An American Tycoon in Colombia

Alabama-based coal-mining billionaire Garry Neil Drummond faces low prices and yet another lawsuit accusing his company of abetting murder by paramilitaries in the South American nation.

By Anthony Effinger and Matthew Bristow

Illustration by Justin Turrell
Gustavo Soler knew he was in trouble. It was 2001, and Soler was union president at a coal mine in Colombia owned by Drummond Co., which is controlled by the wealthiest family in Alabama.

Soler’s predecessor, Valmore Locarno, and Locarno’s deputy, Victor Orcaita, had been killed seven months earlier, and now Soler was getting threats, says his widow, Nubia, in an interview in Bogota. He told his family to pack up. They would leave the area as soon as he got home from the union office in Villedupar, a city in the country’s coal belt. Then armed men stopped his bus, asked for him by name and abducted him. He was found under a pile of banana leaves with two bullet holes in his head.

After the killing, Nubia says, Garry Neil Drummond, chief executive officer of Drummond Co., sent a taxi to bring her to the Drummond offices near the coastal town of Santa Marta, where, in a meeting, he promised to put her children, Sergio and Karina, then 14 and 9, through school.

Nubia describes a tender moment for a tough man. Drummond, now 75, started working in his family’s coal mines around Jasper, Alabama, at 15. As an executive in 1969, he negotiated an export deal with a Japanese trading company and fulfilled the commitment by strip mining Alabama’s hills with colossal shovels and trucks. When those reserves dwindled, Drummond Co. opened its first mine in Colombia in 1995. It came under attack from the Revolutionary Armed Forces of Colombia (FARC), a group that had been at war with the government since the 1960s.

Nubia says Garry Neil, as he’s known, didn’t make good on his tuition promise. “He never paid for a pencil,” she says. Drummond declined to comment on the matter. Nor did he answer a list of questions sent to spokesman Steve Bradley of Stephen Bradley & Associates LLC. Drummond and his company face a bargeful of challenges, starting with the price of thermal coal, which is burned to produce electricity and which he mines in Colombia. Its price has fallen 23 percent since Jan. 1, 2011, closing at $61.85 on June 10 on the New York Mercantile Exchange. Electric utilities have cut their use of coal to fire power plants, switching to cheaper natural gas. Just 37 percent of U.S. electricity came from coal last year, down from 50 percent in 2005.

Also dogging Drummond is labor lawyer Terry Collingsworth, who has filed four civil suits against Drummond Co., two of which demanded compensation for the families of union leaders killed in Colombia while representing workers at the Alabamian’s mines. In 2007 Drummond won one case brought by Collingsworth after a U.S. District Court jury in Birmingham, Alabama, concluded the company didn’t aid or abet the killers. Another suit was dismissed in 2012. In the current case, filed in 2009, Collingsworth’s suing the company and three current and former executives. The suit charges that Drummond Co. paid right-wing paramilitaries to terrorize the population along the 120-mile (190-kilometer) rail line from Drummond’s two mines to its...
port on the Caribbean, torturing and killing innocent people to keep them from giving haven to the FARC. Collingsworth sued Garry Neil Drummond personally for the same allegations in February. Collingsworth brought his first suit as general counsel for the International Labor Rights Forum. He is now a Washington-based partner at Fort Lauderdale, Florida, law firm Conrad & Scherer LLP. He has made his claims in part under the 1789 Alien Tort Statute, which gives federal courts jurisdiction to hear complaints from non-U.S. citizens for violations of international law. He says he’s suing in the U.S. instead of Colombia partly out of concern for the safety of the plaintiffs. In numerous filings in the case, Drummond Co. and its CEO have denied any links to murders in Colombia. The company’s lawyer in the Colombian matters, William Jeffress of Houston-based Baker Botts LLP, declined to comment. The Colombian mines are crucial to Drummond Co., which had revenue of $83 billion in 2012, based on the volume of its coal shipments. The company estimates its coal reserves at 2.2 billion tons, 2 billion of which are in Colombia, according to the company’s website. In 2011, when coal prices were higher, mining operations at Drummond until 2004 and remains friends with Garry Neil. The pair spent many Sundays talking about conveyor-belt design and other improvements for the Colombian mines, Zervos says. “He’s the hardest worker in the coal business,” he says. “I know he’s worth a lot, but he earned it.” In recent years, Drummond Co. has been expanding its operations in Alabama. Late last year, the company fired up Mr. Tom, its nickname for a giant 1970s-era dragline, to strip coal at the company’s Shannon mine, southwest of Birmingham. Mr. Tom is a 3,750-ton crane with a 320-foot (98-meter) boom that swings a bucket big enough to scoop up four Toyota Priuses. In January, Drummond moved the dragline 18 miles from an old mine near Brookwood, Alabama, to the Shannon mine on mechanical feet. The state required the company to write a 22-page cultural resource assessment of artifacts that Mr. Tom might crush on its journey. Garry Neil Drummond’s newest project, if he goes ahead with it, would be a mine on the banks of the Black Warrior River, near where the city of Birmingham draws its water. Shepherd Bend LLC, a Drummond holding, obtained a permit to mine there from the Alabama Surface Mining Commission in 2010. Much of the land is owned by the University of Alabama, where Drummond is a trustee emeritus. According to the Washington-based environmental group American Rivers, any mining on the Black Warrior would endanger Birmingham’s drinking water. Cathy Andreen, a spokeswoman for the University of Alabama, says no one has approached the school about mining on the land.
Garry Neil is going it alone. There are no relatives in Drummond Co.'s upper management. For years, the company prohibited new generations from joining to avoid family fights, Zervos says. Four years ago, Garry Neil broke with precedent and hired his nephew, Segal “Ed” Drummond Jr., as executive vice president. Ed resigned earlier this year, the company says.

About 100 Drummonds gathered for Easter this year, Carolyn “Cappie” Drummond, who’s Ed Drummond’s wife, says in a telephone interview. Asked why Garry Neil doesn’t retire, she says: “He’s done it all his life. He’s a conqueror.”

Drummond has five children. One is a vascular surgeon in Birmingham. Another, Gary with one r, died in 2008 at 51. The same year, the University of Alabama established the Gary Drummond Jr. Memorial Research Award to study schizophrenia.

“The big question about Drummond is what is the exit strategy,” says coal industry consultant Douglas Blackburn of BlackAcre LLC in Richmond, Virginia.

Drummond lives a world away from his strip mines, in woods that fringe Drummond Lake, east of Birmingham, according to property records. Satellite pictures show a large house with a swimming pool, a tennis court and a putting green. A short walk away is a heliport that’s owned by Drummond Co., according to government records.

Environmentalists are Drummond’s most vocal critics in Alabama. One is John Wathen, who was named by the New York–based Waterkeeper Alliance as the creek keeper, or protector, of Hurricane Creek, a waterway southwest of Birmingham where Drummond once mined coal. Wathen, 61, says Drummond Co. is a major threat to the fish, turtles, mussels and snails that live in the state’s 77,000 miles of rivers and streams. Birmingham native E.O. Wilson, the Harvard University biologist who won the Pulitzer Prize twice for books on science and nature, did his graduate work on Hurricane Creek in the 1950s.

Standing in a graveyard in the hamlet of Adger—a spot that affords the best view of Drummond’s Shannon mine—Wathen watches dump trucks unload waste rock onto a ridgeline pile. “The streams that are out there are not polluted,” Wathen says in his Alabama drawl. “They’re gone.”

Drummond Co. says on its website that it has reclaimed more than 60 sites after mining them, restoring soil and replanting trees. On the land from one restored mine, Drummond built a residential development with a golf course.

Alabama is no coal powerhouse. It ranks 15th in the U.S. in production. Yet much of its coal is metallurgical, the high-quality coal from which coke is made for use in steel production. Heman Drummond worked in the mines as a young man before starting his own company in 1935. He took out a $300 loan, backed by three mules, from Walker County Bank, according to Drummond Co.’s website. When Heman died in 1956 at the age of 50, leaving the company to his children, Drummond had about $1 million in annual sales, according to Alabama’s Engineering Hall of Fame.

It was Garry Neil who vaulted the regional miner into international markets. After earning a civil engineering
degree from the University of Alabama in 1961, he went to work full time in the family business. In 1969, he negotiated a five-year, $100 million export deal with Japanese trading company Ataka & Co., now part of Itochu, Drummond’s partner in Colombia. He became CEO four years later, leapfrogging his older brothers. Drummond Co. now sells its coal in more than 30 countries.

In 1976, Drummond signed a 15-year contract with Alabama Power, a unit of Southern Co., to deliver 2 million tons of coal a year to the utility, according to Drummond’s website. It filled it by stripping coal from the Alabama hills with machines like Mr. Tom.

With power and money came scrutiny. In 1979, a federal grand jury indicted Garry Neil, two other Drummond executives and three Alabama lawmakers in an alleged scheme to influence the legislators by, among other things, providing them with prostitutes. After an 11-week trial, Judge Frank McFadden dismissed the case without letting it go to the jury. Today, McFadden declines to comment on the matter and suggests looking up his rulings in the docket. However, the entire record of the case has been sealed, according to the U.S. District Court in Birmingham.

The Drummond family spends tens of thousands of dollars on political donations in election years. In the 2012 cycle, Garry Neil alone gave $67,800 to candidates and political action committees, according to the Center for Responsive Politics in Washington. The company is the third-biggest donor to U.S. Senator Richard Shelby, a Republican from Alabama, behind power generator Southern Co.—still a big Drummond customer—and JPMorgan Chase & Co.

In the 1980s, Garry Neil started prospecting in Colombia. Making money there meant mining amid a civil war. Soon after Drummond opened his first mine in 1995, the FARC started bombing the railway that carries coal to Drummond’s Caribbean port. In 1999, according to Collingsworth’s complaint, Drummond began paying the paramilitary group Autodefensas Unidas de Colombia (United Self-Defense Forces of Colombia) for protection. In court documents, Drummond Co. denies making any such payments.

Other companies have acknowledged paying the AUC. Chiquita Brands International Inc. in 2007 pleaded guilty to U.S. charges that it paid the AUC more than $1.7 million to protect its banana plantations from 1997 to 2004. The payments were illegal because the U.S. had designated the AUC a terrorist organization in 2001. Chiquita agreed to pay a $25 million fine. No executives were charged.

AUC gunmen first arrived in the town of Becerril, about 15 miles from one of Drummond’s mines, in 1997 or 1998, according to Victoria Sanchez, 32. She fled in 2003 after a death squad

The Drummond dragline nicknamed Mr. Tom could scoop up four Toyota Priuses.
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Conservationist John Watthen at Hurricane Creek, near where Drummond once mined coal.

Drummond Co.'s mines, was convicted in Colombia of arranging for the AUC to kill Drummond union leaders Locarno and Orcasita. He was sentenced to 38 years in prison.

In a 2009 motion to dismiss Collingsworth's complaint, Drummond Co. denied any link to any of the killings anywhere in Colombia. The company never hired the AUC to do anything, its lawyers said. And in a June 2012 deposition, Garry Neil said he had little to do with the South American operations. "I was never in charge of anything in Colombia," he said.

So far, there have been no convictions in Gustavo Soler's murder, says Nubia, his widow. She supports herself by giving manicures and pedicures in people's homes. She says that after Garry Neil Drummond reneged on his promise to pay for her kids' education, she paid for it herself by selling cattle and jewelry. "It's 12 years without justice," she says.

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