Strike Threat Looms at World's Largest Copper Mine as Talks Fail

By Laura Millan Lombrana
(Bloomberg) –

The union at the world's largest copper mine is calling for a strike after rejecting the company's offer for a collective contract.

Workers at BHP Billiton Ltd.'s Escondida mine in Chile's Atacama Desert will vote on whether to accept the company's final offer through Aug. 1. Union No. 1, which represents 2,500 maintenance workers and operators at the giant mine, says support for a strike is overwhelming following two days of meetings.

"The company has never wanted to negotiate, they just wanted to impose their views and threw us some breadcrumbs that don't answer our demands" Patricio Tapia, union president, said by phone on Saturday. "Our first choice is to reach an agreement, but if there's no disposition we will have to go on strike."

The positions of BHP and the Escondida union remain far apart after almost two months of talks, with the union putting forward its most ambitious wage proposal ever. Talks last year failed and resulted in a 44-day strike that ended with no agreement. The stoppage was the longest strike in modern Chilean mining and it contributed to a global deficit in copper and a rise in prices.

BHP's final offer is the best possible, the company told the Escondida workers in an internal statement obtained by Bloomberg. BHP officials in Chile didn't immediately respond to a request for comment outside of business hours.

BHP is offering workers a three-year contract which includes a 1.5 percent wage hike and a one-time payment of 18 million pesos (about $28,000), as well as reductions to some existing benefits. The union is demanding to keep its existing benefits, a 5 percent wage increase and a bonus of 25.6 million pesos.

If workers reject the offer, the two sides will still have the chance to reach an agreement over five days of government-mediated negotiations that could be extended for another five days. If no deal is reached, a strike would start around mid-August.

Union's Plan B

The union has a "Plan B" in case talks fail, but it can't unveil its strategy before voting ends, Tapia said. An internal statement from the union to members seen by Bloomberg shows it's considering invoking a provision in Chile's law to extend the current contract and force the company back into negotiations in 18 months.

It's the same strategy the union used last year. At the time, it preferred to extend the existing contract until July 31, giving up bonuses and inflation-linked salary increases, rather than accepting an offer from the company that reduced workers' benefits.

The document, which labels the strategy as "a devastating blow to the company's intentions," shows the union is proposing that some workers abandon the strike once it starts. Under Chile's new labor law, which started in April last year, those who go back to work individually effectively accept the company's final contract offer.

A second group of workers would remain on strike, allowing the union to call for the 18-month extension of the previous contract, according to the document. When the period expires, the union representing all workers, including those who abandoned the strike, would negotiate using the previous contract and all of its benefits as the starting point.

"The contrived interpretation that the union is doing, which looks to twist the spirit of the law, is absurd," the company said in the statement to Escondida workers. "The leadership proposes to end the process with thousands of workers on individual contracts."

The strategy is "inadequate and irresponsible" because it goes against the principles of the law and of the union, which should be to sign a collective contract, the company said.

The union's strategy could constitute a case of breach of the spirit of good faith in wage negotiations embedded in the labor code, Luis Parada, partner and head of employment practice at DLA Piper in Santiago, said by phone on Saturday. In its offer, the company is budgeting payments and benefits for a period of 36 months, while the union could systematically force a new negotiation every 18 months.

"A majority of workers would benefit from a very good final offer from the company, while a minority would sacrifice," Parada said. "They are using small defects in the new labor code that didn't exist in the old one."