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COAL ROYALTIES AND MINERS' WAGES

The renewal of acute tension in the coal mining industry and the announcement that the Government intends to introduce legislation for the unification of mining royalties makes opportune an examination of some of the problems of this basic industry.

The last comprehensive investigation was that made by the Royal Commission on the Coal Industry (1925).

At that time the annual output was 244 million tons, valued at £250,000,000. Of this quantity 69 million tons was exported, and formed one-tenth in value and four-fifths in volume of the country's exports.

Of the 175 million tons available for home consumption about one-eighth was used in the coal mines themselves or for miners' coal, one-twelfth was used on the railways and as bunkers for coastwise vessels, one-third was used for domestic consumption and for making gas and electricity, and the remaining eleven-twenty-fourths were used mainly for manufacturing and industrial purposes, of which the largest was the making of pig iron.

The number of persons employed in the industry was 1,102,000.

In 1933 the saleable coal raised had fallen to 200,163,000 tons of which 184,895,000 tons were disposable commercially. The average cost of procuring this coal amounted to 13s. 3·76d. per ton of which 8s. 9½d. represented wages. The average price realized was 13s. 6·59d. per ton. Losses were experienced in Scotland, Northumberland, Durham, and South Wales. The credit balance for the whole industry was £2,177,000 or an average of 2·83d. per ton. Royalties amounted to about 5½d. per ton. The number of workpeople employed had fallen to 737,326 and earnings per shift to 9s. 1½d.

The aspiration of the miners for higher wages and better conditions of employment meets with general sympathy, both because of the dangerous and arduous nature of the work and of the isolation, poor housing conditions, and general lack of amenity characteristic of so many mining villages. As the commentator of the British Broadcasting Corporation expressed it in his summary of the recent Parliamentary debate, all the speakers were agreed that the miners should have higher wages. All were agreed that this could only be obtained by an increase in the price of coal, but that the price of coal for industrial purposes should not be raised and particularly the price of export coal.

The importance of the export coal trade will have been made apparent by what has already been said, and especially its importance to the shipping industry. The export trade is, however, already indirectly subsidized through reductions of railway freights under the de-rating legislation of 1929, and shipping is receiving Government assistance in various ways. It is therefore difficult to believe that even the present Government would assent to the suggestion that the export trade should be still further subsidized. Such a policy, apart from its intrinsic demerits, would be doubly difficult to defend at a time when British manufacturers were required to pay more for coal, for it would be virtually a subsidy to their foreign competitors.

If the funds to provide an increase in wages are to come from an increase in the price of coal consumed in this country, it is difficult to see how an increase in the price of coal for industrial purposes can be avoided. Coal for domestic purposes is not a sufficient portion of the total to be able to bear the whole burden, even if coal used for gas and electricity be included.

Now let us see what bearing, if any, the Government's proposals have upon this problem. There is no mystery about what unification of royalties means. The Attorney-General has stated that it is the purchase by the State from the royalty owners of their rights. It does not mean the nationalization of the industry of mining, for that is for the most part carried on by colliery proprietors, companies or individuals, who pay royalties for the right to work the mineral. But it would no doubt include the nationalization of coal that is not under lease.

The argument in favour of nationalization of royalties is that it is necessary for securing a reorganization of mining on a more efficient and less wasteful basis. The ownership of minerals is usually vested in the owner of the surface. The planning of mines is therefore unduly determined by the accident of how the ownership of the surface is divided instead of by the geological distribution and physical features of the seams. The colliery may be unable to make terms with some owners, and quantities of coal may be left unworked which could most economically have been worked with adjoining deposits. It is stated that on the average each mine has to obtain leases from no fewer than five mineral owners. In addition it may be necessary to get way-leaves, either underground or on the surface, in order that the coal may be transported. Other difficulties concern the barriers of coal left between different properties, rights of support for the surface, and systems of drainage.

Another argument quoted by the 1925 Commission is " that the payment of large annual sums to individuals in respect of a purely natural product, the mineral itself, is wrong in principle." So far as those who advocate buying out royalty owners are concerned, this is a purely sentimental argument. If it were proposed to confiscate such rights, this would be a serious argument. The Miners' Federation has expressed the view that no compensation should be paid for mineral rights, but if legislation is passed in the present Parliament for dealing with this matter that view will not prevail. Indeed, if we may judge by the late Parliament, it is likely that the compensation will be upon an unduly generous or extravagant scale.

The 1925 Commission estimated that royalties and underground wayleaves amounted to £6,000,000 per annum, and that the purchase price of these and of minerals not in lease would be £92,000,000, or say in round figures £100,000,000. This estimate would have to be revised now in the light of the fall in interest rates which has since taken place and which has increased the number of years' purchase of fixed incomes of all kinds.

Although the estimate has the high authority of the then chief valuer of the Inland Revenue, it is open to question upon other grounds. Leaving aside coal of which the existence in workable quantities is problematical and coal lying at a depth exceeding 4,000 feet (both of which categories the Commission proposed should be vested in the State without compensation), the latest estimate of actual coal reserves is over 130,000 million tons. One can easily see the plausible arguments which will be brought forward to prove that much of this has an immediate value.

The Commission itself pointed out some of the dangers. The indiscriminate purchase of minerals was not advisable, it considered, for that would involve the buying of mines likely to close down. Elaborating this argument, it may be pointed out that the amount of royalty and the duration of the lease are no test of the value of the royalty owner's rights, for what he will receive depends upon the quantity of mineral and the rapidity with which it is worked. If the available supply of mineral is less than was anticipated, or if the royalty has been fixed at an amount which proves excessive, the mine may be abandoned, and the royalty cease to be paid. On the other hand, if there is a " dead rent " payable irrespective of the amount of the output, the lessee may be compelled to pay this so long as he is solvent even although he cannot exploit the mine at a profit.

These and other circumstances indicate that it is impossible to fix a fair price to be paid to any royalty owner without an exhaustive examination of the circumstances of each individual case.

The 1925 Commission pointed to the danger that inequitably high values may be set upon the properties acquired, and recommended that the principle should be laid down by statute preventing " a higher value to be placed upon the properties for purchase than would be placed upon them for taxation." This is an attractive idea, but in practice it would be found to be illusory. The only capital tax which is levied in this country are the death duties. As these are only levied upon the death of the proprietor, it would be no deterrent to him to say that the value he asks would be adopted for death duty purposes, unless the State abandons all idea of immediate purchase in most cases and is prepared to wait indefinitely the result of a gamble with the proprietor as to whether he will die before the State decides to acquire his property. Such a course is not practical politics. In addition it is becoming more and more common to vest the ownership of land in companies which never die and are never liable to pay death duties.

If some kind of annual taxation were to be introduced based upon the value of mineral properties, and no general measure of purchase were embarked upon, then indeed there might be an effective check upon excessive prices by comparison with valuation for purposes of taxation. But as things now are there can be no real check. No general standard can be laid down. The price in each case will be the result of bargaining in private, or of that kind of public quasi-bargaining which results from arbitration over land prices. An indication of the complexity of the transaction may be gathered from the fact that in 1925 there were 1,400 colliery undertakings leasing or owning 2,500 mines. The number of royalty owners is in the neighbourhood of 4,000.

The price of acquisition, even if one approves of the policy, is of vital importance, for if it were excessive it might easily annul any benefit expected from unification. This consideration has added importance when it is remembered that 60 per cent of the coal output comes from mines the principal leases of which will not expire until after 1950. Reorganization in these cases must be postponed or can only be achieved with the consent of the lessees, with whose position it is apparently not proposed to interfere, for that would raise the whole question of nationalization of the mining industry in addition to that of royalties.

In considering the economic consequences of the proposal it is also necessary to envisage the principles upon which the State would manage its property. Evidently the first principle is that the State should in every new contract for the exploitation charge a commercial royalty ; in other words, that royalties should be determined by market value, by what lessees were prepared to pay. If it did not do so, the State would in fact be making a present of public property to the colliery proprietors. Moreover, the State could not in equity charge less for new leases than was charged under existing leases. Further, as the compensation to be paid will at the least be equal to the market value (and may be much more) the royalty could not be based on less than market value without throwing a burden upon the Exchequer, and therefore upon the people generally.

It cannot be anticipated that this transaction could in any reasonable period be of any benefit to the general taxpayer, and it might be a considerable burden.

So far as colliery proprietors are enabled to obtain leases of coal at present held out of use, or are enabled to plan the development of their undertakings upon lines determined by the technical aspects of the problem, they will benefit. But the benefit will be gradual and can only reach its maximum after many years when the majority of existing leases have expired.

It is also necessary to inquire whether the consumer will benefit. If the reorganization and improvement in efficiency of production were general and decided, it may be anticipated that prices would be reduced. In the first stages, at any rate, it is more likely that the benefits will go to particular collieries whose output will not be large enough to affect the price level and who will continue to charge about the same prices and pocket any advantage to be gained from lower costs.

This brings us to the position of the mine workers. If the nationalization of royalties brought about an immediate improvement in the earnings of collieries generally, the collieries would certainly be in a better position to pay an increase in wages. But if, in fact, the immediate benefits are comparatively small and confined to a minority of collieries, the demand of a general increase in wages will not be facilitated.

One is therefore driven to the conclusion that the benefit is likely to go in the main to colliery proprietors, while it is highly probable that the taxpayers will have to make up a deficiency between the interest payable on the bonds given to the royalty owners and the royalties receivable by the State.

It is rather remarkable that the most influential advocates of nationalization of royalties in recent years have been colliery proprietors, and they have advocated it for their own benefit, not from any vague motives of altruism.

As far as an increase in wages for the miners is concerned, we are driven back to the melancholy conclusion expressed in the recent Parliamentary debate, that it will have to come out of an increase in prices if the Government has no other proposal than " unification of royalties."

To return to the problem of royalties, we must not confine ourselves to negative criticism of the Government's proposal. The evils of the present system of private ownership are undoubted, and they call for a remedy. That remedy would be better found in a direct application of the principle of the right of the people to the natural resources of the country by requiring the owners of minerals to make to the public some payment proportionate to the value of the minerals they hold and irrespective of whether they were worked or not.

Such a measure would involve no cost to the Exchequer, but would on the contrary benefit the revenue to the precise extent that the principle was applied. It would immediately bring pressure to bear upon the obstructive mineral owner, for the price that he had refused for the right to work the minerals or for wayleaves or other easements would be a factor in computing the valuation upon which his contribution was based.

Such a measure would be different to the existing mineral rights duty which is merely a levy that takes some part of the revenue derived by the owners from worked mineral, but which does not put the slightest pressure upon the obstructive owner who prevents the mineral from being worked.

Such a measure would be in accord with the expressed objection of the Miners' Federation to the payment of compensation to royalty owners, but it is capable of a moderated and gradual application of which State ownership of minerals is not capable. On the other hand, the Government's proposals are more calculated to defeat the real objectives of the miners and the interests of the community at large.

Nevertheless, the revenue which would accrue to the State by such a proposal could not be regarded as a perquisite either of the miners or of the colliery proprietors. This view the miners have expressly recognized in the evidence given on their behalf by Mr Tawney to the Commission of 1925. The revenue to be derived from minerals, as from all other natural resources, should be regarded as the common heritage of the whole people. This has an important bearing upon the problem of raising the wages of miners without injury to other workers. From the postulate that royalties cannot be diverted to increase wages the conclusion is drawn that the only way to raise wages is to increase the price of coal—in other words, to subsidize the miners at the expense of all consumers of coal and particularly all other workers. It is important also to consider whether the price of coal can be raised permanently without a tariff on coal, and if that is so all the evils of tariff mongering will be introduced into this industry.

Moreover, an increase in the price of coal is likely to diminish to some extent the demand for coal, and therefore to throw a certain number of miners out of employment. The gain to those who remain in the industry will therefore be in part at the expense of those displaced from it. Some measure which will open up opportunities of employment for labour generally, as the taxation of land values will, is therefore vitally important to the miners' case, because it provides for their displaced comrades without injury, and indeed with benefit, to other workers. In addition, as we have shown above, it bears directly upon the fundamental disharmony of the mining industry arising from the arbitrary and uncontrolled power of the royalty owners. Finally, the taxation of land values with corresponding remission of taxation now falling upon foodstuffs and other commodities and upon housing would bring about a general reduction in the cost of living, which would mean an increase in the real wages of both the miners and all other workers.

An increase in miners' wages does not necessarily involve an increase in the price of coal. It is undoubtedly the fact that the present system leads to more exploitable seams being held out of use while less exploitable ones are worked, and to undue expenses of working owing to uneconomic units of exploitation. The underlying idea in unification of royalties is sound, although the proposed method of achieving it is open to the grave criticisms outlined above.

The direct pressure of land-value taxation would lead to more productive seams being worked. The competition of coal from these would put pressure upon the colliery proprietors to adopt better and more efficient methods, while giving them better bargaining power to obtain from the landowners the facilities which they required for more economic exploitation. It is therefore certain that the miners could in this way obtain higher wages without an increase in prices and without the restriction of production which is the necessary corollary of an increase in prices.

Measures which are directed solely to improving the conditions of a particular industry are always open to the gravest suspicion, for they almost invariably result in that advantage being gained at the expense of other industries. What is wanted is something that will open up opportunities of employment and raise wages in all industries. The nature of the miners' work commands special sympathy for them, but there are other industries in which wages are dreadfully low and in which unemployment with total loss of wages is even greater. So long as we maintain a social system which enables natural resources of all kinds to be held out of use, unemployment and low wages must persist. Under such a condition an increase in wages for some must be at the expense of other workers. Even if it were granted that some special measure of alleviation is required for the miners, they will weaken their own chances and those of all other workers of achieving complete emancipation unless they unite with them in pressing for general measures which will benefit all workers alike. The fundamental measure of that kind is the taxation of land values, and it deserves the particular attention of the miners because of its direct and powerful bearing upon their problems.

F. C. R. D.

Mr H. C. Charleton, M.P., who secured second place in the ballot for private members' motions, gave notice on 5th December that he proposed to move a resolution dealing with the rating of land values. The motion was subsequently withdrawn in favour of a motion by Mr Shinwell calling attention to the condition of the distressed areas. It is understood that the Labour Party will seek an opportunity at an early date to raise again the subject of land values.

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Replying to a question in the House of Commons on 11th December by Mr George Oliver, the Member for Ilkeston, who asked whether the Minister of Health had received resolutions from the Urban Councils of Heanor and Ripley with respect to reform of the rating system, Mr G. H. Shakespeare (Parliamentary Secretary) said: "The resolutions have been received. It is not intended to introduce legislation to give effect to the suggestions which they contain for the rating of land values."

Mr J. R. Leslie (Lab.) in the debate on the Address, 4th December: "Mention is made in the King's Speech of the unification of mining royalties, whatever that may mean. Royalties are an anomaly that ought to have been swept away long ago. Landlords sit tight, pay nothing and reap a rich toll at the expense of the industry.