

Alpha Closing Eight Mines, Cutting 1,200 Jobs

VICKI SMITH, Associated Press

MORGANTOWN, W.Va. (AP) — Coal producer Alpha Natural Resources said Tuesday it's cutting production by 16 million tons and eliminating 1,200 jobs companywide, including 400 with the immediate closing of eight mines in Virginia, West Virginia and Pennsylvania.

The mine shutdowns start Tuesday, while the rest of the layoffs will be completed by the end of the first quarter after Alpha fulfills current sales obligations, Chief Executive Officer Kevin Crutchfield said. In all, the layoffs amount to nearly a tenth of Alpha's 13,000-person work force.

Alpha said it is closing four mines in West Virginia, three in Virginia and one in Pennsylvania. They are a mix of deep and surface mines. All the mines being closed are non-union operations.

Alpha didn't immediately name the mines because they wanted to inform all the workers first.

Though some miners will stay on to seal the operations, most will either be reassigned or laid off immediately.

Support positions will also be cut proportionally as Alpha reduces its operating regions from four to two, Crutchfield said, and two executives will retire Nov. 1.

Crutchfield called it "a difficult day," but said the shutdowns and layoffs are a necessary part of ensuring Alpha survives in what has become a difficult U.S. market, where coal companies face a dual challenge: Power plants are shifting to cheap, abundant natural gas, while companies like his face "a regulatory environment that's aggressively aimed at constraining the use of coal."

"We think the actions we're taking are aimed at getting ahead of this on a proactive basis and getting set up for 2013 going forward," he said.

Bristol, Va.-based Alpha will cut production 16 million tons by early 2013 and reduce overhead by \$150 million as it shifts away from thermal coal used in domestic power generation to concentrate on metallurgical coal used in steelmaking overseas.

Globally, "there remains a structural undersupply" of metallurgical coal, Crutchfield said, and Alpha expects to see demand grow by more than 100 million tons by the end of the decade.

Alpha's \$7.1 billion acquisition of Massey Energy helped create "one of the most valuable met coal franchises in the world," Crutchfield said, effectively doubling its

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production potential. Alpha now has the world's third-largest supply of coal, "more capacity than any of our peers."

Alpha has 25 million to 30 million tons of export capacity through the East Coast and the Gulf of Mexico, giving it the ability to scale up exports quickly, he said. The global sales and marketing initiatives will be led by Brian Sullivan, the current president of Alpha Australia LLC. He's transferring to the U.S. to fill the vacant post of chief commercial officer.

About 40 percent of Alpha's production cuts will come from high-cost eastern mines "that are unlikely to be competitive for the foreseeable future," Crutchfield said, while about half will occur in the Powder River Basin. The balance of the cuts will come from lower-quality metallurgical coal.

While mine closings and layoffs will be painful, Crutchfield said Alpha is trying to create "a long-term, sustainable footprint that can participate here in the U.S. in what is likely to be a smaller market than in the past."

"The elimination of jobs on this scale is something I take very seriously," he said, "... unfortunately, we think we have to do it to set the company on the right foot going forward."

In the long run, the new strategy will create a leaner, more agile company that can readily adapt to changing market circumstances, he said.

Alpha will try to find openings for some of the laid off workers in other locations or in contractor positions, Crutchfield said, but that will take time.

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