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Foundation Coal Holdings Inc Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, gentlemen. We will now be conducting a question-and-answer session. (Operator Instructions).

Thank you. Our first question today is coming from the line of Michael Dudas of Jeffries & Company. Please go ahead with your question, sir.

Michael Dudas - Jeffries & Company

Good morning, gentlemen.

James Roberts

Good morning, Mike.

Kurt Kost

Good morning, Mike.

Michael Dudas - Jeffries & Company

Jim, I'd like you to maybe elaborate a little bit on your comment in your prepared remarks of dynamic interpretations relative to inspector issues in underground mines in the East. Have citations per shift for Foundation increased a lot over the past six to nine months? And do you think that it's pretty much overall throughout the industry? Or are there more selective aspects given certain mine's geology or companies?

James Roberts

No. I think the answer to the latter part of the question, we think it's across the board. We don't think of picking on any particular mines, although, they do move in waves at times. So they will focus on certain areas and certain mines for a period of time and you would see an uptick in that.

We have seen an increase in the number of citations, but it's not so much an increase in the number of inspections, but there are certainly more citations on each inspection, and they're more severe. In the past you may have gotten a violation, and today they're more inclined to shut the mine down.

So what we're seeing here is a real impact on cost, along with all of the other safety measures that we're implementing, that's a real cost here is the lost production. That's what we're seeing an increase in.

Michael Dudas - Jeffries & Company

Kurt, you mentioned about your issues in Central App. Did you say your impacted production was 150,000 this quarter off a 1.6 million base because of these issues?

Kurt Kost

Well, in Central App, the impact was probably more, yeah, it was around 150,000 tons, and it was a combination of geologic factors with some plain coals and some roof falls, along with the Hampshire impact. We're having a situation where, as Jim mentioned we're kind of chasing a moving target on the inspectors, and also, we had some labor issues, it minimized our ability. As we're having to rededicate employees to address the Hampshire issues, it does minimize our ability to be cutting coal. You add all that up, those were the impacts for the third quarter.

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