Australia: Whyalla Steelworks was “running on empty,” owed creditors $1.3 billion

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The first creditors’ meeting at Whyalla Steelworks on Monday was told its finances were in an even worse state than previously thought. The administrator, KordaMentha, said the steelworks had lost a total of $319 million since July and owed creditors more than $1.3 billion.

The 60-year-old plant was placed into administration by the South Australian (SA) Labor government on February 19, with bipartisan support. The unprecedented move was immediately endorsed by the federal Labor government, which pledged $1.9 billion to a joint state-federal bail-out package totalling $2.4 billion.

The federal government’s primary concern is not preserving jobs, or transitioning to “green” steel production, but ensuring that Australia retains a foothold in the key strategic industry, especially as Australia prepares to play a leading role in a US-led war against China.

When the administrators arrived, owner OneSteel Manufacturing, part of Sanjeev Gupta’s GFG Alliance, had just $8 million in the bank, not enough to make payroll.

The facility’s 1,500 direct employees are owed a total of $189.7 million, including annual leave and redundancy entitlements. Workers have been told they will not be allowed to cash in annual or long service leave entitlements during the administration.

OneSteel owes a further $437 million to trade creditors, including local small businesses and contractors, around 2,500 of whom are effectively employed at the steelworks.

Whyalla Hose and Fitting Services, which employs 15 workers, was owed $600,000, owner David Bruce told the *Advertiser*. He said the business had only just finished paying off a $750,000 state government loan it had needed to take out when Arrium, the previous owner of the steelworks, collapsed in 2016.

CBCH/Max Cranes Whyalla was owed a similar amount, and owner Chris Birch said OneSteel’s long-unpaid bills had led him to refuse work from the company. This meant CBCH’s 70 staff had to be put on shorter shifts.

Birch told the *Advertiser* it had been clear since around September that “GFG was in serious trouble,” and noted the impact this was having on the whole town of around 22,000. “All the businesses in Whyalla started to communicate with each other as to how everyone was travelling and it started becoming evident that things weren’t good in the town,” he said.

Chrys Press said his industrial dry-cleaning business was owed $50,000 by OneSteel and had lost about 80 percent of its work since the two extended shutdowns at the steelworks last year and GFG’s broader financial problems provoked business collapses, layoffs and an exodus of workers from Whyalla.

OneSteel’s inability to pay its bills had also caused Whyalla Port, owned by a separate GFG subsidiary, to shut down. A representative of Peak Iron Mines told the *Advertiser* its inability to export iron ore through Whyalla had put “200 direct SA jobs at risk.”

The appointment of administrators and injection of cash by the state and federal Labor governments has been welcomed by local businesses, workers and residents, as at least a temporary reprieve. But the figures revealed at the creditors’ meeting indicate that the sums allocated for existing debts and ongoing running costs in the $2.4 billion government bailout package are woefully inadequate.

Just $50 million has been earmarked for “Creditor Assistance payments.” Even limited as these are to paying half of what a creditor is owed, and discounting the $570 million in debt to other GFG entities, for which the government funds will not be used, this would seem to fall far short of what is required.

The $384 million in government funding allotted to running expenses while the steelworks is in administration could also prove problematic, given the plant has been losing an average of $1.5 million a day over the past seven months.

SA Premier Peter Malinauskas said on Monday he “suspected the administration could take as long as it did in 2016, which was a 17-month process,” the *Australian* reported.

A major contributor to the financial woes of the steelworks were two major breakdowns that put the plant out of action for around eight months last year.

BlueScope, the only other company in Australia that operates a blast furnace to produce steel from iron ore, rather than scrap metal, will be brought in as experts to advise on how to bring the plant’s output back up to capacity. BlueScope had initially been flagged as a possible buyer for Whyalla, but has since indicated it would only be interested in operating the steelworks, not owning it.

Joint administrator Sebastian Hams said it seemed maintenance and repairs had been lacking for most of the time GFG had owned the steelworks, the condition of which was “a lot worse” than KordaMentha had expected.

Hams also suggested that the facility’s ovens, which turned metallurgical coal, largely sourced from GFG’s Tahmoor coal mine in New South Wales (NSW), into coke for the furnace, were shut down in 2023 “simply because the maintenance wasn’t done.”

The company claimed that the move, forcing the plant to rely on imported coke, which workers said was of inferior quality, was cause for celebration, as part of the transition towards “green” steel production. But the new electric arc furnace, supposedly ordered from Italy and set to be put into operation last year, never eventuated.

The administrator placed the value of the property, plant and equipment at OneSteel at just $385 million, barely more than half what GFG paid for the steelworks in 2017, in what was widely considered to be a fire-sale bargain.

The $570 million owed to other parts of Gupta’s ailing empire are a reflection of what Hams described as “agreements in place here with various related parties that mean this business is hardwired to make losses.”

Hams’ comments about the dire state of the steelworks and its economic viability should be a stark warning to workers. While there may be an initial flurry of spending to get the plant back up to speed, the role of the administrators will be to restructure and slash costs, to make the steelworks more attractive to potential buyers.

This was the role KordaMentha played when it was appointed as administrator of the steelworks in 2016-17 after the collapse of previous owner Arrium. More than 6 percent of the Arrium workforce was slashed during the administration, on top of 250 job cuts at Whyalla the previous year. With the full support of the unions, KordaMentha imposed a new enterprise agreement that included a 10 percent wage cut and other regressive measures, aimed at slashing $17 million in labour costs.

The vast related party debt, most of which is unsecured, highlights that the threat to jobs, wages and conditions extends far beyond Whyalla.

Tahmoor coal mine, recently shut down for four weeks as a result of GFG’s failure to pay suppliers, is reportedly owed $144 million by Whyalla, placing the livelihoods of the 450 workers and contractors employed there further at risk. A plan to sell the mine, promoted by the union bureaucracy as the only salvation for workers, appears to be in doubt, amid claims GFG’s asking price of $800 million was too steep.

OneSteel also owed $156 million to InfraBuild, until recently one of the few profitable components of Gupta’s global operation. Moreover, KordaMentha claims that Whyalla was selling steel products and coking coal to InfraBuild—$140 million worth in the past six months—too cheaply and says it will seek to renegotiate the prices.

InfraBuild, which employs more than 5,000 workers at its electric arc furnaces in Sydney and Melbourne and ten manufacturing mills in the eastern states, reported an $81.3 million loss in the six months to December 31. This included more than $16 million “relating to professional fees incurred in relation to creditor settlement and restructuring expenses.” The company also faces a demand from one of its bondholders to immediately repay more than $800 million.

The likely imposition by the Trump administration of a 25 percent tariff on steel imported from Australia further clouds the prospects of InfraBuild and Whyalla, while tariffs on Chinese steel could also have implications for Tahmoor’s coal exports.

Workers at Whyalla Steelworks, Tahmoor Colliery and InfraBuild, as well as at BlueScope, throughout the steel industry and more broadly, need to take up a unified struggle to defend their jobs, wage and conditions.

This is impossible under the control of the trade union bureaucracies, which have imposed one sellout deal after another, based on the phoney pretext that workers must make sacrifices to keep their jobs, and presided over the destruction of most of the Australian steel industry over the past four decades.

Workers need to take matters into their own hands and build rank-and-file committees, independent of the unions and Labor, to lead the fight for their livelihoods.

This poses the need for a political and industrial struggle against the subordination of the needs of the working class to the profit interests of the corporate and financial elite. The alternative is the fight to establish workers’ governments, to implement socialist policies. Critical infrastructure like the Whyalla Steelworks, along with the major corporations and banks, must be placed under democratic workers’ control and ownership, to serve the needs of the working class, including for the mass construction of affordable housing, not further enrich the wealthy few.