

# Bankruptcy judge leaves Patriot Coal retirees high and dry

## Judge rules coal company can dump its union contracts and cut off retiree health care

ST. LOUIS — A federal bankruptcy judge in St. Louis has ruled in favor of Patriot Coal in its effort to eliminate its collective bargaining agreements and get out of commitments made to retirees who worked for Patriot, Peabody Energy, and Arch Coal. More than 20,000 workers and retirees will be im-

pacted by the decision.

The workers are members of United Mine Workers of America (UMWA). The union has filed a lawsuit claiming that Arch Coal and Peabody Energy designed Patriot Coal to fail — then shifted over a billion dollars in pension and retiree health care debts to Patriot

as a ploy to get out of those obligations.

In These Times magazine reported: “In 2007, Peabody Energy spun off a new company, Patriot Coal, which inherited 10 unionized mines in Kentucky and West Virginia. Along with the mines, Patriot took on \$557 million in health care obligations to UMWA retirees. In 2008, Patriot bought Magnum, which had been similarly spun off from Arch Coal three years earlier. From Magnum, Patriot inherited another

\$500 million in obligations to retired miners, according to the UMWA.

“Oddly, for a 5-year-old company, Patriot wound up with nearly three times as many retirees as active employees, more than 90 percent of whom never worked for the company. Overburdened by its debts, in July of 2012 Patriot declared bankruptcy.

“In bankruptcy court, Patriot is seeking to be released from its pension and retirement obligations to some 10,000 UMWA retirees, covering more than 20,000 beneficiaries which total more than \$1.3 billion.”

Patriot Coal is headquartered in Charleston, West Virginia, and Peabody Energy, one of the nation’s largest coal companies, is based in St. Louis. Patriot filed for bankruptcy protection in New York in July of 2012. The case was transferred to St. Louis at the request of UMWA.

Under the May 29 ruling by Judge Kathy Surratt-States of the U.S. Bankruptcy Court for the Eastern District of Missouri, Patriot will be allowed to cease paying for retiree health care benefits as early as July 1. Responsibility for paying benefits would be handed over to a Voluntary Employee Beneficial Association (VEBA), which will only have guaranteed funding of \$15 million, plus a royalty payment of 20 cents per ton of coal the company produces, which may add approximately \$5 million to the VEBA per year. Current health care costs for these retirees average nearly \$7 million per month, the union said in a press release.

The company offered UMWA a 35 percent stake in the company, which could be sold to help fund the VEBA, in the event there is a willing buyer.

“Since the current and future value of the company is unknown, there is no way of knowing how much money this could provide for health care benefits or when such funding would be available,” the press release further stated.

The bankruptcy judge’s ruling also creates a path for Patriot to throw out its current collective bargaining agreements with the UMWA, which will cut wages by several dollars per hour, eliminate paid time off by about one-third, and drastically increasing out-of-pocket

health care costs.

Mine Workers Union President Cecil Roberts said the ruling was “wrong, unfair and fails to fully recognize the coming wave of human suffering that will be experienced by thousands of people.”

Roberts said the union offered its own reorganization plan, but it was not accepted.

“(We) presented a very clear picture in court of what Patriot actually needed to come out of bankruptcy,” he said. “Patriot can survive as a viable and profitable company well into the future without inflicting the level of pain on active and retired miners and their families it seeks. Patriot is using a temporary liquidity problem to achieve permanent changes that will significantly reduce the living standards of thousands of active and retired miners and their families.

“We intend to appeal the ruling to the Federal District Court,” Roberts said.

The union is also pursuing a second track — negotiating with Patriot.

“The question is the VEBA, what’s the source of the money in it” to pay for retirees’ health care “and how fast they can get it there,” said union spokesman Steve Smith.

“We will continue to meet with the company to see if there is a way forward,” Roberts said. “We have long acknowledged that Patriot is in trouble, because it can no longer pay Peabody and Arch’s bills. We remain willing to take painful steps to help Patriot get through the rough period it faces over the next couple of years.

“But if we’re going to share in that pain, then we have every right to share in the company’s gain when it becomes profitable again,” Roberts said. “That only makes sense, and we will continue to try to get this management team to understand that.”

Union officials said public protests will continue. Since the bankruptcy filing last year numerous peaceful rallies have taken place in several states. Dozens of mine workers, retirees, and union officials, including President Roberts, have been arrested. The most recent was May 21 when a dozen protesters were arrested for sitting in the street near the federal courthouse in St. Louis. At press time June 4, mine workers and retirees were preparing to rally at the Henderson County courthouse in Henderson, Kentucky.



## IBEW Local 48 business managers past and present

Present and past business managers of IBEW Local 48 dating back to 1980 pose for a picture at the 100th anniversary gala dinner held May 17 at the Oregon Convention Center. From left to right are current Business Manager Gary Young, and former business managers Cliff Davis (2007-13), Barry Mitchell (2004-07), Grant Zadow (2003-04), Keith Edwards (2000-03), Jerry Bruce (1996-2000), Greg Teeple (1995-96), Ed Barnes (1983-1995), and Bob Hall (1980-83). The event drew nearly 1,000 guests, including Gov. John Kitzhaber and IBEW International President Ed Hill and Secretary-Treasurer Salvatore Chilia. Drew Carney of KGW Newschannel 8 was the master of ceremonies. Local 48 is the amalgamation of IBEW Local 317, chartered in 1904, and Local 480, chartered in 1912 with 14 members. Membership in Local 48 peaked at 21,000 (a high percentage of them women working at the Portland shipyard) from 1942 to 1944, and was the largest electrical local in the United States. Union electricians have wired Bonneville Dam, The Dalles Dam, Timberline Lodge, Multnomah Falls bridges and walkways, and the Trojan nuclear power plant, to name a few. Today, membership stands at 4,200. An exhibit of the union’s history is on display at the Oregon Historical Society, 1200 SW Park Ave., Portland. “NECA/IBEW Local 48: 100 Years of a Powerful Partnership” features artifacts, local historic photos, and some interactive displays. The exhibit is open to the public through Aug. 4.

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