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REFORM DIRECTIONS WITHIN THE ROMANIAN MINING SECTOR

Стратегический характер и режим благоприятствования позволили румынской горной промышленности оставаться в бездействии на протяжении длительного времени, несмотря на большие затраты, являвшиеся результатом реваloризации этой отрасли национальной экономики. Реформы, начатые в 1997 г., оказались сложным и длительным процессом, который привел к возникновению изменений на уровне региональной экономики.

The «strategic» character and the favourable treatment derived from it, enabled the Romanian mining industry to remain inactive for a longer period of time, despite the great costs resulted from the valorization of this branch of the national economy. The reform activity started in 1997, proved to be a long and difficult process, which generated complex consequences at the level of regional economies.

If, prior to the events in 1989, the strategy of the development of the Romanian economy targeted a forced industrialization, based on self-support in providing mineral resources, which also brought into the economic circuit some ores that were technically and economically not feasible and their consequences over the environment were neglected, the change of regimen determined a re-evaluation of the system of priorities, which reconsiders the importance of the criterion of efficiency.

The «strategic» character given to the mining industry, enabled this industry to meet with a favourable treatment of the government, materialized in financial help, that is subventions which balance out the losses generated by the demand of mineral and energetic resources, thus the consequences resulted from the transition of the market economy are easier to bear.

Between 1990-1996, the mining production was marked by divergent evolutions resulting in a decline of the production between 1990-1992 and a slight increase between 1993-1996 in the case of the pit coal and the lignite, while the brown coal is still following a descendent trend. Because of the insignificant dynamics of the average number of employees and because of some pressures coming from the trade unions in order to get significant salary increases, the losses increased and «cropped up» from one year to another. The analyses revealed that most of the companies functioned at a loss or with low profit (beside the lignite and the salt ores, the mining of other minerals was possible only with subventions regarding production, investments and social transfers from the state).

As the perceptions of the consequences generated by the early orientation of the budget, funds toward supporting non-productive activities is more intense, central authorities bring up more often the subject of a reorganization strategy in the Romanian mining industry according to the requirements stated by the reform regarding the national economy as a whole; the target is to gradually reduce subventions until they are completely eliminated.

The first steps that targeted a complete reorganization of the coal industry were mainly related to[1]:

1. technological reorganization of the production, the effects of which were: the restriction of the underground production and the increase of daily lignite production; the increase of energetic pit coal supplies and the reduction of the quantities of pit coal prepared for coke; starting modernization activities of the great lignite quarries in the coal basins from Oltenia;

2. management reorganization, which consisted in breaking out some additional or even basic activities within the mining units and turning them into separate companies;

[1] Stanciu Ion – Reorganization of Coal Industry, The Mining Magazine no. 1/2000, pg.4.

The losses of the mining industry recorded between the years 1991 and 1997

mil. USD –

	1990	1991	1992	1993	1994	1995	1996	1997
Subventions	528,4	295,5	489,9	386,9	331,5	402,5	384,9	145,5
Budgetary allowances for capital costs	229,5	188,3	204,4	137,2	293,0	215,7	160,6	50,0
Transfers	-	-	-	-	-	79,0	75,0	45,0
Excavation losses	263,6	21,4	30,2	5,2	108,8	123,5	128,3	75,1

Source: Stanciu Ion – Romanian Coal Mining Strategy, in the Mining Magazine no.5/2000, pg.3

3. staff reorganization, which meant reducing the number of employees from the mining sector, as a result of the following steps taken: some activities broke out and were turned into separate companies, working hours were reduced, employees had to retire beforehand or they were dismissed, not without an advance payment;

4. limiting or suspending productive activities in the case of the mines with low geological resources, as well as with very difficult geological conditions, which generate high production costs and losses; the production of coal was undertaken by the mines that were still functioning.

Reorganization activities in the mining sector that were carried out rapidly and on a large scale, starting with 1997, resulted in:

- suspending the production in 230 unprofitable mines, which are going to be shut down, followed by a mass dismissal, offering an advance payment of up to 20 salaries;
- disbranching service activities from the mines and setting up companies;
- increasing investments for production modernization in the case of the mines that were believed to become profitable;
- high and critical unemployment rate, amplified social pressures in the mining towns;
- a negative influence over the social and economic situation of the mining communities.

Despite the fact that some indicators like productivity, exploitation costs, investments, subventions and transfers from the state budget have improved, the authorities admitted that the results of the reorganization process during this time had caused new problems:

– a sudden decline of the economy of the mining regions that were affected by the reorganization process;

– social problems have amplified in these regions;

– the rate of poverty has increased;

– unsatisfactory economic-financial performances of some mining companies («On the 30th, January 2001 […], some of the mines spent 5000 lei for the production of coal that was worth 1000 lei»[2]).

As a solution to this economic situation, the Government worked up the Mining Industry Strategy for 2004-2010[3], which points out the main objectives that need to be accomplished in the following years:

- *starting a commercial approach of the activities in the mining industry*: exploiting coal at competitive prices and valorizing the production on the free market, reconsidering the excavation area, optimizing the number of employees and the salaries so that the mines could function efficiently;
- *minimizing the implications of the Government and gradually attracting investors from the private sector*: privatizing viable and efficient mines, encouraging the public – private partnership, facilitating a management oriented towards the market and economic efficiency;
- *performing mining activities and protecting the environment;*
- *attenuating social problems generated by the closing down of the non-economic mines and recovering the economy in the areas affected by this process:* encouraging dialogue so

[2] Parvu Elena – Mining – growing favour with the government, The Economic Truth Magazine, no.1(509), 3-13.01.2002, pg.16.

[3] HG 615/2004 – Approval of the Mining Industry Strategy for 2004 – 2010, MO, Part I, no.411/7.05.2004.

that the employees could be informed about the situation and the perspectives of the mine they work in, consulting the personnel over the most appropriate forms of social protection which are going top be adopted, training employees so that they have better chances on the labour market, getting the dismissed employees involved in communitarian activities, etc.

An efficient integration of the mining industry in the general long-term development strategy implies[4]:

- Meeting the requests of the energetic sector and of other branches which use coal and correlating the development of the coal mining sector with their predictable evolution;
- Developing a flourishing coal mining sector by reducing and eliminating subventions intended to cover exploitation, transfer and investment losses;
- Increasing allowances for closing down non-viable mines, refreshing the environment and reducing the social impact;
- Re-technologisation and modernization of coal extraction processes in order to maintain and develop a viable production capacity; the possibility to attract capital investments, especially from private investors;
- Perfecting the legislative and the institutional terms, which facilitate concessions, the closing down of mines, private investors, the origin of the capital and the operators' nationality, the accomplishment of a competitive system which equally involves all economic agents from the mining field, regardless of thei

from the mining field, regardless of their ownership and the recovery of the environment according to EU regulations;

- Complete privatization of economic agents in the mining sector or in some sectors or mines with positive results or with geological reserves, which strategic investors in this field find very interesting.

Being aware of the consequences such a reorganization process might have over the social economic development at a regional or national level, the Ministry of Commerce and Economy expressed its will, together with other competent institutions (the Ministry of Labour, Social Solidarity and Family, the Ministry of Public Finances and the National Agency for the Development and Implementation of the Mining Regions), to find and identify the solutions, taking the most appropriate steps in order to reduce the effect of the social consequences generated by the closing down of mines and financing the projects for social economic recovery of the affected areas (help was also required from some international financial organizations like the World bank, the European Council, B.E.I., etc.).

Due to its importance within the general economy, as well as to the complexity of this economic field and the effects it has over the national economy, numerous institutions and foreign and domestic organizations have been encouraged to make a successful reform for the Romanian mining sector.

[4] Stanciu Ion – Reorganization of Coal Industry, The Mining Magazine no. 5/2000, pg.5.