

# THE REPORT OF THE ROYAL COMMISSION ON COAL

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THE long awaited report of the Royal Commission on Coal was tabled in the House of Commons, Ottawa, on January 31, 1947. The Report consists of a little over 650 pages, and gives a very inclusive coverage of matters relating to the production, distribution and use of coal in Canada.

It is readily apparent from a preliminary reading that the Report is strong on facts. Each of the factual chapters—of which there are thirteen—is filled with data, some of which have been well known and discussed in the Public Press for some years, but some of which are made available for the first time. It is equally apparent that the strength of the Report is not in its formal recommendations. In substance, the Commissioners recommend a continuation of past policies with substantially no new propositions for consideration by Government.

## *Reserves*

The factual information contained in the Report commences with a study of the coal reserves of Canada and even includes some mention of world reserves. Dr. B. R. MacKay, of the Geological Survey of Canada, has brought the estimates of the coal reserves of Canada up-to-date. His estimates, he himself considers, "in the most instances on the conservative side". They show that, although the reserves of coal in Canada are not anywhere nearly so great as those postulated by former estimators, they are, nevertheless, ample for many hundreds of years. The Report notes that "the chief interest in reserves lies in the location and characteristics of the deposits", not in the amount. Dr. MacKay's Report is notable for its contribution on the location and relative accessibility of the various types of coal that are available to the Canadian coal market from Canadian sources. His estimates of the Canadian reserves, set out in detail in an Appendix to the Report, include a breakdown of the reserves by the rank of coal. It is an interesting fact that, although the reserves of the various Provinces have been scaled down by this estimate to about 10% of the 1913 estimate, the Province of Nova Scotia still retains the same position relative to the other Provinces, and, in fact, under the new estimate possesses a greater percentage of the total reserves.

In respect to the world reserves, the Report confines itself largely to a discussion of the reserves of the United States and the United Kingdom, the two chief sources of foreign supply to the Canadian market. It is generally known that reserves of bituminous coal in the central coal fields of the United States are vast. The Commission confirms this fact and gives assurance that supplies can be forthcoming for Canada indefinitely, assuming that the Canadian policy is to purchase coal from this area.

In regard to anthracite, evidence secured by the Commission offsets the previous apprehension concerning United States anthracite available to Canada. The Commission was assured by competent United States Government authorities and the American Anthracite Industry itself that the anthracite reserves are adequate to give Canada a continued supply at the current annual rate for over one hundred years.

Reserves in the United Kingdom also are sufficient to continue to supply the Canadian market at prewar levels. Doubt is expressed that the present condition of the industry in the United Kingdom will permit of continuous supply.

### *Mining Methods*

The systems of mining in the various coalfields of Canada are reviewed in some detail, both as a record of methods and as a basis for discussion of the productivity of the Canadian mines relative to their American competitors. The Commission states that, "Canada lags far behind the United States in the extent of mechanization of coal mining, the use of machinery for mining coal and in the improvements of capacity and speed of haulage systems." These factors are reflected in the tons per man-day. For example the records for 1944 are:

District	Tons per Man-day
West Virginia.....	5.61
Pennsylvania.....	5.28
Ohio.....	6.77
Nova Scotia.....	1.73
New Brunswick.....	1.47
Drumheller.....	3.58
Crow's Nest.....	3.67
Vancouver Island.....	2.03



The Commission notes:

The United States mines which ship to the Canadian market usually achieve a higher productivity than the average for the States in which they operate. In practice, therefore, the above comparison is an understatement.

In justice to the Canadian coal producers, the Commission further notes:

It is generally recognized that physical conditions in the United States, notably in the central coal field where mechanization has been most widely adopted, are very favourable. Moreover the machinery has been developed to suit these conditions and is not readily adaptable to other conditions; it is more costly to the Canadian operators owing to customs duties.

Nova Scotia mining problems are discussed in far greater detail than those of the other coal producing areas. After a detailed analysis of the declining productivity since 1939 the Report states:

The decline in productivity since 1939 is unrelated to technical mining problems and the restoration to the 1939 level of productivity appears to hinge on correcting the imbalance of the labour force and securing steady attendance at work and more satisfactory Labour-Management relations.

Three eminent engineers reported upon the means by which productivity in the Cape Breton mines can be increased. They were in general agreement that productivity could be raised substantially by the abandonment of the existing longwall mining methods and reversion to the room and pillar mining but with mechanical loading equipment. They likewise agreed that the physical conditions will probably prohibit increasing the productivity up to the United States level, and estimated that at the conclusion of a five-year programme, productivity can be raised to about 3.5 tons per man overall per day covering all the Cape Breton Mines. The Report indicates that Dosco has in hand a programme of mechanization and coal preparation estimated to necessitate the outlay of some \$5,000,000 within the next five years. The Commission agrees that it will probably take five years to achieve this programme.

*Financial Aspects*

The chapter on the financial aspects of the Canadian coal industry is a very complete review of the position of the industry

over a 15-year period. It is somewhat of an accountant's paradise but is useful to the student of the industry in that it shows that the industry has not at any time in this period made excessive profits; in fact it is clear that, whereas some of the bituminous mines in Alberta have shown a sound financial return, the Nova Scotia industry—and, in particular, Dosco subsidiaries—have sailed close to the wind throughout the period.

In summarizing the financial aspects the Commission states:

Involving an investment which at the end of 1944 amounted to approximately \$83,000,000 and in respect of sales of 180,000,000 tons over the fifteen-year period, the Canadian coal industry has had a return of approximately 10 cents per short ton. While this is the over-all result, a geographical distribution of these figures shows that the eastern companies (Maritime) sold 52% of the coal and only made a net profit of  $\frac{1}{2}$  cent per ton, while the western companies (Saskatchewan to British Columbia) sold 48% of the coal and realized a profit of 19 $\frac{1}{2}$ c per ton. These figures are before any provision for depletion.

The foregoing results are after including production subsidies paid by the Emergency Coal Production Board and other governmental assistance totalling approximately \$15,000,000, of which approximately \$13,800,000 was paid to the eastern companies and \$1,200,000 to the western companies. If the operating results are considered before the application of the above subsidy amounts, the operation of the eastern companies would have resulted in a loss of 14 $\frac{1}{2}$ c per ton while the profits of the western companies would have been reduced to 18c per ton. It is only fair to observe that subsidies paid by the Emergency Coal Production Board were in considerable measure due to the war-time price ceiling policy.

### *Industrial Relations*

The chapter on Industrial Relations outlines the historical development of Union organization and Labour relations throughout the industry. Dealing with each of the coal areas in turn, it points out that, although the United Mine Workers of America represent the coal mine workers both in the east and in the west, the internal structure of the Union differs in the two districts. In the Maritimes, District 26 Executive is elected by the membership of the Local Unions, and therefore the district is autonomous; in the west, District 18 Executive is appointed by the International Executive Board and comes under the direct influence of the headquarters of the International body. This difference is attributed to the natal origins of the mine workers and to the historical background of the



industry. These are also reflected in the attitude of the miners themselves in relation to the industry. It is noted, for example, that whereas District 26 in the Maritimes sponsors a programme of nationalization, District 18 in the west is in favor of the continuation of private enterprise in the industry.

The Report reviews the working conditions, the social environment, and the human problems of the mine workers. It is noted that the compensation rates for coal mining are generally the highest among industry. The Commission suggests that this reflects the dangerous work of the miners, but makes no comment on the need of increased emphasis on safety practices to counterbalance the hazards.

#### *Basis of Pay*

In discussing the returns to the worker, the Commission emphasizes the need of considering returns to the worker on the basis of annual returns rather than the point of view of daily wage. The Report brings out some interesting information on this report. For example, it points out that whilst the wage rates in Nova Scotia have been lower than the western "steam" coal fields, the annual earnings in Nova Scotia have from time to time exceeded those of the western coal fields, because the mines in Nova Scotia have worked more steadily. The change in annual earnings of the workers of the industry over the fifteen-year period 1931-1944 is shown in tabular form. These records indicate that in 1931, for Canada as a whole, 78% of the workers were receiving less than \$1,000 per annum, but in 1944 only 20% were in that category; that whereas only 1% in 1931 were earning between \$2,000 and \$3,000, in 1944 31% were in this category. The picture in Nova Scotia is much the same as that for Canada overall, with 81% less than \$1,000 in 1931, and only 16% in 1944; whereas 22% earn between \$1,500 and \$2,000, and 30% between \$2,000 and \$3,000.

In this section on Industrial Relations the Commission further discusses the factors affecting productivity with particular reference to those in which the mine workers are closely involved. It lists the factors as

- (1) composition and balance of the labouring force
- (2) methods of training and recruitment
- (3) absenteeism
- (4) the state of Labour-Management relations

Again, the problem of productivity from the Nova Scotia mines is emphasized particularly in respect to the overloading of dotal, or "Company", men in comparison to "Producers". The discussions on problems of training and recruitment and absenteeism supply some interesting but inconclusive information. In the matter of Employer-Employee relations, the Commission states:

Much that makes up the pattern of industrial relations is intangible.

and

Responsible leadership is essential with both Management and Labour.

It notes that in the West, District 18 and management have shown a willingness and capacity to negotiate with each other effectively. In the East "the largest Nova Scotia mining company displayed some lack of understanding in its attitude towards labour". "On the other hand, work stoppages and other aspects . . . indicate that this Company is entitled to a more responsible attitude on the part of the Union." Further in respect to Nova Scotia, it states that "the prosperity of the industry more than ever before is dependent upon a maximum of co-operation between management and labour, and progressive leadership by each is essential."

#### *Transportation and Distribution*

Following the discussions on labour relations, the Report deals with transportation and distribution. The information contained in these chapters is of importance to any discussion of the coal problem of Canada. As the reserves lie at the extremities of the country, whilst the markets are in Central Canada, the Commission spent some time on freight rates and discusses the much debated point of trainload shipments. It decides that such shipments are not economically feasible, are not practicable from a railway operating cost, and do not represent economic benefits to the industry.

Other special problems dealt with include the Canso causeway and the St. Lawrence deep waterway. The Commission suggests that the Strait of Canso project will not be of any great benefit to the coal production of Nova Scotia. The St. Lawrence deep waterway may have detrimental effects in the short-term picture, in that it will permit of greater competition



between American coals and Nova Scotia coals in the lower St. Lawrence basin. In the long-term view, however, it may be of some benefit to Nova Scotia.

Generally, the review of freight rates indicates that, in relation to other commodities, the rates maintained on coal are amongst the lowest of railway rates in Canada and are generally comparable to those in the United States.

The mechanics of distribution are discussed in some detail, including the operating margins or profits of the wholesaler and the retailer. Again, the problem of Maritime coal comes in for considerable discussion. The competitive place of Nova Scotia screened coal with American anthracite and, in part, with American bituminous coal, is discussed in detail but without satisfaction.

### *Markets*

The marketing of Canadian coals and the general problem of competitive coals in the Canadian market, are dealt with in a very excellent manner. Alternative sources of energy with comparison of the relative costs of power generation from coal, water power, petroleum, and fuels is followed with a timely, if brief, summary on the possibilities of atomic energy prepared by Dr. C. J. MacKenzie, President of the National Research Council.

The marketing of Canadian coal is discussed under a combination of two classifications: one, by regions; and, secondly, by kinds of markets. The wisdom of this approach to the problem is very obvious. It brings out the fact, not generally recognized in the many discussions on Canadian coal problems, that the factor of coal quality is as important as the factor of market distribution. Maritime bituminous coal, for example, normally finds a retail market, i.e. domestic consumers in the Maritimes, but domestic consumption of Maritime coal in the Ontario and Quebec markets is not feasible. The Maritimer is used to burning soft coal in his home. The householder in Central Canada is used to anthracite or smokeless, hard, fuels. Maritime coal as such cannot compete with anthracite in the Central Canadian market. To enter that market the Maritime coal must be coked or otherwise formed into a relatively smokeless fuel. One optimistic note is given, however, in an increasing tendency to the use of coals other than anthracite in the retail trade largely through the introduction of new types of furnaces and firing equipment.

The importance of the railway market for almost all coals is emphasized. The railways are the backlog of the coal industry. This is particularly true for the New Brunswick coal production and for the bituminous or so-called "steam" coals of the Western Provinces.

Railways are a secondary, though still important, market for the Nova Scotia coals. The largest industrial consumer of coal in the Maritimes is, of course, the iron and steel industry. The Commission report points out that it was the availability of large quantities of slack at low prices that led to the establishment of the Steel Plant at Sydney. It notes that this Plant has been of tremendous importance to the coal operations, for otherwise the slack would have been extremely difficult to market. Elsewhere in the Report the Commission accepts the principle that the steel industry should have a preferential price treatment in its use of the local coal.

The discussion of markets contains a detailed analysis of the competitive position of Nova Scotia coals in Central Canada markets. In particular it notes that, whereas in 1939 Dominion coal was strongly competitive at Montreal, in September, 1946, it was more than \$2 a ton more expensive than United States coal. The effect of the deterioration in the position of Nova Scotia coals in Montreal is that at present it is not competitive with the United States bituminous coal anywhere on the St. Lawrence River, except possibly below Riviere de Loup and on Gaspé Peninsula.

The Commission states:

If the present relationship continues, there will be no Nova Scotia coal of any consequence moved into the central Canadian market without subvention assistance.

In this respect it is worth noticing here that the majority report of the Commission recommends that no subventions be paid on Nova Scotia coal except when it is moved west of Montreal.

Discussing export markets both from the point of view of the East and the West, the Commission points out that present production costs in Nova Scotia would not lead one to believe that the Nova Scotia producer could recapture any part of the New England market. Likewise, with regard to the West, it points out that the widespread belief that there exists a large potential market for Alberta coal in the adjoining States of Montana and North Dakota is without foundation.



The Commission Report gives a relatively detailed survey of the combustion equipment used in Canada. It also touches upon district or central heating for domestic purposes. Consideration of this chapter leads one to wonder why the Commission did not make recommendation to the Central Housing Corporation for a development of either special heating units or of central heating in their construction programme.

#### *Alternative Uses for Coal*

By developing an extensive chapter on products and by-products the Commission has recognized the popular question of alternative uses for coal. Of particular interest is the study that has been made of the possibility of a synthetic liquid fuel industry based on coal. This section of the Report was prepared by Dr. T. E. Warren of the Fuels Division, Department of Mines and Resources, Ottawa, a recognized authority on this subject. His figures indicate that, although there have been substantial improvements in the methods and costs of producing liquid fuels from coal, nowhere as yet have they reached the stage where the product can compete with natural petroleum when it is readily obtainable.

The Commission does indicate that, although it is incorrect to dismiss the possibilities that some improved process may be able to make gasoline from coal as cheaply as it is now made from petroleum on the basis of raw material costs alone, yet

The principal economic factors governing the commercial development of the synthetic liquid fuel industry are the costs of the raw material, the size of the market, and the price of gasoline. It is desirable to emphasize at this point that low cost coal is of primary importance in the development of a synthetic liquid fuel industry based on coal, and that any developments in this field will not relieve the mine operators from the need to improve the efficiency and cut the costs of coal production. The low productivity and high costs of Maritime coal are serious impediments to the development of a synthetic liquid fuel industry based on coal in that area.

Dealing with non-fuel uses of coal, or products based on coal, the Report discusses synthetic chemical industries, coal tar distillation industries, and synthetic coal tar chemical industries. A highly technical paragraph on the production of nylon is used by the Commission to point up this fact:

The existence of these synthetic industries has practically no effect on the amount of coal coked, they merely provide a

market for by-products which are inevitably produced when coal is coked for the purpose of obtaining coke or gas.

The concluding chapters of the factual portions of the Report deal with the Government in relation to the coal industry, including war-time controls, subventions, protective tariffs, and so on. The cost of the industry to the Canadian people is clearly set forth: over forty-one million dollars for the years 1928 to 1944 inclusive, for assistance by Order-in-Council and Statute (subventions, etc.). To this must be added payments "by way of assumption of losses, direct subsidies and grants to persons engaged in the coal business in Canada, in excess of \$50,000,000.00, most of this having been paid after the price freezing order of November 1, 1941." Are not these figures ample evidence of why the Commission failed to agree upon a "Federal coal policy . . . to make Canada independent of foreign countries for its coal supply?"

Summarizing, the Commission states:

The present situation is that present coal prices by reason of increases in wages and in other costs are permanently up, and the time cannot be long delayed until these increased costs of a permanent nature are passed on to the consuming public. When this is done, the coal industry will again be placed in a position of finding its own market with all the incentives that are implied therewith.

### *Recommendations*

Before turning to a discussion of the recommendations of the Commissioners, we can again acknowledge the extensive collection of facts and figures that has been assembled by the Commission. Undoubtedly these sections of the Report give a very clear picture of the state of the industry at the end of the Second World War. They show the weaknesses of the Eastern coal position and the strength of the Western position. It is a factual record, from which can be measured the progress or recession of sections of the industry in the future.

The recommendations of the Commission have been discussed and criticized in the Public Press across Canada. This criticism appears to be made largely on the inability of the Commissioners to come to common agreement on all matters and to give forcible expression to opinions or recommendations. Close reading of the final recommendations, together with the opinions or recommendations that are embodied in the discussions



on the factual matter elsewhere in the Report, indicates that there are more points upon which the Commissioners agree than are shown in the recommendations themselves.

The majority recommendations are given by the Chairman and Mr. Justice McLaurin. Mr. Angus Morrison writes a minority report, to part of which Mr. Justice Carroll agrees in a supplementary note. The apparent difficulties in the way of unanimity only serve to emphasize the difficulties that faced the Commission. The statement by Mr. Morrison that "it is not realistic to speak of the coal mining industry of Canada as if it were one industry" probably sums up the whole problem. One cannot expect unanimity of recommendations when there is no unanimity in the industry. The single point upon which all sections of the industry—at least the producing sections of the industry—agreed was the need of a National Fuel Policy. The Commissioners appear to have found that on this subject itself the only satisfactory agreement involved a continuation, with some enlargement and, possibly, some improvement, of the procedures that have been developed in the past. The distributing sections of the industry, and certainly the consumers in central Canada, could not accept the costs involved in trying to make the country independent of foreign supplies.

Differences within the industry are shown in several ways; for example:

- (a) District 26, in the Maritimes, wants nationalization; whilst District 18, in the West, believes in private ownership.
- (b) The Maritime section needs protection through tariffs on foreign coal, while the West wants the free entry of Canadian coal to the Western States.
- (c) Central Canada, the major consumer of the products of the industry, wants the most for its money through free competition.

Faced with fundamental differences such as these in the very approach to the subject, it is to the credit of the Commission that they have found so many points of agreement.

Considering the recommendations and opinions given in the body of the Report, but not specifically referred to in the recommendations themselves, one finds amongst others the following points of general agreement:

- (1) Government departments dealing with coal industry matters should agree upon one system of accounting.

- (2) An immediate study should be made of the practicability of a three-way pension plan covering all mine workers, and every effort should be made to implement such a scheme.
- (3) Comparison of Canadian coal mine wages with those of the United States is valueless, unless considered within the comparative levels of general wage rates, annual earnings and cost of living patterns of the two countries.
- (4) The most important relationship is that between average annual earnings and cost of living.
- (5) Annual earnings, not basal wage rates or contract rates, are the true test of labour's returns for its services.
- (6) Contract rates plus "considerations" are fertile grounds for disputes. Datal pay basis is essential for satisfactory mechanized mining operations.

In conclusion one can note that, although the report deals with the coal industry of Canada as a whole, the major portion of the Commission's work has lain in the problem of what to do for the Nova Scotia coal industry with particular reference to the Cape Breton sections of that industry. On this important problem, the Commissioners are unanimous on at least two points:

- (1) The Corporation's long range plans for rehabilitation are acceptable and, if applied diligently, should yield the desired results.
- (2) Personnel policies must be improved and adhered to and applied to both officials and men alike. Cooperation is not a one-sided affair.

Finally, it can be noted that the coal industry of Canada has been subjected to many reports and investigations. Perhaps the outstanding weakness of the present report is that it has not attempted to discuss previous recommendations or the progress that the industry has made in the light of the previous recommendations. One would have liked to see a critical analysis of the effects of acceptance or refusal of the industry of the recommendations of former inquiries. The Duncan Commission in Nova Scotia recommended the reallocation of frontage for mines. It also recommended the adoption of longwall mining. These recommendations have been followed by the industry. The present Commission might have discussed the extent to which those decisions had influenced the progress (or regression) of the industry. Similarly, the Barlow Report in Alberta, emphasized the multiplicity of mines. It recommended the closing of many of them, with concentration of production in certain areas. These recommendations were not followed *in toto*, although many of the mines have since ceased to exist through financial collapse. The present Commission might have discussed this aspect of Western coal mining practice.