

Patriot Coal Seeks to Cut Retirees' Benefits

Jim Salter, Associated Press

ST. LOUIS (AP) — Patriot Coal Corp. has asked the U.S. Bankruptcy Court to modify collective bargaining agreements with the United Mine Workers of America, allowing the company to cut health care coverage for retired miners.

St. Louis-based Patriot also sought to change wages, benefits and work rules for existing workers in an effort to make the company more competitive, saying in a filing Thursday that the actions are necessary to save more than 4,000 current jobs.

Patriot filed for bankruptcy in July, citing exceptionally weak coal markets, increasing costs and "unsustainable legacy liabilities." The company said that since the filing, coal markets have only gotten worse.

"Without the cost relief we are seeking, all of these jobs will be lost and it will no longer be possible to provide health care for more than 23,000 employees, retirees and their dependents," Patriot president and chief executive officer Bennett K. Hatfield said in a statement. "Our labor and retiree benefit costs have risen to levels that simply cannot be sustained given the challenges facing the company and our industry."

Separately on Thursday, Patriot filed suit against its former parent company, Peabody Energy Corp., also of St. Louis, saying it wants to ensure that Peabody doesn't try to use Patriot's bankruptcy "to escape Peabody's own health care obligations to certain retirees."

Union leaders have been anticipating the effort to cut retiree benefits, holding protests in St. Louis last month that drew more than 1,000 people. UMWA President Cecil Roberts called the proposal "unacceptable" and said the loss of benefits would cause financial ruin and threaten the health of thousands of retirees.

"This is the path we have been saying Patriot would take from the very beginning of this bankruptcy last July," Roberts said in a statement. "They're demanding massive changes to the collective bargaining agreement, and they want to scrap the health care benefits our retirees earned through decades of blood and toil."

Patriot said it cannot afford to continue paying higher wages to its 1,600 union workers than its 1,300 nonunion miners.

Patriot said its payments for UMWA-related retiree health care amounts to about \$1.6 billion. Patriot proposed transferring retiree health liabilities to a voluntary employee beneficiary association trust. Patriot would make an initial contribution of \$15 million to the trust.

Patriot spun off from Peabody in 2007, with Peabody agreeing to pay health care

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costs for more than 3,000 UMWA retirees who were employed by Peabody entities that were transferred to Patriot.

Peabody has said it might seek an end to liabilities to Patriot employees if Patriot sought a modification to health benefits.

In response to the lawsuit, Peabody said in a statement Thursday that Patriot "is taking the untenable position that our payments should continue in full in the future, even if Patriot's expenses are reduced."

The union previously filed suit against Peabody and Arch Coal in West Virginia, claiming they set up Patriot to fail so that pension and health care benefits could be shed. After the 2007 spinoff, Patriot acquired mines that Arch Coal spun off into Magnum Coal. Arch Coal is also based in St. Louis.

Patriot and the UMWA have been meeting for months to try to find a compromise. Roberts said the talks will continue "in the hopes that something fair for both sides can be worked out."

Union leaders said at the February protests that the benefit cuts would affect retired miners and dependents mostly in West Virginia, Illinois, Indiana, Kentucky and Ohio. At least twice, a handful of protesters were arrested for sitting in the street outside Peabody's downtown office building.

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