

UPDATE 1-Western Coal to use own equipment to cut costs, shrs up

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- * To use co-owned equipment, including trucks and shovels

- * To raise fleet equipment capacity at Canadian ops

Oct 5 (Reuters) - Canada's Western Coal Corp <WTN.TO> said it will start using its own equipment and phase out contractor fleets to cut costs, and raise its fleet equipment capacity by at least a third, sending its shares up 4 percent.

The company, which has mines in British Columbia and West Virginia, also plans to use its own trucks with larger capacity, use new shovels and loaders and also use larger shipping vessels to ship coal to customers.

Western Coal ended the use of contractor equipment at the largest of its three mines -- the Wolverine mine -- in British Columbia last year and is moving to phase out the existing contractor fleets at its other mines in the region.

Strong demand in Asia, along with the company's focus on improving its production capacity helped it raise its production outlook for current fiscal, while cash costs per tonne are expected to fall.

In the first half of the year, the truck and shovel capacity at the Wolverine mine was raised 43 percent. Capacity at the Brule and Willow Creek mines in British Columbia as well as the Maple mine in West Virginia is also set to rise.

The Wolverine and Brule mines will get 12 new trucks with a higher capacity, while a new road being built between the neighbouring Brule and Willow Creek mines will cut coal hauling costs by a fourth.

The company has also switched to using capesize vessels, replacing the lower-capacity panamax vessels, which helps customers save \$5-\$10 per tonne, it said in a statement.

Shares of the Vancouver-based company were trading up 4 percent at C\$6.31 Tuesday on the Toronto Stock Exchange. Shares of its Canadian peer, Grande Cache Coal Corp <GCE.TO>, as well as the U.S. coal index <.DJUSCL> was up 2 percent. (Reporting by Vaishnavi Bala in Bangalore; Editing by Jarshad Kakkrakandy)