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Strike at Escondida Settled

by LADB Staff

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Chilean union laborers conducted a nearly one-month-long strike at the world's largest privately-owned copper mine, Escondida, pitting 2,000 workers against the Australian corporation BHP Billiton. Record copper prices and profits for Billiton encouraged union leaders to strike against the Melbourne-based company, although the union ultimately voted to accept a 5% pay raise, coming down from an original demand for 13%. The strike has implications for other sections of Chile's massive copper industry, with employees of the state-owned Corporacion del Cobre (CODELCO) mulling work stoppages of their own to get a bigger share of copper export revenues.

Four-week strike nets US\$17,000 bonus

Union members at Chile's Escondida mine accepted new contracts on Sept. 1, ending a 25-day dispute, but it would take up to a week more for full production to resume. Workers voted by more than 13 to one to accept a new 40-month contract, with a 5% wage raise and a US\$17,000 bonus. The new contract also provides health and education benefits for members, said a union official. Escondida, owned by Anglo-Australian company BHP Billiton, produces 8% of the world's copper supply. During the strike, with production down to about 40%, it was losing about US\$16 million every day, said company officials. Managers at Escondida had been offering a 4% raise, while the union sought 8% down from an original demand for a 13% pay raise and a bonus of US\$30,000. Before the strike, corporate managers had offered a raise of only 3 percentage points above inflation rates. The union said 1,607 workers voted to accept the deal, with 121 voting against.

Union president Luis Troncoso said that both he and the workers were satisfied with the outcome and that the contract would be signed on Sept. 1, with miners returning to work the next day. In a statement, Escondida said it was "convinced that the final result of this large process will prove beneficial to both sides." Copper prices have hit record highs this year because of the strong global demand led by China. This is the main reason that workers at the mine said they deserved a substantial pay raise. The union, Sindicato de Trabajadores de Minera Escondida, said that they had been prepared for a two-month strike, much longer than a day-long work stoppage the union previously ordered and shorter strikes recently carried out at other mines.

As the strike began, workers implemented their "square wheels" strategy, slowing work to the maximum possible. Operations rarely shut down completely, except for one day when strikers blocked roads into the facility. But since Chilean law allows nonunion replacements for workers during strikes, Billiton did bring in some replacement laborers. The strike began on Aug. 7, when the previous union contract expired. That was negotiated when copper prices were less than US\$0.80 per pound they are now more than US\$3 per pound.

The commencement of the Escondida strike squeezed global copper supplies and drove a spike in prices on New York and London markets in early August. Escondida produced 1.271 million tons

of the metal in 2005. BHP Billiton, which owns 57.5% of Escondida, gets about a fifth of its profit from the mine, according to estimates by ABN Amro Australia Ltd. Escondida was generating US\$1 million an hour in net operating profit after tax for BHP Billiton in May, according to a May 5 note from Peter O'Connor and Jeremy Gray, analysts at Credit Suisse Group. Rio Tinto, which owns 30% of the mine, got 18.5% of its record first-half profit from Escondida. Profit at Escondida more than tripled in the first six months of the year to US\$2.92 billion from US\$936.9 million a year earlier.

Escondida, 170 km southeast of the city of Antofagasta, produces copper cathodes, which are almost 100% pure copper, and copper concentrates, which usually are about one-third copper. A group led by Mitsubishi Corp. owns 10% of the mine, while the World Bank's International Finance Corp. owns the rest, 2.5%. Miners in Chile generally earn 500,000 pesos (approximately US\$950) a month. Chuquicamata, Andina wage negotiations pending CODELCO, which will negotiate later this year with unions at its Chuquicamata and Andina mines in Chile, will also receive demands for bigger wage increases, said Jorge Candia, a member of the CODELCO board in representation of the company's supervisors.

Earlier this year, support workers for CODELCO staged a two-week strike to get better compensation and working conditions (see NotiSur, 2006-02-24). Workers, who eased salary demands when prices slumped, want to take part in the profit from surging sales, said Candia, who added that he is not a spokesman for the unions. "Workers feel that that the favor should be returned," Candia said. "There are high expectations because of high copper prices." Prices have surged from a 14-year low in 2001 of US\$0.60 a pound. China, the world's biggest copper user, has increased purchases of copper wire and pipe, reducing global stockpiles of the metal.

President Michelle Bachelet called the strike at Escondida a dispute between two private entities, BHP Billiton and the union. But CODELCO labor disputes will bring her administration into the fray. The president, inaugurated earlier this year, has sought to build a significant level of savings from the record copper income the government is receiving, but many social sectors are seeking a greater share of that income (see NotiSur, 2006-06-23 and 2006-07-28). Santiago newspaper *Diario Financiero* called the Escondida union's triumph in getting bonuses from Billiton a "hard step" for CODELCO managers, calculating that, if workers from the state-owned copper company won a similar concession, it would cost US\$173 million.

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