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REFORMS IN POLISH MINING

Процесс реструктуризации горной промышленности в Польше начался в 1989 г. Огромные общественные центры, переходящие от правительства к правительству, должны были сделать этот сектор рентабельным и конкурентным на внутреннем и международном рынках. Отсутствие последовательности в проведении процесса реструктуризации привело к тому, что за последние 15 лет реформ только часть из них были реализованы. Реформирование горной промышленности – это чрезвычайно сложный процесс. Авторы предпринимают попытку суммировать существующие законы и перспективы горной промышленности в Польше в ближайшие годы.

In Poland the process of restructuring of mining was begun in 1989. The huge public centres passed on to the next governments were supposed to bring this sector into rentability and competitiveness on domestic and international market. The lack of consequence in the realization of processes of restructuring caused, that in the last 15 years of reforms, different programmes have been realized and only parts of these reforms have been reached. The reform of mining is a very complex process. In this article authors are trying to sum up the course of existing rules and perspective of mining in Poland in coming years.

Introduction

The restructuring process of Polish mining industry was initiated in the nineties. At the moment of economic system transition in 1989, Polish mining struggled with problems arising from free-market economy. Immense public means assigned by successive governments were supposed to make this sector viable and competitive both on Polish and international markets.

Any reform in mining industry is an extremely complex process, which involves whole range of issues, from economic and political to social ones.

Considering multitude of issues, we will focus on the reduction of employment and hard coal production, and on further forecasts based on state power industry strategy until 2010.

Reasons for mine debts

In the early nineties mines were large state-owned companies with centralised organisation and management. Continuously growing financial losses and increasing commitments were covered from the state budget. Moreover, high employment level and production power of mines were effectively plunging this sector. Majority of mine commitments were due to the state budget, mining districts and environment protection agencies. This is why, in spite of efforts made in order to write off mining industry debts in the structure functioning in this way, the discussed sector was unable to generate any means to pay off its debts without implementation of deep reforms.

Reforms in mining industry executed from 1990 to 2002

First efforts were made in order to reduce employment and lower coal production in the market between 1990 and 1992. This is why authorities began to liquidate Lower Silesia region mines in Wałbrzych. The mines were supposed to operate pursuant to free-market rules and compete with each other. Soon it proved to cause increasing debts, therefore 7 coal companies consisting of 61 mines were established in 1993. The purpose of these companies was to increase capital power of new established economic operators. 9 mines were subject to liquidation in 1996, and mining debts were continuously growing. Then, according to the guidelines, coal production was to be reduced to the level of 120 million tons in 2000. Nevertheless,

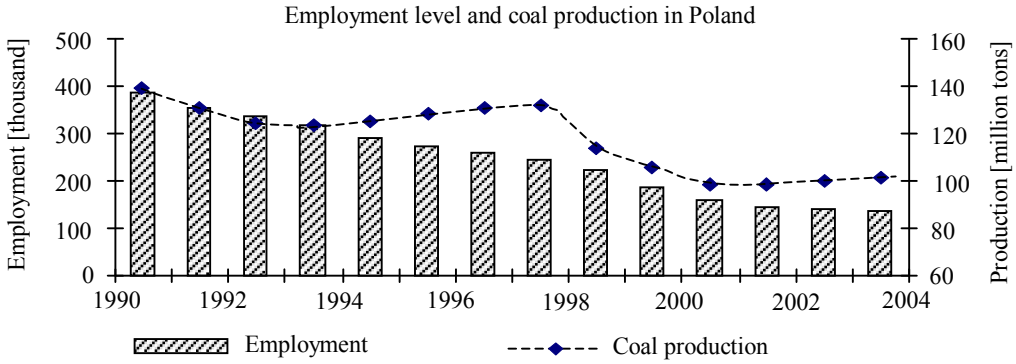


Fig.1. Employment level and hard coal production in Poland between 1990 and 2003

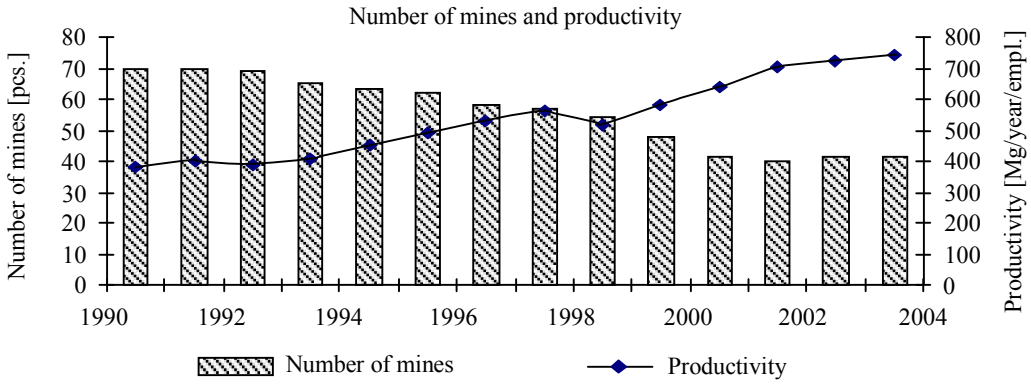


Fig.2. Number of mines and productivity between 1990 and 2003

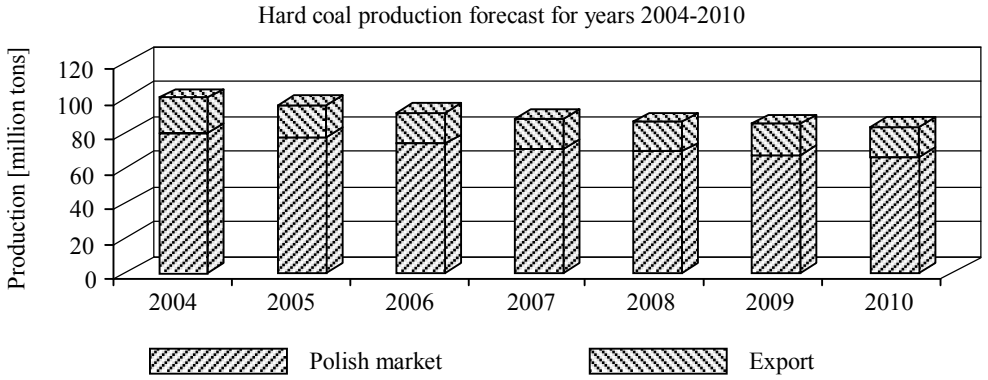


Fig.3. Coal production forecasts for years 2004 to 2010

again, under strong pressure from trade unions and opposition, the government withdrew from introducing radical reforms.

In spite of immense financial and organisational efforts, all reforms introduced between 1990 and 1998 did not bring expected results. Along with political changes taking place in Poland in 1998, government initiated radical reforms in order to reduce coal production and limit employment in this sector.

The reform purposes and guidelines were as follows:

- After 2000 coal companies would bring financial profits, which would be assigned for repayment of unpaid obligations.
- By 2002 coal production would be reduced by 25 million tons as compared to 1998, reaching 110 million tons.
- Approximately 105,000 people would leave mining industry, and employment in this

sector would be circa 138,400 people by the end of 2002.

This was due to further liquidation of mines and the fact that considerable number of miners decided to leave mines. Moreover, budget financial means were to play important role. Their aim was to secure protection claims for dismissed miners.

Mining industry reform between 1998 and 2002 brought qualified success. Undoubtedly, its positive effect was employment reduced by 103,000 people, which at the end of 2002 reached 140,700 people. Majority of miners made use of Social Packages, mainly in the form of single money gratuities or miners' leaves. It was also possible to reduce coal production considerably, by approximately 35 million tons, to the level of 102 million tons per annum. This was possible mainly owing to liquidation of more mines and introduction of production limits within coal companies. Liquidation of almost 50 % of exploitation headings and walls simultaneously resulted in increased production concentration and productivity per plant employee. During that period debts have been written off, mostly those due to the state institutions, for total amount of 6,9 billion PLN. Extinction of debts and budget subventions allowed mining industry to reach positive net financial result for the first time in 2001. Moreover, as a result of the reform, first time after 1989 coal sale prices exceeded coal production unit cost.

Hard coal status on Polish and international markets

From early 2004 opportunities for hard coal considerably grew as compared to previous years. Prices significantly grew both for power coal, and for coke coals. Prices of Polish coal have considerably exceeded production costs for this material. Crisis on world markets caused by coal supply drop in China and problems of Australian suppliers brought coal shortage. Polish market reacted promptly to this opportunity and soon all coal companies reached considerable profits. Now, the reform for years 2003-2006 is in progress. It assumes further coal production reduction by 14 million tons, and employment drop by 25,500 miners. However, an alternative variant assuming coal production potential growth was also prepared for the case of prolonged boom for coal.

Conclusions

At the moment, Polish mining reform is still in progress. More than ten years of mining reforms have resulted in closing of 30 mines, and now there are 3 coal companies on the market that embrace 36 mines. The transformation process initiated at the beginning of the nineties was correct and involved production and employment reduction in this sector.

The purpose of all initiated reforms has always been and still is to achieve mining industry profitability. Only consequent program implementation, which is difficult from economical and social point of view, may make mines competitive and profitable.

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