

'Are the pit closures justified?' from the Luxemburger Wort (19 January 1966)

Caption: On 19 January 1966, the Luxembourg daily newspaper Luxemburger Wort analyses the reasons for and the implications of the closure of many European collieries.

Source: Luxemburger Wort. Für Wahrheit und Recht. 19.01.1966, n° 19; 118e année. Luxembourg: Imprimerie Saint-Paul. "Les fermetures de charbonnages sont-elles justifiées", auteur:Fosty, Jean , p. 2.

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Letter from Brussels

Are the pit closures justified?

Coal production is continuing to fall. By ending subsidies this year to six coal mines (all but one in Wallonia), the Government will bring about their complete closure in 1967. This will cut output in Belgium by 2 400 000 tonnes, reducing it to around 17 and a half million tonnes and probably less. As a result, some 10 000 people will have to find new jobs.

Redeploying the white-collar and manual workers in those collieries that are set to close will not cause major financial problems. National authorities receive substantial aid for this from the European Coal and Steel Community. However, that still leaves the task of transforming the economies of the regions affected by the pit closures.

Jobs have to be found not just for the miners but also for those in the region whose livelihood is indirectly dependent on the coal industry. In fact twice as many jobs are involved if we include all those affected directly or indirectly by the decline in coal mining. That is one of the essential reasons for putting in hand the economic regeneration of the regions that are in terminal decline such as the Centre and the Borinage. It is impossible to displace the whole population like furniture. Nor can we simply dismiss these regions' industrial past and their economic infrastructure or ignore the sacrifices they have made over a century and a half for the benefit of the national economy.

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So there are quite serious regional economic and social aspects to the situation created by what is referred to as the rationalisation of the coal industry. It is a pity that the national authorities did not submit an economic restructuring plan to the ECSC as this could have ensured Community aid — at least this is what we have been told in Luxembourg. It would not have been on the same scale as the social aid for the retraining of miners, but still, in the current context, in which the restructuring process is under-resourced and slow-moving, any aid is most welcome. This is all the more true since the powers that be had promised that there would be a seamless transition from one economic activity to another. This is far from being the case.

There is another important aspect of the policy on coal mines that should be highlighted, and that is security of supply. The mining companies and their representative organisations believe that this is not sufficiently borne in mind. 'Security of energy supplies', they say, 'must take priority over price considerations.'

This criticism is not addressed specifically at Belgium but at all Western European countries, or, to be more accurate, at the ECSC countries and Great Britain. The drop in coal output was around 4.5 % in the ECSC in 1965, but it reached 7.5 % in Belgium. This drop was due to a fall in demand despite improved productivity which, at the coalface, rose on average by 2.7 % for the Community as a whole.

What worries the producers is not so much the 4.5 % drop as the desire of governments to cut production, their willingness to consider, in the short or medium term, 'adapting production to the market's capacity to absorb.' Here is what the future holds: in Belgium where output in 1958 stood at 27 million tonnes, it has already been cut in 1965 to 19.5 million tonnes, and the new reduction in subsidies will, as was said above, bring about a further fall of 2.4 million tonnes in 1966. In Germany, where the drop in production amounted to 5 % in 1965, taking output down to 140.5 million tonnes, a further fall to 125 million is apparently conceivable. In France the Fifth Plan assumes a 2 % annual reduction from now until 1970; 51 million tonnes were produced in 1965 or 3 % less than in 1964. The Netherlands, with annual production now at 11.7 million tonnes, plans to cut that figure by two to three million tonnes by 1970. In Great Britain the same trend and the same policies prevail.

Everywhere, it is by chopping state subsidies that lower production levels are being achieved, and that is what the producers are fighting against.

Let us consider their position and the security of supply argument that they are invoking.

Pit closures are being justified on the grounds of reform of the economy. Their pace is set by the cost price of energy. Energy from oil or natural gas, use of which is increasing every year, tends to set the benchmark price. But account must also be taken of energy demand and supply options.

If everything was governed by cost price, say the producers, silk would have to be bought only in Hong Kong, grain in Canada, butter and cheese in Holland and Denmark, etc. The scale of demand cannot be ignored either and nor, therefore, can the need to secure sufficient sources of supply bearing in mind future trends. Reserves are not unlimited and cannot necessarily be opened up at a rate consistent with growth in demand. A more expensive source of supply should not be abandoned in favour of a source that is estimated as being reasonably priced.

Nor can we, for reasons of security of supply — to get to the heart of the matter — put ourselves at the mercy of faraway countries, even friendly ones. That would mean compromising our sovereignty or running the risk of shortage should unrest, political tension or war cut supply lines. This of course concerns American, Asian or African oil. All this supports the case for maintaining European coal production at a reasonable level and avoiding overdependence on oil.

The same problem exists in Belgium with respect to wheat and other bread grains. The Government underwrites some domestic production that costs more than buying in from abroad. The law requires that bread include a given proportion of home-grown flour and compensates for this by paying the difference between the world price and the cost price of the subsidised crops concerned. This policy is governed solely by the need to ensure a minimum of locally available food supplies in the event of unrest or international conflicts.

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The coal producers' argument is therefore a fair one, but is it as justified as some people claim?

The level of subsidised production cannot remain at 1958 levels, when it was equal to total national production. The Government points out that today, of the 32 coal companies operating, 25 are loss-making and receive state subsidies. After the closure of the six pits lined up this year, total subsidies will still exceed 1 600 million. That is clearly a lot of money, but on the one hand the human dimension of the economy has to be taken into account and here the problem of the inadequate restructuring of the coal mining regions raises its head. On the other hand, the case of the United States where, a few years ago, the coal industry seemed to be on its last legs but is now flourishing, and Russia, Canada, Australia and South Africa which, according to European producers, 'fully recognise the value of their mining potential,' all give food for thought.

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The decision to close six more pits can have come as a surprise only to the uninformed. It should have taken place at the beginning of last year, but who would have dared take such a decision three months before a general election?