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## Decline of coal country: industry under pressure shedding jobs

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COWEN - Hundreds of West Virginia towns boomed into existence from the rush to mine coal. Now, even towns that survived previous coal market busts are beginning to worry about the future.

On June 27, Alpha Natural Resources notified employees at four West Virginia mines of layoffs and production cutbacks. The announcement impacts approximately 100 jobs.

Two mines in Logan County — Hatfield and Superior — will close, along with the Stirrat preparation plant, said Ted Pile, vice president of communications for Alpha.

"Fortunately, we are able to offer reassignment opportunities to 65 of them, so about 30 people will lose their jobs," Pile said.

Alpha also is scaling back production at the Republic surface mine in Fayette County, with a net loss of 11 jobs. The Black Castle surface mine in Boone County near Seth also is reducing operations along with an affiliated company known as Trace Transport. Alpha is cutting 59 jobs in Boone County, but 12 people will be offered transfers, Pile said.

"It's all thermal coal, and all due to the thermal coal market," Pile said.

The Alpha layoffs come on the heels of a June 21 announcement by Arch Coal that the company planned to lay off 750 coal miners in Kentucky, Virginia and West Virginia. Of those layoffs, approximately 150 are expected to take place in West Virginia.

The layoffs are two in what seems to be a steady stream of layoff and idling announcements by coal companies lately. And for the small towns that are near these mines, any jobs lost means a whole lot.

### Small Towns Hit Hard

Many in the town of Cowen, population 541 as of 2010, depend on the 122 jobs that will be lost by the closing of Arch's recently acquired Eastern Complex.

"There's nothing here," said Tiffany Williams, a waitress at the Hilltop Diner. "I'm eventually going to have to get out of here. ... Everyone is going to move; they'll leave. This place will be even more run-down than it already is."

Loretta Sanson, another employee at Hilltop, said the restaurant depends on large orders from the mine.

"This is the only restaurant in town, and that's what pays our bills," Sanson said. "The miners come in here and eat."

She said Arch's Eastern Complex does a lot for the entire county, including helping the schools. She returned to Cowen to raise her children, but now they are leaving too.

"Both of my boys graduated here and left," Sanson said. "(One's) a coal miner, but there's nothing here. That was one of the few jobs we had."

Williams said the layoffs will be felt throughout the entire community.

"It not only hurts the people that got laid off," she said. "It hurts everyone else, and it hurts surrounding businesses."

One of the last major businesses is Leslie Equipment Co., a Cowen-based business that supplies heavy equipment to the mining and timber industry in the area.

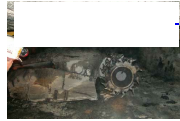
Nick Cochran, who works in sales at Leslie, said the company is one of the top three employers in the county. Part of its business depended on Arch's Eastern mine.

"It disables the whole community with Arch Coal going away," Cochran said. "Throughout the whole community it's going to be devastating. ... It really will hurt the county."

Cochran said he hopes people will be able to see how widely layoffs affect Webster County.

"Everybody talks about the EPA regulations and everything about that, but I think it's overlooked if you're not from a coal mining area," he said. "It is just going to absolutely cripple the country from one end to the other."

Cochran said the area largely comes up short on other economic activities, with only the hope of the forestry and natural gas industry to float the economy.



Looking for the reason behind the decline, Williams, Sanson and Cochran point their fingers to Washington.

"Obama," Williams said. "He's mostly to blame. It had been pretty steady before."

Cochran offered a similar hypothesis.

"I believe ultimately it's the administration," Cochran said. "I believe it's Obama, and it's his way of going into the community here ... and it just shuts us down."

### **Markets Cold on Coal**

President Barack Obama and the Environmental Protection Agency under the current administration have taken a number of political beatings for an energy policy not necessarily as friendly to fossil fuels as some would like. While regulation certainly affects the industry, many companies have appeared more concerned about market forces than presidential pen.

Arch blamed an "unprecedented downturn in demand for coal-based electricity" for needing to cut 750 jobs in Appalachia. This was just one of several lay-off announcements delivered to the West Virginia coal fields this year.

In an April 2012 release, Patriot Coal's Bennett Hatfield, vice president and chief operating officer, gave a list of reasons Patriot has trimmed both thermal and metallurgical coal production — and jobs associated with it — this year.

"Thermal coal markets remain weak as a result of the mild winter, coupled with low natural gas prices and reduced demand for electricity related to the economic downturn," Hatfield said.

The warm winter has meant power plants used a lot less coal and natural gas, suppressing price. Meanwhile, the natural gas industry has found ways to unlock the potential of deep shale deposits and, in the process, drive prices to record lows.

Coal used in power generation has been particularly challenged as metallurgical coal exports have been boosted by foreign demand.

Stockpiles of coal at power plants across the country are piling up, driving the price and demand of coal downward.

"Several mines are encountering weak demand for their products," Alpha CEO Kevin Crutchfield said in February when he announced 10 mining operations would be affected by a reduction in Central Appalachian coal production. "We examined all options but in the end these operations had to do what was necessary to preserve a sustainable business plan in a challenging environment."

### **Politics of Coal**

West Virginia has put forth some of the most outspoken supporters of the coal industry. Both senators and all three members of the House of Representatives have frequently stood up for the business of coal in West Virginia.

Last week, Sen. Jay Rockefeller, D-W.Va., took a stand with a vote and fiery speech on the Senate floor in which he vented his frustrations with coal operators in West Virginia. The senator said he is concerned about jobs, but he believes the coal industry is somewhat to blame for its current perception as yesterday's fuel.

"Instead of moving the conversation on coal forward, some in the industry have demanded all-or-nothing, time and again, for the ill-sighted purpose of a sound bite or flashy billboard," Rockefeller said in a recent op-ed. "These efforts make no progress, they don't pursue attainable policy change, and they certainly don't create or save jobs."

Shortly after the speech, Rockefeller cast a vote against a resolution that would have revoked some Clean Air Act authority from the EPA. The vote marked a divergence between Rockefeller and his fellow senator, Joe Manchin.

Manchin and Rep. Nick Rahall, the state's other two Democrats in Washington, D.C., and Rep. Shelley Moore Capito and Rep. David McKinley, both Republicans, have continued to support a more conservative energy plan that supports fossil fuel development.

Bill Raney, president of the West Virginia Coal Association, says industry is innovating, but federal regulations are aimed not only at coal, but squarely at the Appalachian region.

"The industry is very concerned about the fact that permits are not being issued and unreasonable deadlines are placed on power plants," Raney said. "It is really focused on the Appalachian region."

Raney said in the past, the West Virginia delegation had worked together on coal issues. Rockefeller's speech, Raney said, has concerned many in the coal industry who fear the senator did not present the coal industry fairly.

### **Bleak projections**

Currently available job numbers show coal mining employment is up overall from several years ago. According to a recent posting by the West Virginia Center on Budget and Policy, coal mining employment has declined 1.5 percent over the last six months, but remains 11 percent higher than prior to the recession.

Ted Boettner, executive director of the WVCCBP, said declining productivity from thinner and increasingly difficult to mine coal seams drove employment upward.

"The coal seams are getting smaller and harder to mine," Boettner said. "It takes more workers to

reach the same coal."

In 2000, Boettner said, a miner produced five tons of coal per hour. In 2011, a miner would take nearly two hours to produce five tons.

Recent forecasts from the Energy Information Administration predict a further decline in power generation share from coal. The EIA reports the future of coal will depend on future prices of natural gas.

Natural gas emits less carbon dioxide when it is burned at power plants and is not as pressured to reduce emissions as older coal-fired plants.

"Key factors contributing to the shift away from coal are sustained low natural gas prices, higher coal prices, slow growth in electricity demand, and the implementation of Mercury and Air Toxics Standards (MATS) and Cross-State Air Pollution Rule (CSAPR)," the EIA's Annual Energy Outlook 2012 states.

With prices suppressed and expenses rising, thinning profit margins are threatening the viability of coal.

Given current available numbers, national coal mining employment is the highest it has been at any time between 1999 and 2008. Sean O'Leary, an analyst with WVCPB, warns the recent bump in coal employment "will be followed by a plunge."

"This trend is temporarily sustainable because the coal industry has captive customers who cannot quickly convert to natural gas with which coal can no longer compete economically," O'Leary wrote on a WVCPB blog. "Therefore, the industry is temporarily able to command a premium price. However, the surge will be unsustainable as labor costs rise and the demand for coal continues to shrink as customers are able to switch to natural gas."

The real problem in West Virginia, Boettner said, is the lack of preparation for what seems to be an inevitable decline in coal production in southern West Virginia.

"The most depressing part of all of this is the lack of proactive behavior on the state recognizing that coal has been declining and will continue to decline in southern West Virginia," Boettner said. "There's really no plan in place."

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