STATE CONTROL IN THE COAL INDUSTRY.[1]

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INTRODUCTION.

Mining became a major industry in the world about a century ago, at which time every individual (or a group of individuals) in some countries had unrestricted freedom to dispose of his mineral property as he pleased. During the past half a century, however, Governments have been gradually encroaching on the rights of the citizen, claiming to act in the public interest. An attempt is made in this paper to present a brief review of the extent to which the State interferes in respect of coal mining in some of the important coal producing countries of the world. State control has particularly grown since the Great War even in countries which used to be cited as giving complete freedom to private enterprise. In other countries where some form of oligarchic or autocratic government exists, the control is so thorough that every industrial enterprise has to fit itself into the national economic structure under the direction of the State.

Coal is one of the most important minerals mined in many countries of the world. In spite of the phenomenal growth of alternative sources of power like oil, natural gas and hydro-electricity, coal is still the most important of the group as will be seen from the fact that the total output in 1929 amounted to about 1560 million metric tons. About 50 countries figure in world statistics as producers of coal, but less than a dozen countries account for nine-tenths of the total world output.

U.S.S.R.

It is scarcely necessary to say that the coal industry is State-controlled in the Soviet Union. The whole industry including mining, processing and distribution is run by the Government according to a well-defined plan. We have here large units working to capacity in various parts of the country, and the output is put to the best use possible, with the almost entire elimination of such problems as private profit, waste, over-production, competition, etc. Unlike in many other countries, whatever be the type of coal mined, some use is found for it. The policy of industrialisation pursued by the Government has made the country one of the most important coal producers in the world.

Germany.

Germany ranks as the second largest producer of coal and lignite in the world, whose proved and probable reserves in coal (excluding brown coal)

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down to a depth of 2,000 metres have been estimated at over 288,000 million tons. Seventy-four per cent of this total is found in the great industrial region of the Ruhr district, and 18 per cent in Upper Silesia.

The first effort at control of the coal industry was made in Rhineland in 1893 in order to regulate production and prices. A State law in 1919 brought into being district and regional organisations to exercise control over production, prices and distribution of markets, and at the same time to safeguard the interests of workers and consumers. The central organisation, the Reichskohlenrat (Coal Council), was virtually dissolved by the Coal Mining Law of 21st April, 1933, and its powers were assumed by the Reichsminister of Economy. There are at present several State mines whose aggregate production in 1935 amounted to 17 per cent of the total for Germany. All the output from the Saar, about 80 per cent of that from the Hanover region and nearly 9 per cent of that from the Ruhr came from the State mines. The ownership of minerals in most parts of Germany is vested in the State, but private ownership still persists in some areas. Mining operations are subject to inspection and direction by the Provincial authorities who also enforce laws by which the health and safety of the miners and the safety of the property and public welfare are safeguarded.

By 1935, Germany had achieved a considerable degree of rationalisation in order to meet the ever-increasing taxation and other restrictions imposed by the State. Between 1924 and 1934 the number of mining units were reduced from 376 to 224, and the number of mines producing over 1 million tons per annum increased from 6 to 26. Extensive mechanisation has resulted in an appreciable increase of output per man-shift during the same period (1670 to 2433 kg. per man-shift). Coal is given special preference in freight rates in internal markets and in export by the provision of a sliding scale for long distance transport over rail and water.

The brown coal industry of Germany is organised separately from black coal, and controlled by three regional syndicates—the Central Syndicate at Leipzig, the East Elbe at Berlin and the Rhenish at Cologne. These fix the production and sales quotas, prices and sales districts. The industry has attained a high pitch of efficiency and much of the brown coal is mined by mechanical scrapers. In the mining districts it is being extensively used for power production and as fuel in a variety of industries and also as domestic fuel in the form of briquettes.

Though nominally the industries of Germany are run by private agencies they are very closely controlled and co-ordinated by the Minister of Economy. The introduction of the four-year plan and the drive for self-sufficiency have brought about a great improvement in all aspects of the coal industry. Better methods of mining, handling and distribution have been evolved. Huge central power stations, run on brown coal, distribute electricity to industrial centres within easy reach. Coke plants and gas plants deliver gaseous fuel through pipe lines to places more than a hundred miles away. Production of motor fuel from coal is now an important industry which was responsible for an output of 55 per cent of the country's requirements of motor fuel in 1936.

France.

Until the Great War, minerals in France were governed by the Napoleonic laws of 1810, under which concessions were given to lessees in perpetuity with power to transfer the lease as property. The law was revised in 1919 and concessions are now granted for 99 years. The State is entitled to tax excess profits at rates varying from 10 to 75 per cent; other taxes including the turnover tax are now collected as an *ad valorem* tax amounting to 2·75 per cent of the pit mouth value. These latter taxes averaged a total of 9 francs per ton of coal mined in 1934.

The State does not conduct any mining operations but has powers of supervision of mines. The entire output of France is controlled by about 100 undertakings, 28 of which are responsible for nearly 90 per cent of the national output. There are close financial relationships between the coal mines and different industries, *e.g.* chemical, metallurgical and power supply. France produces about 50 million tons of coal per year which meet only two-thirds of her requirements, the rest being imported. Several countries participate in this trade, Great Britain leading with about 38 per cent of the import quota, the other chief participants being Germany, Belgium, Netherlands, Poland, U.S.S.R. and Indo-china. The imports are regulated by licence to different countries under a quota system, and are liable to import duty.

There are now regional organisations of producers each with well-defined sales zones and quotas of production and with power to fix prices. By the law of 18th August, 1936, the Government has taken powers to regulate prices of domestic and imported coal and to grant subventions to individual organisations which may suffer handicap due to labour laws.

Italy.

Amongst the Great Powers, Italy has perhaps the least resources in mineral raw materials. Good coal occurs only at La Thuile in Piedmont and at Seui in Sardinia, the total output from these being only of the order of 100,000 tons. Deposits of lignite occur at Carbonia in Sardinia, Arsa in Istria, and in Tuscany, but the total production is only about 1·8 million tons per annum. Italy imports about 12 million tons of coal per annum from Germany, Britain and Poland, the first contributing 60 to 70 per cent of the imports. The imports are regulated by the Italian State Railways which act as the controlling and distributing organisation. Large sums of money are being spent in exploration and development of the coal resources.

Poland.

A national cartel (the Polish Coal Convention) was formed in 1925 amalgamating the three former regional cartels of East Upper Silesia, Cracow and Dombrowa. Output and sales quotas are fixed for each mine, both in respect of the home and foreign markets. Minimum pithead prices are fixed by the Convention but the Government exercises power over maximum market prices. The coals are classified into definite grades and the material is compelled to be marketed under its proper classification.

Export is helped by subsidies, the marketing being done by the collieries themselves, subject of course to the regulations laid down by the Convention. Poland has now an export agreement with Great Britain in respect of their common markets. The original agreement of 1934 was renewed with certain changes in 1937.

The State exercises supervision over the National Convention through the Minister for Industries who has powers for controlling output quotas for the internal and export markets and to regulate prices in the home market. Export coal is now favoured by specially low freight in order to enable it to compete with British and German coal.

Other Central European Countries.

In Holland and Czechoslovakia, and particularly in the former, the State mines produce much coal. The State mines in Holland also run power plants and coke ovens supplying gas to the public and manufacturing ammonium sulphate which is sold as fertiliser. Some of the Czechoslovakia mines are affiliated with the steel, chemical and ceramic industries, but a large number are independent. In these and other countries (Belgium, Hungary and Bulgaria) the State exercises control over production and prices.

Great Britain.

Until very recently the underground mineral rights in Great Britain belonged to the owners of the surface, but these private rights have now been acquired by the Government at a cost of about £65,000,000, the royalty rights thus passing to the State.

The first attempt at control was made by legislation in 1930 which empowered the Government to prevent wasteful competition, to control output and to enforce the amalgamation of small and uneconomic properties. These powers have since been gradually extended. The coal producing areas have been divided into 17 districts in which organisations elected from among the producers have been set up for controlling output and prices. Since 1936, each district has a central selling agency. A national organisation regulates the district ones. Export quotas are separate from the internal market quotas. National and regional Investigation Committees have been set up for settling disputes, while the Board of Trade exercises general supervision over the whole scheme.

United States of America.

Mineral rights in the Eastern and Mid-western States belong to the surface owners, but in Alaska and some of the Western States they belong to the State.

An effort was made under the National Industrial Recovery Act (N.R.A.) of 1933 to establish district organisations for controlling production and prices under the supervision of a Coal Administrator. This and the Coal Conservation Act of 1935, in which a small Commission was vested with powers to control prices, were declared unconstitutional by the Supreme Court. The Bituminous Coal Act of 1937 became effective in 1937, which aimed at controlling prices. It is concerned only with bituminous coal (not with anthracite or other competing fuels). The mines are divided amongst 23 districts, in each of which a controlling Board has been set up. The central co-ordinating organisation is the 'National Bituminous Coal Commission' in which there is representation for owners, labour and Government. Each district is required, under the provisions of the Act, to submit to the central authority minimum prices for the various grades of coal to be sold within its area, but no provision exists for limiting production or apportioning markets. Since non-members (those mines which do not join the district organisations) are penalised by a tax of 19½ per cent on the pit mouth value of the coal produced, the adherence of all mines to the organisation is assured unless they are debarred by the Code which details certain trade practices as unfair.

The working of the Act has so far not been successful for it has resulted in an enormous amount of protests and legal actions, so that even early in 1939 the markets were highly disorganised. The main provision of the Act to which objection is taken vehemently is the one prohibiting the long established custom of making forward contracts and insisting on fixing prices for only short periods. At the same time there is no price control on other competing fuels. The coal producers themselves are prohibited from taking concerted action because of the anti-trust laws. The Act is, however, still in a state of flux.

Canada.

The Dominion Government has control over minerals in Yukon and North-west Territories whereas the individual States own the minerals only in the 'Public Lands' under their jurisdiction, *i.e.* in those areas which were not settled before 1887. The Dominion and State governments have supervision over safety only but have no control over output or prices. The Government however helps the industry by giving preferential railway freights so as to equalise competition among the different fields. A special bounty is also in force for encouraging the use of Canadian coal in carbonisation plants.

South Africa.

The producing fields are mainly in the Transvaal and Natal, the former being responsible for over two-thirds of the total production of the Country.

Natal is however important since it exports half its output. There are sales organisations in both the Provinces and quotas are operative for the internal trade and for bunkering, but not for the export trade. The export trade is helped by specially cheap railway freights. For instance the freight for export coal from the Natal field to the port of Durban (275 miles) is 5*s.* 9*d.* per ton whereas the freight for the same distance for the internal market is 12*s.* 6*d.* per ton. The export coal is graded and certified as in India, and in fact we seem to have copied South Africa in this respect.

Japan.

The coal production of Japan is a little less than double that of India. There are two organisations, one for the larger producers and the other for the smaller ones, run on a voluntary basis but under Government supervision. They fix production quotas and prices. The Government has given much encouragement for fuel research, and especially for carbonisation and for the manufacture of motor fuel from coal. It is learnt that large plants are under construction for the latter purpose both in Japan and in Manchuria.

China.

A mining law was promulgated in 1930 by the National Government of Nanking, under which all mineral wealth was declared to belong to the State. Prospecting and mining leases were granted by the State, the former for a period of two years and the latter for 20 years but renewable for two further like periods. Plans for the introduction of production quotas were under consideration some time before the Japanese invaded the country.

India.

The coal industry of India, compared to that of many of the countries reviewed above, is relatively free from control. Grading has been enforced on export coal since 1926 to enable it to compete with the South African material. A cess is levied on soft coke to encourage its marketing but so far no improvements are discernible in the method of its manufacture. Arrangements have very recently been made for the establishment of rescue stations in the Jharia and Raniganj fields and compulsory sand-stowing is to be started at a very early date. Except for a certain amount of control on the export coal, there are no measures in force for the control of the industry. There is no price or production control so that the markets are extremely competitive and the private industry is always apprehensive of increased production from the collieries run by the Railways.

General Review.

In most countries efforts have been made in recent years to control output and prices. Endeavour has also been made to encourage export by special freight rates, bounties, etc., and also by concluding agreements with competitors. It should, however, be borne in mind that only 10 per cent of the world's production enters into the international trade, the rest being consumed in the country of origin. In maintaining lower prices for export coal, an additional burden is often thrown on the domestic consumer either as higher price or as a form of tax.

A widespread tendency to integration is very evident since the Great War. In many countries the smaller and uneconomic properties are compulsorily shut down or amalgamated with other units. Thus in the Ruhr district the number of separate undertakings has fallen from 120 in 1893 to 33 in 1936, while the average annual output per colliery has increased six-fold (from half a million tons to three million tons). In Belgium the number of enterprises has been reduced from 122 in 1913 to 86 in 1936, the average production from each mine having risen from 85,000 tons to 160,000 tons. In Great Britain the number of separate enterprises has been reduced from 3,289 in 1923 to 2,080 in 1936. In U.S.A. the bituminous coal enterprises numbered 9,331 in 1913 but there were only 6,315 in 1935, while the number of mines producing over 100,000 tons per annum has risen from 70 per cent of the total in 1913 to 80 per cent in 1935.

The amalgamation of units engaged in the same industry is called 'horizontal integration' in economic parlance. In 'vertical integration' several different industries are managed by a central organisation, so that all stages of production from the winning of the raw materials to the marketing of the finished product are under unified control. Both these types have attained vast dimensions in the Soviet Union and the U.S.A. In Germany also we have examples of both in the coal industry and in the steel and chemical industries. Much has been done in Great Britain towards horizontal integration in coal mining. We have examples of both types in India in the large business houses which control various industries under the managing agency system. The Japanese controlled South Manchuria Railway in Manchuria and the two or three well-known powerful organisations in Japan are also noteworthy examples. The tendency during the last two or three decades has been towards the building up of similar large organisations in many countries.

In conclusion, I give below a table taken from the 'World Coal Mining Industry' (published by the International Labour Office, Geneva, 1938) in which are summarised the different types of State control, regulation and aid at present in force in several important coal producing countries of the world. The report mentioned above contains much information of value to the coal industry. India can profit to a large extent by the careful study of the experience of other coal producing countries in order to be able to organise her coal industry and make it prosperous.

TABLE 1.—*The economic and commercial set-up of the coal trade and industry in some countries.*

Australia	B—Fei—O—P—T—XC.
Austria	A—Fet—Q—T.
Belgium	A—B—Fei—O—P—Q—TP.
Brazil	A—E—H—P—R—TPp.
Bulgaria	A—E—Fei—Q—R—T.
Canada	A—B—Fi—M—TPp.
China	T.
Chile	B—C—L—M—R—TP—X.
Czechoslovakia	A—Feit—O—P—Q—TP.
Denmark	A—E.
Finland	A.
France	A—Fi—L—O—P—Q—R—TP—X.
Germany	A—B—E—Fei—L—O—P—Q—T—X—XC.
Great Britain	C—Fe—M—O—P—R—X—XC.
Greece	T.
Hungary	A—E—Fei—H—P—Q—R—T.
India	Fei—R—T.
Fr. Indo-China	T.
Ireland	A—H—Q—Y.
Italy	A—E—H—Q—S—T.
Japan	O—Q—T—XC.
Latvia	A—E—H—Qe—T—Y.
Mexico	T.
New Zealand	H—L—XC.
Netherlands	A—Fe—Q—T.
Norway	A.
Peru	R—T.
Poland	B—C—E—Fei—O—P—Qe—R.
Portugal	T.
Roumania	A—E—H—Q—TPp.
Sweden	A.
Spain	A—E—Fi—H—P—Q—R—TPp.
Switzerland	A—Q—T.
Turkey	A—E—H—Qe—R—TPp.
Union of S. Africa ..	Fe—R—T.
U.S.S.R.	C—E—O—P—S—Qe.
U.S.A.	M—P—TPp.
Yugoslavia	A—E—H—Q—TPp.

Explanation of Symbols.

A—Preferential trade agreements and/or special tariff reductions to individual countries.

B—Export bonus, usually from taxes on home production or sales.

C—Government guarantees of export credits.

E—Exchange control with permits for foreign exchange to pay for coal imports.

F—Special low freight for home mined coal; Fe—to encourage export; Fi—to protect against imports; Ft—to promote transit shipments.

H—Preference for home-mined coal in all purchases.

L—Government guaranteed loans to rehabilitate mines.

M—Shipping subsidies to the merchant marine, usually operating as indirect subsidies for coal exports.

O—Schemes for output and sales quotas.

P—Control of home market prices.

Q—Quotas for imports from different countries; Qe—partial or total embargo.

R—Tax rebates or concessions to encourage home production against imports.

S—State monopoly of imports.

T—Customs duties; TP—protective tariff; TPp—preferential tariff in favour of certain countries.

X—Taxes on other fuels so as to encourage coal and discourage other fuels.

XC—Special measures to encourage production of oil from coal.

Y—Measures to encourage peat or wood as against coal.