

# Down Turn in Coal Industry & Teck Workforce Reduction



Since our last bulletin in December **Fording River** management has laid off 37 casuals, announced (41) days of shutdown dates, announced a reduction of clean coal production by 20%, requested a new 3 shift schedule for process operators allowing the plant to be shutdown 2 days a week, park all 170 haul trucks, idle (8) 793 cat trucks, idle 11 and 14 shovels, Teck is also reducing it's global workforce by 1400 employees.

All of the Elk Valley Coal mines are affected equally with the announcement of future shutdowns, casual layoffs, and reduction of clean coal production by altering the shift schedules in the plant. Outside of the Casuals and Contractors, there are no expected lay-offs of full time employees except at **Coal Mountain Operations** where they have laid-off 27 workers and six staff, and have reduced to 3 shifts in the plant, and mine operations. They have also put there maintenance shop on 4 ten hour shifts with every Thursday and Friday as down days.

**Greenhills** has shutdowns that are comparable to all the other mines; they have laid off all their casuals, and have reduced their process plant to a 3 shift schedule.

**Line Creek** has 38 days of scheduled shutdowns, all casuals will be laid off by March 22<sup>nd</sup>, they have reduced their process plant from a 3 shift schedule to a 2 shift schedule and are moving mainly waste product.

**Elkview** has 46 days of scheduled shutdowns, an average of 24 shifts per employee, all casuals are laid off as of January 15<sup>th</sup> and they will also be going to a 3 shift schedule in their process plant.

The reason that I am saying that all these other operations will be going to a modified shift schedule in the plant is that their Collective Agreements allow for the modified shifts, and Greenhills can do what they want because they have no Union.

The Union and Company met to discuss several issues regarding upcoming vacation scheduling for 2009.

- 1.) The parties agree that with the uncertainty in the marketplace it is best to delay any announcement trying to pin point the shutdown schedule for all of 2009, and have had the time periods of the vacation request language extended. The Company has committed to the Union that they would post a more accurate summer shutdown schedule on March 31<sup>st</sup>.

The Company will post vacation entitlements by January 15<sup>th</sup> (this is no change). Employees will have until April 15<sup>th</sup>, 2009 (instead of February 15<sup>th</sup>) to submit your vacation requests. The Company will post the vacation schedules by May 15<sup>th</sup> (instead of April 15<sup>th</sup>.) The hope is that there is more accurate information available after the first quarter.

- 2.) We also discussed the issue of lack of vacation time for employees to cover all of the scheduled shutdowns. The Union suggested that the Company allow each employee to create a bank where they can transfer hours of pay.

If employee Joe only has 80 hours of vacation but he needs 240 hours to cover the shutdowns, then he would be able to create a bank “this is how it would work”. Joe could review his pay periods over the year and submit a schedule to the pay office by a certain date.

For example: If Joe’s next pay is 96 hrs he could get paid 80 hours and put 16 hours in the bank, if the pay after that is 84 hrs, he might want to get paid 72 and put 12 in his bank, stat holidays that fall on his days off may be put in his bank, so on, and so on, until he has enough hours in his bank to satisfy him so that he is not off for three weeks in the summer and Christmas with no pay.

The Company responded that 48% of the membership has sufficient hours to cover the shutdown periods, and if a gain share payment of approx 8% is paid out next month, they may be able to allow employees who do not have enough vacation to put their gain share payment into a bank which will equate to an average of about 160 hrs, this will then move the membership with sufficient hours from 48% to 85%, then allow the remaining 15% to use the banking system. The Company will review the banking system with their people and respond back accordingly.

- 3.) We discussed the Company's proposal to reduce the plant clean coal production by 20% thereby going to an alternate 3 shift schedule. Our response was that if the Company wants to reduce production by shutting the plant down two days a week, they should maintain the 4x4 shift schedule and have the process operators do plant clean up or assist the maintenance people during the scheduled shutdown days and that it would give the Company a great opportunity to do the much needed plant clean up that has been complained about for years.

The Company responded NO, and that we have three options to choose from. Go to the alternate 3 shift schedule, or a 5x2 continuous, or stay on the 4x4 and have the plant shutdown another 60 days on top of the already scheduled shutdown days. Or if someone came up with an alternate shift schedule, they would certainly consider another option that works.

Their 3 shift schedule would be 12 hour shifts, average 40 hour work weeks, and look something like this:

**3 days + 2nights – 5 off / 2 days - 2 off = (plant shutdown days) / 3 nights – 4 off**

**The 5x2 continuous would be 8 hour shifts:**

**5 days – 2 off / 5 afternoons – 2 off / 5 nights – 2 off / every 2 days off would be plant shutdown days**

The Company cannot institute the 3 shift schedule at Fording River without the approval of the Union. We are having meetings with the process operators and buckers and they will be voting on the options proposed by the Company.

If the 3 shift schedule is accepted a letter of understanding will be drafted stating that the 4x4 would be re-instituted in October of this year. If the economy does not improve then the Company would have to request an extension from the Union, which would be voted on by the affected workers.

There are 44 process operators and 4 buckers, the 12 most senior process operators would stay on their respective 4x4 shifts, 24 process operators and 4 buckers would be affected by the change, and 8 junior process operators would be displaced to other jobs.

- 4.) We also discussed the use of bank time during the scheduled shutdowns, the Unions position is that a worker should be entitled to use their bank time, at any time during the shutdown periods as long as the manpower requirements dictate that you can have the time off. There should be no differentiation between the use of bank time and regular vacation.

The Company has denied this request and takes the position that all regular vacation must be used prior to granting the use of bank time. The Company has stated that they will allow employees to put their scheduled bank time payout back into their banks and extend the use of bank time until the end of the year.

This would be ok for the workers who do not have sufficient regular vacation to cover the shutdowns, but would not be fair to the employees who have enough regular vacation to cover the shutdown periods. It would in fact preclude the more senior employees from using any of their bank time. Thanks for working that overtime for straight time and banking the hours, **but don't think were ever going to let you use it**".

The Union filed a grievance against the Company in 2007 regarding the same issue, and clarification was given by the Company at that time, regarding the use of bank time and regular vacation. The following was the Company's response.

Dear Don:

"I was in receipt of your letter dated April 11, 2007 requesting further clarification of my letter to you dated April 10, 2007. As you are aware, we discussed this matter yesterday on April 12. During that discussion I explained that the intent of my April 10 letter was to assure the Union that the Company would not differentiate between vacation and bank time requests. If a supervisor was in a position to grant time off, it would grant time off whether the request was for bank time or vacation. Therefore in response to your question in your April 11 letter, "Will employees be able to use bank time if manpower requirements dictate?, the answer is yes. During the April 12 discussion you agreed that manpower requirements are determined by supervision and vary from shift to shift depending on factors such as workload and number of people absent". I trust that this clarifies the Company's position on this matte

**Scheduling Vacation:** If you want any shutdown period off then be sure to schedule your vacation during that period, and vacation requests will be honored by seniority and manpower requirements. If you do not want your vacation during any shutdown period make sure that the Company schedules your vacation during that period because if you schedule that period yourself and work becomes available, they do not have to offer you the available work. If you need further clarification call the Union Hall.

**Early Retirement Packages** – The Union asked the Company if they were in a position to offer an early retirement package to their senior employees in an effort to mitigate any possible layoffs, the Company responded **NO**. **At this time they need to retain all of their full time employees.**

## **Business Impacts** **Questions & Answers**

**Q-** How many people are affected by the Lay-off?

**A-** About 1,400 people are affected company wide. This represents about 13% of the global workforce. Each strategic business unit is adjusting personal levels to protect operating margins given difficult commodity markets. The Company is also significantly reducing staff and contractors associated with exploration activities and research and development. The workforce reductions will eliminate redundancies at the corporate level created by Teck's recent acquisition of Fording Canadian Coal Trust's assets.

**Q-** How many people does Teck currently employ?

**A-** Teck currently employs about 11,000 people, including employees and contractors.

**Q-** Why are they taking this action?

**A-** The downturn in the global economy has significantly reduced prices for commodities. In the face of this global economic reality, immediate cost reductions are required to position Teck for short and long term success.

**Q-** How many employees are affected in BC, Alberta, Canada?

**A-** BC – about 390 which would include 27 employees and 6 staff at Alberta – 93 people in the Fording Calgary office /Canada – About 55

**Q-** When will the Lay-offs be complete?

**A-** Most people affected by this decision were notified on Jan 8<sup>th</sup> and expect the majority of these positions to be eliminated by the end of the first quarter. The positions that are being reduced through attrition and retirements are expected to be complete by year end.

**Q-** How much will be saved through this workforce reduction?

**A-** Approximately \$85 million.

**Q-** What is the breakdown as to where most of the savings are coming from?

**A-** Calgary (93) Coal Operations (123) Copper Chile (439) Trail Operations (54) Pend Oreille (155) Corporate Functions (42) CESL (68) Exploration (258) Highland Valley Cooper (84)

**Q-** What costs are associated with this workforce reduction?

**A-** There will be costs of about \$35 million for severance and other items associated with this workforce reduction.

**Q-** Is Teck planning to close any operations?

**A-** Our focus today is on taking the necessary actions to position each operation to be competitive in the current environment.

**Q-** It sounds like you are targeting the corporate jobs in the Calgary and Vancouver offices, how many jobs at each operation will be lost?

**A-** The workforce reductions will eliminate redundancies at the corporate level created by Teck's recent accusation of Fording assets. About 93 positions in Calgary will be eliminated and about 36 positions in Vancouver will be eliminated.

**Q-** What is the impact on the exploration group?

**A-** We are significantly reducing our exploration activities at this time, affecting about 207 staff and 51 third party contractors.

**Q-** What exploration offices will close completely?

**A-** We are closing six exploration offices. These offices are in Argentina, Brazil, Brisbane, Namibia, Kamloops and Reno. In addition, we are removing all exploration staff from the Spokane and Beijing offices.

**Q-** You talk about reducing research and development, what does that mean?

**A-** The cuts include a number of our R&D activities, including scaling back Cominco Engineering Services Ltd (CESL). Our existing Technology Division will be reduced from about 220 people to about 150 people. Our goal is to reduce costs, while maintaining our core competencies and ability to deliver on key programs that will enhance Teck's competitiveness. For example, we are maintaining programs at our Applied Research and Development group that are targeted at continuous improvement and unit cost reductions in operations.

**Q-** How will this impact your R&D spending?

**A-** The budget for the technology group has been reduced from approximately \$31 million in 2008 to 13 million in 2009. The budget reduction reflects staff reductions and the refocusing of programs towards operational improvements and partner projects.

**Q-** I understand CESL's staff has been cut dramatically is this true?

**A-** A significant number of the positions eliminated in the Technology group are associated with CESL. That said, we have retained the core expertise to deliver on existing projects, particularly those involving partners, and to provide new opportunities. No large scale test programs are planned after the first quarter.

**Q-** What is happening to the Product Technology Center?

**A-** The product Technology center has reduced costs and will focus on supporting metal sales and earning revenue through technology sales.

**Q-** What is the impact at Red Dog and Pogo?

**A-** Attracting and retaining employees to our Alaska mines remains a key priority. In fact, we will be looking to transfer senior employees from other sites to these mines. However employment levels will be reduced at Red Dog over the first quarter through attrition.

**Q-** What is the impact at Highland Valley Cooper?

**A-** We expect to achieve a workforce reduction of about 84 people by the end of 2009. We hope that the majority of this reduction can be achieved through attrition and retirements but some lay-off's may be required.

**Q-** What is the impact at Trail?

**A-** We expect to achieve the workforce reduction of about 54 people by the end of 2009. We hope that the majority of this reduction can be achieved through attrition and retirements.

**Q-** What is the impact for Duck Pond?

**A-** In December we announced a total reduction of 23 employees at Duck Pond. There are no further reductions anticipated at this time.

**Q-** What is the impact at Pend Oreille?

**A-** In December we announced the temporary closure of Pend Oreille. There is no further change at this time.

**Q-** What is the impact at Teck Coal?

**A-** About 93 corporate positions will be eliminated in Calgary. About 123 temporary positions will be eliminated at the various mine sites.

**Q-** What is the impact at Quebrada Blanca?

**A-** By the end of the year, the staff at QB will be reduced by about 230 people including contractor positions will be affected. These reductions are a combination of productivity improvements, revised mining sequence in the QB pit, and slowing down work on the QB Hypogene project.

**Q-** Are any senior executives leaving the Company as a result of this announcement?

**A-** As part of integrating Fording into the Teck structure some of the executives working in the coal business unit will be leaving the Company.

**Q-** What is the outlook for metal prices?

**A-** There is a great deal of short term uncertainty but we have confidence in the longer term outlook.

**Q-** How were the employees who have been laid-off selected?

**A-** In some cases, business and project activity is being reduced resulting in the need for fewer employees in these areas. In other cases, cost reduction is being achieved through streamlining processes and reducing work, again resulting in the need for fewer employees.

**Q-** Why are some employees who have received notice of employment termination continuing with their roles?

**A-** In some areas, employees are needed to stay on for a specific period of time to complete year end or project work, or assist with transition.

**Q-** Were some employees considered for transfers?

**A-** Wherever possible, we are reassigning employees affected by the workforce reduction to open positions elsewhere in the Company.

**Q-** What are the impacts on the EIT, apprenticeship and other educational programs?

**A-** We are continuing with our engineer, apprentice, supervisory and management development programs, preparing our employees for the Company's future skill requirements.

**Q-** Are you planning any further layoffs?

**A-** What is being announced today is all that we have planned at this time. As any business would do, we will continue to monitor market conditions and adjust as appropriate.

**Q-** Will employees receive severance?

**A-** Yes we are committed to assisting employees through this difficult transition by providing severance packages and career counseling.

# Teck Operations

## Cooper Operations

Highland Valley – Kamloops BC  
Antamina – 270 km North of Lima Peru  
Quebrada Blanca – 1500 km north of Santiago Chile  
Carmen de Andacollo – 350 km north of Santiago Chile  
Duck Pond – Central Newfoundland  
Galore Creek Project – north western BC

## Zinc

Trail BC  
Red Dog – Alaska  
Pend Oreille- Washington State  
Lennard Shelf – Western Australia

## Coal Operations

Cardinal River – Hinton Alberta  
Coal Mountain – Sparwood BC  
Elkview – Sparwood BC  
Fording River – Elkford BC  
Greenhills – Elkford BC  
Line Creek – 22 km N.of Sparwood

## Gold

Pogo Mine –Fairbanks Alaska  
Hemlo Mines – northwest Ontario

## Energy

Fort Hills – Oil Sands 90 km north of Fort McMurray Alberta  
Frontier & Equinox – Athabasca Oil Sands Area – Alberta

## Canada layoffs 34,000 Employees in December 2008

The Canadian economy lost 34,400 jobs in December, driving the unemployment rate to 6.6 %, Stats Canada said it is a fresh sign of recession gripping the nation. It was the second month of heavy job losses, after 70,600 were shed in November. The unemployment rate rose to 6.6 % from 6.3 % in the prior month.

The numbers were worse than most analyst's projections of 22,000 job losses and a 6.5 % jobless rate in December. Finance Minister Jim Flaherty said the situation will only get worse in the short term. "We're in for a very difficult year, Flaherty told reporters. "We regrettably are going to have to expect continuing job losses in Canada. We are going to have substantial job losses he added.

December's employment decline was led by a drop in construction, one of the biggest monthly losses for that industry in the past three decades. Some 44,000 construction jobs were lost, as housing starts decreased to their lowest level in seven years the previous month, according to the Canadian Mortgage and Housing Corporation.

This was partially offset by an increase in transportation and warehousing. The job market is running out of steam said analysts at TD Securities. We believe the Canadian Economy entered a recession in the forth quarter of 2008, or if were not there yet, we're knocking at the door.

# Fording River Operation's

We know that in these times of uncertainty some of the newer employees at the mine-site may be concerned about their futures. Let us assure you that we will do everything possible within our guidelines, to protect our membership from the possibility of a lay-off. Contact us at anytime if you want to discuss this or any other issue of concern. 865-2223 / cell # 250-423-1024 e-mail [usw7884@telus.net](mailto:usw7884@telus.net)

## Safety Points

We have been informed by the Company that the Safety point letters will be coming out soon. There will be a time extension for response, because of the lateness of the letters going out.

## Membership Demographics

Hired between 1972 – 1979 = 130

Hired between 1979 – 1989 = 229

Hired between 1989 – 1999 = 50

Hired between 1999 – 2009 = 423

## Gain share Payments

The gain share payment are expected to be announced by mid February and will be paid out at approximately 8 % WE HOPE !