of the around 2,000 Whyalla contractors and tradespeople whose main or sole source of employment is the steelworks saw their income dry up entirely.

The problems at the Whyalla steelworks are just one component of Gupta's unravelling global operation, which is saddled with debt and faces numerous legal challenges following the 2021 collapse of financier Greensill Capital.

This includes the four-week shutdown of Gupta's Tahmoor coal mine in New South Wales, after the company's failure to pay its suppliers reportedly led to a critical shortage of fuel and other materials. Some 450 workers and contractors there face an uncertain future, with the mine likely to be sold to a new owner, who will inevitably demand "productivity" increases, i.e., cuts to jobs, wages and conditions.

At Tahmoor and Whyalla alike, the concern of state and federal Labor governments is not protecting workers' livelihoods, but bolstering Australia's "sovereign" manufacturing capacity and avoiding a complete reliance on imported steel.

This is underscored by the fact that SA's contribution to the bailout package comes from scrapping its \$593 million "Hydrogen Jobs Plan," which was slated to create 25,000 temporary and 5,000 permanent jobs in the Spencer Gulf region, including Whyalla.

The plan ditched by the Malinauskas government included the construction of a "green hydrogen" plant, which was to supply the steelworks. Without it, there is no prospect of drastically cutting carbon emissions while continuing to produce steel of the same quality at Whyalla.

Gupta's promise of a "green" future for Whyalla centred on replacing the 60-year-old coal-fired blast furnace with an electric arc furnace (EAF). Unlike existing Australian EAFs, which are used to recycle scrap steel, the new Whyalla furnace would employ a "direct reduced iron (DRI)" process, through which most oxygen is removed from the iron ore, using hydrogen or natural gas. Unlike traditional scrap-recycling EAFs, this method can produce steel of even higher purity than coke-fuelled blast furnaces.

But without a ready source of hydrogen, Albanese's claims of a

transition to “green steel” production at Whyalla—\$500 million of the federal funding comes from the newly created “Green Iron Investment Fund”—are fraudulent.

The \$2.4 billion bail-out is really directed towards ensuring Australia maintains a foothold in steelmaking, a key strategic industry. This is particularly significant as Australia ramps up preparations to play a leading role in a US-led war against China.

Albanese emphasised on Thursday that Australian steel production was “really important in our national interest,” to not be “vulnerable for the shocks that can occur,” including “international conflict.”

The history of Whyalla Steelworks is bound up with such concerns. Opened in 1941 with an integrated shipyard, the plant was immediately commissioned to build four Bathurst-class Corvettes for the Royal Australian Navy. Before the closure of the shipyards in 1978, more than 60 vessels were constructed at Whyalla.

As well, Whyalla is the only Australian steelworks that produces high-purity steel suitable for military and munitions applications.

This is in line with other measures announced under the “Future Made in Australia” and “National Reconstruction Fund” banners. These have consisted of enormous handouts to mining corporations headed by the country’s richest billionaires, directed towards breaking China’s monopoly on critical minerals, and to strategic areas of manufacturing such as aluminium production.

Just \$50m of the promised state and federal funding package will be used for “Creditor Assistance”—interim payments of 50 percent of what GFG owes. Another \$384 million is earmarked for “Stabilising the Steelworks,” to keep the operation running, and workers getting paid, while it is in administration.

A sizeable chunk will be handed straight to the administrators. According to the *Australian*, KordaMentha estimates that the administration will cost around \$10 million. The insolvency firm netted more than \$14 million from its 2016–17 administration of Arrium, the previous owner of Whyalla Steelworks. At one stage, the firm was billing more than \$1 million per week, according to Michael West Media.

These enormous fees are earned in part through the enforcement of harsh cost-cutting measures. More than 6 percent of the Arrium workforce was slashed during the administration, on top of 250 job cuts at Whyalla the previous year.

As well, KordaMentha imposed a new enterprise agreement at the Steelworks and nearby iron ore mine that included a 10 percent wage cut and other regressive measures, aimed at slashing \$17 million in labour costs. This could not have been done without the full collaboration of the AMWU and AWU, which promoted illusions this was only a temporary measure, necessary to save jobs, and rammed the deal through despite substantial opposition from workers.

In a sign that further job cuts and restructuring are on the cards at Whyalla, the bail-out package includes \$6 million for a “Jobs Matching and Skills Hub.” Such initiatives have typically been used as a means of heading off opposition to mass job cuts and industry closures.

Now, the union apparatus is completely on board with Labor’s nationalist, militarist agenda. AWU secretary Paul Farrow said the

announcement was “a huge shot in the arm for Australia’s sovereign capability.... Without [Whyalla] we would be beholden to foreign nations for the building blocks of our society.”

Maritime Union of Australia (MUA) secretary Paddy Crumlin said, “At this time of great international uncertainty... the retention of sovereign capacity in sectors such as steel manufacturing... is essential for the national interest.”

AMWU secretary Steve Murphy declared: “Workers aren’t wondering how long they’ve got, but instead how bright their futures can be.”

Whyalla workers be warned! The same promises were made by the union leaders when Gupta arrived on the scene and was hailed as the “saviour of steel.” But workers’ sacrifices during the Arrium collapse, insisted upon and enforced by the union bureaucrats, have only been repaid with further cuts to real wages and conditions.

If history is not to be repeated, workers need to take matters out of the hands of the union bureaucracy and into their own. Rank-and-file committees must be built as the means through which workers can democratically plan and fight to defend their jobs, and for real improvements to wages and conditions.

Workers should oppose the plans of the Labor government and the union apparatus to tie Whyalla steelworkers to the war machine. The descent into global conflict, a consequence of the rotting capitalist system, will come with deepening attacks on the living conditions of the entire working class, in Australia and worldwide.

This poses the need for a unified political struggle against capitalism and all of its organs, including the Labor governments and the unions, and the fight for an alternative, socialist perspective.



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