

THE STRATEGY OF NATIONAL PIT COAL COMPANY – CONSEQUENCE OF RESTRUCTURING ROMANIAN MINING INDUSTRY IN THE CONTEXT OF ROMANIAN ADHESION TO THE EUROPEAN UNION

В период создания рыночной экономики возникла необходимость организации эффективных национальных рыночных секторов, включая горную промышленность. Одним из приоритетов в развитии энергетического сектора Румынии является модернизация и повышение прибыльности угледобывающей промышленности. Представлена стратегия реструктуризации горного сектора на примере конкретной компании Национальной каменноугольной компании Петрошани.

Within Romania's effort to create a market economy the need for efficient national economic sector appeared among which is also mining. Modernizing and making profitable the coal industry is a priority for the national strategy of energetic development in Romania. This paper tries to present the restructuring strategy of mining sector on a particular case: The National Pit Coal Company of Petrosani.

Introduction

Jiu Valley, where you can find the biggest amount of hard coal in Romania, whose exploitable reserves are estimated to a billion tones, is situated in the south of Hunedoara country, between the mountains among which is the town Petrosani of 42 km long and 3 to 7 km wide.

In this area the National Company of Pit Coal is unfolding its activity which is the main provider of energetically hard coal in Romania whose main objectives are to extract, to prepare, to process the pit coal and the brown coal for the purpose to produce electrical power for the thermo plants and heat for the population and different companies.

Due to the difficult geological mining conditions, mining is no longer a profitable activity. Still, the solution of giving up completely exploiting the Romanian coal and massive imports, even if the costs are lower, represents an easy solution. Mining is a strategic area for the Romanian national economy and turning exclusively to import coal provides the dependency of national energetic sector of the supplying companies and a higher sensibility of the Romanian economy concerning the prices

fluctuations and the production from the international point of view.

The dynamic of the coal production development in Romania depends on its consumers, thus on the power sector. Within the Romanian adhesion to European Union in the position document (written with the reference date of January 2007) presented and agreed one side by Romania as a working hypotheses to finish the preparation of the adhesion to European Union it is mentioned the importance of the energetic coal within the Romanian energetic balance taking into account the exploitable reserves potential the infrastructure which there is and the tendency of an efficient activity of exploiting the coal. According to the predictions of the National Strategy Of Development of the power sector in Romania, the production level for the lignite remains unchanged, to an amount of 27/29 billion tones/year, quantity considered to be profitable for the lignite compartment while the use of hard coal in Jiu Valley is limited to 3-3,5 billion tones/year the net quantity of hard coal is related to the electrical power plants which use this type of coal and to the high prices of extractions, which implies a high percentage of subvention. These estimated vol-

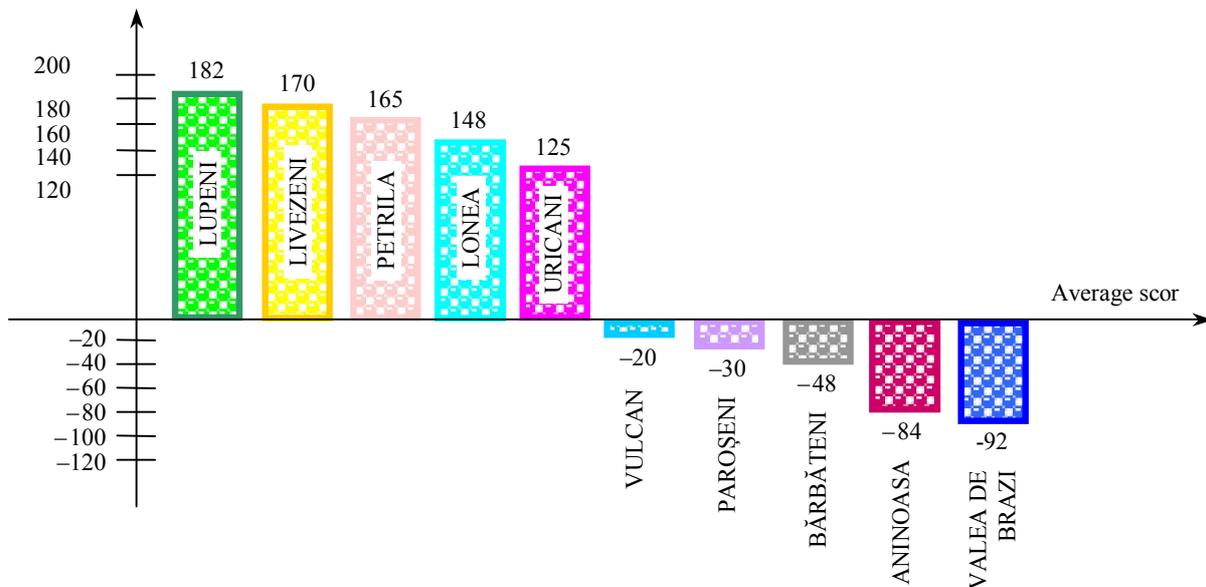


Fig.1. The hierarchy of mining exploiting in Jiu Valley within National Pit Coal Company

umes will be maintained for around 10 years and will be destined to producing electrical and thermal power due to the capacity of the electrical and thermal power plants in our country.

Modernizing and making profitable the coal industry is a priority for the national strategy of energetic development in Romania, being also a condition of continuing the state help. According to the strategy the restructuring process needs to be continued, including the following objectives:

- ? Improving the economical and financial performances of the viable part of energetic sector along with preserving the environment;
- ? Implementing the closing down the mines programmed which aren't profitable and rehabilitating the environment;
- ? Encouraging ownership;
- ? Reducing the social effects in the mining areas affected by the restructuring process;
- ? Increasing the managing capacity of the mining companies.

The Strategy of National Pit Coal Company

The Strategy of National Pit Coal Company, main producer of energetically hard coal and coke in Romania must be within the Government strategy, this ensuring the environment which allows each mining company with state capital to proceeding and elaborating its own reform programmers.

The main objectives intended by the National Pit Coal Company strategy are the following:

- Closing the non-profitable mines which lack the perspective along with developing and increasing the mines production which have favorable conditions;

Based on economical and technical criteria a ranking has been made by a consulting firm which places the pit coal mines in Jiu Valley according to their profitability.

The most suggestive evaluation criteria are:

- turn over;
- staff number;
- labor productivity;
- the quality of the production.

Using an procedure which correlate the most important elements / characteristics of the producing process, the indicators of appreciating these elements in the value expression which a scores are associated, finally being established a total sum according to the numbers of mining exploiting indicates the average score. As a result of the procedure shown in the figure 1 the hierarchy of the mining exploiting in Jiu Valley is presented.

As it can be seen, at the bottom of this classification the three mines: Bărbăteni, Aninoasa, Valea de Brazi which are less profitable can be found.

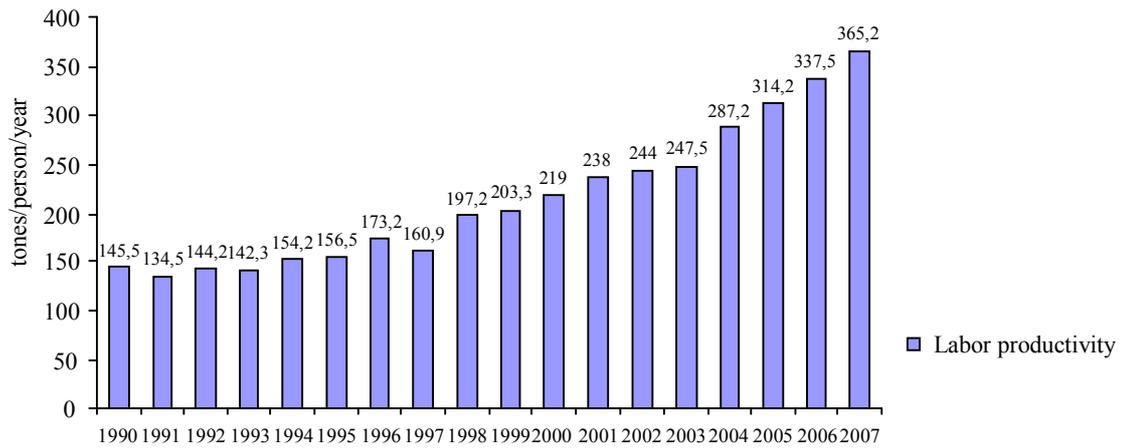


Fig.2. Labor productivity evolution during 1990-2007

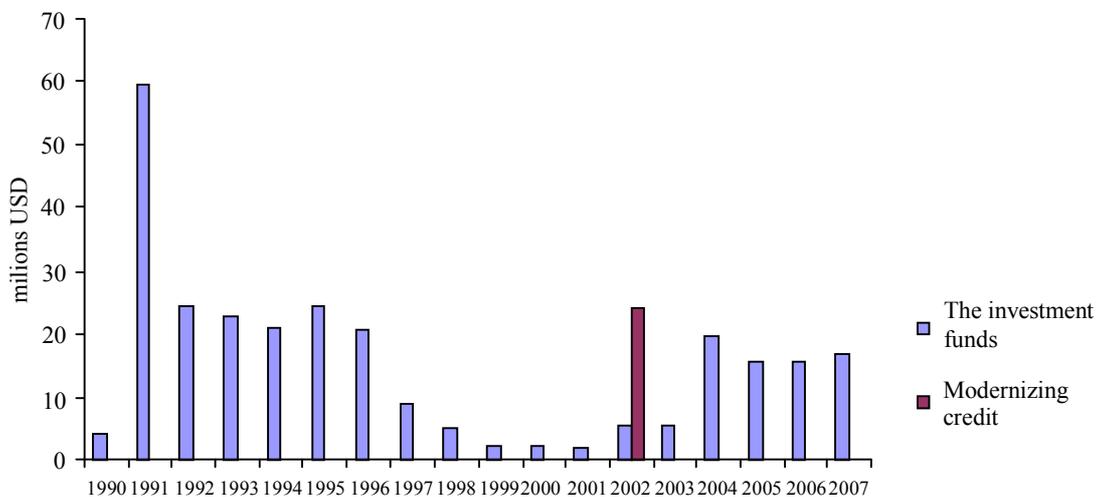


Fig.3. Investment funds evolution during 1990-2007

- Taking measures which can lead to increasing of the production at the established levels through strategic objectives;

Comparing to the international standards, the labor productivity level reached in the Jiu Valley is low. The labor productivity reached at National Pit Coal Company level until this moment and the predictions for the following years (until the year 2007) is shown in figure 2.

There are two possibilities which can lead to a fast increase of the National Pit Coal Company mining productivity:

- increasing the number of working hours in a shift from six hours (as it is at the moment) to eight hours;

- Bringing the work productivity of each mine to the productivity level of the best mine in Jiu Valley.

Is it desirable that in the following years, the labor productivity to rise to at least 570 tones/person/year.

- Besides the two measures described above, the increase of the labor productivity can be achieved through modernizing the used equipment which have as a consequence reducing the excess working places.

Elaborating feasibility «correct» studies concerning the modernizing, retechnologizing and developing;

The continuing decrease of the development funds up to 1,8 mil USD in the year 2001 led to creating an insecurity feeling in the Jiu Valley mines, at the same time with not granting the funds to maintain the production capacities. The analysis made in the year 2001 established for the year 2002 the investments to

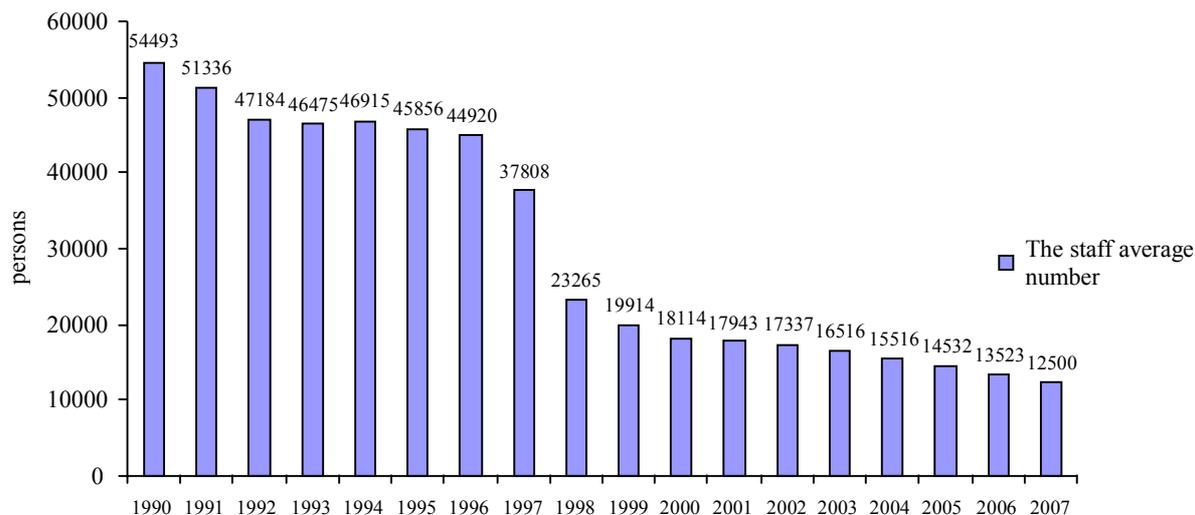


Fig.4. Staff evolution during 1990-2007

amount to 5,3 mil. USD to which the credit for modernizing and the equipment for Paroseni and Vulcan mines with amounts to 24,06 mil USD (figure 3).

The tendency concerning the increase of the investments must continue in order to concentrate and mechanize the activities, and in order to make the production profitable, this will have to increase to 500-600 t/person/year (almost double comparing to the estimated increase in the year 2007) which is a difficult thing to make in the present conditions. Certain feasibility studies for each mine need to be made in order to assess the necessary funds for investment and modernizing.

- Promoting the measures to ensure the strict control maintained of the costs;

In order to realize this strategy, the company need to ask every mine from its structure to present a detailed technical-economical plan concerning the reducing of the work places on the account of the measures of reestablish the profitability. Also, these studies made by each mine should identify the ways of reducing the unit costs of each coal tones extracted and prepared.

- Adapting the staff number and its structure to the new necessities and needs of the mines;

As it can be observed in figure 4 the staff reducing tendency on the whole is mixed with a corresponding increase of labor productivity.

- Creating an internal and external control system of the technical economical and financial performances of each mine within National Pit Coal Company and the whole company;

- Following expanding opportunities on the market and consolidating the actual position through closing down a deal on a medium period of time with Mintia thermo plant on which National Company of Hard coal is depending on 83,7 %.

Obtaining a real constant price of giga-calory comparing to the imported hard coal.

In conclusion I can say that National Pit Coal Company has established the following fundamental objectives on the short and medium term:

- > Preparing the company to function within a competition market;

- > Creating the technical-economic and financial conditions in order for the company to function without subsidies from the national budget in the year 2010.

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