

Conclusions.

The lignite industry has been able to maintain its business and its solvency notwithstanding all the problems which have beset the coal industry in post-war years. Until now the industry has received no relief against the inequalities created by the application of flat per ton increases against its low-priced product moved over short hauls. In addition, the industry has not received any substantial assistance by way of subvention, comparable to that given to other branches of the Canadian coal industry. The lignite industry is now faced with the competition of the natural gas industry which is seeking to build up its volumes by quantity sales at low prices to industrial users of lignite. The competitive position of the lignite industry has been undermined as a result of the heavy increases in transportation charges which it has had to pass on to its customers. At this critical time the lignite industry perhaps stands more in need of relief against freight rate increases than almost any other industry in Canada. It is therefore respectfully submitted that it should be accorded relief under the Freight Rate Subsidy Act, equivalent to that proposed for shippers paying ordinary class and commodity rates. Thank you.

The CHAIRMAN: Gentlemen, you have heard the brief. Have you any questions to ask the witness?

Mr. DRYSDALE: Mr. Chairman, I notice that it says on page 6 of the brief that subventions do not apply to major lignite coal movements. Why are the subventions only applied to 275,000 out of 2,200,000 tons?

Mr. BLAIR: I do not know the policy reason, but the fact is that on movements of western coal the subvention only applies to coal which crosses into Ontario, and then it is a payment of \$1 per ton or 20 per cent of the freight rate, whichever is the lesser.

Mr. FISHER: Which pulp mill is it that has switched to natural gas?

Mr. BLAIR: The new pulp power unit at Dryden.

Mr. FISHER: Have you ever been able to get down as far as the lakehead in recent years with your lignite coal in competition with coal coming up the other way?

Mr. BLAIR: No, we have not. The closest we are to the lakehead is Fort Frances.

Mr. FISHER: Have you ever made an estimate of how much help it would give you if this particular subsidy applied to you?

Mr. BLAIR: Very roughly. We have a movement of 2,200,000 tons and the freight rate increase amounted to 22 cents per ton; so that if all of that was given back, it would be approximately \$484,000. If half of it, it would be \$242,000, and so on.

Mr. FISHER: Are there any of the people who take your lignite who have any agreed charge arrangement with the railways?

Mr. BLAIR: Yes. We have several agreed charges in effect. One of the most important is the agreed charge recently negotiated to Fort Frances.

Mr. FISHER: Is there any possibility of that particular arrangement being extended and so obviate the need for this subsidy?

Mr. BLAIR: Yes. There are negotiations in progress between the railways, the companies, and some of the companies' customers.

Mr. FISHER: Are the agreed charges which have been made below the rate that generally applies?

Mr. BLAIR: Yes, the agreed charge to Fort Frances is well below the ordinary rate.

Mr. FISHER: Has there been an indication from the railways that the agreed charges compensate them for the haul?