

The history of the Lappland iron ore fields

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In the seventeenth century, when the state was the driving force behind the process of accumulation, it seemed quite in order that the ore deposits in the northern provinces of Sweden should be regarded as Crown property. Silver working in Nasafjäll, called the Peru of Sweden, gave rise to great hopes for the iron ore already known in Lappland. Charters were granted, and in Svappavaara and Gällivare mining was begun as early as the 1650s.

However, a combination of the hard winters, the long transport routes and the phosphorous ore turned this grand project into a long-drawn-out fiasco, both financially and technically. The mines could only be worked during a short period of the year, the ore had to be hauled more than a hundred kilometres (nearly 70 miles) to the ironworks in Kengis, and the phosphor produced poor iron. There were a number of different owners throughout the whole of the 18th century.

In the 1820s, Charles XIV John obtained the mining privileges and rights to the mines through the purchase of property covering an area approximately the size of the Netherlands then trying to put the whole business on its feet. The king too, however, was completely unsuccessful in his plans. The capitalist production methods then developing required new forms of organization. Not even the Crown could produce sufficient capital to open the mines. After several years with serious losses in the slump of the 1840s, Oscar I saw that he was compelled to sell the property and mining-concessions in 1855.

National capital protests against foreign investments

The outlook for successful exploitation of the Gällivare ore seemed at this time to have improved considerably. The transport problem could find a solution in the building of a railway from Luleå to Gällivare. By new metallurgical processes, the ore could be refined to quality iron.

The Selet mine in Gällivare in winter 1903.

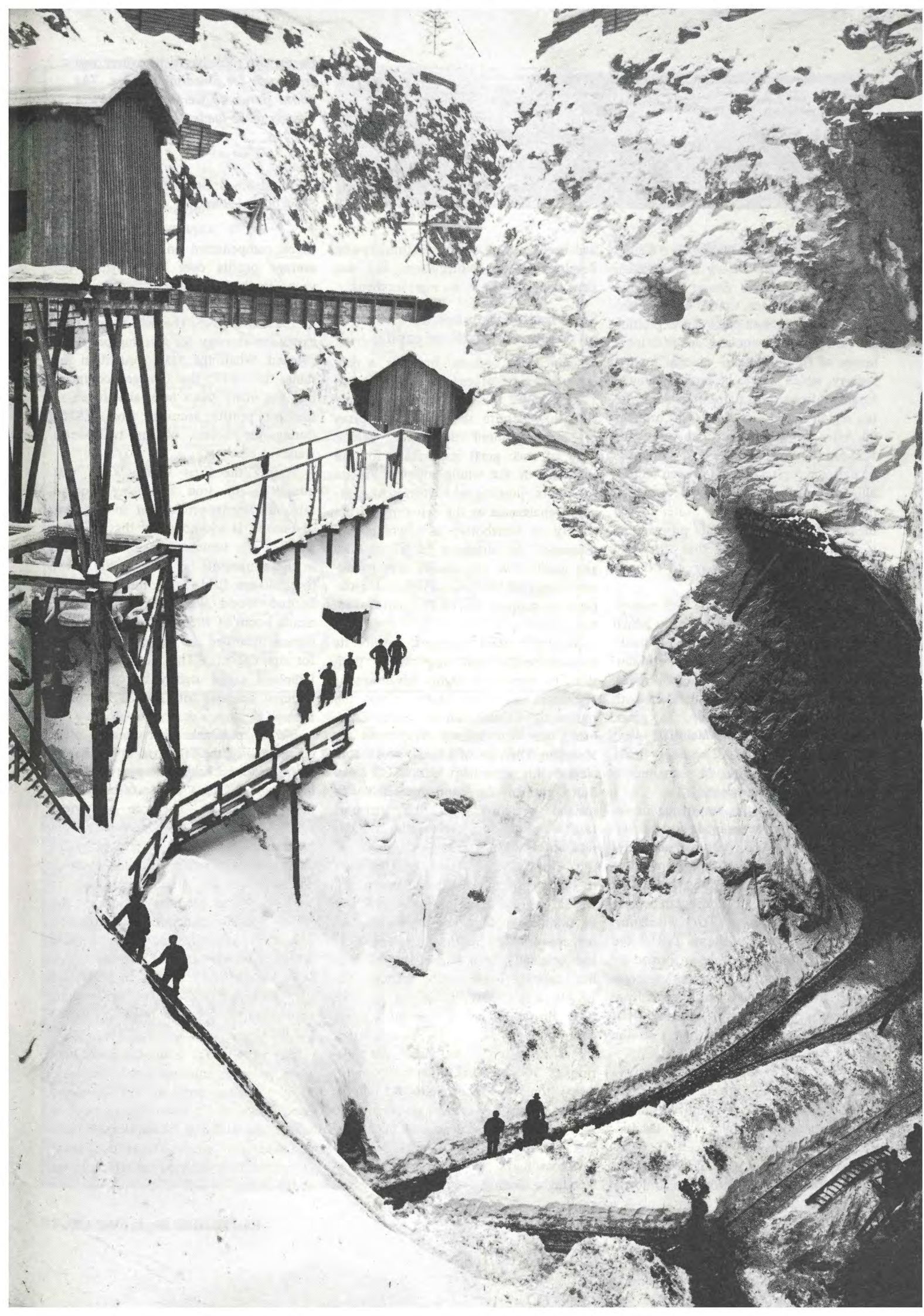
Rumours of the enormous ore mountains, which according to a description of 1831 "alone would be sufficient to provide the whole world with iron for all time to come", spread to the financially strong City of London. It was, however, a project of almost unbelievable cost and dimensions. A number of speculating companies, lured by the mirage of fantastic gains, were broken by lack of capital. Only in 1888 did an English consortium succeed in completing the railway line to Gällivare. The project seemed to have been put on its feet, and the company planned for a large increase in ore production.

The mine owners of central Sweden were observing the increasing competitiveness of the Norrbotten ores with great anxiety. Since they lacked enough of their own capital to buy up the Norrbotten ores, they demanded that the State should intervene to prevent foreign firms being allowed to "plunder our northern ore fields." The English consortium, however, went bankrupt before the increased mining had got started.

This bankruptcy had one main cause: the central Swedish mining capital had whipped up nationalistic sentiments. The English capital had lost some of its incentive to invest in the face of the threat to nationalize the mines. The State was then compelled to buy out the railway and make it completely ready for use. There had been some sort of production at Gällivare since the 17th century, but it was the opening of the railway that made large-scale working possible.

The State puts up the Norrbotten ore for sale

The national capital made further demands when in 1897 the Austrian branch of the Rothschild family of financiers bought the Koskullskulle iron-ore mines in the Gällivare mining area. In order to prevent the profits from the intended exploitation of the Kiruna ore field going to foreign capital, the company of Lousavaara-Kirunavaara AB (LKAB) was for-





During the First World War there was a great rush for Swedish iron ore. The photo shows 40 German ore carriers waiting to be loaded in Luleå harbour in 1916.

(1) Ahlström G: De mörka bergen, Stockholm 1966.

med in 1890. Those supporting LKAB included *K A Wallenberg* and *Enskilda Banken*, the banker *Ernest Thiel* and that shark of finance, Consul *GE Broms*.

Since the further plans for exploiting the Kiruna ore required an additional influx of fresh capital – chiefly for the railway, which was to be pushed through to an ice-free export harbour in the Lofoten region – the State had to be brought in. After hotly contested debates in the Riksdag (Parliament), where the interests of national capital entered into an unholy alliance with social democracy, which had the takeover, by the State, of the means of production on its programme, it was decided in 1890 that the State was to build the railway to Narvik. This was a victory for LKAB.

Consul Broms controlled the majority of shares both in the company which had taken over after the English bankruptcy in Gällivare, AB Gällivare Malmfält, and in LKAB. The capital requirements to start up activities in both Gällivare and Kiruna were so great however, that Gällivare Malmfält went bankrupt in 1901. LKAB was also threatened. The owners started preparing to sell both companies abroad.

Opinion against this was strong however, and demands were made for the State to intervene. The State was also offered the opportunity of taking over the mines, but nothing was done. Instead, it was the company of *Trafikaktiebolaget Grängesberg-Oxelösund (TGO)* which purchased the majority of shares. TGO – the Gränges of today – had been formed by the amalgamation of older mining companies in Grängesberg and the railway company operating the railway that carried the ore from the mines to the export harbour in Oxelösund.

TGO's ore export from Grängesberg had been offered strong competition from the ore fields in Gällivare. When the Rothschilds bought Koskullskulle, for instance, this had reduced the Gränges export to the Rothschild steel works in Bohemia. For this reason, the company

had been keeping a very watchful eye on developments in Norrbotten, and was then able to strike at the right moment.

State intervention based on concern for national capital

To clinch the business, however, a very large injection of capital was required. TGO believed that the State would provide this, despite the scandalous turns of events around the mines, which were of such great importance for the economy of the whole country. Private exploiters, juggling with visions of a general renaissance in the economy of the county of Norrbotten as a whole, had succeeded in obtaining large subsidies and grants. The atmosphere thus produced however, led most political groupings to support the idea of nationalization.

In 1907 TGO managed, despite its extraordinarily weak negotiating position, to come to a highly advantageous agreement with the State. It was the right-wing Cabinet under *Arvid Lindman*, who had himself once been the Managing Director of LKAB, which concluded this agreement with TGO. The State granted the company certain financial guarantees for the transport tariffs on the ore railway, as well as relaxations on any export duties on ore. The State, in return, had the right to buy in the mines after 25 years. This was a decision based on the old way of thinking in terms of the Crown and on concern for national capital. TGO had originally been backed up by English capital, which thus through the LKAB affair led Wallenberg by the nose. Broms, the share speculator, made enormous private gains; among other things, his survivors were able, for a period of 50 years, to collect 10 öre för every ton of ore brought out of the Kiruna mine. By 1954, a total of 15.6 million Swedish crowns had been paid out in this way.

According to the agreement, if the State bought in the mines the company was

to be compensated on the basis of the average profits over the previous ten years. In the hope of reducing the price, nationalization was postponed twice, in 1927 and 1945. This was to prove an expensive strategy for working people in Sweden. When the State bought in the mines in 1957, the Gränges company had for many years been able to enjoy the fat profits accruing from LKAB during the booms of the two world wars.

During the First World War, "vast quantities of iron ore were poured into armament production in the rest of Europe. It was no secret that on both sides of the trenches an important link in the armaments lay back in the north Swedish ore fields". On the eve of the Second World War, during the armaments boom of 1938, the Gränges management recorded the highest figures ever for ore export. "The mining towns of Lappland could rightly be called raw-material colonies for German heavy industry."⁽¹⁾

When nationalization finally took place in 1957, the State had to pay a very high price for LKAB. The postwar boom had made LKAB a very profitable business for Gränges. The iron ore prices of that times were the highest ever, even in absolute terms. The price paid by the State was 900 million Swedish crowns. The sale was also effected at a time of transition from opencast working to the more expensive underground techniques. The sum paid by the State became Gränges' springboard out into the world, thus forming the first step in a development which was to have far-reaching consequences for the Swedish mining industry.

The LKAB affair is an example of how State action in minerals policy has been to give a long series of privileges and concessions, and a never-ceasing flow of grants and subsidies to unprincipled louts and shady enterprise. The needs of these companies have dictated the interventions of the State.

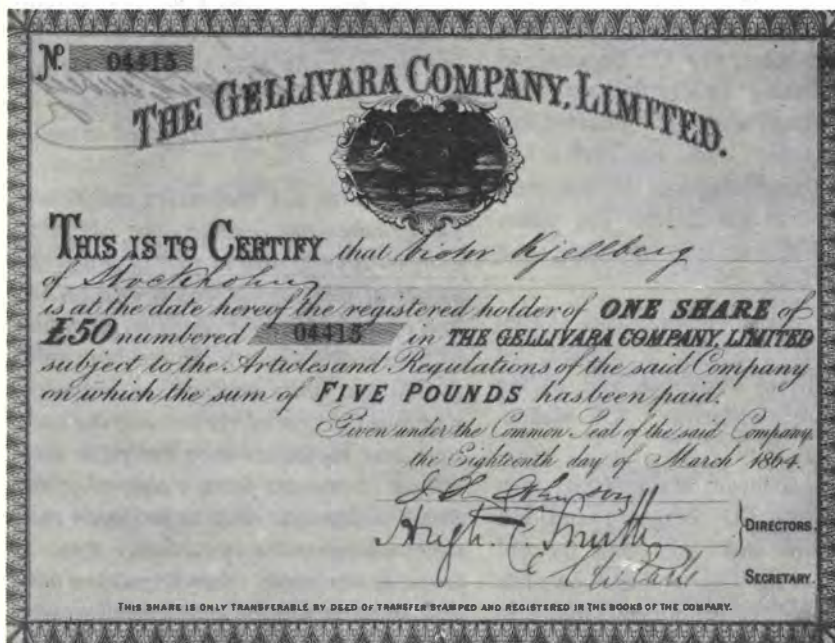


Iron ore exploitation in Lapland – a chronology

- 1645 The Dutch brothers Momma take out the first claim for the Svappavaara ore.
- 1656 Mining is begun in Svappavaara.
- 1660 The Gällivare ore is test mined. – 70
- 1670 The Momma project goes bankrupt. The first bankruptcy in a series through the centuries. The problems will remain the same up to the twentieth century: lack of transportation facilities and poor quality of the iron produced from the ores, rich in phosphorus. – 80
- 1696 The first report about the Kiruna orebody.
- 1720 Mining in Svappavaara starts again. The mining operations permit production of a few tens of tons of pig iron per year. – 30
- 1740 Mining is begun at the Gällivare mines. – 50
- 1820 The Swedish king Karl XIV Johan buys all properties, mines and iron works in Lapland. The first proposal for an "iron track with steam carriage" is made by an English syndicate. – 30
- 1855 After several shady arrangements involving among others the Pope Gregorius XVI, British MPs and the Duke of Montebello the Swedish king manages to sell the unprofitable business. Buyers are a consortium of Swedish country nobility and Norwegian sugar works bourgeoisie.
- 1861 The first joint stock company, Gällivare Aktiebolag, to exploit the ore is founded and obtains a favourable concession and later on large subsidies from the Swedish state.

Map over the concession areas in Norrbotten from the middle of the 18th century. Note that the Kirunavaara and Luossavaara mountains are marked in the top left corner. Above.

A share issued by the first British company to exploit the Lapland ore. The reindeer was the symbol of the North introduced already by the Momma brothers. Below.



- 1864 After several failures to raise capital in London the Swedish company sells its rights and lands to an English company called the Gällivara Company Ltd.
- 1867 The English company goes bankrupt. The work with a combined canal and railroad from Luleå to Gällivare is stopped.
- 1868 One of the financiers in the project, Sir Giles Loder, a British railway pioneer who made a fortune in Russia, reconstructs the company and forms The New Gällivara Company.
- 1870 Several new applications for concessions are made by The New Gällivara Company but all are rejected by the Swedish government.
- 80
- 1882 For tactical reasons The New Gällivara Company is renamed and organized as a Swedish joint stock company, Gällivare Aktiebolag.
- A syndicate, called North of Europe Railway Company, is formed to continue building the railway to Gällivare. The syndicate represents new Swedish interests, the British railway builders Wilkinson & Jarvis as well as the Gällivare Aktiebolag. The syndicate is granted a concession as well as state subsidies to build the Ofoten-Bothninan Railway from Luleå in Sweden to Ofoten in Norway, via Gällivare and Kiruna.
- 1885 The syndicate, which is suffering from chronic lack of capital, is reorganized and Dutch capital is added. The new company is called Swedish and Norwegian Railway Company.
- 1888 The first part of the railway, from Luleå to Gällivare, is completed.

However, during the late 1880s the protectionist currents in Sweden grew stronger. Swedish iron and mining capital demanded that the state must "stop the robbery of our national inheritance". According to the concession the Swedish and Norwegian Railway Company had to finish the whole railway, therefore the work had to continue.

1889 In the tense atmosphere created by the demands for confiscation of the concession the company could not raise more capital. A few weeks before the first iron ore shipments from Gällivare, in the spring when the ice breaks up, the Swedish and Norwegian Railway Company had to go into liquidation. The remaining Dutch interests sold the railway to the Swedish state at a very low price, to save what money they could. Bothered by the problems with the railway line the owners of most of the mining claims had not properly upheld their rights. A summons was caused by the Swedish speculator CO Bergman to be issued against the company. Through several complicated and fantastic legal manoeuvres CO Bergman manages to get legal right to the claims. The mines in Gällivare start operating on a big scale.

1890 Loussavaara-Kiirunavaara Aktiebolag (LKAB) is started by Gällivare Aktiebolag and leading Swedish financier KA Wallenberg.

1891 AB Gällivare Malmfält is started by CO Bergman and GE Broms and takes over the old Gällivare Aktiebolag. Swedish capital is supporting the project.



JAGTNYMFE.

»The Hunting Nymph»

In 1901, when the scandal surrounding the bankruptcy of AB Gällivare Malmfält was a fact, the satirical periodical Puck (No. 10, 1901) published this drawing on the first page, with the following caption:

»1st Faun: Look how lovely she is lying there. What a sweetie!

2nd Faun: Yes, and all undressed as well.»

The fauns are KA Wallenberg and Ernest Thiel, who are eyeing the »hunting nymph» Broms, who at that time was the owner of Gällivare Malmfält and LKAB. The opportunities for profit in the mines of Norrbotten County created both antagonism and unity among those representing Swedish capital. At one and the same time, the capitalists were united in their efforts to prevent foreign control of the rich ore deposits, only to fall upon each other whenever the opportunity arose. It arose, for example, when Broms was only able to cover himself with a small »towel» of bank loans.

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| 1893 | AB Gällivare Malmfält buys LKAB. | 1945 | Redemption is postponed once again, now until 1957. |
| 1896 | Trafikaktiebolaget Grängesberg-Oxelösunds Jämväg (TGO , later simply called Gränges) is floated by mining and ironworks interests from central Sweden together with London City capital led by Sir Ernest Cassel. | 1949 | A law is passed that makes it possible to confiscate mining properties still owned by foreigners. |
| 1897 | SM von Rothschild from Vienna, owner of Witkowitz Steelworks, buys Koskullskulle mines in Gällivare. | 1950 | LKAB buys the Koskullskulle mines (Bergverks AB Freja), from their proper owner Rothschild. |
| 1898 | The Swedish parliament decides to complete the railway to Narvik and that LKAB should finance the project by future transportation rates. | 1957 | The Swedish state buys another 46 percent of the shares in LKAB, paying 975 million Swedish crowns. The remaining 4 percent is kept by Gränges. AB Malmexport (50 percent Gränges, 50 percent the Swedish state) is floated to sell the Swedish iron ores abroad. |
| 1901 | Gällivare Malmfelt AB goes bankrupt. There is a scandal when it was revealed that Broms has tried to sell the mines abroad. | 1963 | Gränges starts mining iron ore in Liberia, for the LAMCO joint venture. |
| 1902 | The railway is completed. | 1969 | Strike in LKAB. One of the most important strikes in the 70s in all Sweden. |
| 1903 | After a scramble for LKAB, TGO suddenly manages to buy the company from Broms and his company Gällivare Malmfelt AB. Mining is begun in Kiruna. | 1970 | |
| 1904 | Financing of the takeover is arranged by Deutsche Bank. | 1974 | LKAB acquires Tuollavaara Gruv AB. |
| 1907 | Further financing is secured by the selling of half of LKAB to the Swedish state. According to the deal, the state should takeover the mines after 25 years. | 1976 | The Swedish state acquires the remaining 4 percent of LKAB from Gränges. |
| 1916 | A law is passed that makes it impossible for foreigners to buy mining property in Sweden. | 1978 | The Swedish state buys all Gränges iron ore mines in central Sweden and forms SSAB (Swedish Steel AB) thereby saving Gränges from total bankruptcy. Gränges gets 1 580 million Swedish crowns for the commercially worthless mines and a steel work. |
| 1927 | Redemption of the remaining 50 percent of private interests in LKAB by the Swedish state is postponed until 1947. | 1980 | Another 40 percent of AB Malmexport is acquired by LKAB who now controls 90 percent of the shares. |
| 1938 | The Witkovitz property is confiscated in Vienna by the nazis. They demand that the Koskullskulle mines should be given to the new German owners. This is refused by the Swedish state. | 1981 | The Swedish National Industrial Board presents a study giving the mines in Lappland not more than 25 year of life. |
| | | 2005 | The last mines are shut down? |



Strike meeting during the 1969 - 70 strike



*Kiruna dies.....fight!
Winter 1981.*