

APPENDIX A-18A

Gentlemen:

The Coal Operators' Association of Western Canada is comprised of three companies as follows:

- The Canmore Mines Limited, Canmore, Alberta
- Coleman Collieries Limited, Coleman, Alberta
- The Crow's Nest Pass Coal Co. Ltd., Fernie, B.C.

This Association, in March, 1965, presented a submission to the Standing Committee of the House of Commons on Railways, Canals and Telegraph Lines on Bill C-120. The present submission is for the purpose of supplementing and bringing to date the previous one and has been prepared in cooperation with R. L. Banks & Associates Inc., Transportation Consultants, Washington, D.C., who represented the Provinces of Manitoba and Alberta in the analysis of the Crow's Nest Pass grain costs before the MacPherson Royal Commission. A representative of this firm will be available to answer questions and to elaborate on the submission.

Member companies of the Association in the year 1964 produced approximately 1,600,000 tons of medium and low volatile coking and non-coking coals. All three of these mines are located on Canadian Pacific Railway lines and the total production is shipped by rail, there being no markets close enough to make truck shipments. As a result, the total production is captive to Canadian Pacific as defined by Section 336(1).

Sixty percent or more of the tonnage is exported to steel mills and to chemical and gas companies in Japan via Port Moody, B.C., with federal government assistance in the form of subventions. The balance of the tonnage is used almost exclusively in metallurgical operations in Western Canada and the Western United States.

At the present time these companies are negotiating with the Japanese steel producers for long-term, large-scale contracts which contemplate shipments of 3,000,000 tons or more per annum for a ten year or greater period by 1970.

Through these large tonnages and their attendant increased efficiencies and productivity and the lower transportation costs resulting from the use of unit trains and larger vessels, it is the objective of the producers to eliminate entirely the present freight subvention of \$2.75 per ton.

For the purpose of this submission we will confine our observations to Section 336 which deals with the matter of maximum rate control.

We believe that the purpose of this section providing for maximum rate control is good but feel that its provisions are so hedged around by restrictions as to make it virtually worthless so far as low value bulk commodities are concerned. In this regard we wish to register the following objections:

1. *Determination of Variable Costs, Section 336(3)*

This subsection reads in part, as follows:

"In determining the variable cost of the carriage of goods for the purposes of this section the Board shall:—