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J. Davitt McAteer  
*Center for Law and Social Policy*

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## COAL RESOURCE DEVELOPMENT—TOWARD A RATIONAL POLICY

J. DAVITT MCAATEER\*

### I. INTRODUCTION

For anyone concerned with the coal mining industry, it is difficult not to be pessimistic about the immediate future and indeed about the long term future of coal, particularly in Appalachia. On virtually every front, coal is experiencing rough times. The decline in the steel industry has meant a sharp downturn in the demand for metallurgical coal. The once ever-expanding demand for electricity has slowed considerably. Promising overseas markets have been drastically reduced. Other nations, including Poland, South Africa, Australia, and China, are now competing with the United States for once secure markets. In addition, the world-wide recession has limited the need for coal generally.

In the face of such economic hardship, it would seem, therefore, a peculiar time to be proposing a reform package for this industry. But without such a reformation, coal will not become a viable alternative to oil, natural gas, or for that matter, solar energy.

The predicament is that while coal is domestically plentiful, its production and use entail such problems that it is still generally considered a fuel of last resort. The problems it creates in the areas of health, safety and the environment, leave a perception that coal carries too much baggage to be the fuel of first choice. Coal is chosen, therefore, only when events conspire to give it a temporary cost advantage.

The problem, simply put, is whether coal will become an industry which, by providing a safe, clean, economical fuel, can recapture its share of the energy market or whether coal will continue to be a reflex industry awaiting further developments in the Persian Gulf.

The coal industry has experienced difficult periods throughout its history. Unfortunately, it has been slow to learn the lessons which these difficulties could teach. Presently, with the control of the industry in the hands of oil and other multi-faceted energy corporations, it is even less likely that a rational policy will develop as a result of the present economic recession/depression in coal, but indeed that is the challenge. If coal could be produced in a safe, healthy, environmentally sound and economical manner, the markets which have traditionally relied upon oil and natural gas would

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\* B.A., 1966, Wheeling College; J.D., 1970, West Virginia University.

Attorney with the Center for Law and Social Policy, Washington, D.C. Mr. McAteer has represented miners, widows and families in health and safety matters, has done extensive research and writing in the mine safety area and has been a member of the National Coal Issue Advisory Board since 1980.

return to a stable, domestic fuel, and United States energy policy would not be tied to the Strait of Hormuz.

## II. THE ISSUES

Restated, the fundamental question is: can this industry develop a safe, environmentally sound, economical approach which serves both the consumers of electricity, steel, and other energy-dependent products, while at the same time benefiting the miners, mine community, mine management, and investors?

Coal has a negative historical image, some part of which is justly deserved: the gritty legions of miners leaving the work place; the abandoned mountainsides slashed and torn apart by irresponsible strip miners; the dilapidated company towns; the high accident rates; the frequent disasters. Unfortunately, the responsible operators and concerned companies have been overshadowed and historically outnumbered by the irresponsible operators. Mine health and safety has been a black mark on the industry since its inception in the 18th century. Only by force of law have some operators made even the modest improvements required to make mines minimally safe.

Environmentally, mining has all too often been typified by irresponsible conduct on the part of many operators. It is simply easier to pass along the social cost to the community at large than to pay the cost of cleaning up one's own destruction. More recently, the acid rain issue has become more and more of an impediment to an expanding market. Again, not all companies have acted or continue to act with reckless disregard of their responsibilities. Some have operated responsibly and with concern for people and communities.

Unfortunately, however, it would be a mistake to think that irresponsible mining is a matter of history. Environmental destruction by major American energy giants continues. Corporations which devote large budgets to improving public relations encourage their subsidiaries and smaller contract operators to mine in a manner inconsistent with generally accepted safe mining practices. The corporate rationale for such conduct is simply hard economics. "It's cheaper, and if I don't do it, the next guy will." Such logic has and will continue to cause this industry to bear the burden of its past image.

But this industry isn't concerned just now with its image or its environmental record. Coal is suffering an economic depression. This problem stems in part from the fact that coal is thought of as the secondary or less desirable fuel source, as a substitute for oil. If oil is cut off, we then turn to coal, or if OPEC raises oil prices, coal can be substituted until oil again becomes competitive. If, tomorrow, a group of Middle East terrorists or unemployed American miners were to blockade the Strait of Hormuz, coal would boom again. But until the coal industry squarely addresses its own problems it will continue to be a second-choice fuel, after oil or natural gas.

This is especially ironic, because the world's oil supplies are being depleted and will be curtailed in the not so distant future, raising the question of where the next source of energy will be found. In short, where is the coal? The largest known deposits are in the world's three largest and most powerful countries—Union of Soviet Socialist Republics, the People's Republic of China, and the United States of America.

These facts make the future of coal critical to the future of this country's energy needs. But given the uneven historical development of coal in the United States and the problems of the industry, logic dictates that the United States industry be made a safe, environmentally sound, economically stable industry. What is needed is a rationalization of the industry—a plan to address its problems.

#### A. *Safety and Health*

The years 1982 and 1983 have been among the safest years in the history of American coal mining. This achievement, for which the Reagan Administration would like to take full credit, is the result of much effort by miners and their advocates in Congresses and administrations past. The efforts produced the Coal Mine Health and Safety Act of 1969 and the Federal Mine and Health Safety Act of 1977, two durable pieces of landmark legislation which have withstood pernicious efforts to weaken their provisions. The causes of the current decrease in accidents are elusive. Those who endorse this administration's approach conclude that it vindicates their emphasis on "co-operation between management and government." Others contend it simply is a reflection of the decline in coal production—especially in the more dangerous underground and small mines. Much of the production growth in the recent past has been concentrated at large surface mines which typically have a lower accident rate. This fact, coupled with the economic collapse of the past two years, has led to the closing of many marginal and small mines which historically have a very poor safety record. The current Administration has linked the decline in accidents to its de-emphasis on enforcement and regulation. But only with the recovery of the coal market, and the reopening of many idled mines, will analysts be in a position to verify or contest this claim.

The danger, which is readily apparent, is that with the return to full production, and its concomitant drive for productivity gains, we will have a return to unacceptably high accident rates. Structurally, little has been done by this Administration which could arguably be said to improve, for the long run, the conditions for health and safety in the mines. But can mines be made safer? Or are we doomed to continue on the course of higher accident rates accompanying higher production? Phrased another way—why are some underground coal mines in the United States safer than others? What can we learn from them?

This question was posed by the National Academy of Sciences—National

Research Council, Committee on Underground Coal Mine Safety. This panel's three findings are most interesting.<sup>1</sup>

The first finding that "the achievement of and maintenance of safe mines must come from the management," is a radical departure from conventional wisdom that miners' mistakes are the primary cause of most accidents. Management alone, the Committee found, had the authority, control over priorities, and resources to make changes happen. This commitment must be genuine, consistent, and sustained, and must be made at the highest level of management. Secondly, the study stressed cooperation between management and labor and thirdly, the importance of education and training.

Can the industry operate safely? Yes.

#### B. *Environment*

Secondly, can mining be conducted in an environmentally sound manner which does not destroy the streams, air, water or lands around which the coal lies and still be profitable?

The answer to this question is also yes. Contrary to skeptics' predictions, the Surface Mining Control and Reclamation Act of 1977 did not bankrupt the strip mining industry. Some marginal operators who were passing the cost of reclamation to the taxpayers have been forced to cease operations or conduct themselves like any other business which must bear the burden of production and reclamation costs, and it should not be otherwise.

Additionally, the economics of strip mining are such that the cost of sensible mining and reclamation, even when included in the price, is still less than the cost of underground mining.<sup>2</sup>

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<sup>1</sup> COMMITTEE ON UNDERGROUND COAL MINE SAFETY, COMMISSION ON ENGINEERING AND TECHNICAL SYSTEMS, NATIONAL RESEARCH COUNCIL, TOWARD SAFER UNDERGROUND COAL MINES 5 (1982).

I. There are persistent and large differences between the injury rates of companies that control underground coal mines. These differences could not be explained by physical, technological, or geographical conditions, but are due to factors internal to the companies. In our opinion, the most important of these factors are:

A. Management's commitment, as reflected by the attention and resources it devotes to improving safety.

B. Cooperation between management and labor in developing and implementing safety programs.

C. The quality of training of employees and managers of coal mining companies.

II. There is a strong correlation between age and disabling injuries. The disabling injury rate for miners 18-24 years of age is about three times that of miners over 45, and about twice that of miners between 25 and 45.

III. There is a strong correlation between mine size and fatal injuries. The fatality rate in mines with 50 or fewer employees is nearly three times that of large mines (with over 250 employees), and about twice that of intermediate-sized mines (with 51-250 employees).

<sup>2</sup> In 1978, worldwide mine head production cost averaged \$10-15 per ton for surface mines

Coal is being surface mined in England, Federal Republic of Germany and Australia in an environmentally sound and profitable manner. It can also be done in the United States.

In addition, the issue of acid rain must be addressed, not by simply denying the existence of the problem, as some in the industry would do, nor by shutting down the production of high sulphur coal, sending even more miners to the unemployment lines. Technically, solutions exist. By using the best available technology, it is possible to use the highest sulfur coal available, and still dramatically reduce emission of sulfur dioxide. Pending before the United States Congress is H.R. 3400, the Sikorski/Waxman Acid Rain Bill, which, by using presently available technology will reduce sulfur dioxide emissions by fifty percent. This will be accomplished without job reduction, job dislocation or without overall loss in mine employment. Technical controls such as flue-gas desulfurization and other technologies are proven, workable systems. Sufficient experience in the United States, Europe, and Japan has put to rest any claim that these systems are not effective or reliable. New York State recently allowed Consolidated Edison to convert from oil/natural gas to coal in two New York City plants. These plants, Ravenswood and Arthurkill, both located within a city which has perhaps the most stringent emissions standards for any United States metropolitan area, can use coal in an environmentally acceptable manner. The state determined that the conversion to coal would be quite economical, with only a minimal increase in emissions. The miner's union, environmentalists, and government can and must work to obtain a politically acceptable solution while the industry itself must finance the technology and further research to stay competitive with other non-acid rain producing fuels.

We are left then with the question of reclamation. The issue is not whether reclamation can technically be achieved—the question is when will it be achieved. Reclamation is part of the cost of doing business. The era of avoiding the social cost by dumping the cost on the taxpayers has passed. While irresponsible and callous companies are still operating destructively on a grand scale, it is simply a question of time before those operators are brought to justice. The Surface Mine Act is not going to be repealed. It is imperative that responsible elements in the industry bring their fellow operators along, by encouragement or denunciation. And the sooner this administration applies the Act to all operators the better off the entire industry will be. The enforcement of the Act, although susceptible to political manipulation, will ultimately be carried out. This industry would be better served if it encouraged rational enforcement sooner rather than later.

### III. CONCLUSION

It is clear from the preceding that (1) coal represents an important, basic resource that has been under-used historically and strategically; (2) its use

will increase, although more slowly than was anticipated in the recent past;<sup>3</sup> (3) health and safety will continue to be a major difficulty; and (4) the negative environmental impact which coal has brought to the communities and regions where it is produced and used will also continue to be a problem. These problems contribute to the lack of coal utilization and to the view that coal is not a primary fuel source. Most importantly, these problems result in coal policy being dictated by non-coal interests.

Can these problems be overcome? The answer, most definitely, is yes. The consistent failure of the industry as a whole to address its problems points to the need for a new approach—more specifically, for a new coal policy. Present coal policy is simply a policy of inaction, to the effect that non-coal fuel, notably foreign oil, is our principal fuel despite the political risks associated with over-reliance upon it, and coal, because of its problems, is only a substitute. A coal policy which reverses this approach is imperative.

Again, the basic argument is compelling. The United States has a domestic fuel in sufficient quantities to use and sell which could reduce, if not eliminate, our reliance on foreign oil sources, create employment in areas of high unemployment, and improve the balance of trade. Events outside of our own control would not then determine our national energy policy. But before coal can return to the forefront, a pragmatic solution is needed to solve the practical problems which have caused coal to be perceived as a less than desirable source. Such an approach is desperately needed in Appalachia and in the western boom towns and in the mining towns of the Midwest. Serious efforts must be made to resolve environmental concerns, and to address safety and health needs. And the entire industry, labor, government and the public, must foster increases in the use of coal as the primary source of fuel. All these efforts need to be part of a coordinated strategy. Such an approach must include environmentalists as well as productionists. Without such a coordinated approach, volatile economic developments will continue within the industry, and coal will continue to be a reactive industry awaiting the actions of others to decide its future. Such a solution should be unacceptable—unacceptable from a national-security standpoint, unacceptable from the standpoint of its impact on the people who produce coal, and unacceptable from the standpoint of the people who use coal. And that's all of us.

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and \$20-30 for underground mines. Secondly, highly mechanized, large strip mines such as exist in the Federal Republic of Germany, the western United States and Australia, have cost as low as \$6-10 per ton. WORLD BANK, COAL DEVELOPMENT POTENTIAL AND PROSPECTS IN THE DEVELOPING COUNTRIES iii, 3 (1979).

<sup>3</sup> COMPTROLLER GENERAL OF THE UNITED STATES, U.S. COAL DEVELOPMENT—PROMISE, UNCERTAINTIES—REPORT TO CONGRESS at i (1977). The Plan called for coal production to have reached 1.2 billion tons by 1985.