# Nationalisation and the British Coal Industry

By Arthur Beacham

EDITOR'S NOTE: The structure of the coal industry in Great Britain has been fundamentally changed by the Coal Mines Nationalization Act which was passed by the British Parliament a few weeks ago. The underlying principles of this legislation as analyzed in the following article are of particular interest to Canadians in view of the work of the (Canadian Royal Commission on Coal), whose report will be published shortly.

IN August 1945 a Labour Government was returned in Great Britain pledged to a far-reaching programme of public ownership. Although the Conservative Party are opposed in principle to nationalisation and will probably fight a strong rearguard action on points of detail, the implementation of much of this programme will probably arouse little violent controversy. It is generally recognized that special considerations apply to public utilities and to a lesser degree perhaps, to transport. A large measure of public ownership and control already exists in these fields and although Conservative politicians are careful not to say so, one gathers the impression that the case for nationalisation is already conceded.

Apart from the above, only two major industries—coal and iron and steel—are immediately threatened with nationalisation. Traditionally they both lie entirely within the dominion of private enterprise. The attitude of the Opposition towards the Coal Mines Nationalisation Bill has been one of resignation rather than acquiescence. There has been a general realization that whatever the economic merits of the case, no other solution is politically possible. For reasons which are indicated below many observers are of the opinion that, in spite of its principles and vested interest in private enterprise, the Conservative party might have been gingerly feeling its way in the same direction had it been returned to power. Action in the case of iron and steel is likely to be delayed and to provoke stronger opposition than any other step so far taken by the Government So, for the moment, the attention of those interested in the new techniques of nationalization is concentrated on coal. At present it represents our leading case.

## The Case of Coal

The case for nationalizing the coal industry is a compound of economic, social, political and technical considerations. They may be briefly summarised. Firstly, the industry is in urgent need of administrative centralization. Many of the units are too small to permit fully efficient working and efforts to promote amalgamations, either voluntary or by compulsion, have proved a failure. The coal areas leased by many collieries are not always those which could be worked to best advantage. It has become clear that only by unified ownership and control can the necessary nationalization of the structure of the industry be achieved, and compact working units of the right size be built up from the present hotch-potch of privately owned undertakings. Secondly, the industry is suffering from a chronic labour shortage. The average age of the present labour force is high and sufficient new entrants to balance wastage are not forthcoming. An assurance that the industry is no longer being worked for private profit and that insecurity and exploitation are things of the past might do much to solve this problem. But more important than the feeling that working conditions are likely to be improved under state ownership and management is the growing refusal of miners to consider working for the coal owners with whom they have had so many bitter struggles in the past. It is hardly too much to say that nationalization has become an article of faith with the miners and the price of their necessary co-operation in working the mines. Few have much concrete idea of what advantages they expect from nationalization except perhaps a vague feeling that the state will be more amenable to pressure than the coalowners.

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Nationalization has almost become a mystical symbol of victory in their long struggle with the owners. The growing realization that without nationalization there will shortly be no miners and no coal, has done more to produce the present state of affairs than any argument on the merits of the case. Thirdly, it is now apparent that a revolution in the technical methods and lay-out of colliery working is necessary if output per man-shift is to be raised, the man-power problem solved, a coal famine averted, and the price of coal reduced. The cost of technological nationalization has been variously estimated at amounts up to £300 million and it is certain that the industry under private enterprise would find difficulty in raising anything like that amount. This difficulty apart, it is doubtful whether private enterprise would have been prepared to embark on technical reconstruction on such a scale. From a short period point of view, a continuance of present methods may produce equally satisfactory profits at less risk. The State on the other hand can raise the necessary capital cheaply and can better afford to take the long view.

## Difficulties

To present a convincing case for nationalization and to carry it into effect are two very different things. Certain obvious difficulties at once present themselves. Firstly, how are the limits of the industry to be drawn, both on the physical and financial side? For example, many firms are engaged in coal, coke, and heavy steel production, coke manufacture being frequently carried out on the colliery premises. Separation of the two would be almost impossible; yet if all the assets of all firms engaged in coal mining were taken into public ownership about 84% of the coke and coal by-products industry, 84% of blast furnace capacity and 51% of the smelting and rolling sections of the iron and steel industry would be included. There arises also the question as to what constitutes a coal mining undertaking. Does it include the firm's subsidiaries, which may not be engaged in coal mining and how is a subsidiary to be defined?

Secondly, the important question of the form which nationalization is to take has to be settled. There are few less well defined terms than "nationalization" and a great variety of forms immediately suggest themselves. The management of the industry might be handed over to a Public Corporation which would issue its own stock in payment therefore and raise new capital by the same means. On the analogy of (say) the Central Electricity Board such a corporation would be semi-autonomous and virtually free from Parliamentary control, but if the State participates in financing it, directly or by guarantee, there will be grave objection to this. Alternatively, the industry might be run by a Government Department headed by a responsible Minister somewhat along the lines of the General Post Office. If either of these expedients were adopted the miners' direct participation in the management of the industry would be limited, although they might be permitted to nominate a representative to the Corporation and would certainly be able to bring pressure to bear on a Labour Minister. But if the full claims of the miners were to be met machinery along the Guild Socialistic lines suggested by the Chairman's and Labour Group's Reports of the Sankey Commission in 1919 might be more appropriate.

Such a solution, however, raises further complications. If one interested party (viz Labour) is to be represented as such in the management of the industry might not the former owners (possibly as stockholders whose claims might have to be met out of profits) have an equal claim to be represented? Equally, consumers interests in the conduct of a huge fuel monopoly might have to be recognized by representation on the managing body. The question then arises as to whether the representation of conflicting interests can be reconciled with efficiency of management.

Thirdly, the provision of compensation has to be considered. No one familiar with the subject can doubt the difficulties involved in valuing the assets of an entire industry or even of establishing an equitable principle on which to base valuations. But assuming that compensation figures for each concern can be arrived at, the method of payment has still to be decided. Should payments be made in cash at a time when the Government is concerned to curb inflationary movements? Payment in the form of marketable Government bonds is almost equally objectionable whilst most persons would agree that payment in non-marketable securities would be inequitable to the present owners. Moreover since all this would take time, what income should be paid to the present owners between the time at which the assets are vested in the State and the time at which detailed compensation figures are settled and paid?

These are the main issues which the Government were called upon to settle when drafting the Nationalization Bill. The solution arrived at can best be indicated by briefly summarising its provisions.

### Organization

A National Coal Board is to be established with the exclusive right of working and getting coal in Great Britain. Its policy will be directed to securing that its revenues shall be sufficient to meet all expenditure properly chargeable to revenue account on an average of good and bad years. It will consist of a Chairman and eight members appointed by the Minister of Fuel and Power. The latter is to have power to give the Board directions of a general character in relation to matters affecting the national interest, and in framing programmes of reorganization and development the Board will be required to act on lines approved by the Minister. Two Consumers Councils are to be established, one representing Industrial Consumers and the other Domestic Consumers. They will be appointed by the Minister and are to be charged with the duty of considering any matter affecting the supply and sale of coal which is the subject of representation to them by consumers and (where action appears to be necessary) of notifying their conclusions to the Minister. The latter may then if he thinks fit, direct the Board to rectify the matter.

Certain assets will be vested in the Board on a primary vesting date appointed by the Minister. Interests of colliery concerns (and Class A subsidiaries[2] thereof) in unworked coal, [3], mines of coal, collieries, colliery coke ovens, manufactured fuel plants, colliery electricity plants, transport, loading, storage, and merchanting property will be transferred to the Board without option. Certain interests of colliery concerns and Class A subsidiaries (including stores, brickworks, waterworks, houses and farms) may be transferred *either* at the option of the Board or the owners.

A further category of assets will be transferred to the Board at the option of the Board or owners subject to arbitration in the case of objection from either side. These include manufactured fuel plants not owned by colliery concerns, transport, loading, and storage facilities used mainly in connection with colliery activities but not owned by colliery concerns, merchanting property owned by Companies associated with colliery concerns, and any other interests of colliery concerns and Class A and B subsidiaries thereof *except* those in iron and steel works or those used for coal carbonisation and distillation for the purpose of supplying coke to an iron and steel works operated by the concern or a subsidiary thereof. [4]

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1. "Colliery Concern" means any company or person whose business includes the working of coal.
2. A "Subsidiary" means a company of which not less than 90% of the issue capital is in the beneficial ownership of a colliery concern. A Class A subsidiary is any subsidiary whose business includes coal carbonization, coal distillation or manufactured fuel. A class B subsidiary is any other subsidiary.
3. Including interests of the Coal Commission in which all rights in unworked had been vested by a previous statute.
4. These assets are specifically excluded from the first category of assets to be transferred without option.

### Compensation

The compensation provisions are extremely complex. The aggregate value of all transferred assets which come within the scope of the districts wages ascertainments[5] is to be determined by a Special Tribunal consisting of two Judges of the Supreme Court and an accountant. The Tribunal will ascertain the amount which the assets might be expected to realize on a willing buyer and willing seller basis taking no account of the fact that acquisition will be compulsory or of any increment in value which might arise as a consequence of public ownership[6]. The sum fixed by the Tribunal is to be apportioned between districts by a Central Valuation Board and a further apportionment amongst owners in each of those districts will be made by District Valuation Boards. The value of all other assets transferred to the Board will be separately ascertained.

Capital outlay incurred by colliery concerns after August 1st, 1945, will be refunded by money payments and compensation claims will be satisfied by the issue of Government stock. This stock will be inalienable except where its realization is shown to be necessary for the satisfaction of claims of debenture holders, for the raising of necessary working capital or in the event of the winding up of the concern [7]. Provision is also made for interim money payments to be made between the primary vesting date and the date on which compensation claims are met in full, of an amount equal to half the revenue of the concern attributable to coal industry activities or equal to interest for that period on the compensation payable.

The Minister may advance sums up to £150 million during the next five years to meet the capital requirements of the Board. In addition the Board will have power to borrow temporarily up to £10 million. The Board will be liable to make payments to the Minister to recoup the Crown expenses and liabilities incurred in acquiring its assets and in providing the Board with capital. A statement of any payments due which are not paid, and the accounts of the Board (audited by auditors appointed by the Minister) are to be laid before Parliament. The Board is also required to submit an annual Report which will be laid before Parliament.

### The Critical Comments

No precedents exist in Great Britain for this form of nationalisation. The General Post Office forms a closer analogy to the National Coal Board than any of the Public Corporations. The Board will be directly responsible to the Minister who will in turn be directly responsible to Parliament for the conduct of the industry. Although the Board will be entrusted with day to day management, it is clear that the Minister will have the final voice on all broad issues of policy.

Members of the Board will in fact, though not in theory, be Civil Servants very conscious of the presence of the Minister and acutely aware that their actions will be subject to debate in Parliament. Many observers including the present writer, would have preferred to see the Board further removed from politics. It is difficult to believe that the efficient management of a major industry can be reconciled with control by a Minister who will be swayed by every political wind that blows, and whose tenure of office is uncertain. It is encouraging that the Act lays stress on the duty of the Board to pay its way though it will be impossible to tell whether this is being done until its accounts can be closely scrutinized over a period of years. But a strong Minister might be able to take refuge behind these provisions in order to resist pressure from different interests. The miners are critical of their exclusion from direct participation in management, but their grievance has been minimised by the appointment of

5. Periodical statements of costs, proceeds, and profit of the industry by which wages are in part regulated.

6. But additional compensation will be paid for any increase in overhead expenses by reason of severance.

7. It is important to note, in view of the fact that the stock is virtually inalienable, that the rate of interest payable on stock is to be determined by the Treasury.

the former Secretary of the Miner's Federation to the Board. So long as a Labour Government is in power it is doubtful whether the miners have lost much by their exclusion since other interests also remain unrepresented. It is reported that pressure is already being brought to bear on the Minister to concede the principle of the 5 day week apparently with some prospect of success. There can be little doubt that no competent and autonomous Board would concede this demand at the present time.

The machinery for the protection of consumers' interests is open to serious criticism. The Consumers' Councils can only investigate specific complaints and there is very little in the Act to suggest that they will be afforded adequate facilities for making investigations. No provision is made for giving publicity to the Councils' proceedings and the Minister is fully entitled to ignore their representations without giving reasons for doing so.

The limits of the industry have been most cunningly devised. With certain exceptions (mainly connected with associated iron and steel interests) all assets necessary to the conduct of operations carried on within the colliery premises are to be taken over by the Board without option. Subject in some cases to arbitration many other types of asset closely connected in practice with colliery activities can be taken over, so that there should be little loss of efficiency due to severance or temporary lack of continuity. The compensation arrangements strike the outside observer as being eminently fair if final payment is not too long delayed though some doubts may be felt about the non-transferability of compensation stock. But no final verdict on the compensation provisions can be arrived at until the findings of the tribunal are known. [8]

Finally some minor but interesting points may be noted. It has apparently been decided to locate the Board in London in spite of all the talk of decentralising the machinery of Government and the obvious desirability of a central site in the coalfields (say Birmingham) away from the disturbing influences of Whitehall and Westminster. And why should the Board's financial year run from April 1st, when everything points to the desirability of a uniform financial year corresponding to the Calendar year?

8. The procedure of global assessment followed by proportional division, first between districts and then between owners was followed in the pre-war nationalization of coal royalties. On the whole it worked very well though objection was raised to the initial global assessment.

# Food is an International Concern

By W. C. Hopper,

At the conference on food and agriculture at Hot Springs, Virginia, in May-June 1943, when world wheat stocks exceeded the staggering figure of 46 million tons the United Kingdom delegation emphasized the possibility of a world food shortage after the war. That forecast has become a reality.

### The Present Food Crisis—

A report of the Conference called by the Food and Agriculture Organization of the United Nations ;FAO: on urgent food problems which was held at Washington May 20-27, 1946, states "assuming average weather conditions until the end of the 1946 harvest it is expected there will be a gap of ten million or more tons between the quantity of bread grains needed by importing countries and the quantities likely to be available for export. Since the total 1946 production cannot be materially altered, the only way to close

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