Hundreds more US coal miners laid off

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Mine employment continues to hemorrhage across Appalachia and the Illinois coal basin, with layoffs in groups of 100, 200 and more coming on virtually a daily basis.

As the *World Socialist Web Site* has previously reported, the coal mining regions of West Virginia and Kentucky are being buffeted by the downturn in the global commodities markets, slowing growth in China and lower demand for coal in the American energy sector. Companies have cited over-production in shuttering operations and laying off workers. The impact has rippled through communities, devastating local budgets, and contributed to plummeting state revenue.

West Virginia

On January 25, 871 coal miners in southern West Virginia were told they would lose their jobs as Alpha Natural Resources idled eight underground mines and two processing plants. On February 5, Alpha issued 233 more layoffs at four mines and a processing plant, effective April 5. Alpha filed for Chapter 11 bankruptcy in August 2015.

The operations to be idled include five underground mines and a processing plant in Raleigh County, which alone account for over 500 workers. More than 360 miners are being laid off in Boone County—once one of the largest coal-producing areas in the country and now in economic free-fall.

On January 21, a federal bankruptcy judge ruled that the company could award its top executives millions of dollars in bonuses as part of a “key employee incentive plan.” Fifteen company executives will receive payouts of between $3.4 million and $11.9 million based on “their abilities to meet cost saving, safety, liquidity and environmental criteria,” the *State Journal* (based in Charleston) reported January 25. “Alpha remains focused on its continuing efforts to maximize the value of its assets for the benefit of all stakeholders,” the company said in a statement in response to the court ruling.

As its executives secure their golden parachutes, Alpha is seeking to unload health and pension obligations for 1,200 retirees, to save $3 million a year.

The West Virginia state tax revenue, heavily dependent on the energy sector, has fallen sharply over the past couple of years. In January, the state reported revenue of $374 million, down by nearly $10 million from a year ago; a budget gap of $384 million is projected for 2016.

This situation has heightened pressure from ratings agencies. On February 2, the legislature approved pulling $51.8 million from reserves to avoid missing payments. Governor Earl Ray Tomblin (Democrat) has already cut deeply into state agency budgets, and $120 million more in cuts to state employee and retiree health benefits are included in the new budget. At the same time, the energy sector has pressed for reduction of the severance taxes funding much of the state and county budgets.

In a largely empty room “save for members of the governor’s staff and coal and gas lobbyists,” the *Charleston Gazette-Mail* reported, the state Senate Finance Committee on February 5 approved a measure by voice vote to remove “excess” severance taxes on extraction. The cuts remove a 56-cents-per-ton tax on coal and 4.7-cents-per-thousand-cubic-feet tax on natural gas. The vote was unanimous, and “no senator questioned the cuts,” the newspaper reported.

The taxes generated $122 million in the last fiscal year, and the state Tax Department projects the state will lose $110 million in the coming fiscal year as a result of the cuts. While lowering business taxes, Tomblin has proposed raising taxes on cigarettes. This so-called “sin tax” is an effort to further shift the economic burden onto the working class and the poor.

Unemployment rose in 49 of West Virginia’s 55 counties in December, with coal-producing counties faring worst. Many areas are plagued by double-digit unemployment, a labor force participation rate below 50 percent and widespread poverty. In Calhoun County, the official jobless rate stands at 13.1 percent, two-and-a-half times the national rate. Counties across the state and in neighboring eastern Kentucky are in similar straits.

Kentucky

Kentucky’s coal production—after plunging by 20 percent in the fourth quarter of 2015 over the same period in the previous year—has now hit the lowest level since 1954, according to a report by the state’s Energy and Environment Cabinet. The report, released February 1, indicated an especially steep decline in eastern Kentucky, where mining historically has constituted a far larger share of economic activity. The eastern coalfields lost a quarter of their coal production between 2014 and 2015, bringing the region to its lowest level of output since 1932.

Pike County, the highest coal-producing county in eastern Kentucky, saw coal production reduced by 34.2 percent in the fourth quarter. Coal production in Breathitt County stopped entirely.

In the western Kentucky coal-producing counties, which are part of the Illinois coal basin, production likewise fell sharply. The Illinois coal basin mines are larger and work thicker coal seams than the older, narrower mines of the Appalachian coalfields.

Alliance Resource Partner's River View Mine, the highest producing mine in the state and the largest room-and-pillar mine in the US, is also the only coal producer left in Union County. In October, Alliance announced it planned to hire 200 additional miners at River View—drawing applicants from a large pool of out-of-work miners across the state.

The expansion is an exception to the industry trend. As of January 1, Kentucky's mines employed 8,400 coal miners, down by 3,218 workers (27.7 percent) over the course of a year and down by over 1,000 in the fourth quarter alone. In eastern Kentucky, fewer than 6,000 miners remain. In 2008, that figure stood at 14,381.

Many unemployed miners have no pensions and no other job options in the eastern mountains. Over the past few years, those out of work in the eastern counties saw the mines of the western region as a lifeline and families would relocate to find work. The shift has further decimated eastern Kentucky communities as the tax base has collapsed.

Illinois

While expanding the profitable River View operation, Alliance has idled other mines in Kentucky and Illinois. The company announced February 5 that it had laid off 275 workers at its White and Hamilton County mines in southern Illinois. Alliance cited poor market conditions including "weak power demand, persistently low natural gas prices" and "an oversupplied coal market." The company statement suggested that the layoffs were temporary and workers would be rehired in the third quarter of 2016.

Speaking to the *St. Louis Post-Dispatch*, a Hamilton County miner said the layoffs came "out of nowhere" to the workforce, who were given no notice or a severance package. Miners felt the company "is just telling us what we want to hear" and won't rehire in the fall.

Miners arrived at Alliance's Hopkins County, Kentucky, mine the same day to find the Elk Creek Mine was being idled. Between 100 and 150 miners received 60-day layoff notices.

Peabody Energy also announced the layoff of 75 at its Arclar Mine Complex near Harrisburg, Illinois, effective immediately.

Peabody may follow Alpha Natural Resources, James River Coal, Patriot Coal and Walter Energy into the shelter offered by the bankruptcy courts. "Lots of people are wondering: What's the next shoe to drop?," Bloomberg Intelligence analyst Spencer Cutter asked in an industry webcast January 14. "Who might be the next company? Peabody's on everybody's list."

Arch Coal, the second largest coal corporation in the country, filed for Chapter 11 on January 11. Since then, the stocks of Peabody—the largest producer—have been cut in half and its debt has swelled to nearly $7 billion.

Over the last five years, the coal industry collectively has lost a staggering 94 percent of its market value, plunging from $68.6 billion to $4 billion.

Peabody and Arch were both heavily invested in metallurgical coal production centered on powering industrial demand from China. But since 2011, when metallurgical coal fetched $330 per metric ton, prices have fallen off disastrously. Goldman Sachs estimates metallurgical coal will hit $75 per metric ton in 2016. In central Appalachia, where Arch and other large firms snatched up mines after the 2008 crash, metallurgical coal prices have fallen to $44 per metric ton.

Investors and hedge funds smell blood in the water. Fitch Ratings reported that the Arch bankruptcy filing pushed the mining sector's default rate to "an unprecedented peak" of 43 percent. Bloomberg Business noted that "investors are now raising questions about the viability of other miners" including Murray Energy, Foresight Energy, and Consol. "The world of coal will be very ugly in 2016," one mining consultant remarked. "All the bankruptcy filings that took place only helped on paper. It didn't take away supply in the markets."