

Concurrently, the companies have invested more than \$5,000,000 in new equipment since the war.

Mr. Southam has mentioned to me that within recent months a new \$1,500,000 dragline has been installed by one of the companies in the Estevan area. As a result of mechanization and technological improvements, the industry has been able to absorb successive wage increases and has only raised the mine price of coal by 10 cents per ton since 1948. The present mine price averages \$1.87 per ton.

The lignite industry by its vigorous salesmanship and technological initiative has been able to maintain its position notwithstanding the competition of premium fuels in the post war years. Its existence is now threatened by drastic increases in transportation expenses which it is powerless to control.

(c) Freight rates exceed price of lignite coal.

A peculiar and important feature of the industry is that cost of transport to its principal markets exceeds the value of lignite coal. Compared to the virtually constant mine price of \$2.00 per ton, freight rates to the largest market in Winnipeg are \$3.70 per ton for domestic coal and \$3.30 per ton for industrial coal. The latest increase of 22 cents per ton is equal to more than 10 per cent of the mine price.

This latest increase of 22 cents a ton is included in the present rates of \$3.70 and \$3.30, which I have quoted.

3. Lignite picture good if industry survives.

Expert studies, such as The Gordon commission report, agree that the outlook for Saskatchewan lignite is satisfactory. It is a low cost fuel located near industrial markets. Of particular importance, is the growing demand for thermal power. Saskatchewan lignite is in a position to satisfy the demand of large thermal power stations, erected or to be erected by Manitoba hydro at Brandon and Selkirk. If transportation costs can be held in check, lignite could supply the thermal power in these installations in preference to natural gas. On the other hand, even though the long term demand for lignite might be assumed to be satisfactory, it will avail little if the producing companies are not able to maintain their present markets and to survive to enjoy it.

4. Competition of natural gas.

Since the greater part of the lignite market is industrial, it is extremely vulnerable to the competition of natural gas. It is a well-known feature of the natural gas industry that gas is offered for sale at low prices for industrial users in order to build up volume in a new natural gas pipe line or distributing system. As and when higher priced domestic markets are developed, low prices gas ceases to be available for industrial users. All proper steps should be taken to prevent the lignite industry from being destroyed by the initial competition of natural gas so that it can survive to enjoy the brighter future which expert opinion predicts is in store for it.

Already some large accounts have switched from lignite to natural gas. As an example, one paper mill representing something like 5 per cent of the industry's total production, has been lost. The industry could not survive many losses of this order. While the lignite industry is fighting to maintain its position, its competitive strength is gravely weakened by uncontrollable increases in transportation cost. The last 22 cents per ton increase is the equivalent of almost 2 cents per mcf of natural gas.

I may say in the Winnipeg-Brandon area natural gas is being offered to industrial users at about 30 cents per thousand cubic feet.