

attempt was made to see the problems peculiar to each district in relation to changing patterns in the utilization of energy and also in relation to the recession from the high level of economic activity of the past few years. This was the picture:

In western Canada the bituminous coal mines of Alberta and the Crownsnest pass district of British Columbia had lost a large proportion of their former markets through railway conversion to oil-fired and diesel locomotive propulsion. There seemed little hope of extensive new markets in the west itself while oil and natural gas remained in large supply at relatively low prices. Subvention was already available to make the mountain coals competitive in the western parts of Ontario, but to have extended the competitive areas to cover all of Ontario would have required subventions ranging up to \$9 or more per ton. Looking at it another way, in terms of employment provided for coal miners, one day's addition work for a miner, who in this region averages four tons of coal a day, would have needed an expenditure of \$36 in subventions. Another difficulty is that the majority of industrial furnaces in central Canada are designed for somewhat different types of coal. New equipment would be needed to achieve full efficiency with western coals. The hope of new markets obviously lay elsewhere. The Japanese were interested. Negotiations, in which the coal board and the producers were working together closely, were already under way in an attempt to establish a substantial market in Japan.

There is no foreseeable large new market for the Alberta sub-bituminous coals except where very low cost production by strip-mining methods makes their cost per million BTU as low as that of natural gas or oil.

The situation in the Saskatchewan lignite fields was relatively good. Production costs are the lowest in Canada. The price of the coal enables it to be competitive with natural gas in the industrial markets of Manitoba and Saskatchewan. Additional thermal electric plants in Manitoba were being designed to burn lignite, although they might also burn some gas. The existing subvention was adequate to enable a substantial quantity of Saskatchewan lignite to move into Ontario for industrial use.

And the question which follows from that is: if the dominion coal board does not feel a subvention is necessary and in view of the fact their meeting was in January after the freight rate decision, what justification can you give for effecting a subsidy to the lignite coal through a portion of this \$20 million freight subsidy?

Mr. BLAIR: I think my clients would hope the description given of their position would be true, but they would regard it as very optimistic. To answer the other branch of your question, when this report was written it had no reference at all to the fact that subsidy relief might or might not have been given against the most recent freight rate increase. I can only repeat what I have said before, that this industry is not coming here on its hands and knees. Fortunately, it is not in the terrible economic condition of other branches of the coal industry in Canada. However, it is only selling 2.2 million tons per year and if it loses any substantial part of its present market, it is going to go under.

Mr. DRYSDALE: The meeting was held in January, 1958.

Mr. BLAIR: Yes, January, 1958.

Mr. DRYSDALE: And at that meeting which was held in January, 1958, the dominion coal board considered in detail the situation in each of the coal mining areas in Canada.